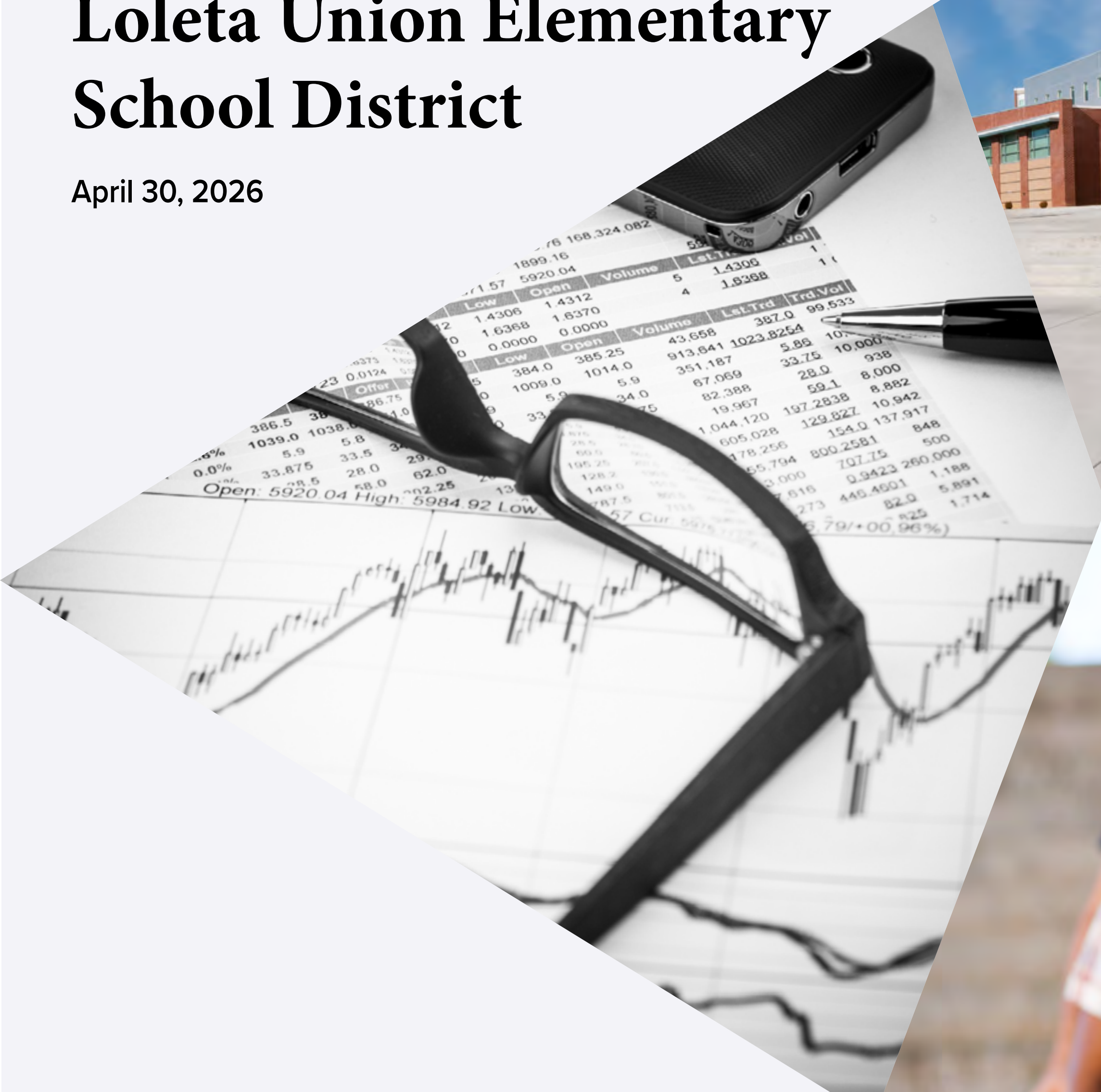
FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Extraordinary Audit of the Loleta Union Elementary School District

April 30, 2026



Humboldt County Superintendent of Schools

Michael H. Fine
Chief Executive Officer

FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

April 30, 2026

Michael Davies-Hughes, Superintendent
Humboldt County Office of Education
901 Myrtle Ave.
Eureka, CA 95501

Dear Superintendent Davies-Huges:

In September 2025, the Humboldt County superintendent of schools and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct an extraordinary audit of the Loleta Union Elementary School District to determine if fraud, misappropriation of funds or other illegal fiscal practices may have occurred in relation to the district. Specifically, the agreement states:

1. The focus of this AB 139 review is to sample the Subject Entity's expenditures and supporting documentation, including the associated student body account, eighth grade account, and Loleta Elementary Parent Teacher Organization account, to determine whether school and/or student funds were used for reasons other than legitimate educational purposes [public purposes].

2. The team will review and test the Subject Entity's financial transactions for the funds above by sampling associated transactions for November 1, 2023 through July 31, 2025. Transactions selected for testing will be based on the Team's judgment as to sample size, sample selection technique and conclusion. Sample testing and review results are intended to provide reasonable but not absolute certainty about whether the Subject Entity's disbursements were sufficiently appropriate.

3. Based on the assessment performed, either recommend or not recommend that the county superintendent of schools notify the governing board of the Subject Entity, the State Controller, the state superintendent of public instruction, and the local district attorney that sufficient evidence exists to indicate that fraud, misappropriation of funds or other illegal fiscal practices may have occurred, and that the county superintendent of schools has concluded its review.

This final report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve you and extends thanks to all the staff of the Humboldt County Office of Education and Loleta Union Elementary School District for their cooperation and assistance during this review.

Sincerely,

Michael H. Fine
Chief Executive Officer

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About FCMAT

Purpose and Services

FCMAT was created by the California Legislature to help California's transitional kindergarten through grade 14 (TK-14) local educational agencies (LEAs) avoid fiscal insolvency. Today, FCMAT helps LEAs identify, prevent and resolve financial, management, program, data, and oversight challenges; provides professional learning; produces and provides software, checklists, manuals and other tools; and offers other related school business and data services.

FCMAT may be asked to provide fiscal crisis or management assistance by a school district, charter school, community college, county superintendent of schools, the state superintendent of public instruction, or the Legislature.

When FCMAT is asked for help with management assistance or a fiscal crisis, FCMAT management and staff work closely with the requesting LEA to meet their needs. Often this means conducting a formal study using a FCMAT study team that coordinates with the LEA for on-site fieldwork to evaluate specified operational areas and subsequently produces a written report with findings and recommendations for improvement.

For more immediate needs in a specific area, FCMAT offers short-term technical assistance from a FCMAT staff member with the required expertise.

To help meet the need for qualified chief business officials (CBOs) in LEAs, FCMAT offers four different CBO training and mentoring programs that consist of 11 or 12 diverse two-day training sessions over the course of a full year.

For agencies with professional learning needs, FCMAT offers workshops on specific topics. Popular topics include associated student body operations, use of FCMAT's Projection-Pro online financial forecasting software, use of FCMAT's Local Control Funding Formula (LCFF) Calculator, and data reporting for the California Longitudinal Pupil Achievement Data System (CALPADS). FCMAT staff and management also frequently make presentations at various professional conferences.

The California School Information Services (CSIS) service of FCMAT helps the California Department of Education (CDE) operate CALPADS; helps LEAs learn about CALPADS, resolve data issues and meet reporting requirements; and provides LEAs with training and leadership in data management. CSIS also developed and continues to host and improve the Standardized Account Code Structure (SACS) web-based financial reporting system for all California LEAs, and provides ed-data.org, which gives educators, policymakers, the Legislature, parents and the public quick access to timely and comprehensive data about TK-12 education in California.

Since it was formed, FCMAT has provided LEAs with the types of help described above on more than 2,000 occasions.

FCMAT's administrative agent is the Kern County Superintendent of Schools. FCMAT is led by Michael H. Fine, Chief Executive Officer, and is funded by appropriations in the state budget and modest fees to requesting agencies.

Workshop schedules, manuals, presentation slide decks, Projection-Pro software, LCFF calculators, past reports, an online help desk, and many other resources are available for download or use at no charge on FCMAT's website.

History

FCMAT was created by Assembly Bill 1200 (Chapter 1213, Statutes of 1991) and Education Code 42127.8. Assembly Bill 107 (Chapter 282, Statutes of 1997) added Education Code 49080, which charged FCMAT with responsibility for CSIS and its statewide data management work, and Assembly Bill 1115 (Chapter 78, Statutes of 1999) codified CSIS' mission.

Assembly Bill 1200 created a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (Chapter 52, Statutes of 2004) gave FCMAT specific responsibilities for districts that have received emergency state loans.

In January 2006, Senate Bill 430 (Chapter 357, Statutes of 2005) amended Education Code 42127.8, and Assembly Bill 1366 (Chapter 360, Statutes of 2005) amended Education Codes 42127.8 and 84041. These new laws expanded FCMAT's services to include charter schools and community colleges, respectively.

Assembly Bill 1840 (Chapter 426, Statutes of 2018) changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting oversight responsibilities from the state to the local county superintendent to be more consistent with the principles of local control, and giving FCMAT new responsibilities associated with the process.

Introduction

Report Authority, Purpose and Standards

Education Code (EC) 1241.5(b) permits a county superintendent of schools to review or audit the expenditures and internal controls of any school district within the county if they have reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. This is known as an extraordinary audit.

The purpose of an extraordinary audit is to determine if sufficient evidence exists to indicate that fraud, misappropriation of funds, or other illegal fiscal practices may have occurred, and to document the findings for referral to the state controller, the state superintendent of public instruction and the local district attorney's office and further investigation by others, if needed.

When conducting an Assembly Bill (AB) 139 extraordinary audit, one must be able to determine that there is evidence that indicates probable intent in order to find that there is sufficient evidence that fraud may have occurred. If the intent to commit fraud cannot be determined, it is likely that the conclusion at the end of an extraordinary audit report will indicate there is insufficient evidence to demonstrate that fraud, misappropriation of funds and/or assets, or other illegal fiscal practices may have occurred in the specific areas reviewed.

One objective of this audit was to determine whether purchases made from the school district's general associated student body (ASB) account, eighth grade ASB account, and parent-teacher organization (PTO) accounts were appropriate uses of funds, served a public purpose, and were made in accordance with district policies and procedures. The ultimate purpose and objective of the audit is to determine whether any purchases from these accounts may have involved any fraudulent activity. To achieve this, the audit tested various types of expenditures shown in the bank statements for each account.

If a purchase does not serve a public purpose, it could be considered a gift of public funds, which may be considered financial abuse or fraud. As stated in the occupational fraud and financial abuse sections in Appendix A, to be considered abuse or fraud, there must be intent and other factors.

This extraordinary audit report considers standards that define and help detect fraud, financial abuse, deficiencies in internal controls, and gift of public funds. These standards are defined in Appendix A and are integral to this report.

In writing its reports, FCMAT uses the Associated Press Stylebook and its own short internal style guide, which emphasize plain language, capitalize relatively few terms, and strive for conciseness, clarity and simplicity.

FCMAT relies on publicly available, authoritative data sources and provides direct links to sources where appropriate; however, sources sometimes differ in the data they provide, or their data may be revised over time due to various factors. FCMAT always strives to use the most accurate data available at the time of reporting.

County Superintendent of Schools' Responsibilities

In accordance with EC 42638(b), action by the county superintendent of schools shall include the following:

> If the county superintendent determines that there is evidence that fraud or misappropriation of funds has occurred, the county superintendent shall notify the governing board of the school district, the State Controller, the Superintendent of Public Instruction, and the local district attorney.

In accordance with EC 1241.5(b), the county superintendent is required to report these findings and recommendations to the district's governing board at a regularly scheduled board meeting within 45 days of completing the audit (the date of this report). Within 15 days of receipt of the report, the district's governing board is required to notify the county superintendent of its proposed actions regarding the county superintendent's recommendations.

Judgments Regarding Guilt or Innocence

The existence of fraud, misappropriation of funds and/or assets, or other illegal fiscal practices is solely the purview of the courts. FCMAT is not making statements that could be construed as a conclusion that fraud, misappropriation of funds and/or assets, or other illegal fiscal practices have occurred. These terms are a broad legal concept, and auditors do not make legal determinations regarding whether illegal activity has occurred.

Audit Team

The audit team was composed of the following members:

Jennifer Noga, CFE
FCMAT Intervention Specialist

Michael Ammermon, CPA, CFE, CRFAC, DABFA
FCMAT Intervention Specialist

John Lotze
FCMAT Technical Writer

Each team member reviewed the draft report to confirm its accuracy and to achieve consensus on the final recommendations.

Background

The Loleta Union Elementary School District is located in the town of Loleta in Humboldt County, California and has one school. According to DataQuest, for the 2024-25 school year, the district served 82 students from transitional kindergarten through grade eight. District data for 2025-26 indicates that the district has an unduplicated pupil percentage (that is, the percentage of students who are English learners, foster youth, and/or qualify for free or reduced-price meals) of approximately 91%. The district is governed by a five-member board and operates with a 2025-26 general fund budget of approximately $2.5 million.

The district's previous superintendent retired on June 30, 2025, and the current superintendent began July 1, 2025. The current superintendent explained to the FCMAT audit team that on his first day the district's business clerk handed him her resignation letter. He also stated that although the business clerk's official last day of employment was July 25, 2025, she worked from home after July 1 and was largely unavailable.

From July through August 2025, the current superintendent and a newly hired business clerk reviewed the district's books and records and identified numerous discrepancies in documentation and account activity, including unusual financial transactions and poor supporting documentation. The transactions that quickly stood out were in the district's student activity funds, specifically in the accounts for the associated student body (ASB) and the parent-teacher organization (PTO).

