-TEXAS EDUCATION AGENCY-

LA JOYA
INDEPENDENT SCHOOL DISTRICT

SPECIAL INVESTIGATION

INV2019-09-023, INV2019-09-067, ER2019-05-003, AND IR2018-07-001

Final REPORT

1701 NORTH CONGRESS AVE
AUSTIN, TX 78701

SPECIAL INVESTIGATION REPORT

LA JOYA ISD INV2019-09-023, INV2019-09-067, ER2019-05-003, AND IR2018-07-001

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I. Introduction

La Joya Independent School District ("LJISD" and/or "District") is located in the Texas Rio Grande Valley in the western part of Hidalgo County and includes the cities of La Joya, Palmview, Peñitas, and Sullivan City. LJISD is part of the Region 1 Education Service Center ("ESC") area. As of October 2022, the student enrollment is 24,804. The most recent accountability rating (2022) is a B (88). LJISD's most recent Financial Integrity Rating System of Texas (FIRST) rating for fiscal year 2022 is an A – Superior Achievement (98).

Over the past four years, TEA has received multiple complaints regarding allegations that members of the LJISD Board of Trustees ("LJISD Board" and/or "Board") and/or LJISD Central Office Administration ("Administration") engaged in fraud as well as violated conflict of interest and contract ps114 Tw -31.63 -2.3 Td [(an)-4ie(d)-4) (coi)-6D Tw 1 9 0 T -2.131 (003 a)4 35[(vi)-a]

After a careful review of the response and evidence submitted by the District, TEA issues this final report.

II. Background Information

In May 2017, and then again in June 2019, the Board entered into energy savings contracts with Performance Services Incorporated ("PSI").[5] These contracts were procured through ESC Region 8 and the Interlocal Purchasing System ("TIPS") under the region's Energy Savings Performance Contracts category.[6] The agreements with LJISD included PSI overseeing two (2) phases of energy savings projects and assisting the District in securing municipal bonds to fund the various energy savings projects. Trustees were told that the projects would save the District money on energy and the savings would be used to pay back the bonds.

Through a review of court documents, TEA learned that PSI hired subcontractors to perform the various energy savings projects. The companies hired by PSI were based on LJISD's recommendations, specifically from Trustee Garza, regarding "preferred vendors" of the District. Contract awards were then granted to the identified companies based on the job order contract procurement method, which is defined in Texas Government Code § 2269.403. Through this method of procurement, PSI awarded subcontracts without going out for bids and based its decisions primarily on the District's recommendations. Furthermore, LJISD administrators, Luis Morin and Alex Guajardo, made recommendations to the Board regarding certain companies to perform the projects and Trustee Garza would use the Board as a vehicle to approve those recommendations. By using the job order contract method, LJISD and PSI were not required to go out for bids. Therefore, Luis Morin, Alex Guajardo, and Trustee Garza conspired to ensure that

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[5] Exhibit 2 – LJISD Board Minutes 05.29.2017 Pg 2 Item #10
[6] Exhibit 3 – ESC Region 8 Contract Award

terminate the insurance contract with the candidate's wife. Subsequently, the Board voted to terminate the insurance contract with Trustee Salinas casting a vote to terminate the contract.

In June 2022, a third LJISD central office administrator, Rodrigo Lopez, was indicted on federal charges of theft and bribery for issuing a cash payment to "a LJISD employee intending to influence and reward said employee for approving LJISD purchases totaling $66,297.50 from Xizaka, LLC, a business owned by" Mr. Lopez.[9ef][ab]

allegations include a failure by LJISD Trustees to follow district policies and procedures, which created an environment that allowed two trustees to engage in conspiracy to defraud the government, which included extortion, receive kickbacks, bribery, theft, wire fraud, and money laundering, in violation of 18 United States Code ("U.S.C.") § 666(a)(i) and (2); Theft or bribery concerning programs receiving Federal funds,[11] 18 U.S.C. § 1343; Fraud by wire, radio, or television,[12] 18 U.S.C. § 1346; Definition of "scheme or artifice to defraud",[13] 18 U.S.C. § 1951; Interference with commerce by threats or violence,[14] 18 U.S.C. § 1952; Interstate and foreign travel or transportation in aid of racketeering enterprises,[15] 18 U.S.C. § 1956; Laundering of monetary instruments,[16] and Texas Penal Code ("TPC") § 36.02; Bribery.[17]

