

- TEXAS EDUCATION AGENCY -



# **LA JOYA**

## **INDEPENDENT SCHOOL DISTRICT**

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**SPECIAL INVESTIGATION**

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

# **Final**

# **REPORT**

1701 NORTH CONGRESS AVE  
AUSTIN, TX 78701

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SPECIAL INVESTIGATION REPORT

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

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**TEA Special Investigation  
Final Investigative Report  
La Joya Independent School District**

**I. Introduction**

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

Over the past four years, TEA has received multiple complaints regarding allegations that members of the LJISD Board of Trustees ("LJISD Board" and/or "Board") and/or LJISD Central Office Administration ("Administration") engaged in fraud as well as violated conflict of interest and contract procurement laws. In the months of January through March 2022, two (2) LJISD Trustees, Armin Garza and Oscar Salinas, along with two (2) LJISD central office administrators, Alex Guajardo and Luis Morin, pled guilty to various federal charges involving theft, bribery, money laundering, extortion, and wire fraud. Additionally, in August 2022 a third central office administrator, Rodrigo Lopez, pled guilty to federal charges of theft and bribery.

On March 21, 2022, the Commissioner of Education authorized a Special Investigation ("SI") to be conducted by the Texas Education Agency ("TEA" or the "Agency") to address the alleged violations pursuant to Texas Education Code ("Tex. Educ. Code") § 39.003 Special Investigations.<sup>1</sup> On that same day, the TEA Special Investigations Unit ("SIU") notified LJISD

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<sup>1</sup> Appendix A – Tex. Educ. Code § 39.003 – 39.007  
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Board President, Dr. Alda T. Benavides and Superintendent Dr. Gisela Saenz of the intended Special Investigation and provided a link to the investigative procedures.<sup>2</sup> Following the notification of the SI, SIU sent multiple requests for documents to LJISD. The Agency requested policies and procedures related to contract procurement and conflicts of interest, board operating guidelines, and conflict of interest forms/disclosures filed by trustees and school personnel. Additionally, SIU requested documents related to business dealings between LJISD and multiple vendors. SIU also reviewed the corrective actions to be implemented by LJISD as a result of the findings of an external auditor's review of LJISD's purchasing policies and procedures.<sup>3</sup> SIU examined federal court documents. In January 2023, SIU conducted interviews with LJISD superintendent and trustees.

TEA issued a preliminary report of its SI findings to LJISD on February 28, 2023, and provided LJISD with an opportunity to respond to the report by March 30, 2023. TEA received LJISD's response on March 30, 2023.<sup>4</sup> LJISD's response acknowledged the violations included in the preliminary report and provided information regarding steps taken by LJISD to reinforce policies associated with the selection of vendors. The LJISD response indicated the District disagrees with multiple findings of TEA's preliminary report and included arguments to the specific findings. LJISD's reiterated the District's request for the Commissioner to consider the assignment of a conservator or group of conservators to expedite the process and to assist the district by providing the needed guidance to the district in its efforts to improve.

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<sup>2</sup> Exhibit 1 – SI Notice dated March 21, 2022

<sup>3</sup> Exhibit 32 – Superintendent Timeline and Actions

<sup>4</sup> Exhibit 31 – LJISD's Response to Preliminary Report

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

## **II. Background Information**

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

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

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<sup>5</sup> Exhibit 2 – LJISD Board Minutes 05.29.2017 Pg. 2 Item #10

<sup>6</sup> Exhibit 3 – ESC Region 8 Contract Award  
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the Board approved these recommendations. According to court documents and federal authorities, the subcontractors that were awarded the jobs overcharged for the projects. Funds from the overcharges were used to pay kickbacks to Trustee Garza and central office administrators Luis Morin and Alex Guajardo.

As stated above, the energy savings plan included two phases. Phase One projects included installing LED lights at 56 district sites (mostly campuses) at a cost of approximately 13 million dollars. In June 2019, the District approved<sup>7</sup> Phase Two of the energy savings project at a cost of approximately 24.25 million dollars. The work included various projects such as: heating and air conditioning replacements, roof repairs and/or replacements, installation of solar photovoltaic ("PV") field arrays, installation of power conditioning panels, installation of artificial turf football fields, and various night school improvements.

Additionally, and unrelated to the kickback scheme discussed above, a second LJISD Trustee, Oscar Salinas, pled guilty to federal extortion charges after making threats to terminate and subsequently voting to terminate a district insurance contract for political reasons. Trustee Salinas was being paid by a local engineering firm for professional services associated with sales. The CEO of the engineering firm and Trustee Salinas politically supported different candidates running for local office. The spouse of the candidate supported by the CEO, Ruth Villareal, had an insurance contract with LJISD. Trustee Salinas was upset that the CEO supported the opposing candidate and wanted to renegotiate his personal services contract. When the CEO would not renegotiate the contract, Trustee Salinas threatened to use his influence to have the LJISD Board

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<sup>7</sup> Exhibit 4 – LJISD Board Minutes 06.24.2019 Pg. 2 Item #'s 4 and 5  
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terminate the insurance contract with the candidate's wife. Subsequently, the Board voted to terminate the insurance contract with Trustee Salinas casting a vote to terminate the contract.

In June 2022, a third LJISD central office administrator, Rodrigo Lopez, was indicted on federal charges of theft and bribery for issuing a cash payment to “an LJISD employee intending to influence and reward said employee for approving LJISD purchases totaling \$66,297.50 from Xizaka, LLC, a business owned by” Mr. Lopez.<sup>8</sup> Mr. Lopez pled guilty to the federal charges in August 2022.

This investigation and the findings in this report center around the guilty pleas of two LJISD Trustees and three LJISD central office administrators. The federal charges that these individuals pled guilty include extortion, receiving kickbacks and bribes, as well as money laundering. During the course of the investigation into the above referenced schemes, SIU also found violations related to conflict of interest with district administrators and at least one trustee.

