



September 1, 2017

Mr. George K. Farah  
The Law Offices of Guerra and Farah, PLLC  
4101 Washington Ave., 3rd floor  
Houston TX 77007

RE: Donna Independent School District – Forensic Services

Dear Mr. Farah:

We were engaged to conduct forensic services related to certain allegations of improper and/or fraudulent conduct on the part of Donna Independent School District (the “District”) employees (former and current), contractors, vendors and others.

The attached is our report resulting from the above referenced forensic services. The report is being provided for whatever action the District deems appropriate.

Regards,

A handwritten signature in black ink that reads "Cindy B. Carradine". The signature is written in a cursive, flowing style.

Cindy B. Carradine

September 1, 2017

George Farah  
The Law Offices of Guerra and Farah PLLC

Dear Mr. Farah:

We were engaged to conduct forensic services related to certain allegations of improper and/or fraudulent conduct on the part of Donna Independent School District (the "District"), employees (former and current), contractors, vendors and others. The period examined was 2013 through the present. We identified a number of situations indicating improprieties which we have investigated. The following is our report on the above referenced issue.

Many of the below described events were authorized by the previous Board (Board existing prior to the November 2016 election).

#### Overview of Procedures Performed

We used free form interview techniques and document review to ensure our understanding of the District and its administrative practices. When conducting free form interviews we had certain questions and topics to cover during the interview. However, a large part of the interview was focused on probing into information provided by the interview subject, either voluntarily or in response to our direct questions.

We investigated significant items identified in the course of our interviews and document review. This portion of our work included activities such as analysis of 98,911 emails across 14,472 mailboxes, 311,097 purchase orders, 18 duplicate vendors, 1,090 TEAMS log-ins, over 300 posted policies and operational documents, and 6,741 journal entries.

During the final portion of our investigation we performed targeted interviews with key process management owners to confirm the validity of our findings. The final portion of the investigation included additional document review, research, and ultimately the aggregation of our findings as described in this report.

Over the course of our investigation we conducted over 50 free form and targeted interviews.

#### Environment Overview

The control environment is a critical portion of the internal control structure of any organization. This can be thought of as the structure that supports the "tone at the top." It is critical that the District maintain an effective system of internal controls. However, those controls can easily be rendered ineffectual by an ineffective or inappropriate tone at the top.

Management override is a term used to describe any situation where an employee or Board Member instructs another employee to ignore the District's policies or standard practices and procedures.

## District Culture

During our interviews, our document review, and follow-up we identified the following key pervasive characteristics of the District's culture:

- **Fear of Retaliation:** District employees have a deep seated fear that any report of potential wrongdoing will result in retaliation. Employees were reluctant to be seen talking to us. Employees were often reluctant to respond to our request for an interview. As a result we conducted the majority of our interviews in the technology wing so that employees could arrive and depart without being seen by administration. Some interview subjects asked to be interviewed after hours at locations not associated with the District. Employees were often tearful during interviews and would openly describe their fear of losing their jobs as a result of what they told us.

Employees inform us that fear of retaliation has existed for many years. The current Board has inherited this culture and should be aware it exists.

- **Malaise Regarding Wrongdoing in the District:** Many District employees expressed the belief that nothing will change in the District. We were told repeatedly that the employees did not believe the new Board would be any different than the old Board.
- **Highly Active Rumor Mill:** The rumor mill is highly active in the District. As with most rumor mills it is sometimes accurate and sometimes inaccurate. The inaccurate rumors are as disruptive as the accurate rumors, sometimes more so. Rumor mills are fueled by an actual or perceived lack of transparency on the part of administration or the Board as well as by the first two cultural characteristics described above.
- **Management Override:** Employees often reported that they will do whatever the Board or the Superintendent tells them to do regardless of standing policies or procedures. This stems from the first two characteristics mentioned above.

Repairing the District's culture and creating an atmosphere of trust will take time.

## Structure of this Report

As a result of the cultural characteristics identified above we have organized this report to follow the District's administrative organization chart with sections related to the Superintendent and certain of his direct reports.

## **Section 1. Superintendent**

### **Background**

Fernando Castillo (“Castillo” or “the Superintendent”) has been employed by the District since the 1986-1987 school year. Immediately prior to being named District Superintendent, Castillo served as Deputy Superintendent (January 21, 2015-June 29, 2016), Chief Academic Officer (July 21, 2014-January 20, 2015) and Assistant Superintendent (2009-2014).<sup>1</sup>

### **Superintendent Qualification and Duties Regarding Fiscal Management of the District**

BJA(LOCAL), Update 79, issued November 7, 2006 “Superintendent Qualification and Duties” states that the superintendent shall “demonstrate effective planning and management of District administration, finances, operations, and personnel.” Specifically with regard to fiscal management BJA (LOCAL) states the Superintendent shall do the following:

2. e. Oversee a budget development process that results in recommendations based on District priorities, available resources, and anticipated changes to District finances.
2. f. Oversee budget implementation to ensure appropriate expenditure of budgeted funds, to provide for clear and timely budget reports, and to monitor for effectiveness of the process.
2. g. Ensure that District investment strategies, risk management activities, and purchasing practices are sound, cost-effective, and consistent with District policy and law.
2. h. Maintain a system of internal controls to deter and monitor for fraud or financial impropriety in the District.

BJA(LOCAL) states the Superintendent “may delegate responsibilities to other employees of the District but shall remain accountable to the Board for the performance of all duties, delegated or otherwise.”<sup>2</sup>

On July 1, 2015 Castillo notified Maricela Valdez (“Valdez”) that she was being reassigned from Director of Testing/Evaluation to Chief Financial Officer (“CFO”). The Superintendent did not review the District’s job description for the position of CFO prior to making the reassignment and was not aware that the job description requires the CFO to have a CPA certificate. The Superintendent was also unaware of other required and preferred qualifications listed on the CFO job description.

Upon inquiry Castillo stated that when selecting Valdez for CFO he considered her experience with HEB Grocery (“HEB”) as a key factor in selecting her for the CFO position. Valdez’s job application shows approximately 10 years of experience as a service manager with HEB. Valdez’s

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<sup>1</sup> See Superintendent Exhibit 01.

<sup>2</sup> See Superintendent Exhibit 02.

experience as a service manager with HEB is not the type of experience necessary to prepare her for the position of District CFO.

