

**STATE OF NEW MEXICO  
PUBLIC EDUCATION DEPARTMENT**

**FEDERAL SINGLE AUDIT**

**(IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND  
APPLICABLE FEDERAL REGULATIONS)**

**YEAR ENDED JUNE 30, 2025**



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PUBLIC EDUCATION DEPARTMENT  
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**STATE OF NEW MEXICO  
PUBLIC EDUCATION DEPARTMENT  
OFFICIAL ROSTER  
YEAR ENDED JUNE 30, 2025**

Administrative Officials as of June 30, 2025:

Mariana Padilla	Secretary of Education
Seana Flanagan	Managing Director
Candice Castillo	Deputy Secretary, Identity, Equity and Transformation
Amanda DeBell	Deputy Secretary, Teaching, Learning and Innovation
Antonio Ortiz	Executive Manager Finance and Operations
Marian Rael	Executive Manager, Administrative Services Division, CFO
David Craig	Senior Manager, Administrative Services Division
Amelia Saiz	Senior Manager, Audit and Accounting, Co-CFO
Rita Chavez	Senior Manager, Budget
Reiner Martens	Senior Manager, School Finance Analysis Bureau
Sara Cordova	Senior Manager, School Budget Bureau
Amanda Lupardus	Manager, Capital Outlay Bureau
Dr. Brigitte Russel	Senior Manager, Options for Parents and Families (Interim)
Kirsi Laine	Senior Manager Student, School and Family Support
Julie Brenning	Senior Manager, Community Schools and Extended Learning
Kenneth Stowe	Director, Strategic Initiative, Office of the Secretary
Greg Frostad	Assistant Secretary of Policy and Research
KatieAnn Juanico	Assistant Secretary, Indian Education Division
William Wanker	Executive Manager, Information Technology
Janelle Garcia	Public Information Officer
Dr. Stephon Scott	Executive Manager, Division of Vocational Rehabilitation

**Public Education Commission**

Melissa Armijo	Commissioner	Albuquerque	District 1
Timothy E. Beck (Secretary)	Commissioner	Santa Fe	District 2
Alan Lee Brauer Jr	Commissioner	Santa Fe	District 3
Rebekka Burt	Commissioner	Rio Rancho	District 4
Sharon Clahchischillage	Commissioner	Santa Fe	District 5
Stewart Ingham	Commissioner	Santa Fe	District 6
Patricia Gipson	Chair	Las Cruces	District 7
Michael Taylor	Commissioner	Roswell	District 8
K.T. Manis, Ph.D.	Commissioner	Hobbs	District 9
Steven J. Carrillo	Vice Chair	Santa Fe	District 10



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Ms. Mariana Padilla, Secretary of Education  
New Mexico Public Education Department and  
Mr. Joseph M. Maestas P.E., New Mexico State Auditor  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules for the general fund and major special revenue funds of the New Mexico Public Education Department (Department), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements, and have issued our report thereon dated December 15, 2025. We have also audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and each major special revenue fund of each discretely presented component unit, presented as supplementary information, as defined by the Governmental Accounting Standards Board (GASB) as of and for the year ended June 30, 2025 and have issued our report thereon dated December 15, 2025. Our report included disclaimer of opinions and unmodified opinions on various component units.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Ms. Mariana Padilla, Secretary of Education  
 New Mexico Public Education Department and  
 Mr. Joseph M. Maestas P.E., New Mexico State Auditor

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

**MATERIAL WEAKNESS**

<b>Entity</b>	<b>Finding No.</b>
Public Education Department	2025-001
Department of Vocational Rehabilitation	2025-002
21st Century Public Academy	2025-001
ACES Technical Charter School	2025-001
Albuquerque Sign Language Academy Foundation	2025-001
Alma D'Arte Charter Higher School	2025-001, 2025-002, 2025-003, 2025-004
Cesar Chavez Community School	2025-002
Equip Academy of New Mexico	2025-002
Estancia Valley Classical Academy	2025-001
Explore Academy - Albuquerque	2025-002, 2025-003, 2025-004
Explore Academy - Las Cruces	2025-002, 2025-004
Explore Academy - Rio Rancho	2025-002, 2025-003
Hozho Academy	2025-006
J. Paul Taylor Academy	2025-001, 2025-002
Las Montanas Charter School	2025-002
Mission Achievement and Success Charter School	2025-001
Monte Del Sol Charter School	2025-004, 2025-006
New Mexico Academy for the Media Arts	2025-005
North Valley Academy	2025-001
Raices Del Saber Xinachtli Community School	2025-003, 2025-009
Red River Valley Charter School	2025-002
Roots and Wings Community School	2025-001
San Diego Riverside Charter School	2025-002, 2025-003, 2025-004
Solare Collegiate Charter School	2025-003
Solare Collegiate Charter School Foundation	2025-005
South Valley Preparatory School	2025-001, 2025-003
The MASTERS Program	2025-001, 2025-002
Turquoise Trail Charter School	2025-001, 2025-002

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Ms. Mariana Padilla, Secretary of Education  
 New Mexico Public Education Department and  
 Mr. Joseph M. Maestas P.E., New Mexico State Auditor

**SIGNIFICANT DEFICIENCY**

<b>Entity</b>	<b>Finding No.</b>
Albuquerque School of Excellence	2025-001
Albuquerque Bilingual Academy	2025-001, 2025-005
Aldo Leopold Charter School	2025-003
Dził Dít' Oóí School of Empowerment, Action and Perseverance	2025-001
Explore Academy - Las Cruces	2025-001, 2025-003, 2025-006
Explore Academy - Rio Rancho	2025-001
GREAT Academy	2025-003
Hozho Academy	2025-001, 2025-002, 2025-005
J. Paul Taylor Academy	2025-003
Monte Del Sol Charter School Foundation	2025-001
Montessori Elementary School	2025-002, 2025-0003
New Mexico Academy for the Media Arts	2025-007
New Mexico School for the Arts	2025-002
Raices Del Saber Xinachtli Community School	2025-002, 2025-004, 2025-005
Red River Valley Charter School	2025-001
Six Directions Indigenous Charter School	2025-001, 2025-005
South Valley Preparatory School	2025-002
Sun Mountain Community School	2025-001
Taos Integrated School of the Arts	2025-001
Taos International Charter School	2025-003
Turquoise Trail Charter School Foundation	2025-001

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

**NONCOMPLIANCE/ OTHER MATTERS**

<b>Entity</b>	<b>Finding No.</b>
Public Education Department	2025-003, 2025-004, 2025-005
Department of Vocational Rehabilitation	2025-006, 2025-007, 2025-008, 2025-009
21st Century Public Academy	2025-002
ACES Technical Charter School	2025-002, 2025-003
Albuquerque Bilingual Academy	2025-002, 2025-003, 2025-004
Albuquerque Collegiate Charter School	2025-001, 2025-002
Albuquerque Institute for Mathematics and Science	2025-001
Albuquerque Sign Language Academy	2025-001, 2025-002
Aldo Leopold Charter School	2025-001, 2025-002, 2025-004
Alma D'Arte Charter Higher School	2025-005, 2025-006, 2025-007, 2025-008, 2025-009
Altura Preparatory School	2025-001
Amy Biehl Charter High School	2025-001

Ms. Mariana Padilla, Secretary of Education  
 New Mexico Public Education Department and  
 Mr. Joseph M. Maestas P.E., New Mexico State Auditor

**NONCOMPLIANCE/ OTHER MATTERS (Continued)**

<b>Entity</b>	<b>Finding No.</b>
Cesar Chavez Community School	2025-001, 2025-003
Cottownwood Classical Preparatory School Foundation	2025-001
Cottownwood Classical Preparatory School	2025-001, 2025-002, 2025-003
Dream Dine	2025-001, 2025-002, 2025-003, 2025-004, 2025-005, 2025-006
Dził Ditt'Ooí School of Empowerment, Action and Perseverance	2025-002, 2025-003, 2025-004
Equip Academy of New Mexico	2025-001
Estancia Valley Classical Academy	2025-002, 2025-003, 2025-004
Explore Academy - Albuquerque	2025-001, 2025-005, 2025-006
Explore Academy - Rio Rancho	2025-004, 2025-005
GREAT Academy	2025-001, 2025-002
Horizon Academy West	2025-001
Horizon Academy West Foundation	2025-001
Hozho Academy	2025-003, 2025-004
J. Paul Taylor Academy	2025-004, 2025-005
La Academia Dolores Huerta	2025-001
Las Montanas Charter school	2025-001, 2025-003
McCurdy Charter School	2025-001, 2025-002
Middle College High School	2025-001
Monte Del Sol Charter School	2025-001, 2025-002, 2025-003, 2025-005
Montessori Elementary School	2025-001
New America School of Las Cruces	2025-001
New Mexico Academy for the Media Arts	2025-001, 2025-002, 2025-003, 2025-004, 2025-006
New Mexico Connections Academy	2025-001, 2025-002
New Mexico School for the Arts	2025-001
North Valley Academy	2025-002, 2025-003, 2025-004, 2025-005
Northpoint Charter School	2025-001, 2025-002
Pecos Cyber Academy	2025-001, 2025-002
Raices Del Saber Xinachtli Community School	2025-001, 2025-006, 2025-007, 2025-008
Red River Valley Charter School	2025-003, 2025-004, 2025-005
Roots and Wings Community School	2025-002
San Diego Riverside Charter School	2025-001
Sandoval Academy of Bilingual Education	2025-001, 2025-002, 2025-003
School of Dreams Academy	2025-001
Six Directions Indigenous Charter School	2025-002, 2025-003, 2025-004, 2025-006
Solare Collegiate Charter School	2025-001, 2025-002, 2025-004
South Valley Preparatory School	2025-004
Taos Academy Charter School	2025-001
Taos Academy Foundation	2025-001
Taos International Charter School	2025-001, 2025-002, 2025-004
The MASTERS Program	2025-003, 2025-004, 2025-005, 2025-006
THRIVE Community School	2025-001
Tierra Adentro, The NM School of Academics, Art and Artesania	2025-001
Tierra Encantada Charter School	2025-001
Turquoise Trail Charter School	2025-003
Turquoise Trail Charter School Foundation	2025-002
Vista Grande Charter High School	2025-001
Walatowa High Charter School	2025-001, 2025-002, 2025-004, 2025-005

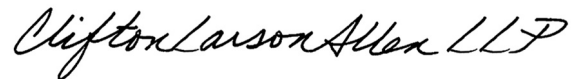
Ms. Mariana Padilla, Secretary of Education  
New Mexico Public Education Department and  
Mr. Joseph M. Maestas P.E., New Mexico State Auditor

***Department's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
December 15, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Ms. Mariana Padilla, Secretary of Education  
New Mexico Public Education Department and  
Mr. Joseph M. Maestas P.E., New Mexico State Auditor  
Santa Fe, New Mexico

**Report on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

We have audited New Mexico Public Education Department's (Department) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2025. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinions on English Language Acquisition State Grants (Assistance Listing Number 84.365),  
Student Support and Academic Enrichment (Assistance Listing Number 84.424)***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on English Language Acquisition State Grants, and *Student Support and Academic Enrichment* for the year ended June 30, 2025.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Ms. Mariana Padilla, Secretary of Education  
New Mexico Public Education Department and  
Mr. Joseph M. Maestas P.E., New Mexico State Auditor

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and modified opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Department's compliance with the compliance requirements referred to above.

*Matter(s) Giving Rise to Qualified Opinion on English Language Acquisition State Grants (Assistance Listing Number 84.365), and Student Support and Academic Enrichment (Assistance Listing Number 84.424).*

As described in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding English Language Acquisition State Grants (Assistance Listing Number 84.365), and Student Support and Academic Enrichment (Assistance Listing Number 84.424) as described in finding 2025-010 for FFATA Reporting.

Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Department's federal programs.

Ms. Mariana Padilla, Secretary of Education  
New Mexico Public Education Department and  
Mr. Joseph M. Maestas P.E., New Mexico State Auditor

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Department's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Department's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-011, 2025-012, 2025-013, 2025-014, 2025-015, 2025-016, 2025-017, and 2025-018. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* require the auditor to perform limited procedures on the Department's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Ms. Mariana Padilla, Secretary of Education  
New Mexico Public Education Department and  
Mr. Joseph M. Maestas P.E., New Mexico State Auditor

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-010 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-011, 2025-012, 2025-013, 2025-014, 2025-015, 2025-016, 2025-017, and 2025-018 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Department's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules for the general fund and major special revenue funds of the New Mexico Public Education Department (Department), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have issued our report thereon, dated December 15, 2025, which contained multiple opinions on those financial statements.

Ms. Mariana Padilla, Secretary of Education  
New Mexico Public Education Department and  
Mr. Joseph M. Maestas P.E., New Mexico State Auditor

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
February 9, 2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025**

Federal Agency/ Pass-Through Agency	Pass-Through Identifying Number	Federal Assistance Listing Number	Indirect Cost Expenditures	Department Expenditures	Amounts Passed Through To Subrecipients	Total Federal Expenditures
<b>PUBLIC EDUCATION DEPARTMENT</b>						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Child Nutrition:						
National School Lunch Program		10.555	\$ -	\$ -	\$ 180,067,944	\$ 180,067,944
Fresh Fruit and Vegetable Program		10.582	-	85,000	2,603,000	2,688,000
Total Child Nutrition Cluster			-	85,000	182,670,944	182,755,944
State Administrative Expenses for Child Nutrition		10.560	397,327	2,090,642	-	2,487,969
Child Nutrition - Technology Innovation Grant		10.541	-	94,586	-	94,586
Child Nutrition Discretionary Grants Limited Availability		10.579	-	-	234,380	234,380
Farm to School State Formula Grant		10.645	-	395,130	-	395,130
			397,327	2,580,358	234,380	3,212,065
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>397,327</b>	<b>2,665,358</b>	<b>182,905,324</b>	<b>185,968,009</b>
<b>U.S. DEPARTMENT OF LABOR</b>						
Registered Apprenticeship		17.285	10,800	286,796	-	297,596
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>10,800</b>	<b>286,796</b>	<b>-</b>	<b>297,596</b>
<b>U.S. DEPARTMENT OF TREASURY</b>						
COVID - Coronavirus Capital Projects Fund		21.019	-	-	7,395,980	7,395,980
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>			<b>-</b>	<b>-</b>	<b>7,395,980</b>	<b>7,395,980</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Office of Elementary and Secondary Education:						
Title I Grants to Local Educational Agencies						
Total Title I Grants to Local Educational Agencies		84.010A	125,240	1,690,769	149,751,491	151,567,500
			125,240	1,690,769	149,751,491	151,567,500
Education for Homeless Children and Youth:						
Total Education for Homeless Children and Youth		84.196A	59,245	274,980	784,347	1,118,572
			59,245	274,980	784,347	1,118,572
Migrant Education - State Grant Program		84.011A	12,699	877,688	603,334	1,493,721
Title I State Agency Program for Neglected and Delinquent Children and Youth		84.013A	119	985	352,605	353,709
Migrant Education Coordination Program		84.144	8,694	71,850	-	80,544
Twenty-first Century Community Learning Centers		84.287C	29,925	545,344	8,848,113	9,423,382
Rural Education		84.358B	12,698	104,944	3,431,610	3,549,252
Title III - English Language Acquisition Grants		84.365A	20,325	323,560	5,744,953	6,088,838
Title II - Improving Teacher Quality State Grants		84.367A	241,058	1,779,484	17,111,432	19,131,974
Grants for State Assessments and Related Activities		84.369	26,339	5,424,946	-	5,451,285
Statewide Longitudinal Data Systems		84.372A	15,513	996,248	-	1,011,761
Education Innovation and Research		84.411B	26,819	1,134,558	-	1,161,377
Disability Innovation Fund		84.421E	74,307	2,654,708	-	2,729,015
COVID - Coronavirus Response and Relief Supplemental Appropriations Act, 2021						
- Emergency Assistance to Non-Public Schools (CRRSA EANS) program		84.425R	*	774,434	-	774,434
COVID - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)		84.425U	*	32,945,809	103,861,180	136,806,989
COVID - American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS) program		84.425V	*	5,521,644	-	5,521,644
COVID - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth		84.425W	*	419,957	787,246	1,207,203
Total Office of Elementary and Secondary Education			652,981	55,541,908	291,276,311	347,471,200
Office of Special Education and Rehabilitative Services:						
Special Education Cluster (IDEA):						
Special Education - Grants to States		84.027A	461,444	13,063,651	102,119,013	115,644,108
Special Education - Preschool Grants		84.173A	12,006	384,769	2,468,736	2,865,511
Total Special Education Cluster (IDEA)			473,450	13,448,420	104,587,749	118,509,619
Office of Elementary and Secondary Education:						
School Safety National Activities						
School Safety National Activities		84.184H	48,800	2,260,721	-	2,309,521
Comprehensive Literacy Development		84.371C	48,214	546,326	2,982,902	3,577,442
Student Support and Academic Enrichment Program		84.424A	#	77,922	359,540	10,819,409
New Mexico Ready and Equitable CTE (RECTE)		84.424D	#	46,395	2,152,721	-
Stronger Connections Grant (SCG) Program		84.424F	#	30,183	309,863	4,660,727
Special Education - State Personnel Development		84.323	101,287	552,796	-	654,083
Office of Vocation and Adult Education:						
Career and Technical Education - Basic Grants to State		84.048	-	1,393,270	8,912,890	10,306,160
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,479,232</b>	<b>76,565,565</b>	<b>423,239,988</b>	<b>501,284,785</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Centers for Disease Control and Prevention:						
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools		93.981	43,323	333,266	-	376,589
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	27,365	1,339,777	-	1,367,142
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>70,688</b>	<b>1,673,043</b>	<b>-</b>	<b>1,743,731</b>
<b>NEW MEXICO HUMAN SERVICES DEPARTMENT</b>						
Temporary Assistance For Needy Families (TANF)		24-630-9000-0007	93.558	-	500,000	500,000
<b>TOTAL NEW MEXICO HUMAN SERVICES DEPARTMENT</b>			<b>-</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>
<b>TOTAL EXPENDITURES - PUBLIC EDUCATION DEPARTMENT</b>			<b>\$ 1,958,047</b>	<b>\$ 81,690,762</b>	<b>\$ 613,541,292</b>	<b>\$ 697,190,101</b>

\*84.425R, 84.425U, 84.425V and 84.425W belong to 84.425 - total amounting to \$ 144,310,270  
#84.424A, 84.424D, and 84.424F belong to 84.424 - total amounting to \$ 18,456,760

See Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025**

Federal Agency/ Pass-Through Agency	Federal Assistance Listing Number	Indirect Participating Expenditures	Direct Participating Expenditures	Amounts Passed Through To Subrecipients	Total Federal Expenditures
DEPARTMENT OF VOCATIONAL REHABILITATION					
U.S. DEPARTMENT OF EDUCATION					
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	\$ 3,258,486	\$ 27,376,812	-	\$ 30,635,298
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	-	107,915	-	107,915
TOTAL U.S. DEPARTMENT OF EDUCATION		3,258,486	27,484,727	-	30,743,213
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Independent Living State Grants	93.369	-	74,703	-	74,703
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	74,703	-	74,703
SOCIAL SECURITY ADMINISTRATION					
Disability Insurance/SSI Cluster	96.001	1,993,412	14,721,829	-	16,715,241
TOTAL SOCIAL SECURITY ADMINISTRATION		1,993,412	14,721,829	-	16,715,241
TOTAL EXPENDITURES - DEPARTMENT OF VOCATION REHABILITATION		5,251,898	42,281,259	-	47,533,157
TOTAL FEDERAL EXPENDITURES (PED AND DVR)		<u>\$ 7,209,945</u>	<u>\$ 123,972,021</u>	<u>\$ 613,541,292</u>	<u>\$ 744,723,258</u>

*See Notes to Schedule of Expenditures of Federal Awards.*

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Department and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in the Schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**NOTE 2 INDIRECT COST RATE**

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the Department's federal award programs have been charged with indirect costs, based upon a rate established by the state of New Mexico, and the Department has elected not to use the 10% de minimis indirect costs rate allowed under the Uniform Guidance applied to overall expenditures. The Department's indirect cost rate for the year was 21.60% and 12.10% for unrestricted and restricted, respectively, for the Department and 19.90% for the Division.

**NOTE 3 NONCASH ASSISTANCE**

The Department did not receive any federal noncash assistance during the year ended June 30, 2025.

**NOTE 4 LOANS**

The Department does not have any loans outstanding with the federal government at June 30, 2025.

**NOTE 5 RECONCILIATION**

Reconciliation of federal expenditures to federal revenue:

Per Financial Statements:	<u>PED</u>	<u>DVR</u>	<u>Total</u>
Federal Revenue	\$ 679,732,933	\$ 49,374,849	\$ 729,107,782
Less:			
Program Income	-	(1,213,734)	(1,213,734)
Unearned Revenue in Previous Years but used in Current Year	-	(624,257)	(624,257)
21.029 - underdrawn in previous years	(1,158,338)	-	(1,158,338)
84.371C - overdrawn in previous years	1,224,613	-	1,224,613
84.425U - expenditures for grant expired	17,444,287	-	17,444,287
Immaterial variance	(53,394)	(3,701)	(57,095)
Per Schedule of Expenditures of Awards	<u>\$ 697,190,101</u>	<u>\$ 47,533,157</u>	<u>\$ 744,723,258</u>

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2025**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified, and disclaimer (3 discretely presented component units)
2. Internal control over financial reporting:
- Material weakness(es) identified?     X     yes            no
  - Significant deficiency(ies) identified?     X     yes            none reported
3. Noncompliance material to financial statements noted?     X     yes            no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified?     X     yes            no
  - Significant deficiency(ies) identified?     X     yes            none reported
2. Type of auditors’ report issued on compliance for major federal programs: Qualified – 84.365, 84.424 Unmodified 10.CNC, 21.029, 84.126, 84.367, 84.425
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?     X     yes            no

***Identification of Major Federal Programs***

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.CNC (10.555 and 10.582) 21.029 84.126	Child Nutrition Cluster Coronavirus Capital Projects Fund Rehabilitation Services – Vocational Rehabilitation Grants to States
84.365	English Language Acquisition State Grants (Title III)
84.367	Supporting Effective Instruction State Grants (Title II)
84.424A	Student Support and Academic Enrichment (Title IV)

**STATE OF NEW MEXICO  
 NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2025**

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***Section I – Summary of Auditors’ Results***

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***Identification of Major Federal Programs (continued)***

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.424D 84.424F 84.425U	New Mexico Ready and Equitable CTE (RECTE) Stronger Connections Grant (SCG) Program American Rescue Plan – Elementary and Secondary School Emergency Relief (ARP ESSER)
84.425W	American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth
84.425V	American Rescue Plan – Emergency Assistance to Non-Public Schools (ARP EANS)

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        X   no

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section II – Financial Statement Findings***

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The State of New Mexico Public Education Department is made up of two distinct appropriated entities – the Public Education Department and the Department of Vocational Rehabilitation – and 64 state authorized charter schools.

Public Education Department – See section starting on page 17  
Department of Vocational Rehabilitation – See section starting on page 19  
Discretely Presented Component Units – See section starting on page 59

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section II – Financial Statement Findings (Continued)***

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**PUBLIC EDUCATION DEPARTMENT FINDINGS**

**2025-001 (2020-001) Reconciliations and Financial Close and Reporting (Material Weakness)**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** During our audit, the following exceptions were noted related to the Department's reconciliation and financial close and reporting process:

- Historical Balance
  - The Department's balance sheet contains historical payable/receivable/fund balances accounts as of June 30, 2025, including balance owed to another state agency carried forward from previous years.
- Historical Balance, Reconciliation of Due from Federal Governments, Receipts in Suspense, and Federal Revenue and Fund Balance for Fund 67300
  - The Department's balance sheet contains historical payable/receivable/fund balances accounts in previous years. In addition, The Department did not reconcile Due from Federal Governments, Receipts in Suspense, and Federal Revenue in a timely manner in prior year. The prior balance required a net restatement of approximately \$40M in the governmental funds due to a clean-up of Historical balances and reconciliation of Due from Federal Governments, Receipts in Suspense, and Federal Revenue. The Department performed an analysis to identify receivable as of June 30,2025. The Due from Federal Government was misstated in previous years was due to journal entries reducing receivable from Receipts in Suspense for accruals that were not identified. There are adjustments made to Due from Federal Government to reduce the balance without support or a corresponding draw.
- Historical Balance, Reconciliation of Due from Federal Governments, Deferred Inflow of Resources, and Federal Revenue and Fund Balance for Fund 84400
  - The Department's balance sheet contains historical payable/receivable/fund balances accounts in previous years. In addition, The Department did not reconcile Due from Federal Governments, Deferred Inflow of Resources, and Federal Revenue in a timely manner in prior year. The prior balance required a net restatement of approximately \$9.2M in the governmental funds due to a clean-up of Historical balances and reconciliation of Due from Federal Governments, Deferred Inflow of Resources, and Federal Revenue. The Department performed an analysis to identify receivable as of June 30,2025. The Due from Federal Governments, Deferred Inflow of Resources, and Federal Revenue was misstated in previous years was due to Federal Revenue were never requested from the federal government. There are adjustments made to Deferred Inflow of Resources to recognize the uncollected revenue.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section II – Financial Statement Findings (Continued)***

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**PUBLIC EDUCATION DEPARTMENT FINDINGS (CONTINUED)**

**2025-001 (2020-001) Reconciliations and Financial Close and Reporting (Material Weakness) (Continued)**

*Management's Progress for Repeat Findings: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**Context:** Historical Balance – this was identified as we reviewed and imported the Trial Balance.

Historical Balance, Reconciliation of Due from Federal Governments, Receipts in Suspense, and Federal Revenue and Fund Balance for Fund 67300 – this was identified as we reviewed the prior period adjustment provided by the Department.

**Criteria or specific requirement:** NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate. NMSA 1978 §6-5-2 requires state agencies to comply with the model accounting practices established by the Financial Control Division, and the administrative head of each agency to ensure that the model accounting practices are followed. State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

**Effect:** Possible misstatements of the financial statements – the Department adjusted the final balances at year-end.

**Cause:** Management experienced 100% turnover during the fiscal year and the Department is currently working on cleaning up historical balances and in the process of improving the Department's internal controls surrounding the reconciliation and financial close and reporting process.

**Repeat Finding:** 2024-001, 2023-001, 2022-001, 2021-001, and 2020-001

**Recommendation:** The Department should continue to evaluate its financial reporting processes and controls to determine whether additional controls over the preparation of the annual trial balance can be implemented to provide reasonable assurance that financial statements are prepared timely, completely, and accurately.

**Views of responsible officials and planned corrective actions:**

The Department agrees with this audit finding. The Audit & Accounting Senior Manager and the ASD Accounting Bureau are reconciling all funds. The prior period adjustment in Fund 67300 and Fund 84400 is a result of a large reconciliation of balance sheet activity that spanned many years. PED Accounting Bureau will continue working with the Department of Finance ACFR team to cleanup historical balances.

**View of responsible officials:** Audit & Accounting Senior Manager

**Timeline:** June 30, 2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section II – Financial Statement Findings (Continued)***

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS**

**2025-002 (2022-002) Reconciliations and Financial Close and Reporting (Material Weakness)**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The Department did not reconcile Historical Balance, Federal Revenue, Due from Federal Receivable, Unearned Revenue, and Due to Federal Government timely, which lead to an adjustment of \$4.5M and a restatement of \$901K.

*Management's Progress for Repeat Findings: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**Criteria or Specific Requirement:** NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate.

**Context:** This was identified during our testing over federal revenue and federal expenditures analysis, and unearned revenue.

**Effect:** The Department is not in compliance with NMAC.

**Cause:** Management oversight, lack of effective internal controls relating to the financial close and reporting process.

**Repeat Finding:** 2024-002, 2023-002, and 2022-002

**Recommendation:** The Department should evaluate its financial reporting processes and controls to determine whether additional controls over the preparation of the annual trial balance can be implemented to provide reasonable assurance that financial statements are prepared timely, completely, and accurately.

**Views of responsible officials:**

The Division of Vocational Rehabilitation agrees with the finding and, as such, will continue to implement year end closing communication and training for accounting staff directly related to year end activity and reconciliations. DVR leadership will also ensure benefits documentation is sufficient. During year end closing, DVR lost the CFO. This pivotal position has been filled which will ensure better internal controls and financial reporting.

**Position:** CFO

**Timeline:** 06/30/2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS**

**2025-010 (2021-004) FFATA Reporting (Material Weakness, Modified Opinion)**

Federal agency: U.S. Department of Education

Federal Program Name: Stronger Connections Grant (SCG) Program  
English Language Acquisition State Grants

Assistance Listing Number: 84.424F, 84.365

Federal Award Identification Number, Year, and Award Period: S424F220032: 9/15/2022 - 9/30/2025  
T365A240031: 7/1/2024 - 9/30/2025

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Type of Finding:

- Material Weakness in Internal Control over Compliance, Material Noncompliance (Modified Opinion)

**Criteria or specific requirement:** Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). For subaward information, report no later than the end of the month following the month in which the obligation was made.

Additionally, 2 CFR section 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal award, which includes providing an environment where segregation of duties can be achieved for preventative measures.

**Condition:** During single audit testwork over reporting, the following issues were noted which are detailed by ALN:

**84.424F**

- 1 out of 1 grant did not report subaward information during fiscal year 2025 to the FFATA Subaward Reporting System (FSRS).

**84.365:**

- 1 of 1 grant had an incomplete subaward information report submitted to the FFATA Subaward Reporting System (FSRS).

*Management’s Progress for Repeat Finding: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

---

**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS**

**2025-010 (2021-004) FFATA Reporting (Material Weakness, Modified Opinion) (Continued)**

**Questioned costs:** None.

**Context:** This was identified during Reporting Testing. The samples described above were statistically valid samples.

**Cause:** The Department lacks established internal controls and procedures over FFATA subaward management to ensure reports are submitted timely, complete, and are properly maintained in the files of the Department.

**Effect:** The Department is not in compliance with federal regulations.

**Repeat Finding:** 2024-004, 2023-004, 2022-006, 2021-004

**Recommendation:** We recommend the Department review the instructions for completion of the FFATA reports with training provided to the program staff who are preparing and reviewing the FFATA reports to ensure submitted reports are timely and complete. We recommend the Department implement effective processes and procedures to maintain the submitted reports and the documentation used to prepare the reports in the files of the Department.

**Views of responsible officials:**

**ALN 84.424F**

The Department acknowledges and accepts the finding. The PED's Stronger Connections Grant, 84.424F, program did not report FFATA information, as the new SAMS.gov subaward reporting guidance delineated that the reporting was required by the local education agency. The PED's Stronger Connections Grant, 84.424F, program will complete the reporting for our local education agencies for GY25/FY26, and moving forward, as per instructions in the Notice of Grant Award.

Timeline: June 30, 2026

**ALN 84.365**

The Department acknowledges and accepts the finding. English Language Acquisition State Grants were not reported as the new SAMS.gov subaward reporting guidance delineated that the reporting was required by the local education agency. In the absence of a coordinated and coherent process to complete FFATA reporting statewide, the Language and Culture Division's Financial Analysis Specialist will complete the reporting of the English Language Acquisition State Grants for our local education agencies for GY25/FY26 and moving forward.

Timeline: June 30, 2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS**

**2025-011 (2021-004) FFATA Reporting (Significant Deficiency)**

Federal agency: U.S. Department of Education, U.S Department of Agriculture

Federal program title: Child Nutrition Cluster  
Education Stabilization Fund  
Supporting Effective Instruction State Grants  
English Language Acquisition State Grants  
Coronavirus Capital Projects Fund

Assistance Listing Number: 10.555, 84.425U, 84.367, 21.029

Federal Award Identification Number, Year, and Award Period:

S367240030: 7/1/2022 - 9/30/2025  
S425U210023: 3/24/21 - 9/30/2024  
202525N119946: 10/4/2024 - 9/30/2025  
CPFFN0199: 2/4/2022 - 12/31/2026

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Public Law 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). For subaward information, report no later than the end of the month following the month in which the obligation was made.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-011 (2021-004) FFATA Reporting (Significant Deficiency) (Continued)**

**Criteria or specific requirement (continued):** Additionally, 2 CFR section 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal award, which includes providing an environment where segregation of duties can be achieved for preventative measures.

**Condition:** During single audit testwork over reporting, the following issues were noted which are detailed by ALN:

**10.555**

- 2 out of 3 grant did not report subaward information during fiscal year 2025 to the FFATA Subaward Reporting System (FSRS).

**84.425U**

- 1 of 1 grant had an incomplete subaward information report submitted to the FFATA Subaward Reporting System (FSRS).

**84.367**

- 1 of 1 grant did not submit by the required due date.

**21.029**

- 1 of 1 grant did not report subaward information during fiscal year 2025 to the FFATA Subaward Reporting System (FSRS).

*Management's Progress for Repeat Finding: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**Questioned costs:** None.

**Context:** This was identified during Reporting Testing. The samples described above were statistically valid samples.

**Cause:** The Department lacks established internal controls and procedures over FFATA subaward management to ensure reports are submitted timely, complete, and are properly maintained in the files of the Department.

**Effect:** The Department is not in compliance with federal regulations.

**Repeat Finding:** 2024-004, 2023-004, 2022-006, 2021-004

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-011 (2021-004) FFATA Reporting (Significant Deficiency) (Continued)**

**Recommendation:** We recommend the Department review the instructions for completion of the FFATA reports with training provided to the program staff who are preparing and reviewing the FFATA reports to ensure submitted reports are timely and complete. We recommend the Department implement effective processes and procedures to maintain the submitted reports and the documentation used to prepare the reports in the files of the Department.

**Views of responsible officials:**

ALN 10.555:

The Department acknowledges and accepts the finding. Staff from SSWB will work closely with the audit and accounting bureau to ensure monthly payments will be posted on SFA's that receive over \$30,000 per year annually in NSLP and FFVP. Reports will be verified in the Statewide Human Resources Accounting Reporting System (SHARE). The purpose of verifying these reports is because they will show when the SFA's are actually paid monthly in our accounting system. Each month this data will be posted on the

F  
FATA website to meet federal reporting requirements. SSWB will also monitor SFA's across the State to ensure that proper segregation of duties is followed when entering claims and reporting claims to ensure safety measure are followed.

ALN 84.425U

The Department acknowledges and accepts the finding. The SSFS staff is currently working on adding all pertinent subawards. However, it has proven difficult to get access to our staff via the FFATA helpdesk. We are diligently trying to solve such issues as not knowing the previous owner of these grants in the FFATA system in order to transfer this ownership to the current staff. The Director and Deputy Director of the Student, School, and Family Support (SSFS) Bureau are responsible for ensuring the FFATA reporting is completed by March 31, 2025.

ALN 21.029

The Department acknowledges and accepts the finding. The Assistant Secretary for Indian Education will:

- Create an internal Standard Operation Procedure (SOP) for the dissemination and retrieval of reports to tribes, cross verifying information in reports with internal financial drawdowns, filing the reports, and requirements of reporting to FSRS. The SOP will contain titles of individuals responsible for each task.
- Identify within the SOP the contact information and duties of the representative from OBAE aligned to required reporting including within the FSRS system.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-011 (2021-004) FFATA Reporting (Significant Deficiency) (Continued)**

ALN 84.367:

The Department acknowledges and accepts the finding. The FFATA submission was July 11, 2025. Final awards were sent to LEA's on May 15<sup>th</sup>. The due date was June 30, 2025 at the latest. PED acknowledges that the submission was 11 days late. The FFATA asks for special codes for the LEAs and PED encountered issues with one of the LEAs codes. Online guidance states "prime awardees of a federal grant are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-award equal to or greater than \$30,000 in Federal funds that does not include recovery funds." FFATA | U.S. Election Assistance Commission.

The Title II bureau is now more familiar with the new FFATA platform, submission, and preparatory requirements and future submission will be within the allowed time frame.

Timeline for all programs: June 30, 2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-012 (2024-005) Financial Reporting (Significant Deficiency)**

Federal agency: U.S. Department of Agriculture

Federal program title: Child Nutrition Cluster

Assistance Listing Number: 10.555, 10.582

Federal Award Identification Number, Year, and Award Period: 202525N119946: 10/4/2024 - 9/30/2025

202423L160346: 10/1/2023 - 9/30/2024

202419L160346: 10/1/2023 - 9/30/2024

202524L160346: 10/4/2024 - 9/30/2025

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** From 7 CFR 210.5(d):

Substantiation and reconciliation process. Each State agency shall maintain Program records as necessary to support the reimbursement payments made to school food authorities under §§ 210.7 and 210.8 and the reports submitted to FNS under this paragraph. The State agency shall ensure such records are retained for a period of 3 years or as otherwise specified in § 210.23(c).

(1) Monthly report. Each State agency shall submit a final Report of School Program Operations (FNS-10) to FNS for each month. The final reports shall be limited to claims submitted in accordance with § 210.8 of this part. For the month of October, the final report shall include the total number of children approved for free lunches, the total number of children approved for reduced price lunches, and the total number of children enrolled in participating public schools, private schools, and residential child care institutions, respectively, as of the last day of operation in October. The final reports shall be postmarked and/or submitted no later than 90 days following the last day of the month covered by the report. States shall not receive Program funds for any month for which the final report is not submitted within this time limit unless FNS grants an exception. Upward adjustments to a State's report shall not be made after 90 days from the month covered by the report unless authorized by FNS. Downward adjustments to a State's report shall always be made regardless of when it is determined that such adjustments are necessary. FNS authorization is not required for downward adjustments. Any adjustments to a State's report shall be reported to FNS in accordance with procedures established by FNS.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-012 (2024-005) Financial Reporting (Significant Deficiency) (continued)**

**Criteria or specific requirement (continued):**

Per §200.302 Financial Management, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by the terms and conditions; and tracking expenditures to establish that funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award. Further, the financial management system of each non-federal entity must provide accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements.

**Condition:**

- 1 out of 4 FNS-10 sampled, the Department did not accurately report statewide program participation totals on the FNS-10, as required by 7 CFR §210.5(d). Although underlying support was accurate, the reported amount was reported incorrectly.
- 5 out of 5 SF-425 sampled did not have the supporting documentation or reported incorrectly for the "Federal share of expenditures" at the time the report was prepared.

*Management's Progress for Repeat Finding: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**Questioned costs:** None.

**Context:** This was identified as we tested financial reporting.

**Cause:** The Department lacks established internal controls and procedures over reporting to ensure risks of incomplete reports are mitigated.

**Effect:** The Department is not in compliance with federal regulations.

**Repeat Finding:** 2024-005

**Recommendation:** We recommend the Department implement effective processes and procedures to ensure reported information is accurate and aligns with underlying data.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-012 (2024-005) Financial Reporting (Significant Deficiency) (continued)**

**Views of responsible officials:**

**FNS-10 Reporting:**

The Student Success and Wellness Director and Deputy Director acknowledges the audit finding related to the accuracy of the FNS-10 reporting. The discrepancy resulted from a typographical error caused by an inadvertent copy-and-paste mistake during report preparation. While the reported figure was incorrect, the underlying data and supporting documentation were accurate, and no questioned costs resulted.

The Student Success and Wellness Director and Deputy Director maintains documented internal procedures governing FNS-10 preparation and review, which are included as an attachment. In response to the finding, the Program has strengthened its existing procedures by implementing an additional supervisory verification step to ensure reported figures align with underlying source documentation prior to submission. This enhancement is effective beginning with the next FNS-10 reporting cycle.

The Student Success and Wellness Director and Deputy Director remains committed to accurate, complete, and timely reporting in compliance with 7 CFR §210.5(d).

**SF-425 Reporting:**

The Student Success and Wellness Director and Deputy Director acknowledges the audit finding related to FFVP SF-425 reporting. Prior to the audit, FFVP SF-425 reports were prepared using obligation allocations and general ledger data available at the time of submission, consistent with the program's block obligation structure and allowance for late claim exceptions. No questioned costs resulted.

In response to the recommendation, the State Agency has updated its FFVP SF-425 reporting procedures to base reported expenditures on district-level incurred program costs reflected in districts' monthly claims, independent of State Agency obligations, general ledger entries, or cash disbursements. These updates align with the State Agency's documented procedures and the NMPED standard operating procedure for the Financial Processing and Reporting System (FPRS), which is included as an attachment.

In addition, the revised procedures include a grant closeout reconciliation to update previously submitted SF-425 reports, as necessary, for late claim exceptions. These changes are effective beginning with the next FFVP reporting cycle and support compliance with 2 CFR §200.302.

Timeline: June 30, 2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-013 Performance Reporting (Significant Deficiency)**

Federal agency: U.S. Department of Education

Federal program title: Coronavirus Capital Projects Fund

Assistance Listing Number: 21.029

Federal Award Identification Number, Year, and Award Period: CPFFN0199: 2/4/2022 - 12/31/2026

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** Per 2 CFR 200.329 (b), When reporting program performance, the recipient or subrecipient must relate financial data and project or program accomplishments to the performance goals and objectives of the Federal award. Also, the recipient or subrecipient must provide cost information to demonstrate cost-effective practices (for example, through unit cost data) when required by the terms and conditions of the Federal award. In some instances (for example, discretionary research awards), this may be limited to the requirement to submit technical performance reports.

**Condition:** During performance reporting test work on key line items, we noted 2 out of 2 performance report did not report correct information according to the underlying supporting documents.

**Questioned costs:** None

**Context:** This was identified during Reporting Testing. The samples described above were statistically valid samples.

**Cause:** The Department has not maintained internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

**Effect:** Noncompliance with applicable federal regulations.

**Repeat Finding:** No

**Recommendation:** We recommend the Department implement effective processes and procedures to ensure the information reported aligns with the underlying support.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-013 Performance Reporting (Significant Deficiency) (Continued)**

**Views of responsible officials:**

ALN 21.029

The Department acknowledges and accepts the finding. Corrective action includes additional reporting from tribes to meet the requirement. This also includes cross-verification with internal drawdowns as reports are submitted.

The Department Assistant Secretary for Indian Education will:

- Ensure reporting templates capture required data aligned to requirements of the funds.
- Triangulate data submitted by tribes using the approved scope of work, the reports submitted, and internal finance records.

Ensure the correct references – including Assistance Listing Number 21.029 - are made on subrecipient contracts. To make these corrections, contracts to tribes will need to be updated and resigned by tribal leaders as well as the Department Secretary.

Timeline: June 30, 2026

**2025-014 (2023-006) Subrecipient Monitoring (Significant Deficiency)**

Federal agency: U.S. Department of Education

Federal program title: Student Support and Academic Enrichment Program

Supporting Effective Instruction Grant

English Language Acquisition Grant

Coronavirus Capital Projects Fund

Assistance Listing Number: 84.367, 84.365, 84.424A, 21.029

Federal Award Identification Number and Year:	S367A230030: 7/1/2023-12/31/2026
	S365A220031: 7/1/2022 - 12/31/2025
	S424A230032: 7/1/2023-12/31/2026
	CPFFN0199: 2/4/2022 - 12/31/2026

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Type of Finding:

Significant Deficiency in Internal Control over Compliance, Other Matters

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-014 (2023-006) Subrecipient Monitoring (Significant Deficiency) (Continued)**

**Criteria or specific requirement:** Per Federal Programs Cross-Cutting Risk Assessment Created by the Department, "The PED uses the Federal Programs Cross-Cutting Risk Assessment Tool to conduct the annual risk assessment in the spring/summer. The data and information used to populate the cross-cutting subrecipient risk assessment tool are gathered and compiled from multiple sources...After the data and information are entered into the cross-cutting risk assessment tool, the data and information are analyzed to determine the level of risk."

Additionally, the Pass-Through Entity must make the subrecipient aware of the award information required by 2 CFR section 200.331(a) sufficient for the PTE to comply with Federal statutes, regulations, and the terms and conditions of the award.

**Condition:**

**84.365/84.365/84.424:**

- The Department did not provide FY25 Federal Programs Cross-Cutting Risk Assessment Tool in a timely manner to allow the audit team to determine appropriate risk level and subrecipient monitoring procedure for testing.

**21.029**

- The subaward agreements lacked all required elements of a subaward. The ALN numbers provided did not match the correct ALN (21.027 vs 21.029).

*Management's Progress for Repeat Finding: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**Questioned costs:** None.

**Context:** This was identified during Subrecipient Monitoring testing. The samples described above were statistically valid samples.

**Cause:** The Department has not maintained internal controls and procedures over subrecipient communications designed to reasonably ensure documents are retained for an extended period of time and ensure all required elements are communicated to subawardees.

**Effect:** Noncompliance with Department policy and applicable federal regulations. Other elements of monitoring were conducted by the Department over the respective programs that mitigate the impact.

**Repeat Finding:** 2024-006, 2023-006

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-014 (2023-006) Subrecipient Monitoring (Significant Deficiency) (Continued)**

**Recommendation:** We noted improvements have been made during the audit period, including retainage of the FY26 Federal Programs Cross-Cutting Risk Assessment Tool. We recommend the Department continues to follow new procedures in place. Additionally, we recommend the Department implement effective processes and procedures to ensure all required elements are included in the communications to subawardees.

**Views of responsible officials:**

ALN 84.365/84.367/84.424

The New Mexico Public Education Department (PED) acknowledges the audit finding concerning subrecipient monitoring. The Fiscal Year 2025 Federal Programs Cross-Cutting Risk Assessment Tool was not submitted by the designated deadline, a circumstance attributed to a staff member's departure. As noted by the auditors, improvements were implemented during the audit period. The PED commits to ensuring that the subrecipient monitoring team maintains and executes internal controls to guarantee the proper storage and retention of documents, and that all requisite elements are communicated to subawardees. The subrecipient monitoring team will continue to adhere to new procedures and pursue further improvements and enhancements in its monitoring process.

Personnel Responsible: Federal Program Monitor Specialist

Timeline: June 30, 2026.

ALN 21.029

Ensure the correct references – including Assistance Listing Number 21.029 - are made on subrecipient contracts. To make these corrections, contracts to tribes will need to be updated and resigned by tribal leaders as well as the Department Secretary.

Personnel Responsible: The Department Assistant Secretary for Indian Education

Timeline: June 30, 2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-015 (2022-003) Allowability – Payroll Disbursement (Significant Deficiency)**

Federal agency: U.S. Department of Education

Federal program title: Student Support and Academic Enrichment Program

Supporting Effective Instruction Grant

English Language Acquisition Grant

Assistance Listing Number: 84.367, 84.365, 84.424A, 84.424F, 84.424D

Federal Award Identification Number, Year, and Award Period: S367A230030: 7/1/2023-12/31/2026

S365A220031: 7/1/2022 - 12/31/2025

S424A230032: 7/1/2023-12/31/2026

S424F220032: 9/15/2022 - 9/30/2025

S424D200005-22B:10/01/2020-09/30/2025

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** Per the most recent version of the Semiannual Certification, sign offs were required prior to 1/15/2025 for the first half of the fiscal year or 7/15/2025 for the last half of the fiscal year. Additionally, Personnel Activity Forms (PARs) are required to be prepared at least monthly and coincide with one or more pay periods.

Per the PED grant manual, “At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made.” Additionally, Under 2 CFR 200.430(g)(1)(vii), ‘Budget estimates (meaning, estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:’ and specifically under subparagraph (C), ‘The recipient’s or subrecipient’s system of internal controls includes processes to perform periodic after-the-fact reviews of interim charges made to a Federal award based on budget estimates. All necessary adjustments must be made so that the final amount charged to the Federal award is accurate, allowable, and properly allocated.’

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-015 (2022-003) Allowability – Payroll Disbursement (Significant Deficiency) (Continued)**

**Condition:** During single audit testwork over payroll, the following issues were noted which are detailed by ALN:

**84.367:**

- 7 of 15 samples had the Semiannual Certification completed after the required date of 1/15/2025.
- 2 of 15 samples did not include a date of signature to complete the Semiannual Certification, making it impossible to verify whether it was completed within the required submission timeframe.
- 3 of 15 timesheets reviewed did not agree to the charges entered into SHARE. The total of the variances is approximately \$98. The variances were not corrected.

**84.365:**

- 1 of 10 samples had the PAR signed in February 2025 for work done in August 2024, which is beyond the monthly preparation requirement.
- 4 of 10 timesheets reviewed did not agree to the charges entered into SHARE. The total of the variances is approximately \$629. The variances were not corrected.

**84.424A:**

- 2 of 15 samples had the Semiannual Certification completed after the required date of 7/15/2025.

**84.424F**

- 1 of 15 samples had the PAR signed in August for work done in March, which is beyond the monthly preparation requirement.

**84.424D**

- 4 of 5 timesheets reviewed did not agree to the charges entered into SHARE. The total of the variances are approximately \$10,189 of overcharges.

*Management's Progress for Repeat Finding: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**Questioned costs:** \$10,916 Known amount

**Context:** This was identified as we tested payroll. The samples described above were statistically valid samples.

**Cause:** The Department has not maintained internal control designed to reasonably ensure compliance with Department's policy.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-015 (2022-003) Allowability – Payroll Disbursement (Significant Deficiency) (Continued)**

**Effect:** Noncompliance with applicable regulations and Department policy, possible undercharges and overcharges to the Federal grants.

**Repeat Finding:** 2024-009, 2023-003, 2022-003

**Recommendation:** We recommend that the Department assist the Programs by providing training to employees, including supervisory-level employees, to ensure adherence with Department or Program policy.

**Views of responsible officials:**

ALN 84.367

PED acknowledges and accepts this finding. There was a misunderstanding of the due date for the January 2025 Time and Effort forms. T&E forms for July-Dec24 were signed late (Jan 22&24, 2025). The official department form has since been changed and the Jan-Jun 25 (signed Jul 10 & 13, 2025). (July-Dec 25 forms were signed prior to 1/15/2026 (Jan 7&13, 2026). There are 4 employees with semi-annual forms – as such only 8 semi-annual forms should have been tardy due to this misunderstanding/mistake. Future forms will be signed on time. The accounting department will review timesheet differences and propose journal entries on a quarterly basis.