A PTO account is a separate account not operated by a school but rather by parents and sometimes teachers. Because a PTO is not operated by the school, it is considered a school-connected organization, similar to a Parent Teacher Association (PTA) or booster club.

The district's PTO account is such an account in name only and is improperly labeled. In practice, it serves as a third student activity trust fund with its own bank account. The account's revenues and expenditures were determined to be from and for student activities, and district staff confirmed this was the case.

Based on the concerns of the current superintendent and newly hired business clerk noted above, district leaders notified the Humboldt County superintendent of schools. After reviewing the district's questioned transactions, the county superintendent determined there was sufficient concern to justify further examination of whether fraud, misappropriation of funds or other illegal fiscal practices may have occurred.

In September 2025, the Humboldt County superintendent of schools requested that FCMAT assist the county superintendent by conducting an Assembly Bill (AB) 139 extraordinary audit to determine if fraud, misappropriation of funds or other illegal fiscal practices may have occurred at Loleta Union Elementary School District.

Extraordinary Audit Procedures

An extraordinary audit is conducted based on the audit team's experience and judgment. To conduct these audits, the audit team obtains and examines available original source documents; corroborates documents and information through third-party sources when possible; interviews potential witnesses; gains an understanding of internal controls applicable to the scope of the work; and assesses factors such as intent, capability, opportunity, and possible pressures or motives.

The audit consists of the following:

- Gathering adequate information about specific allegations.
- Establishing an audit plan.
- Performing audit test procedures, often based on sampling of transactions.
- Using the team's judgment and experience to determine whether fraud, misappropriation of funds, or other illegal fiscal practices may have occurred.
- Evaluating the loss that resulted from the alleged inappropriate activity.
- Determining who may have been involved and how it may have occurred.

FCMAT met with county office personnel via teleconference on September 30, 2025 to discuss the audit process and request documents. On October 8, 2025, FCMAT met with district personnel via teleconference to provide an overview of the audit process and discussed the documents that the district was asked to provide to FCMAT. On November 12-14, 2025, FCMAT started on-site fieldwork at the Loleta Union Elementary School District, which included conducting interviews, collecting data and reviewing documents. On December 15-18, 2025, FCMAT completed in-person or telephone interviews with current and former district employees, including the former superintendent. Following on-site fieldwork, FCMAT continued its review and analysis. The team examined numerous documents from the district and other sources, including but not limited to the following:

- General ASB account, eighth grade ASB account, and the PTO account:
    - Bank statements, available receipts, invoices, and other documentation.
    - Board minutes and agenda items.
- Board policies and administrative regulations.
- Audit reports.
- Emails and public database information.
- Pacific Gas and Electric (PG&E) account statements and billing and payment summary reports for all three district PG&E accounts.
- One PG&E Final Notice Before Disconnection document.
- Walmart payment center transaction reports specific to four debit card transactions shown in the general ASB bank account.

The FCMAT audit team reviews and evaluates the available information and documents that fall within an audit's scope. The team then assesses this information to determine whether it contributes to a finding in the report. Other information may also be included when relevant.

Findings

General ASB, Eighth Grade ASB, and PTO Expenditures — Transaction Sampling

FCMAT audited three accounts: the general ASB account; the eighth grade ASB account; and the PTO account. The initial audit sampling period for the three accounts was November 1, 2023, through July 31, 2025, a period of approximately 21 months. However, because some bank statements for the three accounts from that time frame were not available, the team searched for and located statements from August 2022, October 2022, and December 2022 through July 1, 2025 for the general ASB, eighth grade ASB, and PTO account. The expanded sampling increased the number of monthly statements to 23 for the general ASB, eight for the eighth grade ASB, and 10 for the PTO account. These dates and number of months are shown in Appendix B, Table B-1. The expanded sampling allowed the team to review more expenditure transactions, which provided a more complete picture of the overall population of expenditure transactions.

As noted in the Background section earlier, the district's PTO account is such an account in name only and is improperly labeled. In practice, it serves as a third student activity trust fund with its own bank account, so this report treats it as such.

For purposes of this audit, the terms "purchases" and "expenditures" in relation to the general ASB account, the eighth grade ASB account, and the PTO account mean the same thing and are used interchangeably. Appendix B includes Tables B-1, B-2, and B-3, which provide additional statistical data about the district's general ASB account, eighth grade ASB account, and PTO account, including sample information summarized by the number of months of bank statements, and the summarized number and dollar amounts of bank statement transactions.

FCMAT sampled a total of 124 transactions from the general ASB account, eighth grade ASB account, and PTO account bank statements. The results of the sampling are shown in Table 1 below. The sampled transactions were evaluated using the testing criteria described after Table 1.

Table 1: General ASB, Eighth Grade ASB, and PTO Bank Statement Sample Transaction Results

Account	Total Number of Sampled Transactions	Number of Failures	Percentage of Failures	Total Dollars	Dollar Amount of Failures	Dollar Percentage of Failures
General ASB Account	43	43	100.0%	$ 11,115	$ 11,115	100.0%
Eighth Grade ASB Account	58	58	100.0%	$ 11,292	$ 11,292	100.0%
PTO Account	23	23	100.0%	$ 1,953	$ 1,953	100.0%
Totals	**124**	**124**	**100.0%**	**$ 24,360**	**$ 24,360**	**100.0%**

Source: FCMAT sample testing data from district-provided bank statements.

Note: Dollar amounts and other figures are rounded.

The sample results in Table 1 above show the number of sampled transactions that failed to meet at least one of the following three testing criteria.

1. The expenditure transaction receipt or other documentation was available.

2. The expenditure transaction was properly authorized by the school principal or administrator or designee (an authorizer's signature on an expenditure document means it was properly authorized).

3. The expenditure transaction, itemized receipt, invoice, or other supporting document(s) or explanation about the purpose of the transaction is reasonable and was determined to serve a public purpose.

Each sampled transaction was evaluated against the three testing criteria and assigned a pass or fail determination based on the team's judgment. Each transaction that failed to meet one or more of the three criteria was counted as single failure.

The sample testing results, shown in Table 1, indicate that 124 transactions failed at least one criterion; these transactions were 100% of the 124 transactions sampled. The dollar value of the 124 failed transactions was $24,360 out of a possible $24,360. Thus the failure rate was 100% in terms of both dollars and number of transactions.

If a transaction fails to meet any of the three testing criteria, it is considered a deviation. This means that the auditor may not be able to make a reasonable determination about the validity of the transaction, such as how much it differs from similar transactions, whether it is missing supporting documents that explain its public purpose, or whether it exhibits other characteristics indicative of poor internal controls.

A deviation by itself does not necessarily mean that a transaction was not made for a public purpose or was fraudulent; rather, it signifies that, at the very least, information is missing or that further inquiry and analysis may be needed. The presence of numerous deviations often indicates significant internal control deficiencies and weaknesses. Factors that may influence how general ASB account, eighth grade ASB account, and PTO account transactions are evaluated, documented, and monitored include, but are not limited to, the following:

- The level of detail in board policies, board resolutions, administrative regulations, manuals, and other guidelines for operating procedures.
- Segregation of duties, and the level of oversight, review, approval, and monitoring of transactions.
- How knowledgeable and trained board members, managers, and employees are regarding general ASB account, eighth grade ASB account, and PTO account purchasing internal controls.

Although deficiencies and weaknesses in internal controls do not by themselves indicate the presence of fraud, they can make a school district more vulnerable to it.

During the sampling and analysis, FCMAT identified some anomalies that were characteristic of irregular transactions, which are discussed below.

Alleged Payments to Pacific Gas and Electric

The team examined four transactions shown on the January 1, 2025 general ASB bank statement. As discussed later in this report, these transactions were allegedly to pay the district's Pacific Gas and Electric (PG&E) bills. The four transactions are individual debit card amounts shown as processed at the payment center at Walmart number 5629 in Eureka California, as follows:

- $2,000 dated Wednesday, December 18, 2024 at 5:17 p.m.

- $1,000 dated Wednesday, December 18, 2024 at 5:27 p.m.
- $2,000 dated Thursday, December 19, 2024 at 11:22 a.m.
- $2,000 dated Friday, December 20, 2024 at 8:58 a.m.

Figure 1 below shows the four transactions as they appear in the general ASB account bank statement dated January 1, 2025. This statement was for the account ending in 4914 and covers the period from December 1, 2024 through December 31, 2024. The date to the left of each highlighted amount is the bank's processing date, and each highlighted date is the actual date of the debit card transaction. The highlighted time next to each highlighted date is in 24-hour time format.

Figure 1: General ASB Account 4914 Bank Statement Walmart Transactions,, Allegedly to Pay PG&E Bill

12/19	2,000.00	POS PURCHASE WITH PIN WAL-MART #5629 EUREKA CA 562900 *****5580 12/18 17:17
12/19	1,000.00	POS PURCHASE WITH PIN WAL-MART #5629 EUREKA CA 562900 *****5580 12/18 17:27
12/19	2,000.00	POS PURCHASE WITH PIN WAL-MART #5629 EUREKA CA 562900 *****5580 12/19 11:22
12/19	16.99	POS PURCHASE NON-PIN DISNEYPLUS BURBANK CA 000010 *****5580 12/19 16:47
12/20	2,000.00	POS PURCHASE WITH PIN WAL-MART #5629 EUREKA CA 562900 *****5580 12/20 08:58

Highlighting added by FCMAT.

Source: District ASB bank statement dated January 1, 2025 for the account ending in 4914, for transactions from December 1, 2024 through December 31, 2024.

The team was concerned about the four transactions because it is highly irregular and improper for a school district to use ASB/student activity funds to pay a school utility bill. ASB funds are trust funds intended to support student activities and programs that directly benefit students and that are not part of the school's regular curriculum. ASB funds have their own accounts that are separate from and independent of any district account or budget.

The former superintendent and former business clerk stated that they administered and had oversight of the ASB bank accounts. Other than the superintendent, the business clerk position is the highest financial authority at the district. The former business clerk confirmed in communications with the audit team that she used the general ASB debit card at Walmart.

To prepare for discussions about the Walmart transactions, the team emailed the former business clerk on Wednesday, December 3, 2025, at 2:03 p.m. The email included a description and attachment showing the Walmart transactions in Figure 1 above. The former district business clerk responded via email on Tuesday, December 9, 2025, at 9:13 a.m. The former business clerk wrote that she would be available for a phone meeting on Tuesday, December 16, 2025, from 11:30 a.m. to 12:30 p.m. The email included responses to the team's questions and stated the following regarding the Walmart transactions:

> ASB debit card Wal Mart Eureka- PG&E Payment made through their only in person payment option in Humboldt County. These were NOT cash withdrawals. LUESD employee will be able to show you the receipts from the Pacific Gas and Electric Company schools account. The School districts credit card was supposed to be used but this card was accidentally used instead. The current administrator is aware of this error and we knew we would need to pay the ASB program back once auditing came around and we could reach out to our auditors to make sure it was cleared. I am unsure why he did not let you know.

The information provided to the audit team, however, was not consistent with that in the former business clerk's email. Inconsistencies included the following:

- District employees were not able to provide any receipts from PG&E.
- The superintendent stated that on his first day as superintendent, the former business clerk submitted her letter of resignation, and he found that the ASB books and records were in disarray, and there were few receipts. Further, because the business clerk resigned on the superintendent's first day and was largely unavailable between then and her final day of work, little information about the books, records, and receipts was received from the former business clerk.
- The team interviewed the former superintendent in person on Tuesday, December 16, 2025, at 3 p.m. Information from the interview with the former superintendent is summarized below:
  - All expenses should have been approved by the former superintendent, but this did not always happen.
  - The former superintendent and former business clerk met weekly to discuss how to pay invoices.
  - The former superintendent did not know anything about the former business clerk's use of the ASB debit card to allegedly pay the PG&E bill.
  - The district was in a positive cash position; therefore, there should have been no circumstances that would cause the former superintendent to tell the former business clerk to pay the PG&E bill using ASB accounts, which are separate from the district's general fund and are not recorded in the district's Escape financial system.

On Tuesday, December 16, 2025, at 5:44 p.m., the former superintendent emailed the team, reiterating that she was unaware of the alleged payments made to PG&E using the ASB debit card. The relevant paragraphs of the former superintendent's email state the following:

> Thank you for the opportunity to speak with you today about the fiscal questions at Loleta. Some things occurred to me while I was driving home. If the transactions at Walmart were in fact to pay the PG&E bills, why did they take place over multiple days (if I am recalling correctly) and why were they in round dollar amounts instead of amounts that would be typical of a PG&E bill? For reference I have attached a screenshot of a brief text exchange on December 18 -- I think that was one of the days of those transactions. There was no discussion, at least not via text, about paying the bill. If I have the wrong date please disregard.
>
> I may still not be fully understanding how the in-person bill paying scenario was supposed to go, but those questions just came up for me. I hope there is a non-nefarious answer.

> Finally, if [former business clerk] insists that I directed her to pay the outstanding balance in this fashion, I would encourage someone to ask her to provide evidence. I also keep coming back to the fact that the final disconnect notice was delivered in late February and the Walmart transactions took place in December. I have attached two screenshots of text messages between me and [former business clerk] on the day the final notice was delivered (turns out I am the one who found it stuck in the door, lol). Please let me know if you can't see the images and I'll figure out a different way to share them.

