FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
CSIS California School Information Services

Extraordinary Audit

of the

Albor Charter School

Commissioned by the Orange County Office of Education

June 2007

Administrative Agent
Larry E. Reider
Office of Kern County Superintendent of Schools

Chief Executive Officer
Joel D. Montero

Table of Contents

Executive Summary

Albor Charter School was authorized in May 2002 by the Santa Ana Unified School District in Orange County to operate a grades 9-12 high school classroom-based program. Instruction began in the 2002-03 fiscal year.

Albor reported 859.51 ADA at the April P-2 reporting period in 2002-03. In 2003-04, Albor expanded its enrollment by increasing the hours of operations and accepting more adult students, reporting P-2 ADA of 1303.36. In 2004-05 and 2005-06, respectively, Albor reported P-2 ADA of 795.78 and 327.05. The ADA growth in 2003-04 related mostly to adult enrollment. In 2004-05, the laws changed to limit the age of adults that could be enrolled in charter schools. In 2004-05, Albor Charter School enrollment still included some adult students, but that number decreased in 2005-06. The decline in ADA over the last two years of operation reflected the elimination of the adult student population.

Albor closed abruptly on or about March 25, 2006, without any notice to employees or students. From July 2005 through January 2006, the Albor charter was funded by the state based on prior year P-2 ADA of 795.78. The February 2006 P-1 recertification adjusted the state apportionment to the lower ADA figure of 311.98 reflected in the P-1 attendance report filed by the school in January 2006, thus drastically reducing its revenue. The school was closed by the Executive Director, Mr. Emilio Vazquez, upon notice that the state funding was reduced.

This FCMAT AB 139 audit report confirms there were significant related party transactions between the Albor Charter School and the MI Vocational School (MI-VS), along with other serious issues. FCMAT reviewed numerous documents provided by the charter school, the Orange County Department of Education, Santa Ana USD, and the district's and county office's legal counsels. Albor's administrators lacked the commitment to manage the state revenues and operate the charter school appropriately. Albor Charter School did not follow good business practices or adhere to Generally Accepted Accounting Principles. Examples of the FCMAT findings are as follows:

- Some records were unavailable due to closure of the school.
- Internal controls were inadequate.
- Accounting transactions were misclassified or recorded incorrectly.
- Financial statements included irregularities.
- The majority of financial transactions were between related parties.
- IRS tax reports were not filed properly.
- Cash was mismanaged.
- Evidence of compliance with Education Code 47612(b) was lacking with regard to adult students continuously enrolled in 2004-05 and 2005-06.

- Course offerings and advertising brochures indicated that vocational programs were a major component of the Albor Charter School program.

In effect, Albor Charter School and MI-VS were one and the same. At least 95% of MI-VS's revenue was derived from income transferred from Albor Charter School, amounting to more than $12 million in four years. Both organizations were under common management control by a Memorandum of Understanding and related officers. In addition, during FCMAT's research, several other questionable financial transactions were discovered involving other entities under the control of the Albor Executive Director, Mr. Emilio Vazquez and/or his close associates. Mr. Vazquez exercised and maintained complete control over the spending decisions, accounting policies, accounting procedures and internal controls affecting Albor funds.

Charter schools are required to perform certain procedures upon closing. Because the Albor administration did not perform this close-out, FCMAT was asked to add that step to the AB 139 study agreement. The purpose of the close-out audit is to determine the net assets and/or liabilities of an entity on a liquidating basis. Among other things, the Albor close-out audit supports FCMAT's findings regarding negative cash balances, understatement of fixed assets, overstated accounts payable and payroll liabilities, and unrecorded liabilities, all of which are delineated in this report.

Albor's charter petition stated that the school would operate a classroom-based grade 9-12 high school program. This statement was substantiated during discussions with Mr. Vazquez. FCMAT conducted compliance testing of student attendance, including the accuracy of the SASI system used to record attendance and track student information. The reporting of student attendance in the SASI system was found to be reliable.

However, FCMAT's findings indicate that the Albor Charter School program, although purportedly a grade 9-12 high school program, actually operated numerous courses of study related to vocational education and job training. At first FCMAT considered that there could be two separate schools, the Albor Charter School high school and MI-VS vocational school, but Mr. Vazquez told FCMAT on numerous occasions that MI-VS had no students, and that all enrolled students attended only Albor programs.

The enrollment and ADA testing and student transcripts indicated that most of the students were enrolled in what appeared to be high school classes to learn English along with other courses with titles that might be associated with a high school curriculum. However, the actual Albor course titles, especially those relating to English classes, were not similar to course titles offered by the Santa Ana USD. None of the student transcripts listed any vocational courses, yet numerous school brochures found at the Albor Charter School during FCMAT fieldwork appeared to advertise vocational training programs such as certified nursing assistant (CNA), medical assistant (MA) and computer technology, with little or no mention of the grade 9-12 high school programs.

Although it is acceptable to offer elective classes in high school settings, in this case it appears that the high school course offerings were more than likely used to derive state apportionment to pay for a vocational school for adults and other business enterprises controlled by Mr. Vazquez and his close associates.

Albor was considered a public school and therefore should offer a free educational program to students. Some compelling evidence discovered by FCMAT and included in this report indicates that students may have been charged tuition or fees to attend the school, especially the vocational programs. The MI-VS accounting records show entries into a revenue account leading to that conclusion, yet FCMAT was told that MI-VS had no students.

Regarding the oversight that the authorizing agency should have provided based upon the criteria set forth in Education Code 47604.32 and further clarified in AB 1137, FCMAT determined that Santa Ana USD appropriately and diligently discharged its fiscal oversight duties with regard to the Albor Charter School.

The Illustration of Related Party Associations shown in Exhibit 2I.2 represents the related party associations that are described in detail in this report. Albor Charter School apparently provided the financial engine or resources that allowed the related parties to divert funding as management contracts from Albor Charter School to MI-VS and from there to other businesses under the influence and common control of the related individuals. Albor Charter School and MI-VS were both founded by Emilio Vazquez, and he served as the Executive Director of Albor Charter School and Chairman of MI-VS.

Emilio Vazquez, along with his close friends or associates Pedro (aka Peter) Sole, accountant Martin Ramirez, Astrid Riebe (the girlfriend and now the alleged wife of Emilio Vazquez) and Edgar Villagomez, (Emilio Vazquez's partner) exercised common control, influence and management of Albor Charter School, MI-Vocational School and the related corporations and fictitious businesses illustrated below. Astrid Riebe signed management or Memorandum of Understanding (MOU) contracts between Albor and MI-VS as Vice President of MI-VS, and Pedro Sole signed the MOU as Peter Sole, Chairman of the Board of Albor Charter School.

As funds from Albor Charter School increased, MI-VS, under the direction of Emilio Vazquez and with the assistance of these same related individuals, was apparently able to divert funds to several other related corporations and fictitious businesses under their common control. Exhibits 2I.1 and 2I.2 illustrate how the related individuals were involved in the related corporations, while other exhibits in this report quantify the funds apparently diverted from MI-VS to these related corporations and fictitious businesses.

A number of recommendations have been developed to address the findings and concerns surfaced in this report. These recommendations may be found beginning on page 73.

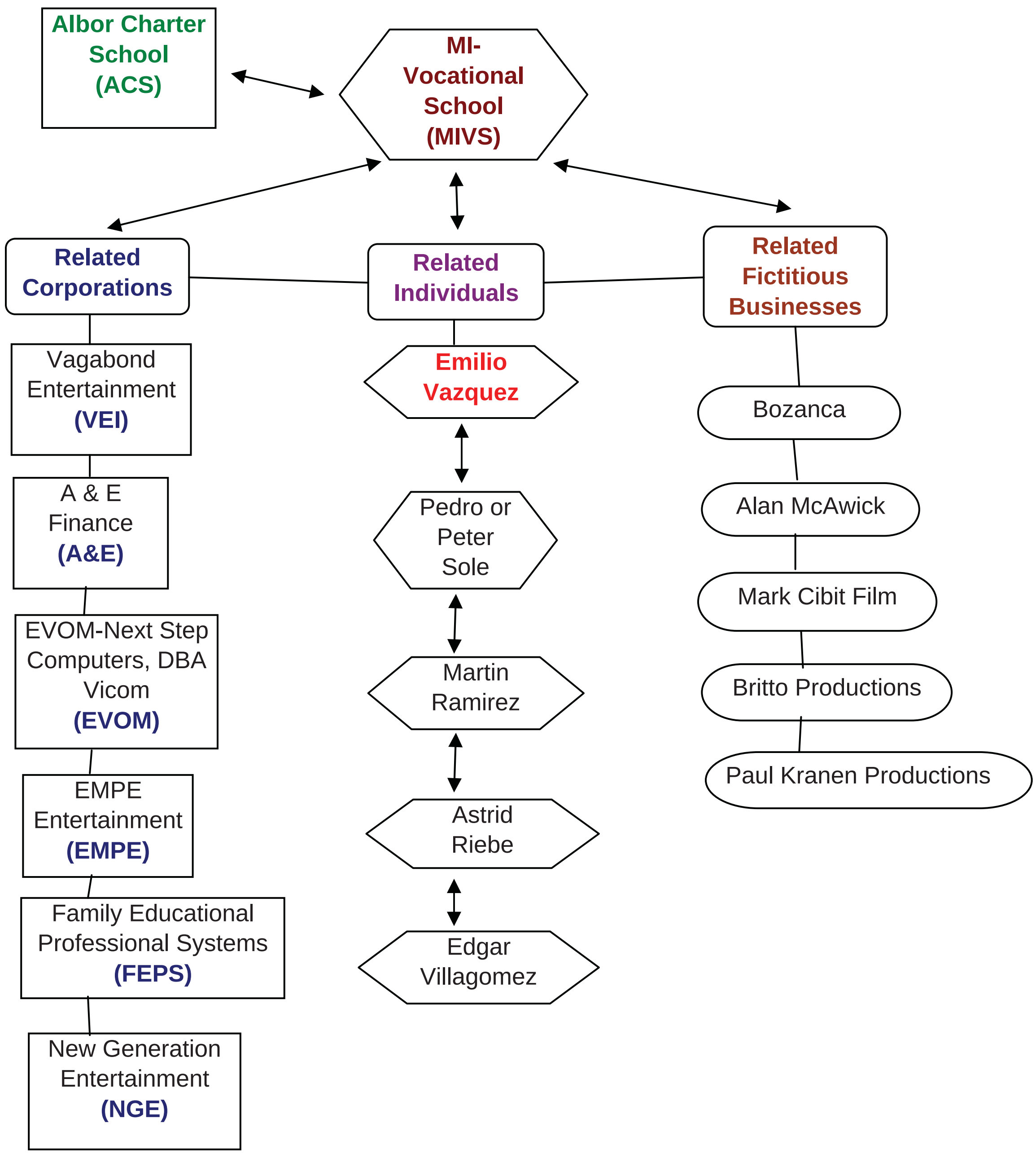
Exhibit 2I.1
Schedule of Primary Participation/Influence Individuals

Company/Business Name	Related Address 1125 E. 17th St. Santa Ana, CA, Suite: E-208	E-209	E-107	Approx. Date Bus. Started	Officer/ Director	CEO	Secretary	CFO	Agent for Service	Business/ Funding with MIVS
Albor Charter School - Non Profit Corp. (ACS)	X			7/1/02	**EV**, **PS**					Yes
MI-Vocational School - Non Profit Corp. (MIVS)	X			7/1/01	**EV**, **PS**		OV			
A&E Financing, Inc. (A&E)	X			9/15/04	**EV**, AR	AR	AR	**MR**	**EV**	Yes
Vagabond Entertainment, Inc. (VEI)		X		7/25/03	**EV**		**PS**		**EV**	Yes
EMPE, Inc. (EMPE)	X			9/15/04	**EV**, **PS**	**PS**	**PS**	**MR**	**EV**	Yes
New Generation Entertainment, Inc. (NGE)	X			3/2/05	**EV**	RC	**MR**	**MR**	**EV**	Yes
Orange County Vocational High School, Inc. (OCVHS)		X		5/21/01		OV		**EV**	**EV**	
Family Educational Professional Systems, Inc. (FEPS)			X	5/2/03					**EV**	Yes
EVOM-Next Step Computers, Inc. (EVOM), DBA Vicom (Emilio Vazquez has stated he owns EVOM with a partner) **(a)**	X			6/2/00	EG	EG	EG	EG	EG	Yes

Legend:
- **EV** = Emilio Vazquez
- **PS** = Pedro Sole
- **MR** = Martin Ramirez
- AR = Astrid Riebe
- EG = Edgar Villagomez, Emilio's partner in EVOM
- OV = Olivia Vazquez
- Blank = Other Individual, not listed, unknown

(a) Edgar Villagomez has DBA's as Vicom & VI-Computers which received from MIVS $292,387 from Jan. 2003 - Sept. 2005. Edgar Villagomez also received as an individual from MIVS on July 12, 2004, check number 2678 for $8,000.

Exhibit 2I.2
Illustration of Related Party Associations



Scope of Study

California Education Code Section 47601, also known as the Charter Schools Act of 1992, was enacted by the California Legislature "to provide opportunities for teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure." Charter schools are a part of the public school system but differ from traditional public schools in that charter schools are exempt from many state laws relating to specific educational programs. A charter school is usually created or organized by a group of teachers, parents, and community leaders or a community-based organization, and is usually authorized by an existing local public school board or county board of education.

Charters offer choices for parents and students and are open and free to all students. Tuition and fees are not to be charged at any time. Charters offer a new, more flexible school governance model but are accountable for student achievement and fiscal accountability. The chartering agency is responsible for adequate and appropriate oversight, including the determination that a charter is following good business practices and generally accepted accounting principles (GAAP) in accounting for revenues and expenditures and preparing financial reports.

The process of opening a charter school begins with presenting a charter petition to a school district board of trustees for approval to operate within the boundaries of that particular district. The Charter Petition of the Albor Charter School (Albor) in Santa Ana, California was authorized by the Santa Ana Unified School District (Santa Ana USD) Board of Trustees in May 2002. Albor's charter petition indicated that the school would provide educational programs geared toward high school students in grades 9-12. The Albor Charter School had previously operated in the Fresno area with approval authorized by the West Fresno School District before petitioning for charter approval in Santa Ana.

The charter school is required to establish a governing board and board policies that require constituents and employees to exercise due diligence in oversight of the charter school and obligate them to take full responsibility for the charter operations, including educational programs and financial activities. Charter boards should approve contracts and expenditures, select the school administrators, approve hiring teachers and other staff, and approve the selection of an independent auditor to conduct an annual financial audit. Charter board members have a fiduciary duty to properly manage public funds and to be held accountable if funds are mismanaged or misused in any way. It is management's role to establish appropriate internal accounting controls to protect the cash and other assets of the school, but the governing board is responsible for ensuring that those internal controls are adequate and followed. Other governing board oversight responsibilities include the prevention of nepotism, conflict of interest by board members or administrators, and establishing ethical performance standards and fraud prevention policies.

During the 2003-04 school year, the Santa Ana USD became concerned about Albor's instructional programs and the school's philosophy because the majority of the students enrolled were adults, well over age 21. The charter failed to submit data requested by Santa Ana USD in a timely manner, thus inhibiting the district's effort to carry out the required statutory oversight obligations. The district was also concerned about the ongoing financial condition and educational programs of the charter school after the state enacted legislation prohibiting enrolling adult students unless a student had been continuously enrolled in a high school program since age 19 and was making progress toward graduation. Santa Ana USD requested information about Albor's plan to address the decline in enrollment that not allowing adults might create. It is management's role to follow the applicable laws and regulations and address the concerns of the authorizing district.

On numerous occasions Santa Ana USD requested documents and notified Albor of its concerns and Albor's apparent intentional failure to comply with charter provisions. After allowing Albor a certain period of time to provide the requested information, legal counsel became involved as did the Orange County Department of Education (OCDE). Although all parties remained somewhat congenial, the working relationship and communication between the charter and the district were at times strained.

As a result of concerns by the district and the OCDE as to any potential liability relating to the operations of the Albor Charter, both entities asked the Fiscal Crisis and Management Assistance Team (FCMAT) to conduct an AB 139 Extraordinary Audit of the Albor Charter School to determine if any misuse of funds, inappropriate activities, or wrongdoing had occurred. The charter petition and memorandum of understanding between the Santa Ana USD and MI-Vocational School (MI-VS)/Albor Charter School should have been stronger to clarify the roles and responsibilities of both parties.

The study agreement between the Orange County Department of Education (OCDE) and the Fiscal Crisis and Management Assistance Team required FCMAT to perform the following tasks:

1. The OCDE requests the Team to conduct an extraordinary audit of the Charter. Based on their review of annual audit reports, the Oversight Review by Dr. Stephen C. Teele, and per Education Code Section 1241.5(c), the superintendent of the OCDE has reason to believe that fraud, misappropriation of funds, or other illegal practices may have occurred. The review of the Charter will include but not be limited to the following:

    a. Confirmation that independent auditor's findings and recommendations for the 2002-03, 2003-04, and 2004-05 fiscal years have been fully implemented and continue to be enforced.

b. A review of related party transactions for all fiscal years, based on Statement of Position 94-3 Reporting of Entities by a Non-Profit, which requires that financially interrelated nonprofits need to reflect the activities of the other nonprofit. The 2002-03, 2003-04, and 2004-05 independent auditor reports indicate that significant related party actions took place between MI-VS and Albor Charter School.

c. Investigate and review all audit findings identified in the 2002-03, 2003-04, and 2004-05 independent auditor reports, including supporting documentation.

d. Audit all revenues, expenditures, or transfer transactions that involve funds derived from state, federal or local sources, including but not limited to student enrollment and attendance, grant or entitlement programs, partnerships, joint ventures, etc.

e. Verify the credentials and certifications of charter staff. Verify compliance with state, federal, and IRS regulations for compensation to employees.

f. Verify compliance with state and federal laws related to charter school operations, including AB 1137, AB 1994, and SB 430, and the California Education Code.

g. Verify the source of funds used for the employee compensation.

h. Verify student attendance records and reporting.

i. Prepare close-out of the Albor Charter School financial statements upon closure of the school.

Study Team

Michele McClowry, CPA
Fiscal Intervention Specialist
Fiscal Crisis and Management Assistance Team
Bakersfield, California

Michael W. Ammermon, CPA, CFE
Mission Viejo, California

Laura Haywood
Public Information Specialist
Fiscal Crisis and Management Assistance Team
Bakersfield, California

This report presents the findings of the FCMAT AB 139 Extraordinary Audit and the close-out audit of the Albor Charter School. It is organized as follows:

- Executive Summary
- Scope of Study
- Charter Schools in California
- District/Charter Association
- Independent Audit Findings
- Related Party Transactions
- Teacher Credentials and Employee Compensation
- Albor Charter School State Funding
- Enrollment and ADA
- Financial Close-Out
- Effects of School Closure
- State and Federal Compliance
- Conclusions and Recommendations

Charter Schools in California

California Education Code Section 47601, also known as the "Charter Schools Act of 1992," was enacted "… to provide opportunities for teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure." According to this act, the legislative intent of this law was to:

- Improve pupil learning.
- Increase learning opportunities for all pupils, especially those identified as academically low achieving.
- Encourage the use of different and innovative teaching methods.
- Create new professional opportunities for teachers.
- Provide parents and pupils with expanded choices in the types of educational opportunities that are available.
- Hold the schools accountable for meeting measurable pupil outcomes, and change from rule-based to performance-based accountability systems.
- Provide vigorous competition within the public school system to stimulate continual improvements in all public schools.

Charter schools are a part of the public school system, and may provide instruction in grades kindergarten through 12. Charter schools differ from traditional public schools in that charter schools are exempt from many state laws relating to specific educational programs. Because of these exemptions, charter schools have greater fiscal and programmatic flexibility than traditional public schools. A charter school is usually created or organized by a group of teachers, parents, and community leaders or a community-based organization, and is usually authorized by an existing local public school board or county board of education. Specific goals and operating procedures for the charter school are detailed in an agreement (or "charter") between the authorizing board and charter organizers.

Under California law, the local school district governing board serves as the primary chartering authority in most cases. County school boards and the State Board of Education (SBE) may also authorize charters under certain circumstances. Under state law, both charter and traditional public schools use the same funding formulas. School districts and charter schools calculate each school's average daily attendance (ADA), which is based on student enrollment and actual attendance, and report it to the California Department of Education (CDE) three times a year. Once the ADA is reported, the state Superintendent of Public Instruction apportions state school funds to charter schools. If a charter program offers independent study or non-classroom instruction it must undergo an additional assessment to determine whether the charter school is funding instructional and certificated staff at minimally accepted levels. Charter schools that do not meet the acceptable levels of staffing receive reduced funding.

District/Charter Association

On May 14, 2002, Mr. Emilio Vazquez and associates submitted a charter petition to create the Albor Charter School in Santa Ana that was hastily approved by the Santa Ana Unified School District Board of Trustees in anticipation of the charter opening in July 2002. The Albor Charter School was organized to offer an alternative classroom-based high school curriculum for students in grades 9-12 pursuing a high school diploma. The school was called the MI-VS Albor Charter School in many official documents.

On May 31, 2002, Mr. Vazquez, as President, incorporated the Albor Charter School as a 501(c)(3) nonprofit public benefit corporation, California Corporation No. 2417760.

The California Department of Education (CDE) is ultimately responsible for interpreting and implementing the legislation regulating the operations of charter schools. The CDE organizational structure includes a designated unit devoted to implementing legislation and providing assistance to charter schools and the authorizing school districts and county offices. Education Code 47604.32 states that an authorizing agency has specific mandatory oversight responsibilities over the operations of a charter school. The responsibilities of both the charter and the authorizing agency are generally defined in a Memorandum of Understanding between the two parties.

According to the CDE, Education Code 47604 provides language stating that "a charter authorizing entity could not be held liable for the debts or obligations of the charter school, or for any claims arising from the performance of acts, errors, or omissions by the charter school, if the charter school was to be operated by, or as, a nonprofit public benefit corporation." The CDE states that "AB 1137 places a caveat on the blanket exemption, specifically, a charter authorizing entity is free from liability in the case of a charter school that is operated by, or as, a nonprofit public benefit corporation if the charter authorizer has complied with specific oversight responsibilities required by law (reference Education Code Sections 47604.32 and 47605)."

As part of the district's oversight responsibility, certain documentation had been requested from Albor to comply with the charter provisions. The district had difficulty obtaining information about the demographics of the student population as well as other information regarding the financial relationship between the Albor charter and its affiliated management corporation, the MI-Vocational School (MI-VS). The Albor administration transferred large amounts of money from the charter to MI-VS. In turn, MI-VS invoiced Albor for consulting, technology fees and rent, and paid other financial obligations for the charter. MI-VS also transferred Albor funds to other companies.

Atkinson, Andelson, Loya, Ruud, and Romo, the attorneys for the district, issued a Notice to Cure and Correct and Request for Documents dated November 7, 2005.

Independent Audit Findings

2002-03 Audit

The Albor Charter School financial audit for the 2002-03 fiscal year was performed by Vavrinek, Trine, Day & Co., LLP (VTD). The independent audit report includes an unqualified opinion letter dated November 24, 2003. This was the first year that the charter operated.

The general fund is the general operating fund of the Albor Charter School. The notes to the financial statements state that Albor accounted for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual and that the charter includes all funds that are controlled by or dependent on the school's governing board for financial reporting purposes. This means the charter considered that all potential component units were included in determining how to define the reporting entity using criteria set forth under generally accepted accounting principles in the United States.

Component units are legally separate organizations under the charter's financial accountability or may be organizations that rely or nearly rely on the charter for revenues, budget approval, or the issuance of debt or tax liabilities. The audit notes state that the Albor Charter has no component units. At the time the 2002-03 audit was completed, this statement may have been true or the auditors may have been unaware that related-party organizations existed.

However, the statement that Albor had no component units as of November 24, 2003 has proved incorrect as a result of information contained in subsequent audit reports and obtained by FCMAT during this AB 139 audit with regard to the MI-VS Vocational School and other related organizations.

The revenues were generated by Albor student attendance, commonly called the general purpose block grant apportionment based upon reported student attendance. Albor ADA detail for all years is stated in the Attendance and Enrollment section of this report.

During 2002-03, more than 70% of the students served by Albor were over age 19, but this was not an issue during that school year. Beginning in 2004-05, students over age 19 had to meet specific criteria defined in Education Code Section 47612(b) and described in the Attendance and Enrollment section of this report. Once Education Code Section 47612(b) took effect on July 1, 2004 and the charter supposedly discontinued serving adult students that did not comply under that section, the school experienced a significant drop in enrollment and funding, and a negative financial effect. This ultimately led to closure of the school in March 2006. The 2002-03 audit report indicates that the Albor Executive Director was aware of the upcoming 2004-05 change in regulations limiting funding for adult students, but he expected to be able to increase enrollment despite the highly restrictive age limit.