### **III. Allegations**

The specific allegations and TEA's findings of fact and analysis, together with the reasons for TEA's final finding are as follows:

#### **A. Allegation One**

LJISD trustees violated Tex. Educ. Code § 11.051<sup>9</sup> and Tex. Educ. Code § 11.1511<sup>10</sup> by 1) failing to oversee the management of the district and 2) failing to make effective use of community resources to serve the needs of the public and students of the community. The

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<sup>8</sup> Exhibit 10 – R. Lopez Court Documents page 1 ¶1

<sup>9</sup> Appendix R – Tex. Educ. Code § 11.051

<sup>10</sup> Appendix S – Tex. Educ. Code § 11.1511

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

### **1) Findings of Fact for Allegation One**

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

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<sup>11</sup> Appendix B – 18 U.S.C. § 666

<sup>12</sup> Appendix C - 18 U.S.C. § 1343

<sup>13</sup> Appendix D - 18 U.S.C. § 1346

<sup>14</sup> Appendix E - 18 U.S.C. § 1951

<sup>15</sup> Appendix F - 18 U.S.C. § 1952

<sup>16</sup> Appendix G - 18 U.S.C. § 1956

<sup>17</sup> Appendix H - Texas Penal Code § 36.02

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1. LJISD is a government entity that receives more than \$10,000 of Federal assistance annually.
2. In May 2017, LJISD entered into an energy savings contract with PSI to complete Phase 1 of the energy savings project.<sup>18</sup>
3. In June 2019, LJISD entered into an energy savings contract with PSI to complete Phase 2 of the energy savings project.<sup>19</sup>
4. On January 5, 2022, federal prosecutors filed criminal information regarding LJISD Trustee Armin Garza pertaining to federal charges of conspiracy, theft and bribery, wire fraud, and extortion in violation of 18 U.S.C. § 666(a)(i), 18 U.S.C. § 1343 and §1346, and 18 U.S.C. § 1951 and §1952.<sup>20</sup>
5. On January 6, 2022, LJISD Trustee Armin Garza was arraigned and filed a waiver of indictment regarding all charges filed in the criminal information.<sup>21</sup>
6. On January 6, 2022, LJISD Trustee Armin Garza pled guilty in federal court to all charges filed in the criminal information..<sup>22</sup>
7. As of February 22, 2023, sentencing for Trustee Armin Garza is scheduled for June 14, 2023.<sup>23</sup>
8. Trustee Garza received bribes and kickbacks of approximately \$234,000 for his votes and recommendations as an LJISD Trustee in support of preferred subcontractors selected to work on various energy savings contract projects.

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<sup>18</sup> See Exhibit 2

<sup>19</sup> See Exhibit 4

<sup>20</sup> Exhibit 5 – Garza, A. - Court Documents pages 4 - 13

<sup>21</sup> Exhibit 5 – Garza, A. - Court Documents page 15 #'s 5 and 6

<sup>22</sup> Exhibit 5 – Garza, A. – Court Documents pages 1-3

<sup>23</sup> Exhibit 5 – Garza, A – Court Documents page 17 Line #4

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9. On January 21, 2022, federal prosecutors filed superseding criminal information regarding LJISD Executive Director for Student Services, Alex Guajardo, pertaining to federal charges of conspiracy, bribery, money laundering, and wire fraud, in violation of 18 U.S.C. § 1952(a)(3) and § 1956, and Texas Penal Code § 36.02.<sup>24</sup>
10. On January 21, 2022, LJISD Executive Director of Student Services Alex Guajardo filed a waiver of indictment regarding the charges filed in the superseding criminal information.<sup>25</sup>
11. On January 21, 2022, LJISD Executive Director for Students Services, Alex Guajardo pled guilty in federal court to all charges in count three of the superseding criminal information.<sup>26</sup>
12. As of February 23, 2023, sentencing for LJISD Executive Director for Students Services Alex Guajardo is scheduled for May 31, 2023.<sup>27</sup>
13. LJISD Executive Director for Students Services Alex Guajardo received bribes and kickbacks of approximately \$275,000 for his recommendations to the LJISD Board in support of granting energy savings contracts to certain contractors and subcontractors.
14. LJISD Executive Director for Students Services Alex Guajardo distributed part of the money accepted in the kickbacks and bribes to Trustee Garza and administrator Luis Morin.
15. On February 3, 2022, federal prosecutors filed criminal information regarding LJISD Assistant Superintendent of Student Services, Jose Luis Morin, pertaining to federal charges of bribery and wire fraud in violation of 18 U.S.C. § 666 and §1952(a)(3).<sup>28</sup>

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<sup>24</sup> Exhibit 6 – Guajardo, A. – Court Documents page 6

<sup>25</sup> Exhibit 6 – Guajardo, A. – Court Documents page 18

<sup>26</sup> Exhibit 6 – Guajardo, A. – Court Documents pages 8-10

<sup>27</sup> Exhibit 6 – Guajardo, A. – Court Documents Page 20 Line #5

<sup>28</sup> Exhibit 7 – Morin, JL – Court Documents page #1

16. On February 7, 2022, LJISD Assistant Superintendent of Student Services Jose Luis Morin was arraigned and filed a waiver of indictment regarding the charges filed in the criminal case.<sup>29</sup>
17. On February 7, 2022, LJISD Assistant Superintendent of Student Services, Jose Luis Morin, pled guilty in federal court to all charges filed in the criminal information.<sup>30</sup>
18. As of December 6, 2022, sentencing for LJISD Assistant Superintendent Jose Luis Morin is scheduled for March 9, 2023.<sup>31</sup>
19. The kickbacks and bribes accepted by LJISD Assistant Superintendent of Student Services, Jose Luis Morin were for his favorable recommendations to the LJISD Board regarding energy savings contracts and totaled approximately \$28,000.
20. On February 24, 2022, federal prosecutors filed criminal information regarding LJISD Trustee Oscar Salinas pertaining to federal charges of extortion in violation of 18 U.S.C. § 1951.<sup>32</sup>
21. On March 3, 2022, LJISD Trustee Oscar Salinas was arraigned and filed a waiver of indictment regarding the charges filed in the criminal information.<sup>33</sup>
22. On March 3, 2022, LJISD Trustee Oscar Salinas pled guilty to all charges filed in the criminal information.<sup>34</sup>
  - a. Beginning February 2019, Trustee Salinas had a consulting agreement with L&G Engineering.

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<sup>29</sup> Exhibit 7 – Morin, JL – Court Documents page 7 #'s 7 and 8

<sup>30</sup> Exhibit 7 – Morin, JL – Court Documents page 7 #8

<sup>31</sup> Exhibit 7 – Morin, JL – Court Documents pages 8 and 9 #30

<sup>32</sup> Exhibit 8 – Salinas, O – Court Documents page 1

<sup>33</sup> Exhibit 8 – Salinas, O. – Court Documents page 5 #'s 5 and 7

<sup>34</sup> Exhibit 8 – Salinas, O – Court Documents pages 2 and 3

- b. In October 2020, Trustee Salinas sent threatening messages to the CEO of L&G Engineering regarding the CEO politically supporting a different candidate than Trustee Salinas for a county office.
  - c. LJISD had an insurance contract with the spouse, Ruth Villareal, of the candidate supported by the CEO.
  - d. Trustee Salinas threatened to terminate the district insurance contract if the CEO did not renegotiate his personal services contract with L & G.
  - e. The CEO terminated the consulting agreement with Trustee Salinas.
  - f. The LJISD Board voted to terminate the insurance contract LJISD had with the spouse of the candidate Trustee Salinas did not support.
  - g. Trustee Salinas voted in favor of the termination of the insurance contract.
23. As of January 31, 2023, sentencing for Trustee Salinas is scheduled for May 18, 2023.<sup>35</sup>
24. Rodrigo Lopez held the position of administrator in the LJISD Asset Management Department and is the registered agent for Xizaka LLC.<sup>36</sup>
25. On June 1, 2022, LJISD administrator Rodrigo Lopez was indicted on federal charges of theft and bribery in violation of 18 U.S.C. § 666(a)(i) and 2.<sup>37</sup>
26. On June 14, 2022, LJISD administrator Rodrigo Lopez was arraigned and entered a plea of not guilty.<sup>38</sup>
27. On August 11, 2022, Mr. Lopez entered a plea of guilty to count two of the federal charges filed in the indictment.<sup>39</sup>

