



STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
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RYAN STEWART, ED.L.D.
SECRETARY DESIGNATE OF EDUCATION

MICHELLE LUJAN GRISHAM
GOVERNOR

Analysis of Renewal Application and Site Visit

21st Century Public Academy

School Address: 4300 Cutler Ave NE, Albuquerque, NM 87110

Head Administrator: Mary Tarango

Business Manager: Zach Kirchgessner

Authorized Grade Levels: 5-8

Authorized Enrollment Cap: 400

Current Enrollment: 331

Contract Term: July 1, 2015 through June 30, 2020

Mission: It is the mission of 21st Century Public Academy to continually search for positive learning experiences that enrich students and staff. Whenever possible, these lessons will take place in the arena in which they are practiced

PART A:	<p>Data analysis provided by CSD is attached Please see Part A - Summary Data Report based on accountability and reporting data from Current Charter Contract term</p>
PART B:	<p>Progress Report provided by the School is attached Please see Part B for the school’s self-report on the progress of meeting the academic performance, financial compliance and governance responsibilities of the charter school, including achieving the goals, objectives, student performance outcomes, state standards of excellence and other terms of the charter contract, including the accountability requirements set forth in the Assessment and Accountability Act during the Current Charter Term.</p>

The PED team reviewed the school’s Part B (Progress Report) and conducted a renewal site visit on November 5, 2019.
Ratings are based on the rubric provided in the application.

Section	Indicator	Final Rating
ACADEMIC PERFORMANCE		
1.a	<p>Department’s Standards of Excellence— A-F School Letter Grades Schools that have maintained a C or better letter grade over the term of the contract <u>AND</u> have not earned a D or F in any <u>indicator</u> of the letter grade in the past two years do <u>NOT</u> complete this Section. Overall NM School Grades SY16 - SY18: B, B, and C Lowest Performing Students: D in SY17 and SY18 Current Standing: D in SY18</p>	<i>Demonstrates Substantial Progress</i>
1.b	<p>Specific Charter Goals Schools that have met all of their school specific goals in each year of the contract term do <u>NOT</u> provide a narrative.</p> <ul style="list-style-type: none"> • Goal 1 - School will meet or exceed the WebEPSS goal for Reading at 52.3% as determined by the SBA scores and track and refine instruction based on the short cycle assessment data. Rating for SY19: Meets • Goal 2- School will meet WebEPSS goal for Math at 45% as determined by the SBA scores and track and refine instruction based on the short cycle assessment data. Rating for SY19: Meets • Goal 3 - School will arrange for a minimum of 20 OSI's per grade level that support the curriculum and will document Common Core Standards addressed in each OSI. Rating for SY19: Meets • Goal 4- School will work with parents to improve the attendance rate to 95%. Rating for SY19: Meets • Goal 5 - School will utilize student mediation as a means to promote empathy, understanding and to generate an atmosphere of acceptance and fairness. Rating for SY19: Meets 	<i>Meets the Standard</i>

FINANCIAL COMPLIANCE		
2.a	<p>Audit Schools that have received no material weakness, significant deficiency, or repeat audit findings in each of the annual audits during the term of the contract do <u>NOT</u> complete this Section.</p> <p>During FY16-FY18, the school had thirty-five (35) audit findings, including four (4) repeats and fourteen (14) material weaknesses and significant deficiencies.</p>	<i>Failing to Demonstrate Substantial Progress</i>
2.b	<p>Board of Finance Schools that have maintained all Board of Finance authority during the entire term of the contract do <u>NOT</u> complete this Section. If required to complete this section, provide a narrative explaining the actions taken (improved practices and outcomes).</p>	<i>Meets the Standard</i>
CONTRACTUAL, ORGANIZATIONAL, AND GOVERNANCE		
3.a	<p>Material Terms All schools must provide a response for this section of the application.</p>	<i>Meets the Standard</i>
3.b	<p>Organizational Performance Framework Schools that do not have any repeated “working to meet” ratings or any “falls far below” ratings on the most recent organizational performance framework evaluation do <u>NOT</u> complete this Section.</p> <ul style="list-style-type: none"> • Liquidity • Total Audit Findings • Repeat Audit Findings • Classification of Audit Findings • Exceptions from Site Visit • Financial compliance • GAAP • Background Checks 	<i>Demonstrates Substantial Progress</i>
	<p>Any OCR complaints or formal special education complaints, identify those, provide all communication related to those, and describe the current status in Appendix, referenced in narrative by name. List complaints</p>	<i>None Known</i>
3.c	<p>Governance Responsibilities All schools must provide a response for this section of the application.</p>	<i>Meets the Standard</i>

PART C:	<p>Financial Statement is attached A financial statement that discloses the costs of administration, instruction and other spending categories for the charter school that is understandable to the general public that allows comparison of costs to other schools or comparable organizations and that is in a format required by the department.</p>
PART D	Affidavits for Petitions are attached

	<p>1. A petition in support of the charter school renewing its charter status signed by not less than sixty-five percent of the employees in the charter school, with certified affidavit. Number: <u>27</u> Percentage: <u>93</u> %</p> <p>2. A petition in support of the charter school renewing its charter status signed by at least seventy-five percent of the households whose children are enrolled in the charter school, with certified affidavit. Number: <u>190</u> Percentage: <u>75</u> %</p>
<p>PART E:</p>	<p>Description of the Charter School Facilities and Assurances are attached A description of the charter school facilities and assurances that the facilities are in compliance with the requirements of Section 22-8B-4.2 NMSA 1978.</p>
	<p>1. A narrative description of its facilities</p>
	<p>2. Attach <u>X</u> facility plans or ___ the school’s Facility Master Plan</p>
	<p>3. Attach a copy of the building E Occupancy certificate(s) from <u>City of Albuquerque</u> number <u>201721722</u> and <u>201813563</u> <u>Maximum capacity of 876 and 700</u></p>
	<p>4. Letter from PSFA with the facility NMCI Score indicating that the school meets the requirements of Subsection C of 22-8B-4.2 NMSA 1978 The school did not provide a letter from PSFA.</p>
<p>5. Provide assurances that the facilities are in compliance with the requirements of Section 22-8B-4.2 NMSA 1978, including subsections A, C, and D. ___ building is owned by charter school, school district, or government entity; OR <u>X</u> building is subject to a lease-purchase agreement (with APS); OR <u>X</u> school had provided the appropriate assurances form: <input type="checkbox"/> Public (Cert A) <input type="checkbox"/> Private (Cert B) <input checked="" type="checkbox"/> Foundation (Cert C)</p>	
<p>PART F:</p>	<p>Prior Amendment Requests none known</p>
<p>Interviews</p>	<p>A summary of the Stakeholder Interviews is on the following page.</p>
<p>Other Appendices</p>	<p>The school provided additional appendices, including those that are required for local charters converting to state charters, which are also attached.</p>
<p>School’s Response</p>	<p>The school may provide a narrative response to this analysis, which is due no later than November 25, 2019. The response should be uploaded to the Web-EPSS 2019-2020 PEC Renewal Application AND sent via email to charter.schools@state.nm.us.</p>

Stakeholder Interviews

Stakeholder interviews were conducted on November 5, 2019 at The 21st Century Public Academy. The participants included three (3) parents, four (4) students, two (2) Governing Council members, and three (3) staff members.

Parents all agreed that they preferred the smaller class setting at the school. The OSI (out-of-school instruction) is a big part of the school's mission, along with community outreach, as well as preparedness to interact within one's community are just some of the reasons named for choosing the school. The parents stated that this year there are more after school activities for the kids, which was not the case last year. The majority of the parents felt that the school did a satisfactory job in overall communication with parents. However, one parent felt that communication from the school could use improvement, specifically regarding grades of the students. Parents like the community feel, as well as the use of OSI time to coordinate lessons across the board in all subject matters.

Overall students had great things to portray about their school. They all enjoy the OSI trips and how they interact with everyday learning. They also enjoy going out into the community and visiting new places to which they would not normally go. Also during the OSI visits, the students learn how to navigate the public transportation system via city busses. One student expressed how the school helps them "keep a positive attitude throughout the school year" and another mentioned how "exciting" it was to learn here at the school. Students feel challenged by their academics, but not overwhelmed and stated that they have the help they need available to them if necessary. Students also feel challenged above and beyond what they are capable of, however in a good way. The consensus among the students was they did not agree with the "global punishment" policy currently used by the school.

The board members interviewed had ties in some way shape or form to the school, such as one board member's grandchildren had previously attended the school, while another was the founder of the school. The present board members spoke highly of the CEO of the school, Ms. Mary Tarango. The board is aware of the school's weaknesses and the many financial audit findings in its previous year. Since the findings, the board has taken on several professional development trainings surrounding school finances. They believe they are now more diligent and have a better understanding of finances, processes, policies, and procedures. The board discusses academic performance at every meeting, as well as where their students are in comparison to the district and the State. The finance committee meets prior to every regular board meeting to go over financials. Because of the school's most recent financial audit woes, the finance committee meeting is "very in depth" and "very critical" of everything they review, going line by line, then ultimately it gets presented to the entire board shortly thereafter.

Several reasons why teachers chose the school were, the OSI mission was appealing, not being forced to use any particular curriculum or scripted lessons, being able to teach a lesson in the classroom and then go out into the real world to show students and experience it first-hand. One teacher admittedly did not know much about the school when she was hired, however was pleasantly surprised by the supportive environment, staff, and had an amazing mentor here as a first year teacher. While teachers wanted more funding for classroom supplies and resources such as a lamination machine, they also do understand this is often a struggle of most, if not all, charter schools. The teaching staff also would like to see a special education teacher or special education assistant for each grade level. Teachers felt a level of collaboration amongst themselves and the administration. They feel their opinions matter and that they are heard. At the last staff meeting, they discussed how teachers can use MAPS data to differentiate, use data to set goals and to help students to take ownership of their learning. Teachers plan on doing this by explaining to the students how and why we use the data. Overall teachers support each other and feel the freedom to voice their opinions and concerns freely. While they feel lacking in some areas, they pull together to give the students the best.



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Part A: Preliminary Data Report and Current Charter Contract Terms

**21st Century Public Academy
November 2019**

SECTION 1. ACADEMIC PERFORMANCE

State and federal statute mandates accountability for all public schools. In 2011, New Mexico lawmakers enacted requirements that schools demonstrate progress through a grading system similar to that applied to students, A-B-C-D-F. The statute required the governing body of a charter school rated D or F to prioritize its resources toward proven programs and methods linked to improved student achievement until the public school earns a grade of C or better for two consecutive years.

In 2011, New Mexico lawmakers also enacted requirements that each charter school authorizer develop a performance framework to set forth academic performance expectations. The statute requires each charter authorizer to collect, analyze and report all data from state assessment tests in accordance with the performance framework (§22-8B-9.1 NMSA 1978).

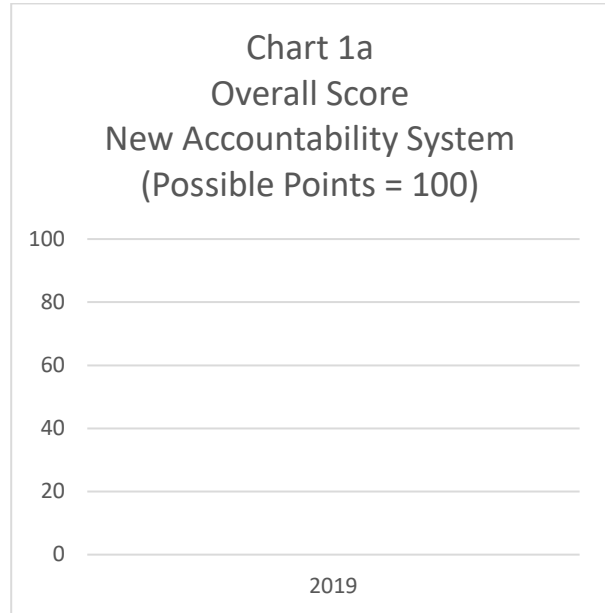
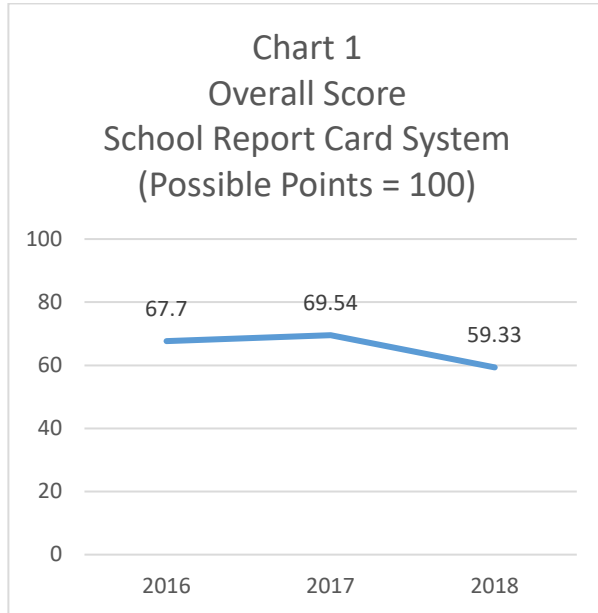
Each school in New Mexico has been included in one of two School Grading systems, either for elementary/middle schools or high schools. Although total possible points for either scheme add up to 100 in which points earned determine a school's letter grade, the two grading systems have different point allocations and components. *Charter schools are held to the same standards and calculations as regular public schools.* In addition, schools could earn up to five additional or *bonus* points for reducing truancy, promoting extracurricular activities, engaging families, and using technology. The School Grading Report Card also provided school leaders with information comparing their school to schools with similar student demographic characteristics.