The Superintendent delegated his duties for fiscal management to an employee that did not meet the minimum qualifications for the position and did not have the necessary skills, education, training, and experience to hold the position.<sup>3</sup>

#### Excessive Number of Direct Reports

The most recent District Administrative organization chart indicates that the Superintendent has 12 direct downline reports.<sup>4</sup> Upon our inquiry the Superintendent indicated that the portion of the organization chart related to programs such as Bilingual Education, Special Education, etc. is inaccurate. Castillo stated that those individuals also report to the Academic Officers.

During our interviews we learned that the directors of those programs believe their reporting responsibilities align with the organization chart. This leads to confusion and a high risk of important issues such as monitoring the use of public funds being neglected. As we often encountered in our interviews District employees tend to reject responsibilities for job functions and limit their work to the functions that were performed in the past or to which they have access on TEAMS.<sup>5</sup>

#### Management Representation Letters to Orozco

The Superintendent was asked to sign letters to the District's former auditor, Luis C Orozco ("Orozco") in January 2017 regarding the District's financial statements for the year ended August 31, 2016<sup>6</sup> and again in January 2016<sup>7</sup> regarding the District's financial statements for the year ended August 31, 2015. The Superintendent acknowledged that he signed the letters requested by Orozco.

Each of these letters contains more than 50 representations by Castillo to Orozco. For purposes of illustration we are addressing only four of representations; however, each of the representations are important.

The first four representations in the letter are:

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 31, 2016 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

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<sup>3</sup> See Section 2 of this report for more information regarding the District's Chief Financial Officer.

<sup>4</sup> See Superintendent Exhibit 03.

<sup>5</sup> See discussion of Security Roles in Section 2 of this report.

<sup>6</sup> See Superintendent Exhibit 04.

<sup>7</sup> See Superintendent Exhibit 05.

- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

We asked Superintendent Castillo about these letters and he acknowledged that he does not have any accounting training and does not have an understanding of U.S. GAAP. The Superintendent should not have signed the letter to the external auditor unless he was certain the District CFO had the necessary skills, education, training, and experience.<sup>8</sup>

Further, by signing the letters Castillo acknowledged the District's responsibility for design, implementation and maintenance of a system of internal controls. Castillo does not have the skills, education, training, or experience necessary for him to make these representations to Orozco. Neither does the CFO chosen by Castillo, Maricela Valdez.<sup>9</sup>

#### Orozco Advisory Comments

At the completion of the audit of the District's financial statements for the year ending August 31, 2015 Orozco sent advisory comments to the Board of Trustees. These advisory comments addressed (1) untimely reconciliations of the General Fixed Asset Group of Accounts, (2) payments made for purchases without proper purchase order requisition (after the fact purchase orders) and (3) a contract approval without the proper bidding process.<sup>10</sup>

At the conclusion of the audit of the financial statements for the year ending August 31, 2016 Orozco informed Castillo that he has not received a Corrective Action Plan for the items mentioned in the prior year letter of advisory comments.<sup>11</sup>

The areas pointed out by Orozco are important and should have been addressed promptly upon Castillo's receipt of the letter. Since the CFO was on administrative leave when the Superintendent received the letter from Orozco he should have directed someone in the Business Office to promptly prepare a Corrective Action Plan. The absence of a Corrective Action Plan demonstrates either a lack of concern for or a lack of understanding on the part of Castillo regarding the importance of the District's internal controls over financial reporting.

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<sup>8</sup> See Section 2 of this report for more information on the District's Chief Financial Officer.

<sup>9</sup> Ibid.

<sup>10</sup> See Superintendent Exhibit 06.

<sup>11</sup> See Superintendent Exhibit 07.

## Hotline

The District offers an anonymous reporting hotline through a contract with Lighthouse Services (“Lighthouse”). The stated purpose of the hotline is to assist the District with identification of improper activity. Lighthouse keeps a record of incoming hotline reports and notifies the District’s designees. Prior to submitting the information to the District Lighthouse removes any information that might reveal the identity of the individual making the anonymous report.

The District’s current designees are Superintendent Castillo, the CFO and the assistant superintendent of Human Resources, Jose J. Villanueva (“Villanueva”). Castillo acknowledged that he does not provide the Board with information regarding the anonymous reports.

The value of an anonymous hotline cannot be overemphasized. In its 2016 Report to the Nations on Occupational Fraud and Abuse (“2016 Report to the Nations”) the Association for Certified Fraud Examiners (“ACFE”) reported that in 28% of reported fraud cases in organizations without a hotline the fraud was initially detected because of a tip from a whistleblower. However, in organizations with hotlines 47% of reported fraud cases were initially detected because of a tip from a whistleblower.

However, the hotline must be properly implemented in order to achieve the benefits it can offer. The District displays a link to Lighthouse on the homepage of its website. The link is inconspicuous and does not include adequate information to provide District employees or Donna citizens with an understanding of the purpose of the hotline as well as the potential penalties for false claims.<sup>12</sup>

Hotline services usually provide a phone number for hotline reports as well as a web-based reporting mechanism. We were not able to locate a published phone number for the District’s anonymous hotline.

We recommend the District take active steps to inform District employees and Donna citizens about the existence of the anonymous hotline.

The current hotline reporting structure is fundamentally flawed. An obvious concern is what would happen to a report made regarding Castillo, Valdez, or Villanueva. The Superintendent informed us that the District does not track hotline reports or the resolution of those reports. He also informed us that the Board is not advised regarding reports made to the hotline. Under the current structure there is no assurance that anonymous reports are being appropriately investigated.

The District should consider establishing a policy regarding the hotline. The policy should address who is tasked with determining which reports require investigation, how any investigations are to be handled, and how the investigations are to be shared with the Board. Additionally, the District should consider establishing a policy of non-retaliation. We recommend including general

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<sup>12</sup> See Superintendent Exhibit 08.

counsel and a Board member as District designees to receive reports from Lighthouse to ensure that steps taken follow District policy and are appropriately monitored.

A poorly handled hotline can easily perpetuate problems currently existing within the District. As mentioned earlier in this report, the current culture in the District leans heavily toward fear of retaliation for reporting potential wrongdoing combined with a malaise resulting from employees' beliefs that reports of wrongdoing will not be addressed.

