

# **FAILING GRADE: ATASCADERO UNIFIED SCHOOL DISTRICT**

## **INTRODUCTION AND PURPOSE**

The Grand Jury received a citizen complaint regarding the Atascadero Unified School District's (AUSD) hiring of high school principal E.J. Rossi. The complaint cited allegations that Mr. Rossi misused Atascadero High School (AHS) school activity funds. Further, the complainant reported a pattern of misappropriation of funds by Mr. Rossi, citing his history at his former employer, the San Ardo Union School District (SAUSD). Mr. Rossi was the subject of a SAUSD internal audit and Monterey County District Attorney investigation that ended with Mr. Rossi agreeing to restitution of funds to SAUSD. The complainant questioned AUSD's failure to consider this background when promoting Mr. Rossi to principal.

This report seeks to determine whether the AUSD exercised due diligence and followed established district policy and procedure in the hiring and subsequent promotion of Mr. Rossi.

## **METHODOLOGY**

Interviews were conducted with the complainant, administrators at SAUSD and AUSD, a member of the media, a staff member at the Monterey County District Attorney's Office, The Monterey County Office of Education, a parent from AUSD and E.J. Rossi. The Grand Jury consulted written materials from various sources, including:

- AUSD Administrative Policies and Procedures Manual

- AUSD Annual District Audits for two years
- Atascadero High School Associated Student Body activity funds
- SAUSD Audit Report by Moss, Levy & Hartzheim LLP Certified Public Accountants
- Restitution agreement between E.J. Rossi and SAUSD
- Information from numerous media sources

## **NARRATIVE**

### **Background**

Mr. Rossi was employed as Superintendent/Principal for the SAUSD in Monterey County, California from September 2003 to July 2007. Mr. Rossi resigned this position in July 2007 and accepted the position of Assistant Principal at Atascadero High School in August 2007.

At the time Mr. Rossi was hired for the Assistant Principal position, AUSD conducted six reference checks, as per stated district practice. One of those references was a member of the San Ardo school board. When contacted by the Grand Jury, the San Ardo school board member stated the telephone reference was provided while Mr. Rossi was still employed at SAUSD and before missing funds were discovered. Overall the reference was positive. However, in the telephone reference check, the school board member specifically told AUSD of Mr. Rossi's weakness with "financial matters" and because of this, a business officer was hired to assist him. AUSD failed to include this information in documenting the reference.

Days after his departure, SAUSD discovered missing equipment and financial improprieties attributed to Mr. Rossi. Initially, it appeared the loss was approximately \$6,000. Mr. Rossi was contacted and agreed to pay back the missing funds and return items owned by the district including a laptop computer. However, after further review, SAUSD discovered the loss related to misappropriation of funds was significantly higher<sup>1</sup>. SAUSD's annual audit for fiscal year

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<sup>1</sup> A misappropriation is the intentional, illegal use of property or funds of another person for one's own use or other unauthorized purpose, particularly by a public official.

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2006-07 revealed improper accounting and missing documentation leading to a shortage of \$56,000. The audit documented that the shortages stemmed from several improper actions by Mr. Rossi including:

1. Over riding internal controls for disbursement of funds that resulted in payments of invoices without proper documentation or duplicate payments for the same invoice;
2. Without authorization, approving his own payroll with questionable payment of stipends, holiday and vacation time. “The previous superintendent [Mr. Rossi] was paid \$104,149.92 during the fiscal year, but his contract amount was \$88,000...the difference is primarily attributed to unauthorized and unapproved stipends of \$3,750 and superintendent approval of his own payroll action form authorizing receipt of 31 days of accrued vacation and holiday time ... accordingly, paying the superintendent for holidays and vacations as they occurred during the year would be a double payment”<sup>2</sup>
3. Without authorization, raising credit limits on two district credit cards issued to him from \$5,000 each to \$75,000 and \$45,000 respectively. Unauthorized personal items and services were charged.

Consequently, SAUSD reversed its agreement to accept only \$6,000 in restitution from Mr. Rossi and negotiations ended.

The Monterey County Office of Education reported the audit findings to the Monterey County District Attorney’s Office for investigation. Due to signs of misappropriation of public funds, the County Superintendent of Schools ordered an extraordinary audit.<sup>3</sup> The extraordinary audit confirmed the findings of the SAUSD annual audit.