In 2019, New Mexico Public Education Department repealed the A-F School Grading legislation and replaced it with the New Mexico System of School Support and Accountability.

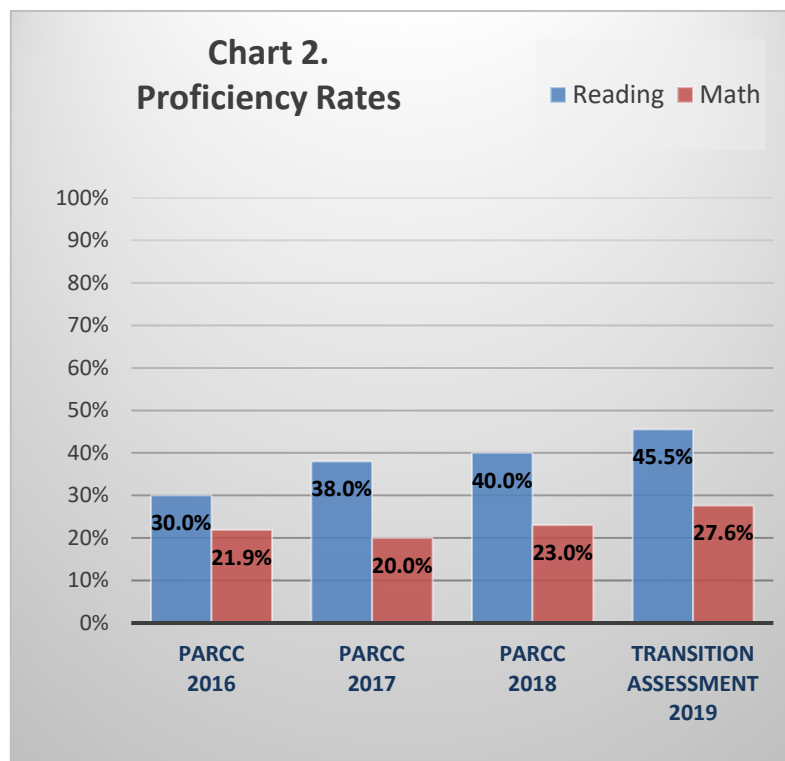
The following pages provide a snapshot of the school's academic performance, including analysis towards meeting the Department's Standards of Excellence for school years 2015-2016, 2016-2017, and 2017-2018 (under the A-F Grading System). **This report will be supplemented with information for 2018-2019, from the new State System of School Support and Accountability, once the reports are released.**

1a. Department's Standards of Excellence

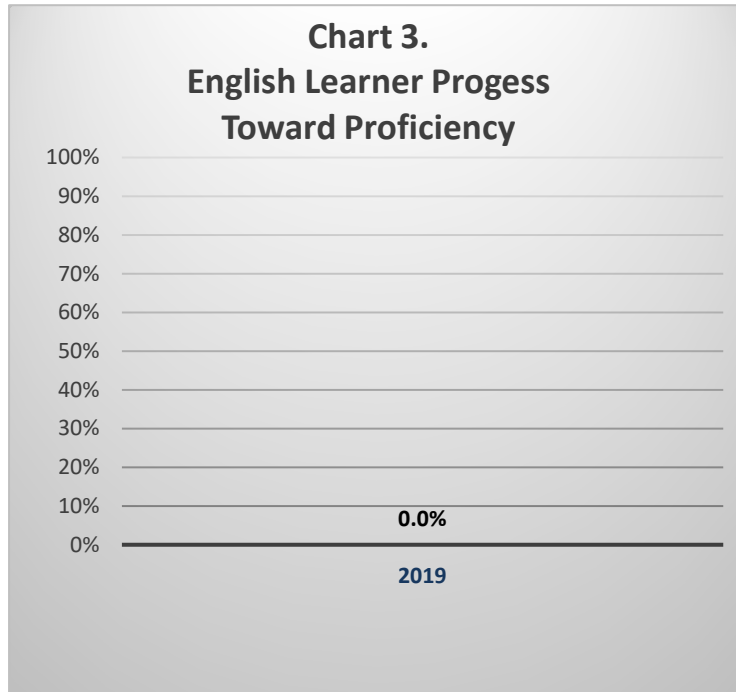
Overall Standing: Charts 1 and 1a illustrate the school's overall score (out of 100 possible points) in each of the last 4 years (FY2016-FY2019).



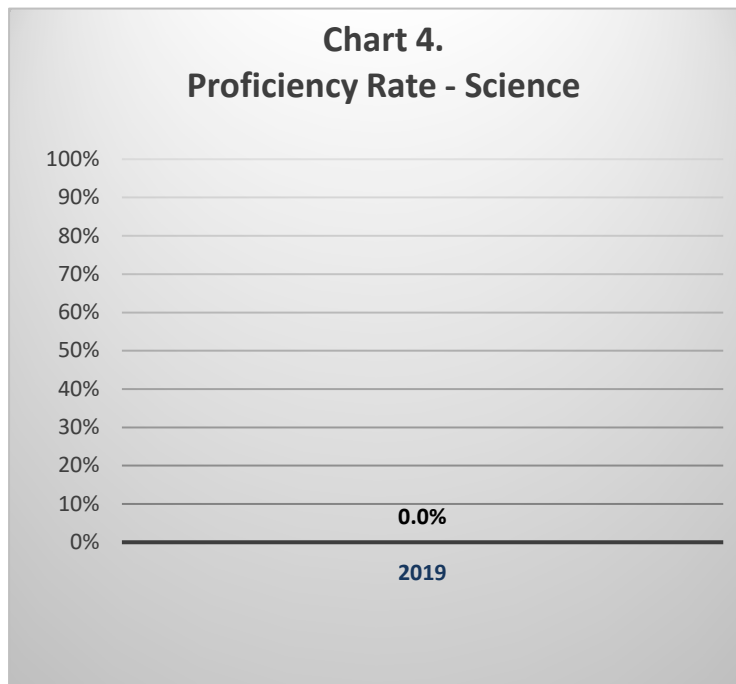
Proficiency Rates: Chart 2 shows the school's proficiency rates in **reading and math** during the four (4) year period.



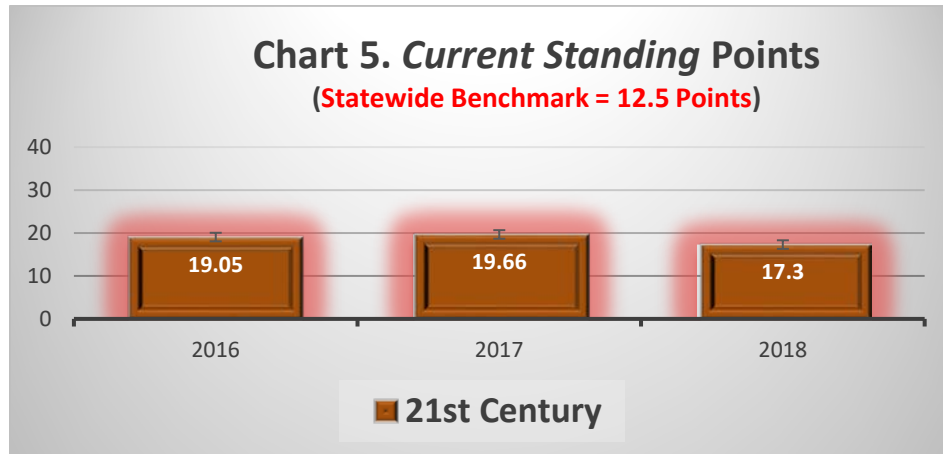
English Learner Progress Toward English Language Proficiency: This indicator was added in 2019 and is measured by the WIDA ACCESS assessment given annually to students identified as English Learners.



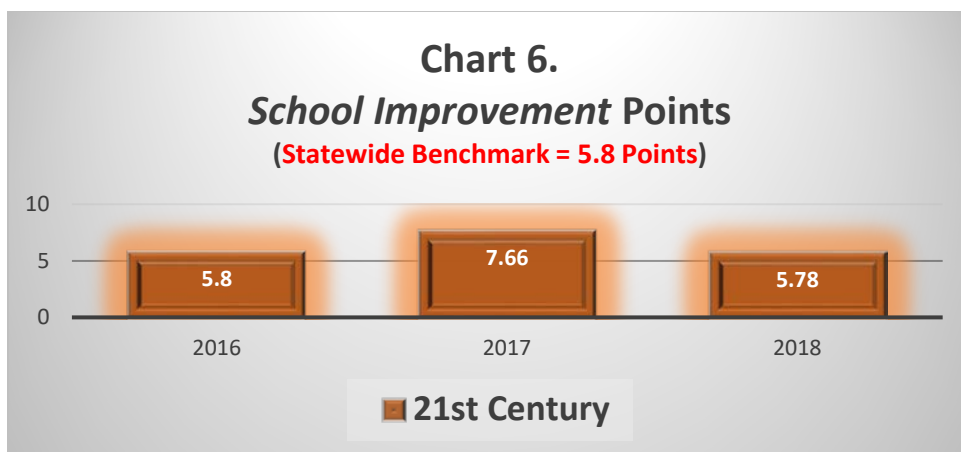
Science Proficiency: This indicator was added in 2019 and Chart 4 indicates the percentage of students who scored at the proficient level on state assessments in science.



Current Standing: Current standing measures both grade level proficiency and student performance, in comparison to expected performance, based on statewide peer performance. The statewide benchmark (established in 2012) was 12.5 points. The school's results for three years are provided in Chart 5. **This measure is not available for 2018-2019.**

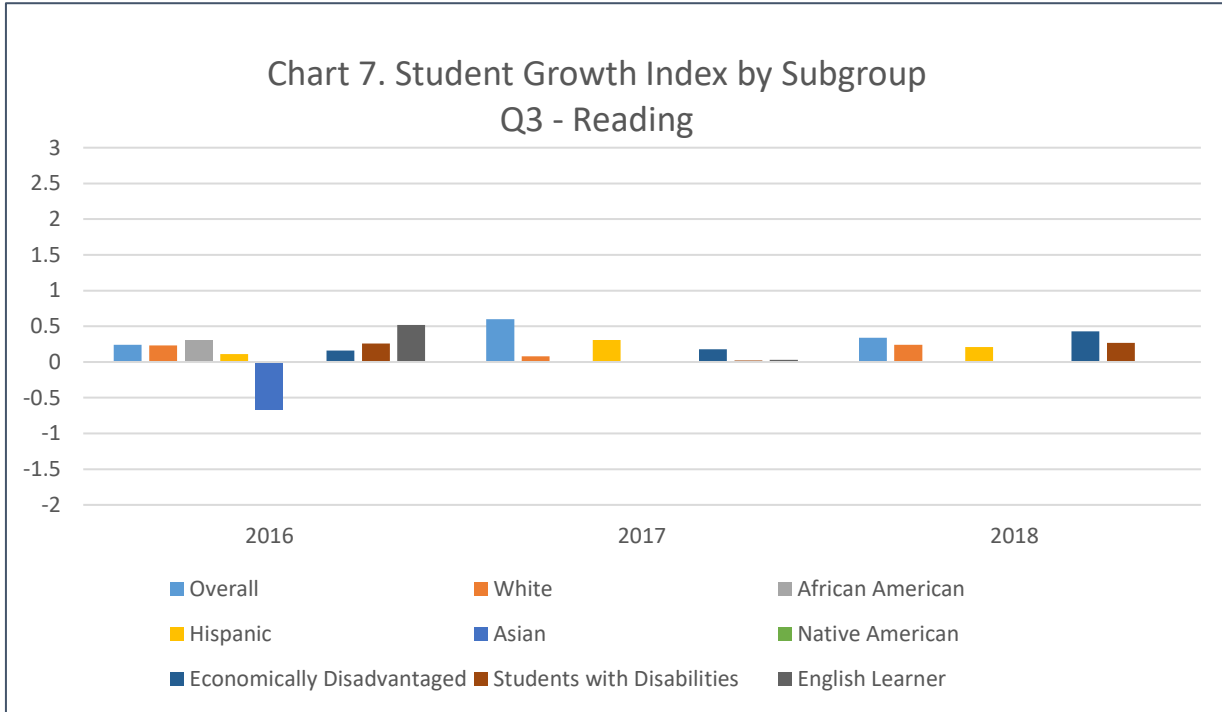


School Improvement: The *school growth/improvement* performance on the School Report compares overall student performance from year to year. Growth can be positive or negative. When it is positive, school performance is better than expected when compared to others schools with the same size, mobility, and prior student performance. Chart 6 shows the school's performance for three years. **This measure is not available for 2018-2019.**



