

Annual Financial Report and Audited Financial Statements
Fiscal Year Ended June 30, 2018

Corrective Action Plan for 21st Century Public Academy

It is to be noted that 21st Century went through a transition period during Fiscal year 17-18. Original COO resigned December 2017 and the subsequent CEO resigned in December 2018. 21st Century has reorganized their financial structure (attached at the end of the document) and increased the services of The Vigil Group to further address and correct issues as well as reconstruct Internal Controls with several updates and adjustments presented and approved by the Governance Council. This document will reflect corrections to the most recent Internal Controls and Organizational Chart.

Draft policy to be included in the Bylaws is attached to address the relationship with supporting organizations i.e. The 21st Century Public Academy Foundation, The Cutler Charitable Foundation and the PTA.

Finding #	Condition	Management Response	Action Item #	Action Item	Person Responsible	Implementation Timeline	Status
2018-003 Material Weakness 2018-001	Purchasing - The School consistently prepared both purchase requests and purchase orders after the invoice was received or after the services were performed. Our test work identified eight purchase orders with a total dollar value of \$103,966 that were dated after the invoice dates. We noted no other documentation (such as a contract) to show terms and conditions or rates agreed to by the School and the vendor prior to the purchase date. We noted purchasing invoices received from several vendors did not have date of service performed. In addition, we noted an invoice in the amount of \$9,345 was paid by the school for one of the School's foundations.	21st Century has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Purchases will not be processed without a pre-existing Purchase Order. Contracts from vendors will be acquired prior to the onset of purchases and reconciled to invoices received for work performed. Vendors will be notified that purchase orders are required for all purchases as well as service dates for work performed. Provide copy of school's approved Internal Controls including formalized process for all purchases for CAP. -Identify new items/procedures that are directly addressing the CAP (ie copy/paste into this document here or reference by policy name and page number)	1.	Procedures have been put in place to prevent prepayments and to comply with the state procurement code. (Internal Controls; Purchasing; Pages 22-24) P. 24-25 Requirements for Purchasing Items 1, 4,5, 19, 20 Procurement Code, Section 13-1-28	Contracted Business Manager, Principal-CEO Chief Procurement Officer	3/31/2019	Completed Date? January 1 st : The Vigil Group began implementing their Policies and Procedures. March 8 th : A staff member has been appointed as new CPO. (Jeremy Peckens) March 26 th : The Business Manager and Principal presented updated Internal Controls. April 18 th : The new Internal Controls were presented to the GC on June 24 th and approved. April 29 th : The Business Manager and Principal met

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		Who is the current CPO? Jeremy Peckins, Computer Teacher, Testing Coordinator					and did checks to ensure that controls were being followed. May 21 st : The School's Business Manager and Principal went through all vendor files for FY19, making sure that all invoice dates fall after purchase order issue dates. Clearly Define CPO Duties Reference Procurement Code Include Organizational Chart in the Internal Controls
2018-004 2018-002	Lack of Records - Supporting documentation related to certain construction purchases could not be located at the School.	21st Century recently has located and filed the documentation related to these construction purchases. Provide copy of approved Internal Controls and procedures that includes retention of accounting records. Records are now clearly identified and available on site for inspection.	2.	Procedures have been put in place to prevent prepayments and to comply with the state procurement code when applicable. The auditor should note that the	Contracted Business Manager, Principal CEO	3/31/2019 July 1, 2019	Completed January 1 st : The Vigil Group began implementing their Policies and Procedures. March 26 th : The Business Manager and Principal presented updated Internal Controls.

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				<p>foundation is not under the same requirements as the school. Updated Internal Controls to identify CEO as the contact for access to all records regarding the audit.</p> <p>(Internal Controls; Purchasing; Page 22-24) Financial And Compliance Audit P. 17</p>			<p>April 18th: The new Internal Controls were presented to the GC on June 24th and approved. May 21st: Moving forward the school has made sure to maintain all supporting documentation related to purchases in vendor files. A vendor file review was done by the school's principal and Business Manager to ensure that all purchases had supporting documentation. Processes will be checked quarterly.</p>
<p>2018-005 2018-003</p>	<p><u>Procurement Code</u> - The School did not follow procurement policies during the year. The School had 8 purchases in the amounts of \$53,750, \$45,498, \$41,176, \$43,350, \$29,760, \$23,325, \$21,714 and \$21,231 where quotes were not obtained. In addition, the school had construction costs with one vendor paid in the amounts of approximately \$2,137,834 where the school did not follow the</p>	<p>21st Century has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Purchases will not be processed without a preexisting Purchase Order. Contracts from vendors will be acquired prior to the onset of purchases and reconciled to invoices received for work</p>	<p>3.</p>	<p>Procedures have been put in place to prevent prepayments and to comply with the state procurement code</p> <p>(Internal Controls;</p>	<p>Contracted Business Manager, Principal CEO</p>	<p>3/31/2019</p>	<p>Completed January 9th: The Principal provided staff training on purchasing. March 8th: A staff member has been appointed as new CPO. (Jeremy Peckens) March 26th: The Business Manager</p>