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<sup>35</sup> Exhibit 8 – Salinas, O. – Court Documents page 7 #36

<sup>36</sup> Exhibit 9 – Xizaka LLC Certificate of Formation

<sup>37</sup> Exhibit 10 – Lopez, R. – Court Documents pages 1 and 2

<sup>38</sup> Exhibit 10 – Lopez, R. – Court Documents page 9 Line #9

<sup>39</sup> Exhibit 10 – Lopez, R. – Court Documents pages 4-6

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28. As of January 3, 2023, sentencing for LJISD administrator, Rodrigo Lopez is scheduled for March 28, 2023.<sup>40</sup>

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

## **2) Analysis of Allegation One**

TEA finds that Allegation One is substantiated because LJISD trustees violated Tex. Educ. Code § 11.051 and Tex. Educ. Code § 11.1511 by 1) failing to oversee the management of the district and 2) failing to make effective use of community resources to serve the needs of the public and students of the community. This failure occurred when the board created an environment that allowed two Trustees and central office administrators to engage in acts of extortion, receiving kickbacks, bribery, theft, wire fraud, and money laundering in violation of 18 U.S.C. § 666(a)(i) and (2), 18 U.S.C. § 1343, 18 U.S.C. § 1346, 18 U.S.C. § 1951, 18 U.S.C. § 1952, 18 U.S.C. § 1956, and Texas Penal Code (TPC) § 36.02. The Board's failure to exercise the standard of care as fiduciaries amounts to a failure to oversee the management of the District. This analysis details the various violations of Federal and State law that LJISD Trustees and central office administrators committed in an effort to defraud the District of funds. As stated previously, two trustees and three administrators have pled guilty to at least one, and in most cases, multiple charges outlined above.

According to 18 U.S.C. § 666, a person commits a federal crime of theft or bribery if 1) while an agent of an organization, government, or agency that receives federal assistance exceeding \$10,000 during a one-year period, 2) the person knowingly and corruptly solicits,

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<sup>40</sup> Exhibit 10 – Lopez, R. – Court Documents page 10 #31  
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accepts, and agrees to accept, things of value from a person, and 3) the person intends to be influenced and rewarded in connection with any business, transaction, and series of transactions of such agency involving \$5,000.00 or more.

As stated in 18 U.S.C. § 1343 and 1346, it is a violation of federal law if a person knowingly and intentionally devises a scheme and artifice to defraud, including deprivation of the intangible right of honest services of other persons, and in furtherance of the scheme and artifice to defraud, used and caused to be transmitted by means of wire communications in interstate or foreign commerce, any writings, signs signals, pictures, or sounds, for the purpose of executing such scheme or artifice.

18 U.S.C. § 1951 provides that a federal crime has been committed if a person knowingly obstructs, delays, and affects commerce by means of extortion, in that they obtained property that was not due to them or their office, and to which they nor their office, was entitled, all induced under color of official right.

Pursuant to 18 U.S.C. § 1952 and the TPC, a violation occurs when a person knowingly uses and causes the use of a facility in interstate commerce, with the intent to otherwise promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, that being a bribery of a public official in violation of the laws of the State of Texas, TPC § 36.02(a)(1), and (3), and thereafter performed and attempted to perform acts in furtherance of the unlawful activity.

18 U.S.C. § 1956 outlines the unlawful activity of money laundering. It states in part that a person is in violation of the statute if they knowingly represent the proceeds from an unlawful activity or conduct a financial transaction involving the proceeds of the unlawful activity knowing

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

As stated in findings of fact 1, 4 through 8, 15 through 19 and 24 through 29 LJISD Trustee Garza and central office administrators Jose Luis Morin and Rodrigo Lopez violated 18 U.S.C § 666 when they accepted money from various LJISD contractors and subcontractors to be influenced and/or rewarded for their recommendations to the LJISD administration and Board regarding various contracts. Since LJISD receives in excess of \$10,000 of Federal assistance through grants and subsidies, Garza, Morin, and Lopez were in violation of 18 U.S.C § 666. Based on information from court documents, TEA finds that Trustee Garza and central office administrators, Morin and Lopez, engaged in and pled guilty to theft or bribery of a government entity (LJISD) in violation of 18 U.S.C § 666.

As stated in findings of fact 4 through 8, Trustee Garza violated 18 U.S.C. § 1343 by being a part of and included in communications involving WhatsApp to plan and execute various illegal schemes. The discussions included topics regarding extorting companies for government approval, securing votes in elections for the candidates who were favorable to contracts with certain companies, inflating prices, and the timing and routing of payments from various subcontractors. TEA finds that Trustee Garza committed and pled guilty to a violation of 18 U.S.C. § 1343 as shown in court documents.

As stated in findings of fact 4 through 8, Trustee Garza violated 18 U.S.C. § 1346 when he extorted money from contractors for his recommendation and votes for awarding contracts to said contractors. By taking bribes, not only did Trustee Garza violate the law, but he also breached his

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

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

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

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



administrators Guajardo and Morin engaged in and pled guilty to violations of 18 U.S.C. § 1952 based on the review of court documents.

As stated in findings of fact 4 through 14, Trustee Garza and administrator Guajardo violated TPC § 36.02 when they accepted money from subcontractors to ensure said subcontractors would be hired to perform various projects for LJISD. Both Garza and Guajardo further violated the statute by paying out those monies to various officials in LJISD and other government entities. Based on court documents that show Trustee Garza and Mr. Guajardo engaged in and pled guilty to bribery, TEA finds that Trustee Garza and Mr. Guajardo violated TPC § 36.02.

As stated in findings of fact 9 through 14, central office administrator, Alex Guajardo, received payment from a fabricated invoice that was used to disguise a bribe. The money was routed through Guajardo's bank account. Guajardo then made a payment to a co-conspirator's company using the funds received from the bogus invoice. Based on court documents, TEA finds that Mr. Guajardo engaged in and pled guilty to money laundering in violation of 18 U.S.C. § 1956.