ALN 84.424A/F

The Department acknowledges and accepts this finding The program initially submitted the signed Semiannual Certification form prior to the 7/15/2025 deadline for a staff member that assisted the program with both the 84.424A and 84.424F grant programs in state fiscal year 2025. However, the program received notification from the PED's time sheet auditor on 7/31/2025 that we had gotten out of synch on the salary funding sources for task profiles for five of the pay periods, when the program received a new supplemental grant award, separate from, but tied to 84.8424A. Oversight was unintentional. Unfortunately, the program did not notice that it had not updated its coding on the forms to account for the new funding source until the issue was brought to our attention after the July 15th deadline. The program submitted the corrected forms to the PED's time sheet auditor on 8/8/2025.

The program has since ensured that it submits the required Semiannual Certification forms prior to the annual July 15th deadline, so that we can ensure the program is annotating the correct funding source for all certifications in our bureau well in advance of required deadlines.

ALN 84.424D

The Department acknowledges and accepts the finding. Salaries for the NM Ready and Equitable grant have been expended. The grant will no longer be supporting salaries for employees within CCRB.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-015 (2024-009) Allowability – Payroll Disbursement (Significant Deficiency) (Continued)**

**Views of responsible officials (Continued):**

ALN 84.367 (Continued)

However, to prevent this error in the future, CCRB will continue to take the following corrective steps for all federal awards:

- The PED Grants manual will be reviewed with all CCRB staff.
- CCRB staff will participate in PARs (T&E) refresher training.
- CCRB Communication Coordinator will continue to collect biweekly PARs.
- CCRB Manager and Director will continue to sign all PARs, especially to verify that only eligible employees bill any time to the grant in question.
- CCRB Director will communicate with Budget and Audit & Accounting staff at least quarterly to review time distribution records and compare actual costs to budgeted distributions.

The accounting department will review timesheet differences and propose journal entries on a quarterly basis.

ALN 84.365

The Department acknowledges and accepts the finding. In the absence of a coordinated and coherent internal process to complete time and effort, the Language and Culture Division’s Financial Analysis Specialist will guide the timely and accurate completion of English Language Acquisition grant personnel activity forms. This will be completed for the three positions funded under the English Language Acquisition grant. The accounting department will review timesheet differences and propose journal entries on a quarterly basis.

Timeline for all programs: June 30, 2026

**2025-016 (2024-010) Suspension and Debarment (Significant Deficiency)**

Federal agency: U.S. Department of Education

Federal program title: Student Support and Academic Enrichment Program

American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth

Assistance Listing Number: 84.424F, 84.424D, 84.425W

Federal Award Identification Number and Year:	S424F220032: 9/15/2022 - 9/30/2025
	S424D200005: 10/01/2023 - 9/30/2025
	S425W210032: 4/23/21-9/30/2024

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-016 (2024-010) Suspension and Debarment (Significant Deficiency) (Continued)**

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** Per §200.213 Suspension and debarment, Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

**Condition:**

**84.424D:**

- 1 of 10 samples selected did not verify to ensure that the vendor was not suspended or debarred.

**84.424F:**

- 1 of 10 samples selected did not verify to ensure to ensure that the vendor was not suspended or debarred.

**84.425W:**

- 2 of 20 samples selected did not verify to ensure that the vendor was not suspended or debarred.

*Management's Progress for Repeat Finding: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**Questioned costs:** None.

**Context:** This was identified during Suspension and Debarment Testing. The samples described above were statistically valid samples.

**Cause:** The Department has not maintained internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department's policy.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-016 (2024-010) Suspension and Debarment (Significant Deficiency) (Continued)**

**Effect:** Department may not have followed federal guidelines for procuring vendors.

**Repeat Finding:** 2024-010

**Recommendation:** We recommend the Department performs a SAM check before procuring with a vendor. We also recommend that the Department provide training to employees for the internal policy.

**Views of responsible officials:**

The New Mexico Public Education Department (PED) acknowledges the audit finding related to documentation of Suspension and Debarment (SAM.gov) verification and concurs that documentation was not consistently retained for the sampled transactions. PED procedures already require verification of vendor eligibility prior to award or execution of all applicable contracts; however, the Department recognizes that this verification was not consistently documented for Intergovernmental Agreements (IGAs) during the audit period. In response, PED will reinforce documentation requirements, update procedures to ensure consistent retention of SAM.gov verification, and include Suspension and Debarment compliance language in the Department's contract templates to clearly document compliance for IGAs. Targeted training will be provided to contracts staff, and the Purchasing and Contracts Bureau will continue ongoing monitoring to ensure compliance.

Timeline: June 30, 2026

**2025-017 Cash Management (Significant Deficiency)**

Federal agency: U.S. Department of Education

Federal program title: Student Support and Academic Enrichment Program

Assistance Listing Number: 84.424A

Federal Award Identification Number and Year: S424A230032: 7/1/2023-9/30/2024

S424F220032: 9/15/2022 - 9/30/2025

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (Continued)**

**2025-017 Cash Management (Significant Deficiency) (Continued)**

**Criteria or specific requirement:** Per §200.302 Financial Management, "Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award"

**Condition:**

- 1 of the 7 samples selected had expenditures related to 424F drawn from the 424A, creating an overdraft in the 424A grant of \$544,140.02.
- 1 of 7 samples selected had \$67,992.44 of expenditures related to 84.424A drawn from 84.365 rather than 84.424A.

**Questioned costs:** None.

**Context:** This was identified during Cash Management Testing. The samples described above were statistically valid samples.

**Cause:** The Department has not maintained internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

**Effect:** The Department is not in compliance with federal regulations.

**Repeat Finding:** No

**Recommendation:** We recommend the Department implement effective processes and procedures to ensure expenditures are reimbursed from the correct grant.

**Views of responsible officials:**

The New Mexico Public Education Department (PED) acknowledges and agrees with the finding. The Accounting and Audit Senior Manager has implemented processes to ensure that every draw is reviewed and approved by the Accounting Supervisor before the accounting team requests reimbursement for expenditures. Additionally, the federal funds are reconciled monthly to ensure the federal revenue agrees to the federal expenditures and recorded properly in the general ledger.

Timeline: June 30, 2026

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**DEPARTMENT OF VOCATIONAL REHABILITATION FEDERAL FINDINGS**

**2025-018 (2024-011) Internal Control over Period Performance (Significant Deficiency and Noncompliance)**

Federal agency: U.S. Department of Education

Federal Program Title: Rehabilitation Services – Vocational Rehabilitation Grants to States

Assistance Listing Number: 84.126

Federal Award Identification Number and Year: H126A250045 – 10/1/2024 – 09/30/2025

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

**Type of finding:**

- Significant Deficiency in Internal Control Over Compliance, Other Matter

**Criteria or specific requirement:** A non-federal entity may charge only allowable costs incurred during the approved budget period of a federal award's period of performance and any costs incurred before the federal awarding agency or pass-through entity made the federal award that were authorized by the federal awarding agency or pass-through entity (2 CFR 200.308, 200.309, and 200.403(h)).

**Condition:** Auditor noted expenditures in the amount of \$200.50 were charged to the grant before the beginning date of the period of performance.

*Management's Progress for Repeat Finding: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.*

**Questioned costs:** \$200.50.

**Context:** This was identified as we tested period of performance.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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**Section III – Findings and Questioned Costs – Major Federal Programs (Continued)**

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**DEPARTMENT OF VOCATIONAL REHABILITATION FEDERAL FINDINGS (Continued)**

**2025-018 (2024-011) Internal Control over Period Performance (Significant Deficiency and Noncompliance) (continued)**

**Cause:** Management oversight.

**Effect:** The Department is in violation of federal regulations.

**Repeat Finding:** 2024-011

**Recommendation:** We recommend the Department implements procedures to ensure compliance with federal period of performance regulations.

**Views of responsible officials:**

The Division of Vocational Rehabilitation agrees with the findings and, as such, will implement regular reviews of federal expenditures and period of performance. The DVR General ledger team will meet quarterly with the Chief Financial Officer and review all federal expenditures to be recorded timely and accurately. DVR will also continue to meet with program field staff to ensure obligations are within the appropriate period.

Position: CFO

Timeline: 06/30/2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings***

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**PUBLIC EDUCATION DEPARTMENT FINDINGS**

**2025-003 Internal Control over time entries (Noncompliance and Other Matters)**

Type of Finding:

- Other noncompliance and Other Matters

**Condition:** During our audit, the following exceptions were noted related to the Department's internal controls processes:

- There are no adequate supporting documents provided to auditor for one employee to determine if it is appropriate for the employee to participate in the fitness and wellness program.
- For one out of one employee selected, there are multiple timesheets were not approved by authorized supervisor or manager.

**Criteria or specific requirement:** Per the Department's Personnel Policy No. 7 Fitness and Wellness Policy, requests to participate in the fitness and wellness program are approved for one year at a time. Requests will be considered each year in January. If an employee's initial request is approved in the middle of a year, the employee must renew the employee's requests the following January.

Per Manual of Model Accounting Practices (MAP) Section PR 1.3 Time Certification and Approval, the authorized supervisor or manager approves the timesheet confirming the reported timesheet entries. It is the responsibility of the time approver to ensure the accuracy of the time they are approving.

**Effect:** Noncompliance with the Department's policies and MAPs.

**Context:** This was identified during our unpredictability testing.

**Cause:** The Department did not follow the policies and procedures in place.

**Repeat Finding:** No.

**Recommendation:** We recommend Management to provide training to employee and continue to follow the Department's policies and procedures, and Manual of Model Accounting Practices.

**Views of responsible officials:**

PED agrees with this finding. The PED HR staff, and they will not approve time in place of a manager unless there is express written direction provided by the HR Manager with supporting documentation from the manager as to why they are unable to access the employee's timesheet. Regarding the fitness time form, HR will review processes around these forms and will review the submission steps with all PED staff to ensure forms are in place and properly retained.

**View of responsible officials:** HR Director

**Timeline:** June 30, 2026

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**PUBLIC EDUCATION DEPARTMENT FINDINGS (CONTINUED)**

**2025-004 Internal Control Testing over Cash Receipts (Noncompliance and Other Matters)**

Type of Finding:

- Other noncompliance and Other Matters

**Condition:** During our internal control testing over cash receipts, the following exceptions were noted related to the Department's internal controls processes:

- 1 out of 22 sample selected did not have enough supporting documentation to verify the date that a check was received. As a result, we are unable to determine if the cash was deposited before the close of the succeeding business day after the receipt of the money.
- 5 out of 22 sample selected do not have written review/approvals for the respective deposits.

**Criteria or Specific Requirement:** According to the Manual of Model Accounting Practices (MAPs) Section FIN 2.1, all cash received by agencies must be recorded timely and accurately in accordance with state statute. NMSA 6-10-3 states that state agencies receiving any money in cash or by check deliver or remit to the state treasurer such receipts before the close of the next succeeding business day after the receipt of the money.

Per Green Book Principle 10 - Design Control Activities, Section 10.13 - Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override.

Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

Per Green Book Principle 10 - Design Control Activities, Section 10.14 - If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**Context:** This was identified during our testing on cash receipts.

**Cause:** The Department experienced significant turnover in the accounting bureau during the fiscal year.

**Effect:** Noncompliance with applicable statutes.

**Repeat Finding:** No

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**PUBLIC EDUCATION DEPARTMENT FINDINGS (CONTINUED)**

**2025-004 Internal Control Testing over Cash Receipts (Noncompliance and Other Matters (Continued))**

**Recommendation:** We recommend that management establish effective processes and provide additional training to new staff members to ensure that all cash received is recorded at the time of receipt and deposited by the end of the next business day.

**Views of responsible officials:**

The Department agrees with this audit finding. During the fiscal year, the Accounting Bureau suffered 100% turnover. The individuals assisting in the interim were not aware of the required controls to ensure compliance with Manual of Model Accounting Practices (MAPs) and NMSA 6-10-3 – Public Monies Act. The Accounting Bureau was fully staffed by May 2025. Internal controls and procedures have been implemented to ensure that the agency is in compliance with MAPs and state statute. Additionally, the Accounting Department is using the check scanning machine in order to deposit checks with Wells Fargo online. The implementation of the online deposits ensures compliance with MAPs and the Public Monies Act.

**View of responsible officials:** Audit & Accounting Senior Manager

**Timeline:** June 30, 2026

**2025 – 005 (2024-017 and 2024-018) PED IT Deficiency in Internal Control (Other Matters)**

Type of Finding:

- Other Matters

**Condition:** During our review, we identified the following exceptions related to the Department's IT internal controls:

- Password and Lockout configuration  
The Department have a financial application password and lockout configuration, but the required configurations of the financial application do not align with the Department's IT Access Control policy, Identification & Authentication policy, and leading best practices.
- User Access reviews  
The Department conduct ad hoc network and financial application user access reviews for appropriate permissions, but the Department do not have evidence of logging those reviews nor does the Department's IT Access Control policy address user access review frequency and logging of reviews.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**PUBLIC EDUCATION DEPARTMENT FINDINGS (CONTINUED)**

**2025 – 005 (2024-017 and 2024-018) PED IT Deficiency in Internal Control (Other Matters)**  
**(Continued)**

**Condition (Continued):**

- Noncompliance with Security Awareness Training Timelines  
324 out of 425 employees did not complete the Security Awareness Training within the required 90-day time limit or completed the training past due. State staff members are mandated to annual cybersecurity training by calendar year. Employees have 90 days to take the course but there are no repercussions if it is not completed.

*Management's Progress for Repeat Findings: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with regulations, and National Institute of Standards and Technology (NIST) standards, as well as compliance with Department policy.*

**Criteria or specific requirement:**

**Password and Lockout configuration**

In accordance with NIST's Special Publication 800-63B, the importance of policy alignment, password and lockout recommendations and the use of multi-factor authentication (MFA).

**User Access reviews**

In accordance with NIST's Special Publication 800-53, revision 5, the importance of access control and conducting user access reviews regularly.

**Noncompliance with Security Awareness Training Timelines**

In accordance with NIST Special Publication 800-53 Rev. 5, control AT-2 (Security Awareness Training), emphasizes the importance of timely and recurring training to maintain a security-aware workforce.

**Effect:**

**Password and Lockout configuration**

The Department is at risk of increased vulnerability to brute force attacks, unauthorized access, data breaches, compromised accounts, regulatory non-compliance, reputational damage and possible financial loss if password and lockout settings are not in alignment amongst the network and financial application(s) and policy settings.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**PUBLIC EDUCATION DEPARTMENT FINDINGS (CONTINUED)**

**2025 – 005 (2024-017 and 2024-018) PED IT Deficiency in Internal Control (Other Matters)**  
**(Continued)**

**Effect: (Continued)**

User Access reviews

The Department is at risk of unauthorized access, data breaches, insider threats, regulatory non-compliance, increased attack surface, operation inefficiencies, and difficulty in incident response if user access reviews are not conducted at least annually.

Noncompliance with Security Awareness Training Timelines

Delayed or missed training increases the risk of cybersecurity incidents due to insufficient awareness among staff and may result in noncompliance with best practices and regulatory expectations.

**Context:** This was identified during audit of IT controls.

**Cause:**

Password and Lockout configuration

The Department is aware and in the progress of working to update the IT Access Control and Identification & Authentication policies and then the financial application(s) and MFA.

User Access reviews

The Department is aware and in the progress of update the IT Access Control policy. Then, the Department will be working on setting up and documenting regular user access reviews.

Noncompliance with Security Awareness Training Timelines

Absence of formal enforcement procedures or accountability measures for overdue training completion.

**Repeat Finding:** 2024-017, and 2024-018

**Recommendation:**

Password and Lockout configuration

- The Department should review authentication configurations for all financial applications to ensure they are aligned with the overall password policy to reduce risk of unauthorized access. The Department may want to consider moving beyond the minimum CJIS or NIST password standards and move toward the advanced password standards:
  - Min. password character length from 12 to 20 characters
  - Max. password age of 90 days (may be increased to 365 days with MFA for all access)
  - Min. password age of 1 day
  - Password history of 12-24 passwords remembered.
  - Password complexity enabled (Not required for 20 character passwords)

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**PUBLIC EDUCATION DEPARTMENT FINDINGS (CONTINUED)**

**2025 – 005 (2024-017 and 2024-018) PED IT Deficiency in Internal Control (Other Matters)**  
**(Continued)**

**Recommendation: (Continued)**

Password and Lockout configuration (Continued)

- Password complexity enabled (Not required for 20 character passwords)
- Account lockout duration - 30 minutes to indefinite (required admin. intervention to unlock).
- Account lockout threshold - 3 - 5 invalid attempts before account lockout.
- Account lockout counter reset - 30 minutes to indefinite (required admin. intervention to unlock).

User Access reviews

- The Department should conduct periodic reviews on at least an annual basis for the network and financial applications. The reviews should include the following:
  - Define Objectives and Scope: Clearly define the objectives of the access review and determine the scope, including which systems, applications, and user roles will be reviewed.
  - Establish a Schedule: Set a regular schedule for access reviews (e.g., quarterly, bi-annually) to ensure they are conducted consistently.
  - Develop a Review Process:
    - Identify Users: Compile a list of all users with access to the systems within the scope.
    - Review Access Levels: Assess the access levels of each user to ensure they are appropriate for their current role and responsibilities.
    - Check for Redundancies: Identify and remove any redundant or unnecessary access rights.
  - Engage Stakeholders: Involve relevant stakeholders, such as department managers, IT staff, and compliance officers, to provide input and validate the access levels.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

---

***Section IV – Section 12-6-5 NMSA 1978 findings***

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**PUBLIC EDUCATION DEPARTMENT FINDINGS (CONTINUED)**

**2025 – 005 (2024-017 and 2024-018) PED IT Deficiency in Internal Control (Other Matters)**  
**(Continued)**

**Recommendation: (Continued)**

- Use Automated Tools: Utilize automated tools and software to streamline the review process, track changes, and generate reports.
  - Document Findings: Record the findings of the access review, including any changes made, and maintain documentation for audit purposes.
  - Implement Changes: Make necessary adjustments to user access based on the review findings, ensuring that changes are communicated to affected users.
  - Monitor and Follow-Up: Continuously monitor user access and follow up on any issues identified during the review to ensure they are resolved.
  - Training and Awareness: Provide training and raise awareness among employees about the importance of access reviews and maintaining appropriate access levels.
  - Audit and Compliance: Ensure that the access review process complies with relevant regulations and internal policies and be prepared for audits.

By following these recommendations, the Department can ensure that user access reviews are thorough, consistent, and effective in maintaining the security and integrity of the IT systems.

**Noncompliance with Security Awareness Training Timelines**

- Establish and enforce a formal process to monitor and ensure timely completion of Security Awareness Training. Consider implementing automated reminders, escalation protocols, and reporting mechanisms to improve compliance and reduce risk exposure.

**Views of responsible officials:**

- **Password and Lockout configuration**

**Person Responsible:** Senior Manager, Information Technology

**Steps to be taken or action items:** PED's Senior Manager of Information Technology will oversee the vendor and the implementation of security upgrade to password length and complexity.

**Timeline:** 06/30/2026

- **User Access reviews**

**Person Responsible:** Senior Manager, IT Operations

**Steps to be taken or action items:** PED's Senior Manager of IT Operations will perform monthly audit of privileged accounts and annual audits of standard user accounts.

**Timeline:** 06/30/2026

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**PUBLIC EDUCATION DEPARTMENT FINDINGS (CONTINUED)**

**2025 – 005 (2024-017 and 2024-018) PED IT Deficiency in Internal Control (Other Matters)**  
**(Continued)**

**Views of responsible officials: (Continued)**

- **Noncompliance with Security Awareness Training Timelines**

**Person Responsible:** Chief Information Security Officer (CISO)

**Steps to be taken or action items:** PED's CISO will monitor monthly reports of cybersecurity training for completed training and non-compliance. Non-compliant PED staff will be reported to human resources and immediate supervisors for completion of training before the stated deadline.

**Timeline:** 06/30/2026

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS**

**2025-006 (2023-009) Internal Control over Capital Assets (Noncompliance and Other Matters)**

**Type of finding:**

- Other noncompliance and Other Matters

**Condition:** During our audit, it was noted the Division did not notify Office of State Auditor (OSA) in a timely manner for three out of three disposals.

*Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.*

**Criteria or Specific Requirement:** Per NMAC 2.2.2(9)(U), Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. At least 30 days prior to any disposition of property included on the agency inventory list, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action shall be sent to the state auditor. The disposition list shall include worn out, unusable or obsolete items, and may include trade-ins, and lost, stolen, or destroyed items, as applicable.

**Context:** This was identified during our review of capital assets.

**Cause:** Management oversight

**Effect:** Noncompliance with NMAC.

**Repeat Finding:** 2024-020, 2023-009

**Recommendation:** We recommend management ensures processes surrounding capital asset are in compliance with NM State Audit rules.

**Views of responsible officials:**

DVR was unable to notify the office of the State Auditor timely due to emergent situations that required the immediate exiting of properties. These situations did not allow for the agency to report the disposals timely. DVR has provided additional training to the Fixed Assets Coordinator, including the appropriate notification process.

**Position:** CFO

**Timeline:** 06/30/2026

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (CONTINUED)**

**2025-007 (2024-021) WEX Card Control Process (Noncompliance and Other Matters)**

**Type of finding:**

- Other noncompliance and Other Matters

**Condition:** During the internal control test work over WEX cards transactions, the Department was unable to provide multiple receipts for WEX monthly packets selected.

*Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.*

**Criteria or Specific Requirement:** NMAC 1.5.3.19 – Each agency will evaluate fuel purchase exception reports provided by the fuel credit card company on a monthly basis. (1) Each agency shall establish use requirements and parameters on their fleet. Such parameters will include multiple daily transactions, number of gallons purchased at one (1) time, limit dollars per transaction, off hour transactions, non-fuel transactions, and unauthorized purchases (soda, candy, etc.). (2) Transactions that cannot be justified must be investigated with a formal report summarizing the findings with recommendations. A copy of the report will be sent to the State Central Fleet Authority.

**Context:** This was identified during our testing over WEX Card Transactions.

**Cause:** Management oversight

**Effect:** The Department is not in compliance with NMAC 1.5.3.19.

**Repeat Finding:** 2024-021

**Recommendation:** We recommend management establishes effective controls and procedures to ensure WEX cards are in compliance with applicable laws.

**Views of responsible officials:**

The Division of Vocational Rehabilitation agrees with the finding and, as such, has implemented a monthly review of all WEX receipts that is conducted by lead vehicle coordinator. This includes reviewing monthly logs and is contacting program staff for lost or missing receipts.

**Position:** CFO

**Timeline:** 06/30/2026

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (CONTINUED)**

**2025-008 Internal Control Testing over Cash Receipts (Noncompliance and Other Matters)**

Type of Finding:

- Other noncompliance and Other Matters

**Condition:** During our internal control testing over cash receipts, the following exceptions were noted related to the Department's internal controls processes:

- 2 out of 11 samples selected did not have enough supporting documentation to verify the date that a check was received. As a result, we are unable to determine if the cash was deposited before the close of the succeeding business day after the receipt of the money.

**Criteria or Specific Requirement:** According to the Manual of Model Accounting Practices (MAPs) Section FIN 2.1, all cash received by agencies must be recorded timely and accurately in accordance with state statute. NMSA 6-10-3 states that state agencies receiving any money in cash or by check deliver or remit to the state treasurer such receipts before the close of the next succeeding business day after the receipt of the money.

**Context:** This was identified during our testing on cash receipts.

**Cause:** Lack of effective internal control

**Effect:** Noncompliance with applicable statutes.

**Repeat Finding:** No

**Recommendation:** We recommend that management establish effective processes and provide additional training to new staff members to ensure that all cash received is recorded at the time of receipt and deposited by the end of the next business day.

**Views of responsible officials:**

The Division of Vocational Rehabilitation agrees with the finding and, as such, has implemented training for program staff that includes job aids on the deposit process and the required documentation. For ongoing training of existing and newly hired staff this training will be held on a quarterly basis. Job aids are also available on the Agency intranet for immediate access by all staff.

**Position:** CFO

**Timeline:** 06/30/2026

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (CONTINUED)**

**2025-009 (2024-022) Internal Control Testing over Information Technology (Other Matters)**

**Type of Finding:**

- Other Matters

**Condition:** During our audit, the following exceptions were noted related to the Division's IT Internal Control:

- Segregation of duties
  - During the audit, it was observed that the same individual in the application development team at the Division was responsible for developing, testing and deploying SHIN application changes. There is no segregation of duties to separate these functions, leading to a potential risk of unauthorized changes and reduced oversight.
- Information security policies and disaster recovery plan
  - It was also observed that the Division's information security policies were not reviewed on an annual basis and the disaster recovery plan was not tested by the Division in the period.

*Management's Progress for Repeat Findings: This is a repeated and modified finding. While the Department has improved its efforts, there are still opportunities for improvement to reasonably ensure compliance with regulations, and National Institute of Standards and Technology (NIST) standards, as well as compliance with Department policy.*

**Context:** They were identified during IT audit testing.

**Criteria or Specific Requirement:**

- Segregation of duties  
According to NIST Special Publication 800-53 Revision 5, security control AC-5, Separation of Duties, states that "The organization separates duties of individuals as necessary to prevent malevolent activity without collusion." This control requires the establishment of policies and procedures to ensure that critical duties are divided among different individuals to increase checks and balances within the system.
- Information security policies and disaster recovery plan  
According to NIST Special Publication 800-84 section 2, "Tests are evaluation tools that use quantifiable metrics to validate the operability of an IT system or system component in an operational environment specified in an IT plan. In addition, the Division's Disaster Recovery & Business Continuity Plan requires the testing of the plan at least every six months.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (CONTINUED)**

**2025-009 (2024-022) Internal Control Testing over Information Technology (Other Matters) (Continued)**

**Criteria or Specific Requirement: (Continued)**

According to NIST Special Publication 800-53A, Revision 5, planning control PM-01, “the information security program plan is reviewed and updated”. This control requires the establishment of a set frequency for the review and approval of information security policies.

**Cause:** The primary cause of the lack of segregation of duties is attributed to inadequate staffing and resource constraints within the IT department. Additionally, the organization has not fully implemented robust internal control measures to enforce segregation of duties.

The primary cause of the lack of tests of the disaster recovery plan is attributed to tests of backup recovery which was deemed sufficient to satisfy the test of the disaster recovery plan.

The primary cause of the lack of review of the information security policies is due to an ongoing effort to consolidate all information securities policies with their NIS Standards and Practices Manual.

**Effect:** The lack of segregation of duties in the application development process increases the risk of unauthorized or inappropriate changes being made to applications. This could lead to potential security breaches, data integrity issues, and operational disruptions. Moreover, in the event of an error or malicious activity, it may become difficult to pinpoint accountability.

The lack of testing of the disaster recovery plan increases the risk of individuals unaware of the their responsibilities and the escalation procedures in the event of an identified incident or disaster.

The lack of annual review and approval of information security policies could result in outdated policies and procedures that can lead to confusion and inefficiencies.

**Repeat Finding:** 2024-022

**Recommendation:** To mitigate the risks associated with the lack of segregation of duties, it is recommended that New Mexico DVR implements the following measures:

- Segregation of duties  
*Policy Development:* Develop and enforce a formal policy that outlines the requirement for segregation of duties within the application development process.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (CONTINUED)**

**2025-009 (2024-022) Internal Control Testing over Information Technology (Other Matters) (Continued)**

**Recommendation: (Continued)**

- Segregation of duties (Continued)

*Role Assignment:* Assign distinct roles and responsibilities for development, testing, and deployment tasks to different individuals or teams in order to have a separate employee assigned to develop and a separate employee able to promote changes to production.

*Staff Training:* Conduct regular training programs to educate staff about the importance of segregation of duties and the associated security controls as per NIST 800-53.

*Periodic Reviews:* Establish a process for periodic reviews and audits to ensure ongoing compliance with the segregation of duties policies.

*Resource Allocation:* Assess and reallocate resources or hire additional staff if necessary to ensure sufficient personnel are available to enforce segregation of duties without compromising the efficiency of the development process.

- Information security policies and disaster recovery plan

*Information Security Policy Review:* Formally review and approve information security policies on an annual basis so that procedures are kept up-to-date and any changes to procedures or systems are updated.

*Disaster Recovery Plan Testing:* Test the disaster recovery plan at least annually to verify backup and recovery procedures, address any flaws or gaps, familiarize staff with their roles and responsibilities, and ensure the plan remains relevant and effective.

**Views of Responsible Officials:**

- Segregation of duties

*Policy Development:* Develop and enforce a formal policy that outlines the requirement for segregation of duties within the application development process.

**Management Response:** Implemented. The “Separation of Duties Standard” was adopted on 10/03/2025 and incorporated into the NMDVR NIST Standards and Practices Manual.

**Position:** CIO

**Timeline:** Completed 10/03/2025

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (CONTINUED)**

**2025-009 (2024-022) Internal Control Testing over Information Technology (Other Matters)**  
**(Continued)**

**Views of Responsible Officials (Continued):**

- *Role Assignment:* Assign distinct roles and responsibilities for development, testing, and deployment tasks to different individuals or teams in order to have a separate employee assigned to develop and a separate employee able to promote changes to production.

**Management Response:** Under the established standard mentioned above, Change Advisory Board (CAB) oversight and required audit trails enforce separation between developers and production-promotion authorities. The testing team was pre-existent and well-structured in terms of documentation and processes.

**Position:** CIO

**Timeline:** Completed 10/03/2025

- *Staff Training:* Conduct regular training programs to educate staff about the importance of segregation of duties and the associated security controls as per NIST 800-53.

**Management Response:** A training deck was developed, and all ISU staff completed their review and formal acknowledgment of the NMDVR NIST Standards and Practices Manual in 06/2025, with all questions addressed. Since that was in FY25, additional, more in-depth training will occur this year.

**Position:** CIO

**Timeline:** All acknowledgement forms were received in June 2025 (FY25).

- *Periodic Reviews:* Establish a process for periodic reviews and audits to ensure ongoing compliance with the segregation of duties policies.

**Management Response:** The new standard referenced above clarifies that CAB oversight, approvals, and change-tracking reviews are mandatory, fully operational, and required for all changes.

**Position:** CIO

**Timeline:** Completed 10/03/2025

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (CONTINUED)**

**2025-009 (2024-022) Internal Control Testing over Information Technology (Other Matters) (Continued)**

**Views of Responsible Officials (Continued):**

- *Resource Allocation:* Assess and reallocate resources or hire additional staff if necessary to ensure sufficient personnel are available to enforce segregation of duties without compromising the efficiency of the development process.

**Management Response:** A job offer for the Associate IT Application Developer position was recently issued and is pending acceptance. Delays occurred because the CIO served concurrently as Director for seven months, which significantly reduced the time available to conduct recruitment. After returning to the CIO role in September, the CIO was unable to complete the hiring process for the Associate IT Applications Developer position.

**Position:** CIO

**Timeline:** Pursued in FY25, job offer made and declined in 12/2025, and the position was reposted 12/05/2025

- Information security policies and disaster recovery plan  
*Information Security Policy Review:* Formally review and approve information security policies on an annual basis so that procedures are kept up-to-date and any changes to procedures or systems are updated.

**Management Response:** The NMDVR NIST Standards and Practices Manual was reviewed and updated multiple times in FY25. The remaining issue is the need to retire the outdated (2016) IT Security Policy. To do so officially, related policies must first be updated to reference the new NIST-aligned policies. This work will be incorporated into the ISU policy updates currently underway. The Disaster Recovery & Business Continuity Plan was last updated on 10/30/2025 following the tabletop exercise.

**Position:** CIO

**Timeline:** 04/30/2026

- *Disaster Recovery Plan Testing:* Test the disaster recovery plan at least annually to verify backup and recovery procedures, address any flaws or gaps, familiarize staff with their roles and responsibilities, and ensure the plan remains relevant and effective.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (CONTINUED)**

**2025-009 (2024-022) Internal Control Testing over Information Technology (Other Matters)  
(Continued)**

**Views of Responsible Officials (Continued):**

**Management Response:** Disaster recovery testing has been completed. In 09/2025, the PPDM system was successfully restored as part of the Division’s recovery validation efforts. A tabletop exercise was conducted on 10/20/2025, further confirming the effectiveness of current disaster recovery and business continuity procedures.

**Position:** CIO

**Timeline:** Completed 10/20/2025

The Division has taken comprehensive actions to remediate the identified IT internal control deficiencies and strengthen overall compliance with applicable NIST standards and internal policy requirements. A formal Separation of Duties Standard has been implemented and is now fully operational through CAB review processes, required audit trails, and clarified role assignments. All staff have completed their review and formal acknowledgment of the NMDVR NIST Standards and Practices Manual, and recruitment is underway to address prior staffing constraints that contributed to segregation-of-duties gaps.

Information security governance continues to progress with updates to the NIST Standards and Practices Manual and the planned retirement of the outdated 2016 IT Security Policy as part of the ongoing ISU policy revision cycle. Additionally, the Division successfully completed disaster recovery testing, including a Dell PPDM (virtual backup system) restoration and a full tabletop exercise, confirming the readiness and effectiveness of current continuity procedures.

Collectively, these measures demonstrate the Division’s sustained commitment to strong internal controls, operational resilience, and alignment with federal standards. Continued monitoring, policy refinement, and completion of planned staffing actions will further ensure long-term compliance and reduce the likelihood of repeat findings.

The Division also successfully passed the SSA triennial NIST audit in FY25, further demonstrating the effectiveness of its broader information security program and continued alignment with federal cybersecurity standards.

**Position:** CIO

**Timeline:** See above for each timeline

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
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YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS**

**21st CENTURY PUBLIC ACADEMY**

**2025-001 Internal Controls Over Capital Assets (Material Weakness)**

**Condition/Context:** During our audit, we noted that a land purchase totaling \$601,929 was not recorded as a capital asset addition.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of effective internal controls over capital asset identification and recording.

**Effect:** Material misstatement of capital assets and inaccurate financial reporting.

**Auditor's Recommendation:** We recommend management implement procedures to ensure all capital asset acquisitions, including land purchases, are properly identified and recorded in the capital asset schedule.

**Management's Response:** The Business Manager and School Administration will ensure that the capital asset listing is prepared in a timely manner to ensure that the listing can go through a proper review by both the contracted business management group and school administration.

**Implementation:** June 2026

**Person Responsible:** Contracted Business Manager & School Administration

**2025-002 Improper Exclusion from Accounts Payable (Other Matters)**

**Condition/Context:** During our audit, we noted that the school improperly excluded accounts payable totaling \$3,802 from the accounts payable listing.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls over accounts payable.

**Effect:** Misstatement of financial obligations and inaccurate reporting of expenses.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**21st CENTURY PUBLIC ACADEMY (CONTINUED)**

**2025-002 Improper Exclusion from Accounts Payable (Other Matters) (Continued)**

**Auditor's Recommendation:** We recommend management establish procedures to ensure all expenses are properly included in the accounts payable listing and reviewed prior to year-end close.

**Management's Response:** The Business Manager will ensure that the accounts payable listing is provided to school administration and the entire contracted business management team to ensure that all applicable invoices are included on the listing.

**Implementation:** June 2026

**Person Responsible:** Contracted Business Manager & School Administration

**ACES Technical Charter School**

**2025-001 (2024-001) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** We noted the following issues during our review of the school's financial close and reporting process:

- During testing over Accounts Receivable, it was noted that the school missed an accrual of approximately \$30K that should have been included as FY25 revenue.
- During testing over Accounts Payable, it was noted that \$4,453.55 was improperly excluded during FY25. In addition, the total amount paid was \$821 more than what should have been paid, which will be reimbursed back to the school.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight

**Repeat Finding:** 2024-001

**Effect:** Noncompliance with state statutes.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ACES Technical Charter School (Continued)**

**2025-001 – Financial Close and Reporting (Material Weakness) (Continued)**

**Auditor's Recommendation:** We recommend management establish procedures and internal controls over the year-end financial close and reporting process.

**Management's Response:** The Business Manager will ensure that the Accounts payable listing is prepared in a timely manner and that adequate documentation is maintained to record when services are rendered.

**Implementation:** By June 30, 2026.

**Person Responsible:** Business Manager.

**2025-002 – Internal Controls over Cash Disbursements (Other Non-Compliance)**

**Condition:** We noted the following cash disbursement issue during testing:

- An employee of the school was improperly reimbursed for mileage on a rental car, in the amount of \$974.40.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of sufficient internal control structure related to cash disbursements

**Effect:** Potential for misstated financial statements and possible misuse of public funds.

**Auditor's Recommendation:** We recommend that the school establish procedures to ensure that all cash disbursements have adequate support and are readily available for public inspection. We recommend management establish controls to ensure compliance with New Mexico travel and per diem requirements.

**Management's Response:** The Business Manager and School Administration will ensure that reimbursements are reviewed and prepared in a timely manner and that adequate documentation is maintained to record when services are rendered.

**Implementation:** By June 30, 2026.

**Person Responsible:** Business Manager and School Administration

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ACES Technical Charter School (Continued)**

**2025-003 – Internal Controls over Payroll (Other Non-Compliance)**

**Condition:** We noted the following payroll issue during testing:

- The school was unable to provide supporting documentation for the federal background check for one of the school employees.

**Criteria:** Per NMSA 22-10A-5(C) governing authorities shall develop policies and procedures to require criminal history record checks on an applicant who has been offered employment or who applies to be a school volunteer or works for the public school as a contractor or a contractor's employee and who may have unsupervised contact with children or students on school premise.

**Cause:** Management Oversight

**Effect:** Noncompliance with applicable rules and regulations.

**Auditor's Recommendation:** We recommend management ensure federal background checks are performed in accordance with NMSA 22-10A-5 and kept in employee files.

**Management's Response:** The School Administration will ensure that new hire paperwork is saved and prepared in a timely manner and that adequate documentation is maintained to record when services are rendered.

**Implementation:** Completed

**Person Responsible:** School Administration

**ALBUQUERQUE AVIATION ACADEMY**

No findings to report for Fiscal Year 2025.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE BILINGUAL ACADEMY**

**2025-001 – Compensated Absences (Significant Deficiency)**

**Condition/Context:** The employee handbook lists personal leave as carrying over a maximum of 2 days; however, in practice, leave does not carry over. Employee leave was not balanced or rolled over properly dating back to at least FY23.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Inconsistent application of leave policy and lack of reconciliation of leave balances.

**Effect:** Potential for inaccurate leave balances and noncompliance with policy.

**Auditor's Recommendation:** We recommend management reconcile leave balances and ensure policies are consistently applied and communicated to staff.

**Management's Response:** Management agrees with the finding. The inconsistency between the employee handbook and the leave balances maintained in practice occurred due to outdated procedures and a lack of regular reconciliation of leave records. The school acknowledges the need to ensure that all leave policies are accurately applied, communicated to staff, and supported by a consistent internal control process in accordance with NMAC 6.20.2.11. Management is committed to correcting the discrepancies in leave balances and implementing controls to prevent recurrence.

**Implementation:** Management has completed the reconciliation of leave balances for FY2025. The beginning leave balances for FY2026 will be reviewed and corrected by February 28, 2026. In addition, the leave configuration within the accounting software will be evaluated and updated as necessary to ensure accuracy. A comprehensive review of all leave balances will be conducted by June 30, 2026, to confirm that accruals and roll forwards are properly recorded and aligned with policy.

**Person Responsible:** CFO for primary oversight and reconciliation and Executive Director for policy approval and oversight.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE BILINGUAL ACADEMY (CONTINUED)**

**2025-002 (2024-002) – Budgetary Matters (Other Noncompliance)**

**Condition/Context:** Actual expenditures exceeded budget authority in the following funds and functions:

- Fund 11000, Function 3000: \$8,216
- Fund 31600, Function 2000: \$165
- Fund 31701, Function 2000: \$81
- Fund 31703, Function 4000: \$1,670

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Sound financial management and NMAC 6.20.2.9(A) and NMSA 22-8-5 through 22-8-12.2 require that budgets not be exceeded at the legal level of control.

**Cause:** Management oversight and lack of sufficient controls to monitor budget compliance.

**Repeat Finding:** 2024-002

**Effect:** Noncompliance with state statutes.

**Auditor’s Recommendation:** We recommend management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis to avoid overexpended functions.

**Management’s Response:** Management agrees with the finding of actual expenditures exceeded budget authority at the function level. The over-expenditures resulted from management oversight during the preparation of the year-end processing of final BARs and spending.

**Implementation:** Upon identification of the issue, management will review the affected funds at the function level and make the necessary budget adjustments through BARs on a monthly basis. Additional internal review procedures have been implemented to ensure spending aligns with approved budget authority. Completion by June 30, 2026.

**Person Responsible:** CFO and Executive Director

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE BILINGUAL ACADEMY (CONTINUED)**

**2025-003 – Internal Controls over Bank Reconciliation (Other Noncompliance)**

**Condition/Context:** The bank reconciliation provided during the audit included a variance when compared to the trial balance of \$1,728. The reconciliation listed a payment outstanding as of June 30, 2025, that was not made until FY26.

**Criteria:** Per NMAC 6.20.2.14(K) all bank accounts shall be reconciled monthly. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

**Cause:** Lack of effective internal controls surrounding both the preparation and review of the bank reconciliation.

**Effect:** Possible misstatement to the financial statements.

**Auditor's Recommendation:** We recommend that the monthly preparation and review of the bank reconciliation include a comparison to the trial balance and general ledger.

**Management's Response:** An incorrect version of the bank reconciliation report was inadvertently provided to the auditor. While the reconciliations themselves were completed accurately, the file-naming convention in use caused the wrong file to be provided to the auditors.

**Implementation:** The Business Office will establish and implement a standardized file-naming convention to prevent similar issues in the future. Completion by June 30, 2026.

**Person Responsible:** CFO

**2025-004 (2023-001) – Internal Controls over Cash Disbursements (Other Noncompliance)**

**Condition/Context:** Two instances were noted where a purchase order was not created on or before goods and services were rendered.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.

**Cause:** Management oversight and insufficient controls over purchasing procedures.

**Repeat Finding:** 2024-001

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE BILINGUAL ACADEMY (CONTINUED)**

**2025-004 (2023-001) – Internal Controls over Cash Disbursements (Other Noncompliance)  
(Continued)**

**Effect:** Noncompliance with purchasing requirements.

**Auditor's Recommendation:** We recommend management evaluate current controls to ensure purchase orders are issued before goods/services are rendered.

**Management's Response:** Management acknowledges the finding that in two instances purchase orders were not created prior to goods or services being rendered, resulting in noncompliance with PSAB Supplement 13 – Purchasing requirements. The transactions identified in the findings have been reviewed, documented, and corrected where possible. Staff have been reminded that no goods or services may be ordered without an approved purchase order in place. The Business Office has communicated updated expectations to all employees involved in purchasing.

**Implementation:** Immediate. A strengthened internal purchasing procedure has been implemented requiring:

- A fully executed purchase requisition and PO before any purchase or service request.
- Staff involved in procurement will receive annual training on proper purchasing procedures, including state requirements for pre-approval.
- Any deviation from policy will require written justification and approval by the Business Manager, and repeated noncompliance will be addressed through corrective personnel measures.

**Person Responsible:** CFO and Executive Director

**2025-005 – Internal Controls over Capital Assets (Significant Deficiency)**

**Condition/Context:** An asset addition for a security system totaling \$70,511.72 was not identified as a capital asset.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of sufficient controls to identify all purchases that represent capital asset additions.

**Effect:** Misstatement to the financial statements and incomplete capital asset records.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE BILINGUAL ACADEMY (CONTINUED)**

**2025-005 – Internal Controls over Capital Assets (Significant Deficiency) (Continued)**

**Auditor's Recommendation:** We recommend sufficient internal controls be implemented to review all purchases for potential capital asset additions.

**Management's Response:** Management acknowledges the finding that a security system purchase totaling \$70,511.72 was not identified and recorded as a capital asset in accordance with NMAC 6.20.2.11. The error resulted from management oversight and insufficient controls to ensure all qualifying purchases are reviewed for proper classification as capital assets. The security system purchase has been reviewed and subsequently recorded as a capital asset in the capital asset ledger. The FY25 capital asset records were updated to reflect the correct addition and depreciation schedule. The Business Office conducted a reconciliation of major purchases to ensure no other capital asset items were missing.

**Implementation:** A formal capital asset review step has been added to the accounts payable workflow. Any purchase exceeding the school's capitalization threshold must be flagged and reviewed by the CFO before posting to the Capital Assets Ledger. Quarterly reviews will now be performed comparing significant expenditures to the capital asset log to ensure proper classification. A capital asset decision checklist will be used for all high-value purchases to determine asset category, useful life, and tracking requirements. Documentation supporting all capital asset additions will be maintained to ensure completeness for both financial reporting and audit review. Completion by June 30, 2026.

**Person Responsible:** CFO

**ALBUQUERQUE COLLEGIATE CHARTER SCHOOL**

**2025-001 – Accounts Payable (Other Noncompliance)**

**Condition/Context:** During our audit, we noted that one invoice totaling \$4,450.45 was improperly excluded from the accounts payable listing as of June 30, 2025. This resulted in an understatement of accounts payable and related expenses at year-end.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of sufficient review procedures over the accounts payable accrual process.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE COLLEGIATE CHARTER SCHOOL (CONTINUED)**

**2025-001 – Accounts Payable (Other Noncompliance) (Continued)**

**Effect:** Potential misstatement of the school's financial statements and noncompliance with generally accepted accounting principles.

**Auditor's Recommendation:** We recommend that management implement sufficient procedures to ensure all invoices relating to the fiscal year are properly identified and included in the accounts payable listing at year-end.

**Management's Response:** Management concurs with the finding. The omission of the \$4,450.45 invoice from the year-end accounts payable listing was the result of human error. Management has reviewed procedures to ensure that all invoices received subsequent to year-end, but relating to the prior fiscal year, are properly identified and accrued.

**Implementation:** Effective immediately, the Business Office has implemented a secondary review of the accounts payable listing at fiscal year-end. This review includes reconciliation of all invoices received after June 30 to verify whether they should be accrued in the prior fiscal year. Additionally, staff involved in the year-end closing process have received refresher training on identifying accruals and cut-off procedures to ensure compliance with GAAP and NMAC 6.20.2.11. Completion by June 30, 2026.

**Person Responsible:** Business Manager / Finance Director

**2025-002 (2024-005) – Procurement (Other Noncompliance)**

**Condition/Context:** During our audit, we noted the school expended in excess of \$60,000 to a single vendor, which should have triggered the requirement for competitive sealed bids under the New Mexico Procurement Code. The school did not perform a competitive procurement process, and the vendor does not appear to be exempt from competitive procurement under any exclusions in the procurement code.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** NMSA 13-1-102 requires that all procurement be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, unless specifically exempted.

**Cause:** Lack of sufficient understanding and oversight of the competitive procurement requirements of the New Mexico Procurement Code.

**Repeat Finding:** 2024-005

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE COLLEGIATE CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-005) – Procurement (Other Noncompliance) (Continued)**

**Effect:** Noncompliance with the New Mexico Procurement Code and increased risk of not obtaining the best value for public funds.

**Auditor’s Recommendation:** We recommend that management ensure all purchases expected to exceed \$60,000 are subject to competitive procurement, and that documentation is maintained to support the procurement method used.

**Management’s Response:** Management concurs with the finding. The purchase from a single vendor in excess of \$60,000 was made without following the formal competitive sealed bid process as required under the New Mexico Procurement Code. This occurred due to actual costs being higher than the quote due to unforeseen challenges with the playground move. Management has reviewed the procurement process and re-educated staff involved in purchasing to ensure compliance with NMSA 13-1-102 and related sections.

**Implementation:** Staff with purchasing authority have received refresher training on the New Mexico Procurement Code and documentation requirements. Future purchases exceeding the \$60,000 threshold will undergo competitive sealed bidding or RFP process unless a valid exemption is documented and approved in advance. Completion by June 30, 2026.

**Person Responsible:** Procurement Officer / Business Manager

**ALBUQUERQUE COLLEGIATE CHARTER SCHOOL FOUNDATION**

No findings to report for Fiscal Year 2025.

**ALBUQUERQUE INSTITUTE FOR MATHEMATICS & SCIENCE (AIMS)**

**2025-001 – Internal Controls Over Cash Receipts (Other Noncompliance)**

**Condition/Context:** During cash receipts testing, we noted 1 of 5 cash receipts reviewed totaling \$300 was not deposited within 24 hours of receipt.

**Criteria:** Per NMAC 6.20.2.14, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations. In addition, NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE INSTITUTE FOR MATHEMATICS & SCIENCE (AIMS) (CONTINUED)**

**2025-001 – Internal Controls Over Cash Receipts (Other Noncompliance) (Continued)**

**Cause:** Lack of effective internal controls surrounding cash receipts.

**Effect:** Noncompliance with NMAC 6.20.2.14.

**Auditor's Recommendation:** We recommend the school review NMAC 6.20.2.14 and ensure procedures are in place to allow for timely deposits and to ensure documentation for all deposits is kept and readily accessible.

**Management's Response:** The school experienced a unique situation that resulted in the deposit being secured on-site rather than taken to the bank within the required timeframe. While the funds remained in a secure location, the delay caused noncompliance with the 24-hour deposit requirement. Management acknowledges this lapse and will ensure stronger adherence to established procedures.

**Implementation:** Personnel responsible for transporting deposits to the bank will improve communication and coordination to ensure all deposits are made within 24 hours, in accordance with NMAC 6.20.2.14. Additionally, the school will reinforce its internal controls by reviewing procedures with staff and documenting all steps in the cash-receipts process to prevent future occurrences. Completion by June 30, 2026.

**Person Responsible:** Office Assistant and Records Clerk.

**ALBUQUERQUE SCHOOL OF EXCELLENCE**

**2025-001 (2018-001) – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** During our review of financial close and reporting procedures and related balances, we noted the following issues:

- Reimbursement-based funds had expenditures in excess of revenues received, requiring a proposed audit adjustment to reclassify expenditures for the following funds:
  - Fund 24355 – \$4,123
  - Fund 31400 – \$13,997
- Additionally, the following reimbursement-based fund had revenues in excess of expenditures received, requiring a proposed audit adjustment to reclassify from Capital Improvements SB-9 (31701):
  - Fund 31200 – \$36,133
- During testing over cash disbursements, it was noted that a \$20,800 payment was made in FY25 for a short-term subscription covering FY26. This amount should have been moved to prepaid assets as the expenditure belongs in FY26. An entry was proposed to move this amount to prepaid assets.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE SCHOOL OF EXCELLENCE (CONTINUED)**

**2025-001 (2018-001) – Financial Close and Reporting (Significant Deficiency) (Continued)**

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Insufficient monitoring and lack of timely reconciliation of reimbursement-based funds.

