February 5, 2019

TO: California Superintendent of Public Instruction Tony Thurmond

FROM: The Sacramento City Teachers Association

Re: Request for Investigation of Potential Misuse of Public Dollars and Conflict of Interest at Sacramento City Unified School District

Points in support of SCTA request for an investigation in the Sacramento City Unified School District.

1. The superintendent's outside employment creates a conflict of interest and violates school board policy and his contract.

Superintendent Jorge Aguilar signed his contract for employment as the superintendent of SCUSD on May 4, 2017, and he began his tenure on July 1, 2017. Although Mr. Aguilar’s budgeted, annual salary as the Sac City superintendent for 2018-19 is $319,233, Mr. Aguilar continues to be employed by the University of California Merced. It appears that Mr. Aguilar has been deliberate in his effort to conceal his continued employment at UC Merced—his official SCUSD biography, for example, describes his work at UC Merced as part of his experience “prior to serving as Superintendent.” But according to information provided by UC Merced, Mr. Aguilar remains employed at UC Merced as the Associate Vice Chancellor for Educational and Community Partnerships, a position in which his annual salary is $171,972 and which, according to UC Merced, “he currently holds a 5% appointment effective July 1, 2017.”

The superintendent’s contract with SCUSD notes that “he shall continue collaborating with the University of California system to bring its commitment to public service as well as its policy research, and technical expertise to impact student achievement goals, without using his work days or vacation,” but it does not provide for his dual, paid employment with UC Merced. Instead it prioritizes his responsibilities to SCUSD: “The Superintendent shall focus his professional time, ability, and attention on the District’s business during the term of the Agreement.”

If the superintendent chooses to engage in “Other Professional Activities” it can only occur under the following conditions:

“...The Superintendent shall have the option of utilizing reasonable amounts of time to pursue educational, charitable, and/or professional activities so long as these activities do not conflict with the District’s needs or these interests do not negatively affect or interfere with services provided by the Superintendent under this Agreement. The Superintendent shall provide a quarterly report of days used for this purpose. The Superintendent shall provide the Board a quarterly report of days used for this purpose. If the Superintendent intends to use more than ten (10) days

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1Mr. Aguilar’s contract can be found in Appendix A.
2The information regarding Mr. Aguilar’s continued employment at UC Merced can be found in Appendix B.
per year for activities described herein, the Superintendent shall seek approval from the board. The Superintendent shall utilize vacation time when rendering such services for compensation and will be allowed to keep any compensation earned in such activities to the extent permitted by law. The Superintendent may not engage in any consulting or other outside activities that represent a conflict of interest in any manner with regard to his duties to the District.”

In response to an information request, the district reported that Mr. Aguilar has not filed a quarterly report of days used, nor has he taken any vacation days to cover time he was pursuing other professional activities, including, by inference, the time spent performing work for his second employer, UC Merced.³

In addition, Mr. Aguilar’s employment by UC Merced is prohibited if it creates a direct conflict of interest with his work in SCUSD. In fact, Mr. Aguilar’s responsibility as the superintendent in SCUSD would appear to be in direct conflict with his continued employment with UC Merced. For example, after Mr. Aguilar’s hiring was approved and he signed his initial contract with SCUSD on May 4, 2017, the district shortly thereafter entered into a “data sharing agreement” with UC Merced which pays UC Merced $1.75 million over four years. Based on his role as the superintendent in Sacramento and in his role as vice chancellor in Merced, Mr. Aguilar appears to have some role in administering the contract for both employers. Indeed, there is reason to believe that Mr. Aguilar had a direct role in the development of the agreement, and other subsequent professional engagements with UC Merced, including student tracking software and other programs. What is not clear, nor has Mr. Aguilar ever disclosed, on whose behalf he was/is working under such arrangements—SCUSD or UC Merced—a prima facia, conflict of interest, particularly when large sums of money are being exchanged.

The SCUSD school board approved the SCUSD-UC Merced contract occurred on June 1, 2017, during the consent agenda portion of the meeting. Mr. Aguilar’s potential conflict of interest was not raised at the time that it was approved. Oddly, the contract was signed by school board second vice-president Darrel Woo, who according to board resolutions in effect at the time was not authorized to sign contracts on behalf of the district. The District’s involvement with UC Merced since Mr. Aguilar was hired has not been limited only to this one agreement. SCUSD has entered into a subsequent agreement with UC Merced as part of a larger engagement with institutions of higher learning. But the only institution that the district’s either of the “data sharing” agreements requires a payment from the district to the institution of higher learning is the one with UC Merced, where Superintendent Aguilar continues to be employed.⁴