Therefore, Allegation One is substantiated because the LJISD Board violated Tex. Educ. Code § 11.051 and Tex. Educ. Code § 11.1511 by 1) failing to oversee the management of the district and 2) failing to make effective use of community resources to serve the needs of the public and students of the community. Court documents show that LJISD trustees and central office administrators engaged in and pled guilty to federal crimes, including a conspiracy to defraud the government, extortion, receiving kickbacks, bribery, theft, wire fraud, and money laundering, which is in violation of 18 U.S.C. § 666(a)(i) and (2), 18 U.S.C. § 1343, 18 U.S.C. § 1346, 18 U.S.C. § 1951, 18 U.S.C. § 1952, TPC § 36.02, and 18 U.S.C. § 1956.

### 3) LJISD's Response to Allegation One

LJISD acknowledges the felonious offenses committed by two former trustees and three former administrators. Additionally, LJISD concedes that there are issues it needs to address and has begun work to address said issues. The District states, however, that the illegal actions were conducted by individuals and not the LJISD Board "as a body corporate." LJISD contends that the actions of the two former trustees are not those of the Board and cites Tex. Educ. Code § 11.051(a) as the relevant statute in support of their argument. The response goes on to assert that Tex. Educ. Code § 11.051(a-1) makes it clear the actions of individuals are not those of the Board and the criminal actions taken by these individuals were done without the knowledge of the other trustees and superintendent. Furthermore, the District asserts that the Board acted in a lawful manner with regard to the procurement of the contract with PSI.

### 4) TEA's Analysis of LJISD's Response to Allegation One

While LJISD denies that the Board as a body corporate is responsible for the Board's actions surrounding certain unlawful activities, TEA sustains that the findings and evidence support that the Board violated Tex. Educ. Code § 11.051 and § 11.1511.

Tex. Educ. Code § 11.051(a) states that school districts are governed by a board of *trustees* who owe fiduciary duties to the school district (the beneficiary).<sup>41</sup> Each LJISD trustee is bound by the legal implications of trusteeship, which includes the fiduciary duties of good faith, prudent investing, and compliance with law and policy. As it relates to procurement and the issues at hand,

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<sup>41</sup> The concept of "trusteeship" is grounded under the plain meaning of each trustee duty, Texas trust laws originating from the Texas Property Code, and Texas case law. *See Black Law's Dictionary* (11th ed. 2019) and Tex. Prop. Code §§ 113.051-.058, 117.001-.002; *see also, River Rd. Neighborhood Ass'n v. S. Tex. Sports*, 720 S.W.2d 551 (Tex. App.—San Antonio 1986, writ dismissed).

the trustees "shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust."<sup>42</sup> In exercising the standard of care of prudent investing, the trustees "shall exercise reasonable care, skill, and caution."<sup>43</sup> Pursuant to the Board's fiduciary duties as trustees and the Board's obligations as a body corporate to oversee the management of the district, at the *minimum*, the LJISD Board was required to establish and follow procurement procedures to ensure that the district is selecting vendors lawfully *and* for the benefit of LJISD students.

Although the District asserts that "the actions taken by these individuals were done unbeknownst to the rest of the Trustees and the Superintendent," it ignores the *entire* Board's actions that allowed for these criminal acts to occur in the first place. It was the *entire* Board that took unanimous action in May 2017 and June 2019 to approve both phases of the energy savings projects; the Board as a body corporate was the vehicle that allowed for felonious acts to be committed at multiple levels within the organization.

With inadequate policies and procedures in place<sup>44</sup>, the Board failed to take prudent care and therefore was the vehicle used by Trustee Garza and Trustee Salinas to commit crimes. The Board, as a body corporate, approved the energy savings projects without exercising the standard of care expected of fiduciaries and without adequate policies and procedures in place. For example, a review of the district's procurement manual reveals that, although the manual goes into specific detail on procedures regarding many different procurement methods, it included very little information relating to the use of interlocal agreements, including means to avoid fraud and

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<sup>42</sup> Tex. Prop. Code § 117.004(a).

<sup>43</sup> *Id.*

<sup>44</sup> See LJISD Response to TEA Preliminary Report.  
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corruption.<sup>45</sup> This contravenes the guidance provided for in the Financial Accountability Systems Resource Guide (commonly known as FASRG) that urges districts to adopt rules and procedures to govern purchases by this method.<sup>46</sup> This omission was by the board of trustees as a whole and despite the minimal information regarding interlocal agreements to which the district has access, the district's board of trustees chose to utilize this method for the execution of the Energy Savings Contract, which totaled approximately \$38 million. The lack of specific procedures to prevent fraud and corruption (which LJISD's response acknowledges as an area the district continues to work to make improvements on) was a failure on the part of the LJISD board as a body corporate that allowed for the criminal acts of individuals both within the board itself as well as in the district administration. The District's response fails to address the fraudulent actions taken by the three administrators who had the opportunity and incentive to commit fraud due to the lax oversight of the board of trustees. The totality of these circumstances demonstrates that corrupt actions were taken at multiple levels of the LJISD organization due to failures by the body corporate. Consequently, this supports TEA's analysis that the LJISD Board failed to ensure that the proper and necessary policies, procedures, and practices were in place and thus failed to oversee the management of the district as required by Tex. Educ. Code § 11.051.

The Board's failures in oversight are also apparent regarding the termination of its insurance contract with Ruth Villarreal. The District does not dispute the Board's action to terminate the insurance contract was taken for political purposes, rather than the interests of the

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<sup>45</sup> See Financial Accountability Systems Resource Guide (FASRG), incorporated by reference into 19 Tex. Admin. Code § 109.41, Module 5 at pp. 11-12

<sup>46</sup> *Id.* at pp. 40-41.  
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district to which it owed a collective fiduciary duty to place the district's interests above the board of trustees' own political interests.

The District insists that all district processes and procedures were followed in the vetting of vendors. This is simply not true. Despite LJISD's procurement manual requiring procurement transactions be conducted by providing for a full and open competition where no proposer or bidder has a competitive advantage over another<sup>47</sup>, LJISD did not consider other vendors regarding the energy savings contract.<sup>48</sup> According to the FASRG,<sup>49</sup> Module 5.2.2 Common Standards of Ethics, it is a serious breach of the public trust to subvert the public purchasing process by directing purchases to certain favored vendors. Specifically, FASRG requires the following:

**Module 5.2.3 Vendor Relations**, establishment of certain school district-wide procedures regarding vendor contact is important to an effective purchasing design. Such policies and procedures may include requiring that appointments with vendors be scheduled through the department responsible for purchasing or that a representative of the department responsible for purchasing (e.g., purchasing agent or equivalent) attends all meetings with vendors. An "arm's-length" approach should be used in all cases unless documented.

The LJISD response acknowledges the actions it took to comply with this standard subsequent to the announcement of the criminal indictments, which included making additions to an existing policy (CH -Local) and the creation of two new district policies (CHE - Local and CHK - Local). However, the District's response does not include any information regarding the vetting or consideration of other companies to perform the energy savings projects.