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	procurement process. No request for proposal was issued for services.	performed. Vendors will be notified that purchase orders are required for all purchases as well as service dates for work performed. The Fuentes Law Firm provided back up for the 2M which was uploaded to the portal. The legislative fund's back up documents for the remaining amounts have also been uploaded and provided to the auditors. Copy of Internal Controls that address: Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Has training been provided to all staff and GC?		Purchasing; Pages 22-24) Requirements for Purchasing p. 25 Items 11 & 17			and Principal presented updated Internal Controls. April 6 th : A training session for the GC was done by The Vigil Group. May 21 st : In addition, the Principal and Business Manager have looked at all purchases for FY19 and made sure that all necessary quotes were obtained.
2018-006 2018-004	<u>Small Purchases</u> - The School did not follow procurement policies during the year. The School had 4 purchases in the amounts of \$4,440, \$4,515, \$3,616, and \$1,698 related to construction. There was no documentation kept at the School to show amounts procured were at the best obtainable price.	21st Century has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Purchases will not be processed without a preexisting Purchase Order. Contracts from vendors will be acquired prior to the onset of purchases and reconciled to invoices received for work performed. Vendors will be notified that purchase orders are required for all purchases as well as service dates for work performed.	4.	Procedures have been put in place to prevent prepayments and to comply with the state procurement code. (Internal Controls; Purchasing: Pages 22-24) Requirements for Purchasing P. 25 Items 10 & 18	Contracted Business Manager, Principal CEO	3/31/2019	Completed March 8 th : A staff member has been appointed as new CPO. (Jeremy Peckins) May 21 st : In addition, the Principal and Business Manager have looked at all purchases for FY19 and made sure that all necessary quotes were obtained.

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<p>2018-007 Material Weakness 2018-005</p>	<p><u>Internal Control over Financial Reporting</u> - During our audit, we noted the following issues:</p> <ol style="list-style-type: none"> 1. Fund balance did not properly roll. Accrual adjustments provided to roll-forward fund balance were not correct. In addition, the School had not posted prior year adjusting entries. 2. Capital asset journal entries provided did not agree to the capital asset roll-forward. 3. Accrual entries provided by the school were incorrect and had to be adjusted. <ol style="list-style-type: none"> a. The school provided an accrual adjustment for a deposit of \$14,182. The deposit was returned to the school on July 25, 	<p>The school now has a contract with the Vigil Group to provide Business Management Services. The Vigil Group has implemented controls 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.</p> <p>Copy of approved Internal Controls with Policies and Procedures that apply to the items 1-6.</p> <p>Will update financial reporting in the Internal controls and will reflect that the Vigil Group will perform these reporting services. The work to be reviewed by the CEO and The GC Finance committee.</p>	<p>5.</p>	<p>Processes have been put into place to reconcile all account balances on a monthly basis. All activity is being recorded as incurred.</p> <p>(Internal Controls, Fixed Assets, Pages 31 & 32) Financial Reporting P.10 Include Asset Roll Forward and Journal Entries in the Scope of Work for the Vigil Group.</p> <p>Need to update Internal Controls to include yearend accruals and add to Vigil Group Scope of Work.</p>	<p>Contracted Business Manager, Principal CEO</p>	<p>6/30/2019</p>	<p>Ongoing</p> <p>November 30th: Journal Entries have been done to ensure that all fund balances tie to the FY18 audit. The Business Manager will make sure that all fund balances are rolled forward correctly into FY20. June 13th: The Fixed Asset Rollforward has been revised and will continue to be maintained in anticipation for the FY19 audit. The Business Manager will construct an AP/AR statement prior to the FY19 audit. The school's Business manager will refer to the Uniform Chart of Account Manual of Procedures PSAB Supplement 3 to ensure that all expenses are booked correctly.</p>
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	<p>2017. An adjustment was provided to correct this.</p> <p>b. The support provided for the accrued liabilities did not agree to the client adjustment provided by \$45,134.</p> <p>c. School did not accrue for \$3,862 of receivables in fund 25153.</p> <p>4. We noted an expense paid during fiscal year 2018 that should have been accrued in fiscal year 2017 in the amount of \$100,938.</p> <p>5. The school paid \$4,100 out of the food services fund for student transportation.</p>						
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	<p>6. The school incorrectly booked \$351,859 of capital outlay and other fees to rent expense. An adjustment was provided to correct \$35,702.</p> <p>7. School did not record the bond money as revenue and expense on their books in the amount of \$1,516,073.</p> <p>A vendor confirmed an amount outstanding of \$100,000 that was not recorded as outstanding on the school records.</p>						
<p>2018-008 2018-006</p>	<p><u>Vendor Control and Required IRS Forms</u> - The School could not provide a 1099 for a vendor utilized during the year who received payments in excess of \$600.</p>	<p>The Business Manager will conduct a review prior to the printing of 1099 forms to ensure that all 1099 vendor's forms are prepared and delivered to individuals or contractors who are not School employees for services performed in excess of \$600.</p> <p>CEO went back to review and verify all vendors that required a 1099 were sent.</p>	6.	<p>A review of all vendors and their status as a 1099 vendor has been completed. All vendors required to receive a 1099 are now properly identified</p>	Contracted Business Manager	3/31/2019	<p>Completed</p> <p>January 10th: Review was completed.</p>