In 2002-03, the fixed assets of the charter consisted largely of technology equipment and software, furniture and other equipment. The charter entered into several operating leases for facilities during the fiscal year.

The audit report indicates that the accounts receivables relate mainly to state apportionment and the accounts payables relate mainly to payroll obligations. The financial records indicate that the Executive Director made a loan to the charter for startup costs, with an ending balance of $54,947 as of June 30, 2003.

Although the audit report was unqualified, Note 13 addressed the "going concern" issues of the VTD auditors. The charter's available reserves of $125,589 did not meet the state's 4% reserve requirement. The audit report listed several strategies the charter planned to implement to increase the ending balance in 2003-04 and meet the 4% requirement.

Fourteen audit findings in the VTD report represented reportable conditions, material weaknesses, and/or instances of noncompliance related to the financial statements required by Government Auditing Standards. The audit findings are coded as follows:

Five Digit Code	AB 3627 Finding Type	No. of Findings
20000	Inventory of Equipment	1
30000	Internal Control	13
60000	Miscellaneous	0

The findings fell within the following major operational categories:

Governance and policy	2
Cash receipts and disbursements	5
Payroll	1
Equipment	1
Budget, financial reporting	2
Loans	1
Attendance	2

The subsequent year audit report for 2003-04 stated that the recommendations on the above findings were implemented. However, the FCMAT team was unable to determine whether or not the recommendations were consistently implemented because the school had closed at the time of this AB 139 review.

2003-04 Audit

The 2003-04 Albor Charter School financial audit was again performed by VTD. The independent audit opinion letter dated January 14, 2005, states that Albor's financial statements are not fairly presented due to significant related-party transactions with MI-VS that could not be substantiated. The 2003-04 VTD audit report is significantly different from the 2002-03 report because suspected related party transactions between Albor and MI-VS became known and VTD had limited access to MI-VS financial reports.

Albor Charter School is a nonprofit public corporation and adopted SFAS No. 117, *Financial Statements for Not-for-Profit Charters*. The charter uses the accrual basis of accounting. MI-VS is the management company whose members founded the charter. MI-VS provided significant services to Albor such as facilities, student transportation, books and supplies, and other consulting services, many of which are undefined and unexplained.

Albor accounts receivable as of June 30, 2004 related mostly to state apportionment and in-lieu property taxes due from the Santa Ana USD. The accounts payable were largely salaries and a refund to the state for an overpaid grant. The Albor Charter ADA reported in the audit report for 2003-04 was 1,303 at the P-2 attendance reporting period.

Large amounts of cash were transferred to MI-VS by Albor during 2003-04, which qualified MI-VS as a component unit (or related party) of the charter school. In addition, extensive other related-party transactions occurred between Albor and MI-VS. The Executive Director/Founder, Mr. Emilio Vazquez, is also the Founder/Chairman of MI-VS. MI-VS is a nonprofit corporation that has no owners. During the 2002-03 fiscal year, the interagency financial transactions between Albor and MI-VS were $644,997 as reimbursed expenses and $230,100 as vendor payments for equipment leases and technology fees. In 2003-04, the interrelated transactions totaled $664,131 for reimbursed expenses and $2,817,647 as vendor payments for services or goods that were not fully explained or disclosed in the audit report. Mr. Vazquez authorized most, if not all, transactions and payments between Albor and MI-VS. However, there is evidence of collaboration by the Albor board and school administration regarding MI-VS payments.

The VTD 2003-04 audit report in Note 8 – Related Party shows the MI-VS unaudited financial information as of September 30, 2004 as follows:

Assets	$ 1,568,591
Liabilities	312,700
Retained Earnings	$ 1.255,891
Revenues	$ 4,305,866
Expenses	3,542,425
Net Income	$ 763,441

Per Statement of Position 94-3, Reporting of Entities by a Non-Profit, financially interrelated nonprofit organizations need to reflect each other's activities. The MI-VS activity was not available to the VTD auditors, and the auditors could not verify that MI-VS had been audited by another firm. Therefore, VTD could not offer an opinion on MI-VS financial activity and, because of the significance of the related-party activities, also disclaimed opining on the Albor audit as well.

Because VTD was unable to render an opinion on the Albor financial statements for 2003-04, the findings were not presented in the same format as the prior year. The findings noted in the report are summarized below:

- Santa Ana USD and Albor reported different unaudited actuals for the charter to the state.
- MI Vocational School (MI-VS) did not have audited financial statements.
- Albor overstated the number of students that qualified for the Educationally Disadvantaged Block Grant, an overstatement of revenues of $245,244.
- The reconciled amount of cash differs from the financial statements by approximately $11,000.

VTD noted that most of the 2002-03 audit findings had been implemented except the finding related to the reporting of students receiving free and reduced meals qualified to receive the Educationally Disadvantaged Block Grant.

The FCMAT study team could not determine whether the prior year audit recommendations were implemented because the school had closed at the time of fieldwork for this report.

2004-05 Audit

VTD did not perform the Albor Charter School audit for 2004-05. Instead, Mr. Vazquez contracted with Bradley Lake Hogan, CPA, of Anaheim. Mr. Hogan issued an audit report with an unqualified opinion letter dated December 12, 2005. The opinion letter states that the Albor financial statements are fairly presented. A copy of the Hogan audit is attached as Appendix B.

The notes to the financial statements in the audit included the following items:

- The accounts receivables of June 30, 2005 were mostly due from a related party.
- The accounts payables included an oversight fee to Santa Ana USD of $249,527 and an overpayment to the EDS Block Grant of $245,244, which had been identified by VTD in the prior year, along with smaller salary and miscellaneous payables.
- The Albor Executive Director, Mr. Vazquez, was affiliated with both Albor and MI-VS.

- Reimbursements to MI-VS in 2004-05 were $5,953,797 and expenses paid to MI-VS as a vendor by the charter were $5,519,189: over $11 million in one year.

Mr. Hogan stated that he referred to and relied on an audit of MI-VS for the year ended September 30, 2004 performed by George W. Teats, CPA, of Santa Ana. Mr. Teats' MI-VS audit report was dated August 4, 2005, 11 months after the MI-VS fiscal year ended on September 30, 2004. The Teats MI-VS audit covered only three months of the 12-month period for the 2004-05 fiscal year audited by Mr. Hogan.

Even with the $11 million in related-party transactions between Albor and MI-VS in 2004-05, Mr. Hogan stated that he relied on the Teats MI-VS audit covering only three months of that fiscal year in rendering his unqualified opinion letter stating that the Albor financial statements for the entire 2004-05 fiscal year were presented fairly.

The Teats audited financial balances are significantly different from the figures provided by the Albor Executive Director to VTD for the 2003-04 Albor audit. Although the MI-VS audit is for the period ending September 30, 2004, it is difficult to understand how the account balances would be so significantly different, absent purposeful intent, from the numbers provided to VTD by the Albor Executive Director. The Teats audit does not mention or reconcile these differences. The MI-VS balances per Mr. Teats are as follows:

Assets	$ 1,932,764	
Liabilities		123,551
Retained Earnings	$ 1.809,213	
Revenues		$ 5,260,617
Expenses		3,943,854
Net Income	$ 1,316,763	

Mr. Hogan reported related party financial information for MI-VS and indicated the following unaudited information as of September 2004. These figures are also different from the VTD and Teats audits.

Assets	$ 2,920,855	
Liabilities		443,533
Net Assets	$ 2,477,322	
Revenues		$ 5,736,506
Expenses		5,068,958
Net Income	$ 667,548	

In the prior year, 2003-04, VTD was unable to render an opinion on the 2003-04 Albor financial statements because of the extensive related-party transactions with MI-VS. MI-VS had not been audited at the time VTD performed the 2003-04 Albor audit.

Because of these significant related-party transactions, professional public accounting procedures would dictate that Mr. Hogan, as a CPA, should not have accepted this audit engagement without full access to an MI-VS audit covering the entire period of the Albor audit. At a minimum, based on the known circumstances, the study team believes he should have issued a qualified opinion.

Mr. Hogan was aware of the requirements for performing audits of this nature as quoted in Note 8 of his audit report,

> *"As per Statement of Position 94-3 Reporting of Related Entities by a Non-Profit Organization, when the reporting entity does not control the other nonprofit agency consolidation is prohibited, however certain information is provided on the related organization as shown above. Substantive testing on MI-VS activity was performed and account balances were tested and confirmed as of June 30, 2005. Transactions were considered to be objective and reliable, therefore my opinion on MI-VS activity is consistent with the rules and regulations governing arm-length transactions."*

To evaluate the reliability of the Hogan audit for Albor in 2004-05, the FCMAT study team visited Mr. Hogan's office on July 17, 2006, to interview him and review the 2004-05 audit work papers. The work papers provided by Mr. Hogan were incomplete and inadequate as to the determination of the related-party transactions between MI-VS and Albor or the MI-VS financial balances shown above and in the Hogan audit report. Since no audit was prepared or available covering nine months of that time period, the study team was unable to determine or verify what source of information would have given Mr. Hogan the assurance to determine the objectivity and reliability of the MI-VS financial account balances as of June 30, 2005, as provided by Mr. Vazquez.

Mr. Hogan identified two audit findings: inconsistencies between the current and prior year beginning balances because Albor Charter School did not properly record audit adjustments, and fixed asset listings. He stated that the prior year VTD findings were implemented. FCMAT could not verify implementation because the school had closed.

The Hogan work papers also lacked adequate supporting documentation on attendance compliance testing to allow an auditor to confirm the attendance reported by Albor to the state for apportionment. Mr. Hogan hired an associate to perform the ADA compliance testing. This associate stated that he was supervised by Mr. Hogan but was not a CPA and did not know or have access to the required compliance rules and regulations in the California State Audit Guide. His testing procedures consisted of witnessing that classes were in session and that students were in the classrooms. He proofed the numerical accuracy of the P-1 and P-2 ADA reports but did not perform sample tests or trace source documents through the system to the P-1 or P-2 reports. The attendance work papers examined by FCMAT contained only a few pages of information that would be unacceptable under the California State Audit Guide required attendance compliance audit procedures.

It may be that Mr. Hogan was not familiar with state compliance requirements and was not prepared to perform the 2004-05 Albor Charter School financial audit. The audit report was insufficient, incomplete, and could not be relied on by the Santa Ana USD as the authorizing agency. Under the ethical standards of the American Institute of Certified Public Accountants, perhaps Mr. Hogan should not have undertaken this engagement.

Related Party Transactions

Conflicts of Interest

California Government Code prohibits Albor Charter School board members, officers, and employees from participating in decisions and transactions that constitute a conflict of interest. A conflict of interest arises when a board member, officer, or employee is in a position to influence a decision from which he or she could personally benefit. Specifically, Government Code Section 1090 states that: "Members of the Legislature, state, county, district, judicial district, and city officers or employees shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Nor shall state, county, district, judicial district, and city officers or employees be purchasers at any sale or vendors at any purchase made by them in their official capacity. As used in this article, 'district' means any agency of the state formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries."

Government Code Section 87100 states that: "No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest."

Generally Accepted Accounting Principles (GAAP) defines a related party where one party can exercise control over the other party or can significantly influence the management or operating policies of the other party such that one of the parties is deterred from pursuing its own interests.

Finally, the Albor Charter School Policies and Procedures Manual, Business Ethics and Conduct section states that: "Albor Charter School will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business in accordance with the letter, spirit, and intent of all relevant laws and to refrain from any illegal, dishonest, or unethical conduct."

Albor Charter School was operated by MI-Vocational School under contract between the two entities. FCMAT was given access to Albor Charter School documents. However, under the contract, all administrative and financial affairs of the school were handled by MI-Vocational School, to which FCMAT was given very limited access. MI-Vocational School minutes, conflict of interest policies, original transaction documents, and bank statements were not provided when requested because management contended that MI-Vocational School was not open to review regarding Albor Charter School affairs. Management of MI-Vocational School did grant FCMAT access to the entire Albor/MI-VS computer network system, stating that MI-VS electronic records and many other records were somewhere in the network and if the team could find them, they could be copied. In that sense, the MI-VS management provided FCMAT with an electronic copy of its accounting books since the study team located electronic records on which many of the determinations in this report are based relating to Albor Charter School and MI-Vocational School and affiliated businesses.

Albor Charter School /MI-Vocational School, Inc. are One and the Same
For this report and based on the study team's analysis, Albor Charter School and MI-Vocational School are considered as one and the same or alter egos. The two entities have fiscal year ending dates of June 30 and September 30, respectively.

Both organizations are under common management control by Memorandum of Understanding (MOU) and related officers, and MI-VS cannot financially exist without revenues from Albor Charter School. Under these circumstances, the study team believes there to be a substantial economic interest and exercise of control whereby both organizations should be consolidated and treated as one. FCMAT elected to use the Albor Charter School fiscal year end date of June 30 for most of its analysis and presentation.

Albor Charter School & MI-Vocational School Contractual Relationship
Albor Charter School and MI-Vocational School entered into a Memorandum of Understanding (MOU) whereby MI-VS assumed primary control and operations of Albor Charter School. In the most recent available MOU (see Appendix C), dated December 10, 2004, MI-VS, as the described parent company, agrees to perform and provide Albor Charter School, as the described affiliate, with the following:

> "Administrative services, facilities, curriculum and instructional materials, financial administration and reporting, purchasing, technology services, and personnel administration and instructional program as may be necessary for the operation of the school. All services, facilities, and instructional program support provided pursuant to this Agreement shall be subject to the control, supervision, direction and policies of the Affiliate." (See MOU page 1, section 1, Parent Company's Responsibilities.)

In performing these duties, MI-VS will receive as compensation:

> "… <u>all</u> revenues received from local, state and federal agencies, either based upon the Average Daily Attendance (ADA) of pupils enrolled at Albor Charter School or otherwise; and all revenue Affiliates receives from any other source, including, but not limited to, philanthropic contributions." (See MOU page 5, section 12, Terms of Agreement; Compensation; Termination.)

The MOU is signed on behalf of MI-VS by Astrid Riebe, Vice-President and on behalf of Albor Charter School by Peter Sole, Chairman of the Board. This MOU effectively hands over all decision-making authority and revenue to MI-VS.

Common Management Control

Emilio Vazquez is the Executive Director of Albor Charter School as described in its June 30, 2004 federal tax return Form 990, Return of Organization Exempt from Income Tax. Mr. Vazquez is also the President of MI-VS as described in its September 30, 2004, MI-VS federal tax return Form 990. In addition, Albor Charter School's June 30, 2005 Audited Financial Statement Report discloses that "the Executive Director/Founder of the Albor Charter School is also the Founder/Chairman of MI-Vocational School." Mr. Vazquez clarified to the study team that he is the founder of both MI-VS and Albor Charter School. Mr. Vazquez therefore is in conflict by serving simultaneously and can exercise common control over both organizations.

MI-VS Material Economic Interest in Albor Charter School

Along with Mr. Vazquez exercising management control of both Albor Charter School and MI-VS, the organizations themselves may be considered as one and the same or alter egos resulting from MI-VS's significant economic interest in Albor Charter School's revenue. Albor Charter School began operations on or about July 1, 2002 and ceased school operations on or about March 25, 2006. The charter was formally closed by its board of trustees at Emilio Vazquez's request on or about May 17, 2006.

As Exhibits 2A and 2B illustrate, the accounting records of MI-VS for a five-year period, including the four years that Albor operated, show that **95%** of MI-VS's total income was attributable in some way to Albor Charter School. MI-VS produced little income in the year before Albor existed. Of the income for the period ending June 30, 2002 shown as \$193,061, 77.8% of this amount, or \$150,193, consists of journal entries and reclassification entries that reference other advance, loan or reimbursement accounts with memo descriptions of "Donations 2000 E.V.," "Donations 2001 E.V." or reimbursed expenses. These types of entries do not appear to be earned revenue from outside sources but are accounting transactions by management. Further evidence of MI-VS's dependence on Albor Charter School, according to Mr. Vazquez, is that in closing Albor he was also forced to close MI-VS. Without Albor Charter School, MI-VS is no longer viable.

Exhibit 2A
Albor Charter School vs. MI-VS Revenue Recognized

Fiscal Year		MIVS Revenue Received From ACS (a)				
		Reimbursement Income	Computer Lab & Tech Fees	Consulting Fees	Total ACS Income within MIVS Books	Grand Total MIVS Income
07/01/01	6/30/2002	$ -	$ -	$ -	$ -	$ 193,061
07/01/02	6/30/2003	644,997	158,100	72,000	875,097	964,735
07/01/03	6/30/2004	3,018,307	72,000	-	3,090,307	3,311,886
07/01/04	6/30/2005	5,944,368	840,000	-	6,784,368	6,879,806
07/01/05	5/17/2006	994,294	280,000	-	1,274,294	1,313,018
	Totals	$ 10,601,966	$ 1,350,100	$ 72,000	**$ 12,024,066**	**$ 12,662,506**

(a) Source: MIVS electronic accounting records; represents dollars that ACS paid to MIVS.

Exhibit 2B
Albor Charter School v. MI-VS Revenue Differences

Fiscal Year		MIVS v. ACS Revenue Differences: Total ACS Income in MIVS Books	Grand Total MIVS Income	Difference	ref.	% ACS in MIVS
07/01/01	6/30/2002	$ -	$ 193,061	$ 193,061	(a)	0%
07/01/02	6/30/2003	875,097	964,735	89,638		90.7%
07/01/03	6/30/2004	3,090,307	3,311,886	221,579		93.3%
07/01/04	6/30/2005	6,784,368	6,879,806	95,438		98.6%
07/01/05	5/17/2006	1,274,294	1,313,018	38,724		97.1%
Totals		**$ 12,024,066**	**$ 12,662,506**	**$ 638,440**		**95.0%**

(a) Comprised of $57,900 in journal entry contributions noted as E.V. and $92,293 in reimbursed expenses classified as income totaling $150,193 or 77.8% of the total June 30, 2002 revenue.

Physical Assets Identified as MI-VS and Albor Charter School

In touring the Albor facilities the study team noted equipment tagged with stickers and/or other methods identifying the items as MI-VS/Albor Charter School. Exhibits 2C.1 through 2C.3 are examples of equipment/asset identification methods used. No equipment that the study team found or was shown was tagged independently as either MI-VS or Albor Charter School. Mr. Vazquez stated that the assets were those of MI-VS, but the asset tags as observed by FCMAT made no such distinction. Furthermore, based on the financial records of MI-VS, no equipment was capitalized on the organization's balance sheet until March 2004 and building improvements did not begin until September 2003, the years that Albor Charter School provided revenue to MI-VS.

Exhibit 2C.1
Equipment/Asset Identification - Computer Room Sample Tag

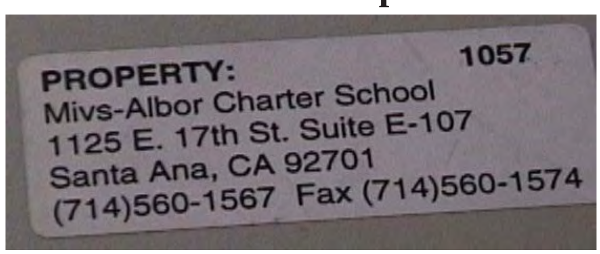
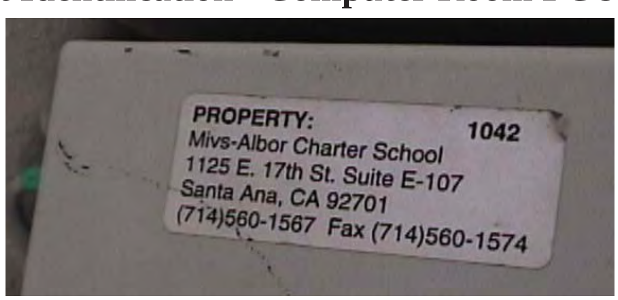


Exhibit 2C.2
Equipment/Asset Identification - Computer Room PCU Sample Tag



Equipment/Asset Identification - School Bus Sample Identification

Albor Charter School Provides the Material Cash Flow for MI-VS Asset Purchases
As Exhibit 2D and 2E illustrate, without the revenues flowing from Albor Charter School to MI-VS (as described in Exhibits 2A and 2B), MI-VS in 2004 only generated $221,579 in additional MI-VS revenue. Yet MI-VS purchased $478,351 in assets. Without Albor Charter School or other financing sources, MI-VS does not appear able to financially support such improvements and purchases.

Exhibit 2D
MI-VS Fixed Assets "Net Additions"

Fiscal Year		MIVS Fixed Asset "Net Additions" by Fiscal Year: Leasehold Improvements	Vehicles	Furniture	Office Equipment	ref.	Total MIVS Fixed Assets
07/01/01	6/30/2002	$ -	$ -	$ -	$ -		$ -
07/01/02	6/30/2003	-	-	-	-		-
07/01/03	6/30/2004	416,390	61,961	-	-		478,351
07/01/04	6/30/2005	175,152	(19,087)	12,585	16,226	(a)	184,876
07/01/05	5/17/2006	-	-	-	-		-
Totals		$ 591,542	$ 42,874	$ 12,585	$ 16,226		**$ 663,227**

(a) Vehicles decreased resulting from journal entry #183 reclassifying to "other" expense $33,354 as described in the journal memo as a "Baja 2002 mits."

While MI-VS was extracting revenue from Albor Charter School as facility rent, management fees, and consulting fees, Albor was also recording on its books its own building improvements and office equipment purchases, shown in Exhibit 2E. A distinction cannot be made as to which improvements and equipment belong to each organization because all equipment was tagged "MI-VS/Albor Charter School." Proper financial reporting and accounting was a major component of the MOU between the two organizations. Failure by MI-VS to properly segregate and identify the assets of the organizations departs severely from generally accepted accounting principles, breaches the MOU and is negligent.

Exhibit 2E
Albor Charter School (ACS) Fixed Assets "Net Additions"

		ACS Fixed Asset "Net Additions" by Fiscal Year					
Fiscal Year		Leasehold Improvements	Vehicles	Furniture	Office Equipment	ref.	Total ACS Fixed Assets
07/01/01	6/30/2002	$ -	$ -	$ -	$ -		$ -
07/01/02	6/30/2003	-	-	-	-		-
07/01/03	6/30/2004	378,142	-	-	-		378,142
07/01/04	6/30/2005	463,623	-	-	90,155		553,778
07/01/05	5/17/2006	-	-	-	-		-
Totals		$ 841,765	$ -	$ -	$ 90,155	(a)	**$ 931,920**

(a) The June 30, 2005 audited financial statements document that total assets are $931,920; however, the ACS books the FCMAT team received do not appear to have been adjusted to agree with the audited financial statements. At both June 30, 2005 & May 17, 2006 the ACS books report total fixed assets before depreciation as $671,320 vs. $931,920 for a difference of $260,600.

Further evidence of management's disregard for the MOU and financial welfare of Albor Charter School relate to differences between fixed assets as described on the audited financial statements and accounting records. The Albor entries for building improvements show attempts at audit adjusting journal entries. However, it appears that MI-VS could not or did not attempt to reconcile the audited figures to the Albor Charter School accounting records. The Albor June 30, 2005 audited financial statements identify $931,920 in total fixed assets while Albor's own accounting records (for which MI-VS is responsible) identify the amount as $671,320, resulting in a material understatement in Albor assets of $260,600 and a material overstatement of the Statement of Activities and Changes in Net Assets.

Albor Charter School Journal entry No. 58 attempted to reclassify amounts from leasehold improvement expense as identified in memo "Ajustmnet Audit 2005" (shown as misspelled). However, even after the attempted reconciliation the amounts do not agree. Accumulated depreciation for fixed assets also did not agree with the Albor audit report. The June 30, 2005 Albor audited financial statements identify accumulated depreciation as $245,290 while Albor Charter School accounting records identify the amount as $229,935, resulting in the Statement of Financial Position and Statement of Activities and Changes in Net Assets both being overstated by $15,355.

Proper financial reporting and accounting was a major component of the MOU. Failure by MI-VS to reconcile audit adjustments with Albor Charter School books where an audit adjustment agreement exists is negligent and does not follow generally accepted accounting principles. Even if closure of Albor Charter School was pending, management had a fiduciary responsibility to honor the MOU and conduct accurate financial reporting.

