



Forensic Audit Report

Prepared for:

San Benito CISD – Board of Trustees

August 22, 2022

WARNING: This Report (including Exhibits and Appendices) contains information protected under attorney-client privilege and personal identifying information of multiple individuals.

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Introduction and Scope of Work

I. Introduction

Weaver and Tidwell, L.L.P. (“Weaver”) submits this Forensic Audit Report (“Report”) to the Board of Trustees (the “Board”) for San Benito Consolidated Independent School District (“SBCISD” or the “District”). This Report presents the work performed in connection with the forensic audit conducted by Weaver for the fiscal years beginning September 1, 2016 through August 31, 2021 (“FY2017 – FY2021”), including our observations, findings and recommendations.¹ Weaver has made its best effort, given the available time and resources, to conduct an impartial, independent and extensive forensic audit. We did not conduct an exhaustive investigation into all aspects of the District’s finances and expenditures as such an investigation would require time and resources beyond those reasonably required to address the issues identified by the District. Certain limitations on the information available to Weaver resulted in constraints on our investigation. We had no power to compel third parties (including former Board members) to submit to interviews, produce documents, or otherwise provide information.

II. Scope of Work

a. Phase I of Forensic Audit

On August 20, 2021, Weaver submitted its Qualifications Statement for Forensic Audit Services (“Statement of Qualifications”) in response to the District’s Request for Qualifications for Forensic Audit Services (RFQ-0821-FAU). On November 18, 2021, Weaver was retained by the Board to provide forensic audit and investigative services in connection with RFQ-0821-FAU. The engagement letter executed with the District in November 2021 provided authorization to proceed with Phase 1 of the forensic audit, whereby Weaver was to prepare a written questionnaire to be completed by the Board and Superintendent for purposes of defining the scope of work for Phase II of the forensic audit.^{2 3}

On December 15, 2021, Weaver submitted a Proposed Work Plan and Fee Estimate to the Board based on the questionnaire responses received from the Board and Superintendent.⁴ As part of the questionnaire,

¹ Beginning in FY2018, the District adjusted their fiscal year from September through August to July through June. As such, FY2017 ends in August and FY2018 – FY2021 end in June.

² The Board and Superintendent each received the same written questionnaire from Weaver on November 17, 2021, and were informed by Weaver that their completion and submission of the questionnaire was voluntary. The Board and Superintendent were also informed that their responses to the questionnaire would only be shared with Weaver.

³ During the Board meeting on November 9, 2021, the Board elected to utilize a written questionnaire for purposes of selecting the scope of work to be included in the forensic audit.

⁴ During Phase 1, Weaver received questionnaire responses from the Superintendent, Dr. Nate Carman, as well as from each of the seven (7) Board members (Ariel Cruz, Janie Lopez, Mario Silva, Orlando Lopez, Oscar Medrano, Ramiro Moreno and Rudy Corona).

Weaver asked the Board and Superintendent to score their level of concern related to 13 potential areas of review, as well as to provide any comments. As outlined in the Proposed Work Plan and Fee Estimate submitted by Weaver and approved by the Board in December 2021, Weaver selected the six (6) highest areas of concern based on the aggregate scores across all questionnaire responses, as summarized below.

Potential Scope of Work / Area of Review	Total Points
Payments to Vendors and Contractors for Maintenance and Operations	20
Credit Card Expenditures	19
Purchasing / Procurement Practices	18
Federal Funds / Grants	18
Payments to Vendors and Contractors for Construction and Facilities	16
Payments to Consultants and Professional Services Firms	15
Payments to Vendors and Contractors for Supplies	14
Hiring Practices	13
Employee Salaries / Compensation	11
Employee / Board Travel Expenditures	10
Employee Expense Reimbursements	5
Purchases of Vehicles and Equipment	5
Payments to Vendors and Contractors for Food Services	4

b. Phase II of Forensic Audit

Following the Board's approval of Weaver's Proposed Work Plan and Fee Estimate on December 15, 2021, the District executed another engagement letter on January 18, 2022 with authorization for Weaver to proceed with Phase II of the forensic audit. The engagement letter for Phase II included the following scopes of work for FY2017 – FY2021:⁵

- Review and examination of payments to vendors and contractors for maintenance and operations
- Review and examination of credit card expenditures
- Review of purchasing and procurement practices
- Review and examination of federal funds and grants
- Review of payments to vendors and contractors for construction and facilities
- Review of payments to consultants and professional services firms

During Phase II of the forensic audit, Weaver performed the following work steps in reaching the observations, findings and recommendations outlined in this Report:⁶

⁵ The period of review (i.e., FY2017 – FY2021) was based on the questionnaire responses by the Board and Superintendent, of which 75% of the respondents selected FY2017 – FY2021 as their preference for the review period of the forensic audit.

⁶ Additional work steps performed by Weaver are included at the beginning of each section in the Report.

- Conducted witness interviews with over 20 current and former District employees, Board members and third parties (including multiple discussions with many of the interviewees);⁷
- Reviewed information pertaining to Board and Committee meetings during FY2017 – FY2021, including meeting minutes, agendas, agenda packets and recorded videos (as available);
- Analyzed approximately 200,000 email records for 19 custodians, including current and former Board members and District employees;⁸
- Analyzed expenditures from the District’s general ledger and check register for FY2017 – FY2021 related to the scopes of work authorized by the Board;
- For each scope of work, Weaver selected a sample of transactions for further review, including the review of supporting purchasing documents (e.g., contracts, invoices, purchase orders), email communications and relevant documents presented to the Board. We also performed research of the vendor utilizing the LexisNexis Public Records database, and publicly available information from the Texas Ethics Commission and Secretary of State;
- Reviewed the District’s procurement practices for vendors and contractors, including the solicitation and evaluation of proposals, quotes and bids, as well as the District’s competitive bidding processes;
- Reviewed the District’s policies and procedures including Board policies (local and legal), as well as other policies related to purchasing, travel, and credit cards, among others.

While Weaver performed additional work steps not included above, the above listed work steps reflect the actions performed by Weaver that formed the basis for our observations, findings and recommendations discussed throughout the remainder of this Report.

⁷ We conducted interviews with current employees across various departments within the District including Finance and Operations, Purchasing, Accounts Payable, Maintenance, Federal Programs, Technology, and Public Relations.


⁸ Weaver provided a list of relevant keyword searches to the Technology department to run across all email data maintained in the District’s email archive. Weaver also requested all email data for certain individuals.

Executive Summary

The Executive Summary provides an overview of Weaver’s observations, findings and recommendations for Phase II of the forensic audit, based on the scopes of work identified during Phase I. The Executive Summary is based on the set of facts and findings described in the Report, and should be read with the Report itself including the associated exhibits and appendices. Standing alone, it does not, and cannot, provide a full understanding of the facts and analysis underlying our observations and findings. In addition, while the Report itself is intended to provide the relevant basis for our observations, findings and recommendations, it does not exhaustively detail all efforts undertaken by Weaver.

I. Background

SBCISD is a political subdivision of the State of Texas, located in Cameron County, Texas encompassing approximately 16 square miles. The District has an enrollment of approximately 9,700 students and an annual budget of approximately \$135 million. The District is governed by a seven-member Board comprised of District residents, with each Board member serving staggered three-year terms. The table below summarizes the District’s Board members during the period of our review.

Summary of Board of Trustees for 2017 - 2021 (Calendar Year)						
Trustee	Place	2017	2018	2019	2020	2021
Michael Vargas	Place 1	Sec. / President	President	President		
Baldemar Olivarez, Jr.	Place 1					
Anna Garza Llanes	Place 1					
Dr. Ariel Cruz	Place 1					
Anna Cruz	Place 2	President				
Sonia Weaver	Place 2				Vice Pres.	
Mario Silva	Place 2					
Joe G. Gonzalez	Place 3					
Janie Silva	Place 3				Secretary	
Oscar Medrano	Place 3					Secretary
Arnold Padilla	Place 4					
Orlando Lopez	Place 4			Vice Pres.	President	
Hector Leal	Place 5					
M.L. Garcia	Place 5	Secretary	Secretary	Secretary		
Rudy Corona	Place 5					
Oscar Medrano	Place 6	VP				
Victor Rosas	Place 6					
Ramiro Moreno	Place 6					President
Angel Mendez	Place 7	Vice President	Vice President			
Janie Lopez	Place 7					Vice President
Legend						
Active Board Member						

In addition to regular and special Board meetings, the Board is organized is organized into five (5) committees that meet periodically (generally monthly), with each committee comprised of several Board members. The Board committees include an administrative committee, curriculum committee, finance committee, building committee and policy committee. During the majority of our period of our review, the District's Superintendent was Dr. Nate Carman ("Dr. Carman"), who served as the District's Superintendent from September 2017 – February 2022. Dr. Carman replaced Dr. Adrian Vega, who served as the District's Superintendent from January 2016 – April 2017. Following Dr. Carman's departure from the District, Theresa Servellon ("Ms. Servellon") was named Interim Superintendent.

II. Summary of Findings

a. Construction and Facilities (2018 Bond Program)

Weaver's scope of work included the review of expenditures for construction and facilities during FY2017 – FY2021. The focus of our efforts was expenditures associated with the \$40 million bond proposition for the construction of new facilities that was passed in the November 2018 bond election (referred to in this Report as the "2018 Bond Program"). A summary of our observations and findings is provided below, with additional detail included in **Section A** of this Report.

1. In May 2018, the District formed a Bond Committee comprised of 14 residents within the District, with each Board member nominating two (2) individuals to serve on the Bond Committee.⁹ The Bond Committee held three (3) meetings during the July 2018 – August 2018 time period, focusing on the prioritization of the District's facility needs to be included in a potential bond proposition based on a list of 16 projects presented to the Bond Committee.¹⁰
2. In November 2018, District voters approved a \$40 million bond proposition for the construction of an Indoor Multipurpose Facility, Aquatic Center and Performing Arts Center. The estimated costs for the new facilities as shown in the bond proposition are summarized below.

Facility	Cost Estimate
Indoor Multipurpose Facility	\$3.5 - \$4.0 Million
Aquatic Center	\$5 - \$5.5 Million
Performing Arts Center	\$30 - \$31 Million
Total	\$40 Million

3. The cost estimates included in the bond proposition were based on costs for similar facilities at other school districts in the area. The District did not hire outside consultants to assist in the preparation of the cost estimates during the pre-bond planning process. As a result, the cost estimates included in the \$40 million bond proposition were rough

⁹ Ultimately, only 13 individuals served on the Bond Committee as one individual nominated chose not to serve on the committee.

¹⁰ During the Bond Committee meeting on July 18, 2018, Dr. Carman presented to the Bond Committee the list of 16 potential projects and an estimated cost for each project, as prepared by the District.

estimates and did not account for site development costs, inflation or specific design plans that would be selected by the District.

4. Based on actual costs incurred as of June 30, 2022, Weaver has estimated the total costs for completion of the 2018 Bond Program to be in excess of \$44 million, as summarized in the table below.¹¹

Bond Project	Estimated Costs (as of 6/30/2022)	Estimated Costs (Bond Proposition)
Indoor Multipurpose Facility (complete)	\$6.52 Million	\$3.5 - \$4.0 Million
Aquatic Center (in progress)	\$11.03 Million	\$5.0 - \$5.5 Million
Performing Arts Center (in progress)	\$24.74 Million	\$30.0 - \$31.0 Million
Project Management Services	\$1.72 Million	N/A
2018 Bond Program Total	\$44.02 Million	\$40 Million

5. We observed a lack of transparency in the process that resulted in the Board's selection of Brighton Group as project manager for the 2018 Bond Program in December 2018. The District issued a Request for Qualifications (RFQ) and received proposals from four (4) firms to be evaluated by the Board. Each firm presented to the Board during the Building Committee meeting on December 11, 2018, however, we were unable to identify any documentation in support of the Board's evaluation (e.g., score sheets, evaluation forms or ranking rubrics). During the following Board meeting on December 18, 2018, the Board selected Brighton Group as project manager without any discussion or deliberation concerning how each Board member evaluated the proposals.¹²
6. The District's RFQ for Project Management Services included a requirement for the respondent to have appropriate liability insurance in accordance with Texas Government Code Section 2269.208.¹³ In their proposal submitted to the District on December 3, 2018, Brighton Group did not provide documentation of professional liability insurance coverage, but stated they were willing and able to obtain additional insurance policies required by the District. After the District's selection of Brighton Group on December 18, 2018, Brighton Group obtained professional liability insurance coverage for the 2018 Bond Program effective December 21, 2018.
7. Brighton Group was not registered as a professional engineering firm with the Texas Board of Professional Engineers and Land Surveyors until February 2019, which was after they entered into a contract with the District in January 2019.¹⁴

¹¹ Fees for project management services are calculated based on 4.5% of the estimated final construction costs, as outlined in the District's contract with Brighton Group. As of this Report, actual project management fees totaled \$1.25 million.

¹² The RFQ outlined evaluation criteria for the selection of a project manager, which included each firm's qualifications, experience on similar projects and professional references. We observed that certain other firms provided as many as 12 examples of similar projects, whereas Brighton Group only included one example (Santa Maria ISD).

¹³ Section 2269.208 of the Texas Government Code requires a construction manager-agent selected to maintain professional liability or errors and omissions insurance in the amount of at least \$1 million for each occurrence.

¹⁴ In our interview of Brighton Group's President (Joseph Palacios), Mr. Palacios stated that the RFQ did not list a requirement for the project manager to be registered as a professional engineer. Mr. Palacios also stated that Brighton Group was not hired to provide architectural design or engineering services for the 2018 Bond Program, which were procured by the District through separate RFQs.

8. As outlined in the District's January 2019 contract with Brighton Group for project management services, Brighton Group's fee is 4.5% of final construction costs.¹⁵ The contract outlined a payment schedule where Brighton Group was to receive \$1.25 million (based on estimated construction costs of \$30 million), including \$100,000 upon execution of the contract, followed by payments of \$50,000 per month.
9. As of December 2020, Brighton Group had received \$1.25 million in project management fees for the 2018 Bond Program based on the payment schedule outlined in the contract. However, the 2018 Bond Program is not scheduled for completion until August 2023 (at the earliest), which is 32 months after the last payment received by Brighton Group.
10. Based upon our review of other project management contracts at other school districts, fees are generally paid based upon either project completion percentages each month, the completion of predetermined milestones (e.g., design phase), or based on hourly rates and time on the project. In our review, we did not identify any other project management contracts where fees were paid in advance of services provided.
11. Alicia Rodriguez served on the Bond Committee in 2018 during the bond-planning process. While Ms. Rodriguez is currently employed by Brighton Group, Ms. Rodriguez was not employed by Brighton Group at the time she served on the Bond Committee.¹⁶
12. The District procured Construction Manager at Risk ("CMAR") services for the 2018 Bond Program through the issuance of a RFQ, prepared jointly by Brighton Group and the Board's attorney, Tony Torres. Texas Government Code requires a two-step CMAR selection process if an entity elects to issue a RFQ instead of a RFP.¹⁷ It did not appear that the District completed the second step of the two-step CMAR selection process as described under Texas Government Code.
13. Texas Government Code requires the District to make public the ranking of submissions for CMAR services within seven (7) days of a contract being awarded.¹⁸ We were unable to identify any documentation in support of the Board's evaluation process (e.g., rankings or score sheets), much less any documentation that was made public, which appears to be in violation of Texas Government Code.
14. In October 2018, Hellas Construction contributed \$1,000 to the Special Purpose Acquisition Company (SPAC) formed by members of the Bond Committee to raise

¹⁵ The contract excludes the cost of consultants in the calculation of final construction costs (e.g., fees and expenses for architects).

¹⁶ Ms. Rodriguez was hired by Brighton Group in January 2020, which was approximately 12 months into the 2018 Bond Program and the District hiring Brighton Group as the project manager.

¹⁷ Texas Government Code Section 2269.253 requires either a one-step process or a two-step process in the selection process for CMAR services. Under a one-step process, a government entity shall prepare a single Request for Proposals (RFP), including the request of proposed fees and prices for fulfilling the general conditions. Under the two-step process, a government entity may issue a Request for Qualifications (RFQ) as step-one, which must not include a request for fees or prices. In step-two, the entity is to select five (5) or fewer firms on the basis of qualifications. The entity may request additional information from the selected firms, including proposed fees and prices for fulfilling general conditions (as would be included in a RFP).

¹⁸ Texas Government Code Section 2269.254 (Subchapter F) states: "*The governmental entity shall select the offeror that submits the proposal that offers the best value for the governmental entity based on the published selection criteria and on its ranking evaluation...Not later than the seventh day after the date the contract is awarded, the governmental entity shall make the rankings determined under Section 2269.253 (g) public.*"

funds to be used to promote the \$40 million bond proposition.¹⁹ Hellas Construction was later selected as the CMAR for the construction of the Indoor Multipurpose Facility in May 2019.

15. During the Annual Superintendent's Golf Tournament hosted by the District in the spring of 2019, we identified donations from several firms recently hired by the District as part of the 2018 Bond Program.²⁰ Most notably, Brighton Group donated \$25,000 as a Diamond sponsor, which was the largest of the 68 donations received.²¹ A summary of donations by firms hired for the 2018 Bond Program is provided below.

Sponsor	Sponsorship Level	Donation
Brighton Group	Diamond	\$25,000
ROFA Architects	Gold	\$5,000
PBK Architects	Silver	\$1,500
Hellas Construction	Bronze	\$1,000
Raba Kistner	Bronze	\$1,000

16. On October 20, 2018, Board President Vargas shared a post on his Facebook page encouraging citizens to vote in favor of the \$40 million bond proposition in the upcoming bond election. We determined that the Facebook post was **not** a violation of Texas Election Code as it did not appear that District funds were used in the preparation and dissemination of the Facebook post.
17. In 2019, Board President Vargas retained Jose Luis Caso as legal counsel to represent him in response to a petition filed with the District Court of Cameron County for his removal from the Board. Mr. Caso was a sub-consultant for Brighton Group and provided services to the District related to the 2018 Bond Program, including the review and preparation of RFQs, among other services.

b. Consultants and Professional Services

Weaver's scope of work included the review of expenditures for consultants and professional services during FY2017 – FY2021. We analyzed the entire population of expenditures for consultants and professional services, as well as selected a sample of transactions for further review. A summary of our observations and findings is provided below, with additional detail included in **Section B** of this Report.

18. We identified expenditures for consultants and professional services totaling approximately \$54 million during the period of our review, including payments to over 600 vendors and contractors. A summary of expenditures for consultants and professional services by vendor is provided in **Appendix 1**.

¹⁹ In October 2018, members of the Bond Committee formed a SPAC under the name Investing in Our Children's Education. Gilbert Weaver was listed as the Treasurer for the SPAC, who was a member of the Bond Committee and a spouse of a Board member.

²⁰ The Annual Superintendent's Golf Tournament started in 2018 during Dr. Carman's first year as Superintendent.

²¹ On the sponsorship list, Trustee Lopez was listed as the District's representative responsible for contacting Brighton Group.

19. Approximately \$40 million of the \$54 million in expenditures for consultants and professional services (or 74%) related to payments to health insurers, including United Healthcare Insurance Company and Blue Cross & Blue Shield of Texas.
20. We selected 21 transactions for further review, including a review of purchasing and procurement records (e.g., quotes, proposals, purchase orders, invoices, contracts, and check copies, among other items).
21. In April 2018, the District entered into a consulting agreement with Absolute Business Consulting Group (“ABC Group”) to provide public relations consulting services to the District for a term of one year with a monthly fee of \$9,000 (\$108,000 in total).²² The monthly fee was effectively a retainer where ABC Group was paid even if no services were provided.
22. Based on interviews conducted and our review of email communications, the primary services provided by ABC Group pertained to the publication of the District’s newsletter, *The Observer*.²³ It is our understanding that staff from the Public Relations department prepared the content for the newsletter and ABC Group was responsible for preparing the print layout and publication. The *Observer* was issued quarterly during FY2019 and either monthly or bi-monthly during FY2020, before being suspended in October 2020 due to the COVID-19 pandemic.²⁴
23. In April 2019, ABC Group’s contract was presented to the Board for renewal for the 2019-2020 school year.²⁵ However, the draft contract included in the Board packet that was ultimately executed was for a term of two (2) years. The April 2019 contract also included an automatic renewal clause if the District did not provide written notice not to extend the agreement within 90 days of the end of the contract term (i.e., on or before January 8, 2021).²⁶
24. In November 2020, the District’s Director of Public Relations emailed Dr. Carman in advance of the automatic renewal date included in ABC Group’s contract to request that the District hire additional staff for the Public Relations department in lieu of renewing the contract with ABC Group.²⁷ Dr. Carman did not respond to the email and the request was never presented to or discussed by the Board or a Board committee.

²² ABC Group was formed under an Assumed Name Certificate filed in Hidalgo County by Karina Cardoza in March 2016. In August 2017, ABC Group was awarded a contract through The Interlocal Purchasing System (TIPS) for consulting and other related services. After operating under the Assumed Name Certificate for several years, ABC Group was registered with the State of Texas as a Limited Liability Corporation in February 2019.

²³ Dr. Carman informed the Board in April 2019 and April 2021 that ABC Group provides other services to the District in addition to *The Observer*, including speech writing and assistance with marketing campaigns.

²⁴ It is our understanding that publication of *The Observer* resumed in the spring of 2021.

²⁵ Both the agenda item for the April 9, 2019 Board meeting and the motion made by Board President Vargas reflected the renewal of the District’s contract with ABC Group for the 2019-2020 school year only.

²⁶ We also noted that ABC Group donated \$5,000 to the District in or around April 2019 as a sponsor for the Annual Superintendent’s Golf Tournament. The contact person listed for ABC Group on the sponsorship list was Mike Robledo, with Trustee Lopez listed as the District’s representative responsible for contacting ABC Group.

²⁷ In the email to Dr. Carman, the Director of Public Relations indicated that the District’s Communications department has always performed the public relations and media-related work internally, and received awards for their photos, publications and video productions.

25. In April 2021, the District's 2019 contract with ABC Group was automatically extended for two (2) additional years. We did not identify evidence of the Board discussing the renewal of the contract prior to the automatic extension provision being enforced. When ABC Group's current contract extension expires in April 2023, the District will have paid ABC Group \$540,000 for public relation services during the April 2018 – April 2023 time period.
26. We determined that ABC Group's owner, Ms. Cardoza, was listed as a Governmental Relations Consultant for the Pharr Economic Development Corporation as of 2016 and another company owned by Ms. Cardoza, KM International, contracted with the City of Pharr to provide public relations consulting services starting in March 2017.²⁸ In or around January 2019, former Board President Vargas was hired by the Pharr Economic Development Corporation as their Public Affairs Liaison.²⁹
27. We also determined that former Board President Vargas participated in a corporate spelling bee as part of ABC Group's three-member team in November 2021, which also included Ms. Cardoza.³⁰

c. Maintenance and Operations Expenditures

Weaver's scope of work included the review of expenditures for maintenance and operations during FY2017 – FY2021. We analyzed the entire population of maintenance and operations expenditures, as well as selected a sample of transactions for further review. We also interviewed the Maintenance Director to gain an understanding of the practices and procedures for the Maintenance department. A summary of our observations and findings is provided below, with additional detail included in **Section C** of this Report.

28. We identified maintenance and operations expenditures totaling approximately \$42 million during the period of our review, including payments to over 380 vendors and contractors. A summary of maintenance and operations expenditures by vendor is provided in **Appendix 2**.
29. We selected 56 maintenance and operations transactions for further review, including a review of purchasing and procurement records (e.g., quotes, proposals, purchase orders, invoices, contracts, and check copies, among other items).
30. In December 2018, the Board approved Parsons Commercial Roofing ("Parsons") to complete various roofing projects across 12 campuses for a proposed fee of approximately \$2.1 million, which was procured through a purchasing cooperative and it did not appear that other bids or quotes were obtained. In or around March 2019, Parsons donated \$12,500 to the District as a donation for the Annual Superintendent's Golf Tournament.

²⁸ KM International is owned by Ms. Cardoza and Miguel (Mike) Robledo, and provides public relations consulting services, similar to ABC Group. KM International entered into a contract with the City of Pharr to provide public relations consulting services in March 2017, which was renewed in March 2020.

²⁹ Mr. Vargas served as the District's Board President when the District entered into the initial contract with ABC Group in April 2018, as well as when the District renewed ABC Group's contract in April 2019.

³⁰ We have been unable to determine what affiliation Mr. Vargas has with ABC Group, if any. We were unable to interview Mr. Vargas as part of this forensic audit.

31. Prior to the District ultimately awarding a contract to E3 Entegral Solutions (“E3”) for the LED Lighting Project in January 2019, the Board rescinded their acceptance of a proposal from Enviro Group Solutions (“Enviro Group”) for the project. Dr. Carman recommended that the Board rescind their acceptance due to Enviro Group’s failure to secure a performance and payment bond. However, we also observed that Enviro Group previously presented documentation to Dr. Carman showing they were in the process of obtaining the bond.³¹
32. We identified numerous meetings and email communications between Dr. Carman and E3’s Business Development Manager prior to their being awarded a contract for the LED Lighting Project. We observed email communications where Dr. Carman shared pricing information with E3 from other firms that submitted pricing proposals. E3 also shared information with Dr. Carman about other firms that submitted proposals, and made recommendations prior to being selected about whether the District should replace light fixtures or perform a retrofitting of light fixtures.

d. Federal Fund Expenditures

Weaver’s scope of work included the review of expenditures with federal funds and grants during FY2017 – FY2021. We analyzed the entire population of federal fund expenditures, as well as selected a sample of transactions for further review. We also interviewed the Federal Programs Director to gain an understanding of the practices and procedures for the Federal Programs department. A summary of our observations and findings is provided below, with additional detail included in **Section D** of this Report.

33. We identified over 27,000 transactions paid with federal funds and grants totaling approximately \$22 million during the period of our review. A summary of expenditures by fund / program is provided in the table below.

Summary of Federal Fund Expenditures by Fund / Program: FY2017 - FY2021							
Fund Code	Fund Description	FY2017	FY2018	FY2019	FY2020	FY2021	Total
211	ESEA Title I Part A	\$ 2 759 728	\$ 2 807 037	\$ 2 529 097	\$ 2 303 597	\$ 2 328 627	\$ 12 728 086
212	ESEA Title I Part C Migrant	1 009 938	196 962	291 009	416 360	40 713	1 954 983
255	Title II Part A TPTR	449 310	284 014	676 379	238 559	209 315	1 857 576
224	Idea B Formula	370 726	357 242	534 287	352 447	231 713	1 846 415
266	ESSER	-	-	-	-	1 242 037	1 242 037
289	Title IV Part A Subpart I	-	28 113	145 145	331 890	181 634	686 782
263	Title III Part A ELA	202 078	27 832	229 428	92 762	99 439	651 538
244	Federal Vocational	168 734	125 822	3 864	18 381	-	316 801
265	Texas 21st Century Grant	124 245	112 929	41 895	-	-	279 069
282	ESSER III	-	-	-	-	222 099	222 099
274	Gear Up	6 696	335	64 754	58 890	15 189	145 864
276	Instructional Continuity Grant	-	-	-	-	35 000	35 000
287	Project Rise	-	-	-	-	21 179	21 179
225	Idea B Preschool	-	-	-	2 840	-	2 840
Total		\$ 5,091,454	\$ 3,940,285	\$ 4,515,858	\$ 3,815,726	\$ 4,626,944	\$ 21,990,267

³¹ The President for Enviro Group informed Weaver that he believed the award to Enviro Group was rescinded due to information that he provided to the Board regarding the selection of a project manager for the 2018 Bond Program. At the time, there were ongoing discussions that the LED Lighting Project would be managed by the project manager ultimately selected for the 2018 Bond Program. We were informed that Enviro Group’s President raised concerns to several of the Board members regarding Brighton Group not being registered as a professional engineer and not having professional liability insurance. Brighton Group was ultimately selected as project manager for the 2018 Bond Program during the same Board meeting that the Board rescinded their acceptance of Enviro Group’s proposal for the LED Lighting Project.

34. We identified over 1,300 vendors paid by the District with federal funds or grants, including three (3) vendors that received over \$1 million during the period of our review.³² A summary of federal fund and grant expenditures by vendor is provided in **Appendix 3**.
35. We identified federal fund expenditures of approximately \$1.3 million paid with the District's American Express credit card during the period of our review.³³ We determined that the District's Business Office Manual allows the expenditure of federal funds with a credit card if the purchase meets the requirements of the state or federal grant.
36. In our interview of the Federal Programs Director, we discussed the District's policies and procedures for approval and management of federal funds and grants. We determined that purchases are initiated at the campus or department level and have multiple layers of approval starting with approval from the campus principal or department director. The Federal Programs Director then reviews the purchase to ensure compliance with Education Department General Administrative Regulations (EDGAR). The purchase is then reviewed by the Finance and Operations department before being reviewed by the Purchasing department for final approval.³⁴
37. We selected nine (9) purchases associated with five (5) vendors for further review to determine whether the purchases complied with District policy and federal regulations (i.e., EDGAR). Based on our review, we did not identify any issues or exceptions for the purchases reviewed.

e. Purchasing Practices and Procedures

Weaver's scope of work included the review of the District's purchasing practices and procedures during FY2017 – FY2021. Our review included an evaluation of the District's policies and procedures related to purchasing and procurement, as well as an evaluation of compliance with existing policies. A summary of our observations and findings is provided below, with additional detail included in **Section E** of this Report.

38. The District has a decentralized purchasing function where each campus or department has responsibility for managing purchasing activity and obtaining the required number of bids or quotes. The Purchasing department provides periodic training to administrators at the campus and department level, and serves as a final layer of approval in the purchasing process to ensure that goods and services are being purchased with proper authorization and through the appropriate procurement method.
39. The District's Purchasing Manual defines three (3) purchasing thresholds for determination of the applicable purchasing process and requirements based on the

³² CDW Government Inc., Dell Marketing L.P. and Apple Inc. each received over \$1 million with federal funds or grants during the period of our review.

³³ Purchases with the District's American Express credit card are discussed in more detail in Section F of this Report.

³⁴ Purchases over \$10,000 are required to be approved by the Superintendent. During the period of our review, purchases over \$50,000 were required to be approved by the Board, which was reduced to \$25,000 in November 2021. The District's purchasing policies and procedures are discussed in more detail in Section E of this Report.

aggregate purchase amount.³⁵ A summary of the District's purchasing requirements as outlined in the Purchasing Manual is provided below.

Purchase Amount	Purchasing Requirement
<\$2,500 (in the aggregate)	<ul style="list-style-type: none"> Obtain 1 price quote; or Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS)
\$2,500 - \$49,999 (in the aggregate)	<ul style="list-style-type: none"> Obtain 3 price quotes; or Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS); As of 11/5/2021, purchases over \$25,000 required Board approval prior to the transaction (CH Local)
>\$50,000 (in the aggregate)	<ul style="list-style-type: none"> Request for Proposals / Competitive Sealed Proposal / Request for Qualifications; or Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS); Board approval prior to the transaction (CH Local)

40. We reviewed 20 purchases **over \$50,000** during the period of our review to evaluate compliance with the District's Purchasing Manual. We identified an approved purchase order for all 20 purchases, as well as confirmed that the purchase was approved by the Board. We also determined that all 20 purchases were procured through a competitive bidding method, as summarized below.

Competitive Bidding Methodology	# of Purchases
Request for Proposals (RFP)	3
Competitive Sealed Proposals (CSP)	4
Request for Qualifications (RFQ)	7
Quotes Obtained Through Purchasing Cooperative (e.g., TIPS)	6
Total	20

41. As discussed in Section A of this Report, in 2019, the District procured CMAR services related to the 2018 Bond Program through a RFQ process.³⁶ Under Section 2269.253 of Texas Government Code, if a RFQ is used instead of a RFP for procurement of CMAR services, a second step is required where additional information is requested from selected firms (which may include fees and pricing) and the selected firms are to be ranked (with the rankings made public). It did not appear that the District completed the second step of the CMAR selection process as defined under Texas Government Code.

³⁵ The District's Purchasing Manual is dated August 2018 and is available on the District's website. Based on discussions with the District's Purchasing Director (who has been in the position since November 2018), the August 2018 Purchasing Manual was the first manual prepared by the Purchasing department.

³⁶ The District's procurement of CMAR services for the 2018 Bond Program is discussed in more detail in Section A of this Report.

42. Of the six (6) purchases reviewed over \$50,000 where the District procured the good or service through a purchasing cooperative, two (2) of the purchases were over \$2 million.³⁷ While this procurement method is allowable, the District may have been able to obtain better value for the services through a RFP procurement process.
43. We reviewed 25 purchases **under \$50,000** during the period of our review to evaluate compliance with the District's Purchasing Manual. A summary of our review of the 25 purchases is provided in the table below.

Competitive Bidding Methodology	# of Purchases
3 or More Quotes Obtained by the District	7
Only 2 Quotes Obtained by the District	1
Additional Quotes Not Obtained / Documentation Not Available	8
Multiple Award Contracts - RFPs for General Merchandise and Services (GMS) or Maintenance Related Needs (MRN)	7
Approved by Dr. Carman	1
Micro Purchase	1
Total	25

44. For eight (8) of 25 purchases reviewed under \$50,000, we were unable to determine whether the District obtained multiple quotes based on the documentation provided by the District. The eight (8) purchases occurred prior to the tenure of the current Purchasing Director, including five (5) purchases where documentation was not available due to the District's document retention policy.
45. In the procurement of grant writing services for the After School Program in February 2018, the District solicited quotes from three (3) firms but only received quotes from two (2) firms.³⁸
46. Our review included purchases totaling approximately \$78,000 related to remodeling and renovation of the central office through the vendor Dezvia, LLC during the November 2018 – June 2019 time period. The project appeared to have been divided into multiple smaller projects (i.e., demolition, electrical, etc.) that were each under \$50,000 and were therefore not approved by the Board.³⁹ It did not appear that other quotes were obtained by the District for the project. Whereas the District issued RFPs for other remodeling projects during the period of our review, it is unclear why the District did not issue a RFP for the central office renovation project.
47. The District utilized the Micro Purchase methodology for the procurement of engineering design services through Trinity MEP Engineering, LLC for \$20,000.

³⁷ The District procured services for the LED Lighting Project totaling over \$2.2 million from E3 Entegral Solutions, Inc. through the BuyBoard purchasing cooperative. The District also procured roofing services totaling over \$2.1 million from Parsons Commercial Roofing through The Interlocal Purchasing System (TIPS).

³⁸ In February 2018, the District's former After School Programs Director solicited quotes from three (3) firms, with one firm responding that they would not be submitting a proposal due to a heavy workload. Ultimately, Cortez Consulting Services was selected to provide grant writing services for the After School Program.

³⁹ Dezvia was an approved vendor for building maintenance and construction services through their proposal submitted in September 2018 in response to the District's RFP for General Merchandise and Services (RFP-0918-GMS).

However, it did not appear that the Micro Purchase methodology was appropriate as the purchase amount was over \$10,000 and was not part of a federal award.⁴⁰

48. In August 2020, the Board appointed Jeff Everitt & Associates, Inc. as the District’s insurance agent of record for employee health products. The insurance agent of record services were not procured through a RFO process, which was inconsistent with the District’s procurement for insurance agent of record services in prior and subsequent years (i.e., 2017 and 2021), and a possible violation of Texas Education Code Section 44.031.⁴¹
49. Based on discussions with the Purchasing Director as well as our independent review, certain purchases were approved by the Board that circumvented the Purchasing department’s approval, including purchases related to the 2018 Bond Program, as well as the Board’s appointment of an insurance agent of record in August 2020.

f. Credit Card Expenditures

Weaver’s scope of work included the review of expenditures associated with the District’s American Express and Visa credit card accounts during FY2017 – FY2021. We analyzed the entire population of credit card transactions, as well as selected a sample of credit card transactions for further review. We also performed a review of rewards and rebates earned by the District through their American Express and Visa credit card accounts. A summary of our observations and findings is provided below, with additional detail included in **Section F** of this Report.

50. We identified approximately 3,700 transactions through the District’s American Express and Visa credit card accounts totaling over \$6.8 million during the period of our review, as summarized in the table below, and detailed in **Appendices 4 and 5**.

Credit Card Expenditures - Summary by Program and Year						
Credit Card Program	FY2017	FY2018	FY2019	FY2020	FY2021	Total
American Express	\$ 59,916	\$ 20,450	\$ 680,005	\$ 3,317,693	\$ 2,334,267	\$ 6,412,331
Visa	73,632	143,153	145,683	51,784	23,103	437,355
Total	\$ 133,548	\$ 163,603	\$ 825,689	\$ 3,369,477	\$ 2,357,370	\$ 6,849,686

⁴⁰ Under District Policy CBB (Legal), Micro Purchase is a category of informal procurement methods that can be utilized by the District for the procurement of property or services under a federal award. Micro Purchases may be used for purchases under \$10,000.

⁴¹ In August 2018, the District appointed Salazar Insurance Group as insurance agent of record for voluntary products only (i.e., dental, vision and life insurance), without issuing a RFO. However, it is our understanding that agent of record services for voluntary products are not required to be procured under the methods outlined in Texas Education Code Section 44.031, as the District does not pay a cost for the voluntary products.

51. The District's American Express credit card was primarily utilized for the purchase of goods and supplies, whereas the Visa credit card was primarily utilized for travel expenditures.^{42 43}
52. In April 2019, the District implemented RewardWorks software for purposes of using the American Express credit card account to pay certain vendors while earning additional rebates through American Express.⁴⁴
53. We utilized a risk-based methodology to select a sample of 70 American Express and Visa credit card transactions for further review, including a review of supporting documentation maintained by District (e.g., purchase orders and receipts). The 70 transactions selected for further review totaled approximately \$2 million, which represented 29% of total credit card expenditures. A summary of our evaluation of the 70 transactions selected for further review is provided in the table below.⁴⁵

Weaver Review Category	# of Transactions
Supporting Documentation Provided (i.e., purchase order, receipts, etc.)	57
Transactions without a Purchase Order	3
Supporting Documentation Unable to be Located	3
Supporting Documentation Destroyed Pursuant to Record Retention Policy	7
Total	70

54. In FY2017 and FY2018, the District redeemed American Express rewards points through cash gift cards mailed to the District's Business Office. We determined that the District redeemed cash gift cards totaling \$9,325 during the July 2016 – May 2018 time period, which were used for purchases related to employee appreciation (e.g., Thanksgiving staff luncheon).⁴⁶
55. Subsequent to the District's implementation of RewardWorks in April 2019, the District received quarterly rebates through their American Express rewards program, which were wired from American Express to the District's general operating bank account.