We asked Castillo and Villanueva individually about the hotline. Each independently provided as their first response anecdotal information about an employee they believe to be abusing the hotline. It is possible this is in fact true and it is an unfortunate cost of having an anonymous hotline. However, the actions of Castillo and Villanueva in response to this perceived abuse could completely undermine the value that can be achieved from having a hotline.

Both Castillo and Villanueva volunteered that they attempted to identify the employee they believe to be abusing the system. Recall that this hotline is supposed to be anonymous. Instead of respecting the process, Castillo and Villanueva jointly asked the technology department to try to identify the person submitting the reports. When this failed Castillo and Villanueva reached out to the Police Department to request assistance in identifying the employee. This attempt also failed. Actions taken by Castillo and Villanueva to ferret out the identity of the anonymous tipster are inappropriate.

The other pervasive characteristic of the District's culture is the efficiency of the rumor mill. If information leaks that the Superintendent and the Assistant Superintendent of Human Resources are trying to determine the identity of an anonymous tipster the efficacy of the hotline will be greatly diminished. Such actions perpetuate the perception that management retaliates against whistleblowers and may also violate the Texas Whistleblower Act.

#### Records Management Officer

The Superintendent has designated Patricia Ramirez ("Ramirez") as the District's Records Management Officer. We toured the Records Management Office and met with Ramirez. After learning that Ramirez reports to Human Resources we also met with Villanueva to discuss the District's records management practices.

Both Villanueva and Ramirez indicate that Ramirez's responsibilities for records begins when the records arrive at the Records Management Office. Records stored in the records management office are primarily student records and records from other departments when they run out of storage space.

Ramirez showed us the records management office. The office is well maintained and the records appear organized. Ramirez has instituted procedures to label records and improve identification of records in storage. Villanueva stated that he had not visited the records management office.



The records management office shows signs of roof leaks which could damage the paper records. Additionally, paper records are highly susceptible to loss from fire. According to Ramirez some of the records have been scanned but the flash drives with the scanned files are held in the records management office. If a fire destroyed the paper records it would likely destroy the flash drives as well.

Business Office records are stored in the business office with paper records from prior years stored in the attic. The retention policies followed by the business office are to store records until they run out of room and then send the records to the records management office. We learned that one year of procurement files were scanned and backed up to a flash drive. However, the flash drive is stored in the business office as well. If a fire destroyed the paper records it would likely destroy the flash drive.

We inquired with the technology department as to the retention policies for previous versions of the website. This inquiry revealed the District does not have a webmaster and does not retain copies of previous versions of its website.

We recommend the District review its records management policies with attention to protection of the District's records. We also recommend giving the designated records management officer responsibility for all District records.

#### Email Retention

During our review of emails we noticed that the Superintendent often deletes emails that he sends. After deleting the emails he empties the "trash can" so that the emails are no longer stored in the District's Microsoft Office 365 platform.

The district currently uses a journalization server outside of the Microsoft Office 365 platform to retain all emails sent and received with a District email account. A journalization server acts as a monitor that records all electronic traffic and stores the information in a local storage medium. This means an individual user may believe emails are being deleted and cleared from their personal email folder resulting in the emails being unrecoverable. However we have been told that all emails are available for search via the journalization server.

We were unable to verify the information provided regarding the email backup on the journalization server. Access to the server was not provided until the final day of onsite fieldwork at the District. The journalization server is configured so that it only allows access while on-site and connected to the District network. We attempted to connect to the server during our final on-site visit on August 18, 2017 and were unable to access the server due to the significant quantities of data included and our limited time on site.

We recommend the District test the back-up process to ascertain that emails deleted by the Superintendent or other employees are properly retained as records of the District.

## Section 2. Chief Financial Officer

### Background

Maricela Valdez (“Valdez”) has been employed by the District since August 1993. Valdez has held the following positions with the District:

- Chief Financial Officer (“CFO”) (2015 through the present)
- Director of Testing and Evaluation (2013-2015)
- Director of Federal Programs (2010-2013)
- Principal (2000-2010)
- Curriculum Specialist (1999-2000)
- Elementary Teacher (1992-1999)

Valdez received a Bachelor of Science degree in August 1992 from the University of Texas-Pan American (“UTPA”) School of Education. Her major was in Health Education with a minor in Physical Education. In addition to her education courses Valdez took 9 college hours of business classes: Intro to Business Information Technology, and Computers and Society. Valdez did not take any accounting courses.<sup>13</sup>

Valdez received a Master of Education degree from the UTPA School of Education in May 1999 with a major in Educational Administration. Valdez took a class named Administration and Organization of School and Business Services. Valdez did not take any accounting classes while obtaining her master’s degree.<sup>14</sup>

Valdez received her Texas Teacher Certificate on September 1, 1993.<sup>15</sup> Valdez currently holds Texas Educator Certificates for Superintendent and Mid-Management Administrator Grades (PK-12) that are valid through November 30, 2017.<sup>16</sup> Valdez holds provisional certificates for Elementary Self-Contained Grades (1-8) and Elementary Health Education Grades (1-8) that are valid for life.<sup>17</sup>

On July 1, 2015 Valdez was notified by then Deputy Superintendent Fernando Castillo (“Castillo”) that she was being reassigned from Director of Testing/Evaluation to Chief Financial Officer. Castillo indicated that he would meet with Valdez to discuss her duties.<sup>18</sup> This reassignment increased Valdez’s annual pay from \$80,756.74 to \$100,793.42 for a total increase of \$20,036.68

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<sup>13</sup> See CFO Exhibit 01. Unofficial transcript obtained from Valdez’s personnel file. The file did not contain an official transcript.

<sup>14</sup> See CFO Exhibit 02.

<sup>15</sup> See CFO Exhibit 04.

<sup>16</sup> Confirmed by phone call with the Texas Education Agency that the Mid-Management Administrator’s Certificate is what is now known as the Principal Certificate. The name of the certification remains the same as when initially received.

<sup>17</sup> See CFO Exhibit 03 obtained at [http://tea.texas.gov/Texas\\_Educators/Certification/Certificate\\_Lookup/](http://tea.texas.gov/Texas_Educators/Certification/Certificate_Lookup/).

<sup>18</sup> See CFO Exhibit 05.