1) Findings of Fact for Allegation One

The following findings of fact are a result of a review of court documents and the documents submitted by LJISD. In January 2023, SIU conducted interviews with current LJISD Trustees Alda Benavidez, Alex Cantu, Nereyda Cantu, and Mary Hernandez. Also in January 2023, interviews were conducted with former trustee Esperanza Ochoa and current Superintendent Gisela Saenz. The summaries of the below-referenced court proceedings have been provided as an overview, are attached as exhibits, and should be accessed in their entirety. It should be noted that the court proceedings involving the findings of fact below are ongoing, and the disposition of each relevant court case is limited to the docket report as of February 27, 2023.

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[11] Appendix B – 18 U.S.C. § 666
[12] Appendix C - 18 U.S.C. § 1343
[13] Appendix D - 18 U.S.C. § 1346
[14] Appendix E - 18 U.S.C. § 1951
[15] Appendix F - 18 U.S.C. § 1952
[16] Appendix G - 18 U.S.C. § 1956
[17] Appendix H - Texas Penal Code § 36.02

16. On February 7, 2022, LJISD Assistant Superintendent of Student Services Jose Luis Morin was arraigned and filed a waiver of indictment regarding the charges filed in the criminal case.[29]

17. On February 7, 2022, LJISD Assistant Superintendent of Student Services, Jose Luis Morin, pled guilty in federal court to all charges filed in the criminal information.[30]

18. As of December 6, 2022, sentencing for LJISD Assistant Superintendent Jose Luis Morin is scheduled for March 9, 2023.[31]

19. The kickbacks and bribes accepted by LJISD Assistant Superintendent of Student Services, Jose Luis Morin were for his favorable recommendations to the LJISD Board regarding energy savings contracts and totaled approximately $28,000.

20. On February 24, 2022, federal prosecutors filed criminal information regarding LJISD Trustee Oscar Salinas pertaining to federal charges of extortion in violation of 18 U.S.C. § 1951.[32]

21. On March 3, 2022, LJISD Trustee Oscar Salinas was arraigned and filed a waiver of indictment, [illegible]

b. In October 2020, Trustee Salinas sent threatening messages to the CEO of L&G Engineering regarding the CEO politically supporting a different candidate than Trustee Salinas for a county office.

c. LJISD had an insurance contract with the spouse, Ruth Villareal, of the candidate supported by the CEO.

d. Trustee Salinas threatened to terminate the district insurance contract if the CEO did not renegotiate his personal services contract with L & G.

e. The CEO terminated the consulting agreement with Trustee Salinas.

f. The LJISD Board voted to terminate the insurance contract LJISD had with the spouse of the candidate Trustee Salinas did not support.

g. Trustee Salinas voted in favor of the termination of the insurance contract.

23. As of January 31, 2023, sentencing for Trustee Salinas is scheduled for May 18, 2023.[35]

24. Rodrigo Lopez held the position of administrator in the LJISD Asset Management Department and is the registered agent for Xizaka LLC.[36]

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28. As of January 3, 2023, sentencing for LJISD administrator, Rodrigo Lopez is scheduled for March 28, 2023.[40]

29. Mr. Lopez paid cash to an LJISD employee in an effort to influence the employee to approve LJISD purchases from Xizaka LLC.

2) Analysis of Allegation One

TEA finds that Allegation One is substantiated because LJISD trustees violated Tex. Educ. Code § 11.051 and Tex. Educ. Code § 11.151(b)(1) by failing to oversee the management [illegible]

that the transaction is designed to conceal the nature, location, source, or the ownership of the proceeds of the unlawful activity.

As stated in findings of fact 1, 4 through 8, ransAhroTw [. g un-2 3 (a)(A)2 (s)-2(0).5 (3)]TJ[(S(t)-

fiduciary duty as a LJISD Trustee. Based on court documents, TEA finds that Trustee Garza engaged in and pled guilty to violations of 18 U.S.C. § 1346.