⁴² We identified 27 cardholders associated with the District's American Express credit card account during the period of our review, including 22 cards assigned to campuses or departments and five (5) cards assigned to executive leadership (including the Superintendent, Dr. Carman).

⁴³ We identified 34 cardholders associated with the District's Visa credit card account during the period of our review. All 34 credit cards were assigned to individuals to be used for travel expenditures, including Board members and District administrators (i.e., Superintendent, Assistant Superintendents, Executive Directors and certain Director positions).

⁴⁴ Payments to vendors from the District's American Express credit card account were procured through the District's standard purchasing process, but were paid through American Express rather than a check for purposes of earning rebates from American Express. Vendors with the highest spend through the American Express credit card account included Houghton Mifflin Harcourt, School Specialty LLC, Gulf Coast Paper Company, Ricoh USA, Xerox, Johnson Controls, The Monitor, and Savvas Learning, among others.

⁴⁵ For seven (7) of 70 credit card transactions selected for further review, supporting documentation was previously destroyed pursuant to the District's record retention policy, which requires documentation to be destroyed after being maintained for a period of five (5) years.

⁴⁶ The District's Business Office maintained a log of purchases made with redeemed gift cards, as well as binder with supporting documentation and receipts for purchases. It is our understanding that the purchases were not accounted for in the District's general ledger, and the District's practice of redeeming gift cards with American Express credit card points ceased in or around May 2018.

Rebates received by the District from American Express totaled approximately \$150,000 since the implementation of RewardWorks in 2019.⁴⁷

56. We identified 30 instances where Dr. Carman was a guest at Marriott Hotels for District travel paid with a District credit card and Marriott rewards points were applied to Dr. Carman's personal Marriott rewards account.
57. We also identified 16 instances where either a Board member or District employee was a guest at Marriott Hotels for District travel paid with a District credit card and Marriott rewards points were applied to Dr. Carman's personal Marriott rewards account.⁴⁸

g. \$100 Cash Incentive Payments

While conducting Phase II of the forensic audit, we were informed by several individuals interviewed of the District's practice of distributing \$100 in cash to teachers and teacher aides at the beginning of the school year. We conducted further review of the cash distributions to gain a better understanding of the nature of the payments and how they were accounted for in the District's financial records. A summary of our observations and findings is provided below, with additional detail included in **Section G** of this Report.

58. During a Board Workshop on May 8, 2018, Dr. Carman discussed with the Board a proposed budget item of \$90,000 for a teacher supply allowance, which was ultimately adopted in the annual budget for 2018-2019.⁴⁹ Dr. Carman explained to the Board that the idea was used by several other school districts whereby teachers and teacher aides receive a \$100 bill at the beginning of the school year to offset the purchase of school supplies for the classroom.
59. During the District's convocation on August 20, 2018, Dr. Carman announced the teacher supply incentive to the staff and presented a briefcase containing approximately \$90,000 in \$100 bills.
60. Following the convocation, the \$100 bills were distributed to the Principals at each campus based on the number of eligible teachers and teacher aides. Each campus Principal received a Supply Incentive Agreement form containing a list of eligible teachers and teacher aides to be signed by each teacher upon their receipt of the \$100 bill. The signatures recorded on the Supply Incentive Agreement also served as acknowledgement that the \$100 was "other wages" to offset supply purchases.⁵⁰

⁴⁷ We confirmed that American Express rebates were received by the District through our review of the District's bank statements, as well as through rewards summaries prepared by American Express.

⁴⁸ We identified a number of instances where there was insufficient information contained in the hotel folio or confirmation statement to determine whether Dr. Carman was the guest or another individual was a guest, or whether the rewards points were applied to Dr. Carman's personal Marriott rewards account. As such, the number of instances where Dr. Carman earned points through his personal Marriott rewards account may be higher than the instances identified in this Report (including instances where Dr. Carman was the guest or another individual was the guest).

⁴⁹ The teacher supply allowance was also adopted into the compensation plan as an academic stipend for teachers and teacher aides, which was listed as a "supply allotment" of \$100 per year.

⁵⁰ The language included on the Supply Incentive Agreement for each campus stated the following: "By signing this agreement I acknowledge that I am receiving \$100 to offset supply purchases. I understand that this will be reflected in my

61. The District distributed \$100 bills to teachers and teacher aides in three (3) of the last four (4) years for a total of \$259,300, which was paid from the District's general fund.⁵¹ A summary of the cash payments is provided in the table below.

Date	Source of Funds	Object Code	# of Employees	Total Amount
August 20, 2018	199 – General Fund	6149 – Employee Benefits	919	\$91,900
August 5, 2019	199 – General Fund	6149 – Employee Benefits	891	\$89,100
August 4, 2021	199 – General Fund	6118 – Supplemental Pay	783	\$78,300
Total				\$259,300

62. In August 2018 and 2019, the District obtained cash from Frost Bank by issuing a check payable to cash. However, in August 2021, the District issued a check for \$87,500 payable to the District's Assistant Superintendent of Finance and Operations at the time, Vicki Perez. The District distributed \$78,300 of the cash withdrawn and subsequently deposited the undistributed cash of \$9,200 back into the District's bank account.
63. The District does not require teachers and teacher aides to submit documentation showing that they purchased at least \$100 of supplies for their classroom. The only documentation maintained by the District is the Supply Incentive Agreement documenting the receipt of \$100 and acknowledgment that the cash was intended to offset supply purchases.

payroll check and appear as other wages. In order to comply with IRS tax requirements, \$101.47 will be added to my taxable gross, less taxes, for a net effect of \$100."

⁵¹ The District did not issue supply incentive cash distributions in 2020 due to the COVID-19 pandemic.

III. Recommendations

Based on our observations and findings formed during the forensic audit as summarized in this Report, we have provided the following recommendations for the District's consideration:

1. We determined that prior to the November 2018 bond election, the District did not retain consultants or professional services firms in their preparation of cost estimates for facilities to be constructed as part of the 2018 Bond Program. **We recommend that for future bond issuances involving the construction of new facilities or renovation of existing facilities, the District retain construction professionals in advance of the bond election to ensure the accuracy of information being presented to the public.**
2. We observed a lack of transparency in the selection process concerning the District's procurement of project management and CMAR services for the 2018 Bond Program, including the use of a Request for Qualifications (RFQ) for the procurement method, and the failure to document and share publicly the Board's scoring and evaluation documentation. **We recommend that the District procure services related to construction projects using a Request for Proposals (RFP) or Competitive Sealed Proposals (CSP) where applicable, both of which require the scoring to be publicly posted within 45 days of the selection.**
3. We observed several contracts executed by the District during the period of our review that allowed for fees to be paid to the vendor or contractor in advance of services being performed or without any requirement for services to be performed. **With the exception of certain types of services that require retainers, the District should prohibit payment of fees in advance of services being performed to ensure that the District is receiving value in its use of public funds.**
4. The District's contract with ABC Group is set to be automatically extended unless the District provides written notice not to extend the agreement by January 8, 2023. **We recommend that the District and the Board review their contract with ABC Group prior to January 8, 2023 to determine whether the contract should be renewed.**
5. The District has historically procured certain goods or services through the use of multiple award contracts procured through a RFP process (also referred to as rolling bids), including contracts for General Merchandise and Services, Maintenance Related Needs, and Professional Consultants, among others. Under this process, the District selects multiple vendors to provide goods or services as needed, though additional quotes are not always obtained on a project by project basis. **We recommend that the District review the multiple award contracting process and evaluate whether the District is obtaining the best value. Considerations include narrowing the scope of goods or services procured or implementing additional procurement requirements for purchase orders authorized under these contracts.**
6. We recommend that the Purchasing department identify all the areas in which end user training should be provided by considering those areas in which frequent questions or informal training is required to ensure procurement processes are followed. From the identification of training areas, Purchasing should design and implement a Procurement training program for end users that covers those activities that are most common. The training program should consider on-demand training, in-person training, or webinars. Specific training programs to consider include instructional procedures for budget availability, submitting requisitions, requisition approvals and purchase orders, evaluating bids as part of an evaluation committee, and a session that focuses on procurement ethics, responsibilities, and expectations for department purchases. Also, the training program should be

mandatory for those that routinely process purchase requisitions as part of their normal duties and completed at least annually.

7. In our review of the vendor master file, we observed instances of multiple vendor accounts for the same vendor, as well as inactive vendor accounts. **We recommend that the District conduct periodic reviews to identify any dormant, duplicate or incomplete vendor accounts.**
8. We identified instances where the former Superintendent, Dr. Carman, earned rewards points through his personal Marriott rewards account for District-related travel, including for lodging expenditures for other individuals (i.e., Board members, other District employees). **We recommend that the District review this practice and determine whether it should be permitted going forward. If the District decides to prohibit the practice, it should be included in the District's travel policy and guidelines.**
9. In our review of the District's \$100 cash incentive program to offset classroom supply purchases for teachers and teacher aides, we observed certain practices that created fraud risk for the District, including the issuance of checks payable to an employee for purposes of obtaining cash, as well as the lack of monitoring and documentation requirements to ensure the funds are being used as intended. **We recommend that the District review the current practice and evaluate other potential options for incentivizing teachers to purchase supplies that pose a lesser fraud risk (e.g., vouchers, pay increases, etc.)**
10. We recommend the District consider implementing an anonymous reporting hotline to assist the District with the identification of improper activity, including fraud, waste and abuse.⁵²

⁵² In the 2022 Report to the Nations on Occupational Fraud and Abuse, the Association for Certified Fraud Examiners ("ACFE") reported that a hotline to receive anonymous tips was the most common tool for detecting fraud, responsible for detecting 42% of reported fraud cases.

A. Construction and Facilities

I. Background

a. Scope of Work

Weaver's Proposed Work Plan for Phase II approved by the Board on December 15, 2021 included the review of payments to vendors and contractors allocated to construction and facilities for FY2017 – FY2021. For purposes of our review, expenditures assigned to Function Code 81 (Facility Acquisition & Construction) in the District's general ledger were considered for our review.

a. Work Performed

As outlined in the Proposed Work Plan for Phase II, Weaver performed the following work steps in our review of expenditures related to construction and facilities:

- Obtained and reviewed the District's check register for FY2017 – FY2021 and identified expenditures classified under Function Code 81 (Facility Acquisition & Construction).
- Performed an examination of the District's use of bond funds approved during the November 2018 election, including the February 2019 bond issuance totaling \$27.8 million and the February 2020 bond issuance totaling \$8.5 million (referred to in this Report as the "2018 Bond Program").
- Examined the meeting minutes and Board resolutions related to the 2018 Bond Program including bond committee recommendations and selection of third-party vendors and contractors.
- Reviewed the District's bid solicitations and requests for proposals / qualifications for the selection of vendors and contractors.
- Reviewed budgeted and actual expenditures for the 2018 Bond Program, including payment applications, invoices, check copies, change orders, and general ledger entries, among other information.
- Conducted research of contractors and subcontractors using the LexisNexis Public Records database to identify any potential affiliations with District personnel or Board members that could represent a conflict of interest.
- Reviewed responsive email communications from the District's email archive related to the 2018 Bond Program including internal communications and communications with vendors and contractors.
- Conducted interviews with current and former Board members regarding the 2018 Bond Program, including the bond committee process and selection of vendors and contractors.

II. Summary of Expenditures for FY2017 – FY2021

Based upon our review of the District’s general ledger and check register, we identified expenditures totaling approximately \$14.7 million during FY2017 – FY2021 assigned to Function Code 81 (Facility Acquisition & Construction). A summary of the Function Code 81 expenditures by vendor / contractor is provided in the table below.

Summary of Payments by Vendor / Contractor for FY2017 - FY2021: Facilities Acquisitions (Function 81)						
Vendor / Contractor	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Hellas Construction, Inc	\$ -	\$ -	\$ -	\$ 2,279,949	\$ 3,403,976	\$ 5,683,925
Rike Ogden Figueroa Alex Architects Inc.	-	-	-	701,100	841,320	1,542,420
Brighton Group, LLC	-	-	350,000	600,000	300,000	1,250,000
Scoggins Construction Co, Inc.	-	-	-	1,042,953	68,162	1,111,115
Davila Construction, Inc.	-	-	-	38,000	1,030,437	1,068,437
Ezerplay, Inc	127,448	-	-	412,154	-	539,602
ADP Lemco, Inc.	-	-	132,547	397,641	-	530,188
PBK Architects, Inc.	-	-	17,719	213,799	208,626	440,144
GDJ Engineering	-	-	-	300,864	61,841	362,704
Gulf Coast Sign Co, Inc	-	-	248,265	107,244	-	355,509
NM Contracting LLC	-	-	-	56,330	282,813	339,144
GT Grandstands, Inc.	-	-	-	273,838	-	273,838
Noble Texas Builders LLC	-	-	-	239,333	-	239,333
Dezvia LLC	-	-	-	235,250	-	235,250
Horacio C Garcia dba Garcia Fence Co	-	-	186,562	9,420	-	195,982
RABA Kistner, Inc.	-	-	8,450	82,095	31,179	121,724
Sierra Title Company	-	-	102,434	-	-	102,434
Gomez Mendez Saenz Inc	-	-	-	80,735	1,645	82,380
P & P Paving and Construction	-	-	49,605	-	-	49,605
Saenz Brothers Construction, LLC	-	-	-	48,785	-	48,785
G & G Contractors	-	-	-	36,383	-	36,383
Kinney Bonded Warehouse Inc	-	29,157	-	-	-	29,157
Lainz Architects LLC	-	-	19,000	-	-	19,000
W-W Manufacturing Co Inc	15,995	-	-	-	-	15,995
Geopier Foundation Company	-	-	-	-	15,000	15,000
General Gate LLC	-	13,825	-	-	-	13,825
Martinez, Esteban	-	-	9,520	-	-	9,520
Lone Star Glass & Mirror	-	-	-	7,600	-	7,600
Total	\$ 143,443	\$ 42,982	\$ 1,124,102	\$ 7,163,473	\$ 6,244,999	\$ 14,718,999

III. 2018 Bond Program – Bond Planning

a. Overview

The majority of the \$14.7 million in expenditures for the construction of facilities pertained to the 2018 Bond Program. In the November 2018 election, the voters in the District approved a \$40 million bond proposition for the construction of several new facilities: 1) Indoor Multipurpose Facility; 2) Aquatic Center; and 3) Performing Arts Center. According to the District, the bond would not increase taxes as a result of an older bond being retired in 2018.

b. Building Committee and Bond Planning

In early 2018, the District began planning for capital improvements including the preparation and review of updated demographic projections, a District-Wide Facility Assessment, as well as an Internal Long Range Needs Assessment. The Building Committee elected to proceed with a potential bond proposition for new facilities and approved the formation of a bond planning committee ("Bond Committee") to make recommendations to the Board regarding a potential bond election.

c. Bond Committee

On May 8, 2018, the Building Committee approved the formation of a Bond Committee.⁵³ On May 15, 2018, Dr. Carman emailed the Board and asked them to each provide the names of two (2) community members who would like to serve on the Bond Committee.⁵⁴ Ultimately, the Board appointed 13 community members to serve on the Bond Committee.⁵⁵ In addition to the Bond Committee members, certain District administrative staff (e.g., Dr. Carman) and District consultants (e.g., RBC Capital Markets) were involved in the process to "serve as a source of information" for the Bond Committee. During the initial Bond Committee meeting on July 18, 2018, Dr. Carman presented 16 projects with cost estimates to the Bond Committee, as summarized in the table below.⁵⁶

Project Description	Cost Estimate
Performing Arts Center (1,000 – 1,800 Seats)	\$24 - \$45 million
Aquatic Center	\$4 - \$4.5 million
Indoor Multipurpose Facility	\$3 - \$3.5 million
Roof Replacement (multiple facilities)	\$3 million
Softball Stadium (additional covered seating w/ netting)	\$250,000
Baseball Netting	\$27,000
High School (refresh halls / classrooms)	\$1 - \$1.5 million
LED Marquees (all campuses)	\$400,000
High School Entrance / Additional Offices	\$1 - \$1.5 million
Press Box Upgrade / Elevator at Stadium	\$2.5 - \$3 million
Enclose Elementary PE Gyms	\$1.5 - \$2 million
Security Cameras at High School, VMA and MJMS	\$600,000
District-Wide Security Cameras Upgrade	\$3 million
UTEX (pave parking lot)	\$200,000
UTEX (pave street if city matches)	\$275,000
Canopies (evaluate District-wide)	\$500,000
Total	\$45.3 - \$69.3 million

⁵³ See Exhibit A.1

⁵⁴ See Exhibit A.2

⁵⁵ Each Board member nominated two (2) individuals to serve on the Bond Committee. However, one of the individuals nominated by Trustee Silva elected not to participate in the Bond Committee, leaving 13 members. See Exhibit A.3

⁵⁶ See Exhibit A.4

During the second Bond Committee meeting on July 25, 2018, Dr. Carman presented information to the Bond Committee regarding existing facilities at neighboring school districts (e.g., aquatic centers at Harlingen CISD and Brownsville ISD) as well as potential sites for the District to build an Indoor Multipurpose Facility, Aquatic Center and Performing Arts Center.⁵⁷ During the third and final Bond Committee meeting on August 2, 2018, the Bond Committee approved a recommendation for the Board to call a bond election in November 2018 for \$40 million for the construction of the Indoor Multipurpose Facility, Aquatic Center and Performing Arts Center, as summarized below.⁵⁸

Facility	Location / Other Info	Cost Estimate
Indoor Multipurpose Facility	<ul style="list-style-type: none"> Location recommendation – High School 	\$3.5 - \$4.0 million
Aquatic Center	<ul style="list-style-type: none"> Potentially seek partnerships with the City of San Benito and Rio Hondo ISD; All 2nd graders attend Learn to Swim classes as part of their curriculum; Location recommendations – Expressway (adjacent to Dr. Garza school); near High School with parking lot on Woolam; VMA (saves money by not having to add parking) 	\$5 - \$5.5 million
Performing Arts Center	<ul style="list-style-type: none"> Seating capacity up to 1,800 seat; if 1,800 seats cannot be accomplished, allow for potential future expansion of facility; Location recommendation – Expressway, adjacent to Dr. Garza school; Use all bond revenue not expended for Indoor Multipurpose Facility and Aquatic Center 	\$30 - \$31 million
Total		\$40 million

On August 7, 2018, the Building Committee discussed and approved the Bond Committee's recommendation for a \$40 million bond proposition. The Board subsequently approved an order calling for a bond election during the August 14, 2018 Board meeting.⁵⁹

d. Town Hall Meetings

Following the Building Committee's approval of the Bond Committee's recommendation for a \$40 million bond proposition, the District held town hall meetings on September 25, 2018 and October 15, 2018 in advance of the November 6, 2018 election.⁶⁰ The purpose of the town hall meetings was to educate the community about the projects included in the bond proposition, as well as the tax impact to the citizens if

⁵⁷ See Exhibit A.5

⁵⁸ See Exhibit A.6

⁵⁹ See Exhibit A.7

⁶⁰ See Exhibit A.8

the proposition passed. On October 31, 2018, Dr. Carman also conducted an interview with Santiago Caicedo from Channel 4 to discuss the bond proposition. The talking points for the interview included information about the bond projects, bond-planning process, and tax information (most notably that taxpayers would not experience a tax increase if the bond passed due to the District paying off a previous bond later in the year).⁶¹

e. Investing In Our Children’s Education SPAC Formation

In September 2018, Dr. Carman requested that the District’s former Chief Financial Officer, Hilda Rendon (“Ms. Rendon”), provide a list of vendors with contact information to the Bond Committee in case it was decided to form a Political Action Committee to receive donations.⁶² In October 2018, a special purpose acquisition company (“SPAC”) was formed under the name *Investing in Our Children’s Education SPAC*. The SPAC was formed for purposes of promoting the bond proposition, with the SPAC Treasurer listed as Gilbert Weaver, who served on the Bond Committee and was the spouse of Board member Sonia Weaver.⁶³ Based on information from the Texas Ethics Commission, the SPAC received contributions totaling approximately \$15,000, of which \$11,000 was received in October 2018 in advance of the bond election. A portion of funds received was used for purposes of advertising the bond proposition, including payments to the Valley Morning Star newspaper totaling \$6,259, and \$975 to Damaso Creative. A summary of the contributions and expenditures for the SPAC are summarized in the table below.

Name of Entity / Individual	Date	Amount
Contributions		
Alfredo Garcia (VP at Noble Texas Builders)	10/15/2018	\$1,500.00
Leonardo Munoz (CEO of Trinity MEP Engineering)	10/17/2018	\$1,000.00
Rene Ramirez	10/17/2018	\$500.00
Ambiotec Civil Engineering Group, Inc.	10/17/2018	\$1,000.00
Hellas Construction, Inc.	10/17/2018	\$1,000.00
GOERO International, LLC	10/17/2018	\$2,000.00
Wrightson, Johnson, Haddon & Williams, Inc.	10/17/2018	\$500.00
Rudy Gomez (President of Gomez Mendez Saenz)	10/18/2018	\$500.00
Brand Boosters	10/19/2018	\$2,922.75
Leonardo Munoz (CEO of Trinity MEP Engineering)	12/1/2018	\$1,000.00
Rudy Gomez (President of Gomez Mendez Saenz)	12/1/2018	\$500.00
Amanda Saldana Law Firm	1/14/2019	\$2,500.00
Total Contributions		\$14,922.75
Expenditures		
The Valley Morning Star	10/19/2018	\$6,259.05
Damaso Creative	10/31/2018	\$975
San Benito CISD Scholarship Fund Account	1/10/2019	\$2,265.95
Total Expenditures		\$9,500.00

⁶¹ See Exhibit A.9

⁶² See Exhibit A.10

⁶³ See Exhibit A.11

f. Advertisement and Promotion of Bond Proposition

The District's bond proposition was advertised in The Valley Morning Star newspaper in the months leading up to the election, utilizing contributions received through the SPAC to fund the advertisements. In addition, the District publicized information about the bond proposition in the October 2018 edition of the District's magazine, The Observer, which was mailed to citizens residing in the District.^{64 65} It is also our understanding that the public relations consulting firm hired by the District in April 2018, Absolute Business Consulting Group, assisted the District with publicizing the upcoming bond election, including providing services related to advertising, media relations and strategic initiatives.⁶⁶

g. Bond Election

Early voting for the bond proposition began on October 22, 2018 and continued through November 2, 2018, with the election held on November 6, 2018. Ultimately, the \$40 million bond election passed with 3,496 votes in favor of the bond proposition (54%) and 2,942 votes against (46%).⁶⁷

IV. 2018 Bond Program – Project Management

a. RFQ for Project Management Services

During the following Board meeting after the bond proposition passed in the November 2018 election, the Board discussed potentially hiring an outside firm to provide project management services for the 2018 Bond Program during the Board meeting on November 13, 2018.⁶⁸ On November 16, 2018, the District issued a Request for Qualifications ("RFQ") for Project Management Services for the 2018 Bond Program, which was advertised in the Valley Morning Star on both November 17, 2018 and November 24, 2018.^{69 70} The RFQ indicated that interested bidders were to submit sealed proposals (either by mail or hand delivered) to the attention of the Board President, Michael Vargas, by December 3, 2018.⁷¹ The RFQ also stated that the Board

⁶⁴ See Exhibit A.12

⁶⁵ The District began publishing The Observer in August 2018 as a monthly newsletter / magazine that was mailed out to residents of the District. The focus of The Observer was to share success stories about the District. Content for The Observer was prepared by the District's Public Relations department, who worked in tandem with Absolute Business Consulting Group for the editing and publishing of the magazine.

⁶⁶ Absolute Business Consulting Group is discussed in more detail in Section B of this Report.

⁶⁷ See Exhibit A.13

⁶⁸ See Exhibit A.14

⁶⁹ See Exhibit A.15

⁷⁰ Based on our review of an email dated November 13, 2018 from the District's attorney, Mr. Torres, the initial draft of the RFQ was prepared by Mr. Torres and subsequently provided to the District's recently hired Purchasing Director, Mr. Cavazos, for review.

⁷¹ See Exhibit A.16

would be responsible for selecting the firm from the proposals received, and the criteria used to evaluate the proposals included, but was not limited to: (1) qualifications of the firm; (2) firm experience on similar projects; and (3) professional references.⁷² According to the RFQ, after the Board's initial evaluation of proposals received, selected firms would be interviewed by the Board to evaluate their program approach, as well as to appraise the firm's professionals who would be directly involved in the project. The RFQ also required the respondent to have the appropriate liability insurance in accordance with Texas Government Code Section 2269.208.⁷³

b. Proposals Received in Response to RFQ

As of the December 3, 2018 submission deadline, the Board received proposals from four (4) firms in response to the RFQ, including (1) Brighton Group, LLC ("Brighton Group"); (2) Broaddus & Associates ("Broaddus"); (3) Gomez Mendez Saenz, Inc. ("GMS"); and (4) RO Engineering.^{74 75 76 77} A summary of each firm's experience on similar projects, professional references, and professional liability insurance based on the information contained in their proposals is provided in the table below.

Firm	Representative School District Projects	References	Professional Liability Insurance
Brighton Group	<ul style="list-style-type: none"> Santa Maria ISD 	<ul style="list-style-type: none"> Santa Maria ISD City of Edinburg 	<ul style="list-style-type: none"> Brighton Group had commercial general liability coverage only Warren Group Architects (sub-consultant of Brighton Group) had professional liability insurance of \$2 million per claim, but policy expired on 3/9/2018 Rio Delta Engineering (subcontractor of Brighton Group) had professional liability insurance of \$1 million per claim
Broaddus	<ul style="list-style-type: none"> Edinburg CISD South Texas College University of Texas – Brownsville Roma ISD 	<ul style="list-style-type: none"> Monroe County School District South Texas College University of Texas – Brownsville Edinburg ISD 	<ul style="list-style-type: none"> \$1 million per claim Certificate of Insurance was not included in the submission

⁷² See Exhibit A.16

⁷³ Under Texas Government Code Section 2269.208, a construction manager-agent shall maintain professional liability or errors and omissions insurance in the amount of at least \$1 million for each occurrence.

⁷⁴ See Exhibit A.17 (Brighton Group Proposal)

⁷⁵ See Exhibit A.18 (Broaddus Proposal)

⁷⁶ See Exhibit A.19 (GMS Proposal)

⁷⁷ See Exhibit A.20 (RO Engineering Proposal)

Firm	Representative School District Projects	References	Professional Liability Insurance
	<ul style="list-style-type: none"> • Seguin ISD • Eanes ISD • Georgetown ISD • Kerrville ISD • Coahoma Community College • Tupelo Public Schools • Forrest County • Monroe County School District 		
GMS	<ul style="list-style-type: none"> • Sharyland ISD • South Texas ISD • Los Fresnos CISD • Brownsville ISD 	<ul style="list-style-type: none"> • Sharyland ISD • South Texas ISD • Los Fresnos CISD • Brownsville ISD 	<ul style="list-style-type: none"> • \$1 million per claim
RO Engineering	<ul style="list-style-type: none"> • Santa Maria ISD • La Joya ISD • Oklahoma City • Rose State College • Brownsville ISD • University of Texas – Brownsville • Hidalgo County • Willacy County • Edinburg CISD • City of Edinburg • Weslaco ISD 	<ul style="list-style-type: none"> • Edinburg CISD • City of Edinburg • Weslaco ISD • Hidalgo County Precinct 4 • McAllen Public Utilities 	<ul style="list-style-type: none"> • \$2 million per claim

c. Presentations to the Board

The Board requested that all four (4) respondent firms make presentations to the Board during the Building Committee meeting on December 11, 2018.⁷⁸ In advance of the Building Committee meeting, the District's attorney informed the Board that the presentations were to be limited to five (5) minutes per firm (as discussed and agreed to by the Board) and the Board would have the opportunity to ask questions to each firm upon completion of their presentation.⁷⁹ Mr. Torres also asked the Board not to ask questions regarding the

⁷⁸ See Exhibit A.21

⁷⁹ See Exhibit A.22

proposed cost for services as the selection of the firm was required to be based on qualifications rather than price. A summary of each firm's presentation to the Board during the December 11, 2018 Building Committee meeting is provided in the table below.⁸⁰

Firm Name / Presenter	Time for Presentation / Q&A	Questions / Discussion from the Board
Brighton Group (Joseph Palacios)	14 minutes, 30 seconds	<ul style="list-style-type: none"> Board President Vargas indicated to Mr. Palacios that the Board had the luxury of meeting with Santa Maria ISD on 12/10/2018, whose current bond project was being managed by Brighton Group. Trustee Lopez asked for Mr. Palacios to identify the other team members of the Brighton Group that were present. Each team member was given the opportunity to introduce themselves to the Board, some of whom were Brighton Group employees and others sub-consultants.
Broaddus (Gilbert Gallegos)	10 minutes, 49 seconds	<ul style="list-style-type: none"> Board President Vargas indicated to Mr. Gallegos that the Board had the luxury of meeting with Edinburg CISD on 12/10/2018 to discuss their bond project managed by Broaddus. Board President Vargas stated that the takeaway from the Board's discussion with Edinburg CISD was that Broaddus was able to reduce costs for the bond projects. Board President Vargas felt that the savings at Edinburg CISD related to repetition of building several similar facilities, which would not be applicable to the District's 2018 Bond Program involving three (3) distinct facilities.
GMS (Rudy Gomez)	8 minutes, 40 seconds	<ul style="list-style-type: none"> Trustee Garcia asked Mr. Gomez about several of the designs his firm has used for event centers at previous school districts. Board President Vargas informed Trustee Garcia that the RFQ was for project management services and not architectural services.
RO Engineering (Rene Olivarez)	12 minutes, 57 seconds	<ul style="list-style-type: none"> Board President Vargas asked about Santa Maria ISD, which RO Engineering included as a reference for project management services. Board President Vargas stated that Santa Maria ISD had no recollection of RO Engineering serving as Project Manager. Mr. Olivarez responded that his firm served as a sub-consultant for the Brighton Group, who was the prime project manager.

d. Board Selection of Brighton Group as Project Manager

One week after the presentations to the Building Committee, there was an agenda item for the regular Board meeting on December 18, 2018 to discuss and take possible action to select a firm to provide project management services pursuant to the RFQ.⁸¹ Trustee Garcia stated that she had concerns regarding two (2)

⁸⁰ The information contained in the table is based upon our review of the video posted to the District's website for the Building Committee meeting on December 11, 2018.

⁸¹ See Exhibit A.23

of the firms and made a motion for the Board to select GMS as Project Manager, which failed due to the motion not being seconded. Subsequently, Trustee Mendez made a motion to select Brighton Group as Project Manager, which was seconded by Trustee Lopez, and the motion passed by a 6-1 vote.⁸²

Following the motion passed by the Board to select Brighton Group as Project Manager, the next agenda item was to discuss the delegation of authority to the administration and Board attorney to negotiate a reasonable fee and contract with Brighton Group.⁸³ Trustee Mendez asked for Mr. Palacios (who was in attendance) to address the Board regarding the scope of work to be performed as Project Manager.⁸⁴ Mr. Palacios described to the Board the role Brighton Group would assume as Project Manager, which was to provide oversight for the 2018 Bond Program, verify each scope of work, and to assure that the District is able to maximize its bond funds. Following Mr. Palacios' statements to the Board, Trustee Lopez made a motion to delegate authority to administration and Board attorney to negotiate a contract with Brighton Group, which was seconded by Trustee Mendez and passed by a 6-1 vote.

e. Negotiation of Contract with Brighton Group

Based on our discussions with Mr. Palacios and Dr. Carman, the District's contract with Brighton Group for project management services was negotiated on behalf of the District by the Board attorney, Mr. Torres, and Dr. Carman. On January 9, 2019, Mr. Torres emailed Dr. Carman an initial draft of the contract, which included proposed compensation to Brighton Group of 4.5% of final construction costs for the 2018 Bond Program, "not including the costs of consultants approved by the [District] and associated expenses incurred therewith."⁸⁵ Dr. Carman informed Weaver that the fee for compensation was based upon their review of similar projects and compensation paid to project managers.

The Board called a special meeting on January 10, 2020, which included an agenda item for the Board to approve the project management agreement with Brighton Group.⁸⁶ The project management agreement presented to the Board outlined compensation of 4.5% of final construction costs (consistent with the January 9, 2019 draft), but also stipulated that the District would make an initial payment of \$100,000 to Brighton Group upon execution of the project management agreement, with Brighton Group to receive monthly payments of \$50,000 each month thereafter until the total amounts paid to Brighton Group equaled

⁸² Trustee Garcia voted in opposition to the motion to select Brighton Group as Project Manager.

⁸³ See Exhibit A.23

⁸⁴ Trustee Mendez also stated that what impressed him about Brighton Group during their presentation was their statement that they would be "here for the District."

⁸⁵ See Exhibit A.24

⁸⁶ See Exhibit A.25

\$1,250,000.^{87 88} During the special meeting, Trustee Lopez made a motion to move the discussion of the proposed contract with Brighton Group into executive session due to a legal concern (the motion was approved by the Board). Following the Board's discussion in executive session, Trustee Lopez made a motion for the Board's attorney to make non-substantive changes to the project management agreement with Brighton Group, as well as to approve the agreement. The motion by Trustee Lopez was approved unanimously by the Board by a 6-0 vote.⁸⁹

At the following Board meeting on January 22, 2019, an amendment to the project management agreement with Brighton Group was presented to the Board for approval.⁹⁰ Under the proposed amendment to the agreement, Brighton Group was to also provide project management services for the District's LED Lighting Project, which was in addition to and separate from the 2018 Bond Program.⁹¹ Brighton Group was to receive 4.5% of total costs of the LED Lighting Project excluding the fees paid to Brighton Group.⁹² The Board approved the amendment to the agreement with Brighton Group on January 22, 2019 as a consent agenda item, which was subsequently executed by Board President Vargas and Mr. Palacios on March 5, 2019.⁹³ A timeline of the District's procurement of project management services and execution of a contract with Brighton Group is summarized in the table below.

Date	Description
11/13/2018	<ul style="list-style-type: none"> Board discussion about project management for the 2018 Bond Program
11/16/2018	<ul style="list-style-type: none"> District issued Request for Qualifications for Project Management Services (RFQ:1218-PMS) RFQ:1218-PMS was posted on GovWin Sealed proposals due by 12/3/2018
11/17/2018	<ul style="list-style-type: none"> Advertisement 1 for RFQ:1218-PMS posted in Valley Morning Star
11/24/2018	<ul style="list-style-type: none"> Advertisement 2 for RFQ:1218-PMS posted in Valley Morning Star
12/3/2018	<ul style="list-style-type: none"> District received sealed proposals from four (4) firms: (1) Brighton Group; (2) Broaddus & Associates; (3) Gomez Mendez Saenz, Inc.; and (4) RO Engineering

⁸⁷ See Exhibit A.26

⁸⁸ The project management agreement stated that the payment amount to the Brighton Group was calculated based on estimated final construction costs of \$30 million, with 4.5% of estimated final construction costs totaling \$1.35 million (i.e., initial payment of \$100,000 plus additional monthly payments of \$1.25 million).

⁸⁹ Trustee Mendez was not present during the special meeting on January 10, 2019.

⁹⁰ See Exhibit A.27

⁹¹ During the January 22, 2019 Board meeting, the Board awarded a contract to E3 Entegral Solutions, Inc. for the LED Lighting Project. The Board previously rescinded a contract with Enviro Group Solutions for the LED Lighting Project on December 18, 2018 (the same Board meeting in which the Board selected Brighton Group as project manager for the 2018 Bond Program). The LED Lighting Project is discussed in more detail in Section C of this Report.

⁹² See Exhibit A.28

⁹³ See Exhibit A.29

Date	Description
12/11/2018	<ul style="list-style-type: none"> • Building Committee reviewed and discussed proposals for RFQ:1218-PMS • Each of the four (4) firms was allotted five (5) minutes to present to the Building Committee
12/18/2018	<ul style="list-style-type: none"> • During the Regular Board Meeting, the Board voted 6-1 to select the Brighton Group for RFQ:1218-PMS • Board delegated authority to the Superintendent, Board President and Board Attorney to negotiate a contract with the Brighton Group
1/10/2019	<ul style="list-style-type: none"> • During Special Board Meeting, Board approved the Project Management Agreement with the Brighton Group • Under the compensation terms outlined in the agreement, Brighton Group was to receive 4.5% of final construction cost (not including costs for consultants) • Brighton Group was to receive an initial payment of \$100,000 and a monthly payment of \$50,000 until total amount paid equals \$1,250,000
1/22/2019	<ul style="list-style-type: none"> • During Regular Board Meeting, Board approved Amendment to Project Management Agreement with the Brighton Group
3/5/2019	<ul style="list-style-type: none"> • Amendment 1 to Project Management Agreement executed by the Board President (Trustee Vargas) and Brighton Group's President (Mr. Palacios) • Under the amended agreement, Brighton Group was to also manage the District's LED Lighting Project (in addition to the 2018 Bond Program) and was to receive compensation in the amount of 4.5% of total costs

V. 2018 Bond Program – Architectural Services

a. RFQ for Architectural Services

After the District's hiring of Brighton Group to provide project management services, the District prioritized the hiring of firms to provide architectural services for the 2018 Bond Program. The Board attorney, Mr. Torres, worked with Pepe Caso of the Caso Law Firm, PLLC (a sub-consultant for Brighton Group) to prepare an RFQ for architectural services for the 2018 Bond Program.⁹⁴ On February 1, 2019, the District issued RFQ #0219-ASBP for Architectural Services for the 2018 Bond Program, which was advertised in the Valley Morning Star on February 3, 2019 and February 10, 2019.⁹⁵ The RFQ stated that interested bidders were to submit sealed proposals (either by mail or hand delivered) to the attention of the Board President, Mr. Vargas, by February 15, 2019.⁹⁶ The RFQ also stated that the Board would be responsible for the selection of one or more firms from the proposals received.

