

# **2007-2008 GRAND JURY REPORT**

## **San Jacinto Valley Academy, Inc.**

### **Background**

The California State Legislature enacted legislation that created Charter Schools in 1992 to introduce, develop and encourage classroom innovation. Charter Schools are part of the Public School System as defined in Article IX of the California Constitution. Charter Schools afford educators and students the opportunity to develop approaches outside the traditional learning environment.

On June 9, 1997, the San Jacinto Unified School District chartering authority approved the San Jacinto Valley Academy hereafter referred to as the "Academy" which is a Community Charter School for grades K through 12. The Academy received its first students on September 5, 1997 for grades K through 8. Grades 9, 10, and 11 were added in subsequent school years 2004-2005, 2005-2006 and 2006-2007. Grade 12 will be added in school year 2008-2009. As of September 8, 2007, the total enrollment was 473 students. Funding for the Academy is provided by the State through the Chartering Authority and is based on an Average Daily Attendance. The Academy's 2006-2007 budget was \$2,212,112.

The Academy is located at 480 North San Jacinto Avenue in the City of San Jacinto, California. The campus consists of forty buildings set on twenty acres. The San Jacinto Valley Academy, Inc., a non-profit public benefit corporation 501(c) (3) entity, manages the operation of the Academy through an appointed Governing Board of Directors hereafter referred to as the "Board". The Board delegates responsibility for the academic leadership to the Principal.

The Academy must meet all statewide standards and conduct student assessments required pursuant to Section 60605 and 60851 of the California Education Code. They must also meet other statewide standards authorized by statute or student assessment policy, which are applicable to students in non-charter public schools.

The Academy uses the Inquiry-Based Teaching and Learning method as its basic education model. This model stresses questioning from both students and staff to develop a lifelong love of learning. Students are engaged in seeking knowledge regarding their natural and social environment. They are also encouraged to inquire into issues that are meaningful to them as well as other members of their community.

## Findings

1. Board Minutes show that during fiscal year 2006-2007, an Academy Board Member, who should have recused him/herself, voted to approve warrants, which resulted in direct financial benefit to two family members. One family member received warrants totaling \$5,499 and the other member received a warrant in the amount of \$22,000. In addition, the Board Member voted to approve warrant payments totaling \$77,190 to a fee-based non-profit organization in which the Board Member is a corporate officer. The Board Member actions are in direct violation of Article VII, Section II – Self Dealing of the Academy Bylaws, that states:

*“No individual shall vote on any issue, motion or resolution which directly or indirectly inures to his or her benefit financially except as permitted by law. For purposes of California non-profit corporations law applicable to public benefit corporation, a conflicted director must first disclose the nature of his or her interest, and thereafter may be counted in order to qualify a quorum and may participate in the discussion (but not the voting) of such issue, motion or resolution, all as subject to 5230 eq seq. of the California Corporation Code or any successor statute.”*

Furthermore, the Board Member’s action was also in violation of the Conflict of Interest Code. Board Policy 07-05-3, Articles III specifies Board Members as “designated employees”. Article V states that:

*“No designated employee shall make, participate in, or try to use his/her position to influence a Charter School decision which he/she knows or has reason to know will have a reasonably material financial effect, distinguishable from its effect on the public generally, on the official member of his or her immediate family.”*

2. On June 6, 2006, the Academy Principal terminated the services of the Parent Advisory Council (PAC) Volunteer Coordinator. On June 12, 2007, the Board dissolved the PAC as well as the School Advisory Committee (SAC) and attempted to replace both parental involvement committees with a Parent Teacher Association (PTA). However, the President of the 23<sup>rd</sup> District PTA in Riverside County declined to organize a PTA unit at the Academy, due to “lack of cohesive leadership team for the unit, and need for inclusiveness amongst those who may serve as PTA Officers and

Chairman". The Board action is in violation of Section 4 of the Academy's Charter, that states:

*"We will use multiple means to ensure parental involvement. First, parents will be represented on the school's Governing Board, Second, parents will be included on a Parent Advisory Council and a School Advisory Committee, ensuring a voice on important school decisions."*

3. In March 2007, two Board Members, one Administrator and two Teachers, attended an off-site charter school conference. Expenses for this conference were not paid with the Academy's business credit card, which had a limit of \$1,000. A Board Member paid the conference expenses with a non-affiliated business credit card from a non-profit corporation in which the Board Member serves as a corporate officer. This transaction is substantiated by a reimbursement warrant.
4. Board Minutes reveal that Board Members, whose terms are expiring, participated in the discussion and voted on their new term of office. A San Jacinto Unified School District Report, dated October 19, 2007, states that "Good judgment would suggest that the individual member abstain while the board voted on his or her new term".
5. Even though the Riverside County Office of Education and San Jacinto Unified School District performed their minimum statutory oversight responsibilities, our review of the Academy's management practices through documents and interviews indicate misuse of public funds.

The following examples are cited:

- An unlicensed landscape contractor, who is related to a Board Member, was paid \$70,000 to install the lawn in the quad area for elementary grade level children.
- A Board Member made purchases on behalf of the Academy with a non-affiliated business credit card belonging to another organization. The Board Member then personally charged the Academy an 8.5% administration fee for the use of the card, while also receiving a rebate on the purchase from the credit card company. Payment for the administration fee and rebate were made to the non-affiliated business organization in which that Board Member is a corporate officer.