On Tuesday, December 16, 2025, at 11:30 a.m., the team conducted a telephone interview with the former business clerk. Highlights of the interview are as follows:

- The former business clerk oversaw the general ASB and eighth grade ASB accounts.
- Nobody followed district processes.
- There were no internal controls.
- There was shared access to the bank credit and debit cards, meaning anyone could access the cards.
- The former business clerk did not work on site at the district most of the time.
- There were three PG&E utility accounts, one of which was closed, leaving two accounts.
- The former superintendent telephoned the former business clerk informing her that a PG&E disconnect notice was received and instructing her to pay the bill.
- The former business clerk contacted PG&E, which directed her to make the payment in person at Walmart.
- The former business clerk denies that she took any cash at Walmart.

The former business clerk followed up with an email to the team on Tuesday, December 16, 2025, at 1:49 p.m. The email explained further what the former business clerk discussed with the team, stating the following:

> To follow up on the PG&E payment matter: after speaking with a representative at Walmart Corporate Headquarters in Bentonville, Arkansas (1-800-925-6278), I was advised that access to in-store video surveillance is restricted and may only be released to law enforcement or through a formal legal request.
>
> Walmart's Privacy and Security team also advised that, if direct access to the footage is not available, they are able to provide a written statement describing what is depicted in the video upon request.
>
> For purposes of completing your review, I ask that this be noted in your report and that either the relevant video footage be formally requested and reviewed, or that a written statement from Walmart Corporate be obtained in its place.
>
> Because Walmart payments are processed through a third-party provider, PG&E may need to review their payment processor records to locate and confirm the payments. **I am requesting that a payment trace be initiated using the transaction dates, amounts, and location.**
>
> **A review of the PG&E billing statements from December through February will show corresponding balance changes on the account, confirming that payments were applied.**

> I am also consulting with my legal counsel regarding the availability of video footage, which would further demonstrate that these transactions did not involve any cash being received.
>
> Bold emphasis added.

Information in the above email is somewhat inconsistent with other information FCMAT received, including the following:

- The superintendent stated that a Eureka police department officer indicated they have video of the former business clerk at the Walmart payment center but only showed them still photos to confirm the individual in the picture was the former business clerk. The superintendent stated that the Eureka police department allegedly has video footage obtained from Walmart that shows the former business clerk supposedly obtaining cash from the payment center on the date of one of the ASB card transactions, and that a police report has been issued.
- On Tuesday, December 16, 2025, at approximately 9:20 a.m., the team entered the lobby of the Eureka police department and spoke with the police officer who prepared the police report. The report case number is 25-003025. The team asked to see the alleged video footage. The officer left the lobby to discuss the request with his supervisor. He returned and said that it is not their policy to share the video. Because the team was not allowed to review the video, this report does not rely on the police report or the alleged video.
- As part of the audit, and as discussed further below, the team performed a detailed accounting of all PG&E billing statements, charges, and payments spanning many months before and after the December 2025 ASB debit card transactions at Walmart.
- The former business clerk has not provided any receipts to corroborate that the ASB debit card transactions paid any district PG&E bill, nor has the former business clerk explained why four debit card transactions paid on three different days were necessary to pay the PG&E bill.

On Tuesday, December 16, 2025, at 2:05 p.m., the former business clerk sent another email further discussing cash withdrawals. This email stated the following:

> After further research by contacting Walmart, I was informed that certain debit transactions may be coded by the merchant or processor as a “cash withdrawal” due to the terminal or merchant category code used, even when no physical cash is dispensed. This classification is determined by the merchant’s processing system and does not indicate that cash was received.
>
> This information was provided to me directly by a Walmart representative. I recommend that you verify this directly with Walmart as well.

Some information in the above email lacks supporting evidence and/or is not consistent with other information and documents FCMAT reviewed. Specifically, FCMAT noted the following:

- The former business clerk described her conversation with Walmart about the debit card transactions but did not provide any example of Walmart payment center terminal receipts that showed noncash transactions coded as cash withdrawals.
- The terminal receipts for the four debit card transactions that Walmart customer service printed for the team show coding that suggests cash was received. The codes on the

receipts the team received are written as “ECASHINNFACE” and “ECASHNOFEEFE.” Embedded in these codes is the term cash. However, they also show change due as zero.

Because there may be contradictory arguments about whether cash was received by the former business clerk, and because the alleged Walmart video obtained by the police was not made available to the team, the team did not pursue further the question of whether cash was received. Instead, the team focused on tracing the Walmart transactions to the district’s PG&E utility accounts.

To understand the four Walmart debit card transactions that the former business clerk states were made to pay PG&E for district utility charges, the team conducted a comprehensive accounting of PG&E bills and payments. The team examined all three PG&E accounts, and traced all payments from the district’s financial records to the PG&E billing statements.

The PG&E billing statements show when payments are applied to the account and the corresponding reduction of the amount owed. The components of the bill that are important to the audit are shown on each bill’s account summary. Each bill shows the account summary and the district’s PG&E account number. Each bill’s summary section shows the amount due from the previous statement, payments received since the last statement, a subtotal for the previous unpaid balance, current charges, and the new total amount due. Payments received reduce the total amount due, new charges increase the total amount due, and the total amount due becomes the amount due on the next month’s statement. With this data, payments can be reconciled from the PG&E bill, and each month’s previous statement balance can be reconciled, to demonstrate that all of the bills are in sequential order.

The team conducted a reconciliation of PG&E billing statements’ payments with district payments for all three PG&E accounts. The district’s three PG&E account numbers are XXXXXX5005-1, XXXXXX1669-2, and XXXXXX5426-0. The billing dates, previous balance, payments, current charges, and total amount due for each account are shown in tables, 2A, 2B, and 2C, respectively. For each account, the district requested PG&E billing statements for the timeframe specified in the FCMAT audit scope, which was November 1, 2023, through July 31, 2025. PG&E provided the district with statements available in its system.

The most important months for which PG&E billing statements were needed were December 2024 and January 2025, because these two months correspond to when the Walmart debit card transactions were made. The team looked at all PG&E-provided billing statements and payment information for the months shown in tables 2A, 2B, and 2C. Table 2A below shows the transactions by month for account number XXXXXX5005-1.

Table 2A: PG&E Account XXXXXX5005-1, Summary of Monthly Statement Information

Statement Date	Amount Due on Previous Statement	Payment Received Since Last Statement	Previous Unpaid Balance	Total Current Charges	Total Amount Due
Account Number XXXXXX5005-1					
November 16, 2023	$ 4,414.31	$ (2,225.61)	$ 2,188.70	$ 1,839.26	$ 4,027.96
December 18, 2023	$ 4,027.96	$ -	$ 4,027.96	$ 1,488.47	$ 5,516.43
January 18, 2024	$ 5,516.43	$ -	$ 5,516.43	$ 1,328.46	$ 6,844.89
February 16, 2024	$ 6,844.89	$ (5,516.43)	$ 1,328.46	$ 1,966.60	$ 3,295.06
March 19, 2024	$ 3,295.06	$ -	$ 3,295.06	$ 1,766.89	$ 5,061.95
April 18, 2024	$ 5,061.95	$ -	$ 5,061.95	$ 1,664.17	$ 6,726.12
May 17, 2024	$ 6,726.12	$ -	$ 6,726.12	$ 1,672.19	$ 8,398.31
June 17, 2024	$ 8,398.31	$ -	$ 8,398.31	$ 1,642.93	$ 10,041.24

Statement Date	Amount Due on Previous Statement	Payment Received Since Last Statement	Previous Unpaid Balance	Total Current Charges	Total Amount Due
July 18, 2024	$ 10,041.24	$ -	$ 10,041.24	$ 1,498.97	$ 11,540.21
August 16, 2024	$ 11,540.21	$ -	$ 11,540.21	$ 1,489.60	$ 13,029.81
September 17, 2024	$ 13,029.81	$ -	$ 13,029.81	$ 1,961.05	$ 14,990.86
October 16, 2024	$ 14,990.86	$ (6,668.55)	$ 8,322.31	$ 1,989.42	$ 10,311.73
November 15, 2024	$ 10,311.73	$ -	$ 10,311.73	$ 1,958.74	$ 12,270.47
December 16, 2024	$ 12,270.47	$ -	$ 12,270.47	$ 2,098.84	$ 14,369.31
January 17, 2025	$ 14,369.31	$ -	$ 14,369.31	$ 2,085.04	$ 16,454.35
February 14, 2025	$ 16,454.35	$ -	$ 16,454.35	$ 2,435.76	$ 18,890.11
March 18, 2025	$ 18,890.11	$ -	$ 18,890.11	$ 2,234.32	$ 21,124.43
April 16, 2025	$ 21,124.43	$ -	$ 21,124.43	$ 2,017.01	$ 23,141.44
May 15, 2025	$ 23,141.44	$ (6,208.39)	$ 16,933.05	$ 1,838.47	$ 18,771.52
June 16, 2025	$ 18,771.52	$ -	$ 18,771.52	$ 2,039.36	$ 20,810.88
July 17, 2025	$ 20,810.88	$ -	$ 20,810.88	$ 1,811.48	$ 22,622.36

Source: FCMAT sample testing data from PG&E-provided billing statements.

Note: The highlighted cells are the months during and after the debit card transactions at Walmart.

Analysis of the summary of information from the monthly PG&E statements and district payments indicated the following:

- The November 16, 2023 PG&E statement showed a payment of $2,225.61. This payment was confirmed paid by district check number 3000220372.
- The February 16, 2024 PG&E statement showed a payment of $5,516.43. This payment was confirmed paid by district check number 3000229392.
- The October 16, 2024 PG&E statement showed a payment of $6,668.55. This payment was confirmed paid by district check number 3000248401.
- The May 15, 2025 PG&E statement showed a payment of $6,208.39. This payment was confirmed paid by district check number 3000271887.
- There were no payments in the highlighted months of December 2024 or January 2025, or in any other month shown in Table 2A, that correspond to any of the payments the former business services clerk alleges she paid to PG&E using the ASB bank account debit card at the Walmart payment center. These transactions, which do not appear on the PG&E documents for this account, were in the amounts of $2,000 on December 18, 2024 at 5:17 p.m.; $1,000 on December 18, 2024 at 5:27 p.m.; $2,000 on December 19, 2024 at 11:22 a.m.; and $2,000 on December 20, 2024 at 08:58 a.m.

Table 2B below shows the transactions by month for account number XXXXXX1669-2.

Table 2B: PG&E Account XXXXXX1669-2, Summary of Monthly Statement Information

Statement Date	Amount Due on Previous Statement	Payment Received Since Last Statement	Previous Unpaid Balance	Total Current Charges	Total Amount Due
Account Number XXXXXX1669-2					
September 1, 2024	$ -	$ -	$ -	$ 66.30	$ 66.30
October 2, 2024	$ 66.30	$ (66.30)	$ -	$ 135.62	$ 135.62
October 31, 2024	$ 135.62	$ -	$ 135.62	$ 219.24	$ 354.86
December 3, 2024	$ 354.86	$ -	$ 354.86	$ 803.88	$ 1,158.74
January 2, 2025	$ 1,158.74	$ -	$ 1,158.74	$ 878.97	$ 2,037.71
January 31, 2025	$ 2,037.71	$ (3,196.45)	$ (1,158.74)	$ 1,199.68	$ 40.94
March 4, 2025	$ 40.94	$ (2,078.65)	$ (2,037.71)	$ 1,267.57	$ (770.14)
April 2, 2025	$ (770.14)	$ (1,267.57)	$ (2,037.71)	$ 790.20	$ (1,247.51)
May 1, 2025	$ (1,247.51)	$ -	$ (1,247.51)	$ 412.27	$ (835.24)
June 1, 2025	$ (835.24)	$ -	$ (835.24)	$ 265.43	$ (569.81)
July 2, 2025	$ (569.81)	$ (2,670.37)	$ (3,240.18)	$ 140.76	$ (3,099.42)

Source: FCMAT sample testing data from PG&E-provided billing statements.

Note: The highlighted cells are the months during and after the debit card transactions at Walmart.

Analysis of the summary of information from the monthly PG&E statements and district payments indicated the following:

- The October 2, 2024 PG&E statement showed a payment of $66.30. This payment was confirmed paid by district check number 3000251948.
- The January 31, 2025 PG&E statement showed a payment of $3,196.45. This payment was confirmed paid by two district checks: check number 3000265103 for $2,037.71, and check number 3000265639 for $1,158.74.
- The March 4, 2025 PG&E statement showed a payment of $2,078.65. This payment was confirmed paid by two district payments: check number 3000267213 for $2,037.71, and a credit card payment for $40.94. The credit card payment was shown in a PG&E billing and payment history report, which identified the payment method as a card number ending in 6235. Because this card payment amount of $40.94 is not remotely close to the amounts of the four ASB bank account debit card payments, no further examination into the district records was considered necessary.
- The April 2, 2025 PG&E statement showed a payment of $1,267.57. This payment was confirmed paid by district check number 3000271052.
- The July 2, 2025 PG&E statement showed a payment of $2,670.37. This payment was confirmed paid by two checks: check number 3000280738 for $1,202.47, and check number 3000280738 for $1,467.90.
- There were no payments in the highlighted months of December 2024 or January 2025, or in any other month shown in Table 2B, that correspond to any of the payments the former business services clerk alleges she made to PG&E using the ASB bank account debit card at the Walmart payment center. These transactions, which do not appear on the PG&E doc-

uments for this account, were in the amounts of $2,000 on December 18, 2024 at 5:17 p.m.; $1,000 on December 18, 2024 at 5:27 p.m.; $2,000 on December 19, 2024 at 11:22 a.m.; and $2,000 on December 20, 2024 at 08:58 a.m.

Table 2C below shows the transactions by month for PG&E account number XXXXXX5426-0.