(a 25% increase).<sup>19</sup> Valdez stated that she did not apply for the position and no interview was conducted.

Valdez was placed on paid administrative leave on January 20, 2017.<sup>20</sup>

#### CFO Job Description - Summary

The District's job description for CFO summarizes the CFO role as follows:

*"Direct and manage the operation of all financial and business affairs of the district including accounting, payroll, purchasing, risk management, and tax collections. **Serves as the chief financial advisor to the superintendent and board of trustees.** Attendance at all Regular and Special Board Meetings is mandatory." (emphasis added)<sup>21</sup>*

Valdez stated that she believed the Board should not get involved in governance and should only legislate policy. This demonstrates a significant lack of understanding of the role of the Board and of the CFO's role as chief financial advisor to the Board.

#### CFO Job Description - Qualifications

The District's job description for CFO lists the following qualifications:

- **Education: Bachelor's degree in a business-related field or educational administration.**<sup>22</sup>

As discussed above Valdez does not have a Bachelor's degree in a business-related field but does have a Master's degree in educational administration.

It is recommended that the District consider requiring either an undergraduate degree or master's degree in accounting for the position of CFO.<sup>23</sup>

- **Experience: Five years [sic] experience in school business management.**<sup>24</sup>

As shown by the listing of positions above, Valdez had no experience in school business management prior to being reassigned to the CFO position.

It is recommended that the District consider requiring more extensive experience for the position of CFO.<sup>25</sup>

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<sup>19</sup> See CFO Exhibit 06.

<sup>20</sup> See CFO Exhibit 07.

<sup>21</sup> See CFO Exhibit 08.

<sup>22</sup> Ibid.

<sup>23</sup> See CFO Exhibit 08. Also see Section 4 of this report for additional information and recommendations regarding the District's job descriptions.

<sup>24</sup> See CFO Exhibit 08.

<sup>25</sup> See Section 4 of this report for additional information and recommendations regarding the District's job descriptions.

- **Licenses, Certificates, Registrations: Certified Public Accountant Certificate (Required)<sup>26</sup>**

Valdez does not have a Certified Public Accountant (“CPA”) Certificate. Valdez would not currently be able to obtain a CPA certificate because she does not meet the educational requirements to sit for the exam.<sup>27</sup>

It is recommended that the District update its CFO job description to require not only a CPA certificate but a valid CPA license from the State of Texas with an obligation to maintain that license at all times while holding the position of CFO.<sup>28</sup>

- **Other Skills and Abilities:<sup>29</sup>**

- Advanced technical knowledge of school finance, budgeting, accounting system [sic] and economics
- Working knowledge of financial applications and accounting

Valdez acknowledged that she does not have an accounting degree and has no accounting background. She stated that significant accounting knowledge is not required if the CFO surrounds herself with the appropriate expertise. However, she admitted that she decided not to fill the position of Accounting Director when David Robledo resigned.

Valdez admitted she does not understand accounting rules for school districts. Valdez also admitted she does not understand Generally Accepted Accounting Principles (“GAAP”). Valdez further admitted she does not know how to prepare the Comprehensive Annual Financial Report (“CAFR”).

Valdez stated that the CFO role was not focused on the accounting for the District but rather on strategic planning, generation of more money through better return on investments, and reduction of operating costs.

### January 26, 2016 Letter

On January 26, 2016 Valdez signed a letter addressed to then Board president, Alberto Sandoval, the Members of the Board of Trustees and the Citizens of the Donna Independent School District.<sup>30</sup> Following is some of the information contained in that letter:

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<sup>26</sup> See CFO Exhibit 08.

<sup>27</sup> See CFO Exhibit 09 obtained from <http://www.tsbpa.state.tx.us/exam-qualification/examination-requirements.html>.

<sup>28</sup> See Section 4 of this report for additional information and recommendations regarding the District’s job descriptions.

<sup>29</sup> This is a partial listing of “Other Skills and Abilities.” See CFO Exhibit 08 for additional skills and abilities listed on the job description.

<sup>30</sup> See CFO Exhibit 10.

The first paragraph of the letter reads as follows:

*“We are pleased to present the Donna Independent School District (the “District”) Comprehensive Annual Financial Report (CAFR) for the year ending August 31, 2015. **The report was prepared by the Business and Finance Office.** Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures contained in the report, rests solely with the District.” (emphasis added)*

The second paragraph of the letter contains the following assertions:

*“To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to **compile sufficient reliable information for the preparation of the District’s financial statement in conformity with GAAP.**”(emphasis added)*

*“As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.”*

Even though Valdez has no accounting background, no understanding of GAAP, and no knowledge of how to prepare the CAFR she signed the above January 26, 2016 letter. Valdez does not have the necessary skills, education, training or experience to make these assertions to the Board and the citizens of the District.

#### Orozco Advisory Comments

At the completion of the audit of the District’s financial statements for the year ending August 31, 2015 the District’s then auditor, Luis C Orozco (“Orozco”), sent advisory comments to the Board of Trustees. These advisory comments addressed (1) untimely reconciliations of the General Fixed Asset Group of Accounts, (2) payments made for purchases without proper purchase order requisition (after the fact purchase orders) and (3) a contract approval without the proper bidding process.<sup>31</sup>

At the conclusion of the audit of the financial statements for the year ending August 31, 2016 Orozco informed Castillo that he has not received a Corrective Action Plan for the items mentioned in the prior year letter of advisory comments.<sup>32</sup>

A CFO should either promptly prepare a Corrective Action Plan upon receipt of Orozco’s letter or assign that task to someone in the Business Office and follow-up to assure its completion. The absence of a Corrective Action Plan demonstrates either a lack of concern for or a lack of

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<sup>31</sup> See CFO Exhibit 11.

<sup>32</sup> See CFO Exhibit 12.

understanding on the part of Valdez regarding the importance of the District's internal controls over financial reporting.

### Technology

The Director of Technology has reported to the CFO since at least November 26, 2014.<sup>33</sup> Although not mentioned in the CFO job description Valdez has been responsible for the Technology Department at all times since becoming CFO.<sup>34</sup>

Valdez admitted that she does not have a technology background. When asked questions about the technology department using common technology terms of art Valdez asked for an explanation of those terms of art.

Valdez does not have the skills, education, training, or experience necessary to supervise the Technology Department.