- A purchase request dated December 21, 2006, for \$1,225 was approved to buy gift cards for the Board and staff members in violation of Article XVI, Section 6 of the California Constitution. An incorrect expense code was used for this transaction.
6. During an approved and scheduled teachers' training session on November 19, 2007, with a paid consultant, the Principal and Assistant Principal removed teachers from the training session to conduct performance evaluations.
  7. The level of safety and sanitary conditions provided by the Academy Administrators for staff and students did not meet the Department of Health and Safety Standards, Local Fire Marshal and Building Code requirements. Listed below are a number of unsafe and unsanitary conditions supported by interviews, a tour of the facility on October 31, 2007 and photographs.
    - Porta-potties that were used over a two-year timeframe were not cleaned and serviced regularly, which resulted in unsanitary conditions. (*Reference photos on pages 8 and 9.*)
    - A wooden ramp constructed to provide access to restrooms located in a temporary trailer failed resulting in a student falling through the structure.
    - The sports field used by secondary level students consists of an uneven hard clay surface with cracks and crevices. This presents a dangerous condition for playing sports and could increase Academy liability. (*Reference photos on page 10.*)
    - After spending over \$70,000 for sod and *hydro seed*, the playground area for elementary grade children shows dirt patches and uneven surfaces with the presence of ridges. These conditions are due to the absence of proper soil preparation resulting in the lack of water retention and nutrients to support and sustain the lawn. (*Reference photos on page 11.*)
    - Use of classrooms without receiving a Certificate of Occupancy from the City of San Jacinto.
  8. The Academy does not have a policy or procedure requiring vendors working at the Academy to document arrival/departure time and verification of services rendered.

9. Contracts for services and building projects were awarded without a formal bidding process. Other interested and qualified vendors were denied the opportunity to bid on the job. Documents reviewed indicated:

- Bid Splitting – Table 1 below shows the two separate contract amounts and warrant payments to an electrical contractor who performed work at the Academy without formal competitive bidding. The contract amounts are just below \$15,000 and if exceeded, require formal competitive bidding. Splitting or separating the electrical project into smaller jobs evaded the provisions of Public Contract Law Section 20116, that states:

*“It shall be unlawful to split or separate into smaller work orders or projects any work, project, service, or purchase for the purpose of evading the provisions of this article requiring contracting after competitive bidding”.*

**Table 1  
WARRANT PAYMENTS TO AN ELECTRICAL CONTRACTOR**

<b>TIME PERIOD</b>	<b>CONTRACT AMOUNT</b>	<b>PAYMENTS</b>	<b>PERCENT INCREASE</b>
July 2006-June 2007	\$14,500	\$16,300	12.4%
Jan. 2007-March 2007	\$14,900	\$19,040	27.8%
<b>TOTAL</b>	<b>\$29,400</b>	<b>\$35,340</b>	<b>20.2%</b>

- The business office manager failed to ensure that all expenditures are reported to the Board in the cash flow and budget analysis.
- Selecting and paying an unlicensed contractor who did not have the qualifications to perform the work.
- In violation of Public Contract Law, Section 20111 and Education Code 39802, The Board during fiscal year 2006-2007 selected a non-profit corporation, in which a Board Member is President/CEO, to provide services that exceed \$15,000 without a written contract.

## Recommendations

**Riverside County Board of Supervisors  
Riverside County Office of Education  
San Jacinto Valley Academy, Inc.  
San Jacinto Unified School District**

1. The Board must comply immediately with Article VIII, Section II – Self Dealing of the Academy’s Bylaws and Conflict of Interest Code, Board Policy 07-05.3.
2. The Board must reinstate PAC and SAC and restore parental involvement as required by Section 4 of the Academy Charter in order to ensure that parents have a voice on important school decisions.
3. The Board Members must immediately discontinue the practice of using personal or non-affiliated business credit cards to pay Academy business expenses. Additionally, the Board must immediately authorize the Business Manager to obtain an increase for the Academy’s credit card and develop a policy and procedure for its use, including a list of approved users. Any Board Member who has enriched themselves or any organization they control through self-dealing and use of non-Academy credit card, must account for any profits made from such transactions and repay the Academy.
4. Amend By-Laws to state that a Board Member whose term of office is expiring must recuse themselves from any discussion or voting on their reappointment to the Board.
5. The Riverside County Office of Education and the San Jacinto Unified School District intensify its oversight responsibility by:
  - a. The Riverside County Office of Education as authorized by California Education Code §1241.5(c) conduct a focused audit of the Academy’s fiscal practices and take necessary corrective action.
  - b. The San Jacinto Unified School District designate a staff member to serve on the Academy’s Board or identify a staff member to attend Board meetings as a representative and receive copies of all agendas and minutes, as required by the California State Education Code Section 47604.32 and 47604.4

- c. The Governing Board of the San Jacinto Unified School District set a public meeting for hearing the Academy's response to the Grand Jury Report.
6. The Academy's Administration establish a policy to support staff development and teachers in-service training sessions, held on the campus. The administrators demonstrate support by actively participating in the sessions and discontinue the practice of removing teachers from training sessions to conduct performance evaluations.
7. The Board must comply with Section 6 of the Academy Charter, which states, *"The school will maintain a safe and healthy work and school environment. O.S.H.A. and the Department of Health and Safety regulations will be maintained and local Fire Marshal and Building Codes relating to private schools will be followed..."* Also, *"a safety inspection of the grounds and facilities will occur on a monthly basis"*.
8. The Academy's Business Manager develop a policy and procedure for Board approval that require vendors working on the campus grounds or in Academy buildings to document, verify arrival times, departure times and job completion.
9. The Academy's Business Manager develop a bidding policy for the Board's approval that includes a formal closed bidding process allowing all qualified and interested contractors/vendors an equal opportunity to effectively compete for the job.

**Report Issued: 05/05/08**  
**Report Public: 05/07/08**  
**Response Due: 08/04/08**



San Jacinto Valley Academy – Porta-Potties at end of sports field. Unsanitary conditions.





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- San Jacinto Valley Academy.
- Sports Field.
  - Uneven Surface