Unaccounted for Albor Charter School Vehicles

Mr. Vazquez told FCMAT that all assets belonged to MI-VS. However, during fieldwork the study team found an electronic document titled Albor Charter School Vehicle Listing. That document listed the following vehicles by vehicle identification number:

- 2002 Federal Coach #449611993
- VW Passat #248442004
- Ford Expedition #A02311988
- BMW 735 #088951987
- BMW 325 #254221987
- Suzuki Samurai #375791985
- International #294732001
- Ford 15 Passenger Van #874412002
- Ford 15 Passenger Van #339981990
- Isuzu UT #123761995
- Ford SW AE #279381987
- Nissan GLS #49826

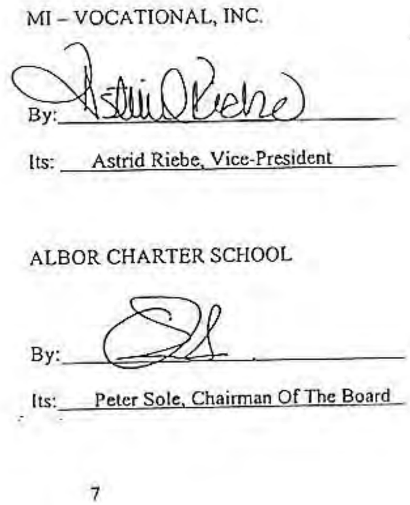
These vehicles were not listed as assets in Albor Charter School's accounting records, and only the two BMWs, Coach, Expedition and International vehicles were listed in the MI-VS accounting records as assets. Mr. Vazquez stated that all the vehicles belonged to MI-VS and that someone must not have titled the document correctly.

Employee Conflicts of Interest and Other Possible Sources of Income Flowing from Albor Charter School to MI-VS

Albor Charter School entered into MOU agreements with MI-VS. Those agreements were signed by Peter Sole, Chairman of the Board for Albor Charter School (see Exhibit 2F.1). During a September 27, 2006 meeting, FCMAT confirmed directly with Mr. Vazquez that Pedro Sole is also known as Peter Sole and used the name Peter because it sounded more American. Exhibits 2F.2, 2F.3 and 2F.4 show similar signatures for Pedro Sole. They appear similar to Peter Sole's signature in Exhibit 2F.1 and agree with Mr. Vazquez's statement that Pedro and Peter is one and the same individual.

Conflicts arise because Pedro and Peter Sole is the same individual. Pedro/Peter Sole is the Chairman of the Board of Albor Charter School and signed the MOU as Peter Sole, received salary or wages from Albor Charter School as Pedro Sole and also received income in various ways from MI-VS, as Exhibit 2F.5 identifies for the years sampled.

Exhibit 2F.1
Pedro/Peter Sole Signature – MI-VS/Albor Charter School MOU


MI – VOCATIONAL, INC.

By: ______________

Its: Astrid Riebe, Vice-President

ALBOR CHARTER SCHOOL

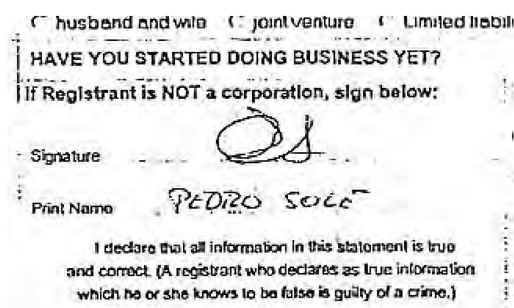
By: ______________

Its: Peter Sole, Chairman Of The Board

7

Peter Sole's signature is found on Page 7 of the December 10, 2004 MOU between MI-VS and Albor Charter School. Exhibits 2F.2, 2F.3 & 2F.4 show the signatures of Pedro Sole as signed on several fictitious business name statements.

Exhibit 2F.2
Pedro/Peter Sole Signature – Fictitious Business Name Statement
Alan Mcarwick & Bozanca Services


husband and wife joint venture Limited liabil

HAVE YOU STARTED DOING BUSINESS YET?

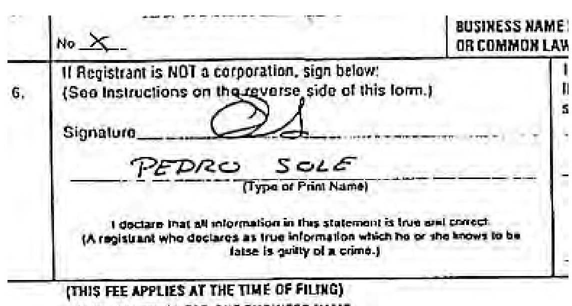
If Registrant is NOT a corporation, sign below:

Signature ______________

Print Name PEDRO SOLE

I declare that all information in this statement is true and correct. (A registrant who declares as true information which he or she knows to be false is guilty of a crime.)

Exhibit 2F.3
Pedro/Peter Sole Signature – FBNS Mark Cibet Stewart Productions


No X

BUSINESS NAME
OR COMMON LAW

6. If Registrant is NOT a corporation, sign below:
(See Instructions on the reverse side of this form.)

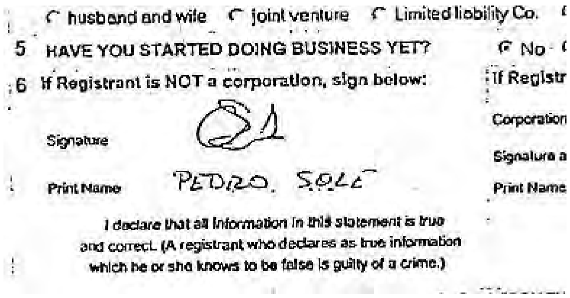
Signature ______________

PEDRO SOLE
(Type or Print Name)

I declare that all information in this statement is true and correct.
(A registrant who declares as true information which he or she knows to be false is guilty of a crime.)

(THIS FEE APPLIES AT THE TIME OF FILING)
FILING FEE $23.00 FOR ONE BUSINESS NAME.

Exhibit 2F.4
Pedro/Peter Sole Signature – FBNS Paul Kranen & Britton Producers


husband and wife   joint venture   Limited liability Co.
5 HAVE YOU STARTED DOING BUSINESS YET?   No
6 If Registrant is NOT a corporation, sign below: If Registr
Corporation
Signature
Signature a
Print Name   PEDRO. SOLE   Print Name
I declare that all information in this statement is true and correct. (A registrant who declares as true information which he or she knows to be false is guilty of a crime.)

These fictitious business name statements are fully reproduced in Appendices E-1, E-2 and E-3.

Exhibit 2F.5
Pedro/Peter Sole Wages & Possible Sources of Income

Pedro/Peter Sole - Wages & Possible Other Sources of Income									
			(b) MIVS Sources of Income for Pedro						
Fiscal Year		(a) ACS	Pedro Sole	Bozanca	Alan McAwick	Mark Cibit Film	Britto Prod.	Paul K. Prod.	Total Income
07/01/03	6/30/2004	$ 72,082	$ -	$ 4,390	$ 1,630	$ -	$ -	$ -	$ 78,102
07/01/04	6/30/2005	27,207	54,413	-	-	6,525	14,150	5,770	108,065
Totals		**$ 99,289**	**$ 54,413**	**$ 4,390**	**$ 1,630**	**$ 6,525**	**$ 14,150**	**$ 5,770**	**$186,167**

(a) Source: Orange County Department of Education Fiscal Earnings Reports
(b) Source: MIVS electronic records

The MI-VS wages Pedro received are memo coded only as "salary" while the payment of such salaries is not expensed as wages but categorized in an asset account titled VEI Investment. The VEI Investment account balance (which is discussed later in this report) on May 17, 2006 was $1,738,351 and consisted of several transactions from Pedro Sole, numerous checks coded as "advance," and $805,000 coded as "transfers" that were accounting transfers from the MI-VS checking account to the MI-VS – VEI Investment Account.

Pedro Sole and Other Fictitious Name Businesses

According to public records and Mr. Vazquez, VEI stands for Vagabond Entertainment, Inc. VEI public records document its address as 1125 E. 17th St., Ste. E-209, Santa Ana, CA 92701, the same address as MI-VS and Albor Charter School except that they are listed as Suite E-208. Emilio Vazquez is listed as VEI's director, officer and agent for service, while Pedro Sole is listed as the secretary of the company. Public records revealed that Pedro Sole filed for fictitious business name statements for Alan Mcarwick & Bozanca Services, recorded 11-05-04; Paul Kranen & Britton Productions, recorded 9-20-04; and Mark Cibet Stewart Productions, recorded 9-2-04, all in Orange County.

In Exhibit 2F.5 FCMAT has documented and abbreviated the fictitious names used in the MI-VS accounting records showing that Pedro Sole was compensated through fictitious businesses he formed as follows: Bozanca Services, $4,390; Alan Mcarwick, $1,630; Mark Cibit Film, $6,525; Britto Productions, $14,150; and Paul Kranen Productions, $5,770; totaling $32,465. While the fictitious business name statements record the fictitious name filing as one filing for Alan Mcarwick and Bozanca, the MI-VS accounting records have misspelled the names and split them into two separate accounts that are shown on the MI-VS records as Bozanca and Alan McAwick. Furthermore, the fictitious business name statements filed record the remaining names as follows: Mark Cibit Stewart Productions, Paul Kranen, and Britton Producers, while the MI-VS records contain these two fictitious filings as Paul Kranen Producer, Britto Productions and Mark Cibet Film.

As Albor Charter School Chairman of the Board, Pedro Sole had a fiduciary responsibility to disclose all his financial interests to the auditors, properly file California Form 700, Statement of Economic Interests, and ensure that proper accounting and financial records were timely and accurately produced by MI-VS. California Form 700 is a public document. FCMAT obtained Form 700, signed by Pedro Sole, and noted that box "No reportable interests on any schedule" is checked and dated February 11, 2004. FCMAT could not find and was not given revised or updated Form 700s documenting Pedro Sole's intent to disclose the economic interests he maintained. Based on the accounting records reviewed and because the fictitious business names listed in the MI-VS electronic books are not coded as vendors, FCMAT believes that MI-VS did not properly file IRS Form 1099 documenting the services performed by Pedro Sole or his various other forms of business.

As founder of Albor Charter School and MI-VS, President of MI-VS, Executive Director of Albor Charter School and a close personal friend of Pedro Sole, Mr. Vazquez breached his fiduciary responsibility to disclose to the Santa Ana USD and auditors of both organizations all of Pedro Sole's economic and related party interests. Without the revenue from Albor Charter School, MI-VS would have no material ability to create and fund other split-off ventures.

Emilio Vazquez and Vagabond Entertainment, Inc.
Mr. Vazquez appears to be related to or involved with several other companies and ventures. Based on available public records and cross referencing the MI-VS and other electronic accounting records on the MI-VS/Albor Charter School computer network, Exhibit 2G illustrates the sources of income that Emilio Vazquez may have benefited from as a result of Albor Charter School revenue flowing into MI-VS.

Exhibit 2G
Emilio Vazquez Wages and Possible Sources of Income

Emilio Vazquez Wages and Possible Sources of Income								
		(b) Possible Sources of Income to Emilio Vazquez from MIVS						
Fiscal Year	(a) ACS	Vagabond Entertain. Inc. (d)	A&E Fin. Inc. (e)	Vicom/ EVOM, Inc. (f)	Empe Ent. Inc. (g)	Family Ed. Prof. Sys. Inc.(h)	New Generation Ent. Inc.(i)	Total Income
6/30/2004	$ 125,975	$ 17,000	$ -	$ 230,689	$ -	$ 13,000	$ -	$ 386,664
6/30/2005	131,228	679,132	-	58,377	20,000	-	-	888,737
6/30/2006	(c)	54,000	453,456	3,321	-	6,000	-	516,777
Totals	**$ 257,203**	**$ 750,132**	**$ 453,456**	**$ 292,387**	**$ 20,000**	**$ 19,000**	**$ -**	**$ 1,792,178**

(a) Source: Orange County Department of Education Fiscal Earnings Reports
(b) Source: MIVS electronic accounting records
(c) Data not available since not within sample selection period for payroll
(d) Source: Based on MIVS accounting records as well as VEI electronic accounting records residing on the MIVS/ACS computer network. **See Exhibit 2H**
(e) Source of information is based on VEI electronic accounting records described in **(d)**. VEI paid via check numbers 9420 and 9421, $78,510.38 & $374,946 respectively, and dated the checks 6/15/05
(f) Edgar Villagomez has DBAs as Vicom & VI-Computers, which received $292,387 from MIVS from Jan. 2003-Sept. 2005. Edgar Villagomez also received as an individual from MIVS on July 12, 2004, check #2678 for $8,000
(g) MIVS paid Empe, Inc. $20,000 on Nov. 10, 2004 with check number 3338, check memo indicated "Transfer EMPE, Inc."
(h) MIVS paid Family Ed. Prof. Sys, Inc. three checks as follows: #1939, 7/9/03, $5,000; #2160, 12/15/03, $8,000 and #5041, 9/8/05, $6,000
(i) MIVS paid $12,674 in rent on behalf of New Generation Entertainment to Juan Demetrio Ramirez Silva from 1/23/06-3/1/06. MIVS transferred $15,000 from its checking account to its New Generation account on 1/17/06, and MIVS recorded a deposit from New Generation on 2/28/06, check # 1072 for $3,000.

While serving as President of MI-VS and Executive Director of Albor Charter School, Mr. Vazquez received a salary from Albor of $257,203 for fiscal years ending June 30, 2004 and 2005. While drawing an Albor Charter School salary, Mr. Vazquez was able to use funds from MI-VS to finance other ventures such as VEI. Each of these ventures is further described below.

MI-VS electronic accounting records document that at least $784,132 was transferred from MI-VS to VEI and $34,000 was transferred from VEI to MI-VS, netting to $750,132 as an outflow to VEI from MI-VS as shown in Exhibit 2H. In examining VEI's electronic books, the majority of checks from MI-VS are deposited into VEI using the same check number as a reference and the same date. Exhibit 2H illustrates the available information and financial flow of check numbers, dates and amounts as these transactions move primarily from MI-VS to VEI.

Exhibit 2H
MI-VS / VEI Corresponding Checks & Deposits

Date Check Written From MIVS	Date Check Deposited VEI	MIVS Check Number	VEI Deposit Check Memo	Amount
12/5/03	12/5/03	2142	2142	$ 10,000
6/7/04	6/7/04	2562		7,000.00
11/23/04	11/23/04	3417		27,186.30
12/28/04	12/28/04	3605		50,000.00
4/18/05	4/18/05	4332	4332	10,000.00
5/4/05	5/4/05	4447	4447	20,000.00
5/9/05	5/9/05	4460	4460	6,000.00
5/11/05	5/11/05	4465	4465	210,000.00
6/15/05	6/15/05	4667	4667	374,946.00
7/1/05	7/1/05	4749	4749	10,000.00
7/6/05	7/6/05	4763	4763	29,000.00
9/9/05	9/9/05	5042	5042	20,000.00
9/29/05	9/29/05	5151	5151	10,000.00
	Subtotal, Checks to VEI from MIVS			784,132
Minus checks written from VEI to MIVS as follows:				
Date Check Written From VEI	**Date Check Deposited MIVS**	**VEI Check Number**	**MIVS Deposit Check Memo**	
6/1/05	6/1/05	9410		(9,000)
6/17/05	6/17/05	9422		(20,000)
Unknown	2/28/06	9456		(5,000)
	Subtotal, Checks from VEI to MIVS			(34,000)
Total Net Intercompany Transactions				**$ 750,132**

All checks from MI-VS deposited into VEI were accounted for in VEI's capital account as if the funds were invested from MI-VS. On the available IRS nonprofit tax return Form 990 for MI-VS, FCMAT noted that Page 5, part VI, Question 88 was marked **"No"** for the question:

> "At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or any entity disregarded as separate from the organization under Regulations Sections 301.7701-2 and 301.7701-3?"

FCMAT has documented that Mr. Vazquez identified that he has an economic interest in VEI as indicated on the Albor Charter School's 2003-04 List of Conflict of Interest Filers on California Form 700, Statement of Economic Interests. However, "stock" was listed as the answer for the nature of the investment question on the form. If the investment form is stock, then VEI is not likely a nonprofit type corporation, because nonprofits generally do not issue stock. This raises the question of who owns VEI. FCMAT believes Emilio Vazquez is VEI's owner.

Regarding the disclosures made pertaining to VEI:

- MI-VS did not disclose on its 2003 federal Form 990 tax return for fiscal year ended September 30, 2004 that it has any ownership interest in other corporations, including VEI, which was incorporated approximately July 25, 2003.
- The nonprofit tax return discloses that no loans were provided to Mr. Vazquez from which he could have capitalized VEI.
- The nonprofit tax return indicates on Page 4, Part V that Emilio Vazquez received no compensation from MI-VS from which he could have capitalized VEI.

Therefore, FCMAT cannot identify how VEI could have qualified to receive any funding from MI-VS or how Mr. Vazquez could have personally qualified for funding from MI-VS to capitalize VEI. Without the revenue from Albor Charter School, MI-VS would have no material ability to create and fund split-off ventures such as VEI. It is therefore plausible that Albor Charter School, through MI-VS, owns VEI capitalized at approximately $750,132. If Mr. Vazquez owns VEI, he has possibly used Albor Charter School funds via MI-VS without considering those funds as taxable income to himself, altered the nature of the income, and disguised the nature of VEI's funding.

Further support for considering MI-VS and Albor Charter School as one entity is that FCMAT could not find any transactions for VEI in Albor's accounting records. The conflict disclosure is for MI-VS, and MI-VS funded VEI. It is not disclosed that VEI's office is located on the Albor school premises and receives funding from MI-VS. Each of these entities is supported by state revenue from Albor Charter School.

VEI's address is listed in public records as 1125 E. 17th St. Suite E-208, Santa Ana, CA 92701, the same address as MI-VS and Albor Charter School. FCMAT scanned VEI's electronic accounting records for any rent paid to MI-VS or North Park Plaza, LLP (the MI-VS/Albor Charter School landlord) and found no payments to either entity. FCMAT cannot determine why VEI would be allowed to operate in the same location as MI-VS and Albor Charter School without also paying rent. See Exhibit 2J for additional findings regarding other corporate ventures and suite numbers.

Emilio Vazquez and Other Related Corporate Ventures
A&E Finance, Inc.

Emilio Vazquez is the Director/Officer and Agent of Service of A&E Finance, Inc. Mr. Vazquez disclosed that the "A" and "E" in the company name stand for Astrid and Emilio. Astrid Riebe was Mr. Vazquez's girlfriend at the time. Mr. Vazquez stated they were married in late September 2006. As Vice President of MI-VS, Astrid Riebe was also the individual who signed the MOU between Albor Charter School and MI-VS (See Exhibit 2F.1). Public records show that Astrid Riebe is also the CEO and a Director/Officer and Martin Ramirez is the CFO of A&E Finance, Inc.

While examining the VEI electronic accounting records, FCMAT determined that A&E Finance, Inc. (A&E) received $453,456 from VEI categorized as “reimbursements.” Since the funding for VEI was provided by MI-VS, which in turn received the funding from Albor Charter School, FCMAT does not believe that the $453,456 should be identified as income to Mr. Vazquez since he had already received the funds as income from VEI. It simply identifies that large sums of funds have flowed from Albor Charter School to MI-VS, and then from MI-VS to multiple other entities. A&E is yet another entity that appears to have been funded by Albor Charter School.

A&E’s address is listed in public records as 1125 E. 17th St. Suite E-208, Santa Ana, CA 92701, the same address location as MI-VS and Albor Charter School. Although FCMAT does not have electronic books for A&E, the team scanned the MI-VS revenue records and found no record of MI-VS charging A&E any rent for the same location as Albor Charter School and MI-VS. Martin Ramirez, CFO of A&E and accountant for MI-VS, was also asked if A&E remitted any rent directly or through MI-VS. He replied that he did not know. When asked again and also asked why he would not know as the accountant, Mr. Ramirez stated it was not necessary. FCMAT cannot determine why A&E would be allowed to operate in the same location as MI-VS and Albor Charter School without paying rent. The team continues to conclude, based on the information received, that Albor Charter School has subsidized other MI-VS/Emilio Vazquez ventures.

MI-VS loaned A&E $400,000 on March 21, 2005 (check No. 4121) and another $400,000 on April 4, 2005 (check No. 4224) for a total of $800,000. Mr. Vazquez stated that the money was for a real estate property deal that Astrid Riebe and he thought they could flip quickly. He further explained that because of the divorce proceedings with his wife, Olivia, and the complexity of the real estate venture, the transaction fell through and the money was returned. MI-VS accounting records record that on May 11, 2005 and June 15, 2005, $400,000 and $400,000 respectively were deposited back into MI-VS.

Although the funds were returned, Albor Charter School was on probation with the Santa Ana USD in June 2005, pending charter revocation by the district. Entering into risky transactions at this time or at any other time using Albor state funds that flowed through to MI-VS did not properly safeguard assets and was not proper management. Furthermore, no documents were provided that clearly defined collateral for the loans and no loan notes were offered to indicate that management took due professional care.

EVOM-Next Step Computers, Inc.

EVOM, Inc. or EVOM-Next Step Computers, Inc. (EVOM) is another business Mr. Vazquez is involved with that required MI-VS’s support. Mr. Vazquez indicated to FCMAT that although his name is not on public records documents for EVOM, he is a partner. Public records show Edgar Villagomez as its officer/director. Mr. Villagomez has several fictitious business names that he operates, such as Vicom & VI-Computers. As Exhibit 2G illustrates, MI-VS paid $292,387 to Vicom over three years and wrote check No. 2678 to Mr. Villagomez, dated July 12, 2004, for $8,000. The purchases appear to be for computers. Since Mr. Vazquez and Mr. Villagomez are partners, Mr. Vazquez effectively purchased the computers from himself and then charged Albor Charter School for the use of those computers via technology fees through MI-VS.

Mr. Vazquez disclosed EVOM on Albor Charter School's 2003-04 List of Conflict of Interest Filers, California Form 700, Statement of Economic Interests. Further support for considering MI-VS and Albor Charter School as one entity is that no transactions for EVOM were found in Albor's accounting records. The conflict disclosure in the Albor Charter School document is for MI-VS. As such, the disclosure may be considered a conflict for MI-VS because MI-VS funded EVOM. It is not disclosed that the EVOM office is located on the Albor Charter School building premises (Exhibit 2I.1) and receives funding from MI-VS, (Exhibits 2G and 2H), which are all supported by state revenue from Albor Charter School.

Empe, Inc., Family Educational Professional Systems, Inc. and New Generations Entertainment, Inc.

Empe, Inc. (EMPE), Family Educational Professional Systems, Inc. (FEPS) and New Generation Entertainment, Inc. (NGE) are three more businesses related to Mr. Vazquez through MI-VS. As Exhibit 2G illustrates, EMPE received $20,000, FEPS received $19,000 and NGE had its rent paid to an individual named Juan Demetrio Ramirez Silva through MI-VS. From January 2006 through March 2006, Mr. Silva received approximately $12,674 for NGE from MI-VS. All of these businesses and EVOM had addresses or mail delivery at the same address as MI-VS and Albor Charter School.

In addition, although Martin Ramirez was introduced to the study team as the accountant for MI-VS, Exhibit 2I.1 illustrates that he was also the CFO for A&E, EMPE and NGE.

Mr. Vazquez disclosed FEPS on Albor Charter School's 2003-2004 List of Conflict of Interest Filers, California Form 700, Statement of Economic Interests. The conflict disclosure is for MI-VS. Thus, the disclosure appears to be a conflict for MI-VS since MI-VS funded FEPS. It is not disclosed that FEPS had its office on the Albor Charter School building premises (Exhibit 2I.1) and received funds from MI-VS (Exhibits 2G and 2H), which are all supported by state revenue from Albor Charter School.

Summary of Conflicts of Interest and Related Parties

The results of this examination provide compelling reasons to view Albor Charter School and MI-VS as one and the same. Furthermore, certain individuals appear to have exercised significant influence to the extent that at least seven other companies were formed and/or utilized where these same individuals had undisclosed related party relationships. Exhibit 2I.1 illustrates those relationships.

Related Party Relationships Identified

As shown in Exhibit 2I.1, Emilio Vazquez is an officer/director, CFO, Agent for Service or partner in each organization. Pedro Sole and Martin Ramirez are prominent figures in the top six organizations. These three individuals, along with Astrid Riebe, all failed to fully disclose their related financial and business relationships and entered into financial transactions with Albor Charter School, either directly or indirectly through MI-VS, and possibly altered governmental taxable wages and other income in conflict with their positions.