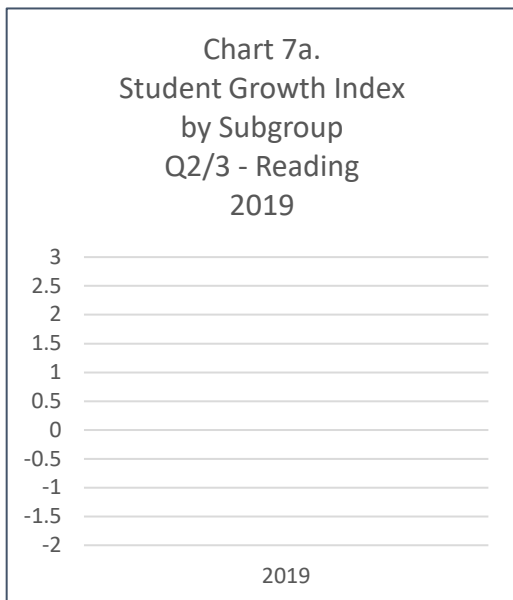
Subgroup – Higher-Performing Students in Reading

SY2016 - SY2018 Q3 Higher-Performing Students (top 75%). This indicator evaluates changes in comparative performance for the school’s higher-performing students (top 75%) for 2015-2016, 2016-2017, and 2017-2018. A growth index of zero (0) indicates expected growth; a positive number is greater than expected and a negative number is less than expected. Subgroups with fewer than 10 students are not displayed in order to mask student identity. **Please note that Q3 was changed to Q2/3 (middle) and Q4 (highest) in 2018-2019.**



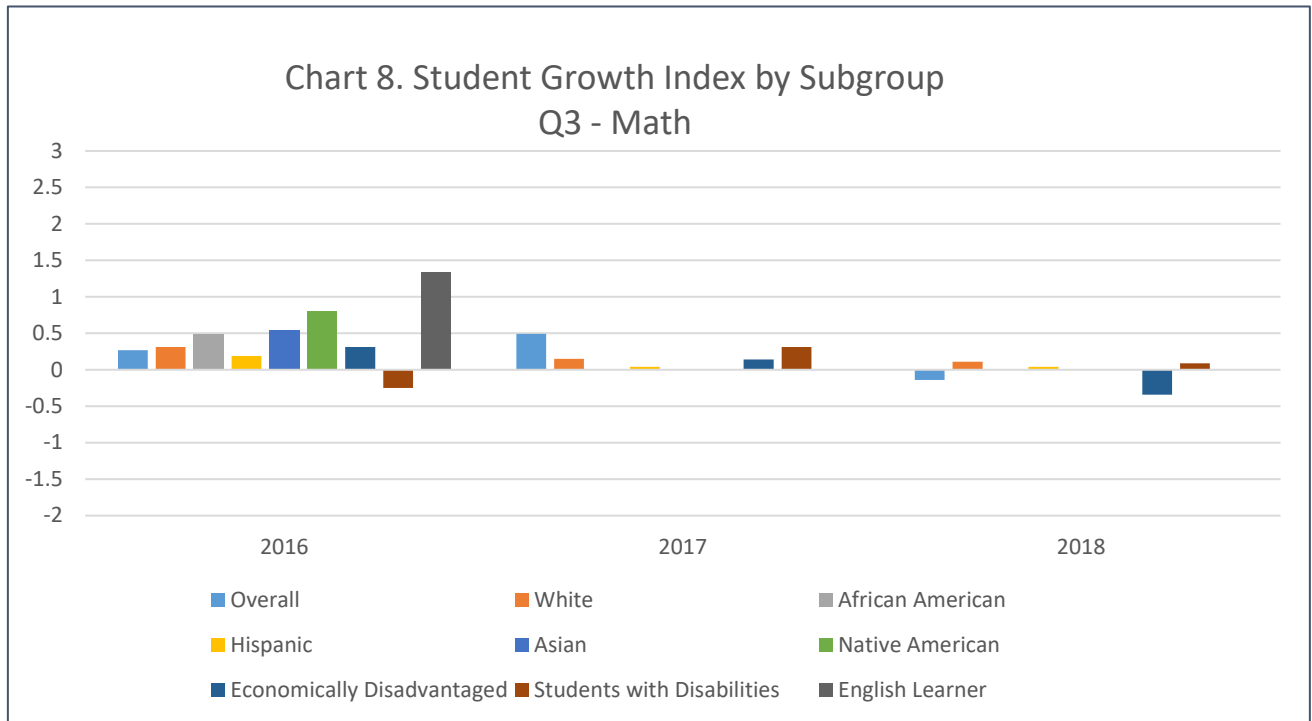
SY2019 Q2/3 Middle-Performing (middle 50%) and Q4 Highest-Performing (top 25%)

Charts 7a and 7b are reserved for the 2019 data for Q2/3 and Q4 in Reading.



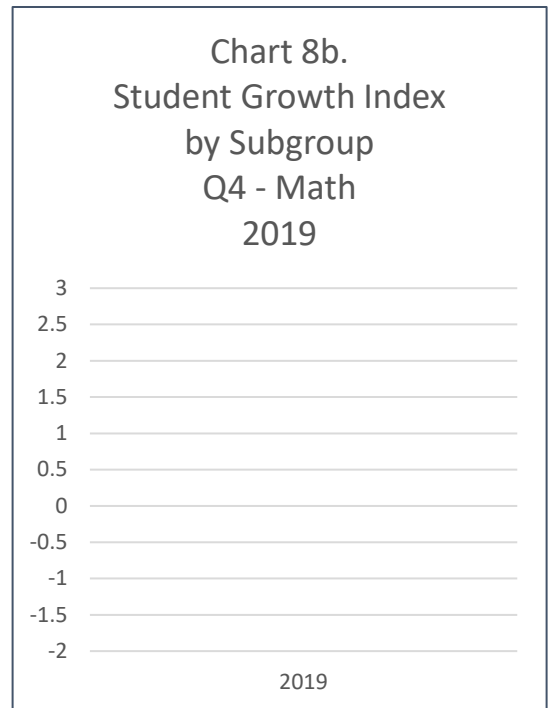
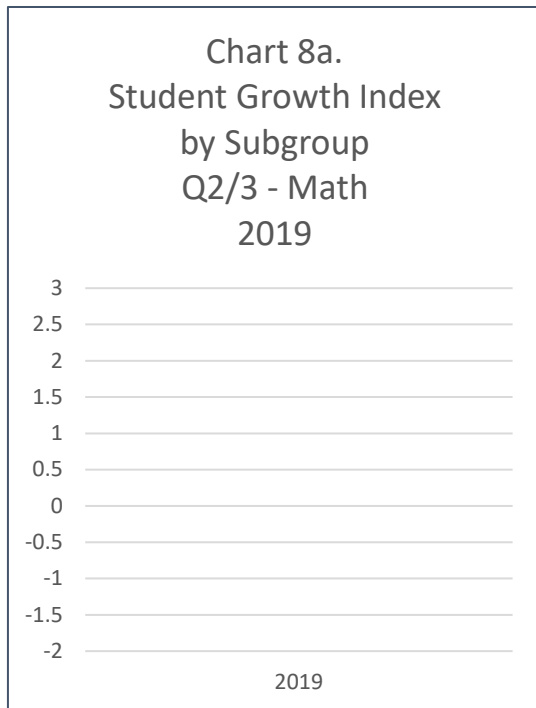
Subgroup – Higher-Performing Students in Math

SY2016 - SY2018 Q3 Higher-Performing Students (top 75%)



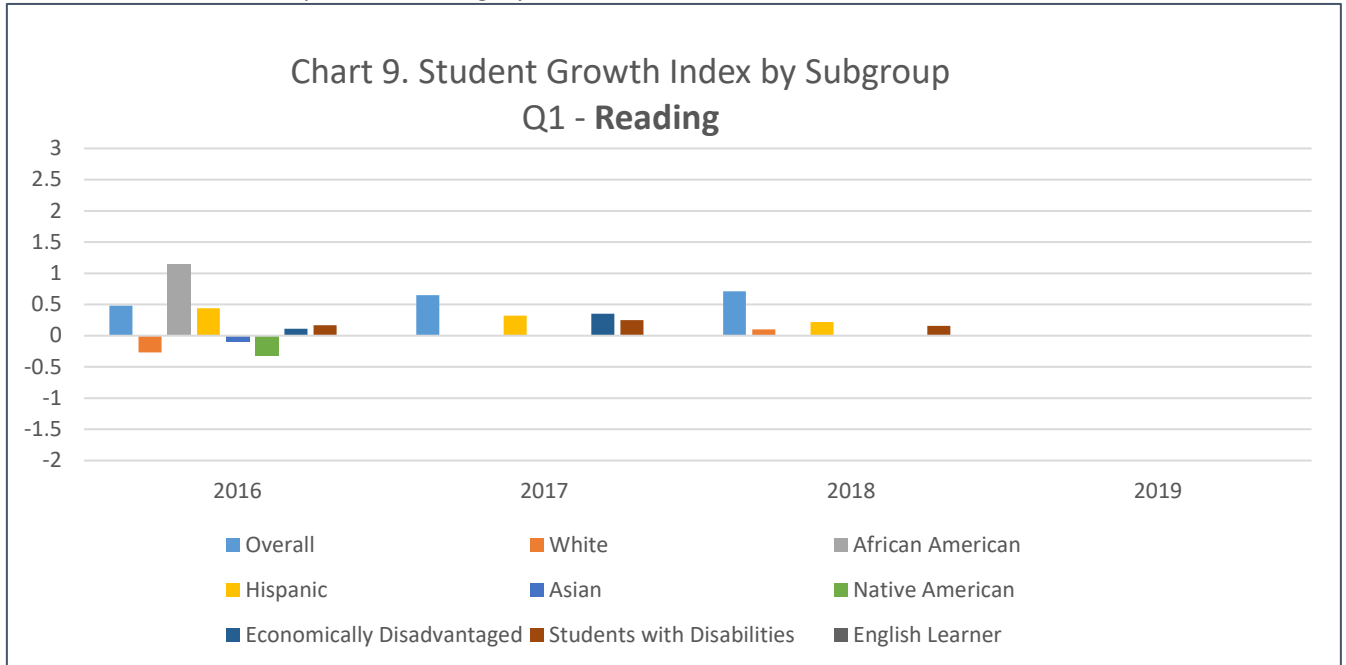
SY2019 Q2/3 Middle-Performing (middle 50%) and Q4 Highest-Performing (top 25%)

Charts 8a and 8b are reserved for the 2019 data for Q2/3 and Q4 in Math.