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		In new policies/procedures		within the financial system. (Update Internal Controls; Cash Control Standards, Procedures for Cash Disbursement: Page 20 Item 2)			
2018-009 2018-007	<u>Chief Procurement Officer</u> - The School did not have a Chief Procurement Officer in place from January 1, 2018 through June 30, 2018.	21 st Century's Chief Operations Officer completed the Chief Procurement Class for CPO Certification as of October 19, 2018. Since the COO's departure the contracted Business Manager has been appointed as the school's CPO. Needs to be updated to reflect February certification of new CPO. Include CPOs duties and responsibilities in new internal controls policies and procedures.	7.	A staff member has passed the CPO certification. (Internal Controls; Purchasing; Pages 22-24) Update Financial Organizational Structure p. 14	Contracted Business Manager, Principal CEO	3/31/2019	Completed March 8 th : A staff member has been appointed as new CPO. (Jeremy Peckens)
2018-010 2018-008	<u>Retiree Health Care Timely Payments</u> - For July 2017, January 2018 and June 2018, the monthly Retiree Health Care (RHC) contribution was made after the 10 th of the subsequent month.	21st Century will ensure that payments are made timely and by utilizing a calendar that contains the monthly due dates for RHC contributions.	8.	The Vigil Group has been contracted to process payroll. No late	Contracted Business Manager, Principal CEO	3/31/2019	Completed January 1 st : New contract with the Vigil Group Began. A new copy of the

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		Copy of <u>current</u> contract with The Vigil Group that identifies the responsibilities of both parties.		payments have occurred since. (Update Internal Controls; Payroll; Page 25 Business Manager to be responsible for all payroll transactions Include in Vigil Group Scope of Work Payroll P. 29 Item 17			current contract has been provided. See Attachment 2018-008
2018-011 2018-009	<u>Contingent Fee Contract</u> - The School entered into a contingent fee contract with a Broker for period beginning February 15, 2016 and terminating on September 15, 2016 for a 3% commission fees should the School buy or lease a property. The School entered into amendment 1 dated July 24, 2017. The agreement was signed by the board president. There was no mention in the meeting minutes approving this amendment and allowing the board president to sign the agreement on the board's behalf. There was no documentation kept by the school	21st Century did review and seek legal consultation from Fuentes Law Firm as it relates to the contract in question and final remedy of the Schools portion of payment was made in December and a release of claim was provided by the Client for the fees described. Going forward the school will help document and seek PED approval prior to entering into any contracts that may be considered unallowable to determine the most appropriate method for agreement and payment henceforth. Relator provided verification of payment and release Include Date	9.	The contract is now terminated. No other contingent fee contracts exist or will be entered into.	Chief Procurement Officer, Contracted Business Manager, Principal CEO	12/31/2018	Completed October 2018: Received resignation of president and installed a new president. Completed

