

California Legislature

April 25, 2024

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Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

RE: Audit Request – Highlands Community Charter School (CDS: 34 76505 0130757, Charter: 1674), California Innovative Career Academy (CDS: 34 76505 0139584, Charter: 2072) & Twin Rivers Unified School District

Dear Members of the Committee:

We respectfully request your approval for an audit of the Highlands Community Charter School (HCCS), the California Innovative Career Academy (CICA), the HCCS school foundation known as the Doc Smith Legacy Foundation, and the local educational agency having oversight authority over HCCS and CICA, the Twin Rivers Unified School District (TRUSD). HCCS and CICA are related K-12 charter schools that exclusively enroll adult students over age 22 for purposes of teaching English language development, career and technical education and coursework that leads to a high school diploma. HCCS provides in-person classroom based instruction and CICA provides independent study, known as non-classroom based instruction.

Concerns were raised about HCCS during a 2018 Fiscal Crisis Management Assistance Team (FCMAT) audit. FCMAT was created in statute in 1991 and since 2001 has conducted forensic audits of local educational agencies when called to do so by a county superintendent or the Superintendent of Public Instruction, if they have reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices may have occurred that merit examination.

New concerns about these entities have been raised in recent ABC 10 investigative news coverage, including the appropriateness of K-12 charter schools exclusively serving adults over age 22 rather than delivering instruction through the Adult Education Program operated through regional adult education consortia. Further, the ABC 10 news coverage has raised questions about the potential falsification of student attendance records, poor student outcomes, conflict of interest, and misuse of state funds for gifts to staff and students, luxury travel, staff bonuses, and political contributions. The ABC 10 news coverage can be found in a multi-part series here: [The Wild West of Education: A Controversial Beginning | Ep. 1 of an ABC10 Originals investigation](https://youtu.be/BGDJKuigDp4) - <https://youtu.be/BGDJKuigDp4>.

An audit of these entities by the State Auditor is essential to determine if California's K-12 education funding is being fraudulently spent and HCCS, CICA, and other charter schools authorized by TRUSD are receiving proper oversight.

Background on Charter Schools: According to the California Department of Education (CDE), in the 2022-23 academic year there were roughly 1,300 charter schools in California, with an enrollment of over 685,000 students. Some charter schools are new, while others are conversions from existing public schools. Charter schools are part of the state's public education system and are funded by public dollars. A charter school is usually created or organized by a charter management organization (CMO), a group of teachers, or a community-based organization. Charter schools are authorized by either school district governing boards or county boards of education. A charter school is generally exempt from most laws governing school districts, except where specifically noted in the law. Specific goals and operating procedures for the charter school are detailed in an agreement (or "charter") between the authorizing board and charter organizers. Charter authorizers approve, renew and close charter schools and they are required to provide oversight of the charter schools they authorize.

2018 FCMAT Audit. In 2018, FCMAT conducted an audit of HCCS and published the following Audit Report Summary regarding potential fraud:

“Based on the findings in this report, there is not sufficient evidence to demonstrate that fraud or misappropriation may have occurred with regard to the Highlands Community Charter Technical School’s resources and assets related to student enrollment, support of students with disabilities, ADA, instructional minutes and days, avoidance of standardized tests, conferral of diplomas, charging fees, or operating multiple sites; however, other illegal fiscal practices may have occurred.

“However, significant material weaknesses in the charter’s internal control environment increase the probability of fraud and abuse. FCMAT has identified multiple, serious internal practices that need adjustment or correction, including some that may merit sanctions by state agencies and/or HCCTS’ authorizer. These include the following:

- Violation of HCCTS’ charter by serving students outside the parameters listed in the charter
- Whether the partnership agreement was entered into with the correct entity and whether serving students outside of the terms of the petition and partnership violates the requirement for an exclusive partnership and whether that also causes violations of its petition in light of the ruling in the Grossmont case
- Irregularities in instructional days
- Questionable acceptance for participation in ASAM
- Inconsistent use of CASAS testing, which was the system identified as HCCS’ alternative testing system in the ASAM program
- Course outlines not approved by the HCCTS board yet used by the charter as credit toward the award of diplomas