**Repeat Finding:** 2024-004

**Effect:** Potential misstatement of fund balances, prepaid assets, and noncompliance with state statutes.

**Auditor’s Recommendation:** We recommend management:

- Establish procedures to ensure reimbursement-based funds are monitored and reclassifications are made timely to properly state revenues and expenses.
- Review all disbursements for proper period classification and ensure prepaid assets are recorded for expenses related to future periods.

**Management’s Response:** We are strengthening our monthly review procedures to ensure reimbursement-based funds are monitored in a timely manner. This includes reconciling revenues and expenditures promptly and performing reclassifications as needed to ensure accurate financial reporting.

**Implementation:** 12/2025

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE SIGN LANGUAGE ACADEMY**

**2025-001 – Journal Entries (Other Matters)**

**Condition/Context:** One instance was noted where a budget adjustment journal entry was posted to the general ledger that did not reflect actual activity. Management corrected the entry after the close of the fiscal year. The posted/voided entry resulted in the Q4 PED Cash Report not agreeing to the adjusted trial balance.

**Criteria:** NMAC 6.20.2.11 requires an internal control structure that ensures transactions are executed in accordance with management’s authorization and recorded properly to permit GAAP reporting. OBMS/PED cash reporting should reconcile to the books of record, and entries should balance by fund and represent bona fide activity.

**Cause:** Management oversight and lack of a secondary review over non-standard/budget adjustment journal entries; insufficient control to prevent entries that do not reflect activity.

**Effect:** Risk of misstated fund-level balances and inaccurate PED reporting.

**Auditor’s Recommendation:** We recommend sufficient internal controls to ensure only actual adjustments are recorded to the general ledger.

**Management’s Response:** Management acknowledges the audit finding regarding the budget adjustment journal entry that was posted to the actual general ledger instead of adjusting the budget. We recognize that the posted and later voided entry created a temporary discrepancy between the Q4 PED Cash Report and the adjusted trial balance. The Business Manager discovered the error and requested that PED re-open the cash report for correction. The Business Manager will provide a printout of the budget adjustment transactions posted each month in addition to the BAR and entry already provided to the Finance Committee. A quarterly review of budget will also be performed when submitting the quarterly cash reports to ensure that AptaFund agrees with OBMS.

**Implementation:** By June 30, 2026.

**Person Responsible:** Business Manager and Finance Committee

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE SIGN LANGUAGE ACADEMY (CONTINUED)**

**2025-002 (2023-003) – Internal Controls of Cash Receipts (Other Matters)**

**Condition/Context:** The School did not transfer, or record receipts deposited into the PayPal account during FY25 totaling \$10,590. This matter also resulted in a variance between the Q4 PED Cash Report and the adjusted trial balance.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** NMAC 6.20.2.14 requires a cash-management program that safeguards cash and enables prompt/accurate reporting. Monies received must be receipted and deposited within 24 hours (one banking day) and recorded in the accounting records using the PED chart of accounts.

**Cause:** Absence of an integrated procedure for third-party payment platforms (PayPal) and insufficient reconciliation/monitoring of clearing accounts.

**Repeat Finding:** 2024-003

**Effect:** Inaccurate financial reporting; increased risk of loss/misappropriation; potential noncompliance with cash-management requirements.

**Auditor’s Recommendation:** We recommend internal controls be implemented in which funds are reconciled and transferred to the bank account to occur at least monthly.

**Management’s Response:** Management acknowledges the audit finding related to NMAC 6.20.2.14, which requires the establishment and maintenance of a cash management program that safeguards cash assets and ensures prompt and accurate financial reporting.

After reviewing the identified deficiencies, we agree that improvements are necessary to strengthen internal controls and ensure full compliance with state requirements. The school will close the PayPal account and will ensure that any third-party payment platforms used in the future will automatically transfer funds to the school’s bank account when processed.

**Implementation:** The school will close the PayPal account as of 12/31/2025.

**Person Responsible:** Business Manager

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YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALBUQUERQUE SIGN LANGUAGE ACADEMY FOUNDATION**

**2025-001 – Foundation Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During our audit of the Foundation, we identified the following issues:

1. FY24 costs tied to partial land-lease payment were improperly included in FY25 as Construction in Process (CIP) totaling \$591,745.
2. Construction pay applicable as of June 30, 2025 of \$208,367 was not accrued to CIP and the related loan payable as of June 30, 2025.
3. Insufficient internal controls over vendor payments led to \$81,858 being inadvertently paid to a party that fraudulently represented itself as the building's general contractor.
4. We noted accounts payable of \$18,294 was not accrued as of June 30, 2025.

**Criteria:** NMAC 6.20.2.11 requires controls that ensure GAAP/GASB-compliant reporting. Under GAAP/GASB, CIP should reflect only costs applicable to the reporting period; accruals should recognize obligations incurred by period end. COSO control activities require robust vendor and disbursement controls to prevent/detect fraud.

**Cause:** Inadequate period-end close procedures for capital projects; lack of formal accrual review; insufficient vendor onboarding/verification.

**Effect:** Potential misstatement of capital assets and related liabilities/expenses; heightened fraud-loss risk; potential noncompliance with grant/financing covenants.

**Auditor's Recommendation:** Implement a project-accounting close checklist including cutoff testing for CIP and related debt at period end; require dual review of CIP roll-forwards. Establish a vendor master-file control program with independent verification.

**Management's Response:** The ASLA Foundation recognizes that inadequate period-end close procedures for capital projects, lack of formal accrual review, and insufficient vendor onboarding/verification which led to the audit findings.

**Implementation:** The ASLA Foundation will immediately execute the auditor recommendations to implement project accounting close checklist including cutoff testing for CIP and related debt at period end, require dual review of CIP roll forwards, and establish a vendor master file control program with independent verification. Completion by June 30, 2026.

**Person Responsible:** Executive Director, ASLA Foundation

**STATE OF NEW MEXICO  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALDO LEOPOLD HIGH SCHOOL**

**2025-001 (2023-002) – Internal Controls Over Cash Disbursements – (Other Noncompliance)**

**Condition/Context:** During our testing over cash disbursements, we noted the following issues:

- The school failed to provide an itinerary and a map for evidence of the mileage reimbursement for three travel reimbursements for a total of \$1,492.
- The school used a mileage rate of \$0.46 instead of the DFA approved travel rate of \$0.655 for 2024, resulting in an underpayment of \$89.
- The school reimbursed an expense that contained a tip in excess of the 20% allowed for an employee's meal reimbursement, resulting in an overpayment of \$2.
- The school failed to provide evidence of proper review and approval for four credit card statement payments totaling \$9,869.
- The school failed to provide proof of payment for a \$100 purchase; We were unable to verify this was a valid purchase.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of adequate internal controls over travel, credit card, and purchasing documentation.

**Repeat Finding:** 2024-003

**Effect:** Noncompliance with state statutes and risk of improper or unsupported expenditures.

**Auditor's Recommendation:** Management should strengthen internal controls to ensure all travel, credit card, and purchasing transactions are properly documented, reviewed, and approved in accordance with state and school policies.

**Management's Response:** The school will put a process in place and communicate with staff that all travel documentation needs a copy of a map if they are requesting mileage reimbursement. The mileage reimbursement rate will be listed on the school's travel form to reflect correct DFA rate and school's travel policy. Credit card statements are reviewed but the director will sign each statement showing proof it was reviewed before payment is made.

**Implementation:** By December 31, 2025

**Person Responsible:** Business Manager & School Administrator

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALDO LEOPOLD HIGH SCHOOL (CONTINUED)**

**2025-002 (2024-004) – Internal Controls over Payroll – (Other Noncompliance)**

**Condition/Context:** During our testing over payroll disbursements, the school was unable to provide a federal background check for 1 out of 4 employees tested.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMSA 22-10A-5(C), governing authorities shall develop policies and procedures to require criminal history record checks on an applicant who has been offered employment or who applies to be a school volunteer or works for the public school as a contractor or a contractor's employee and who may have unsupervised contact with children or students on school premises.

**Cause:** Incomplete personnel file documentation.

**Repeat Finding:** 2024-004

**Effect:** Noncompliance with statutory requirements for employee background checks.

**Auditor's Recommendation:** Management should ensure federal background checks are performed and retained for all employees as required by law.

**Management's Response:** The school is aware of this finding. Background checks will be done before the start date of the employee's contract.

**Implementation:** By December 31, 2025

**Person Responsible:** School Administrator

**2025-003 (2024-002) – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** During our review of financial close and reporting procedures and related balances, we noted the following issues:

- The May National School Lunch Programs claim was recorded to fund 21100 instead of 21000, totaling \$3,454. This resulted in an accurate cash report only after a correcting adjustment was made.
- Additionally, the school did not submit National School Lunch Programs claims from August to November 2024, resulting in approximately \$20,000 in lost revenue based on average claims.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALDO LEOPOLD HIGH SCHOOL (CONTINUED)**

**2025-003 (2024-002) – Financial Close and Reporting (Significant Deficiency) (Continued)**

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of timely submission and accurate coding of food service claims.

**Repeat Finding:** 2024-002

**Effect:** Lost revenue and risk of misstatement in financial reporting.

**Auditor's Recommendation:** Management should implement procedures to ensure timely submission and accurate coding of all food service claims to maximize revenue and maintain accurate financial records.

**Management's Response:** The school received training last fall on submissions for the Lunch Program. Submissions are currently being done on time. This finding should not repeat.

**Implementation:** By December 31, 2025.

**Person Responsible:** School Administrator

**2025-004 – Accrued Payroll Liabilities – (Other Matters)**

**Condition/Context:** During our review of accrued payroll and benefits, we noted fund 24172 incorrectly reported a debit balance of \$17,663 in accrued salaries and wages. A journal entry should be recorded in FY26 to allocate this amount to the operational fund along with a permanent cash transfer.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Unresolved accrued salaries and wages in special revenue fund.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALDO LEOPOLD HIGH SCHOOL (CONTINUED)**

**2025-004 – Accrued Payroll Liabilities – (Other Matters) (Continued)**

**Effect:** Potential financial statement misstatement of fund balances and improper allocation of payroll costs.

**Auditor’s Recommendation:** Management should record the necessary journal entry in FY26 to allocate the accrued salaries and wages to the operational fund and process a permanent cash transfer as required.

**Management’s Response:** The school is aware of this finding and will correct it in FY2026.

**Implementation:** By December 31, 2025.

**Person Responsible:** Business Manager

**ALMA D'ARTE CHARTER HIGH SCHOOL**

**2025-001(2024-001) – Accrued Payroll Liabilities (Material Weakness)**

**Condition/Context:** During payroll accrual testing, auditors were unable to verify the accuracy of the accrual balances, which decreased unexpectedly. The school did not remit state withholding taxes to the New Mexico Taxation and Revenue Department, making it impossible to determine the outstanding payroll tax liability. Additionally, auditors could not confirm whether penalties and interest had been incurred.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight, lack of internal controls and processes to reconcile payroll liabilities and related expenses.

**Repeat Finding:** 2024-001

**STATE OF NEW MEXICO  
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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-001(2024-001) – Accrued Payroll Liabilities (Material Weakness) (Continued)**

**Effect:** Misstatement to the financial statements; Disclaimer of opinion

**Auditor's Recommendation:** Remit all outstanding state withholding taxes promptly to avoid further penalties and interest. Obtain a detailed statement from the New Mexico Taxation and Revenue Department to reconcile outstanding liabilities.

**Management's Response:** Management agrees with the finding and the serious nature of the Material Weakness identified. We acknowledge that the lack of internal controls and management oversight over the reconciliation and remittance of accrued payroll liabilities, specifically state withholding taxes, has resulted in a material misstatement risk. We are committed to taking immediate and corrective action to address this critical deficiency and ensure compliance with all statutory and regulatory requirements, including NMAC 6.20.2.11. The school will communicate with New Mexico Taxation and Revenue and determine the appropriate remittance timelines.

**Implementation:** April 24, 2026

**Person Responsible:** Business Manager and Chief Academic Director

**2025-002 (2024-002) – Fund Balance (Material Weakness)**

**Condition/Context:** Noted fund balance did not reconcile for eleven funds because of prior year audit journal entries not being posted to the general ledger. This resulted in an audit adjustment of \$367,356 to properly reconcile fund balance.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls surrounding the financial close and reporting process at year-end.

**Repeat Finding:** 2024-002

**Effect:** Misstatement to the financial statements; Disclaimer of opinion

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-002 (2024-002) – Fund Balance (Material Weakness) (Continued)**

**Auditor's Recommendation:** We recommend management establish procedures to properly review and reconcile the fiscal year and that audit adjustments be posted to correct errors or omissions.

**Management's Response:** Management concurs with the audit finding and recognizes the severity of this Material Weakness identified. The failure to post prior year audit journal entries to the General Ledger demonstrates a critical breakdown in the year-end financial close and reporting process, leading directly to material misstatements in multiple fund balances. Management is committed to immediately implementing the corrective actions to ensure the accuracy and integrity of our financial records moving forward. The school will create a comprehensive, mandatory Year-End Close Checklist that includes a specific, multi-step process for reconciling fund balances, specifically requiring confirmation that all final audit journal entries are posted to the GL. The school will work with a partner accounting firm and software company to institute this process.

**Implementation:** July 31, 2026

**Person Responsible:** Business Manager

**2025-003 (2022-001) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During our audit, we noted the following issues related to financial close and reporting:

The school was unable to provide supporting documentation for all 6 journal entries sampled.

**Monthly Reporting and Benefit/Withholding Payments:**

- 941 (Employer FICA and Medicare): A variance of \$48,323 was noted between the submitted quarterly Form 941s and the trial balance.
- ERB (Employer Retirement Benefits): A variance of \$7,751 was noted between the submitted monthly ERB forms and the trial balance.

**Revenue Testing:**

- Accounts receivable included \$90,528 recorded by the school to fund 24190. However, OBMS review indicated no RFRs approved or paid in FY25 or FY26 for this fund. An adjustment is required to reduce both revenues and receivables by this amount.

**Expenses and Accounts Payable:**

- Unadjusted AP balance of \$61,000 includes accrued liabilities posted to AP. The school could not confirm the validity of these liabilities. Detailed AP entries should be provided for audit purposes.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-003 (2022-001) – Financial Close and Reporting (Material Weakness) (Continued)**

Several reimbursement-based funds had expenditures exceeding revenues:

- Fund 24101: \$16,822
- Fund 24106: \$10,600
- Fund 24154: \$1,912
- Fund 24174: \$933
- Fund 24189: \$25,307
- Fund 24190: RFR disapproved; expenditures will exceed revenues by \$90,528.

**Capital Assets:**

- Two assets totaling \$11,455 identified in the FY24 audit were not included in the FY25 roll-forward for capitalization.

**Bank Reconciliation:**

- A manual adjustment of \$4,178 reducing cash could not be substantiated or traced to the general ledger.

**Leases:**

- The school reported no lease changes; however, the previous copier lease terminated in March 2025. It is unclear whether a new lease was issued or the existing lease extended through June 30, 2025.

**GASB 101:** Reports related to employee leave were not provided, preventing proper assessment and implementation for FY2025.

**GASB 96:** The school did not provide invoices or agreements to support SBITAs identified for evaluating applicability under the standard.

**Management's Progress for Repeat Findings:** Prior management failed to implement adequate controls to resolve the finding. The school will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls surrounding the financial close and reporting process at year-end.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-003 (2022-001) – Financial Close and Reporting (Material Weakness) (Continued)**

**Repeat Finding:** 2024-003

**Effect:** Misstatements and inaccurate financial information, disclaimer of opinion.

**Auditor's Recommendation:** To strengthen the financial close process, the school should implement a comprehensive internal control framework that ensures timely, accurate, and well-documented financial reporting. This includes establishing clear reconciliation procedures, enforcing documentation standards for all entries, and conducting regular variance analyses. Additionally, management should adopt a proactive review cycle for compliance with accounting standards and maintain robust oversight of key areas such as revenues, payables, and capital assets. These measures will enhance transparency, reduce errors, and support reliable financial statements.

**Management's Response:** Management concurs with the audit finding and recognizes the severity of this Material Weakness identified. The school will first consult with the software company and support to ensure that appropriate balances were transferred from the previous accounting system. The school will then work with a partner accounting firm to ensure fund and cash balances are accurate. The school will implement internal controls that ensure accurate and well-documented financial reporting.

**Implementation:** March 31, 2026

**Person Responsible:** Business Manager

**2025-004 (2021-002) – Internal Controls over Payroll (Material Weakness)**

**Condition/Context:** During payroll testing the following items were noted:

- Failed to provide employee's I-9 form.
- Failed to provide employee's ERB and NMPSIA form. We were unable to compare employee's elected benefits on NMPSIA form to the payroll expenditure listing.
- Failed to provide employee's federal background check
- Failed to provide employee's 2024-2025 employment contract. We were unable to compare contracted salary to the payroll expenditure listing.
- Three instances of underpayment of salary based on the stated contract amount. School failed to provide support or calculations for the underpayments.

**Management's Progress for Repeat Findings:** Prior management failed to implement adequate controls to resolve the finding. The school will work toward corrective action during FY2026.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-004 (2021-002) – Internal Controls over Payroll (Material Weakness) (Continued)**

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay, or position change notices, Education Retirement Act plan application, and direct deposit.

**Cause:** Lack of an adequate internal control structure and environment.

**Repeat Finding:** 2024-004

**Effect:** Noncompliance with state statute. Audit scope limitations.

**Auditor's Recommendation:** We recommend management establish procedures to ensure the required documentation is retained and that all employees have a personnel file that is properly completed.

**Management's Response:** Management concurs with the audit finding and recognizes the severity of this Material Weakness identified. The school has implemented a software and record keeping system that is digital as well as hard copied. This system will have all human resource documentation securely retained with appropriate encryption and redundancy.

**Implementation:** December 31, 2025

**Person Responsible:** Business Manager and Chief Academic Officer

**2025-005 – Internal Controls over Cash Receipts (Other Noncompliance)**

**Condition/Context:** During cash receipt testing the following items were noted:

- Two instances that the entity failed to provide proof of deposit.
- Failed to provide the prenumbered receipt for check 6506. We were unable to determine if the check was submitted within 24 hours.
- Two instances of improperly coded cash receipts. Student activities were inappropriately coded to custodian funds

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-005 – Internal Controls over Cash Receipts (Other Noncompliance) (Continued)**

**Criteria:** Per NMAC 6.20.2.14, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations. In addition, NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

**Cause:** Insufficient internal controls over cash receipts

**Effect:** Noncompliance with applicable rules and regulations.

**Auditor's Recommendation:** We recommend that management establish appropriate controls and procedures to ensure all receipts are recorded accurately and comply with appropriate UCOA and deposit requirements.

**Management's Response:** Management agrees with the finding and acknowledges the critical importance of maintaining robust internal controls over cash receipts to safeguard assets and ensure compliance with NMAC 6.20.2.14, especially the requirement for timely deposits and accurate reporting. The school has taken steps to rectify the noted control deficiencies and establish a mandatory, verifiable process for the full life cycle of cash receipts, from initial receipting to final deposit and coding. The process flow of mail and those who make collect funds has been streamlined.

**Implementation:** December 31, 2025

**Person Responsible:** Business Manager

**2025-006 (2023-006) – Budgetary Conditions (Other Noncompliance)**

**Condition/Context:** Due to the significant amount of audit journal entries, there were numerous differences to OMBS to include budget over expenditures.

Due to the issues noted above, the final 4th quarter cash report provided to PED by the Charter was inaccurate.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control. 6.20.2.10 (C) NMAC requires that the Charter submit periodic financial reports to the department using the department-approved format.

STATE OF NEW MEXICO  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-006 (2023-006) – Budgetary Conditions (Other Noncompliance) (Continued)**

**Cause:** Management oversight.

**Repeat Finding:** 2024-006

**Effect:** Noncompliance with state statutes and inaccurate financial information.

**Auditor's Recommendation:** We recommend management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis to avoid any over expended functions and allow sufficient time to have a budget adjustment request approved. We also recommend the school implement procedures to ensure that the reporting of actual expenditures and revenues to PED reconciles to the school's books of record.

**Management's Response:** Management concurs with the audit finding. The school will implement internal controls to ensure appropriate communication between the state fund authority and school is effective. The school will consult with the software company and support to ensure that appropriate balances were transferred from the previous accounting system. The school will then work with a partner accounting firm to ensure fund and cash balances are accurate. The school will implement internal controls that ensure accurate and well-documented financial reporting.

**Implementation:** March 31, 2026

**Person Responsible:** Business Manager and Chief Academic Officer

**2025-007 – Internal Controls over Procurement (Other Noncompliance)**

**Condition/Context:** School was unable to provide support for one contract in the amount of \$102,227 to determine if appropriate procurement procedures were followed.

**Criteria:** NMSA 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978.

**Cause:** Management oversight.

**Effect:** Noncompliance with state statutes and inaccurate financial information.

**Auditor's Recommendation:** We recommend the school's chief procurement officer (CPO) determine and document the procurement method used for all competitive procurement, including the legality and applicability of purchasing entities and that procurement files are kept on hand for review.

STATE OF NEW MEXICO  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-007 – Internal Controls over Procurement (Other Noncompliance) (Continued)**

**Management's Response:** Management agrees with the finding and importance of appropriate procurement procedures. The school has replaced the previous chief procurement officer and has implemented safeguards to ensure that any one contractor receiving \$ 60,000 or more in any fiscal year goes through the competitive sealed bid process or possess a state contract through CES and/or ACES of which the school has joint powers agreements.

**Implementation:** December 31, 2025

**Person Responsible:** Business Manager

**2025-008 (2023-004) – Internal Controls over Cash Disbursements (Other Noncompliance)**

**Condition/Context:** During cash disbursement testing the following items were noted:

Two instances of partial day reimbursements were incorrectly calculated. This resulted in an over reimbursement of \$8 for one employee, and an under reimbursement of \$22 for the other employee.

One instance of the incorrect mileage rate of \$0.67 used for a December 2024 reimbursement. This resulted in an over-reimbursement of \$7.35.

One instance of a higher hotel rate than \$215 maximum lodging rate without proof of governing council approval.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with GAAP.

**Cause:** Insufficient internal controls over cash disbursements

**Repeat Finding:** 2024-005

**Effect:** Noncompliance with applicable laws and regulations

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-008 (2023-004) – Internal Controls over Cash Disbursements (Other Noncompliance)**  
**(Continued)**

**Auditor's Recommendation:** We recommend that the school establish procedures to ensure that all cash disbursements have adequate support and are readily available for public inspection. We recommend management establish controls to ensure compliance with New Mexico travel and per diem requirements.

**Management's Response:** Management agrees with the finding and importance of ensuring travel costs are compliant with the New Mexico Per Diem and Mileage Act. The school has corrected the forms utilized for travel to be consistent with the guidance from the New Mexico Department of Finance and Administration.

**Implementation:** December 31, 2025

**Person Responsible:** Business Manager

**2025-009 – Governing Council Meeting Minutes (Other Noncompliance)**

**Condition/Context:** Auditor's were not able to obtain GC meeting minutes for the following months:

- July 2024
- June 2025

**Criteria:** Open Meetings Act, NMSA 10-15-1 (G). The board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted. All minutes are open to public inspection. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present. Minutes shall not become official until approved by the policymaking body.

**Cause:** Management oversight.

**Effect:** Noncompliance with statutory requirements and lack of transparency.

**Auditor's Recommendation:** We recommend management ensure that minutes are recorded and retained for all governing council meetings.

**Management's Response:** Management accepts the finding related to Governance Council meeting minutes. The school will ensure that all governing council meeting minutes along with the recordings are posted on the school's website in draft and approved form.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-009 – Governing Council Meeting Minutes (Other Noncompliance) (Continued)**

**Implementation:** December 31, 2025

**Person Responsible:** Chief Academic Officer

**ALTURA PREPARATORY SCHOOL**

**2025-001 – Internal Controls over Leave Balances (Other Matters)**

**Condition/Context:** During our review of financial reporting and related internal controls, the following deficiency was noted:

- One non-instructional employee had a leave balance in FY24 exceeding the policy maximum of 64 hours (8 days), resulting in a total overage of 131 hours, equivalent to \$4,780.

**Criteria:** NMAC 6.20.2.11: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer-generated reports.

Personal leave balances not to exceed 64 hours for non-instructional employees per the school's policy.

**Cause:** Lack of adequate internal controls over leave balances.

**Effect:** Risk of excess leave liability.

**Auditor's Recommendation:** Management should review leave balances to ensure they comply with accrual maximums per policy.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ALTURA PREPARATORY SCHOOL (CONTINUED)**

**2025-001 – Internal Controls over Leave Balances (Other Matters) (Continued)**

**Management’s Response:** Management will review the employee’s leave balance and take corrective action to address the overage in accordance with school policy. Enhanced monitoring procedures—including monthly reviews of leave accrual reports and verification of employee leave balances—will be implemented to ensure compliance with leave maximums for both instructional and non-instructional staff. In addition, management will review the leave accrual policy and related internal control requirements to reinforce adherence to established guidelines. These actions will help prevent future overages and ensure the accurate reporting of leave liabilities.

**Implementation:** December 2025

**Person Responsible:** Administration and Business Manager

**AMY BIEHL CHARTER SCHOOL**

**2025-001 – Fund Balance Reconciliation (Other Matters)**

**Condition/Context:** During our audit, we noted the following discrepancies in fund balances as compared to the prior year:

- Fund 11000 – Variance of \$2,500 compared to the prior year ending balance.
- Fund 24330 – Variance of \$320 compared to the prior year ending balance.

Additionally, for Fund 24101, revenues exceeded expenses by \$5,522, which resulted in a proposed audit adjusting entry to reclassify allowable expenses from Fund 11000 to Fund 24101.

**Criteria:** Per NMAC 6.20.2.11, every school district and foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that fund balances are accurately reconciled and reported in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls surrounding the financial close and reporting process at year-end.

**Effect:** Misstatements to fund balances and inaccurate financial reporting.

**Auditor’s Recommendation:** We recommend management establish procedures to properly review and reconcile fund balances at year-end and ensure that audit adjustments are posted to correct errors or omissions.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**AMY BIEHL CHARTER SCHOOL (CONTINUED)**

**2025-001 – Fund Balance Reconciliation (Other Matters) (Continued)**

**Management's Response:** The school will be implementing a dual review process for year end to ensure fund balances and funds are reconciled and balanced correctly.

**Implementation:** 6/30/2025

**Person Responsible:** Business Manager

**AMY BIEHL CHARTER SCHOOL FOUNDATION**

No findings to report for Fiscal Year 2025.

**ASK ACADEMY**

No findings to report for Fiscal Year 2025.

**CESAR CHAVEZ COMMUNITY SCHOOL**

**2025-001 – Internal Controls Over Purchase Card Charges (Other Noncompliance)**

**Condition/Context:** During cash disbursements testing, we noted a total of \$162.54 in late fees over multiple purchase card statements.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of adequate internal controls and management oversight.

**Effect:** Noncompliance with state statutes.

**Auditor's Recommendation:** Management should establish procedures to ensure timely purchase card payments to avoid late fees.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**CESAR CHAVEZ COMMUNITY SCHOOL (CONTINUED)**

**2025-001 – Internal Controls Over Purchase Card Charges (Other Noncompliance) (Continued)**

**Management's Response:** The late fees resulted from not receiving the purchase card statements from the vendor in a timely manner, which limited our ability to process payments before the due date. Management will use a recurring vendor calendar to monitor P-Card statement due dates and ensure timely processing. We have since transitioned to online billing and payments to eliminate delays caused by mailed statements.

**Implementation:** 07/01/2025

**Person Responsible:** Business Manager

**2025-002 (2024-002) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During our review of financial close and reporting procedures and related balances, we noted the following issues:

- \$150,886 in rent expense improperly recorded to fund 31701 rather than fund 31200 where the revenues were recorded.
- School improperly included \$33,291.04 in the FY25 accounts payable listing for work performed in July 2025.
- School improperly excluded \$16,001.25 from the accounts payable listing for work performed in June 2025.
- \$35,829 improperly included in construction in process on capital assets schedule.

**Management's Progress for Repeat Findings:** Prior management failed to implement adequate controls to resolve the finding. The school will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish controls and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of internal controls over financial reporting and management oversight.

**Repeat Finding:** 2024-002

**Effect:** Possible misstatement to the school's financial statements and noncompliance.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**CESAR CHAVEZ COMMUNITY SCHOOL (CONTINUED)**

**2025-002 (2024-002) – Financial Close and Reporting (Material Weakness) (Continued)**

**Auditor's Recommendation:** We recommend management establish procedures to ensure reimbursement-based funds are accurately presented, all accounts payable are properly listed, and the capital assets schedule is accurate.

**Management's Response:** The year-end reporting errors resulted from isolated human error during the fiscal year close rather than deficiencies in the school's internal control structure. All items were corrected during the audit, and management will reinforce review procedures at year-end to prevent similar mistakes. A formal year-end close checklist will be implemented, and additional supervisory review and staff training will ensure accurate and timely reporting.

**Implementation:** 12/31/2025

**Person Responsible:** Business Manager

**2025-003 – Budgetary Conditions (Other Noncompliance)**

**Condition/Context:** During our audit, we noted expenditure functions where actual expenditures exceeded the budgetary authority:

- Fund 31200: Function 4000 Capital Outlay \$20.

**Criteria:** The school is required to comply with the Public School Finance Act NMSA 22-8-12. Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control.

**Cause:** Management oversight.

**Effect:** Noncompliance with state statutes.

**Auditor's Recommendation:** Routinely monitor the budget and submit budget adjustment requests before the year-end cutoff.

**Management's Response:** The over-expenditure occurred because the initial BAR was entered with a \$20 understatement due to a typing error, which was not caught during review and was subsequently approved by PED. Expenditures were processed correctly using the awarded amount, but the understated budget authority caused the appearance of overspending. Management will implement a secondary accuracy review for all BAR entries to ensure budget amounts match the awarded amounts before submission to PED.

STATE OF NEW MEXICO  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**CESAR CHAVEZ COMMUNITY SCHOOL (CONTINUED)**

**2025-003 – Budgetary Conditions (Other Noncompliance) (Continued)**

**Implementation:** 12/31/2025

**Person Responsible:** Business Manager

**CESAR CHAVEZ COMMUNITY SCHOOL FOUNDATION**

No findings to report for Fiscal Year 2025.

**COTTONWOOD CLASSICAL PREPARATORY ACADEMY**

**2025-001 – Improper Exclusion from Accounts Payable (Other Matter)**

**Condition/Context:** During our audit, we noted one instance of improper exclusion of \$9,250.37 from the accounts payable listing. The excluded amount related to refurbishing of the gymnasium.

**Criteria:** Every school district and foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that liabilities are accurately recorded and reported in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls over accounts payable.

**Effect:** Misstatement of financial obligations and inaccurate reporting of expenses.

**Auditor's Recommendation:** We recommend management establish procedures to ensure all expenses are properly included in the accounts payable listing and reviewed prior to year-end close.

**Management's Response:** The school has a process in place by which the Business Manager and the Office Manager identify Accounts Payable invoices to be recorded on the financial statements at fiscal year-end. Processes will be reviewed with both individuals along with the Executive Director to provide for additional review of each physical invoice to ensure that all Accounts Payable are captured on the listing provided to the auditors.

**Implementation:** January 2026

**Person Responsible:** Business Manager, Office Manager, Executive Director

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YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**COTTONWOOD CLASSICAL PREPARATORY ACADEMY (CONTINUED)**

**2025-002 – Untimely Deposit of Receipts (Other Noncompliance)**

**Condition/Context:** During our testing over cash receipts, we noted that two of the four receipts in a deposit, totaling \$724, were not deposited within 24 hours. The prenumbered receipts (780438 and 780441) indicated receipt on 3/10/2025, while the deposit was made on 3/12/2025.

**Criteria:** Per NMAC 6.20.2.14, school districts and foundations shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations. Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

**Cause:** Lack of effective internal controls surrounding cash receipts and deposit procedures.

**Effect:** Noncompliance with NMAC 6.20.2.14 and increased risk of misappropriation or loss of funds.

**Auditor's Recommendation:** We recommend management review NMAC 6.20.2.14 and ensure procedures are in place to allow for timely deposits and proper documentation of all receipts.

**Management's Response:** The school is aware of the requirement to deposit all cash or checks to the bank within 24 hours of the original receipt. This process and requirement will be reviewed with the Office Manager. Additionally, the employees at the school who are also signers on the bank account (currently the Executive Director and the Assistant Director) will assume the responsibility of depositing cash or checks in the instance that the Office Manager is unavailable.

**Implementation:** January 2026

**Person Responsible:** Office Manager, Executive Director, Assistant Director

**2025-003 Lack of Formal Procurement Process (Other Noncompliance)**

**Condition/Context:** During our testing over procurement, we noted the school did not go through a formal procurement process for expenditures made to a certain vendor totaling \$72,213.00.

**Criteria:** NMSA 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978.

**Cause:** Lack of sufficient understanding of competitive procurement requirements and inadequate internal controls over procurement activities.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
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YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**COTTONWOOD CLASSICAL PREPARATORY ACADEMY (CONTINUED)**

**2025-003 Lack of Formal Procurement Process (Other Noncompliance) (Continued)**

**Effect:** Noncompliance with the New Mexico Procurement Code and increased risk of unauthorized or noncompetitive purchases.

**Auditor's Recommendation:** We recommend the Foundation's chief procurement officer (CPO) determine and document the procurement method used for all competitive procurement, including the legality and applicability of purchasing entities.

**Management's Response:** The school did not initially identify this expenditure as requiring a formal procurement process as the expenditure was to be reimbursed by families of participating students. The school understands now that this type of expenditure is not exempt from the procurement code and it will go through the process of identifying this specific expenditure as a sole source procurement in the future.

**Implementation:** February-March 2026

**Person Responsible:** Chief Procurement Officer, Executive Director

**COTTONWOOD CLASSICAL PREPARATORY FOUNDATION**

**2025-001 –Asset Depreciation and Expense Approval (Other Matters)**

**Condition/Context:** During our audit, we noted the following deficiencies in internal controls related to asset management and expense approval. Depreciation expense for an asset with a cost of \$105,413 placed into service on 4/30/2025 was calculated for the entire fiscal year, resulting in the asset being fully depreciated during FY25. The correct depreciation expense should have been \$1,171. Additionally, we noted four instances where expenses were not approved by the president or presented to the board through documented meeting minutes.

**Criteria:** The Foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

**Cause:** Lack of adequate internal controls over asset management and expense approval processes.

**Effect:** Material errors in depreciation expense and lack of sufficient policies and procedures could lead to misstatements, fraud, and unauthorized expenditures.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**COTTONWOOD CLASSICAL PREPARATORY FOUNDATION (CONTINUED)**

**2025-001 – Asset Depreciation and Expense Approval (Other Matters) (Continued)**

**Auditor's Recommendation:** We recommend that sufficient and specific asset management and expense approval policies and procedures be established and implemented by the Foundation, including proper calculation of depreciation and documented approval of expenses.

**Management's Response:** The Foundation believes that our internal controls on asset management are adequate. The audit finding was concerning expensing an asset and we will address this with our outside accountant to mitigate any future errors. We did not receive any detail of the four instances where expenses were not appropriately approved but will reinforce our records to ensure that adequate documentation is in place.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Foundation Treasurer/Outside Accountant

**DREAM DINÉ CHARTER SCHOOL**

**2025-001 – Internal Controls Over Inventory Observation Documentation (Other Noncompliance)**

**Condition/Context:** The school was unable to provide certification from management indicating the annual inventory observation was completed.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls over inventory observation and documentation and employee turnover.

**Effect:** Potential for misstatement of inventory balances and risk of loss or misappropriation of assets.

**Auditor's Recommendation:** Management should ensure annual inventory observations are completed and certified, with documentation retained for audit purposes.

**Management's Response:** The school district acknowledges the issue regarding the lack of certification for the annual inventory observation. We will take immediate corrective action to address this noncompliance.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DREAM DINÉ CHARTER SCHOOL (CONTINUED)**

**2025-001 – Internal Controls Over Inventory Observation Documentation (Other Noncompliance) (Continued)**

**Implementation:** We will establish a formal process for conducting annual inventory observations, ensuring clear responsibilities and oversight. A management certification process will be implemented to verify that the inventory observation is completed and accurately documented, with all supporting records retained for audit purposes. The new procedures will be fully implemented by the end of the current fiscal year, and we are confident these actions will strengthen inventory controls and ensure compliance with applicable regulations. Completion by June 30, 2026.

**Person Responsible:** Staff and/or IT Contractor

**2025-002 – Internal Controls Over Bank Reconciliation Classification of ACH Payments (Other Matters)**

**Condition/Context:** An ACH credit card payment made in July 2025 for \$2,377.35 was recorded as an outstanding check on the June bank reconciliation.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls over bank reconciliation preparation and review.

**Effect:** Misstatement to the financial statements and risk of undetected errors.

**Auditor's Recommendation:** Management should ensure that all ACH payments are properly classified and that bank reconciliations are reviewed for accuracy.

**Management's Response:** Dream Dine acknowledges the issue identified in the audit regarding the misclassification of the ACH credit card payment in the June 2025 bank reconciliation. We recognize the importance of accurate financial reporting and will take corrective actions to address this oversight.

**Implementation:** K12 will monitor all bank reconciliation payments at fiscal year-end to ensure that the correct method is utilized for classification. Additionally, journal entries will be made as needed to correct any expenses spanning over fiscal years. These actions will ensure that ACH payments are properly classified and that the financial statements reflect accurate information. Completion by June 30, 2026.

**Person Responsible:** Business manager and finance manager

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YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DREAM DINÉ CHARTER SCHOOL (CONTINUED)**

**2025-003 – Internal Controls Over Journal Entry Authorization Controls (Other Noncompliance)**

**Condition/Context:** For one of five journal entries sampled the school was unable to obtain proof of authorization for JE 14838.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of documented independent review and approval of journal entries.

**Effect:** Risk of misstatements and potential for fraud.

**Auditor's Recommendation:** Management should ensure all journal entries are reviewed and approved by a separate individual, with documentation retained.

**Management's Response:** Dream Dine acknowledges the issue raised in the audit regarding the lack of proof of authorization for journal entry JE 14838.

**Implementation:** Journal entry approval support will be saved with each corresponding month's approval. Completion by June 30, 2026.

**Person Responsible:** Business manager/Finance manager

STATE OF NEW MEXICO  
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YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DREAM DINÉ CHARTER SCHOOL (CONTINUED)**

**2025-004 (2023-004) – Controls Over Disbursement Compliance and Travel Reimbursement (Other Noncompliance)**

**Condition/Context:** Interest and late fees were paid on one disbursement of \$111, and one instance where an employee was over reimbursed by \$9.72 related to travel.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11 (D), The internal control structure shall demonstrate that the school district identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through school district correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

**Cause:** Insufficient internal controls over disbursements and travel reimbursements.

**Repeat Finding:** 2024-012

**Effect:** Noncompliance with applicable rules and regulations, and unnecessary expenditure of public funds.

**Auditor’s Recommendation:** Management should establish controls to ensure all disbursements avoid interest/late fees and comply with approved travel rates.

**Management’s Response:** Dream Dine acknowledges this audit finding related to interest and late fees were paid on one disbursement and the overpayment on travel.

**Implementation:** The Business Manager will use the updated travel reimbursement template, which includes the revised travel rates. Additionally, payments will be processed promptly to ensure that no interest or late fees are incurred. Completion by June 30, 2026.

**Person Responsible:** Office manager and business manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DREAM DINÉ CHARTER SCHOOL (CONTINUED)**

**2025-005 – Fund Balance Reconciliation for RFR-Based Funds (Other Matters)**

**Condition/Context:** The following funds have either deficit or positive fund balances and are RFR-based:

- 24106 (\$636)
- 24301 (\$203)
- 24330 (\$5,589)
- 27107 (\$2,125)
- 27150 (\$1,582)
- 31200 (\$3,563)

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls over fund balance reconciliation and audit adjustment posting.

**Effect:** Misstatement to the financial statements and risk of reporting incorrect fund balances.

**Auditor's Recommendation:** Management should establish procedures to review and reconcile fund balances, ensuring all audit adjustments are posted and balances are accurate.

**Management's Response:** Dream Dine Acknowledges the above finding that shows funds have either deficit or positive fund balances and are RFR-based.

**Implementation:** We will establish a process for regularly reviewing and reconciling fund balances for all RFR-based funds. This process will include monthly reconciliation of fund balances to ensure accuracy and timely identification of discrepancies. Completion by June 30, 2026.

**Person Responsible:** Business manager, finance manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DREAM DINÉ CHARTER SCHOOL (CONTINUED)**

**2025-006 – IT Environment and Cybersecurity Controls (Other Matters)**

**Condition/Context:** The school was unable to provide support to indicate the appropriate Network Security, Application Security, Infrastructure Security, Backup and Recovery, and Cybersecurity Controls were established by their IT provider.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of management understanding and incomplete responses from the IT provider.

**Effect:** Noncompliance with state statutes and risk of data loss or security breaches.

**Auditor's Recommendation:** Management should work with the IT provider to document and implement appropriate IT controls, including network security, backup, and recovery processes.

**Management's Response:** Dream Dine acknowledges the IT and Cybersecurity Controls finding. We understand the importance of maintaining strong cybersecurity measures to protect sensitive data and ensure compliance with state regulations.

**Implementation:** We will work closely with our IT provider to ensure that all necessary cybersecurity controls are implemented and properly documented. This includes establishing protocols for network security, application security, infrastructure security, and ensuring that backup and recovery processes are in place. Completion by June 30, 2026.

**Person Responsible:** IT Contractor and/or staff

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DZIL DITL'OOÍ SCHOOL OF EMPOWERMENT, ACTION & PERSEVERANCE (DEAP)**

**2025-001 (2024-002) – Cash Disbursement and Travel Reimbursement Control Deficiencies (Significant Deficiency)**

**Condition/Context:** During our review of cash disbursements and travel reimbursements, the following items were noted:

- A purchase order (PO) was issued on 1/29/2025, after goods/services were received on 6/6/2024.
- An employee was reimbursed for 1,032 miles (\$691.44), but evidence supported only 897.7 miles driven, resulting in an overpayment of \$89.98.
- Evidence of a finance fee for \$151.71 was charged on the credit card statement.
- The entity failed to provide evidence of review and approval on two credit card payments.
- The entity failed to provide a proper invoice for a \$386.86 purchase.
- The entity failed to include a tip of \$3.91 in the reimbursement calculations, overstating the amount requested back from the employee.
- The entity failed to provide adequate documentation, including the necessary itinerary for travel reimbursement.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:**

NMAC 6.20.2.11: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

Per PSAB Supplement 13-Purchasing, purchase orders must be issued prior to the placement of any order for goods, services, or construction.

Travel policies and procedures must comply with the Per Diem and Mileage Act and Department of Finance and Administration regulations.

Internal controls require documented review and approval of all credit card payments and proper supporting documentation for all purchases and reimbursements

**Cause:** Lack of adequate internal controls, insufficient review of supporting documentation, and management oversight.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DZIL DITL'OOÍ SCHOOL OF EMPOWERMENT, ACTION & PERSEVERANCE (DEAP) (CONTINUED)**

**2025-001 (2024-002) – Cash Disbursement and Travel Reimbursement Control Deficiencies (Significant Deficiency) (Continued)**

**Repeat Finding:** 2024-002

**Effect:** Noncompliance with purchasing and travel requirements, risk of unauthorized or unsupported expenditures, and potential for overpayment or improper reimbursement.

**Auditor's Recommendation:** Management should strengthen internal controls to ensure:

- Purchase orders are issued prior to receipt of goods/services.
- Mileage and travel reimbursements are supported by adequate documentation and calculated accurately.
- Credit card payments are reviewed and approved.
- All purchases and reimbursements are supported by proper invoices and documentation, including tips and travel itineraries.

**Management's Response:** The exceptions noted occurred prior to the transition of business office services to our current team. We have implemented revised internal control procedures to ensure purchase orders are issued prior to ordering, sufficient backup documentation is retained, and all reimbursements and credit card transactions are properly reviewed and approved.

**Implementation:** These strengthened internal controls were implemented beginning FY2026 and will be continuously monitored for compliance.

**Person Responsible:** Finance Coordinator and Business Manager

**2025-002 – Payroll Calculation Support for Terminated Employee (Other Noncompliance)**

**Condition/Context:** Entity failed to provide support for the calculations used for a terminated employee's last paycheck. We recalculated expected pay at \$588, but only \$147.07 was paid, resulting in an underpayment of \$441.

**Criteria:** Payroll calculations must be supported and accurate.

**Cause:** Insufficient documentation and review.

**Effect:** Underpayment to employee.

**Auditor's Recommendation:** Management should ensure payroll calculations are supported and accurate, especially for terminated employees.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DZIL DITL'OOÍ SCHOOL OF EMPOWERMENT, ACTION & PERSEVERANCE (DEAP) (CONTINUED)**

**2025-002 – Payroll Calculation Support for Terminated Employee (Other Noncompliance) (Continued)**

**Management's Response:** The exceptions noted occurred prior to the transition of business office services to our current team. We agree with the auditor's recommendation and have implemented additional controls to ensure payroll calculations for terminated employees are supported, reviewed, and accurate.

**Implementation:** Revised internal controls have been implemented in FY2026 and will be monitored for compliance going forward.

**Person Responsible:** Assistant Business Manager and Business Manager

**2025-003 (2020-002) – Financial Close and Reporting (Other Matters)**

**Condition/Context:** During our review of financial reporting and related internal controls, the following deficiencies were noted:

- The entity omitted a Construction in Progress (CIP) addition from the capital asset roll forward, resulting in \$7,603 not reflected in the asset listing.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:**

NMAC 6.20.2.11: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

All capital asset additions must be included in the roll forward to ensure accurate financial reporting.

**Cause:** Insufficient oversight and review controls for asset tracking.

**Repeat Finding:** 2024-001

**Effect:** Risk of unauthorized journal entries, understatement of capital assets, and excess leave liability.

**Auditor's Recommendation:** All capital asset additions, including CIP, should be properly recorded in the asset roll forward.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**DZIL DITL'OOÍ SCHOOL OF EMPOWERMENT, ACTION & PERSEVERANCE (DEAP) (CONTINUED)**

**2025-003 (2024-001) – Financial Close and Reporting (Significant Deficiency) (Continued)**

**Management's Response:** We requested confirmation of all capital activity for a building project and were informed that no additional purchases were made. Once we were made aware of the missing item, it was recorded appropriately. We have implemented stronger review procedures to ensure all capital asset additions, including Construction in Progress, are identified, documented, and included in the capital asset roll forward.

**Implementation:** Enhanced capital asset tracking and year-end review procedures were implemented for FY2026 to ensure completeness of reporting.

**Person Responsible:** Business Manager

**2025-004 – Backup and Recovery Policies and Procedures (Other Matters)**

**Condition/Context:** Entity was unable to provide support for their backup and recovery policies and procedures.

**Criteria:** Schools must maintain documented backup and recovery policies. NMAC 6.20.2.11: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP. This includes controls over information systems and data.

**Cause:** Documentation not retained or not established.

**Effect:** Risk of data loss.

**Auditor's Recommendation:** Management should establish and document backup and recovery policies and procedures.

**Management's Response:** The school transitioned to a new IT provider, and despite multiple requests, the provider failed to supply the required backup and recovery documentation in a timely manner. The school is actively working with the provider to obtain and maintain the appropriate documentation. Internal procedures are being strengthened to ensure that required IT documentation is obtained and retained as part of ongoing compliance.

**Implementation:** Backup and recovery policy documentation will be finalized and maintained by FY2026, with periodic reviews moving forward.

**Person Responsible:** IT Provider

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EQUIP ACADEMY OF NEW MEXICO**

**2025-001 – Benefit Withholding Compliance (Other Noncompliance)**

**Condition/Context:** For the pay period ending 2/28/2025, ERB and RHC forms were not filed until 5/14/2025.

For the pay period ending 4/30/2025, the RHC form was not filed until 5/13/2025.

**Criteria:** NM ERB required filing within 15 business days after month end. NM RHC requires filing within 10 business days of month end.

**Cause:** Management oversight and lack of effective controls to ensure timely submission.

**Effect:** Noncompliance with established requirements for payroll and benefit reporting.

**Auditor's Recommendation:** We recommend management establish procedures to ensure all reporting is done timely to avoid penalties and fees.

**Management's Response:** For pay period ending 4/30/2025, the RHC payment was made 5/8/25, prior to the deadline. The school has established procedures to ensure reporting is done timely.

**Implementation:** Ongoing

**Person Responsible:** Business Manager

**2025-002 – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** Accounts receivable balance included \$30,428 that was improperly recorded as a FY25 revenue. Expenses of \$2,153 were improperly excluded from accounts payable as of 6/30/2025.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of sufficient review of accounts receivable/payable balances.

**Effect:** Misstatement to the financial statements and inaccurate reporting.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EQUIP ACADEMY OF NEW MEXICO (CONTINUED)**

**2025-002 – Financial Close and Reporting (Material Weakness) (Continued)**

**Auditor's Recommendation:** We recommend management ensure that adequate internal controls are established surrounding the year-end financial close and reporting process related to accounts receivable and accounts payable.

**Management's Response:** A CSP RFR from July was marked as prior year AR during the audit process. Going forward, the school will implement a more thorough review process on year end and will add an additional review layer prior to audit submittal.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager

**EQUIP ACADEMY OF NEW MEXICO FOUNDATION**

No findings to report for Fiscal Year 2025.