⁹⁴ See Exhibit A.30

⁹⁵ See Exhibit A.31

⁹⁶ See Exhibit A.32

b. Presentations to the Board

The District received proposals from nine (9) firms in response to the RFQ for architectural services issued in February 2019.⁹⁷ The District invited each of the nine (9) respondents to present at the Facilities Workshop meeting on February 25, 2019, as well as to provide written responses in advance of the presentation to five (5) questions.⁹⁸ Following the February 25, 2019 presentations, the Board selected a shortlist of five (5) firms to provide additional presentations to the Board during the Building Committee meeting on March 5, 2019, including a five (5) minute presentation with ten (10) minutes to answer questions from the Board.^{99 100} The architectural firms selected to present to the Building Committee on March 5, 2019 are listed below.

Summary of Presentations to Building Committee on March 5, 2019	
Presentation Time	Firm Name
6:00 PM	Gignac & Associates, LLP
6:20 PM	Gomez Mendez Saenz, Inc.
6:40 PM	Megamorphosis, Inc.
7:00 PM	PBK Architects, Inc.
7:20 PM	Rike Ogden Figueroa Alex Architects, Inc. (ROFA)

Based on discussions with Mr. Palacios, Brighton Group prepared a scoring sheet for the Board to evaluate each of the five (5) architectural firms that presented to the Building Committee on March 5, 2019.¹⁰¹ However, Mr. Palacios indicated that the Board elected **not** to utilize the scoring sheets and instead discussed their evaluations verbally following the presentations.

c. Selection of Architectural Firms

Following the March 5, 2019 Building Committee meeting, the Board held a special meeting on March 7, 2019 to discuss and select the architectural firms for the 2018 Bond Program.¹⁰² During the March 7, 2019 special meeting, Board President Vargas stated that the Board would discuss each of the projects for the 2018 Bond Program separately (i.e., Indoor Multipurpose Facility, Aquatic Center and Performing Arts Center) and vote on the architectural firm(s) to award a contract. During the meeting, the Board voted to award a contract to Rike Ogden Figueroa Alex Architects, Inc. ("ROFA") to provide architectural services for the Aquatic Center and Performing Arts Center. The Board also voted to award a contract to PBK Architects, Inc. ("PBK") to provide architectural services for the Indoor Multipurpose Facility.

⁹⁷ See Exhibit A.33

⁹⁸ See Exhibit A.34

⁹⁹ See Exhibit A.35

¹⁰⁰ See Exhibit A.36

¹⁰¹ See Exhibit A.37

¹⁰² See Exhibit A.38

d. Board Approval of Contract with PBK

During the regular Board meeting on April 9, 2019, the Board approved a contract with PBK to provide architectural services for the Indoor Multipurpose Facility.¹⁰³ Under the terms of the contract, PBK was to receive compensation in the amount of 6.75% of the budgeted cost of completion for the Indoor Multipurpose Facility, which was estimated to be \$4 million at the time of the contract (i.e., PBK would receive \$270,000 based on the estimated budget of \$4 million).¹⁰⁴ The contract also stipulated that PBK’s compensation would be paid in phases based on the completion of services, as shown below.

§ 11.5 When compensation for Basic Services is based on a stipulated sum or a percentage basis, the proportion of compensation for each phase of services shall be as follows:

Schematic Design Phase	Fifteen	percent (	15	%)
Design Development Phase	Twenty	percent (	20	%)
Construction Documents Phase	Thirty Five	percent (	35	%)
Procurement Phase	Five	percent (	5	%)
Construction Phase	Twenty Five	percent (	25	%)
Total Basic Compensation	one hundred	percent (	100	%)

e. Board Approval of Contract with ROFA

During the regular Board meeting on May 14, 2019, the Board approved a contract with ROFA to provide architectural services for the Aquatic Center and Performing Arts Center.¹⁰⁵ Under the terms of the contract, ROFA was to receive compensation for 6.24% of actual costs for construction of the Aquatic Center (excluding soft costs), which was estimated to be \$5 million at the time of the contract.¹⁰⁶ ROFA was to receive compensation of 6.00% of actual costs for construction of the Performing Arts Center (excluding soft costs), which was estimated to be \$20 million at the time of the contract. Per the contract, ROFA would be paid in phases based on the completion of services, as shown below.

§ 11.5 When compensation for Basic Services is based on a stipulated sum or a percentage basis, the proportion of compensation for each phase of services shall be as follows:

Schematic Design Phase	fifteen	percent (	15	%)
Design Development Phase	fifteen	percent (	15	%)
Construction Documents Phase	forty	percent (	40	%)
Procurement Phase	five	percent (	5	%)
Construction Phase	twenty-five	percent (	25	%)
Total Basic Compensation	one hundred	percent (	100	%)

¹⁰³ See Exhibit A.39

¹⁰⁴ See Exhibit A.40

¹⁰⁵ See Exhibit A.41

¹⁰⁶ See Exhibit A.42

VI. Selection of Construction Manager(s) at Risk (CMAR)

During the Building Committee meeting on January 15, 2019, Brighton Group presented to the Board regarding construction delivery methods for the 2018 Bond Program. During the following regular Board meeting on January 22, 2019, the Board approved the Construction Manager at Risk ("CMAR") procurement method for the 2018 Bond Program, including the construction of the Indoor Multipurpose Facility, Aquatic Center and Performing Arts Center.¹⁰⁷

a. RFQ for CMAR Services for Indoor Multipurpose Facility

On April 22, 2019, the District issued RFQ #0519-CMARIMF for Construction Manager at Risk services for the construction of the Indoor Multipurpose Facility as part of the 2018 Bond Program.¹⁰⁸ The RFQ was prepared jointly by Brighton Group (including their sub-consultant Caso Law Firm) and the Board attorney, Mr. Torres.¹⁰⁹ The RFQ was advertised in the Valley Morning Star on April 22, 2019 and April 29, 2019.¹¹⁰ The RFQ indicated that interested bidders were to submit sealed proposals (either by mail or hand delivered) to the attention of the Board President, Mr. Vargas, by May 14, 2019. In response to the RFQ, the District received proposals from seven (7) contractors, as summarized in the table below.¹¹¹

RFQ for CMAR Services for Indoor Multipurpose Facility – Proposals Received	
Firm Name	Firm Name
Broaddus Construction	McAllen, TX
Davila Construction, Inc.	McAllen, TX
D. Wilson Construction Co.	McAllen, TX
Enriquez Construction Group, LLC (ECON Group)	Edinburg, TX
Hellas Construction, Inc.	Austin, TX
NM Contracting, LLC	McAllen, TX
Peacock General Contractor, Inc.	Harlingen, TX

During the special Board meeting on May 16, 2019, each of the seven (7) firms that submitted proposals presented to the Board as part of the selection process.^{112 113} Following the presentations, Trustees Garcia and Weaver indicated that they evaluated Hellas Construction ("Hellas") as the highest ranked firm based on their proposal and presentation. Trustee Garcia made a motion to select Hellas as the CMAR for the construction of the Indoor Multipurpose Facility, which was approved by the Board.

¹⁰⁷ See Exhibit A.27

¹⁰⁸ See Exhibit A.43

¹⁰⁹ See Exhibit A.44

¹¹⁰ See Exhibit A.45

¹¹¹ See Exhibit A.46

¹¹² See Exhibit A.47

¹¹³ Each firm was allotted ten (10) minutes to present to the Board with five (5) minutes to answer questions from the Board. The order of presentations was based upon alphabetical order.

b. GMP Contract with Hellas

Following the Board's selection of Hellas as CMAR for the construction of the Indoor Multipurpose Facility, Hellas provided initial project estimates of approximately \$4.5 million for a 52,500 square foot facility, as well as an alternative estimate of approximately \$7.5 million for an 81,485 square foot facility.¹¹⁴ During the design phase, Hellas worked with Brighton Group and PBK to finalize the design and schematics for the facility for purposes of establishing a Guaranteed Maximum Price ("GMP"). During the Building Committee meeting on July 11, 2019, the Building Committee elected to decrease the square footage of the proposed facility from approximately 80,000 square feet to 67,000 square feet by eliminating the dance / cheer room and reducing the weight room from 10,000 square feet to 7,000 square feet.¹¹⁵ In a subsequent email from Mr. Palacios to Dr. Carman and Board President Vargas on September 5, 2019, Mr. Palacios explained that the design plans were adjusted again to increase the square footage from 67,000 to 71,130 square feet, which was based in part by reverting to the original design plan for a 10,000 square foot weight room.¹¹⁶ On January 23, 2020, the District entered into a GMP contract with Hellas for the construction of the Indoor Multipurpose Facility for an amount not-to-exceed \$5,717,062, as summarized below.^{117 118}

Hellas Guaranteed Maximum Price for Indoor Multipurpose Facility	
Project Scope	GMP Amount
Phase 1 GMP (Sitework)	\$186,982
Phase 2 GMP (Construction of Facility)	\$5,168,080
Pre-Construction Services	\$20,000
General Conditions	\$342,000
Total GMP for Indoor Multipurpose Facility	\$5,717,062

c. RFQ for CMAR Services for Aquatic Center and Performing Arts Center

On August 11, 2019, the District issued RFQ ACPAC-08 for Construction Manager at Risk services for the construction of the Aquatic Center and Performing Arts Center as part of the 2018 Bond Program.¹¹⁹ The RFQ was advertised in the Valley Morning Star on August 11, 2019 and August 18, 2019.¹²⁰ The RFQ indicated that interested bidders were to submit sealed proposals (either by mail or hand delivered) to the attention of the Board President, Mr. Vargas, by August 29, 2019. In response to the RFQ, the District received proposals from six (6) contractors, as summarized in the table below.

¹¹⁴ See Exhibit A.48

¹¹⁵ Our summary of the discussion regarding the design changes was based on the video recording of the Building Committee meeting on July 11, 2019 available on the District's website.

¹¹⁶ See Exhibit A.49

¹¹⁷ See Exhibit A.50

¹¹⁸ The GMP amount for Hellas of \$5,717,062 does not include certain soft costs such as architectural services provided by PBK, among others.

¹¹⁹ See Exhibit A.51

¹²⁰ See Exhibit A.52

RFQ for CMAR Services for Aquatic Center / PAC – Proposals Received	
Firm Name	Firm Location
D. Wilson Construction Co.	McAllen, TX
Davila Construction, Inc.	McAllen, TX
Enriquez Construction Group, LLC (ECON Group)	Edinburg, TX
Holchemont, Ltd.	McAllen, TX
Morganti Texas, Inc.	Houston, TX
NM Contracting, LLC	McAllen, TX

During the Building Committee meeting on September 3, 2019, five (5) of the six (6) firms that submitted proposals presented to the Board as part of the interview process.¹²¹ ¹²² During the special Board meeting on September 24, 2019, the Board discussed the selection of a CMAR for the construction of the Aquatic Center and Performing Arts Center.¹²³ Following the discussion, Trustee Garcia made a motion to select Davila Construction, Inc. ("Davila") as the CMAR for the construction of the Aquatic Center and Performing Arts Center, which was approved unanimously by the Board.¹²⁴

d. GMP Contract with Davila

Following the Board's selection of Davila as CMAR for the construction of the Aquatic Center and Performing Arts Center, the District entered into a General Conditions contract with Davila on November 7, 2019.¹²⁵ During the next 12 months, Davila worked with Brighton Group and the project architect (ROFA Architects) to establish the GMP for the installation of utilities, building pads and site preparation (GMP 1), construction of the Performing Arts Center (GMP 2) and construction of the Aquatic Center (GMP 3). A summary of the GMP amounts negotiated between the District and Davila is provided in the table below.¹²⁶ ¹²⁷

Davila GMP Amounts for Aquatic Center and Performing Arts Center		
Project Scope	GMP Date	GMP Amount
GMP 1 (Sitework)	11/4/2020	\$1,857,979
GMP 2 (Performing Arts Center)	10/4/2021	\$21,321,489
GMP 3 (Aquatic Center)	8/12/2021	\$8,866,163
Total GMP for Aquatic Center / Performing Arts Center		\$32,045,631

¹²¹ Holchemont, Ltd. informed Brighton Group that they were unable to attend the Building Committee meeting on September 3, 2016 to present to the Board, however, asked to be considered for the award.

¹²² Each firm was allotted ten (10) minutes to present to the Board with five (5) minutes to answer questions from the Board. The order of presentations was based upon alphabetical order.

¹²³ See Exhibit A.53

¹²⁴ There was not any discussion amongst the Board regarding the agenda item, only the motion by Trustee Garcia to select Davila.

¹²⁵ See Exhibit A.54

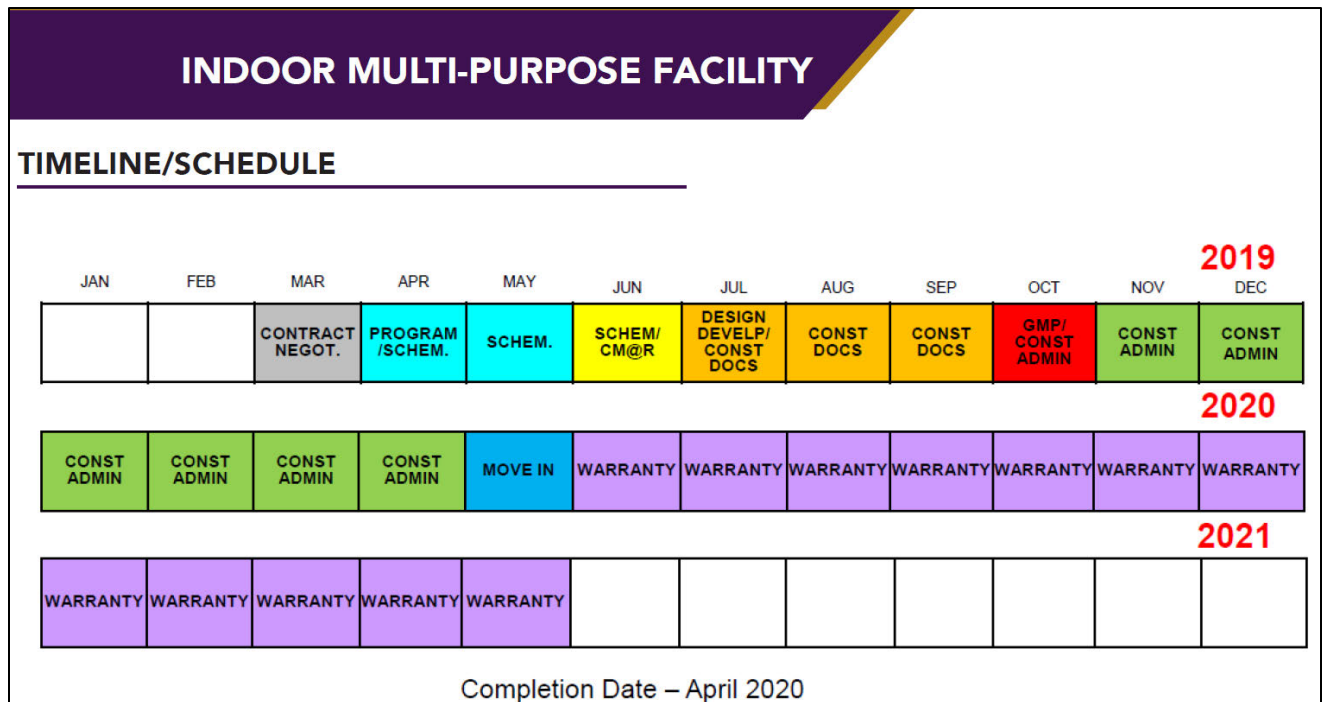
¹²⁶ See Exhibit A.55

¹²⁷ See Exhibit A.56

VII. Analysis of 2018 Bond Program Schedule and Budget

a. Analysis of Schedule – Indoor Multipurpose Facility

Brighton Group provided an update on the 2018 Bond Program to the Building Committee on July 11, 2019, which included an overview of the schedule for completion of the Indoor Multipurpose Facility. Based on the information presented by Brighton Group as of July 2019, the scheduled completion date for the Indoor Multipurpose Facility was April 2020, as shown below.¹²⁸



Based on timeline presented by Brighton Group, the building inspection and close out for the Indoor Multipurpose Facility occurred in February 2021, which was approximately 10 months after the original scheduled completion date of April 2020.¹²⁹ The Certificate of Substantial Completion for the Indoor Multipurpose Facility was signed by PBK Architects on March 16, 2021 and the final application and certificate for payment was submitted by Hellas on April 27, 2021.¹³⁰ Following the completion of the project, there were several items addressed during the warranty phase in August 2021, including roof leaks, damaged wall pads, alarm system settings adjustments and electrical adjustments.¹³¹

¹²⁸ See Exhibit A.57

¹²⁹ See Exhibit A.58

¹³⁰ See Exhibit A.59

¹³¹ See Exhibit A.60

b. Analysis of Budget and Expenditures – Indoor Multipurpose Facility

The \$40 million bond proposition approved by the Board in August 2018 included estimated costs for the Indoor Multipurpose Facility of \$3.5 to \$4.0 million. The actual costs for completion of the Indoor Multipurpose Facility were in excess of \$6.5 million, as summarized in the table below.¹³²

Indoor Multipurpose Facility - Summary of Actual Costs		
Vendor / Contractor	Description of Services	Actual Costs
Hellas Construction	Construction Manager at Risk (CMAR)	\$ 5,686,225.00
PBK Architects, Inc.	Architectural Services	440,143.75
RABA Kistner, Inc.	Construction Materials / Testing Services	23,640.83
ADP Lemco, Inc.	Wall Pads	19,350.00
Araiza General Construction	Concrete Slab	35,796.00
B & H Photo Video	Sound System	17,203.25
Brand Boosters Co., LLC	Full Color Banners	26,470.00
Power Lift	Weight Room Equipment	190,988.81
Southern Landscapes	Landscaping	54,287.81
The Art and Signs LLC	Cabinet Signs	23,000.00
Videotex Systems, Inc.	Sound System	6,254.22
Total		\$ 6,523,359.67

It is our understanding that the cost estimate included in the bond proposition of \$3.5 - \$4.0 million was based on construction costs for a similar facility at Brownsville CISD completed in 2016, which was approximately 31,000 square feet, including a 60-yard practice field and a 5,000 square foot weight room facility. However, the District ultimately decided to build a larger facility totaling over 71,000 square feet, including a 90-yard practice field and a 10,000 square foot weight room. As a result, the construction costs for the Indoor Multipurpose Facility were \$2.5 - \$3.0 million more than the cost estimate included in the bond proposition in advance of the November 2018 election.

c. Analysis of Schedule – Performing Arts Center and Aquatic Center

During a Special Board meeting on November 7, 2019, ROFA Architects provided an update to the Board regarding the design and project schedule for the Performing Arts Center and Aquatic Center. Based on the project schedule presented to the Board, construction of the Performing Arts Center and Aquatic Center was scheduled to be substantially completed in April 2022, with the Board to accept final completion of the projects on May 27, 2020.¹³³ A summary of the project schedule for the Performing Arts Center and Aquatic Center presented to the Board on November 7, 2019 is provided in the table below.

¹³² Our summary of actual costs for the construction of the Indoor Multipurpose Facility is based on the general ledger for Fund 626 (fund code designated for the 2018 Bond Program) as of June 30, 2022.

¹³³ See Exhibit A.61

Project Schedule Presented on 11/7/2019 - Performing Arts Center and Aquatic Center		
Project Scope	Start Date	Completion Date
Civil Engineering & Construction – Irrigation Line for Entrance	11/13/2019	12/31/2019
Civil Engineering & Construction – Entrance & Design	11/29/2019	4/28/2020
Civil Engineering & Construction – Parking, Drainage, Pad & Utility	2/3/2020	9/28/2020
Architectural – Performing Arts Center / Aquatic Center	11/7/2019	8/11/2020
Construction – Performing Arts Center / Aquatic Center	10/5/2020	5/27/2022

The architectural scope for the Performing Arts Center and Aquatic Center was completed on October 14, 2021, which was approximately 14 months later than the scheduled completion date of August 11, 2020.^{134 135} The construction phase began on October 4, 2021 for both facilities, which was 12 months later than the scheduled start date of October 5, 2020. It is our understanding that the scheduled completion dates are May 2023 and August 2023 for the Aquatic Center and Performing Arts Center, respectively.

d. Analysis of Budget and Expenditures – Aquatic Center

The \$40 million bond proposition approved by the Board in August 2018 included estimated costs for the Aquatic Center of \$5.0 to \$5.5 million. As described previously in this Report, the District finalized their GMP contract with Davila in August 2021 with construction costs for the Aquatic Center not to exceed \$8,866,163.¹³⁶ As of June 30, 2022, actual costs for the construction of the Aquatic Center were approximately \$3.8 million, with 18% of the construction phase completed.¹³⁷ Total costs for completion of the Aquatic Center are estimated to be in excess of \$11 million, as summarized in the table below.

Aquatic Center - Summary of Actual Costs (as of 6/30/22) and Estimated Costs at Completion			
Vendor / Contractor	Description of Services	Actual Costs as of 6/30/22	Estimated Costs at Completion
Davila Construction, Inc.	Pre-Construction	\$ 16,000.00	\$ 16,000.00
Davila Construction, Inc.	Underground Utilities, Sitework, GeoPiers	896,483.74	896,483.74
Davila Construction, Inc.	Construction of Aquatic Center	1,625,051.11	8,866,163.00
Rike Ogden Figueroa Alex Architects Inc. (ROFA)	Architectural Services	767,377.63	774,902.65
GDJ Engineering	Engineering Services	186,104.81	186,104.81
RABA Kistner, Inc.	Construction Materials / Testing Services	40,618.33	40,618.33
NM Contracting LLC	Natorium Entrances	198,058.21	198,058.21
Saenz Brothers Construction, LLC	Irrigation Siphon	48,785.00	48,785.00
Geopier Foundation Company	Design Fees	7,500.00	7,500.00
Total		\$ 3,785,978.83	\$ 11,034,615.74

¹³⁴ See Exhibit A.62

¹³⁵ On October 14, 2021, ROFA Architects provided the Final Construction Plans and Specifications to the Board.

¹³⁶ See Exhibit A.55

¹³⁷ Our summary of actual costs for the construction of the Aquatic Center is based on the general ledger for Fund 626 (fund code designated for the 2018 Bond Program) as of June 30, 2022.



Based on our interview of Dr. Carman, the original estimated cost for the Aquatic Center of \$5.0 - \$5.5 million was based on actual costs incurred by Los Fresnos ISD of approximately \$4.5 million to build a similar facility in 2017. The estimated completion cost calculated by Weaver of \$11 million for the Aquatic Center is more than double the estimated cost included in the bond proposition approved by the Board in August 2018. We determined that a portion of the cost increase related to the addition of a warming pool in the design plans, which was discussed and approved by the Board on July 20, 2021 with an estimated cost of \$1.8 million. In addition, it is our understanding that the original cost estimate of \$5.0 - \$5.5 million did not take into consideration site development costs and was based only on construction costs for the facility.

e. Analysis of Budget and Expenditures – Performing Arts Center

The \$40 million bond proposition approved by the Board in August 2018 included an estimated cost for the Performing Arts Center of \$30.0 to \$31.0 million. As described previously in this Report, the District finalized their GMP contract with Davila in October 2021 with construction costs for the Performing Arts Center not to exceed \$21,321,489.¹³⁸ As of June 30, 2022, actual costs for the construction of the Performing Arts Center were approximately \$6.3 million, with 16% of the construction phase completed.¹³⁹ Total costs for completion of the Performing Arts Center are estimated to be \$24.7 million, as summarized in the table below.

Performing Arts Center - Summary of Actual Costs (as of 6/30/22) and Estimated Costs at Completion			
Vendor / Contractor	Description of Services	Actual Costs as of 6/30/22	Estimated Costs at Completion
Davila Construction, Inc.	Pre-Construction	\$ 60,000.00	\$ 60,000.00
Davila Construction, Inc.	Underground Utilities, Sitework, GeoPiers	896,483.76	896,483.76
Davila Construction, Inc.	Construction of Performing Arts Center	3,471,648.82	21,321,489.00
Rike Ogden Figueroa Alex Architects Inc. (ROFA)	Architectural Services	1,386,783.80	2,025,541.46
GDJ Engineering	Engineering Services	186,104.79	186,104.79
RABA Kistner, Inc.	Construction Materials / Testing Services	45,717.02	45,717.02
NM Contracting LLC	Performing Arts Center Entrances	198,058.22	198,058.22
Geopier Foundation Company	Design Fees	7,500.00	7,500.00
Total		\$ 6,252,296.41	\$ 24,740,894.25

The cost estimate of \$30.0 to \$31.0 million for the Performing Arts Center included in the bond proposition for the November 2018 election was based on a facility with seating capacity of 1,800 seats. The final design for the Performing Arts Center was based on seating capacity of 1,000 seat, approximately 44% less than the seat capacity included in the bond proposition. It is our understanding that the Board approved a smaller facility to accommodate the available funds remaining in the \$40 million budget after accounting for the costs of the Indoor Multipurpose Facility and Aquatic Center.

¹³⁸ See Exhibit A.56

¹³⁹ Our summary of actual costs for the construction of the Performing Arts Center is based on the general ledger for Fund 626 (fund code designated for the 2018 Bond Program) as of June 30, 2022.

VIII. Summary of Observations and Findings

a. Brighton Group Employee Served on Bond Committee

As described previously in this Report, the District established a Bond Committee in May 2018 to include 13 members of the community for purposes of prioritizing the potential bond projects and making recommendations to the Board for consideration. Alicia Rodriguez (“Ms. Rodriguez”) was nominated to serve on the Bond Committee by Trustee Garcia and Ms. Rodriguez attended the three (3) Bond Committee meetings during the July 2018 – August 2018 time period.¹⁴⁰ We determined that Ms. Rodriguez is currently an employee of Brighton Group, however, she was not employed by Brighton Group at the time she served on the Bond Committee. Based on discussions with representatives for Brighton Group, Ms. Rodriguez was hired in January 2020 (approximately one year into the 2018 Bond Program) to perform right-of-way acquisition services unrelated to the 2018 Bond Program.

b. Board Member Advocated for Passage of Bond Election

On October 20, 2018, Board President Vargas shared a post on his Facebook page to “encourage everyone to vote FOR the school bond.”¹⁴¹ The post stated that the bond would not raise taxes for anyone, and the District does not currently have the facilities included in the bond proposition, whereas neighboring school districts do.¹⁴² In addition, the Facebook post from Board President Vargas stated, “these facilities can help spur economic development for our community as a whole.”¹⁴³ Based upon our review, the social media post by Board President Vargas appears to be “political advertising” as defined under Board Policy BBBB (Legal).¹⁴⁴ However, it did not appear that District funds were expended in the dissemination of the social media post advocating for the passage of the bond proposition.

c. Brighton Group Did Not Have Professional Liability Insurance Until December 21, 2018

The District’s RFQ for Project Management Services included a requirement for the respondent to have the “appropriate liability insurance in accordance with the Texas Government Code Section 2269.208 written by an insurer authorized to transact insurance in the State of Texas.”¹⁴⁵ A summary of the insurance coverage

¹⁴⁰ See Exhibit A.3

¹⁴¹ See Exhibit A.63

¹⁴² See Exhibit A.63

¹⁴³ See Exhibit A.63

¹⁴⁴ See Exhibit A.64

¹⁴⁵ See Exhibit A.16

documentation included in Brighton Group's RFQ submission on December 3, 2018 is provided in the table below.¹⁴⁶

Insured	Insurance Coverage	Coverage Period
Brighton Group	- Commercial General Liability	10/26/18 – 10/26/19
Warren Group Architects, Inc.	- Commercial General Liability; - Automobile Liability; - Design Professional Liability	9/6/2017 – 9/6/2018 9/6/2017 – 9/6/2018 11/9/2017 – 3/9/2018
Rio Delta Engineering LLC	- Commercial General Liability; - Automobile Liability; - Umbrella Liability; - Professional Liability	2/10/2018 – 2/10/2019 2/10/2018 – 2/10/2019 2/10/2018 – 2/10/2019 10/20/2018 – 10/20/2019

Based on the documentation submitted by Brighton Group on December 3, 2018, Brighton Group did not have professional liability insurance at the date of their proposal submission. Instead, Brighton Group submitted proof of professional liability insurance for its subcontractors, Warren Group Architects and Rio Delta Engineering (although it appeared that the professional liability insurance for Warren Group Architects had expired as of March 9, 2018). In their proposal, Brighton Group stated, "they are willing and able to acquire any additional insurance policies and/or coverage as required by [the District]."¹⁴⁷

Based on discussions with Mr. Palacios, Brighton Group carries professional liability insurance on a project basis and Brighton Group ultimately obtained professional liability insurance for the 2018 Bond Program after being selected by the Board on December 18, 2018.¹⁴⁸ We confirmed that Brighton Group obtained professional liability insurance coverage of \$2 million per claim through the Juan J. Rodriguez Insurance Agency, with policy effective dates starting on December 21, 2018 through December 21, 2019.¹⁴⁹ It appears that Brighton Group had professional liability insurance coverage for the 2018 Bond Program prior to entering into their contract with the District in January 2019 to provide project management services.

In an email dated March 5, 2019, a representative from the Caso Law Firm (a sub-consultant for the Brighton Group), submitted the Certificate of Liability Insurance document dated December 28, 2018 to the Board's attorney, Mr. Torres, and stated, "Tony, here's the original dec[laration] sheet that Brighton Group, LLC submitted along with its RFQ."¹⁵⁰ However, the declaration sheet showing the Brighton Group's professional liability insurance coverage was not included in Brighton Group's December 3, 2018 submission in response to the RFQ.

¹⁴⁶ See Exhibit A.17

¹⁴⁷ See Exhibit A.17

¹⁴⁸ Mr. Palacios indicated that Brighton Group also carried professional liability insurance coverage specific to their contract with Santa Maria ISD where they also provide project management services.

¹⁴⁹ See Exhibit A.65

¹⁵⁰ See Exhibit A.65

d. Brighton Group Not Registered by State as Professional Engineer as of December 2018

Based upon our review of information maintained by the Texas Board of Professional Engineers and Land Surveyors (“Board of Professional Engineers”), Brighton Group obtained their certification as a registered Professional Engineering firm on February 8, 2019, which was after being hired by the District to serve as project manager for the 2018 Bond Program.¹⁵¹ Based on discussions with Mr. Palacios, Brighton Group hired an engineer in or around February 2019 and subsequently registered with the Board of Professional Engineers. According to Mr. Palacios, there was not a requirement in the RFQ for the project manager to be registered with the Board of Professional Engineers.¹⁵² Mr. Palacios also stated that Brighton Group was not hired to provide design or engineering services, which the District procured through separate RFQs.¹⁵³

e. Lack of Transparency in Board’s Selection of Project Manager

The Board heard presentations from each of the four (4) respondents to the RFQ for Project Management Services during the Building Committee meeting on December 11, 2018, and asked several questions to each of the firms. During the subsequent Board meeting on December 18, 2018, the Board selected Brighton Group and authorized the District’s administration to negotiate a contract. However, we did not identify any discussion amongst the Board regarding their decision to select Brighton Group, either during the December 11, 2018 Building Committee meeting or the December 18, 2018 regular Board meeting. We also have not identified any supporting documentation from the Board, including evaluation forms or score sheets, supporting the Board’s decision. Given the evaluation criteria outlined in the RFQ (i.e., qualifications of firm, experience on similar projects, and professional references), it would be expected that each Board member would have scored each respondent firm based on this criteria to be aggregated during the evaluation process.¹⁵⁴ While certain Board members that were interviewed as part of our review stated that they have a vague recollection of completing a score sheet, we have not identified any documentation in support of the Board’s evaluation process (i.e., score sheets or other evaluation forms).¹⁵⁵

¹⁵¹ See Exhibit A.66

¹⁵² Under Section 2269.057 of Texas Government Code, an architect or engineer required to be selected or designated under Chapter 2269 has full responsibility for complying with Chapter 1051 or 1001 of Occupations Code. Under Occupations Code Chapter 1001, the practice of engineering includes consultation, investigation, evaluation, analysis, planning, engineering for program management, providing an expert engineering opinion or testimony, engineering for testing or evaluating materials for construction or other engineering use, and mapping.

¹⁵³ In Brighton Group’s proposal submitted to the District on December 3, 2018, they included a certificate with the Texas Board of Professional Engineers for their sub-consultant, Jose Ivan Garcia.

¹⁵⁴ See Exhibit A.16

¹⁵⁵ During our interview of the District’s Purchasing Director, we were informed that when score sheets are utilized for evaluation and selection of a contractor, they are typically provided to the Purchasing department to maintain in their contract records. The Purchasing Director confirmed that the District did not receive score sheets related to the selection of a project manager for the 2018 Bond Program.

Based on discussions with several Board members who approved the selection of Brighton Group as project manager, one Board member indicated that they ranked Brighton Group as the top firm due to the experience of Warren Group Architects, the sub-consultant architectural firm for Brighton Group who attended the presentation to the Building Committee on December 11, 2018.¹⁵⁶ Another Board member we interviewed indicated that they had ranked Brighton Group as the top firm because they were a local firm and had a full team. In his motion to recommend Brighton Group during the December 18, 2018 Board meeting, Trustee Mendez stated that he was recommending Brighton Group because of the statement during their presentation that they were “here for the District.”

f. District Did Not Utilize a Formal Evaluation Committee

For the selection of consultants and contracts for the 2018 Bond Program, including project managers, architects and CMARs, the Board did not utilize a formal evaluation committee to independently review and evaluate proposals. Instead, the Board was responsible for the review and evaluation of proposals without any input from District staff. In addition, the Board did not utilize score sheets or evaluation forms for their selections and it is unclear how the Board deliberated during the selection process based on our review of meeting videos. Even when Brighton Group prepared score sheets for the Board to utilize during their evaluation of architectural firms, the Board elected not to utilize the score sheets.

g. Brighton Group Paid in Advance of Completion of 2018 Bond Program

As outlined in their contract, Brighton Group was to receive 4.5% of final construction costs as compensation for project management services related to the 2018 Bond Program, including payment of \$100,000 in January 2019 and subsequent monthly payments of \$50,000 through December 2020. As of December 2020, Brighton Group had received \$1.25 million in project management fees, including their final scheduled monthly payment based on the estimated construction costs of \$30 million. However, as of December 2020 none of the bond projects were completed and only the Indoor Multipurpose Facility was nearing completion, with the project closeout scheduled for February 2021. The Aquatic Center was scheduled to be completed in May 2023 and the Performing Arts Center was scheduled to be completed in August 2023, which is 32 months after Brighton Group received their last scheduled monthly payment.

The District’s contract with Brighton Group did not include any payment provisions relative to the project completion status, which appears to be inconsistent with project management contracts for other school

¹⁵⁶ Based on discussions with Warren Group’s owner, Warren Group was only involved in the early stages of the design phase of the 2018 Bond Program and never received payment from Brighton Group for services provided as a sub-consultant.

districts. The table below provides a summary of other project management contracts related to school district bond programs in Texas available for our review.¹⁵⁷

School District (Bond Amount)	Project Manager (Hire Date)	PM Fee (% of Bond)	Payment of Fees per Contract
San Benito CISD (\$40 million)	Brighton Group (1/2019)	\$1,350,000 (4.5% of construction costs or 3.125% of bond)	<ul style="list-style-type: none"> Payment of \$100,000 upon execution of contract and \$50,000 per month thereafter until total payment equals \$1.25 million
Lancaster ISD (\$74.4 million)	Dikita Enterprises (9/2017)	\$2,066,830 (2.78% of bond)	<ul style="list-style-type: none"> Payment schedule based on allocation of hours by person by phase. Contract stipulated that PM "shall not be paid in advance"
Luling ISD (\$31.9 million)	LAN (4/2019)	\$1,564,815 (4.9% of bond)	<ul style="list-style-type: none"> Fees included pre-bond planning services Fees paid monthly based on PM's estimate percentage of completion
Port-Neches-Groves ISD (\$130 million)	CBRE / HEERY (7/2019)	\$4,160,000 (3.2% of bond)	<ul style="list-style-type: none"> Fees based on Draw Schedule commensurate with the level of PM's work effort throughout assigned projects.
Cleveland ISD (\$198 million)	LAN (2/2020)	\$4,455,000 (2.25% of bond)	Contract not available
Round Rock ISD (\$508 million)	HPM, LLC (12/2020)	\$7,188,270 (1.4% of bond)	<ul style="list-style-type: none"> Fees based on number of full-time on-site staff each month, with contractual monthly amounts by position

h. Actual Costs Expected to Exceed Available Bond Funds

Based on the actual costs incurred as of June 30, 2022 (including soft costs), as well as the GMP amounts for the Aquatic Center and Performing Arts Center, Weaver has calculated the estimated total costs for completion of the 2018 Bond Program to be over \$44 million, which is \$4 million more than the initial bond proceeds of \$40 million. A summary of our calculation for the estimated cost of completion of the 2018 Bond Program is provided in the table below.

Bond Project	Estimated Costs (as of 6/30/2022)	Estimated Costs (Bond Proposition)
Indoor Multipurpose Facility	\$6.52 Million	\$3.5 - \$4.0 Million
Aquatic Center	\$11.03 Million	\$5.0 - \$5.5 Million
Performing Arts Center	\$24.74 Million	\$30.0 - \$31.0 Million
Project Management Services	\$1.72 Million ¹⁵⁸	N/A
2018 Bond Program Total	\$44.02 Million	\$40 Million

¹⁵⁷ We submitted open records requests to other school districts who hired a project/program manager to oversee their bond program, as well as searched publicly available records. Our analysis was limited to those school districts who responded to our open records request, as well as any contracts available online.