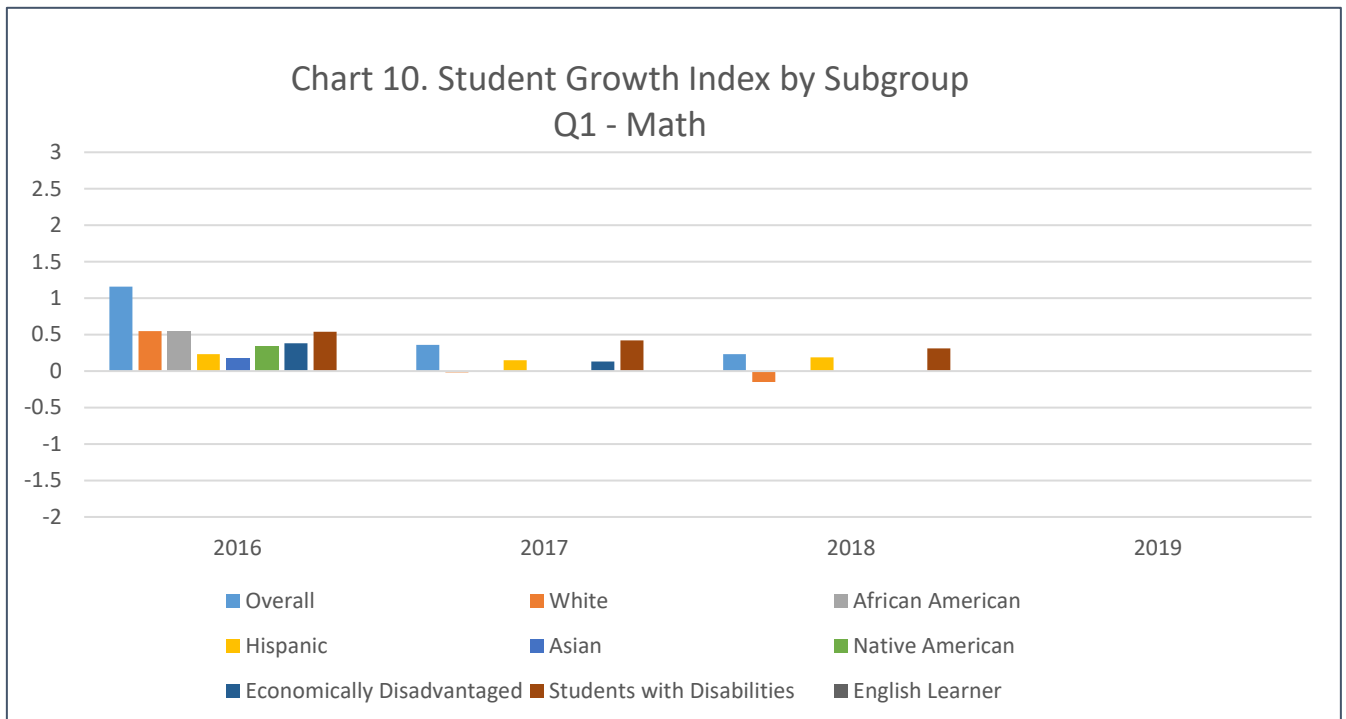


Subgroup – Lowest-Performing Students in Reading

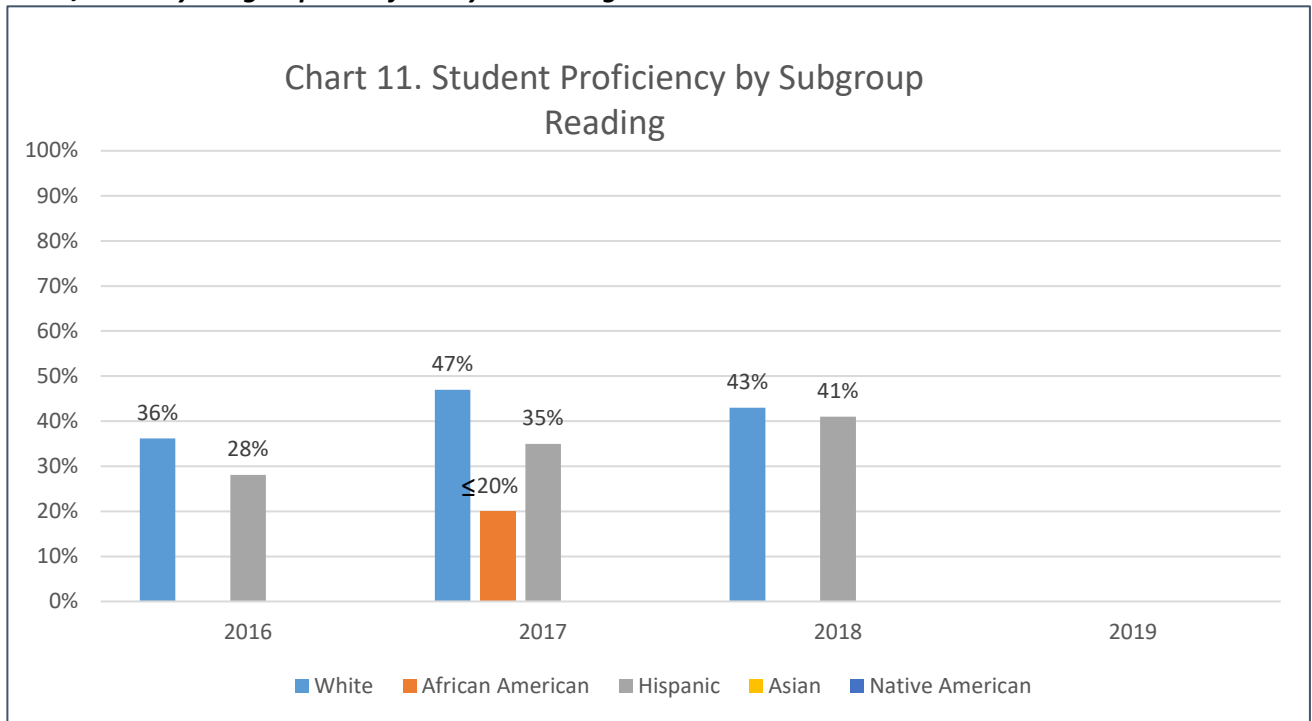
Q1 Lowest-Performing Students (Q1). In Q1 student growth, the indicator evaluates changes in comparative performance for the school’s lowest-performing students (lowest 25%). For some schools data may be masked due to low numbers in a particular category.



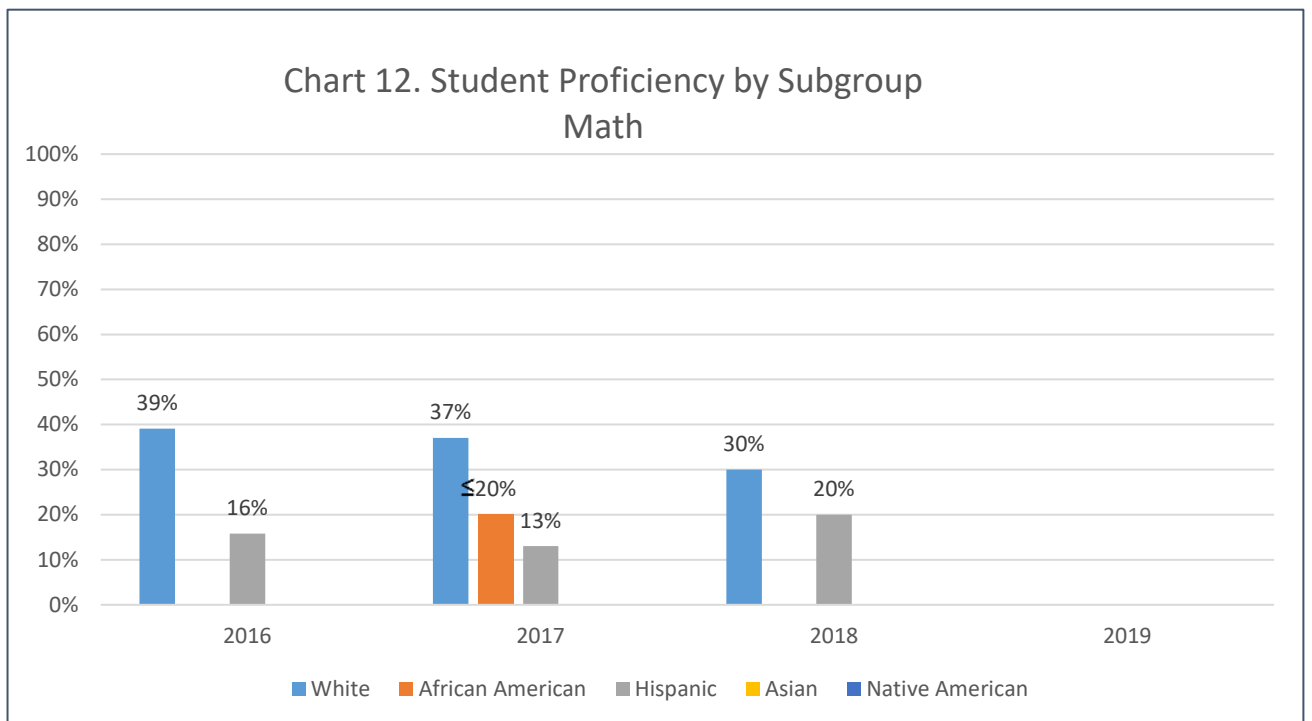
Subgroup – Lowest-Performing Students in Math



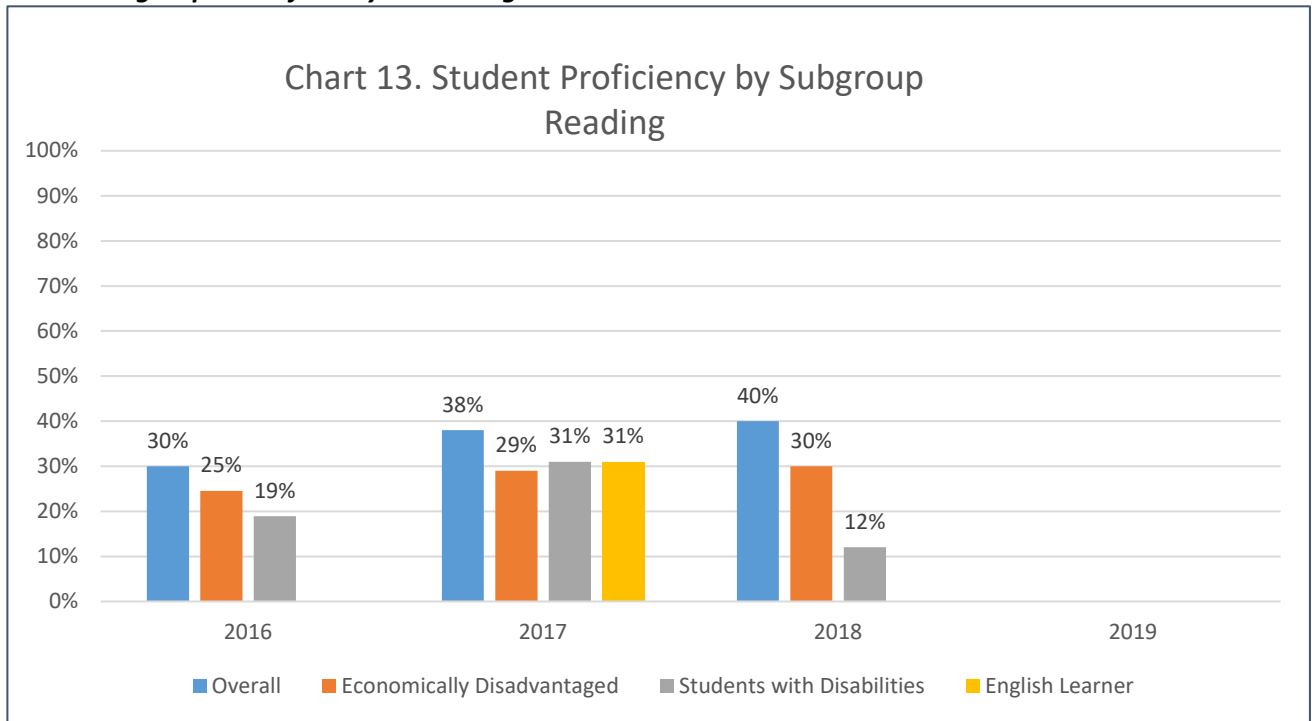
Race/Ethnicity Subgroups - Proficiency in Reading