**ESTANCIA VALLEY CLASSICAL ACADEMY**

**2025-001 (2022-003) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:**

- Accounts receivable of \$8,889 related to fund 24101 was improperly excluded from the accounts receivable listing.
- Funds 24189, 24308, 24330, and 31200 are reimbursement-based but presented ending fund balances and/or aged accrued liabilities.
- The withholdings for ERB and RHC related to wages paid in July 2025 were reported to each respective agency as FY26 contributions, rather than FY25.
- The June 30, 2025 cash report did not properly reconcile for the operational fund, federal flowthrough funds (24000), and federal direct funds (25000).
- Accounts payable of \$35,409 related to fund 31701 was improperly excluded from the accounts payable listing.

**Management's Progress for Repeat Findings:** Prior management failed to implement adequate controls to resolve the finding. The school will work toward corrective action during FY2026.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ESTANCIA VALLEY CLASSICAL ACADEMY (CONTINUED)**

**2025-001 (2022-003) – Financial Close and Reporting (Material Weakness) (Continued)**

**Criteria:** Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of an adequate internal control structure of financial close and reporting.

**Repeat Finding:** 2024-001

**Effect:** Potential misstatement to the financial statements and noncompliance.

**Auditor's Recommendation:** Establish procedures to ensure all accounts receivable are properly listed, reimbursement-based funds are accurately presented, withholdings are reported in the correct fiscal year, and cash reports are reconciled for all funds.

**Management's Response:** The Business Office will have a procedure to have final manually entered audit responses reviewed to ensure correct entry within Accounts Receivable as well as final cash reports before submittal.

Immediately following the submittal of the audit report, the Business Office will review all accrued liabilities to ensure proper posting.

EVCA has changed our payroll procedure for paying out contracts during June of the fiscal year and all benefits will be paid in July for June.

**Implementation:** December 1, 2025.

**Person Responsible:** Business Manager & Executive Director

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ESTANCIA VALLEY CLASSICAL ACADEMY (CONTINUED)**

**2025-002 (2022-004) – Bank Reconciliation (Other Matters)**

**Classification:** Classification pending

**Condition/Context:**

- June 2025 bank reconciliation differed by \$1,723 from the trial balance provided.
- The June RHCA payment was listed as an outstanding disbursement on the June bank reconciliation; however, the ACH was initiated during FY25 and was reclassified as a payroll liability.

**Management's Progress for Repeat Findings:** Prior management failed to implement adequate controls to resolve the finding. The school will work toward corrective action during FY2026.

**Criteria:** Bank reconciliations should be prepared and reviewed on a monthly basis and should reconcile to the trial balance and general ledger.

**Cause:** Management oversight.

**Repeat Finding:** 2024-004

**Effect:** Potential for misstated financial statements.

**Auditor's Recommendation:** Ensure monthly preparation and review of the bank reconciliation includes a comparison to the trial balance and general ledger, and that payroll liabilities are properly classified.

**Management's Response:** Prior to the submittal of audit reports the Business Office will review all Bank Statements to ensure proper reconciliations.

EVCA has changed our payroll procedure for paying out contracts during June of the fiscal year and all benefits will be paid in July for June.

**Implementation:** July 1, 2025

**Person Responsible:** Business Manager & Executive Director

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ESTANCIA VALLEY CLASSICAL ACADEMY (CONTINUED)**

**2025-003 (2021-001) – Budgetary Conditions (Other Non Compliance)**

**Condition/Context:**

- Fund 31701 Function 4000 Capital Outlay was overexpended by \$3,187.
- Various variances between trial balance and actuals reported to OBMS.

**Management’s Progress for Repeat Findings:** Prior management failed to implement adequate controls to resolve the finding. The school will work toward corrective action during FY2026.

**Criteria:** Budgets must not be exceeded at the legal level of control, which is the function.

**Cause:** Management oversight.

**Repeat Finding:** 2024-007

**Effect:** Noncompliance with state statutes.

**Auditor’s Recommendation:** Routinely monitor the budget and submit budget adjustment requests before the year-end cutoff.

**Management’s Response:** Prior to November 1, 2025,, the Business Office will review Capital Outlay fund 31701, tax collection, object code 2300, and submit a BAR if needed.

**Implementation:** October 2025.

**Person Responsible:** Business Manager & Executive Director.

**2025-004 (2022-002) – Capital Assets (Other Matters)**

**Condition/Context:**

- Capital asset rollforward did not list depreciation expenses for assets acquired prior to FY25.
- Depreciation expense was understated for seven assets totaling \$9,356, as management did not update the calculation properly from FY24 to FY25.
- \$35,409 in Construction in Process (CIP) improperly excluded from capital assets listing.

**Management’s Progress for Repeat Findings:** Prior management failed to implement adequate controls to resolve the finding. The school will work toward corrective action during FY2026.

**Criteria:** All capital assets and depreciation must be properly identified and tracked.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ESTANCIA VALLEY CLASSICAL ACADEMY (CONTINUED)**

**2025-004 (2022-002) – Capital Assets (Other Matters) (Continued)**

**Cause:** Lack of effective internal controls over the identification of capital assets and preparation of the capital asset schedule.

**Repeat Finding:** 2024-006

**Effect:** Material errors in presentation and reporting of capital assets.

**Auditor’s Recommendation:** Establish procedures over capital assets to properly identify and track all asset acquisitions and to properly prepare the capital asset listing, including depreciation expense.

**Management’s Response:** The Business Manager will understand and properly identify all capital assets depreciation expense per the policy.

**Implementation:** July 1, 2025.

**Person Responsible:** Business Manager & Executive Director.

**ESTANCIA VALLEY CLASSICAL ACADEMY FOUNDATION**

No findings to report for Fiscal Year 2025.

**EXPLORE ACADEMY – ALBUQUERQUE**

**2025-001 – Internal Controls over Payroll (Other Noncompliance)**

**Condition/Context:** During our test work over payroll, we noted the following exceptions:

- **Employee Contract Underpayment:** For one of the five employee contracts tested, the employee was underpaid by a total of \$780.
- **Stipend Payment Discrepancy:** For one of the five employees tested, a stipend payment made in April 2025 was inconsistent with the stipend agreement provided, resulting in an overall underpayment of \$3.
- **Stipend Approval Timing Issue:** For one of the five employees sampled, stipends totaling \$12,491 were awarded. However, \$10,176 of these stipends were paid before the school had a signed Personnel Action Form on file indicating approval from the Head Administrator. The Personnel Action Form was not signed and approved until June 5, 2025.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – ALBUQUERQUE (CONTINUED)**

**2025-001 – Internal Controls over Payroll (Other Noncompliance) (Continued)**

- **Benefit Election Form Update:** For one of the five employees tested, an updated NMPSIA form was required to reflect the employee's election change in benefits (opting out of vision and long-term disability) to align with the employee's deduction report.

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit.

**Cause:** Lack of adherence to established payroll controls and procedures, and insufficient review of supporting documentation prior to payment processing.

**Effect:** Noncompliance with applicable rules and regulations, potential for inaccurate compensation and benefit withholdings, and risk of financial obligation to correct errors.

**Auditor's Recommendation:** We recommend management ensure all compensation and stipends are supported by sufficient and maintained documentation, that all required approvals are obtained prior to payment, and that benefit election forms are updated timely to reflect employee choices and ensure accurate payroll deductions.

**Management's Response:** The school is aware of the first three issues identified above, and have taken steps to remedy this moving forward. PAFs are generated now with the office manager ahead of time to ensure the right dates are entered. In addition, the AptaFund tools that new business manager employees are used to catch discrepancies in salaries to avoid any potential miscalculations. The school has also started receiving variance reports for payroll to ensure changes are also recorded accurately and approved. The fourth issue was something that was not brought to my attention until the audit. The above issues were also not identified by Axiom Analytics via their supervision nor by their accounting software, so we have employed a different business manager and are now using a different accounting software.

**Implementation:** The school hired the business manager as of July 1, 2025. We switched the PAF generation process as of August of 2025 once we were aware there was a discrepancy. The school also employed The Vigil Group to transition to AptaFund which happened between July 1, 2025 through the end of October. We are now transitioning the new payroll manager who took over October 2025 who implemented the variance report, and the new business manager has been transitioning in November - December of 2025. All changes should be fully in place by January 2026.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – ALBUQUERQUE (CONTINUED)**

**2025-001 – Internal Controls over Payroll (Other Noncompliance) (Continued)**

**Person Responsible:** Head Administrator; Business Manager; Office Manager; Payroll Manager

**2025-002 (2022-01) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During our audit, we noted the following deficiencies in internal controls related to financial close and reporting:

- \$299,786 of revenues were recorded in relation to debt issuance proceeds recorded as “special items”; these should have been recognized as other financing sources.
- \$647,996 of expenses were improperly excluded from the accounts payable (AP) listing.
- \$195,070 of revenues were improperly excluded from the accounts receivable (AR) listing.
- Capital asset additions related to construction services received in FY25 were omitted from the school's capital asset listing. Total costs for the missed assets were \$366,300.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate control to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of sufficient internal controls and procedures over financial close and reporting, including inadequate review of year-end balances and supporting schedules.

**Repeat Finding:** 2024-004

**Effect:** Misstatements to the financial statements, including improper classification of debt proceeds, incomplete recognition of liabilities and receivables, and understatement of capital assets.

**Auditor’s Recommendation:** We recommend management establish procedures to ensure all debt proceeds are properly classified as other financing sources, that accounts payable and receivable listings are complete and accurate, and that all capital asset additions are identified and recorded timely.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – ALBUQUERQUE (CONTINUED)**

**2025-002 (2022-01) – Financial Close and Reporting (Material Weakness) (Continued)**

**Management’s Response:** To address these findings, management has transitioned away from Axiom Analytics where we found their proprietary software to be the cause of many of the recording issues. We transitioned to AptaFund over the course of July 2025 to October of 2025 with The Vigil Group coming on board. In addition, the school employed a new business manager who is assisting our Director of Procurement to ensure that all APs and ARs are recorded accurately. School management does not believe that the business managers during FY25 had the internal checks and balances needed to prevent these errors, so we decided to bring an in house business manager on board to ensure more consistent meetings with school management and the finance committee take place.

**Implementation:** The school has returned to using Apta which we’ve transitioned to from July 2025 to the end of October 2025. This change to our accounting software was brought on to ensure appropriate safeguards are in place. In addition, we’ve hired a different and internal business manager to work with the school. Also, there are now improved processes around AP, AR, capital assets, and procurement oversight with our new business manager.

**Person Responsible:** Head Administrator; Business Manager; Director of Procurement

**2025-003 (2023-005) – Budgetary Matters / Cash Management (Material Weakness)**

**Condition/Context:** During our audit, we noted excess expenditures in the following funds and functions:

- Fund 11000:2000 Support Services: \$768,464 – The entire budget for Fund 11000 was over-expended as well.
- Fund 21100:3000 Noninstructional Services: \$14,949 – The entire budget for Fund 21100 was over-expended as well.
- Fund 31600:2000 Support Services: \$520
- Fund 31600:4000 Capital Outlay: \$111,079 – The entire budget for Fund 31600 was over-expended as well.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate control to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Sound financial management and 6.20.2.9(A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control.

**Cause:** Lack of adequate internal controls to monitor actual expenditures against budgeted amounts.

**Repeat Finding:** 2024-003

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – ALBUQUERQUE (CONTINUED)**

**2025-003 (2023-005) – Budgetary Matters / Cash Management (Material Weakness) (Continued)**

**Effect:** Noncompliance with state statutes, potential inability to continue operations due to excess expenditures, and increased risk of financial instability.

**Auditor’s Recommendation:** We recommend management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions and allow sufficient time to have a budget adjustment request approved.

**Management’s Response:** Management relied on accurate numbers to be presented at the monthly financial presentations which appeared to be inaccurate or at least poorly projected by Axiom Analytics, so we asked The Vigil Group to re-evaluate our 910b5 in September which did disclose the deficits. In response, we worked with The Vigil Group to reallocate some of the expenses to appropriate funds to ensure no fund is being overspent.

In addition, we started implementing cost savings measures immediately including reduced hiring, reduced stipend positions, reductions in facilities repairs and costs, and an approved RIF plan to further evaluate where overlap in school personnel can be eliminated. In addition, the school is looking to bring in more revenue via a bond refinancing in the Spring as well as trying to sell some assets that can replenish funds overspent. In bringing on a new business manager, we feel the BARs will be better presented and approved on time, and expenses will be tracked more accurately to avoid spending money that we were told we had when in fact we did not.

**Implementation:** Management moved forward with a different business manager in December 2025 who is taking over from The Vigil Group. They are again reevaluating our expense reports with the intent to have that shared at our weekly meeting by 12/12/2025. This will help adjust spending Spring of 2026. We also moved to AptaFund in July 2025 to ensure the business manager and the board run and read through reports to get a more accurate reflection of current and projected spending. The school has implemented a weekly meeting with the new business manager, a monthly finance committee meeting outside of the regular board meetings.

**Person Responsible:** Head Administrator; Business Manager; Governing Board; Finance Committee

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – ALBUQUERQUE (CONTINUED)**

**2025-004 – Lease Purchase Agreement Debt Issuance and Accounting (Material Weakness)**

**Condition/Context:** During our review of the lease-purchase agreement the school executed during the year, the following matters were identified:

- Neither the school nor the private party involved could provide documentation or analysis supporting the legality of the debt issued under the Lease Purchase Agreement, which resulted in debt totaling \$385,000. This debt was not approved by NMPED prior to the agreement's execution.
- The school incorrectly recorded \$299,786 in loan proceeds as revenue rather than as other financing sources.
- The school did not prepare the required modified accrual and full accrual journal entries to properly account for the debt, related assets, and funding sources associated with the debt issuance at the fund level and government wide level adjustments.
- The school failed to coordinate with the trustee to determine the total loan amount due at the end of the acquisition period, as the full allocation of loan proceeds was not drawn down.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP. In addition, NMAC 6.20.2.22 and NMSA 22-26A-1 et seq. require NMPED approval for lease purchase agreements and proper accounting for debt and related assets.

**Cause:** Lack of adequate internal controls over debt issuance, insufficient review of legal requirements, and failure to implement proper accounting procedures for debt and related transactions.

**Effect:** Noncompliance with state statutes and NMPED requirements, potential for unapproved or unauthorized debt, misstatements to the financial statements, and increased risk of financial reporting errors.

**Auditor's Recommendation:** We recommend management ensure all debt issuances are supported by legal documentation and NMPED approval prior to execution, that loan proceeds are properly classified as other financing sources, and that all required journal entries are prepared to accurately record debt, related assets, and funding sources on both the modified and full accrual bases. Coordination with the trustee should be performed to confirm the total loan amount due, and all necessary adjustments should be made for accurate financial reporting.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – ALBUQUERQUE (CONTINUED)**

**2025-004 – Lease Purchase Agreement Debt Issuance and Accounting (Material Weakness) (Continued)**

**Management’s Response:** For the first bullet point, Management assumed that the appropriate steps were taken to approve this through the work of legal counsel and the securing of the loan. Moving forward, we intend to conduct these in alignment with our Director of Procurement and Finance Committee to ensure that all paperwork is completed and filed accordingly. In addition, the school will be using the Director of Grant Writing to help ensure that all appropriate paperwork is recorded. Further, we would like to have time in December 2025 and January 2026 to dig more into this issue. The other three bullet points are being addressed by bringing in an in-house business manager to have more transparency with the work being done in regards to journal entries. This task falls on the business manager, and the school determined that Axiom Analytics did not have the right internal controls or accounting software to accurately record journal entries and classifications of funding sources. We switched to AptaFund, hiring The Vigil Group to help us make those transitions, and then as of January 1st will have a fully in-house staff including Chief Procurement Officer, Business Manager, and payroll specialist. Finally, we hired new legal counsel to help provide oversight of debt issuances and all necessary legal documentation. The school worked with an attorney during FY25 whose office was from Out of State, but at this point the school hired a local attorney who meets with school management regularly. Completion by June 30, 2026.

**Implementation:** This work began in July of 2025 with transitions to AptaFund taking place July through October. The school will begin further investigations into how the above findings were recorded incorrectly so as to amend any practices moving forward. The school released Axiom Analytics from their contract and brought in The Vigil Group in July 2025. A new attorney was also contracted in July, 2025, and was awarded a larger contract via the RFP process in October to ensure we could have a better presence of legal oversight.

**Person Responsible:** Head Administrator, Business Manager; Chief Procurement Officer; School Counsel

**2025-005 (2024-001) – Procurement (Other Noncompliance)**

**Condition/Context:** During our test work over procurement, we noted two instances where total disbursements to vendors during the fiscal year exceeded the small purchases exemption of \$60,000. The school was unable to produce the necessary documentation to verify the procurement was performed in accordance with the procurement code.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate control to resolve the finding and will work toward corrective action during FY2026.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – ALBUQUERQUE (CONTINUED)**

**2025-005 (2024-001) – Procurement (Other Noncompliance) (Continued)**

**Criteria:** NMSA 13-1-102 requires that all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978. NMSA 13-1-135 allows cooperative procurement between state agencies, local public bodies, and external procurement units. Unless specifically exempted.

**Cause:** Lack of sufficient understanding and oversight of the competitive procurement requirements of the New Mexico Procurement Code.

**Repeat Finding:** 2024-001

**Effect:** Noncompliance with the New Mexico Procurement Code and increased risk of unauthorized or inappropriate expenditures.

**Auditor’s Recommendation:** We recommend the school obtain and retain all necessary vendor documentation and create a procurement file prior to entering into agreements with vendors. In addition, management should review the procurement code and ensure procedures are in place to allow for proper procurement and documentation.

**Management’s Response:** Management was not notified of hitting the procurement threshold. In addition, spending related to each PO should have been included in the monthly financial reports to the Governing Board, and there were no POs flagged in those meetings. The school has requested a PO review that The Vigil Group began providing which highlights any open POs that run the risk of exceeding \$60,000 in expenses. In addition, we hired an in-house Chief Procurement Officer to oversee the work of our Director of Procurement and train her in how to appropriately track and flag spending to ensure it does not exceed the threshold OR to ensure that if projections appear that it might, it’s brought to school management so we can follow appropriate RFP processes or change vendors.

**Implementation:** The Chief Procurement Officer started working with our Director of Procurement in October of 2025 to provide adequate training and oversight to our purchasing processes. Management has updated the process for purchasing so that purchase requisitions are created and then approved by both the Business Manager, Chief Procurement Officer, and school leader. This took place through AptaFund and was put in place November, 2025. All documentation is now added to the purchase requisition in AptaFund. A monthly review of vendors will be reported to the board for procurement and purchasing. Completion by June 30, 2026.

**Person Responsible:** Head Administrator, Business Manager, and Chief Procurement Officer

STATE OF NEW MEXICO  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – ALBUQUERQUE (CONTINUED)**

**2025-006 – Internal Controls over Cash Receipts (Other Noncompliance)**

**Condition/Context:** During our testing over cash receipts, we noted one instance out of thirteen receipts tested where the school was unable to provide sufficient documentation to determine if the receipt was deposited within 24 hours of receipt.

**Criteria:** Per NMAC 6.20.2.14, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations. In addition, NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

**Cause:** Lack of effective internal controls surrounding cash receipts and insufficient documentation retention.

**Effect:** Noncompliance with NMAC 6.20.2.14 and increased risk of misappropriation or delayed deposit of public monies.

**Auditor's Recommendation:** We recommend the school review NMAC 6.20.2.14 and ensure procedures are in place to allow for timely deposits and to ensure documentation for all deposits is kept and readily accessible.

**Management's Response:** Management did not have a timestamp provided to the office manager to indicate when items were received in the mail. The role of office manager was also a split task in FY25 with records clerk, so this year we hired an Office Manager as its own position so better attention can be paid to receipts and depositing. The new Office Manager is working with the in-house business manager to establish better procedures including providing time stamps on all mail received.

**Implementation:** The school hired a new office manager who started July 2025 to provide a more consistent practice with receipts and deposits. The school has also hired a new business manager who began in December 2025 to oversee this process. A new process with the office manager has been implemented to ensure items received are timestamped, provided with a receipt, and deposited within 24 hours. The business manager will do a daily bank reconciliation and save that deposit documentation in AptaFund. Completion by June 30, 2026.

**Person Responsible:** Head Administrator, Business Manager, Office Manager

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – LAS CRUCES**

**2025-001 – Internal Controls Over Pension and OPEB Reporting (Significant Deficiency)**

**Condition/Context:** We noted that withholdings for ERB wages totaling \$650,794 and RHC wages totaling \$679,661, related to wages paid in July and August 2025, were reported to their respective agencies as FY26 contributions instead of FY25.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of timely reconciliation of payroll and related benefit contributions.

**Effect:** Potential misstatement of benefit contributions resulting in misstated OPEB and pension liabilities.

**Auditor's Recommendation:** We recommend management review and revise the June and July ERB and RHC reports to ensure that all payroll and related contributions are reported in the correct fiscal year. Procedures should be implemented to ensure timely and accurate reporting of payroll and related benefits.

**Management's Response:** Management concurs with this finding. The misclassification of ERB and RHCA contributions occurred because contributions for wages earned in June 2025 but paid in July 2025 were reported based on the payment date rather than the period in which the wages were earned. Management acknowledges the importance of ensuring that contributions are reported in the correct fiscal year to maintain compliance with state reporting requirements and to ensure accurate financial reporting.

To correct this issue and strengthen internal controls, the following actions will be implemented:

- **Fiscal Year-End Payroll Reconciliation:** The Business Office will review the June and July payroll periods to reconcile pension and OPEB contributions, ensuring that contributions are properly accrued and reported in the correct fiscal year.
- **Revised Reporting Procedures:** Payroll procedures will be updated to require a fiscal year-end review of all payroll transactions and related benefit contributions to verify that wages and contributions are recorded in the correct reporting period.
- **Coordination with ERB and RHCA:** Management will work with both ERB and RHCA to confirm that any required adjustments or reclassifications are submitted and processed accurately for FY25 and FY26.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – LAS CRUCES (CONTINUED)**

**2025-001 – Internal Controls Over Pension and OPEB Reporting (Significant Deficiency)  
(Continued)**

- Training and Oversight: Payroll and accounting staff will receive training on year-end reporting requirements for pension and OPEB contributions. The Business Manager will review the year-end reconciliation process annually to ensure continued compliance.

**Implementation:** Immediately with full corrective actions to be completed by June 30, 2026.

**Person Responsible:** Business Manager

**2025-002 – Capital Asset Reporting and Debt Management (Material Weakness)**

**Condition/Context:** During the review of a new LPA agreement issued by the school the following matters were noted:

Additions were included in the capital asset roll forward that did not qualify as capital assets and did not meet the bulk purchase threshold.

The school abandoned approximately \$168,000 in permanent building improvements made to a privately owned building after the lease agreement was terminated. This resulted in a loss of approximately \$93,100, as the assets could no longer be utilized for a public purpose or benefit.

Approximately \$210,000 in leasehold improvements were financed and paid directly by the trustee but were mistakenly excluded from the school's capital asset roll forward until identified during the audit process.

Neither the school nor the private party could provide documentation or analysis supporting the legality of the debt issued under the Lease Purchase Agreement, which resulted in a debt agreement totaling \$615,000. This debt was not approved by NMPED prior to execution of the agreement.

The school incorrectly recorded \$293,725 in loan proceeds as revenue rather than as other financing sources. Additionally, the school did not prepare the required modified accrual and full accrual journal entries to properly account for the debt, related assets, and funding sources. The school also failed to coordinate with the trustee to determine the total loan amount due at the end of the acquisition period, as the full allocation of loan proceeds was not drawn down.

Finally, the school abandoned assets that had been financed and continued making payments on debt for items no longer in its possession, totaling approximately \$87,748. These assets were included in the abandoned asset amount noted in the capital asset additions finding.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – LAS CRUCES (CONTINUED)**

**2025-002 – Capital Asset Reporting and Debt Management (Material Weakness) (Continued)**

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Insufficient understanding of financial reporting requirements related to Lease Purchase Agreements and associated debt transactions, including capital asset recognition and proper classification of financing sources.

**Effect:** Material misstatements in capital assets, liabilities, and revenues; improper use of public funds for private costs; and noncompliance with state statutes and NMPED approval requirements.

**Auditor's Recommendation:** We recommend management update the capital asset rollforward to include all assets and related depreciation. All debt-related transactions should be reviewed for compliance with state law and NMPED approval requirements. Supporting documentation for all lease purchase transactions should be maintained. Loan proceeds should be recorded as other financing sources, and all related journal entries should be prepared and reviewed for accuracy.

**Management's Response:** Management concurs with this finding. The issues identified stem from an incomplete understanding of Lease Purchase Agreement (LPA) requirements, capital asset recognition standards, and debt-related reporting obligations. Management acknowledges that improper classification of assets, incomplete documentation, and failure to follow NMPED approval requirements resulted in inaccurate financial reporting and noncompliance.

To correct this issue and strengthen internal controls, the following actions will be implemented:

- **Capital Asset Roll forward and Reconciliation:** The Business Office will complete a full reconciliation of all FY25 and FY26 capital asset transactions, including verification of acquisition costs, disposal dates, depreciation, and any trustee-financed assets. All non-capital items previously included will be removed, and any missing capital items will be added with proper supporting documentation.
- **Journal Entry Controls:** Procedures will be implemented requiring preparation and review of all debt-related journal entries, including the proper classification of loan proceeds as "other financing sources."
- **Documentation and Trustee Coordination:** A contract and loan documentation file will be maintained, including trustee draw documentation, amortization schedules, approvals, and supporting records. Management will coordinate with the trustee to verify total financed amounts and remaining obligations at the end of acquisition periods.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – LAS CRUCES (CONTINUED)**

**2025-002 – Capital Asset Reporting and Debt Management (Material Weakness) (Continued)**

**Implementation:** Immediately with full corrective actions to be completed by June 30, 2026.

**Person Responsible:** Business Manager and Head Administrator

**2025-003 – Expenses and Accounts Payable (Significant Deficiency)**

**Condition/Context:** Two of the twenty-one sampled transactions, totaling \$25,975, were incorrectly excluded from the account's payable accrual, requiring an audit adjustment to be recorded.

Additionally, the school was unaware of an outstanding electricity invoice of \$16,673. It appears that vendor invoices had previously been sent to the management company and were not forwarded to the school for payment, resulting in a late payment notice issued in October 2025.

Lastly, two property tax payments, totaling \$127,936, were not made on time, resulting in accrued penalties and interest of \$13,301 incurred by the school.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** The school's internal controls over accounts payable were insufficient to ensure complete and accurate accruals. Specifically:

- Lack of a robust process for verifying all outstanding invoices before year-end.
- Inadequate communication and oversight between the school and the management company regarding vendor invoices.

**Effect:** Misstatement to the financial statements. Noncompliance with NMAC 6.20.2.14 and GAAP requirements for accurate financial reporting.

**Auditor's Recommendation:** Implement a formal accounts payable reconciliation process at month-end and year-end to ensure all outstanding invoices are identified and recorded. Establish clear communication protocols with school management to ensure timely forwarding of vendor invoices.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
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YEAR ENDED JUNE 30, 2025

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – LAS CRUCES (CONTINUED)**

**2025-003 – Expenses and Accounts Payable (Significant Deficiency) (Continued)**

**Management’s Response:** Management concurs with this finding. The errors noted resulted from insufficient monitoring of accounts payable at year-end and delays in the forwarding of vendor invoices. During FY25, the school’s CPO was contracted outside of the organization, which contributed to delays in receiving invoices and disrupted consistent communication between vendors, the management company, and the school. This contributed to missed invoices, incomplete accruals, and untimely payments for utilities and property taxes.

To correct this issue and strengthen internal controls, the following actions will be implemented:

- Relocation of CPO Function In-House: The school has transitioned the CPO role into the organization to ensure direct oversight of procurement and vendor communications.
- Invoice Routing Controls: A formal protocol will be implemented requiring vendors to send invoices directly to the school’s inbox or mailbox, with the CPO monitoring and confirming receipt.
- Recurring Vendor Monitoring: A tracking system will be established for key recurring vendors, such as utilities, leases, and property taxes to ensure timely payment and avoid penalties.
- Training and Oversight: Accounts payable staff and the in-house CPO will receive additional training on cutoff procedures, invoice tracking, and accrual requirements. The Business Manager will conduct quarterly reviews of AP records and reconciliation procedures.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** CPO and Business Manager

**2025-004 (2022-004) – Cash Management / Budgetary Conditions (Material Weakness)**

**Condition/Context:** During our test work over budgets, we noted the following funds and functions with excess expenditures:

- Fund 11000 – Support Services: \$793,741 over budget

We noted the following fund was misreported to NMPED:

- Fund 29102 – Local and County sources: \$4,263.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – LAS CRUCES (CONTINUED)**

**2025-004 (2022-004) – Cash Management / Budgetary Conditions (Material Weakness) (Continued)**

In addition, the entire budget for the following funds was over- expended by the amounts listed:

- Fund 11000 – \$526,446

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Sound financial management and 6.20.2.9(A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control.

**Cause:** Management oversight and lack of timely budget adjustments.

**Repeat Finding:** 2024-005

**Effect:** Noncompliance with state statutes, potential inability to continue operations due to excess expenditures.

**Auditor’s Recommendation:** We recommend management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions and allow sufficient time to have a budget adjustment request approved.

**Management’s Response:** Management concurs with this finding and acknowledges that internal controls over budget monitoring were not sufficient to prevent expenditures from exceeding the approved budget at the legal level of control. As this is a repeat finding, management recognizes the urgency of corrective action to ensure compliance.

To prevent recurrence, management has implemented the following controls:

- Monthly Budget-to-Actual Monitoring: Management will review budget-to-actual reports monthly at both the fund and functional levels.
- Timely Submission of BARs: BARs will be submitted to NMPED as soon as projected over-expenditures are identified.
- Training and Oversight: Budget management training will be provided to administrative staff involved in purchasing decisions. The Business Manager will perform a fiscal year-end review to confirm no functions are approaching budget limits.

Management is committed to resolving this repeat finding and ensuring ongoing compliance with state requirements.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – LAS CRUCES (CONTINUED)**

**2025-004 (2022-004) – Cash Management / Budgetary Conditions (Material Weakness) (Continued)**

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager and Head Administrator

**2025-005 – Controls Over Contracts (Significant Deficiency)**

**Condition/Context:** A lease agreement was executed on behalf of the school by an individual who signed as the governing council (GC) president. Upon review of the agreement and supporting documentation, it was determined that this individual was not serving as the GC president at the time of execution and did not have the authority to approve or sign the lease on behalf of the school. There is no evidence that the appropriate board approval or authorized signature was obtained. Despite the agreement not being officially executed by the GC president, the school proceeded to make lease payments under the terms of the agreement.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** The school lacked adequate internal controls and verification procedures to ensure that contracts and agreements were executed only by authorized individuals.

**Effect:** The lease agreement was executed by an unauthorized individual, creating a legal and compliance risk. Payments were made under an improperly authorized contract, exposing the school to potential financial loss and liability. Noncompliance with NMAC 6.20.2.11, which requires transactions to be executed in accordance with management's authorization and proper internal controls.

**Auditor's Recommendation:** Implement a formal contract approval process requiring verification of signatory authority before execution. Maintain documentation of governing council approvals and authorized signatures for all agreements. Provide training to staff and board members on contract compliance requirements and internal control procedures. Consider periodic internal audits of contracts to ensure adherence to authorization protocols.

**Management's Response:** Management concurs with this finding. The execution of a lease agreement by an unauthorized 3rd party individual signed as the board chair without consent. Management acknowledges the need for enhanced oversight to ensure all contracts are legally executed and compliant with governing council requirements.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – LAS CRUCES (CONTINUED)**

**2025-005 – Controls Over Contracts (Significant Deficiency) (Continued)**

To correct this issue the following actions will be implemented:

- **Formal Contract Authorization Procedures:** A contract approval workflow with verification of the authorized signatory, Governing Council approval documentation, and legal review for contracts exceeding predetermined thresholds
- **Signature Authority Registry:** A registry of individuals authorized to sign contracts on behalf of the school will be maintained and reviewed annually by the Governing Council.
- **Training for Staff and Council Members:** Training will be provided regarding contract compliance, internal controls, and the importance of verifying signatory authority.

**Implementation:** February 2026

**Person Responsible:** Governing Board and Head Administrator

**EXPLORE ACADEMY – RIO RANCHO**

**2025-001 – Internal Controls Over Pension and OPEB Reporting (Significant Deficiency)**

**Condition/Context:** The School reported \$204,582 of wages related to July and August summer payroll for FY25 as FY26 ERB and RHC contributions. As a result, the School will need to revise the June and July reports with ERB and RHC accordingly.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of timely reconciliation of payroll and related benefit contributions.

**Effect:** Potential misstatement of benefit contributions resulting in misstated OPEB and pension liabilities.

**Auditor's Recommendation:** We recommend management review and revise the June and July ERB and RHC reports to ensure that all payroll and related contributions are reported in the correct fiscal year. Procedures should be implemented to ensure timely and accurate reporting of payroll and related benefits.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – RIO RANCHO (CONTINUED)**

**2025-001 – Internal Controls Over Pension and OPEB Reporting (Significant Deficiency)  
(Continued)**

**Management’s Response:** As of 12-11-25 this has not been corrected by the previous or current Business Management team and will be addressed and corrected, this will be a priority correction as the school leader was made aware of this. The business manager will reconcile this within the beginning of the new year.

**Implementation:** Payroll Manager and Business Manager have been hired and now using AptaFund software to monitor and track accurate entries to avoid further errors. Correction of the ERB and RCH will be rectified. Completion by June 30, 2026.

**Person Responsible:** School Leader, Payroll Manager and Business Manager

**2025-002 – Capital Asset Reporting and Debt Management (Material Weakness)**

**Condition/Context:** The School omitted \$186,867 in assets from its capital asset schedule requiring an updated schedule to be provided. Additionally, an adjustment of \$10,760 is needed for capital assets and the related accumulated depreciation.

Upon review of equipment lease disbursements, it was noted that the School inappropriately assumed debt for bond issuance and title loan costs incurred by a private party. Title costs of \$10,000 associated with the bond issuance should not have been covered by public funds.

The School and a private party were unable to provide an analysis supporting the legality of the debt issued under the Lease Purchase Agreement, which resulted in loan costs of \$305,000. This debt was not approved by NMPED prior to the execution of the agreement.

For two out of ten lease purchase agreement funding transactions reviewed, supporting documentation to indicate that the costs were allowable under the outlined equipment schedule was not provided for costs totaling \$26,700. As a result, it could not be confirmed that these purchases were allowable under the outlined Equipment Schedule.

The School incorrectly recorded \$37,000 in loan proceeds as revenue instead of as other financing sources. Additionally, the School did not provide the necessary modified accrual and full accrual journal entries to properly account for the debt, related assets, and funding sources associated with the debt issuance. Finally, the School did not coordinate with the trustee to determine the total loan amount due at the end of the acquisition period, as the School did not fully draw down the allocated loan proceeds.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – RIO RANCHO (CONTINUED)**

**2025-002 – Capital Asset Reporting and Debt Management (Material Weakness) (Continued)**

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Insufficient understanding of financial reporting requirements related to Lease Purchase Agreements and associated debt transactions, including capital asset recognition and proper classification of financing sources.

**Effect:** Material misstatements in capital assets, liabilities, and revenues; improper use of public funds for private costs; and noncompliance with state statutes and NMPED approval requirements.

**Auditor's Recommendation:** We recommend management update the capital asset schedule to include all assets and related depreciation. All debt-related transactions should be reviewed for compliance with state law and NMPED approval requirements. Supporting documentation for all lease purchase transactions should be maintained. Loan proceeds should be recorded as other financing sources, and all related journal entries should be prepared and reviewed for accuracy.

**Management's Response:** This agreement is finalized as of October 1, 2025 and is no longer in effect. The school has new legal representation to advise counsel on all facility and financial matters going further. We have also worked with legal counsel to find better advice regarding any additional loans or purchase agreements in the future.

**Implementation:** New Business Manager will work to resolve this issue moving forward, and use AptaFund software to monitor and track accurate entries to avoid further errors. The Business Manager will also ensure that compliance on procurement along with state law and NMPED requirements are met. Further guidance and steps will also be taken to ensure that debt management follows compliance with state law and NMPED along with legal counsel. Completion by June 30, 2026.

**Person Responsible:** School Leader, Business Manager and Chief Procurement Officer

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – RIO RANCHO (CONTINUED)**

**2025-003 (2024-005) – Cash Management / Budgetary Conditions (Material Weakness)**

**Condition/Context:** During our testwork over budgets, we noted the following funds and functions with excess expenditures:

- Fund 11000 – Instruction: \$11,970 over budget
- Fund 11000 – Support Services: \$802,517 over budget
- Fund 21000 – Operation of Noninstructional Services: \$41,425 over budget

In addition, the entire budget for the following funds was over- expended by the amounts listed:

- Fund 11000- \$177,131
- Fund 21000- \$41,425

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Sound financial management and 6.20.2.9(A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control.

**Cause:** Management oversight and lack of timely budget adjustments.

**Repeat Finding:** 2024-005

**Effect:** Noncompliance with state statutes, potential inability to continue operations due to excess expenditures.

**Auditor’s Recommendation:** We recommend management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions and allow sufficient time to have a budget adjustment request approved.

**Management’s Response:** The school was aware that we began SY24 with a deficit and took action by reducing staff and slowing hiring to address and recover from the shortfall. Throughout SY24, the School Board monitored journal entries during financial presentations to ensure they were being completed consistently. The school leader and Board were informed that SY24 concluded with a positive fund balance based on our June 2025 Financial Forecast. School leaders and Business Managers are now holding monthly finance meetings to track, reconcile, and review all funds to ensure continued financial accuracy and accountability.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – RIO RANCHO (CONTINUED)**

**2025-003 (2024-005) – Cash Management / Budgetary Conditions (Material Weakness) (Continued)**

**Implementation:** The school is now utilizing AptaFund accounting software to ensure accurate oversight of the budget and make sure all purchase orders are open. The school has changed Business Management companies for the school year 2025-2026 to help provide better financial oversight and reporting to the school and board. Monthly Finance Committee Meetings are to be held along with a weekly meeting between the School Leader and Business Manager to monitor all cash flow, budgeting, and check purchasing and procurement are showing accurately completed along with encumbrance for each budgeted line item. The Business Manager will provide continued budget oversight and BARs to the Governing Council Board. As well as monthly reconciliation. Completion by June 30, 2026.

**Person Responsible:** Business Manager and School Leader, Governing Board Finance Committee, Chief Procurement Officer

**2025-004 – Internal Controls over Cash Disbursements (Other Noncompliance)**

**Condition/Context:** During testing of 20 cash disbursements, one transaction included an overdraft fee of \$35, which was paid by the School.

**Criteria:** Per NMAC 6.20.2.11 (D), The internal control structure shall demonstrate that the school district identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through school district correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

**Cause:** Inadequate monitoring of cash balances and insufficient review procedures for disbursements prior to processing, resulting in failure to identify and prevent overdraft charges.

**Effect:** Noncompliance with internal control requirements under NMAC 6.20.2.11 and exposure to unnecessary costs, which could indicate weaknesses in cash management practices.

**Auditor's Recommendation:** Implementation of procedures to monitor cash balances daily to prevent overdrafts. Strengthen review controls to ensure all disbursements are appropriate and supported before processing. Provide staff training on cash management and internal control requirements to reduce risk of similar occurrences.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – RIO RANCHO (CONTINUED)**

**2025-004 – Internal Controls over Cash Disbursements (Other Noncompliance) (Continued)**

**Management’s Response:** The school will work with the Business Manager monthly to reconcile all purchases. Having a school finance committee as well as our board finance presentation will allow for a clearer transparency of fiscal responsibilities of the school.

**Implementation:** Use of AptaFund software to input and monitor and the new Business Manager will be reconciling cash daily. The school will have weekly meetings with our Business Manager and monthly meetings with a finance committee that includes our Governing Board members to monitor cash management. Completion by June 30, 2026.

**Person Responsible:** School Leader and Business Manager

**2025-005 (2024-002) – Internal Controls over Cash Receipts (Other Noncompliance)**

**Condition/Context:** For one out of thirteen receipts tested (totaling \$2,302), the School was unable to provide prenumbered receipts or a cash log to support that deposits were made within 24 hours of receipt.

A receipt totaling \$1,751 was not true revenue, but rather a summer payroll accrual that should have been adjusted against expense. As a result, revenues were overstated by the amount disclosed above.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.14, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations. In addition, NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

**Cause:** Lack of effective internal controls surrounding cash receipts and revenue recognition.

**Repeat Finding:** 2024-002

**Effect:** Noncompliance with NMAC 6.20.2.14 and overstatement of revenues.

**Auditor’s Recommendation:** We recommend the School review NMAC 6.20.2.14 and ensure procedures are in place to allow for timely deposits and to ensure documentation for all deposits is kept and readily accessible. Revenues should be reviewed to ensure that accruals are properly adjusted and not overstated.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**EXPLORE ACADEMY – RIO RANCHO (CONTINUED)**

**2025-005 (2024-002) – Internal Controls over Cash Receipts (Other Noncompliance) (Continued)**

**Management’s Response:** The school implemented a receipt book with a \$25.00 and under cash form for all teachers to use when collecting money, and will be timestamped when it is received. Money will be deposited daily by school within 24 hours.

**Implementation:** Implementation of \$25.00 and under cash form used for any activity event, time stamps when payments are received, and receipt books will be utilized for all fundraising events. Daily deposits made by school within 24 hours of receiving the cash receipts. The school will work with our Business Manager to review the policy and work with our School Office Manager to attend the February 2026 CPO training. Daily deposit information will be sent to the Business Manager and will be uploaded to AptaFund for records. Completion by June 30, 2026.

**Person Responsible:** School Leader, Business Manager, and Office Manager

**THE GREAT ACADEMY**

**2025-001 – Bank Reconciliations (Other Matters)**

**Condition/Context:** It was noted that the bank reconciliation provided did not agree with the trial balance prepared for the audit. A variance of \$12,361, stemming from an incorrectly recorded payroll liability, required an adjusting entry to correct the discrepancy.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP. Bank reconciliations should be prepared and reviewed on a monthly basis and should reconcile to the trial balance and general ledger.

**Cause:** Management Oversight; lack of internal controls over bank reconciliations.

**Effect:** Misstatement to the financial statements.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**THE GREAT ACADEMY (CONTINUED)**

**2025-001 – Bank Reconciliations (Other Matters) (Continued)**

**Auditor's Recommendation:** Management should strengthen internal controls over the bank reconciliation process to ensure that reconciliations are prepared and reviewed monthly, and that all balances agree with the trial balance and general ledger. Payroll liabilities and other reconciling items should be carefully reviewed and accurately recorded. Management should provide regular training to staff responsible for reconciliations and implement a secondary review process to promptly identify and correct discrepancies.

**Management's Response:** This was caused by a liability being issued for payment in the prior fiscal year after the bank rec had already been completed. The school will ensure that the reconciliation performed for the June statement is done after all liabilities have already been accounted for and rolled into the new fiscal year where applicable. Liabilities will be reconciled/rolled by June 30th and the bank reconciliation will be completed by July 15th.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-002 – Accounts Payable and RFR Funds (Other Matters)**

**Condition/Context:** During accounts payable testing and expense analytics, one RFR-based fund was identified with excess expenditures totaling \$2,107. The RFR request associated with these expenses was voided in OBMS after year end. The school subsequently indicated that the accounts payable entry should have been recorded to the 11000 fund instead, resulting in an adjustment to be posted.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management Oversight.

**Effect:** Misstatement to the financial statements.

**Auditor's Recommendation:** We recommend that management ensure that adequate internal controls are established surrounding the year-end financial close and reporting process related to accounts payable and reimbursement-based funds.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**THE GREAT ACADEMY (CONTINUED)**

**2025-002 – Accounts Payable and RFR Funds (Other Matters) (Continued)**

**Management's Response:** This was caused by POs rolling from FY25 to FY26 using funds that had spending timeframe restrictions. The school will run an open PO funding report at year end to detect any rolling POs that have funding restrictions to ensure that they are coded correctly in the new fiscal year.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-003 – Internal Controls Over Cash Disbursements (Significant Deficiency)**

**Condition/Context:** During testing of disbursements, the following issues were identified:

- Travel Reimbursement – \$1,462: The school reimbursed an employee for a tip exceeding the maximum 20% allowed by state statute, resulting in an overpayment of \$7.60.
- Cash Disbursement – \$13,880: The invoice amount exceeded the encumbered purchase order by \$2,280.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of sufficient internal control structure related to cash disbursements

**Effect:** Potential for misstated financial statements.

**Auditor's Recommendation:** Management should strengthen internal controls over cash disbursements by implementing the following measures:

- Ensure all travel reimbursements comply with state statutes, including limits on allowable tips.
- Require complete documentation and proper review and approval for all travel reimbursements and hotel costs.
- Maintain and review monthly credit card statements, with evidence of approval for all balances and purchases.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**THE GREAT ACADEMY (CONTINUED)**

**2025-003 – Internal Controls Over Cash Disbursements (Significant Deficiency) (Continued)**

- Verify that all invoices are matched to encumbered purchase orders prior to payment, and resolve any discrepancies before disbursement.

Regular training should be provided to staff responsible for processing disbursements, and management should conduct periodic reviews to ensure compliance with established policies and procedures.

**Management's Response:** The tip overage of \$7.60 was due to the school's interpretation of the statute stating the tip was based on 20% of the transaction amount, not the daily maximum of \$55. With the recent changes to the travel reimbursement statute removing tip reimbursements altogether, the school does not foresee this being an issue again.

The school will run a PO allocation report by June 15th each year to ensure that all POs have sufficient allocation to cover all allotted expenses.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager

**THE GREAT ACADEMY FOUNDATION**

No findings to report for Fiscal Year 2025.

**HORIZON ACADEMY WEST**

**2025-001 (2023-002) – Financial Close and Reporting (Other Matters)**

**Condition/Context:** Fund balances for 21000 (Food Services) and 21100 (Universal Free Lunch) did not reconcile to prior year balances. The FY24 adjusting journal entry (AJE) to correct November State USDA reimbursement from fund 21000 to 21100 was not recorded.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**HORIZON ACADEMY WEST (CONTINUED)**

**2025-001 (2023-002) – Financial Close and Reporting (Other Matters) (Continued)**

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight.

**Repeat Finding:** 2024-001

**Effect:** Misstatements and inaccurate financial information.

**Auditor's Recommendation:** We recommend the school establish procedures to ensure all audit adjustments are posted timely and that year-end reviews reconcile fund balances and ensure proper classification of revenues and expenditures.

**Management's Response:** Management acknowledges the finding. The adjusting journal entry (AJE) was accurately recorded in the FY2024 general ledger; however, it was posted after the roll-forward process occurred and therefore was not reflected in the FY2025 general ledger. This was an unintentional oversight while attempting to correct the issue timely. Management will strengthen review procedures to ensure all adjustments are captured prior to roll-forward in future years.

**Implementation:** Beginning in FY2026, management will implement enhanced year-end closing procedures. Completion by June 30, 2026.

**Person Responsible:** Business Manager.

**HORIZON ACADEMY WEST FOUNDATION**

**2025-001 – Accrued Interest Payable (Other Matters)**

**Condition/Context:** The Foundation's accrued interest payable was understated by \$9,584, resulting in an overstatement of net position and understatement of interest expense by \$19,166 in the government-wide financial statements.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**HORIZON ACADEMY WEST FOUNDATION (CONTINUED)**

**2025-001 – Accrued Interest Payable (Other Matters) (Continued)**

**Cause:** Failure to accrue interest payable at year-end and reconcile fund-level to government-wide statements.

**Effect:** Understatement of accrued interest payable leading to overstated net position and understated interest expense, affecting financial statement accuracy.

**Auditor's Recommendation:** We recommend the foundation implements reconciliation procedures between fund and government-wide statements, including review of accrued interest schedules.

**Management's Response:** Pulakos CPAs acknowledges the finding. There was a transition in staff, so to ensure the numbers accurately reflect what is on the Bond payment schedule including the interest payments, we will implement a quarterly process to review the interest accrued and reconcile to the Bond interest payment schedule.

**Implementation:** The implementation will be done in FY 2026 and review quarterly as well as an year end review. Completion by June 30, 2026.

**Person Responsible:** Ultimate responsibility will be the Account Management Services Manager

**HÓZHÓ ACADEMY**

**2025-001 (2023-001) – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** Multiple deficiencies were noted in financial close and reporting:

- RFR Funds: Fund 26107 reported excess expenses of \$15,682 and fund 28208 reported excess expenses of \$480. Adjustments were recorded to not exceed revenues received, causing expenses uploaded to OBMS to differ from the financial statements.
- Payroll Accrual: \$95,764 was accrued as NMPSIA payable in FY26 related to FY25, but the correct amount was \$104,861.
- Capital Asset Purchases: \$59,821 of capital asset purchases in FY24 were recorded to both CIP and equipment during FY24.
- Fund 25131: Reports deficit fund balance of \$28,652.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**HÓZHÓ ACADEMY (CONTINUED)**

**2025-001 (2023-001) – Financial Close and Reporting (Significant Deficiency) (Continued)**

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of adequate internal controls over financial reporting.

**Repeat Finding:** 2024-001

**Effect:** Various misstatements, including inaccurate reporting to OBMS, incorrect payroll accruals, and misclassification of capital asset purchases.

**Auditor's Recommendation:** Establish procedures to review fund activity monthly and annually to promptly identify and correct errors. Ensure accurate accruals and proper classification of capital asset purchases.

**Management's Response:** Given the size and scope of Hozho, the expansion of funds, the timing of late award letters and the growth of staff, it is understandable if not every item was captured at year-end. Along with the fluctuations associated with Hozho's growth, the timing of the audit creates additional challenges, as meeting auditor deadlines often limits the time needed to properly close the fiscal year. At year-end, the accounting team feels significant pressure to complete all tasks within the auditor's timeline, which increases the likelihood of items being missed. We strive for perfection but there are many variables at play with a growing school.