Table 2C: PG&E Account XXXXXX5426-0, Summary of Monthly Statement Information

Statement Date	Amount Due on Previous Statement	Payment Received Since Last Statement	Previous Unpaid Balance	Total Current Charges	Total Amount Due
Account Number XXXXXX5426-0					
January 9, 2024	$ 109.56	$ -	$ 109.56	$ 102.96	$ 212.52
February 7, 2024	$ 212.52	$ -	$ 212.52	$ 120.82	$ 333.34
March 8, 2024	$ 333.34	$ -	$ 333.34	$ 136.71	$ 470.05
April 8, 2024	$ 470.05	$ -	$ 470.05	$ 80.73	$ 550.78
May 8, 2024	$ 550.78	$ -	$ 550.78	$ 142.31	$ 693.09
June 7, 2024	$ 693.09	$ -	$ 693.09	$ 153.50	$ 846.59
July 9, 2024	$ 846.59	$ (1,539.68)	$ (693.09)	$ 132.15	$ (560.94)
August 7, 2024	$ (560.94)	$ -	$ (560.94)	$ 162.55	$ (398.39)
September 6, 2024	$ (398.39)	$ -	$ (398.39)	$ 130.47	$ (267.92)
October 7, 2024	$ (267.92)	$ -	$ (267.92)	$ 110.84	$ (157.08)
November 5, 2024	$ (157.08)	$ -	$ (157.08)	$ 154.17	$ (2.91)
December 6, 2024	$ (2.91)	$ (354.86)	$ (357.77)	$ 168.59	$ (189.18)
January 7, 2025	$ (189.18)	$ -	$ (189.18)	$ 133.45	$ (55.73)
February 5, 2025	$ (55.73)	$ -	$ (55.73)	$ 146.20	$ 90.47
March 7, 2025	$ 90.47	$ -	$ 90.47	$ 164.80	$ 255.27
April 7, 2025	$ 255.27	$ -	$ 255.27	$ 108.53	$ 363.80
May 6, 2025	$ 363.80	$ -	$ 363.80	$ 164.53	$ 528.33
June 5, 2025	$ 528.33	$ -	$ 528.33	$ 148.48	$ 676.81
July 8, 2025	$ 676.81	$ -	$ 676.81	$ 183.79	$ 860.60

Source: FCMAT sample testing data from PG&E-provided billing statements.

Note: The highlighted cells are the months during and after the alleged debit card transactions.

Analysis of the information from the monthly PG&E statements and district payments indicated the following:

- The July 9, 2024, PG&E statement showed a payment of $1,539.68. This payment was confirmed paid by two checks: check number 3000240808 for $693.09, and check number 3000244780 for $846.59.
- The December 6, 2024, PG&E statement showed a payment of $354.86. This payment was confirmed paid by district check number 3000259307.
- There were no payments in any month shown in Table 2C that correspond to any of the payments the former business services clerk alleges she paid to PG&E using the ASB bank account debit card at the Walmart payment center. These transactions, which do not appear on the PG&E documents for this account, were in the amounts of $2,000 on

December 18, 2024 at 5:17 p.m.; $1,000 on December 18, 2024 at 5:27 p.m.; $2,000 on December 19, 2024 at 11:22 a.m.; and $2,000 on December 20, 2024 at 08:58 a.m.

The team's analysis indicates that no payments for any of the three district PG&E accounts remotely correspond to the alleged Walmart payment center transactions. On Monday, January 26, 2026, at 5:01 p.m., the team sent an email to the former business clerk, informing her of the analysis of the PG&E payments and billing and offering her an opportunity to respond. Appendix D contains the full text of the team's January 26, 2026, 5:01 p.m. email. Excerpts of portions of the email are summarized below and include additional information needed to understand the context of what was discussed.

- The team reviewed the Walmart transactions as if the former business clerk did not receive any physical cash.
    - The term "Walmart transactions" is defined in the January 26, 2026, email as the four alleged payments using the district's ASB bank debit card at the Walmart payment center.
- As suggested in the former business clerk's Tuesday, December 16, 2025, 1:49 p.m. email, the team reviewed the PG&E billing, focusing on the months closest to December 2024.
- A comparison of the district payments to the PG&E monthly billing statements and PG&E summary reports for all three PG&E accounts revealed that no Walmart transactions were present in any of the PG&E accounts.
- The former business clerk explained that she had to pay the PG&E bill because she had a PG&E termination notice, and provided the team with a picture of that notice. However the notice is dated February 24, 2025, which was nearly two months after the four December 2024 Walmart transactions.
- The team's email also questioned why four separate transactions were made on three consecutive days rather than one payment to PG&E.
- The former business clerk made it clear to the team that she made the PG&E bill payment, which means she is the only person accountable for those transactions.
- Walmart payment centers can be used to pay many types of bills (e.g., utilities, phone, cable, auto loans, rent, mortgages, credit card, insurance, gaming).

The former business clerk responded in an email on Thursday, January 29, 2026, at 12:19 p.m. The email did not provide any details or explain the apparent inconsistencies the team had raised. The responses in the email are characteristic of statements made when individuals are trying to avoid answering difficult questions. Appendix E contains the full text of the former business clerk's January 29, 2026, 12:19 p.m. email. Excerpts from the email are quoted or summarized below, along with additional information and analysis to better convey the full context.

- The former business clerk wrote:

    > I want to reiterate that at the time of the Walmart transactions in December 2024, it was my understanding and intent that I was making payments toward the district's PG&E obligations. I did not receive cash, merchandise, or any personal benefit from these transactions.

    Based on the team's experience, individuals in this situation who say that something was their "understanding and intent" are saying they intended to make the payment but that somehow that money went somewhere else; they thus avoid having to give detail about where it went. This type of phrasing is often encountered when someone wants to deflect the issue without implicating themselves.

- The former business clerk wrote:

  > I acknowledge that the PG&E billing records you reviewed do not reflect the transactions in question and that Walmart cannot identify the specific biller associated with the payments. Unfortunately, I do not have terminal receipts from Walmart, and I understand that this limits the ability to trace the payments conclusively.

  The audit team does not consider the former business clerk to be a novice in school business; this individual is familiar with school district business procedures and recordkeeping. She was the only person who went to Walmart to allegedly pay the district PG&E bill and is solely responsible for preserving the receipts to substantiate the payment. The alleged payments cannot be traced to the district's PG&E utility accounts, and the lack of those payments in the PG&E accounts indicates that the transactions were not made for the alleged purpose. This is characteristic of what happens when funds are diverted for some other use.

- The former business clerk wrote:

  > Considering the fact that I am no longer employed at the district and left all receipts in the district office, I do not have additional documentation that would clarify how the Walmart transactions were applied beyond what has already been provided. I remain willing to cooperate in good faith with any further reasonable review or clarification efforts.

  As stated above, the former business clerk is familiar with school district business procedures and recordkeeping, and she was the only person who went to Walmart to allegedly pay the district PG&E bill and was solely responsible for preserving the receipts to substantiate the payment. Further, as a business official of the district, she was also a fiduciary and trustee of public funds. Unless she produces documentation of where the funds from the ASB debit card transactions went, it is the team's opinion that further discussion with the former business clerk is unlikely to be productive. In addition, the former business clerk has said she does not have any receipts, and the team confirmed the district also has none.

  Missing from the former business clerk's email are responses about the disconnect notice dated February 24, 2025, two months after when she said it necessitated the PG&E payment in December 2024, and about why four ASB bank debit card transactions over three days were necessary.

It is not normal practice to use a district general ASB account debit card to pay for district general fund expenses such as utility bills . This is especially true for someone serving in a trusted position, such as a district's financial official, who then fails to ensure that utility payment transactions made with such a debit card are thoroughly documented and confirmed as paid in utility billing documents.

Based on the information available, including the exceedingly abnormal nature of the transactions reviewed and the inconsistencies and lack of documentation, FCMAT concludes that there is sufficient evidence to demonstrate that fraud, misappropriation of funds and/or assets, or other illegal fiscal practices may have occurred using the district general ASB bank account.

Laws, Board Policies, and District Practices

Determining whether a transaction is allowed or prohibited depends on the Education Code, district board policies, administrative regulations, board-approved manuals or handbooks and other guidelines, and district practices. When these local standards do not clearly describe the source of a transaction's authorization and required documentation procedures, past practices may be considered. However, often a district's past practice is flawed, sometimes having devolved into shortcuts with no single standard that everyone follows equally. Eventually, one somewhat standard practice can become multiple practices, with little or no documentation of a transaction's public purpose, and sometimes no preservation or record of receipts.

For purposes of the audit, the team uses its judgment and experience to help determine the allowability of a transaction and whether it served a public purpose. If documentation and information are insufficient to determine whether a transaction served a public purpose and followed normal standards, it does not follow automatically that the transaction was fraudulent; rather, that there is simply insufficient evidence to make a determination. In these instances, the nature of the transaction typically depends on whether it can be established that there was intent to defraud the district.

As the team examined transactions from the district's general ASB, eighth grade ASB, and PTO accounts, it became apparent that the district had established a lower documentation standard than is considered normal for a school district operating with a comprehensive system of internal controls. In FCMAT's experience, most school districts have detailed board policies, administrative regulations, manuals, or other written procedures that provide guidance for properly documenting transactions. FCMAT's audit found that the district lacks the detailed procedures and supporting structures necessary for a well-functioning system of internal controls.

There are many standards that can be applied to form a consistent transaction documentation process. Pertinent standards include the following:

- Education Code 42634 describes how payments should be handled.
- Education Code 44032 states that a district shall pay for actual and necessary expenses of any employee of the district acting on behalf of the district. It also means the governing board determines how expenses should be paid.
- Education Code 48934 and 48938 describe the uses of funds and the authority for the oversight and governing of unorganized ASBs. The district is an elementary district; therefore, any ASBs in the district would be considered unorganized. EC 48938 is specific to student body funds such as the district's general ASB and eighth grade ASB unorganized accounts. For unorganized ASB's, the governing board may appoint an employee or official to act as trustee for student body funds and to receive these funds in accordance with procedures established by the board. The team could not find any such written procedures established by the district's board.
- There are also numerous standard internal controls checklists including the FCMAT Internal Controls Checklist for California Local Educational Agencies.

See Appendix F for more information about these Education Code standards.

The district's board policies and administrative regulations were in six binders in the superintendent's office bookshelf and available for review by anyone requesting access, but were not well organized. Some board policies were lined through as deleted, but updates to the deleted lines were not found. In other instances, the board policy adoption date was not shown. In addition, typical policies for district credit and debit card use and student activity funds could not be located.

The team found that the district's governing documents provide insufficient guidance for many categories of district operations. Specifically, the policies do not clearly describe how employees are expected to document purchases made from the general ASB, eighth grade ASB, and PTO accounts, including what is required in terms of supporting documentation, authorization, and evidence of a public purpose. Policies also do not clearly define what types of purchases are allowed or prohibited.

A common best practice in school district business is similar to what is described in IRS Form 2106 and Publication 463 for keeping records of expenses (e.g., receipts) and describing the public purpose. When proper receipts are kept, the receipts typically show or have written on them the amount, date, time, and vendor name or where the purchase occurred, and the number and names of people served.

It is common to document the business purpose directly on each receipt. District general ASB, eighth grade ASB, PTO accounts, and other expenditures can also be tracked using some type of log. Writing the name of the person(s) whose meal is being paid for or the group of students served (e.g., the eighth grade ASB) provides a measure of credibility and helps verify that all those benefiting, including adult administrators, served a public purpose. The district does not have or use an expenditure log form, and, when receipts were found, the expenditures did not include any notes or authorizations to document the specifics of the transaction.

A lack of well-defined board policies and administrative regulations, and reliance on inconsistent past practices, mean that transactions are not consistently documented. Further, no policies, administrative regulations, or other procedures were found for the following:

- Proper authorization and purchasing documentation for utility, school food, supplies, equipment, textbooks and other district purchases.
- What to do when a receipt is not available.
- An acceptable method to document a missing receipt.
- A procedure or form to provide an explanation or attestation that a receipt could not be obtained.
- A requirement that an employee reimburse the district if a receipt is not provided.
- A requirement that if an itemized meal receipt is not provided, a written statement must be submitted affirming that alcohol was not purchased, or that the individual reimburse the district for the meal.
- A per diem meal policy that defines meal allowances and does not require receipts unless a cost exceeds the allowable amount.

Importance of Expenditure Documentation

To audit any expenditure, the supporting documents must be available and complete. This includes expenditure-related documents such as invoices, receipts, payments, authorizations, notes, reimbursement claim forms, and other information that supports the transaction's public purpose. Documents may not be available or complete for several reasons, including the following:

- The county superintendent of schools may or may not audit district warrants submitted by the district's governing board. If the county superintendent does, their standards for review and the type of documentation they require to release the warrant may or may not be sufficient.

- An expenditure's true nature was purposely concealed by alteration or destruction of documents.
- An organization has poor document organization and preservation policies, procedures, or training.
- An organization has poor internal controls, management oversight, and review.
- Check signers fail to request supporting documents for each check signed and for each debit card or other electronic payment transaction (e.g., credit card, Venmo, PayPal).
- Receipts are missing, or, contrary to best practice, complete documentation is not required for all expenditures.

Complete documentation is central to a school district's ability to provide evidence to its county office that its expenditures are for legitimate public purposes and to demonstrate that internal controls are operating effectively. As discussed below, the district's expenditures sampled by the team were poorly documented and symptomatic of a materially deficient internal control system that could lead to fraud, misappropriation of funds and/or assets, or other illegal fiscal practices. More information about internal controls can be found in Appendix A.