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<p>to show why the school entered into an amendment after the original agreement with the Broker expired. The attorney provided advice to the school on November 27, 2017 for the governing council to discuss and had two suggestions 1) pay nothing since the broker was negligent in allowing the Broker agreement to expire or 2) make an offer of payment of some sum of money condition upon complete release. During the December 7, 2017 governing council meeting the council determined that amendment one was not legally valid due to the lack of new consideration not be noted. There was no discussion of not paying the amounts or offering a reduced amount. The relator agreed to modify his agreement and put forth an amendment to change to 2%, or \$100,000 plus GRT, with \$50,000 to be paid by the seller and \$50,000 to be paid by the buyer. The school's portion was paid in December 2017. The broker confirmed an amount of \$100,000 remaining at June 30, 2018. The school is disputing that amount.</p> <p>It was also noted that the broker involved is the husband of the current President of Cutler Charitable Foundation. The President of the Cutler Charitable</p>	<p>Original Release, December 17, 2017 Letter indicating \$0 balance due October 5, 2018</p>					
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	Foundation also works for the same realty company.						
2018-012 Material Weakness 2018-010	<u>Construction</u> - The School paid for construction during the year in the amount of approx. \$2,138,000. The School paid for construction costs to the lease holder of the property. The lease to purchase agreement noted an amount of zero construction costs and noted that the monthly lease payment is based on the "As is Cost of the Premises". A construction agreement was provided between the lease holder of the property and the contractor. The School did not sign the agreement. The invoices provided to the School did not have enough detail to show progress of the construction or any certification showing the data that was submitted was accurate, complete and current. Support could not be provided by the contractor to show how overhead rates were calculated. The School was billed for overhead items in general requirements and a separate over-head rate.	21st Century will work on ensuring that we follow all PED and Procurement guidelines that relate to construction as we move forward. We will also seek legal counsel when needed to help ensure all policies are being followed. All construction contracts will contain terms and conditions to include pricing data with contractor certification of work complete. Delineate in internal controls, policies and procedures.	10.	All construction is being paid through debt issued by the foundation. The school is in compliance with State law and regulations. (Internal Controls; Purchasing; Pages 24) Items 6 & 8	Principal, Chief Procurement Officer, CEO	3/31/2019	Completed The school and the foundation have gone back and ensured that all supporting documentation has been obtained.
2018-013 Material Weakness 2018-011	<u>Construction Change-Order</u> - The original estimate for the construction of Phase I of the school building was \$1,411,691. The School paid approximately \$2,137,834. The school paid an additional \$726,142 over the	21st Century has already begun organizing and archiving all files appropriately. In the transition phase between Chief Operations Officers and the school's move to a new permanent location a complete re-organization of files occurred	11.	The foundation is responsible for the construction of the school and has committed to maintaining	Foundation personnel and School administration for oversight	3/31/2019	Ongoing Statements have been obtained from the Los Alamos National Bank as well as Meld LLC for

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	original proposed amount. There was no documentation at the school documenting or approving the change order, or documentation of what the cost overrun was for. In addition, there is no documentation or provision stating that the profit or fee shall be adjusted to exclude any significant sums because of inaccurate or incomplete pricing data.	over the summer. All documents were archived by Fiscal year and a review of missing documents were attempted to be collected and archived as the Audit occurred on-site. This was a way for the school to help determine what documents needed to be stored and how and from which corresponding vendors or Foundations. Provide Internal Controls including Policies and Procedures for the Cutler Charitable Foundation as part of the CAP.		appropriate financial records. The building has been signed over to the Cutler Foundation. The Cutler Foundation will now approve all change orders.			the construction. The Cutler Charitable Foundation has presented drafted policies and procedures.
2018-014 2018-012	<u>Lack of NM PED Approval Prior to Approving Lease Purchase Agreement</u> - The School did not receive approval from the New Mexico Public Education Department (PED) prior to the approval of the Lease Purchase Agreement. Two original lease purchase agreements were provided. The first dated May 10, 2017 and the second dated August 9, 2017. The August 9, 2017 Agreement was approved by the PED on September 18, 2017. An Amendment was completed and approved by PED on June 4, 2018. We noted that the May 10, 2017 lease purchase agreement had amounts that were blank in the agreement and there is no documentation to show the May	21st Century worked with the PED attorney and 21st Century attorneys. 21st Century has followed all of the appropriate processes for the Lease Purchase and the Lease Amendment following the guidance of the PED. 21st Century received approval from PED on August 9, 2017, however all documentation was provided to PED as requested through-out this process.	12.	PED will not approve a Lease Purchase Agreement until the local governing council first approves. They then will review the documents and either request changes or approve. The School will comply with the PED process.	Principal CEO, Business Manager	3/31/2019	Completed As we move forward, we will provide documentation of direction provided by all entities.

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	10, 2017 lease purchase agreement was cancelled.						
2018-015 2018-013	<u>Bylaws</u> - The Governing Council President signed a lease purchase agreement on May 24, 2017 on behalf of the School. We noted no approval in minutes showing approval to sign on behalf of the school. Governing Council President signed a broker amendment on behalf of the school. We noted no approval in minutes showing approval to sign on behalf of the school.	The auditor had been provided copies of the Governance Council Minutes and failed to locate the appropriate approval that was listed. Provide GC minutes that documented approval including votes taken.	13.	The LPA has been accepted by the PED and approved. Minutes Attached The previous COO was unable to provide the documents. They are attached. We will comply with bylaws to comply with signatory authority.	Principal Governance Council President, CEO	12/31/2018	Completed GC Minutes demonstrating approval are attached. See Attached 2018-013
2018-016 2018-014	<u>Lack of Due Diligence</u> - The School entered into a Lease Purchase Agreement for \$5,500,000 without an appraisal and did not have any documentation showing the basis for the price. An appraisal was conducted by a bank on February 1, 2018 determining the market value to be \$5,030,000 after the School paid approximately \$2,137,834 for construction on the property.	The Governance Council sought out and received the comps for similar properties and were professionally represented by their Realtor throughout the process. The Cutler Charitable Foundation received an appraisal in the spring of 2017 as part of the financing process. The appraisal was initiated by Los Alamos National Bank in February of 2018.	14.	The Cutler Charitable Foundation attempted to comply with the PED requirements and received PED approval. The Cutler Charitable Foundation will secure the appropriate appraisal for	Chief Operations Officer, Facilities Manager, CEO, Principal and Cutler Foundation Who is the current Chief Operations Officer?	3/31/2019	Completed School has implemented a new organizational structure. Mary Tarango is the School's Chief Executive Officer. See Attached 2018-014 Jeremy Peckens is the current Chief