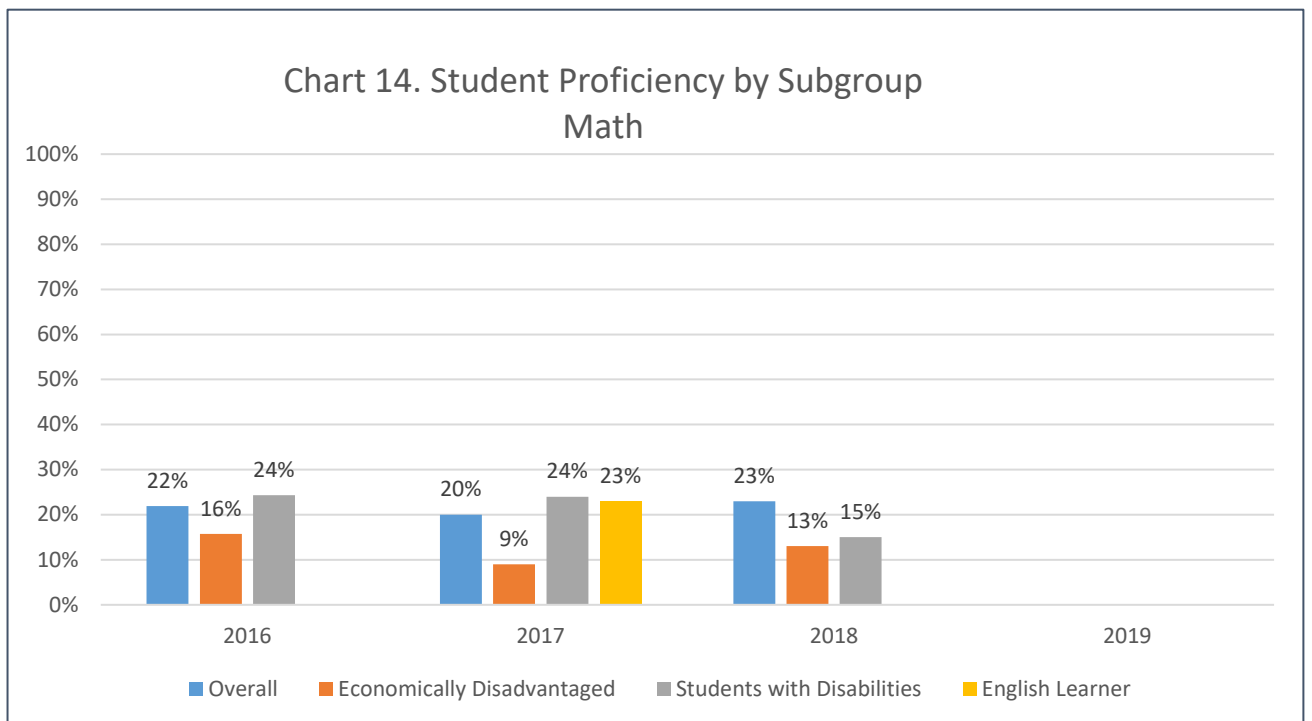
Race/Ethnicity Subgroups - Proficiency in Math



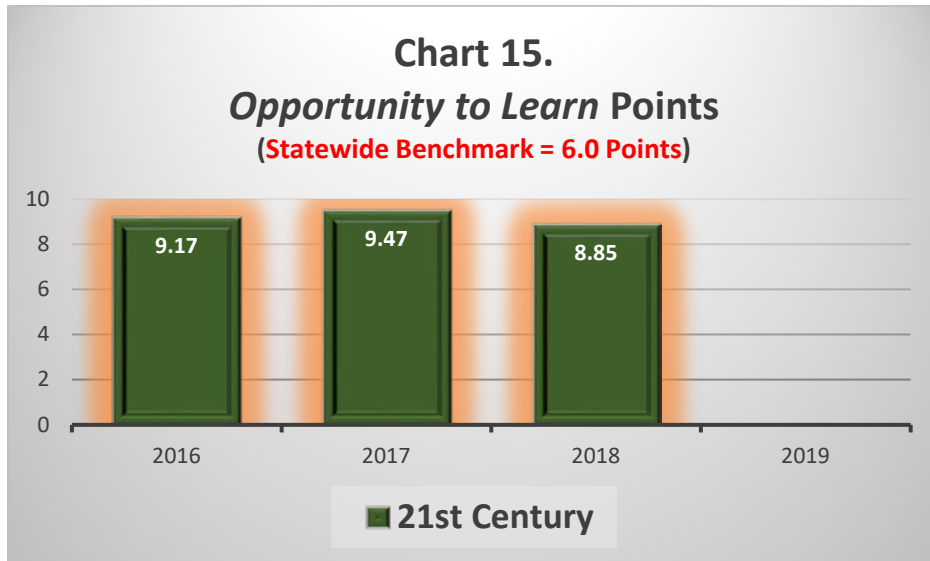
Other Subgroups - Proficiency in Reading



Other Subgroups - Proficiency in Math



Opportunity to Learn (OTL): Opportunity to learn represents the quality of learning environment schools provide. This indicator is based on attendance and classroom surveys administered to students (or parents in grades K-2). High schools can earn 8 total points (3 for attendance, 5 for the survey). The target for attendance is 95%. Only attendance was assessed in 2016 and scores were not assigned that year. The 2019 NM System of School Support and Accountability used the same Opportunity to Learn Survey. However, this indicator will be changed to the “Educational Climate Survey, Multicultural Initiatives, and Socio-Emotional Learning” in future years.



1b. Specific Charter Goals

This section contains a summary of the school’s progress towards meeting its Specific Charter Goals or Mission-Specific Indicators.

Charter Specific Goals

1. Minimum of 18 OSI (out of school instructions events) per grade level to increase proficiency by 10% in reading, math, language usage, and science
Rating for SY19: Does not Meet
2. Ability grouping for RTI in math and language arts; increase proficiency to 100%
Rating for SY19: Does Not Meet
3. Short cycle assessment growth in reading and math; included in principal’s evaluation
Rating for SY19: Meets
4. Special Education Inclusion and growth from one tier to the next
Rating for SY19: Meets
5. 25% decrease in critical incident reports via student/parent/school compacts
Rating for SY19: Does Not Meet

Figure 2. Progress towards Charter Specific Goals.^{1*}

	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5
2016	Meets	No goal	Does Not Meet	Meets	Meets
2017	Meets	Meets	Meets	Meets	Meets
2018	Meets	Meets	Meets	Meets	Meets
2019	Does Not Meet	Does Not Meet	Meets	Meets	Does Not Meet

**Please note that the local authorizer, Albuquerque Pubic Schools, negotiated new goals with the school several times. The chart above reflects the school’s ratings each year, but the goals were different than those in SY19.*

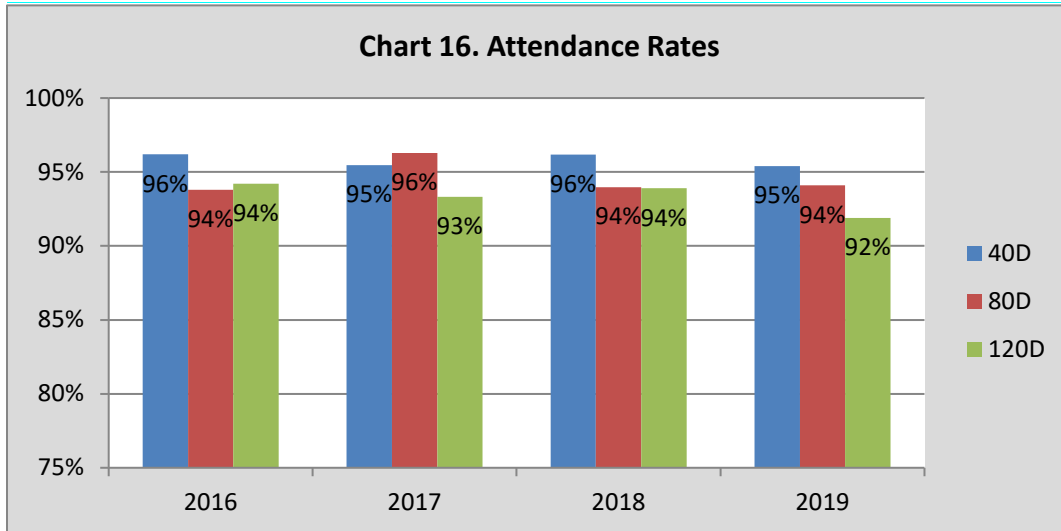
¹ Charter Specific Goals are referred to as “Mission-Specific Indicators” or “Performance Indicators” in the school’s contract and performance framework.

1c. Student Attendance and Enrollment

The following information provides a picture of the school's attendance and truancy, current student membership (enrollment), and enrollment trends over the term of the contract.

Attendance Rate (The statewide target is 95% or better.)

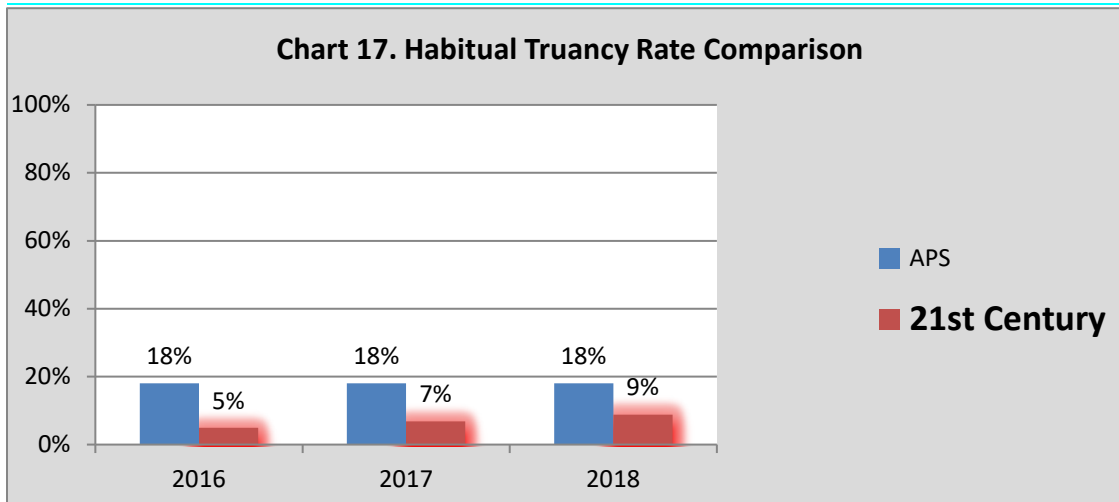
Source: STARS → District and Location Reports > Template Verification Reports > Student > Student Summary Attendance Verification



Habitual Truancy (The statewide target is 2% or less.)

Chart 17 reflects the school's habitual truancy rate compared to the local district.

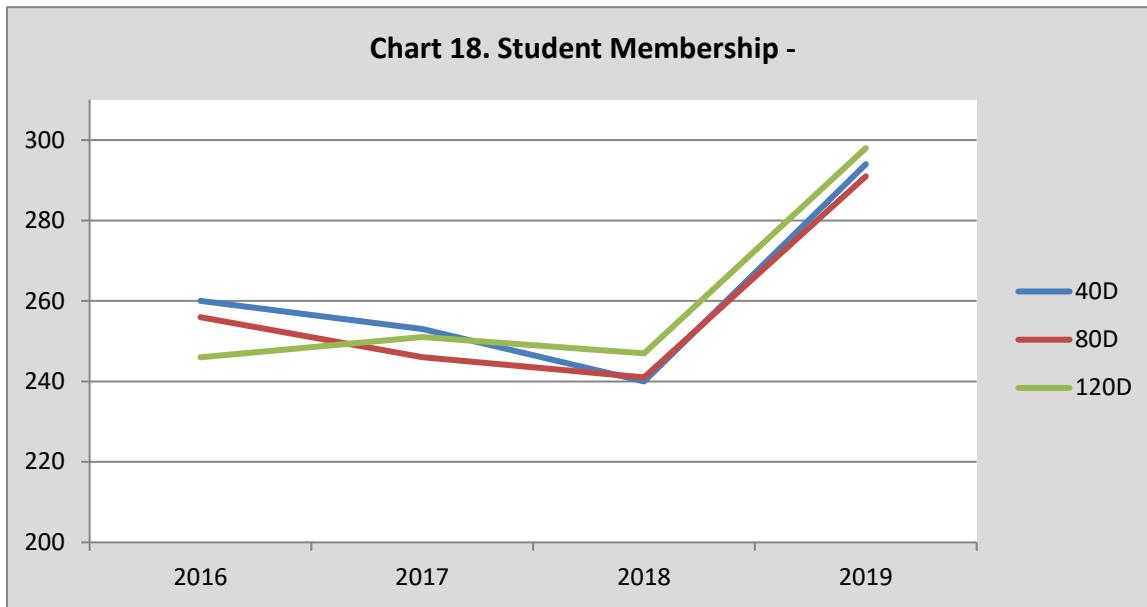
Source: STARS → District and Location Reports → Mobility and Truancy → Habitual Truant Student Totals by District and School



