

Charter school criticized for finances

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PUC Achieve Charter School in northeast Rochester rang up a \$470,000 operating deficit in its first year, while its board members and local employees had ceded control of the finances to its national operator, according to an audit from New York State Comptroller Thomas DiNapoli.

The initial problem was largely related to enrollment; PUC Achieve, off Hudson Avenue, anticipated about 120 students in 2014-15, its first year, but ended up with only 82, according to the audit. As a result, revenues were down sharply, and the initial budget had also underestimated expenses. That resulted in a net loss of \$470,000 in a budget of \$2.2 million. To cover its costs, the school borrowed \$100,000 from PUC National, its California-based operator, and deferred payment on hundreds of thousands of dollars of debts elsewhere.

The school incurred another \$400,000 of debt the following year, according to the auditors, and currently faces a rent increase of \$120,000 for 2017-18 and beyond.

According to the audit, the school's board members were largely unaware of their dire position because they had contracted with PUC National to handle the finances. Board members did not have access to bank accounts or other fundamental financial documents; the company did not begin providing financial statements until August 2015.

The board members failed to provide any meaningful oversight of the budget process, the auditors concluded, and did not pay even cursory attention to money going out. For example, PUC National was left to pay itself \$250,000 of school funds without school oversight.

In its written response, the school said it has "dramatically reduced (its) deficit," and pushed back against the suggestion that the board has provided inadequate oversight.

At the same time, three board members were found to have at least potential conflicts of interest. One based in Rochester had invested \$100,000 through E3 Rochester, a local charter school advocacy group that helped bring PUC Achieve here, and had a stake in the school's building as the landlord.

Two California-based trustees, meanwhile, represent PUC National at the same time as the local school, PUC Achieve, a fact that was not fully disclosed in state accounting documents.

The school in its written response defended the propriety of those board members' positions and said it had followed all regulations.

PUC Achieve has big plans for expansion along Hudson Avenue, dreaming of a campus containing several schools and a stadium. It is supported

by many wealthy charter school backers through E3 Rochester, which has ponied up millions of dollars to keep it afloat.

In May 2015, a top administrator at PUC National, Jacqueline Duvivier Castillo, was ousted after it emerged that the organization had signed a lucrative food service contract with an outside company that Duvivier Castillo coowned with her husband.

PUC National operates about 15 schools in California; PUC Achieve is its first school in New York.

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