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				the property for further financial arrangements.			Procurement Officer.
2018-017 Material Weakness 2018-015	<u>Fixed Assets</u> - The School continued to carry building improvements related to the previous leased building. There was a remaining book value of \$2,204. In addition, the School did not track or depreciate leasehold improvements for the construction of the current school building. The total amount of the assets have not been reconciled by the school.	Construction costs will continue to be monitored and tracked as we move forward to ensure proper capitalization and depreciation of all assets. Once Phase II is complete, ALL assets will be reconciled, tracked and recorded and provided to the Business Manager of record for appropriate Financial reporting. Provide approved Policies and Procedures for Fixed Assets.	15.	Reconciliation of all assets will occur as completed and placed into service. (Internal Controls; Fixed Assets; Pages 31 & 32) Asset Capitalization p. 32 Depreciation Guidelines p. 33 Disposal of Capital Assets p. 33	Chief Procurement Officer, Chief Operations Officer, CEO Principal, and Contracted Business Manager	6/30/2019	Ongoing June 13 th : The school's Business Manager has constructed a fixed asset rollforward, and has recorded and will maintain fixed asset depreciation.
2018-018 Material Weakness 2018-016	<u>Vendor Overpayment</u> - During our audit we noted the following: <ul style="list-style-type: none">School was overbilled and overpaid a vendor by \$52,401. The vendor charged the school gross receipts tax twice.Per the invoice dated August 4, 2017, remaining balance on roof was \$40,000. School received	These invoices referenced here were sent to APS directly and did not go to the school or were not paid by the school. The total roof repair cost was \$125,000 plus NMGR. Invoices show the school paid \$75,000 and APS paid the remainder. There was a contractor invoicing error on "balance still due" that was corrected, this uncorrected invoice was mistakenly submitted to the auditor.	16.	Processes to clarify responsibilities has been completed. (Internal Controls; Purchasing; Pages 22-24)	Chief Procurement Officer, Contracted Business Manager, Principal CEO	3/31/2019	Completed March 26 th : The Business Manager and Principal presented updated Internal Controls. May 21 st : The school's Business manager has gone through all purchase

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	and invoice dated October 10, 2017 for \$50,000. The documentation at the school is unclear on whether the School had an overpayment of \$10,000.	Provide approved Policies and Procedures for Accounts Payable.		Procedures for Cash Disbursement P. 20, Item 4			orders for FY19 to ensure that no duplicate POs exist.
2018-019 Material Weakness 2018-017	<u>Journal Entries</u> - During our testing of journal entries we noted there is no approval of journal entries. It was also noted that journal entries in the amounts of \$87,755 and \$26,688 did not contain adequate supporting documentation for the journal entry posted.	Dual approval is now required for all JE's to prevent future audit findings and ensure compliance is being followed. Supporting documentation for all applicable JE's will be kept on file. The school had the backup for the following two JE's on file, the previous COO failed to provide it. All journal entries will be provided with backup to the Finance Committee during regular meetings. And are then presented to the Governance Council for approval. Provide Policies and Procedures for Journal Entries.	17.	The Vigil Group has been contracted to manage the general ledger. Controls are now in place to ensure appropriate backup and review is available. (Internal Controls; Segregation of Duties; General Ledger; Pages 12 - 14) Procedures for Internal Controls, P. 10 third bullet	Principal, Contracted Business Manager, CEO	3/31/2019	Completed January 1 st : Every Journal entry since 1/1/19 has received dual approval in accordance with the school's and Vigil Group's policies and procedures.