To mitigate this to the best of our ability, we will conduct a soft close in May, by which time the majority of funds and RFRs will be recorded. We will also work to limit new funds and awards introduced in June, as those late additions contributed to the complexity and confusion underlying this finding. By performing a soft close in May, the only remaining close prior to submitting financials to the auditor will be June, which should reduce the volume of last-minute reconciliations and help ensure a more accurate and complete year-end close.

**Implementation:** FY26

**Person Responsible:** Business Manager and Accounting Team

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**HÓZHÓ ACADEMY (CONTINUED)**

**2025-002 – Bond Reserve Payments (Significant Deficiency)**

**Condition/Context:** Starting 7/1/2025, the school paid \$25,000 per month to the trustee related to the bond issuance incurred by EAF – Hozho Facilities LLC, an unrelated third party. We were not provided a contractual agreement or contract that exists between the School and EAF – Hozho Facilities LLC, that requires the school to make these payments. Management has asserted the EAF - Hozho Facilities LLC is not a component unit of the school.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of documented contractual agreement with an unrelated 3rd party entity.

**Effect:** Payments are being made by the school to the trustee of the bond, for a bond that is not an obligation of the school. Payments without a contract or agreement could be considered to be violation of New Mexico Constitution, Article IX, Section 14 and/or illegal use of public monies.

**Auditor's Recommendation:** Establish contractual agreements for all monies paid and obligations.

**Management's Response:** Of all our findings this year, this one appears to be the most accurate based on CLA's interpretation of the contracts, even though that interpretation differs from the intent behind the agreements. While we do not fully agree with—or fully understand—the basis for this finding, given that the foundation or third party holds the debt and the school is simply paying down that debt directly to the bank rather than routing the payment through the foundation, we recognize that having an additional agreement or MOU in place would provide clearer documentation.

Accordingly, we will be working with the parties involved to draft supplemental agreements that clarify the payment structure and ensure funds are directed to the appropriate entities. This will help prevent this finding from recurring in future audits.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** School Administrator, Attorney

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**HÓZHÓ ACADEMY (CONTINUED)**

**2025-002 – Bond Reserve Payments (Significant Deficiency) (Continued)**

**Auditor’s Rebuttal:** Pursuant to Sections 5.02(h) and 5.02(i) of the Loan and Security Agreement dated May 1, 2025, between the Public Finance Authority (the “Authority”) and EAF – Hozho Facilities LLC (the “Borrower”), the Borrower shall pay the following the following in accordance with the Indenture:

1. beginning on July 1, 2025, to the Trustee the amount of \$19,000 per month for deposit to the Equity Account of the Operating Reserve Fund, and;
2. beginning on July 1, 2025, to the Trustee the amount of \$6,000 per month for deposit to the Repair and Replacement Reserve Fund.

The Borrower is an unrelated third party LLC and is not a foundation or component unit of Hozho Academy. It is unclear why the school would pay the reserve fund deposits when it is not the borrower.

**2025-003 (2024-005) – Internal Control over Payroll (Other Noncompliance)**

**Condition/Context:** One instance was noted in which FY24 wages of \$6,643.76 were paid in FY25 but were not included in the payroll accrual as of 6/30/2024. As a result, expenses for FY25 were overstated.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.18, payroll accruals must accurately reflect wages earned in the reporting period.

**Cause:** Payroll accruals not properly reviewed or reconciled.

**Repeat Finding:** 2024-005

**Effect:** Overstatement of FY25 expenses and misstatement of financial statements.

**Auditor’s Recommendation:** Review and reconcile payroll accruals to ensure all wages are properly accrued in the correct fiscal year.

**Management’s Response:** This was an oversight carried forward from last year’s audit, and again, it is less reflective of issues with systems or structures and more indicative of basic human error. One step we can take to help mitigate this risk is to ensure that all payroll is reviewed, approved, processed, and paid by June 30 so that no employees are missed and accruals remain accurate or unnecessary.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**HÓZHÓ ACADEMY (CONTINUED)**

**2025-003 (2024-005) – Internal Control over Payroll (Other Noncompliance) (Continued)**

The business management team has been working with the payroll company to create a report that will help identify any salaries not paid in full by June 30, providing an additional safeguard against future oversights

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** School payroll, School Leader, Business Manager

**2025-004 (2024-006) – Internal Controls over Cash Disbursements (Other Noncompliance)**

**Condition/Context:** Two instances totaling \$11,414 were noted in which object coding was improper per NM PED Chart of Accounts.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.13(C), all school districts shall prepare, maintain, and report budget and financial information utilizing a standard and uniform chart of accounts.

**Cause:** Improper object coding during cash disbursement processing.

**Repeat Finding:** 2024-006

**Effect:** Noncompliance with PED chart of accounts and potential misstatement of expenses.

**Auditor's Recommendation:** Implement controls to ensure proper object coding for all cash disbursements.

**Management's Response:** Hozho's accounts payable processed 2,872 expenses last year, each with its own line of coding from a purchase order. While we recognize that not all 2,872 expenses were sampled, a significant percentage of them were reviewed. Out of those, only two coding errors were identified—representing an error rate of approximately 0.0007%.

This does not indicate a systems or structural issue; rather, it reflects the reality that human processes, even when strong and well-established, can occasionally include minor errors.

**Implementation:** To further mitigate the potential for human error, Hozho has hired an in-house financial associate dedicated to supporting purchase orders and coding. Completion by June 30, 2026.

**Person Responsible:** In house financial associate, business manager, CPO

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**HÓZHÓ ACADEMY (CONTINUED)**

**2025-005 (2024-004) – Internal Controls over Journal Entries (Significant Deficiency)**

**Condition/Context:** Salaries of \$65,219 were allocated to the transportation fund 13000 from the operational fund 11000. The journal entry did not include employee names or amounts, preventing determination of whether reclassified costs related to employees with allowable transportation duties and whether amounts were valid.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Insufficient documentation for journal entries.

**Repeat Finding:** 2024-004

**Effect:** Risk of misstatement and inability to verify appropriateness of allocations.

**Auditor's Recommendation:** Ensure all journal entries include sufficient detail, including employee names and amounts, to support allocations.

**Management's Response:** While the expenses were allowable and were taken directly from the GL for bus drivers—and contracts for those bus drivers were provided—we now understand that the auditor was looking for a journal entry with additional detail specifying which employees were moved from Operational to Transportation. This expectation is somewhat unclear to us, given that we journaled individuals with the bus driver job code from Operational to Transportation, and therefore believed the job code itself sufficiently indicated the nature of the transfer.

In our view, the combination of the job code within the journal entry and the supporting contracts should have met the documentation requirement. However, given CLA's additional level of scrutiny and the level of detail they expect to see, we will ensure that future journal entries include explicit identification of affected employees.

**Implementation:** The majority of JEs do include staff names, but we will ensure all JEs include the names going forward. Completion by June 30, 2026.

**Person Responsible:** Business Manager and Accounting Team

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**HÓZHÓ ACADEMY (CONTINUED)**

**2025-006 – Internal Controls over Debt Proceeds and Uses (Material Weakness)**

**Condition/Context:** Management did not record a \$1,055,000 revenue bond issued in FY25 and lacked budgetary authority to spend the proceeds. After an adjustment was recorded, this resulted in accurate reporting to NM PED and over-expenditure of \$887,309 for Fund 11000 Function 4000.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

Sound financial management and NMAC 6.20.2.9(A) require that budgets not be exceeded at the legal level of control and that all revenue bonds be properly recorded.

**Cause:** Management was unaware of that this transaction should be recorded in the general ledger or recorded in the financial statements.

**Effect:** Financial statement misstatements and noncompliance with budgetary controls.

**Auditor's Recommendation:** We recommend management consult with individual(s) with sufficient skills, knowledge and experience related to bond accounting to ensure sufficient controls exist to identify the correct entries and information for financial statement disclosure.

**Management's Response:** Management agrees with this finding. This was a one-time, somewhat out-of-the-ordinary transaction for a charter school, and because the related revenue and expenditures were held in a separate account—and did not flow through the school's bank account—the entry was inadvertently missed.

Going forward, in the unlikely event that a similar situation occurs, any goods or services received by the school will be recorded on the school's books, regardless of whether the associated revenue or expenditures pass through the school's bank account.

**Implementation:** We will add this specific and one off situation to our internal policies if it occurs again. Completion by June 30, 2026.

**Person Responsible:** Business Manager and Accounting Team

**STATE OF NEW MEXICO  
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YEAR ENDED JUNE 30, 2025**

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**J. PAUL TAYLOR ACADEMY**

**2025-001 (2024-002) – Bank Reconciliations (Material Weakness)**

**Condition/ Context:** During test work performed over cash the following matters were noted:

Total cash per bank reconciliations for all bank accounts was \$257,911, while the unadjusted cash balance per the trial balance was \$166,278, resulting in a variance of approximately \$91,600. Subsequently, a correcting journal entry was provided by the school to be posted, to increase cash by \$55,945.

Further inquiry revealed a separate depository account that had not been reconciled and whose activity had not been captured in the general ledger since October of 2024. The year-end bank reconciliation showed a balance of \$1,735 compared to \$15,535 on the unadjusted trial balance. Activity from October through year-end resulted in a \$13.8K decrease in cash once reconciled. An updated trial balance and general ledger were provided, and adjustments totaling approximately \$57,000 were posted to capture the depository account activity.

Lastly, a series of adjustments were posted to capture prior-year audit adjustments and correct opening balances carried forward incorrectly during the prior year closeout. These adjustments had a net effect of \$67,007 on cash. After all adjustments, there remained an additional difference of \$31,319 between the final bank reconciliation and the adjusted trial balance required an additional adjustment.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of effective internal controls surrounding both the preparation and review of the bank reconciliations.

**Repeat Finding:** 2024-002

**Effect:** Misstatement to the financial statements.

**Auditor's Recommendation:** We recommend that the monthly preparation and review of the bank reconciliation include a comparison between the trial balance and general ledger.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**J. PAUL TAYLOR ACADEMY (CONTINUED)**

**2025-001 (2024-002) – Bank Reconciliations (Material Weakness) (Continued)**

**Management’s Response:** The school and their business manager have strengthened internal controls surrounding bank reconciliations, including implementing more timely review procedures, ensuring all accounts are reconciled monthly, and verifying that all reconciling items and adjusting entries are recorded promptly and accurately. This will include a monthly comparison between the trial balance and general ledger.

**Implementation:** December 2025.

**Person Responsible:** Business Manager.

**2025-002 (2021-002) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** The fund balance for FY25 did not roll forward correctly due to prior-year audit entries being only partially posted and certain opening balances were carried over inaccurately. As a result, adjustments were required to properly roll the fund balance. The following corrections were posted:

- Fund 21100: \$87,484
- Fund 23000: \$11,812
- Fund 11000: \$5,790

These adjustments impacted cash by a net amount of approximately \$67,000. Additionally, the adjustments led to inaccurate reporting to NMPED and caused excess expenditure compared to the approved budget for the following fund and function:

- Fund 11000 – Instruction: \$28,375

Revenue of \$4,623 was incorrectly posted between funds 21000 and 21100. An adjusting journal entry (AJE) was recorded to correct the misclassification.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP. Bank reconciliations should be prepared and reviewed on a monthly basis and should reconcile to the trial balance and general ledger.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**J. PAUL TAYLOR ACADEMY (CONTINUED)**

**2025-002 (2021-002) – Financial Close and Reporting (Material Weakness) (Continued)**

**Cause:** Management oversight

**Repeat Finding:** 2024-001

**Effect:** Misstatements and inaccurate financial information.

**Auditor’s Recommendation:** We recommend management establish procedures to properly review and reconcile the fiscal year and that financial statements be reviewed sufficiently to identify errors or omissions.

**Management’s Response:** The school will implement strengthened year-end closeout procedures, including enhanced review and reconciliation of fund balances, verification of all prior-year audit adjustments, and an additional internal review of financial statements before submission or reporting.

**Implementation:** June 30, 2026.

**Person Responsible:** Business Manager.

**2025-003 – Internal Controls over Journal Entries (Significant Deficiency)**

**Condition/Context:** In 3 out of the 6 journal entry samples reviewed, the same individual both prepared and approved the entries for posting within the accounting system during January and February 2025.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of effective internal controls surrounding both the preparation and review of journal entries.

**Effect:** Allowing the same user to both prepare and approve entries increases the opportunity for unauthorized or fraudulent transactions. Additionally, allowing the same user to both prepare and approve entries increases the risk that errors or intentional misstatements may go undetected, affecting the accuracy of financial statements.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**J. PAUL TAYLOR ACADEMY (CONTINUED)**

**2025-003 – Internal Controls over Journal Entries (Significant Deficiency) (Continued)**

**Auditor’s Recommendation:** Implement proper segregation of duties within the journal entry process. Specifically:

- Ensure that the individual who prepares or records a journal entry is different from the person who approves it for posting.
- Configure system controls or workflow approvals in the accounting system to prevent self-approval.
- Periodically review approval logs to confirm compliance with this policy.

**Management’s Response:** The school changed business managers during FY25 and now contracts with The Vigil Group. The Vigil Groups internal controls ensure segregation of duties when entering and posting journal entries. This ensures that journal entries are entered and reviewed by multiple business managers.

Prior business manager did not follow internal control processes by utilizing the second signer on journal entries.

**Implementation:** July 2025.

**Person Responsible:** Business Manager.

**2025-004 – Internal Controls over Payroll Reporting (Other Matters)**

**Condition/ Context:** The school was unable to provide the Q3 2024 941 document for review during the audit.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight, change in business managers.

**Effect:** Noncompliance with state statute.

**Auditor’s Recommendation:** Establish a formal document retention and review process for all payroll-related filings, including IRS Form 941.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**J. PAUL TAYLOR ACADEMY (CONTINUED)**

**2025-004 – Internal Controls over Payroll Reporting (Other Matters) (Continued)**

**Management’s Response:** The school changed business managers during FY25 and now contracts with The Vigil Group. The Vigil Group internal controls ensure a formal document retention and review process for all payroll-related filings.

**Implementation:** July 2025.

**Person Responsible:** Business Manager/Payroll Team.

**2025-005 – Internal Controls over Cash receipts (Other Noncompliance)**

**Condition/Context:** For one of eight cash receipts tested, noted one donation received from a private source totaling \$3,000 was incorrectly coded to object code 41701 "Revenues from students for memberships in school clubs or organizations" instead of 41920 " Contributions and Donations from Private sources".

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight

**Effect:** Financial statement misstatements.

**Auditor’s Recommendation:** We recommend that management ensure that adequate internal controls are established surrounding the process related to recording accounts receivable and revenues.

**Management’s Response:** The school is reinforcing coding procedures with staff, providing additional training on proper revenue classification, and implementing an enhanced review process to verify that all revenue entries are coded accurately prior to posting.

**Implementation:** December 2025.

**Person Responsible:** Business Manager.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**LA ACADEMIA DOLORES HUERTA**

**2025-001 – Financial Close and Reporting (Other Matters)**

**Condition/Context:** During our review, we noted the following issues with reimbursement-based funds:

- Fund 24106: Expenses exceeded revenues received by \$48, requiring a reclassification of the excess expenses to the operational fund.
- Fund 27407: Revenues exceeded expenses by \$3,516, requiring a refund to the New Mexico Public Education Department.

Additionally, a deficient fund balance of \$6,465 was noted in Fund 26107. The school will need to request a permanent cash transfer in FY26 to resolve the deficit

**Criteria:** Reimbursement-based funds should be reconciled so that expenses do not exceed revenues received, and revenues do not exceed expenses. Excess expenditures must be reclassified to the operational fund, and excess revenues must be refunded to the appropriate agency. Additionally, funds should maintain a positive balance; any deficit must be resolved through permanent cash transfers as required by state regulations.

**Cause:** Management oversight.

**Effect:** Potential misstatement of fund balances, noncompliance with state and grant requirements, and risk of audit findings.

**Auditor’s Recommendation:** Management should implement procedures to reconcile reimbursement-based funds regularly, promptly reclassify excess expenditures to the operational fund, refund excess revenues to the appropriate agency, and monitor fund balances to initiate permanent cash transfers in a timely manner to resolve deficits.

**Management’s Response:** Management will reconcile funds on 7/1 of the following year to ensure all revenues and expenses are captured and accounted for in year being audited. A trial balance will be generated from the financial system to match submitted RFR’s. Final RFR will not be done until after final review is completed.

**Implementation:** August 2025

**Person Responsible:** School Administration and Business Manager.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**LA TIERRA MONTESSORI SCHOOL OF THE ARTS AND SCIENCES**

No findings to report for Fiscal Year 2025.

**LAS MONTAÑAS CHARTER SCHOOL**

**2025-001 (2021-002) – Budgetary Conditions (Other Noncompliance)**

**Condition/Context:** During our audit, we noted the following where actual expenditures exceeded the budgetary authority:

- Fund 24330: 2000 Support Services \$388
- Fund 31200: 4000 Capital Outlay \$34,358

Variances were also noted between the trial balance and amounts reported to OBMS:

- Fund 11000: 1000 Instruction – variance of \$2,307
- Fund 11000: 2000 Support Services – variance of \$267

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Budgets must not be exceeded at the function level (legal level of control) pursuant to NMAC 6.20.2.9(A) and Sections 22-8-5 through 22-8-12.2 NMSA 1978.

Amounts reported to the Operating Budget Management System (OBMS) should agree to the general ledger/trial balance to ensure accurate state reporting.

**Cause:** Management oversight, timing differences, and/or data entry errors.

**Repeat Finding:** 2024-001

**Effect:** Noncompliance with budgetary requirements and risk of misstated financial information reported.

**Auditor’s Recommendation:** We recommend management prepare the trial balance at the same time as final reporting to PED via OBMS. We also recommend the budget be routinely monitored.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**LAS MONTAÑAS CHARTER SCHOOL (CONTINUED)**

**2025-001 (2021-002) – Budgetary Conditions (Other Noncompliance) (Continued)**

**Management’s Response:** Management acknowledges the audit finding. The variance between the Operating Budget Management System (OBMS) and the general ledger/trial balance was the result of timing differences and data entry oversight. To ensure compliance going forward, management has implemented additional review procedures, including preparing and reconciling the trial balance concurrently with final reporting to PED in OBMS. Budget-to-actual reports will be monitored on a routine and ongoing basis to ensure expenditures do not exceed the approved budget at the function level. The Business Office will be responsible for oversight and compliance with these procedures.

**Implementation:** Management has established a quarterly reconciliation process to ensure that the trial balance is reviewed and aligned with the amounts reported in OBMS prior to each submission. Budget-to-actual reports will be generated and reviewed routinely by the Business Office to verify that expenditures remain within approved function-level budgets. Any discrepancies will be corrected immediately, and documentation of review and approval will be maintained.

**Person Responsible:** Administration/SBO

**2025-002 (2024-004) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** Controls over the fiscal year-end close, fund monitoring, and bank reconciliation processes were not operating effectively, as evidenced by the following:

**1. Deficient and Surplus Fund Balances (as of FY2025 close)**

Deficits:

- Fund 24101: \$(249)
- Fund 24154: \$(8)
- Fund 24171: \$(2,145)
- Fund 24301: \$(29)
- Fund 27407: \$(42)

Surpluses:

- Fund 24308: \$10,937
- Fund 24330: \$256
- Fund 27502: \$5,109

The School will need to request permanent cash transfers in FY2026 to resolve the deficits and reclassify surplus balances as applicable.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**LAS MONTAÑAS CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-004) – Financial Close and Reporting (Material Weakness) (Continued)**

**2. Reimbursement-Based Fund Expenses in Excess of Revenues**

Fund 27407, Function 1000: Expenses exceeded revenues received by \$2,576, requiring a reclass to the operational fund.

**3. Bank Reconciliation — Accrued Liability Payments Marked Cleared Prematurely**

Per review of the June 2025 reconciliation and June and July 2025 bank statements, the school marked accrued liability payments as cleared on the June 2025 bank reconciliation. These items did not clear until July 2025. An adjustment was provided to record the liability as of June 30, 2025 for a total of \$99,152.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Funds should maintain appropriate balances in accordance with state requirements and sound fund accounting practices; permanent cash transfers should be requested to resolve structural deficits or reclassify surplus balances.

Reimbursement-based funds should not have expenses in excess of revenues received. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

Bank reconciliations should accurately reflect the status of outstanding items.

**Cause:** Management oversight, delays in reimbursements, coding errors, and lack of timely monitoring of fund activity.

**Repeat Finding:** 2024-004

**Effect:** Misstated fund balances and potential noncompliance with fund restrictions until corrected, potential misstatement of fund balances and improper use of operational fund, and misstatement of liabilities and cash balances.

**Auditor's Recommendation:** We recommend management review and reconcile all funds and objects prior to the close of the fiscal year. Additionally, management should implement stronger internal controls to ensure accurate and timely bank reconciliations. Establish review procedures to verify that cleared status aligns with actual bank activity and prevent misstatements in financial reporting.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**LAS MONTAÑAS CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-004) – Financial Close and Reporting (Material Weakness) (Continued)**

**Management’s Response:** Management concurs with the finding. Variances in fund balances resulted from delays in reimbursements and coding errors that were not corrected timely, the over-expenditure in reimbursement-based funds, and inaccurate reconciliation of outstanding items. Management has implemented additional review procedures to ensure proper monitoring of fund activity throughout the year. Permanent cash transfers or reclassifications will be initiated when necessary to resolve deficits or surplus balances in accordance with state requirements. The Business Office will oversee these corrections and ensure fund balances are accurate. Additional internal controls have been implemented to ensure expenditures do not exceed revenues received, including more frequent monitoring of reimbursement submissions and fund activity. Bank reconciliations will be completed monthly and reviewed by a second reviewer to confirm accuracy. Any discrepancies will be investigated and corrected immediately.

**Implementation:** A quarterly fund reconciliation process has been established to review fund activity, identify miscoded transactions, and verify that balances are accurate. Permanent cash transfers and reclassifications will be submitted as needed prior to fiscal year close. Documentation of all reviews and approvals will be maintained by the Business Office. Monthly reviews of reimbursement-based funds have been established. Expenditures will be reconciled to revenues received prior to month-end close, and reimbursement requests will be submitted timely. The Business Office will maintain documentation of reviews and approvals. Management has implemented enhanced review procedures to ensure bank reconciliations accurately reflect actual bank activity and outstanding checks or deposits. These controls will reduce the risk of misstated liabilities and cash balances.

**Person Responsible:** Administration/SBO

**2025-003 – Improper Coding of Private Donations (Other Matters)**

**Condition/Context:** \$1,574 was coded to account 41701 (Fees - Activities), but support revealed these were private donations received by the school, which should have been coded to 41920 (Contributions and Donations From Private Sources (Non-Categorical)).

**Criteria:** Revenue should be coded to the correct account to ensure proper financial reporting.

**Cause:** Management oversight.

**Effect:** Misstatement of revenue categories.

**Auditor’s Recommendation:** Management should ensure all transactions are coded to the correct accounts in accordance with established policies and accounting standards. Strengthen internal controls through staff training and periodic reviews to maintain accurate financial reporting.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**LAS MONTAÑAS CHARTER SCHOOL (CONTINUED)**

**2025-003 – Improper Coding of Private Donations (Other Matters) (Continued)**

**Management’s Response:** Management acknowledges the finding. Incorrect revenue coding resulted from oversight during processing. Management has strengthened internal controls to ensure revenue is coded accurately and in accordance with state guidance and accounting standards. Staff will receive additional training, and periodic reviews will be performed to verify proper account coding.

**Implementation:** A review process for revenue coding has been implemented. The Business Office will verify coding during monthly reconciliations and ensure that any errors are corrected promptly. Ongoing staff training will be provided to maintain accuracy.

**Person Responsible:** Administration/SBO

**MASTERS PROGRAM**

**2025-001 – Use of HB33 Property Tax Funds (Material Weakness)**

**Condition/Context:** During our review of analytics, we noted that the school used HB33 property tax funds allocated for capital outlay expenditures (Fund 31600) to pay approximately \$300,000 in salaries and benefits.

An examination of the 31600 payroll summary revealed that property tax funds were inappropriately applied to cover employee salaries. Additionally, the school’s proposed capital outlay projects and actual expenditures reported to PED did not include employee salaries and benefits in the approved costs. While the 31600 budget was not overspent, it did not explicitly allocate funds for salaries or related benefits allocated to the fund.

The school was unable to provide sufficient audit evidence to support the allocation of these salaries and related benefits to Fund 31600. A journal entry was provided by the school to transfer the full salaries and benefit expenses of \$300,000 out of the 31600 fund into 11000.

**Criteria:** Pursuant to NMSA 1978, locally chartered and state-chartered charter schools expecting a distribution of HB-33, SB-9 or SB-9 State Match funds must submit two reports to the Public Education Department (PED) and their chartering authority. The first report is due no later than December 1st of each year and should include the purposes for which the expected distribution will be expended. PED will review the report and, no later than 20 days after receiving the report, respond to the charter school with an opinion as to whether the expenditures are allowable. Charter schools will then have until January 31st of the following calendar year in which the distribution was received to submit a second report to PED and their chartering authority listing the expenditures and the corresponding amounts from the previous calendar year. Below are the statutory definitions on how these funds can be used.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
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YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MASTERS PROGRAM (CONTINUED)**

**2025-001 – Use of HB33 Property Tax Funds (Material Weakness) (Continued)**

**22-26-2. Definition.**

1. As used in the Public School Buildings Act, "capital improvements" means expenditures, including payments made with respect to lease-purchase arrangements as defined in the Education Technology Equipment Act [Chapter 6, Article 15A NMSA 1978] but excluding any other debt service expenses, for:
  - A. erecting, remodeling, making additions to, providing equipment for or furnishing public school buildings, including teacher housing and pre-kindergarten classrooms belonging to the school district or charter school located in the school district;
  - B. payments made pursuant to a financing agreement entered into by a school district or a charter school for the leasing of a building or other real property with an option to purchase for a price that is reduced according to payments made;
  - C. purchasing or improving public school grounds;
  - D. purchasing activity vehicles for transporting students to and from extracurricular school activities; provided that this authorization for expenditure does not apply to school districts with a student MEM greater than sixty thousand;
  - E. administering the projects undertaken pursuant to Subsections A and C of this section, including expenditures for facility maintenance software, project management software, project oversight and district personnel specifically related to administration of projects funded by the Public School Buildings Act; provided that expenditures pursuant to this subsection shall not exceed five percent of the total project costs; and
  - F. purchasing and installing education technology improvements, excluding salary expenses of school district employees, but including tools used in the educational process that constitute learning and administrative resources, and that may also include:
    - (1) satellite, copper and fiber-optic transmission; computer and network connection devices; digital communication equipment, including voice, video and data equipment; servers; switches; portable media devices, such as discs and drives to contain data for electronic storage and playback; and purchase or lease of software licenses or other technologies and services, maintenance, equipment and computer infrastructure information, techniques and tools used to implement technology in schools and related facilities; and
    - (2) improvements, alterations and modifications to, or expansions of, existing buildings or tangible personal property necessary or advisable to house or otherwise accommodate any of the tools listed in this subsection.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MASTERS PROGRAM (CONTINUED)**

**2025-001 – Use of HB33 Property Tax Funds (Material Weakness) (Continued)**

**Cause:** Lack of understanding over allowable uses for HB-33 funds.

**Effect:** Misstatement of fund expenditures and noncompliance with statutory requirements.

**Auditor’s Recommendation:** Implement a formal review process to ensure all HB33 expenditures align with statutory definitions and budget before payment. Provide targeted training for finance and administrative staff on allowable uses of HB33 funds and reporting requirements under HB-33.

**Management’s Response:** Management concurs with the finding. However, we would like to clarify a few points.

HB33 funds do allow salaries and benefits when the employee’s duties are directly tied to the administration or execution of capital outlay projects, as authorized under Section 22-26-2(E) of the Public School Buildings Act. This provision permits expenditures for district personnel specifically related to the administration of HB33-funded projects, subject to the statutory 5% administrative cost cap and PED approval through the annual HB33 reporting process.

In this case, although salaries can be allowable under HB33, the school did not obtain PED approval for charging these personnel costs through the required December 1 and January 31 HB33 reports. In addition, the salaries and benefits charged to Fund 31600 exceeded the 5% administrative cap.

Because these statutory requirements were not met, the approximately \$300,000 charged to Fund 31600 did not qualify as allowable HB33 expenditures. Management corrected the classification by transferring the full amount back to the operational fund (11000).

Management acknowledges the seriousness of this material weakness and will implement strengthened internal controls to ensure full compliance with HB33 statutes moving forward.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager.

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MASTERS PROGRAM (CONTINUED)**

**2025-002 – Cash Management/ Budgetary Matters (Material Weakness)**

**Condition/Context:** The following funds and functions were over expended:

- 11000-2000 – Support Services: \$292,868
- 24332-2000 – Support Services: \$1,218
- To address the deficit in 11000, the school posted a journal entry transferring \$142,865 of allowable expenses from Fund 11000 to Fund 31600. Despite this adjustment, the operational fund’s budget remained over-expended by approximately \$143,000 in total.
- Due to various adjustments posted throughout the audit, YTD actuals reported to NMPED at year end were inaccurate.

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control.

**Cause:** Management Oversight

**Effect:** Noncompliance with state statutes, potential inability to continue operations due to excess expenditures.

**Auditor’s Recommendation:** We recommend management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions and allow sufficient time to have a budget adjustment request approved.

**Management’s Response:** Management concurs with the finding.

The over-expenditures in Funds 11000 and 24332 occurred due to insufficient monitoring of budget-to-actual activity and delays in submitting necessary budget adjustments. Although a journal entry was posted to reallocate allowable expenses from Fund 11000 to Fund 31600, this action did not fully resolve the budget deficit at the function level. In addition, year-end actuals reported to NMPED were inaccurate as a result of audit adjustments. Management acknowledges the severity of this material weakness and is committed to implementing strengthened internal controls to ensure compliance with NMAC 6.20.2.9(A) and Sections 22-8-5 through 22-8-12.2 NMSA 1978. A formal monthly review process has been established in which budget-to-actuals are reconciled at both the fund and function level. The Business Office will now prepare and submit BARs on a timely basis—no later than the following month’s PED submission cycle—once expenditure trends indicate a potential shortfall. For reimbursement-based and restricted funds, staff will review allowable expenditures monthly to ensure proper classification and to prevent over-expenditure of a function or improper use of operational funds. Monthly financial reports to the Governing Board will now include a budget variance dashboard highlighting functions at risk of exceeding budget, promoting earlier oversight and intervention.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MASTERS PROGRAM (CONTINUED)**

**2025-002 – Cash Management/ Budgetary Matters (Material Weakness) (Continued)**

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-003 (2024-001) – Financial Close and Reporting (Other Matters)**

**Condition/Context:** During our audit, we noted the following matters related to financial close and reporting:

Noted one reimbursement-based fund had expenditures in excess of revenues received requiring a proposed audit entry to reclassify expenditures to operational fund.

- Fund 27502- \$33

Two vendor payments were reversed by the bank and returned. The returned deposit was recorded as revenue and then again as an expenditures when payment was reissued, resulting in overstated revenues and expenditures in the operational fund by \$11,500. An adjustment was made to correct the trial balance.

The school's unadjusted trial balance included \$3,216 in prepaid expenses. Books are kept on a cash basis, and accrual entries are provided as part of the audit. A journal entry was posted to correct.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of sufficient internal controls and procedures over financial close and reporting.

**Repeat Finding:** 2024-001

**Effect:** Misstatement to the financial statements..

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MASTERS PROGRAM (CONTINUED)**

**2025-003 (2024-001) – Financial Close and Reporting (Other Matters) (Continued)**

**Auditor’s Recommendation:** We recommend that management ensure that adequate internal controls are established surrounding the year-end financial close and reporting process related to capital assets, cash and reimbursement-based funds.

**Management’s Response:** Management concurs with the finding.

The issues identified—including the need to reclassify reimbursement-based fund expenditures, improper recording of returned vendor payments, and the presence of prepaid expenses on the unadjusted trial balance—resulted from insufficient internal controls and review procedures within the financial close and reporting process. These control gaps led to misstatements that required auditor-proposed adjustments. Management acknowledges that this is a repeat finding and is committed to strengthening year-end and ongoing financial reporting procedures to ensure compliance with GAAP and NMAC 6.20.2.11. A secondary review step has been implemented requiring the Business Manager (or designee) to review the trial balance prior to submission to auditors, ensuring completeness and accurate classification of all accounts. Business Office staff will receive additional training on GAAP-based year-end requirements, proper treatment of reimbursement-based funds, and accurate recording of cash transactions.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager.

**2025-004 (2023-002) – Per Diem and Mileage Act (Other Noncompliance)**

**Condition/Context:** During our testing of travel reimbursements, it was noted that for two disbursements, the school utilized an incorrect mileage rate. As a result, school personnel were under reimbursed by a total of \$3.42.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 2.42.2.11.B(1) unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 100% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

**Cause:** Management oversight

**Repeat Finding:** 2024-002

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MASTERS PROGRAM (CONTINUED)**

**2025-004 (2023-002) – Per Diem and Mileage Act (Other Noncompliance) (Continued)**

**Effect:** Noncompliance with state statute and overpayment of public funds.

**Auditor’s Recommendation:** We recommend management review and update travel reimbursement forms to ensure the correct mileage rates are used and provide training to staff responsible for processing reimbursements.

**Management’s Response:** Management concurs with the finding.

The use of an incorrect mileage rate occurred due to oversight in updating travel reimbursement forms and supporting reference materials to reflect the IRS standard mileage rate required by NMAC 2.42.2.11. Although procedures were in place, they were not consistently followed, resulting in the under-reimbursement of \$3.42. Management acknowledges this is a repeat finding and is committed to fully addressing the deficiencies to ensure compliance with the Per Diem and Mileage Act. All travel reimbursement forms, internal guidance documents, and workflow templates have been updated (or are in the process of being updated) to reflect the correct IRS mileage rate effective January 1 of the applicable year. Staff responsible for approving, reviewing, and processing travel reimbursements will receive annual training to ensure accurate application of mileage rates and compliance with NMAC 2.42.2.11.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Office Staff.

**2025-005 (2024-003) – Internal Controls Over Payroll – Timesheets (Other Noncompliance)**

**Condition/Context:** For one of five payroll disbursements tested, a timesheet indicated an employee worked 20 minutes of additional substitute time but was paid for 30 minutes. The school was unable to provide justification or policy supporting the additional pay, resulting in an overpayment of \$8.93.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay, or position change notices, Education Retirement Act plan application, and direct deposit.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MASTERS PROGRAM (CONTINUED)**

**2025-005 (2024-003) – Internal Controls Over Payroll – Timesheets (Other Noncompliance)**  
**(Continued)**

**Cause:** Lack of documented justification and absence of supporting policy.

**Repeat Finding:** 2024-003

**Effect:** Overpayment to employee and noncompliance with state statute.

**Auditor’s Recommendation:** We recommend management ensure all payroll payments are supported by documented time worked and that policies are in place for substitute time.

**Management’s Response:** Management concurs with the finding.

The overpayment occurred because the timesheet approval process did not include adequate verification of substitute time worked, and no internal policy existed to address rounding or minimum increments for substitute pay. Any deviations from recorded time (e.g., adjustments for minimum substitute reporting time) must now include a written explanation approved by the supervisor and retained with the payroll records. Payroll staff and supervisors have received updated training on accurate timekeeping, documentation requirements, and the new substitute time policy.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** School Management.

**2025-006 – Internal Controls Over Cash Disbursements (Other Non- Compliance)**

**Condition/Context:** For one credit card statement tested, late fees and finance charges totaling \$250 were noted.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MASTERS PROGRAM (CONTINUED)**

**2025-006 – Internal Controls Over Cash Disbursements (Other Non-Compliance) (Continued)**

**Cause:** Untimely payment of credit card balances.

**Effect:** Noncompliance with state statute; Unnecessary expenditure of public funds.

**Auditor’s Recommendation:** We recommend management ensure timely payment of credit card balances to avoid late and finance charges.

**Management’s Response:** Management concurs with the finding.

The late fees and finance charges noted were the result of an isolated delay in processing the monthly credit card payment. This occurred due to an internal oversight during a temporary staffing transition, which resulted in the payment not being submitted within the required timeframe. Staff responsible for accounts payable have been retrained on timeliness requirements and the importance of avoiding unnecessary expenditures of public funds.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager.

**MCCURDY CHARTER SCHOOL**

**2025-001 – Internal Controls Over Cash Disbursements and Cash Receipts – (Other Noncompliance)**

**Condition/Context:** During the audit, the following deficiencies in internal controls over cash disbursements and receipts were noted:

- The school failed to provide supporting documentation for a travel reimbursement of \$46 for an Uber.
- Summer school fees totaling \$200 were inappropriately coded to object code 41701 Fees – Activities instead of 41706 Fees – Summer School. This was an error in the school's system that was not caught until it was brought to the school's attention.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MCCURDY CHARTER SCHOOL (CONTINUED)**

**2025-001 – Internal Controls Over Cash Disbursements and Cash Receipts – (Other Noncompliance) (Continued)**

**Cause:** Management oversight in retaining and providing supporting documentation for cash disbursements and in reviewing the coding of cash receipts.

**Effect:** Potential for noncompliance with internal controls, risk of improper reimbursement, and misstatement of revenue classification in the financial statements.

**Auditor’s Recommendation:** It is recommended that management:

- Implement procedures to ensure all cash disbursements, including travel reimbursements, are supported by adequate documentation prior to approval and payment.
- Review and update procedures for coding cash receipts to ensure fees are recorded to the correct object codes.

**Management’s Response:** The school continues to make improvements to systems on an ongoing basis and when we find something is not working at the school. We have a continuous improvement model at the school.

**Implementation:** Corrected and On-Going

**Person Responsible:** Director and Finance Director

**2025-002 – Controls over Capital Assets – (Other Matters)**

**Condition/Context:** An capital asset addition of \$11,072 was noted that does not meet the bulk purchase threshold and therefore should not be included on the capital asset roll forward.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight in applying the bulk purchase threshold for capital asset additions.

**Effect:** Potential misstatement of capital assets in the financial statements.

**Auditor’s Recommendation:** It is recommended that management review and update procedures for capital asset additions to ensure only qualifying purchases are included on the capital asset roll forward.

STATE OF NEW MEXICO  
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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MCCURDY CHARTER SCHOOL (CONTINUED)**

**2025-002 – Controls over Capital Assets – (Other Matters) (Continued)**

**Management’s Response:** There was a misunderstanding of the threshold for fixed assets and was corrected.

**Implementation:** Corrected

**Person Responsible:** Finance Director

**MIDDLE COLLEGE HIGH SCHOOL**

**2025-001 – Internal Controls over Payroll (Other Noncompliance)**

**Condition/Context:** During our audit, we noted one instance where background check documentation was not maintained, thus we were unable to determine if a background check was completed prior to the employee’s start date.

**Criteria:** Per NMSA 22-10A-5(C), governing authorities shall develop policies and procedures to require criminal history record checks on an applicant who has been offered employment or who applies to be a school volunteer or works for the public school as a contractor or a contractor’s employee and who may have unsupervised contact with children or students on school premises. The background check must be completed prior to the employee’s start date.

**Cause:** Management oversight and lack of sufficient controls to ensure background check documentation is maintained.

**Effect:** Noncompliance with state statute.

**Auditor’s Recommendation:** We recommend that management implement procedures to ensure that all required background checks are completed and documented prior to the start date of employment for all employees.

**Management’s Response:** Management concurs with the finding. The missing background check documentation was an isolated oversight.

**Implementation:** Immediate. Management has reviewed and strengthened internal procedures to ensure all background check documentation is obtained, verified, and securely maintained prior to an employee’s start date.

**Person Responsible:** Middle College Office Staff

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MISSION ACHIEVEMENT AND SUCCESS CHARTER SCHOOL**

**2025-001 – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During the audit review of accounts payable, it was noted that \$415,104 of expenditures incurred in FY25 were not initially recorded as accounts payable or construction in process as of June 30, 2025.

**Criteria:** Per NMAC 6.20.2.11 and GAAP, school districts must maintain internal controls sufficient to ensure transactions are properly authorized, recorded, and reported. Expenses incurred prior to fiscal year-end should be accrued appropriately.

**Cause:** A difference in professional judgment regarding the timing and documentation of cost allocation related to in-process construction. While the Governing Board does not agree with the classification of this matter as a material weakness, MAS will align procedures with the auditor's interpretation.

**Effect:** According to the auditor's opinion, the initial financial statements understated accounts payable and construction in process prior to reconciliation.

**Auditor's Recommendation:** Establish procedures to ensure all expenses incurred prior to year-end are properly reviewed, accrued, and reconciled prior to the annual audit.

**Management's Response:** MAS requested a detailed cost breakdown from the contractor to determine the portion of work attributable to the fiscal year ending June 30. While awaiting this information, MAS provided the auditors with an accounts payable listing based on available documentation. Upon receipt of the contractor's cost allocation, amounts attributable to work completed prior to June 30 were added and communicated to the auditors. MAS will continue proactive coordination with contractors to ensure timely and accurate cost documentation.

**Corrective Action:**

- Annual May finance committee fiscal close review
- Enhanced contractor cost verification timelines

**Implementation Date:** June 30, 2026

**Responsible Parties:** Business Manager / School Administration

**MISSION ACHIEVEMENT AND SUCCESS FOUNDATION**

No findings to report for Fiscal Year 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL**

**2025-001 (2024-007) – Internal Controls over Disbursements (Other Noncompliance)**

**Condition/Context:** During our review of disbursements, we noted one instance where a late fee of \$40 and interest charge of \$26.76 was paid as a result of untimely payment of purchase card obligations.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Untimely payment of purchase card obligations.

**Repeat Finding:** 2024-007

**Effect:** Payment of unnecessary late fees and interest, resulting in inefficient use of public funds.

**Auditor’s Recommendation:** We recommend management implement procedures to ensure purchase card obligations are paid timely to avoid late fees and interest charges.

**Management’s Response:** Management concurs with the auditor’s finding. The late fee and interest charge resulted from an oversight in the processing and submission of the purchase card payment. To address this issue, management has reviewed the current purchase card payment process and identified areas for improvement.

Effective immediately, the Business Office will implement the following corrective actions:

Payment processing procedures will be updated to include clear timelines for reconciling and submitting purchase card statements to ensure payments are made prior to the due date.

A monthly review checklist will be established to monitor purchase card due dates and payment confirmations. The Business Manager will verify that all obligations are paid on time.

Staff responsible for purchase card reconciliations will receive refresher training on the payment schedule and internal control requirements to prevent future late payments.

Failure to meet submission deadlines will be addressed through internal performance monitoring to reinforce accountability.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL (CONTINUED)**

**2025-001 (2024-007) – Internal Controls over Disbursements (Other Noncompliance) (Continued)**

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-002 (2024-008) – Internal Controls over Procurement (Other Matters)**

**Condition/Context:** We noted one instance in which the school was unable to provide documentation that competitive procurement procedures were followed for janitorial services. Required procurement documentation was not maintained.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** NMSA 13-1-102 requires that all procurement be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978. NMAC 6.20.2.11 requires school districts to maintain an internal control structure to provide reasonable assurance that transactions are executed in accordance with management’s authorization and properly recorded.

**Cause:** Lack of sufficient internal controls over procurement activities and documentation standards.

**Repeat Finding:** 2024-008

**Effect:** Noncompliance with state statutes and potential for unauthorized or inappropriate procurement.

**Auditor’s Recommendation:** We recommend management ensure that all procurement activities are properly documented and that competitive procurement procedures are followed and retained for all applicable purchases.

**Management’s Response:** Management concurs with the auditor’s finding. The absence of supporting documentation for competitive procurement procedures related to janitorial services was due to incomplete record retention and oversight during the procurement process. Management recognizes the importance of adhering to state procurement laws and maintaining complete documentation to demonstrate compliance.

To correct this issue and strengthen internal controls, the following actions will be implemented:

All staff involved in purchasing and contracting will be required to follow established procurement policies that ensure compliance with NMSA 13-1-102 and related statutes. Competitive procurement documentation—including bids, quotes, and evaluation materials—will be retained for all applicable purchases.

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-008) – Internal Controls over Procurement (Other Matters) (Continued)**

The Business Office will establish a centralized procurement file system, either electronic or physical, to ensure all procurement records are properly maintained and easily accessible for review and audit purposes.

Procurement and administrative staff will receive refresher training on state procurement requirements and internal documentation standards. The Chief Procurement will review procurement files periodically to verify completeness and compliance.

A procurement checklist will be implemented to document each step of the competitive process and ensure required documentation is obtained before contracts are executed.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Chief Procurement Officer

**2025-003 – Internal Controls over Compensated Absences (Other Noncompliance)**

**Condition/Context:** During our review of compensated absences, we were initially provided reports from FY23-FY25 in which the beginning of year balances differed significantly from the prior year ending balances.

**Criteria:** Per NMAC 6.20.2.11, school districts must maintain accurate records to ensure proper financial reporting and internal controls.

**Cause:** Inconsistent or inaccurate recordkeeping of compensated absences balances.

**Effect:** Potential misstatement of compensated absences liabilities and related financial statement balances.

**Auditor's Recommendation:** We recommend management review and reconcile compensated absences records to ensure beginning balances agree to prior year ending balances and that records are maintained accurately.

**Management's Response:** Management concurs with the auditor's finding. The variance between beginning and ending compensated absences balances was the result of discrepancies in recordkeeping and report generation across fiscal years. These inconsistencies occurred when data was transitioned between payroll systems and manual adjustments were not fully reconciled.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL (CONTINUED)**

**2025-003 – Internal Controls over Compensated Absences (Other Noncompliance) (Continued)**

To address this issue and strengthen internal controls over compensated absences reporting, management will implement the following corrective actions:

The Business Office will conduct a comprehensive reconciliation of compensated absences balances to ensure that beginning balances for each fiscal year agree with the prior year's ending balances.

Procedures will be established to ensure that compensated absences are updated, reviewed, and verified at the end of each pay period and fiscal year. Supporting documentation for all adjustments will be retained.

Management will review payroll and leave tracking systems to ensure that data is accurately transferred between fiscal years and that automated reports reflect correct balances.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-004 – Internal Controls over Pension and OPEB Contributions (Material Weakness)**

**Condition/Context:** We noted that pension (ERB) and OPEB (RHCA) contributions for wages paid in July 2025, totaling \$224,221, were reported to each respective agency as FY26 contributions, rather than FY25.

**Criteria:** Per NMAC 6.20.2.11 and agency reporting requirements, contributions should be reported in the fiscal year in which the related wages are earned.

**Cause:** Contributions were reported based on payment date rather than the period in which wages were earned.

**Effect:** Potential misstatement of pension and OPEB contributions by fiscal year, and noncompliance with reporting requirements. Incorrect reporting could also result in material errors when employer allocation schedules are prepared by ERB and RHCA.

**Auditor's Recommendation:** We recommend management ensure that pension and OPEB contributions are reported in the correct fiscal year in accordance with applicable requirements.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL (CONTINUED)**

**2025-004 – Internal Controls over Pension and OPEB Contributions (Material Weakness)**  
**(Continued)**

**Management's Response:** Management concurs with the auditor's finding. The misclassification of pension (ERB) and OPEB (RHCA) contributions occurred because contributions for wages earned in June 2025 but paid in July 2025 were reported based on the payment date rather than the period in which the wages were earned. Management acknowledges the importance of ensuring that contributions are reported in the correct fiscal year to maintain compliance with state reporting requirements and to ensure accurate financial reporting.

To correct this issue and strengthen internal controls, the following actions will be implemented:

The Business Office will review the June and July payroll periods to reconcile pension and OPEB contributions, ensuring that contributions are properly accrued and reported in the correct fiscal year.

Payroll procedures will be updated to require a fiscal year-end review of all payroll transactions and related benefit contributions to verify that wages and contributions are recorded in the correct reporting period.

Management will work with both ERB and RHCA to confirm that any required adjustments or reclassifications are submitted and processed accurately for FY25 and FY26.

Payroll and accounting staff will receive training on year-end reporting requirements for pension and OPEB contributions. The Business Manager will review the year-end reconciliation process annually to ensure continued compliance.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-005 – Internal Controls over Compliance Reporting (Other Noncompliance)**

**Condition/Context:** We noted that the FY25 Q4 Cash Report for fund 31200 differed by \$63,440 from the cash held in that fund.

**Criteria:** Per NMAC 6.20.2.11, school districts must ensure that financial reports accurately reflect fund balances and cash positions.

**Cause:** Inaccurate reporting or reconciliation of fund balances.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL (CONTINUED)**

**2025-005 – Internal Controls over Compliance Reporting (Other Noncompliance) (Continued)**

**Effect:** Potential misstatement of cash balances and inaccurate financial reporting to oversight agencies.

**Auditor’s Recommendation:** We recommend management reconcile fund balances to cash reports and ensure all reports submitted are accurate and agree to the underlying accounting records.

**Management’s Response:** Management concurs with the finding. The variance noted in the FY25 Q4 Cash Report for Fund 31200 resulted from a timing issue in the reconciliation process and a data entry error during report preparation. The Business Office has since corrected the discrepancy and verified that the cash balance now agrees with the underlying accounting records.

To prevent future occurrences, management will strengthen internal controls by implementing an additional review process to verify reconciliations prior to report submission. All cash reports will be reviewed and approved by the Finance Committee before being finalized and submitted to oversight agencies.

**Implementation:** June 30<sup>th</sup>, 2026

**Person Responsible:** Business Manager

**2025-006 (2018-001) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During our review of financial close and reporting, we noted the following matters:

- Accounts payable included expenses of \$3,894 for services performed in July 2025, which were improperly accrued to the fiscal year ended June 30, 2025.
- The fund balance for the operational fund (11000) differed from the prior year by \$51,376. An adjusting entry was required to correct this variance.
- Funds 24101, 24106, 24113, 24153, 24154, 24349, 26107, 27416, 27502, and 31200 all reported positive or deficit fund balances. These funds are reimbursement-based (RFR), and permanent cash transfers should be processed to properly state these funds.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL (CONTINUED)**

**2025-006 (2018-001) – Financial Close and Reporting (Material Weakness) (Continued)**

**Cause:** Lack of sufficient internal controls over the year-end financial close and reporting process, including accruals, fund balance reconciliations, and processing of permanent cash transfers for RFR-based funds.