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<sup>47</sup> See Exhibit 34 at page 5. (LJISD Procedure Manual Exhibit)

<sup>48</sup> Upon request of this information by TEA, LJISD provided no evidence that they asked any other company on the TIPS list for a quote.

<sup>49</sup> FASRG at p. 13.

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Additional support was provided through interviews referenced in the identification of Allegation One. Former Superintendent Benavides cautioned the Board against entering such a big investment into this project without evidence that the energy savings agreement would actually save the district money.<sup>50</sup> The Superintendent referenced that her initial cause for concern was what seemed apparent to her to be a partnership between the Board and PSI and that certain prior and current trustees had a close relationship with the company.<sup>51</sup> The board of trustees' failure to consider the former superintendent's concerns provides additional evidence of the laxity of oversight in their ability to properly manage the district.<sup>52</sup> This investigation confirmed that Performance Services Inc. was added to the Region 8 buy-board cooperative in March 2017 and that the District approved Phase 1 of the project in May 2017<sup>53</sup>. Because the body corporate did not have appropriate policies and processes to adequately scrutinize vendor relationships, individuals at both the board and administration level were able to perpetrate the criminal scheme, which is indicative of a systemic failure within the district.

Finally, LJISD's response concedes that the district subsequently took action to strengthen the District's policies and systems to improve its prevention of fraud and corruption which bad actors were previously able to exploit. The response includes a reference to corrective actions undertaken by the District since the guilty pleas for the two trustees and three administrators. As stated previously, TEA reviewed the corrective actions to be implemented by LJISD as a result of the findings of an external auditor's review of LJISD's purchasing policies and procedures.<sup>54</sup>

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<sup>50</sup> Exhibit 33- A. Benavides Interview.

<sup>51</sup> *Id.*

<sup>52</sup> Although this is not a primary focus regarding TEA's consideration of LJISD's response to this finding, collaboration between the Board of Trustees and Superintendent is also a requirement under Tex. Educ. Code § 11.1512.

<sup>53</sup> See Exhibit 3

<sup>54</sup> See Exhibit 32

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

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

## **B. Allegation Two**

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

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

### **1) Findings of Fact for Allegation Two**

The following findings of fact are a result of a review of documents submitted by LJISD beginning March 2022 as well as interviews conducted with LJISD Trustees and administrators in January 2023.

1. Alex Guajardo held the position of Executive Director for Student Services in LJISD at all times relevant to the findings of fact for Allegation Two and is the registered agent for RGV Read and Feed ("RGV"), a domestic nonprofit organization.<sup>58</sup>
2. RGV was formed in March 2017.<sup>59</sup>
3. In 2017, Alex Guajardo was compensated \$63,000 as the CEO of RGV.<sup>60</sup>
4. In 2018, Alex Guajardo was compensated \$137,800 as the CEO of RGV.<sup>61</sup>
5. In 2019, Alex Guajardo was compensated \$152,835 as the CEO of RGV.<sup>62</sup>
6. In 2020, Alex Guajardo was compensated \$84,058 as the CEO of RGV.<sup>63</sup>

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<sup>56</sup> Appendix I – Tex. Loc. Gov't Code Chapter 171

<sup>57</sup> Appendix J - Tex. Loc. Gov't Code Chapter 176

<sup>58</sup> Exhibit 11 – RGV Read and Feed Registered Agent

<sup>59</sup> Exhibit 11 - RGV Read and Feed Registered Agent

<sup>60</sup> Exhibit 12 – 2017 RGV Read and Feed Form 990-PF page 7

<sup>61</sup> Exhibit 13 – 2018 RGV Read and Feed Form 990-PF page 6

<sup>62</sup> Exhibit 14 – 2019 RGV Read and Feed Form 990-PF page 6

<sup>63</sup> Exhibit 15 – 2020 RGV Read and Feed Form 990-PF page 6

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7. The LJISD Board approved a memorandum of understanding (MOU) with RGV to administer the after-school supper/snack program in June 2017.<sup>64</sup>
8. Alex Guajardo failed to disclose the names of interested parties for RGV on Certificate of Interested Parties Form 1295.<sup>65</sup>
9. Alex Guajardo failed to complete a Conflict-of-Interest Questionnaire Form ("CIQ") regarding his status as the registered agent for RGV.<sup>66</sup>
10. In November 2019, LJISD voted to terminate the MOU with RGV.<sup>67</sup>
11. During the November 11, 2019, LJISD Board Meeting, Trustee Alejandro Cantu ("Trustee A. Cantu"), who has been a member of the LJISD Board of Trustees since November 2016, participated in the deliberations regarding the possible termination of the MOU with RGV.<sup>68</sup>
12. The spouse of Trustee A. Cantu is listed as a director on the management team of RGV.<sup>69</sup>
13. In 2018, Trustee A. Cantu received a consulting fee of \$136,550 from RGV.<sup>70</sup>
14. In 2019, Trustee A. Cantu received a consulting fee of \$134,975 from RGV.<sup>71</sup>
15. Trustee A. Cantu failed to complete a Local Government Officer Conflict of Interest Form CIS regarding his spouse being a director for RGV until June 2019.<sup>72</sup>
16. Trustee A. Cantu failed to disclose information on the Conflict-of-Interest Form regarding being paid as a consultant by RGV in 2018 and 2019.<sup>73</sup>

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<sup>64</sup> Exhibit 16 – Read and Feed MOU

<sup>65</sup> Exhibit 17 – RGV Read and Feed Form 1295

<sup>66</sup> Exhibit 18 – RGV Read and Feed Notice of Termination

<sup>67</sup> Exhibit 18 - RGV Read and Feed Notice of Termination

<sup>68</sup> Exhibit 19 – 11.11.2019 LJISD Board Meeting Recording Timestamp 01:49:40 through 01.59.40

<sup>69</sup> Exhibit 20 – RGV Read and Feed Management

<sup>70</sup> Exhibit 13 – 2018 RGV Form 990-PF page 7

<sup>71</sup> Exhibit 14 – 2019 RGV Form 990-PF – page 7

<sup>72</sup> Exhibit 21 – Conflict of Interest – Alejandro Cantu

<sup>73</sup> Exhibit 21 - Conflict of Interest – Alejandro Cantu

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17. Rodrigo Lopez held the position of administrator in LJISD's Asset Management Department at all times relevant to the findings of fact for Allegation Two and is the registered agent for Xizaka LLC ("Xizaka").<sup>74</sup>
18. Xizaka became a LJISD vendor for P.E./Athletic Supplies, Equipment & Related Services in February 2018.<sup>75</sup>
19. LJISD made purchases from Xizaka totaling \$66,297.50 from April 2018 through August 2018.<sup>76</sup>
20. Mr. Lopez failed to disclose the names of interested parties for Xizaka on Certificate of Interested Parties Form 1295 prior to business transactions with LJISD.<sup>77</sup>
21. Mr. Lopez failed to complete a Local Government Officer Conflict of Interest Form CIS regarding being the owner of Xizaka until November 2019.<sup>78</sup>

## **2) Analysis of Allegation Two**

TEA finds Allegation Two is substantiated because one LJISD trustee and two central office administrators failed to complete the required conflict of interest forms in violation of Tex. Loc. Gov't Code Ch. 171 and Tex. Loc. Gov't Code Ch. 176.