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				Segregation of duties P. 13 third bullet			
2018-020 Material Weakness 2018-018	<u>Prepayment of Invoices</u> - A check was written by the school in the amount of \$250,000 that showed prepayment for construction work. Back-up provided by the school did not reconcile to the \$250,000 paid. Of the support provided only \$38,270 appears to be for services prior to the check date. The School provided invoices of \$327,374 to support this invoice.	Prepayment of construction at Cutler Building was actually a "Bridging" payment for cost incurred to date as well as materials on order. Standard Practice for construction to require partial payment as work progresses as well as an initial down payment to order materials. Moving forward the school will make sure to provide all necessary backup for construction work. Provide approved Policies and Procedures that were developed to prevent prepayments. Internal Controls have been updated to follow procurement code.	18.	Procedures have been put in place to prevent prepayments (Internal Controls; Purchasing; Pages 22-24) Requirements for Purchasing, P. 25, Item 19	Contracted Business Manager, Principal, Facilities Manager, CEO	3/31/2019	Completed January 1 st : The Business Manager has made sure to only process payments after a purchase order has been issued and the services provided have been completed.
2018-021 2018-019	<u>Improper Disposal of Capital Assets</u> - During our test work over capital assets, we noted the School failed to notify the Office of the State Auditor (OSA) at least 30 days prior to the disposition of property for all items disposed in fiscal year 2018.	21st Century will follow all OSA requirements going forward. The Principal and the Facilities Manager will notify the State Auditor and monitor all inventory, assets and disposition thereof to help prevent future and repeat findings. Provide approved Policies and Procedures for the disposal of Capital Assets.	19.	Procedures have been put in place to report all asset dispositions (Internal Controls Fixed Assets; Page 31-32)	Principal, Facilities Manager, CEO, Business Manager	3/31/2019	Completed January 1 st : Policies and procedures regarding the capitalization on assets we adopted. June 13 th : The school has created and will maintain a fixed asset rollforward, adding assets to the worksheet as they

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				Disposal of Capital Assets, P. 33			are purchased. This new fixed asset rollforward will be presented to the auditors at the FY20 audit. The School's Business Manager will ensure that all disposition requests are presented to the OSA.
2018-022 Material Weakness 2018-020	<u>Request for Reimbursement</u> - The School does not have a process for submitting Requests for Reimbursements (RFRs) timely. The school could not recover approximately \$75,011 due to RFR's submitted after the due date. The operating fund was required to absorb those expenditures. Those adjustments had not been corrected in the general ledger accounting system. In addition, the school does not have a review of RFRs.	RFR's will be done on a regular basis as opposed to annually to ensure that all reimbursable funds are drawn down on before the end of the year. Provide approved Policies and Procedures for RFRs.	20.	The contracted business manager has been submitting RFRs timely. (Internal Controls; Accounts Receivable Page 18) Cash Control Standards, Accounts Receivable p. 20	Contracted Business Manager	3/31/2019	Completed January 1 st : The school's new Business Manager/Contractor has submitted multiple RFRs for every reimbursable fund and will continue to do so no later than on a quarterly basis as per contract.
2018-023 Repeat 2018-021	<u>Budgetary Conditions</u> - During our audit, we noted the school had an expenditure function where actual expenditures exceeded budgetary authority:	21st Century has contracted The Vigil Group to monitor the budget. Both the Vigil Group and the principal CEO will enter and complete the approval process for BARS as needed to ensure compliance.	21.	The contracted business manager will maintain appropriate controls to ensure budget authority.	Contracted Business Manager and Principal-CEO	3/31/2019	Completed January 21st: The school's Business Manager has been presenting BARS to the GC as needed to ensure that

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	Fund 11000 (Function 1000) -\$95,597 Fund 21000 (Function 3000) -\$7,004 Fund 31600 (Function 2000) - \$17 Fund 31701 (Function 2000) -\$8	Provide approved Policies and Procedures for Budgeting.		(Internal Controls; Procedural Requirements; Budget Maintenance Standards Pages 9 & 9 Budget Adjustments, 1 st paragraph-p. 10			expenditures do not exceed budget authority.
2018-024 2018-022	4 th Quarter NMPED Reports - We noted the 4 th quarter budget to actual report submitted to the New Mexico Public Education Department (NMPED) did not agree to the general ledger.	An updated Quarterly Report was provided to PED/APS to ensure compliance. The new contracted Business Manager will have all quarterly reports reviewed by a licensed business manager prior to submission. Provide approved Internal Controls for Financial Reporting. The Vigil Group has a dual review process prior to submitting to PED. This was presented to GC.	22.	The contracted business manager will maintain appropriate controls to ensure correct reporting. (Internal Controls; Procedural Requirements; Financial Reporting, 2 nd paragraph Pages 9 & 11)	Contracted Business Manager	3/31/2019	Completed The school's Business Manager has reconciled the 1 st , 2 nd and 3 rd Quarter FY19 Cash Reports to the GL as per contract.
2018-025 2018-023	Outdated Policies - The School does not have an updated policies and procedures manual. The policies provided were dated 2012. Policies should be reviewed and updated each year.	21st Century has already started re-writing and updating policies and procedures and internal controls. Once approved, written process will be updated and then presented to the Governance Council for	23.	A new review of internal control manuals has been completed.	Contracted Business Manager and Principal CEO	6/30/2019	Completed Completed January 1 st : The Vigil Group began implementing their