¹⁵⁸ The District's contract with Brighton Group outlines compensation to Brighton Group of 4.5% of the District's final construction costs, not including the costs of consultants (e.g., architects). As referenced in the contract, final construction costs were estimated to be \$30 million, or \$1.35 million in project management fees (i.e., 4.5%). We have estimated construction costs (excluding soft costs) to be \$38.2 million (pending any change orders to the GMP amounts for the construction of the Performing Arts Center and Aquatic Center). Based on our estimate of final construction costs, project management fees would total \$1.72 million (of which \$1.25 million has been paid to Brighton Group as of this Report).

i. Construction Professionals Not Involved in Pre-Bond Planning Cost Estimates

During the bond planning process in advance of the November 2018 bond election, the cost estimates for the bond projects were determined by the District based on costs for similar facilities in recent years at neighboring school districts. The District did not hire outside consultants to assist in the preparation of cost estimates, including professionals with experience in preparing cost estimates for construction projects. It is our understanding that the District's cost estimates during the bond planning process did not account for site development costs, inflation, or the size and design specifications for the projects ultimately selected by the District. As a result, the cost estimates included in the bond proposition in advance of the November 2018 election were "rough" estimates of potential costs for the 2018 Bond Program.

j. Board President Vargas Represented by Caso Law Firm

On July 5, 2019, Board President Vargas was arrested in Harlingen, Texas for Driving While Intoxicated. Subsequently on September 24, 2019, four (4) San Benito residents, including two (2) Board members, filed a petition with the District Court of Cameron County, Texas for the removal of Board President Vargas from his position on the Board.¹⁵⁹ Board President Vargas retained Jose Luis Caso ("Mr. Caso") and Alejandro Dominguez as his legal counsel.^{160 161} At that time, Mr. Caso was also a sub-consultant for Brighton Group and provided services to the District related to the 2018 Bond Program, including the review and preparation of RFQs, among other services.

k. Hellas Contributed to District's SPAC in October 2018

As described previously in this Report, the District formed the Investing in Our Children's Education SPAC in October 2018 to receive contributions in support of promoting the bond election coming up in November 2018. The SPAC received approximately \$15,000, including \$1,000 from Hellas. In May 2019, Hellas was selected by the Board to be the CMAR for the construction of the Indoor Multipurpose Facility, and ultimately received approximately \$5.7 million from the District for the project. We have not determined if the contribution by Hellas to the SPAC influenced the Board's selection of Hellas, however, we noted that the SPAC was formed by Gilbert Weaver, whose spouse was a Board member at the time of their selection.

¹⁵⁹ See Exhibit A.67

¹⁶⁰ See Exhibit A.68

¹⁶¹ On December 12, 2019, District Judge Manuel Banales decided to suspend Board President Vargas from serving on the Board in advance of trial set for April 2020. Board President Vargas subsequently resigned from the Board on December 20, 2019.

B. Consultants and Professional Services

I. Background

a. Scope of Work

Weaver's Proposed Work Plan for Phase II approved by the Board on December 15, 2021 included the review of payments to consultants and professional services firms for FY2017 – FY2021. Our review included expenditures assigned to Object Code 6219 (Professional Services), Object Code 6291 (Consulting Services) and Object Code 6299 (Miscellaneous Contracted Services) contained in the District's general ledger.

b. Work Performed

As outlined in the Proposed Work Plan for Phase II, Weaver performed the following work steps in our review of expenditures related to consultants and professional services:

- Obtained and reviewed the District's check register for FY2017 – FY2021 and identified expenditures classified under Object Codes 6219 (Professional Services), 6291 (Consulting Services) and 6299 (Miscellaneous Contracted Services).¹⁶²
- Performed data analytics procedures for payments to consultants and professional services, including cross-referencing vendor contact information with employee contact information, as well as contact information for current and former Board members to identify any potentially affiliated vendors.
- Conducted research of vendors using LexisNexis Public Records database, as well as other publicly available information from the Secretary of State, Texas Ethics Commission, and social media, among other sources.
- Selected a risk-based sample of transactions for further review based on data analytics, vendor research, as well information gathered during interviews with District personnel.
- For transactions selected for further review, we obtained purchasing and procurement records from the District, including purchase orders, invoices, quotes, proposals, contracts, Board resolutions and other supporting documentation.
- Reviewed responsive email communications from the District's email archive related to consultants and professional services, including internal communications and communications with vendors and contractors.
- Conducted interviews with current and former Board members regarding transactions selected for further review, as well as conducted interviews with various Department heads.

¹⁶² Expenditures allocated to Function 51 (Maintenance and Operations) and Function 81 (Construction / Facilities) were excluded from this section of our analysis, as they are included in Sections A and C of this Report.

II. Summary of Expenditures for FY2017 – FY2021

Based upon our review of the District's general ledger and check register, we identified expenditures totaling approximately \$54 million during FY2017 – FY2021 to over 600 consultants and professional services firms (i.e., Object Codes 6219, 6291 and 6299). A summary of expenditures for consultants and professional services by vendor is provided in the table below and detailed in **Appendix 1**.

Summary of Payments to Consultants and Professional Services Firms						
Vendor / Contractor	FY2017	FY2018	FY2019	FY2020	FY2021	Total
United Healthcare Insurance Company	\$ -	\$ 6,596,815	\$ 10,082,657	\$ 7,342,313	\$ 3,901,101	\$ 27,922,887
Blue Cross & Blue Shield of Texas	4,662,134	936,220	24,530	-	6,608,940	12,231,825
Communities In Schools	237,465	241,965	241,965	241,965	250,965	1,214,325
MaxorPlus	962,862	149,764	-	-	-	1,112,626
Insight Public Sector Inc	-	691,540	281,757	1,650	8,753	983,700
Skyward Inc	-	458,919	244,311	69,820	108,404	881,453
BCS Insurance Co	650,740	56,882	-	-	-	707,622
KLC Video Security	-	-	-	188,506	514,234	702,740
American Express	-	-	86,909	283,407	296,267	666,583
Houghton Mifflin Harcourt	2,950	76,356	218,900	65,000	91,000	454,206
Frontline Education	-	-	113,675	141,062	126,263	381,000
Absolute Business Consulting Group, LLC	-	27,000	99,000	108,000	108,000	342,000
Miracle Medical Equipment and Suppl	89,727	65,343	58,436	50,492	53,028	317,025
Palmer Hamilton, LLC	-	-	298,497	2,284	-	300,781
Alan Yoder Enterprises Inc dba Superior Alarms	23,921	34,312	241,670	-	-	299,902
Abel Vasquez	8,775	88,014	97,214	22,041	41,641	257,685
The Flippen Group, LLC	-	-	-	32,180	158,000	190,180
Cameron County Juvenile Probation	35,000	33,333	40,000	40,000	40,000	188,333
RECORDS CONSULTANT, INC	115,345	15,086	14,970	11,700	12,375	169,476
Houston I.S.D.	48,666	37,811	34,643	30,360	2,198	153,678
Region One Education Service Center	30,475	40,500	24,900	23,600	8,300	127,775
Lead4ward LLC	-	-	39,600	58,204	21,700	119,504
Gem-Cap Inc dba Hayes Software Systems	-	43,706	33,526	20,003	18,436	115,671
ISCorp	-	-	38,314	38,314	38,314	114,942
DMR Educational Consulting, Inc	42,000	10,000	3,000	36,000	-	91,000
J Maya Designs & Graphics LLC	-	17,296	22,576	27,952	16,905	84,729
Blackboard Inc.	-	-	-	-	76,188	76,188
587 Other Combined Vendors (<\$75,000)*	740,665	765,122	796,961	867,024	599,059	3,768,832
Total	\$7,650,725	\$10,385,984	\$13,138,010	\$9,701,877	\$13,100,070	\$53,976,666

* Vendors paid less than \$75,000 are combined in this table for demonstrative purposes.

III. Transactions Selected for Further Review

Based on our review and analysis of payments to consultants and professional services firms in the District's check register for FY2017 – FY2021, we selected certain transactions for further review, including a review of purchasing and procurement records (e.g., vendor quotes and proposals, invoices, contracts, purchases orders, and check copies, among other records). A summary of the transactions selected for further review is provided in the table below.

PO #	PO Date	Vendor / Contractor	PO Description	Amount
1646	10/2016	DMR Educational Consulting, Inc	STAAR-Based TEKS Trainings	\$91,000
683	9/2016	Records Consultant, Inc.	Records Consultant	\$115,345
9351900030	8/2018	D-Bar Contractors	Painting	\$18,280

PO #	PO Date	Vendor / Contractor	PO Description	Amount
8072100057	11/2020	Stephanie Martinez	Contracted Services – Orientation & Mobility Services 2020-2021	\$28,350
3369	11/2016	Elda Garza	Contracted Services Sept & Oct	\$30,000
11181	5/2017	Ernesto J. Villarreal	College 1 st CAMP Sessions	\$15,000
8441	3/2017	CAVI Educational Services, LLC	Instructional Training	\$13,750
7261900032	8/2018	Absolute Business Consulting Group	2018-2019 Services Public Relations and Communications Consulting Services	\$108,000
7262000004	7/2019	Absolute Business Consulting Group	2019-2020 Services Public Relations and Communications Consulting Services	\$108,000
7262100001	7/2020	Absolute Business Consulting Group	2020-2021 Services Public Relations and Communications Consulting Services	\$108,000
188903	11/2017	Abel Vasquez (dba AV Network Cabling)	Install Data Drops	\$9,520
192377	2/2018	Abel Vasquez (dba AV Network Cabling)	Data Drops	\$8,500
8731900111	2/2019	Abel Vasquez (dba AV Network Cabling)	Data Drops	\$17,000
7282000216	6/2020	Jesus Aguilera (dba Chuy's Custom Sports)	Purchase of Face Masks with Running SB Logo	\$6,500
10555	5/2017	Cortez Consulting Services	Grant Writing Services	\$9,500
11403	6/2017	Cortez Consulting Services	Staff Development	\$3,000
12613	7/2017	Cortez Consulting Services	Consultant Services	\$2,000
185031	9/2017	Cortez Consulting Services	Professional Development Training	\$3,500
195189	4/2018	Cortez Consulting Services	Consultant Services	\$13,500
196663	5/2018	Cortez Consulting Services	Consultant Services	\$13,500
187688	10/2017	Pathway Solutions	Migrant Go Center Fiber Optics	\$7,585

We received supporting documentation from the District for each of the above listed transactions selected for further review, including purchase orders, invoices, as well as documents related to competitive bidding. In addition, we conducted research on each of the vendors based on information from the LexisNexis Public Records database, as well as other publicly available online information contained on the Texas Ethics Commission website and Secretary of State website, among other sources. A summary of our observations and findings are contained through the remainder of this section of the Report.

IV. Absolute Business Consulting Group

a. Business Overview

Absolute Business Consulting Group ("ABC Group") was formed under an Assumed Name Certificate filed in Hidalgo County by Karina Cardoza on March 10, 2016.¹⁶³ ABC Group subsequently registered with the State of Texas as a Limited Liability Company on February 5, 2019, with Ms. Cardoza listed as the only Managing Member.¹⁶⁴ The address for ABC Group is listed as Ms. Cardoza's personal residence in McAllen, Texas.¹⁶⁵ In August 2017, ABC Group was awarded a contract with The Interlocal Purchasing System ("TIPS")

¹⁶³ See Exhibit B.1

¹⁶⁴ See Exhibit B.2

¹⁶⁵ See Exhibit B.2

for Consulting and Other Related Services.¹⁶⁶ According to the TIPS website, ABC Group provides a variety of professional public relations consulting services for local governments, including website development, public relations, media relations, public awareness, public involvement, strategic planning services, criminal justice consulting services, and process improvement services, among others.

b. ABC Group Consulting Agreement – April 2018

On April 5, 2018, Dr. Carman had an initial meeting with ABC Group to discuss how ABC Group’s “professional consulting services can help support the goals of [the District].”¹⁶⁷ In our interview of Dr. Carman, he indicated that the District had experienced declining enrollment and he wanted to hire a third-party firm to supplement the services currently being provided by the District’s Public Relations department. Dr. Carman also indicated that he met with ABC Group because they had a TIPS contract to provide public relations consulting services. Following their April 5, 2018 meeting, Ms. Cardoza emailed Dr. Carman a copy of ABC Group’s pricing through TIPS, as well as a draft professional services contract for a term of three (3) years, whereby ABC Group would receive \$9,000 per month (\$108,000 per year) to provide public relations and communications consulting services, as well as media consulting services on an as-needed basis.¹⁶⁸ Ms. Cardoza also provided language for an agenda item for the draft agreement to be presented to the Board.¹⁶⁹ Dr. Carman responded to Ms. Cardoza that “he enjoyed meeting with both of you” and stated that the District likely would be considering a one-year term rather than a three-year term.^{170 171}

On April 6, 2018, Dr. Carman forwarded the draft agreement provided by ABC Group to the District’s attorney (Mr. Torres), requesting that he review it and make any recommended changes so that it can be included on the agenda for the upcoming Board meeting on April 10, 2018.¹⁷² Dr. Carman also informed Mr. Torres that the draft agreement provided by ABC Group was for three (3) years, but “it really needs to be a one year agreement.”¹⁷³ The same day, Mr. Torres responded and informed Dr. Carman that “he reviewed the agreement and it is fairly basic.”¹⁷⁴ Mr. Torres indicated that he would revise the agreement to reflect a one-year term for the Board to approve during the April 10, 2018 Board meeting.¹⁷⁵ The April 6, 2018 email

¹⁶⁶ See Exhibit B.3

¹⁶⁷ See Exhibit B.4

¹⁶⁸ See Exhibit B.4

¹⁶⁹ See Exhibit B.4

¹⁷⁰ See Exhibit B.5

¹⁷¹ It is our understanding that the two (2) representatives for ABC Group referenced in Dr. Carman’s email were Ms. Cardoza and Miguel Robledo.

¹⁷² See Exhibit B.6

¹⁷³ See Exhibit B.6

¹⁷⁴ See Exhibit B.6

¹⁷⁵ See Exhibit B.6

communications between Dr. Carman and Mr. Torres regarding the review of the ABC Group contract is provided below.

From:	Tony Torres <[REDACTED]>
Sent time:	04/06/2018 09:49:50 AM
To:	Carman, Nate <NCarman@sbcisd.net>
Subject:	RE: Absolute Business Consulting Group

Dr. Carman,

I reviewed the agreement and it is fairly basic. I'll convert to word and revise the agreement. Go ahead and place on agenda and the Board can approve the revised agreement and then we will present the revised agreement to ABC for execution.

Tony

From: Carman, Nate <NCarman@sbcisd.net>
Sent: Friday, April 6, 2018 12:17 AM
To: Tony Torres <[REDACTED]>
Subject: Fwd: Absolute Business Consulting Group

Tony,

Please review he attached agreement. It really needs to be a one year agreement, not sure why they indicated three years. Beyond that, please make any recommended changes. I'm wanting to add this to Tuesday's agenda for consideration.

Thank you,

Nate Carman, Ed.D.

During the Board meeting on April 10, 2018, the Board unanimously approved the request to enter into a contract with ABC Group to provide public relations and communications consulting services, and media relations services under TIPS contract #170602.¹⁷⁶ The District subsequently executed the consulting agreement with ABC Group effective April 10, 2018, which was identical to the draft agreement provided by Ms. Cardoza on April 5, 2018, but for the revision of the contract term from three (3) years to one (1) year.¹⁷⁷

c. Renewal of ABC Group Consulting Agreement – April 2019

At the end of the initial one-year term for the District's consulting agreement with ABC Group executed in April 2018, the renewal of the agreement was presented to the Board. The agenda for the April 9, 2019 Board meeting included an item to "Request approval of renewal of agreement between [the District] and Absolute Business Consulting Group for the 2019-2020 school year."¹⁷⁸ During the April 9, 2019 Board meeting, Trustee Rosas asked why the District was paying for services from ABC Group when the District already has a

¹⁷⁶ See Exhibit B.7

¹⁷⁷ See Exhibit B.8

¹⁷⁸ See Exhibit B.9

newspaper and the Channel 17 news outlet.¹⁷⁹ Dr. Carman responded to Trustee Rosas that the services provided by ABC Group include public relations and communications consulting, and that ABC Group assists the District with their quarterly newspaper, which was in the process of transitioning to a monthly newspaper.¹⁸⁰ Dr. Carman added that ABC Group offers additional resources that the District’s internal Public Relations department does not currently have. When asked about the cost of services for ABC Group, Dr. Carman indicated that the cost was \$9,000 per month, which does not include costs to print and distribute the District’s quarterly newspaper. Trustee Rosas made a motion to table the agenda item, which was seconded by Trustee Weaver, but the motion ultimately failed with only two (2) votes in favor. Subsequently, Board President Vargas made a motion to approve the renewal of the agreement between the District and ABC Group for the 2019-2020 school year, which was seconded by Trustee Lopez and approved by a 5-0 vote.^{181 182}

Following the Board’s approval to renew the contract with ABC Group, the District executed a contract with ABC Group effective April 9, 2019.¹⁸³ The agreement between the District and ABC Group dated April 9, 2019 was identical to the previous contract dated April 10, 2018, except the 2019 contract was for a term of two (2) years instead of one (1) year.¹⁸⁴ We confirmed that the Board received the contract showing a two-year term as part of their BoardBook Board package in advance of the April 9, 2019 Board meeting, and it is unclear why the agenda item and motion by Board President Vargas discussed the renewal of the agreement for one year (i.e., 2019-2020 school year).¹⁸⁵ In addition, the April 9, 2019 contract included language that the “agreement shall be automatically extended in its entirety without the necessity of any further action by either party,” unless the District or ABC Group provides the other with written notice not to extend the agreement within 90 days prior to the expiration of the contract term (i.e., by January 8, 2021).¹⁸⁶

d. Renewal of ABC Group Consulting Agreement – April 2021

On November 11, 2020, the District’s Director of Public Relations, Isabel Gonzalez (“Ms. Gonzalez”), emailed Dr. Carman (Mr. Torres was also copied on the email) regarding the pending review of the

¹⁷⁹ See video recording of April 9, 2019 Board meeting (starting at the 1 hour, 5 minutes and 50 seconds mark).

¹⁸⁰ See video recording of April 9, 2019 Board meeting (starting at the 1 hour, 6 minutes and 30 seconds mark).

¹⁸¹ See video recording of April 9, 2019 Board meeting (starting at the 1 hour, 8 minutes and 10 seconds mark).

¹⁸² Trustees Vargas, Lopez, Garcia, Silva and Weaver voted in favor of the motion. It appeared that Trustee Rosas abstained from voting. Trustee Mendez was not present during the Board meeting.

¹⁸³ See Exhibit B.10

¹⁸⁴ See Exhibit B.10

¹⁸⁵ See Exhibit B.11

¹⁸⁶ See Exhibit B.10

agreement with ABC Group in advance of the upcoming automatic extension date of January 8, 2021.¹⁸⁷ Ms. Gonzalez indicated that she has not observed the market campaign that was to be developed by ABC Group when they were initially contracted in April 2018. Ms. Gonzalez asked for consideration from Dr. Carman and the Board to reapply the funds to be paid to ABC Group (i.e., \$108,000 per year) to modify the staffing structure of the Public Relations department to meet the promotional needs of the District, hire two (2) additional employees with a strong marketing/graphics background, as well as fund the “Special Campaign” advertisement budget.¹⁸⁸ During our interview of Ms. Gonzalez, she informed us that Dr. Carman never responded to the November 11, 2020 email and there was never any discussion with Dr. Carman regarding her request for consideration.¹⁸⁹

The renewal of the District’s contract with ABC Group was not discussed by the Board as a whole or in a committee meeting following the email from Ms. Gonzalez to Dr. Carman and Mr. Torres on November 11, 2020, and the District did not provide written notice of nonrenewal to ABC Group on or before January 8, 2021. As a result, the District’s contract with ABC Group executed on April 9, 2019 was subject to automatic renewal for an additional two (2) years in April 2021.¹⁹⁰ For the April 13, 2021 Board meeting, Trustee Llanes requested an agenda item to discuss check disbursements to ABC Group.¹⁹¹ During the April 13, 2021 Board meeting, Trustee Llanes (who was not on the Board when the prior agreements with ABC Group were approved in April 2018 and April 2019), raised a concern that the District was paying ABC Group \$9,000 per month even though the last issue of The Observer magazine was issued in October 2020.¹⁹² Dr. Carman responded to Trustee Llanes that he requested that the distribution of The Observer magazine be suspended in October 2020 due to a lack of student photos as a result of remote learning. Dr. Carman also stated that ABC Group provided other services to the District in addition to editing and distribution of The Observer magazine, including speechwriting and assisting with marketing campaigns. Dr. Carman also confirmed that ABC Group is not involved in managing the District’s website as this function was managed by the District’s Public Relations department.

We also noted that on April 12, 2021 (the day prior to the Board meeting), ABC Group emailed Dr. Carman and Trustee Lopez a list of talking points for the April 13, 2021 Board meeting regarding services provided to the District by ABC Group.¹⁹³ On May 11, 2021, Dr. Carman provided the Board a copy of the District’s

¹⁸⁷ See Exhibit B.12

¹⁸⁸ See Exhibit B.12

¹⁸⁹ Weaver did not identify an email response from Dr. Carman to Ms. Gonzalez in our review of the District’s email archive.

¹⁹⁰ It is our understanding that based on the automatic renewal language included in the April 2019 contract, a new contract was not executed with ABC Group in April 2021 as the April 2019 contract continued to be in effect through the automatic renewal.

¹⁹¹ See Exhibit B.13

¹⁹² See video recording of April 13, 2021 Board meeting (starting at the 1 hour, 8 minute mark).

¹⁹³ See Exhibit B.14

contract with ABC Group executed on April 9, 2019, as requested by Trustees Llanes and Moreno during the April 13, 2021 Board meeting.¹⁹⁴

e. Affiliated Businesses and Other Clients

In addition to ABC Group, Ms. Cardoza is an owner of KM International, LLC ("KM International"), which was formed in 2014 with her former spouse, Miguel Robledo ("Mr. Robledo").¹⁹⁵ KM International also provides public relations consulting services to local government entities. Based on information available through the Texas Ethics Commission website, a summary of local government entities that either ABC Group or KM International provide consulting services to is included in the table below.¹⁹⁶

Company	Date	Vendor / Contractor	Description of Services
ABC Group	2/2017	La Joya ISD	Consulting services under The Interlocal Purchasing System (TIPS)
KM International	3/2017 3/2020	City of Pharr	Marketing, Public Awareness, Education and Communications Consulting Services
KM International	1/2018	Agua Special Utility District	Public Awareness, Education, Marketing and Communications Consulting Services; Website Development and Management Consulting Services
ABC Group	4/2018	San Benito CISD	Public Awareness, Education and Communications Consulting Services and Media Relations Consulting Services
ABC Group	7/2018	Hidalgo County Drainage District #1	Public Relations and Communications Consulting Services
ABC Group	7/2018 7/2020	The County of Hidalgo	Public Relations and Communications Consulting Services
ABC Group	3/2020	The County of Hidalgo	Consulting, Graphic Design & Creative Development Services
ABC Group	6/2021	The County of Hidalgo	Public Relations Consulting Services, Graphic Design Services, Other Consulting Services

f. Former Board President Hired by City of Pharr

In or around May 2016, Ms. Cardoza was listed as a Governmental Relations Consultant for the Pharr Economic Development Corporation.¹⁹⁷ Starting in March 2017, KM International entered into a contract with the City of Pharr to provide consulting services related to marketing, public awareness, education and communications, which was renewed in March 2020.¹⁹⁸ According to his LinkedIn profile, in January 2019

¹⁹⁴ See Exhibit B.15

¹⁹⁵ See Exhibit B.16

¹⁹⁶ See Exhibit B.17

¹⁹⁷ See Exhibit B.18

¹⁹⁸ See Exhibit B.19

Board President Vargas was hired by the Pharr Economic Development Corporation to the position of Public Affairs Liaison.¹⁹⁹ Vargas had been the District's Board President when the District awarded a consulting contract to ABC Group in April 2018, as well as when the contract was extended for two (2) additional years in April 2019. In July 2021, Vargas (who resigned from the Board in December 2019), was hired as the Assistant Director of Public Affairs for the City of Pharr.²⁰⁰ In November 2021, Vargas participated with Ms. Cardoza in a corporate spelling bee competition as a representative for the ABC Group.²⁰¹ As of this Report, we have not determined if Vargas is affiliated with ABC Group, either as a contractor, consultant, or other affiliation.

g. Timeline of Events – ABC Group

A timeline of events concerning the District and ABC Group is provided in the table below.

Date	Description
3/10/2016	<ul style="list-style-type: none"> • Karina Cardoza filed an Assumed Name Certificate to conduct business in Hidalgo County under the assumed name Absolute Business Consulting Group.
3/2017	<ul style="list-style-type: none"> • KM International entered into a contract with the City of Pharr to provide consulting services related to marketing, public awareness, education and communications. • Ms. Cardoza was already listed as a Government Relations Consultant for the Pharr Economic Development Corporation as of May 2016.
8/24/2017	<ul style="list-style-type: none"> • ABC Group awarded contract #170602 with The Interlocal Purchasing System (TIPS) for <i>Consulting and Other Related Services</i>. • The TIPS contract was for a term of 36 months, in effect from 8/24/2017 – 8/27/2020.
4/5/2018	<ul style="list-style-type: none"> • ABC Group met with Dr. Carman to discuss how their <i>“professional consulting services can help support the goals of the [District].”</i> • Ms. Cardoza provided proposed language for an agenda item to present to the Board for ABC Group to provide public relations and communications consulting services and media relations under TIPS contract #170602. • The proposed contract provided by Ms. Cardoza was for a term of three (3) years with ABC Group to be paid \$9,000 per month (\$108,000 per year). • Dr. Carman responded to Ms. Cardoza, <i>“I enjoyed meeting both of you today as well. The biggest challenge I see with the proposed agreement is the term of three years. It’s likely we would be considering a one year term. Otherwise, I’ve sent it to our attorney for review.”</i>

¹⁹⁹ See Exhibit B.20

²⁰⁰ See Exhibit B.20

²⁰¹ See Exhibit B.21

Date	Description
4/6/2018	<ul style="list-style-type: none"> • Dr. Carman asked the District's attorney, Mr. Torres, to review the proposed agreement provided by ABC Group. • Dr. Carman's email to Mr. Torres stated, "<u>It really needs to be a one year agreement, not sure why they indicated three years. Beyond that, please make any recommended changes. I'm wanting to add this to Tuesday's agenda for consideration.</u>" • Mr. Torres responded to Dr. Carman, "<u>I reviewed the agreement and it is fairly basic. I'll convert to word and revise the agreement. Go ahead and place on agenda and the Board can approve the revised agreement and then we will present the revised agreement to ABC for execution.</u>"
4/10/2018	<ul style="list-style-type: none"> • During the regular Board meeting, the Board approved the District to enter into a contract with ABC Group. • The District executed a contract with ABC Group to provide Public Awareness, Education and Communications Consulting Services and Media Relations Consulting Services to the District for a term of one year. • ABC Group was to be paid \$9,000 per month during the term of the contract.
1/2019	<ul style="list-style-type: none"> • Board President Vargas hired as a Public Affairs Liaison for the Pharr Economic Development Corporation.
2/5/2019	<ul style="list-style-type: none"> • ABC Group filed a Certificate of Formation as a Limited Liability Corporation with the Secretary of State of Texas.
4/9/2019	<ul style="list-style-type: none"> • During the regular Board meeting, the Board approved the renewal of the District's agreement with ABC Group for the 2019-2020 school year. • The District executed the contract renewal with ABC Group with a term of two (2) years, adding a provision for automatic renewal without written notice within 90 days of the expiration of the contract term.
11/12/2020	<ul style="list-style-type: none"> • The District's Public Relations Director, Ms. Gonzalez, emailed Dr. Carman and Mr. Torres to request that the contract with ABC Group not be renewed and the funds allocated to restructure and hire staff for the Public Relations department.
1/8/2021	<ul style="list-style-type: none"> • Last day for the District to provide written notice of nonrenewal to ABC Group before the contract is automatically extended for an additional two (2) years starting in April 2021 (through April 2023).
4/13/2021	<ul style="list-style-type: none"> • During the regular Board meeting, Trustee Llanes requested an agenda item to discuss the services provided by ABC Group, raising concerns that the District was paying \$9,000 per month yet The Observer magazine had not been issued since October 2021. • Dr. Carman informed the Board that ABC Group provided other services to the District in addition to their role in distributing The Observer, including speechwriting and marketing campaigns. • Trustees Llanes and Moreno requested that Dr. Carman provide the Board with a copy of ABC Group's contract with the District.
5/11/2021	<ul style="list-style-type: none"> • Dr. Carman emailed the Board a copy of the District's contract with ABC Group executed on April 9, 2019 (as requested during the April 13, 2021 Board meeting).
11/11/2021	<ul style="list-style-type: none"> • Former Board President Vargas competed as a representative for ABC Group, along with Ms. Cardoza, in a corporate spelling bee competition benefiting the South Texas Literacy Coalition.

V. Cortez Consulting Services

a. Business Overview

Cortez Consulting Services (“Cortez Consulting”) is an Austin-based consulting firm established in 2015 that provides services related to community engagement. The company founder, Laura Cortez (“Ms. Cortez”) is from the Rio Grande Valley and it is our understanding that Ms. Cortez was employed by the District as a grant writer prior to her founding Cortez Consulting.

b. Consulting Services Provided to the District

Based on our review of the District’s general ledger, we identified payments to Cortez Consulting totaling \$52,000 during the period of our review, with payments occurring during the May 2017 – May 2018 time period.²⁰² In our review of the District’s purchasing records related to Cortez Consulting, we determined that Cortez Consulting was engaged by the District through several purchase orders to provide consulting services for the After School Program, including \$9,500 for grant writing services for the Hogg Foundation grant in May 2017 and \$27,000 for grant writing services for the Texas 21st Century Community Learning Centers grant in May 2018.²⁰³ In addition, Cortez Consulting provided instructional staff development and training for the After School Program in 2017.²⁰⁴

c. Procurement Process for Grant Writing Services in 2018

In the District’s procurement of grant writing services in February 2018 for the Texas 21st Century Community Learning Centers grant, the Director for the After School Program, Jack Garcia (“Mr. Garcia”), solicited quotes from three (3) firms, including Cortez Consulting.²⁰⁵ In our review of supporting documentation provided by the District, we confirmed that the District received a quote from Martha Casquette for \$4,000 per campus.²⁰⁶ In addition, Dr. Tunde Ogidan responded to Mr. Garcia and informed him that she would not be submitting a proposal due to her heavy workload.²⁰⁷ According to an email from Dr. Carman in January 2020, Dr. Carman indicated that when the District attempted to contact the other firms that submitted proposals, one firm indicated that they were no longer interested and the other was unable to be contacted by the District.²⁰⁸

²⁰² It is our understanding that Cortez Consulting first provided grant writing services to the District in 2015.

²⁰³ See Exhibit B.22

²⁰⁴ See Exhibit B.23

²⁰⁵ See Exhibit B.24

²⁰⁶ See Exhibit B.24

²⁰⁷ See Exhibit B.24

²⁰⁸ See Exhibit B.25

d. Ms. Cortez Purported to be a Second Cousin to Mr. Garcia

In or around January 2020, Dr. Carman questioned Mr. Garcia about the selection of Cortez Consulting for grant writing services for the After School Program. According to an email from Dr. Carman to the Board attorney, Mr. Torres, Dr. Carman indicated that Ms. Cortez was a second cousin to Mr. Garcia, who admitted this to be the case (according to Dr. Carman's email).²⁰⁹ Mr. Garcia was subsequently terminated from his position with the District and it is our understanding that this matter is part of an ongoing lawsuit by Mr. Garcia against the District.

²⁰⁹ See Exhibit B.26

C. Maintenance/Operations Expenditures

I. Background

a. Scope of Work

Weaver's Proposed Work Plan for Phase II approved by the Board on December 15, 2021 included the review of payments to vendors related to maintenance and operations for FY2017 – FY2021. Our review included expenditures assigned to Function Code 51 (Facility Maintenance and Operations) contained in the District's general ledger.

b. Work Performed

As outlined in the Proposed Work Plan for Phase II, Weaver performed the following work steps in our review of expenditures related to maintenance and operations:

- Obtained and reviewed the District's check register for FY2017 – FY2021 and identified expenditures classified under Function Code 51 (Maintenance and Operations).
- Performed data analytics procedures for payments related to maintenance and operations, including cross-referencing vendor contact information with employee contact information, as well as contact information for current and former Board members to identify any potentially affiliated vendors.
- Conducted research of vendors using LexisNexis Public Records database, as well as other publicly available information from the Secretary of State, Texas Ethics Commission, and social media, among other sources.
- Reviewed payments to identify transaction amounts close to purchasing thresholds (i.e., \$25,000, \$50,000) to identify any potential split transactions.
- Selected a risk-based sample of transactions for further review based on data analytics procedures, vendor research, as well information gathered during interviews with District personnel.
- For transactions selected for further review, we obtained purchasing and procurement records from the District, including purchase orders, invoices, quotes, proposals, contracts, Board resolutions and other supporting documentation.
- Reviewed responsive email communications from the District's email archive related to maintenance and operations, including internal communications and communications with vendors and contractors.
- Conducted interviews with current and former Board members regarding transactions selected for further review, as well as interviewed the District's Maintenance Director.

II. Summary of Expenditures for FY2017 – FY2021

Based upon our review of the District's general ledger and check register, we identified expenditures related to maintenance and operations (i.e., Function Code 51) totaling over \$41.9 million during FY2017 – FY2021 to over 380 vendors and contractors. A summary of expenditures for maintenance and operations by vendor is provided in the table below and detailed in **Appendix 2**.

Summary of Payments to Vendors and Contractors - Maintenance and Operations (Function Code 51)						
Vendor / Contractor	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Calpine Corporation	\$ 1 644 381	\$ 2 068 208	\$ 2 227 165	\$ 3 017 897	\$ 2 288 420	\$ 11 246 071
Parsons Commercial Roofing	-	439 860	1 892 565	894 124	74 116	3 300 664
City Of San Benito	562 887	452 579	582 977	645 558	560 337	2 804 338
E3 Entegral Solutions Inc.	-	-	1 383 744	810 749	30 608	2 225 101
Magic Valley Electric Coop Inc	297 771	210 466	269 090	258 081	278 338	1 313 745
Direct Energy	1 313 146	-	-	-	-	1 313 146
Janitorial Inventory (Warehouse)	-	-	331 723	301 498	254 593	887 814
Republic Services Inc	96 630	69 024	167 957	184 169	180 374	698 154
Carlisle Insurance	256 487	-	179 594	-	231 002	667 083
Unifirst Holdings Inc	119 586	107 992	130 129	138 402	99 898	596 007
American Express	-	-	46 855	318 706	174 229	539 790
Arizpe Flooring	42 982	35 539	231 641	196 387	21 867	528 417
Perry Mechanical Systems	-	9 621	1 165	15 828	408 847	435 460
Eco Induction Systems LLC	-	217 240	209 056	-	-	426 296
Field Turf USA Inc	-	393 494	-	-	-	393 494
Exerplay Inc	23 249	181 991	122 577	53 292	-	381 109
R & R Paving LLC	-	-	-	370 514	-	370 514
Noble Texas Builders LLC	-	18 879	213 319	134 534	-	366 732
Sherwin Williams Company	73 494	61 430	84 818	57 491	85 014	362 247
TEXAS GAS SERVICE	88 381	75 803	78 783	59 002	52 869	354 839
Alan Yoder Enterprises Inc dba Superior Alarms	79 390	8 416	92 057	99 134	56 247	335 243
Gulf Coast Paper	145 421	94 682	77 817	6 970	5 260	330 150
Electric Fixture Supply Inc	86 940	74 819	93 221	48 702	20 707	324 389
Smartcom Telephone LLC	41 435	48 772	78 445	86 254	66 838	321 745
Carrier Corporation	151 252	137 632	3 040	2 851	670	295 445
Carrier Enterprise LLC -SC	55 972	96 273	55 171	43 179	33 969	284 564
Trumble Construction Inc	271 272	-	-	-	-	271 272
Dezvia LLC	-	-	91 985	135 554	27 989	255 527
357 Other Combined Vendors (<\$250,000)*	1,982,577	1,695,546	2,238,609	2,732,684	1,654,391	10,303,807
Total	\$ 7,333,253	\$ 6,498,264	\$ 10,883,502	\$ 10,611,559	\$ 6,606,582	\$ 41,933,161

* Vendors paid less than \$250,000 are combined in this table for demonstrative purposes.

III. Transactions Selected for Further Review

Based on our review and analysis of payments to vendors and contractors related to maintenance and operations in the District's check register for FY2017 – FY2021, we selected certain transactions for further review, including a review of purchasing and procurement records (e.g., vendor quotes and proposals, invoices, contracts, purchases orders, and check copies, among other records). A summary of the transactions selected for further review is provided in the table below.

