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Academia Avance Charter Response
to Notice of Violation: Letter

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Date: March 13, 2025
To: Susan Park, Charter Schools Division Director
From: Victor Aguirre
Title: Executive Director
Academia Avance Charter School

Dear Ms. Park,

On behalf of Academia Avance Charter School, we are submitting this formal response to the Notice of Violation (NOV) issued by the California Department of Education (CDE).

We acknowledge the concerns raised and recognize the importance of maintaining financial and operational accountability. Since September 2024, our school has undergone a complete administrative transition, and a new leadership team has been actively working to rectify past financial mismanagement. We have implemented significant corrective actions to strengthen fiscal oversight, budget reliability, and compliance with charter school regulations.

Below is the school's response addressing each concern, supported by updated policies, updated reports, revised financial procedures, and additional oversight mechanisms.

CDE Concern #1: Ineffective Internal Controls

The CDE identified **discrepancies in beginning and ending fund balances, totaling \$358,104.**

Response/Explanation:

We acknowledge this discrepancy and attribute it to inaccuracies within the 2024-25 First Interim Report, specifically the reported beginning fund balance of negative \$2,258,911. This figure was submitted during a period of significant leadership transition and did not undergo the necessary level of due diligence. Since then, the new leadership team has prioritized a comprehensive review and reconciliation of the school's financial records. This process has resulted in a more accurate financial report and forecast, which is now included for your review. We are committed to ensuring the accuracy and transparency of all future financial submissions and are implementing enhanced internal controls to prevent similar discrepancies. The enclosed "Reserve Restoration Plan" link below is what has guided our current actions and once adopted by the board, we will revisit and mitigate as needed.

Corrective Actions Taken:

- Leadership Change & Oversight: Since September 2024, the previous leadership team was fully replaced and a new administration team has been established.
- We have established debt reduction payment plans, reducing expenses, freezing non-essential spending, etc.

- Interim CFO Engagement: A third-party interim CFO is now overseeing all financials, providing expert guidance, and ensuring compliance with financial best practices at no cost to the school.
- Revised Fiscal Control Policy (December 2024):
 - Monthly financial reconciliations are conducted and reviewed by the Board Finance Committee.
 - Monthly Bank statements and fund balances are now cross-verified with the general ledger.
 - New internal control measures ensure that no single employee controls multiple financial functions (receipts, disbursements, reconciliation).
- Audit Process Strengthening:
 - Annual independent audits will continue, with any identified discrepancies reviewed and addressed immediately.

CDE Concern #2: Decreasing Fund Balance and Reserve for Economic Uncertainty - Failure to Maintain 5% Reserve for Economic Uncertainty

Response/Explanation:

We have conducted a preliminary analysis to identify the potential contributing factors to the reserve decline. This analysis focused on identifying immediate red flags and potential areas for rapid action.

We determined that, although there were some protocols in place, they were not consistently followed. This lack of adherence to financial controls led to unmonitored expenditures, contributing significantly to the reserve shortfall. Addressing these systemic weaknesses will be a priority in the implementation phase. The school has reviewed all outstanding invoices and identified errors, which are being corrected with our accounting firm.

Corrective Actions Taken:

- Vendor **payment plans have been established** to systematically reduce liabilities.
- **Reserve Restoration Plan:**
 - The Board has **implemented a formal policy requiring a 5% reserve threshold.**
 - Monthly financial **monitoring ensures the reserve is maintained.**
 - If reserves fall below the threshold, a **Board-approved recovery plan** will be activated.

**CDE Concern #3: Inattention to Enrollment
Unrealistic Enrollment Projections & Lack of Recruitment Strategy**

Corrective Actions Taken:

- New Enrollment & Marketing Strategy:

- The school is partnering with a local recruitment agency that specializes in underserved communities.
- Recruitment efforts now focus on:
 - CTE programs
 - Internships for seniors
 - College readiness pathways
 - Increase student enrollment from South Central
- Realistic Enrollment Projections:
 - Enrollment forecasts are now adjusted based on historical data and verified third-party recruitment estimates.

CDE Concern #4: Unreliable Budget Development & Submission Without Unaudited Actuals

Corrective Actions Taken:

- Improved Budget Assumptions:
 - Budgets are now aligned with actual enrollment trends and realistic revenue and expenditure projections.
 - The Board must now approve budget assumptions exceeding a 5% variance from prior-year actuals.
- Stronger Financial Oversight:
 - Budget forecasts are reviewed quarterly and adjusted based on updated financial reports.
 - Unaudited actuals are now a required precondition before submitting new budgets.

CDE Concern #5: Inattention to Debt Delayed Vendor Payments & High Debt Levels

Response/Explanation:

We have conducted a comprehensive and in-depth evaluation to thoroughly investigate and rectify discrepancies in back-office financial reports. This rigorous review aimed to pinpoint the root causes of inconsistencies and uncover key factors that may have contributed to the decline in reserves. Our assessment prioritized the identification of critical financial red flags and high-impact areas requiring immediate corrective action. By employing a data-driven approach, we have developed a targeted strategy to address systemic weaknesses and restore fiscal stability.

Corrective Actions Taken:

- New Vendor Payment Policy:
 - Any invoice over 90 days past due is now flagged for immediate Board review.
 - Payments are prioritized based on essential services & contractual obligations.
- Debt Reduction Plan:

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- The school has negotiated structured payment plans with vendors.
- Past accounting errors are being corrected with our accounting firm.

Academia Avance Charter School recognizes the importance of financial responsibility and compliance. Since September 2024, the new administration has implemented substantial corrective measures, including:

Board Review of Financial Corrections:

- All financial reconciliation reports are now presented to the Board Finance Committee monthly.
- Expanded Financial Governance Policies:
 - The Board now reviews and approves all major budget adjustments, enrollment projections, and financial corrections.






We are committed to ensuring compliance and financial stability for the long-term success of our students.

Thank you for your time and consideration.

Respectfully,

Victor Aguirre
Executive Director
Academia Avance Charter School

Supporting Documentation:

-  Fiscal Control Policy.pdf
-  FY25-Avance Combined Feb Board Summary.pdf
-  Reserve Restoration Plan.pdf
-  BoC February Balance.pdf
-  **BoC March Balance.pdf**
-  **MOU Jose Vega MBA.pdf**