



# THE CABOC DIGEST

CALIFORNIA ASSOCIATION OF BOND OVERSIGHT COMMITTEES

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## El Rancho Promises Changes After State Audit Finds Potential Fraud

January 5, 2021 | By Bradley Bermont | Pasadena Star-News

**EXCERPT:** ... El Rancho Unified officials didn't have much of a holiday vacation, meeting for nearly four hours between Christmas and New Year's Eve to sign off on a 13-page response to a state audit that [found evidence of potential fraud](#) within the district's \$200 million Measure ER bond program.

[The response](#) — submitted on Dec. 30 to county officials who ordered the state audit — detailed how the district would change its policies, procedures and accountability measures to shore up numerous shortcomings identified. ...

Superintendent Frances Esparza made similar remarks, stating, "This is not a document for us to understand exactly what happened." ... "The only way we are going to find out what really happened is once the District Attorney receives this report and looks into it a little further," Esparza said. ...

The audit was singularly focused on the district's internal fraud controls, saying they were hampered by a rotating cast of superintendents and chief business officers, and warned about past involvement from board members who inappropriately inserted themselves into a hiring process that should have been led by district staff. ...

**While far from a conclusive list, some of the more notable changes promised by district officials include:**

- Reestablishing the district's Citizen Bond Oversight Committee, which has been unstable or disbanded for years now, including a period when potential fraud may have occurred. The district will also make it more difficult to remove a committee member without reason, and it will create better systems for committee members to monitor bond spending.
- Promising to hire a chief business officer, a position that's been unfilled for over a year now. Esparza has been filling in, but the audit said this is an ineffective leadership strategy. ...
- Asking district contractors to disclose any current or past contact with board members, "which is what we know happened here," Merino said, though the report made no such statement.
- Requesting full disclosure from contractors regarding donations to political action committees, as several contractors donated to a board members campaign and then later received district contracts.
- Barring board members from directly participating in any ad hoc committees related to the hiring of contractors, which is what happened in the HPLE hiring process.
- Increasing training for board members and district staff, including the superintendent, on the appropriate delineation of duties, particularly when it comes to awarding district contracts. Board members were overly involved in HPLE's hiring, the audit says. ...
- Increasing oversight of contractors and subcontractors to make sure they're being hired and doing the work they're meant to do — and that a district contractor is doing the work it promised to do — to better ensure the district isn't getting fleeced, as the audit suggests it could have been.
- And creating a better system to organize and manage district documents around its projects, as many documents weren't available to auditors during their investigation. ...

You can read the [full response letter here](#). The [FCMAT] audit itself [can be found here](#).

**To read the complete article, please visit:**

<https://www.whittierdailynews.com/2021/01/05/el-rancho-promises-changes-after-state-audit-finds-potential-fraud/>

## Carolyn Castillo, CABOC Vice President, El Rancho USD Trustee

— Carolyn Castillo, during her service on the El Rancho Unified School District Citizens' Bond Oversight Committee (CBOC), was concerned with the bond program expenditures. Because of her expressed concerns she was not reappointed to the CBOC for the new bond measure. Subsequently she was elected to the El Rancho Unified School District Board of Education. In that role she documented several irregularities and submitted her findings to the County Superintendent of Schools.

— The County Superintendent of Schools, under the authority of California Education Code Section 1241.5, ordered the Fiscal Crisis and Management Assistance Team (FCMAT) to conduct an Extraordinary Audit of expenditures and internal controls because she believed that fraud, misappropriation of funds or other illegal fiscal practices have occurred the merit examination.

— The results of that examination are reported above. Carolyn Castillo is the Vice President of the California Association of Bond Oversight Committees.

**CABOC Purpose:** The specific purpose of this corporation is to provide training, assistance, and encouragement to California School Proposition 39 Citizens' Bond Oversight Committee Members through development of training materials, delivery of online training, conferences, workshops, formation of regional groups of California Citizens' Bond Oversight Committees and representing common interest at the statewide level.

**School Proposition 39:** Proposition 39 requires school districts that pass Proposition 39 bonds to seat a Citizens' Bond Oversight Committee (CBOC) to assure the community that bond funds are expended in the fashion outlined in the district's bond resolution. The CBOC must meet at least once a year and inform the public about the expenditure of bond revenues. The CBOC shall actively review and report on the proper expenditure of taxpayers' money for school construction.

**Guiding Statement:** The Little Hoover Commission is a bipartisan independent California oversight agency to promote economy and efficiency in state and local government. "The Commission fulfills this charge by listening to the public, consulting with the experts and conferring with the wise. In the course of its investigations, the Commission typically impanels advisory committee, conducts public hearing and visits government operations in action." [The Little Hoover Commission in their Report #236](#), February 2017 made recommendations in regards School Proposition 39 bonds to the Governor and the Legislature for their consideration. These recommendations will guide the focus and work of CABOC.

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