



State of New Mexico
OFFICE OF THE STATE AUDITOR

For Immediate Release
March 15, 2016

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State Auditor Releases Public Education Department's Latest Annual Audit
Finds poor financial management and lack of oversight of charter schools

SANTA FE, NM – Today, State Auditor Tim Keller released the Public Education Department's (PED) most recent annual financial audit. The audit report, completed by independent accounting firm Axiom, LLC, examines the fiscal year 2015 finances of PED and the charter schools it is responsible for overseeing. The audit report identifies over 200 weaknesses in PED and charter school financial management, the most findings of any state agency. Issues include a \$21 million understatement, a pattern of financial control problems at charter schools, and ongoing background check and licensure failures.

"The State Auditor's office is increasingly concerned about the Public Education Department's financial management and ability to provide adequate oversight of charter schools," said State Auditor Tim Keller. "At best, the department is clearly overwhelmed by the responsibility of overseeing so many charter schools; at worst, their lack of oversight of our state's boom in charter schools leaves them ripe for fraud, waste and abuse."

The audit report includes important highlights in these areas:

Management of PED's Finances

- Due to weaknesses in PED's financial reporting processes, Severance Tax Bond Capital Outlay expenditures were understated by over \$21 million.
- PED failed to use \$2.2 million that was meant for teacher and school leader programs and support for training, preparation, recruitment and retention.
- PED's Division of Vocational Rehabilitation failed to uphold its obligation to match a federal grant, resulting in a \$2.7 million loss of federal grant funds. Additionally, individuals with disabilities may not have received employment placement assistance in a timely manner due to red tape.

Charter School Oversight

- The number of state-chartered charter schools in New Mexico has grown from two in 2008 to 59 in 2015. About ten percent of charter schools have the lowest audit opinion possible, "disclaimer of opinion," meaning the accuracy of their financial statements cannot be relied upon. The six charter schools with a disclaimer of opinion are:
 - Creative Education Preparatory Institute
 - Health Sciences Academy
 - Southwest Aeronautics, Mathematics, and Science Academy
 - Southwest Primary Learning Center
 - Southwest Secondary Learning Center
 - Southwest Intermediate Learning Center

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- The audit report identified 195 PED findings for state-chartered charter schools, including problems with cash management, procurement violations, and payroll deficiencies. Many of these findings were repeated from past fiscal years and have not been addressed.
- Fifteen of the charter schools were lacking licensure or background check documentation in personnel files. Those schools are:
 - Albuquerque Sign Language Academy
 - Health Sciences Academy
 - Uplift Community School
 - Cien Aguas International School
 - Coral Community School
 - Dream Dine Charter School
 - Health Leadership High School
 - Health Sciences Academy
 - Horizon Academy West
 - La Jicarita Community School
 - The Masters Program
 - Sage Montessori Charter School
 - Taos International School
 - Walatowa High Charter School
 - William W. & Josephine Dorn Charter School

“While there are many outstanding charter schools in our state, this audit clearly demonstrates the need to provide the financial tools for these schools to succeed,” stated Auditor Keller.

The Office of the State Auditor (OSA) gave notice to PED to improve financial oversight of charter schools and provide additional training and support to address the findings and come into compliance with state and federal laws and regulations. The OSA is evaluating whether additional actions are needed to ensure that PED implements appropriate oversight measures. To that end, OSA has requested that PED provide a corrective action plan by April 22, 2016.

“The problems that have been identified are far from technicalities, they are serious shortcomings in our state’s ability to ensure quality education to students across the state,” stated Auditor Keller.

Volumes 1-4 of the audit report are available here: [http://www.saonm.org/media/audits/924 - Public Education Department FY2015 Vol 1 to 4.pdf](http://www.saonm.org/media/audits/924_-_Public_Education_Department_FY2015_Vol_1_to_4.pdf). For the complete audit, please contact justine.freeman@osa.state.nm.us.

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