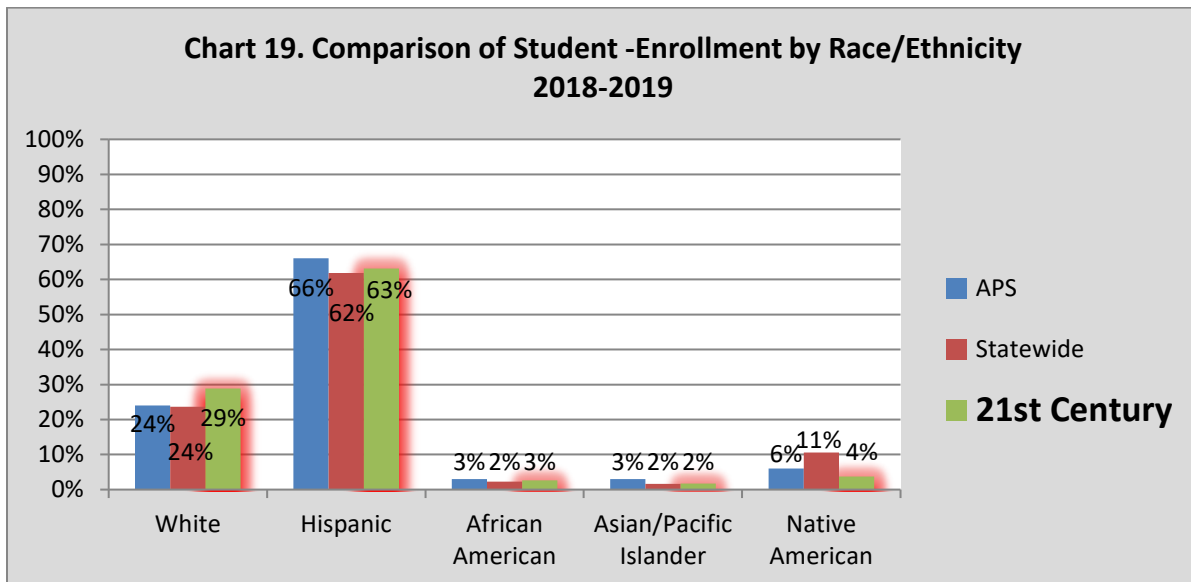
Student Membership (Enrollment)

The chart below shows the school’s student membership for each of the years in operation during the contract term, at each of the reporting windows (40 day, 80 day, and 120 day).

Source: STARS → District and Location Reports → Membership Reports → Membership – District Detail Report

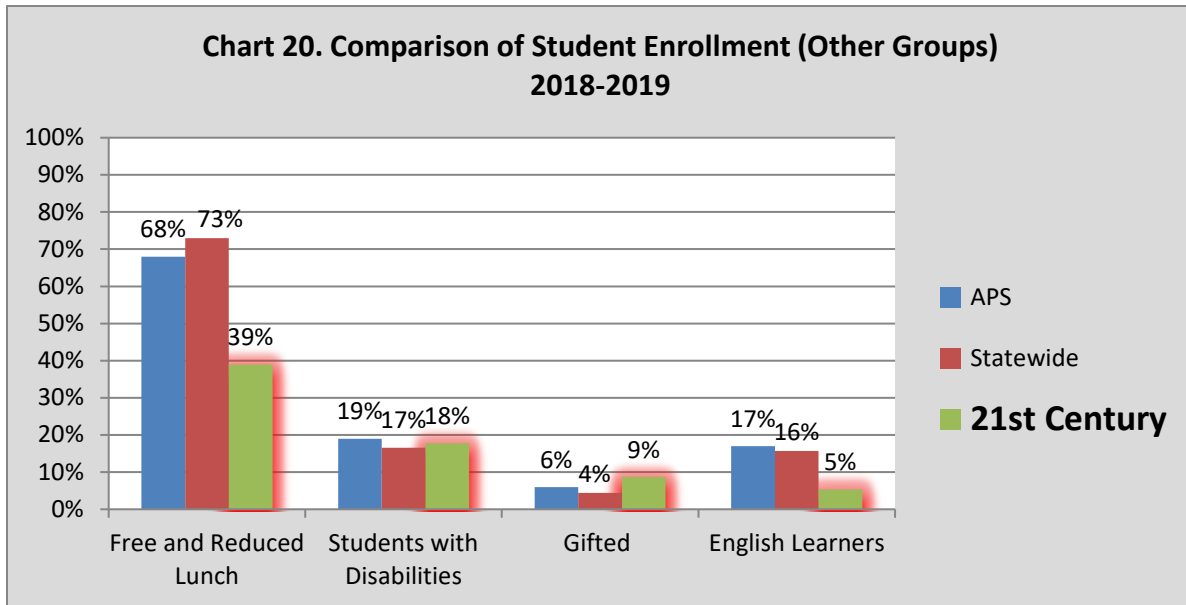


Enrollment by Race/Ethnicity



Source: STARS → District and Location Reports → General Reports → Enrollment Subgroup Percentages with Averages

Enrollment by Other Subgroups

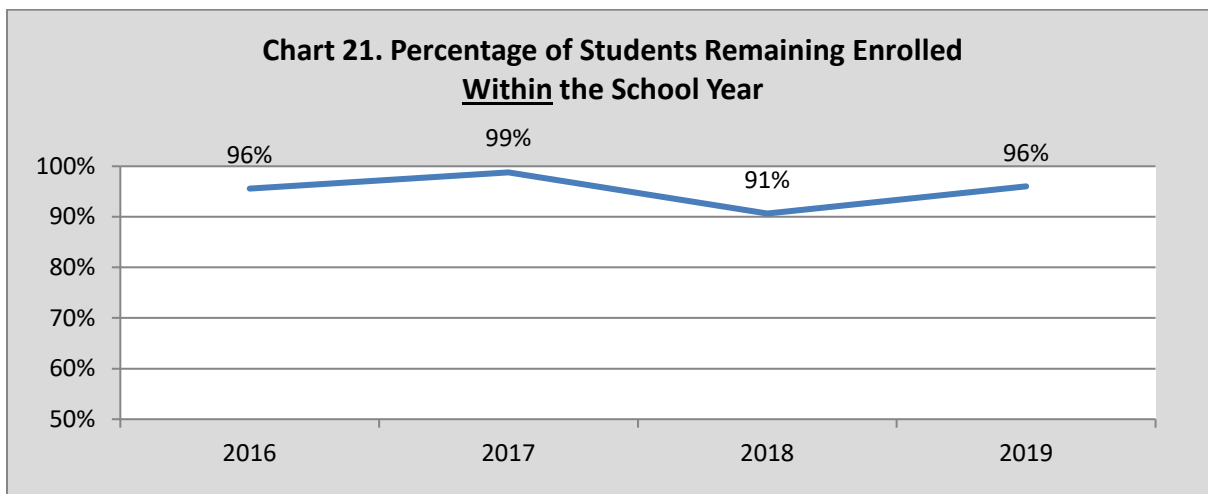


Source: STARS → District and Location Reports → General Reports → Enrollment Subgroup Percentages with Averages

Retention and Recurring Enrollment

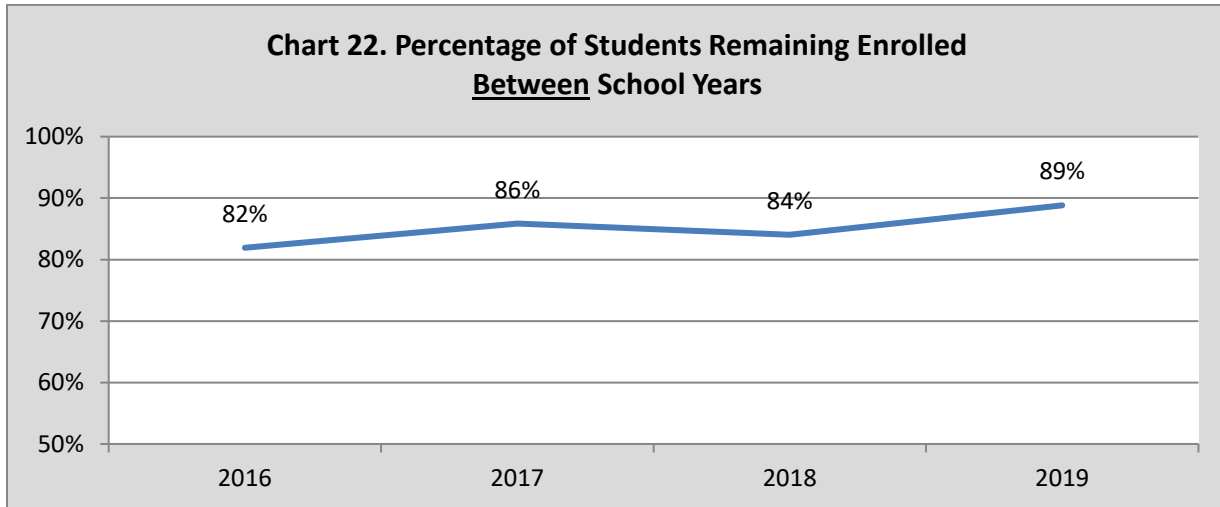
In its Performance Framework, the PEC established student retention expectations. For this school, the PEC established a target of 85% recurrent enrollment between years.

Below, in Chart 21, the PED has calculated within-year retention rates to evaluate the percentage of students who remain enrolled in the school from the time they enroll until the end of the school year. This data is calculated by identifying all students who enroll in the school at any time during the year and then evaluating if the students remain enrolled until the end of the school year. Students whose withdrawal codes indicate circumstances beyond the student’s control are removed from the data set.



Source: STARS → District and Location Reports → Options for Parents → Charter School Enrollment Report

To evaluate recurrent enrollment as required by the PEC, the PED has calculated this measure by identifying the students enrolled at the end of each year who are eligible to reenroll (not graduated), and then identifying the students who reenroll on or before the 10th day of the subsequent year. Students whose withdrawal codes indicate circumstances beyond the student’s control are removed from the data set.

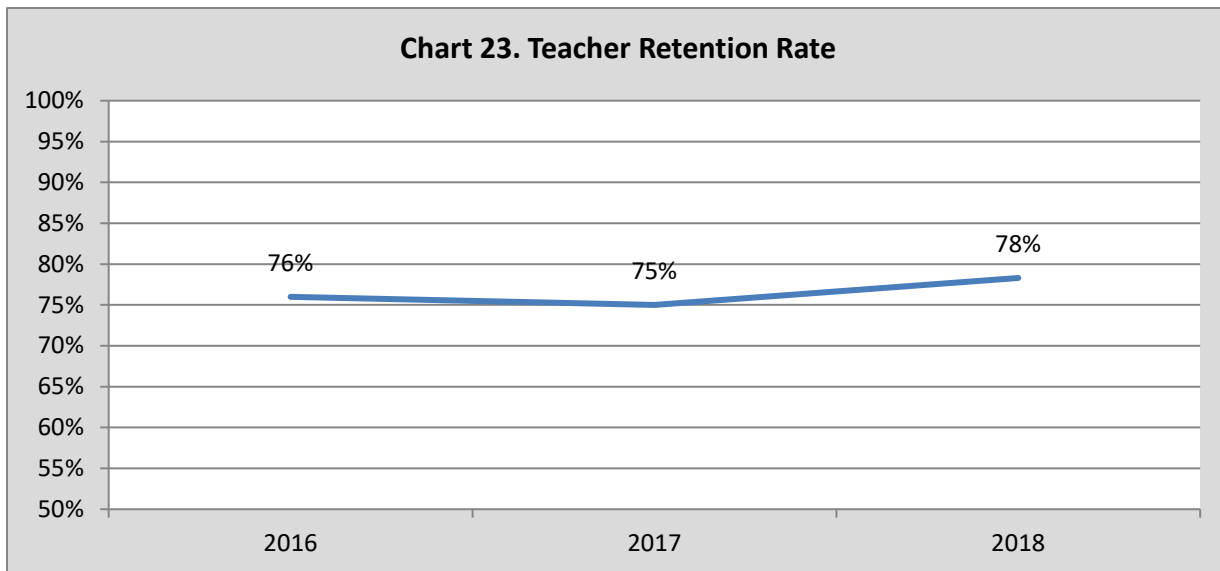


Source: STARS → District and Location Reports → Options for Parents → Charter School Enrollment Report

1d. Teacher Retention Rate

Chart 23 demonstrates the school’s retention of teachers over time. This data is calculated by comparing the license numbers for teachers from one year to the next. For example, all teacher license numbers reported for the 2015-2016 school year were compared to teacher license numbers the following year for the same reporting period. The percentage of duplicate license numbers were compared in the second year and the retention rate was calculated based on the percentage of teachers who returned the following year.

