

RISK ADVISORY

Office of the State Auditor | Brian S. Colón, Esq., CFE, State Auditor

New Mexico Charter School Foundations



The Office of the State Auditor (OSA), together with the Legislative Finance Committee (LFC), issue this joint risk advisory to alert the legislative bodies and policy advisors in the State of New Mexico of risks related to a significant lack of oversight and accountability failures concerning the technical relationships between charter schools and non-profit charter school foundations. The technical relationship between charter schools, governed throughout New Mexico under the “Charter Schools Act,” and its charitable foundations, considered blended component units, is opaque and absent of oversight.

Due to a significant accountability gap, there is a lack of transparency concerning the expenditure of public funds made by a charter school’s charitable foundation. There are no oversight mechanisms to account for public funds transferred as payments/disbursements/payables by the charter school to its charitable foundation allowing for the possibility of fraud and mismanagement of public funds.

As reported by LFC in a 2013 evaluation, there is a high potential for conflicts of interest regarding charter school operations provided through a charitable foundation’s programs—which may include providing suitable facilities and other organizational support. Another issue, charter school funding provided by the State of New Mexico can be disbursed to the charitable foundation and subsequently used to support the foundation’s expenditures with no accountability from internal controls or other oversight outlined in policies, procedures, laws, or regulations by the State of New Mexico. This may enable the mismanagement of those public funds.

RECOMMENDATION

The Legislature and PED should evaluate the laws associated with the utilization of public funds allocated to charter schools that can be transferred to their charitable foundations through payment/disbursement/payable to ensure public dollars can be monitored for proper use.

OSA Special Audit

Public Education Department, The GREAT Academy and the GREAT Academy Foundation FY17-FY22 (2022). <https://tinyurl.com/2jfv8jpn>

LFC Charter School Evaluations:

Charter School Facilities Lease Assistance and Capital Outlay Planning. 2013. <https://tinyurl.com/3h8nztbu>
Performance, Cost, and Governance of Selected Charter Schools. 2016. <https://tinyurl.com/yc2zc8v2>
Progress Report: New Mexico Charter Schools. 2016. <https://tinyurl.com/2w4wm3vt>

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