- Lack of verification or data to support attainment of student skills and knowledge, and permitting subjective decisions, potentially subject to personal biases, about skills and knowledge attained
- HCCS' use of CASAS testing results alone to determine whether a student qualified to graduate or to move to the next level of coursework
- Problematic interpretation of CCR Title 5, and related granting of high school credits for GED testing to students outside the population identified in that law
- Allowing a test taken in Spanish to substitute for a prerequisite in English
- Conducting board votes via email in violation of the Brown Act
- Conflict of interest issues involving an HCCTS board member who was also a board member of its charter authorizer. When a contract with that board member's firm came before the board, that board member failed to remove herself from the room and offered comment and information about the contract from the dais.
- Conflict of interest and payroll issues related to approval of consultant contracts to individuals who are also employees of HCCS
- Possible violations of the Penal Code by allowing raffles to be held at the charter
- Questionable fiscal practices such as:
 - Payment of personal attorney's fees for a board member from charter funds without board approval
 - Payment of an employees' personal car repairs from charter funds and without board approval
 - Providing gifts to students in violation of the charter's board policy
- Implementing hiring practices in violation of the law, which allowed convicted felons to have access not only to HCCS students and staff but also to the minor children in its child development program
- Allegations of sexual harassment by HCCS administrators

“These findings should be of great concern to the charter’s governing board, the Twin Rivers Unified School District, the Sacramento County Office of Education, the Superintendent of Public Instruction and the State Controller’s Office, and require immediate intervention to limit the risk of fraud and/or misappropriation of assets in the future.”

Scope of the JLAC Audit Request. We request that the Joint Legislative Audit Committee (JLAC) audit consider the following questions relating to HCCS and the CICA (both the non-classroom based and classroom based programs) and the oversight of HCCS and CICA by TRUSD:

Enrollment & Attendance

- 1) Determine how many students at HCCS and CICA were only enrolled in an English Language Development (ELD) class over each of the last 3 school years. Quantify how much average daily attendance (ADA) was generated for apportionment at HCCS and CICA in total and for students who were enrolled in only an ELD class and were not enrolled in a course of study that leads to a high school diploma over each of the last 3 school years.
- 2) Determine whether HCCS and CICA generated ADA for apportionment in compliance with Instructional Time and Attendance Accounting law requirements in each of the last three

school years, as applicable, and verify by physical and electronic documentation. Quantify the number of any disallowed ADA, including identifying which grade span the ADA was reported in and a determination of the associated cost.

- Determine whether student attendance and/or student work samples were falsified by HCCS or CICA school staff. Determine whether administrators at HCCS or CICA altered attendance records after teachers reported attendance. Determine whether classroom based students, including those in the pilot program, are attending 5 days per week to generate 5 days of ADA. Sample attendance by attending classes in addition to physical and electronic documentation. Survey students as needed.
- Determine whether CICA has documentation to support ADA collected for students enrolled in independent study, through time value of student work product or through time value of student work product and participation in synchronous instruction. Determine whether HCCS and CICA teachers are assigning and grading student work product for independent study students for apportionment purposes, as required by Education Code 51747.5.
- Determine whether HCCS and CICA provides an evaluation of pupil satisfactory educational progress and the number of missed assignments to determine whether it is in the best interests of the pupil to remain in independent study, or whether the pupil should return to the regular school program. Determine whether CICA returns pupils to the regular school program at HCCS pursuant to Education Code 51747.
- Determine whether CICA has adopted written policies for independent study, and has implemented those policies, including meeting the requirement that a current, signed written agreement for each independent pupil be maintained on file consistent with and pursuant to Education Code 51747. Quantify the amount of ADA that has been collected without the required documentation by local control funding formula (LCFF) grade span. Determine the associated cost and the ADA disallowance.
- Determine whether HCCS students meet the mandatory instructional minute requirements pursuant to Education Code 47612.5, including students enrolled only in ELD.
- Review physical documentation of student attendance at HCCS and review attendance generated by the school's software, known as the brain. Determine whether these are identical. Determine whether "the brain" detects the students as they enter any campus, not the classroom, and automatically populates the student as in-attendance. Sample attendance by attending classes in addition to physical and electronic documentation.
- As part of this audit work, survey current and former employees to, among other things, determine whether they are aware of HCCS or CICA employees falsifying attendance, student work product, or the teacher of record, among other topics as needed, including to determine whether they felt pressured to contribute money to the Doc Smith Legacy

Foundation. Survey students as needed. To the extent possible, provide anonymity to obtain honest and more reliable information.