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		<p>approval, review. These procedures will be reviewed annually and updated as needed. This will be presented to Governance Council by June 30th 2019.</p> <p>This was noted on the APS annual site visit for Jan. 24, 2019 and was also an exception on the previous year's site visit report. A complete set of approved Internal Controls including Policies and Procedures are required for this Corrective Action Plan. Management's response in the Audited Financial Statements states "21st Century has already started re-writing and updating policies and procedures and internal controls. Once approved, written process will be updated and then present to the Governance council for approval, review. These procedures will be reviewed annually and updated as needed. This will be presented to Governance Council by December 2018."</p>					<p>Policies and Procedures. March 26th: The Business Manager and Principal presented updated Internal Controls. April 18th: The new Internal Controls were presented to the GC on June 24th and approved. Internal Controls will be revisited and updated in July to reflect Corrective Action Plan and Organizational Chart.</p>
2018-026 2018-024	<p><u>T&E Adjustment</u> - The School received a reduction of \$117,740 in State Equalization Guarantee money after a Training and Experience (T&E) audit performed by the NM PED and not complying with state compliance requirements.</p>	<p>All employee records have been reviewed and updated by the Business Manager and Principal.</p>	24.	<p>A review of T&E processes will be completed Internal Controls, Financial Reporting, P. 11 3rd paragraph,</p>	Principal / Human Resource staff CEO	3/31/2019	<p>Completed Contracts for FY20 will be written based on the audit results and the school is now compliant. HR files will be reviewed annually prior to</p>

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							issuing contracts to verify T&E.
2018-027 Material Weakness 2018-025	<u>Internal Control over Cash Receipts</u> - The School does not have a process for cash receipts. There is no cash receipt book or log kept for the money receipts. There is no documentation to show how much cash the school receipts to compare to the amount deposited to the bank and verify that it was properly deposited within 24 hours.	The school will establish a process for cash receipts. The school's administrative assistant will issue a cash receipt book to all staff to be used when receiving cash or check for items over \$5. The staff will submit any cash with the related cash receipt copy to the administrative assistant daily. Items \$5 and under will be recorded using a class list and submitted to the administrative assistant daily. , by making d-Deposits will be made daily and maintaining a cash receipts log book that contains all cash receipts and necessary backup. Provide approved Policies and Procedures for Cash Receipts.	25.	A review of internal controls has been completed with new processes implemented. (Internal Controls; Cash Control Standards; Receipt of Funds – Items 1-10 Page 16 & 19)	Contracted Business Manager, Principal CEO	3/31/2019	Completed January 1 st : The school has deposited revenue received every day. All backup from these deposits is sent to the school's Business Manager. The backup for these deposits is kept at the school and electronically by the Business Manager.
2018-028 2018-026	<u>RHC and ERB Payments</u> - Education Retirement Board (ERB) payments for the year did not agree to the general ledger by \$347. Retire Health Care (RHC) payments for the year did not agree to the general ledger by \$115.	21st Century has designed a monthly checklist to ensure compliance. Included will be a reconciliation of all payroll liabilities to ensure compliance with applicable state law and regulations. Copies of the most recent payroll liability reconciliations and approved Policies and Procedures for Payroll.	26.	The contracted business manager will maintain appropriate controls to ensure correct reporting. (Internal Controls; Cash Control Standards &	Contracted Business Manager	3/31/2019	Completed March 31 st : The school's Business Manager has reconciled employees ERB and RHC deductions. See Attached 2018-026

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				Purchasing; Pages 18, 22-24 & 25-26 Payroll, Payroll Policies and Procedures, P. 28, Item 8 Reports requested are attached.			
2018-029 Significant Deficiency 2018-027	<p><u>Payroll Transactions</u> - The following was noted:</p> <ul style="list-style-type: none"> The school overpaid an employee \$263 for the year. There was no documentation at the School to show why the employee was paid more than the contract. The Principal contract was for Principal services only however the Principal was paid .70 FTE principal and .3FTE teacher. The contract did not properly reflect this. 	<p>The school will implement internal controls over payroll as well as a payroll variance summary report that will reconcile and verify all amounts paid to employees. The school will also utilize controls available within the payroll system. The school will make sure that the Principal's contract reflects FTE measurements.</p> <p>Provide approved Policies and Procedures for Payroll.</p>	27.	<p>Contracts will be reviewed to agree to the payments made. Documentation will be maintained on all allocations and payments.</p> <p>(Internal Controls; Payroll; Payroll Policies and Procedures, Page 25-27) Item 2 p. 27 and Item 12 p. 28</p>	Principal and Contracted Business Manager	3/31/2019	<p>Completed</p> <p>November: The Principal's contract was amended to reflect a .3 teacher and .7 administrator as reported in STARS. March 31st: Employee Payrolls have been reconciled by the Vigil Group Payroll Team as per contract.</p> <p>All contracts will be created and reviewed by both the school's Business Manager and the school's Principal.</p>

