

**A Troubled History of Job Creation:
The Story Behind New Mexico's Chief Job Creators
and Education Reformers**

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Executive Summary

When business executives start running schools, there are bound to be some mistakes. And when those mistakes pile up, no one should be able to sweep them under the rug and start anew. Yet, that is exactly what happened when a group of well-connected Albuquerque business leaders used millions of taxpayer dollars to run school-to-work job training programs in the early 2000's. Individuals and their companies profited with sole-source contracts and failed to account for over \$1M in taxpayer money. Instead of coming clean, they simply closed shop and joined up with a new organization where today they engage in much of the same work, only this time with the blessing of Governor Susana Martinez's administration.

The New Mexico Business Roundtable for Education Excellence ("NMBREE"), long considered the voice of business in education policy and a critical advisory body for the Martinez administration, has a track record that at best is spotty and at worst ineffective in areas of public policy they are called upon to advise on, an investigation by ProgressNow New Mexico has learned.

The NMBREE, a New Mexico non-profit led by a handful of business persons claiming to represent the interest of more than 300,000, has recently taken a front and center role in New Mexico politics, and specifically on the issue of education reform in New Mexico. Board members of the organization have been appointed to the new New Mexico Effective Teaching Task Force, new Small Business-Friendly Task Force, testified before the Legislative Education Study Committee, and speak publicly advocating for legislative and policy changes to connect education to business and job creation across the state.

ProgressNow New Mexico has discovered that the persons and resources used to advance these issues on behalf of the NMBREE, however, have a troubled history in designing, implementing and overseeing such programs and that raises serious questions about whether these organizations are the best voice for New Mexico business on these issues.

Among the highlights of the report:

- Larry Langley, Executive Director, and at least six members of the board of directors of the NMBREE were also members of the Mid Rio Grande Business & Education Collaborative in the late 1990s and early 2000s. That organization received millions of dollars in federal grants to implement "school-to-work" programs and job centers in Bernalillo, Valencia, Torrence and Sandoval Counties.
- An audit commissioned by the Mid Rio Grande Business and Education Collaborative (MRGBEC), showed a pattern of:
 - mismanagement and failure to provide the jobs training promised to eligible participants;
 - failure to comply with the requirements of the program;
 - mismanagement of finances—questionable expenses of more than \$1.2 million; over-budget spending of more than \$792,000; disallowed purchases of goods and services from related third parties including more than \$100,000 from a board member's personal company; inconsistent treatment of expenses;

- questionable invoice payment procedures; line items used for billing purposes were different from those used in accounting records
 - mismanagement of administrative and file documentation, financial reporting and critical records-keeping duties
- The same audit found that the MRGBEC funded the setup of and managed an improper job training center which, according to one audit item, spent \$86,000 to train 20 people. Only 2 of those center graduates obtained jobs.
 - The audit alleged that board members benefited from contracts to provide equipment/services to sub-grantees.
 - The MRGBEC's last \$4,801 in liquid assets, as well as its remaining fixed assets, followed Langley and many of the MRGBEC board to the NMBREE.
 - Though Langley regularly speaks and writes publicly about his experience running businesses, claiming that his organization "grows and flourishes," public reports show that the MRGBEC was dissolved after misfeasance was exposed and the NMBREE regularly runs annual deficits of tens-of-thousands of dollars despite his ever increasing annual salary.
 - Through its influence in today's education and business reform processes, the NMBREE currently advocates for the creation of "Collaborative Regional Networks" to be run by the NMBREE. These NMBREE networks are modeled on the same failed programs the MRGBEC administered in the 2000s and the NMBREE stands to make big money to administer such programs.
 - Leaders of the troubled and defunct MRGBEC now lead New Mexico's Economic Development Department, serving as the state's chief jobs creators.

The NMBREE and its directors have been anointed by the current administration as the voice of New Mexico business community and are intimately involved in advising the legislature, Public Education Secretary-designate, Economic Development Department and Governor on how best to connect education to jobs in New Mexico. Former board members and officers of the MRGBEC currently lead New Mexico's economic development efforts, as Secretary-designate and deputy secretary, and members of the NMBREE serve in numerous advisory roles for government.

Secretary-designate Barela, a speculative congressional candidate, also faces confirmation or reappointment in the 2012 legislative session.

This report is intended to provide the public and policy makers with additional information to judge the credibility of the advice, agenda and policies offered in New Mexico's very important efforts to create a strong public education system and grow jobs.

