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SUSANA MARTINEZ
GOVERNOR

April 27, 2011

MEMORANDUM

TO: Public School Superintendents
Charter School Officials
Local Board Presidents
Business Managers

FROM: Hanna Skandera 
Secretary-designate, Public Education Department

RE: **Initial Findings of the Public Education Department's Audit of 2011-2012 School District Data**

Public Education Department Conducts Audit of 2011-2012 School District Data:

To deliver on her commitment to protect classroom spending, establish strong fiscal and academic accountability for schools and yield a smarter return on taxpayers' investment in education, Governor Susana Martinez is establishing unprecedented transparency in New Mexico schools. Under her leadership, the Public Education Department recently conducted an expedited review of school district data to determine the reasons for unusually high increases in special education student identifications, special education services and expenses for teacher training and services reported for the coming school year. The audit was undertaken to ensure information is being reported accurately and taxpayer dollars are protected.

Audit Process: Special Education and Related Services and Teacher Training and Experience:

As announced on April 14, 2011, based on a preliminary review of data, the Department identified 34 districts as the primary focus of our audit. These 34 districts reported high rates of special education students, special education services or expenses for teacher training and experience. Each exceeded the average statewide growth by at least 200 percent, the initial statistical bar set for the audit. Districts that

underwent review exceeded statewide growth from nearly 200 percent up to more than 1,000 times the average increase statewide in some cases.

Auditing of Special Education and Related Services:

Based on the data provided through the state's Student Teacher Accountability Reporting System (STARS) and through district records – including number of students identified as eligible for special education services (including gifted students), the number of personnel (FTE) providing these services and Developmentally Delayed preschool enrollment – budget and finance staff and program staff from our Special Education Bureau audited districts reporting data higher than the statewide average, showing noteworthy differences from the previous year or other unusual trends not in compliance with state and federal laws under the Individuals with Disabilities Education Act (IDEA).

Based on the extent of abnormalities, our staff conducted several onsite reviews of district records. Audits included random sampling – 10 percent of affected populations reviewed in the majority of districts – of Individualized Education Programs (IEPs) by Department staff to evaluate whether:

- Data included in Individualized Education Programs (IEPs) matches the information provided through the state's Student Teacher Accountability Reporting System (STARS).
- Funds for services provided is reasonable based on an individual student's needs.
- Data reviewed from districts are in compliance with state and federal guidelines under the Individuals with Disabilities Education Act (IDEA).

Auditing of Teacher Training and Experience:

Based on information provided by school districts on salaries and benefits for instructional staff, specifically years of experience of teachers and their academic degrees, we audited five districts reporting data higher than the statewide average, showing noteworthy differences from the previous year or other unusual trends. These audits by Department staff included on-site review of district records and additional accountability measures.

Department Announces Initial Audit Findings By District:

Districts Cleared through the Department's Audit (8 Districts):

Based on a review of records and additional accountability measures established by the Department's auditing team, eight school districts were cleared of all issues regarding special education, special education services and expenses for teacher training and experience. In the majority of cases, these districts exhibited exemplary data quality, accurate record keeping, strong accountability and no compliance infractions. These districts include:

- Aztec
- Des Moines
- Los Alamos
- Maxwell
- Portales
- Rio Rancho
- Santa Rosa
- Silver City

Districts Cited for Minor Compliance Issues (13 Districts):

Based on a review of records and additional accountability measures established by the Department's auditing team, 14 school districts were cited for minor compliance issues not consistent with state or federal laws. Minor compliance issues identified include poor data quality, inaccurate or delayed record keeping, discrepancies between data submitted to the Department and data included in a student's Individualized Education Program and potential additional questions regarding the level of services provided to a special education student. The Department will follow up with these districts within the next two weeks outlining specific remedies and a timeline for coming into compliance. In many cases, this may be as simple as correcting unintentional technical errors. The districts identified include:

- Albuquerque
- Bloomfield
- Clayton
- Clovis
- Fort Sumner
- Gadsden
- Hagerman
- Hobbs
- Moriarty
- Roswell
- Socorro
- Tularosa
- Vaughn

Districts Cited for Major Compliance Issues (4 Districts):

Based on a review of records and additional accountability measures established by the Department's auditing team, 4 school districts were cited for major compliance issues not consistent with state or federal laws. In addition to minor compliance issues, these districts also may have misidentified special education students, did not follow federal law on the transition of young children from Part C Early Intervention into IDEA Part B special education preschool services, showed unusually high rates of ancillary services provided or failed to provide services to children despite receiving dollars for these services from the state. The Department will follow up with these districts within the next two weeks outlining specific remedies and a timeline for coming into compliance with state and federal laws. These districts include:

- Cimarron
- Dulce
- Santa Fe
- Tucumcari

Districts Selected for Additional Audit Measures Based on Initial Findings (9 Districts):

Based on a review of records and additional accountability measures established by the Department's auditing team, 9 school districts were identified as needing a more intensive and expansive audit to determine the extent of their infractions. In addition to the major compliance issues identified above, in

many cases, these districts exhibited severe data quality issues or could not verify data reported to the Department, could not validate records and provider service logs, could not verify students were receiving services showed unusually high rates of ancillary services provided, overbilled the state for services provided or showed unusual trends needing additional review. These districts include:

- Alamogordo
- Cobre
- Espanola
- Gallup
- Grants
- Las Cruces
- Melrose
- Pojoaque
- Taos

Districts Already Under Review by the Department:

In addition to 34 districts noted above, Artesia, Belen, Cuba, Deming, Hatch, Jal, Lovington, Portales (cleared in the current audit process), Raton, Ruidoso, Tatum and Tucumcari were previously identified for other special education compliance issues and continue to be monitored by the Department.