**Repeat Finding:** 2024-001

**Effect:** Potential misstatements to accounts payable, fund balances, and financial statements. Inaccurate reporting of fund balances for reimbursement-based funds.

**Auditor's Recommendation:** We recommend management:

- Review and ensure that only expenses incurred within the fiscal year are included in accounts payable.
- Reconcile fund balances at year-end and record necessary adjustments timely.
- Review all RFR-based funds and process permanent cash transfers as needed to properly state fund balances.

**Management's Response:** Management concurs with the auditor's finding. The issues identified during the year-end financial close and reporting process were due to timing errors in accruals, incomplete reconciliations of fund balances, and delays in processing permanent cash transfers for reimbursement-based (RFR) funds. Management recognizes the importance of maintaining strong internal controls to ensure the accuracy and completeness of financial reporting in accordance with GAAP and NMAC 6.20.2.11.

To address these deficiencies and strengthen the financial close process, management has implemented or will implement the following corrective actions:

Procedures will be revised to ensure that only expenses incurred within the fiscal year are accrued. The Business Office will perform a detailed review of all accounts payable entries at fiscal year-end to verify that accruals correspond to services rendered before June 30.

All fund balances will be reconciled at year-end, and any discrepancies will be investigated and corrected before financial statements are finalized. Supporting documentation for each fund reconciliation will be retained for audit purposes.

The Business Office will review all RFR funds (including 24101, 24106, 24113, 24153, 24154, 24349, 26107, 27416, 27502, and 31200) and process permanent cash transfers as necessary to properly state fund balances and ensure compliance with reporting requirements.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL (CONTINUED)**

**2025-006 (2018-001) – Financial Close and Reporting (Material Weakness) (Continued)**

A formal year-end close checklist will be implemented, detailing required reconciliations, review steps, and approvals. The checklist will be reviewed and signed off by the Head Learner prior to submission of final financial data.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**MONTE DEL SOL CHARTER SCHOOL FOUNDATION**

**2025-001 – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** Assets transferred to the school in FY24 were not removed from the Foundation's capital asset records, resulting in a net adjustment of capital assets and net position of \$21,105.

**Criteria:** Proper accounting requires that capital assets be removed from the records of the transferring entity and added to the records of the receiving entity when a transfer occurs.

**Cause:** Failure to update capital asset records upon transfer of assets.

**Effect:** Misstatement of capital assets and net position.

**Auditor's Recommendation:** We recommend the Foundation ensure that capital asset records are updated timely to reflect transfers and that assets are removed from the records when no longer owned.

**Management's Response:** Management concurs with the auditor's finding. The assets transferred to the School during FY24 were not removed from the Foundation's capital asset records due to an oversight in communication and record updates between the Foundation and the School. Management acknowledges that accurate and timely recording of asset transfers is essential to ensure proper financial reporting and compliance with accounting standards.

To address this issue and strengthen internal controls over financial close and reporting, the following corrective actions will be implemented:

The Foundation has reviewed and adjusted its FY24 capital asset records to remove assets transferred to the School, resulting in a correction of \$21,105 to capital assets and net position.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTE DEL SOL CHARTER SCHOOL FOUNDATION (CONTINUED)**

A formal notification process will be established between the Foundation and the School to ensure that any asset transfers are communicated in writing, with supporting documentation provided to both parties.

The Foundation will perform an annual review of its capital asset listing to verify ownership and ensure all additions, deletions, and transfers are properly recorded.

The Foundation Treasurer will oversee the year-end reconciliation of capital assets and review supporting documentation to confirm that all transfers are accurately reflected in the accounting records.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Foundation Treasurer

**MONTESSORI ELEMENTARY SCHOOL**

**2025-001 – Budgetary Conditions (Other Noncompliance)**

**Condition/Context:** We noted the school misreported actual revenues and expenditures to PED for the following funds and functions.

Revenues:

- Fund 11000: Local Revenues received from PED exceeded amount in the trial balance by \$35.

Expenditures:

- Fund 11000: Function 2000 Support Services - Expenditures submitted to OBMS were \$4,414 less than the amount in the trial balance.

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control. 6.20.2.10 (C) NMAC requires that the Charter submit periodic financial reports to the department using the department-approved format.

**Cause:** Management oversight and lack of internal controls.

**Effect:** Noncompliance with state statutes and inaccurate financial information.

**Auditor's Recommendation:** We recommend the school implement procedures to ensure that the reporting of actual expenditures and revenues to PED reconciles to the school's books of record.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTESSORI ELEMENTARY SCHOOL (CONTINUED)**

**2025-001 – Budgetary Conditions (Other Noncompliance) (Continued)**

**Management's Response:** Management is aware of the finding and the underlying conditions that caused the issue. The condition was caused by voids to revenue and a voided check. The CFO is implementing corrective measures and will ensure the condition is remedied and does not recur. In addition, all voids will be monitored more thoroughly at year-end to prevent similar discrepancies in the future.

**Implementation:** The CFO is implementing corrective measures and will ensure the condition is remedied and does not recur. Completion by June 30, 2026.

**Person Responsible:** CFO & Finance Department.

**2025-002 (2023-002) – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** During our audit, we noted the following deficiencies in internal controls related to financial close and reporting.

Fund Balance – We noted a \$39,948 variance in the opening fund balance for 11000 because the FY24 AJE for accrued payroll had not been recorded.

Capital Assets Schedule

- Opening accumulated depreciation was understated by \$3,035
- Depreciation expense for FFE was overstated by \$4,839
- \$21,311 in CIP was not included

Prepays – The journal entry provided credited cash for \$7,006 rather than the appropriate expense account.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of internal controls.

**Repeat Finding:** 2024-001

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTESSORI ELEMENTARY SCHOOL (CONTINUED)**

**2025-002 (2023-002) – Financial Close and Reporting (Significant Deficiency) (Continued)**

**Effect:** Potential misstatements and inaccurate financial information.

**Auditor's Recommendation:** We recommend management design and implement controls to ensure financial statements balances are accurate and reconciled timely.

**Management's Response:** Management is aware of the finding and the underlying conditions that caused the issues. The CFO is implementing corrective measures and will ensure the conditions above are remedied and do not recur. The conditions above resulted from the CFO not entering the correct beginning amounts for Fixed Assets and not using the correct account for prepaids on a JE. Corrective measures are being implemented to ensure these issues are resolved and does not recur.

**Implementation:** The CFO is implementing corrective measures and will ensure the condition is remedied and does not recur. Completion by June 30, 2026.

**Person Responsible:** CFO & Finance Department.

**2025-003 – Accrued Payroll (Significant Deficiency)**

**Condition/Context:** During our review of the accrued salaries and benefits calculation, we noted the following issues:

- Benefits accrued did not include employer portion of NMPSIA expenses understating the liability by \$57,139
- Summer payroll for \$61,567 was included in outstanding checks instead of the salary accrual. The payment did not clear until 7/16 and therefore should not have been included in outstanding checks.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight.

**Effect:** Potential misstatements and inaccurate financial information.

**Auditor's Recommendation:** We recommend a comprehensive reconciliation of payroll accrual objects to properly state all related objects.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**MONTESSORI ELEMENTARY SCHOOL (CONTINUED)**

**2025-003 – Accrued Payroll (Significant Deficiency) (Continued)**

**Management's Response:** Management is aware of the finding and the underlying conditions that caused the issues. The CFO will accrue the employer portion of NMPSIA in future financial statements for FY26. Corrective measures are being implemented to ensure these issues are resolved and do not recur.

**Implementation:** The CFO is implementing corrective measures and will ensure the condition is remedied and does not recur. Completion by June 30, 2026.

**Person Responsible:** CFO & Finance Department.

**NEW AMERICA SCHOOL OF LAS CRUCES**

**2025-001 (2023-002) – Internal Controls over Cash Disbursements (Other Matters)**

**Condition/Context:** During cash disbursement testing the following items were noted:

- Various charges on the December credit card statement did not show evidence of independent review and approval of the charges.
- One travel packet had tips that were greater than the 20% allowed amount. In addition the tax on one meal was miscalculated resulting in an overpayment of \$4.33.
- One special Ed IEP service was performed prior to a PO being issued and approved. Total charge was \$1,500.
- One travel packet had mileage reimbursed at the incorrect rate resulting in an under payment of \$24.75. In addition, there were errors in calculating meal reimbursements resulting in an underpayment of \$19. The total underpayment was \$43.75.
- One travel packet had mileage reimbursed at the incorrect rate resulting in an under payment of \$22.95.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW AMERICA SCHOOL OF LAS CRUCES (CONTINUED)**

**2025-001 (2024-001) – Internal Controls over Cash Disbursements (Other Matters) (Continued)**

**Cause:** Lack of documented independent review and approval of cash disbursements and controls over travel and per diem compliance.

**Repeat Finding:** 2024-001

**Effect:** Noncompliance with state statutes.

**Auditor's Recommendation:** We recommend management establish documented review and approval procedures over cash disbursements.

**Management's Response:** The school currently has internal controls in place; however, additional procedures have been implemented to strengthen the reconciliation and review process. When reconciling the P-card statement, the Superintendent and a second reviewer will now review and sign the statement, in addition to the Business Manager reviewing all supporting documentation and completing the reconciliation.

The contracted Business Manager has also updated the travel reimbursement form to reflect FY26 rates and will ensure that a second reviewer approves all travel reimbursements prior to issuing any checks.

**Implementation:** December 31, 2025

**Person Responsible:** Contracted Business Manager and Principal

**NEW MEXICO ACADEMY FOR THE MEDIA ARTS**

**2025-001 – Internal Controls Over Compensated Absences (Other Matters)**

**Condition/Context:** Three employees received 22 additional hours of paid leave beyond their accrued balance, resulting in an overpayment of \$1,069.83.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that payroll and leave balances are accurately tracked and that payments are made only for accrued leave.

**Cause:** Lack of effective internal controls over the monitoring and reconciliation of employee leave balances.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO ACADEMY FOR THE MEDIA ARTS (CONTINUED)**

**2025-001 – Internal Controls Over Compensated Absences (Other Matters) (Continued)**

**Effect:** Overpayment of wages, potential financial loss to the school, and noncompliance with internal leave policies.

**Auditor’s Recommendation:** We recommend management implement procedures to ensure leave balances are accurately tracked and reconciled prior to processing payroll. Any overpayments should be promptly recovered, and staff should be trained on leave policies and procedures.

**Management’s Response:** The school’s former Head Administrator did not submit leave slips in a timely manner, which resulted in employees having inaccurate paid leave balances. The school’s Payroll Specialist and new Executive Director are now working together to maintain accurate and up-to-date leave balances by properly tracking and reconciling leave prior to each payroll.

**Implementation:** December 31,2025

**Person Responsible:** Executive Director and Payroll Specialist

**2025-002 (2024-004) – Pledged Collateral (Other Noncompliance)**

**Condition/Context:** The school was unable to provide documentation demonstrating that its bank accounts were properly collateralized as of year-end, thus was undercollateralized by \$238,851.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per section 6-10-17 NMSA 1978, if the pledged collateral for deposits in banks, savings and loan associations, or credit unions in an aggregate amount is not equal to one half of the amount of public money in each account, a finding shall appear in the audit report.

**Cause:** Management oversight and lack of established procedures to ensure the bank has adequate pledged collateral as required on the school's behalf.

**Repeat Finding:** 2024-004

**Effect:** Noncompliance with state statute and increased risk of loss of public funds in the event of bank failure.

**Auditor’s Recommendation:** We recommend management work with the school’s financial institution to obtain and retain documentation of pledged collateral and ensure compliance with statutory requirements. statements should be reviewed monthly and compared to bank balances.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO ACADEMY FOR THE MEDIA ARTS (CONTINUED)**

**2025-002 (2024-004) – Pledged Collateral (Other Noncompliance) (Continued)**

**Management’s Response:** The school has worked with its banking institution to ensure that monthly statements are sent directly to the school to meet all pledge collateral requirements.

**Implementation:** December 10, 2025

**Person Responsible:** Contracted Business Manager

**2025-003 – Financial Close and Reporting on Capital Assets (Other Noncompliance)**

**Condition/Context:** Noted one disbursement tested totaling \$10,332 was improperly excluded from capitalization on the school’s capital asset schedule. The schedule was subsequently corrected to include the omission after it was identified by the audit.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are properly identified, recorded, and reported in the financial statements.

**Cause:** Lack of sufficient internal controls to identify all asset purchases that should be capitalized.

**Effect:** Possible misstatement to the school’s financial statements and noncompliance with GAAP.

**Auditor’s Recommendation:** We recommend management implement sufficient internal controls to review all purchases for potential capital asset additions and ensure the capital asset schedule is complete and accurate prior to audit.

**Management’s Response:** The Contracted Business Manager will work with the Executive Director to ensure all potential capital asset additions are accurately identified prior to fiscal year end.

**Implementation:** June 30, 2026

**Person Responsible:** Executive Director and Contracted Business Manager

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO ACADEMY FOR THE MEDIA ARTS (CONTINUED)**

**2025-004 – Internal Controls Over Cash Receipts (Other Noncompliance)**

**Condition/Context:** For 4 of 7 receipts tested, the school was unable to provide a cash log or prenumbered receipts to support that deposits were made within 24 hours of receipt for receipts totaling \$12,417.

For 2 of 7 receipts tested, the school was unable to provide a copy of the check, check log, or other supporting documentation to help determine what the receipts were for and if they were properly coded, for receipts totaling \$4,899.

**Criteria:** Per NMAC 6.20.2.14, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations. Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

**Cause:** Lack of effective internal controls surrounding cash receipts and supporting documentation.

**Effect:** Noncompliance with NMAC 6.20.2.14 and increased risk of misstatement or misappropriation of funds.

**Auditor's Recommendation:** We recommend the school review NMAC 6.20.2.14 and ensure procedures are in place to allow for timely deposits and to ensure documentation for all deposits is kept and readily accessible.

**Management's Response:** The school currently has policies and procedures in place to ensure timely deposits. The school will re-emphasize these policies to all applicable staff and will reinforce the requirement to submit all supporting documentation for each deposit to the contracted Business Manager in a timely manner to ensure proper coding.

**Implementation:** December 10, 2025

**Person Responsible:** Contracted Business Manager.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO ACADEMY FOR THE MEDIA ARTS (CONTINUED)**

**2025-005 – Internal Controls for Food Service Claims (Material Weakness)**

**Condition/Context:** For one lunch claim submitted totaling reimbursement of \$3,666, the school was unable to provide internal documentation to support served meals claimed from the program. Instead, management submitted the meals claimed based on meals prepared by its good service provider.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of effective controls over the food service program and supporting documentation for meal counts.

**Effect:** Potential misstatement to the financial statements and risk of noncompliance with program requirements.

**Auditor's Recommendation:** We recommend management establish controls necessary to monitor the food service program and obtain accurate counts and supporting documentation prior to submission for USDA reimbursement to avoid inaccurate reporting data.

**Management's Response:** The school will review and update their internal controls to ensure proper record keeping is maintained internally for student lunches.

**Implementation:** January 31, 2026

**Person Responsible:** Food Program Administrator and Executive Director

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO ACADEMY FOR THE MEDIA ARTS (CONTINUED)**

**2025-006 – Internal Controls Over Payroll (Other Noncompliance)**

**Condition/Context:** During payroll file review the following matters were noted:

- For one of five employees tested, the school was unable to provide an updated NMPSIA form to support the employee's benefit deductions.
- For one of five employees tested, the school was unable to provide a federal background check.
- For one of five employees, the school was unable to provide additional documentation to support increased pay for the employee, resulting in an estimated overpayment of \$4,628.

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form i-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay, or position change notices, education retirement act plan application, and direct deposit.

**Cause:** Lack of effective internal controls over payroll documentation and review.

**Effect:** Noncompliance with applicable rules and regulations, potential for misuse of public monies, and risk of overpayment.

**Auditor's Recommendation:** We recommend management ensure documented retention policies are being followed to ensure documents are available for public inspection and that all compensation paid to employees is supported by sufficient and maintained documentation.

**Management's Response:** The school will review their current policies and procedures regarding new hire paperwork to ensure all payroll and compensation-related documents are submitted and reviewed quarterly. Staff responsible for payroll and human resources will receive updated guidance on required documentation and retention requirements. Additional oversight will be provided by the Executive Director and contracted Business Manager to ensure continued compliance with all retention policies.

**Implementation:** January 31, 2026

**Person Responsible:** Executive Director

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO ACADEMY FOR THE MEDIA ARTS (CONTINUED)**

**2025-007 (2023-001) – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** Auditor noted the school voided one check totaling \$19,917 which was erroneously recognized as revenue. Upon further inquiry, it was determined the check needed to be reissued and this should have been included in accounts payable at year end.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

**Cause:** Lack of effective internal controls over financial close and reporting, specifically regarding the treatment of voided checks and accounts payable.

**Repeat Finding:** 2024-001

**Effect:** Misstatement of revenues and accounts payable, and inaccurate financial information.

**Auditor’s Recommendation:** We recommend management review all voided checks and ensure that any checks requiring reissuance are properly included in accounts payable at year end, and that financial statements are reviewed sufficiently to identify errors or omissions.

**Management’s Response:** The school’s contracted Business Manager will work with the school to review all outstanding checks to determine whether each check should be reissued or voided. If a check requires reissuance and is not reissued by June 30, it will be included on the year-end accounts payable listing.

**Implementation:** December 10,2025

**Person Responsible:** Contracted Business Manager

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO CONNECTIONS ACADEMY**

**2025-001 – Interest and Penalties (Other Noncompliance)**

**Condition/Context:** During journal entry testing, it was noted that \$492 was paid to the Arizona Department of Revenue for interest and penalties related to late fees.

**Criteria:** Per NMAC 6.20.2.11 (D), The internal control structure shall demonstrate that the school district identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through school district correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

**Cause:** The interest and penalties were incurred because the school submitted tax payments to the Arizona Department of Revenue by check, which was not an allowed form of payment. The Department requires electronic payment methods, and the use of an unauthorized payment method resulted in late processing and the subsequent assessment of interest and penalties.

**Effect:** The use of an unauthorized payment method resulted in the late processing of the school's tax payment to the Arizona Department of Revenue. As a result, the school incurred interest and penalty charges totaling \$492. This represents an unnecessary expenditure of public funds and indicates a lack of compliance with required payment procedures, increasing the risk of future financial penalties.

**Auditor's Recommendation:** The school should review and update its procedures for remitting tax payments to ensure compliance with all payment requirements established by taxing authorities. Staff responsible for processing payments should be trained on acceptable payment methods and deadlines. Management should implement controls to verify that all tax payments are submitted using approved methods and within the required timeframes to avoid future penalties and interest charges.

**Management's Response:** Business Manager was unaware of online portal payment system to pay Arizona taxes. Taxes were always paid by check. Once Business Manager was made aware of the system we started paying the taxes online.

**Implementation:** July 2025.

**Person Responsible:** Business Manager.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO CONNECTIONS ACADEMY (CONTINUED)**

**2025-002 – Property Tax Revenue (Other Matters)**

**Condition/Context:** During our review of property tax revenues we noted the January 2025 property tax distribution of \$37,065.54 was recorded to fund 31600 HB-33, rather than fund 31701 SB-9. This matter was corrected after our inquiry.

**Criteria:** Per NMAC 6.20.2.11 (D), The internal control structure shall demonstrate that the school district identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through school district correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

**Cause:** Management oversight.

**Effect:** Misstatement to revenues between fund 31600 and 31700

**Auditor's Recommendation:** We recommend property tax revenues received be reviewed monthly and compared to property tax distribution statements to ensure accurate reporting.

**Management's Response:** Management is aware of this finding. A second review of deposits entered are already in place.

**Implementation:** July 2025

**Person Responsible:** Business Manager

**NEW MEXICO SCHOOL FOR THE ARTS**

**2025-001 – Untimely ERB Payment and Report Submission (Other Noncompliance)**

**Condition/Context:** During our audit, we noted that ERB payments and related report submissions were not made timely.

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. Timely submission of ERB payments and reports is required.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
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YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)**

**2025-001 – Untimely ERB Payment and Report Submission (Other Noncompliance) (Continued)**

**Cause:** Management oversight and lack of effective internal controls over payroll reporting and payment processes.

**Effect:** Noncompliance with applicable rules and regulations, potential for penalties or interest due to late payments.

**Auditor's Recommendation:** We recommend management implement procedures to ensure ERB payments and reports are submitted timely and in accordance with statutory requirements.

**Management's Response:** Management acknowledges the finding and concurs with the auditor's observation. Corrective and preventive measures have been initiated to strengthen controls over payment timeliness and ensure adherence to statutory requirements. Continuous monitoring will be conducted to prevent recurrence.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager and Head of School

**2025-002 – Capital Asset Roll Forward and Depreciation (Significant Deficiency in Internal Control Over Financial Reporting)**

**Condition/Context:** CLA identified three capital assets that were not included on the client's roll forward. It was determined that the assets should be capitalized, resulting in an adjustment of \$147,886.24. The depreciation expense related to these assets was also excluded and totals \$18,612.46.

Additionally, CLA noted that there were four unique laptop purchases made in FY25. Two purchases occurred at the beginning of the year, while the other two occurred near year end. These items were identified under a single bulk purchase with an in-service date of 6/30/25. As a result, the computers purchased at the beginning of the year were not depreciating, resulting in an understatement in depreciation expense of \$17,524.39.

**Criteria:** Per NMAC 6.20.2.11, every school district and foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are properly identified, capitalized, and depreciated in accordance with GAAP.

**Cause:** Lack of effective internal controls over capital asset identification, capitalization, and depreciation calculations.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)**

**2025-002 – Capital Asset Roll Forward and Depreciation (Significant Deficiency in Internal Control Over Financial Reporting) (Continued)**

**Effect:** Material misstatements to capital assets and depreciation expense, resulting in inaccurate financial reporting.

**Auditor's Recommendation:** We recommend management implement procedures to ensure all capital assets are properly identified, capitalized, and depreciated in accordance with applicable accounting standards.

**Management's Response:** We acknowledge the audit finding regarding the omission of certain assets from capitalization. During the review period, only selected expenditure codes were examined for potential capitalizable items, which resulted in some assets not being identified and recorded appropriately. To address this gap, we have updated our procedures to ensure that all disbursement activity—regardless of expenditure code—is reviewed on a semi-annual basis for capitalizable items.

Additionally, staff responsible for the review process will receive guidance to ensure consistent identification of assets that meet capitalization thresholds and criteria. These enhancements will strengthen the accuracy and completeness of our capital asset reporting and reduce the risk of future omissions.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**NORTH VALLEY ACADEMY**

**2025-001 (2024-003) – Internal Controls over Payroll (Material Weakness)**

**Condition/Context:** We noted the following issue during testing:

- During the audit, the head of school informed us that majority of 10-month employees received 24 paychecks, instead of 22 paychecks. This resulted in overpayment of approximately \$56,000.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NORTH VALLEY ACADEMY (CONTINUED)**

**2025-001 (2024-003) – Internal Controls over Payroll (Material Weakness) (Continued)**

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay, or position change notices, Education Retirement Act plan application, and direct deposit.

**Cause:** Management oversight

**Repeat Finding:** 2024-003

**Effect:** Noncompliance with applicable rules and regulations, potential for misuse of public monies.

**Auditor's Recommendation:** We recommend management establish procedures to properly review and reconcile payroll and ensure payroll calculations are supported and accurate.

**Management's Response:** Management concurs with the finding. The overpayment occurred due to a failure to properly review the payroll setup and verify that the number of pay periods aligned with 10-month employment contracts. Upon discovery, management immediately began assessing the extent of the overpayments and is taking corrective action to prevent recurrence. Management will strengthen internal controls over payroll processing, including enhanced review procedures, reconciliation of pay period configurations, and verification of contract terms against payroll schedules.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-002 (2024-001) – Internal Controls over Cash Disbursements (Other Noncompliance)**

**Condition/Context:** We noted the following cash disbursement issue during testing:

- Full amount for \$19,021.98 was coded to 53216 object code for Audiologist. Disbursement should be broken out into separate object codes as follows \$1,023 to 53211, \$4,234.61 to 53212, \$2,502.98 to 53213, \$40.41 to 53216, and \$11,220.74 to 53215.
- There was one instance where the incorrect mileage rate of \$0.655 was used to calculate mileage reimbursement for 117.40 miles for \$76.90. Mileage rate of \$0.67 recalculated to 78.66 should have been reimbursed.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NORTH VALLEY ACADEMY (CONTINUED)**

**2025-002 (2024-001) – Internal Controls over Cash Disbursements (Other Noncompliance)**  
**(Continued)**

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of sufficient internal control structure related to cash disbursements.

**Repeat Finding:** 2024-001

**Effect:** Potential for misstated financial statements, noncompliance with applicable laws and regulations.

**Auditor’s Recommendation:** We recommend that the school establish procedures to ensure that all cash disbursements have adequate support and are readily available for public inspection. We recommend management establish controls to ensure compliance with New Mexico travel and per diem requirements.

**Management’s Response:** Management concurs with the finding. The miscoding of object codes and incorrect mileage rate resulted from insufficient review procedures within the cash disbursement process. Management acknowledges the need to strengthen controls to ensure that expenditures are coded accurately in accordance with the State of New Mexico chart of accounts and that travel reimbursements comply with applicable state mileage rates.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-003 (2024-004) – Financial Close and Reporting (Other Matters)**

**Condition/Context:** We noted the following issues during testing:

- There was one AP item that was included in FY25 that was for a FY26 Subscription. The total amount was \$10,206.
- The school didn’t reclassify expenditures out of Fund 24154 into the operational fund in the of approximately \$3.5K. The school will need a permanent cash transfer for this amount in FY26.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NORTH VALLEY ACADEMY (CONTINUED)**

**2025-003 (2024-004) – Financial Close and Reporting (Other Matters) (Continued)**

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management Oversight

**Repeat Finding:** 2024-004

**Effect:** Noncompliance with state statutes.

**Auditor’s Recommendation:** We recommend that management implement sufficient procedures to properly close the fiscal year in a timely and accurate manner.

**Management’s Response:** Management concurs with the finding. The issues identified—recording a FY26 subscription expense in FY25 and initially missing the reclassification of expenditures out of Fund 24154—resulted from oversight during the year-end close process. Management recognizes the need for stronger review procedures to ensure accurate cutoff of revenues and expenditures and proper fund accounting in accordance with GAAP and NMAC 6.20.2.11.

Management would like to note, however, that no permanent cash transfer is needed, as the RfR 504-000-2425-24154-A004 was completed and a check was issued to PED, fully resolving the financial impact. Corrective actions will be taken to enhance the financial close process and ensure compliance moving forward.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NORTH VALLEY ACADEMY (CONTINUED)**

**2025-004 – RHC Reporting and Payments (Other Matters)**

**Condition/Context:** We noted the following issues during testing:

- During testing we noted that the July 31, 2024, RHC report and payment was not submitted timely. The report and payment were due by the 10th of August and were not submitted until September 26th.

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay, or position change notices, Education Retirement Act plan application, and direct deposit.

**Cause:** Management Oversight

**Effect:** Noncompliance with state statutes.

**Auditor's Recommendation:** We recommend management establish procedures to ensure reports are filed timely throughout the fiscal year.

**Management's Response:** Management concurs with the finding. The late submission of the July 31, 2024 RHC report and payment was the result of management oversight and gaps in the reporting calendar and review process. Management acknowledges the importance of submitting all required payroll-related reports on time to ensure compliance with state regulations and to maintain accurate financial reporting. Corrective actions will be implemented to prevent untimely filings going forward.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NORTH VALLEY ACADEMY (CONTINUED)**

**2025-005 – Internal Controls over Compliance (Other Matters)**

**Condition/Context:** We noted the following issues during testing:

- Food Service Compliance - during our review of expenses, we noted \$74,832 of food service expenditures were coded to the operational fund as the PO was created to the operational fund and journal entries were not recorded to allocate the expenses accordingly. School has sufficient cash reserves and fund balance in food service.
- Client over accrued NMPSIA amount for year-end payroll accrual. Total amount of over accrual was approximately \$12.4K.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management Oversight

**Effect:** Noncompliance with state statutes.

**Auditor's Recommendation:** We recommend management establish procedures to review fund activity monthly, as well as annually, to promptly identify and correct errors.

**Management's Response:** Management concurs with the finding in part. Management acknowledges the miscoding of the NMPSIA year-end accrual, which resulted in an over-accrual of approximately \$12.4K and will strengthen accrual review procedures accordingly.

Regarding the food service expenses, management notes that food service expenditures are allowable out of the operational fund, and therefore disagrees that the coding represents noncompliance. However, management recognizes that maintaining appropriate fund balance levels in the food service fund is important. Management will work toward reducing excess cash reserves in the food service fund as appropriate and will continue to monitor fund activity to ensure compliance with applicable state and federal guidelines.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NORTHPOINT CHARTER SCHOOL**

**2025-001 – Internal Controls Over Cash Disbursements (Other Noncompliance)**

**Condition/Context:** During our testing of 23 cash disbursements, we noted the following errors in meal reimbursement calculations:

- One instance resulted in an underpayment of \$30.03.
- One instance resulted in an overpayment of \$47.85.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of adequate internal controls and oversight in the calculation and review of meal reimbursements.

**Effect:** Employees were not reimbursed in accordance with approved rates, resulting in both underpayment and overpayment.

**Auditor's Recommendation:** We recommend management establish sufficient procedures to ensure compliance with the New Mexico Per Diem and Mileage Act, including proper calculation and review of meal reimbursements prior to payment.

**Management's Response:** Going forward, the school will conduct regular reviews of travel reimbursements to ensure full compliance with all applicable New Mexico statutes.

**Implementation:** We have reviewed current procedures related to meal reimbursements ensuring they are in alignment with current Mileage and Per Diem requirements. We will strengthen controls by having a review process where all reimbursements are verified by two staff members at minimum. We will provide training for those responsible for calculating reimbursements. Completion by June 30, 2026.

**Person Responsible:** Business Manager/Director

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**NORTHPOINT CHARTER SCHOOL (CONTINUED)**

**2025-002 – Capital Asset Roll Forward (Other Matters)**

**Condition/Context:** During review of the capital asset roll forward, CLA noted that an LED sign was not included in FY25 additions. This omission understated capital assets by \$10,816 and depreciation expense by \$661.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective controls over the identification and recording of capital asset additions.

**Effect:** Capital assets and related depreciation expense were understated in the financial statements.

**Auditor's Recommendation:** We recommend management establish procedures to ensure all capital asset acquisitions are properly identified, recorded, and included in the capital asset roll forward, including calculation of depreciation expense.

**Management's Response:** Management acknowledges the omission of the LED sign from FY25 capital asset additions, which resulted in the understatement of capital assets and related depreciation expense.

**Implementation:** Going forward, all purchase orders will undergo review to verify coding accuracy under the NM Public Education Department's Uniform Chart of Accounts. Training will be provided for the staff responsible for asset tracking and financial reporting. Internal reviews will be performed to ensure that all acquisitions are recorded correctly. Completion by June 30, 2026.

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**PECOS CYBER ACADEMY**

**2025-001 – Pledged Collateral (Other Noncompliance)**

**Condition/Context:** As of June 30, 2025, pledged collateral on deposit accounts was insufficient, resulting in an under collateralization exposure of \$7,602,970.

**Criteria:** NMSA 1978, §6-10-17 requires depositories to maintain pledged collateral  $\geq$  one-half of public monies on deposit in each account in excess of FDIC coverage.

NMAC 6.20.2.11 requires internal controls that safeguard public assets.

**Cause:** Management oversight

**Effect:** Public funds were exposed to custodial credit risk in the event of bank failure; noncompliance with state law.

**Auditor's Recommendation:** We recommend sufficient pledge collateral be obtained.

**Management's Response:** We acknowledge the auditor's finding. Pecos Cyber Academy agrees that pledged collateral for certain deposit accounts was insufficient as of June 30, 2025, resulting in an under-collateralization exposure. Once identified, we reviewed the affected account and initiated corrective measures to ensure full compliance with NMSA 1978, §6-10-17 and NMAC 6.20.2.11. PCA has coordinated with BNY Mellon, our depository institution, to obtain the required pledged collateral and will strengthen internal oversight to prevent this condition from recurring.

**Implementation:** Verify pledged collateral levels with the PCA's depository institution and obtain additional collateral where required.

Implement monthly monitoring procedures to confirm that collateral pledged meets or exceeds statutory requirements.

Establish a documented internal review process to ensure collateral adequacy and maintain written confirmations from the bank.

Provide training regarding state collateralization requirements and internal control expectations.

Completion by June 30, 2026.

**Person Responsible:** Finance Director

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**PECOS CYBER ACADEMY (CONTINUED)**

**2025-002 – Compliance Reporting (Other Noncompliance)**

**Condition/Context:** The School reported \$448,926 of expenditures to NM PED as paid on the Q4 cash report/OBMS as of June 30, 2025, but audit procedures determined these items were not actually paid until FY2026, overstating FY2025 cash disbursements and producing inaccurate PED reporting.

**Criteria:** NMAC 6.20.2.10(C) requires periodic financial reports to PED using the department-approved format; cash reports must reflect actual cash activity through the reporting date.

**Cause:** Year-end close did not reconcile the OBMS cash report to bank activity and check/ACH settlement dates; items submitted for payment but not yet cleared were treated as paid.

**Effect:** Statutory reporting to PED was inaccurate; FY2025 cash disbursements and budget-to-actuals were misstated.

**Auditor's Recommendation:** We recommend management closely reviews the bank reconciliations to determine that outstanding transactions were paid on or before the respective month end.

**Management's Response:** We acknowledge the auditor's finding. Pecos Cyber Academy agrees that certain expenditures were incorrectly reported as paid on the Q4 OBMS cash report for the year ended June 30, 2025, even though those disbursements did not clear the bank until FY2026. This resulted in overstated FY2025 cash disbursements and inaccurate reporting to PED. Upon becoming aware of the issue, the School reviewed the year-end reporting process and identified the need for stronger reconciliation procedures between OBMS reporting, bank activity, and settlement dates. The School is implementing enhanced review controls to ensure that only actual cash transactions are reported in accordance with NMAC 6.20.2.10(C).

**Implementation:** Reconcile all year-end OBMS cash reports to bank statements, including verification of the actual check/ACH clearing dates.

Establish a mandatory secondary review of cash reports by the Finance Director or designee prior to PED submission.

Implement a checklist for month-end and year-end close to ensure that outstanding items are not recorded as paid until they have cleared the bank.

Provide training to business office staff on PED reporting requirements and proper treatment of outstanding disbursements. Maintain documentation of reconciliations and review approvals as part of the School's internal controls.

Completion by June 30, 2026.

**Person Responsible:** Finance Director

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL**

**2025-001 – ERB and RHC Payment Timeliness (Other Noncompliance)**

**Condition/Context:** The ERB payment for April 2025 was submitted late (5/16/2025), resulting in a late fee of \$19.56. The RHC payment for October 2024 was submitted late (11/15/2024); no late fee was incurred.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of timely submission procedures.

**Effect:** Noncompliance with statutory requirements and potential for penalties and interest.

**Auditor's Recommendation:** We recommend management implement procedures to ensure all payroll-related payments are submitted timely to avoid late fees and penalties.

**Management's Response:** This process has been reviewed and will continue to be reviewed to ensure adherence to the deadlines. Payroll liabilities across the board are being reviewed to ensure each process is aligned with required deadlines.

**Implementation:** This process will be ongoing in nature and implemented through continuing work. Completion by June 30, 2026.

**Person Responsible:** This will be a joint effort between the school's business manager, the head administrator and the governing board finance committee through the monthly statement reviews.

**2025-002 – Budgetary Matters and OMBS Reporting (Significant Deficiency)**

**Condition/Context:** Fund 24330 Function 1000 was over expended by \$1,927. Fifteen instances were noted in which revenues and expenditures were not accurately reported in OMBS to NM PED.

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control. 6.20.2.10 (C) NMAC requires that the Charter submit periodic financial reports to the department using the department-approved format.

**Cause:** Lack of adequate internal controls over budget monitoring and financial reporting.

**Effect:** Noncompliance with state statutes and inaccurate financial information reported to NM PED.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL (CONTINUED)**

**2025-002 – Budgetary Matters and OMBS Reporting (Significant Deficiency) (Continued)**

**Auditor’s Recommendation:** We recommend management establish controls to monitor budgets and ensure all revenues and expenses are accurately reported in OMBS.

**Management’s Response:** This oversight will be corrected through review and monitoring of OBMS reporting and the school’s financial software. Budgets from AptaFund will be reviewed and compared to OBMS entries and BARs will be completed as needed to ensure alignment between expenditures and budget for all funds.

**Implementation:** This process will begin and continue to be utilized as an ongoing process moving forward. If any abnormalities are discovered, they will be reported to the head administrator and corrected as soon as possible. Completion by June 30, 2026.

**Person Responsible:** This will be a primary responsibility of the business manager, with the assistance of the head administrator and the governing body when approval for BARs is needed.

**2025-003 (2024-003) – Internal Controls over Bank Reconciliations (Material Weakness)**

**Condition/Context:** During review of cash and bank reconciliations CLA noted the following matters:

- A cash variance of \$12,725.27 was carried over from the prior year in the beginning balance and remains uncorrected in the current year general ledger.
- The June bank reconciliation differed by \$1,307.
- \$136,230 of outstanding checks were held as of 6/30/2025 and thus represented accounts payable, not a reduction to cash.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP. Bank reconciliations should be prepared and reviewed on a monthly basis and should reconcile to the trial balance and general ledger.

**Cause:** Management oversight. Lack of effective internal controls surrounding both the preparation and review of the bank reconciliation.

**Repeat Finding:** 2024-003

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL (CONTINUED)**

**2025-003 (2024-003) – Internal Controls over Bank Reconciliations (Material Weakness)**  
**(Continued)**

**Effect:** Misstatements to the financial statements and increased risk of errors or misappropriation.

**Auditor’s Recommendation:** We recommend that the monthly preparation and review of the bank reconciliation include a comparison to the trial balance and general ledger and proper classification of outstanding payments.

**Management’s Response:** For the cash variance, the school’s previous business manager is working to track down the outage and working with AptaFund support to determine the issue. Once this is resolved, the previous business manager and the current business manager will work to ensure the reasoning is understood and this should prevent this from becoming a future issue. The remaining findings in this category will be monitored closely, and reporting will be maintained to ensure this is not a repeat finding moving forward.

**Implementation:** The school’s previous business manager is working to locate and resolve the issues. This is being done by working with the AptaFund support team and by doing a dive into all records from previous years to determine the issue. Once fully discovered, the current business manager will be consulted to correct and to provide the history of the error so they are aware and can help prevent future issues. Completion by June 30, 2026.

**Person Responsible:** The schools previous business manager and current business manager.

**2025-004 (2023-005) – Internal Controls over Capital Assets (Significant Deficiency)**

**Condition/Context:** Asset additions that occurred in FY24 totaling \$22,068 were not included in the FY25 capital asset listing.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish controls and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Cause:** Management oversight and lack of review of capital asset additions.

**Repeat Finding:** 2024-006

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL (CONTINUED)**

**2025-004 (2023-005) – Internal Controls over Capital Assets (Significant Deficiency) (Continued)**

**Effect:** Understatement of capital assets and potential misstatements in financial reporting.

**Auditor’s Recommendation:** We recommend management implement procedures to ensure all capital asset additions are identified and recorded timely.

**Management’s Response:** Capital Asset threshold of \$5,000 will be reviewed to see if school needs a change in policy. For items falling within the Capital Asset limit, the school will appropriately maintain records. AptaFund will be contacted to see about their asset management module and see if that would assist in maintaining these records.

**Implementation:** Missing items will be added to current capital asset listing and will be maintained moving forward. Purchases that exceed the \$5,000 threshold will be immediately added to the asset list during the year, as purchase orders are issued, to ensure that they are not excluded or overlooked. Completion by June 30, 2026.

**Person Responsible:** Front office administrative team and business office, business manager

**2025-005 – Internal Controls over Food Service Program Revenues (Significant Deficiency)**

**Condition/Context:** During our review of revenues we noted the following:

- The school did not submit the March 2025 NSLP claim, resulting in lost revenue of approximately \$11,000 based on the average month in FY25.
- The September 2024 deposit for Fund 21000 was coded to Fund 21100; an adjusting journal entry was recorded to correct.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL (CONTINUED)**

**2025-005 – Internal Controls over Food Service Program Revenues (Significant Deficiency)  
(Continued)**

**Cause:** Management oversight and lack of timely submission and review procedures.

**Effect:** Loss of revenue and misclassification of funds.

**Auditor’s Recommendation:** We recommend management ensure all claims are submitted timely and that revenues are properly coded to the correct funds.

**Management’s Response:** School will review process for submission as documents at school show claim submitted but no payment received. School can follow up with NSLP program to ask more questions about missing submission. For incorrect coding, business manager will be more vigilant on coding and deposit review will be more thorough on monthly reporting.

**Implementation:** Monthly NSLP will be completed, and submission forms will be uploaded for deposits. Deposits will be reconciled and reviewed more thoroughly in finance meetings on monthly basis to ensure coding errors are discovered and corrected timely. Completion by June 30, 2026.

**Person Responsible:** Front office administration staff for NSLP. Business manager and finance committee for deposit coding.

**2025-006 – Cash Receipts Coding (Other Noncompliance)**

**Condition/Context:** Two instances were noted in which fund and/or object coding was improper per NM PED Chart of Accounts.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish controls and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Insufficient review of coding for cash receipts.

**Effect:** Potential misstatements in financial reporting and noncompliance with NM PED requirements.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL (CONTINUED)**

**2025-006 – Cash Receipts Coding (Other Noncompliance) (Continued)**

**Auditor’s Recommendation:** We recommend management review all cash receipts for proper coding and provide training as needed.

**Management’s Response:** Previous business manager has been replaced with a business manager who has more experience and knowledge of COA and proper coding. Moving forward, cash receipts will be reviewed during finance committee meetings and business manager will verify receipt funds are coded properly. If an error is found, they will be immediately corrected either via voided receipt and correcting or with appropriate JE if month has already been closed out.

**Implementation:** This process will be ongoing and will be reviewed monthly during finance committee meetings. Completion by June 30, 2026.

**Person Responsible:** Business manager.

**2025-007 – Internal Controls over Payroll (Other Noncompliance)**

**Condition/Context:** During our review of payroll we noted the following:

- One instance was noted where insurance withholdings did not match the election form kept on file by the school.
- One instance in which a background check was not maintained.

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, or position change notices, Education Retirement Act plan application, and direct deposit.

**Cause:** Management oversight.

**Effect:** Noncompliance with state requirements and risk of improper payroll deductions.

**Auditor’s Recommendation:** We recommend management ensure all payroll deductions are supported by current election forms and that all required documentation is maintained in employee files.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL (CONTINUED)**

**2025-007 – Internal Controls over Payroll (Other Noncompliance) (Continued)**

**Management’s Response:** Background checks will be reviewed to ensure each employee file has a current background check for those employees and insurance forms will be reviewed to NMPSIA reconciliation to ensure all forms are accurate and up to date.

**Implementation:** This will be implemented through working with the business office and business manager to ensure accurate record keeping. Completion by June 30, 2026.

**Person Responsible:** Front office administrative team and business office, business manager

**2025-008 – Travel Reimbursements (Other Noncompliance)**

**Condition/Context:** Three instances were noted in which incorrect mileage or mileage rates were used for employee reimbursement, resulting in a total underpayment of approximately \$20.

**Criteria:** Per NMAC 2.42.2.11.B(1) unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 100% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

**Cause:** Management oversight and lack of review of travel reimbursement calculations.

**Effect:** Underpayment to employees and noncompliance with state requirements.

**Auditor’s Recommendation:** We recommend management review travel reimbursement forms for accuracy and ensure compliance with applicable rates.

**Management’s Response:** Mileage was reimbursed for employees in question based on previous years rate. Management will ensure that at turn of the year, the rates are reviewed and forms are updated with any changes.

**Implementation:** Travel forms will be reviewed for current rates and at turn of calendar year, forms will be reviewed to ensure they are following NMDFA rates for mileage reimbursement and are current for new year. Completion by June 30, 2026.

**Person Responsible:** Front office administrative team and business office, business manager.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL (CONTINUED)**

**2025-009 (2021-003) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During our audit, we noted the following deficiencies in internal controls related to financial close and reporting:

- Management did not identify a lease that commenced during FY24; it was recorded during FY25 with a value of \$27,239.
- For RFR-based funds 24101, 24106, 24154, and 24189, expenses exceeded revenues. The school will need to submit a permanent cash transfer in FY26 to correct these deficits.
- Revenue of \$111,203 was recorded to Fund 26107 instead of Fund 26131.
- Lease expenses were recorded to function 2600 instead of 4000, which is where expenses were budgeted.
- The quarter 4 cash report contained various differences compared to the financial statements, due to multiple adjustments.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of sufficient internal controls and review procedures over financial close, reporting, and fund accounting.

**Repeat Finding:** 2024-001

**Effect:** Misstatements to the financial statements, inaccurate reporting of leases, revenues, and expenditures, and potential noncompliance with state statutes and budgetary requirements.

**Auditor's Recommendation:** We recommend management implement procedures to ensure all leases are identified and recorded in the correct period, that revenues and expenses are properly classified and reported, that fund and function coding is accurate, and that cash reports are reconciled to the financial statements. Permanent cash transfers should be processed timely to correct deficits in RFR-based funds.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RAICES DEL SABER XINACHTLI COMMUNITY SCHOOL (CONTINUED)**

**2025-009 (2021-003) – Financial Close and Reporting (Material Weakness) (Continued)**

**Management’s Response:** RfR will be submitted monthly, or as frequently as possible, moving forward and budgets will be compared to allocated amounts in RfR module of OBMS as those amounts last year did not align with awarded amounts and therefore those expenses exceeded revenues for said funds. Revenues/cash receipts will be reviewed monthly during finance meetings. Leases will be confirmed for correct UCOA lines, as well as other expenditures by new business manager.

**Implementation:** This will be ongoing and continuing in nature as this process is not something that will be addressed as a one-time transaction. Completion by June 30, 2026.

**Person Responsible:** Business manager and schools head administrator.

**RED RIVER VALLEY CHARTER SCHOOL**

**2025-001 – Internal Controls over Restricted Funds (Significant Deficiency)**

**Condition/Context:** Management allocated \$96,220 of administrative salaries and benefits to the transportation fund. Management did not maintain time and effort documentation prior to our inquiry of the cost allocation. The related journal entry was recorded with an effective date of June 2025; documentation should have been created on or before approval of the journal entry.

Management then provided an adjustment of \$13,203 to the previous expense allocation based on the time and effort documentation they created as the allocation was different from the initial cost allocation.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

Per NMAC 6.20.2.17, an internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, and state and federal regulations.

Transportation funding may be used only for eligible to and from school transportation costs, pursuant to NMSA 22-8-26.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)**

**2025-001 – Internal Controls over Restricted Funds (Significant Deficiency) (Continued)**

**Cause:** Insufficient internal controls and policies related to cost allocation for restricted funds and untimely time and effort documentation.

**Effect:** Potential for misallocation of costs and noncompliance with grant requirements and related restrictions.

**Recommendation:** We recommend management maintain time and effort documentation to support cost allocations and ensure all allocations to restricted funds are properly supported and documented prior to recording journal entries. We recommend management consult with the applicable regulatory agencies and time and effort documentation best practices.

**Management's Response:** Management respectfully disagrees with this finding. The allocation of salaries and benefits to the transportation fund follows established practices that have been consistently applied by school districts and charter schools across New Mexico for many years without audit exception.

**Basis for Disagreement:**

**Consistency with Established Practice:** The methodology used to allocate administrative and support staff costs to the transportation fund is consistent with the approach used by numerous New Mexico school districts and PEC charter schools in prior years. These entities have been audited without receiving findings on similar allocations, demonstrating that this practice has been accepted as compliant with applicable requirements.

**Confirmation from NMPED:** Management specifically consulted with the New Mexico Public Education Department (NMPED) regarding documentation requirements for transportation fund cost allocations. NMPED confirmed that the level of documentation being requested by the auditor is not required under state law or regulation.

**Reasonable Allocation Methodology:** The allocation is based on a reasonable estimate of staff time devoted to transportation-related activities (vehicle coordination, driver supervision, route management, and transportation reporting). This methodology is consistent with cost allocation principles and reflects actual transportation support provided by school personnel.

**Overreach of Audit Authority:** The auditor's application of 2 CFR 200 (Uniform Guidance) to state transportation funds appears to be an overreach, as the transportation fund is a state-funded program, not a federal fund subject to Uniform Guidance requirements. State requirements for the transportation fund do not mandate the specific level of time-tracking documentation being requested.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)**

**2025-001 – Internal Controls over Restricted Funds (Significant Deficiency) (Continued)**

**Management's Position:** While management is committed to maintaining appropriate documentation for all expenditures, we believe the current allocation methodology is reasonable, compliant with state requirements as confirmed by NMPED, and consistent with longstanding practice across New Mexico public schools. Management will continue to follow NMPED guidance on transportation fund documentation requirements and will seek clarification from NMPED and PED's audit bureau if CLA continues to assert requirements that exceed state mandates.

**Implementation Date:** N/A - Management disagrees with finding

**Person Responsible:** Business Manager; Executive Director, Audit Committee

**Auditor's Rebuttal:** The allocation of costs to the transportation fund were done via a manual journal entry. When we requested the supporting documentation for the journal entry, we were provided with an explanation that the executive director and office manager serve as transportation director and transportation secretary, respectively, for Red River and were provided with the employment contract that lists, "other duties as assigned" as support for the journal entry.

Upon further inquiry regarding how the costs of \$96,220 were derived, the school created a spreadsheet listing the hours the executive director and office manager spent on transportation duties which was signed by the employees and their applicable supervisor.

The finding relates to a lack of documentation when the journal entry was created, posted to the general ledger, and approved by the executive director and presented to the governing council.