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³The District’s response to an information request confirming that Mr. Aguilar has not filed a quarterly report or used any vacation days for outside employment can be found in Appendix C.
⁴A copy of the contract and the school board meeting agenda where the contract was approved on the consent agenda can be found in Appendix D, which also contains the board actions (in both 2014 and 2017) regarding who is authorized to sign contracts on behalf of the district. A copy the subsequent agreement that the district entered into with UC Merced and other local institutions of higher learning is also in Appendix D. It’s notable that this second agreement signed on December 11, 2017, that the district described as an “historic” data sharing agreement does not include the district paying those other institutions for “sharing data” like the June 1, 2017 agreement between Sac City and UC Merced does.
2. The superintendent has accepted honoraria in direct contradiction of school board policy.

The SCUSD-approved “Conflict of Interest” policy states in part: “Board members and designated employees shall not accept honorarium, which is defined as any payment made in consideration for any speech given, article published, or attendance at any public or private gathering, in accordance with law.”

According to filings provided by the district regarding Fair Political Practices Commission Form 700, Mr. Aguilar received the following honoraria, in what appears to be direct violation of board policy:

| Superintendent Jorge Aguilar Outside Compensation (July 1-September 1, 2017) |
|-----------------------------------------------|------------------|-------|
| Alliance for Regional Collaboration to Higher Ed | Ongoing meetings | $227.63 |
| Central Valley Higher Ed Consortium          | No date provided | $200.00 |
| California Practitioners Advisory Group      | Ongoing meetings | $475.00 |
| California Academic Partnership Program      | Ongoing meetings | $688.45 |
| College Board                                | Made Speech      | $533.00 |
| Broad Center for the Management of School Systems | Made Speech | $267.50 |
| 3-month Total                                |                  | $2391.58 |

The time period covered by the Form 700 filing appears to address only Mr. Aguilar’s first three months of employment, from July 1, 2017 to September 1, 2017, which makes it likely that Mr. Aguilar has continued to accept honoraria, in violation of board policy, for an additional eighteen months through the present. Moreover, while the district has not yet produced additional information regarding Mr. Aguilar’s calendar and travel, but we believe it is reasonable to conclude that in addition to collecting his honoraria, Mr. Aguilar was reimbursed for travel and expenses to these meetings and conferences where he received additional compensation, in addition, to his substantial SCUSD salary.

3. The district’s vacation buyout for administrators may involve staff being paid for work not performed, self-dealing on the part of certain district administrators, and the failure to report properly the cost of the buyout.

In 2017-18, SCUSD ran an operational deficit for the first time in several years, after years of strong financial performance. Deeper scrutiny in the unbudgeted spending in 2017-18 that contributed to the district’s diminished financial status revealed that the district had implemented a vacation cash-

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5Copies of the Mr. Aguilar’s Form 700 filings provided by the District can be found in Appendix E. Mr. Aguilar does not provide the dates of the meetings or conferences or speeches, but they were included as part of the filing he made after he began his employment in Sacramento on July 1, 2017.

6The District’s finances are best captured in the FCMAT Financial Health Risk Analysis which can be found in Appendix F.
out scheme at an estimated cost of $6 million. Although repeated requests for more detailed information have not entirely been addressed, the limited information the district provided to date reveals that the district paid 121 administrators $3,252,301 as part of this scheme in 2017-18.7

In follow-up communication with the district, the Association raised its concerns that the accumulation of large banks of vacation time by certain employees may have resulted in administrators claiming to have worked for days that they may not have performed any service to the district, particularly in the summer when school was not in session. In several instances, administrators accrued vacation that exceeded six months, and in at least one instance nearly 1.25 years of accrued vacation. In response to inquiries from the press, a spokesperson for the district attempted to deflect criticism by explaining the accrued vacation as a result of short staffing, which made it difficult for administrators to get time off. This claim is belied by the fact that the massive accruals are so widespread, and that the number of administrators in the district has increased by anywhere from 42 to 61% since 2014 (documents provided by the district have included inconsistent numbers of administrators in 2014).

Additionally, the vacation buyout raises concerns in self-dealing, insofar as the agreement to cash-out was first collectively bargained in 2017 with administrators represented by the United Professional Educators (UPE). After that agreement was approved by the board, its terms were then extended to unrepresented management. Self-dealing may be in play when one considers that the district’s management representatives who collectively bargained the agreement with UPE were then direct beneficiaries of the district’s largesse when the vacation buyout was extended to unrepresented management, including the Chief Human Resources Officer who received a buyout of $92,018.31, and the Associate Superintendent for Labor Relations ($50,682.75).