Exhibit 2I.1
Schedule of Primary Participation/Influence Individuals

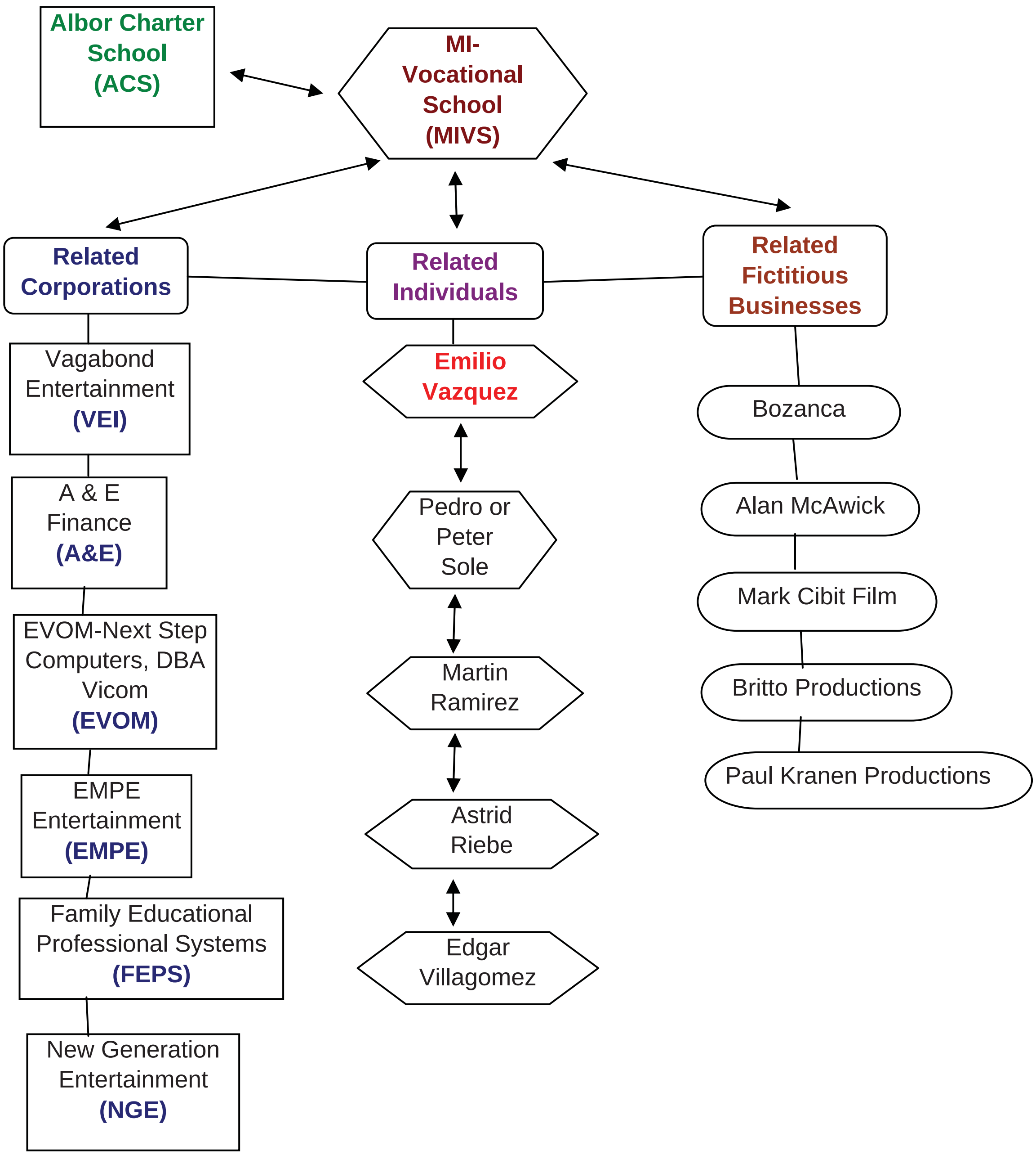
Company/Business Name	Related Address 1125 E. 17th St. Santa Ana, CA, Suite: E-208	E-209	E-107	Approx. Date Bus. Started	Officer/ Director	CEO	Secretary	CFO	Agent for Service	Business/ Funding with MIVS
Albor Charter School - Non Profit Corp. (ACS)	X			7/1/02	EV, PS					Yes
MI-Vocational School - Non Profit Corp. (MIVS)	X			7/1/01	EV, PS		OV			
A&E Financing, Inc. (A&E)	X			9/15/04	EV, AR	AR	AR	MR	EV	Yes
Vagabond Entertainment, Inc. (VEI)		X		7/25/03	EV		PS		EV	Yes
EMPE, Inc. (EMPE)	X			9/15/04	EV, PS	PS	PS	MR	EV	Yes
New Generation Entertainment, Inc. (NGE)	X			3/2/05	EV	RC	MR	MR	EV	Yes
Orange County Vocational High School, Inc. (OCVHS)		X		5/21/01		OV		EV	EV	
Family Educational Professional Systems, Inc. (FEPS)			X	5/2/03					EV	Yes
EVOM-Next Step Computers, Inc. (EVOM), DBA Vicom (Emilio Vazquez has stated he owns EVOM with a partner) (a)	X			6/2/00	EG	EG	EG	EG	EG	Yes

Legend:
- EV = Emilio Vazquez
- PS = Pedro Sole
- MR = Martin Ramirez
- AR = Astrid Riebe
- EG = Edgar Villagomez, Emilio's partner in EVOM
- OV = Olivia Vazquez
- Blank = Other Individual, not listed, unknown

(a) Edgar Villagomez has DBA's as Vicom & VI-Computers which received from MIVS $292,387 from Jan. 2003 - Sept. 2005. Edgar Villagomez also received as an individual from MIVS on July 12, 2004, check number 2678 for $8,000.

Exhibit 2I.2 is a graphic illustration of the related parties described in Exhibit 2I.1. Albor Charter School provided the financial engine or resources that allowed the related parties to allegedly divert funding as management contracts from Albor Charter School to MI-VS and from MI-VS to other businesses under the influence and common control of the related individuals.

Exhibit 2I.2
Illustration of Related Party Associations



Office Suite Numbers Identify Albor Charter School as the Tenant

As shown in Exhibit 2I.1, the related companies described except for FEPS all have suite numbers of 208 or 209 at the same address as Albor Charter School. Posted signs at that location identified all tenants and their suite numbers and indicate that Albor Charter School occupies Suites 208 and 209, as shown in Exhibit 2J.1.

Exhibit 2J.1
Office Locations/Suite Numbers
Albor Charter School at Suite 208 & 209

Exhibit 2J.2 identifies additional Albor Charter School suite number postings at the charter school address of 1125 East 17th Street, Santa Ana.

Exhibit 2J.2
Office Locations/Suite Numbers
Albor Charter School Other Suite Numbers

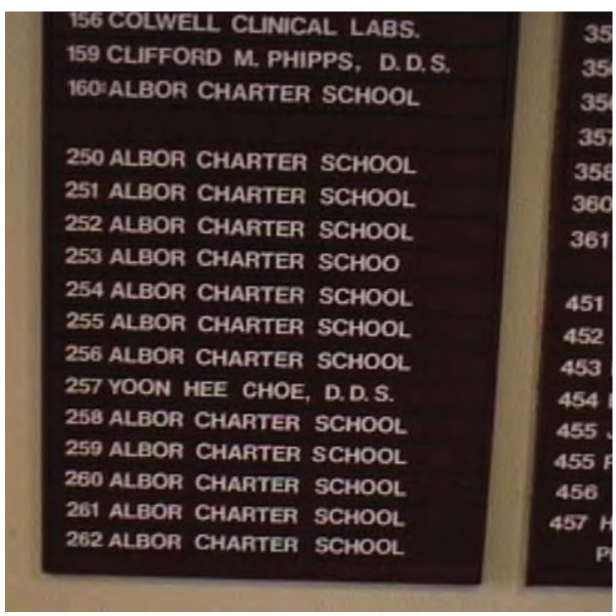
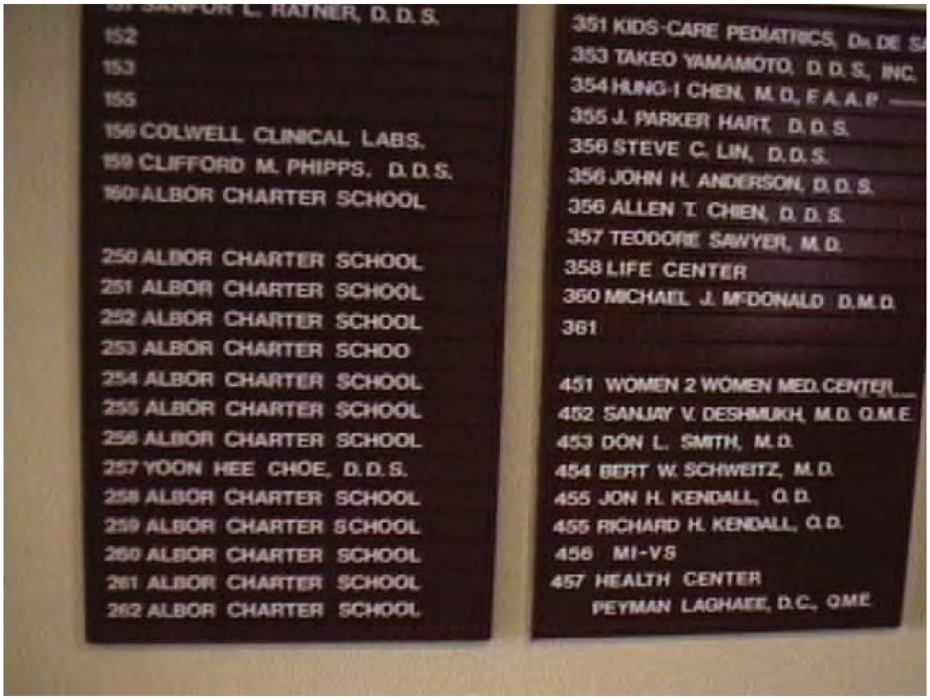


Exhibit 2J.3 identifies Suite No. 456 as the only MI-VS office location. No other posted suite numbers were found that reference any of the other entities described in Exhibit 2I.1 related to MI-VS and Albor Charter School.

Exhibit 2J.3
Office Locations/Suite Numbers - MI-VS Suite Number



Combining the landlord's posting with MI-VS's available transactions documenting rent paid on behalf of a few of these entities, or that the records are silent as to these other entities paying rent, it appears that Albor Charter School, through its public funds, subsidized the rent of all of the entities shown in Exhibit 2I.1.

Cumulative Effect of Conflict of Interest and Related Party Transactions
Collectively, Emilio Vazquez, Pedro Sole, Martin Ramirez and Astrid Riebe, led by Emilio Vazquez, violated Government Code Sections 1090 and 87100, breached their fiduciary responsibilities according to the MOU by departing from generally accepted accounting principles, and failed to adhere to the Business Ethics and Conduct section of the Albor Charter School Policies and Procedures Manual.

The following pervasive conditions indicate that the cumulative effect of these departures may be considered irregular:

- Related party transactions and entities utilized
- MOU contracts employed

- Asset identities commingled
- Lack of access to MI-VS
- Material nature of the transactions available
- Questionable accounting methods used to finance other MI-VS ventures
- Lack of accounting performed for Albor Charter School in agreeing to audited financial results
- Albor Charter School state funds used by MI-VS to subsidize the rent of other MI-VS ventures

Teacher Credentials and Employee Compensation

Albor Charter School was directly funded, with state funds flowing into the Orange County Treasury then forwarded to the charter. The information available to FCMAT indicated that all Albor Charter School employees were paid through the Orange County Department of Education and the related payroll taxes were forwarded to the appropriate governmental agencies by OCDE in a timely manner. The OCDE requires certificated employees to provide information indicating that their credentials are valid for the subjects that they teach before they may receive a paycheck. Charter schools are not always required to hire credentialed teachers to teach elective courses.

The OCDE made several document requests to the Albor Charter before requesting this AB 139 extraordinary audit. The OCDE provided FCMAT with several boxes of Albor documents at the beginning of the study. One document, labeled Attachment 16, was a list of certificated employees prepared by Albor, with 33 names on the list. OCDE also provided FCMAT with a credential list per their records dated April 7, 2006, for all of the Albor employees paid by OCDE.

There were several discrepancies between the OCDE certificated employee list and the Albor certificated employee list. There were 19 names on the OCDE list. Of those 19 names, five did not appear on the Albor list and 19 of the 33 names on the Albor list were not on the OCDE list.

More names on Albor's credentialed employee list than on the OCDE list could indicate that those teachers were teaching non-core classes. However, they were not being paid by OCDE so the source of salary payments is questionable. It is possible that the OCDE list included only Albor employees currently being paid through the OCDE, and the Albor list was outdated and included former employees whose names had not been removed.

The fact that five of the 19 names on the OCDE list did not appear on the Albor list seems unusual, since it is assumed these people were getting paid through the OCDE. However, this could also mean that those employees no longer worked for Albor but at one time had been Albor employees paid through the OCDE payroll system so their names remained on the OCDE credential list. FCMAT was unable to reconcile the differences between the two employee lists.

Mr. Vazquez told FCMAT that MI-VS had no students even though it was called the MI-Vocational School. Mr. Vazquez stated that all students were Albor students and attending high school programs. The fact that 19 of 33 names on the Albor credential list were not found on the OCDE credential list could support the theory that Albor actually operated a large vocational educational program along with (or instead of) a grade 9-12 high school program and that employees were paid by MI-VS or another source. This theory could also be supported by the MI-VS Albor brochures that were readily available in the office at the

Albor School site during the FCMAT fieldwork, and by the pictures taken by FCMAT of the file rooms that appear in this report showing files labeled “CNA” and “MA,” possibly indicating two vocational programs for Certified Nursing Assistant and Medical Assistant, which are consistent with the brochures found at the school. Samples of MI-VS Albor brochures are included in Appendix E to this report.

FCMAT found no evidence in the Albor financial records that any person was paid directly as an Albor employee and not through the OCDE payroll system. The source of funding for employee salaries and associated employment taxes was the California state general purpose apportionment generated by Albor’s ADA.

Payroll Processing

The state distributed funding monthly for Albor and all other local educational agencies in Orange County to the county treasury. Albor’s cash was posted into an Orange County Treasury “cash in county” account. As payroll was processed, journal entries were posted to the Albor cash in county account to cover payroll costs. The remaining revenue could be withdrawn by Albor at any time.

In the February 2006 state apportionment recertification, Albor received notice that the funding would be drastically reduced because Albor’s current year ADA at the P-1 reporting period was significantly less than the prior year P-2 ADA, which had been the basis for funding up to that point in time. Albor’s cash in county was insufficient to cover the March 2006 payroll. The OCDE notified Mr. Vazquez that he would need approximately $77,000 to cover the payroll. On March 8, 2006, after notification that the state funding would be insufficient to cover payroll expenses, Mr. Vazquez took out a loan with East West Bank for $200,000, part of which was probably used to cover the March OCDE payroll shortage of $77,000. After taking out the loan and covering the March OCDE payroll, Mr. Vazquez abruptly closed the school.

Subsequently, the OCDE received a notice from the IRS dated June 5, 2006, stating that Albor had failed to file its 990 nonprofit income tax report for the period ending June 30, 2005. In addition, the OCDE received a letter from the Employment Development Department dated September 11, 2006, claiming that Albor had additional local unemployment experience charges of $7,128.39 because most, if not all, Albor employees applied for unemployment benefits when the school closed. These additional unemployment charges were ultimately paid by the School Employee Fund that managed the unemployment insurance program for the county, thus no liability was shown in the Albor financial records for that amount.

Albor Charter School State Funding

Like all California public schools, Albor Charter School received funding apportioned from the CDE based on the program's ADA. Schools claim ADA based on the cumulative attendance of students during specific reporting periods. For example, one student who attends school each day for one school calendar year or the entire reporting period is eligible for 1.0 ADA. In the case of Albor Charter, one ADA could be claimed for one student receiving attendance credit for 175 days. The amount of ADA claimed generates revenue commonly referred to as general purpose entitlement or state apportionment. The higher the ADA, the more funds the school program receives from the state. In addition, charters receive categorical block grant funding based on the reported ADA. Albor also received state funding for students eligible for free and reduced priced meals and lottery funds.

Three times a year, school districts and charter schools calculate ADA and report it to the CDE in the P-1, P-2 and annual attendance reports. Charter schools report ADA to the state through their authorizing agencies. After Albor Charter reported ADA to Santa Ana USD and the CDE, the state Superintendent of Public Instruction apportioned state school funds to the Orange County Treasury and OCDE, which then passed through the funds to Albor Charter School. In addition, local property taxes, commonly referred to as "in-lieu property taxes," are received as a portion of the state general purpose entitlement. The in-lieu taxes are received by the Santa Ana USD and passed through to the charter monthly.

The general purpose entitlement funding rates for charter schools vary by school year and grade level. Students in higher grade levels receive more funding than students in lower grades. The charter funding rates in 2002-03, 2003-04, 2004-05 and 2005-06 were as follows:

General Purpose Entitlement Rates		**Categorical Block Grant Rates**
	9-12	9-12
2002-03	$5,463	$189
2003-04	$5,506	$164
2004-05	$5,732	$279
2005-06	$6,019	$287

In 2002-03, the Albor enrollment and P-2 ADA were 2,889 and 859.51 respectively, according to the student rosters given to FCMAT by Mr. Vazquez. The Albor enrollment expanded significantly in 2003-04 to 3,993 and ADA of 1,303.36, largely due to the adult student population served by Albor in the early years.

To verify the accuracy and compliance of the Albor attendance reports, FCMAT audited the ADA that was reported by Albor to the Santa Ana USD and subsequently submitted to the CDE by the district. The result of the ADA compliance audit is discussed later in this report.

The Albor Charter provided Santa Ana USD with computerized attendance printouts that included adequate supporting documentation for the ADA reported in 2003-04 and 2004-05, which is summarized in this report. FCMAT was able to verify this information in notebooks located in the student file rooms at the Albor Charter School location. Complete 2002-03 and 2005-06 ADA information, including the number of resident and non-resident students, was not provided to FCMAT or the OCDE and could not be located at the Albor Charter School location.

Once Santa Ana USD and the OCDE became concerned about the Albor charter operations, formal requests were submitted to Albor for numerous documents. Besides obtaining attendance information directly from Albor and Santa Ana USD, OCDE provided the charter's summarized ADA information to FCMAT for the 2002-03 and 2005-06 fiscal years.

The FCMAT study team traced the ADA claimed to the charter's source documents without difficulty for all years of operation using the SASI system information located at the Albor location and provided by OCDE.

Enrollment and ADA

As one component of the study agreement with the Orange County Department of Education, FCMAT was asked to review the enrollment and attendance procedures and actual apportionment days claimed by Albor Charter School from 2002-03 through 2005-06.

Charter schools are part of the California public school system and are required to provide a free education for students. A number of other charter schools and school districts in California struggle financially to provide the required instructional programs for students because a large portion of their school budgets are used to pay employee salaries and benefits, and to provide facilities.

According to the student rosters provided by Mr. Vazquez and other records available for FCMAT's review, thousands of students were served by Albor Charter School over a four-year period. Master calendars indicate that instructional programs were offered from 8 a.m. to 10 p.m. daily. The summary of Albor's financial activity shown in this report indicates that only about 50% of the total Albor Charter School income of over $25 million over a four-year period was retained by Albor and used for employee compensation and other expenses. It is unclear how Albor was able to provide such a wide range of classes and long hours of operation for thousands of students using just 50% or less of the revenues received.

One concern is that additional revenue may have been available and perhaps derived by charging students tuition and/or fees to attend classes. Albor Charter School was supposed to operate as a grade 9-12 high school program. FCMAT was told by Mr. Vazquez that MI-VS had no students, yet the detailed summary of MI-VS financial activity lists a revenue account titled "contributions income," with several entries supporting the theory that fees were generated because the entries include descriptions such as graduation costs, LVN books, MA books, ID photos, lab fees, books, cafeteria costs, and lockers. In addition, one or more summarized entries in this revenue account are described as "donations and courses."

Questions arise as to why such revenue entries are recorded in the MI-VS financial records if the entity had no students. If MI-VS actually had students and operated a fee-based vocational program, then a corresponding expense account should exist for teacher pay. The MI-VS financial records do not include an expense account for teacher salaries.

If all students attended Albor Charter School, then it seems reasonable to assume that the state revenue received by Albor based on ADA reported to the state, could have been generated under the guise of a grade 9-12 California public high school while the school also ran an extensive vocational program charging students tuition or fees that were not recorded in the Albor financial records but deposited directly into an MI-VS revenue account. It is also possible that students were charged for general education classes.

If tuition and/or fees were charged, it is also possible that Albor may not have passed through all tuition to MI-VS and some funds may not have been recorded in either set of financial records, especially if any cash transactions took place.

The average daily attendance (ADA) and the associated state revenue made up 80% to 90% of the total charter school income, which totaled more than $25 million over the four years the school operated. ADA also served as a basis for categorical grant revenue, lottery and in-lieu property taxes as well as other potential sources of revenue. Accurate attendance reporting was essential for the school to receive an appropriate amount of state general purpose revenue and in-lieu property taxes.

Schools are required to submit three attendance reports each year. The first period report (P-1) covers July 1 through the last full school month ending on or before December 31. The second period report (P-2) covers July 1 through the last full school month ending on or before April 15. The annual report covers the entire fiscal year, July 1 through June 30.

State general purpose block grant funding is paid based on the attendance reported as of the P-2 second period report. The calendar requires school months to be 20 days in length, with an allowance for winter break. All other days, whether school is in session or not, are to be included in the 20 day calendar months. The Albor school calendar months provided to FCMAT and verified for the sample test students in the SASI system appeared to be prepared correctly. The school calendar for the regular school year was based on 175 days, which complied with state requirements.

This FCMAT review was based on compliance criteria contained in the California State Audit Guide and pertinent Education Code requirements. Albor Charter School claimed to operate as a high school grades 9-12, classroom-based instructional program. The school was not accredited by the Western Association of Schools and Colleges (WASC). FCMAT was unable to secure descriptions of the curriculum offered at the school but without WASC accreditation, students would have found it difficult to transfer from Albor to another high school within the Santa Ana USD system.

Because of the significant growth and other concerns about the validity of the enrollment and ADA claimed by Albor, FCMAT spent considerable time reviewing attendance information, reports, and student records. Although a small number of names were selected as test sample students each year, for complete audit testing significant additional review and assessment of the student records, student files, SASI reports, and other pertinent information discovered at the school site were included in the overall FCMAT ADA evaluation to support the findings and conclusions contained in this report, including a telephone survey of students and review of over 400 transcripts.

The fieldwork to conduct ADA compliance testing began April 5, 2006 and ended in November 2006. On-site fieldwork dates were sporadic and based on the availability of the Executive Director, Mr. Vazquez, to authorize FCMAT's presence on the former school site located at 1125 E. 17th Street, Santa Ana, and provide access to the student files located in three different rooms at the 17th Street address.

Although FCMAT observed other people at the site during every fieldwork visit, Mr. Vazquez informed the team that all such people were strictly unpaid volunteers helping him close the school and that none of them could help with gaining access to locked rooms, student files or other pertinent records.

It was later determined during the investigation of the Albor and MI-VS financial records, that one particular man, Mr. Martin Ramirez, seen frequently at the site, was a key person involved with several of the related-party companies having done business with or involved with Mr. Vazquez and Albor. This relationship has been discussed in the conflict of interest section of this report. Mr. Ramirez appeared to not speak or understand the English language when asked questions by FCMAT during ADA fieldwork, and did not cooperate when asked to provide access to the student file rooms unless express permission was granted by Mr. Vazquez.

ADA Testing Procedures

Albor used a SASI system to record and report attendance. The SASI reports were in white binders on top of the file cabinets, on chairs, and on the floor in the student records room. There were about 30 or more white binders, all similarly labeled, but not in any order or logical sequence. Many of the binders were found to be upside down and very unorganized. The disarray and sparse labeling of the binders made it very difficult for the study team to find the proper supporting documentation to verify all aspects of the student attendance compliance testing. Mr. Vazquez kept the records rooms locked when he was not on the premises.

FCMAT tested SASI and relied on the accuracy of the system related to its ability to calculate the proper number of apportionment days for reporting purposes. FCMAT tested SASI records for 2003-04 and determined that the numbers and information contained in the system reports were accurate based on the data input by the school. Reliance on the system's operational accuracy was assumed to be the same in all years since no system errors were found in the sample year. However, FCMAT understood that the reliance on SASI's accuracy was limited by the accuracy of the data entered into the system for all years.

Upon request, the Albor Director, Mr. Vazquez, provided FCMAT with rosters listing all students who had been enrolled sometime during each year, 2002-03 through 2005-06. FCMAT randomly selected 15 names from each of the four years with 60 students as a test sample.

To test the SASI system, FCMAT used the 15 names selected in 2003-04. Names were traced to the SASI monthly attendance reports for months 1 through 7, but only 10 of the 15 names appeared on those reports. That means that five of the 15 students had no attendance reported during the P-2 reporting period. This could indicate that the students enrolled after the P-2 attendance reporting period. For all four of the FCMAT test years, the school master schedules indicated that classes were offered from 8 a.m. until 10 p.m. daily. Students were allowed to attend classes at any time during the extended school day as long as they supposedly met the minimum required instructional minutes in a given day or year. Because the student schedules were not readily available to FCMAT, there was no way to verify that the students actually attended the scheduled classes except by reviewing selected SASI reports. Attendance registers or supporting documentation signed by teachers for the test sample students could not be readily located. The transcripts that could be found for the test sample students indicated enrollment in a number of classes each semester but often indicated that credit was not given or grades were shown for the same subjects taken multiple times by a student.

After spending considerable time looking for the 60 test files, 54 were located but the information inside was sparse and inconsistent. Because applications, transcripts from former schools, and grading records were found, it appeared that the students were not fictitious. However, evidence of the subjects taken and final outcome of the students' performance was questionable.