PO #	PO Date	Vendor / Contractor	PO Description	Amount
7261900338 7262000018	3/2019	E3 Entegral Solutions, Inc.	2019 - 2020 Energy Conservation Project - LED Lighting	\$2,225,101
7281900137 7281900195	1/2019	Parsons Commercial Roofing	Roofing Projects at 12 campuses and admin. building	\$2,125,497

PO #	PO Date	Vendor / Contractor	PO Description	Amount
008727	3/2017	Trumble Construction Inc.	Roof Replacement	\$271,272
7281900225 7281900226	8/2019	R & R Paving, LLC	Resurfacing of Parking Areas and Additional Parking Lot; SBHS Bus Loop Concrete Project	\$352,827
7281900192	6/2019	Noble Texas Builders LLC	Remodeling of C Wing, D Wing and the Counselors area at San Benito High School	\$236,350
7282000197	6/2020	Scoggins Construction Co. Inc.	Remodeling of F and G Wing at SBHS and Sullivan	\$192,943
7281900193	6/2019	Arizpe Flooring	Remodeling of C Wing, D Wing and the Counselors area at San Benito High School	\$151,600
196597	5/2018	G & G Contractors	Metal Canopy District Wide	\$141,332
9361903845	6/2019	Dezvia LLC	Central Office Renovations	\$40,620
9362003561	6/2020	Dezvia LLC	John F. Barron Administration Building Remodeling Restrooms	\$35,902
9362001327	10/2019	Dezvia LLC	Project at Rangerville Elementary	\$30,400
9362000960	10/2019	Dezvia LLC	Labor to Power Wash Exterior Building – Sullivan Elementary	\$28,300
9361901428	11/2018	Dezvia LLC	Construction of New Offices – Demolition of Existing Walls and 2 Doors to Make Room for New Additions	\$24,365
9362002666	3/2020	Dezvia LLC	Project at Oscar De La Fuente Elementary	\$15,158
7261900383	6/2019	Dezvia LLC	Change Order for Remodel	\$13,300
2000003	3/2020	Dezvia LLC	Masks	\$12,247
9362100126	10/2020	Dezvia LLC	Exterior Stucco Repair at John F. Barron Administration Building	\$11,050
7261900201	2/2019	Dezvia LLC	Storage Remodel at Administration Office	\$8,800
7262000332	3/2020	Dezvia LLC	NK95 Respirator Masks	\$8,748
9362100034	7/2020	Dezvia LLC	John F. Barron Administration Building Remodeling Restrooms	\$7,889
9362100165	11/2020	Dezvia LLC	Roof Repairs – Central Office	\$5,800
9361901775	11/2018	Dezvia LLC	Electrical Repairs	\$4,900
7261900391	6/2019	Dezvia LLC	Superintendent Office	\$4,800
9362100127	10/2020	Dezvia LLC	Exterior Stucco Repair at Landrum Educational Complex	\$3,250
197818	6/2018	David Parra	Parking Lot High School	\$41,250
9361900087	8/2018	David Parra	Loads of Hotmix – Materials for Outside Grounds	\$24,375
190264	12/2017	David Parra	Grounds Materials – SBHS	\$13,320
197477	6/2018	David Parra	Work Order Material	\$11,592
192163	2/2018	David Parra	Rangerville Track	\$7,000
996	9/2016	Akrontrols LLC	Building Automation Controls; Energy Savings	\$14,143
9382000058	8/2019	Akrontrols LLC	Building Automation Control Replacement Sensors for SBHS Wings C & D	\$10,960
189499	12/2017	Akrontrols LLC	HVAC Building Automation	\$10,673
4746	12/2016	Akrontrols LLC	HVAC Building Automation; HVAC Building Automation Repairs	\$9,840
997	9/2016	Akrontrols LLC	HVAC Control Repairs	\$9,800
9362000309	9/2019	Esteban Martinez	Cement Work – SBHS Parking Lot	\$20,225

PO #	PO Date	Vendor / Contractor	PO Description	Amount
9361903956	6/2019	Esteban Martinez	Backstops for Softball & Baseball (SBHS)	\$11,968
9381900074	8/2018	Joshua D Reyes	Installation of Round Spiral Ductwork at Miller Jordan Wing D	\$10,740
9381900012	7/2018	Joshua D Reyes	HVAC Duct Work Fabrication & Installation at Miller Jordan Wing D	\$7,500
193161	2/2018	Joshua D Reyes	HVAC Duct Improvements	\$6,300
11604	6/2017	Joshua D Reyes	HVAC Duct Work	\$6,100
190615	1/2018	Joshua D Reyes	Metal Duct Work	\$5,360
9381900653	4/2019	Joshua D Reyes	HVAC Metal Duct Work Fabrication, Installation and Repairs	\$5,000
9382000067	8/2019	Joshua D Reyes	HVAC Metal Duct Work Fabrication, Installation and Repairs	\$5,000
9362003158	6/2020	Horacio C Garcia	Fencing – Sullivan Elementary	\$15,290
4052	11/2016	Horacio C Garcia	Install Fence – Dr. Cash Elementary	\$15,050
9361900123	8/2018	Horacio C Garcia	Fence Installation at Dr. Cash Elementary	\$12,850
7261900127	11/2018	Horacio C Garcia	Purchase of Fence with Two Electric Gate Openers	\$10,050
9361900106	7/2018	D-Bar Contractors	Repaint All Hallways at Leal Elementary	\$13,440
9362003141	4/2020	D-Bar Contractors	Labor to Pave Driveway Between Softball Field and Baseball Field (SBHS)	\$8,100
9382000275	6/2020	Trinity MEP Engineering, LLC	Render MEP Engineering Design Services	\$20,000
9381900298	11/2018	Trinity MEP Engineering, LLC	MEP Engineering Design Services for SBHS Switchboard Replacement	\$17,000
9362002005	12/2019	RC Design/Construction, LLC	Cement Work – SBHS	\$24,750
9361900235	9/2018	P & P Paving and Construction	Road Repairs	\$14,358
194625	3/2018	Rio Grande Construction & Sealcoat Company	Prim/Transportation Parking	\$25,885
7262000098	9/2019	Brighton Group, LLC	L & G Engineering Services	\$5,368
7262000096	9/2019	Brighton Group, LLC	L & G Engineering Services	\$2,803

We received supporting documentation from the District for each of the above listed transactions selected for further review, including purchase orders, invoices, as well as documents related to competitive bidding. In addition, we conducted research on each of the vendors based on information from the LexisNexis Public Records database, as well as other publicly available online information contained on the Texas Ethics Commission website and Secretary of State website, among other sources. A summary of our observations and findings are contained through the remainder of this section of the Report.

IV. LED Lighting Project

a. Solicitation of Proposals for LED Lighting Project

In 2018, the District sought to install or retrofit LED lights across all 18 campuses (“LED Lighting Project”). Dr. Carman requested quotes from potential contractors on June 19, 2018, with a deadline of June 28, 2018 to submit quotes and estimated costs for completion of the work.²¹⁰ The District received quotes from five (5)

²¹⁰ See Exhibit C.1

firms, including 1) Performance Services; 2) Enviro Group Solutions; 3) Schneider Electric; 4) E3 Entegral Solutions; and 5) LPS. Each of the five (5) firms was asked to present to the Building Committee on July 12, 2018.²¹¹

b. Review of Bids Received for LED Lighting Project

In August 2018, the District requested for an independent engineer, Marco A. Arredondo, P.E. (“Mr. Arredondo”) to review the submittals and warranty statements submitted to the District by the five (5) firms related to the LED Lighting Project.²¹² On August 6, 2018, Mr. Arredondo provided a summary of his review to Dr. Carman, including his recommendation for the District to consider replacing all of the tube light fixtures with the new LED flat panels with controls to allow the District the ability to take full advantage of the new fixtures and associated technology.²¹³ Mr. Arredondo also recommended that the District “entertain negotiating with Schneider Electric or LPS on the installation of LED flat panels where applicable.”²¹⁴

c. Building Committee Discussion of LED Lighting Project – August 7, 2018

During the Building Committee meeting on August 7, 2018, there was an agenda item titled “Consideration of LED Bid,” however, the agenda item was tabled at the request of the Building Committee Chair, Trustee Rosas.²¹⁵ There was no discussion of the agenda item other than comments from Trustee Rosas that he wished to table the item to allow time to speak with the consultant for the LED Lighting Project (presumably referring to Mr. Arredondo).²¹⁶

On August 8, 2018, Dr. Carman emailed the Business Development Manager for E3 Entegral Solutions (“E3”), Bill Savarino (“Mr. Savarino”), and informed him that there did not appear to be support from the Board to proceed with the LED Lighting Project.²¹⁷ In his email, Dr. Carman mentioned that he did not feel he had enough Board votes (i.e., 4-vote majority) to accept a recommendation for either of the two (2) lowest bidders.²¹⁸ Dr. Carman also stated that he met with three (3) Board members for around two (2) hours and was of the opinion that one of the firms had ties to the District and that he would not recommend the firm to the Board due to their cost being higher.²¹⁹

²¹¹ See Exhibit C.2

²¹² See Exhibit C.3

²¹³ See Exhibit C.3

²¹⁴ See Exhibit C.3

²¹⁵ See Exhibit C.4

²¹⁶ Video recording of Building Committee meeting on August 7, 2018 (available on District’s website).

²¹⁷ See Exhibit C.5

²¹⁸ See Exhibit C.5

²¹⁹ See Exhibit C.5

d. Plan for E3 and Enviro Group to Complete LED Lighting Project Jointly

On September 4, 2018, Dr. Carman informed Mr. Savarino that after discussions with the Board, the intent of the Board is to determine if E3 could perform work for eight (8) of the 18 campuses included in the LED Lighting Project using Enviro Group as the supplier for the components.²²⁰ Dr. Carman stated that if E3 wished to pursue this option and submit a new bid limited to the selected campuses, he would provide him with the contact information for Antonio Olivares (“Mr. Olivares”) of Enviro Group to set up a meeting.²²¹ Based on our review of email communications between E3, Enviro Group and the District in September 2018, it appeared that E3 and Enviro Group were unable to provide a joint cost proposal due to differences of opinion regarding pricing.²²² It is our understanding that the Board intended for Schneider Electric to provide services for the LED Lighting Project for the other 10 campuses.

e. Building Committee Discussion of LED Lighting Project – November 5, 2018

During the Building Committee meeting on November 5, 2018, Dr. Carman discussed the history of the LED Lighting Project and the decision to divide the project into phases, with the first phase focused on installing LED lights for 10 campuses.²²³ Dr. Carman recommended that the Board select Enviro Group to complete phase 1 of the LED Lighting Project based on their bid of \$1.14 million for the 10 campuses, which was approximately \$380,000 less than the bid received from Schneider Electric.²²⁴

f. Board Approval to Accept Bid from Enviro Group – November 13, 2018

During the regular Board meeting on November 13, 2018, the Board discussed the request for approval of the proposal by Enviro Group to complete phase 1 of the LED Lighting Project.²²⁵ Trustee Mendez asked Dr. Carman how Enviro Group was able to reduce their bid from being one of the higher bids initially to the lowest cost bidder.²²⁶ A representative from Enviro Group, Mr. Olivares, informed the Board the Enviro Group manufactures the LED lights to be installed and has the ability to sell directly to the District without going through a supplier, which was the primary reason for the cost savings.²²⁷ Mr. Olivares confirmed that the cost

²²⁰ See Exhibit C.6

²²¹ See Exhibit C.6

²²² See Exhibit C.7

²²³ See Exhibit C.8

²²⁴ Video recording of Building Committee meeting on November 5, 2018 (available on District’s website).

²²⁵ See Exhibit C.9

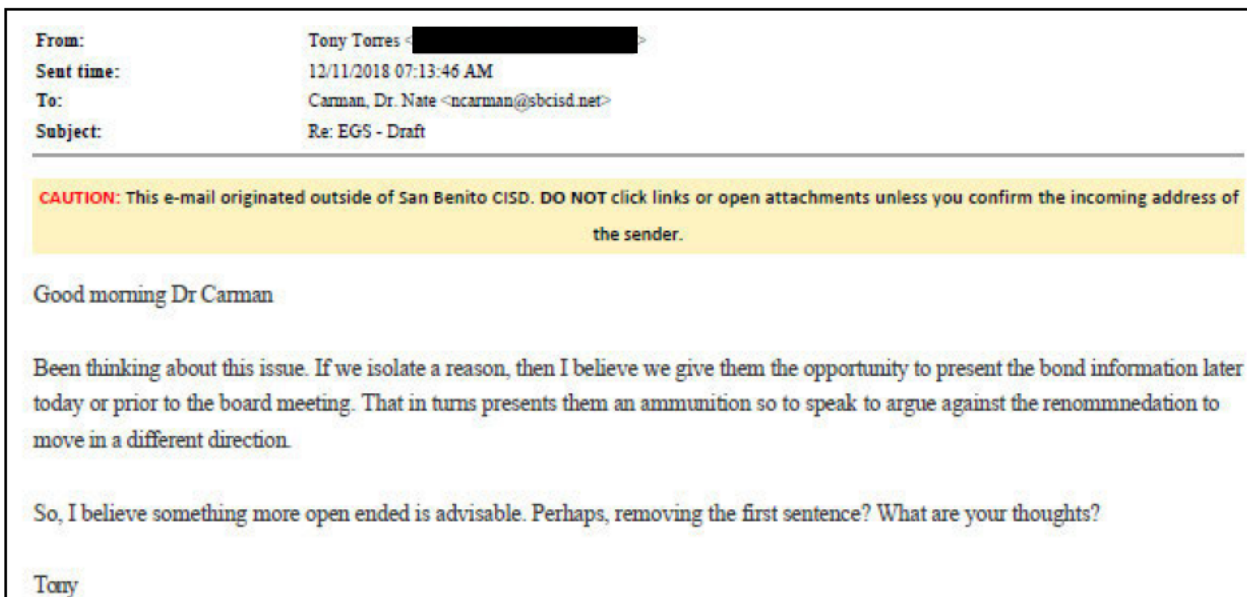
²²⁶ Video recording of regular Board meeting on November 13, 2018 (available on District’s website).

²²⁷ Video recording of regular Board meeting on November 13, 2018 (available on District’s website).

for the project was approximately \$1.1 million, which included a 10-year warranty for parts and labor. The Board subsequently approved the resolution for Enviro Group to complete phase 1 of the LED Lighting Project.

g. District Rescinded Contract Award to Enviro Group – December 18, 2018

Following the Board awarding the contract to Enviro Group for the initial phase of the LED Lighting Project, contract negotiations stalled between the District and Enviro Group related to bonding requirements by the District. On November 29, 2018, the Board attorney, Mr. Torres, informed Dr. Carman that "the transaction is currently stalled as the District's bonding requirements have not been met by [Enviro Group]."²²⁸ On November 30, 2018, Mr. Olivares informed Dr. Carman that Enviro Group was in the process of obtaining the required bond and provided a letter from the bond company, who indicated they were in the process of getting the required performance and payment bond for the LED Lighting Project.²²⁹ On December 10, 2018, Dr. Carman informed Mr. Torres that the District had not received the performance and payment bond from Enviro Group for the LED Lighting Project and an agenda item would be placed on the December 18, 2018 Board agenda to take action to rescind the award previously approved by the Board.²³⁰ Mr. Torres responded to Dr. Carman that if the District isolated a reason for rescinding the award (i.e., failure to obtain the payment and performance bond), then Enviro Group could present their proof of bonding prior to the December 18, 2018 Board meeting to argue against the recommendation.²³¹



²²⁸ See Exhibit C.10

²²⁹ See Exhibit C.11

²³⁰ See Exhibit C.12

²³¹ See Exhibit C.12

During the December 18, 2018 Board meeting, Board President Vargas explained that Enviro Group failed to follow through on certain items after a month of collaboration and contract negotiations, which gave the Board hesitancy about proceeding with Enviro Group.²³² Board President Vargas specifically mentioned his concern about Enviro Group's failure to provide the Board with evidence of their payment and performance bond.²³³ Mr. Olivares addressed the Board and stated that a bonding requirement was not indicated in the bid solicitation, however, Enviro Group initiated the process of obtaining the bond once the District indicated that it was a requirement.²³⁴ Mr. Olivares also stated that the bonding process takes time and required more time than the District was allowing.²³⁵ Dr. Carman acknowledged that the bonding requirement was not specifically mentioned in the bid solicitation; however, government code requires bonding to be in place for contracts in excess of \$100,000.^{236 237 238} The Board ultimately voted to rescind the contract award previously approved for Enviro Group for the LED Lighting Project.

In our interview of Mr. Olivares, he indicated that there was discussion during the contract negotiation process about the District hiring a project manager for the LED Lighting Project, which would be the same project manager that the District was to hire for the 2018 Bond Program. Mr. Olivares indicated that he raised concerns to Board members, as well as Dr. Carman, about the Board potentially selecting Brighton Group due to their not being registered as a professional engineer, and due to the fact that Brighton Group did not have professional liability insurance as required in the RFQ for Project Management Services. Ultimately, the Board selected Brighton Group as the project manager for the 2018 Bond Program during the December 18, 2018 Board meeting, which was the same meeting the Board voted to rescind the contract award to Enviro Group for the LED Lighting Project. Mr. Olivares informed Weaver that he felt certain members of the Board retaliated against Enviro Group as a direct result of his comments related to Brighton Group.

h. Board Selection of E3 for LED Lighting Project – January 22, 2019

Following the Board's rescinding of the contract award to Enviro Group, as well as the District entering into a contract with Brighton Group on January 10, 2019 to provide project management services, Brighton Group was asked to review and analyze the proposals submitted for the LED Lighting Project by E3 and

²³² See Exhibit C.13

²³³ Video recording of regular Board meeting on December 18, 2018 (available on District's website).

²³⁴ Video recording of regular Board meeting on December 18, 2018 (available on District's website).

²³⁵ In our interview of Mr. Olivares, he indicated that the bonding process typically takes several months but the Board only gave Enviro Group two (2) weeks to obtain the bond.

²³⁶ Mr. Olivares informed the Board that there was an option to structure the contract around each campus, which would result in contract amounts below \$100,000 for each campus.

²³⁷ Mr. Torres informed the Board that Government Code Section 2253 requires a bond for a school district to enter into a construction contract.

²³⁸ Video recording of regular Board meeting on December 18, 2018 (available on District's website).

Schneider Electric.²³⁹ On January 22, 2019, Brighton Group issued a memorandum to Dr. Carman recommending E3 to complete the LED Lighting Project across all 18 campuses, due to E3 providing the lowest bid, offering a turnkey option that would reduce the District's risk, as well as E3 offering an expanded warranty at no additional cost.²⁴⁰ During the January 22, 2019 Board meeting, the Board approved the contract award to E3 to complete the LED Lighting Project, as recommended by Dr. Carman based on the review by Brighton Group.²⁴¹ During the same January 22, 2019 Board meeting, the Board authorized the amendment to Brighton Group's contract to provide project management services for the LED Lighting Project (in addition to the 2018 Bond Program). Under the contract amendment, Brighton Group was to receive compensation equal to 4.5% of total costs of the LED Lighting Project.²⁴²

i. District Executed Contract with E3 for LED Lighting Project – February 8, 2019

On February 8, 2019, the District executed a contract with E3 to complete the LED Lighting Project across all 18 campuses. The contract sum due to E3 for the LED Lighting Project was \$2,240,000.²⁴³ The District and E3 held a construction kickoff meeting for the LED Lighting Project on February 28, 2019.²⁴⁴ E3 submitted its final pay application on July 20, 2020 for the LED Lighting Project. The final amount paid to E3 for the LED Lighting Project after change orders was \$2,281,930.^{245 246}

j. Review of Emails Between Dr. Carman and Mr. Savarino

Prior to the LED Lighting Project, Dr. Carman had several discussions with E3's Business Development Manager, Mr. Savarino, regarding the District's selection of a vendor to install LED light fixtures at two (2) campuses during the November 2017 – March 2018 time period.²⁴⁷ Dr. Carman and Mr. Savarino met for lunch multiple times, as well as for dinner at Roaring Fork in Austin during the TASA Mid-Winter conference.²⁴⁸ After the District awarded the light installation project to another vendor (EIS) in January 2018, Mr. Savarino requested information regarding the differences in proposed amounts between E3 and EIS, including pricing

²³⁹ See Exhibit C.14

²⁴⁰ See Exhibit C.14

²⁴¹ See Exhibit C.15

²⁴² See Exhibit C.16

²⁴³ See Exhibit C.17

²⁴⁴ See Exhibit C.18

²⁴⁵ See Exhibit C.19

²⁴⁶ In addition to the payments to E3 of approximately \$2.3 million, the District paid approximately \$103,000 to Brighton Group for project management services related to the LED Lighting Project (i.e., 4.5% of total costs).

²⁴⁷ See Exhibit C.20

²⁴⁸ See Exhibit C.20

detail included in the winning bid to identify any discrepancies.²⁴⁹ On March 7, 2018, Dr. Carman informed Mr. Savarino of the supplier used by EIS and indicated that having new fixtures was more appealing than retrofits.²⁵⁰

On March 8, 2018, Mr. Savarino informed Dr. Carman that E3 planned to contribute \$1,000 for a bronze level sponsorship to the District's First Annual Superintendent's Golf Tournament to be held on March 24, 2018.²⁵¹ In April 2018, Mr. Savarino invited Dr. Carman to lunch to discuss other lighting projects at the District.²⁵² On June 12, 2018, Mr. Savarino provided a questionnaire that could be utilized for the District in future lighting projects to ensure that proposals from vendors are aligned regarding the number of fixtures and other considerations.²⁵³ After the solicitation of bids for the LED Lighting Project, Mr. Savarino requested to extend the deadline past June 28, 2018 to include an addendum to clarify the methodology being utilized by different vendors for quantifying energy savings.²⁵⁴

After the District rescinded the contract award to Enviro Group for the LED Lighting Project in December 2018, Mr. Savarino contacted Dr. Carman to inquire about whether the rescinding of Enviro Group's proposal would lead to further discussions regarding E3's initial project with the District.²⁵⁵ Dr. Carman requested that E3 submit a new bid for the LED Lighting Project using their own supplier, including a proposal based on new light fixtures and a proposal based on retrofitting of light fixtures.²⁵⁶ On January 11, 2019, Dr. Carman emailed Mr. Savarino with the bid amount for Schneider Electric's bid to give E3 the "opportunity to double check" their bid amount to ensure there were no errors.²⁵⁷ Mr. Savarino responded to Dr. Carman the following day that Schneider Electric has had recent issues on an LED lighting project at Brownsville ISD and "there is a very good chance [Schneider Electric] may try to sell this project at cost or below."²⁵⁸

On January 14, 2019, Dr. Carman provided Mr. Savarino the proposal submitted by Schneider Electric, which was approximately \$3 million for all 18 campuses for new fixtures.²⁵⁹ While we have not located E3's bid submitted based on new fixtures (it was provided to Dr. Carman via a Dropbox link), it is our understanding that their bid was higher than Schneider Electric. In response to his review of Schneider Electric's proposal,

²⁴⁹ See Exhibit C.20

²⁵⁰ See Exhibit C.20

²⁵¹ See Exhibit C.21

²⁵² See Exhibit C.22

²⁵³ See Exhibit C.23

²⁵⁴ See Exhibit C.24

²⁵⁵ See Exhibit C.25

²⁵⁶ See Exhibit C.25

²⁵⁷ See Exhibit C.26

²⁵⁸ See Exhibit C.27

²⁵⁹ See Exhibit C.28

Mr. Savarino provided Dr. Carman a detailed breakdown of the differences in the proposals between E3 and Schneider Electric, including that certain of their pricing was based on retrofits rather than replacement fixtures.²⁶⁰ Mr. Savarino also expressed to Dr. Carman that he felt E3's original proposal of \$2.2 million for the retrofitting of light fixtures across all 18 campuses was the most efficient and cost-worthy of the proposals submitted by E3.²⁶¹ Ultimately, the District elected to accept E3's retrofit proposal for the LED Lighting Project.

On January 30, 2019, Mr. Savarino informed Dr. Carman that E3 would once again be a sponsor for the Superintendent's golf tournament.²⁶² We also noted that Mr. Savarino sent an email to Dr. Carman in February 2022 to congratulate him on being hired as the new Superintendent at Socorro ISD, noting that he would be visiting him in El Paso before too long.²⁶³

From:	Bill Savarino <[REDACTED]>
Sent time:	02/23/2022 10:42:14 AM
To:	ncarman@sbcisd.net
Subject:	CONGRATULATIONS!

Dr. Carman,

Wow, I just learned of the awesome news! Congratulations on your new gig! That is fantastic and I am sure you are thrilled.

When is your last day in San Benito? I need to get back down there for one last lunch or dinner!

I can only imagine you are swamped, but I wanted to let you know that I am extremely happy for you and your family. I will be visiting you in El Paso before too long! 😊

Congratulations again!

Adios!

V. Analysis of Other Vendors / Contractors

a. Parsons Commercial Roofing

On December 18, 2018, the Board approved a proposal from Parsons Commercial Roofing ("Parsons"), based in Lorena, Texas, to complete various roofing projects across 12 campuses, in addition to the administration building.²⁶⁴ The cost approved by the Board for Parsons to complete the roofing projects was \$2,125,497.²⁶⁵ The District did not issue a Request for Proposals to solicit bids from other vendors. Instead, the

²⁶⁰ See Exhibit C.29

²⁶¹ See Exhibit C.29

²⁶² See Exhibit C.30

²⁶³ See Exhibit C.31

²⁶⁴ See Exhibit C.32

²⁶⁵ See Exhibit C.33

District selected Parsons through The Interlocal Purchasing System (TIPS).²⁶⁶ We also noted that Parsons donated \$12,500 to the District as a Platinum / Gold sponsor for the second Annual Superintendent's Golf Tournament held in the spring of 2019.^{267 268}

b. Trumble Construction, Inc.

On January 17, 2017, the Board approved the proposal from Trumble Construction, Inc. ("Trumble"), based in Nash, Texas, for the PVC Overlay Roof System for Dr. Garza Elementary.²⁶⁹ The District selected Trumble after issuing a Request for Competitive Sealed Proposal (RFCSP-1116-RRDG), with an original bid amount of \$264,268.²⁷⁰ On March 21, 2017, the Board approved two (2) changes orders to increase the total cost of the project to \$271,272.²⁷¹

c. R&R Paving, LLC

In April 2019, the District issued a Request for Proposals for resurfacing of parking areas and additional parking lot at San Benito High School (RFP-0519-RPAHS), with proposals due on May 9, 2019.²⁷² The District received proposals from eight (8) contractors, which were reviewed by Brighton Group on behalf of the District. On May 10, 2019, Brighton Group informed Dr. Carman that R&R Paving, LLC ("R&R Paving") based in San Benito was the lowest cost bidder with a bid amount of \$224,627.²⁷³ Brighton Group included a recommendation for the District to consider producing a set of construction plans and bid documents for future construction projects to give the District more control of quantities, quality and pricing.²⁷⁴ Brighton Group also recommended that the District hire an independent materials testing lab for the project to ensure quality control of workmanship and materials.²⁷⁵

²⁶⁶ See Exhibit C.33

²⁶⁷ See Exhibit C.113

²⁶⁸ Parsons' donation of \$12,500 was the second highest donation to the District compared to donations from 67 other vendors. We also noted that Parsons was the only vendor on the donation list where Dr. Carman was listed as the District's contact.

²⁶⁹ See Exhibit C.34

²⁷⁰ See Exhibit C.35

²⁷¹ See Exhibit C.35

²⁷² See Exhibit C.36

²⁷³ See Exhibit C.37

²⁷⁴ See Exhibit C.37

²⁷⁵ Brighton Group ultimately received \$8,170.10 for laboratory concrete testing for the resurfacing project, which was conducted by their sub-consultant L & G Engineering Services.

During the Board meeting on June 11, 2019, the Board approved the proposal from R&R Paving for RFP-0519-RPAHS (PO #7281900225).²⁷⁶ In addition, the Board approved R&R Paving to complete the resurfacing of the bus loop at San Benito High School for a cost of \$128,200 (PO #7281900226). The combined cost of the purchase orders to resurface the additional parking areas at the high school, as well as the bus loop was \$352,827.²⁷⁷ In July 2019, the District approved a change order increasing the total cost by \$9,887.²⁷⁸

d. Noble Texas Builders, LLC

In March 2019, the District issued a Request for Proposals for remodeling of C Wing, D Wing and the counselors area at San Benito High School (“RFP-0319-RASBHS”), with proposals due by March 26, 2019.²⁷⁹ The RFP divided the project into two (2) sections, with Section A related to painting and ceiling grid and Section B related to flooring. The District ultimately selected separate contractors for Section A and Section B. For Section A, the District received proposals from six (6) firms. The formal recommendation from the Superintendent, Dr. Carman, was to accept the proposal from Noble Texas Builders (“Noble”), based in La Feria, Texas, to complete Section A of the project.^{280 281} The proposed bid submitted by Noble was \$236,350, which ranked as the third lowest bid, however, the administration determined that Noble offered the best value to the District.^{282 283} During the Board meeting on April 9, 2019, the Board approved the recommendation from Dr. Carman to award a contract to Noble to complete Section A of the remodeling project.²⁸⁴ Prior to the Board’s approval, Trustee Garcia abstained from voting on the agenda item due to her nephew being a Vice President at Noble.^{285 286} Noble completed the project in September 2019 without any change orders.²⁸⁷

²⁷⁶ See Exhibit C.38

²⁷⁷ See Exhibit C.39

²⁷⁸ See Exhibit C.40

²⁷⁹ See Exhibit C.41

²⁸⁰ See Exhibit C.42

²⁸¹ The District selected Arizpe Flooring to complete Section B of the remodeling project related to the flooring scope of work.

²⁸² See Exhibit C.42

²⁸³ The lowest cost bid for Section A was submitted by Hi-Lo Contractors, LLC based in Elsa, Texas, with a bid of \$201,312.

²⁸⁴ See Exhibit C.43

²⁸⁵ See video recording of Board meeting on April 9, 2019 (available on the District’s website).

²⁸⁶ We also noted in Section A of this Report that in October 2018, Alfredo Garcia (listed as a Vice President for Noble and presumably Trustee Garcia’s nephew), contributed \$1,500 to the SPAC formed by the Bond Committee for promotion of the bond proposition.

²⁸⁷ See Exhibit C.44

e. Arizpe Flooring

As described previously in this Report, the District issued a Request for Proposals for remodeling of C Wing, D Wing and the counselors area at San Benito High School (“RFP-0319-RASBHS”), with proposals due by March 26, 2019.²⁸⁸ The Board selected Noble to complete Section A related to painting and ceiling grid. For Section B of the project (flooring), the District received proposals from seven (7) firms. The formal recommendation from the Superintendent, Dr. Carman, was to accept the proposal from Arizpe Flooring, based in Brownsville, Texas, to complete Section B of the project.^{289 290} The proposed bid submitted by Arizpe Flooring was \$151,600, which was the lowest bid received by the District for Section B, and determined to be the best value by administration. During the Board meeting on April 9, 2019, the Board approved the recommendation from Dr. Carman to award a contract to Arizpe Flooring to complete Section B of the remodeling project.²⁹¹ Arizpe completed the project in August 2019 without any change orders.²⁹²

f. Scoggins Construction Co., Inc.

In April 2020, the District issued a Request for Competitive Sealed Proposals for remodeling of G Wing, F Wing and the Registrar’s records room at San Benito High School (“CSP-0420-RASBHS”), with proposals due by April 30, 2020.²⁹³ The CSP divided the project into three (3) sections, with Section I related to painting and ceiling grid, Section II related to flooring, and Section III related to the new culinary art classroom. For Section I, the District received proposals from five (5) firms, with the lowest cost bid of \$145,000 submitted by Scoggins Construction Co, Inc. (“Scoggins”) based in Harlingen, Texas.²⁹⁴ An evaluation committee of five (5) administrators scored each of the five (5) proposals and ranked Scoggins as the highest ranked proposal.²⁹⁵ Scoggins was also ranked as the highest scored proposal for Section III (new culinary art classroom), with a bid of \$35,000 (second lowest bid for Section III).²⁹⁶ During the Board meeting on May 19, 2020, the Board approved the recommendation from administration to award a contract to Scoggins to complete Sections

²⁸⁸ See Exhibit C.41

²⁸⁹ See Exhibit C.45

²⁹⁰ The District selected Noble to complete Section A of the remodeling project related to the flooring scope of work.

²⁹¹ See Exhibit C.43

²⁹² See Exhibit C.46

²⁹³ See Exhibit C.47

²⁹⁴ See Exhibit C.48

²⁹⁵ See Exhibit C.49

²⁹⁶ See Exhibit C.50

I and III of the remodeling project for a total cost of \$180,000.²⁹⁷ ²⁹⁸ Scoggins completed the project in February 2021 with change orders totaling \$12,943 (final cost of \$192,943).²⁹⁹

g. G&G Contractors

In December 2017, the District issued a Request for Competitive Sealed Proposals for metal walking canopies for several campuses (“RFCSP-1217-Districtwide Canopies”), with proposals due by January 9, 2018.³⁰⁰ The District received three (3) proposals, which were evaluated by a committee of four (4) District administrators. The evaluation committee ranked RG Enterprises, LLC (dba “G&G Contractors”) based in Edinburg, Texas as the highest ranked proposal to recommend to the Board, with a bid amount of \$154,000.³⁰¹ During the Board meeting on February 20, 2018, the Board approved the recommendation from administration to award a contract to G&G Contractors for RFCSP-1217-Districtwide Canopies.³⁰² G&G Contractors completed the project in October 2018 with deductive change orders of \$12,668, reducing the final project cost to \$141,332.³⁰³

h. Dezvia, LLC

Dezvia, LLC (“Dezvia”) was established in 2017 in Mission, Texas by Jovanna Hernandez and Ramon Segovia to provide various services related to construction and maintenance. On September 18, 2018, Dezvia submitted a bid to provide Building Maintenance and Construction services in response to the District’s RFP #0918-GMS (General Merchandise and Service).³⁰⁴ Ultimately, Dezvia’s bid was accepted under the RFP, which had a one-year term with a one-year extension.³⁰⁵ We noted that Dezvia was listed three (3) times in the vendor list for services associated with building construction and maintenance.³⁰⁶

Dezvia was paid approximately \$256,000 during the period of our review, most of which related to services under RFP #0918-GMS, including remodeling and renovations, painting, power washing, roof repair and stucco repair. We also noted that the District purchased approximately \$21,000 in NK95 respirator masks

²⁹⁷ See Exhibit C.51

²⁹⁸ The District selected Arizpe Flooring to complete Section II of the remodeling project related to the flooring scope of work.

²⁹⁹ See Exhibit C.52

³⁰⁰ See Exhibit C.53

³⁰¹ See Exhibit C.54

³⁰² See Exhibit C.55

³⁰³ See Exhibit C.56

³⁰⁴ See Exhibit C.57

³⁰⁵ See Exhibit C.58

³⁰⁶ When we spoke with the Purchasing Director (who was not the Purchasing Director at the time of the RFP in September 2018), he indicated that his understanding was that Dezvia was listed three (3) times because they submitted three (3) bids to the District.

from Dezvia in March 2020. A summary of services procured by the District from Dezvia is provided in the table below.

PO #	PO Date	Contract	PO Description	Quote	Amount Paid
9361901428	11/2018	RFP# 0918-GMS	Construction of New Offices (Demolition) – Central Office ³⁰⁷	\$24,365	\$24,365
9361901775	11/2018	RFP# 0918-GMS	Electrical Repairs – Central Office ³⁰⁸	\$4,900	\$4,900
7261900201	2/2019	RFP# 0918-GMS	Storage Remodel at Central Office ³⁰⁹	\$8,300	\$8,800
9361903845 7261900383	6/2019	RFP# 0918-GMS	Central Office Renovations ³¹⁰	\$35,620	\$53,920
7261900391	6/2019	RFP# 0918-GMS	Painting Superintendent Office ³¹¹	\$4,800	\$4,800
9362001327	10/2019	RFP# 0918-GMS	Project at Rangerville Elementary ³¹²	\$29,500	\$30,400
9362000960	10/2019	RFP# 0918-GMS	Labor to Power Wash Exterior Building – Sullivan Elementary ³¹³	\$24,800	\$28,300
9362002666	3/2020	RFP# 0918-GMS	Project at Oscar De La Fuente Elementary ³¹⁴	\$15,158	\$15,158
7262000332 2000003	3/2020	N/A	NK95 Respirator Masks ³¹⁵		\$20,994
9362003561 9362100034	6/2020 7/2020	RFP# 0918-GMS	John F. Barron Administration Building Remodeling Restrooms ³¹⁶	\$39,890	\$43,790
9362100126	10/2020	RFP# 0918-GMS	Exterior Stucco Repair at John F. Barron Administration Building ³¹⁷	\$11,050	\$11,050
9362100127	10/2020	RFP# 0918-GMS	Exterior Stucco Repair at Landrum Educational Complex ³¹⁸	\$3,250	\$3,250
9362100165	11/2020	RFP# 0918-GMS	Roof Repairs – Central Office ³¹⁹	\$5,800	\$5,800
Total					\$255,527

³⁰⁷ See Exhibit C.59

³⁰⁸ See Exhibit C.60

³⁰⁹ See Exhibit C.61

³¹⁰ See Exhibit C.62

³¹¹ See Exhibit C.63

³¹² See Exhibit C.64

³¹³ See Exhibit C.65

³¹⁴ See Exhibit C.66

³¹⁵ See Exhibit C.67

³¹⁶ See Exhibit C.68

³¹⁷ See Exhibit C.69

³¹⁸ See Exhibit C.70

³¹⁹ See Exhibit C.71

i. David Parra

During the period of our review, the District's Maintenance Department paid David Parra approximately \$200,000 for hauling construction materials to the District, including hotmix, sand, dirt, caliche, and other materials. In March 2019, the District issued a Request for Proposals for Maintenance Related Needs ("RFP-0319-MRN"), including the hauling of caliche, gravel, hotmix and other materials.³²⁰ Prior to RFP-0319-MRN, the District typically obtained quotes from multiple vendors for hauling of materials, as opposed to going out for bid. A summary of our review of the five (5) largest purchase orders for David Parra is provided in the table below.

PO #	PO Date	PO Description	PO Description	Quotes	Amount
190264	12/2017	Grounds Materials – SBHS	186 Tons - Hotmix (\$72/ton) ³²¹	N/A	\$13,320
192163	2/2018	Rangerville Track	100 Yards - Red Dirt (\$70/yard) ³²²	3	\$7,000
197818	6/2018	Parking Lot High School	550 Tons - Hotmix (\$75/ton) ³²³	3	\$41,250
197477	6/2018	Work Order Material	276 Tons - Sand (\$42/ton) ³²⁴	3	\$11,592
9361900087	8/2018	Maintenance Dept.	325 Tons - Hotmix (\$75/ton) ³²⁵	N/A	\$24,375

j. Akrontrols, LLC

In September 2018, the District issued a Request for Proposals for General Merchandise and Service ("RFP #0918-GMS"). In response to RFP #0918-GMS, Akrontrols, LLC ("Akrontrols"), based in Brownsville, Texas, submitted a bid quotation for service and installation of Johnson Controls Metasys and Facility Explorer product lines, at an hourly rate of \$80/hour.³²⁶ Prior to 2018, Akrontrols submitted under BV-0615-HVACPS to provide services at an hourly rate of \$80/hour. In total, Akrontrols received over \$212,000 for HVAC installation and repair services during the period of our review. A summary of our review of the five (5) largest purchase orders for Akrontrols is provided in the table below.