Finally, in the AB 1200 public disclosure reports submitted by the district regarding the UPE settlement and “unrepresented and confidential employees,” the district appears to have failed to disclose the additional costs for the vacation buyout for both groups.8

4. The district has refused to investigate or refer to the California Department of Education (CDE) as required by school board policy concerns raised about the potential misappropriation of money at C.K. McClatchy High School (CKM).

On June 25, 2018, SCTA filed a Uniform Complaint with SCUSD “related to the financial practices, accounting and potential misappropriation of money.” The complaint followed a meeting on May 25, 2018, where approximately thirty C.K. McClatchy faculty met with Superintendent Jorge Aguilar and Deputy Superintendent Lisa Allen following a vote of “no confidence” in the CKM principal. During the May 25th meeting, staff also raised concerns over missing money from the sale of physical education uniforms and sports event concessions, and how the principal allegedly covered discrepancies by simply transferring money from other accounts. SCUSD school board policy

7After long delays, the District has produced two lists of vacation buyouts which can be found in Appendix G. The six million-dollar amount was provided to the Association by Chief Business Officer John Quino in a meeting on October 24, 2018 and it has subsequently been confirmed.

8The AB 1200 reports can be found in Appendix H.
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specifically requires that “any complaint alleging fraud shall be referred to the California Department of Education.”

After being ignored by the district, on August 27, 2018, the Association followed up again requesting the district move forward with a forensic audit at CKM. The Association objected on September 7, 2018 when the district proposed that the Association direct its concerns to representatives from Human Resources who would then pass the Association’s concerns onto an internal district auditor. In response to additional Association concerns that were expressed regarding the district’s hesitation to investigate the CKM concern, Superintendent Aguilar notified the Association that the district “has engaged Crowe LLP to conduct a process audit, not a comprehensive forensic fraud audit of CKM.” On October 15, 2018, the Association responded to Mr. Aguilar and raised concerns regarding his refusal to investigate such serious claims, particularly at a time when the district’s financial mismanagement were topics of considerable public attention due to the rejection of the district budget by the county.

On January 11, 2019, the Association again followed up with the district, inquiring whether the district had referred the Association’s uniform complaint to the CDE as required by school board policy when fraud may be alleged

The district responded on January 18, 2018: “...the District never received a response to the October 12 letter regarding the audit of CKM or following up on the proposed meeting with the auditor. Neither did the District receive any clarification that SCTA was asserting some sort of intentional fraud rather than inadequate site accounting processes.” The district’s January 18th assertions are contradicted in both the original filing of the Uniform Complaint, the October 15th response (which the district’s general counsel ignores), the January 11, 2019 letter, and the last response of January 24, 2019. In a letter from Superintendent Aguilar dated February 1, 2019, he writes, in reference to the concerns about missing money at CKM: “The District’s email communication of January 18, 2019, responded to and closed the matter.” We strongly disagree and believe that as stewards of public assets, district representatives must do all within their power to ensure there is no hint of misallocation of taxpayer dollars, particularly in a district on the brink of insolvency. We therefore request that CDE investigate this matter also.

5. The district has refused to investigate thoroughly or refer to CDE the alleged misuse of Site Improvement Grant dollars from Hiram Johnson High School;

In November 2017, staff at Hiram Johnson High School began raising concerns that the principal was misusing Title I and other funds to hire two new learning support coordinators at the school by manipulating the budgeting and hiring process. The concerns further alleged that the principal's manipulations allowed him to circumvent the normal hiring process to select two candidates who had worked for him previously at the middle school he was assigned to, prior to his appointment as the Hiram Johnson principal. On February 28, 2018, SCTA’s Vice-president Nikkii Milevsky emailed the district raising several serious concerns about the situation at Hiram Johnson High

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9 The Uniform Complaint and various correspondence are gathered in Appendix I.
School, including the misuse of Title I funds. On March 12, 2018, the district provided a response to Ms. Milevsky’s February 28th email that included a “Finding of Fact and Conclusions of Law” treading the February 28th email as Uniform Complaint, but without having notified SCTA that is was investigation the allegations set forth as such. On March 15, 2018, SCTA responded by letter the inappropriateness and inadequacy of the district’s response, **including assigning a “uniform complaint” for investigation to the SCUSD human resource department, which itself was a subject of the original complaint**. On April 18, 2018, the Association set forth several more additional concerns in an email to the district that reiterated concerns of the collusion of the Area Instructional Superintendent and representatives from the Human Resources department in the manipulation/misallocation of funds process. The Association alleged specifically that it considered the principal’s alleged actions to be a “misappropriation of funds” and potentially the principal’s “use of public funds to enrich [his] friends, or cronies.”