2002-03

Mr. Vazquez provided FCMAT with a roster of all students who had been enrolled at some point during 2002-03, but most of the students were adults. Out of the total of 2,889 students listed on the roster, only 311 were born in 1983 or later, which indicates that only about 11% of the enrolled students were 19 years of age or younger at some point during that school year. Transcripts for the students enrolled during 2002-03 were not available.

2003-04

During the 2003-04 school year, there were 3,993 names on the roster. The majority of students enrolled during the year were adults. Of 3,993 names on the roster, only 405 were born in 1984 or later, which indicates that only about 10.1% of the enrolled students were 19 years old or younger at some point during that school year. Transcripts were not readily available.

2004-05

The fiscal year 2004-05 student roster showed 1,303 students enrolled. Of those 1,303 students, only 464 were born in 1985 or later, which indicates that only about 35.6 % of the enrolled students were 19 years old or younger at some point during that school year.

Beginning July 1, 2004, the state implemented stringent legislation regarding adult students, requiring any student over the age of 19 to have been continuously enrolled in a high school program progressing toward a high school diploma for the charter to claim ADA for that student, and students could not exceed the age of 23. Albor had a considerable number of adult students enrolled in 2004-05 for which no documentation was readily available to validate that they were continuously enrolled in a high school program as required by the new state legislation or that they were actually working toward a high school diploma through Albor.

2005-06

The fiscal year 2005-06 student roster showed 677 students enrolled that year. Of those 677 students, nine students reached the age of 23 during the year and eight students turned 23 before or during the first or second month of school. Although the numbers are relatively low, attendance appears to have been counted for these students.

Albor Charter School discontinued classroom operations on or about March 25, 2006. When the school ceased classroom-based instruction, only the P-1 attendance report had been completed. The Executive Director stated that the actual school closure date would be April 17, 2006, and that a P-2 report would be filed. Santa Ana USD verified that Albor filed a P-2 for 2005-06 and provided a copy of it to FCMAT. Albor reported ADA of 327.05 at that time. No documentation was available to ascertain exactly how that ADA was calculated.

A summary of the Albor ADA reported for years 2002-03 through 2005-06 is shown in Appendix G.

FCMAT had limited access to a copier, so many of the records and supporting documents that were examined were not copied for the work papers. Unless a student file could be located by FCMAT and contained a transcript, Mr. Vazquez was unable to provide student transcripts as requested. However, as part of the Santa Ana USD agency oversight, Albor provided certain student records to the district, which included computerized SASI transcripts for more than 400 students. Santa Ana USD printed out the full set of transcripts for FCMAT but many of the test sample student transcripts were not in the materials supplied by the district because the transcripts were mostly for students enrolled during 2004-05 or 2005-06.

All of the approximately 400 transcripts provided by the Santa Ana USD were reviewed by FCMAT. In most cases, extensive credit was given for high school courses taken out of the local area, most predominantly in Mexico. The largest number of enrolled students on the lists for each school year that were provided by Albor listed the students as being in ninth grade, even with extensive credits shown on their transcripts. FCMAT was told by

Mr. Vazquez that the school administrators or counselors evaluated transfer transcripts and determined the amount of credit that would be given for classes taken in foreign countries as well as other local high schools.

The reliability and accuracy of the student class schedules and transcripts is suspect for several reasons: the school was not WASC accredited, the course titles were vague and not courses commonly offered by other high schools, course titles were inconsistent from year to year and student to student, curriculum content was not available for review, and the sequence of subjects taken by students did not make sense. For example, if a ninth grade student's transcript showed that he was enrolled in ELD I during the first semester with a grade assigned, it may also show that he was enrolled in ELD I during second semester and often again in several subsequent semesters. Another example was that in some cases the transcript showed that a student may have been enrolled in and completed a course titled ELD II B, then the next semester enrolled in and completed a course titles ELD III A, then at a later date again enrolled in ELD II B with an NC grade, with the student not having been enrolled in enough classes that semester to be considered a full-time high school student. In a significant number of cases, evidence supporting progress toward achieving a high school diploma was either not provided or not adequate to support student competence of the subject matter or continuous enrollment in any high school program with progress toward a high school diploma, a requirement for adult students enrolled in the school.

No transcripts were found that contained the vocational classes advertised by MI-VS/Albor that were described in their brochures, such as nursing or computer technology. Examples of several brochures including the Certified Nursing Assistant program (CNA) and Medical Assistant program (MA) are included in Appendix E. Since MI-VS had no students, all students must have been enrolled only at Albor Charter School, although the brochures, advertising, and equipment throughout the school were labeled with the MI-VS-Albor Charter School tags or logo.

On one occasion, Mr. Vazquez stated to FCMAT that in addition to required high school curriculum, students could be enrolled in electives such as vocational education programs including health care, nursing assistant programs and computer technology classes. FCMAT was told that these vocational classes were considered electives or taken outside of the minimum required school day.

FCMAT's review of transcripts did not yield any evidence that vocational classes were listed within any of the student schedules or transcripts. Brochures labeled MI-VS and advertising vocational classes were readily available throughout the school facility during the FCMAT fieldwork, but no brochures or advertising was found offering a grade 9-12 high school program.

These findings were especially questionable because most of the students were identified in SASI as 9th graders, and most students in the first two years that Albor Charter School operated were adults. The names listed in the student roster one year, even the 9th graders, did not often appear on the roster list in a subsequent year. The student files that were located did not indicate whether a student dropped out of school, promoted to a higher grade, graduated, or transferred to another high school. The student files in FCMAT's test sample did not indicate completion of any vocational programs.

A significant amount of state apportionment, approximately $25 million, was paid to Albor Charter School for students who do not appear to have graduated or made much progress toward receiving a high school diploma through the high school program offered by the school. Half of that money was transferred to MI-VS and subsequently to other related parties as discussed elsewhere in this report.

The examination of student files was difficult and cumbersome because of the condition of the records. Student files were located in three rooms containing multiple filing cabinets and boxes of files. The contents of the cabinets and boxes were not clearly marked. There were thousands of files, many with very similar names. Access to the files was limited because unless Mr. Vazquez was present, FCMAT had no access to the rooms where the files were kept. If the files could be located, they were examined for the proper enrollment information including an application form with the student's name, address, and phone number, transcript, and other pertinent information. The students sampled were enrolled in various grades. FCMAT took photos of the file rooms as evidence of the condition of the documents and rooms during fieldwork. Some of those pictures are included in this report.

Exhibit 6A shows how FCMAT found the student file room and notebooks supporting the SASI attendance information. A sign in the background is also visible marked "CNA," which seems to indicate that these files were for students enrolled in the Certified Nursing Assistant program. If Albor Charter was a grade 9-12 high school, then such labels on file cabinets do not seem appropriate.

The second photograph in Exhibit 6A shows files marked "MA" for Medical Assistant, again indicating that these files may not have been strictly for students in a grade 9-12 high school program.

Exhibit 6A
File Room Attendance Records

Student Phone Survey
The Orange County Department of Education received one call from a female student complaining that she was asked to pay $4,000 to obtain her diploma. If the fees were not paid, then the student would be required to volunteer in the school office. Evidence gathered by FCMAT indicated that the Albor program may actually have been a vocational school established as a California charter high school to obtain state funding or that the school may have been charging fees for vocational programs. Mr. Vazquez stated that the school provided students the opportunity to learn the English language and possibly earn a high school diploma while getting job training. A very large majority of the students enrolled were adults with transcripts from schools in Mexico or had not been continuously enrolled in a California high school.

Mr. Vazquez told FCMAT that most of the students were limited English speakers and the majority of students had Hispanic surnames. No students attended the school at the time of the FCMAT fieldwork because the school had closed. As part of the compliance testing, FCMAT decided to take a telephone survey of former students selected randomly from a list of names in the SASI attendance system to attempt to further verify whether Albor Charter School actually offered a high school curriculum along with any vocational training program, or charged fees.

No one on the FCMAT study team spoke Spanish, so FCMAT asked the Santa Ana USD to provide a bilingual person to assist with the telephone survey. FCMAT selected the students to be surveyed from SASI listings, provided the student telephone numbers obtained from the SASI system, and developed the list of questions to be asked of the students. FCMAT staff was not present when the Santa Ana USD employee, the Certificated ELD and Bilingual Curriculum Specialist and District Translator, placed the telephone survey calls. Because of time constraints, the caller was instructed to make only one attempt to reach the student and log the information obtained during the call.

Of the approximately 98 students whose names and phone numbers were selected for the phone survey, only 13 students were contacted and responded to the questions. Many student phone numbers were incorrect or disconnected, students were not home, or did not want to answer the survey questions.

Since the sample list was derived from SASI, the sample may not have contained students in vocational programs if a separate list of students was maintained for vocational programs.

The findings from the phone survey indicate that not one student admitted to having paid any tuition to attend Albor Charter School and most commented that the program was helpful in their effort to learn English. The students did not admit to having taken vocational classes or may not have understood the question correctly. Many students attended the school for just a few months and may not have gotten far enough into the program to begin job training classes.

The survey questions and range of responses were as follows:

When did you attend Albor School?

From one month to 1.5 years.

What were the approximate start and end dates that you attended Albor School?

Various, starting 2002-03 and latest 2006.

Did you have good teachers?

Yes, except for one no response.

Did you attend school every day?

Most of the time.

How many hours a day did you attend classes?

From 3 hours to all day. Some people worked and could not attend all day.

Did you go to Albor School to get a high school diploma?

Yes.

What classes did you take at Albor?

Mainly English, math, computers, algebra, science.

How long did you have to attend one class to get full credit?

Various, two months to one trimester.

Did you transfer to Albor from another school?
Yes, mostly Mexico.
Were you given credit for classes taken at another school either in Mexico or the U.S.?
Yes.
Did you graduate from Albor? If so, when?
Only 3 out of 13 graduated.
Did you take any state tests?
8 yes, 5 no.
Did you go to Albor for job training?
All responded no, but "to learn English" was common.
Did you pay any fees to take classes at Albor?
All "no" responses.
Did you do any volunteer work at the school while taking classes?
Only 3 "yes" responses: sold popcorn, child care center, office.
Would you go back to Albor or recommend Albor Charter School to your friends?
11 yes, 2 no.

Although the response to the telephone sample in this survey was small, it appears that students were not charged tuition or fees to attend Albor and that the main programmatic focus of these students was learning English and working toward a high school diploma. The phone survey results do not explain why the MI-VS financial records include accounts relating to fees.

The ADA testing information led FCMAT to consider a number of possible conclusions:

- Albor may have been running a vocational school for adult students along with or instead of a high school program.
- Students may have enrolled intending to take vocational classes rather than traditional grades 9-12 high school curricula, although vocational classes were not on the student class schedules or transcripts.
- Brochures found at the school indicated that vocational programs were offered by MI-VS Albor.
- Courses taken by students entered into the SASI system could have been mistitled to disguise a vocational program for audit purposes and to collect state funding.
- Students could have been charged fees.
- A separate set of students not shown in Albor records could have been enrolled in vocational programs and perhaps charged fees or tuition.
- State high school apportionment funding may have been used to support a vocational program.
- Albor never completed the application to become WASC accredited.

Financial Close-Out

Close-Out Guidelines

Under California Education Code Section 47604.32, Santa Ana USD has specific mandatory oversight responsibilities over the charter school, including its financial close-out. At the time of the Albor Charter School closure, the California Department of Education had issued general requirements regarding charter school closures that are advisory in nature. However, pending legislation will, if enacted, provide a reasonably comprehensive description of procedures to be used when a charter school closes. The proposals under consideration are addressed in California Education Code sections 47605(b)(5)(P), 47605.6(b)(5)(Q) and California Code of Regulations Title V, Regarding Charter School Closures.

The CDE's suggested purpose and scope of a financial close-out audit and associated report is to determine the net assets and/or net liabilities of the charter school, including cash, accounts receivable, accounts payable, and an inventory of property, equipment and supplies; assess possible reductions in apportionment; present findings; and summarize the information presented.

Available Documentation and Information

This examination is based on the condition and disposition of the available records and computer systems at the date of closure. Prior to formal Albor Charter School board closure, all employees were terminated and documents and records were left in disarray. As a result, the documentation of Albor's available records was confined primarily to information provided by Emilio Vazquez and on occasion from Martin Ramirez, who apparently worked for MI-VS.

Mr. Vazquez allowed FCMAT to access available computers. Most of that access was limited, because Mr. Vazquez indicated he did not know the passwords or security procedures that would provide complete access. The Albor Charter School electronic accounting records were allegedly stored on a computer in the Albor administrative office. However, FCMAT could not access the information and the data file directory that would contain the information was not available. One day later, Mr. Vazquez arrived with a compact disc containing the electronic accounting records that he indicated was provided by Mr. Ramirez and was backed up from the MI-VS computer system.

When the study team requested attendance and student records documentation, the team was led to three rooms where the records were located in filing cabinets, unsorted and stacked binders, files on the floor and were in general disarray. When FCMAT requested assistance in operating Albor Charter School's attendance program to sort and extract corroborating attendance data, again, Mr. Vazquez indicated he did not know how to operate the software program and was not sure where the information was in the attendance records binders. Only after three or four weeks of searching through records and finding one past employee who could offer assistance was FCMAT able to obtain enough access and information to formulate conclusions.

Further complicating the examination of attendance information was that brochures and other information indicated that a vocational school had been operated, especially a large nursing school. FCMAT at first assumed that MI-VS operated the vocational programs while Albor ran the high school. The team received conflicting information about the vocational programs and MI-VS. On several occasions Mr. Vazquez told the study team that MI-VS had no students. Yet, at one point, Mr. Vazquez told one team member that MI-VS operated a nursing program. As a result of the closure, it appears that the vocational school's and Albor Charter School's student records were commingled, and Mr. Vazquez could not differentiate where the students belonged.

The issue of whether or not a vocational program existed and which entity operated the vocational school is discussed in several places in this report. The team found the brochures in Appendix E to be clear evidence that vocational programs were offered by MI-VS/Albor, but how and by which entity was not clarified by Mr. Vazquez. If MI-VS operated a vocational program, no salaries were paid to teachers as stated earlier in this report. If Albor operated the vocational program, it appears that state high school funding was used to pay related teacher salaries and benefits for such programs.

Albor Charter School was provided numerous opportunities in the course of the audit to respond to FCMAT's requests. While information and access was provided, Mr. Vazquez continued to indicate that he could not provide much information because "everyone is gone," or he would contend that he did not have the funds to hire someone to assist in completing the close-out process.

Close-Out Process

On approximately March 25, 2006, Albor Charter School abruptly discontinued operations, leaving teachers without income and students unable to continue their classes.

Albor's audit in 2003-04 was disclaimed by VTD due to related party concerns and the lack of access to MI-VS financial records. In 2004-05, Albor contracted with Hogan to conduct the Albor audit, and with Teats to audit MI-VS. Once the school closed, the Executive Director laid off all employees and stated he had no money to pay for the required close-out audit, which is why FCMAT agreed to perform that function.

To complete this AB139 audit of Albor Charter School, FCMAT requested Albor management to complete and provide the financial information from the close-out audit. The 2004-05 audit by Hogan was deemed incomplete and unreliable.

Among the FCMAT findings is that the Albor charter participated in numerous related-party transactions, thereby not adhering to generally accepted accounting principles that would advise the disclosure of such transactions. The Albor audit and financial statements contained irregularities as a result of financial transactions between related parties. More importantly, management of MI-VS and Albor Charter School revolved around a few key individuals led by Mr. Vazquez, which provided the opportunity to circumvent internal controls and bypass expected oversight.

Entities that are closing are required to account for assets and liabilities on a liquidating basis, which Albor failed to do. Most, if not all, supporting documents were not readily provided by the Executive Director.

Examples of inappropriate business practices include the following:

- State and federal income tax reports were not filed on time.
- Vendors were not paid.
- Bookkeeping and accounting procedures may not have been applied consistently.
- An excessive amount of related-party transactions occurred.
- Transactions may have been misclassified or accounted for improperly.
- Equipment purchased with charter funds is unaccounted for.
- Budgets were not followed.

FCMAT met with the Albor Executive Director, Mr. Vazquez, on numerous occasions between March 2006 and November 2006 to gather information about the charter operations as related to the AB 139 extraordinary audit.

Access to student files was made available to FCMAT only when Mr. Vazquez was on site. There were no paid Albor employees on site during FCMAT's review, so the FCMAT team had to locate the files and records themselves. Mr. Vazquez had very limited knowledge of the SASI system, so attendance records were nearly impossible to retrieve. On one occasion, a former Albor employee who knew the SASI system was paid for a day by a review team member to assist with the attendance compliance testing. The documentation to support the ADA reported by Albor and funded by the state as general purpose entitlement funds was not readily provided by Albor staff.

As the Albor Director, Mr. Vazquez had complete control over the custody, accounting, and use of Albor funds, especially since he was also the director and chairman of MI-VS. Mr. Vazquez and others benefited financially through Albor's related entity and alter ego known as MI-VS, as well as other companies under the direct control of Mr. Vazquez. Certain financial decisions and practices as to purchases, facility lease agreements, contracts for services and goods, transfers to related companies, possible loan agreements, and other questionable cash distributions more than likely caused Albor to become fiscally insolvent.

Available books and records were examined to determine the organization's financial and apportionment attendance position on or about the closure date. Electronic information was searched, selected vendors and customers were contacted, and interviews of individuals associated with or in the organization were conducted. As information was obtained, its source was analyzed, and objective determinations were made as to the validity of the information.

Assets, Liabilities & Net Assets

On approximately April 5, 2006, FCMAT was provided with copies of Albor Charter School financial statements and electronic accounting records. On June 6, 2006, the Albor Charter School board of trustees approved resolution 051606-2, which formalized closure of the school as of May 17, 2006. Mr. Vazquez has asserted to FCMAT that the electronic accounting records he provided on April 5, 2006 represented the full accounting transactions of Albor Charter School and that there were no other transactions subsequent to April 5, 2006 that should be included in this review. Based on the information provided, FCMAT evaluated the financial position of the school as of May 17, 2006 to determine its close-out financial position. Exhibits 3A and 3B show the assets, liabilities and net assets of Albor Charter School as of May 17, 2006 as provided by Albor.

Exhibit 3A
Summarized Assets, Liabilities & Net Assets as Provided By Albor Charter School

Summarized Assets, Liabilities & Net Assets		May 17, 2006
ASSETS		
Cash in Banks:		
Cash in County - OCDE	$ (290,104)	
Cash in Bank - Washington Mutual	799	
Net Cash in Banks		$ (289,305)
Fixed Assets:		
Leasehold Improvements & Equipment	671,320	
Accumulated Depreciation	(229,935)	
Leasehold Improvements & Equipment at Net		441,385
TOTAL ASSETS		**$ 152,080**
LIABILITIES		
Accounts Payable - MIVS		$ 582,818
Accrued Payroll & Benefits		155,295
Accrued District Oversight Payable		297,170
Loan Payable - East West Bank		200,000
TOTAL LIABILITIES		1,235,283
NET ASSETS		
Unrestricted		(1,083,203)
TOTAL NET ASSETS		(1,083,203)
TOTAL LIABILITIES & NET ASSETS		**$ 152,080**

Based on the financial information provided by Albor Charter School and compared to other corroborating information such as OCDE detail activity reports and third party notices, the following is noted:

1. The Albor Charter School financial statements presented were not prepared on a liquidating basis. Accounting principles generally accepted in the U.S. require assets and liabilities to be carried on this basis when an organization is in the process of liquidation or liquidation is imminent. Albor Charter School did not provide or prepare its financial statements in this manner.

2. The cash balance reported as cash in county-OCDE is negative or a credit balance. Overdrawn funds within the county bank account should have been reported within the liability section of the financial statements as a cash overdraft.

3. The cash balance reported as cash in county-OCDE of ($290,104) is understated by ($464,307). Based on OCDE detail activity reports dated in approximately May 2006, the cash balance for Albor Charter School is overdrawn by approximately ($754,411). The state has reimbursed the overdrawn amount to the county, so the liability is now an obligation to the state. This amount is listed in Exhibit 3B as Cash Overdraft – State Apportionment.

4. Fixed assets are understated. As described in Exhibit 2E, the accounting records were not adjusted as of the June 30, 2005 audited financial statements. As of May 17, 2006 the financial statements remained uncorrected. Leasehold improvements and equipment are shown as $671,320 and accumulated depreciation is shown as $229,935, netting to $441,385. The audited financial statements as of June 30, 2005 indicate that leasehold improvements and equipment should be at least $931,920 and accumulated depreciation should be at least $245,290, netting to $686,630. The net difference between the audited financial statements and the financial statements the FCMAT study team received understates the assets of Albor Charter School by approximately $245,245.

5. Accounts payable-MI-VS of $582,818 is overstated. MI-VS was responsible for financial administration of Albor Charter School. Since MI-VS and Albor are considered one and the same and based on the financial statements presented for Albor, FCMAT believes that MI-VS is not properly administering the accounting and finances of Albor Charter School and would disallow any remaining liability owed to MI-VS.

6. Accrued payroll and benefits liability of $155,295 is overstated. All payrolls for Albor Charter School were performed and administered by the OCDE. According to Mr. Vazquez, on or about March 8, 2006 he secured a $200,000

loan on behalf of the school from East West Bank to pay Albor's remaining payroll liability as determined by the OCDE. According to the OCDE detail activity reports, Albor does not have any payroll liability as of May 16, 2006. Since all payrolls for Albor are accounted for through the OCDE payroll system as input by the school and Mr. Vazquez borrowed funds to finalize Albor's payroll, the accrued payroll and benefits liability is incorrect and should be reversed. On further inquiry, Mr. Vazquez told FCMAT that the $200,000 loan was secured by the school's equipment assets.

7. Accrued district oversight payable of $297,170 is overstated. According to Santa Ana USD, the oversight fee is remitted through the OCDE directly from the county and no balance is owed. In addition, the OCDE detail activity reports do not show any oversight liability balance as of May 16, 2006. Review of Albor Charter School's transactions pertaining to the $297,170 indicates that the school had accrued this liability from approximately January 2005 through February 2006, which spans two fiscal years. Since the oversight funds are paid by the county directly to the district before any funds are available to Albor Charter School, again, there should not be any balance remaining as of May 17, 2006.

8. FCMAT became aware of five invoices totaling approximately $4,522 for the period of January 2006 through April 2006. The funds are alleged to be owed to the Miller Institute for Learning with Technology. FCMAT communicated this information to Mr. Vazquez to try to determine why these invoices or liabilities were not recorded on Albor Charter School's books and to request his authentication of the obligation. Since Mr. Vazquez did not respond, FCMAT has determined that the obligation should be reported. Albor Charter School and/or MI-VS have a responsibility to report and document all obligations. Failure to report such obligations on its financial statements understates the organization's liabilities and expenses and does not properly apply generally accepted accounting principles.

Exhibit 3B
Summarized Assets, Liabilities & Net Assets
as Provided By Albor Charter School (Adjusted by FCMAT)

Summarized Assets, Liabilities & Net Assets	May 17, 2006 Unadjusted		Adjustments	May 17, 2006 Adjusted
ASSETS				
Cash in Banks:				
Cash in County - OCDE	$ (290,104)		$ 290,104	$ -
Cash in Bank - Washington Mutual	799			799
Net Cash in Banks		$ (289,305)		799
Fixed Assets:				
Leasehold Improvements & Equipment	671,320		260,600	931,920
Accumulated Depreciation	(229,935)		(15,355)	(245,290)
Leasehold Improvements & Equipment at Net		441,385		686,630
TOTAL ASSETS		**$ 152,080**		**$ 687,429**
LIABILITIES				
Accounts Payable		$ 582,818	(578,296)	$ 4,522
Accrued Payroll & Benefits		155,295	(155,295)	-
Accrued District Oversight Payable		297,170	(297,170)	-
Cash Overdraft - State Apportionment		-	754,411	754,411
Loan Payable - East West Bank		200,000		200,000
TOTAL LIABILITIES		1,235,283		958,933
NET ASSETS				
Unrestricted		(1,083,203)	811,699	(271,504)
TOTAL NET ASSETS		(1,083,203)		(271,504)
TOTAL LIABILITIES & NET ASSETS		**$ 152,080**		**$ 687,429**

Exhibit 3B illustrates the effects of FCMAT's findings regarding the assets, liabilities and net assets of Albor Charter School. The adjustments identified have improved net assets by approximately $811,699.

Albor Charter School & MI-VS Revenue, Expense and Profit/Loss Analysis
Exhibit 3C illustrates Albor Charter School and MI-VS revenue, expenses and profit or loss by organization by year. Overall, Albor received $25,056,090 in revenue through state apportionment, grants, and other state and local sources. MI-VS received $12,662,506 in revenue, of which $12,024,066 was derived from Albor Charter School.