Ensuring Needs of All Special Education Students Are Met: A Systemic Challenge for New Mexico:

The Department's review of school district data found not just several errors, inconsistencies and concerning patterns in several school districts, but also raised broader systemic issues regarding the way New Mexico identifies special education students and provides for their unique needs. Challenges currently identified in districts include improving data quality, creating consistent local accountability systems to ensure the provision of services and the proper application of state and federal guidelines for identifying the needs of individual special education students.

We will continue to provide technical assistance to districts in these areas. We hope to explore ways to better guide districts through these challenges, ensuring greater transparency for our taxpayers and appropriate services for our children.

External Audit Conducted by Center for Technical Assistance for Excellence in Special Education:

Based on the Department's initial findings, additional investigation is warranted in Alamogordo, Cobre, Espanola, Gallup, Grants, Las Cruces, Melrose, Pojoaque and Taos. These districts are responsible for more than \$11 million of the \$18 million in units identified for auditing.

To continue with the audit process, the Department plans to call on the expertise of the Center for Technical Assistance for Excellence in Special Education (TAESE), the special education technical assistance division for the Center for Persons with Disabilities at Utah State University. The Department already contracts with TAESE for technical assistance to the State of New Mexico for special education, a resource funded by the federal government under IDEA. The Center has a 30-year history of providing oversight in this field, working on 25 different projects in 14 states across the country.

TAESE will expand its role in New Mexico by overseeing an audit of these nine districts, beginning in May – depending on each district’s academic calendar – and tentatively reporting final findings by October. This audit will include a more expansive sampling of records to validate data, forensic cyber measures, if necessary, as well as a thorough review of policy and procedures at the local and state levels. Personnel from the Department and other agencies will join the audit teams as needed. Legislative staff will also be invited to participate. Affected districts will soon be notified of a formal auditing schedule.

Next Steps at PED: Charter School Audits:

As the second tier of the Department’s audit of local education authority data begins, charter schools reporting exceptionally high rates of special education students, special education services or expenses for teacher training and experience will be notified of an upcoming audit by close of business on Friday, April 29, 2011. Given the substantially greater number of students affected, school districts were prioritized in audit sequence ahead of charter schools.

Public Education Department’s Annual 2011-2012 Budget Review Process:

While the State’s planning unit value is subject to change in January – based on final data for the school year – all school districts, charter schools and local education authorities should move forward with finalizing budgets for the coming year.

The Public Education Department is now beginning our annual school district review process. Meeting dates for all local education authorities – even those audited – will now move forward.

By forcing savings elsewhere in state government to prioritize education, Governor Martinez delivered on her promise to protect classroom spending. In these challenging economic times, New Mexico’s state budget for the coming year reduces the overall appropriation to school districts by only 1.5 percent – an amount that should be absorbed by cutting waste and education bureaucracy.

In challenging economic times, it is even more important to ensure our education dollars directly benefit our children and teachers. By forcing savings elsewhere in state government to prioritize education, Governor Martinez delivered on her promise to protect classroom spending in the coming fiscal year’s budget.

To yield a smarter return on New Mexico’s investment in the education of our children, we are committed to helping school districts and local education authorities throughout the budget process. As budgets are finalized in the coming weeks, the Department stands ready to help. Through scheduled meetings and conversations with our staff, the annual budget review process presents an opportunity to work together, ensuring every dollar committed to education is used as efficiently and effectively as possible.

Please let us know how we can be a resource, better serving your staff and students. Our staff can provide support and helpful feedback and guidance as you make important decisions for the coming school year. It is our goal for this audit to serve as the first of many efforts to partner together to increase transparency and accountability in our schools. Together, we can find creative and innovative solutions to our most pressing challenges.

cc: Office of the Governor

Senator Cynthia Nava, Chair, Senate Education Committee
Senator John Arthur Smith, Chair, Senate Finance Committee
Representative Luciano "Lucky" Varela, Chair, Legislative Finance Committee
Representative Rick Miera, Chair, House Education Committee
Richard May, Cabinet Secretary, Department of Finance and Administration
David Abbey, Director, Legislative Finance Committee
Frances Ramirez-Maestas, Director, Legislative Education Study Committee
Paul Aguilar, Deputy Secretary, Finance and Operations, PED
Steve Burrell, Director, School Budget and Finance Analysis Bureau
Pamela Bowker, Deputy Director, School Budget and Finance Analysis Bureau
Budget Analysts, School Budget and Finance Analysis Bureau