Mid Rio Grande Business and Education Collaborative

“The MRGBEC was established in 1997 to implement school-to-work opportunities systems and programs... During the fiscal year that ended June 30, 2002 [Workforce Connection of Central New Mexico] contracted with MRGBEC to provide administrative and fiscal agent services.”¹

In furtherance of its mission to advance job training and school-to-work programs, the organization actively sought and received over \$11 million in taxpayer-funded grants to administer job training programs for young people and adults alike. Larry Langley served as MRGBEC president/executive director from 2000-2004. It operated from the TVI (now CNM) Workforce Training Center at 6500 Eagle Rock Road in Albuquerque.

The organization initially received unchecked public praise for its work in job training and job creation. In 2002, Jack Jekowski, then-Chairman of the MRGBEC, noted that the MRGBEC received the Business Coalition of the Year Award.²

Just a year later, Jon Barela is listed as Chair-elect when the MRGBEC’s own audit found that the Mid Rio Grande Business and Education Collaborative (MRGBEC), showed a pattern of:

- program mismanagement and failure to provide the jobs training promised to eligible participants; failure to comply with the requirements of the program;
- mismanagement of finances—questionable expenses; over-budget spending; disallowed purchases of goods and services from related third parties; inconsistent treatment of expenses; inadequate cash management policies; questionable invoice payment procedures; line items used for billing purposes were different from those used in accounting records
- mismanagement of administrative and file documentation, financial reporting and critical records-keeping duties

A statewide review of WIA program implementation in New Mexico, including those programs managed by the MRGBEC, was undertaken by the Legislative Finance Committee in 2003. (This audit was conducted after the MRGBEC was removed as the fiscal agent for the central region, but reviewed some of the organization’s prior practices). Similarly, it found that:

- “audit staff was were unable to analyze how WIA money was spent in the central area while MRGBEC acted as the fiscal agent.”³

The LFC report recommended that new fiscal policies be put into place for all WIA regional boards, including the MRGBEC, in order to continue operating those programs. Instead, the MRGBEC transferred its responsibilities to the Mid Rio Grande Council of Governments (MRGCOG) and stopped offering job training or school-to-work programs.

Though the LFC report clearly stated that auditors were unable to determine how money was spent by the MRGBEC, there is no indication that any further public audit was conducted or that the MRGBEC volunteered its own audit findings to the state's auditors.

There was apparently little attention paid to the audit and findings, nor any indication that the organization reported its internal findings publicly or reimbursed taxpayers for the mismanaged funds. Instead, the executive director and many of the board directors quietly moved to another organization and the MRGBEC subsequently dissolved.

History

In 2001, under the leadership of Larry Langley and Barbara Brazil, MRGBEC was authorized by the Workforce Connection of Central New Mexico, a public organization, to setup career centers in the four-county Albuquerque-metro area. The MRGBEC also sought out independent grants to administer companion school-to-work programs in area public school systems and institutions of higher education.

IRS 990 reports show that the organization received over \$11 million in grants in 2002 to administer these programs. The MRGBEC subsequently ran school-to-work programs in the Albuquerque Public Schools, TVI (now CNM) and others.

As a part of the process to set up job training programs with taxpayer money, boards of WCCNM and MRGBEC subsequently authorized the purchase of over \$1.8 million in equipment and services from “interested third parties” including board members, private companies owned or managed by board members and public organizations with whom board members had substantial relationships. As one example, \$101,049 of computer equipment from the company of a board member without public bid or notice, in alleged violation of state procurement codes.⁴

With regard to job training, the audit found that:

- the job center setup and overseen by MRGBEC was improperly established,
- trained enrolees for jobs for which there was no demand,
- graduated less than ½ of audited enrolees,
- failed to provide job counseling services,
- for those enrolees who required higher levels of training, and thus more funding per person, the program failed to provide the levels of training required,
- failed to inform unemployed workers about available unemployment assistance and other job skills programs, and
- improperly used school-to-work funding to pay for adult job training.

The MRGBEC's own auditors reviewed the cases of at least 111 persons enrolled in the MRGBEC's programs, including 20 people who received a total of more than \$86,000 in job training funds. Just three people received credentials and only two found jobs.⁵

Auditors also noted that the organization's daily operating and financial policies were flawed or non-existent. The audit noted a lack of cash management policies, failure to track grant funding and adequately code expenses, and apparently overspent its budget by more than \$790,000.