- 3) Review HCCS and CICA's documentation and determine if they have a partnership with the Federal Workforce Investment and Opportunity Act as required by Education Code 47605.1.
- 4) Identify how many students over the last three school years have received a high school diploma and/or have received industry certifications from HCCS or CICA, and are working in those certification fields.
- 5) Review student recruitment efforts by HCCS and CICA such as billboard advertising and giving away gifts such as cell phones and determine appropriateness.

Teacher Credentials

- 6) Determine, in collaboration with the California Department of Education (CDE), whether HCCS and CICA are K-12 schools or adult education programs, as defined by CDE.
- 7) Determine how many teachers at HCCS and CICA were appropriately credentialed for their assignment in each of the last three school years, in collaboration with the Commission on Teacher Credentialing (CTC), and determine whether this information was appropriately reported to the state. Quantify the amount of ADA that has been collected without appropriately credentialed teachers by local control funding formula (LCFF) grade span. Determine the associated cost and the ADA disallowance.
 - Determine, in collaboration with CDE and the CTC, in each of the last three school years, whether HCCS and CICA accurately reported teacher misassignment data to the state, through the School Accountability Report Card (SARC), the California Statewide Assignment Accountability System (CalSAAS), and the California Longitudinal Pupil Achievement Data System (CALPADs) and determine whether data reported through the data collection systems were identical.
 - Review documentation for all HCCS and CICA teachers who are on a local assignment option (LAO) and determine, in collaboration with the CTC, if the LAO was properly executed.
 - Determine how many teachers at HCCS and CICA hold a Career Technical Education (CTE) credential or an adult education credential. Determine whether the industry experience reported to the teacher's program sponsor included employment at HCCS or CICA. Determine whether the program sponsor for teachers employed by HCCS and CICA received appropriate documentation of the required industry hours for the CTE credentials they submitted to the CTC, according to the CTC. Determine whether the program sponsor for teachers employed by HCCS and CICA met all the requirements for issuance of an adult education credential, according to the CTC.
 - Review teacher hire dates and classroom schedule assignments to determine whether individuals were hired by HCCS and CICA as teachers without a valid credential from

the CTC. Determine whether the teacher of record has been falsified for student classes, and instead an individual without a credential, or an appropriate credential for the assignment is teaching the class. Determine whether paraprofessionals are teaching courses that have been claimed for state ADA without a credentialed teacher present. Quantify the amount of ADA that has been collected without appropriately credentialed teachers by local control funding formula (LCFF) grade span. Determine the associated cost and the ADA disallowance.

- Determine whether students have ever been assigned to an HCCS or CICA principal as the teacher of record, but received no instruction from the principal. Quantify the amount of ADA that has been collected without an appropriately credentialed teacher by local control funding formula (LCFF) grade span. Determine the associated cost and the ADA disallowance.

Student-to-Teacher Ratios

- 8) Determine the independent study ratio per Education Code Section 51745.6 in CICA's independent study program and whether all classes meet the required ratio. Determine the student-to-teacher ratio in HCCS's classroom based program. Determine whether HCCS or CICA falsely reported these ratios to the state, the authorizer, or the governing body through the School Accountability Report Card (SARC), the Local Control and Accountability Plan (LCAP), or any other means. Review documentation and determine whether the SARC approved in February 2024 by the board has been updated pursuant to the board's direction. Quantify the number of ADA reported by CICA in excess of their independent study ratio pursuant to EC 51745.6 by local control funding formula (LCFF) grade span and determine the associated cost of disallowed ADA.

Instructional Materials

- 9) Review whether HCCS and CICA have purchased sufficient textbooks. Determine whether HCCS and CICA meet the requirements of the Williams settlement (pursuant to Education Code 52055.74), as required by other charter schools that are included in Williams monitoring. Determine whether HCCS or CICA have enough instructional materials to accommodate all enrolled students if all students attend their respective courses each day.
- 10) Review HCCS and CICA's protocol to recover instructional materials, including technology. Determine whether HCCS and CICA have a process in place to have instructional materials returned to the school when students graduate, dis-enroll or are exited from the program.
- 11) Identify prizes provided to employees and students.

Political Contributions & Foundation Spending

- 12) To the extent information is available, review documentation and determine whether state apportionment funding received by HCCS or CICA or the school's foundation funding (Doc Smith Legacy Foundation) was spent on political contributions or charitable donations, including but not limited to charities linked to elected officials and youth sports. Determine the appropriateness of these contributions.