Failure to properly document school district expenditures can result in a gift of public funds, which is illegal regardless of the method used to expend the funds. For an expenditure of public funds to be justified, a governing board must determine that the expenditure will benefit the education of the district's students or serve a public purpose. A governing board typically documents how district expenditures serve a public purpose in its board policies, administrative regulations and board resolutions, and by adopting and approving other written manuals or procedures. See Appendix A for more information about gifts of public funds.

An example of expenditure documentation is shown below in the section titled, Missing Receipts.

Student Trust Funds

FCMAT did not find and was not provided with any reconciliation documents for the ASB, eighth grade ASB, or PTO student trust fund bank accounts. Reconciliation is a process of comparing a bank statement to the check register and accounting for any differences. Based on the transactions shown in the bank statements, the majority of purchases for the three student trust fund accounts (i.e., general ASB, eighth grade ASB, and PTO) were made using debit cards.

A review of the district's 2021-22, 2022-23 and 2023-24 independent audit reports indicates continued uncorrected findings of significant deficiencies in internal controls over financial reporting. The audit reports indicate that there was no evidence of preparation and review of monthly bank reconciliations for the ASB and district revolving cash balances. The district's 2022-2023 and 2023-2024 annual audit reports also stated, "Lack of proper reconciliation and review procedures can result in errors or fraudulent activity occurring and not being detected and corrected in a timely manner."[1] The 2023-24 independent audit report has an additional finding that the ASB revenues and expenditures were not recorded in the district's unaudited actuals, resulting in financial statements not being prepared in accordance with generally accepted accounting principles.

1. Loleta Union School District Audit Report, June 30, 2024, p 70; Loleta Union School District Audit Report, June 30, 2023, p 71.

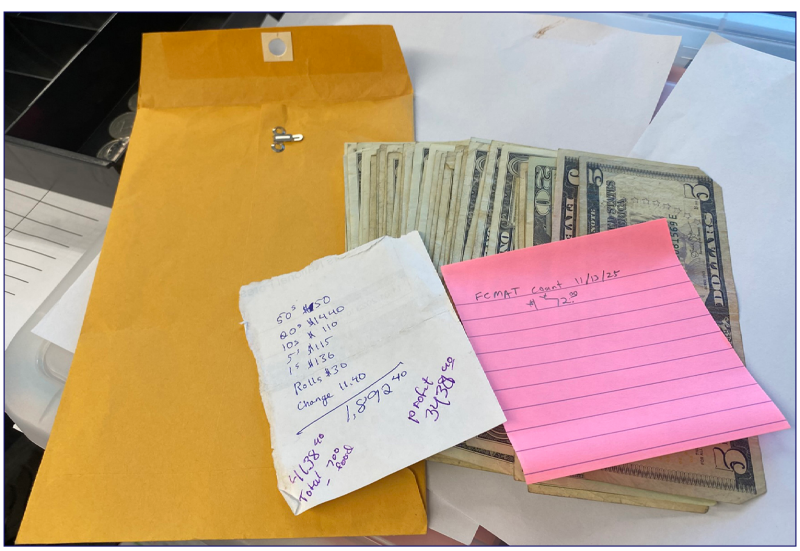
Although the audit findings described above are specific to ASB, all audit findings should be important to the county superintendent and the district. The district's board of education and leadership have the primary responsibility to follow through on all audit findings and ensure that corrective action is taken promptly. The Humboldt County superintendent of schools has responsibility described in EC 41020 and following for monitoring audit findings and ensuring that the district's board of education develops and implements corrective action plans.

In addition to the bank accounts being unreconciled, the funds of the general ASB, eighth grade ASB, and PTO have characteristics of accounts that have been commingled in that purchases appear to have been made with no regard for the account to which the funds belong. As described further below, because few receipts were maintained and no documents exist that identify the account to which many transactions belong, determining the appropriate account is not possible. FCMAT also found no documents indicating any formal approval for any of the 124 transactions sampled.

During on-site visits at the district, the superintendent showed the team binders and boxes that contained some receipts. Upon review of these, the team found envelopes and plastic bags of cash with no date or stated purpose. The superintendent showed the team many of the different locations where he and his office staff found cash. Although cash receipts or revenue and deposit transactions were not part of the audit scope, because the team came across cash in boxes while searching for receipts, findings about the loose cash are included in the four bullet points below as further evidence of the district's deficient internal controls. As the team looked for receipts and opened boxes found in a storage container and shed, additional cash was discovered. The overall finding is that this cash was not documented correctly or deposited in a timely manner. Following are detailed findings regarding the cash:

- As shown in Figure 2 below, one cash envelope indicated there was $1,892.40 in cash, but the team found only $72, and there were no notes explaining the source or purpose of the funds. In this example, a torn, repurposed piece of paper showed that the total of the funds was presumed to be $4,138.40, with a profit of $3,438.40. No written explanation was found about how the profit could be $3,438.40.

Figure 2: Loose Cash Found



Note: The pink Post-it note in the photo showing count of $72 and dated 11/13/25 was added by FCMAT.

Source: FCMAT

- Another example of loose cash was a candy grams envelope that indicated the cash count was $131; however, the team's count was $114.15. There were no notes explaining the source or purpose of the funds.
- A third example of loose cash was a slip of paper that indicated the cash count was $261.18; however, the team's count was $46. There were no notes explaining the source or purpose of the funds.
- Other examples for which the team did not count the cash were instances of loose cash in storage boxes and in a cash box, with no paperwork or notes regarding the amount of cash that should be available or explaining the source or purpose of the cash.

In summary, the document quality of the general ASB, eighth grade ASB, and PTO accounts revenue and expenditure transactions was extremely poor, indicating significant internal control deficiencies that create opportunity for fraud.

Public Purpose of District Transactions

If it is not possible to determine whether a transaction serves a public purpose, that transaction may be a gift of public funds.

Transaction sample criterion 3, whether a transaction is for a public purpose, is central to this audit. The transaction sampling section earlier in this report describes the three criteria used to evaluate the general ASB, eighth grade ASB, and PTO accounts and purchases. As shown in Table 1 earlier in this report, 124 transactions were sampled, and all failed to meet at least one of the three criteria. Table 3 below shows only the sampled transactions that failed to meet criterion 3. As shown in the table, 32 transactions with a combined total value of $9,758 failed to serve a public purpose.

Table 3: Sampled Transactions that Failed to Meet Criterion 3, Public Purpose

Account	Number of Transactions	Number of Failures of Criterion 3	Percentage of Failures	Total Dollars	Dollar Amount of Criteria 3 Failures	Percentage of Failures of Criteria 3
General ASB Account	43	24	55.8%	$ 11,115	$ 8,011	72.1%
Eighth Grade ASB Account	58	4	6.9%	$ 11,292	$ 1,469	13.0%
PTO Account	23	4	17.4%	$ 1,953	$ 278	14.2%
Totals	**124**	**32**	**25.8%**	**$ 24,360**	**$ 9,758**	**40.1%**

Source: FCMAT sample testing data from district-provided bank statements.

Note: Dollar amounts and other figures are rounded.

All of the 32 transactions that failed to meet criterion 3 have characteristics of a potential gift of public funds, as discussed below.

Potential Gift of Public Funds

Table 4 shows that all of the 32 transactions with failures totaling $9,758 shown in Table 3 above have characteristics that may cause them to be a gift of public funds. FCMAT categorized the purchases by vendor paid and by the account charged.

Table 4: 32 Purchase Transactions that are Potential Gifts of Public Funds

	General ASB Account		8th Grade ASB Account		PTO Account		Total	
Description	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**	**Quantity**	**Amount**
Amazon	2	$ 276	0	$ -	0	$ -	2	$ 276
Bear River Pump & Play	13	$ 195	0	$ -	0	$ -	13	$ 195
CASH	0	$ -	2	$ 1,331	0	$ -	2	$ 1,331
Counseling Essentials	0	$ -	2	$ 138	0	$ -	2	$ 138
Disney Plus	3	$ 49	0	$ -	0	$ -	3	$ 49
Dutch Brothers	0	$ -	0	$ -	1	$ 68	1	$ 68
Venmo	2	$ 491	0	$	3	$ 210	5	$ 701
Walmart	4	$ 7,000	0	$ -	0	$ -	4	$ 7,000
Totals	**24**	**$ 8,011**	**4**	**$ 1,469**	**4**	**$ 278**	**32**	**$ 9,758**

Source: FCMAT sample testing data from district-provided bank statements, receipts, and district employee explanations about questioned transactions.

Note: Dollar amounts and other figures are rounded.

Following is more detailed information about these 32 purchase transactions:

- The majority of the transactions were missing documentation such as receipts, or had receipts that provided no explanation of the public purpose. For example, 13 gift cards were purchased from the Pump and Play gas station using ASB funds. The amount of each gift card was $15. The team visited the Pump and Play and were told that gift cards cannot be used for gambling, only for food or gas. During interviews, staff explained that the purpose of the gift cards was as an incentive for parents to participate more and thus increase community involvement with the school. ASB funds are to be spent for the benefit of students, not as incentives to adults. These purchases should not have been made using ASB funds.
- There were two handwritten checks made out to cash from the eighth grade ASB account. A check number 9999 for $110 was dated October 3, 2022, and another check number 9999 for $1,221.32 was dated May 18, 2023. The checks total $1,331.32. No receipts were found, and the checks were not accompanied by any memos explaining the purpose of the purchases. Both checks were signed by the former business clerk.
- The four Walmart transactions totaling $7,000 are discussed above in the section titled, Alleged Payments to Pacific Gas and Electric.

The transactions described above have characteristics of possible gift of public funds activity, and the total amount is $9,758. These transactions span a period of 41 months, as described in Appendix B.

The team discussed the district's practices with employees and the former superintendent. Based on the explanations about these transactions from those interviewed, the team's consensus was that the district's operational practices were significantly poor, with almost no written procedures. The information provided was also evaluated for intent or deception to defraud the district for personal gain.

Based on a preponderance of information obtained about the general ASB, eighth grade ASB, and PTO account transactions that are possible gifts of public funds, FCMAT found that, except for the four Walmart transactions totaling $7,000, there was insufficient evidence to demonstrate that there was a willful intent to knowingly commit a wrongful act and conceal or misrepresent the acts or facts to spend district funds for nonpublic purposes.

Missing Receipts

Table 5 below shows that of the 124 transactions sampled, 84 were missing receipts. The dollar value of the transactions with missing receipts was $20,715, or 85% of the dollar value of all 124 transactions sampled. Any failure to retain receipts indicates some failure of internal controls; a failure rate of 85% is indicative of a significantly compromised internal control system.

Table 5: Transactions with Missing Receipts

Account	Number of Transactions Sampled	Number of Missing Receipts	Percentage of Transactions Missing Receipts	Dollar Value of Transactions Sampled	Dollar Value of Missing Receipts	Dollar Percentage of Failures
General ASB Account	43	17	39.5%	$ 11,115	$ 8,334	75.0%
Eighth Grade ASB Account	58	58	100.0%	$ 11,292	$ 11,292	100.0%
PTO Account	23	9	39.1%	$ 1,953	$ 1,089	55.8%
Totals	**124**	**84**	**67.7%**	**$ 24,360**	**$ 20,715**	**85.0%**

Source: FCMAT sample testing data from district-provided debit card transaction documents.

Note: Dollar amounts and other figures are rounded.

An item is counted as a missing receipt if the transaction is missing an invoice, merchant receipt, ATM or merchant debit card transaction slip, or other form of vendor or supplier document that was part of the transaction. Although the IRS may allow a business deduction for a transaction that is less than $75 if it is written in a log or diary, school districts need receipts to provide evidence that the purchase served a public purpose. For example, if a meal or grocery store receipt is not provided, or if it lacks line-item details (e.g., shows only the total charge), a school district has an added level of responsibility to document that alcohol was not purchased.

Because of the district's past culture and practice, without board-approved procedures for purchases and acceptable documentation of receipts and transactions, there may be little incentive to retain receipts.

On rare occasions when a transaction occurs without a receipt, if there is a policy in place for documenting the missing receipt and why it cannot be provided, it may be acceptable. When a vendor receipt is not provided, a detailed explanation should be written in a document such as an expenditure log form. The explanation should include all information about the transactions (i.e., date, vendor name, amount, public purpose, location, and explanation of why no receipt was provided).

Information from discussions with employees and the former superintendent was evaluated for deception or intent to defraud the district for personal gain. Based on explanations about the transactions with missing receipts and after using the vendor names shown in the bank statement to try to determine what may have been purchased, the team's consensus was that, for the transactions with missing receipts, there is insufficient evidence to demonstrate that there may have been willful intent to knowingly commit a wrongful act and conceal or misrepresent the acts or facts to spend district funds for nonpublic purposes. Nevertheless, the volume of missing receipts indicates that the district has material internal control deficiencies. If uncorrected, these deficiencies can lead to further failures in the internal control system and increase the risk of undetected fraud, misappropriation of funds and/or assets, or other illegal fiscal practices.

Conclusion

Potential for Fraud, Misappropriation of Funds, or Other Illegal Fiscal Practices

Based on the findings in this report, there is sufficient evidence to demonstrate that fraud, misappropriation of funds and/or assets, or other illegal fiscal practices may have occurred in the specific areas reviewed.

Deficiencies and exceptions noted during FCMAT's review of the Loleta Union Elementary School District's financial records and internal control environment increase the probability of fraud, mismanagement and/or misappropriation of the district's assets. These findings should be of concern to the Loleta Union Elementary School District and to the Humboldt County superintendent of schools and require immediate intervention to limit the risk of fraud, mismanagement and/or misappropriation of assets, or other illegal fiscal practices in the future.