Presumably, President/Executive Director Larry Langley was responsible for the day-to-day operations of the organization, under the supervision of the board of directors.

While it was not clear that persons enrolled in these job training and school-to-work programs benefited from these programs, the audit make clear that "interested third parties" appeared to have done so.

Reviews of IRS form 990s and the audit show numerous instances of board members of the MRGBEC not appearing in companion Public Regulation Commission online records. While it is not clear whether this record gap is another byproduct of mismanagement, or simply clerical error, it is clear that identifying all of those involved with these programs is complicated to say the least.

A similar 2003 audit report to the Legislative Finance Committee reported that "audit staff were unable to analyze how WIA money was spent in the central area while MRGBEC acted as the fiscal agent." ⁶

Auditors reported significant questions which could not be answered regarding the program:

- Where has program funding been spent?
- What services were provided?
- Who received the services?
- What were the results of the services provided?

The LFC report further recommended that new fiscal policies be put into place for all WIA regional boards, including the MRGBEC, in order to continue operating those programs. Instead, the MRGBEC transferred its responsibilities to the Mid Rio Grande Council of Governments (MRGCOG) and stopped offering job training or school-to-work programs.

Though the LFC report clearly stated that auditors were unable to determine how money was spent by the MRGBEC, there is no indication that any further public audit was conducted or that the MRGBEC volunteered its own audit findings alleging misappropriation of funds to the state's auditors.

With regard to its own audit, management of the MRGBEC responded that if the organization was required to repay the more than \$1.2 million in misspent funds, the organization would not be able to pay and would likely close. By all accounts, the organization ceased to operate after the audit. Program functions were transferred to the Mid Rio Grande Council of Governments and organization 990 reports show that the MRGBEC transferred its last \$4,801 in liquid assets and its last fixed assets from the MRGBEC to the NMBREE prior to its dissolution.

There is no record of any significant activity from 2004-2006 and it officially dissolved in 2006.

This final transfer of assets presents an ethical question since both Langley and MRGBEC Chairman Jack Jekowski, the only remaining officers of the organization in 2005, were officers of both organizations simultaneously when the transfer occurred.

The New Mexico Business Roundtable

Originally incorporated as the New Mexico Foundation for Education Excellence in 1999, the organization reorganized as the The New Mexico Business Roundtable for Education Excellence in 2000. The group represents itself as “a statewide association of executives of leading state corporations, small business owners, and executives of trade organizations.”⁷ Though the organization’s executive director and directors regularly speak on a variety of business issues, they boast that they are “the only statewide business organization with a primary objective of improving public education.”⁸

The NMBREE is currently led by Larry Langley, former President/Executive Director of the MRGBEC and, like the defunct MRGBEC, lists its office address as the CNM Workforce Training Center at 6500 Eagle Rock Road in Albuquerque.

History

By 2004 (the year following the MRGBEC audit), several members of the board of directors of the MRGBEC had transitioned to the NMBREE (see, *Drawing the Connection*, below). Following the scathing audit of the MRGBEC in 2003, the board of the NMBREE hired Larry Langley as the NMBREE’s President/CEO in 2004 at a significantly larger salary. The former board members of the MRGBEC would have certainly known of the audit and its findings (they are listed by name in the audit); yet, they hired Langley to run the NMBREE.

At about the time Langley and the former board of the MRGBEC joined the NMBREE, the MRGBEC transferred its last \$4,801 in assets to the NMBREE. In the MRGBEC’s 2005 990 forms, it describes the NMBREE as an organization with “similar goals.” The organizations similarly listed the same office address in public filings.

The New Mexico Business Roundtable that Langley currently heads operates at a deficit. As the deficits have increased, Langley’s total compensation has kept pace, increasing in equal measure. In 2007, the NMBREE carried a deficit of \$43,000, while Langley’s total compensation reached \$109,000. In 2008, the Business Roundtable had a deficit of \$46,000, and Langley’s total compensation was \$105,000. In 2009, the Roundtable disclosed a deficit of \$99,000, while Langley’s compensation totaled \$111,000.

The NMBREE helped to craft SB120 (2011) which duplicated many of the primary functions of the seven-member twenty-year-old Child Development Board with a newly created State Early Learning Advisory Council to “establish a comprehensive early childhood care and education system through an aligned continuum of state and private programs.” To date, the Office of the Governor has not filled vacant positions of the Child Development Board, effectively making the SELAC the only commission responsible for early childhood education. Under that legislation, the NMBREE has three permanent seats on that council as the single voice for business across the state. The Council also has the ability to seek and allocate grants, through a non-reverting public fund.