Management's response of "consistency with established practice", "reasonable allocation methodology" and "overreach of audit authority" appears to respond to why the costs are allowable or reasonable, which is not the condition/context of the finding.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)**

**2025-002 (2022-001) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:**

- Fund 26107: Expenditures exceeded revenue (fund is RFR based) and will end with a positive fund balance, as the school has carried a fund balance of \$2,154. The school will need to request a permanent cash transfer in FY26.
- Fund 27109: Insufficient fund balance will result in a deficit fund balance of \$1,996. The school will need to process a permanent cash transfer in FY26.
- Fund 25233: Deficit fund balance of \$1,978. The school will need to process a permanent cash transfer in FY26.
- Depreciation expense was incorrectly calculated, totaling \$18,135.
- \$27,356 was improperly included as accounts payable, as the related work was performed in FY26, not FY25.
- NMPSIA accrual was \$4,802 higher than the July 2025 payment. It appears that withholding exceeded actual insurance billed costs.
- Management paid the bussing contractor \$11,217 less than the governing council-approved contract. After inquiry as to the reason for the underpayment, the school accrued this amount as accounts payable as of 6/30/2025.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP. Sound financial management and NMAC 6.20.2.9(A) and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, and that funds not end the year with a deficit fund balance.

**Cause:** Management oversight and ineffective procedures and quality control review of year end balances.

**Repeat Finding:** 2024-001

**Effect:** Deficit fund balances requiring corrective action and potential for misstated financial statements.

**Recommendation:** We recommend the school request and process permanent cash transfers in FY26 to resolve the excess and deficit fund balances. We recommend sufficient procedures be implemented to review year end balances and establish proper levels of review.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)**

**2025-002 (2022-001) – Financial Close and Reporting (Material Weakness) (Continued)**

**Management’s Response:**

1. Year-End Fund Cleanup (26107, 27109, 25233)  
Action:
  - Use the existing balance sheet and trial balance reports to ensure expenditures and revenues are accurately tracked in the current fiscal year.
  - Monitor fund activity throughout the year to prevent large cleanups at year-end.
2. Depreciation Template Issue  
Action:
  - Utilize the updated depreciation rollforward template going forward.
  - Confirm that depreciation is fully captured each year to prevent recurrence.
3. One-Off CIP Billing and AP Accrual Review  
Action:
  - Treat this as a non-recurring event but incorporate a stronger, more detailed review of AP accruals before submission.
  - Ensure CIP-related transactions are flagged for additional review when applicable.
4. Payroll and NMPSIA Reconciliation Controls  
Action:
  - Implement newly developed, in-depth payroll checks.
  - Strengthen reconciliation procedures between payroll records, school records, and NMPSIA reporting.
5. Year-End Contractor Payment Verification  
Action:
  - Add a formal year-end check to ensure all contractors have been fully paid according to their contract terms.
  - Review outstanding obligations before closing the fiscal year.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager and Accounting Team

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)**

**2025-003 (2024-003) – Mileage and Per Diem Act (Other Noncompliance)**

**Condition/Context:** 1 out of 3 mileage reimbursements was calculated incorrectly and the employee was underpaid \$2.70.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per Section 2.42.2.11 NMAC, mileage reimbursement is 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

**Cause:** Improper reimbursement rates used.

**Repeat Finding:** 2024-003

**Effect:** Noncompliance with state statute and underpayment to employee.

**Recommendation:** We recommend management review mileage reimbursement calculations for accuracy and ensure employees are reimbursed at the correct rates.

**Management’s Response:** We will use an updated travel form.

**Implementation:** We will do this immediately, completion by June 30, 2026.

**Person Responsible:** School Office Staff, School Leadership, and Business Manager

**2025-004 – Budgetary Matters (Other Noncompliance)**

**Condition/Context:** Fund 27149 Function 2000 had expenses in excess of budget of \$1,980.

**Criteria:** Sound financial management and NMAC 6.20.2.9(A) and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control.

**Cause:** Management oversight and lack of timely budget adjustments.

**Effect:** Noncompliance with state statutes and potential for negative fund balances.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RED RIVER VALLEY CHARTER SCHOOL**

**2025-004 – Budgetary Matters (Other Noncompliance) (Continued)**

**Recommendation:** We recommend management monitor budgetary compliance and submit budget adjustment requests as needed to avoid over-expenditures.

**Management’s Response:** Submit all RfRs by May, so that we can spend June reviewing all funds to make adjustments by the EOY.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager and Accounting and Reporting Team

**2025-005 – Pledged Collateral (Other Noncompliance)**

**Condition/Context:** The school was under-collateralized by \$231,948.

**Criteria:** Per Section 6-10-17 NMSA 1978, if the pledged collateral for deposits in banks, savings and loan associations, or credit unions in an aggregate amount is not equal to one half of the amount of public money in each account, a finding shall appear in the audit report.

**Cause:** Management oversight.

**Effect:** Noncompliance with applicable statutes and increased risk of loss of public funds.

**Recommendation:** We recommend management review the pledged collateral requirement and ensure the school's financial institution is aware of the statutory requirement.

**Management’s Response:** We have opened up a new account that allows us to collateralize our funds at \$250K. We have asked PED to move all our wires to that account. We have been working with PED for over a year to make this happen, but have not seen any results. We will continue to work with PED to get this resolved.

**Implementation:** Ongoing, completion by June 30, 2026.

**Person Responsible:** Business Manager, School Leader, and PED

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**RENAISSANCE ACADEMY CHARTER SCHOOL**

No findings to report for Fiscal Year 2025.

**RIO GRANDE ACADEMY OF FINE ARTS**

No findings to report for Fiscal Year 2025.

**ROOTS AND WINGS COMMUNITY SCHOOL**

**2025-001 (2024-003) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** We noted the following issues during review of financial close and reporting:

- Direct payments of \$346,500 by the NM PED were not recorded by the school as revenue and capital outlay expense in FY25.
- During testing over compensated absences under GASB 101 it was noted that RWCS wasn't tracking accrued leave or used leave during FY23 and FY24.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight.

**Repeat Finding:** 2024-003

**Effect:** Misstatement to revenues and expenses. Lack of leave tracking could resulted to improper leave usage or accrual. Noncompliance with state statutes.

**Auditor's Recommendation:** We recommend management establish procedures to properly review reconcile and close the fiscal year. We recommend that supporting documentation be maintained and for sufficient resources to be established in the business office to prepare for the annual audit.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ROOTS AND WINGS COMMUNITY SCHOOL (CONTINUED)**

**2025-001 (2024-003) – Financial Close and Reporting (Material Weakness) (Continued)**

**Management's Response:** Management acknowledges the audit finding related to the financial close and reporting process, specifically the omission of \$346,500 in direct capital outlay payments for final lease purchase payment made directly to the seller by the New Mexico Department of Finance Administration. The corresponding revenue and expenditures should have been recorded in the accounting system, even though funds did not flow through the school. A revised year-end close checklist will include explicit procedures to verify completeness of all externally disbursed funds, including all direct payments to vendors, grant pass-through activity, and capital project transactions.

Management acknowledges the audit finding related to compensated absences under GASB 101. During FY23 and FY24, the school did not maintain a complete or centralized record of accrued leave balances or leave usage, resulting in insufficient support for compensated absence liabilities reported in the financial statements. As of August 2025, the school implemented a leave tracking process through the employee portal in AptaFund. All staff were provided with a copy of the leave policy and trained on the use of entering leave requests in August 2025. The Director ensures that all time off is entered by the employees and reviews and approved leave as it is entered. The Business Manager reviews leave balances on a bi-monthly basis to ensure accuracy and completeness.

**Implementation:** Immediately and ongoing for FY2026, completion by June 30, 2026.

**Person Responsible:** Business Manager and Director

**2025-002 (2024-002) – Internal Controls over Cash Receipts (Other Noncompliance)**

**Condition/Context:** During testing over cash receipts we noted the following:

- 1 of 15 cash receipts reviewed totaling \$3,000 was not deposited within 24 hours of receipt.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.14, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations. In addition, NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

**Cause:** Lack of effective internal controls surrounding cash receipts.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**ROOTS AND WINGS COMMUNITY SCHOOL (CONTINUED)**

**2025-002 (2024-002) – Internal Controls over Cash Receipts (Other Noncompliance) (Continued)**

**Repeat Finding:** 2024-002

**Effect:** Potential for misstated financial statements.

**Auditor's Recommendation:** We recommend the school review NMAC 6.20.2.14 and ensure procedures are in place to allow for timely deposits and to ensure documentation for all deposits is kept and readability accessible.

**Management's Response:** Management acknowledges the requirement established in NMAC 6.20.2.14, which mandates that all funds received and receipted be deposited within twenty-four (24) hours or the next available banking day. We concur with the audit finding and recognize the importance of timely deposits to ensure proper safeguarding of public funds and accurate financial reporting. Staff responsible for cash handling will receive refresher training emphasizing timely deposits, documentation standards, and compliance expectations. The Business Manager will notify the Director of instances of noncompliance when posting monthly deposits to the accounting system.

**Implementation:** Immediately with ongoing monitoring to ensure sustained compliance. Completion by June 30, 2026.

**Person Responsible:** Director, Office Manager and Business Manager

**SACRAMENTO SCHOOL OF ENGINEERING AND SCIENCE**

No findings to report for Fiscal Year 2025.

**SAN DIEGO RIVERSIDE CHARTER SCHOOL**

**2025-001 – Internal Controls over Journal Entries (Other Matters)**

**Condition/Context:** Management was unable to provide sufficient support for one out of five journal entries selected for testing.

**Criteria:** NMAC 6.20.2.11 requires that all journal entries be supported by adequate documentation and subject to review and approval prior to posting. Internal controls should ensure a clear audit trail for all entries.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SAN DIEGO RIVERSIDE CHARTER SCHOOL (CONTINUED)**

**2025-001 – Internal Controls over Journal Entries (Other Matters) (Continued)**

**Cause:** Insufficient documentation retention.

**Effect:** Risk of misstated balances and potential noncompliance with state requirements.

**Auditor’s Recommendation:** Implement a policy requiring supporting documentation be created and retaining for all journal entries.

**Management’s Response:** Management agrees with this finding. Contracted Business Manager will make sure all journal entries are sufficiently documented and retained immediately.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-002 – Financial Close and Reporting (Material Weakness)**

**Condition/Context:**

1. Copier lease commencing January 2024 (\$35,777) was not recorded as a lease under GASB-87 during FY24; recorded in FY25 after inquiry.
2. Three-year subscription commencing February 2024 (\$27,175) was not recorded as a subscription under GASB-96; recorded in FY25 after inquiry, resulting in restatement to beginning net position.
3. Accounts Payable: Invoice totaling \$8,565 was improperly included as FY25 accounts payable; service period related to July 2025.
4. Fund balance for three funds did not match prior year financial statements; adjustments totaling \$1,739 were required to correct.
5. Fund 24330 (ESSERS) reports cash and accrued payroll of \$3,229, but accrued payroll is aged and does not relate to FY25. A cash transfer to the operational fund or refund to PED should have been processed in FY25.
6. Title VI revenue of \$12,572 related to FY24 was not recorded as accounts receivable and revenue in the FY24 financial statements.
7. Funds 25147, 24154, and 26107 report deficit fund balances. A cash transfer from the operational fund should be processed during FY26 to correct.

**Criteria:** NMAC 6.20.2.11 and GASB standards require accurate and timely recognition of leases (GASB-87), subscriptions (GASB-96), accounts payable, fund balances, and revenues. Fund balances must reconcile to prior year statements, and deficit balances must be addressed through appropriate transfers.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SAN DIEGO RIVERSIDE CHARTER SCHOOL (CONTINUED)**

**2025-002 – Financial Close and Reporting (Material Weakness) (Continued)**

**Cause:** Lack of formal procedures for lease/subscription accounting, period-end cutoff, and fund balance reconciliation; insufficient review of accruals and receivables.

**Effect:** Misstatements in financial statements, delayed recognition of obligations and assets, and potential noncompliance with state and GASB requirements.

**Auditor’s Recommendation:** Establish a financial close checklist including: (1) timely review and recording of leases/subscriptions per GASB; (2) proper review for payables and receivables; (3) fund balance reconciliation; (4) procedures for identifying and transferring deficit balances; and (5) training for staff on new GASB standards.

**Management’s Response:** Management agrees with this finding. Contracted Business Manager will make a check list to ensure correct reporting to auditors and to respond in a timely manner. Contracted Business Manager will have a manager check items before submitting to auditor to ensure paperwork is done correctly before submitting to auditors.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-003 – Capital Assets (Material Weakness)**

**Condition/Context:** Construction in process of \$190,269 was listed on the capital asset listing, relating to design costs incurred during 2017 for a potential school expansion. Management and Governance indicated the building expansion was not considered feasible by fiscal year 2023. Beginning net position was restated to remove the costs as of 7/1/2024.

**Criteria:** GAAP and NMAC 6.20.2.11 require that capital assets reflect only costs for projects that are probable and ongoing. Abandoned projects should be written off and removed from the capital asset schedule.

**Cause:** Failure to review and update capital asset listings for feasibility and ongoing relevance.

**Effect:** Overstatement of assets and net position; inaccurate financial reporting.

**Auditor’s Recommendation:** Implement an annual review of construction in process and capital assets to identify and remove costs for abandoned or infeasible projects. Document management and governance decisions regarding project feasibility.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SAN DIEGO RIVERSIDE CHARTER SCHOOL (CONTINUED)**

**2025-003 – Capital Assets (Material Weakness) (Continued)**

**Management’s Response:** Management agrees with finding. School board has approved to take construction in process of \$190,269 off the books for the 2025-2026 school year as the project is no longer taking place.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-004 – Compensated Absences (Material Weakness)**

**Condition/Context:** The school did not properly maintain or track employee leave between fiscal years 2023 and 2025. Numerous employees had erroneous balances or leave accrued in excess of limits.

**Criteria:** NMAC 6.20.2.11 and school policy require accurate tracking of compensated absences and leave balances, with limits enforced per policy.

**Cause:** Lack of effective controls and procedures for leave tracking and enforcement of accrual limits.

**Effect:** Potential for overpayment, policy violations, and inaccurate reporting of compensated absences.

**Auditor’s Recommendation:** Establish a centralized leave tracking system with automated accrual limits, periodic reconciliation of leave balances, and staff training on leave policies.

**Management’s Response:** Management agrees with finding. Contracted Business Manager is working of correcting the compensated absences moving forward. Contracted Business Manager has procedures in place to ensure absences are recorded properly.

**Implementation:** Completion by June 30, 2026.

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SANDOVAL ACADEMY OF BILINGUAL EDUCATION**

**2025-001 – Internal Controls over Cash Receipts (Other Matters)**

**Condition/Context:** During our testing over cash receipts, we noted the following issues:

- Revenue from a fund grant totaling \$5,595 was incorrectly coded to object 41701 (revenue from students for memberships in school clubs or organizations), rather than the appropriate object for grant revenue.
- Cash receipts totaling \$10,000 were deposited to fund 25153 instead of the correct fund 26107.

**Criteria:** Per NMAC 6.20.2.11, all transactions must be executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight in object coding for grant revenue.

**Effect:** Improper coding and fund assignment can lead to inaccurate financial reporting, misclassification of revenues, and potential noncompliance with state requirements and grant restrictions.

**Auditor's Recommendation:** Management should review and revise procedures to ensure grant revenues are coded to the correct object, cash receipts are deposited to the correct fund, and training should be provided to staff responsible for coding and fund assignment.

**Management's Response:** The school will collaborate with the contracted Business Manager to ensure that appropriate procedures are followed when coding deposits to the correct fund. Any supporting documentation will be provided to the Business Manager so that the proper accounting code can be accurately determined for each deposit.

Regarding the \$10,000 deposit referenced in the finding, the Business Manager had already identified the miscoding and submitted a Client Adjusting Journal Entry prior to CLA's identification of the error.

**Implementation:** December 10, 2025.

**Person Responsible:** Business Manager.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SANDOVAL ACADEMY OF BILINGUAL EDUCATION (CONTINUED)**

**2025-002 – Procurement (Other Noncompliance)**

**Condition/Context:** The school did not comply with formal sole source procurement requirements. Specifically, it failed to issue a public notice of intent to award the sole source contract at least 30 days prior to execution, resulting in a contract award totaling \$76,158 without proper advance disclosure.

**Criteria:** NMSA 13-1-102 and related statutes require competitive procurement or proper sole source procedures.

**Cause:** Management oversight and lack of adherence to formal sole source procurement procedures.

**Effect:** Noncompliance with state procurement code.

**Auditor's Recommendation:** Management should ensure all sole source procurements follow statutory requirements, including public notice and documentation.

**Management's Response:** The school currently has established procurement processes in place, which will be reinforced with staff moving forward. The CPO and Business Manager will follow statutory requirements including public notice and documentation going forward.

**Implementation:** 2/28/2025.

**Person Responsible:** CPO and Contracted Business Manager.

**Condition/Context:** The school donated fully depreciated portable walls (original asset cost \$19,559) to another school, but did not submit the required notification of disposal to the NM State Auditor.

**Criteria:** State law requires notification to the NM State Auditor for disposal of assets.

**Cause:** Management oversight over asset disposal procedures.

**Effect:** Noncompliance with asset disposal notification requirements.

**Auditor's Recommendation:** Management should implement procedures to ensure all asset disposals are properly documented and reported to the NM State Auditor.

**Management's Response:** The school currently has policies and procedures in place for the disposal of assets. These policies and procedures will be reviewed and updated to ensure that all steps are followed, and the New Mexico State Auditor is properly notified of any future asset disposals.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SANDOVAL ACADEMY OF BILINGUAL EDUCATION (CONTINUED)**

**2025-002 – Procurement (Other Noncompliance) (Continued)**

**Implementation:** 12/10/2025.

**Person Responsible:** Executive Director and Contracted Business Manager.

**SCHOOL OF DREAMS ACADEMY**

**2025-001 – Account Coding Errors in Cash Receipts and Disbursements (Other Noncompliance)**

**Condition/Context:** During our audit, we noted the following deficiencies in account coding:

- Cash Receipts: Two instances were identified in which object code 41701 (fees - activities) was used to record financial awards received from an external organization. The appropriate object code for such transactions is 41920 (contributions and donations from private sources).
- Cash Disbursements: One instance was noted where the object code used for student-related travel was 53711, rather than the correct code 55817.

**Criteria:** Per NMAC 6.20.2.13(C), all school districts shall prepare, maintain, and report budget and financial information utilizing a standard and uniform chart of accounts. Accurate object code classification is required to ensure compliance with the Public Education Department's chart of accounts and proper financial reporting.

**Cause:** Insufficient internal controls and oversight regarding the use of appropriate object codes for specific transaction types.

**Effect:** Potential misstatement of revenues and expenditures, which may impact the accuracy of financial statements and compliance with PED reporting requirements.

**Auditor's Recommendation:** We recommend that management review the Uniform Chart of Accounts (UCOA) to ensure that all transactions, including financial awards from external organizations and student-related travel expenditures, are recorded using the most appropriate codes. Regular review of the UCOA should be conducted to promote accurate and compliant financial reporting.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SCHOOL OF DREAMS ACADEMY (CONTINUED)**

**2025-001 – Account Coding Errors in Cash Receipts and Disbursements (Other Noncompliance) (Continued)**

**Management's Response:** The school will collaborate with the contracted Business Manager to ensure that appropriate procedures are followed when coding deposits to the correct fund. All supporting documentation will be provided to the contracted Business Manager so that the proper accounting code can be accurately determined for each deposit.

**Implementation:** Beginning December 10, 2025 and completion by June 30, 2026.

**Person Responsible:** Contracted Business Manager.

**SCHOOL OF DREAMS ACADEMY FOUNDATION**

No findings to report for Fiscal Year 2025.

**SIX DIRECTIONS INDIGENOUS SCHOOL**

**2025-001 – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** During our audit, we noted the following issues related to financial close and reporting:

- Two items totaling \$8,102 were improperly excluded from the accounts payable listing at year-end.
- Error in June 2025 bank reconciliation due to voided check for \$14,971 leading to incorrect cash balance in trial balance at fiscal yearend.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls over the financial close and reporting process.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

---

*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SIX DIRECTIONS INDIGENOUS SCHOOL (CONTINUED)**

**2025-001 – Financial Close and Reporting (Significant Deficiency) (Continued)**

**Effect:** Possible misstatement of liabilities, expenses, and cash balances resulting in inaccurate financial statements.

**Auditor's Recommendation:** We recommend management implement procedures to ensure all liabilities are properly identified and included in the accounts payable listing at year-end. We also recommend that the monthly preparation and review of the bank reconciliation include a comparison to the trial balance and general ledger to ensure accuracy.

**Management's Response:** Procedures will be implemented to ensure that all liabilities are properly identified and recorded in the accounts payable listing at year-end, including strengthened cutoff procedures and a documented year-end review process. The business office will also enhance its monthly bank reconciliation procedures by incorporating a required comparison to both the trial balance and the general ledger to verify completeness and accuracy.

**Implementation:** June 2026

**Person Responsible:** Business Manager.

**2025-002 – Budgetary Conditions (Other Noncompliance)**

**Condition/Context:** During review of budget compliance, we noted the school misreported actual expenditures to PED for the following funds and functions:

- Fund 25147 Function 1000 Instruction: \$1,550
- Fund 25147 Function 2000 Support Services: 1,232

During review of budget compliance, we noted the school recorded expenses to a different function than budgeted:

- Fund 26107 Function 2000 Support Services: \$10,000

During review of budget compliance, we noted the school accrued expenditures to Fund 11000 Function 3100 in FY24 that were paid from Fund 21000 Function 3100 in FY25. Recording the adjusting entry to correct these transactions led to misreporting of actual expenditures to PED for the following funds and functions:

- Fund 11000 Function 3100 (\$15,294)
- Fund 21000 Function 3100 \$15,294

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SIX DIRECTIONS INDIGENOUS SCHOOL (CONTINUED)**

**2025-002 – Budgetary Conditions (Other Noncompliance) (Continued)**

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control.

Budgets must not be exceeded at the legal level of control (function), and reporting to PED must accurately reflect expenditures by function.

**Cause:** Management oversight and untimely submission of budget adjustment requests.

**Effect:** Noncompliance with state statutes and inaccurate reporting to PED.

**Auditor's Recommendation:** We recommend management establish controls to monitor budget compliance and ensure timely submission of BARs to accurately reflect expenditures by function.

**Management's Response:** Controls will be strengthened to ensure regular monitoring of budget compliance, including periodic reviews of expenditures by function and comparison to approved budgets. The business office will also implement procedures to ensure that Budget Adjustment Requests (BARs) are prepared and submitted in a timely manner so that financial records accurately reflect current operational needs and expenditures.

**Implementation:** July 2025

**Person Responsible:** Business Manager

**2025-003 – Internal Controls Over Cash Disbursements (Other Noncompliance)**

**Condition/Context:** During review of cash disbursements, the following errors were noted in 3 of 19 disbursements tested:

- A purchase order for \$10,000 was not signed by the school's designated official, thus, we could not verify if the school had an approved purchase order in place prior to receipt of goods and/or services.
- An FY24 purchase order was used for a FY25 disbursement of \$800; the PO was not reissued in FY25.
- A hotel invoice for \$182 for a travel reimbursement was not provided during audit procedures.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

---

*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SIX DIRECTIONS INDIGENOUS SCHOOL (CONTINUED)**

**2025-003 – Internal Controls Over Cash Disbursements (Other Noncompliance) (Continued)**

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

All disbursements must be supported by properly authorized purchase orders and supporting documentation.

**Cause:** Lack of adequate internal controls over the procurement and purchasing processes.

**Effect:** Noncompliance with state statutes and risk of unauthorized or unsupported expenditures.

**Auditor's Recommendation:** We recommend management ensures all purchase orders are properly authorized, that purchase orders are re-issued at the beginning of each fiscal year and that supporting documentation is retained for all disbursements.

**Management's Response:** Procedures will be strengthened to ensure that all purchase orders are properly authorized prior to procurement and that new purchase orders are issued at the beginning of each fiscal year in accordance with established requirements. The business office will also reinforce document-retention practices to ensure that complete supporting documentation is maintained for all disbursements.

**Implementation:** July 2025

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SIX DIRECTIONS INDIGENOUS SCHOOL (CONTINUED)**

**2025-004 (2024-001) – Internal Control Over Payroll (Other Noncompliance)**

**Condition/Context:** During review of payroll, the following errors were noted in 3 of 4 samples:

- Missing federal background checks for two employees.
- Missing I-9 form for one employee.
- Medical benefits were not appropriately deducted for one employee.
- Accrued payroll differed by approximately \$3,753 from cleared payroll transactions.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay, or position change notices, Education Retirement Act plan application, and direct deposit.

**Cause:** Lack of adherence to payroll controls and procedures.

**Repeat Finding:** 2024-001

**Effect:** Noncompliance with applicable rules and regulations, potential for inaccurate compensation and benefit withholdings.

**Auditor’s Recommendation:** We recommend management ensure all required documentation is retained in employee files and that payroll deductions and liability accruals are accurately calculated and supported.

**Management’s Response:** Procedures will be enhanced to ensure that all required documentation is properly retained within each employee’s personnel file and maintained in accordance with applicable record-keeping standards. In addition, the payroll department will strengthen controls over the calculation and review of payroll deductions and liability accruals, including verification of supporting documentation and supervisory oversight

**Implementation:** July 2025

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SIX DIRECTIONS INDIGENOUS SCHOOL (CONTINUED)**

**2025-005 – Request for Reimbursement Revenues and Receivables (Significant Deficiency)**

**Condition/Context:** RFR funds 24106 and 24189 did not agree in revenues and expenditures, resulting in year-end deficits of \$655 and \$12,588, respectively. A permanent cash transfer will be required in fiscal year 2026 to adjust.

**Criteria:** NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

All funds must be reconciled, and deficits must be addressed through appropriate transfers.

**Cause:** Management oversight and lack of timely reconciliation.

**Effect:** Deficit fund balances and potential cash flow issues.

**Auditor's Recommendation:** We recommend management reconcile all funds and process permanent cash transfers as needed to eliminate deficits.

**Management's Response:** We will strengthen procedures to ensure that all funds are reconciled on a regular basis and that any required permanent cash transfers are processed timely to eliminate fund deficits. The business office will incorporate enhanced review steps into the monthly close process to monitor fund balances, identify deficits promptly, and ensure appropriate corrective actions are taken.

**Implementation:** July 2025

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SIX DIRECTIONS INDIGENOUS SCHOOL (CONTINUED)**

**2025-006 – Governing Council Meeting Minutes (Other Noncompliance)**

**Condition/Context:** No meeting minutes were recorded for the Governing Council Special Meeting on 04/22/25.

**Criteria:** Open Meetings Act, NMSA 10-15-1 (G). The board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted. All minutes are open to public inspection. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present. Minutes shall not become official until approved by the policymaking body.

**Cause:** Management oversight.

**Effect:** Noncompliance with statutory requirements and lack of transparency.

**Auditor's Recommendation:** We recommend management ensure that minutes are recorded and retained for all governing council meetings.

**Management's Response:** Procedures will be strengthened to ensure that minutes are properly recorded for all governing council meetings and retained in accordance with applicable record-keeping requirements. The school will implement a standardized process for documenting meeting proceedings, securing approved minutes, and maintaining them in an organized and easily accessible manner.

**Implementation:** July 2025

**Person Responsible:** School Administrator

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOLARE COLLEGIATE CHARTER SCHOOL**

**2025-001 (2024-004) – Internal Control over Payroll (Other Noncompliance)**

**Condition/Context:** During our review of employee files, we noted that background checks for 4 out of 6 employees tested were not on file or maintained by the School.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMSA 22-10A-5(C), governing authorities shall develop policies and procedures to require criminal history record checks on an applicant who has been offered employment or who applies to be a school volunteer or works for the public school as a contractor or a contractor's employee and who may have unsupervised contact with children or students on school premises.

**Cause:** Lack of adequate internal controls over personnel file documentation and retention.

**Repeat Finding:** 2024-004

**Effect:** Noncompliance with state statute and increased risk that employees have not been properly vetted for employment.

**Auditor’s Recommendation:** We recommend management ensure that background checks are performed and retained for all required individuals in accordance with state law.

**Management’s Response:** Management acknowledges this finding and has taken action. Upon notification of this finding, we conducted a comprehensive review of all employee files and identified that background checks had been completed for all employees at the time of hire, but documentation was not consistently retained in personnel files. All missing background check documentation has now been retrieved from the background check vendor and placed in the appropriate employee files.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOLARE COLLEGIATE CHARTER SCHOOL (CONTINUED)**

**2025-001 (2024-004) – Internal Control over Payroll (Other Noncompliance) (Continued)**

**Implementation:** To prevent recurrence, management has implemented the following controls:

- Enhanced Onboarding Checklist: Updated our new hire checklist to include mandatory verification that background check documentation is received and filed before an employee's first day.
- File Audits: The audit will conduct reviews of all personnel files to ensure background checks and other required documentation are current and properly maintained.
- Centralized Tracking System: Implemented a tracking spreadsheet that logs background check completion dates, expiration dates (where applicable), and file location for all employees, volunteers, and contractors with unsupervised student contact.
- Staff Training: Provided training to HR and administrative staff on personnel file requirements and retention policies
- Implementation Date: Completed by December 31, 2025

**Person Responsible:** School leadership and HR representative at the school

**2025-002 – Travel and Per Diem (Other Noncompliance)**

**Condition/Context:** During our review of travel reimbursements, we noted that a partial day per diem of \$23.97 was paid to an employee, while the correct rate should have been \$42.

**Criteria:** Per the New Mexico Per Diem and Mileage Act and Department of Finance and Administration (DFA) regulations, per diem rates must be paid in accordance with the established schedule.

**Cause:** Improper calculation and review of per diem rates.

**Effect:** Underpayment of per diem to the employee and noncompliance with state regulations.

**Auditor's Recommendation:** We recommend management review and update travel reimbursement procedures to ensure the correct per diem rates are used and that all reimbursements are properly calculated and reviewed.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOLARE COLLEGIATE CHARTER SCHOOL (CONTINUED)**

**2025-002 – Travel and Per Diem (Other Noncompliance) (Continued)**

**Management’s Response:** Management concurs with this finding. We acknowledge that an employee received an incorrect partial day per diem payment of \$23.97 when the correct rate should have been \$42, resulting in an underpayment of \$18.03. This error occurred due to improper calculation of the per diem rate and insufficient review procedures to verify compliance with the New Mexico Per Diem and Mileage Act and Department of Finance and Administration (DFA) regulations.

**Implementation:** Implement immediately and we will update all our travel forms with the correct rate, completion by December 31, 2025.

**Person Responsible:** School Office Staff

**2025-003 (2023-001) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:**

- Fund 31400: Revenues exceeded expenses by \$8,905; the school was reimbursed for expenses that it subsequently allocated to other funding sources.
- Fund 25282: Excess expenses of \$127,677 were incurred related to unallowable costs and related timing.
- Fund 11000: In Fiscal Year 2024, a bussing invoice was accrued to the operational fund; however, in FY25 it was paid by Fund 13000. The invoice should have been paid by the operational fund in FY25.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded and transactions are executed and recorded properly to permit the preparation of financial statements in accordance with GAAP.

**Cause:** Lack of adequate internal controls over financial close, reporting, and fund allocation.

**Repeat Finding:** 2024-001

**Effect:** Potential misstatements to the financial statements, improper use of funds, and noncompliance with allowable cost principles.

**Auditor’s Recommendation:** We recommend management implement procedures to ensure all revenues and expenses are properly allocated, allowable, and recorded in the correct funds and periods.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOLARE COLLEGIATE CHARTER SCHOOL (CONTINUED)**

**2025-003 (2023-001) – Financial Close and Reporting (Material Weakness) (Continued)**

**Management’s Response:**

Quarterly Fund Reviews: We will conduct quarterly reviews of all fund activity with the Business Manager and Head Administrator to:

- Identify potential misallocations early
- Review fund balance trends and ensure they align with expectations
- Address any unusual transactions or variances promptly

Year-End Close Checklist: We will create a comprehensive year-end closing checklist that includes:

- Review of all accrued expenses and verification of subsequent payment from correct fund
- Analysis of fund balance changes to identify unusual variances
- Reconciliation of revenues to expenditures by fund to ensure proper matching
- Review of allowability of all costs charged to restricted funds

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager and Accounting Team

**2025-004 – Internal Controls Over Cost Allocation (Other Noncompliance)**

**Condition/Context:** Salaries and benefit costs of \$26,667 were allocated to the transportation fund (13000). The school did not maintain or provide documentation to support this allocation or demonstrate that the allocation was based on actual costs or hours related to student transportation prior to our inquiry.

**Criteria:** Per 2 CFR 200 (Uniform Guidance) and state requirements, costs charged to federal or restricted funds must be supported by documentation and based on actual costs incurred for allowable activities.

**Cause:** Lack of documentation and inadequate internal controls over cost allocation.

**Effect:** Risk of unallowable costs being charged to restricted funds and potential noncompliance with federal and state requirements.

**Auditor’s Recommendation:** We recommend management maintain adequate documentation to support all cost allocations and ensure that only allowable costs are charged to the transportation fund.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOLARE COLLEGIATE CHARTER SCHOOL (CONTINUED)**

**2025-004 – Internal Controls Over Cost Allocation (Other Noncompliance) (Continued)**

**Management's Response:** Management respectfully disagrees with this finding. The allocation of salaries and benefits to the transportation fund follows established practices that have been consistently applied by school districts and charter schools across New Mexico for many years without audit exception.

**Basis for Disagreement:**

**Consistency with Established Practice:** The methodology used to allocate administrative and support staff costs to the transportation fund is consistent with the approach used by numerous New Mexico school districts and PEC charter schools in prior years. These entities have been audited without receiving findings on similar allocations, demonstrating that this practice has been accepted as compliant with applicable requirements.

**Confirmation from NMPED:** Management specifically consulted with the New Mexico Public Education Department (NMPED) regarding documentation requirements for transportation fund cost allocations. NMPED confirmed that the level of documentation being requested by the auditor is not required under state law or regulation.

**Reasonable Allocation Methodology:** The allocation is based on a reasonable estimate of staff time devoted to transportation-related activities (vehicle coordination, driver supervision, route management, and transportation reporting). This methodology is consistent with cost allocation principles and reflects actual transportation support provided by school personnel.

**Overreach of Audit Authority:** The auditor's application of 2 CFR 200 (Uniform Guidance) to state transportation funds appears to be an overreach, as the transportation fund is a state-funded program, not a federal fund subject to Uniform Guidance requirements. State requirements for the transportation fund do not mandate the specific level of time-tracking documentation being requested.

**Management's Position:** While management is committed to maintaining appropriate documentation for all expenditures, we believe the current allocation methodology is reasonable, compliant with state requirements as confirmed by NMPED, and consistent with longstanding practice across New Mexico public schools. Management will continue to follow NMPED guidance on transportation fund documentation requirements and will seek clarification from NMPED and PED's audit bureau if CLA continues to assert requirements that exceed state mandates.

**Implementation Date:** N/A - Management disagrees with finding

**Person Responsible:** Business Manager; Executive Director, Audit Committee

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOLARE COLLEGIATE CHARTER SCHOOL (CONTINUED)**

**2025-004 – Internal Controls Over Cost Allocation (Other Noncompliance) (Continued)**

**Auditor’s Rebuttal:** The allocation of costs to the transportation fund were done via a manual journal entry. When we requested the supporting documentation for the journal entry, we were provided with an explanation that the executive director oversees transportation for Solare and were provided with the employment contract that lists, "the Administrator shall during the term of employment faithfully perform the duties pertaining to the position, administer the duties assigned by the Board."

Upon further inquiry regarding how the costs of \$26,667 were derived, the school created a spreadsheet listing the hours the executive director spent on transportation duties which was signed by the executive director and governing council president.

The finding relates to a lack of documentation when the journal entry was created, posted to the general ledger, and approved by the executive director and presented to the governing council.

Management's response of "consistency with established practice", "reasonable allocation methodology" and "overreach of audit authority" appears to respond to why the costs are allowable or reasonable, which is not the condition/context of the finding.

**SOLARE COLLEGIATE CHARTER SCHOOL FOUNDATION**

**2025-005 (2024-001) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** Loan issuance costs of \$113,918 were improperly recorded as construction in process, while these costs should have been expensed when paid.

Accrued interest was not recorded by the Foundation; \$33,478 should have been accrued as of June 30, 2025.

The June 30, 2025 pay application of \$277,234 related to building construction was not identified as construction in process or accounts payable.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per generally accepted accounting principles (GAAP), loan issuance costs should be expensed as incurred, interest should be accrued as a liability when incurred, and construction in process and related payables should be properly recorded.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOLARE COLLEGIATE CHARTER SCHOOL FOUNDATION (CONTINUED)**

**2025-005 (2024-001) – Financial Close and Reporting (Material Weakness) (Continued)**

**Cause:** Lack of adequate internal controls over financial reporting and review of accounting for debt and construction activities.

**Repeat Finding:** 2024-001

**Effect:** Misstatement of assets, liabilities, and expenses in the Foundation's financial statements.

**Auditor's Recommendation:** We recommend management review and update accounting procedures to ensure proper classification and accrual of loan costs, interest, and construction payables.

**Management's Response:** Management acknowledges this finding and recognizes that proper accounting for complex transactions involving debt issuance costs, interest accruals, and construction activities requires enhanced controls and expertise.

**Process Improvements Implemented:**

1. Enhanced Month-End Close Procedures: Updated month-end and year-end close checklists to include specific review steps for:
  - Verification that all construction pay applications are recorded as construction in process with corresponding payables
  - Monthly accrual of interest on all outstanding debt obligations
  - Proper classification of debt-related costs (issuance costs vs. capitalized interest)
2. Construction Project Tracking: Implemented a detailed construction project tracking spreadsheet that reconciles contractor invoices, pay applications, and accounts payable to construction in process on a monthly basis.

**Implementation Date:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager, Foundation Board, Executive Director

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOUTH VALLEY PREPARATORY SCHOOL**

**2025-001 (2024-004) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During the financial close for the year ended June 30, 2025, the following issues were identified:

- A vendor refund of \$3,388 received in FY26, related to FY25 expenses, was not accrued as accounts receivable as of June 30, 2025.
- Adjusting journal entries (AJEs) were required to properly rollforward fund balance. One FY24 adjustment was recorded twice, totaling \$33,124, and other adjustments totaling \$1,416 were required to properly state fund balance.
- Fund 24119 revenues exceeded expenditures by \$15 as of June 30, 2025, indicating a permanent cash transfer is needed in FY26.
- State Withholding of \$55,198.93 related to FY24 and part of FY25 has not yet been remitted to the State.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11 and generally accepted accounting principles (GAAP), all amounts due to the entity as of year-end should be recognized as accounts receivable, fund balances should be accurately reconciled and rolled forward each fiscal year, and permanent cash transfers should be processed when required by fund activity.

**Cause:** Management oversight, duplicate posting of prior year adjustments, lack of effective review procedures for fund balance rollforward, and lack of timely review and processing of permanent cash transfers.

**Repeat Finding:** 2024-004

**Effect:** Potential understatement of accounts receivable and expenses for FY25, misstatement of fund balance, and noncompliance with fund accounting requirements.

**Recommendation:**

- Implement procedures to identify and accrue all amounts due from vendors at year-end, including refunds related to prior year expenses.
- Ensure all prior year audit adjustments are posted only once and implement a detailed review of fund balance rollforward to identify and correct errors before year-end close.
- Process a permanent cash transfer for Fund 24119 in FY26 to properly reconcile fund balances.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOUTH VALLEY PREPARATORY SCHOOL (CONTINUED)**

**2025-001 (2024-004) – Financial Close and Reporting (Material Weakness) (Continued)**

**Management’s Response:** School Management is aware of this finding and will implement a process to look at refunds in the new year and ensure they are added to the AR list. Multiple people were working to fix FY24 audit so recording AJE’s to the GL will only be done by the business manager and reviewed by a second reviewer. A cash transfer will be done in FY26 for Fund 24119. Lastly, the school has requested a “managed audit” from NM Tax & Rev to gain clarity on missing payments from FY24.

**Implementation Date:** December 2025

**Person Responsible:** Business Manager

**2025-002 (2024-003) – Internal Controls over Compliance Matters (Significant Deficiency)**

**Condition/Context:** During our testing of state compliance requirements we noted the following:

- USDA - noted meal count logs for 4 out of 11 months differed from the meal count submitted by the School for reimbursement, resulted in potential under reimbursement of \$1,256.
- Cash Receipts - one instance in which receipts of \$1,010 were not deposited within 24 hours of receipt.
- Cash Disbursements - four instances in which object coding was not proper based on NM PED Chart of Accounts.

**Management’s Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Insufficient controls and oversight to ensure compliance with state statutes.

**Repeat Finding:** 2024-003

**Effect:** Noncompliance with state statutes.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOUTH VALLEY PREPARATORY SCHOOL (CONTINUED)**

**2025-002 (2024-003) – Internal Controls over Compliance Matters (Significant Deficiency)  
(Continued)**

**Auditor's Recommendation:** We recommend management establish a procedure to ensure that USDA meal claims are reconciled and match meal count logs. We recommend implementing a procedure to ensure compliance with the 24 hour rule. We recommend review of the chart of accounts when coding purchase orders and expenses.

**Management's Response:** School Management will attend the School Lunch Program annual training to ensure proper reimbursement submission. They will also be reminded that all cash the school receives needs to be deposited within 24 hours.

**Implementation:** December 2025

**Person Responsible:** School Administration & Business Manager

**2025-003 (2023-001) – Controls over Capital Assets (Material Weakness)**

**Condition/Context:** During our testwork over capital assets we noted a roof replacement totaling \$259,472 was not included as a capital asset addition as of June 30, 2025.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Lack of sufficient internal controls to identify all asset purchases that should be capitalized.

**Repeat Finding:** 2024-001

**Effect:** Possible misstatement to the school's financial statements.

**Auditor's Recommendation:** We recommend sufficient internal controls be implemented to review all purchases, including those paid subsequent to year-end be reviewed for potential capital asset additions.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SOUTH VALLEY PREPARATORY SCHOOL (CONTINUED)**

**2025-003 (2023-001) – Controls over Capital Assets (Material Weakness) (Continued)**

**Management's Response:** A review process will be put in place to ensure all capital assets are captured in the correct fiscal year.

**Implementation:** July 2025

**Person Responsible:** School Administration & Business Manager

**2025-004 – Compensated Absences (Other Matters)**

**Condition/Context:** Leave not properly maintained or deducted, resulted in manual adjustments to leave and rollover.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight.

**Effect:** Lack of leave tracking could result in accurate accruals and/or usage of leave.

**Auditor's Recommendation:** We recommend sufficient leave policies be implemented and that management reviews and reconciles leave accrual, usage and rollover balances in a timely manner.

**Management's Response:** Starting in FY26 the leave has been rolled over properly. This finding should not repeat.

**Implementation:** July 2025

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SUN MOUNTAIN COMMUNITY SCHOOL**

**2025-001 – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** During our review of accounts payable, we noted the following matters:

- \$20,805 of FY26 expenses were recorded as FY25 expenses and accounts payable
- \$12,697 of FY25 expenses were excluded from the FY25 accounts payable listing

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Errors in cutoff procedures and insufficient review of supporting documentation during year-end accrual process.

**Effect:** Accounts Payable and related expense accounts were misstated at fiscal year-end, resulting in potential inaccuracies in financial reporting.

**Recommendation:** Implement enhanced year-end cutoff procedures, including:

- Detailed review of invoices and receiving reports near fiscal year-end
- Reconciliation of subsequent disbursements to ensure proper accrual
- Training for staff on cutoff requirements

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**SUN MOUNTAIN COMMUNITY SCHOOL (CONTINUED)**

**2025-001 – Financial Close and Reporting (Significant Deficiency) (Continued)**

**Management’s Response:** Management concurs with this finding. We acknowledge that accounts payable and related expenses were misstated at fiscal year-end due to cutoff errors. Specifically, \$20,805 of FY26 expenses were incorrectly recorded in FY25, and \$12,697 of FY25 expenses were not properly accrued.

While we take full responsibility for these errors, we wish to provide context regarding the underlying cause. The majority of the confusion stemmed from challenges in aligning expenditures with the correct fiscal year for the Charter School Program (CSP) grant. The CSP grant operates on a different fiscal year cycle than our school's fiscal year, and the lack of clear guidance and organizational structure from the CSP grant administration created significant challenges in determining the appropriate fiscal year for recording certain transactions. Our attempts to ensure proper matching of expenses to the CSP grant period inadvertently resulted in misclassification of expenses in our general ledger.

We recognize that regardless of grant complexities, our financial statements must comply with GAAP and properly reflect transactions in the correct fiscal year based on when goods or services were received, not grant period alignment.

**Implementation:** Similar to how AP works for other schools, once Sun Mountain is no longer in the planning phase they will follow standard processes and all grants will be reimbursable. We will follow the following process for FY26 and beyond:

**Enhanced Cutoff Procedures:** We will develop and implement a comprehensive year-end closing checklist that includes:

- Detailed review of all invoices dated within 30 days before and after fiscal year-end
- Review of receiving reports and verification of goods/services received dates
- Documentation requirements showing the fiscal year determination rationale for each accrued expense
- Implementation by June 30, 2026.

**Person Responsible:** Business Manager and Audit Committee

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TAOS ACADEMY CHARTER SCHOOL**

**2025-001 – Financial Close and Reporting (Other Matters)**

**Condition/Context:** During our review of capital assets, we noted a capital asset completed as of June 30, 2025 costing \$102,144 was not included as capital asset addition or on the capital asset listing.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight in not considered if invoices paid in FY26 represent capital assets as of June 30, 2025.

**Effect:** Misstatement of capital assets.

**Auditor's Recommendation:** We recommend subsequent year disbursements be reviewed when identifying capital asset additions.

**Management's Response:** School will implement a procedure to look at subsequent fiscal year expenditures as well as audited fiscal year expenditures.

**Implementation:** Immediate, completion by June 30, 2026.

**Person Responsible:** Finance Director

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TAOS ACADEMY FOUNDATION**

**2025-001 (2023-001) – Financial Close and Reporting (Other Matters)**

**Condition/Context:** During the audit, the following deficiencies in internal controls over financial close and reporting were noted:

- Depreciation was calculated based on an incorrect useful life, resulting in an adjustment of \$19,295.
- A check dated 6/30/2025 in the amount of \$15,045 was not listed on the June 2025 bank reconciliation.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** The foundation should maintain an internal control structure to all for the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight in the determination of asset useful lives and in the preparation of bank reconciliations.

**Repeat Finding:** 2024-001

**Effect:** Potential misstatement of depreciation expense, net book value of assets, cash, and accounts payable balances in the financial statements.

**Auditor's Recommendation:** It is recommended that management:

- Review and update procedures for determining the useful lives of capital assets to ensure accurate calculation of depreciation.
- Implement procedures to ensure all outstanding checks are properly listed on bank reconciliations at month-end.

**Management's Response:** School Management will suggest to the foundation board that they have a more experienced individual take care of the business side of the foundation.

**Implementation:** Immediate, completion by June 30, 2026.

**Person Responsible:** Direct and Finance Director/Foundation Board

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TAOS INTEGRATED SCHOOL OF THE ARTS**

**2025-001 (2024-001) – Internal Controls Over Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** During our audit, we noted the following deficiencies in internal controls related to financial close and reporting:

- An unlocated variance of \$6,328 existed between the accrual for NMPSIA insurance and the actual insurance payments made. The variance could not be reconciled to supporting documentation or identified through review of the general ledger and related schedules.
- The Q4 2025 cash report reflected a reversion to NM PED of \$50,000 that was netted with payroll liabilities, rather than being reported separately on line 6 (permanent cash transfers/reversions) as required by PED reporting standards.
- CLA noted that the school did not record the related revenue and expense for assets purchased directly by REC 6 on behalf of the school. These transactions were omitted from the school's general ledger and financial statements.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

Sound financial management and NMAC 6.20.2.9(A) and 22-8-5 through 22-8-12.2 NMSA 1978 require that permanent cash transfers and reversions be reported separately and not netted with other liabilities. All assets acquired for the benefit of the school must be recorded as both revenue and expense in the school's financial statements to ensure accurate reporting in accordance with GAAP.

**Cause:** Management oversight and lack of effective reconciliation and reporting procedures for insurance accruals, payments, cash transfers, and assets purchased by third parties.

**Repeat Finding:** 2024-001

**Effect:** Potential misstatement of insurance expense, related liabilities, revenue, expense, and asset balances in the financial statements. Noncompliance with state reporting requirements for cash transfers and reversions.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TAOS INTEGRATED SCHOOL OF THE ARTS (CONTINUED)**

**2025-001 (2024-001) – Internal Controls Over Financial Close and Reporting (Significant Deficiency) (Continued)**

**Auditor's Recommendation:** We recommend management:

- Establish procedures to reconcile insurance accruals to actual payments and investigate any variances in a timely manner.
- Ensure that all permanent cash transfers and reversions are reported separately on the cash report in accordance with PED requirements.
- Coordinate with REC 6 to obtain documentation for all assets purchased and ensure proper recording in the general ledger as both revenue and expense.

**Management's Response:** A detailed monthly reconciliation process will be established to compare NMPSIA accruals to actual insurance invoices and payments. This includes documenting all variances and obtaining supervisory review. School Business Official will work with an outside SBO to ensure additional training and guidance on proper procedures, documentation standards, and verification steps for the accrual process.

In regards to permanent cash transfers, SBO will ensure correct account codes are used so that it is reflected on the cash report on line 6, instead of through another reporting line item.

An adjusting JE will be included to reflect the actual revenue and expenses when funds do not flow through OBMS. Should TISA receive the REC grant again, the SBO will work directly with the auditors to determine how to get the revenues and expenses on the GL.