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							Review with the CEO and Business Manager
2018-030 Material Weakness 2018-028	<u>Financial Close and Reporting</u> - The <u>Foundation</u> was not maintaining a trial balance or a general ledger with the accounting activity. As of October 2018, the foundation has created only a June 30, 2018 trial balance and has maintained no accounting ledger subsequent to year-end.	A trial balance and general ledger have and will continue to be maintained by the Business Manager. The school's COO failed to provide a copy of the GL detail report as well as the trial balance that the school had on file at the time of the audit. Hugo is the Treasurer of the Foundation and is managing the manual general ledger.	28.	The foundation has an individual assigned the task of maintaining its official records. Fiscal Management Policies and Procedures - Reconciliations P. 4-5	Principal and Foundation Board	3/31/2019	Completed June 13 th : A trial balance, GL and balance sheet have been created by the foundation. Treasurer to maintain the GL and trial balance. Policies and Procedures have been drafted and implemented and will be presented for approval at the next meeting.
2018-031 Material Weakness 2018-029	<u>Lack of Internal Controls over Capital Assets</u> - During our test work over capital assets the following was noted: <ul style="list-style-type: none">The Foundation did not accurately record the value of property purchased under a lease purchase agreement. The value of the land, \$1,800,000, was included in the valuation of the whole property	Currently the CCF has no real assets but has liabilities only. Los Alamos National Bank and MELD are the current lien holders on the 4300 Cutler property. The most recent appraisal will be used for an accurate portrayal of the CCF position on capital assets and liabilities. CCF is technically a landlord to the school and as such should not be a part of this school's audit. CCF is monitored by federal	29.	The foundation has an individual assigned the task of maintaining its official records. Fiscal Management Policies and Procedures - Fixed Asset	The Cutler Charitable Foundation.	6/30/2019	Ongoing June 13 th : A fixed asset rollforward has been Policies and Procedures have been drafted and implemented and will be presented for approval at the next meeting.

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	<p>(\$5,030,000). The Foundation recorded the value of the land but did not remove it from the value of the building, effectively double counting the land.</p> <ul style="list-style-type: none"> The lease purchase price was \$5,748,707. A third party valuation of the property acquired under the lease purchase agreement was performed subsequent to the date of the agreement, concluding a value of \$5,030,000. The difference between the purchase price and the valuation indicates a loss on impairment of \$718,707. No impairment loss was recorded by the Foundation. 	<p>tax fillings and with the IRS and NM as a private non-profit foundation.</p>		<p>Management P. 6-7</p>			<p>Policies and Procedures have been drafted and implemented and will be presented for approval at the next meeting.</p>
<p>2018-033 Material Weakness 2018-030</p>	<p><u>Lack of Internal Controls over Long-Term Debt</u> - During our test work over long-term debt the following was noted:</p> <ul style="list-style-type: none"> Total long-term debt outstanding as recorded exceeds the amount 	<p>The Meld, Inc. debt on the 4300 Cutler property is known. Currently CCF has no real assets but has liabilities only. Los Alamos National Bank and MELD, Inc. are the current lien holders on the 4300 property.</p>	30.	<p>The foundation has an individual assigned the task of maintaining its official records</p>	<p>The executive board will collectively be responsible for this action.</p>	3/31/2019	<p>Ongoing June 13th: Statements and records have been compiled and have been reconciled to the foundation's</p>

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	<p>outstanding per the documentation provided by \$26,293.</p> <ul style="list-style-type: none"> Sufficient evidence was not provided to conclude on the total amount outstanding on the MELD, LLC note. The school may have an additional unrecorded liability of \$485,510 with the vendor. No amounts were recorded as current. 	<p>Provide Internal Controls including Policies and Procedures for Cutler Charitable Foundation as part of this Corrective Action Plan.</p>		<p>Fiscal Management Policies and Procedures.</p>			<p>balance sheet. The Treasurer is to maintain records moving forward.</p> <p>Policies and Procedures have been drafted and implemented and will be presented for approval at the next meeting.</p>
	<p>The principal's spouse was serving on the governing council during initial employment, and is a current governing council member. This is a violation of NMSA 1978, 22-8B-10B, "The head administrator of a charter school shall not initially employ or approve the initial employment in any capacity of a person who is the spouse, father, father-in-law, mother, mother-in-law, son, son-in-law, daughter, daughter-in-law, brother, brother-in-law, sister, sister-in-law of a member of the governing body or the head administrator.</p>	<p>Current Principal was initially employed as a teacher and then her husband joined the GC as a parent. Teacher was promoted to Assistant Principal and now Principal. CEO to monitor moving forward for compliance. Should a potential conflict of interest arise the CEO will notify the GC for direction and compliance.</p>		<p>Husband to resign at the next GC meeting. GC Bylaws-Nepotism P.8</p>	<p>CEO, GC</p>	<p>July GC meeting</p>	