Additionally, the NMBREE assisted in the creation of HJM027 (2011) requesting that the LESC, PED and others work with the NMBREE as the representative of business in New Mexico.

Drawing the Connection and Examining the Impact

Though both organizations came into existence at roughly the same time, the leadership of each merged in 2004 following the audit findings relating to the MRGBEC’s job training programs.

The following table compares known leaders in each organization and their roles:

Mid Rio Grande Business & Education Collaborative	New Mexico Business Roundtable
Larry Langley President/Executive Director	Larry Langley President
Terri Cole Secretary (1998)	Terri Cole Board Member
Mike DeWitte Director	Mike DeWitte Chairman of the Board (2011)
Jack Jekowski Chairman of the Board (2002)	Jack Jekowski Board Member
Joie Glenn Director	Joie Glenn Director
Loretta Armenta Secretary	Loretta Armenta Director
Alice Cobb Director	Alice Cobb Director
Samantha Lapin Director	Samantha Lapin Director
Barbara Brazil Chairman of the Board (2000-2001)	Barbara Brazil Director (2004)
Linda Waterman Director	Linda Waterman Director (2004)

Additionally, current New Mexico Secretary-designate for Economic Development Jon Barela is first listed as a member and Chair-elect, of the board of the MRGBEC in 2002 as financial problems developed. Deputy Secretary of Economic Development Barbara Brazil also served as Chairman of the Board from of the MRGBEC from 2000-2001 when these programs were initially setup.

Secretary-designate Barela’s public biography posted on the New Mexico Economic Development Department’s website states, “Barela has served on numerous non-profit boards of directors and committees and is passionate about making New Mexico a better place to live and work. He has made competitiveness and improving education central themes in his chairmanship of several significant organizations...”⁹

The biography goes on to list eight boards on which he has served, but makes no mention of his role as an officer of the defunct Mid Rio Grande Business and Education Collaborative, an organization whose mission matches what are claimed to be the “central themes” of his non-profit service.

During Barela's 2010 congressional campaign, there was no mention of Barela's leadership role in this defunct job training organization, nor the serious findings against the board. Similarly, there is no evidence that Barela disclosed this information to the Martinez transition team in 2010 or the New Mexico State Senate in 2011 as a part of his confirmation process.

Both the MRGBEC and NMBREE list operating locations at 5600 Eagle Rock Road NE, in Albuquerque, where Langley is also listed as the keeper of records in public 990 filings for both organizations.

As early as 2005, former directors of the defunct MRGBEC were promoting the new NMBREE as an organization to provide "statewide expertise"¹⁰ in school-to-work programs. Even after the failure of MRGBEC, the NMBREE similarly proposed to the Legislative Education Study Commission the creating "regional collaboration centers" to be administered by NMBREE with funding from the Department of Public Education.¹¹

The New Mexico Partnership for Mathematics and Science Education (NMPMSE) discussed in 2005 a proposal by "the NM Business Roundtable for Educational Excellence (NMBREEEE) to further develop concepts of career pathway models."¹²

On behalf of the organization, Langley has authored opinion pieces for the *Albuquerque Journal*, board members have testified before legislative committees and contributed to reports and policy recommendations as members of the Legislative Finance Committee, Legislative Education Study Committee, Small Business-Friendly Task Force, Task Force on Effective Teaching and others. Langley and directors have been quoted extensively in opinion pieces and news reports in the *Albuquerque Journal*, *Santa Fe New Mexican*, *New Mexico Business Weekly*, KOB TV and others.

For example, Langley wrote in a May 12, 2010 op-ed piece, *published in the Albuquerque Journal*¹³:

As the leader of my organization, I am faced with important decisions on a daily basis. Choices that I make have real and immediate consequences and those consequences accumulate over time. A series of good choices is reflected in our bottom line — the organization grows and flourishes.

An extensive review of this and other letters and news reports failed to uncover any mention of the troubled financial and operational past of the MRGBEC nor the connection between the NMBREE's current leadership and that of the failed organization. Quite the contrary, Langley implies that organizations under his leadership are financially stable and flourishing, despite running annual deficits and serious audit findings alleging mismanagement at the two organizations he had led.