### Security Roles

The District restricts access functionality within TEAMS through the use of role-based access controls commonly referred to as security roles which are applied to individual user profiles. The District has 243 roles for approximately 2,600 employees which is an unusually high number of roles. Additionally, security roles are not consistent for each job title and multiple instances occur where the security roles negate expected segregation of duties (e.g. an accounts payable supervisor having authority to set up/maintain vendors, create/approve requisitions, and make cash disbursements).

As of the date of this report there is no mechanism in place for a periodic review of TEAMS functionality assigned to District employees to ensure that each employee's access is aligned with their current job duties, all segregation of duties issues are identified, and any necessary compensating controls are implemented.

The technology department assigns security roles. As previously indicated the technology department reports to the CFO.

The District's CFO Job Description lists the following as one of the essential duties and responsibilities of the CFO:

*"Evaluate according [sic] procedures, systems, and controls in all district departments and recommend improvements in their design, implementation, and maintenance."*<sup>35</sup>

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<sup>33</sup> See the District Administrative Organization Chart for the 2014-2015 school year at CFO Exhibit 13.

<sup>34</sup> See the District Administrative Organization Charts for the 2015-2016 and 2016-2017 school years at CFO Exhibit 14.

<sup>35</sup> The Job Description refers to these as "according" procedures. Based on the remainder of the sentence it appears to be referring to "accounting" procedures. See CFO Exhibit 08.

Valdez did not evaluate the controls over security roles and did not direct anyone in the technology department (under her supervision) to do so. This resulted in undue risk to the District of inappropriate access to TEAMS.

### Override of Internal Controls

It is critical for the CFO to not only evaluate the accounting procedures, systems, and controls but to abide by those procedures, systems, and control at all times.<sup>36</sup> However, we uncovered the following during our review of District records:

- December 5, 2016: Daniel Valdez (Valdez’s husband) sent an email to Valdez asking for assistance on a purchase order.<sup>37</sup>
  - The purchase order was for shirts from CB Sportswear
  - D. Valdez wanted the purchase done before the holidays
- December 5, 2016: Valdez responds by email that she will request an emergency purchase order.<sup>38</sup>
- December 6, 2016: The purchasing clerk approves the requisition.<sup>39</sup>
- December 7, 2016: Sandra Martinez approves the purchase order.<sup>40</sup>

Valdez denied involvement in any emergency purchase orders for CB Sportswear. Valdez stated that emergency purchase orders were only for emergency repairs or unforeseen circumstances such as when weather causes differences in expected purchase requirements.<sup>41</sup> The order of shirts does not meet any definition of an “emergency” purchase order.

This bypassing of accounting procedures, systems, and controls by Valdez is concerning for several reasons:

- The emergency purchase order was done at the request of Valdez’s husband.
- The emergency purchase order was for a purchase from a company owned by the father of Human Resources Supervisor, Adolfo Campos, Jr.
- As CFO Valdez is responsible for the proper execution of the District’s accounting procedures, systems, and controls.
- Valdez acknowledged the importance of the District’s internal controls in the January 26, 2016 letter to the Board and the citizens of the District.<sup>42</sup>

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<sup>36</sup> See additional discussion of the District’s control environment on pages 1-2 of this report.

<sup>37</sup> See CFO Exhibit 15.

<sup>38</sup> See CFO Exhibit 16.

<sup>39</sup> See CFO Exhibit 17.

<sup>40</sup> See CFO Exhibit 18.

<sup>41</sup> This definition of emergency purchase order was confirmed by other District personnel.

<sup>42</sup> See CFO Exhibit 10.

### Valdez's Contact with the Prior Board Regarding Reassignment

Although Valdez advised that she did not apply for the position of CFO she did reach out to the prior Board in an effort to be considered for a promotion. Valdez stated that she sent her resume and key skills to the Board to keep in mind in case there was a position for which her skills could be utilized.

This is concerning because it is a circumvention or bypassing of the process of applying for a new position within the District. Additionally, she bypassed her direct supervisor, Castillo, in an effort to have the Board place her in a new position. This inserted an unnecessary and inappropriate political component into the assignment of job positions.

### Unusual Log-On Activity with Valdez's TEAMS password

Valdez's password was used to log-on to TEAMS from a location in Weslaco, Texas that is more than 5 miles from Valdez's home. TEAMS is the District's Enterprise Resource Planning Application which houses the Accounting, Purchasing, Inventory, Warehouse, Payroll, and School/Student management functions of the District.

Allowing an employee on administrative leave continued access to TEAMS for 11 days after she was placed on leave exposed the District to significant risk of manipulation or destruction of records.

The IP address for these log-ons indicates a location in the vicinity of Texas Boulevard and E. Business 83 in Weslaco. There were 277 logons from this IP address using Valdez's password prior to Valdez's suspension. The activity was particularly high in December 2016 (65) and January 2017 (64). Some of the log-ons were during early morning hours on a weekend.

Valdez expressed surprise when presented with this information and could offer no explanation for these log-ons. When we pointed out that this was approximately the location of the law firm of Walsh Gallegos Trevino Russo & Kyle P.C. ("Walsh Gallegos") Valdez denied that she had ever been to the Walsh Gallegos offices.<sup>43</sup>

When asked whether she had shared her TEAMS log-on password with anyone Valdez advised that she provided it to the technology department once to correct an issue on her computer. Valdez volunteered that she kept a list of her passwords on a sheet of paper on the credenza behind her desk. According to Valdez the list includes password to TEAMS, passwords for the District's bank accounts, etc.

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<sup>43</sup> Walsh Gallegos' Rio Grande Valley office is located at 105 East 3<sup>rd</sup> Street, Weslaco, Texas. This is one block removed from the intersection of Texas Boulevard and E. Business 83 in Weslaco and within the range of the identified IP address.



The list of passwords which Valdez carelessly kept on her credenza exposed the District to undue risk of misuse of those passwords. Valdez's failure to properly safeguard her passwords further demonstrates her lack of knowledge and understanding of her role as CFO both in regards to accounting procedures, systems, and controls and in regards to the technology department.