Chapters 171 and 176 of Tex. Loc. Gov't Code frame the requirements regarding conflicts of interest and disclosures of certain relationships for officials in school districts and other government entities. Specifically, Tex. Loc. Gov't Code § 171.002(a) lists the circumstances that a government official is deemed to have a substantial interest in a business. According to the

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<sup>74</sup> Exhibit 9 - Xizaka LLC Certificate of Formation

<sup>75</sup> Exhibit 22 – LJISD Board Agenda 02.12.2018 page 2 #10

<sup>76</sup> Exhibit 23 - Xizaka LLC payments

<sup>77</sup> Exhibit 24 – Xizaka Form 1295

<sup>78</sup> Exhibit 25 – Xizaka Form CIQ

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statute, the official has a substantial interest if any one of three conditions are met. The conditions are: 1) owns 10% or more of the voting stock or shares of the business entity, 2) owns either 10% or more or \$15,000 or more of the fair market value of the business entity, and 3) received 10% or more of his or her income for the previous year from the business entity. Additionally, Tex. Loc. Gov't Code § 171.002(c) states that a public official is also considered to have a substantial interest in a business entity if the official's relative within the first degree of consanguinity or affinity has a substantial interest in the business entity.

Tex. Loc. Gov't Code § 176.003 states that if it is determined an official has a substantial interest in a business entity the official shall disclose the conflict of interest by filing a conflict-of-interest statement ("CIS") that discloses the official's employment or business relationship with the business entity, including the extent of the relationship. Additionally, the disclosure must include any gifts accepted by the official or a family member during the 12-month period preceding the date the official became aware of the contract between the government entity and the vendor, or in the event the official became aware the local government entity was considering entering into a contract with the vendor.

In addition to the requirement of submitting a CIS form, if an official is determined to have a substantial interest, he or she must also abstain from voting and refrain from further participation in the official decision-making process. This is stipulated in Tex. Loc. Gov't Code § 171.004.

The duties and responsibilities for school districts to maintain CIS forms are defined in Tex. Loc. Gov't Code § 176.0065, which states in part that districts must retain all CIS statements in accordance with the district's records retention schedule. Furthermore, Tex. Loc. Gov't Code

§ 176.009 explains that a district that maintains a website shall provide access to all CIS forms on that website.

Additionally, Texas Government Code (“Tex. Gov’t Code”) § 2252.908; Disclosures of interested Parties<sup>79</sup> states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties (Form 1295) to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency.

As stated in findings of fact 1 through 7 and 9, LJISD violated Tex. Loc. Gov’t Code § 171.002 and Tex. Loc. Gov’t Code § 176.003 when Alex Guajardo failed to complete the required CIS forms disclosing his relationship as the registered agent for RGV. Mr. Guajardo served LJISD most recently as the Executive Director for Student Services. As an employee conducting business with LJISD and receiving compensation as the CEO of RGV, he is deemed to have a substantial interest in the business. Therefore, Mr. Guajardo was required to complete a conflict-of-interest form identifying this interest in the business.

SIU requested all CIS forms completed by LJISD trustees and administrative personnel from 2015 through 2022 and found that Mr. Guajardo failed to submit the required forms for any of the years RGV conducted business with LJISD. LJISD’s noncompliance with conflict-of-interest requirements is further evidenced by the notice of termination dated November 12, 2019, from Superintendent Saenz, which requested Mr. Guajardo “be in compliance with Texas law and file a vendor conflict of interest questionnaire form or any other disclosures.”<sup>80</sup> Because the

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<sup>79</sup> Appendix K – Tex. Gov’t Code § 2252.908

<sup>80</sup> Exhibit 18 - RGV Read and Feed Notice of Termination  
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District failed to ensure Mr. Guajardo completed the CIS form, TEA finds LJISD is in violation of Tex. Loc. Gov't Code § 171.002 and Tex. Loc. Gov't Code § 176.003.

As stated in finding of fact 7 and 8, LJISD violated Tex. Gov't Code § 2252.908 by permitting RGV to file an incomplete certificate of interested parties form 1295. In June 2017, LJISD entered into a MOU with RGV. The agreement provided that RGV would administer the after-school supper/snack program on LJISD campuses. As stated previously, Tex. Gov't Code § 2252.908 states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties (Form 1295). While RGV did submit Form 1295 in June 2017 when the MOU was signed, the form submitted failed to identify the names of RGV's interested parties.<sup>81</sup>

The Texas Ethics Commission Frequently Asked Questions – Form 1295 #2<sup>82</sup> states that an interested party has a controlling interest in the business entity if a person: 1) has an ownership interest or participating interest in a business entity by virtue of units, percentage, shares, stock, or otherwise that exceeds 10 percent; 2) is a member of the board of directors or other governing body of a business entity of which the board or other governing body is composed of not more than 10 members; or 3) serves as an officer of a business entity that has four or fewer officers, or serves as one of the four officers most highly compensated by a business entity that has more than four officers. According to RGV's certificate of formation, Mr. Guajardo, Ms. Roxanna Flores, and Ms. Victoria Cantu hold director titles with RGV.<sup>83</sup> Since there are only three directors listed on RGV's certificate, the three are considered to have a controlling interest in RGV and are

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<sup>81</sup> Exhibit 17 - RGV Read and Feed Form 1295

<sup>82</sup> Appendix L – Texas Ethics Commission FAQ #2

<sup>83</sup> Exhibit 26 – RGV Certificate of Formation  
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required to be identified on form 1295. Additionally, tax records from 2017 through 2020 indicate that the above listed individuals are the three most highly compensated people in RGV. Therefore, all three directors are considered interested parties and are required to be identified on form 1295. TEA finds that LJISD violated Tex. Gov't Code § 2252.908 by accepting Form 1295 without having RGV identify the interested parties.