As recently as 2010, Langley and the NMBREE applied for \$13 million in new federal grants to administer programs in New Mexico high schools.¹⁴ There was no mention of past federal grant administration problems in that report. Of particular concern may be MRGBEC auditor conclusions that:

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the Middle Rio Grande Business and Education Collaborative's ability to

*administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants.*¹⁵

Questions still remain as to whether the MRGBEC ever disclosed the full extent of their own audit and if so, if the organization was ever required to reimburse taxpayers for the misspent funds. Why the NMBREE chose to hire and drastically increase the pay of Langley following Langley's management history at the coalition is also unexplained.

CONCLUSION

While the New Mexico Business Roundtable includes some of New Mexico's most powerful and prominent business voices, their experience, collectively and in some cases individually, in managing, financing and overseeing successful education reform and job creation programs is questionable.

A side-by-side examination of both organizations shows that the NMBREE, as an organization with "similar goals," apparently became the new home of the MRGBEC through acquisitions of assets and executives.

To date, public reports indicate that just two jobs were successfully created after the expenditure of more than \$11 million in taxpayer dollars, much of it to businesses and organizations closely linked to the very board members who approved and oversaw the purchases. More than \$1.2 million in taxpayer dollars were reported to have been misspent, and state and private auditors concluded that it was impossible to determine that the remaining funds were appropriately used. Despite these findings, we have been unable to determine that any follow up audit or demand for repayment was ever initiated by the state or federal governments against the organization or its executives.

There are many more questions remaining regarding the MRGBEC and their job creation and education reform initiatives.

Despite the troubled history of the MRGBEC and its leaders in both job creation and education reform, many of those same MRGBEC leaders are now appointed to lead New Mexico's two most important public initiatives: job creation and education reform.

New Mexico's current chief job creators, Secretary-designate Jon Barela and his deputy Barbara Brazil, both served in senior leadership roles of the organization during times that these job creation and school-to-work programs were initiated. They continued to serve during times when auditors charges mismanagement was rampant.

Audits raised serious questions about the number of jobs created, the quality of training provided and the lack of cash management, fiscal mismanagement and sense of fiscal responsibility with public money involving programs they administered and persons they supervised. Yet, there is no evidence that these appointees have ever been publicly questioned, nor that they even publicly disclosed, their experience with the MRGBEC.

Barela ran a very hotly contested race for Congress in 2010, when a primary political focus involved job creation. We found no news reports in that campaign that indicate that Barela's involvement as a senior executive administering and overseeing a massive and failed regional job creation program was ever discovered or publicly questioned. Barela is currently a secretary-designate and will likely face a confirmation hearing or new appointment in early 2012. He continues to be rumored to be preparing a second race for Congress in 2012.

The leaders of the MRGBEC, as some of the state's most vocal proponents of government privatization, were the only workforce region to contract out its job center programs to private contractors. They were also the only region to be specifically identified by internal and state auditors as having improper job creation centers and having no system for accounting for public money.

Despite a deplorable record managing privatizing school-to-work and job creation, these same persons continue to advance those messages and to seek new public grants for similar purposes.

Despite hours of research, we found no mention by Langley, Barela, the NMBREE or any of its current or past directors of their failed and flawed efforts with the MRGBEC.

Additionally, as long as the NMBREE continues to serve as the anointed voice of business in New Mexico policy, and particularly in education and economic development policy, the experience of the leadership of the MRGBEC is certainly important public information.

This information is especially important in light of the fact that the NMBREE is actively seeking new grants to administer education programs with taxpayer dollars and advancing proposals to establish new school-to-work programs and collaboration centers as a part of education reform in New Mexico.

About ProgressNow New Mexico

ProgressNow New Mexico is a nonprofit organization that serves to unite and enhance the progressive voice in the Land of Enchantment, to correct conservative misinformation and to hold elected officials and corporations accountable.

ProgressNow New Mexico is a proud member of the national ProgressNow network of organizations.

ProgressNow New Mexico provides a unified voice for progressive groups on the issues that matter most to New Mexicans. That means providing issue and opinion research, message development, and one-on-one technical assistance to progressive groups.

ProgressNow New Mexico also works directly with the public and the media on progressive activities and issues-including exposing elected officials for turning their backs on working families in the state. ProgressNow New Mexico's tactics are creative, so they get attention. And groups can use its state-of-the-art website and new media assistance to organize their own members and activists and keep them updated.

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