Recommendation

The county superintendent should:

1. Notify the Loleta Union Elementary School District governing board, the state controller, the superintendent of public instruction and the local district attorney that sufficient evidence exists to indicate that fraud, misappropriation of funds and/or assets, or other illegal fiscal practices may have occurred, and that the Humboldt County superintendent of schools has concluded its review.

Appendices

Appendix A

More About Types and Causes of Fraud

Fraud, Occupational Fraud and Internal Controls

Fraud can include an array of irregularities and illegal acts characterized by intentional deception and misrepresentations of material facts. Although all employees have some degree of responsibility for internal controls, the governing board, superintendent and senior management are ultimately responsible.

Occupational Fraud

Occupational fraud includes asset misappropriation, corruption, and fraudulent financial statements. Occupational fraud occurs when an organization's owners, executives, managers or employees use their position in the organization to deliberately misuse or misapply the employer's resources or assets for personal benefit.

Asset misappropriation includes the theft or misuse of local educational agency (LEA) assets and may include taking cash, inventory or other assets, and/or fraudulent disbursements. Asset misappropriation is the largest category of occupational fraud and includes numerous fraudulent disbursement schemes. Corruption schemes involve one or more employees and/or board members using their influence in business transactions to obtain a personal benefit that violates their duty to the employer or the organization; conflicts of interest fall into this category. Financial statement fraud includes intentionally misstating or omitting material information in financial reports.

Many different types of fraud exist; however, occupational fraud, including asset misappropriation and corruption, is more likely to occur when employees are in positions of trust and have access to assets. Embezzlement occurs when someone who is lawfully entrusted with property takes it for their personal use. Common elements in all fraud include the following:

- Intent, or knowingly committing a wrongful act.
- Misrepresentation or intentional false and willful representation(s) of a material fact.
- Reliance on weaknesses in the internal control structure, including when an individual relies on fraudulent information.
- Concealment of the act or facts.
- Damages, loss or injury by the deceived party.

Financial Abuse

Many transactions related to abusive financial practices are found in school districts, charter schools, and other similar organizations. Examples of financial abuse that cost an organization are as follows: taking an extended lunch or break without approval; coming to work late and leaving early; not reporting used vacation time; using sick leave inappropriately; getting paid for more hours than worked; doing slow or careless work; and performing work under the influence of drugs or alcohol. Financial abuse also requires dishonest intent on the part of the employee to victimize the organization. In the private sector, intentional financial abusive practices typically result in reprimands, reducing an employee's pay, or termination. Governmental entities may impose consequences similar to those in the private sector, but in addition abuse may also be considered fraud because the employee has intentionally made a false statement against the government for financial gain.

Internal Controls

The accounting industry defines the term "internal control" as it applies to organizations, including school agencies. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) gives organizations guidance on internal control, risk management, governance and fraud deterrence. COSO is recognized globally for its Internal Control – Integrated Framework (ICIF), which was updated in its 2023 publication, *Achieving Effective Internal Control Over Sustainability Reporting (ICSR): Building Trust and Confidence Through the COSO Internal Control – Integrated Framework*. This publication defines internal control as follows:

> A process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

The reference to achievement of objectives refers to an organization's work of planning, organizing, directing, and performing routine tasks related to operations, and monitoring performance. An organization establishes control over its operations by setting goals, objectives, budgets and performance expectations.

Several factors influence the effectiveness of internal control, including the social environment and how it affects employees' behavior, the availability and quality of information used to monitor an organization's operations, and the policies and procedures that guide an organization. Internal control helps an organization obtain timely feedback on its progress in meeting operational goals and guiding principles, producing reliable financial reports, and ensuring compliance with applicable laws and regulations.

Internal control is the primary mechanism for preventing and/or deterring illegal acts or fraud, which can include an assortment of irregularities characterized by intentional deception and misrepresentation of material facts. Effective internal control provides reasonable but not absolute assurance that operations are effective and efficient, that the financial information produced is reliable, and that the organization complies with all applicable laws and regulations.

Internal control provides the framework for an effective fraud prevention program. An effective internal control structure includes the policies and administrative regulations established by the board and operational procedures used by employees, adequate accounting and information systems, the work environment, and the professionalism of employees.

The Committee of Sponsoring Organizations of the Treadway Commission initially outlined the five components of internal control in an executive summary, Internal Control – Integrated Framework, published in 2013. Table B-1 provides a summary of these components and their respective characteristics.

Table B-1. Summary of internal control components and characteristics.

Internal Control Component	Characteristics
Control Environment	The set of standards, processes and structures that provide the basis for carrying out internal control across an organization. Comprises the integrity and ethical values of the organization. Commonly referred to as the moral tone of the organization, the control environment includes a code of ethical conduct; policies for ethics; hiring and promotion guidelines; proper assignment of authority and responsibility; oversight by management, the board or an audit committee; investigation of reported concerns; and effective disciplinary action for violations.

Risk Assessment	Identification and assessment of potential events that adversely affect the achievement of the organization's objectives, and the development of strategies to react in a timely manner.
Control Activities	Actions established by policies and procedures to enforce the governing board's directives. These include actions by management to prevent and identify misuse of the LEA's assets, including preventing employees from overriding controls in the system.
Information and Communication	Ensures that employees receive information regarding policies and procedures and understand their responsibility for internal control. Provides opportunity to discuss ethical dilemmas. Establishes clear means of communication within an organization to report suspected violations.
Monitoring Activities	Ongoing monitoring to ascertain that all components of internal control are present and functioning; ensures deficiencies are evaluated and corrective actions are implemented.

Source: COSO's 2013 publication, *Internal Control – Integrated Framework*.

The five components of internal control are supported by underlying principles that help ensure an organization achieves effective internal control. Each of the five components listed in Table B-1 above and their related principles must be present and functioning in an integrated manner to be effective. An effective system of internal control can provide reasonable but not absolute assurance that the organization will achieve its objectives.

Although an LEA's employees have some responsibility for internal control, the superintendent, board and other key management personnel have a higher ethical standard, fiduciary duty and responsibility to safeguard the LEA's assets.

Control Environment

The internal control environment establishes an organization's moral tone. It begins with the organization's leadership and encompasses employees' perception of the ethical conduct displayed by the governing board and executive management.

The control environment is the set of standards that enables other components of internal control to be effective in preventing and/or deterring fraud or illegal acts. It sets the tone for the organization, provides discipline and control, and includes factors such as integrity, ethical values and competence of employees.

The control environment can be weakened significantly by a lack of experience in financial management and internal control.

Control Activities

Control activities are a fundamental component of internal control and are a direct result of policies and procedures designed to prevent and detect misuse of an LEA's assets, including preventing any employee from overriding system controls. Examples of control and transaction activities include the following:

- **Performance reviews**: These compare actual data with expectations. In accounting and business offices, this most often occurs when budgeted amounts are compared with actual expenditures to identify variances and followed up with budget transfers to prevent overspending.
- **Information processing**: This includes the approvals, authorizations, verifications and reconciliations necessary to ensure that transactions are valid, complete and accurate.

- **Physical controls**: These are the processes and procedures designed to safeguard and secure assets and records.
- **Supervisory controls**: These assess whether the transaction control activities performed are accurate and follow established policies and procedures.
- **Segregation of duties**: This consists of processes and procedures that ensure no employee or group is placed in a position to be able to commit and conceal errors or fraud in the normal course of duties. In general, segregation of duties includes separating the custody of assets, the authorization or approval of transactions affecting those assets, the recording or reporting of related transactions, and the execution of the transactions. Adequate segregation of duties provides for separate processing by different individuals at various stages of a transaction, and for independent review of the work; these measures reduce the likelihood that errors will remain undetected.

Gift of Public Funds

Article 16, Section 6 of the California Constitution specifies that the state Legislature cannot authorize any county, city, or other political subdivision to make any gift of public funds to an individual or corporation. This prohibits making any gift of public money or items of value to any individuals (including public employees), corporations, or other government agencies. This constitutional prohibition is designed to prevent the misuse of public money.

Expending public funds for a direct and substantial public purpose, with only an incidental benefit to an individual, is unlikely to violate this constitutional prohibition. The existence, lack of, or absence of a direct and substantial public purpose is the primary factor in determining whether an expenditure is a gift of public funds.

To justify an expenditure of public funds, a governing board must determine that the expenditure will benefit the education of the LEA's students. Expenditures that most directly and demonstrably benefit students' education are more likely justified, but expenditures driven by personal motives are not, even if they have been a longstanding local custom or are based on benevolent intentions. If the LEA's governing board has determined that a particular type of expenditure serves a public purpose, courts will almost always defer to that finding. Therefore, if the LEA has a board policy stating that specific items are allowable, such as scholarships and awards, the expenditure will likely be considered allowable.

Gifts and awards to employees and/or students may be considered gifts of public funds unless the board has a policy that defines the parameters of allowable gifts and awards.

Appendix B

More About Transaction Sampling

The purpose of sampling transactions is to provide insight into all transactions. The larger the sample size, the more accurate and representative of all transactions the results can be. For example, if there are 100 ASB purchases and 10 are sampled, 10% of the purchases are sampled. If two of the 10 purchases sampled contain errors, then 20% of the sample has errors. This means that 20% of all 100 purchases, or 20 purchases, may also contain errors. Sampling is one of many methods used to gain insight into what is being audited. Sampling techniques such as random or targeted sample selections, as well as the auditor's judgment and experience, may also affect the results achieved and how data is sampled and evaluated.

FCMAT used a combination of random and targeted sampling methods for this audit. FCMAT developed and conducted audit procedures to analyze and evaluate allegations and identify potential outcomes. The audit scope, objectives, and substantive transaction testing were based on the FCMAT study team's experience and professional judgment. Transaction testing does not include testing or evaluating all available transactions and records.

Transactions selected were analyzed and compared to board policies, administrative regulations, operational practices, and industry standards or best practices. They were then evaluated for proper authorizations and reasonableness based on the team's judgment and technical expertise in school business operations, internal controls, and accounting best practices.

Sample testing and examination results are intended to provide reasonable but not absolute assurance that the transactions and financial activity are accurate, and/or to identify whether fraud, misappropriation of funds, or other illegal fiscal practices may have taken place during the period under review.

The initial audit period for sampling of the general ASB, eighth grade ASB, and PTO accounts was November 1, 2023 through July 31, 2025 (One year and nine months, or 21 months, for each of the three accounts, for a total of 63 months of account transactions). Because some bank statements from this time period for the three accounts were missing or not available, the team searched for statements outside of the specified period, as shown in Table B-1 below. This expanded sampling allowed the team to review more expenditure transactions, which provided a better representation of the total population of expenditure transactions. As shown in Table B-1 below, out of an expanded total of 102 months of account transactions, 41 months of bank statements containing expenditure transactions were available.

General ASB, Eighth Grade ASB, and PTO Expenditures Testing Results

Table B-1: General ASB , Eighth Grade ASB, and PTO Number of Bank Statement Months Sampled

Account	Total Number of Months	Number of Months Sampled	Percent Sampled
General ASB Account (8/1/2022 - 7/1/2025)	36	23	63.9%
Eighth Grade ASB Account (10/1/2022 - 7/1/2025)	34	8	23.5%
PTO Account (12/1/2022 - 7/1/2025)	32	10	31.3%
Totals	**102**	**41**	**40.2%**

Source: FCMAT sample testing data from district-provided bank statements.

The random sampling method described in this appendix and in the section titled, General ASB, Eighth Grade ASB, and PTO Expenditures — Transaction Sampling earlier in this report indicate how the transactions were selected. Bank statement deposit transactions were not audited.

Sixty-one (102 months minus 41 months) of the 102 months considered did not have bank statements, or presumably had no activity in months for which a bank statement was missing because the beginning and ending balance were the same. Because an expanded scope of 102 months of bank statements was chosen for audit, even though 61 of those months resulted in no auditable transactions, the remaining 41 months were considered sufficient to provide a representative number of transactions to be audited.

From the 41 sampled bank statements above, the team compiled and audited selected transactions in each bank statement. The bank statements audited included 124 general ASB, eighth grade ASB, and PTO accounts expenditures transactions, which are shown in Table B-2 below. The number of transactions to be sampled was determined by adding up all bank statement purchases and excluding any deposits. Because the number of months sampled was increased, the total population of 124 transactions is considered representative of the district's general ASB, eighth grade ASB, and PTO accounts purchasing pattern. Table B-2 below shows the population of expenditure transactions.

Table B-2: Number of General ASB , Eighth Grade ASB, and PTO Bank Statement Expenditure Transactions

Account	Number of Transactions	Number of Transactions Sampled	Percentage of Transactions Sampled
General ASB Account	61	43	70.5%
Eighth Grade ASB Account	67	58	86.6%
PTO Account	23	23	100.0%
Totals	**151**	**124**	**82.1%**

Source: FCMAT sample testing data from district-provided bank statements.

Once the number of months of general ASB, eighth grade ASB, and PTO accounts bank statements were determined, the number of purchases in each statement month was compiled. Then each expenditure transaction's dollar amount was listed and totaled. The dollar amounts of the total number of purchase transactions are shown below in Table B-3.

Table B-3: Dollar Amount of General ASB , Eighth Grade ASB, and PTO Bank Statement Expenditure Transactions

Account	Dollar Amounts of Total Transactions	Dollar Amounts of Sampled Transactions	Percentage of Dollar Amounts Sampled
General ASB Account	$ 11,240	$ 11,115	98.9%
Eighth Grade ASB Account	$ 11,334	$ 11,292	99.6%
PTO Account	$ 1,953	$ 1,953	100.0%
Totals	**$ 24,528**	**$ 24,360**	**99.3%**

Source: FCMAT sample testing data from district-provided bank statements.