As stated in findings of fact 10 through 12, LJISD violated Tex. Loc. Gov't Code § 171.004 when Trustee A. Cantu participated in the discussion regarding the termination of the MOU with RGV at the November 11, 2019, board meeting.<sup>84</sup> The spouse of Trustee A. Cantu is listed as one of the directors of RGV. As such, Trustee A. Cantu is regarded as having a substantial interest related to RGV pursuant to Tex. Loc. Gov't Code § 171.002(c). According to Tex. Loc. Gov't Code § 171.004, because Trustee A. Cantu has a substantial interest in RGV, Trustee A. Cantu was required to abstain from voting on and participating in the decision-making process on any action related to RGV. During the November 11, 2019, board meeting, an item regarding the termination of the MOU with RGV was brought to the floor. A discussion ensued and Trustee A. Cantu participated in the discussions and deliberations related to the termination of the MOU with RGV. While the record shows that Trustee A. Cantu did abstain from the vote to terminate the MOU with RGV, TEA finds that LJISD violated Tex. Loc. Gov't Code § 171.004 by allowing Trustee A. Cantu to enter into to the discussion and debate regarding the RGV agenda item.

As stated in findings of fact 13 through 16, LJISD violated Tex. Loc. Gov't Code § 176.003 when Trustee A. Cantu did not complete the required CIS form until two (2) years after the MOU was signed with RGV. Additionally, Trustee A. Cantu failed to disclose his relationship as a paid

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<sup>84</sup> Exhibit 19 - 11.11.2019 LJISD Board Meeting Recording Timestamp 01:49:40 through 01:59:40  
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consultant for RGV in 2018 and 2019. As stated previously, Trustee A. Cantu is deemed to have a substantial interest related to RGV because his spouse is listed as a director for RGV. Since the criteria for a substantial interest was met, Trustee A. Cantu was required to complete the CIS form disclosing the conflict. In addition to the substantial interest established by Trustee Cantu spouse's involvement with RGV, tax records from 2018 and 2019 show that Trustee Cantu was paid a total of \$271,525 as a consultant for RGV, which also meets the criteria for identifying a substantial interest. While Trustee A. Cantu did eventually complete the CIS form in June 2019 related to his spouse being a director for RGV, Trustee A. Cantu failed to disclose the fact that he was paid \$136,550 for consultation work for RGV in 2018 and paid \$134,975 for consultation work for RGV in 2019. By failing to disclose the consulting payments he received from RGV, TEA finds that Trustee A. Cantu and LJISD violated Tex. Loc. Gov't Code § 176.003.

As stated in findings of fact 17 through 21, LJISD violated Tex. Loc. Gov't Code § 171.002 and Tex. Loc. Gov't Code § 176.003 when Mr. Rodrigo Lopez failed to complete the required CIS forms disclosing his relationship as the registered agent for Xizaka. Mr. Lopez served most recently as an administrator in LJISD Asset Management Department. As an employee conducting business with LJISD and being the owner and registered agent for Xizaka<sup>85</sup>, he is deemed to have a substantial interest in the business. Therefore, he was required to complete a conflict-of-interest form identifying this interest. SIU requested all CIS forms completed by LJISD trustees and administrative personnel from 2015 through 2022 and found that Mr. Lopez did not submit the required CIS form until November 2019, which was in excess of one year after Xizaka conducted

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<sup>85</sup> Exhibit 9 - Xizaka LLC Certificate of Formation  
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business with LJISD. By failing to ensure that Xizaka completed the required CIS form, TEA finds that LJISD violated Tex. Loc. Gov't Code § 171.002 and Tex. Loc. Gov't Code § 176.003.

As stated in findings of fact 17 through 21, LJISD violated Tex. Gov't Code § 2252.908 by permitting Xizaka to file an incomplete certificate of interested parties form 1295. LJISD purchased various sporting goods equipment from Xizaka totaling \$66,297.50 from April 2018 through August 2018. As stated previously, companies that wish to conduct business with a government entity must disclose the interested parties of the business on form 1295 prior to conducting business with the government entity. While Xizaka did submit form 1295, the form submitted failed to meet the requirements to include the names of the interested parties. In this case, the interested party was both the owner and LJISD administrator, Rodrigo Lopez. TEA finds that LJISD violated Tex. Gov't Code § 2252.908 by accepting Form 1295 without having Xizaka identify the interested parties.

Therefore, Allegation Two is substantiated because LJISD trustees and central office administrators failed to complete the required conflict of interest forms as well as forms disclosing certain relationships with local government officers in violation of Tex. Loc. Gov't Code Ch. 171 and Tex. Loc. Gov't Code Ch. 176.

### **3) LJISD's Response to Allegation Two**

LJISD contends that TEA's allegation that Trustee Alex Cantu and central office administrators, Rodrigo Lopez and Alex Guajardo, failed to complete the required conflict of interest forms is not accurate and asserts that LJISD is not in violation of Tex. Gov't Code Ch. 171 and Ch. 176. Additionally, the District asserts that Trustee Cantu did timely file a conflict-of-interest form.



The District's position is that TEA did not provide evidence to support the finding that Mr. Lopez is required to complete a conflict-of-interest form. The District states that Mr. Lopez is not required to file conflict-of-interest forms as he was not part of the planning, recommending, selecting, or contracting with regard to LJISD's purchase of athletic goods from Xizaka, LLC, of which Mr. Lopez was the registered agent. Additionally, the District contends that since the disclosure of Certificate of Interested Parties Form 1295 was made by Xizaka, LLC, then it could not have been filed by Mr. Lopez as an agent or employee of LJISD.

With regard to Mr. Guajardo, the District's response repeats its assertion that TEA failed to provide evidence that district administrator, Mr. Guajardo, who is also the registered agent for RGV Read and Feed, was required to complete a conflict-of interest-form. The response included that TEA did not provide proof that as a district administrator, Mr. Guajardo exercised responsibilities beyond that of an advisory role in the selection of RGV Read and Feed to provide after-school services on LJISD campuses. The District states that the TEA finding of the disclosure of Certificate of Interested Parties Form 1295 was made by RGV Read and Feed and therefore it could not have been filed by Mr. Guajardo as an agent or employee of LJISD.

LJISD's response regarding Trustee Cantu states that due to the nature of the agreement with RGV Read and Feed, there was no requirement that Trustee Cantu complete a conflict-of-interest form. RGV Read and Feed provided after-school services for LJISD students and was compensated by the United States Department of Agriculture, Food Nutrition Service Program through the Texas Department of Agriculture. There was no compensation from LJISD. Thus, the District argues that because the program was subject to the rate or fee regulation of a federal, state, or local government entity, there was no "business relationship" that would require Mr. Cantu to complete a conflict-of-interest form. The District goes on to state that at the start of the agreement

with RGV Read and Feed in 2017, Mr. Cantu was under the impression by speaking with school officials and non-school attorneys, that he did not have to file a conflict-of-interest disclosure statement. However, in November 2019, it was disclosed by District attorney and administration that Mr. Cantu needed to file a conflict-of-interest disclosure related to RGV Read and Feed. The District contends that upon notice to file the conflict-of-interest disclosure, Mr. Cantu did so immediately, and thus met the requirement that the statement be filed not later than the seventh business day after receiving the notice. Additionally, the District states that Mr. Cantu did not knowingly violate Tex. Loc. Gov't Code § 171.004 which the statute requires in order for there to be a violation.