Exhibit 3C
Albor Charter School & MI-VS Revenue, Expenses and Profit or Loss by Year

ACS & MIVS Revenue, Expenses & Profit or Loss By Year						
Fiscal Year	2001-02	2002-03	2003-04	2004-05	2005-5/2006	**Total**
ACS (a)						
Total Revenue	$ -	$ 5,292,648	$ 9,196,778	$ 7,453,726	$ 3,112,938	**$ 25,056,090**
Salaries & Benefits	-	2,739,801	3,299,103	3,008,010	1,965,568	11,012,482
Other Expenses	-	2,427,257	4,019,679	5,082,291	3,597,584	15,126,811
Total Expenses	-	5,167,058	7,318,782	8,090,301	5,563,152	26,139,293
Net Profit or (Loss)	$ -	$ 125,590	$ 1,877,996	$ (636,575)	$ (2,450,214)	**$ (1,083,203)**
MIVS (b)						
Total Revenue	$ 193,061	964,735	3,311,886	6,879,806	1,313,018	**$ 12,662,506**
Salaries & Benefits	369,968	35,909	166,209	1,144,700	322,383	2,039,169
Other Expenses	625,525	628,552	1,725,912	3,673,015	2,542,372	9,195,376
Total Expenses	995,493	664,461	1,892,121	4,817,715	2,864,755	11,234,545
Net Profit or (Loss)	$ (802,432)	$ 300,274	$ 1,419,765	$ 2,062,091	$ (1,551,737)	**$ 1,427,961**

(a) Source: ACS provided electronic accounting records
(b) Source: MIVS provided electronic accounting records

Observations and analysis of both organizations' revenue and expenditures include:

1. While $11,012,482 or 42.1% of Albor Charter School's expenditures is salaries and benefits, MI-VS has spent only 18.2% of total expenditures on salaries and benefits. Without Albor paying or subsidizing the majority of salaries and benefits, MI-VS would bear a much larger percentage of those expenditures.

2. Of MI-VS's $12,662,506 in revenue, $277,315 was attributable to contribution income-events. $235,870 was coded as "Donations 2003 E.V." and recorded as a journal entry to offset an advance liability account. This is notable because many large transactions in the MI-VS books are entered as journal entries and coded to E.V., which FCMAT believes is Emilio Vazquez.

3. The MI-VS revenue category of contribution income-others is approximately $51,281 of the MI-VS total revenue of $12,662,506. These transactions indicate that MI-VS charged fees for:

    a. LVN Courses (Licensed Vocational Nurse)
    b. LVN Books
    c. MA Courses (Medical Assistant)
    d. MA Books
    e. LVN Laboratory Fees
    f. Locker Fees
    g. CNA Application Fees (Certified Nursing Assistant)

Documentation of these fee-based charges within MI-VS is significant since Mr. Vazquez on more than one occasion maintained that MI-VS offered no vocational education programs, charged no fees for books and supplies, and that all students belonged to Albor Charter School's program. If Mr. Vazquez's statements were correct, FCMAT would not expect to find any fees for books, supplies, or lab costs in MI-VS's books since there would be no students to charge for such costs.

4. Albor Charter School sustained a total net loss of $1,083,203 from July 2002 through May 2006. However, from December 2001 (MI-VS's first recorded transaction in its cash ledger) through May 2006, MI-VS had a profit of $1,427,961. If MI-VS's first year of operations when Albor Charter School did not exist was factored out, MI-VS's profit would increase by $802,432 to an overall profit of $2,230,393 ($1,427,961 + $802,432).

This disparity between Albor Charter School and MI-VS makes it evident that MI-VS could not exist without Albor. While the MOU between MI-VS and Albor Charter School gave MI-VS complete financial administration of Albor, the charter school was allowed to accumulate a financial loss of $1,427,961. Meanwhile, MI-VS showed an overall profit of $2,230,393 during Albor's existence. Even factoring in the net close-out adjustments as shown on Exhibit 3B of $578,296, $155,295 and $297,170 for accounts payable, accrued salaries and benefits and accrued district oversight payable, respectively, and the unrecoverable net fixed asset cost of $754,411, Albor's net loss would only be improved by $276,350 ($578,296 + $155,295 + $297,170 - $754,411), or a revised net loss of $1,151,611.

Since MI-VS, under the direction of founder Emilio Vazquez, has been profitable and was charged with fiscal responsibility for Albor Charter School, the only recourse available to satisfy Albor's cash overdraft position of $754,411 as shown on Exhibit 3B would be to seek reimbursement by MI-VS and its officers, directors and founder.

Liquidating Basis

During FCMAT's available time at Albor Charter School's physical address inspecting and reviewing its books, records, facilities and assets, the study team was able to identify assets such as computers, furniture, and other office equipment type items. Although Albor's accounting records and audited financial statements identify $931,920 in assets at cost before depreciation, only $90,155 of that amount represents equipment, while the remaining $841,765 is attributable to leasehold improvements. Since all equipment was asset tagged as MI-VS/Albor as described in Exhibit 2C, exact identification of what part of the $90,155 in equipment could be liquidated is unavailable.

If the available equipment assets were identified and most of those assets are computers and other electronic office type devices, a liquidation value of that equipment likely would be very low at approximately $9,000. Even if higher values could be obtained, there probably would not be sufficient funds recoverable to satisfy the state apportionment cash overdraft of $754,411, East West Bank loan of $200,000 and vendor payable to the Miller Institute for Learning with Technology for $4,522.

Effects of School Closure

The Albor Charter School discontinued all classroom operations abruptly on or about March 25, 2006, during the middle of a semester, without any prior notice to students or employees. The school closure appears to have been a consequence of the California Department of Education February 2006 State P-1 Apportionment Recertification reducing state revenue. Before this recertification, Albor had been funded by the state based on the prior year P-2 ADA count from April 2005 reported as 795.78. The Albor 2005-06 ADA as reported at P-1 in December 2005 was only 311.98, considerably less than 795.78, which meant that Albor would not receive the same level of funding from February 2006 forward.

The closure of the charter had significant impact on the students, teachers and other staff. Clerical staff and teachers were dismissed without notice, with no compensation pay, and no means to pay their personal bills such as rent, mortgages, or car payments. The employees were also left without medical insurance. The Orange County Department of Education intervened to make arrangements with the local credit union to provide low interest loans so that employees had access to enough money to pay rent and survive temporarily. In many cases, employees were unable to obtain past employment history or adequate references and experienced extreme difficulty finding new employment.

The Albor employee pay was processed by the Orange County Department of Education. Each payday as the payroll was processed, OCDE prepared journal entries into the Albor cash in county account to cover the payroll costs. State and federal taxes were paid by the OCDE on behalf of Albor. After the school closed, OCDE received notice that Albor had not properly filed the required income tax forms with the IRS or state. Employees filed for unemployment insurance, but in many cases it is unclear if all of the employees were able to collect unemployment insurance due to the lack of proper paperwork filed by Albor or inconsistent social security numbers.

Classroom based programs were abruptly stopped with no planning or time for students to find other placements. This was especially problematic for the students under the age of 19 who needed to immediately find another place to complete their high school education as of the March Albor Charter School closing. Many of the Albor students did not reside within the boundaries of the authorizing agency, Santa Ana Unified School District, and had never attended any school in California or the United States. FCMAT attendance compliance testing indicated that most of the students enrolled came to the Albor Charter with transcripts from Mexico. Legal residency status was not included in this FCMAT study.

As stated elsewhere in this report, the student files were boxed or stored in numerous filing cabinets in three rooms at the school facility. However, because the Albor offices closed at the same time as the programs and the entire office staff was laid off, there were no official Albor employees left on site to assist students with locating documents to transfer to other high schools. Even the Santa Ana students were unable to enroll in local high schools because transcripts were not available. The district was more than willing to work with resident high school students, but very few applied. The few students who were able to enroll in Santa Ana USD high schools were not given full credit because the transcript courses were not transferable since Albor was not a WASC accredited school and the curriculum could not be verified. Many students who thought they were at the junior or senior grade level were placed back in ninth grade and given no credit for the classes that were taken at Albor or that were in progress at the mid-term closure of the school.

One incident reported to FCMAT by Tustin USD and OCDE involved a female student who considered herself to be a senior at Albor Charter School, but was not provided a transcript and had to retake almost all the high school classes required for graduation.

Months later, teachers and clerical staff were still looking for new employment. FCMAT met one day with the former Albor attendance clerk during August 2006, five months after the closing of the school. This former employee stated to FCMAT that she had not been able to find another job even with several years of attendance experience and knowledge of the SASI attendance system. In her opinion, the reason she was not able to find another job was due to the negative reputation of Albor in the local community.

State and Federal Compliance

Several recent legislative actions have placed limitations on the operations of charter schools and better defined the oversight responsibilities of the chartering agencies.

Among those bills, Senate Bill 430, also known as the Runner Bill, was signed by the Governor on September 28, 2005. This bill gave additional responsibility and authority to county superintendents to request FCMAT's services to audit and evaluate the internal controls of charter schools operating in their county if fraud, misuse of funds or other illegal practices are suspected to have occurred. This bill contains many components that clarify and define the role of county superintendents. The specific sections that apply to charter school oversight pertaining to this study require FCMAT to audit the Albor Charter School and perform a close-out audit after the school has ceased operations.

The OCDE and Santa Ana USD (as the authorizing agency) were concerned about Albor Charter's financial practices, related party transactions, adherence to generally accepted accounting principles, the manner in which audit exceptions and deficiencies were resolved, and its overall instructional and business policies. The results of the AB 139 extraordinary audit conducted by FCMAT are identified and explained throughout this report.

Education Code 47604 provides language stating that "a charter authorizing entity could not be held liable for the debts or obligations of the charter school, or for any claims arising from the performance of acts, errors, or omissions by the charter school, if the charter school was to be operated by, or as, a nonprofit public benefit corporation."

Assembly Bill 1137 provides a blanket exemption for authorizing school districts to be free of liability if the charter school operates as a nonprofit public benefit corporation and the authorizing agency has complied with specific oversight responsibilities. As for the oversight that the authorizing agency should have provided based upon the criteria set forth in Education Code 47604.32 and further clarified in AB 1137, FCMAT determined that Santa Ana USD appropriately and diligently discharged its fiscal oversight duties with regard to the Albor Charter School.

AB 1137 also addresses the requirements for charters to serve special education students. FCMAT was told by Mr. Vazquez that Albor did not have any special education students.

Assembly Bill 1994, signed into law by the Governor on September 29, 2002, limits the geographic boundaries in which a charter school may operate. Albor Charter School operated at only one location in Santa Ana that was within the boundaries of the Santa Ana USD.

There are many government and education codes regulating the operations of charter schools. Many of those codes and related violations are discussed throughout this report.

Conclusions and Recommendations

Charter Oversight and Compliance

Although charter schools in California operate independently from one another, commonalities were noted in this study with earlier FCMAT charter school extraordinary audits that focus on private, for profit charter management companies and their overall lack of adequate internal accounting controls, poor business practices, conflicts of interest, and mismanagement of funds.

California school districts vary tremendously in terms of size, resources, and capabilities. Not all school districts are equally capable of providing oversight for charter schools they may authorize. Although the Santa Ana USD had adequate resources as a very large school district to provide charter school oversight, that responsibility was hampered by the charter administrator's lack of cooperation and limitations in the original charter petition and related memorandum of understanding.

The Albor Charter School did not comply with good business practices. When these suspicions were identified by the Santa Ana USD there was no mechanism in place to require that the charter undergo a special review or audit. If significant program or fiscal concerns are identified, the authorizing agency should be empowered to require a compliance audit independent of or as part of the charter school's annual independent financial audit.

Recently, the CDE has developed guidelines and regulations regarding procedures to be followed in the case of a charter school closure, petition revocation, or failure due to insolvency. While the procedures are not contained in the Education Code, their utilization should be referenced in the original agreement or MOU that authorizes the creation of a charter school.

The Education Code sections that reference charter school development, authorization and oversight do not differentiate between the various organizational structures that may govern these entities. As a result, the potential for abuse and unwarranted financial gain by private, for profit companies is possible. The state may want to consider the following issues and their policy implications related to the future authorizations of charter schools.

- Evaluating a school district's capacity to provide the requisite oversight of the charter schools they authorize.
- Clarifying the oversight responsibilities and authority given to charter school authorizing entities.
- Requiring all charter schools, prior to the commencement of charter school operations, to execute a memorandum of understanding with the charter authorizing entity that includes specific required elements.

- Consider the development of regulations and/or statutory direction to charter schools involved in contracting with or transferring charter funds to private, for profit corporations or other outside agencies created specifically to manage charter resources and/or operations.
- Review and establish regulations or statutory language that address issues related to the potential of conflicts of interest that arise when relatives of charter school administrators serve on the charter governing board, or relatives of governing board members are employed by or receive funds from the charter school.
- Requiring prior notification to the chartering authorizing agency of all charter governing board meetings.
- Developing a mechanism for the CDE or county superintendent to intervene in the operation of a charter school when requests for information, necessary to conduct proper oversight, are either not maintained or made available to the charter authorizer.
- Delineating the roles, responsibilities, and liabilities of the authorizing entity for situations in which a charter school fails and/or closes.
- Requiring the charter school to maintain accurate student attendance and academic records during the period of their operation and to provide for ongoing maintenance and availability of records should the charter school cease operations.
- Developing an audit guide for charter schools.

Assembly Bill 1137, enacted in October 2003, provided new oversight requirements for school districts authorizing charter schools. Specifically, Section 47604.32 was added to the California Education Code, to read: “Each chartering authority, in addition to any other duties imposed by this part, shall do all of the following with respect to each charter school under its authority:

(a) Identify at least one staff member as a contact person for the charter school.
(b) Visit each charter school at least annually.
(c) Ensure that each charter school under its authority complies with all reports required of charter schools by law.
(d) Monitor the fiscal condition of each charter school under its authority.
(e) Provide timely notification to the department if any of the following circumstances occur or will occur with regard to a charter school for which it is the chartering authority:
    (1) A renewal of the charter is granted or denied.
    (2) The charter is revoked.
    (3) The charter school will cease operation for any reason.
(f) The cost of performing the duties required by this section shall be funded with supervisory oversight fees collected pursuant to Section 47613.”

Santa Ana USD Oversight of the Albor Charter School

Individual school districts are the primary authorizing entity for charter schools in California. Before the passage of AB 1137, which became effective January 1, 2004, the roles and responsibilities of the authorizing entity to oversee the charter schools were not well defined.

Even though AB 1137 legislation has clarified the oversight responsibilities of authorizing agencies, school districts and other agencies should review and consider charter petitions very carefully to ensure that the obligations and responsibilities of both parties are clearly defined in a memorandum of understanding prior to charter approval.

During the 2003-04 school year, the Santa Ana USD became concerned about the financial condition and educational programs of Albor Charter School. The district's Governing Board and legal counsel corresponded with the Albor Director on numerous occasions requesting information and documentation to assist the district in achieving its oversight responsibilities.

The documents reviewed by FCMAT indicate that Santa Ana USD discharged its fiscal oversight duties under AB 1137 and Education Code 47604.32 appropriately and diligently with regard to Albor Charter School. However, even with the district properly performing its oversight responsibilities, Albor Charter School did not fully comply, over extended periods of time, with the district's requests. As a result, the district could not prevent the charter school from closing and had little recourse to intervene under current charter school regulations.

Oversight by Albor Charter School Governing Board

The personnel contracts and Albor Charter School bylaws provided little fiscal oversight authority for the Governing Board members. The board members were often not impartial, because they were closely affiliated with Albor's Executive Director and/or high level administrators of the interrelated companies. Many of the issues identified in this report could have been avoided or mitigated if Albor's Governing Board had exercised due diligence in its governance oversight role. Because most board members were closely associated or affiliated with the charter's administration, the importance of the financial oversight activities and state compliance may have been overlooked or minimized.

The authorizing entity should consider the following issues before approving a charter petition and should include the appropriate language in a Memorandum of Understanding:

- The responsibility of charter school boards to review and approve actions by administrators.
- The importance of maintaining board member independence.

- The ability of charter schools to nominate or appoint employees as members of a charter school's governing board.
- The need for charter school governing boards to be provided advance review and approval of contracts, cash transfers to related parties, and expenditures exceeding a certain predetermined dollar amount.
- The importance for charter school board members to select the school's auditors and comply with, receive, review, understand, and respond to the audit reports.
- The need for charter school board members to receive training regarding their legal and fiduciary responsibilities, and to be held personally responsible for not fulfilling their fiduciary responsibilities.

Report Review

On May 17, 2007, FCMAT invited representatives of the Orange County Office of Education and the Santa Ana Unified School District to attend a meeting at 8:30 a.m. to review the draft of the report and to provide input. The input provided at that meeting resulted in several revisions to the final report.

On May 17, 2007, FCMAT extended the same courtesy to Mr. Emilio Vazquez, Executive Director of the Albor Charter School, who was invited to attend a meeting at 11:00 a.m. to review the draft of the report and to provide input. The team waited until noon; however, Mr. Vazquez did not arrive to participate in the review process.

Appendices

Appendix A – Study Agreement

Appendix B – Hogan Audit

Appendix C – MI-VS/Albor Memorandum of Understanding

Appendix D – Fictitious Business Name Statements

Appendix E – Sample Brochures

MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
March 10, 2006

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Orange County Department of Education, hereinafter referred to as the OCDE, mutually agree as follows:

1. BASIS OF AGREEMENT

The Team provides a variety of services to school districts and county offices of education upon request. Based on the passage of Senate Bill 430 and the provisions of Education Code Section 1241.5 (c), a County Superintendent of Schools may review or audit the expenditures and internal controls of any charter school in his or her county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. The extraordinary audits conducted by the county superintendent shall be focused on the alleged fraud, misappropriation of funds, or other illegal fiscal practices and shall be conducted in a timely and efficient manner.

The OCDE has requested that the Team provide for the assignment of professionals to study specific aspects of the MI-Vocational School, Inc. and Albor Charter School (hereinafter collectively referred to as the Charter). These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

The scope and objectives of this study pursuant to the provisions of Education Code Section 1241.5:

1) The OCDE requests the Team to conduct an extraordinary audit of the Charter. Based on their review of annual audit reports, the Oversight Review by Dr. Stephen C. Teele, and per Education Code Section 1241.5(c), the superintendent of the OCDE has reason to believe that fraud, misappropriation of funds, or other illegal practices may have occurred. The review of the Charter will include but not be limited to the following:

a. Confirmation that independent auditor's findings and recommendations for the 2002-03, 2003-04, and 2004-05 fiscal years have been fully implemented and continue to be enforced.

b. A review of related party transactions for all fiscal years, based on Statement of Position 94-3 Reporting of Entities by a Non-Profit, which requires that financially interrelated non-profits need to reflect the activities of the other non-profit. The 2002-03, 2003-04, and 2004-05 independent auditor reports indicate that significant related party actions took place between MI-VS and

Albor Charter School.

c. Investigate and review all audit findings identified in the 2002-03, 2003-04, and 2004-05 independent auditor reports, including supporting documentation.

d. Audit all revenues, expenditures, or transfer transactions that involve funds derived from state, federal or local sources, including but not limited to student enrollment and attendance, grant or entitlement programs, partnerships, joint ventures, etc.

e. Verify the credentials and certifications of charter staff. Verify compliance with state, federal, and IRS regulations for compensation to employees.

f. Verify compliance with state and federal laws related to charter school operations, including AB 1137, AB 1994, and SB 430, and the California Education Code.

g. Verify the source of funds used for the employee compensation.

h. Verify student attendance records and reporting.

B. Services and Products to be Provided

1) Orientation Meeting - The Team will conduct an orientation session at the OCDE to brief OCDE and Charter management and supervisory personnel on the procedures of the Team and on the purpose and schedule of the study.

2) On-site Review - The Team will conduct an on-site review at the Charter office and at school sites if necessary; and will continue to review pertinent documents off-site.

3) Progress Reports - The Team will inform the OCDE of material issues as the review is performed.

4) Draft Reports – When appropriate, sufficient copies of a preliminary draft report will be delivered to the OCDE and Charter administration for review and comment on a schedule determined by the Team.

6) Final Report - Sufficient copies of the final study report will be delivered to the OCDE and Charter following completion of the review.

7) Follow-Up Support - Subsequent to the completion of the study, the Team will meet with the OCDE at their request, to discuss the findings and recommendations of the report

3. PROJECT PERSONNEL

The study team will be supervised by Joel Montero, Interim Chief Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

A. Michele McClowry, FCMAT Management Analyst
B. Barbara Dean, FCMAT Deputy Administrative Officer
C. Additional FCMAT Consultants, as needed

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

4. PROJECT COSTS

The cost for studies requested pursuant to E.C. 42127.8 (d) (1) shall be:

A. $400.00 per day for each FCMAT Team Member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. Cost per day for outside consultants will be billed at the actual daily rate.

B. All out-of-pocket expenses, including travel, meals, lodging, etc.

Payments for FCMAT services may be reimbursed from funds pursuant to EC 1241.5 set aside for this purpose. Other payments, as when deemed necessary, are payable to Kern County Superintendent of Schools- Administrative Agent.

5. RESPONSIBILITIES OF THE OCDE and Charter

A. The OCDE and Charter will provide office and conference room space while on-site reviews are in progress.

B. The OCDE or Charter will provide the following (if requested):

1) A map of the local area
2) Existing policies, regulations and prior reports addressing the study request
3) Current organizational charts
4) Current and three (3) prior year's audit reports
5) Any documents requested on a supplemental listing
6) Access to original copies of student records, revenue and expenditure receipts and payments, employee compensation records, etc.

C. The OCDE and Charter Administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the Team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with Charter pupils. The OCDE and Charter shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for key study milestones:

Orientation:	February 23, 2006
Staff Interviews:	To be determined
Exit Interviews:	To be determined
Preliminary Report Submitted	To be determined
Final Report Submitted	To be determined
Board Presentation	To be determined

7. CONTACT PERSON

Please print name of contact person: Wendy Benkert, Ed. D.
Assistant Superintendent, Business Services

Telephone (714) 966-4229 FAX (714) 662-3570

Internet Address wbenkert@ocde.us

Lynn April Hartline, Deputy Superintendent Date
Orange County Department of Education

3/10/06
Joel D. Montero, Interim Chief Executive Officer Date
Fiscal Crisis and Management Assistance Team

Albor Charter School

(A California Non-Profit Public Benefit Corporation)

Financial Statements
and
Supplementary Information
with
Independent Auditor's Report

June 30, 2005

Albor Charter School

(A California Non-Profit Public Benefit Corporation)

June 30, 2005

CONTENTS

BRADLEY LAKE HOGAN
CERTIFIED PUBLIC ACCOUNTANT
401 NORTH BROOKHURST STREET, SUITE 202
ANAHEIM, CALIFORNIA 92801
888-767-1040 949-285-1040 Facsimile 714-258-1040

INDEPENDENT AUDITOR'S REPORT

Governing Board
Albor Charter School
Santa Ana, California

I have audited the accompanying statement of financial position of the Albor Charter School, (A California Non-Profit Benefit Corporation) (the "Charter"), as of June 30, 2005 and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Charter's management. My responsibility is to express an opinion of these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albor Charter School, at June 30, 2005, and the related statements of activities and changes in net assets, and changes in cash flow for the year then ended.

My audit was performed for the purpose of forming an opinion on the financial statements of Albor Charter School, taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Albor Charter School. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Bradley Lake Hogan CPA

Anaheim, California
December 12, 2005

ALBOR CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2005

ASSETS				
Current Assets				
Cash and investments	$	815,653		
Accounts receivable		456,526		
Total Current Assets			$	1,272,179
Non-Current Assets				
Fixed assets, net				686,630
Total Assets			$	1,958,809
LIABILITES AND NET ASSETS				
Current Liabilities/Total liabilities			$	591,797
NET ASSETS				
Unrestricted		1,367,012		
Temporarily Restricted		0		
Total Net Assets				1,367,012
Total Liabilities and Net Assets			$	1,958,809

The accompanying notes are an integral part of these financial statements.

ALBOR CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

June 30, 2005

UNRESTRICTED NET ASSETS		
SUPPORT		
Principal apportionment/State aid	$	4,888,983
Categorical funds		545,650
Lottery		191,996
Local revenues		639,262
Interest		10,036
Total Unrestricted Support		6,275,927
Net assets released from restrictions		
Restrictions satisfied by payments		1,177,798
Total Unrestricted Support and Reclassitifications		7,453,725
EXPENSES		
Program services		
Certificated		1,611,655
Classified		577,329
Benefits		819,027
Books and supplies		713,857
Service and other operating expense		2,538,271
Capital outlay		1,591,627
District oversight cost		81,479
Depreciation		157,056
Total Expense		8,090,301
TEMPORARILY RESTRICTED NET ASSETS		
Federal contributions		1,177,798
Net assets released from restrictions		1,177,798
Change in temporarily restricted net assets		0
DECREASE IN UNRESTRICTED NET ASSETS		(636,576)
NET ASSETS, BEGINNING OF YEAR		2,003,587
NET ASSETS, END OF YEAR	$	1,367,011

The accompanying notes are an integral part of these financial statements.