Housing

- 13) Review documentation and determine whether HCCS's state apportionment has been used to pay for teacher rental housing payments. Review documentation and determine whether HCCS or CICA used state apportionment funding to build housing for students. Determine whether these fund sources were appropriate uses for these purposes.

Employment Contracts

- 14) Review documentation and determine whether members of the TRUSD governing board or employees of TRUSD have employment or consulting contracts with HCCS or CICA that may potentially be a conflict of interest.
- 15) Identify how many HCCS and CICA employees are related to each other. Identify nepotism in the hiring process at HCCS and CICA. Identify any employees who are supervised by family members.
- 16) Review whistleblower policies at TRUSD, HCCS, and CICA and identify if they are adequate. Review and identify cases where employees were allegedly fired in retaliation.
- 17) Identify through documentation the total costs for all HCCS and CICA employees to travel to San Diego and the professional development that occurred in San Diego, and determine if appropriate.
- 18) Review consulting and employment contracts and determine whether HCCS and CICA are receiving appropriate value for those contracts.
- 19) Identify all employees who do not hold a baccalaureate degree. Determine executive salary and benefits for all administrators at HCCS and CICA and determine if it is comparable to other school districts with similar ADA.

TRUSD Oversight

- 20) Review documentation and determine whether TRUSD fulfilled the required elements of ongoing oversight as the authorizer of HCCS and CICA, pursuant to Education Codes 47605, 47613 and 46704.32, during the last renewal and in each year since their last renewal.
- Determine whether TRUSD visited all HCCS and CICA sites annually, reviewed HCCS and CICA budgets, and approved all charter school sites. Determine whether the number of sites established by HCCS and TRUSD matches the list of sites approved by TRUSD. Determine whether HCCS or CICA are operating sites, resource centers or satellite facilities that were not approved by TRUSD before they were operating. Review beginning and ending lease dates for all sites and determine the purpose of the site.
 - Review documentation from the year of the last renewal and each following year and determine how much TRUSD spent on oversight of HCCS and CICA, including documented site visits and interviews, review of reports and documentation, compared to the oversight fees they have collected for the oversight of HCCS and CICA. Determine whether the actual costs of oversight met or exceeded the collected oversight fees.

- Review documentation from the last five years and determine how much TRUSD spent on oversight of all the charter schools they authorize, including documented site visits and interviews, review of reports and documentation, compared to the oversight fees they have collected. Determine whether the actual costs of oversight met or exceeded the collected oversight fees.
- Determine whether TRUSD investigated and ensured that corrective action was taken by HCCS and CICA for all concerns raised in the 2018 FCMAT audit.
- Review documentation and determine, in collaboration with the CTC, whether TRUSD, as the teacher misassignment monitor for HCCS and CICA, actively conducted monitoring during the last three school years.
- Review whether TRUSD, during the last renewal of HCCS and CICA, analyzed whether HCCS was meeting their measurable student outcomes pursuant to Education Code 47605(c)(5)(B).

Child Care

21) Determine whether the childcare center at HCCS is operating according to the California Health and Safety Code and Title 22 of the California Code of Regulations, including in regard to staff qualifications and capacity regulations regarding relevant staff-to-child ratios based upon the ages of the children served.

Fire Code

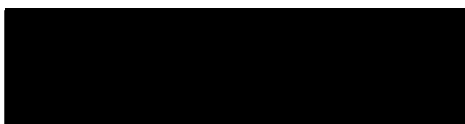
22) Determine whether HCCS or CICA have meeting spaces large enough to hold in person classes if all students enrolled are physically present. Determine whether there would be a fire code violation for classes with large enrollments if all students are physically present at the same time.

Human Assistance Documents

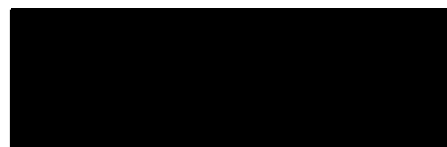
23) Review course schedules and documentation and determine whether HCCS or CICA is falsifying documentation sent to the Department of Human Assistance claiming that students are enrolled and receiving 35 hours of instruction per week.

We respectfully request that you approve an audit of HCCS, CICA, and TRUSD to address the issues outlined above. If you have any questions, please contact my office.

Sincerely,



Al Muratsuchi
Assemblymember, 66th District



Josh Newman
Senator, 29th District



Dawn Addis
Assemblymember, 30th District



David Alvarez
Assemblymember, 80th District