### Child Nutrition

The District is allowed to recover indirect costs for reasonable and allowable expenses to be used for the Child Nutrition Department.<sup>44</sup> The Child Nutrition Director, Diana Quintanilla ("Quintanilla") asserts she contacted Valdez as early as October 4, 2016 because she was concerned about the Indirect Cost calculation.<sup>45</sup> Quintanilla further states that Valdez was informed during a meeting on November 1, 2016 that the recovery of indirect costs was calculated incorrectly for the 2013-2014 and 2014-2015 school years.<sup>46</sup> Quintanilla asserts that Region One Finance Director, Frances Guzman ("Region One Finance Director"), informed Valdez during the November 1, 2016 meeting that:

- Valdez was using the wrong methodology to calculate the recovery of the indirect costs.
- Valdez should correct the calculation for the 2015-2016 school year because the entry had not been made yet and the audit by Orozco was not complete.
- The District must be able to justify that recoveries of indirect costs were "used in one way or form to improve the child nutrition department."<sup>47</sup>

In spite of information Valdez obtained during the November 1, 2016 meeting a journal entry for the 2015-2016 school year was posted on December 16, 2016 using the incorrect methodology.<sup>48</sup>

Quintanilla filed a report regarding the incorrect entries with the District Police Department on December 22, 2016.<sup>49</sup> Quintanilla also filed a Level One employee complaint regarding the incorrect entries with the District Human Resources Department on December 22, 2016.<sup>50</sup>

A correction for school year 2015-2016 was posted on January 11, 2017 just 7 days prior to a scheduled audit by the Texas Department of Agriculture ("TDA").<sup>51</sup>

Valdez correctly stated that the incorrect calculation and entry for the 2013-2014 school year was made before she was the CFO. However, Valdez was the CFO when the entry was recorded

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<sup>44</sup> Recovery of indirect costs means moving indirect costs from the Child Nutrition Department (restricted funds) to the Local Fund (unrestricted funds).

<sup>45</sup> See CFO Exhibit 19.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> See CFO Exhibit 20.

<sup>49</sup> See CFO Exhibit 21.

<sup>50</sup> See CFO Exhibit 19.

<sup>51</sup> See CFO Exhibit 22.

incorrectly for the 2014-2015 school year. Valdez either directed or allowed the incorrect entry for the 2015-2016 school year after being informed that she was using an incorrect methodology.

Valdez further stated that the errors were made because she was using a formula provided by the Texas Education Agency. As CFO Valdez is expected to *“implement the policies established by federal and state law, State Board of Education rule, and local board policy in the area of business operations.”*<sup>52</sup> As CFO Valdez should be expected to understand that the formula she was using caused a double recovery of indirect costs and to research the regulations to determine if the calculation was proper. At a minimum after the error was pointed out by Quintanilla and confirmed by the Region One Finance Director the incorrect entry should not have been posted on December 16, 2016.

Valdez acknowledged that the December 16, 2016 entry was incorrect by correcting the entry before the arrival of the TDA auditor. When asked why she did not correct the entries for the prior two years Valdez responded that she did not feel it would be appropriate to change the financial statements. This indicates a lack of familiarity with GAAP which provides guidance regarding how to handle errors in prior year financial statements.

Valdez confirmed that she did not inform Orozco that there were potential errors amounting to \$1,795,000 in prior year financial statements. This information should have been provided to the external auditor.

Valdez alleged that Castillo told her Quintanilla filed the report with the District police department in retaliation for the termination of the former purchasing agent, Luz Rodriguez (“Rodriguez”). Valdez also alleged that Rodriguez is affiliated with current Board president, Efren Cerniceros. Valdez further stated that Mr. Cerniceros contacted Castillo each time Valdez would “write-up” Rodriguez and that Castillo would then call Valdez about the write-up.

Valdez further alleged that she was informed by the District Chief of Police that Quintanilla was forced by unnamed Board members to make allegations against Valdez in return for being named CFO to replace Valdez.

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<sup>52</sup> See #17 on the CFO job description at CFO Exhibit 08.

### **Section 3. Business Office**

The business office has reported to Valdez at all times since Valdez's reassignment to CFO. The following paragraphs address concerns related to specific functions within the business office.

#### **Budgeting**

The Board raised questions regarding the numerous budget amendment requests made by the District. The budget is prepared by the District using the financial information from the prior year as the starting point. It follows that if the prior year information is incorrect the budget will not be accurate. As is more fully discussed in the Restricted Funds section of this report, there were numerous inappropriate salaries and other expenses paid out of restricted funds. These incorrect allocations make it highly likely that a budget prepared using the prior year numbers is going to require numerous amendments.

The Board is correct to assume that in the absence of an unusual set of circumstances the existence of numerous budget amendment requests indicates systemic problems in the financial records underlying the original approved budget.

#### **Procurement**

The purchasing agent job description lists as an experience qualification "Three years of professional level purchasing agent experience in the public sector.

Olga Noriega ("Noriega") advised she was hired as the District purchasing agent in July 2016. Noriega further advised she had no purchasing agent experience before being hired by the District. Prior to coming to work for the District Noriega was a human resources coordinator for a Montessori school and prior to that worked as an administrative secretary. Noriega further advised her degree was in technology management.

Valdez advised that Noriega was hired in spite of the hiring committee's recommendation to hire a different candidate. Valdez advised that the prior Board made the decision to hire Noriega.

The purchasing agent performs a critical function in the District and is the District's front-line defense against vendor improprieties. Upon inquiry, Noriega was unfamiliar with many of the requirements in the District's procurement manual. Noriega does not have the training or experience required to properly function as the District's purchasing agent.

#### **Adherence to internal controls**

We noticed during our review of business office documents that the adherence to internal control practices was done by rote without an understanding of the purpose of the control. In addition, we were repeatedly informed that controls were usually followed but if requested by the Superintendent or a Board Member to do something outside of the controls the employees would do as instructed.

Sandra Martinez has shown that she will question both the Superintendent and the Human Resources department in regards to instructions which she believes are outside of policy.

#### No CPAs in the Business Office

There are presently no certified public accountants working in any business office function.

#### No Background Searches on Vendors

We recommend the District run background searches on vendors. These searches will reveal relationships between companies and possible relationships with District employees or Board members.

The District presently does not do any independent work to determine whether a vendor has a conflict of interest. Instead the District relies solely on self-reported conflicts. Background searches will go a long way toward preventing problems such as the District experienced with the Flagmasters transactions.