ALBOR CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in unrestricted net assets	$	(636,576)
Adjustments to reconcile decrease in net assets to net cash used by operating activities		
Depreciation expense		157,056
Changes in operation assets and liabilities		
Decrease in accounts receivable		987,288
Increase in accounts payable		132,969
Net cash provided by operating activities		640,737
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Capital expenditures		(293,177)
NET INCREASE IN CASH		347,560
CASH, BEGINNING OF YEAR		468,093
CASH, END OF YEAR	$	815,653

The accompanying notes are an integral part of these financial statements.

ALBOR CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 – ORGANIZATION AND MISSION

Albor Charter School (the "Charter") is a non-profit public benefit corporation. MI-Vocational School petitioned, on behalf of the Charter, Santa Ana Unified School District for a charter and was approved by the State of California Department of Education, on May 14, 2002. The District has granted the Charter through June 30, 2007.

MI-Vocational School is the management company whose members founded and provides various services for the Charter. Some of which include facilities, student transportation, book and supplies, and various consulting services.

The Charter provides class to help individuals attain a high school diploma. The State apportionment revenues generated by the Average Daily Attendance (ADA) support the Charter. One percent of State apportionment revenues are paid to the Santa Ana Unified School District in agreement with the Charter for oversight.

The Charter's mission is to provide meaningful educational options by partnering with the community to empower its students to become responsible individuals and life-long learners who work with integrity to achieve their goals and dreams. A volunteer governing board governs the Charter.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Charter adopted SFAS No. 117, Financial Statements for Not-for-Profit Charters. Under the provisions of this statement, the Charter is required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Charter has no permanently restricted net assets. In addition, the Charter is required to present a statement of cash flows.

Accounting Method – Basis of Accounting

The Charter uses the accrual basis of accounting. Revenues are recognized when they are earned and expenditures are recognized in the accounting period in which the liability is incurred. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

It is the Charter's policy to capitalize individual property and equipment purchases over $5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method, over 3 to 5 years. Leasehold improvements are depreciated over a period of not more than 20 years.

Income Taxes

The Charter is a non-profit pubic benefit corporation that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is also exempt from state franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Charter considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2005, there was an investment deemed to be a cash equivalent with the county treasurer in the amount of $ 453,244.

Unrestricted Designated

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

NOTE 3 – CASH AND INVESTMENTS

Cash at June 30, 2005, consists of the following:

	Carrying Amount
Deposits	
Cash on hand and in banks	$ 362,409

Cash balances held are insured up to $100, 000 by the Federal Depository Insurance Corporation. At June 30, 2005, the bank balance of Albor Charter School deposit was $362,409. All cash is held by a single financial institution for which the amount of $262,409 is not covered by Federal deposit insurance.

ALBOR CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Investments at June 30, 2005, held on behalf of Albor Charter School are presented below:

	Reported Amount
Uncategorized	
Deposits with county treasurer	$ 453,244

Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of Orange. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the Organization is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2005, consists of the following:

Related Party	434,608
Other	21,918
Total Accounts Receivables	$ 456,526

NOTE 5 – FIXED ASSETS

Fixed assets at June 30, 2005, consists of the following:

Computer and office equipment	$ 90,155
Leasehold improvements	841,765
	931,920
Less: Accumulated depreciation	(245,290)
Fixed Assets,Net	$ 686,630

During the year ended June 30, 2005, $157,056 was charged to depreciation expense, showing the change from beginning accumulated depreciation of $245,290.

NOTE 6 – CURRENT LIABILITES

Account payable at June 30, 2005, consists of the following:

Accounts payable	$ 28,154
Current loans/SA USD oversight payable	249,527
Salaries and related payables	68,872
California Department of Education	
Overpayment for Educationally Disadvantaged Students (EDS) Block Grant	245,244
Total Current Liabilities	$ 591,797

NOTE 7 – EMPLOYEE RETIREMENTS SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

A. STRS

Plan Description

The Charter contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statement and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumption used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2004-2005 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The Charter's contribution to STRS for the fiscal years ending June 30, 2005 and 2004, were $119,632 and $128,933, respectively, and equal 100 percent of the required contributions for each year.

B. PERS

Plan Description

The Charter contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the Charter is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-2005 was 9.95 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The Charter's contributions to CalPERS for the fiscal years ending June 30, 2005 and 2004 were $50,085 and $95,427, respectively, and equal 100 percent of the required contributions for each year.

C. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the Charter. These payments consist of State General Fund contributions to STRS in the amount of $2,728 (2.28 percent of salaries subject to STRS). No contributions were made to PERS for the year ended June 30, 2005. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 8 – RELATED PARTY

The Executive Director/Founder of the Albor Charter School is also the Founder/Chairman of MI-Vocational School (MI-VS). MI-VS is a non-profit corporation and does not have any owners. For the 2004-2005 fiscal year, MI-VS paid various expenses on behalf of the Charter. MI-VS received reimbursement on a monthly basis or when cash was available. Reimbursement expenses amounted to $5,953,797 for the fiscal year. Expenses paid by the Charter to MI-VS as a vendor amounted to $5,519,189 for the fiscal year.

Albor Charter School's financial decisions are made with the collaboration of the schools administrators and its governing board which does not control MI-VS. The accounting department verifies that all invoices are accurate, they do so by verifying with the person that placed the order that the product and or service was received by the school. A receivable in the amount of $434,608 has the substance of prepaid expenses, but is presented as a receivable.

A Memorandum of Understanding governs the transactions between the parties.

MI-Vocational School		September 30, 2005*	September 30, 2004
Assets		$ 2,920,855	$ 1,568,591
Liabilities		443,533	312,700
	Net Assets	2,477,322	1,255,891
Revenues		5,736,506	4,305,866
Expenses		5,068,958	3,542,425
	Net Income	$ 667,548	$ 763,441

*Unaudited financial statements.

As per Statement of Position 94-3 Reporting of Related Entities by a Non-Profit Organization, when the reporting entity does not control the other non-profit agency consolidation is prohibited, however certain information is provided on the organization as shown above. Substantive testing on MI-Vocational School's activity was performed and account balances were tested and confirmed as of June 30, 2005. Transactions were considered to be objective and reliable, therefore my opinion on MI-VS activity is consistent with the rules and regulations governing arm-length transactions.

ALBOR CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

SCHEDULE OF APPORTIONMENT DAYS OF ATTENDANCE

JUNE 30, 2005

	Second Period Report	Annual Report
SECONDARY		
Regular classes	795.78	635.77

The accompanying notes are an integral part of these financial statements.

ALBOR CHARTER SCHOOL
(A California Non-Profit Public Benefit Corporation)

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2005

NOTE 1 – PURPOSE OF SUPPLEMENTARY SCHEDULE

Schedule of Apportionment Days of Attendance

Apportionment days of attendance are a measurement of the students' progress through the program.

The purpose of attendance accounting, from a fiscal standpoint, is to provide the basis on which apportionments of State funds are made through the Santa Ana Unified School District to Albor Charter School.

BRADLEY LAKE HOGAN

CERTIFIED PUBLIC ACCOUNTANT
401 NORTH BROOKHURST STREET, SUITE 202
ANAHEIM, CALIFORNIA 92801
888-767-1040 949-285-1040 Facsimile 714-258-1040

December 12, 2005

To the Board of Directors
Albor Charter School
Santa Ana, California

In planning and performing my audit of the financial statements of the Albor Charter School (the "Charter") for the year ended June 30, 2005, I considered the Charter's internal controls to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. I also reviewed prior year comments by your previous auditors and updated the status of their comments below. I have summarized my comments and suggestions regarding those matters below as well. I have considered each of these points in preparing my report dated December 12, 2005 on the financial statements of the Charter.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestion with various personnel, and I will be pleased to discuss these comments in implementing the recommendations. The comments are summarized as follows:

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Finding

It was noted during the course of the audit, Albor's financial statements, the Unaudited Actual, that were sent to the state had inconsistencies with the current year and prior year audit reports, however for different reasons. The beginning balances for the financial statements used in preparing the State's copy of the financial statements did not agree to the prior year audit report.

Recommendation

The Charter should continue to emphasize accounting controls for financial statement adjustment and presentation. The chart of accounts should be reviewed. Refine the account name description to effectively record transactions and provide efficient reporting in ascertaining the numbers. Make sure the financial statements include all audit journal entries proposed and accepted into the audited financial statements. Provide reconciliation of beginning balances on all accounts with prior year audit report.

LEASEHOLD IMPROVEMENTS/EQUIPMENT

Finding

During our testing of leasehold improvements and equipment inventory, I noted that the equipment listing did not contain all the required elements as listed below.

Recommendation

The Charter should ensure that its fixed asset listings contain the following elements to comply with Education Code Section 35168:

A. A description
B. Charter identification
C. Acquisition date and original cost
D. Funding source
E. Location
F. Ultimate disposition
G. Original cost
H. Method of depreciation
I. Accumulated depreciation

PRIOR AUDIT FINDINGS

Finding

It was noted during the course of the audit, the chartering District took Albor's financial statements and created the Unaudited Actual that were sent to the state. The amounts included in the State's copy of the financial statements did not agree to the Unaudited Actual provided for the audit.

Recommendation

The Charter should make sure the financial statements sent to the State agree with the financial statements we are provided to audit.

Current status

Implemented.

Finding

MI-Vocational School (MI-VS) does not have current audited statements, thus we are not able to get a true understanding of the relationship between Albor and MI-VS.

Recommendation

MI-VS, Albor, and other related party non-profit should issue consolidated financial statements, per Statement of Position 94-3. The statements should then be audited, in order to obtain a true understanding of how the organization as a whole functions.

Charter Response

The Charter maintains that the related parties should not be consolidated and be kept separate. The interrelated transactions are sufficiently segregated and the relevance or value excluded from the consolidation is considered to be immaterial by management. Management further believes that consolidating the companies would give the appearance that the companies are not separate entities. Further more Albor dues not control MI-VS.

Finding

Albor over stated the number of students that qualify for the Educationally Disadvantaged Block Grant. This resulted in a $245,244 adjustment, increasing accounts payable and abating the state revenue.

Recommendation

Albor needs to get some direction from the County of Education on getting the student count for the Educationally Disadvantaged accurate prior to sending the amounts to the State.

Current Status

Implemented.

Finding

The reconciled amount of cash does not agree to the financial statements by approximately $11,000.

Recommendation

The Charter should reconcile the bank balance to agree to the financial statements.

Current Status

Implemented.

This report is intended solely for the use of the Governing Board of the Albor Charter School and its management and is not intended for any other purpose. Please call me if you have any questions or would like assistance in implementing these recommendations.

Sincerely,

Bradley Lake Hogan CPA

Bradley Lake Hogan
Certified Public Accountant

MEMORANDUM OF UNDERSTANDING BETWEEN

MI-VOCATIONAL, INC. AND ALBOR CHARTER SCHOOL FOR SCHOOL OPERATION AND ADMINISTRATION

This agreement is entered into as of December 10, 2004, by and between MI-Vocational, Inc., a California nonprofit public benefit corporation, and its affiliate, Albor Charter School, a California nonprofit public benefit corporation and a charter school, with respect to the following facts:

A. MI-Vocational, Inc., ("Parent Company") was formed for charitable purposes, including advancing the vocational and technical education and training of young men and women, and managing, operating, guiding, directing and promoting charter schools.

B. Albor Charter School ("Affiliate") was formed by Parent Company as an affiliated nonprofit public benefit corporation to hold a charter granted by the Santa Ana Unified School District to operate Albor Charter School.

C. Parent Company employees are specially trained, experienced, and competent to support the operations of Albor Charter School.

D. Affiliate desires to memorialize its understanding with Parent Company regarding the provision by Parent Company of certain educational and administrative services, and the payment by Affiliate therefore. In its operations, Affiliate utilizes the services of Parent Company for human resources administration, accounting, curriculum licensing, technology services, and general administrative support.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Parent Company's Responsibilities. Parent Company agrees to perform and provide Affiliate with administrative services, facilities, curriculum and instructional materials, financial administration and reporting, purchasing, technology services, and personnel administration and instructional program as may be necessary for the operation of the school. All services, facilities, and instructional program support provided pursuant to this Agreement shall be subject to the control, supervision, direction and policies of the Affiliate. Subject at all times to the oversight and authority of the board of Affiliate ("Board"), Parent Company shall take such actions as are necessary or desirable to properly and efficiently operate Affiliate on behalf of the board, consistent with federal and state law and subject to the terms and conditions of this agreement and the charter.

2. Governance Responsibilities. Parent Company shall be responsible for the administration of the governance activities of the Affiliate. Such tasks shall include, but not be limited to:

(a) Preparing and maintaining a schedule of all meetings of the Affiliate Board, its committees and subcommittees, including maintenance of an annual calendar, in accordance with the articles and bylaws of Affiliate and its approved charter.

(b) Arranging meetings and conference calls of the Board and committees of the Affiliate.

(c) Preparing agendas for all meetings of the Board and committees of the Affiliate.

(d) Preparation of minutes of such meetings. Following approval of minutes, maintain records and distribute periodically to Affiliate summaries of actions taken.

(e) Handle recordkeeping and administration of expense reimbursement requests.

(f) Notice meetings in accordance with legal or Affiliate requirements.

(g) Prepare, file and update all reports required of charter schools under California law or other applicable law, including, but not limited to, (i) the reports required to be filed with Affiliate's chartering authority and the county superintendent of schools (including, without limitation, preliminary budgets, interim financial reports, and final unaudited reports), (ii) audit reports, (iii) reports of financial transactions, (iv) "Roster" filings, and (v) Secretary of State statements and notices.

(h) Solicit and maintain oaths of office of Affiliate directors.

(i) Maintain and file records if required under the Political Reform Act following adoption by Affiliate of a conflict of interest code.

(j) Prepare, distribute and update periodically a Policies and Procedures Manual and a Governing Documents Notebook for current and new Affiliate directors and staff/consultants.

(k) Maintain the official records pertaining to governance of the Affiliate and respond to public records requests with respect to such records, subject to the direction of the Secretary of the Affiliate.

(l) Recommending policies for school operations, which are consistent with the charter and federal and state requirements.

3. Financial Administration. Parent Company shall be responsible for maintaining the budgeting and financial records of the Affiliate. Parent Company's duties for the financial administration of Affiliate shall include, but not be limited to the following:

(a) Establish and maintain a chart of accounts for the Affiliate, as approved by the Board of Affiliate.

(b) With respect to financial statements, meet generally accepted accounting principles.

(c) In addition to its obligations under Section 2(g) above, provide the Affiliate Board with an annual budget, in reasonable detail, for the school prior to the opening of the school each year, for consideration and approval by the Affiliate Board. Parent Company's expenditures on behalf of the school shall not, in the aggregate, deviate materially from the approved budget without notice to the Affiliate Board. If actual revenues fall below those projected in the budget, Parent Company and the Board shall adjust the budget to offset such revenue shortfalls. If revenues exceed projections, Parent Company and the Affiliate Board shall adjust the budget to allocate such revenues. Parent Company shall maintain annual budget information, including actual and projected expenses, commencing with Affiliate's 2003-2004 fiscal year.

(d) Provide purchasing services for supplies and expenses.

(e) Provide cash and management services utilizing Affiliate-selected banking and other financial institutions.

(f) Prepare financial statements on a monthly basis and submit them to the Affiliate's Board upon Affiliate's request.

(g) In addition to its obligations under Section 2(g) above, coordinate preparation of annual financial audits with auditor selected by Affiliate and submit audited financial statements to the Affiliate's Board upon Affiliate's request.

(h) Coordinate ongoing communications between Affiliate and Santa Ana Unified School District.

(i) Enter into contracts for goods and services for Affiliate, and monitor and supervise activities of contract vendors.

(j) Maintain all pupil attendance records and prepare all certificates and documents necessary under applicable law to qualify Affiliate for apportionment.

(k) Apply on behalf of Affiliate for state and federal categorical funding, grants, and reimbursement of state-mandated costs for which the school may be eligible; provided that Affiliate shall cooperate with Parent Company in the preparation of materials and record-keeping required for such applications.

4. Student Recruitment. In consultation with Affiliate, Parent Company will develop a plan for recruitment of students to Affiliate.

5. Curriculum License. Parent Company will provide Affiliate with the standard curriculum materials used by Parent Company for its charter schools. Parent Company will also incorporate changes to the curriculum materials as required by Affiliate to meet the legal requirements of State and local governments.

6. Educational Services. Parent Company will provide Affiliate with educational services in support of the academic operations of the School. These services will include but are not limited to: in-service training for teachers on instructional methods, computer skills, and curriculum usage; guidance and policies for student and faculty actions and discipline; oversight for program quality and success metrics (including, without limitation, the Academic Performance Index applicable to Affiliate); and School administration training and support.

7. Human Resources Administration. Parent Company will assist Affiliate with all facets of human resource administration. This will include but is not limited to: job description development, job postings, interviewing, hiring, personnel policy development, and benefit plan administration. Parent Company shall be responsible, subject to the oversight of the Affiliate Board, for recruiting, screening, selecting and retaining qualified certificated and non-certificated staff for the school. Consistent with Affiliate's status as the exclusive employer of school employees for collective bargaining purposes, Parent Company is delegated responsibility for negotiating with all employees regarding terms and conditions of employment; provided that any agreements negotiated shall be subject to final approval by the Affiliate Board. In addition, Parent Company will have the authority, consistent with state law and subject to the approval of the Affiliate Board, to select the principal of the school. In accordance with the policies adopted by the Affiliate Board, Parent Company shall supervise the principal and hold her or him accountable for the success of the school.

8. Facilities. Parent Company shall be responsible for the acquisition and maintenance of facilities for the Affiliate, and negotiation of the terms and conditions under which facilities will be provided to Affiliate under the terms of Proposition 39 by the charter-granting agency. The cost of such facilities shall be a proper charge against the school. In the event Parent Company provides facilities, which are owned or leased by Parent Company, a separate lease shall be entered into between Parent Company and Affiliate.

9. Technology Services. Parent Company will provide Affiliate with all of the standard computers, servers, networks, and software used by Parent Company in its charter schools. These services include: purchasing and supplying all educational and administrative hardware and software used by Affiliate. In addition, Parent Company will provide all installation and maintenance support services for all educational and administrative hardware and software used by Affiliate. Local technical support and day-to-day operations will be provided by the Affiliate staff.

10. General Administrative Support. Parent Company will assist Affiliate in establishing its administrative support services. Areas of assistance will include, but are not limited to: general secretarial support, travel management, insurance contracting, and general business services. Parent Company shall bear all expenses incurred in connection with the instructional program and employees to be provided under this agreement, including:

(a) Charges for any services or expenses of independent consultants employed by Affiliate whether or not provided under this agreement.

(b) All organizational expenses of Affiliate, including, but not limited to, meeting expenses, compensation of its employees, and license and other fees, printing of organizational reports, stationery and related clerical activities.

(c) All expenses in connection with banking and the making or servicing of investments.

(d) Any services or materials provided by the charter-granting agency, including but not limited to special education services and materials.

11. Responsibilities of Affiliate. The Affiliate shall be responsible for:

(a) adopting policies to guide the school which are consistent with the charter and giving policy direction to the principal;

(b) considering and annually approving a budget for the school;

(c) meeting on a regular basis to conduct the business of the corporation;

(d) cooperating with Parent Company in the operation of the school in accordance with the terms of this agreement and the charter;

(e) complying with applicable provisions of state and federal law.

12. Term of Agreement; Compensation; Termination.

(a) Term. This Agreement shall be effective for the 2004/2005 academic year, beginning July 1, 2004 and ending June 30, 2005; thereafter the Agreement shall automatically renew for two additional academic years, unless terminated earlier by either party:

(i) Upon written notice to the other party postmarked no later than sixty (60) days prior to the end of an academic year; or

(ii) If the parties cannot reach agreement on the amount of compensation method of payment or scope of services to be provided by Parent Company of each year this Agreement is in effect, the Agreement shall automatically terminate on the following June 30.

(b) Compensation. Affiliate shall pass through to Parent Company:

(i) all revenues received from local, state and federal agencies, either based upon the Average Daily Attendance ("ADA") of pupils enrolled at Albor Charter School or otherwise; and

(ii) all revenue Affiliates receives from any other source, including, but not limited to, philanthropic contributions.

Affiliate shall pass through all revenues to Parent Company within ten (10) days that the revenues are made available to Affiliate.

(c) Termination for Cause: Affiliate. Affiliate may terminate this agreement upon a material breach of the terms and conditions of this agreement by Parent Company; provided that prior to such a termination Affiliate gives Parent Company not less than 60 days written notice of its intent to terminate, approved by the Affiliate Board, together with a description of the alleged breach. Parent Company shall then have a reasonable opportunity to cure prior to any termination becoming effective. No such termination shall be effective until the charter and any other agreements or documents governing operation of the school and Affiliate are amended; the parties shall cooperate in making such changes as may be required, or the charter is terminated or surrendered. Termination or specific performance shall be the exclusive remedies for breach of this agreement by Parent Company, except for the breach of any obligation to make monetary payments on behalf of the school.

(d) Termination for Cause: Parent Company. Parent Company may terminate this agreement upon a material breach of the terms and conditions of this agreement by Affiliate or other substantial change in conditions; provided that prior to such a termination Parent Company shall give the Affiliate Board not less than 60 days written notice of its intent to terminate together with a description of the alleged breach or changed conditions. The failure of the Affiliate Board to adopt or to timely consider approval of reasonable personnel policies, curriculum programs, budgets or to take other actions recommended by Parent Company, which Parent Company considers necessary for implementation of the charter, shall be considered a material breach of this agreement. A substantial change in conditions shall include: (1) any material reduction in the funding for the school in comparison to the funding for the prior fiscal year; or (2) enactment or other change in federal, state or local law, including a judicial or administrative decision which has a material adverse effect on the ability of Parent Company to operate the school. In the event of termination by Parent Company, Parent Company shall cooperate with Affiliate to effect changes in the charter and any other agreements or documents governing operation of the school so as to permit Affiliate or another qualified organization to assume responsibility for all of Parent Company's future obligations; provided that Parent Company may elect to terminate or surrender the charter if it determines, in its sole discretion, that Affiliate is either unable or unwilling to assume such responsibility or permit a transfer of Parent Company's responsibilities within a reasonable period.

(e) Termination by Either Party. Either party may also terminate this agreement should the Affiliate's charter ever be terminated or surrendered; provided that prior to such termination, that party gives the other party not less than 60 days written notice of its intent to terminate, approved by the Affiliate Board.

(f) Disposition of Assets on Termination. Except as otherwise agreed between the parties in writing, Parent Company shall retain ownership of all property and equipment provided to the school under this agreement. Upon termination, in the event the school is to continue operation, Affiliate shall have a right to acquire all of the property and equipment provided by Parent Company, other than the curriculum materials and other intellectual property of Parent Company, based upon the depreciated value of such property, or the buy-out cost of leased property, whichever is greater, as of the date of termination.

13. Liability.

(a) Unless inconsistent with the Affiliate's charter or applicable state or federal law, it is the intent of the parties that Affiliate be responsible for its own debts and obligations. Nothing in this agreement shall be construed as imposing on Parent Company any liability arising out of the operations of Affiliate except as such liability may result from the provision of services by Parent Company to Affiliate. Parent Company is acting solely as the agent of Affiliate in performing services under this agreement.

(b) Affiliate agrees to defend, indemnify and hold Parent Company, its employees, officers, directors and agents, free and harmless against any liability, loss, claims, demands, damages, expenses and costs (including attorneys fees and other costs of litigation or other proceedings) of every kind or nature arising in any manner out of the performance by Affiliate of its obligations under this agreement, except any loss or damage caused solely by the negligence or willful misconduct of Parent Company. Parent Company agrees to defend, indemnify and hold Affiliate, its employees, officers, directors and agents, free and harmless against any liability, loss, claims, demands, damages, expenses and costs (including attorneys fees and other costs of litigation or other proceedings) of every kind or nature arising in any manner out of the performance by Parent Company of its obligations under this agreement, except such loss or damage caused solely by the negligence or willful misconduct of Affiliate.

14. Assignment. This agreement may not be assigned by either party without the consent of the other party.

15. Confidentiality. Parent Company agrees to comply with the applicable provisions of state and federal law concerning pupil confidentiality, and shall be considered an agent of the Affiliate for such purposes.

16. Notices. Any notice required or permitted to be given under this agreement shall be in writing and either delivered personally to the other party or sent by first class mail, postage prepaid, to:

Parent Company:	1125 E. 17Th Street, Suite E-208 Santa Ana, CA 92701
Affiliate:	1125 E. 17Th Street, Suite E-201 Santa Ana, CA 92701

Notices shall be effective upon delivery, or on the date indicated in the notice, whichever is later. Either party may change the address to which notices may be sent at any time by providing the other party with written notice of the new address.