**Implementation:** Ongoing, completion by June 30, 2026.

**Person Responsible:** School Business Official.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TAOS INTERNATIONAL CHARTER SCHOOL**

**2025-001 – Bank Reconciliation (Other Matters)**

**Condition/Context:** During our review of cash and cash equivalents, we noted the June 2025 bank reconciliation listed an invalid outstanding deposit of \$18,621. After an adjustment was made, this matter resulted in inaccurate reporting in OMBS for Fund 31703 revenues of \$18,621.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer-generated reports.

**Cause:** Management oversight and lack of effective internal controls.

**Effect:** Potential misstatements to the financial statements and inaccurate financial reporting in OBMS.

**Auditor's Recommendation:** We recommend management establish procedures to ensure all outstanding items on bank reconciliations are valid and that adjustments are made timely to ensure accurate reporting.

**Management's Response:** Procedures will be strengthened to ensure that all outstanding items on bank reconciliations are reviewed for validity and resolved in a timely manner. The business office will implement enhanced reconciliation protocols, including documented review steps and supervisory oversight, to ensure that necessary adjustments are posted promptly and financial reporting remains accurate. These improvements will be incorporated into our monthly reconciliation process going forward.

**Implementation:** June 2026

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TAOS INTERNATIONAL CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-002) – Internal Control over Cash Disbursements (Other Noncompliance)**

**Condition/Context:** During review of cash disbursements, we noted the following errors on (2) of the (23) items tested:

- School could not provide hotel invoices for (2) travel reimbursements. Amount paid to each employee was \$597 for a total of \$1,194.

**Management’s Progress for Repeat Findings:** Prior management failed to implement adequate controls to resolve the finding. The school will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.14, school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the applicable state and federal laws and regulations.

- (II) Vouchers shall be numbered in such a manner as to provide a cross-reference between the voucher, the check, and the check register. All blank checks shall be properly safeguarded, and an inventory of unused checks shall be taken periodically. Completed vouchers and supporting documentation is to be placed in numerical sequence, by the month in which they were paid, and filed for future reference and annual audit.

**Cause:** Management oversight and lack of effective internal controls.

**Repeat Finding:** 2024-002

**Effect:** Noncompliance with state statutes and risk of improper payments.

**Auditor’s Recommendation:** We recommend management ensure all travel reimbursements are supported by original invoices/receipts and procedures be implemented to require documentation prior to processing reimbursements.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TAOS INTERNATIONAL CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-002) – Internal Control over Cash Disbursements (Other Noncompliance)**  
**(Continued)**

**Management's Response:** Procedures will be enhanced to ensure that all travel reimbursements are supported by original invoices and receipts prior to processing. The business office will implement a standardized documentation checklist and require complete supporting materials before approving any reimbursement requests.

**Implementation:** June 2026

**Person Responsible:** Business Manager / School Administrator

**2025-003 (2024-004) – Financial Close and Reporting (Significant Deficiency)**

**Condition/Context:** During our audit, we noted the following issues related to financial close and reporting:

- \$10,109 in FY26 expenses were improperly included in the FY25 accounts payable accrual.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls.

**Repeat Finding:** 2024-004

**Effect:** Potential for inaccurate financial statements.

**Auditor's Recommendation:** We recommend management implement controls to ensure expenses are recorded in the correct fiscal year and journal entries are reviewed for accuracy.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TAOS INTERNATIONAL CHARTER SCHOOL (CONTINUED)**

**2025-003 (2024-004) – Financial Close and Reporting (Significant Deficiency) (Continued)**

**Management's Response:** Controls will be strengthened to ensure that all expenses are recorded in the correct fiscal year, including enhanced cutoff procedures and additional review steps during year-end processing. Journal entries will be subject to improved oversight, with supervisory review and verification of supporting documentation prior to posting.

**Implementation:** June 2026

**Person Responsible:** Business Manager

**2025-004 – Leave Policy (Other Noncompliance)**

**Condition/Context:** The school's practical leave policy was found to differ from the employee handbook.

**Criteria:** Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP.

**Cause:** Inconsistent application or communication of leave policies.

**Effect:** Potential for noncompliance and risk of disputes regarding leave entitlements.

**Auditor's Recommendation:** We recommend management review and reconcile the practical leave policy with the employee handbook, ensuring all staff are informed of the correct procedures and policies.

**Management's Response:** We will conduct a thorough review and reconciliation of the practical leave policy against the employee handbook to ensure consistency and accuracy. Any discrepancies identified will be corrected, and updated policies will be communicated to all staff. Management will also implement procedures to ensure employees are consistently informed of the appropriate leave processes and expectations.

**Implementation:** June 2026

**Person Responsible:** School Administrator

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**THRIVE COMMUNITY SCHOOL**

**2025-001 – Procurement (Other Noncompliance)**

**Condition/Context:** During our testing over procurement, we noted that competitive procurement procedures were not used for purchases to a single vendor totaling \$84,669. Documentation supporting the use of competitive sealed bids or other approved procurement methods was not provided for these transactions.

**Criteria:** NMSA 13-1-102 requires that all procurement be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978. NMSA 13-1-135 allows cooperative procurement between state agencies, local public bodies, and external procurement units.

**Cause:** Management oversight and lack of sufficient understanding of competitive procurement requirements under the New Mexico Procurement Code.

**Effect:** Noncompliance with state procurement statutes and increased risk of improper or noncompetitive purchasing.

**Auditor's Recommendation:** We recommend management ensure that all purchases expected to exceed \$60,000 are subject to competitive procurement procedures and that documentation is retained to support compliance with the procurement code.

**Management's Response:** School Management is aware of this finding. A new report showing vendor totals has been incorporated into the governing council reports for review. This finding should not repeat.

**Implementation:** November 2025

**Person Responsible:** Business Manager

**THRIVE COMMUNITY SCHOOL FOUNDATION**

No findings to report for fiscal year 2025.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TIERRA ADENTRO: THE NEW MEXICO SCHOOL OF ACADEMICS, ART & ARTESANIA**

**2025-001 – Accounts Receivable (Other Matters)**

**Condition/Context:** One RFR-based fund was noted with revenues exceeding expenditures. According to discussions with the school, an RFR was submitted in FY26 to cover the excess expenditures of \$8,153; however, the accounts receivable accrual was not recorded.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight

**Effect:** Misstatement to the financial statements.

**Auditor's Recommendation:** We recommend that management ensure that adequate internal controls are established surrounding the year-end financial close and reporting process related to accounts receivable.

**Management's Response:** The school currently has internal controls in place; however, these will be enhanced to ensure that all year-end accounts receivable are properly identified and recorded in the correct fiscal year. In this instance, the RFR was submitted in FY26, and the related accrual was inadvertently omitted from year-end close.

**Implementation:** The corrective steps will be incorporated into the FY25-26 year-end close process and applied going forward.

**Person Responsible:** Business Manager.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TIERRA ENCANTADA CHARTER SCHOOL**

**2025-001 – Budgetary Conditions (Other Noncompliance)**

**Condition/Context:** During our audit, we noted expenditure functions where actual expenditure exceeded the budgetary authority:

- Fund 24189: 1000 Instruction \$356
- Fund 31701: 2000 Support Services \$2,815

Additionally, it was noted actuals submitted to OBMS were inaccurately reported as the school provided an adjusting journal entry to adjust payroll liabilities by \$10,355 in the instructional function.

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control.

**Cause:** Management oversight.

**Effect:** Noncompliance with state statutes.

**Auditor's Recommendation:** We recommend management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions and allow sufficient time to have a budget adjustment request approved.

**Management's Response:** TECS will ensure that all budget adjustments will be reviewed in detail by the Preparer and the Business Office staff and ensure that all adjustments are completed timely to avoid over expended funds.

**Implementation:** Complete thorough review at year end and before closing of financial statements.

**Person Responsible:** Business Manager and Office Management team.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL**

**2025-001 – Internal Controls over Vendor Payments (Material Weakness)**

**Condition/Context:** During the audit, the school self-reported that two invoices totaling \$169,060 were mistakenly wired via ACH to a fraudulent vendor account. The school received an email that closely resembled the legitimate vendor's email address, requesting payment be sent to an updated ACH account. Upon review of the school's accounting procedures, it was determined that while the policies outline steps for setting up new vendors (including obtaining a W-9), they do not specifically address changes to existing vendor information—such as requests to update ACH details. This gap contributed to the inability to verify the authenticity of the change request.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** The school's accounting procedures lack specific policies and controls for processing and verifying vendor payment change requests. Existing procedures focus on onboarding new vendors (e.g., obtaining a W-9), but do not address how changes to payment information for existing vendors should be handled. This omission resulted in internal staff not verifying the legitimacy of the requested changes, leaving the school vulnerable to fraud.

**Effect:** As a result, payments were made to a fraudulent vendor account, exposing the school to financial loss. Although the school filed insurance claims and expects reimbursement, the incident highlights a significant weakness in internal controls that could lead to future losses if not addressed.

**Auditor's Recommendation:** It is recommended that the school develop and implement formal policies and procedures specifically addressing vendor payment change requests. These should include, at minimum:

- A requirement for independent verification of any requested changes to vendor payment information, such as direct confirmation with the vendor using previously established contact information.
- Segregation of duties so that no single individual is responsible for both receiving and processing change requests.
- Documentation of all change requests and the steps taken to verify their authenticity.
- Regular staff training on fraud prevention and detection related to vendor payments.
- Periodic review and testing of controls to ensure compliance and effectiveness.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL (CONTINUED)**

**2025-001 – Internal Controls over Vendor Payments (Material Weakness) (Continued)**

Implementing these measures will strengthen internal controls, reduce the risk of fraudulent disbursements, and ensure compliance with regulatory requirements.

**Management's Response:** Management concurs with the finding. On July 25, 2025, management notified CLA regarding the discovery of fraudulent ACH payments that had been processed by the school's previous business service provider, on behalf of Turquoise Trail Charter School. Upon discovering the issue, the school immediately initiated its fraud-response protocol. The following parties were notified and engaged:

- The school's bank and its fraud department
- The FBI
- Local law enforcement
- The school's attorney
- The school's insurance provider and its third-party cyber investigation division
- The Chief Information Security Officer for the State of New Mexico
- The New Mexico State Auditor's Office

Management acknowledges that the underlying cause of this incident was a lack of specific internal controls and written procedures governing vendor payment change requests. To address this deficiency, the school is developing and implementing strengthened controls, including independent verification procedures, segregation of duties, enhanced documentation requirements, and fraud-prevention training for all relevant staff. The school is committed to preventing recurrence, safeguarding public resources, and ensuring full compliance with NMAC 6.20.2.11 and industry-standard internal control practices.

**Implementation:** July 25, 2025.

**Person Responsible:** Business Manager

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-001) – Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During audit procedures the following items were noted:

Capital Assets:

- The school failed to capitalize \$59,826 of playground equipment, requiring a revised submission of the capital asset roll forward to include the correction

Fund Balance:

- The school did not post prior-year adjusting journal entries, requiring a current-year entry to roll forward fund balances for Funds 21000 and 21100. Each fund required an adjustment of \$31,434 to reflect the correct beginning balances.

Accounts Payable:

- Several checks issued prior to June 30, 2025, totaling approximately \$89,000, were listed as outstanding or cleared on the year-end bank reconciliation but were subsequently returned by the bank in early July. These checks were reissued and included in the school's accounts payable entry. At year-end, these amounts should have been recorded as Accounts Payable with an offset to Cash rather than Expense, as the original expense had already been recognized. This adjustment ensures accurate presentation of liabilities and cash balances as of June 30, 2025.
- The school incorrectly included a \$17,790 liability that related to goods received in FY26. Additionally, the payable listing included \$157,527 in payables in Fund 31400, creating a deficit that required an adjustment to accrue from Fund 31600.

Prepays:

- During accounts payable testing, we identified one item that should have been partially recorded as a prepaid expense but was fully expensed in FY 2025 and omitted from the prepaid tracking sheet provided by the client.

**Management's Progress for Repeat Findings:** Management failed to implement adequate control to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP. Bank reconciliations should be prepared and reviewed on a monthly basis and should reconcile to the trial balance and general ledger.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-001) – Financial Close and Reporting (Material Weakness) (Continued)**

**Cause:** Lack of effective internal controls surrounding both the preparation and review of the year end schedules and accrual entries.

**Repeat Finding:** 2024-001

**Effect:** Misstatement to the financial statements.

**Auditor's Recommendation:** Establish documented internal controls requiring supervisory review of all year-end schedules, including fund balance roll forwards, accounts payable listings, prepaid schedules, and capital asset roll forwards.

**Management's Response:** Management concurs with the finding. The school acknowledges errors during the FY25 financial close process, including misstatements related to capital assets, fund balance roll forwards, accounts payable, and prepaid expenses. These errors reflect deficiencies in the preparation, review, and supervisory oversight of year-end schedules and accrual entries.

Regarding capital assets, the transition to a new service provider caused a temporary deficiency in the collection of invoices. While this issue was corrected prior to the conclusion of the audit, it did require a post-upload correction to ensure that all capital assets, including the \$59,826 of playground equipment, were properly recorded in the capital asset roll forward.

Regarding fund balances, the previous service provider did not post the necessary prior-year adjusting journal entries. As a result, current-year adjustments were required to roll forward the beginning balances for Funds 21000 and 21100, each requiring an adjustment of \$31,434 to reflect the correct starting balances.

Regarding accounts payable, several checks issued prior to June 30, 2025, totaling approximately \$89,000, were listed as outstanding or cleared on the year-end bank reconciliation but were subsequently returned by the bank in early July. This occurred because the current service provider was not granted access to Positive Pay, resulting in all checks being returned by the bank for a period of eight days. These checks were reissued and properly recorded in accounts payable. At year-end, these amounts should have been recorded as Accounts Payable with an offset to Cash rather than as Expense, as the original expense had already been recognized.

Additionally, \$157,527 in payables were impacted by fraudulent payments affecting Fund 31400. The payments had to be reissued to the legitimate vendor; however, when the reissued payments were processed, they were coded to the same fund as the original fraudulent payments.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL (CONTINUED)**

**2025-002 (2024-001) – Financial Close and Reporting (Material Weakness) (Continued)**

Regarding prepaid expenses, one item was omitted from the prepaid tracking sheet because it related to a software deliverable in FY2025 that the school had access to prior to the end of the year. Although the full expense was initially recorded in FY2025, management acknowledges that a portion should have been classified as a prepaid asset. This will be corrected in the tracking and reporting process to ensure proper classification in accordance with GAAP.

This finding is a repeat issue, as prior-year corrective actions were not fully implemented. Management recognizes the need to strengthen internal controls over the financial close process to ensure accuracy, completeness, and proper classification of all balances in accordance with GAAP and NMAC 6.20.2.11.

Management has begun restructuring the year-end close process to ensure all schedules—including capital assets, fund balances, accounts payable, and prepaids—are accurately prepared, reconciled to the general ledger, and independently reviewed. Additional procedures will validate cutoff, ensure liabilities and prepaids are properly recorded, and reconcile all supporting schedules to the trial balance prior to finalizing financial statements.

Management will adopt a standard operating procedure in the future that will help standardize the process of financial year-end closes regardless of what business service provider is being used. Many of the items in this finding were because the school transitioned from one business service provider to another.

Management is committed to fully remediating this material weakness during FY26 and improving the accuracy and reliability of financial reporting.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager and Finance Committee

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL (CONTINUED)**

**2025-003 – Budgetary Matters (Other Noncompliance)**

**Condition/Context:** During our audit, we noted that the school misreported actual expenditures to PED in the following fund and function:

- 11000-1000 Instruction- \$11,052

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control. 6.20.2.10 (C) NMAC requires that the Charter submit periodic financial reports to the department using the department-approved format.

**Cause:** Management Oversight

**Effect:** Noncompliance with applicable statutes.

**Auditor's Recommendation:** We recommend the School implement procedures to ensure that the reporting of actual expenditures and revenues to PED reconciles to the School's books of record.

**Management's Response:** Management concurs with the finding. The School acknowledges the reporting discrepancy and has reviewed the processes that led to the misreported amount. Procedures will be strengthened to ensure that all actual expenditures submitted to PED are fully reconciled to the School's accounting records prior to reporting. Additional oversight will be implemented to prevent future inconsistencies.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL FOUNDATION**

**2025-001 – Loss of Nonprofit Status (Significant Deficiency)**

**Condition/Context:** The foundation lost its 501(c)(3) nonprofit status in FY25 as a result of failing to file the required annual Form 990 with the IRS.

**Criteria:** The foundation's policies require comprehensive and timely transparency and disclosure to the public and all stakeholders. Specifically, the foundation must provide basic informational data about the organization, including Form 990, reviews and compilations, and audited financial statements, and ensure that all financial, organizational, and program reports are complete and accurate in all material respects.

**Cause:** The foundation failed to file the required annual Form 990 with the IRS for a number of years, thus resulting in the revocation of its 501(c)(3) nonprofit status.

**Effect:** Loss of 501(c)(3) status compromises the foundation's ability to fulfill its policy commitments to transparency and disclosure. Specifically, the foundation is no longer eligible to file Form 990 as a tax-exempt entity, which impairs its ability to provide complete and accurate financial and organizational reports to the public and stakeholders. This may also impact donor confidence, grant eligibility, and compliance with other regulatory or contractual requirements.

**Auditor's Recommendation:** The foundation should implement stronger internal controls and monitoring procedures to ensure timely filing of all required annual reports and compliance with nonprofit regulations. Regular training and oversight should be provided to responsible staff to prevent recurrence.

**Management's Response:** Management concurs with the finding. The Foundation recognizes the seriousness of the loss of its 501(c)(3) status and is committed to maintaining compliance going forward. The Foundation's 501(c)(3) status was reinstated on October 10, 2025, and management has implemented corrective actions to prevent future lapses. Management will continue developing formal procedures to ensure the timely and accurate submission of all required IRS filings and regulatory reports.

**Implementation:** Completed on 10/10/2025

**Person Responsible:** Foundation President

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL FOUNDATION (CONTINUED)**

**2025-002 (2024-002) – Internal Controls over Foundation Transactions (Other Matters)**

**Condition/Context:** During review of sample selections for the foundation the following matters were noted:

- For 4 of 9 disbursements tested, totaling \$10,402, related to non-recurring costs, the expenses were not presented to the board for approval.
- For 1 of 9 cash disbursements tested, totaling \$382, the foundation was unable to provide supporting documentation for the expense.
- For 1 of 7 cash receipts tested, totaling \$485, the foundation was unable to provide supporting documentation for a deposit made into the foundation's bank account.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** The Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework is recognized as the leading guidance for designing, implementing, and conducting internal control and assessing its effectiveness. An "effective" internal control system includes five components: the control environment, risk assessment, control activities, information, and communication and monitoring. These components should be addressed in entity-level controls related to financial reporting and transaction level processes. The Foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP. from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

**Cause:** Management Oversight

**Repeat Finding:** 2024-002

**Effect:** Lack of sufficient policies and procedures could lead to material misstatements, fraud and theft of funds.

**Auditor's Recommendation:** We recommend that sufficient and specific accounts policies and procedures be established and implemented by the Foundation.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**TURQUOISE TRAIL CHARTER SCHOOL FOUNDATION (CONTINUED)**

**2025-002 (2024-002) – Internal Controls over Foundation Transactions (Other Matters)**  
**(Continued)**

**Management's Response:** Management concurs with the finding. The Foundation acknowledges the need for stronger internal controls surrounding documentation retention, Board approval of non-recurring expenditures, and monitoring of financial transactions. Management will develop and implement formal accounting policies and procedures that include requirements for documentation, approval thresholds, and Board reporting. In addition, staff will receive training to ensure consistent adherence to these procedures.

**Implementation:** Immediately, completion by June 30, 2026.

**Person Responsible:** Foundation President

**VISTA GRANDE CHARTER HIGH SCHOOL**

**2025-001 – Asset Disposal Without Formal Procedures (Other Matters)**

**Condition/Context:** An exception was identified involving the transfer of a school-owned greenhouse, valued at approximately \$5,000, to an individual in exchange for maintenance services at no monetary cost. The previous director authorized this arrangement without following formal asset disposal or procurement procedures. While no physical cash was exchanged, the transaction represents a non-standard barter agreement.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

Additionally, per the requirements of the New Mexico Office of the State Auditor (OSA), any disposal of public assets including barter arrangements, must be formally reported to the OSA to ensure transparency and compliance with state law.

**Cause:** Management oversight and lack of adherence to established asset disposal and procurement procedures.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**VISTA GRANDE CHARTER HIGH SCHOOL (CONTINUED)**

**2025-001 – Asset Disposal Without Formal Procedures (Other Matters) (Continued)**

**Effect:** Potential noncompliance with state statutes and school policies regarding asset management and procurement. The absence of formal procedures increases the risk of unauthorized disposition of school assets and may result in loss of public resources.

**Auditor’s Recommendation:** Management should establish and enforce procedures requiring all asset disposals and barter transactions to be formally approved and documented in accordance with state and school policies. All future transactions involving school assets should follow the prescribed asset disposal and procurement protocols.

Additionally, management must ensure that any disposal of public assets outside standard procedures—including barter arrangements—is promptly reported to the New Mexico Office of the State Auditor (OSA), as required by state law and OSA guidance.

**Management’s Response:** The current school Administration brought this to the attention of the auditors. An investigation was conducted within our offices to determine what happened to the fixed asset. After several discussions with individuals, it came to our attention that the former Director of Vista Grande, who retired as of 07-31-2024, had given away the greenhouse in exchange for some maintenance at the school. This was reported to the State Auditor and the Financial Auditors for the school. Current administration continues to follow the proper disposal procedures.

**Implementation:** We continue to reinforce the proper procedures to staff on an ongoing basis.

**Person Responsible:** Administration to include Director, Finance Director, and Assistant Business Manager

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**WALATOWA HIGH CHARTER SCHOOL**

**2025-001 (2024-003) – Internal Controls Over Compliance in Cash Disbursements (Other Noncompliance)**

**Condition/Context:** A check totaling \$100 was paid prior to the purchase order (PO) being issued.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with GAAP.

**Cause:** Management oversight; lack of adequate internal controls over the procurement and purchasing process.

**Repeat Finding:** 2024-003

**Effect:** Noncompliance with state statutes and risk of unauthorized purchases.

**Auditor's Recommendation:** Management should establish and enforce procedures to ensure purchase orders are issued before any payment or order is made. Staff should be trained in procurement requirements, and all purchases should be supported by a valid PO prior to payment.

**Management's Response:** The Business Office will reinforce the importance of submitting a Purchase order beforehand when considering purchasing.

**Implementation:** The procurement and purchasing will continue to be implemented on a daily basis.

**Person Responsible:** Business Manager/Accounts Payables Department

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**WALATOWA HIGH CHARTER SCHOOL (CONTINUED)**

**2025-002 – Internal Controls over Bank Reconciliation (Other Matters)**

**Condition/Context:** Failed to provide a bank reconciliation that tied to the trial balance for the audit. An unreconciled difference of \$1,416 was noted.

**Criteria:** Per NMAC 6.20.2.11, every school district establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight; lack of effective internal controls surrounding both the preparation and review of bank reconciliations.

**Effect:** Misstatement to the financial statements and risk of undetected errors or fraud.

**Auditor's Recommendation:** Monthly preparation and review of bank reconciliations should include a detailed comparison to the trial balance and general ledger. Strengthen review procedures to ensure all reconciling items are accurately accounted for.

**Management's Response:** The Business Office will closely monitor Internal Controls.

**Implementation:** The Business Office will review all bank reconciliation to include detailed comparison to the Trail Balance and GL each month.

**Person Responsible:** Business Manager

**2025-003 – Compensated Absences Policy (Significant Deficiency)**

**Condition/Context:** The employee handbook does not include annual leave policies, and the school was unable to confirm whether unused leave is paid out upon termination.

**Criteria:** NMAC 6.20.2.18: The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintain strict internal controls, close supervision, and financial accounting in accordance with GAAP

**Cause:** Lack of adequate internal control structure and documented policies.

STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

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*Section IV – Section 12-6-5 NMSA 1978 findings (Continued)*

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**WALATOWA HIGH CHARTER SCHOOL (CONTINUED)**

**2025-003 – Compensated Absences Policy (Significant Deficiency) (Continued)**

**Effect:** Lack of sufficient policies and procedures could lead to material misstatements, fraud, and disputes over employee entitlements.

**Auditor's Recommendation:** Management should establish and document clear policies regarding annual leave, accrual, and payout upon termination, and ensure these are communicated to all employees.

**Management's Response:** The Business and Human Resources Office will ensure the employee handbook is adequately updated.

**Implementation:** The employee handbook will be revised/updated to include adequate information regarding the annual leave policy. Completion by June 30, 2026.

**Person Responsible:** Business Office/Human Resources

**2025-004 – Internal Controls Over Accounts Payable (Other Matters)**

**Condition/Context:** The school continues to carry an accounts payable balance of \$9,432 on the unadjusted trial balance that has been deemed invalid in prior years. The trial balance should be provided on a cash basis, as accrual entries are recorded as part of the audit.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls surrounding the financial close and reporting process.

**Effect:** Misstatement to the financial statements and risk of reporting invalid liabilities.

**Auditor's Recommendation:** Management should review and reconcile accounts payable balances prior to year-end and ensure only valid liabilities are reported. Accrual entries should be properly documented and posted as part of the audit process.

**Management's Response:** WHCS will research the repeated finding and work towards correction.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**WALATOWA HIGH CHARTER SCHOOL (CONTINUED)**

**2025-004 – Internal Controls Over Accounts Payable (Other Matters) (Continued)**

**Implementation:** The WHCS Business Office will review all A/P balances prior to year-end.

**Person Responsible:** Business Manager/Accounts Payables Department

**2025-005 – Budgetary Matters (Other Noncompliance)**

**Condition/Context:** During budget test work the following matters were noted:

Noted the following funds and functions were overexpanded:

- 25147:1000 - Instruction \$5,826

Noted the following funds and functions were incorrectly reported to PED:

Revenues:

- 21000 - State \$5,538
- 21000 - Federal (\$5,538)
- 24106 - Federal \$1,799
- 24189 - Federal \$2,058
- 24308 - Federal \$9,388
- 24330 - Federal \$5,036
- 27150 - State \$21,246

Expenditure:

- 11000:1000 - Instruction (\$4,201)
- 11000:2000 - Support Services (\$11,983)
- 15100:1000 - Instruction (\$1,872)
- 24308:1000 - Instruction \$4,201

**Criteria:** Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control, which the function is the legal level of control.

**Cause:** Management oversight and lack of adequate controls to monitor actual budgeted amounts.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**WALATOWA HIGH CHARTER SCHOOL (CONTINUED)**

**2025-005 – Budgetary Matters (Other Noncompliance) (Continued)**

**Effect:** Noncompliance with state statutes and inaccurate financial information reported to PED.

**Auditor's Recommendation:** Management should establish controls to monitor the budget at the function level, submit necessary budget adjustment requests (BARs) on a timely basis, and ensure accurate reporting of actual expenditures and revenues to PED.

**Management's Response:** WHCS will monitor all Revenues and Expenditures.

**Implementation:** WHCS will review all funds and functions making sure the accounts codes are properly assigned. Completion by June 30, 2026.

**Person Responsible:** Business Manager

**2025-006 (2018-002) – Internal Control over Financial Close and Reporting (Material Weakness)**

**Condition/Context:** During our audit, we noted the following deficiencies in internal controls related to financial close and reporting:

- The school's fund balance did not properly roll forward due to prior-year audit adjusting journal entries either not being posted or only partially posted, and incorrect carryover balances being brought into FY25. As a result, five adjustments were required: four related to audit journal entries from prior audit years (FY22–FY24), and one to correct incorrect opening balances carried forward during the FY24 trial balance closeout. Additionally, the school was unable to provide a properly prepared fund balance roll forward for the audit that identified these differences.
- Fully depreciated assets continued to have depreciation calculated, resulting in \$3,488.58 of accumulated depreciation overstatement.
- Fund 27909: A deficit fund balance of \$40,758 was noted, related to FY24 expenditures. The school indicated it was informed the funds were ineligible because there was no certified instructor in place. The school will need to request a permanent cash transfer in FY26 to cover the deficit.
- Fund 24113: A deficit fund balance of \$6,818 was noted, related to FY25 expenditures. The school indicated it did not have a student qualifying under the Homeless category for reimbursement pursuant to PED requirements. The school will need to request a permanent cash transfer in FY26 to cover the deficit resulting from ineligible expenses.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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***Section IV – Section 12-6-5 NMSA 1978 findings (Continued)***

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**DISCRETELY PRESENTED COMPONENT UNIT FINDINGS (CONTINUED)**

**WALATOWA HIGH CHARTER SCHOOL (CONTINUED)**

**2025-006 (2018-002) – Internal Control over Financial Close and Reporting (Material Weakness)**  
**(Continued)**

- Fund 24330: Revenues exceeded amounts drawn from OBMS by \$350. Upon review, the excess was a vendor reimbursement for a canceled event previously paid by Fund 24330. As a result, the reimbursement should have been reverted to PED.
- Fund 31200: This fund is historically used solely for rent per the school's rental agreement. A reclassifying journal entry was required to move \$10,468 in expenses to the operational fund.

**Management's Progress for Repeat Findings:** Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

**Criteria:** Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with GAAP.

**Cause:** Management oversight and lack of effective internal controls surrounding the financial close and reporting process at year-end.

**Repeat Finding:** 2024-001

**Effect:** Misstatements of the school's financial statements.

**Auditor's Recommendation:** Management should establish procedures to properly review and reconcile the fiscal year-end fund balance roll forward, individual fund balances, ensure all audit adjustments are posted timely and accurately, and provide a complete and properly prepared roll forward for audit purposes. Additionally, we recommend additional training and/or year-end assistance with the year-end financial close and reporting process.

**Management's Response:** WHCS will work towards effective internal controls regarding the financial statements.

**Implementation:** WHCS will seek additional training toward fiscal year-end reporting. Completion by June 30, 2026.

**Person Responsible:** Business Manager

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**Public Education Department**

2024-001 (2020-001)	Reconciliations and Financial Close and Reporting (Material Weakness)	Repeated and Modified
2024-003 (2021-004)	FFATA Reporting (Material Weakness and Material Noncompliance, Modified Opinion)	Repeated and Modified
2024-004 (2021-004)	FFATA Reporting (Significant Deficiency and Other Matters)	Repeated and Modified
2024-005	Financial Reporting (Significant Deficiency)	Repeated and Modified
2024-006 (2023-006)	Subrecipient Monitoring (Significant Deficiency and Other Matters)	Repeated and Modified
2024-007	Special Tests and Provisions (Significant Deficiency and Other Matters)	Resolved
2024-008 (2022-004)	Period of Performance (Significant Deficiency and Other Matters)	Resolved
2024-009 (2022-003)	Payroll Disbursement (Significant Deficiency and Other Matters)	Repeated and Modified
2024-010	Suspension and Debarment (Significant Deficiency and Other Matters)	Repeated and Modified
2024-013 (2023-010)	Internal Control over Capital Assets (Other non-compliance and Other Matters)	Resolved
2024-014 (2023-011)	Internal Control over Procurement (Other Matters)	Resolved
2024-015	IT Risk Assessment (Other Matters)	Resolved
2024-016	IT Policy Review (Other Matters)	Resolved
2024-017	Password and Lockout configuration (Other Matters)	Repeated and Modified
2024-018	User Access reviews (Other Matters)	Repeated and Modified
2024-019	Backup restore test(s) (Other non-compliance and Other Matters)	Resolved

**Department of Vocational Rehabilitation**

2024-002 (2022-002)	Reconciliations and Financial Close and Reporting (Material Weakness)	Repeated and Modified
2024-011	Internal Control over Period Performance (Significant Deficiency and Other Matters)	Repeated and Modified
2024-012	Internal Control over Suspension and Debarment (Significant Deficiency and Other Matters)	Resolved
2024-020 (2023-009)	Internal Control over Capital Assets (Other Matters)	Repeated and Modified
2024-021	WEX Card Control Process (Other Matters)	Repeated and Modified
2024-022	DVR IT Deficiency in Internal Control (Other Matters)	Repeated and Modified

**21st Century Public Academy**

2024-001	Financial Close and Reporting (Other Noncompliance)	Resolved
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**ACES Technical Charter School**

2024-001	Financial Close and Reporting (Other Matters)	Repeated
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**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**Albuquerque Aviation Academy fka: Southwest Aeronautics, Mathematics, and Science Academy**

No findings to report for Fiscal Year 2024.

**Albuquerque Bilingual Academy**

2024-001	(2023-001) Internal Controls Over Cash Disbursements (Other Matters)	Repeated
2024-002	Budgetary Conditions (Other Noncompliance)	Repeated
2024-003	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Resolved

**Albuquerque Collegiate Charter School**

2024-001	(2023-001) Financial Close and Reporting (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-002	Reporting Compliance (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-003	Internal Controls over Journal Entries (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-004	Internal Control over Payroll (Other Noncompliance)	Resolved
2024-005	Procurement (Other Noncompliance)	Repeated
2024-006	Audit Act (Other Noncompliance)	Resolved

**Albuquerque Collegiate Charter School FOUNDATION**

2024-001	Internal Control Structure (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
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**Albuquerque Institute for Mathematics & Science (AIMS)**

No findings to report for Fiscal Year 2024.

**Albuquerque School of Excellence**

2024-001	Internal Control over Payroll (Other Noncompliance)	Resolved
2024-002	Procurement (Other Noncompliance)	Resolved
2024-003	Internal Control over Disbursements (Other Noncompliance)	Resolved
2024-004	(2018-001) Financial Close and Reporting (Other Matters)	Repeated

**Albuquerque Sign Language Academy**

2024-001	Financial Close and Reporting (Other Matters)	Resolved
2024-002	(2022-001) Budgetary Conditions (Other Noncompliance)	Resolved
2024-003	(2023-003) Internal Controls over Cash Receipts (Other Noncompliance)	Repeated

**ASLA Foundation**

No findings to report for Fiscal Year 2024.

**Aldo Leopold Charter School**

2024-001	(2017-002) Budgetary Compliance (Other Noncompliance)	Resolved
2024-002	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-003	(2023-002) Internal Controls over Cash Disbursements (Other Noncompliance)	Repeated
2024-004	Internal Controls over Payroll (Other Noncompliance)	Repeated
2024-005	Internal Controls over Journal Entries (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-006	Internal Controls over Procurement (Other Noncompliance)	Resolved

**Alma d'Arte Charter High School**

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

2024-001	Accrued Payroll Liabilities (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Fund Balance (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-003 (2022-001)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-004 (2021-002)	Internal Controls over Payroll (Other Noncompliance)	Repeated
2024-005 (2023-004)	Internal Controls over Cash Disbursements (Other Noncompliance)	Repeated
2024-006 (2023-006)	Budgetary Conditions (Other Noncompliance)	Repeated

**Altura Preparatory School**

2024-001	Financial Close and Reporting over Food Service Revenues (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-002	Pledge Collateral (Other Noncompliance)	Resolved

**Amy Biehl Charter School**

2024-001	Internal Controls over Bank Reconciliation (Other Matters)	Resolved
2024-002 (2023-001)	Financial Close and Reporting (Other Noncompliance)	Resolved

**Amy Biehl Charter School Foundation**

No findings to report for fiscal year 2024.

**ASK Academy**

2024-001	Procurement (Other Noncompliance)	Resolved
2024-002	Financial Close and Reporting (Other Matters)	Resolved

**Cesar Chavez Community School**

2024-001	Internal Controls (Other Noncompliance)	Resolved
2024-002	Financial Close and Reporting over Assets (Significant Deficiency in Internal Control over Financial Reporting)	Repeated

**Cesar Chavez Community School Foundation**

No findings to report for fiscal year 2024.

**Cottonwood Classical Preparatory Academy**

2024-001	Financial Close and Reporting (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-002	Audit Untimeliness (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-003	Internal Controls over IT (Other Matters)	Resolved
2024-004 (2023-003)	Internal Controls over Payroll (Other Noncompliance)	Resolved

**Cottonwood Classical Preparatory School Foundation**

No findings to report for Fiscal Year 2024.

**Dream Diné Charter School**

2024-012 (2023-004)	Improper Reimbursement of Travel Expense (Other Non-Compliance)	Repeated
2024-013 (2021-014)	Cash Appropriations in Excess of Actual Cash Balance (Other Noncompliance)	Resolved

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**Dził Dítł'Ōoí School of Empowerment, Action and Perseverance (DEAP)**

2024-001 (2020-002) Financial Close and Reporting (Other Matters)	Repeated
2024-002 Per Diem and Mileage Act (Other Noncompliance)	Repeated
2024-003 Budgetary Conditions (Other Noncompliance)	Resolved

**Equip Academy of New Mexico**

No findings to report for Fiscal Year 2024.

**Equip Academy of New Mexico Foundation**

No findings to report for Fiscal Year 2024.

**Estancia Valley Classical Academy**

2024-001 (2022-003) Financial Close and Reporting (Other Matters)	Repeated
2024-002 Internal Controls over Procurement (Other Noncompliance)	Resolved
2024-003 Internal Controls over Journal Entries (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-004 (2022-004) Bank Reconciliations (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-005 (2023-009) Withholdings and Benefit Compliance (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-006 (2022-002) Controls over Capital Assets (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-007 (2021-001) Budgetary Conditions (Other Noncompliance)	Repeated
2024-008 General IT Controls (Other Matters)	Resolved

**Estancia Valley Classical Academy Foundation**

No findings to report for fiscal year 2024.

**Explore Academy**

2024-001 Procurement (Other Noncompliance)	Repeated
2024-002 Internal Controls over Journal Entries (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-003 (2023-005) Budgetary Conditions (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-004 (2022-001) Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated

**Explore Academy– Foundation**

2024-001 (2023-001) Debt Covenants (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
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**Explore Academy – Las Cruces**

2024-001 Procurement (Other Noncompliance)	Resolved
2024-002 (2022-002) Internal Controls over Cash Receipts (Other Noncompliance)	Resolved
2024-003 (2023-004) Internal Controls Over Cash Disbursements and Payroll (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-004 (2022-001) Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-005 (2022-004) Cash Management / Budgetary Matters (Material Weakness in	

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

	Internal Control over Financial Reporting)	Repeated
2024-006	Internal Controls over Journal Entries (Significant Deficiency in Internal Control over Financial Reporting)	Resolved

**Explore Academy– Rio Rancho**

2024-001 (2023-001)	Procurement (Other Noncompliance)	Resolved
2024-002	Internal Controls over Cash Receipts (Other Noncompliance)	Repeated
2024-003	Internal Controls Over Payroll (Other Matters)	Resolved
2024-004	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-005	Cash Management / Budgetary Matters (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-006	Internal Controls over Journal Entries (Significant Deficiency in Internal Control over Financial Reporting)	Resolved

**GREAT Academy**

2024-001 (2019-003)	Advance Payments of Lease Payments (Material Weakness in Internal Control over Financial Reporting and Material Noncompliance)	Resolved
2024-002	Pledge Collateral (Other Noncompliance)	Resolved
2024-003	Budgetary Matters (Other Noncompliance)	Resolved
2024-004	IDEA B MOE Requirements (Other Noncompliance)	Resolved

**Great Academy Foundation**

2024-001 (2020-001)	Deficit Fund Balance (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
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**Horizon Academy West**

2024-001 (2023-002)	Financial Close and Reporting (Other Matters)	Repeated
2024-002	Operating Budget Adjustments (Other Noncompliance)	Resolved
2024-003	Pledged Collateral (Other Noncompliance)	Resolved

**Horizon Academy West Education Foundation**

No findings to report for fiscal year 2024.

**Hózhó Academy**

2024-001 (2023-001)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Cash Management (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-003 (2023-003)	Budgetary Matters (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-004	Internal Controls over Journal Entries (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-005	Internal Control over Payroll (Significant Deficiency in Internal Control over Financial Reporting)	Repeated
2024-006	Internal Control over Disbursements (Other Noncompliance)	Repeated
2024-007 (2023-004)	Internal Controls over Cash Receipts (Other Noncompliance)	Resolved
2024-008	Procurement (Other Noncompliance)	Resolved

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**J. Paul Taylor Academy**

2024-001 (2021-002)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Bank reconciliations (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-003	Internal Controls over Revenues (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-004 (2023-004)	Budgetary Conditions (Other Noncompliance)	Resolved
2024-005	Reporting Compliance (Other Noncompliance)	Resolved

**La Academia Dolores Huerta**

No findings to report for fiscal year 2024.

**La Tierra Montessori School of the Arts and Sciences**

2024-001 (2023-004)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-002	Overall Compliance (Material Weakness in Internal Control over Financial Reporting)	Resolved

**Las Montañas Charter School**

2024-001 (2021-002)	Budgetary Conditions (Other Noncompliance)	Repeated
2024-002	Controls over Cash Receipts (Other Noncompliance)	Resolved
2024-003	Procurement (Other Noncompliance)	Resolved
2024-004	Financial Close and Reporting (Other Matters)	Repeated

**MASTERS Program**

2024-001	Financial Close and Reporting (Significant Deficiency in Internal Control over Financial Reporting)	Repeated
2024-002 (2023-002)	Per Diem and Mileage Act (Other Noncompliance)	Repeated
2024-003	Internal Controls Over Payroll (Other Noncompliance)	Repeated

**McCurdy Charter School**

No findings to report for fiscal year 2024.

**Middle College High School**

2024-001 (2022-001)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-002	Budgetary Conditions (Other Noncompliance)	Resolved
2024-003	Per Diem and Mileage Act (Other Noncompliance)	Resolved

**Mission Achievement and Success Charter School**

2024-001	Internal Controls over Cash Receipts (Other Noncompliance)	Resolved
2024-002	Procurement (Other Noncompliance)	Resolved

**Mission Achievement and Success Charter School Foundation**

No findings to report for fiscal year 2024

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**Monte Del Sol Charter School**

2024-001 (2018-001)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002 (2019-003)	Budgetary Conditions (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-003 (2023-003)	Internal Controls over Revenue (Material Weakness)	Resolved
2024-004 (2023-004)	Audit Untimeliness (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-005 (2023-005)	Internal Controls over Cash Receipts (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-006	Bank Reconciliations (Other Matters)	Resolved
2024-007	Internal Controls over Cash Disbursements (Significant Deficiency in Internal Control over Financial Reporting)	Repeated
2024-008	Internal Controls over Procurement (Other Noncompliance)	Repeated
2024-009	Internal Controls over Payroll Reporting (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-010	Capital Assets (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-011	Internal Controls over Journal Entries (Material Weakness in Internal Control over Financial Reporting)	Resolved

**Monte Del Sol Charter School Foundation**

No findings to report for Fiscal Year 2024.

**Montessori Elementary School**

2024-001 (2023-002)	Financial Close and Reporting (Other Matters)	Repeated
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**New America School of Las Cruces**

2024-001 (2023-002)	Internal Controls over Cash Disbursements (Other Noncompliance)	Repeated
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**New Mexico Academy for the Media Arts**

2024-001 (2023-001)	Internal Controls (Significant Deficiency)	Repeated
2024-002	Financial Close and Reporting- Food Service Program (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-003	Procurement (Other Noncompliance)	Resolved
2024-004	Pledge Collateral (Other Noncompliance)	Repeated
2024-005	Accounts Receivable and Accounts Payable (Other Matters)	Resolved

**New Mexico Connections Academy**

2024-001 (2023-001)	Pledged Collateral (Other Noncompliance)	Resolved
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**New Mexico School for the Arts**

No findings to report for Fiscal Year 2024.

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**North Valley Academy**

2024-001	Internal Controls over Cash Disbursements (Other Noncompliance)	Repeated
2024-002	Internal Controls over Cash Receipts (Other Noncompliance)	Resolved
2024-003	Internal Control over Payroll (Other Noncompliance)	Repeated
2024-004	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated

**Northpoint Charter School fka: Southwest Secondary Learning Center**

2024-001	Financial Close and Reporting (Other Matters)	Resolved
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**Pecos Cyber Academy**

No findings to report for Fiscal Year 2024.

**Raices del Saber Xinachtli Community School**

2024-001 (2021-003)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Revenues and Accounts Receivable (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-003	Internal Controls over Bank Reconciliation (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-004	Cash Management (Other Matters)	Resolved
2024-005 (2023-002)	Internal Controls over Cash Disbursements (Other Noncompliance)	Resolved
2024-006	Internal (2023-005) Controls over Capital Assets (Other Matters)	Repeated
2024-007	Internal Controls over IT Environment (Other Matters)	Resolved

**Red River Valley Charter School**

2024-001 (2022-001)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Internal Controls over Journal Entries (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-003	Per Diem and Mileage Act (Other Noncompliance)	Repeated

**Renaissance Academy Charter School fka: Southwest Preparatory Learning Center**

No findings to report for Fiscal Year 2024.

**Rio Grande Academy of Fine Arts**

2024-001 (2023-001)	Internal Controls Over Cash Receipts (Other Noncompliance)	Resolved
2024-002	Procurement (Other Noncompliance)	Resolved
2024-003	Internal Controls Over Journal Entries (Other Matters)	Resolved

**Roots and Wings Community School**

2024-001	Internal Controls over Cash Disbursements (Other Noncompliance)	Resolved
2024-002	Internal Controls over Cash Receipts (Other Noncompliance)	Repeated
2024-003	Financial Close and Reporting (Other Matters)	Repeated

**Sacramento School of Engineering and Science**

FY25 Planning year – no findings in FY24

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**San Diego Riverside Charter School**

2024-001	(2023-007) School Athletic Equity Act Data Submission	Resolved
2024-002	Incomplete and Missing I-9 Forms	Resolved

**Sandoval Academy for Bilingual Education**

No findings to report for Fiscal Year 2024.

**School of Dreams Academy**

2024-001	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-002	Procurement (Other noncompliance)	Resolved
2024-003	(2015-001) Internal Controls Over Cash Disbursements (Other Noncompliance)	Resolved
2024-004	Internal Controls over Payroll (Other Noncompliance)	Resolved
2024-005	Internal Controls over IT Environment (Other Matters)	Resolved

**School of Dreams Academy Foundation**

No findings to report for Fiscal Year 2024.

**Six Directions Indigenous School**

2024-001	Internal Controls over Employee Files (Other Noncompliance)	Repeated
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**Solare Collegiate Charter School**

2024-001	(2023-001) Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Reporting Compliance (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-003	Internal Controls over Journal Entries (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-004	Internal Control over Payroll (Other Noncompliance)	Repeated
2024-005	Internal Control over Disbursements (Other Noncompliance)	Resolved
2024-006	Internal Controls over Cash Receipts (Other Noncompliance)	Resolved

**Solare Collegiate Charter School Foundation**

2024-001	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
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**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**South Valley Preparatory School**

2024-001 (2023-001)	Controls over Capital Assets (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Bank Reconciliations (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-003	Internal Controls over Compliance Matters (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-004	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-005	Internal Control Structure (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-006	Budgetary Compliance (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-007	Audit Untimeliness (Material Noncompliance)	Resolved
2024-008	Internal Controls over Journal Entries (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-009	Internal Controls over Procurement (Other Noncompliance)	Resolved

**Sun Mountain Community School**

FY25 Planning year – no findings in FY24

**Taos Academy Charter School**

No findings to report for Fiscal Year 2024.

**Taos Academy Foundation**

2024-001 (2023-001)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
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**Taos Integrated School of the Arts**

2024-001	Financial Close and Reporting (Other Matters)	Repeated
2024-002	Procurement (Other Noncompliance)	Resolved

**Taos International Charter School**

2024-001 (2023-001)	Food service Program (Significant Deficiency in Internal Control over Financial Reporting)	Resolved
2024-002	Internal Control over Cash Disbursements (Other Noncompliance)	Repeated
2024-003	Internal Controls Over Payroll (Other Noncompliance)	Resolved
2024-004	Financial Close and Reporting – Revenues (Other Matters)	Repeated

**THRIVE Community School**

2024-001 (2023-001)	Financial Close and Reporting (Other Matters)	Resolved
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**THRIVE Community School Foundation**

No findings to report for fiscal year 2024.

**Tierra Adentro: The New Mexico School of Academics, Art & Artesania**

2024-001	Coding of Cash Receipts (Other Noncompliance)	Resolved
2024-002	Pledge Collateral (Other Noncompliance)	Resolved

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

**Tierra Encantada Charter School**

2024-001	Accounts Payable (Other Matters)	Resolved
2024-002	Withholding and Benefit Compliance (Other Noncompliance)	Resolved
2024-003	Internal Controls over Purchases (Other Noncompliance)	Resolved

**Turquoise Trail Charter School**

2024-001	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Internal Controls over Journal Entries (Other Matters)	Resolved
2024-003	Per Diem and Mileage Act (Other Noncompliance)	Resolved

**Turquoise Trail Charter School Foundation**

2024-001	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Resolved
2024-002	Internal Controls over Disbursements (Other Matters)	Repeated

**Vista Grande Charter High School**

No findings to report for fiscal year 2024.

**Walatowa High Charter School**

2024-001 (2018-002)	Financial Close and Reporting (Material Weakness in Internal Control over Financial Reporting)	Repeated
2024-002	Internal Controls over Payroll (Other Matters)	Resolved
2024-003	Internal Controls over Cash Disbursements (Other Noncompliance)	Repeated

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
EXIT CONFERENCES (CONTINUED)  
JUNE 30, 2025**

The following details the exit conferences held for the Department and each respective component unit, which includes the date and attendance of each exit conference. In addition, each exit conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor.

The following individuals were in attendance on February 3, 2026:

**Public Education Department**

Mariana Padilla, Secretary of Education  
Yvonne Garcia, Deputy Secretary, Student Support Services  
Amanda DeBell, Deputy Secretary, Teaching, Learning and Innovation  
Amelia Saiz, Senior Manager-CFO, Audit and Accounting  
Marian Rael, Executive Manager-CFO, Administrative Services Division  
David Craig, Senior Manager, Administrative Services Division

**Department of Vocational Rehabilitation**

Dr. Stephon Scott, DVR Director  
Samantha Rendon, Chief Financial Officer  
Mari Reimer, Budget & Finance Manager

**CliftonLarsonAllen LLP**

Laura Beltran Schmitz	Audit Engagement Principal
Geneva Choi	Audit Engagement Senior Associate
Taniela Cox	Audit Engagement Associate

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.



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