## **Section 4. Human Resources**

Jose J. Villanueva (“Villanueva”) was named Assistant Superintendent for Human Resources on July 29, 2015 by then Deputy Superintendent Castillo.<sup>53</sup> This reassignment increased Villanueva’s annual pay by from \$92,374.50 to \$100,520.65 for a total increase of \$8,146.15 (a 9% increase).<sup>54</sup>

Villanueva met the job description requirements<sup>55</sup> for education and had five years of administrative experience. However, Villanueva did not have experience in human resources before being reassigned to this position by Castillo. Absent previous experience in human resources Villanueva did not have the skills, experience and training necessary to fulfill the essential duties and responsibilities listed on the job description.<sup>56</sup>

The job description for Assistant Superintendent for Human Resources indicates it was revised on January 28, 2008. However the properties for the word document indicate it was created on September 1, 2011.

### **Job Descriptions**

Most of the District’s job descriptions have not been updated since 2008. Many of the job descriptions no longer match the job titles currently at use in the District. For example there is no job description for the Chief Special Programs Officer. However, the job description file contains a job description for a non-existent position, Assistant Superintendent for Special Programs.<sup>57</sup> The job description for Assistant Superintendent for Special Programs was created in 2001 and last updated in 2008.<sup>58</sup>

We recommend the District review all job descriptions to ensure that all are current. Additionally, the District should consider increasing the required qualifications for certain key positions. As discussed in the CFO section of this report, five years of experience in school business management sets the bar too low for the CFO.<sup>59</sup>

The District’s job descriptions are kept in Microsoft Word documents with the usual practice being to overwrite the previous version of the job description when making revisions. With rare exception no record of previous versions is kept. Each of the job descriptions indicates it is “Approved by Board of Trustees.” However, upon inquiry Castillo and Villanueva both responded that the Board does not approve changes to the job descriptions.

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<sup>53</sup> See Human Resources Exhibit 01.

<sup>54</sup> See CFO Exhibit 06.

<sup>55</sup> See Human Resources Exhibit 02.

<sup>56</sup> Ibid.

<sup>57</sup> See Human Resources Exhibit 03.

<sup>58</sup> Information obtained from a review of the properties for the word document.

<sup>59</sup> It is also recommended that the CFO be required to have a valid CPA license while holding the CFO position and that the District review the CFO’s background to make sure their CPA license has never been revoked or suspended.

### Public Information Act Requests

Requests under the Public Information Act are responded to by the Human Resources Department. The requests are filed by name of requestor after a response has been given. According to Villanueva, the District does not employ any mechanism to calendar requests when received to ensure a response is given within 10 business days. We noted that the requests are written on an erasable white board in Villanueva's office until handled by the human resources department. We recommend the District consider calendaring the requests when received to ensure responses are timely and proper.

### CFO Administrative Leave

Valdez was put on administrative leave on Friday, January 20, 2017. We learned that Castillo and Villanueva warned Valdez late in the day on Wednesday, January 18, 2017 that she would be suspended two days later. After being told she would be suspended in two days Valdez was allowed to return to her office unaccompanied to collect her personal belongings. Valdez reported that she did not return to the Business Office on January 19, 2017 or January 20, 2017 even though she was not formally placed on leave until January 20<sup>th</sup>.

Valdez's access to TEAMS was not removed until January 31, 2017.

Best practices for terminated or suspended employees includes escorting the employee to their office to retrieve their personal belongings, collecting the employee's keys, and immediately removing the employee's access to District email and network. The failure to follow best practices either indicates a lack of knowledge and experience and/or a disregard for best practices.

The letter informing Valdez she was being placed on administrative leave also informs Valdez she is prohibited from contacting any District employee.<sup>60</sup> In spite of that instruction Valdez contacted Villanueva regarding her contract for the 2016-2017 school year. Villanueva sent Valdez her contract which she signed and returned to the District.<sup>61</sup>

### Verification of currently valid teaching certificates

Human Resources does not have a practice of ensuring all teachers hold a currently valid teaching certificate. A review of 34 personnel files found 12 files where the latest verification of certificates using the TEA website was out of date.

We recommend the District require the Human Resources Department to update files annually to ensure that all required certificates are currently valid.

### Performance Appraisals

Human Resources does not have a process to ensure that performance appraisals are performed and documented annually. A review of 34 personnel files found 2 files where the most recent

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<sup>60</sup> See CFO Exhibit 07.

<sup>61</sup> See Human Resources Exhibit 04.

performance appraisal was for the 2012-2013 school year, 9 files where the most recent performance evaluation was for the 2013-2014 school year, and 6 files where the most recent evaluation was for the 2015-2016 school year.

We recommend the District institute a tracking procedure to ensure that all performance appraisals are done on a timely basis. At a minimum performance evaluations should be completed before awarding contracts for the subsequent school year and before determining compensation for the subsequent school year.

#### Employee Pay Sheets

A review of 34 personnel files revealed one or more missing pay sheets as follows:

- Missing for 7 previous years: 2 files
- Missing for 4 previous years: 8 files
- Missing for 3 previous years: 3 files
- Missing for 2 previous years: 5 files
- Missing for 1 previous year: 5 files

We recommend the District create a checklist of information that is required to be maintained in the personnel files. After creating the checklist the District should review each personnel file to ensure that all required documentation is present.

#### Job Coding forms

The general ledger account code for District employees is assigned by the Human Resources department. Villanueva informed us that when an employee is hired to fill an existing position the same account coding is assigned as was used for the previous employee.

We learned that no District department believes it holds responsibility for the proper coding of employee payroll expenses. Human resources indicates the account coding is reviewed by the program directors or school principals. Program directors and school principals believe the business office is responsible for account coding. The Business Office believes the responsibility rests with the Human Resources department.

The propriety of the account code for each employee is the proverbial hot potato. No department accepts responsibility or accountability. This is a critical weakness that the District should address immediately. Errors in account coding have led to improper use of restricted funds.

We recommend the District consider reengineering the process for assigning account codes to individual employees. This process should involve the directors responsible for restricted funds, the Human Resources department and the Business Office. Guidelines to establish which department bears final responsibility for proper coding of employee costs should be agreed to by all three departments, be documented and be clearly explained to employees responsible for implementing the new processes.