As stated in findings of fact 20 through 23, Trustee Salinas violated 18 U.S.C. § 1951 when he attempted to obtain monetary payment of a renegotiated contract with the CEO of an engineering firm. Salinas threatened that LJISD would terminate an insurance contract with Ruth Villarreal if his agreement with the CEO was not re-negotiated for additional payments. The CEO eventually terminated the payment arrangement with Salinas. Subsequently, LJISD terminated the insurance contract. Salinas cast his vote for termination. Based on information from court documents, TEA finds that Mr. Salinas engaged in and pled guilty to violations of 18 U.S.C. § 1951.

As stated in findings of fact 4 through 8, Trustee Garza also violated 18 U.S.C. § 1951 when he exerted his influence over the employment of co-conspirators who were also employees of LJISD. These employees were elected officials at other government entities. Garza would use his influence as a trustee over their employment by supporting promotions or awarding stipends to said employees for their official votes in support of contracts for projects at other governmental entities. Based on information from court documents, TEA finds that Mr. Garza and Mr. Salinas engaged in and pled guilty to violations of 18 U.S.C. § 1951.

As stated in findings of fact 4 through 19, LJISD Trustee Garza and central office administrators Guajardo and Morin violated 18 U.S.C. § 1952 when they used cell phones to promote an unlawful activity. Additionally, Mr. Guajardo was involved in the dissemination of an emal containing a fabricated invoice. TEA finds that Trustee Garza and central office

corruption.[45] This contravenes the guidance provided for in the Financial Accountability Systems Resource Guide (commonly known as FASRG) that urges districts to adopt rules and procedures to govern purchases by this method.[46] This omission was by the board of trustees as a whole and despite the minimal information regarding interlocal agreements to which the district has access, district to which it owed a collective fiduciary duty to place the district's interests above the board of trustees' own political interests

The District insists that all district processes and procedures were foll (tr)5 (uP d1 (wd2 (a)6

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Additional support was provided through interviews referenced in the identification of Allegation One. Former Superintendent Benavides cautioned the Board against entering such a big investment into this project without evidence that the energy savings agreement would actually save the district money.[50] The Superintendent referenced that her initial cause for concern was what seemed apparent to her to be a partnership between the Board and PSI and that certain prior and current trustees had a close relationship with the company.[51] The board of trustees' failure to consider the former superintendent's concerns provides additional evidence of the laxity of oversight in their ability to properly manage the district.[52] This investigation confirmed that Performance Services Inc. was added to the Region 8 es'provides addis anal s1Tw 6.0(s1T9 0.0023 (la1

While TEA recognizes the plan LJISD has to correct the issues identified, the need for such actions confirms that the Board did not have the internal controls, processes, and procedures in place to oversee the management of the district.[55] Furthermore, the District's response points to a plan for corrective actions but does not provide any information as to the status and progress of the corrective action plan. Board Policy CH (Local) was added to prevent board members from making recommendations in favor of vendors seeking to conduct business with the district. This action demonstrates that the District did not have any measure in place to prevent trustees from recommending and then voting to approve their “preferred” vendor(s). Thus, providing the opportunity for the felonious actions discussed in this report to occur at both the administrative and board levels. The occurrence of unethical and criminal conduct at multiple levels within the district indicates that the issues are systemic in nature.

Based on the foregoing, including the acknowledgment by the district of areas of the report revealing significant issues requiring improvement, as well as evidence of board failures to ensure policies and procedures regarding vendor relationships and procurement methods in alignment with required state financial practices, TEA substantiates this finding. LJISD’s response to TEA’s Preliminary report attempts to deflect the actions of individual trustees as not those of the body corporate, but the evidence demonstrates the opposite: the board of trustees as a body corporate through its actions and inactions contributed significantly to the criminal conduct and corruption to which the district, its staff, and students suffered.

B. Allegation Two

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[55] For example, the La Joya ISD Procurement Manual addresses various methods of procurement with specificity but provides little to no guidance regarding Interlocal Agreements or Job Order Contracts, the two procurement methods utilized relating to this finding, which is inconsistent with the guidance provided in FASRG.

LJISD trustees and central office administrators failed to complete the required conflict of interest forms in violation of Texas Local Government Code ("Tex. Loc. Gov't Code") Ch. 171: Regulation of Conflicts of Interest of Officers of Municipalities, Counties, and Certain Other Local Governments[56], and Tex. Loc. Gov't Code Ch. 176: Disclosure of Certain Relationships with Local Government Officers, Providing Public Access to Certain Information.[57]