The PEC established a goal of 80% teacher retention (lower than 20% turnover) as stated in the performance framework #4d.



Source: STARS → State Reports → Staff Reports → Turnover Rates for Assignment Category (Teachers)

SECTION 2. FINANCIAL COMPLIANCE

2a. Audit

Figure 3. Fiscal compliance over term of contract.

Audit Year	# of Findings	# of Repeat Findings	# of Material Weaknesses and Significant Deficiencies
FY18	30	1	14
FY17	2	1	0
FY16	3	2	0

Summary of Most Recent Fiscal Report

In FY18, the school received the following audit findings:

2018-003 - Purchasing (Material Weakness at the Individual Component Unit Level)

Condition: The School consistently prepared both purchase requests and purchase orders after the invoice was received or after the services were performed. Our testwork identified eight purchase orders with a total dollar value of \$103,966 that were dated after the invoice dates. We noted no other documentation (such as a contract) to show terms and conditions or rates agreed to by the School and the vendor prior to the purchase date. We noted purchasing invoices received from several vendors did not have date of service performed. In addition, we noted an invoice in the amount of \$9,345 was paid by the school for one of the School's foundations.

Management's Response: 21st Century has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff to ensure compliance annually. Contracts from vendors will be acquired prior to the onset of purchases and reconciled to invoices received for work performed. Vendors will

2018-004 - Lack of Records (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: Supporting documentation related to certain construction purchases could not be located at the School.

Management's Response: 21st Century recently moved to a new location and changed Chief Operations Officers mid-year. 21st Century is committed to maintaining appropriate documentation that relates to construction and purchases for our school. Now that we are in a permanent facility and fully staffed we do not see this as an issue going forward. 21st Century will also review the retention schedule.

2018-005 - Procurement Code (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The School did not follow procurement policies during the year. The School had 8 purchases in the amounts of \$53,750, \$45,498, \$41,176, \$43,350, \$29,760, \$23,325, \$21,714 and \$21,231 where quotes were not obtained. In addition, the school had construction costs with one vendor paid in the amounts of approximately \$2,137,834 where the school did not follow the procurement process. No request for proposal was issued for services.

Management's Response: 21st Century is updating its current process and procedures and has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff to ensure compliance annually. At the on-set of purchases and at the beginning of each school year, 21st Century is committed to ensure that any work performed will follow all procurement policy to maintain compliance with NMSA 1978. This will also include annual training and review with the Governance Council Members. The Fuentes Law Firm provided back up for the 2M which was uploaded to the portal. The legislative fund's

2018-006 - Small Purchases (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The School did not follow procurement policies during the year. The School had 4 purchases in the amounts of \$4,440, \$4,515, \$3,616, and \$1,698 related to construction. There was no documentation kept at the School to show amounts procured were at the best obtainable price.

Management's Response: 21st Century recently moved to a new location and changed Chief Operations Officer's mid-year, however the expenditures listed above were related to State Legislative Appropriations and appropriate approvals prior to purchases were acquired from PED. This included initial requests and quotes. 21st Century is updating current processes and procedures and has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff and Governance Council Members to ensure compliance annually. Prior to all purchases being made an assessment will be conducted to ensure compliance with Small Purchases to include those that relate to construction. All procurement processes will be followed.

2018-007 - Internal Control over Financial Reporting (Material Weakness at the Individual Component Unit Level)

Condition: During our audit, we noted the following issues:

1. Fund balance did not properly roll. Accrual adjustments provided to rollforward fund balance were not correct. In addition, the School had not posted prior year adjusting entries.
2. Capital asset journal entries provided did not agree to the capital asset rollforward.
3. Accrual entries provided by the school were incorrect and had to be adjusted.
 - a. The school provided an accrual adjustment for a deposit of \$14,182. The deposit was returned to the school on July 25, 2017. An adjustment was provided to correct this.
 - b. The support provided for the accrued liabilities did not agree to the client adjustment provided by \$45,134.
 - c. School did not accrue for \$3,862 of receivables in fund 25153.
4. We noted an expense paid during fiscal year 2018 that should have been accrued in fiscal year 2017 in the amount of \$100,938.

5. The school paid \$4,100 out of the food services fund for student transportation.
6. The school incorrectly booked \$351,859 of capital outlay and other fees to rent expense. An adjustment was provided to correct \$35,702.
7. School did not record the bond money as revenue and expense on their books in the amount of \$1,516,073.
8. A vendor confirmed an amount outstanding of \$100,000 that was not recorded as outstanding on the school records.

Management's Response: 21st Century has established a formal process for additional support, guidance and training utilizing our Business Manager of record, The Vigil Group. On-going training will be provided to the Chief Operating Officer (COO) to help ensure compliance for all items related to Financial Statements in accordance with GAAP. Internal controls, processes and procedures are being updated with oversight from the Business Manager. All Requests for Reimbursement will be completed by The Vigil Group with support and assistance of the COO.

2018-008 - Vendor Controls and Required IRS Forms (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The School could not provide a 1099 for a vendor utilized during the year who received payments in excess of \$600.

Management's Response: The Vigil Group provided support for filing all 1099's with the IRS for our School. A 1099 confirmation was provided to the Auditors and a back-up copy will be maintained at the school. This internal process will be notated in our process and procedures manual. Report submitted to Auditors for 1099 stored in APTA Financial System 10.10.18. A reconciliation of 1099 for Vendors will be completed to ensure compliance. The Chief Operations Officer has also registered for the 1099 Webinar provided by APTA on November 13th to ensure compliance. All documents stored at the School will be listed in the process and procedures manual and a copy provided to our Business Manager for reference.

2018-009 - Chief Procurement Officer (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The School did not have a Chief Procurement Officer in place from January 1, 2018 through June 30, 2018.

Management's Response: 21st Century Chief Operations Officer has completed the Chief Procurement Class for CPO Certification as of October 19, 2018. This class is only offered a few times a year and the timing of filling the COO position and acquiring the CPO Certification should be a non-issue after October. Support was provided on the interim from our contract Level 2 Business Specialist and contract CPO Officer.

2018-010 - Retiree Health Care timely payments (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: For July 2017, January 2018 and June 2018, the monthly Retiree Health Care (RHC) contribution was made after the 10th of the subsequent month.

Management's Response: 21st Century will ensure that payments are made timely and if additional support is needed, The Vigil Group will be utilized when necessary.

2018-011 - Contingent Fee contract (Findings That do Not Rise to the Level of Significant

Deficiency) Condition: The School entered into a contingent fee contract with a Broker for period beginning February 15, 2016 and terminating on September 15, 2016 for a 3% commission fees should the School buy or lease a property. The School entered into amendment 1 dated July 24, 2017. The agreement was signed by the board president. There was no mention in the meeting minutes approving this amendment and allowing the board president to sign the agreement on the boards behalf. There was no documentation kept by the school to show why the school entered into an amendment after the original agreement with the Broker expired. The attorney provided advice to the school on November 27, 2017 for the governing council to discuss and had two suggestions 1) pay nothing since the broker was negligent in allowing the Broker agreement to expire or 2) make an offer of payment of some sum of money condition upon complete release. During the December 7, 2017 governing council meeting the council determined that amendment one was not legally valid due to the lack of new consideration not be noted. There was no discussion of not paying the amounts or offering a reduced amount. The relator agreed to modify his agreement and put forth and amendment to change to 2%, or \$100,000 plus GRT, with \$50,000 to be paid by the seller and \$50,000 to be paid by the buyer. The school's portion was paid in December 2017. The broker confirmed an amount of \$100,000 remaining at June 30, 2018. The school is disputing that amount. It was also noted that the broker involved is the husband of the current President of Cutler Charitable Foundation (a 21st Century Foundation and Component Unit). The President of the Cutler Charitable Foundation also works for the same reality company.

Management's Response: 21st Century did review and seek legal consultation from Fuentes Law Firm as it relates to the contract in question and final remedy of the Schools portion of payment was made in December and a release of claim was provided by the Client for the fees described. Going forward the school will help document and seek PED approval prior to entering into any contracts that may be considered unallowable to determine the most appropriate method for agreement and payment henceforth.

2018-012 - Construction (Material Weakness at the Individual Component Unit Level)

Condition: The School paid for construction during the year in the amount of approx. \$2,138,000. The School paid for construction costs to the lease holder of the property. The lease to purchase agreement noted an amount of zero construction costs and noted that the monthly lease payment is based on the "As is Cost of the Premises". A construction agreement was provided between the lease holder of the property and the contractor. The School did not sign the agreement. The invoices provided to the School did not have enough detail to show progress of the construction or any certification showing the data that was submitted was accurate, complete and current. Support could not be provided by the contractor to show how overhead rates were calculated. The School was billed for overhead items in general requirements and a separate over-head rate.

In addition, we noted that the owner of the Company paid was also listed as an original director of one of the Cutler Charitable Foundation (a 21st Century Charter Foundation and Component Unit).

Management's Response: 21st Century will work on ensuring that we follow all PED and Procurement guidelines that relate to construction as we move forward. We will also seek legal counsel when needed to help ensure all policies are being followed. All construction contracts will contain terms and conditions to include pricing data with contractor certification of work complete.

2018-013 - Construction Change-Order (Material Weakness at the Individual Component Unit Level)

Condition: The original estimate for the construction of Phase I of the school building was \$1,411,691. The School paid approximately \$2,137,834. The school paid an additional \$726,142 over the original proposed amount. There was no documentation at the school documenting or approving the change order, or documentation of what the cost overrun was for. In addition, there is no documentation or provision stating that the profit or fee shall be adjusted to exclude any significant sums because of inaccurate or incomplete pricing data.

Management's Response: 21st Century has already begun organizing and archiving all files appropriately. In the transition phase between Chief Operations Officers and the schools move to a new permanent location a complete re-organization of files occurred over the summer. All documents were archived by Fiscal year and a review of missing documents were attempted to be collected and archived as the Audit occurred on-site. This was a way for the school to help determine what documents needed to be stored and how and from which corresponding vendors or Foundations.

2018-014 - Lack of NM PED Approval Prior to Approving Lease Purchase Agreement (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The School did not receive approval from the New Mexico Public Education Department (PED) prior to the approval of the Lease Purchase Agreement. Two original lease purchase agreements were provided. The first dated May 10, 2017 and the second dated August 9, 2017. The August 9, 2017 Agreement was approved by the PED on September 18, 2017. An Amendment was completed and approved by PED on June 4, 2018. We noted that the May 10, 2017 lease purchase agreement had amounts that were blank in the agreement and there is no documentation to show the May 10, 2017 lease purchase agreement was cancelled.

Management's Response: 21st Century worked with the PED attorney and 21st Century attorneys. 21st Century has followed all of the appropriate processes for the Lease Purchase and the Lease Amendment following the guidance of the PED. The prep work that was involved to process both and with the direct guidance provided by PED allowed the Lease Purchase took to be approved in less than a month time frame. 21st Century received approval from PED on August 9, 2017, however all documentation was provided to PED as requested through-out this process.

2018-015 - Bylaws (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The Governing Council President signed a lease purchase agreement on May 24, 2017 on behalf of the School. We noted no approval in minutes showing approval to sign on behalf of the school. Governing Council President signed a broker amendment on behalf of the school. We noted no approval in minutes showing approval to sign on behalf of the school.

Management's Response: 21st Century Governance Council gave authority to the Governance Council President to sign on behalf of the School for the contract that is being described. This was also acknowledged throughout multiple meetings with Governance Council members present as well as with Legal Counsel and Guidance from PED, Chief Operations officer at that time along with the Business Manager guidance. 21st Century will ensure the appropriate back up can help substantiate the decision making process showing the authority for transactions, documents and agreements as these occur throughout the year.

2018-016 - Lack of Due Diligence (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The School entered into a Lease Purchase Agreement for \$5,500,000 without an appraisal and did not have any documentation showing the basis for the price. An appraisal was conducted by a bank on February 1, 2018 determining the market value to be \$5,030,000 after the School paid approximately \$2,137,834 for construction on the property.

Management's Response: 21st Century started their due diligence back in 2015 to look for property, land and an adequate building with the utilizing of comps from multiple locations. 21st Century also began working with APS to determine if APS had a facility the size in which the school was looking for to help expand, grow and meet the health and safety needs of the School. The Facilities Manager helped track site visits to schools, along with comps and pre communications that occurred. Although an appraisal was not done at the time, an appraisal will be used going forward for all work that relates for Construction, purchases and acquisitions prior to buying any other buildings or land.