PO #	PO Date	PO Description	Bid #	Amount
996	9/2016	Building Automation Controls; Energy Savings ³²⁷	BV-0615-HVACPS	\$14,143
997	9/2016	HVAC Control Repairs ³²⁸	BV-0615-HVACPS	\$9,800

³²⁰ See Exhibit C.72

³²¹ See Exhibit C.73

³²² See Exhibit C.74

³²³ See Exhibit C.75

³²⁴ See Exhibit C.76

³²⁵ See Exhibit C.77

³²⁶ See Exhibit C.78

³²⁷ See Exhibit C.79

³²⁸ See Exhibit C.80

PO #	PO Date	PO Description	Bid #	Amount
4746	12/2016	HVAC Building Automation; HVAC Building Automation Repairs ³²⁹	BV-0615-HVACPS	\$9,840
189499	12/2017	HVAC Building Automation ³³⁰	RFP #0917-GMS	\$10,673
9382000058	8/2019	Building Automation Control Replacement Sensors for SBHS Wings C & D ³³¹	RFP #0918-GMS	\$10,960

k. Esteban Martinez (dba Martinez Semento)

During the period of our review, the District's Maintenance Department frequently hired Esteban Martinez (dba Martinez Semento) to provide services including concrete and cement work. During the period of our review, the District paid approximately \$169,000 to Esteban Martinez for services requested by the Maintenance Department. In March 2019, the District issued a Request for Proposals for Maintenance Related Needs ("RFP-0319-MRN") and approved Esteban Martinez to provide cement services for the District.³³² Prior to RFP-0319-MRN, the District typically obtained quotes from multiple vendors for cement services, as opposed to going out for bid. A summary of our review of the two (2) largest purchase orders for Esteban Martinez is provided in the table below.

PO #	PO Date	PO Description	Bid #	Amount
9361903956	6/2019	Backstops for Softball/Baseball (SBHS) ³³³	RFP-0319-MRN	\$11,968
9362000309	9/2019	Cement Work – SBHS Parking Lot ³³⁴	RFP-0319-MRN	\$20,225

l. Joshua Reyes (DBA Metal Fabrication and Installation)

In September 2017, the District issued a Request for Proposals for General Merchandise and Services ("RFP #0917-GMS") for various products and services across the District. Joshua Reyes (dba Metal Fabrication and Installation) based in Brownsville, Texas submitted a proposal to provide HVAC ductwork installations and fabrication, which was accepted by the District.³³⁵ In response to the District issuing a subsequent Request for Proposals for General Merchandise Services in 2018 ("RFP #0918-GMS"), Metal Fabrication and Installation submitted a proposal to provide sheet metal craftsman services, which was approved by the District.³³⁶ During the period of our review, Metal Fabrication and Installation received over \$115,000 from the District for

³²⁹ See Exhibit C.81

³³⁰ See Exhibit C.82

³³¹ See Exhibit C.83

³³² See Exhibit C.84

³³³ See Exhibit C.85

³³⁴ See Exhibit C.86

³³⁵ See Exhibit C.87

³³⁶ See Exhibit C.88

HVAC metal ductwork fabrication services. A summary of our review of the seven (7) largest purchase orders for Metal Fabrication and Installation is provided in the table below.

PO #	PO Date	PO Description	Bid / Proposal	Amount
11604	6/2017	HVAC Duct Work ³³⁷	BV-0615-HVACPS	\$6,100
190615	1/2018	Metal Duct Work ³³⁸	RFP #0917-GMS	\$5,360
193161	2/2018	HVAC Duct Improvements ³³⁹	RFP #0917-GMS	\$6,300
9381900012	7/2018	HVAC Duct Work Fabrication & Installation at Miller Jordan Wing D ³⁴⁰	RFP #0917-GMS	\$7,500
9381900074	8/2018	Installation of Round Spiral Ductwork at Miller Jordan Wing D ³⁴¹	RFP #0917-GMS	\$10,740
9381900653	4/2019	HVAC Metal Duct Work Fabrication, Installation and Repairs ³⁴²	RFP #0918-GMS	\$5,000
9382000067	8/2019	HVAC Metal Duct Work Fabrication, Installation and Repairs ³⁴³	RFP #0918-GMS	\$5,000

m. Horacio Garcia (dba Garcia Fence Co)

In November 2017, the District issued a Request for Proposals for General Merchandise and Services (“RFP #1117-GMS”) for various products and services across the District. Horacio Garcia (dba Garcia Fence Co) based in Brownsville, Texas submitted a proposal to provide fencing products and services, which was accepted by the District.³⁴⁴ During the period of our review, Garcia Fence received approximately \$106,000 from the District for fencing services. A summary of our review of the four (4) largest purchase orders for Garcia Fence is provided in the table below.

PO #	PO Date	PO Description	Bid / Proposal	Amount
4052	11/2016	Install Fence – Dr. Cash Elementary ³⁴⁵	N/A	\$15,050
9361900123	8/2018	Fence Installation at Dr. Cash Elementary ³⁴⁶	RFP-1117-GMS	\$12,850
7261900127	11/2018	Purchase of Fence with Two Electric Gate Openers ³⁴⁷	N/A	\$10,050
9362003158	6/2020	Fencing – Sullivan Elementary ³⁴⁸	RFP-1117-GMS	\$15,290

³³⁷ See Exhibit C.89

³³⁸ See Exhibit C.90

³³⁹ See Exhibit C.90

³⁴⁰ See Exhibit C.91

³⁴¹ See Exhibit C.92

³⁴² See Exhibit C.93

³⁴³ See Exhibit C.94

³⁴⁴ See Exhibit C.95

³⁴⁵ See Exhibit C.96

³⁴⁶ See Exhibit C.97

³⁴⁷ See Exhibit C.98

³⁴⁸ See Exhibit C.99

n. D-Bar Contractors

In June 2018, D-Bar Contractors based in San Benito, Texas was awarded a contract for the District's Request for Proposals for General Construction and Painting ("RFP-0618-GCP").³⁴⁹ In March 2019, D-Bar Contractors also received a contract for the Request for Proposal for Maintenance Related Needs ("RFP-0319-MRN").³⁵⁰ During the period of our review, D-Bar Contractors received approximately \$55,000 from the District for painting and paving services. A summary of our review of the two (2) largest purchase orders for D-Bar Contractors is provided in the table below.

PO #	PO Date	PO Description	Bid / Proposal	Amount
9361900106	7/2018	Repaint All Hallways at Leal Elementary ³⁵¹	RFP-0618-GCP	\$13,440
9362003141	4/2020	Labor to Pave Driveway Between Softball Field and Baseball Field (SBHS) ³⁵²	RFP-0319-MRN	\$8,100

o. Trinity MEP Engineering, LLC

In November 2017, the District issued a Request for Qualifications for Electrical Engineering Services ("RFQ-1117-EES"), with proposals due November 27, 2017.³⁵³ The District was looking to hire a firm to provide professional engineering services for the electrical design and engineered construction documents for the replacement of the existing electrical switchboard located at San Benito High School. The District received proposals from six (6) engineering firms.³⁵⁴ During the Board meeting on December 19, 2017, the Board selected Trinity MEP Engineering, LLC ("Trinity MEP"), based in Weslaco, Texas, to provide electrical engineering services for the District for a flat fee of \$17,000. In March 2020, the District hired Trinity MEP to provide engineering services related to the replacement of 10 roof-mounted air units at Veterans' Memorial Academy, which were procured as a Micro Purchase.³⁵⁵ During the period of our review, Trinity MEP received \$45,500 from the District for electrical engineering services. A summary of our review of the two (2) largest purchase orders for Trinity MEP is provided in the table below.

PO #	PO Date	PO Description	Bid / Proposal	Amount
9381900298	11/2018	MEP Engineering Design Services for SBHS Switchboard Replacement ³⁵⁶	RFQ #1117-EES	\$17,000

³⁴⁹ See Exhibit C.100

³⁵⁰ See Exhibit C.101

³⁵¹ See Exhibit C.102

³⁵² See Exhibit C.103

³⁵³ See Exhibit C.104

³⁵⁴ See Exhibit C.105

³⁵⁵ The Micro Purchase procurement of Trinity MEP is discussed in more detail in Section E of this Report.

³⁵⁶ See Exhibit C.106

PO #	PO Date	PO Description	Bid / Proposal	Amount
9382000275	6/2020	Render MEP Engineering Design Services for Air Unit Replacement at Veterans' Memorial Academy ³⁵⁷	Micro Purchase	\$20,000

We also noted that the owner of Trinity MEP, Leonardo Munoz, donated \$2,000 to the Investing In Our Children's Education SPAC, which was the SPAC formed by the District in October 2018 to raise funds for the promotion of the upcoming bond election in November 2018.³⁵⁸

p. RC Design and Construction, LLC

In November 2019, the District issued a Request for Written Quotations for pouring a concrete slab for a new dining area at San Benito High School. The District received solicited quotes from vendors already under contract with the District, either under RFP-0319-MRN (Maintenance Related Needs) or RFP-1019-GMS (General Merchandise and Service). The District received quotes from six (6) vendors and selected RC Design and Construction ("RC Design") based in Pharr, Texas, who submitted the lowest bid of \$24,750.³⁵⁹ RC Design completed the project in December 2019 without any change orders.

q. P & P Paving and Construction

In June 2018, the District issued a Request for Proposals for Resurfacing of Parking Lots and Streets ("RFP-0618-RPS") for future projects on an "as needed" basis. The District received six (6) proposals and an evaluation panel ranked P & P Paving and Construction ("P & P Paving") based in San Benito, Texas as the highest ranked proposal.³⁶⁰ The District approved all six (6) proposals received to provide services to the District on an as-needed basis. The District paid P & P Paving approximately \$28,500 during the period of our review related to services under RFP-0618-RPS. The largest purchase order was for \$14,358 in August 2018 related to road repairs requested by the Maintenance department.³⁶¹

r. Rio Grande Construction & Sealcoat Company

In March 2018, the District issued a Request for Written Quotations to pave the parking lot for PRIM and Transportation department. The District received three (3) quotations and selected the lowest bidder, Rio Grande Construction & Sealcoat Company ("Rio Grande Construction"), based in San Benito, Texas.³⁶² The

³⁵⁷ See Exhibit C.107

³⁵⁸ See Exhibit C.108

³⁵⁹ See Exhibit C.109

³⁶⁰ See Exhibit C.110

³⁶¹ See Exhibit C.111

³⁶² See Exhibit C.112



bid submitted by Rio Grande Construction was \$25,885. Rio Grande Construction completed the paving project in March 2018 without any change orders.

D. Federal Fund Expenditures

I. Background

a. Scope of Work

Weaver's Proposed Work Plan for Phase II approved by the Board on December 15, 2021 included a review of expenditures with federal funds during FY2017 – FY2021. Our review included expenditures assigned to federal programs and grants (i.e., Fund Code 211 - 289) contained in the District's general ledger.

b. Work Performed

As outlined in the Proposed Work Plan for Phase II, Weaver performed the following work steps in our review of federal fund expenditures:

- Obtained and reviewed the District's check register for FY2017 – FY2021 and identified expenditures classified under Fund Codes 211 – 289 (e.g., ESEA Title 1, ESSER, etc.).
- Analyzed over 27,000 federal fund expenditures, including analyses of expenditures by federal program or grant and by vendor.
- Performed data analytics procedures for federal fund expenditures, including cross-referencing vendor contact information with employee contact information, as well as contact information for current and former Board members to identify any potentially affiliated vendors.
- Conducted research of vendors using LexisNexis Public Records database, as well as other publicly available information from the Secretary of State, Texas Ethics Commission, and social media, among other sources.
- Reviewed payments to identify transaction amounts close to purchasing thresholds (i.e., \$25,000, \$50,000) to identify any potential split transactions.
- Selected a risk-based sample of transactions for further review based on data analytics procedures, vendor research, as well information gathered during interviews with District personnel.
- For transactions selected for further review, we obtained purchasing and procurement records from the District, including purchase orders, invoices, quotes, proposals, contracts, Board resolutions and other supporting documentation.
- Reviewed responsive email communications from the District's email archive related to federal programs and grants, including internal communications and communications with vendors and contractors.
- Conducted interviews with current and former Board members regarding transactions selected for further review, as well as interviewed the District's Federal Programs Director.

II. Analysis of Federal Fund Expenditures

a. Expenditures by Federal Program

Based upon our review and analysis of the District’s general ledger and check register, we identified expenditures with federal funds totaling approximately \$22 million during FY2017 – FY2021 across 14 federal programs and grants. The District’s largest program during the period of our review was Fund 211 (ESEA Title I, Part A), from which the District received over \$12.7 million during the period of our review (58% of total federal fund expenditures). A summary of federal fund and grant expenditures by program for FY2017 – FY2021 is provided in the table below.

Summary of Federal Fund Expenditures by Fund / Program: FY2017 - FY2021							
Fund Code	Fund Description	FY2017	FY2018	FY2019	FY2020	FY2021	Total
211	ESEA Title I Part A	\$ 2,759,728	\$ 2,807,037	\$ 2,529,097	\$ 2,303,597	\$ 2,328,627	\$ 12,728,086
212	ESEA Title I Part C Migrant	1,009,938	196,962	291,009	416,360	40,713	1,954,983
255	Title II Part A TPTR	449,310	284,014	676,379	238,559	209,315	1,857,576
224	Idea B Formula	370,726	357,242	534,287	352,447	231,713	1,846,415
266	ESSER	-	-	-	-	1,242,037	1,242,037
289	Title IV Part A, Subpart I	-	28,113	145,145	331,890	181,634	686,782
263	Title III Part A ELA	202,078	27,832	229,428	92,762	99,439	651,538
244	Federal Vocational	168,734	125,822	3,864	18,381	-	316,801
265	Texas 21st Century Grant	124,245	112,929	41,895	-	-	279,069
282	ESSER III	-	-	-	-	222,099	222,099
274	Gear Up	6,696	335	64,754	58,890	15,189	145,864
276	Instructional Continuity Grant	-	-	-	-	35,000	35,000
287	Project Rise	-	-	-	-	21,179	21,179
225	Idea B Preschool	-	-	-	2,840	-	2,840
Total		\$ 5,091,454	\$ 3,940,285	\$ 4,515,858	\$ 3,815,726	\$ 4,626,944	\$ 21,990,267

b. Federal Fund Expenditures by Vendor

In our analysis of approximately \$22 million in federal fund expenditures during FY2017 – FY2021, we identified over 1,300 vendors, merchants and consultants receiving payment from the District through federal programs or grants. We identified 29 vendors that received over \$150,000 during the period of our review, including four (4) that received in excess of \$1 million.³⁶³ A summary of federal fund expenditures by vendor is provided in the table below and detailed in **Appendix 3**.

³⁶³ The District paid \$1,279,378 to American Express in relation to federal programs during the period of our review. These payments related to purchases through the District’s credit card program with American Express. Certain vendors, such as Houghton Mifflin Harcourt, were paid through the District’s American Express credit card program, which is discussed in more detail in Section F of this Report.

Summary of Federal Fund Expenditures by Vendor / Merchant						
Vendor / Contractor	FY2017	FY2018	FY2019	FY2020	FY2021	Total
C D W - Government Inc	\$ 99,349	\$ 1,094,963	\$ 745,013	\$ 157,516	\$ 124,120	\$ 2,220,962
Dell Marketing L.P.	276,144	314,947	705,930	352,342	249,586	1,898,949
Apple Inc	863,367	615,672	67,366	94,982	178,251	1,819,637
American Express	6,851	-	243,769	519,116	509,641	1,279,378
Region One Education Service Center	331,015	125,272	189,454	165,158	163,110	974,009
Houghton Mifflin Harcourt	111,902	52,927	269,909	65,000	91,000	590,738
Istation	-	-	151,312	172,848	170,949	495,109
Imagine Learning Inc.	430,276	2,640	-	-	-	432,916
Region IV Education Service Center	1,443	845	-	-	429,000	431,288
School Specialty Inc	128,705	99,753	127,413	22,433	42,918	421,223
Forde-Ferrier, LLC	133,470	2,700	48,905	76,962	55,210	317,246
Brownsville Regional Day School	67,500	60,000	46,250	63,750	65,000	302,500
Lead4ward LLC	12,624	33,674	87,503	115,924	39,700	289,425
ECS Learning Systems Inc	61,871	19,979	71,432	46,717	63,991	263,990
Perry Mechanical Systems	-	-	-	-	252,483	252,483
Texas State Technical College	75,183	-	34,483	127,000	-	236,666
DreamBox Learning, Inc	-	-	-	127,792	101,792	229,584
Edgenuity Inc	3,440	6,400	77,585	70,485	69,485	227,395
Accelerate Learning Inc	67,423	-	54,573	51,672	51,672	225,340
American Reading Company Inc	131,160	14,700	73,900	-	-	219,760
Wal-Mart Community BRC	65,292	40,222	38,020	38,695	21,206	203,435
Cameron County Juvenile Probation	35,000	33,333	40,000	40,000	40,000	188,333
The Flippen Group, LLC	-	-	-	38,374	148,832	187,206
Edmentum Inc	18,794	39,201	42,343	83,639	-	183,977
Verizon Wireless Services LLC	452	114	1,328	5,235	173,631	180,760
A B C Therapy Inc	60,000	60,000	60,000	-	-	180,000
Mentoring Minds	109,662	9,063	25,998	18,771	7,234	170,729
Renaissance Learning	55,068	16,246	24,103	37,494	36,427	169,338
Indoff Incorporated	-	-	49,631	36,512	68,082	154,225
1,210 Other Combined Vendors (<\$150,000)*	1,945,462	1,297,633	1,239,638	1,287,309	1,473,624	7,243,667
Total	\$5,091,454	\$3,940,285	\$4,515,858	\$3,815,726	\$4,626,944	\$21,990,267

* Vendors paid less than \$150,000 are combined in this table for demonstrative purposes.

III. Transactions Selected for Further Review

Based on our review and analysis of expenditures related to federal programs identified in the District’s check register for FY2017 – FY2021, we selected certain transactions for further review, including a review of purchasing and procurement records (e.g., vendor quotes and proposals, invoices, contracts, purchases orders, and check copies, among other records). A summary of the transactions selected for further review is discussed throughout the remainder of this section of the Report.

a. A B C Therapy, Inc.

In August 2016, the District issued a Request for Qualifications for Physical Therapy Services (“RFQ-0816-PTS”). On September 13, 2016, the Board approved the proposal for A B C Therapy, Inc. (“A B C Therapy”)

based in Edinburg, Texas.³⁶⁴ The District entered into a contract with A B C Therapy to provide physical therapy for the District for a fee of \$6,000 per month for 10 months per year (\$60,000 annually).³⁶⁵ The District utilized federal funds from the IDEA-B Formula grants to pay for services provided by A B C Therapy. The District extended their contract with A B C Therapy for the 2017-2018 and 2018-2019 school years. A summary of the District's payments to A B C Therapy is provided in the table below.

PO #	PO Date	PO Description	Bid #	Amount
012067	6/2017	Physical Therapy services for the 2016-2017 school year	RFQ-0816-PTS	\$60,000
185874 and 192355	9/2017 2/2018	Physical Therapy services for the 2017-2018 school year	RFQ-0816-PTS	\$60,000
8071900180	11/2018	Physical Therapy services for the 2018-2019 school year	RFQ-0816-PTS	\$60,000

b. Bactronix RGV

In October 2020, the District hired Bactronix RGV ("Bactronix"), based in Mission, Texas, to provide disinfecting services across the District's 17 campuses in response to the COVID-19 pandemic.³⁶⁶ The District allocated funds from the Elementary and Secondary School Emergency Relief Fund ("ESSER Fund") to pay for the disinfecting services.³⁶⁷ According to the purchase order issued by the District, the coverage area was approximately 300,000 square feet, equating to a cost of \$0.10 per square foot.³⁶⁸ In December 2020, Bactronix submitted a proposal to the District under a Request for Proposals for General Merchandise and Services ("RFP-1220-GMS"), and was approved for the sale of Personal Protective Equipment ("PPE") supplies Districtwide.³⁶⁹ In January 2021, the District again hired Bactronix using ESSER Funds to provide disinfecting services for all 17 campuses based on the approval of their proposal under RFP-1220-GMS. A summary of the District's payments to Bactronix is provided in the table below.

PO #	PO Date	PO Description	Bid / Quote	Amount
7282100060	10/2020	Disinfecting Services for 17 Campuses	Approved by Dr. Carman	\$29,595
7282100106	1/2021	Disinfecting Services for 17 Campuses	RFQ-1220-GMS	\$26,636

c. Perry Mechanical Systems

In September 2020, the District purchased GPS ionization units from Perry Mechanical Systems ("Perry") for a total cost of \$182,532.³⁷⁰ The District allocated ESSER Funds to purchase the ionization units, which were

³⁶⁴ See Exhibit D.1

³⁶⁵ See Exhibit D.2

³⁶⁶ See Exhibit D.3

³⁶⁷ Under the CARES Act, Congress set aside approximately \$13.2 billion to be allocated to the ESSER Fund to address the impact of the COVID-19 pandemic on elementary and secondary schools.

³⁶⁸ See Exhibit D.4

³⁶⁹ See Exhibit D.5

³⁷⁰ See Exhibit D.6

to be utilized across all 17 District campuses.³⁷¹ The District purchased the ionization units through The Interlocal Purchasing System (TIPS), under TIPS contract 200303.³⁷² The Board approved the purchase on September 8, 2020 as the purchase amount was above \$50,000.³⁷³ A summary of the District's purchase of ionization units from Perry is provided in the table below.

PO #	PO Date	PO Description	Bid / Quote	Amount
7262100108	9/2020	GPS Ionizers for 17 Campuses	TIPS Contract # 200303	\$182,532

d. Robert Cogburn (dba Fastforward Kids)

In June 2017, the District entered into a consulting contract with Fastforward Kids to provide enrichment activities to migrant students at Frank Roberts Elementary and La Encantada Elementary during summer school.³⁷⁴ The total cost was \$49,800 (\$24,900 per campus), which was funded through the Migrant Education Program (ESEA Title I, Part C).³⁷⁵ A summary of the District's payment to Fastforward Kids is provided in the table below.

PO #	PO Date	PO Description	Bid /Quote	Amount
010441	5/2017	Summer Enrichment Activities	N/A (approved by Supt.)	\$49,800

e. Charlotte Marie Smith

The District entered into a consultant contract with Charlotte Marie Smith to provide orientation and mobility services for the Special Education department during the September 5, 2017 – May 31, 2018 time period. The purchase order indicated that three (3) quotes were obtained by the District, and included a purchase amount of \$17,500.³⁷⁶ The District also issued a purchase order for orientation and mobility services for the 2018-2019 school year for \$22,000.³⁷⁷ A summary of the District's payments to Charlotte Marie Smith is provided in the table below.

PO #	PO Date	PO Description	Procurement	Amount
192354	2/2018	O & M Contracted Services (2017-2018 school year)	3 Quotes Obtained	\$17,500
8071900234	11/2018	O & M Contracted Services (2018-2019 school year)	3 Quotes Obtained in prior year	\$22,000

³⁷¹ See Exhibit D.7

³⁷² See Exhibit D.8

³⁷³ See Exhibit D.9

³⁷⁴ See Exhibit D.10

³⁷⁵ The Migrant Education Program provides financial assistance to school districts to establish and improve programs of education for children of migratory farmworkers and fishers. Program services help migratory children overcome the educational disruption that results from repeated moves.

³⁷⁶ See Exhibit D.11

³⁷⁷ See Exhibit D.12

IV. Summary of Observations and Findings

a. Grants Management and Approval Process

In our interview of the Federal Programs Director, we discussed the management and approval process for purchases related to federal grants. We determined that purchases were initiated at the campus or department level, with purchase orders typically created by the campus or department secretary. The purchase order is then approved by the campus principal or department director, and submitted to the relevant department at central office for approval (i.e., Instructional Materials). The Federal Programs Director then reviews the purchase to ensure compliance with Education Department General Administrative Regulations (EDGAR), before it is sent to the Finance and Operations department and Purchasing department for final approval.³⁷⁸

b. Expenditure of Federal Funds with American Express Credit Card

We identified approximately \$1.3 million in expenditures with federal funds or grants paid through the District's American Express credit card account, including purchases from Houghton Mifflin Harcourt, School Specialty Inc., and Voyager Sopris Learning, among others.³⁷⁹ The District's Business Office Manual allows federal fund and grant expenditures to be paid with a credit card if the purchase meets the requirements of the grant.³⁸⁰

³⁷⁸ Purchases over \$10,000 are required to be approved by the Superintendent.

³⁷⁹ Purchases with the District's American Express credit card are discussed in more detail in Section F of this Report.

³⁸⁰ See Exhibit F.1

E. Purchasing Policies and Procedures

I. Background

a. Scope of Work

Weaver's Proposed Work Plan for Phase II approved by the Board on December 15, 2021 included a review of the District's purchasing and procurement practices during FY2017 – FY2021. Our review included an evaluation of the District's policies and procedures related to purchasing and procurement, as well as an evaluation of compliance with existing policies.

b. Work Performed

As outlined in the Proposed Work Plan for Phase II, Weaver performed the following work steps in our review of purchasing and procurement practices:

- Reviewed the District's Purchasing Procedures Manual and relevant Board Policies (e.g., CH Local).
- Conducted multiple interviews with the Purchasing Director to discuss the District's current purchasing practices, as well as purchasing practices prior to his tenure.
- Selected a sample of transactions to evaluate compliance with the District's purchasing policies related to competitive bidding. As part of our review, we obtained supporting documentation including bid documents, quotes, bid tabulations, and Board approvals, among other documents.
- Reviewed responsive email communications from the District's email archive related to purchasing and procurement, including internal communications and communications with vendors and contractors.

II. Review of Existing Policies and Procedures

We reviewed the District's Purchasing Procedures Manual ("Purchasing Manual") dated August 1, 2018, which was available on the District's website.^{381 382 383} Our review included an evaluation of the purchasing approval process, as well as purchasing requirements based on the size of the purchase. A summary of our review of the District's Purchasing Manual is provided below.

³⁸¹ See Exhibit E.1

³⁸² Based on discussions with the District's Purchasing Director, the District did not have a purchasing procedures manual prior to August 2018.

³⁸³ The District's purchasing policies and procedures are also referenced in the Business Office Manual, which is also available on the District's website.

a. Purchasing Approval

The District's Purchasing Manual states that a purchase of goods or services cannot be made utilizing District funds without prior approval from SBCISD Purchasing Department in the form of an executed Purchase Order.³⁸⁴ Contracts and agreements that require payment of District funds must be signed by either the Board President, Superintendent or Designee. The Purchasing Manual also states that a District employee who purchases or orders goods or services on behalf of the District without following the purchasing policies and procedures shall be held personally responsible for payments to the vendors or return of the items.

b. Purchasing Requirements by Amount

The District's Purchasing Manual has three (3) purchasing thresholds for determination of the applicable purchasing process and requirements based on the aggregate purchase amount. For purchases over \$50,000, the District is required to go out for bid (e.g., Request for Proposals, Request for Qualifications, Competitive Sealed Proposals) or obtain a quote through a District-approved Purchasing Cooperative (e.g., The Interlocal Purchasing System), as well as obtain approval from the Board. For purchases less than \$50,000 but greater than \$2,500, there was not a requirement to obtain Board approval during the period of our review, however, there were requirements to obtain three (3) price quotes or obtain a quote through a District-approved Purchasing Cooperative.³⁸⁵ A summary of the District's purchasing requirements as outlined in the Purchasing Manual is provided in the table below.

Purchase Amount	Purchasing Requirement
<\$2,500 <i>(in the aggregate)</i>	<ul style="list-style-type: none"> Obtain 1 price quote; <u>or</u> Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS)
\$2,500 - \$49,999 <i>(in the aggregate)</i>	<ul style="list-style-type: none"> Obtain 3 price quotes; <u>or</u> Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS); As of 11/5/2021, purchases over \$25,000 require Board approval prior to the transaction (CH Local)
>\$50,000 <i>(in the aggregate)</i>	<ul style="list-style-type: none"> Request for Proposals / Competitive Sealed Proposal / Request for Qualifications; <u>or</u> Obtain 1 quote from an approved District Purchasing Cooperative (e.g., TIPS); Board approval prior to the transaction (CH Local)

³⁸⁴ The Purchasing Director or Designee must approve any exception where District funds are committed prior to a Purchase Order being in place.

³⁸⁵ On November 5, 2021, the District changed the purchasing requirement under Board Policy CH (Local) such that purchases over \$25,000 required Board approval (previously the threshold was \$50,000).

III. Evaluation of Selected Purchases

a. Purchases Over \$50,000

We reviewed 20 purchases over \$50,000 during the period of our review to evaluate whether the District complied with the purchasing policies and procedures outlined in the Purchasing Manual. Our evaluation included a review of whether the purchase was procured through the appropriate competitive bidding process (i.e., RFP, CSP, RFQ or quote obtained through a purchasing cooperative), as well as whether the purchase was approved by the Board as required. We also reviewed the purchasing documentation provided by the District, including requisition forms, purchase orders and invoices. A summary of our review of purchases over \$50,000 is provided in the table below.

Date / Department	Vendor / Contractor	Description of Project / Contract	Amount	Procurement Method
9/2019 2018 Bond Program	Davila Construction, Inc.	Construction Manager at Risk Services for Aquatic Center and Performing Arts Center Board Approval: 7/20/2021	\$32,045,631	<ul style="list-style-type: none"> Request for Qualifications (RFQ-ACPAC-08) Six (6) proposals received Evaluated by the Board (no scoring sheets)
5/2019 2018 Bond Program	Hellas Construction, Inc.	Construction Manager at Risk Services for Indoor Multipurpose Facility Board Approval: 7/16/2019	\$5,686,225	<ul style="list-style-type: none"> Request for Qualifications (RFQ-0519-CMARIMF) Seven (7) proposals received Evaluated by the Board (no scoring sheets)
5/2019 2018 Bond Program	Rike Ogden Figueroa Allex Architects Inc. (ROFA)	Architectural Services for Aquatic Center and Performing Arts Center Board Approval: 5/14/2019	\$2,800,444 <i>(based on current cost estimates)</i>	<ul style="list-style-type: none"> Request for Qualifications (RFQ-0219-ASBP) Nine (9) proposals received
3/2019 Maintenance	E3 Entegral Solutions, Inc.	2019 - 2020 Energy Conservation Project - LED Lighting Board Approval: 1/22/2019	\$2,225,101	<ul style="list-style-type: none"> Dr. Carman requested bids from five (5) firms with purchasing cooperative contracts Rescinded original contract award to Enviro Group
1/2019 Maintenance	Parsons Commercial Roofing	Roofing Projects at 12 campuses and admin. Building Board Approval: 12/18/2018	\$2,125,497	<ul style="list-style-type: none"> TIPS Purchasing Cooperative (contract #170201) No other quotes obtained
1/2019 2018 Bond Program	Brighton Group, LLC	Project Management Services for 2018 Bond Program Board Approval: 1/10/2019	\$1,250,000	<ul style="list-style-type: none"> Request for Qualifications (RFQ-1218-PMS) Four (4) proposals received Evaluated by the Board
4/2018 Public Relations	Absolute Business Consulting Group, LLC	Public Awareness, Education and Communications Consulting Services and Media Relations Consulting Services Board Approval: 4/10/2018	\$540,000 <i>(5 years)</i>	<ul style="list-style-type: none"> TIPS Purchasing Cooperative No other quotes obtained

Date / Department	Vendor / Contractor	Description of Project / Contract	Amount	Procurement Method
4/2019 2018 Bond Program	PBK Architects, Inc.	Architectural Services for Indoor Multipurpose Facility Board Approval: 4/9/2019	\$440,144 (6.75% of total cost)	<ul style="list-style-type: none"> Request for Qualifications (RFQ-0219-ASBP) Nine (9) proposals received
4/2020 2018 Bond Program	NM Contracting, LLC	Entrance Project for the Aquatic Center and Performing Arts Center Board Approval: 4/14/2020	\$416,965	<ul style="list-style-type: none"> Request for Competitive Sealed Proposal (CSP-0320-PACNATE) Two (2) proposals received
9/2020 2018 Bond Program	Power Lift	Weight Room Equipment for Indoor Multipurpose Facility Board Approval: 9/10/2020	\$381,976 (50% paid w/ bond funds)	<ul style="list-style-type: none"> BuyBoard Purchasing Cooperative
1/2020 2018 Bond Program	GDJ Engineering	On-Call Civil Engineering Services Board Approval: 1/21/2020	\$372,210	<ul style="list-style-type: none"> Request for Qualifications (RFQ-1219-OCCES) Four (4) proposals received
8/2019 Maintenance	R & R Paving, LLC	Resurfacing of Parking Areas and Additional Parking Lot; SBHS Bus Loop Concrete Project Board Approval: 6/11/2019	\$352,827	<ul style="list-style-type: none"> Request for Proposal (RFP-0519-RPAHS) Eight (8) proposals received Proposals evaluated by Brighton Group (Rio Delta Engineering)
3/2017 Maintenance	Trumble Construction Inc.	Roof Replacement Board Approval: 1/17/2017	\$271,272	<ul style="list-style-type: none"> Request for Competitive Sealed Proposal (RFCSP-1116-RRDG)
6/2019 Maintenance	Noble Texas Builders LLC	Remodeling of C Wing, D Wing and the Counselors area at San Benito High School Board Approval: 4/9/2019	\$236,350	<ul style="list-style-type: none"> Request for Proposal (RFP-0319-RASBHS) Six (6) proposals received Evaluated by administration
6/2020 Maintenance	Scoggins Construction Co. Inc.	Remodeling of F and G Wing at SBHS and Sullivan Board Approval: 5/19/2020	\$192,943	<ul style="list-style-type: none"> Request for Competitive Sealed Proposal (CSP-0420-RASBHS) Five (5) proposals received
9/2020 Maintenance	Perry Mechanical Systems	GPS Ionizers Board Approval: 9/8/2020	\$182,532	<ul style="list-style-type: none"> TIPS Purchasing Cooperative (contract #200303)
2/2018 Special Education	A B C Therapy Inc.	Contracted Physical Therapy Board Approval: 9/13/2016	\$180,000 (over 3 years)	<ul style="list-style-type: none"> Request for Qualifications (RFQ-0816-PTS)
6/2019 Maintenance	Arizpe Flooring	Remodeling of C Wing, D Wing and the Counselors area at San Benito High School Board Approval: 4/9/2019	\$151,600	<ul style="list-style-type: none"> Request for Proposal (RFP-0319-RASBHS) Seven (7) proposals received Evaluated by administration
5/2018 Maintenance	G & G Contractors	Metal Canopy District Wide Board Approval: 2/20/2018	\$141,332	<ul style="list-style-type: none"> Request for Competitive Sealed Proposal (RFCSP-1217-Districtwide Canopies) Three (3) proposals received (evaluated by staff committee)
12/2017 Finance & Operations	Records Consultants, Inc.	Fixed Asset Management Inventory Program Project Board Approval: 9/13/2016	\$115,345	<ul style="list-style-type: none"> BuyBoard Purchasing Cooperative No other quotes obtained

b. Purchases Under \$50,000

We reviewed 25 purchases less than \$50,000 but greater than \$10,000 during the period of our review to evaluate whether the District complied with the purchasing policies and procedures outlined in the Purchasing Manual. Our evaluation included a review of whether the purchase was procured through the appropriate competitive bidding process (i.e., 3 quotes were obtained or 1 quote obtained through a purchasing cooperative).³⁸⁶ We also reviewed the purchasing documentation provided by the District, including requisition forms, purchase orders and invoices. A summary of our review of purchases under \$50,000 is provided in the table below.

Date / Department	Vendor / Contractor	Description of Project / Contract	Amount	Procurement Method
5/2017 Migrant Dept.	Robert Cogburn (dba Fastforward Kids)	Migrant Summer School Enrichment Activities	\$49,800	<ul style="list-style-type: none"> Consultant Contract (approved by Superintendent) Unable to determine if other quotes were received due to record retention policy
1/2020 2018 Bond Program	Saenz Brothers Construction, LLC	Irrigation Siphon for Aquatic Center	\$48,785	<ul style="list-style-type: none"> Four (4) quotes obtained by Brighton Group
6/2018 Maintenance	David Parra	Parking Lot High School	\$41,250	<ul style="list-style-type: none"> PO #197818 states "3 quotes attached" Quotes unable to be located by the District
6/2019 Maintenance	Dezvia LLC	Central Office Renovations	\$40,620	<ul style="list-style-type: none"> Request for Proposal (RFP-0918-GMS) Additional quotes not obtained for project
6/2020 Maintenance	Dezvia LLC	John F. Barron Administration Building Remodeling Restrooms	\$35,902	<ul style="list-style-type: none"> Request for Proposal (RFP-0918-GMS) Additional quotes not obtained for project
10/2016 Staff Development	DMR Educational Consulting, Inc.	STAAR-based TEKS Instruction	\$31,500	<ul style="list-style-type: none"> Consultant Contract (approved by Superintendent) Unable to determine if other quotes were received due to record retention policy
10/2019 Maintenance	Dezvia LLC	Project at Rangerville Elementary	\$30,400	<ul style="list-style-type: none"> Request for Proposal (RFP-0918-GMS) Additional quotes not obtained for project

³⁸⁶ On November 5, 2021, the District changed the purchasing requirement under Board Policy CH (Local) such that purchases over \$25,000 required Board approval (previously the threshold was \$50,000). However, the policy change occurred after our period of review. As such, the 24 purchases under \$50,000 that were reviewed did not require Board approval.