17. Attorney's Fees and Costs. In the event that an action or proceeding is instituted to enforce any provision of this Agreement. the prevailing party shall be entitled to its court costs, interest and reasonable attorneys' fees as fixed by the court.

18. Binding Arbitration. Any controversy or claim arising out of this Agreement, or the breach thereof, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction.

19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20. Authority to Contract. Each party warrants to the other that it has the authority to enter into this agreement, that it is a binding and enforceable obligation of said party, and that the undersigned has been duly authorized to execute this agreement.

21. Severability. If any provision of this agreement is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable by reason of any rule of law or public policy, all other provisions of this agreement shall nevertheless remain in effect. No provision of this agreement shall be deemed dependent on any other provision unless so expressed herein.

22. Entire Agreement. This agreement contains the entire agreement between the parties and shall supersede any and all prior agreements between the parties, including but not limited to the Memorandum of Understanding, dated May 10, 2002. The parties acknowledge and agree that neither of them has made any representations with respect to the subject matter of this agreement, or any representation inducing the execution and delivery hereof, except such representations as are specifically set forth herein, and each of the parties hereto acknowledges that it has relied on its own judgment in entering into the same.

23. Modifications. No modifications can be made to this agreement without the approval of the Parent Company Board and the Affiliate Board.

IN WITNESS WHEREOF, the parties have executed this agreement as of the day and year first written above.

MI – VOCATIONAL, INC.

By: Astrid Riebe

Its: Astrid Riebe, Vice-President

ALBOR CHARTER SCHOOL

By:

Its: Peter Sole, Chairman Of The Board

TOM DALY
CLERK-RECORDER
12 CIVIC CENTER PLAZA, ROOM 106
T OFFICE BOX 238
TA ANA, CA 92702-0238

FICTITIOUS BUSINESS NAME STATEMENT

TYPE ALL INFORMATION AND DO NOT ABBREVIATE

1 **FICTITIOUS BUSINESS NAME(S)** — **Business Phone** ( ) - (Optional)
(AREA CODE) (PHONE NUMBER)

A ALAN MCARWICK & BOZANCA SERVICES

1A FILING TYPE: (•) New Statement ( ) Refile—List Previous No. ( ) Change

2 ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do NOT use a P.O. Box or a P.M.B.)

1235 w. Town & Country Rd. #2113	ORANGE	California	92868 -
(STREET ADDRESS)	(CITY)	(STATE)	(ZIPCODE) (+ FOUR)

3 FULL NAME OF REGISTRANT (1) (If Corporation, enter Corp. name) 1 PEDRO SOLE

If Corporation /L.L.C State of Incorporation or organization:

1235 W. TOWN & COUNTRY RD. #2113	ORANGE	California	9286 -
RESIDENTIAL/CORP. ADDRESS (DO NOT USE A P.O. BOX)	(CITY)	(STATE)	(ZIPCODE) (+ FOUR)

FULL NAME OF REGISTRANT (2) (If Corporation, enter Corp. name)

If Corporation /L.L.C State of Incorporation or organization:

		California	-
RESIDENTIAL/CORP. ADDRESS (DO NOT USE A P.O. BOX)	(CITY)	(STATE)	(ZIPCODE) (+ FOUR)

(CHECK ONE ONLY) This business is conducted by (•) an individual ( ) a general partnership ( ) a limited partnership ( ) an unincorporated association other than a partnership ( ) co-partners ( ) a business trust ( ) a corporation ( ) husband and wife ( ) joint venture ( ) Limited liability Co. ( ) Other–Specify

5 HAVE YOU STARTED DOING BUSINESS YET? (•) No ( ) Yes If Yes, Insert the date you started: / /

6 **If Registrant is NOT a corporation, sign below:**

Signature [signature]

Print Name PEDRO SOLE

I declare that all information in this statement is true and correct. (A registrant who declares as true information which he or she knows to be false is guilty of a crime.)

If Registrant is a Corporation, sign below:

Corporation Name

Signature and Title

Print Name and Title

I declare that all information in this statement is true and correct. (A registrant who declares as true information which he or she knows to be false is guilty of a crime.)

NOTICE: THIS FICTITIOUS NAME STATEMENT EXPIRES FIVE YEARS FROM THE DATE IT WAS FILED IN THE OFFICE OF THE COUNTY CLERK-RECORDER. A NEW FICTITIOUS BUSINESS NAME STATEMENT MUST BE FILED BEFORE THAT DATE. THE FILING OF THIS STATEMENT DOES NOT OF ITSELF AUTHORIZE THE USE IN THIS STATE OF A FICTITIOUS BUSINESS NAME IN VIOLATIONS OF THE RIGHTS OF ANOTHER UNDER FEDERAL, STATE, OR COMMON LAW (SEE SECTION 14400 ET SEQ., BUSINESS AND PROFESSIONS CODE).

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder
23.00
20046006825 09:52am 11/05/04
75 67 F01
23.00 0.00 0.00 0.00 0.00 0.00

(THIS FEE APPLIES AT THE TIME OF FILING)
FILING FEE $23.00 FOR ONE BUSINESS NAME
$7.00 FOR EACH ADDITIONAL BUSINESS NAME
$7.00 FOR EACH ADDITIONAL PARTNER AFTER FIRST TWO

TOM DALY
ORANGE COUNTY CLERK-RECORDER
CIVIC CENTER PLAZA, ROOM 106
POST OFFICE BOX 238
SANTA ANA, CA 92702-0238

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder
23.00
20046999229 10:45am 09/02/04
78 50 F01
23.00 0.00 0.00 0.00 0.00 0.00

FICTITIOUS BUSINESS NAME STATEMENT

To ensure a prompt and accurate record of your filing, type or print in black ink only.
DO NOT ABBREVIATE.

THE FOLLOWING PERSON(S) IS (ARE) DOING BUSINESS AS:

1.	Fictitious Business Name(s): MARK CIBET STEWART PRODUCTIONS	(optional) Business Phone No. (____) ________
1A.	☒ New Statement ☐ Refile—List Previous No. ________	☐ Change
2.	Street Address, City & State of Principal place of Business (Do NOT use a P.O. Box or P.M.B.) City State Zip Code: 1235 W. TOWN & COUNTRY Rd. #2113 ORANGE CA 92868	
3.	Full name of Registrant (If Corporation, enter corporation name): PEDRO SOLE	If Corporation/L.L.C. State of Incorporation or organization
	Res./Corp. Address (Do NOT use a P.O. Box or P.M.B.) City State Zip Code: 1235 W. TOWN & COUNTRY Rd. #2113 ORANGE CA. 92868	
	Full name of Registrant (If Corporation, enter corporation name)	If Corporation/L.L.C. State of Incorporation or organization
	Res./Corp. Address (Do NOT use a P.O. Box or P.M.B.) City State Zip Code	
	Full name of Registrant (If Corporation, enter corporation name)	If Corporation/L.L.C. State of Incorporation or organization
	Res./Corp. Address (Do NOT use a P.O. Box or P.M.B.) City State Zip Code	
4.	(CHECK ONE ONLY) This business is conducted by (X) an individual ( ) a general partnership ( ) a limited partnership ( ) an unincorporated association other than a partnership ( ) a corporation ( ) a business trust ( ) co-partners ( ) husband and wife ( ) joint venture ( ) Limited Liability Co. ( ) Other–Specify ________	
5.	Have you started doing business yet? Yes___ Insert the date you started: ________ No X	NOTICE: THIS FICTITIOUS NAME STATEMENT EXPIRES FIVE YEARS FROM THE DATE IT WAS FILED IN THE OFFICE OF THE COUNTY CLERK-RECORDER. A NEW FICTITIOUS BUSINESS NAME STATEMENT MUST BE FILED BEFORE THAT DATE. THE FILING OF THIS STATEMENT DOES NOT OF ITSELF AUTHORIZE THE USE IN THIS STATE OF A FICTITIOUS BUSINESS NAME IN VIOLATION OF THE RIGHTS OF ANOTHER UNDER FEDERAL, STATE, OR COMMON LAW (SEE SECTION 14411 ET SEQ., BUSINESS AND PROFESSIONS CODE).
6.	If Registrant is NOT a corporation, sign below: (See Instructions on the reverse side of this form.) Signature ________ PEDRO SOLE (Type or Print Name) I declare that all information in this statement is true and correct. (A registrant who declares as true information which he or she knows to be false is guilty of a crime.)	If Registrant is a corporation, an officer of the corporation signs below: If Registrant is a limited liability company, a manager or an officer signs below. ________ Limited Liability Company Name/Corporation Name ________ Signature and Title of Officer or Manager I declare that all information in this statement is true and correct. (A registrant who declares as true information which he or she knows to be false is guilty of a crime.) ________ Print or Type Officer's/Manager's Name and Title

(THIS FEE APPLIES AT THE TIME OF FILING)
FILING FEE $23.00 FOR ONE BUSINESS NAME.
$7.00 FOR EACH ADDITIONAL BUSINESS NAME.
$7.00 FOR EACH ADDITIONAL PARTNER AFTER FIRST TWO.
PROVIDE A SELF-ADDRESSED, STAMPED, RETURN ENVELOPE IF MAILED.

TOM DALY
CLERK-RECORDER
12 CIVIC CENTER PLAZA, ROOM 106
POST OFFICE BOX 238
SANTA ANA, CA 92702-0238

FICTITIOUS BUSINESS NAME STATEMENT

TYPE ALL INFORMATION AND DO NOT ABBREVIATE

1 FICTITIOUS BUSINESS NAME(S) Business Phone ( ) - (Optional)
(AREA CODE) (PHONE NUMBER)

A PAUL KRANEN & BRITTON PRODUCERS

1A FILING TYPE: ☒ New Statement ☐ Refile—List Previous No. ☐ Change

2 ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do NOT use a P.O. Box or a P.M.B.)

1235 W TOWN & COUNTRY RD # 2113	ORANGE	California	92868	-
(STREET ADDRESS)	(CITY)	(STATE)	(ZIPCODE)	(+ FOUR)

3 FULL NAME OF REGISTRANT (1) PEDRO SOLE
(If Corporation, enter Corp. name)

If Corporation /L.L.C State of Incorporation or organization:

1235 W TOWN & COUNTRY RD # 2113	ORANGE	California	92868	-
RESIDENTIAL/CORP. ADDRESS (DO NOT USE A P.O. BOX)	(CITY)	(STATE)	(ZIPCODE)	(+ FOUR)

FULL NAME OF REGISTRANT (2)
(If Corporation, enter Corp. name)

If Corporation /L.L.C State of Incorporation or organization:

		California		-
RESIDENTIAL/CORP. ADDRESS (DO NOT USE A P.O. BOX)	(CITY)	(STATE)	(ZIPCODE)	(+ FOUR)

4 (CHECK ONE ONLY) This business is conducted by ☒ an individual ☐ a general partnership ☐ a limited partnership ☐ an unincorporated association other than a partnership ☐ co-partners ☐ a business trust ☐ a corporation ☐ husband and wife ☐ joint venture ☐ Limited liability Co. ☐ Other–Specify

5 HAVE YOU STARTED DOING BUSINESS YET? ☒ No ☐ Yes If Yes, Insert the date you started: / /

6 If Registrant is NOT a corporation, sign below:

Signature [signature]

Print Name PEDRO SOLE

I declare that all information in this statement is true and correct. (A registrant who declares as true information which he or she knows to be false is guilty of a crime.)

If Registrant is a Corporation, sign below:

Corporation Name

Signature and Title

Print Name and Title

I declare that all information in this statement is true and correct. (A registrant who declares as true information which he or she knows to be false is guilty of a crime.)

NOTICE: THIS FICTITIOUS NAME STATEMENT EXPIRES FIVE YEARS FROM THE DATE IT WAS FILED IN THE OFFICE OF THE COUNTY CLERK-RECORDER. A NEW FICTITIOUS BUSINESS NAME STATEMENT MUST BE FILED BEFORE THAT DATE. THE FILING OF THIS STATEMENT DOES NOT OF ITSELF AUTHORIZE THE USE IN THIS STATE OF A FICTITIOUS BUSINESS NAME IN VIOLATIONS OF *THE RIGHTS OF ANOTHER UNDER FEDERAL, STATE, OR COMMON LAW (SEE SECTION 14400 ET SEQ., BUSINESS AND PROFESSIONS CODE).*

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder
23.00
20046001454 10:10am 09/20/04
75 125 F01
23.00 0.00 0.00 0.00 0.00 0.00

(THIS FEE APPLIES AT THE TIME OF FILING)
FILING FEE $23.00 FOR ONE BUSINESS NAME
$7.00 FOR EACH ADDITIONAL BUSINESS NAME
$7.00 FOR EACH ADDITIONAL PARTNER AFTER FIRST TWO

Vocational Nursing Program

- Full-time program 13 months (12 months of instruction)
- Monday through Thursday
- Lecture Monday and Tuesday 8:00am -4:00pm.
- Wednesday and Thursday clinical instruction 1:00pm
- to 9:30pm

Potential earnings $44,040 per year and higher with employment opportunities growing every year! (US. Department of Labor and Bureau of Labor Statistics, 2004-05)

L

Course ID 0010	Nursing Fundamentals	130 hours
Course ID 0011	Pharmacology	56 hours
Course ID 0020	Medical-Surgical Integumentary	26 hours
Course ID 0012	Nutrition	20 hours
Course ID 0021	Medical-Surgical - Cardiovascular	33 hours
Course ID 0013	Gerontology	25 hours
Course ID 0022	Medical-Surgical - Respiratory	36 hours
Course ID 0024	Medical-Surgical Genitourinary	28 hours
Course ID 0023	Medical-Surgical Musculoskeletal	24 hours
Course ID 0015	Psychology Mental Health Nursing	24 hours
Course ID 0014	Maternity	27 hours
Course ID. 0025	Medical-Surgical Gastrointestinal	36 hours
Course ID 0026	Medical-Surgical Neurosensory	35 hours
Course ID 0016	Growth and Development	15 hours
Course ID 0017	Pediatrics	18 hours
Course ID 0027	Medical-Surgical Endocrine	35 hours
Course ID 0018	Leadership and Supervision	26 hours

COURSE OUTLINE

Course Description:

The Vocational Nursing course integrates classroom instruction, skills lab practice and clinical experience to give students the necessary knowledge and skill base to pass the National Council Licensing Examination for Practical Nurses (NCLEX-PN)

V

Health Screening

- **History and Physical exams indicating no restrictions in performing nursing duties(must be completed by the end of first month of class)**
- **Current immunizations including T.B.**

N

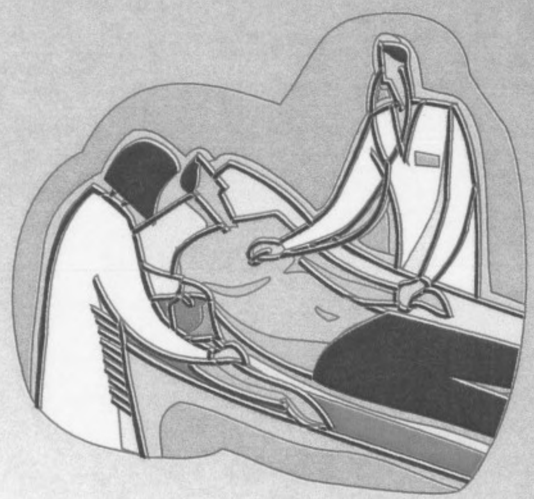
MI-VS/Albor Charter School Vocational Nursing Program

Admission Requirements:

- Must be a previous Albor Charter School Student or have
completed the Certified Nursing Assistant or Medical Assistant Program.
- High School and/or College transcripts
- Must be 18 years old.
- High School Diploma, GED or equivalent(official diploma & transcripts)

Screening and Selection Criteria:

- Official transcripts
- Documentation of work experience
- Personal interview with the Program Director
- To place your name on the waiting list please come to the admissions office in Suite E-201.



COMPETENCY EVALUATION

Upon successful completion of this course, the student will qualify to take the State License Exam.

MI-VS ALBOR CHARTER SCHOOL

VOCATIONAL NURSING PROGRAM

1125 E. 17th St. Suite N-456
Santa Ana CA, 92701
Tel. (714) 560-1568
or
(714) 569-1019

CERTIFICATION SECTION (ATCS)

The Department of Health Services (DHS), Licensing and Certification Program, Aide and Technician Certification Section Certifies Nurse Assistants (CNA's)

NURSE ASSISTANT CERTIFICATION

ROLE OF CERTIFIED NURSING ASSISTANT, (CNA)

Under the supervision of a licensed nurse (registered or vocational), a CNA provides basic nursing services to ensure the safety, comfort, personal hygiene, and protection of patients/residents in a licensed long-term or intermediate health care facility.

N

		Theory	Clinical
C.N.A. 010	Introduction	2	0
RTS 011	Residents' Rights	6	2
SKL 012	Interpersonal Skills	2	0
PMC 014	Prevention Management of Catastrophe and Unusual Occurrence	1	3
BME 015	Body Mechanics	4	9
MSA 016	Medical and Surgical Asepsis	4	10
W&W 017	Weights and Measures	2	1
PSC 018	Resident Care Skills	28	48
PCP 019	Resident Care Procedures	7	20
VTS 020	Vital Signs	3	6
NUT 021	Nutrition	2	6
EME 022	Emergency Procedures	2	3
RHA 024	Long-Term Care Patient	7	4
O&C 025	Rehabilitative Nursing	2	8
D&D 026	Observation and Charting	4	9
RFE 027	Death and Dying	2	0
	Final Examination & Review	10	0
	Total Hours	88	129

CERTIFICATION REQUIREMENTS

To become a CNA, APPLICANTS MUST:
-Be at least 16 years of age
-Meet the pre-screening requirements

SUBMIT TO ATCS UPON ENROLLMENT

-An application
-Fingerprints
-Fee
-Complete training in an ATCS - approved program (minimum of 150 hours)
-Successfully complete a competency exam conducted by an ATCS - approved vender

HEALTH SCREENING

-Medical history and physical examination
-Tuberculosis screening PPD/MANTOUX skin test-if positive Chest x-ray

CNA applicants may not have any contact with residents until they obtain a report that confirms there is no health hazard for any positive skin test (with or without a chest x-ray)

A

MEDICAL ASSISTANT PROGRAM

Program Objective

This program is designed to prepare students for entry-level positions as a medical assistant in clinical and administrative duties. The programs's focus is to provide knowledge and understanding of the human body's anatomy and physiology, as well as common pathology. Basic Medical Terminology is taught by relating it to the clinical environment. This class provides student with skills necessary for routing diagnostic laboratory procedures, understanding medication administration, entry-level skill competency required for assisting in routing patient examination and minor surgical procedures. In addition, students will gain knowledge of the legal and ethical responsibilities in their scope of practice. Upon successful completion, students will have the knowledge and technical skill to obtain entry-level employment in medical clinics, hospitals, HMOs, chiropactic offices, and rehabilitation centers. Graduates will receive a Medical Assistant Diploma, EKG Certificate, Injection Certificate, Blood Withdrawal Certificate, and CPR Health Care Provider card.

The program is divided into nine separate modules, starting with any module and continuing in sequence until all nine modules are successfully completed. Students participate in an externship after passing all 9 modules.

Course Description

Module 1: Administrative Medical Assisting I

Clock Hours	Credit Hours
Day / Evening	Day / Evening
60	3

Relate terminology, bioethics, medical ethics, medical-legal aspects, and history of medicine, interpersonal communications, psychology/personal behavior, confidentiality, reception environment, appointment control, record management, professionalism, and telephone communications.

Module 2 : Administrative Medical Assisting II

Clock Hours	Credit Hours
Day / Evening	Day / Evening
60	3

Related technology, operating a computer in medical practice, office management equipment, the patient's medical record, medical care expenses, basic bookkeeping procedures, collection on overdue accounts, health insurance, Medical insurance claims (preparation and processing), medical billing procedures, banking, and general management duties.

Module 3 : Human Anatomy and Physiology I

Clock Hours	Credit Hours
Day / Evening	Day / Evening
80	4

The module's focus is to teach the students the organization of the body, general plan of the body, locations and positions, areas and regions, concept of homeostasis, body systems: Integumentary system, Musculoskeletal system, Sense organs, and Endocrine.

Module 4 : Human Anatomy and Physiology II

Clock Hours	Credit Hours
Day / Evening	Day / Evening
80	4

Body systems continuation: Cardio-vascular, Blood, Immune system(AIDS), Respiratory system, Digestive system, Urinary system, Male reproductive system, and Female reproductive system.

Module 5 : Vital Signs and Nutrition

Clock Hours	Credit Hours
Day / Evening	Day / Evening
40	2

Student will learn the basic concepts of vital signs and their importance in medicine. Temperature, pulse respiratory frequency, arterial blood pressure, weight, height and body mass index (BMI) will be taught. Basic dietary guidelines, the food pyramid, physician-ordered diets, and patient exercise.

Module 6 : Specimen Collection and Laboratory Procedures

Clock Hours	Credit Hours
Day / Evening	Day / Evening
80	4

Student will gain knowledge of related terminology, anatomy and physiology, OSHA and CLIA regulations, laboratory safety, standard precautions, aseptic concepts, biohazard safety, sterilizing/disinfecting instruments, basic diagnostic laboratory equipment and microscope. Collection and handling of capillary and venous blood samples (phlebotomy), bacterial smears and cultures, urine, sputum, and stool specimens.

Admissions Office

To enroll in Albor Charter School is as easy as:

1. Filling out the student enrollment application.
2. Taking the placement test.
3. Attending the orientation.

Your participation in the orientation is very important because you will be receiving detailed information about what Albor Charter School offers.

TRANSCRIPTS

If you attended a school in the U.S. you can personally request the credits or you can fill out a form and we will fax your old school the request.

If you attended a school in another country, transcripts can be mailed to us, or faxed. We suggest you bring them at the beginning of the quarter.

SCHEDULE

It will be assigned according to the placement test results, the credits that you have brought and the schedule most convenient for you. If the student wants to transfer, there must be a justified reason. You can obtain the transfer permit at the admissions office.

LEAVE OF ABSENCE: If you are going to be absent for more than 10 days, you should inform the teacher and must fill out a Leave of Absence Request.

CHANGE OF INFORMATION: If the student makes changes in his/her name, address, or phone number, the admissions office should be informed immediately.

INFORMATION:
Admissions Office
Monday to Friday 7:30am - 7:00pm
Tel. (714) 560-1568
Fax. (714) 560-1574

Computer Courses

COMPUTER REPAIR SPECIALIST CERTIFICATE PROGRAM

This program combines classroom work in the fundamental principals of computers with extensive hands-on lab sessions using modern equipment. The program provides an overview and fundamental principals of computers, computer software, Windows operating systems, and computer hardware.

COMPUTER OFFICE SPECIALIST CERTIFICATE PROGRAM.

This program prepares the student for an entry-level position as a software specialist from a group of core courses. The program is designed to teach students the skills to become a specialist in the Microsoft Office. Applications are widely used in both small and large businesses. Students will learn the tools to manage and organize databases, reports, create business cards, letters, charts, business presentations, invoices, etc.

WEB GRAPHIC SPECIALIST CERTIFICATE PROGRAM

This program prepares the students to develop a web presence for businesses, organizations, and data management through the development of a web site. Students will learn how to reach an audience and communicate ideas. The program includes basic and advanced software skills, developing a mission, goals, and the promotion and maintenance of a web site.

NETWORKS SYSTEMS SPECIALIST CERTIFICATE PROGRAM.

This program prepares the student for an entry-level position as an information systems network administrator, one of the highest demand employment needs today. The certificate program in Network Administration helps you develop the skills you need to use and to manage and support today's networking products and technologies.

You will learn to increase network performance, enhance network functionality and increase user productivity.

The Network Administration courses help prepare students to qualify to take certain Microsoft certification tests.

Medical Programs

MEDICAL ASSISTANT

This program will provide the student with the basic knowledge and skills needed to be able to perform the following occupational duties:

- Reception /scheduling patients.
- Manual /computerized billing.
- Simple bookkeeping.
- Perform EKG evaluation.
- Perform venipuncture.
- Administration of medication.
- Collect specimens.
- Collect pertinent data from patients (histories, vital signs)
- Perform simple lab tests (urinalysis, bleeding time).
- Operate equipment such as centrifuge, microscope and EKG.
- Assist physician and patients for physical examinations.

NURSE ASSISTANT

This course will provide the student with the basic knowledge and skills needed to be able to perform the following occupational duties:

- Collect specimens.
- Admit, transfer and discharge patients.
- Check vital signs.
- Nutrition/diet.
- Special skin care.
- Entries on patient chart.

MEDICAL SECRETARY

This course will provide the student with the basic knowledge and skills needed to be able to perform the following occupational duties:

- Medical Transcriptions
- Receptionist/scheduling patients.
- Manual/computerized billing.
- Simple bookkeeping.
- Filing and bookkeeping.
- Medical insurance/ICD-9, CPT-4