As shown in Tables B-2 and B-3 above, even though there were many missing or unavailable bank statements, because the team sampled 82.1% of the available transactions and 99.3% of the dollar amount of those transactions, the sample results were considered representative of the district's purchasing, documentation, and internal control procedures for its general ASB, eighth grade ASB, and PTO accounts.

Appendix C

Criteria 1 and 2 Sample Results

Table 1 in the section titled, General ASB, Eighth Grade ASB, and PTO Expenditures — Transaction Sampling earlier in this report shows the sample results for criteria 1 through 3. The majority of the internal control failures were in meeting criteria 1 and 2. The three sample criteria are as follows:

1. The expenditure transaction receipt or other documentation was available.
2. The expenditure transaction was properly authorized by the school principal/administrator/designee (this signature on the expenditure documentation means it was properly authorized).
3. The expenditure transaction, itemized receipts, invoices, or other supporting documentation or explanation about the purpose of the transaction is reasonable and overall was determined to serve a public purpose.

As shown in Table C-1 below, numerous transactions failed to meet criteria 1 and 2. These two criteria are typically related because a failure to meet criterion 1 (a receipt or other document is available) typically results in a failure to meet criterion 2 (proper authorization), because authorizations are typically shown on a receipt or other documents.

Table C-1: Failures to Meet Criteria One and Two

Account	Total Transactions	Criteria One and Two Failures	Percentage of Failures	Total Dollar Amounts	Criteria One and Two Failures Dollar Amounts	Dollar Percentage of Failures
General ASB Account	43	19	44.2%	$ 11,115	$ 3,104	27.9%
Eighth Grade ASB Account	58	54	93.1%	$ 11,292	$ 9,823	87.0%
PTO Account	23	19	82.6%	$ 1,953	$ 1,675	85.8%
Totals	**124**	**92**	**74.2%**	**$ 24,360**	**$ 14,602**	**59.9%**

Source: FCMAT sample testing data from district-provided bank statements.

Note: Dollar amounts and other figures are rounded.

Appendix D

Monday, January 26, 2026, 5:01 p.m. Email to Former Business Clerk

Hi [Former Business Clerk].

We are contacting you again because we did follow up with Walmart and PG&E regarding the alleged transactions using the district ASB debit card of $2,000, $1,000, $2,000, and $2,000 paid on 12/18/2024 at 17:17, 12/18/2024 at 17:27, 12/19/2024 at 11:22, and 12/20/2024 at 08:58 respectively. We refer to all four alleged transactions on three different days as the "Walmart Transactions."

Walmart provided copies of the transaction report for each amount. These reports do not show which accounts the Walmart Transactions were allegedly applied to, but they do confirm the transaction location, (Walmart), terminal, amount, payment method number (e.g., debit card ending in 5580 — the ASB bank account debit card), date, time, and other coded data. Walmart also printed an example terminal receipt that would have been issued when a bill payment is made at Walmart. Walmart could not confirm that the Walmart Transactions were applied to any of the district PG&E accounts, and the district does not have any terminal receipts showing that district PG&E accounts were paid.

Because we have the Walmart Transaction reports, and because you explained that you did not receive any cash— and that your attorney may be working on obtaining Walmart video footage showing that — we have proceeded to take you at your word and have reviewed the Walmart Transaction as if you did not receive any physical cash. This helps with keeping the analysis simple and aligns with your recommendation to review the PG&E billing from December 2024 through February 2025, the months that at best should show the Walmart Transactions in the PG&E monthly billing statements. This means if the Walmart Transactions using the ASB debit card were used to pay any PG&E bills connected to any of the three the district PG&E accounts, those four Walmart Transactions should be shown in the monthly PG&E statements or PG&E Billing and Payment History – Billing Summary reports (summary report) in either December 2024, January 2025, and possibly February 2025.

PG&E confirmed there are only three district accounts and provided the summary reports for the accounts: XXXXXX5005-1, XXXXXX1669-2 and XXXXXX5426-0. The Walmart Transaction reports reconcile to the December 2024 ASB bank account debit card transactions listed in the ASB bank statement dated January 1, 2025. The four Walmart Transactions do not show up in any district reports such as the vendor detail report for PG&E or the warrant register. To us, these transactions missing from the district warrant system or reports are because the ASB bank account debit card was used which is a separate bank account not connected to the district's financial warrant system and the ASB was not reimbursed by the district general fund leaving the Walmart Transactions in the ASB student club trust bank account.

The PG&E summary report for each district account shows the three most important pieces of information, the transaction date, type (e.g., Payment or Bill) and amount. The PG&E monthly billing statements show more information including payments. Our review finds that the PG&E summary reports and monthly billing statements do not confirm any of the Walmart

Transactions you say you made for the district's PG&E accounts. We looked for any transaction remotely similar to or in combination of the $2,000, $1,000, $2,000, and $2,000 in the months before and after December 2024.

What we found by comparing the district warrants/checks and PG&E monthly billing statements and PG&E summary reports for all three PG&E accounts was that none of the Walmart Transactions using the ASB bank account debit card are shown in any of the three district PG&E accounts.

We also note that you provided us with a copy of a PG&E Final Notice Before Disconnection dated February 24, 2025. This notice further validates that no payments were made to the district PG&E account(s) following the Walmart Transactions in December 2024. If the Walmart Transactions had been applied to any district PG&E account, they would be expected to appear in PG&E's billing records and would likely have prevented the issuance of a final disconnection notice.

An overview of what we found reviewing the PG&E monthly statements and summary reports is as follows:

- **Account Number XXXXXX5005-1:** there are no payments of any kind shown in November 2024 through April 2025 for the ASB debit card transactions of $2,000, $1,000, $2,000, and $2,000. There is a payment in October 2024 of $6,668.55 which is from district b-warrant/check number 3000248401. There is a payment in May 2025 for $6,208.39 from a district b-warrant/check number 3000271887. These two payments reconcile with the district vendor history detail and b-warrant/check numbers. No district or ASB debit card or other type of card transactions are shown for this account, and all payments are accounted for with no evidence of the Walmart Transactions.
- **Account Number XXXXXX1669-2:** there are no payments associated with the ASB debit card for $2,000, $1,000, $2,000, and $2,000. There are no payments in December 2024, the month of the ASB debit card transactions but there are two b-warrant/check payments in January 2025 of $2,037.71 and $1,158.74 dated 1/28/2025 and 1/31/2025 respectively. These two payments were paid using district b-warrant/check numbers 3000265103 and 3000265639. The two January 2025 payments reconcile with the district vendor history detail and b-warrant/check numbers which means they are not debit card payments. There are two more payments in February 2025 of $2,037.71 and $40.94 dated 2/18/2025 and 2/24/2025 respectively. The $2,037.71 reconciles with the district vendor's history detail and b-warrant/check number 3000267213 and the $40.94 was paid using a card number ending in 6235. This also means these two payments are not associated with the ASB debit card Walmart Transactions.
- **Account Number XXXXXX5426-0:** there are no payments associated with the ASB debit card for $2,000, $1,000, $2,000, and $2,000. There is one payment in December 2024, the month of the ASB debit card transactions but it is for $354.86 and paid with district b-warrant/check number 3000259307. The December 2024 payment reconciles with the district vendor history detail and b-warrant/check number. This also means this payment is not associated with the ASB debit card Walmart Transactions. There were no other payments in January 2025 through April 2025.

You have explained to us that you needed to pay the PG&E bill due to an alleged PG&E termination notice. However, as described above, that notice is dated February 24, 2025, which is after the four December 2024 Walmart Transactions. It also remains unclear why four separate transactions were made on three consecutive days. As noted above, there are four individual ASB debit card transactions of $2,000, $1,000, $2,000, and $2,000 paid on 12/18/2024 at 17:17, 12/18/2024 at 17:27, 12/19/2024 at 11:22, and 12/20/2024 at 08:58 respectively tied to transactions at Walmart that you stated were used to pay the district PG&E bill. Based on our review, it is uncharacteristic that all four Walmart Transactions would not show up in any district PG&E accounts. You have made it clear to us that you made the PG&E bill payment which means you are the only person accountable for those transactions.

Walmart payment centers can be used to pay many types of bills (e.g., utilities, phone, cable, auto loans, rent, mortgages, credit card, insurance, gaming). Please think back to the Walmart Transactions using the ASB debit card and look for any receipts at your home that may help refresh your memory. We want to consider what you told us, but the Walmart Transactions you described do not appear in any district PG&E bills and payment summary reports. Maybe it is possible that you made a mistake in the account you thought you paid and paid some other personal bill of some type.

We really hope that the Walmart Transactions were a mistake you made by not paying the district PG&E bills. If this is the case, you can repay the $7,000 and we may disclose the repayment in our report.

Please let us know your response soon. If you choose, your attorney may contact us as well. If you make a payment to the district for $7,000, please make a copy of the payment method (e.g., personal check, cash, money order, cashier's check) and send it to us along with proof that the district received the payment (e.g., receipt from the district, and if by personal check – that it cleared your bank account).

Because we are now in the process of finalizing our report, we need your response by Friday, January 30, 2026, 5:00 p.m. If we do not hear from you, we will continue writing the report based on the information we have.

Thanks,

[FCMAT Signature]

Appendix E

Thursday, January 29, 2026, 12:19 p.m. Email From Former Business Clerk

Thank you for the detailed summary and for following up with Walmart and PG&E.

I have reviewed your letter carefully. I want to reiterate that at the time of the Walmart transactions in December 2024, it was my understanding and intent that I was making payments toward the district's PG&E obligations. I did not receive cash, merchandise, or any personal benefit from these transactions.

I acknowledge that the PG&E billing records you reviewed do not reflect the transactions in question and that Walmart cannot identify the specific biller associated with the payments. Unfortunately, I do not have terminal receipts from Walmart, and I understand that this limits the ability to trace the payments conclusively.

Considering the fact that I am no longer employed at the district and left all receipts in the district office, I do not have additional documentation that would clarify how the Walmart transactions were applied beyond what has already been provided. I remain willing to cooperate in good faith with any further reasonable review or clarification efforts.

Given the seriousness of the matter and the lack of definitive evidence showing the final application of the payments, I am consulting with legal counsel regarding the appropriate next steps.

Sincerely,

[Former Business Clerk]

Appendix F

Laws and Standards for District Expenditures

Education Code 42634 describes how payments should be handled and says, "Each order drawn against the funds of a school district shall be numbered and shall state: (a) the particular fund … (b) the amount of the payment … the order shall be accompanied by an itemized bill showing the separate items and the price of each." However, the Education Code does not define or detail the methods to properly document expenditures.

Education Code 44032 states,

> The governing board of any school district shall provide for the payment of the actual and necessary expenses, including traveling expenses, of any employee of the district incurred in the course of performing services for the district, whether within or outside the district, under the direction of the governing board.

This means the district is responsible for paying for its expenses and leaves how that should be done to the governing board. The governing board typically defines the operation and rules about how the district will function through board policies and administrative regulations. As stated in the Potential Gift of Public Funds section in the findings of this report and in Appendix A, the governing board has the authority to determine how an expenditure serves a public purpose.

Education Code 48934 allows for student body organizations in elementary school grade levels as follows:

> The funds of a student body organization established in the public schools for kindergarten and grades 1 to 6, inclusive, of any school district maintaining kindergarten and grades 1 to 6, inclusive, may be used to finance activities for noninstructional periods or to augment or to enrich the programs provided by the district.

Education Code 48938 is specific to student body funds such as the district's unorganized ASB and eighth grade ASB accounts. It states the following:

> In schools or classes for adults, regional occupational centers or programs, or in elementary, continuation, or special education schools in which the student body is not organized, the governing board may appoint an employee or official to act as trustee for student body funds and to receive these funds in accordance with procedures established by the board. These funds shall be deposited in a bank, a savings and loan association, a credit union, or any combination of these financial institutions, approved by the board and shall be expended subject to the approval of the appointed employee or official and also subject to the procedure that may be established by the board.

Appendix G

Study Agreement

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT FOR AB 139 REVIEW

This study agreement, hereinafter referred to as Agreement, is made and entered into by and between the Fiscal Crisis and Management Assistance Team, hereinafter referred to as the Team or FCMAT, and the Humboldt County Office of Education, hereinafter referred to as the Client or county superintendent of schools; collectively, Team and Client are hereinafter referred to as the Parties. This Agreement shall become effective from the date of execution hereof by FCMAT.

1. BASIS OF AGREEMENT

The Team provides a variety of services to local education agencies (LEAs). Pursuant to the provisions of Education Code (EC) 1241.5(b), county superintendents may review or audit the expenditures and internal controls of any school district in their county if they have reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. Furthermore, pursuant to the provisions of EC 1241.5(c), county superintendents may review or audit the expenditures and internal controls of any charter in their county if they have reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination.

The county superintendent of schools has requested that FCMAT assign professionals to conduct an Assembly Bill (AB) 139 review consistent with EC 1241.5 (b) or (c), as applicable. Such AB 139 review is in fulfillment of the county superintendent of schools' authority under EC 1241.5(b) or (c), as applicable. The review conducted by the county superintendent shall be focused on the alleged fraud, misappropriation of funds, or other illegal fiscal practices and shall be conducted in a timely and efficient manner. The assigned professionals will include FCMAT staff and may include professionals from county offices of education, school districts, charter schools, community colleges, other public agencies or private contractors. All professionals assigned shall work under the direction of FCMAT. All work shall be performed in accordance with the terms and conditions of this Agreement.