Date / Department	Vendor / Contractor	Description of Project / Contract	Amount	Procurement Method
11/2016 Federal Programs	Elda Garza	Training and reviewing Federal Programs	\$30,000	<ul style="list-style-type: none"> Consultant Contract (approved by Superintendent) Unable to determine if other quotes were received due to record retention policy
10/2020 Maintenance	Bactronix RGV	Disinfecting Program for 17 Campuses	\$29,595	<ul style="list-style-type: none"> Approved by Dr. Carman
8/2020 Special Education	Stephanie Martinez	Orientation & Mobility Services for 2020-2021 school year	\$28,350	<ul style="list-style-type: none"> Contracted services (approved by Superintendent) Additional quotes not obtained for project
10/2019 Maintenance	Dezvia LLC	Labor to Power Wash Exterior Building – Sullivan Elementary	\$28,300	<ul style="list-style-type: none"> Request for Proposal (RFP-0918-GMS) Additional quotes not obtained for project
5/2018 After School Program	Cortez Consulting Services	Grant Writing Services for Texas 21 st Century Community Learning Centers	\$27,000	<ul style="list-style-type: none"> Consultant Contract (approved by Superintendent) Three (3) quotes solicited, only two (2) obtained
10/2020 Maintenance	Bactronix RGV	Disinfecting Services for 17 Campuses	\$26,636	<ul style="list-style-type: none"> Request for Proposals (RFP-1220-GMS) Bactronix RGV approved on Master List for Sale of PPE Supplies
3/2018 Maintenance	Rio Grande Construction & Sealcoat Company	Prim/Transportation Parking	\$25,885	<ul style="list-style-type: none"> Three (3) quotes obtained Written Quotation Documentation Form
12/2019 Maintenance	RC Design and Construction, LLC	Cement Work – SBHS	\$24,750	<ul style="list-style-type: none"> Request for Proposal (RFP-1019-GMS) Three (3) quotes received Written Quotation Documentation Form
8/2018 Maintenance	David Parra	Loads of Hotmix – Materials for Outside Grounds	\$24,375	<ul style="list-style-type: none"> PO #9361900087 Quotes not provided
11/2018 Special Education	Charlotte Smith	Orientation and Mobility Services for 2018-2019 school year	\$22,000	<ul style="list-style-type: none"> Non-District Consultant Contract Three (3) quotes obtained during prior year
9/2019 Maintenance	Esteban Martinez	Cement Work – SBHS Parking Lot	\$20,225	<ul style="list-style-type: none"> Request for Proposal (RFP-0319-MRN) Additional quotes not obtained for project
6/2020 Maintenance	Trinity MEP Engineering, LLC	Render MEP Engineering Design Services	\$20,000	<ul style="list-style-type: none"> Micro Purchase Quotes not provided
2/2018 Special Education	Charlotte Smith	Orientation and Mobility Services for 2017-2018 school year	\$17,500	<ul style="list-style-type: none"> Non-District Consultant Contract Three (3) quotes obtained

Date / Department	Vendor / Contractor	Description of Project / Contract	Amount	Procurement Method
11/2018 Maintenance	Trinity MEP Engineering, LLC	MEP Engineering Design Services for SBHS Switchboard Replacement	\$17,000	<ul style="list-style-type: none"> Request for Qualifications (RFQ-1117-EES) Six (6) proposals received
6/2020 Maintenance	Horacio C Garcia	Fencing – Sullivan Elementary	\$15,290	<ul style="list-style-type: none"> Request for Proposal (RFP-1117-GMS) Additional quotes not obtained
11/2016 Maintenance	Horacio C Garcia	Install Fence – Dr. Cash Elementary	\$15,050	<ul style="list-style-type: none"> PO #004052 Unable to determine if other quotes were received due to record retention policy
5/2017 Migrant Dept.	Ernesto Villarreal (dba College 1 st Program)	College 1 st Program Camp Sessions	\$15,000	<ul style="list-style-type: none"> Non-District Consultant Contract Additional quotes not obtained
9/2018 Maintenance	P & P Paving and Construction	Road Repairs	\$14,358	<ul style="list-style-type: none"> Request for Proposal (RFP-0618-RPS) Six (6) proposals received

IV. Summary of Observations and Findings

A summary of our observations and findings based on our review of 20 purchases over \$50,000 and 25 purchases under \$50,000, as well as our review of the District's Purchasing Manual is provided throughout the remainder of this section of the Report.

a. Purchases over \$50,000 – Compliance with Purchasing Manual

We determined that all 20 purchases over \$50,000 reviewed had a purchase order and were approved by the Board, as required in the Purchasing Manual. We also determined that all 20 purchases were procured through one of the authorized competitive bidding methods outlined in the Purchasing Manual, as summarized in the table below.

Competitive Bidding Methodology	# of Purchases
Request for Proposals (RFP)	3
Competitive Sealed Proposals (CSP)	4
Request for Qualifications (RFQ)	7
Quotes Obtained Through Purchasing Cooperative (e.g., TIPS)	6
Total	20

b. Procurement of Project Manager for 2018 Bond Program Using RFQ

In our review of 20 purchases over \$50,000, we determined that the District procured project management services for the 2018 Bond Program through a RFQ, as opposed to a RFP.³⁸⁷ Under Section

³⁸⁷ The District's procurement of project management services for the 2018 Bond Program is discussed in more detail in Section A of this Report.

2269.056 of Texas Government Code, the use of a RFP for construction services requires a scoring criteria and detailed methodology for scoring each criterion, as well as for scoring evaluations to be made public within seven (7) days of the contract being awarded. By contrast, there are no such requirements for a RFQ and it is uncertain if the Board completed score sheets when evaluating the proposals, much less made them available to the public. We also observed that the RFQ was prepared by the Board's attorney, Mr. Torres, whereas RFQ's issued by the District are typically prepared by the Purchasing department.

c. Procurement of Construction Managers for 2018 Bond Program Using RFQ

In 2019, the District procured Construction Manager at Risk ("CMAR") services related to the 2018 Bond Program using a RFQ.³⁸⁸ Under Section 2269.253 of Texas Government Code, governmental entities are required to select the CMAR based on either a one-step process or two-step process, as provided below.

CMAR Selection Process	Requirements under Section 2269.253 of Texas Government Code
One-Step Process	<ul style="list-style-type: none"> Governmental entity shall prepare a single Request for Proposals Request for Proposals may request proposed fees and prices for fulfilling the general conditions
Two-Step Process	<p>Step 1</p> <ul style="list-style-type: none"> Governmental entity issues a Request for Qualifications, which must not include a request for fees or prices. <p>Step 2</p> <ul style="list-style-type: none"> Governmental entity selects five (5) or fewer offerors solely on the basis of qualifications. Selected offerors to provide additional information, including proposed fee and prices for fulfilling the general conditions.
Requirements for both processes	<ul style="list-style-type: none"> At each step, the governmental entity shall receive, publicly open, and read aloud the names of the offerors. At the appropriate step, the governmental entity shall also read aloud the fees and prices, if any, stated in each proposal as the proposal is opened. Not later than the 45th day after the date on which the final proposals are opened, the governmental entity shall evaluate and rank each proposal submitted in relation to the criteria set forth in the Request for Proposals.

In the District's procurement of the CMARs for the 2018 Bond Program (i.e., Hellas and Davila), the District did not request proposed fees and prices from the firms that responded to the RFQ. In addition, the District did not prepare documentation showing the Board's evaluation and ranking of each proposal. As such, the District's procurement of CMARs for the 2018 Bond Program is a possible violation of Texas Government Code.

³⁸⁸ The District's procurement of CMAR services for the 2018 Bond Program is discussed in more detail in Section A of this Report.

d. Purchases over \$50,000 Procured Through Purchasing Cooperatives

We identified six (6) purchases over \$50,000 that were procured by the District through a purchasing cooperative, including two (2) purchases over \$2 million (i.e., Parsons Commercial Roofing and E3 Entegral Solutions).³⁸⁹ With the exception of the purchase through E3 Entegral Solutions, the District did not obtain additional quotes from other vendors or service providers. While the Purchasing Manual does not require multiple quotes to be obtained if the purchase is procured through a purchasing cooperative, for larger purchases (especially for the purchase of services) the District may have been able to receive better value by obtaining multiple quotes or issuing a RFP.

e. Purchases Under \$50,000 – Compliance with Purchasing Manual

In our review of 25 purchases under \$50,000, we confirmed that each purchase was supported by an approved purchase order. For certain of the purchases, we received supporting documentation from the District confirming that at least three (3) quotes were obtained as required in the District's Purchasing Manual. For certain of the purchases reviewed, we were unable to determine if the District obtained additional quotes as a result of the District being unable to locate the supporting documentation in their hard-copy files being maintained in storage.³⁹⁰ We also determined that it was common for goods and services to be procured under a multiple awards contract (e.g., RFP-0319-MRN) where the District approved proposals from multiple vendors to provide certain services on an as-needed basis.³⁹¹ A summary of our review of the 25 purchases under \$50,000 is provided in the table below.

Competitive Bidding Methodology	# of Purchases
3 or More Quotes Obtained by the District	7
Only 2 Quotes Obtained by the District	1
Additional Quotes Not Obtained / Documentation Not Available	8
Multiple Award Contracts - RFPs for General Merchandise and Services (GMS) or Maintenance Related Needs (MRN)	7
Approved by Dr. Carman	1
Micro Purchase	1
Total	25

³⁸⁹ The District's procurement of services from Parsons Commercial Roofing and E3 Entegral Solutions is discussed in more detail in Section C of this Report.

³⁹⁰ The District maintains hard-copy records only for purchasing records prior to 2020, which are maintained in an off-site storage warehouse. Pursuant to the District's document retention policy, the District destroys records after a period of five (5) years. As such, certain purchasing documentation requested for FY2017 was not available due to the District's document retention policy.

³⁹¹ During our interview of the Purchasing Director, he informed us that the Purchasing Department encourages departments to obtain multiple quotes as a best practice even if a vendor has already been approved by the District as part of a multiple award contract. However, for many of the purchases to vendors approved through a multiple award contract, the District did not solicit additional quotes from other contractors.

f. Central Office Remodeling Project Divided into Multiple Purchase Orders

During the November 2018 – June 2019 time period, the District performed renovations and remodeling at their central office. The District hired Dezvia, LLC (“Dezvia”), who submitted a proposal for building maintenance and construction services in response to the District’s RFP for General Merchandise and Services (RFP-0918-GMS) issued in September 2018. The District approved proposals from 99 contractors under RFP-0918-GMS to provide various goods or services to the District, and effectively served as an approved vendor list.³⁹² We noted that the central office renovation project was divided into multiple purchase orders, including demolition, electrical, storage room, central office renovations, and painting of the Superintendent’s office, all of which the District hired Dezvia for a total cost of approximately \$78,000. It is unclear why the District elected not to put the entire project out for bid through an RFP, as was done with other remodeling projects at San Benito High School.

We also noted that the District did not obtain quotes or cost estimates from other contractors, and Dezvia primarily communicated with Dr. Carman to provide cost estimates. Based on discussions with the District’s current Maintenance Director hired by the District in September 2018, the District has not hired Dezvia in recent years due to their cost estimates being higher than other quotes obtained by the District.

g. Micro Purchase Procurement Methodology

In our review of 25 purchases under \$50,000, we identified a purchase of \$20,000 through Trinity MEP Engineering that was described as a Micro Purchase in the purchase order.³⁹³ As defined in District Policy CBB (Legal), Micro Purchase is a category of informal procurement methods that can be utilized by the District for the procurement of property or services under a federal award.³⁹⁴ Micro Purchases have a threshold of \$10,000 and may be awarded without soliciting competitive price or rate quotations if the District considers the price to be reasonable based on research, experience, purchase history or other information.³⁹⁵ It does not appear that the District’s use of the Micro Purchase procurement method was appropriate for the purchase of engineering services from Trinity MEP Engineering as the purchase amount exceeded \$10,000 and the purchase was not a federal award.

³⁹² Dezvia was listed three (3) times for “building maintenance and construction” on the list of approved proposals under RFP-0918-GMS. It is our understanding that Dezvia is listed multiple times because they submitted multiple proposals.

³⁹³ In March 2020, the District issued Purchase Order 9382000275 for Trinity MEP Engineering to provide engineering design services for Veterans’ Memorial Academy outside air unit replacement project existing of 10 roof-mounted units.

³⁹⁴ See Exhibit E.2

³⁹⁵ Under Federal Acquisition Regulation (FAR) guidelines, there are certain exceptions in which a Micro Purchase threshold may be increased to \$20,000, such as if the purchase is in response to an emergency or major disaster (48 C.F.R. 2.101).

h. Procurement of Insurance Agent of Record for Voluntary Products

We reviewed the Board's appointment of an insurance agent of record for insurance products under the District's employee health plan, as well as voluntary or ancillary products (e.g., dental, vision, disability, life insurance, etc.). A summary of Board actions related to the appointment of an insurance agent of record during the period of our review is provided in the table below.

Date	Description	Insurance Products	RFQ
8/22/2017	Board named Ortegon Insurance Agency (Ortegon) as Agent of Record for all employee health insurance products (including voluntary products) ³⁹⁶	All Employee Health Products	RFQ-0817 AOREHP
6/28/2018	Board named Salazar Insurance Group (Salazar) as Agent of Record for all voluntary insurance products (Ortegon remained agent of record for primary health insurance products) ³⁹⁷	Voluntary Products Only	N/A
7/16/2019	Board terminated Salazar as Agent of Record for all products and/or services it provides to the District including all voluntary products and/or ancillary services ³⁹⁸	Voluntary Products Only	N/A
7/16/2019	Board appointed Ortegon as Agent of Record for all voluntary products and/or ancillary products of the District ³⁹⁹	Voluntary Products Only	N/A
8/4/2020	Board appointed Jeff Everitt & Associates, Inc. (Everitt) as Agent of Record for District Group Health services and all voluntary and/or ancillary insurance products ⁴⁰⁰	All Employee Health Products	N/A
7/20/2021	Board appointed Bob Trevino Insurance (Trevino) as Agent of Record for all employee health products ⁴⁰¹	All Employee Health Products	RFQ-0721 AOREHP

We noted that in 2017, the District appointed Ortegon as agent of record for all employee health insurance products (including voluntary products), which were procured through a RFQ process. In June 2018, the District appointed a separate agent of record (Salazar) for the voluntary insurance products due to the need for additional insurance representatives to set up the policies for employees. In a May 7, 2018 email, the Board attorney, Mr. Torres, indicated that the District was not required to follow the normal procurement processes in their appointment of an agent of record for voluntary products as the District does not pay a cost for the voluntary insurance products.⁴⁰² However, in August 2020 the Board appointed Everitt

³⁹⁶ See Exhibit E.3

³⁹⁷ See Exhibit E.4

³⁹⁸ During the July 16, 2019 Board meeting, Dr. Carman explained the reason for the proposed termination was due to representatives from Salazar Insurance Group approaching individual Board members regarding potential modifications to the District's prescription plan, rather than having discussions with administration or the Board as a whole.

³⁹⁹ See Exhibit E.5

⁴⁰⁰ See Exhibit E.6

⁴⁰¹ See Exhibit E.7

⁴⁰² See Exhibit E.8



as agent of record for all employee health insurance products without issuing a RFQ or other form of competitive bidding process.

i. Decentralized Purchasing Function

During our interview of the District’s Purchasing Director, the District’s purchasing function was described as “decentralized,” whereby most of the purchasing activity is managed by the campuses and departments. The role of the Purchasing department is to act as the final layer of approval and to ensure that goods and services being purchased have appropriate authorization.⁴⁰³ As a result of the decentralized purchasing function, we observed inconsistencies in the purchasing process between departments during the period of our review. The Purchasing Director indicated that certain purchases during his tenure circumvented the Purchasing department, most notably the procurement of vendors related to the 2018 Bond Program, which were facilitated by the Board and Board attorney, Mr. Torres. Based on discussions with the Purchasing Director, as well as our review of contracts under \$50,000, there were multiple instances during the tenure of the former Maintenance Director where the District failed to obtain multiple quotes.

⁴⁰³ The District uses Skyward for managing the approval process of requisitions and purchase orders.

F. Credit Card Expenditures

I. Background

a. Scope of Work

Weaver’s Proposed Work Plan for Phase II approved by the Board on December 15, 2021 included the review of credit card expenditures for FY2017 – FY2021. Specifically, our scope of work included the review of expenditures and transactions for the District’s American Express Corporate Card account (“American Express”), as well as the District’s Visa credit card account with Commerce Bank (“Visa”).

b. Work Performed

As outlined in the Proposed Work Plan for Phase II, Weaver performed the following work steps in our review of credit card expenditures:

- Reviewed the District’s Credit Card Use Agreement for administrators and other employees.
- Conducted interviews with personnel from the District’s Business Office, including the Assistant Superintendent of Finance and Operations and Director of Accounting.
- Obtained and analyzed the monthly statements for FY2017 – FY2021 for the District’s American Express and Visa credit card accounts, including the conversion of approximately 3,700 transactions totaling approximately \$6.9 million into an Excel spreadsheet.
- Analyzed the 3,700 credit card transactions by cardholder, by merchant, and by expenditure category (e.g., travel).
- Selected a sample of 70 credit card transactions for further review and requested supporting documentation from the District for each transaction (e.g., invoices, receipts, purchase orders, etc.)

II. Analysis of Credit Card Transactions

The District’s primary credit card programs utilized by employees were the American Express and Visa credit card programs. American Express credit cards were primarily assigned to campuses and departments, whereas the Visa credit cards were primarily assigned to individual Board members and administrators for travel and other expenses. A summary of the District’s expenditures for the American Express and Visa credit card programs during the period of our review is provided below.

Credit Card Expenditures - Summary by Program and Year						
Credit Card Program	FY2017	FY2018	FY2019	FY2020	FY2021	Total
American Express	\$ 59,916	\$ 20,450	\$ 680,005	\$ 3,317,693	\$ 2,334,267	\$ 6,412,331
Visa	73,632	143,153	145,683	51,784	23,103	437,355
Total	\$ 133,548	\$ 163,603	\$ 825,689	\$ 3,369,477	\$ 2,357,370	\$ 6,849,686

a. American Express Credit Card Expenditures by Cardholder

We identified 27 American Express credit cards issued by the District during the period of our review, including 22 cards assigned to campuses or departments and five (5) assigned to individual employees. A summary of American Express expenditures by cardholder is provided in the table below.

American Express Credit Card Expenditures - Summary by Cardholder and Year						
Cardholder	FY2017	FY2018	FY2019	FY2020	FY2021	Total
SAN BENITO CISD	\$ 57,958	\$ 19,565	\$ 678,330	\$ 3,143,387	\$ 2,224,386	\$ 6,123,626
HILDA RENDON	-	-	93	61,955	17,312	79,360
SBCISD PROFESSIONALS	-	-	-	39,491	22,315	61,807
SBCISD PURCHASING	-	-	-	24,101	36,937	61,038
SAN BENITO HIGH SCH	-	-	55	10,448	11,436	21,939
HECTOR MADRIGAL	-	-	93	20,573	-	20,666
SBCISD ADMIN	-	-	-	2,847	9,596	12,443
VICKI PEREZ	-	-	-	-	8,590	8,590
DR NATE CARMAN	-	-	555	7,406	291	8,251
ODLF ELEMENTARY	-	-	55	2,414	957	3,425
ED DOWNS FA ACADEMY	-	-	55	3,134	55	3,244
EMMA MCCALL	1,958	885	-	-	-	2,842
SULLIVAN ES ELEM	-	-	55	467	1,409	1,931
RIVERSIDE MS	-	-	55	1,056	89	1,200
FRED BOOTH ELEMENTAR	-	-	55	130	55	240
DR GARZA ELEMENTARY	-	-	55	130	55	240
LA PALOMA ELEMENTARY	-	-	55	130	55	240
VETERANS MEMORIAL AC	-	-	55	-	147	202
MILLER JORDAN MS	-	-	55	-	143	198
BERTA CABAZA MS	-	-	55	-	55	110
SAN BENITO ALT SCH	-	-	55	-	55	110
FRANK ROBERTS ELEM	-	-	55	-	55	110
ANGELA G LEAL ELEM	-	-	55	-	55	110
LA ENCANTADA ELEM	-	-	55	-	55	110
DR CM CASH ELEM	-	-	55	-	55	110
RANGERVILLE ELEM	-	-	55	-	55	110
SBCISD SCHOOL BOARD	-	-	-	23	55	78
Total	\$ 59,916	\$ 20,450	\$ 680,005	\$ 3,317,693	\$ 2,334,267	\$ 6,412,331

b. American Express Credit Card Expenditures by Merchant

Our review of the \$6.4 million in American Express credit card expenditures included an analysis of transaction by merchant. We identified approximately 1,600 transactions related to over 220 merchants during the period of our review, including 25 merchants that received over \$10,000 during the period of our review. There were 13 merchants who received over \$100,000 for a total of \$5.6 million, which represented approximately 88% of the total American Express credit card expenditures. A summary of the \$6.4 million in American Express credit card expenditures by merchant is provided in the table below, and detailed in **Appendix 4**.

American Express Credit Card Expenditures - Summary by Merchant and Year							
Merchant	FY2017	FY2018	FY2019	FY2020	FY2021	Total	%
Houghton Mifflin Harcourt	\$ -	\$ -	\$ 137,919	\$ 1,452,839	\$ 288,147	\$ 1,878,905	29.30%
School Specialty LLC	-	-	312,293	490,778	186,660	989,732	15.43%
Gulf Coast Paper Company	-	-	-	375,918	446,419	822,338	12.82%
Ricoh USA, Inc.*	-	-	-	131,506	263,487	394,993	6.16%
Xerox	18,646	-	-	81,394	193,615	293,655	4.58%
Johnson Controls	-	-	26,715	147,584	63,466	237,765	3.71%
The Monitor	-	-	31,468	104,696	75,486	211,650	3.30%
Savvas Learning	-	-	-	-	200,034	200,034	3.12%
Gateway Printing & Office Supply, In	-	-	-	45,753	89,176	134,928	2.10%
Wal-Mart	324	-	11,357	53,137	53,815	118,633	1.85%
Oil Patch Fuel and Supply	-	-	-	28,186	86,429	114,615	1.79%
Cielo Office Products	-	-	-	26,931	86,154	113,085	1.76%
BSN Sports, LLC	-	-	-	57,100	44,786	101,885	1.59%
Lakeshore Learning	-	-	17,694	55,792	21,190	94,675	1.48%
American Express	160	(197)	1,269	62,070	27,167	90,468	1.41%
Southwest Airlines	5,155	3,312	10,633	47,109	10,675	76,882	1.20%
Safeguard Pest Control	-	-	19,488	24,963	-	44,451	0.69%
Voyager Sopris Learning	-	-	40,413	-	-	40,413	0.63%
Texas State Technical College	-	-	-	35,000	4,653	39,653	0.62%
Mobile Relays LLC	-	-	-	15,344	17,729	33,073	0.52%
Hertzbergh New Method	-	-	22,101	4,756	2,641	29,498	0.46%
Mentoring Minds	-	-	-	902	27,838	28,740	0.45%
US Coachways	-	10,652	8,651	-	-	19,303	0.30%
Marriott Hotels	4,080	1,159	1,718	7,486	1,135	15,577	0.24%
Intercontinental Hotels Group (IHG)	12,037	-	-	-	113	12,150	0.19%
197 Combined Merchants < \$10,000	19,515	5,523	38,287	68,451	143,451	275,228	4.29%
Total	\$ 59,916	\$ 20,450	\$ 680,005	\$ 3,317,693	\$ 2,334,267	\$ 6,412,331	100.00%

*Payments to Ricoh USA, Inc. appear as "Financial Services" on the District's American Express credit card statements.

c. Visa Credit Card Expenditures by Cardholder

We identified Visa credit cards expenditures for 34 individuals totaling approximately \$437,000 during the period of our review. Visa credit cards were issued to Board members for Board-related travel expenses, as well as certain District administrators including the Superintendent, Assistant Superintendents, Executive Directors and certain Director positions (e.g., After School Program, CTE Program, and Federal Programs). The District's Business Office Manual requires credit cards to be maintained at the Business Office and checked out by the individual upon approval of a purchase order.⁴⁰⁴ A summary of Visa credit card expenditures by cardholder is provided in the table below.

⁴⁰⁴ See Exhibit F.1

Visa Credit Card Expenditures - Summary by Cardholder and Year							
Cardholder		FY2017	FY2018	FY2019	FY2020	FY2021	Total
Jack Garcia	Former Director (ASP)	\$ 33,389	\$ 58,347	\$ 36,559	\$ -	\$ -	\$ 128,296
Dr. Nate Carman	Former Superintendent	-	14,827	28,620	22,983	8,721	75,152
Hector Madrigal	Former Asst. Superintendent	-	12,597	15,814	10,966	-	39,377
Hilda Rendon	Former Asst. Superintendent	6,533	13,750	10,990	3,222	-	34,495
Michael Vargas	Former Board Member	4,175	10,264	13,384	5,022	-	32,845
Kevin Phillips	Former Asst. Superintendent	-	12,604	3,728	-	-	16,333
Victor Eloy Rosas	Former Board Member	-	5,094	7,943	429	-	13,467
Maria G Garcia	Former Board Member	-	5,280	3,735	756	-	9,771
Angel Mendez	Former Board Member	2,928	3,460	3,109	194	-	9,691
Andrea Cruz	Former Asst. Superintendent	-	-	4,057	3,237	2,153	9,447
Sonia Weaver	Former Board Member	-	1,168	6,257	1,760	-	9,186
Janie G Silva	Former Board Member	-	-	6,955	1,381	-	8,336
Hector Rendon	Former Director (CTE Program)	6,902	39	-	-	-	6,941
Orlando Lopez	Current Board Member	-	2,053	2,537	153	791	5,534
Adrian Vega	Former Superintendent	4,624	-	-	-	-	4,624
Sara Alvarado	Former Asst. Superintendent	-	-	-	-	4,275	4,275
Margot Torres	Former Executive Director (HR)	3,445	503	-	-	-	3,948
Joe G Gonzalez	Former Board Member	2,850	655	-	-	-	3,505
Ray Saldana	Director (Student Services)	-	2,387	221	9	-	2,616
Oscar Medrano	Current Board Member	1,354	-	-	-	1,256	2,610
Julie Trevino	Former Executive Director	2,398	-	-	-	-	2,398
Anna Cruz	Former Board Member	2,330	-	-	-	-	2,330
Rolando Guerra	Former Assistant Principal	-	-	1,306	754	-	2,060
Stephanie Ramirez	Director (Professional Devel.)	-	-	-	607	1,300	1,906
Arnold Padilla	Former Board Member	1,583	-	-	-	-	1,583
San Benito CISD		507	124	467	86	30	1,214
Ramiro Moreno	Current Board Member	-	-	-	-	1,154	1,154
Rudy Corona	Current Board Member	-	-	-	-	1,154	1,154
Janie Lopez	Current Board Member	-	-	-	-	1,042	1,042
Raul Trevino	Former Director (Fed. Programs)	614	-	-	-	-	614
Mario Silva	Current Board Member	-	-	-	-	528	528
Ariel Cruz	Current Board Member	-	-	-	-	463	463
Fernando Rosa	Director (CTE)	-	-	-	-	236	236
Baldemar Olivarez	Former Board Member	-	-	-	225	-	225
Total		\$ 73,632	\$ 143,153	\$ 145,683	\$ 51,784	\$ 23,103	\$ 437,355

d. Visa Credit Card Expenditures by Merchant

In our review of Visa credit card expenditures, we identified approximately 2,100 transactions to over 200 merchants during the period of our review. Visa credit card expenditures consisted primarily of travel-related expenditures, including purchases for lodging (e.g., Marriott, Hilton, and Hyatt) and airfare (e.g., Southwest Airlines, American Airlines). Marriott Hotels was the largest merchant with over \$140,000 in expenditures during the period of our review (32% of all Visa credit card expenditures).⁴⁰⁵ We also identified over \$101,000 in

⁴⁰⁵ For purposes of this analysis, hotel merchants include affiliated hotels. For example, Marriott Hotels includes Westin, Courtyard, Springhill, and Sheraton, among other Marriott family hotels.

purchases from Southwest Airlines (23% of all Visa credit card expenditures). A summary of the \$437,000 in Visa credit card expenditures by merchant is provided in the table below, and detailed in **Appendix 5**.

Visa Credit Card Expenditures - Summary by Merchant and Year						
Merchant	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Marriott Hotels	\$ 30,810	\$ 43,036	\$ 43,148	\$ 13,836	\$ 9,487	\$ 140,317
Southwest Airlines	6,729	42,630	44,514	6,040	1,504	101,418
Hilton Hotels	6,469	18,859	8,760	809	-	34,896
American Airlines	50	8,374	4,356	3,536	1,709	18,026
Hyatt Hotels	12,127	-	1,293	1,314	-	14,734
Tierra Santa Golf Club	-	-	6,615	5,790	-	12,405
ACT Inc.	450	-	2,125	3,990	-	6,565
Intercontinental Hotels Group (IHG)	1,394	907	3,148	746	196	6,391
Isla Grand Beach Resort	1,265	3,458	807	(8)	-	5,521
La Quinta Inn & Suites	2,094	-	-	-	3,068	5,163
United Airlines	2,418	315	2,249	-	-	4,981
Lyft	-	1,208	1,852	1,299	561	4,921
Uber	269	725	2,498	917	-	4,409
Enterprise Rent-A-Car	178	3,915	53	223	-	4,369
International Center for Leadership in Education (ICLE)	-	2,060	1,265	-	725	4,050
Undisputed Belts	-	-	1,897	2,148	-	4,045
Texas Association of School Administrators (TASA)	-	792	611	-	1,992	3,395
Texas Association of School Boards (TASB)	2,735	415	78	-	-	3,228
Cajun Chess	-	1,893	1,088	-	-	2,981
Amazon	-	-	-	2,680	-	2,680
Omni Hotels & Resorts	-	2,631	-	-	-	2,631
Texas Education Agency (TEA)	-	-	2,622	-	-	2,622
181 Combined Merchants < \$2,000	6,643	11,935	16,703	8,467	3,859	47,607
Total	\$ 73,632	\$ 143,153	\$ 145,683	\$ 51,784	\$ 23,103	\$ 437,355

III. Analysis of Transactions Selected for Further Review

In our analysis of over \$6.8 million in American Express and Visa credit card expenditures, we selected 70 credit card transactions for further review, utilizing a risk-based sampling methodology.⁴⁰⁶ The 70 credit card transactions selected for further review totaled approximately \$2 million, and represented 29% of total credit card expenditures by spend. We requested supporting documentation from the District’s Business Office for all 70 transactions selected for further review, including purchase orders, receipts, invoices and other available documentation. Upon receipt of supporting documentation from the District, we evaluated compliance with the District’s Business Manual for each transaction, which requires an approved purchase order and itemized receipt.⁴⁰⁷ A summary of our review of supporting documentation provided for the 70 transactions selected for further review is provided in the table below.

⁴⁰⁶ Our risk-based sample selection methodology factored in the size of the transaction, as well as round dollar amounts and amounts relative to purchasing thresholds (e.g., \$2,500). Our selection methodology also factored in risk based on the merchant, including purchases from online marketplaces (e.g., Amazon) and purchases made through third-party payment processors (e.g., PayPal).

⁴⁰⁷ See Exhibit F.1

Weaver Review Category	# of Transactions
Supporting Documentation Provided (i.e., purchase order, receipts, etc.)	57
Transactions without a Purchase Order	3
Supporting Documentation Unable to be Located (i.e., purchase order, receipts, etc.)	3
Supporting Documentation Destroyed Pursuant to Record Retention Policy	7
Total	70

Additional detail of our review and evaluation of the 70 credit card transactions selected for further review is provided throughout the remainder of this section of the Report.

a. Supporting Documentation Provided

For 57 of 70 credit card transactions selected for further review, we received supporting documentation from the District, including purchase order documentation, receipts and/or invoices as required in the District's Business Office Manual. A summary of our analysis of the 57 transactions where sufficient supporting documentation was obtained is provided in the table below.⁴⁰⁸

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description (per receipt / invoice)	Weaver Exhibit
\$939,445.50	8/28/19	[AMEX] SBCISD	Houghton Mifflin Harcourt	7281900215	Info Reading and Writing Workshop Premium Student/Teacher Resource Packages	F.2
\$200,034.00	6/29/21	[AMEX] SBCISD	Savvas Learning	7282100159	Purchase of (1) Pre-K 2022 Texas Essentials Digital Course Package (8-year license, 1 year ReadyRosie), (2) Pre-K 2022 Spanish Texas Literacy Digital Course Package (8 year license), (3) Pre-K 2022 Texas Essentials Digital Course Package (8 year license, 1 year ReadyRosie)	F.3
\$165,096.66	9/3/20	[AMEX] SBCISD	Gulf Coast Paper Company	7262100050 7262100012 8732100012	(1) 13,275 feet for desk stoppers, (2) 176 student partitions, (3) 4 3-pack of mini 2x2 cubes, (4) 4 24-pack of 2x1 angled tabs	F.4
\$115,116.30	6/27/19	[AMEX] SBCISD	School Specialty LLC	7281900197	Purchase of CS Contemporary Combination desks, CS Contemporary 4 leg chairs, and storage cabinets for the C and D Wings at San Benito High School	F.5
\$88,139.51	8/9/19	[AMEX] SBCISD	Johnson Controls	9381900867	CO-1 Pumps Installation at Miller Jordan Middle School	F.6

⁴⁰⁸ We have included supporting documentation provided by the District as exhibits to this Report (see column Weaver Exhibit).

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description (per receipt / invoice)	Weaver Exhibit
\$39,240.70	3/29/19	[AMEX] SBCISD	Voyager Sopris Learning	5041900063	(1) Language! Live Student Set Level 1 (1-year license), (2) Language! Live Student Set Level 2 (1 year license), (3) Language! Live Teacher Start-up Package Levels 1&2 (1 year license)	F.7
\$35,000.00	5/13/20	[AMEX] SBCISD	Texas State Technical College	8012000116	Purchase of TSTC Challenger Learning Center, Student Missions curriculum for the 2019-2020 school year	F.8
\$26,000.00	2/5/21	[AMEX] SBCISD	Houghton Mifflin Harcourt	8122100034	Leadership Consulting Professional Development Training provided by Mark White on 01.12.21, 01.14.21, 01.15.21, 01.19-01.23.21	F.9
\$26,610.19	10/3/20	[AMEX] SBCISD	Ricoh USA, Inc. (appears as "Financial Services" on credit card statement)	7282100057 7282100022 7282100024 7282100029	Lease agreement for 48 months (09.01.19-08.31.22) for districtwide copiers and monthly service of the copiers	F.10
\$25,681.30	9/24/20	[AMEX] SBCISD	Xerox	7282100022	(1) 48 month contract copier rentals for the entire district for 2020-2021 school year, (2) 60 month contract print shop production area copiers, not a machine (expires 11.01.2022)	F.11
\$23,365.48	8/9/19	[AMEX] SBCISD	Johnson Controls	9381900851	Purchase of 5 new HVAC pumps - 3 primary and 2 secondary - for the new relocated mechanical pump room at Miller Jordan Middle School	F.12
\$18,645.36	5/20/21	[AMEX] SBCISD	Oil Patch Fuel and Supply	9332100231 9332100259	(1) 2,500 gallons of unleaded gasoline, (2) 6,430 gallons of diesel fuel	F.13
\$18,100.99	1/17/20	[AMEX] SBCISD	BSN Sports LLC	1082000018 0012000007 9312000836	(1) Men and Women's purple short sleeve polos for Rangerville Elementary School, (2) Pro Celebrity Men's Maverick Vegas Polo Customized Spirit shirts for San Benito High School Faculty and Staff, (3) Asics Women's shoe, Oxford Dri Powder Fleece Pullover Hoodie and Sweatpants for Girl's Track	F.14
\$16,659.13	6/24/21	[AMEX] SBCISD	The Monitor	7522100047 7522100034 7262100040	(1) 2020-2021 scheduled print publications in Valley Morning Star and Brownsville Herald; (2) Winter 2020-Spring 2021 print advertisements in The Observer; (3) 2020-2021 newspaper advertisements in an unspecified publication	F.15

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description (per receipt / invoice)	Weaver Exhibit
\$11,991.55	4/2/19	[AMEX] SBCISD	Hertzberg New Method	2011900004 0051900015	Purchase of books from Perma-Bound for Darrell Hester Juvenile Detention Center.	F.16
\$11,681.48	1/28/20	[AMEX] SBCISD PURCHASING	Wal-Mart	7282000144	Districtwide incentives for perfect attendance - iPads, Apple Watches, game consoles, TVs, and headphones	F.17
\$10,498.00	9/26/19	[AMEX] SBCISD	Safeguard Pest Control	9352000005 9362000929	Pest control services for all cafeterias in the district	F.18
\$9,022.67	8/13/19	[AMEX] SBCISD PROFESSIONALS	Wal-Mart	7282000030	Districtwide incentives for perfect attendance - iPads, bikes, toys and play sets	F.19
\$9,012.20	2/12/20	[AMEX] SBCISD PURCHASING	Wal-Mart	7282000151	Districtwide incentives for perfect attendance - TVs, Bluetooth speakers, game consoles, Apple Watches, headphones, basketballs	F.20
\$7,987.52	4/30/18	[VISA] JACK GARCIA	Hilton Hotels	193116	Lodging at Hilton Hotel in Columbus, Ohio for 2018 National HS Championship (Chess Team). Check-in date 04.30.18	F.21
\$7,846.45	11/12/20	[AMEX] SBCISD	Wal-Mart	7282100076	District wide incentives for perfect attendance - headphones, speakers, scooters, and motorized vending machine	F.22
\$7,294.14	4/9/20	[AMEX] SBCISD	Mobile Relays LLC	9222000010 9362000126 9222000169	(1) 2-way radio airtime network services equipment on Los Fresnos Site, La Feria Site, (2) Police portable NX-5400K2 Kenwood P-25 700/800 MA radio	F.23
\$6,615.00	3/23/19	[VISA] DR NATE CARMAN	Tierra Santa Golf Club	7261900273	(1) Tierra Santa Golf Club Tournament (Weslaco, TX) fees , (2) Titleist golf supplies - driver, wedge, stand bag, cart bag, backpacks	F.24
\$6,289.33	8/17/19	[AMEX] SBCISD PROFESSIONALS	Wal-Mart	7282000031	Districtwide incentives for perfect attendance - toy sets, games, and scooters	F.25
\$6,262.74	1/17/21	[AMEX] SBCISD	Wal-Mart	7282100100	Districtwide incentives for perfect attendance - game console and V4 foldable drones	F.26
\$6,180.00	4/29/20	[AMEX] SBCISD	Christopher Cole ⁴⁰⁹	7282000183	MK N95 masks from Eclectic Promotions	F.27

⁴⁰⁹ Christopher Cole is the District's HVAC Director, as well as the Interim Maintenance Director at the time of the transaction. Based on discussions with the District's Purchasing Director, the District did not make a payment to Mr. Cole as shown in the

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description (per receipt / invoice)	Weaver Exhibit
\$5,832.02	2/22/19	[AMEX] SBCISD	Wal-Mart	9501900192	Districtwide incentives for perfect attendance - toy sets and games	F.28
\$5,790.00	3/14/20	[VISA] DR NATE CARMAN	Tierra Santa Golf Club	7262000320	September 2020 golf tournament fees, lunch, and gratuity at Tierra Santa Golf Club (Weslaco, TX)	F.29
\$5,525.01	2/17/19	[AMEX] SBCISD	Wal-Mart	9501900192	Districtwide incentives for perfect attendance - toy sets and games	F.30
\$5,462.10	6/21/18	[VISA] JACK GARCIA	Hilton Hotels	197746	Hilton Hotel - New Orleans Airport for Jack Garcia to attend the 2018 U.S. Junior Open golf tournament 06.22-06.24.18	F.31
\$4,814.12	3/30/19	[AMEX] SBCISD	Southeastern Performance Apparel	1621900408	Purchase of Youth and adult black Chorale Dresses for the Miller Jordan MS Band	F.32
\$4,100.00	6/11/21	[AMEX] SBCISD	Morgan Livestock Equipment Sales	0222100359	Purchase of the Tru Test S3 indicator with S Cell conversion kits for use in Ag Science	F.33
\$3,824.91	3/24/19	[AMEX] SBCISD	Rancho Viejo Resort	5001900081	Rental of the Rancho Viejo Resort and Country Club facility and support on 03.09.2019 for the Military Ball as part of the NJROTC curriculum	F.34
\$3,761.15	5/13/21	[AMEX] SBCISD	Dealers Electrical Supply	9222100309 0222100405	(1) Purchase of PVC electrical equipment to upgrade video surveillance to Sunny Brazil, (2) M18 Force Logic 6T linear utility crimper kit	F.35
\$3,500.00	4/17/19	[AMEX] SBCISD	SW Arts Integration	1041900101	2019 Kennedy Center Southwest Arts Integration Conference tickets, meals, mileage, and lodging at the Holiday Inn Austin-Town Lake for 14 Ed Downs Staff attending from 06.05-06.07.19	F.36
\$3,055.42	10/31/19	[AMEX] ED DOWNS FA ACADEMY	Cookieskids.com	1042000073	Purchase of boy's and unisex blazers for Ed Downs Choir and Orchestra	F.37

American Express credit card statements. The District intended to issue a 50% down payment for N95 masks to Eclectic Promotion, which is owned by the spouse of Mr. Cole. When Mr. Cole became aware of the purchase through the Maintenance Department's budget, he contacted the Purchasing department and requested that the transaction be canceled due to his new role as Interim Maintenance Director, out of an abundance of caution to avoid any potential conflict of interest. We confirmed that the down payment of \$6,180 was subsequently reversed on the same month's credit card statement. It is also our understanding that the payment appeared on the monthly statements as "Christopher Cole" because Mr. Cole and his spouse share a Square account.