On June 11, 2018, the district provided a partial response to the “Uniform Complaint,” by acknowledging that “the hiring of a Learning Support Coordinator with Title I funds was not discussed or approved by the S[c]hool S[ite] C[ouncil].” The district further reported that “The Title I funds used for the Learning Support Coordinator will be returned to the District Title I account.

On October 15, 2018, the Association by letter to the superintendent again raised concerns regarding the district’s handling of the Hiram Johnson hiring process and subsequent investigation. On January 11, 2019, the Association requested confirmation that the district had referred the allegation of misuse of public funds to CDE for further investigation. By letter of February 1, 2019, Superintendent Aguilar wrote that: “This matter was resolved by District’s investigation and response to SCTA UCP Complaint via its Closure letter of March 12, 2018.” On several occasions, SCTA raised objections to the “investigation,” to which the district has been non-responsive. SCTA hereby requests a fuller investigation of the issues raised first in its February 28, 2018 email to the district.\(^\text{10}\)

6. **The district has refused to investigate thoroughly the practice of the former principal of New Technology High School to hold a second, paid job while he was scheduled to be performing services for the district at the same time, and that this practice was carried out with the knowledge and consent of senior administrative officials; the district also failed to investigate thoroughly or refer to CDE the alleged misconduct of the same former principal of New Technology High School who was alleged to have changed hundreds of student grades, including the transcripts of incoming students;**

On June 28, 2018, the Association filed a Uniform Complaint with the district regarding the alleged misconduct of the principal of New Tech High School. The complaint alleged that the principal continued to work a side job while employed by the district where he appears to have worked less than full-time for the district while receiving full pay and benefits in a position with full-time responsibilities. The complaint further alleged that the principal’s supervisor, the area instructional

\(^{10}\)The correspondence related to the concerns of misappropriation of funds at Hiram Johnson are gathered in Appendix J.
superintendent, was aware of the principal’s behavior and allowed it to continue, even after it was brought to her attention.

The district was made aware of allegations that the same principal had changed more than 200 grades of New Tech students (which has an enrollment of only approximately 210 students), including the alteration of transcripts of students transferring from other districts. The complaint alleged that the district was aware or should have been aware of this alleged misconduct. The complaint further requested, first, that the district determine whether the practice was isolated to New Tech and second, that safeguards be put in place to protect students from such alleged misconduct in the future. On September 14, 2018, the superintendent finally responded. He refused to provide responsive information regarding the regarding the principal and the area instructional superintendent, other to say that: “The principal is no longer an employee of the District . . .” There is no evidence the district made efforts to recover the amount inappropriately paid the New Tech principal for work not performed, nor to hold accountable the Area Instructional Superintendent for alleged approval of the principal’s actions. With regard to preventing such misconduct from happening in the future, Mr. Aguilar only offered that “actions are being taken to prevent the recurrence of any similar matters through improvements to our time reporting system” and that “in coming weeks, the District will be rolling out a formal change management process governing requests to modify transcripts that will involve multiple levels of review and oversight. Lastly, Technology has purchased and implemented the additional feature of Infinite Campus that will log the details of any changes to transcripts for auditing purposes.” Aside from these vague assurances, no additional clarification or information has been provided and the District has not confirmed that it is seeking restitution from the principal to compensate the district regarding the alleged misallocation of resources.

On January 11, 2019, we requested confirmation from the district that this matter had been referred to CDE as required by board policy. On February 1, 2019, Superintendent Aguilar responded by letter that “Such personnel matters are not within the scope of the uniform complaint procedures, but rather are matter appropriate for investigation pursuant to local level processes . . . and in the District’s view they do not involve matters appropriate for referral by the District to CDE.” We respectfully disagree and hereby request further investigation from this CDE into the issues related to alleged misconduct of the principal and area instructional superintendent at New Tech High School.

Conclusion

In 2017-18, for the first time in several years the Sacramento City Unified School District operated at a budget deficit, in part due to several of the highly questionable expenditures outlined above. The District then compounded its fiscal mismanagement by submitting a 2018-19 budget on July 1, 2018 containing plug numbers and placeholders designed to conceal the scale of its fiscal mismanagement. On August 22, 2018, the Sacramento County Office of Education took the

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11The correspondence related to the alleged misconduct at New Tech High School can be found in Appendix K.
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extraordinary step of rejecting the SCUSD budget, followed by a rejection of second, deformed budget submitted by the district on October 5, 2018.

The 40,000 students of the Sacramento City Unified School District deserve to learn in an environment where district leaders operate with integrity, honesty, transparency and competency. We strongly support a thorough investigation of these concerns and support for a comprehensive state audit of SCUSD so that the Sacramento community can be assured that the administrators of our district are providing the quality leadership our students deserve.