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<sup>2</sup> Excerpt from SAUSD Schedule of Audit Findings and Questioned Costs June 30,2007

<sup>3</sup> Based on Assembly Bill 139 and Education Code Section 1241.5(c), a county superintendent of schools may audit the expenditures and internal controls of any school in the county if the superintendent has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices might have occurred.

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## **Promotion to Principal**

Meanwhile, AUSD was in the process of hiring a principal for the high school. Assistant Principal Rossi was among four candidates. Upon learning of his possible promotion, SAUSD both mailed and hand carried copies of the audit findings to all AUSD Board members and administration officials including the superintendent and director of human resources. A note was attached to the audits requesting AUSD to contact SAUSD prior to promoting Mr. Rossi. An AUSD administrator involved in the hiring process called the current superintendent of SAUSD and was advised of the ongoing investigation into Mr. Rossi's alleged misappropriations. Testimony revealed that this information was not shared with the hiring committee and it was disregarded because the audit referred to "the previous superintendent" rather than to Mr. Rossi by name. After the audits were delivered to AUSD, and prior to his promotion to principal, Mr. Rossi came to the human resources department, as well as the AUSD Superintendent, to explain he was under investigation. Both chose to treat this as a minor misunderstanding between Rossi and his former employer, and again, failed to inform the hiring committee.

As part of the hiring/promotion process, which is the same for both internal and external applicants, AUSD policy requires obtaining three references including the previous employer. Testimony revealed AUSD's practice is to conduct six reference checks. However, records show only two telephone references were obtained for Mr. Rossi. One reference was from a former mentor of Mr. Rossi. The other reference was from the Monterey County Superintendent of Schools. Both references were favorable. However, when interviewed by the Grand Jury, the County Superintendent denied being contacted for a reference and stated she was unaware Mr. Rossi had been promoted to principal. She further added that had she been contacted, she would have told AUSD of the audit and ongoing investigation into Mr. Rossi's misuse of funds. AUSD never contacted SAUSD board members who supervised him. The AUSD hiring committee recommended Mr. Rossi for principal and he assumed the position in August 2008.

## **Restitution Agreement**

The Monterey County District Attorney's Office concluded their investigation, determining there were significant concerns about the legitimacy of certain payments to Mr. Rossi while employed at SAUSD. However, according to the January 2009 District Attorney's report, due to "lack of oversight and accountability," as well as "careless or non-existent record keeping" by Mr. Rossi, his business manager and the district, there was insufficient evidence to support the criminal prosecution of Mr. Rossi. The report suggested that SAUSD pursue civil remedies to recover their financial loss in lieu of criminal prosecution.

In December 2009, Mr. Rossi signed a settlement and release agreement where he agreed to repay \$32,000 of the \$56,000 sought by SAUSD. Mr. Rossi admitted to the Grand Jury that he made mistakes while employed at SAUSD, but denied criminal wrongdoing.

The California Commission on Teacher Credentialing contacted SAUSD to enquire about the investigation into Mr. Rossi's activities. The commission has the authority to review allegations of misconduct and take actions including private admonition, public warning, suspension or revocation of a credential. As of April 15, 2010, this inquiry was still ongoing.

## **Atascadero High School Student Activity Funds**

The Grand Jury obtained numerous emails complaining about monies either paid or raised for student activities that never materialized or were significantly less than promised. The emails alleged Mr. Rossi transferred the monies from these activities to another account controlled by him and that he subsequently denied reimbursement for school activity related expenses. The Grand Jury investigated these allegations but was unable to find supporting documentation.

## **The Issues**

### **1. Did AUSD follow policy in hiring Mr. Rossi as assistant principal?**

Yes. It appears policies and procedures were followed when Mr. Rossi was originally hired at AUSD. However, the SAUSD board member who provided a reference told

AUSD human resources staff of Mr. Rossi's problems with school financing matters. This was not noted on the official AUSD reference form.