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description (per receipt / invoice)	Weaver Exhibit
\$2,910.00	2/11/21	[AMEX] SBCISD	SMT IQT	0222100317	Vouchers for TX CNA certification exam, exam retakes, written vouchers, and skills vouchers	F.38
\$2,819.00	3/20/21	[AMEX] SAN BENITO HIGH SCH	Innovative Farm & Ranch Show Supplies	0222100375	Purchase of electrolytes, supplements, and medicines for FFA projects/Rio Grande Valley Livestock Show from 03.12-03.21.20	F.39
\$2,581.00	3/26/20	[AMEX] SBCISD	Digicert Inc.	8732000184	Purchase of Multi-Domain SSL software from Digicert (2-year license and 11 domains) for Technology Department	F.40
\$2,500.00	1/14/20	[AMEX] SBCISD PROFESSIONALS	Southwest Airlines	8122000307	Airfare Deposit to Southwest Airlines for 2020 Model Schools Conference in Orlando, Florida (06.28-07.01.20)	F.41
\$2,227.00	5/14/21	[AMEX] SBCISD	Cap Fleet Upfitters	9332100215	Transportation department emergency vehicle light bar and installation service	F.42
\$2,148.00	8/14/19	[VISA] DR NATE CARMAN	Undisputed Belts	7012000048	Purchase of customized championship belts from Undisputed Belts	F.43
\$1,918.48	1/31/19	[VISA] HECTOR MADRIGAL	Marriott Hotels	8011900107	JW Marriott Austin for H. Madrigal to attend Midwinter Conference in Austin, Texas 01.26-01.30.19	F.44
\$1,802.32	1/31/19	[VISA] DR NATE CARMAN	Marriott Hotels	7011900209	Lodging for Dr. Nate Carman at JW Marriott Austin to attend the 2019 TASA Midwinter Conference 01.27-01.30.19	F.45
\$1,712.12	10/11/19	[VISA] DR NATE CARMAN	Flemings Steakhouse	7012000046	Dinner with the Board at Flemings in San Diego, CA for the 3rd Annual CABSE Conference 10.09-10.12.19	F.46
\$1,480.40	6/18/18	[VISA] DR NATE CARMAN	Marriott Hotels	197588	San Antonio Marriott Rivercenter for Dr. Nate Carman for the 2018 SLI 06.14-06.16.18	F.47
\$1,440.90	10/11/17	[VISA] JACK GARCIA	Southwest Airlines	187877	Southwest Airline tickets for the San Benito Chess team to attend the 2017 Cajun Chess tournament in Houston, TX 11.10-11.12.17	F.48
\$1,389.54	6/18/18	[VISA] ANGEL MENDEZ	Marriott Hotels	197586	San Antonio Marriott Rivercenter for Angel Mendez for the 2018 SLI 06.14-06.16.18	F.49
\$1,385.75	10/1/18	[VISA] HILDA RENDON	Marriott Hotels	7261900081	JW Marriott Austin for Hilda Rendon for the TASB Conference 09.27-09.30/18	F.50

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description (per receipt / invoice)	Weaver Exhibit
\$1,362.88	1/30/19	[VISA] MICHAEL VARGAS	Hilton Hotels	7011900211	Lodging for Michael Vargas at Hilton Hotel in Washington, DC to attend the NSBA 2019 Advocacy Institute 01.27-01.29.19	F.51
\$1,352.00	7/27/18	[VISA] DR NATE CARMAN	Undisputed Belts	7011900021	Purchase of fully custom championship belts from Undisputed Belts for an award incentive	F.52
\$1,148.00	10/11/17	[VISA] JACK GARCIA	Cajun Chess	187878	Registration fees for 12 students to attend the Cajun Chess tournament in Houston, TX 11.10-11.12.17	F.53
\$935.20	3/30/20	[VISA] DR NATE CARMAN	Amazon	0002000006	Masks and forehead thermometers for emergency Covid-19 supplies under Superintendent authorization from Amazon	F.54
\$932.98	3/29/20	[VISA] DR NATE CARMAN	Amazon	0002000006	Masks and forehead thermometers for emergency Covid-19 supplies under Superintendent authorization from Amazon	F.55
\$811.80	3/30/20	[VISA] DR NATE CARMAN	Amazon	0002000006	Masks and forehead thermometers for emergency Covid-19 supplies under Superintendent authorization from Amazon	F.56
\$520.00	4/17/21	[AMEX] SBCISD	PayPal - Touchbase	7182100029	(1) UPDD-Mac OSX universal pointer device driver license, (2) UPDD-Maint Extended Support, maintenance and upgrades for 5 year cover	F.57
\$480.00	9/28/18	[AMEX] SBCISD	PayPal - KToT	1041900015	Registration fees for Kindergarten teachers to attend the 2018 KToT Titles Conference 09.28-09.30.18 in Mesquite, TX	F.58

b. Transactions Without a Purchase Order

For three (3) of 70 credit card transactions selected for further review, we were unable to identify an approved purchase order for the transaction, as required in the District's Business Office Manual. A summary of the three (3) credit card transactions where a purchase order was not identified is provided in the table below.

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Description	Weaver Exhibit
\$4,911.50	5/4/21	[AMEX] SBCISD PROFESSIONALS	Premiere Speakers Bureau	Issued JE w/out PO	Contract with Bill Daggett as keynote speaker for back to school convocation on 8/4/2021	F.59

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Description	Weaver Exhibit
\$1,382.13	6/28/18	[VISA] KEVIN PHILLIPS	Marriott Hotels	No PO	JW Marriott Orlando, FL for Dr. Kevin Phillips to attend the Model School Conference and Leadership Academy 06.23-06.27.18	F.60
\$1,376.70	6/26/18	[VISA] DR NATE CARMAN	Ritz-Carlton	No PO	Dinner at the Ritz-Carlton in Orlando, FL for 20 principals and assistant superintendents	F.61

c. Supporting Documentation Not Provided

For three (3) of 70 credit card transactions selected for further review, we did not receive supporting documentation from the District and were informed that the District was unable to locate any records in their hard-copy storage facility.⁴¹⁰ Certain information related to these transactions was able to be retrieved from the District's general ledger, however, we have not received copies of the purchase orders or receipts for these transactions. A summary of the three (3) credit card transactions where supporting documentation was not provided and unable to be located by the District is provided in the table below.

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description	Weaver Exhibit
\$2,900.00	5/1/18	[AMEX] SBCISD	Challenge Coins Ltd	196319 (per GL)	Personalized Coins (per GL)	F.62
\$2,900.00	10/30/19	[AMEX] DR NATE CARMAN	Challenge Coins Ltd	N/A	N/A	F.62
\$1,873.00	12/5/17	[VISA] JACK GARCIA	AGS Attraction	N/A	AGS Attraction tickets in Orlando, Florida	F.63

d. Supporting Documentation Not Available Due to Record Retention Policy

For seven (7) of 70 credit card transactions selected for further review, the supporting documentation had been maintained in the District's hard-copy storage facility for over five (5) years and therefore subject to the District's record retention policy. For these seven (7) transactions, we received confirmation from the District that supporting documentation was no longer available due to it being destroyed pursuant to the record retention policy. A summary of the seven (7) transactions selected for further review where supporting documentation was no longer available under the District's record retention policy is provided in the table below.

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description	Weaver Exhibit
\$26,327.00	5/6/17	[VISA] JACK GARCIA	Marriott Hotels	N/A	District confirmed files destroyed pursuant to Record Retention Policy	F.62
\$8,387.55	4/11/17	[AMEX] SBCISD	Holiday Inn	N/A	District confirmed files destroyed pursuant to Record Retention Policy	F.62

⁴¹⁰ The three (3) credit card transactions identified where supporting documentation was unable to be located were within the five (5) year record retention policy.

Amount	Date	Card & Cardholder	Merchant	PO Number(s)	Weaver Description	Weaver Exhibit
\$6,173.06	4/24/17	[AMEX] SBCISD	Embassy Suites	N/A	District confirmed files destroyed pursuant to Record Retention Policy	F.62
\$3,850.20	2/16/17	[AMEX] SBCISD	Holiday Inn	N/A	District confirmed files destroyed pursuant to Record Retention Policy	F.62
\$2,016.31	5/28/17	[AMEX] SBCISD	Marriott Hotels	N/A	District confirmed files destroyed pursuant to Record Retention Policy	F.62
\$1,990.00	3/1/17	[AMEX] SBCISD	Premiumbeat.com	N/A	District confirmed files destroyed pursuant to Record Retention Policy	F.62
\$1,800.00	4/27/17	[VISA] Margot Torres	Menards	N/A	District confirmed files destroyed pursuant to Record Retention Policy	F.62

IV. Credit Card Rewards Redeemed by the District

Our review of the District's credit card expenditures also included a review of credit card rewards and rebates redeemed by the District from American Express and Visa.

a. American Express Credit Card Rewards

In our review of the rewards redeemed through the District's American Express credit card account, we were unable to identify redeemed rewards through the credit card statements. Based on discussions with personnel from the District's Business Office, during FY2017 and FY2018 the District redeemed American Express rewards points through cash gift cards, usually in increments of \$25 or \$50, which were mailed to the District's Business Office. Gift cards were then used for small purchases related to employee appreciation, staff meetings, flowers for funerals, and employee Thanksgiving luncheons, among other items. The Business Office maintained a binder containing records of gift cards received from American Express, as well as a log of purchases made with gift cards and supporting receipts.⁴¹¹ According to the records binder maintained by the Business Office, the District redeemed \$9,325 in American Express gift cards during the July 2016 – May 2018 time period, which were used for purchases totaling \$8,274 during that period.⁴¹²

In April 2019, the District began using RewardWorks in tandem with their American Express credit card account. RewardWorks is a third-party credit card payment software application that interfaces with an organization's accounting software, serving as an accounts payable tool for processing, paying, posting and reconciling invoices paid with a credit card, while earning rewards points through their partnership with American Express. Based on discussions with Business Office personnel, once the RewardWorks interface was connected to the District's accounting software, the District was able to pay invoices for certain vendors

⁴¹¹ See Exhibit F.64

⁴¹² See Exhibit F.64

using their American Express credit card account and earn additional reward points, including Houghton Mifflin, Xerox, and Ricoh, among others.⁴¹³ After the District started utilizing RewardWorks in 2019, the District received rebates from American Express on a quarterly basis, with the initial rebate received via wire transfer into the District's account at First Community Bank in February 2020 (for reward points earned for the 2nd quarter of 2019).⁴¹⁴ We identified 12 wire transfers to the District for American Express rewards earned each quarter totaling approximately \$150,000 during the February 2020 – May 2022 time period, as provided in the table below.⁴¹⁵

Date	District Bank Account (General Operating)	Description	Period Rewards Earned	Amount
2/14/2020	First Community Bank	Wire from American Express	Q2 2019	\$8,320.70
2/14/2020	First Community Bank	Wire from American Express	Q3 2019	\$20,359.00
3/4/2020	First Community Bank	Wire from American Express	Q4 2019	\$9,134.78
6/5/2020	First Community Bank	Wire from American Express	Q1 2020	\$10,492.14
9/8/2020	First Community Bank	Wire from American Express	Q2 2020	\$9,865.65
12/18/2020	First Community Bank	Wire from American Express	Q3 2020	\$6,824.39
3/24/2021	First Community Bank	Wire from American Express	Q4 2020	\$6,862.83
6/24/2021	First Community Bank	Wire from American Express	Q1 2021	\$7,945.33
9/29/2021	First Community Bank	Wire from American Express	Q2 2021	\$11,259.72
12/27/2021	First Community Bank	Wire from American Express	Q3 2021	\$16,981.54
3/2/2022	First Community Bank	Wire from American Express	Q4 2021	\$22,170.23
5/10/2022	First Community Bank	Wire from American Express	Q1 2022	\$18,463.38
Total				\$148,679.69

b. Visa Credit Card Rewards

In addition to their American Express credit card account, the District received cash back rebates each month through their Visa credit card account, which were applied as a monthly credit on their credit card statement. Under the Cash Back Credit Card program offered by Commerce Bank, the District received 1% cash back on all purchases and up to 3% cash back on certain types of purchases. During FY2017 – FY2021, the District earned cash back rebates totaling \$4,180 through their Visa credit card, which represented 1% of the \$437,355 in Visa credit card purchases during the same time period.

V. Marriott Reward Points Earned by Dr. Carman

During our review of District credit card expenditures, we were informed by multiple individuals interviewed that it was common for Dr. Carman to earn rewards points through his personal Marriott rewards account for District-related travel, including travel for other District employees in some instances. We analyzed the District's credit card expenditures related to Marriott Hotels, as well as reviewed email

⁴¹³ It is our understanding that certain vendors agreed to accept payment from the District through American Express, while others declined due to associated fees that might be incurred.

⁴¹⁴ Based on discussions with Business Office personnel, the District was delayed in receiving the initial quarterly rebate from American Express for Q2 2019 due to issues setting up the RewardWorks interface. In subsequent periods, the District received their quarterly rebate from American Express within several months of the end of the quarter.

⁴¹⁵ See Exhibits F.65 and F.66



communications pertaining to Marriott Hotels. Our analysis of Marriott rewards points earned by Dr. Carman related to District travel is discussed throughout the remainder of this section of the Report.

a. Credit Card Expenditures for Marriott Hotels

In our review of American Express and Visa credit card expenditures for FY2017 – FY2021, we categorized and quantified all lodging-related expenditures, which totaled approximately \$270,000. We determined that approximately \$156,000 of the \$270,000 (or 58%) in lodging-related credit card expenditures were with Marriott Hotels, which was 3.5 times higher than the next highest hotel brand. We observed that the District predominantly stayed at Marriott Hotels in FY2017, which was prior to Dr. Carman’s tenure at the District, however, Marriott expenditures increased by 27% in FY2018 (Dr. Carman’s first year with the District).⁴¹⁶ A summary of the District’s credit card expenditures by hotel brand is provided in the table below.

American Express & Visa Credit Card Expenditures - Lodging Expenditures by Hotel Brand							
Hotel Brand	FY2017	FY2018	FY2019	FY2020	FY2021	Total	%
Marriott Hotels	\$ 34,890	\$ 44,196	\$ 44,866	\$ 21,321	\$ 10,621	\$ 155,895	57.76%
Hilton Hotels	12,642	18,859	8,413	3,628	-	43,543	16.13%
Hyatt Hotels	15,534	-	1,293	1,994	1,868	20,690	7.67%
Intercontinental Hotels Group (IHG)	13,431	907	3,148	746	310	18,541	6.87%
Isla Grand Beach Resort	1,265	3,458	2,716	(231)	-	7,208	2.67%
La Quinta Inn & Suites	2,094	-	-	-	3,304	5,399	2.00%
Rancho Viejo Resort	-	-	3,825	-	-	3,825	1.42%
Omni Hotels & Resorts	-	2,631	4	607	98	3,339	1.24%
Kalahari Resort	-	-	-	-	2,337	2,337	0.87%
San Luis Galveston Hotel	-	-	1,867	-	-	1,867	0.69%
Wyndham Hotels	451	878	-	125	107	1,561	0.58%
Comfort Inn	-	-	860	-	-	860	0.32%
Moody Gardens Hotel	801	-	-	-	-	801	0.30%
Convention Housing	618	-	-	50	-	668	0.25%
Quality Inn	632	-	-	-	-	632	0.23%
La Posada Hotel	397	199	-	-	-	596	0.22%
Hotel Reservations	-	-	-	577	-	577	0.21%
The Stella Hotel	566	-	-	-	-	566	0.21%
Heritage Inn	300	-	-	-	-	300	0.11%
Horseshoe Bay Resort	-	-	-	288	-	288	0.11%
Radisson Hotel	-	189	-	-	-	189	0.07%
Motel 6	-	-	144	-	-	144	0.05%
Kings Inn	-	-	-	88	-	88	0.03%
Total	\$ 83,622	\$ 71,316	\$ 67,137	\$ 29,194	\$ 18,645	\$ 269,914	100.00%

⁴¹⁶ We observed a decrease in overall lodging expenditures in FY2020 and FY2021 due to the COVID-19 pandemic.

In our analysis of lodging-related credit card expenditures through Marriott Hotels during the period of our review, we identified approximately \$21,000 of the \$156,000 in Marriott Hotels purchases charged to Dr. Carman’s American Express and Visa credit cards issued by the District, including \$1,103 on his American Express card and \$19,595 on his Visa card.

b. Rewards Points Applied to Dr. Carman’s Personal Marriott Rewards Account

One individual that was interviewed indicated that Dr. Carman primarily stayed at Marriott Hotels and typically earned points through his personal Marriott rewards account for District travel. We were also informed that in some instances, Dr. Carman received points through his personal Marriott rewards account for other individuals traveling on behalf of the District, including Board members and employees.

In our review of relevant email records obtained through the District’s email archive, we identified hotel folios and confirmation statements related to District travel at Marriott Hotels (it was common practice for Dr. Carman to forward hotel folios and confirmation statements from his personal email account to his District email account). In our review of folios and confirmation statements from Marriott Hotels during the March 2018 – February 2022 time period, we identified 30 instances where Dr. Carman was a guest at Marriott Hotels for District travel paid with a District credit card and earned points through his personal Marriott rewards account.^{417 418} We also identified at least 16 instances in which other individuals (i.e., Board members or District employees) were guests at Marriott Hotels for District travel paid for with a District credit card and the rewards points were applied to Dr. Carman’s Marriott rewards account.^{419 420} A summary of our review of folios and confirmation statements for Marriott Hotels is provided in the table below.⁴²¹

⁴¹⁷ See Exhibit F.67

⁴¹⁸ We determined Dr. Carman’s Marriott rewards account number as having the last four (4) digits 4951.

⁴¹⁹ See Exhibit F.68

⁴²⁰ We identified a number of instances where there was insufficient information contained in the hotel folio or confirmation statement to determine whether Dr. Carman was the guest or another individual was a guest, or whether the rewards points were applied to Dr. Carman’s personal Marriott rewards account. As such, the number of instances where Dr. Carman earned points to his personal Marriott rewards account may be higher than the instances identified in this Report (including instances where Dr. Carman was the guest or another individual was the guest).

⁴²¹ See Exhibits F.67 and F.68

Date	Hotel Name	Guest Name	Credit Card No.	Cardholder	Marriott Rewards No.
3/25 - 3/26/18	Courtyard Austin Pflugerville	Hector Madrigal	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
		Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
4/7 - 4/9/18	Marriott Riverwalk	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
4/22 - 4/24/18	Fairfield Inn & Suites Six Flags	Hector Madrigal	Visa x [REDACTED]	Kevin Phillips	x [REDACTED]
		Dilia Cornett	Visa x [REDACTED]	Kevin Phillips	x [REDACTED]
		Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
		Alfredo Perez	Visa x [REDACTED]	Kevin Phillips	x [REDACTED]
		Stephanie Ramirez	Visa x [REDACTED]	Kevin Phillips	x [REDACTED]
		Maria Cruz	Visa x [REDACTED]	Kevin Phillips	x [REDACTED]
		Theresa Servellon	Visa x [REDACTED]	Hector Madrigal	x [REDACTED]
5/4 - 5/5/18	TownePlace Suites Corpus Christi	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
		Hector Madrigal	Visa x [REDACTED]	Hector Madrigal	x [REDACTED]
5/11 - 5/13/18	Marriott Riverwalk	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
6/13 - 6/16/18	The San Antonio Marriott Rivercenter	Janie Silva	Visa x [REDACTED]	Victor Eloy Rosas	x [REDACTED]
		Maria G. Garcia	Visa x [REDACTED]	Maria G. Garcia	x [REDACTED]
		Victor Rosas	Visa x [REDACTED]	Victor Eloy Rosas	x [REDACTED]
		Sonia Weaver	Visa x [REDACTED]	Sonia Weaver	x [REDACTED]
6/22 - 6/27/18	JW Marriotte Grande Lakes	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
7/30 - 8/2/18	Marriott Rivercenter	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
9/7 - 9/8/18	Courtyard Victoria	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
9/27 - 9/29/18	JW Marriott Austin	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
10/8 - 10/11/18	La Jolla Marriott	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
		Victor Rosas	Visa x [REDACTED]	Victor Eloy Rosas	x [REDACTED]
4/30 - 10/15/18	Fairfield Inn & Suites Six Flags	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
11/27 - 11/30/18	Residence Inn Austin Airport	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
1/26 - 1/30/19	JW Marriott Austin	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
3/29 - 4/1/19	Philadelphia Marriott Downtown	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
6/12 - 6/14/19	Marriott Riverwalk	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
9/19 - 9/21/19	Dallas Marriott City Center	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
2/26 - 2/28/20	TownePlace Suites Galveston	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
		Maria G. Garcia	Visa x [REDACTED]	Maria G. Garcia	x [REDACTED]
		Baldemar Olivarez	Visa x [REDACTED]	Baldemar Olivarez	x [REDACTED]
1/25 - 1/26/21	Element Austin Downtown	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
6/1 - 6/4/21	Courtyard by Marriott South Padre Island	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
6/15 - 6/17/21	The St. Anthony	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
6/26 - 6/28/21	JW Marriott Nashville	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
9/9 - 9/12/21	The St. Anthony	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
10/6 - 10/7/21	JW Marriott Austin	Sara Alvarado	Visa x [REDACTED]	Sara Alvarado	x [REDACTED]
		Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
10/27 - 10/29/21	Sheraton San Diego Hotel & Marina	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
11/10 - 11/12/21	JW Marriott Indianapolis	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
11/30 - 12/2/21	Austin Marriott Downtown	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
12/2 - 12/3/21	Sheraton Phoenix Downtown	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
12/8 - 12/10/21	Dallas Marriott Suites Medical/Market Center	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
1/29 - 2/2/22	JW Marriott Austin	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]
2/16 - 2/19/22	AC Hotel Nashville Downtown	Dr. Carman	Visa x [REDACTED]	Dr. Carman	x [REDACTED]

G. \$100 Cash Incentive Payments

I. Background

During our interview of several District employees, we were informed of the District's practice of distributing \$100 cash bills to teachers and teacher aides in August each year as incentive payments at the outset of the school year. We conducted further review of the cash incentive payments to gain a better understanding of the nature of the payments and how they were accounted for in the District's financial records. A summary of review of cash incentive payments to teachers and teacher aides is provided throughout the remainder of this section of the Report.

II. Review of Supply Incentive Payments

a. 2018 Supply Incentive of \$100 for Teachers and Teacher Aides

During the back-to-school convocation held on August 20, 2018, Dr. Carman asked the Police Chief to wheel out an opened briefcase containing stacks of \$100 bills.⁴²² In his presentation to the staff, Dr. Carman acknowledged that both he and the Board were aware that teachers and teacher aides spend their own money each year to prepare their classrooms for the new school year and buy supplies. Dr. Carman informed the staff that they would be handing out a \$100 bill to each teacher and teacher aide following the convocation to recognize their contributions to the students and to show gratitude to the teachers and teacher assistants.⁴²³ In his presentation at the convocation, Dr. Carman also thanked the Board for approving the handing out of \$100 bills to teachers and teacher aides.^{424 425}

On August 15, 2018, in advance of the convocation, Dr. Carman informed the District's Assistant Superintendent of Finance and Operations, Ms. Rendon, that classroom paraprofessionals would be added to the "\$100 list."⁴²⁶ Dr. Carman directed Ms. Rendon to obtain the rosters from payroll and withdraw enough \$100 bills, and to "please include in the funds per campus."⁴²⁷ In an email to the campus principals on August 16, 2018, Dr. Carman discussed the plan to give out the \$100 bills to classroom teachers and teacher aides "to help offset the money they spend out of pocket on our students."⁴²⁸ Dr. Carman also asked the principals

⁴²² <https://livestream.com/ksbg/specials/videos/179204130>

⁴²³ <https://livestream.com/ksbg/specials/videos/179204130>

⁴²⁴ <https://livestream.com/ksbg/specials/videos/179204130>

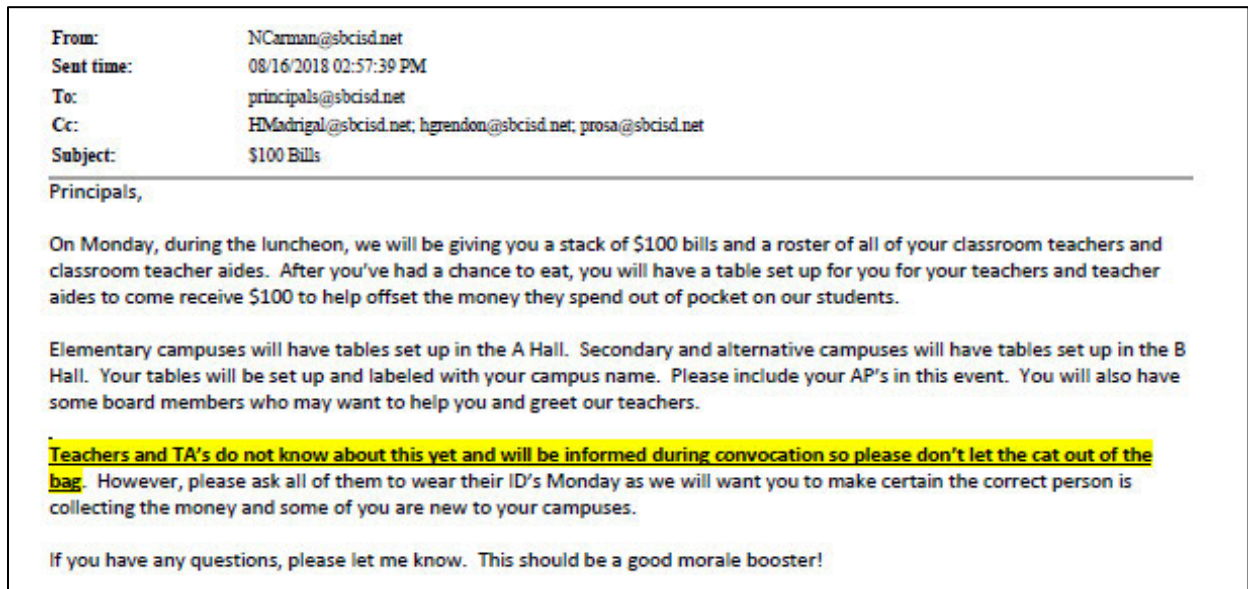
⁴²⁵ Dr. Carman also commented during his presentation that the District was likely the only school district in the Rio Grande Valley that was handing out \$100 bills to teachers following the convocation.

⁴²⁶ See Exhibit G.1

⁴²⁷ See Exhibit G.1

⁴²⁸ See Exhibit G.2

to ensure the teachers and teacher aides wear their ID's to the convocation to "make certain the correct person is collecting the money," while also adding, "This should be a good morale booster!"⁴²⁹



On August 6, 2018, Vicki Perez, who was an Accounting Coordinator at the time, informed Frost Bank that the District would be issuing a check made payable to cash for \$85,000, which needed to be paid out in \$100 bills.⁴³⁰ Ms. Perez also stated the she, along with the District's Police Chief, would be at the Harlingen branch on August 20, 2018 to pick up the cash.⁴³¹ Later that day, Ms. Perez sent a follow-up email to Frost Bank and indicated that Ms. Rendon wanted a check payable to cash for \$75,000 rather than \$85,000 and wanted to pick it up on August 13, 2018 instead of August 20, 2018.⁴³² On August 7, 2018, Ms. Perez informed the District's Accounts Payable Clerk that the account that would be used for the Supply Incentive for teachers is "199 E 11 6149 00 999 11 000" (i.e., employee benefits paid from the District's general fund).⁴³³ In an email to Board President Vargas following the convocation, Dr. Carman indicated that the \$100 bills were paid out as a stipend for teachers and as salary for paraprofessionals.⁴³⁴

On August 22, 2018, Ms. Perez informed Ms. Rendon that to date the District had paid \$100 bills to 912 employees for a total of \$91,200.⁴³⁵ As part of the process to hand out the \$100 bills, the Business Office

⁴²⁹ See Exhibit G.2

⁴³⁰ See Exhibit G.3

⁴³¹ See Exhibit G.3

⁴³² See Exhibit G.3

⁴³³ See Exhibit G.3

⁴³⁴ See Exhibit G.4

⁴³⁵ See Exhibit G.5

prepared a Supply Incentive Agreement for each campus, including a list of individuals eligible to receive a \$100 bill with a place to sign as acknowledgement of the agreement.⁴³⁶ The Supply Incentive Agreement stated that the \$100 was to “*offset supply purchases*” and the amount would be reflected in the employee's payroll check as “other wages.”⁴³⁷ An example of the Supply Incentive Agreement utilized in August 2018 is provided below.

Supply Incentive Agreement
Campus Angela Leal

By signing this agreement I acknowledge that I am receiving \$100 to offset supply purchases. I understand that this will be reflected in my payroll check and appear as other wages. In order to comply with IRS tax requirements, \$101.47 will be added to my taxable gross, less taxes, for a net effect of \$100.

Employee ID	Full Legal Name	Position	Signature
16	[REDACTED]	TA	[REDACTED]
17	[REDACTED]	Teacher	
18	[REDACTED]	Teacher	
19	[REDACTED]	Teacher	[REDACTED]
20	[REDACTED]	Teacher	
21	[REDACTED]	Teacher	
22	[REDACTED]	Teacher	
23	[REDACTED]	Teacher	
24	[REDACTED]	Teacher	
25	[REDACTED]	TA	

In December 2018, the Business Office distributed additional \$100 payouts through the payroll system to account for new hires who did not receive a \$100 bill during the convocation in August 2018.⁴³⁸ Based on our review of a spreadsheet maintained by the Business Office for Supply Incentive payments during the 2018-2019 school year, 919 employees received the \$100 incentive for a total of \$91,900 (net of taxes).⁴³⁹

⁴³⁶ See Exhibit G.6

⁴³⁷ See Exhibit G.6

⁴³⁸ See Exhibit G.3

⁴³⁹ See Exhibit G.7

b. 2019 Supply Incentive of \$100 for Teachers and Teacher Aides

At a Special Board meeting on June 27, 2019, the Board approved a compensation package for the 2019 – 2020 school year, which included a “\$100 Instructional Supply Reimbursement for Teachers and Teacher Aides.”⁴⁴⁰ In August 2019, the District gave out \$100 bills to teachers and teacher aides as had been done in August 2018, and utilized the same Supply Incentive Agreement as the prior year with a list of eligible employees for each campus.⁴⁴¹ Based on our review of the Supply Incentive Agreements for each campus, the District distributed \$100 bills to 891 employees on August 5, 2019 for a total of \$89,100.⁴⁴² An audit of the signatures performed by the Business Office confirmed that there were 891 signatures on the Supply Incentive Agreements across the campuses.⁴⁴³ However, a spreadsheet maintained by the Business Office for Supply Incentive payments during the 2019 – 2020 school year indicated that only 879 employees received the \$100 payment for a total of \$87,900 (net of taxes).⁴⁴⁴ While we are unable to reconcile the difference between the reports, it appeared that the \$100 incentive payments were allocated to the same account code as the prior year (i.e., employee benefits paid out of the general fund).⁴⁴⁵

c. 2021 Supply Incentive of \$100 for Teachers and Teacher Aides

It is our understanding that the District did not distribute supply incentives in August 2020 due to the remote learning environment as a result of the COVID-19 pandemic. In August 2021, the District resumed the practice of paying \$100 bills to teachers and teacher aides. On August 3, 2021, Ms. Perez requested for the Accounts Payable Clerk to print a check made payable to Ms. Perez in the amount of \$87,500.⁴⁴⁶ Based on our review of records from the Business Office, on August 3, 2021 the District issued check number 769736 to Ms. Perez (vendor no. 008014) for \$87,500 with a description of “Project Pace Mentor Stipend,” to be allocated to account code “XXXXXXXXXX” (i.e., supplemental pay from the District’s general fund).⁴⁴⁷

On August 4, 2021, the District distributed \$87,500 to the campus principals, who handed out the \$100 bills to 783 employees for a total of \$78,300.⁴⁴⁸ The District used the same Supply Incentive Agreement and collected signatures from each of the 783 recipients.⁴⁴⁹ Subsequently on August 25, 2021, the Business Office

⁴⁴⁰ See Exhibit G.8

⁴⁴¹ See Exhibit G.9

⁴⁴² See Exhibit G.9

⁴⁴³ See Exhibit G.9

⁴⁴⁴ See Exhibit G.10

⁴⁴⁵ See Exhibit G.10

⁴⁴⁶ See Exhibit G.11

⁴⁴⁷ See Exhibit G.12

⁴⁴⁸ See Exhibit G.13

⁴⁴⁹ See Exhibit G.13

deposited \$9,200 in cash back into the District's general operating bank account at First Community Bank, which accounted for the portion of the \$87,500 cash withdrawal on August 3, 2021 that was not distributed to the employees (i.e., \$87,500 less \$78,300).⁴⁵⁰

III. Summary of Observations and Findings

a. Cash Payments for Supply Incentives Totaled \$259,300

We determined that the District distributed \$100 bills to teachers and teacher aides to offset supply purchases on three (3) occasions for a total of \$259,300. The cash distributions were paid out of the District's general fund and accounted for in the District's payroll records as taxable wages. A summary of the District's cash payments to teachers and teacher aides under the supply incentive program is provided in the table below.

Date	Fund Code	Object Code	# of Employees	Total Amount
August 20, 2018	199 – General Fund	6149 – Employee Benefits	919	\$91,900
August 5, 2019	199 – General Fund	6149 – Employee Benefits	891	\$89,100
August 4, 2021	199 – General Fund	6118 – Supplemental Pay	783	\$78,300
Total				\$259,300

b. Supply Incentives Included in the Budget

During the Board Workshop meeting on May 8, 2018, Dr. Carman discussed with the Board the proposed budget item titled "Teacher Supply Allowance" totaling \$90,000.⁴⁵¹ Dr. Carman informed the Board that the idea was taken from several other school districts who give out \$100 bills to teachers at the outset of the school year to assist with the purchase of school supplies and boost morale. Dr. Carman also explained to the Board that each teacher would sign off on their receipt of the cash and it would be tracked through the payroll system. The Teacher Supply Allowance was ultimately included in the Board approved budget for FY2019, as well as included in the subsequent annual budgets.

c. Supply Incentives Included in the Compensation Plan

The District's compensation plan includes an item under Academic Stipends titled "Supply Allotment (Teachers and Classroom Paras)" with an amount listed as \$100 per year.⁴⁵²

⁴⁵⁰ See Exhibit G.14

⁴⁵¹ <https://livestream.com/ksbg/meetings/videos/174646063>

⁴⁵² See Exhibit G.15

d. Check Payment to Ms. Perez in August 2021

Whereas the District issued a check payable to cash in August 2018, it is unclear why the District elected to issue a check payable to Ms. Perez in August 2021 for \$87,500.⁴⁵³ Based on our review of the deposit slip and other bank records, it appears that the undistributed cash totaling \$9,200 was deposited back into the District's bank account on August 25, 2021.

⁴⁵³ As of August 2021, Ms. Perez was the Assistant Superintendent of Finance and Operations.

Exhibits and Appendices