### Attention to Detail

It is important that internal controls and approvals be practiced with care and attention to detail. A signature on a document is meaningless if the person signing the document does not pay attention to what they are signing. By way of example, Villanueva signed an employee pay sheet which shows a full year salary of \$1,976,921.44.<sup>62</sup> Additionally, the date next to the signature is typed instead of handwritten. This means it is not possible to tell when the form was actually signed.

Additionally certain documents are added to the personnel files without the appropriate signatures from Villanueva.<sup>63</sup>

### Inappropriate Sexual Harassment Training

We were advised that while presenting a sexual harassment training video Villanueva explained that if he and one of his direct reports in Human Resources were having an affair then there is no problem because both individuals agree to the relationship.

This is inappropriate information particularly coming from the Assistant Superintendent of Human Resources.

### CB Sportswear

During our review of emails we noticed emails from Human Resources Supervisor, Adolfo Campos Jr. ("Campos") related to CB Sportswear. These emails were sent using a District email address and during a District workday.<sup>64</sup>

The emails were for quotes for shirts by CB Sportswear, a business owned by Campos' father. The quotes were sent to the Donna Police Department and the Donna Cross Country team. There are two concerns regarding these emails.

First, Campos was conducting commercial business during the workday and using a District email address. Second the emails were sent to District employees that did not find this activity unusual.

Without revealing details we asked Castillo how he would handle a situation where an employee was conducting commercial business during a District workday. Castillo responded that such activity would be grounds for dismissal.

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<sup>62</sup> See Human Resources Exhibit 05.

<sup>63</sup> See Human Resources Exhibit 06.

<sup>64</sup> See Human Resources Exhibit 07.



## **Section 5. Restricted Funds**

During the course of our investigation we uncovered problems related to the administration of the District's restricted funds.

### **Bilingual Education**

The District receives allotments from the state of Texas for bilingual education. These allotments are restricted for use in accordance with guidelines set out by the Commissioner of Education.<sup>65</sup>

According to guidance from the Special Allotment Monitoring Program the District is not permitted to recoup the salary for the program director from the restricted funds. During the 2014-2015 school year and the 2015-2016 school year the salary for the Director of Bilingual education was paid directly from restricted funds.

We reviewed personnel files for a selection of bilingual teachers and found the following:

- 2014-2015 School Year: 20 employees were selected for review.
  - Class roster – missing for 1 of 20
  - Bilingual Certification:
    - Not certified or no certification in file – 12 of 20
    - Expired certification – 5 of 20
- 2015-2016 School Year: 19 employees were selected for review.
  - Class roster – missing for 3 of 19
  - Bilingual Certification:
    - Not certified or no certification in file – 14 of 19
    - Expired certification – 4 of 19
- 2016-2017 School Year: 20 employees were selected for review.
  - Bilingual Certification:
    - Not certified or no certification in file – 1 of 20
    - Expired certification – 12 of 20

Part-time tutors are also paid out of the restricted funds. A review of TEAMS indicates there is no documentation that tutors were working with the bilingual program.

During the 2015-2016 school year approximately \$26,000 of reimbursements were made to teachers taking college courses for a master's degree. This is not an allowable use of the restricted funds.

The current director, Gregorio Arrellano, lacks knowledge of the guidelines for use of the restricted funds.

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<sup>65</sup> Texas Education Commissioner's Rules, Chapter 89, Subchapter BB

### Career and Technology

The District receives allotments from the state of Texas for career and technology (“CT”). We reviewed a selection of files for teachers paid using CT funds and found the following improper payments from funds restricted for CT:

- 2014-2015 school year: The salaries for a math teacher, the PEIMS clerk/Secretary of Fine Arts, and a substitute teacher were inappropriately paid with CT restricted funds.
- 2015-2016 school year: The salaries for an English teacher and two PEIMS clerk/Secretaries-Child Nutrition Services were inappropriately paid with CT restricted funds.

Additionally during the 2015-2016 school year an unallowable charge for District-wide copiers was made against CT restricted funds.

### Gifted and Talented

The District receives allotments from the state of Texas for its gifted and talented program (“GT”). The TEA requires that at least 52% of the funds allotted for the GT program be used for direct expenses related to the program. The District appears not to have met this requirement for the 2012-2013 and 2015-2016 school years even if all expenses coded to the GT program are correct and eligible.

We reviewed expenses charged to GT and found numerous expenses improperly paid out of these restricted funds. Taking this into account the District fails the 52% test for the 2013-2014, 2014-2015, and 2015-2016 school years.

### Special Education

The District receives allotments from the State of Texas for its Special Education Program (“Special Ed”). We reviewed 20 random teachers the 2013-2014, 2014-2015, and 2015-2016 school years. For each teacher we obtained rosters for one month out of the test year from TEAMS. The roster provides the number of students and how many are classified as Special Ed.

Our review revealed the following:

- 2013-2014 school year:
  - 10 teachers met the requirements
  - 3 teachers had no teacher roster for the school where their salary was charged.
  - 3 teachers had a class roster with no students classified as Special Ed
  - 3 teachers had no roster on TEAMS
  - 1 teacher had no students listed on the roster

- 2014-2015 school year:
  - 6 teachers met the requirements
  - 6 teachers had no teacher roster for the school where their salary was charged.
  - 2 teachers had a class roster with no students classified as Special Ed
  - 4 teachers had no students listed
  - 1 teacher was as substitute with no students listed
  - 1 teacher had no information on TEAMS other than a payroll charge
  
- 2015-2016 school year:
  - 8 teachers met the requirements
  - 3 teachers had no teacher roster for the school where their salary was charged.
  - 6 teachers had no students listed
  - 2 teachers were substitutes with no students listed
  - 1 teacher had no information on TEAMS other than a payroll charge

#### All Restricted Funds

We were repeatedly advised by directors of programs with restricted funds that payroll was coded by Human Resources and the directors did not have TEAMS access that would allow them to monitor salaries paid out of restricted funds. We were advised by Human Resources and the Business Office that directors monitor these salaries and are responsible for making certain the salaries paid out of restricted funds met the requirements of the program. This indicates that no District employee is properly monitoring these funds to determine whether all requirements are met and all charges are appropriate.

This report is provided to the District and its legal counsel for whatever action deemed appropriate.