2018-017 - Fixed Assets (Material Weakness at the Individual Component Unit Level)

Condition: The School continued to carry building improvements related to the previous leased building. There was a remaining book value of \$2,204. In addition, the School did not track or depreciate leasehold improvements for the construction of the current school building. The total amount of the assets has not been reconciled by the school.

Management's Response: 21st Century was in the middle of a move and between fiscal years as well as a change in Chief Operations personnel with no permanent location over the summer. During that move Administration was in transition. Construction costs have been reported through present day for Phase I Lease Purchase and Phase II for the Lease Amendment and will continue to be monitored and tracked as we move forward to ensure proper capitalization and depreciation of all assets. Once Phase II is complete, ALL assets will be reconciled, tracked and recorded and provided to the Business Manager of record for appropriate Financial reporting.

2018-018 - Vendor Overpayment (Material Weakness at the Individual Component Unit Level)

Condition: During our audit we noted the following:

- School was overbilled and overpaid a vendor by \$52,401. The vendor charged the school gross receipts tax twice.
- Per the invoice dated August 4, 2017, remaining balance on roof was \$40,000. School received and invoice dated October 10, 2017 for \$50,000. The documentation at the school is unclear on whether the School had an overpayment of \$10,000

Management's Response: 21st Century was in the middle of a summer move as construction was occurring and in constant negotiations to establish and acquire funding from APS for 1.5 million to help with the construction of the school. This was an oversight and will be closely monitored as we move forward and reviewed and approved by the Superintendent and the Chief Operations Officer as expenditures are reconciled. As concerns arise, this will be addressed by Vendor to ensure no overbilling is done. All vendors will be required to provide an on-going project update with detailed costs analysis and summary report to the School as well as the Foundations that are involved that relate to the Construction to capture all costs appropriately and prevent overbilling from occurring.

At this time a Memo will be going out to this Vendor to collect back the overbilling that is due back to the School and APS.

2018-019 - Journal Entries (Material Weakness at the Individual Component Unit Level)

Condition: During our testing of journal entries we noted there is no approval of journal entries. It was also noted that journal entries in the amounts of \$87,755 and \$26,688 did not contain adequate supporting documentation for the journal entry posted.

Management's Response: 21st Century has already began changing its Journal Entry procedures and they are currently reviewed with our Business Manager. This policy and Internal Controls will be updated with review for future Journal Entries. Dual approvals are now required for all JE's and additional training will be provided to the COO to prevent this from future audit findings and ensure compliance is being followed.

2018-020 - Prepayment of Invoices (Material Weakness at the Individual Component Unit Level)

Condition: A check was written by the school in the amount of \$250,000 that showed prepayment for construction work. Back-up provided by the school did not reconcile to the \$250,000 paid. Of the support provided only \$38,270 appears to be for services prior to the check date. The School provided invoices of \$327,374 to support this invoice.

Management's Response: 21st Century will monitor all construction costs and will not pre-pay for services. Policies will be followed to ensure no overpayments and pre-payments are made. We will follow our procurement guidelines. Although this partially resulted in the School's inability to acquire funds sooner from APS as it relates to the 1.5 million on Mill Levy Funds, the School will do its due diligence going forward.

2018-021 - Improper Disposal of Capital Assets (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: During our testwork over capital assets, we noted the School failed to notify the Office of the State Auditor (OSA) at least 30 days prior to the disposition of property for all items disposed in fiscal year 2018.

Management's Response: 21st Century will follow all OSA requirements going forward. This was an oversight by the school and Administration as a result of the move. The current COO will work closely with the Superintendent and the Facilities Manager on all Inventory, assets and disposition thereof to help prevent future and repeat findings.

2018-022 - Request for Reimbursement (Material Weakness at the Individual Component Unit Level)

Condition: The School does not have a process for submitting Requests for Reimbursements (RFRs) timely. The school could not recover approximately \$75,011 due to RFR's submitted after the due date. The operating fund was required to absorb those expenditures. Those adjustments had not been corrected in the general ledger accounting system. In addition, the school does not have a review of RFRs.

Management's Response: 21st Century had planned to submit all RFR's the week that they were due, however due to a family emergency this was not completed as originally anticipated. A complete explanation of events was provided. An emergency contingency for support is now in place to prevent this from happening in the future and RFR's will be done either Monthly or Quarterly to ensure no large amounts are carried through the end of the year. Additional training will also be provided to the current Chief Operations Officer by the Business Manager.

2018-023 - Budgetary Conditions (previously reported as 2017-003) (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: During our audit, we noted the school had an expenditure function where actual expenditures exceeded budgetary authority:

- Fund 11000 (Function 1000) -\$95,597
- Fund 21000 (Function 3000) -\$7,004
- Fund 31600 (Function 2000) - \$17 Fund 31701 (Function 2000) -\$8

Management's Response: 21st Century will work towards monitoring the budgets quarterly and as needed to ensure compliance and make necessary adjustments for BAR's quarterly.

2018-024 - 4th Quarter NMPED Reports (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: We noted the 4th quarter budget to actual report submitted to the New Mexico Public Education Department (NMPED) did not agree to the general ledger.

Management's Response: 21st Century had to comply with PED quarterly deadlines, however additional adjustments needed to be made after the Quarterly report was provided and once all final adjustments are done, an updated Quarterly report will be provided to PED/APS to ensure compliance. Better communication will occur between the School and PED/APS.

2018-025 - Outdated Policies (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The School does not have an updated policies and procedures manual. The policies provided were dated 2012. Policies should be reviewed and updated each year.

Management's Response: 21st Century has already started re-writing and updating policies and procedures and internal controls. Once approved, written process will be updated and then presented to the Governance Council for approval, review. These procedures will be reviewed annually and updated as needed. This will be presented to Governance Council by December 2018.

2018-026 - T&E Adjustment (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: The School received a reduction of \$117,740 in State Equalization Guarantee money after a Training and Experience (T&E) audit performed by the NM PED and not complying with state compliance requirements.

Management's Response: The T&E has already been audited, corrected and adjusted. SEG was already reduced to reflect the appropriate T&E for ALL staff. This was reviewed with the Superintendent and appropriate staff that were affected to ensure compliance for future years. As a

result of the recent move documents were misplaced, however all records have been reviewed and updated and secure.

2018-027 - Internal Control over Cash Receipts (Material Weakness at the Individual Component Unit Level)

Condition: The School does not have a process for cash receipts. There is no cash receipt book or log kept for the money receipts. There is no documentation to show how much cash the school receipts to compare to the amount deposited to the bank and verify that it was properly deposited within 24 hours.

Management's Response: 21st Century has already made corrections to this process. A new signature form has been developed to ensure compliance. This was designed by the Admin Staff and approved by the Chief Operations officer.

2018-028 - RHC and ERB Payments (Findings That do Not Rise to the Level of Significant Deficiency)

Condition: Education Retirement Board (ERB) payments for the year did not agree to the general ledger by \$347.

Retire Health Care (RHC) payments for the year did not agree to the general ledger by \$115.

Management's Response: 21st Century has designed a monthly checklist to ensure compliance. Included will be a reconciliation of all payroll liabilities to ensure compliance with applicable state law and regulations.

2018-029 - Payroll Transactions (Significant Deficiency at the Individual Component Unit Level)

Condition: The following was noted:

- The school overpaid an employee \$263 for the year. There was no documentation at the School to show why the employee was paid more than the contract.
- The Principal contract was for Principal services only however the Principal was paid .70 FTE principal and .3FTE teacher. The contract did not properly reflect this.

Management's Response: The school will implement internal controls over payroll that will reconcile and verify all amounts paid to employees. This will include controls available within the payroll system.

CUTLER CHARITABLE FOUNDATION, 21st Century Component Unit

2018-030 - Financial Close and Reporting (Material Weakness at the Individual Component Unit Level)

Condition: The Foundation was not maintaining a trial balance or a general ledger with the accounting activity. As of October 2018 the foundation has created only a June 30, 2018 trial balance and has maintained no accounting ledger subsequent to year-end.

Management's Response: The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

2018-031 - Lack of Internal Controls over Capital Assets (Material Weakness at the Individual Component Unit Level)

Condition: During our testwork over capital assets the following was noted.

- The Foundation did not accurately record the value of property purchased under a lease purchase agreement. The value of the land, \$1,800,000, was included in the valuation of the whole property (\$5,030,000). The Foundation recorded the value of the land but did not remove it from the value of the building, effectively double counting the land.
- The lease purchase price was \$5,748,707. A third party valuation of the property acquired under the lease purchase agreement was performed subsequent to the date of the agreement, concluding a value of \$5,030,000. The difference between the purchase price and the valuation indicates a loss on impairment of \$718,707. No impairment loss was recorded by the Foundation.

Management's Response: The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

2018-032 - Lack of Internal Controls over Long-Term Debt (Material Weakness at the Individual Component Unit Level)

Condition: During our testwork over long-term debt the following was noted:

- Total long-term debt outstanding as recorded exceeds the amount outstanding per the documentation provided by \$26,293.
- Sufficient evidence was not provided to conclude on the total amount outstanding on the MELD, LLC note. The school may have an additional unrecorded liability of \$485,510 with the vendor.
- No amounts were recorded as current.

Management's Response: The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

2b. Board of Finance

As a locally authorized charter school, the governing board does not serve as the Board of Finance.

SECTION 3. CONTRACTUAL, ORGANIZATIONAL, AND GOVERNANCE RESPONSIBILITIES

3a. Educational Program of the School

**Pending information from the school's current contract,
performance framework, and annual reports**

3b. Organizational Performance Framework

**Pending information from the school's current contract,
performance framework, and annual reports**

3c. Governing Body Performance

The school has 8 members serving on their Governing Body.

Figure 7 lists the information provided to the PED regarding the members who are currently serving on the school's Governing Board.

Name	Role	Service Start Date*	Membership Status	FY18 Training Requirements	Hours Missing
Virginia Trujillo	President				
Phil Sapien					
Art Silva	Vice-President				
Kathy Webb	Secretary				
Evelyn Dow					
Elizabeth Palanza					
Victoria Tafoya					
Bianca Belmonte-Sapien					

Figure 7. Current governing council members

OTHER SECTIONS

Part B: Progress Report (to be provided by school)

This section will be completed by school and submitted as part of the renewal application and is an opportunity to provide information on academic performance, financial compliance, and organizational, contractual and governance responsibilities and improvement actions over the term of their most current charter.

Part C: Financial Statement (to be provided by school)

This section will be completed by school and submitted as part of the renewal and is an opportunity to demonstrate the financial stewardship it has implemented over the term of the contract. The school must provide a financial statement that discloses the costs of administration, instruction and other spending categories for the charter school. The financial statement must be understandable to the general public and must allow comparison of costs to other schools or comparable organizations. For schools that have earned a D or lower letter grade, the report should specifically address how the school has prioritized resources toward proven programs and methods linked to improved student achievement until the public school earns a grade of C or better for two consecutive years. The department has created a form for the report that is incorporated as part of the application

Part D: Petitions of Support (to be provided by school)

This section will be completed by school and submitted as part of the renewal application and is an opportunity to demonstrate the community support for the continuation of the school. NMSA 1978 § 22-8B-12 requires the school provide two petitions (1) a petition in support of the charter school renewing its charter status signed by not less than sixty-five percent of the employees in the charter school during the year prior to the least year of the contract; and (2) a petition in support of the charter school renewing its charter status signed by at least seventy-five percent of the households whose children are enrolled in the charter school on the 120th day of the year prior to the least year of the contract. These petitions must be completed in the school year in which the applicant is applying for renewal.

Part E: Description of Charter School Facilities and Assurances (to be provided by school)

This section will be completed by school and submitted as part of the renewal application and is an opportunity to provide a description of the charter school facilities and assurances that the facilities are in compliance with the requirements of NMSA 1978 § 22-8B-4.2. The school must provide supporting documentation to demonstrate the assurances are correct in an appendix. The required documentation includes the E-Occupancy Certificate, a letter regarding the New Mexico Condition Index (NMCI) from Public School Facilities Authority (PSFA), and a copy of any lease documents. All schools must provide a response for this section of the application.

Part F: Amendments and Amendment Requests during the contract term

The historical information on amendments and amendment requests is provided by the Charter Schools Division in Figure 8.

Not Applicable