**2. Did AUSD follow policy and procedure in promoting Mr. Rossi as principal?**

No. All three top administrators who were interviewed stated it was the AUSD practice to "take the extra step" and conduct six reference checks, including former employers. Only two references were conducted, with one being a former mentor and the other being the Monterey County Superintendent of Schools who denied being contacted. The AUSD Superintendent stated it was policy that internal candidates for promotion be treated in the same manner as an external candidate. This was not the case in the promotion of Mr. Rossi.

**3. Did AUSD exercise due diligence in promoting Mr. Rossi?**

No. The AUSD human resources department, Superintendent, and other administrators were provided internal audit documentation from the SAUSD clearly outlining Mr. Rossi's financial improprieties. The human resources department administrator discussed the details of the audit and ongoing investigation with the new Superintendent of SAUSD and chose to not disclose this information to the other members of the hiring committee. Further, both the human resources department and the Superintendent were told by Mr. Rossi that the Monterey County District Attorney was investigating him and still they did not inform the hiring committee.

## **CONCLUSIONS**

The position of principal holds a high level of public trust and scrutiny, with direct access and authority over public taxpayer dollars intended for student education. The screening and vetting process for hiring a principal should be thorough and rigorous enough to meet the standards and responsibilities expected of a principal.

Based on testimony to the Grand Jury, it appears that because Mr. Rossi was well regarded as assistant principal, AUSD chose to disregard or dismiss critical information of his alleged misappropriation of public funds. The AUSD administrators and hiring committee completed only a cursory reference check at best and chose to treat the issue of possible financial wrongdoing by Mr. Rossi as a personal matter between himself and his former employer that did not apply to their decision making.

## **FINDINGS**

1. Significant information regarding problems with financial matters from a SAUSD board member was omitted by AUSD human relations staff in Mr. Rossi's reference check for the position of assistant principal.
2. Prior to Mr. Rossi's promotion to principal, AUSD administrators were aware that Mr. Rossi was under investigation for alleged misappropriation of public taxpayer funds at his former school district and in fact, were provided copies of pertinent audit findings outlining the specifics of the improprieties.
3. An AUSD administrator contacted the current SAUSD Superintendent and confirmed the audit findings, their fiscal losses and ongoing investigation of Mr. Rossi. This information was not disclosed to the hiring committee.
4. In a restitution agreement, Mr. Rossi repaid SAUSD \$32,000 of their \$56,000 in lost public funds.
5. AUSD practice, both for internal and external job candidates, is to conduct six reference checks. AUSD records indicate only two telephone references were done for Mr. Rossi, one from a former mentor and the other from the Monterey County Superintendent of Schools.

6. When interviewed by the Grand Jury, the Monterey County Superintendent of Schools denied being contacted by AUSD or providing a reference for Mr. Rossi.
7. Although there were complaints of misuse of Atascadero High School student activity funds by Mr. Rossi, the Grand Jury was unable to find supporting documentation.
8. AUSD failed to perform due diligence in their promotion of Mr. Rossi to principal.

## **RECOMMENDATIONS**

1. When hiring or promoting personnel to an administrative position with access to public funds, the AUSD should follow their stated practice to obtain six qualified references including former employers with direct supervision of the candidate.
2. The AUSD Board should implement a new policy requiring that when a civil or criminal complaint is lodged against a staff member, the superintendent conduct a full investigation and submit findings and recommendations to the board.
3. When hiring a candidate to a position with access to public funds, the AUSD should contract with an independent agency to conduct a systematic, objective pre-employment background check.
4. When complaints are received from parents or students, the superintendent should appoint an independent administrator to investigate the complaint and submit recommendations.

## REQUIRED RESPONSES

**The Atascadero Unified School District** is required to respond to Findings 1 - 8 and Recommendations 1 – 4. The responses shall be submitted to the Presiding Judge of the San Luis Obispo Superior Court by **September 16, 2010**. Please provide a copy of all responses to the Grand Jury as well.

The mailing addresses for delivery are:

| Presiding Judge                                                                                                          | Grand Jury                                                                      |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Presiding Judge Charles S. Crandall<br>Superior Court of California<br>1050 Monterey Street<br>San Luis Obispo, CA 93408 | San Luis Obispo County Grand Jury<br>P.O. Box 4910<br>San Luis Obispo, CA 93402 |