The county superintendent of schools has received information regarding possible fraud, misappropriation of funds or other illegal fiscal practices at the Loleta Union Elementary School District, hereinafter referred to as Subject Entity.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Review

1. The focus of this AB 139 review is to sample the Subject Entity's expenditures and supporting documentation, including the associated study body account, eighth grade account, and Loleta Elementary Parent Teacher Organization account, to determine whether school and/or student funds were used for reasons other than legitimate educational purposes.

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2. The team will review and test the Subject Entity's financial transactions for the funds above by sampling associated transactions for November 1, 2023 through July 31, 2025. Transactions selected for testing will be based on the Team's judgment as to sample size, sample selection technique and conclusion. Sample testing and review results are intended to provide reasonable but not absolute certainty about whether the Subject Entity's disbursements were sufficiently appropriate.

3. Based on the assessment performed, either recommend or not recommend that the county superintendent of schools notify the governing board of the Subject Entity, the State Controller, the state superintendent of public instruction, and the local district attorney that sufficient evidence exists to indicate that fraud, misappropriation of funds or other illegal fiscal practices may have occurred, and that the county superintendent of schools has concluded its review.

B. Services and Products to be Provided

1. Orientation Meeting for Client
The Team will conduct an orientation session at the Client's location to brief the Client on the Team's procedures and the purpose and schedule of the review. This orientation meeting shall be held prior to commencing fieldwork for the study.

2. Orientation Meeting for Subject Entity
The Team will conduct an orientation session at the Subject Entity's location to brief the Subject Entity's superintendent or head of school, as applicable, on the Team's procedures and the purpose and schedule of the review. This orientation meeting is normally held at the beginning of fieldwork for the review.

3. Fieldwork
The Team will conduct fieldwork at the Subject Entity and/or the Client's office and/or school site(s), or other locations as needed. Limited fieldwork may also be conducted remotely via telephone or videoconferencing services, in addition to the Public Safety Considerations outlined in Section 13 below.

4. Progress Reports
The Team will provide periodic written and/or verbal updates to the Client on any material issues as the review progresses. Such updates will normally be provided at the conclusion of fieldwork and the conclusion of the initial report writing phase but prior to the release of a draft report. Updates will also be provided at any time the Client requests.

5. Draft Report
An electronic copy of a preliminary draft report will be delivered to the Client's point of contact for review and comment.

6. Final Report
An electronic copy of the final report will be delivered to the Client's point of contact following completion of the review. FCMAT's work products are public and all final reports are published on the FCMAT website.

7. Follow-up Support
   The Team will meet with the Client and/or the Subject Entity to discuss the findings, conclusion and recommendation in the final report after the final report has been issued.

3. PROJECT PERSONNEL

The personnel assigned to the review will be led by a FCMAT staff person (job lead) and will include at least one other professional. FCMAT will notify the Client of the assigned personnel when the fully executed copy of this Agreement is returned to the Client.

FCMAT will communicate to the Client any changes in assigned project personnel.

4. PROJECT COSTS

The cost for AB 139 reviews shall be as follows:

A. $1,500 per day for each FCMAT staff member while conducting activities associated with the review. This includes, but is not limited to, planning, on-site or virtual document collection and review, interviews, conducting fieldwork at other locations, conducting analysis, preparing reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their daily rate for all work performed.

B. All out-of-pocket expenses, including travel and its associated costs, and miscellaneous items necessary to complete the scope and objectives of the study.

C. The applicable indirect rate at the time work is performed on the review will be added to all costs billed.

D. The Client will be invoiced for 50% of the not-to-exceed cost shown below following completion of fieldwork (progress payment) and the remaining amount shall be due upon the issuance of the final report (final payment). The Parties agree that changes documented in a revised study agreement may change the original not-to-exceed amount shown below. If changes are made before or during fieldwork, the new not-to-exceed amount documented in such a revised study agreement will constitute the basis for the progress payment. If changes are made after fieldwork, 100% of the total changed value documented in a revised study agreement, less progress payments made, will constitute the final payment due. All payments shall be due immediately based on the terms of the invoice.

   Based on the scope and objectives of the review, the total not-to-exceed cost of the review will be $95,000.

E. Any change to the scope of work will affect the total cost. Changes may include, but are not limited to, delays, revisions to the scope of services, and substitution or addition of personnel. The need for changes shall be communicated by FCMAT to the Client in advance in the form of a revised study agreement.

F. The Client may be eligible for full or partial reimbursement from the State of California for the costs of this review under EC 1241.5(b) or (c). Further information and the reimbursement request form are available on the FCMAT website at: Reimbursements to COEs 2025.pdf.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools, Administrative Agent, 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. RESPONSIBILITIES OF THE CLIENT

The Parties recognize that the Subject Entity is not a party to this Agreement. The Parties further recognize that many of the responsibilities outlined below are best fulfilled by the Subject Entity. The Client shall take responsibility to secure the Subject Entity's full cooperation with this AB 139 review and to facilitate the performance of each of the following responsibilities.

A. Notify the Subject Entity in writing that an AB 139 review has been requested and will commence. Provide FCMAT with a copy of this notice.

B. Return current organizational chart(s) that show the Subject Entity's management and staffing structure with the signed copy of this Agreement. Organizational charts should be relevant to the scope of this Agreement.

C. Provide private office or conference room space for the Team's use during fieldwork at the Subject Entity's facility or other facilities that FCMAT may agree to.

D. Provide for a Client and/or a Subject Entity employee to upload all requested documents and data to FCMAT's online SharePoint repository per FCMAT's instructions. Provide FCMAT with the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT with the signed copy of this Agreement.

E. Provide documents and data requested on the Team's initial and supplementary document request list(s) by the date requested.

   All documents and data provided shall be responsive to FCMAT's request, in quality condition, readable and in a usable form. With few exceptions, documents and data requested are public records and records maintained by LEAs in the routine course of doing business. Some data requested may require exporting LEA financial system reports to Microsoft Excel or another usable format agreed to by FCMAT.

   All documents shall be provided to FCMAT in electronic format, labeled as instructed by FCMAT. Upon approval of this Agreement, access will be provided to FCMAT's online SharePoint repository, to which the Client and/or the Subject Entity will upload all requested documents and data.

F. Ensure appropriate senior-level staff are available for the orientation meetings for both the Client and the Subject Entity.

G. Facilitate access to requested Subject Entity's board members, officers and staff for interviews.

H. Facilitate access to requested information and facilities to include, but not be limited to, files, sites, classrooms and operational areas for observation.

I. Review a draft of the report and return it to FCMAT by the date FCMAT requests with any comments regarding the accuracy of the report's data. The Team will review this feedback in a timely manner and make any adjustments it deems necessary before issuing the final report. This is a Client only responsibility; the Subject Entity is not provided a copy of the draft report.

J. Follow the recommendation of the report and make all necessary notifications as outlined in the report.

K. Return the requested evaluation survey to FCMAT as described below.

6. PROJECT SCHEDULE

Time is of the essence. The Parties acknowledge that the goal of the scope and objectives of the review under this Agreement is to produce a timely and thorough report that adds value for the Client. To accomplish this goal, the Parties agree to communicate and mutually agree to honor established time commitments. These commitments include the Client providing, or facilitating the provision of, requested documents, setting and keeping interview appointments and returning comments on the draft report consistent with the established project schedule.

The following project schedule milestones will be established by FCMAT upon receipt of a signed Agreement from the Client:

ACTION	TIMELINE
FCMAT provides Client with a draft Agreement.	Draft Agreements are usually provided within 30 business days Client's initial request for services.
Client returns partially executed Agreement to FCMAT along with the applicable Subject Entity organizational charts and the name and email of the person who will be responsible for collecting and uploading documents requested by FCMAT.	Draft Agreements are valid for 30 business days.
FCMAT returns a fully executed Agreement to the Client and identifies the project schedule and the lead and other personnel assigned to the job.	Within five business days of the Client's return of the signed Agreement.
Client and/or the Subject Entity uploads initial requested documents and data to FCMAT's online SharePoint repository.	Within 20 business days of the Client's receipt of the FCMAT document and data request list.
Fieldwork	Mutually agreed upon; usually, to commence within 20 business days of FCMAT's receipt of requested documents and data.

ACTION	TIMELINE
Orientation meeting for the Client	Prior to commencing fieldwork
Orientation meeting for the Subject Entity	First day of fieldwork at the Subject Entity's location.
Initial follow up fieldwork, if needed (e.g., rescheduled interview, additional interviews).	Mutually agreed upon; usually, within five business days of FCMAT's request.
Additional follow-up fieldwork, if needed (e.g., additional interviews).	Mutually agreed upon; usually, within five business days of FCMAT's request.
Client and/or the Subject Entity uploads supplemental documents and data to FCMAT's online SharePoint site repository.	Within two business days of the Client's receipt of FCMAT's supplemental document and data request(s).
Draft report submitted to the Client	To be determined, usually, within 90 days of the conclusion of fieldwork and receipt of all documents and data requested.
Client comments on draft report	Within 10 business days of FCMAT providing a draft report to the Client.

The Client acknowledges that project schedule deadlines build upon and are contingent on each previous deadline. Missed deadline dates will affect future deadline dates and ultimately the timing of the final report. For example, if the Client or the Subject Entity does not provide requested documents and data by the specified date, the fieldwork may not be able to proceed as originally planned.

The Parties acknowledges that the Subject Entity has an educational program to administer, is balancing many priorities, and in some cases may have records management difficulties, staffing capacity issues, staff on various types of leave, or other circumstances, all of which will affect the project schedule.

The Parties commit to regular communication and updates about the review schedule and work progress. FCMAT may modify the usual timelines as needed.

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will commence work as soon as it has assembled an available and appropriate review team, taking into consideration other jobs FCMAT has previously undertaken, assignments from the state, and higher priority assignments due to fiscal distress. The Team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the Client, the Subject Entity and any other related parties from which, in the Team's judgment, it must obtain information. Once the Team has completed its fieldwork, it will proceed to prepare a report. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed.

Upon written notice to FCMAT, the Client may terminate its request for service at any time up to the issuance of the draft report and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the Client does not provide written notice of termination prior to issuance of the draft report, the Team will complete its work and deliver its final report and the Client will be responsible for the full costs.

FCMAT may terminate this Agreement at any time if the Client or the Subject Entity fails to cooperate with the requested project schedule, provide requested documents and data and/or make staff available for interviews as requested by FCMAT.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the Client or the Subject Entity. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the Client or the Subject Entity in any manner without prior express written authorization from an officer of the Client or the Subject Entity.

9. RECORDS

The Client understands and agrees that FCMAT is a state agency and all FCMAT reports are public records and are published on the FCMAT website. Supporting documents and data in FCMAT's possession may also be public records and will be made available in accordance with the provisions of the California Public Records Act.

FCMAT has a records retention policy and practice, and every effort will be made to maintain records related to this Agreement in accordance with this policy.

10. CONTACT WITH PUPILS

Pursuant to EC 45125.1, representatives of FCMAT will have limited contact with pupils. The Client and the Subject Entity shall take appropriate steps to comply with EC 45125.1.

11. INSURANCE

During the term of this Agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the Client, automobile liability insurance in the amount required by California state law, and workers' compensation as required by California state law. Upon the request of the Client and receipt of the signed Agreement, FCMAT shall provide certificates of insurance, with the Client named as additional insured, indicating applicable insurance coverages.

12. HOLD HARMLESS

FCMAT shall hold the Client, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of FCMAT's board, officers, agents and employees undertaken under this Agreement. Conversely, the Client shall hold FCMAT, its board, officers, agents, and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of the Client's board, officers, agents and employees undertaken under this Agreement.

13. PUBLIC SAFETY CONSIDERATIONS

Whether due to public health considerations, extreme weather conditions, road closures, other travel restrictions or interruptions, shelter-at-home orders, LEA closures or other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the Client, and Project Schedule (Sections 2, 4, 5 and 6 herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

A. Orientation meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, or other means. References to fieldwork shall be interpreted appropriately given the circumstances.

B. Activities performed remotely that are normally performed in the field shall be billed hourly as if performed in the field (excluding out-of-pocket costs that can otherwise be avoided).

C. The Client may be relieved of its duty to provide conference and other work area facilities for the Team.

14. FORCE MAJEURE

Neither party will be liable for any failure or delay in the performance of this Agreement due to causes beyond the reasonable control of the party, except for payment obligations by the Client.

15. EVALUATION

In the interest of continuous improvement, FCMAT will provide the Client with an evaluation survey at the conclusion of the services. FCMAT appreciates the Client's honest assessment of the Team's services and process. The Client shall return the evaluation survey within 10 business days of receipt.

16. CLIENT CONTACT PERSON

The Client's contact person designated below shall be the primary contact person for FCMAT to use in communicating with the Client on matters related to this Agreement. At any time when this Agreement or FCMAT's process contemplates sending information, document request lists, draft report or final report, or when FCMAT makes other requests for the Client to act upon, this is the person whom FCMAT will contact. The Client may change the contact person upon written notice to FCMAT's job lead assigned to the review.

Name: Corey Weber, Assistant Superintendent of Business Services

Telephone: (707) 445-7066

Email: cweber@hcoe.org

FCMAT will ask the Subject Entity to also establish a contact person for FCMAT to use in communicating with the Subject Entity on matters related to the review.

17. SIGNATURES

Each individual executing this Agreement on behalf of a party hereto represents and warrants that he or she is duly authorized by all necessary and appropriate action to execute this Agreement on behalf of such party and does so with full legal authority.

For Client:

9/11/2025

Michael Davies-Hughes, County Superintendent Date
Humboldt County Office of Education

For FCMAT:

Michael H. Fine Digitally signed by Michael H. Fine
Date: 2025.09.12 08:32:46 -07'00'

Michael H. Fine, Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

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