#### **4) TEA's Analysis of LJISD's Response to Allegation Two**

TEA reaffirms its findings in Allegation Two that Trustee A. Cantu and LJISD administrators, A. Guajardo and R. Lopez, failed to complete the required conflict-of-interest forms disclosing certain relationships with local government officers, which is in violation of Tex. Loc. Gov't Code Ch. 171 and Tex. Loc. Gov't Code Ch. 176. The intent of the conflict-of-interest and disclosure affidavits is to create transparency among the relationship(s) between vendors and public officials. LJISD Trustee Cantu and administrators, A. Guajardo and R. Lopez, all had a substantial interest in the vendors conducting business with LJISD. In the case of Mr. Guajardo and Mr. Lopez, they were owners of the companies that were conducting business with LJISD, with whom they were employed. Mr. Cantu was a paid consultant with a company that had a contractual agreement with LJISD. When they failed to complete the required conflict-of interest forms, this created a lack of transparency. While TEA acknowledges that the statutes place a majority of the responsibility for filing the required documents on individuals, there is a district

responsibility to ensure the correct documents are submitted by the entity and that the documents are complete.

Furthermore, there is nothing in statute that prevent the local government entity from implementing processes and procedures that enhance and ensure transparency. In fact, Tex. Loc. Gov't Code § 176.0065 states that the district records administrator shall maintain a list of local government officers of the district and shall make that list available to the public and any person who may be required to file a questionnaire. Since districts must keep a list of those required to file the forms, it stands to reason that school districts should know who needs to file and when the forms need to be filed. Furthermore, because districts are required to maintain the list, they are able to implement additional processes and procedures to ensure all required disclosures are provided by those conducting business with the district, and that the local government entity is being a good steward of tax payer dollars.

With regard to the District's assertion that neither Mr. Guajardo nor Mr. Lopez were involved in the planning, recommending, selecting, and contracting of a vendor, TEA maintains that planning and recommending vendors were a part of Mr. Guajardo's and Mr. Lopez's job responsibilities with LJISD. Per the MOU with RGV,<sup>86</sup> Mr. Guajardo was to collaborate with the District "for the purposes of making decisions" regarding the after-school program. Since Mr. Guajardo was involved in the decision-making process, Mr. Guajardo was required to disclose his relationship with RGV. As an administrator in the LJISD assets management division and owner of Xizaka, Mr. Lopez was involved in the planning and acquisition of the goods/assets that his

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<sup>86</sup> See Exhibit 16 – page 2 ¶ I. c.  
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company and others sold to LJISD. The transaction between LJISD and Xizaka demonstrates that Mr. Lopez was required to disclose his relationship regarding Xizaka.

With regard to the District's assertion that there was no "business relationship" that would require Mr. Cantu to complete a conflict-of interest-form, TEA maintains that Trustee A. Cantu was deemed to have a "substantial interest" related to RGV because his spouse is listed as a director for RGV. Furthermore, Mr. Cantu was paid as a consultant for two years by the vendor that had an agreement with LJISD, which is the same vendor that paid his spouse for her role as a director. Since the criteria for a substantial interest was met, Trustee A. Cantu was required to complete the CIS form disclosing the conflict. While the District argues that Mr. Cantu was told by previous non-school counsel that he did not have to complete a CIS, Mr. Cantu demonstrated that he knew that there may be a possible conflict when he removed himself from the June 12, 2017, Board Meeting when the agenda item to take action on the MOU with RGV was taken. Additionally, Mr. Cantu abstained from voting on the District's action to terminate the MOU in November 2019.

When Mr. Cantu failed to complete the required conflict-of interest form, he violated Tex. Loc. Gov't Code § 171.004(a)<sup>87</sup> because he was deemed to have a substantial interest in a RGV and did not file, before a vote or decision on any matter involving the business entity, an affidavit stating the nature and extent of the interest and shall abstain from further participation in the matter.

### **C. Allegation Three**

TEA is conducting further inquiry into the District's response regarding Allegation Three. Therefore, the findings of fact and analysis will not be included in this final report but may be

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<sup>87</sup> See Appendix I – page 2  
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issued at a future date. Information regarding TEA's investigation into this matter remains confidential under Tex. Educ. Code § 39.004 until released through a Final Report."

### **III. Summary**

This SI has established that two (2) members of the LJISD Board of Trustees and three (3) central office administrators violated and pled guilty to state and federal charges. As detailed in court documents, both trustees and all three (3) administrators defrauded LJISD of funds meant to improve the education of the District's students. The Special Investigation showed that the board/body-corporate provided the opportunity to carry out the schemes, which demonstrates that the board failed to oversee the management of the district as required by the Tex. Educ. Code. The specific schemes to which individual board members pled guilty would likely have been detected had the board had sufficient internal controls. Additionally, TEA found violations of the Tex. Educ. Code and Tex. Loc. Gov't Code regarding contract procurement and conflict of interest. TEA found that current and former trustees as well as former employees failed to complete the required disclosure forms regarding their interest(s) as owners of companies conducting business with the district. The information gathered in this investigation supports SIU's conclusion that violations did occur. SIU has determined that Allegations One and Two have been substantiated.

Except for the findings related to Allegation Three, this Final Report should be considered the agency's final findings as they relate to complaints – IR2018-07-001, ER2019-05-003, INV2019-09-023, and INV2019-09-067.

### **IV. Recommendations for Sanctions**

TEA sustains the findings for Allegation One and Allegation Two in its preliminary report and recommends to the Commissioner of Education that a Board of Managers be installed to

replace the existing board of trustees due to the LJISD Board of Trustees' demonstrated inability to ensure internal controls in the management of the district and the lack of adherence to contract procurement policies and laws in accordance with Tex. Educ. Code § 39.004(d), 39A.001(2), and 39A.002(7).

Pursuant to 19 Tex. Admin. Code, Part 2, Subchapter EE, § 97.103, this recommendation is based on deficiencies identified in a special investigation that warrant the appointment of a board of managers, and that the failure in governance resulted in an inability for the LJISD board to carry out the powers and duties of the board of trustees as outlined in Tex. Educ. Code, §11.151 and § 11.1511. The nature and seriousness of these findings requires the Commissioner of Education to take significant action to ensure the District course is correct and regain the public trust. The above recommendation will enable LJISD to function in the best interest of its students, while policies and procedures can be implemented to address the systemic issues raised in this investigation. TEA reserves the right to implement all available interventions and sanctions under Tex. Educ. Code, Chapter 39, and 19 Tex. Admin Code Chapter 97, to address the current, or any future deficiencies identified for LJISD.