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## **Rojas and Martinez Subject of SEC Findings**

### **The Story Begins with the GS Bond**

The residents of the Montebello Unified School District voted to approve Measure GS to improve and upgrade neighborhood schools on June 7, 2017. Measure GS authorized the sale of \$300 million in bonds for school improvement. The MUSD Chief Business Officer at that time, Ruben Rojas, began to prepare for the initial bond offering of \$100 million during the summer of 2017.



Former MUSD CBO Ruben Rojas

However, he was placed on administrative leave for about a month due to allegations of improper conduct.

### **Auditor Alerted to Possible Fraud**

Shortly after Rojas returned to his duties, **allegations of fraud and improper procedures in the finance department were reported to the district's auditor.** The auditor indicated that they would need more time as well as access to financial records in order to perform additional procedures to determine the veracity of these allegations. The auditor requested to meet with the Board in closed session to discuss the allegations and explain the procedures needed to complete the 2016 audit. The auditor indicated that it would be unable to complete this audit on time under the circumstances.

**Rojas filed an offering for the sale of \$100 million in municipal bonds for MUSD in December 2016 *without mentioning the allegations of financial impropriety brought up by the auditor.*** He presented the 2015 audit to prospective investors without mentioning that the 2016 audit would be delayed, and that the auditor had requested permission to perform additional procedures to determine whether MUSD was using appropriate accounting methods.

## **Dr. Martinez Signed Fraudulent Document**

Dr. Martinez, who had been the interim superintendent for six weeks, signed the documents for the bond offering on behalf of the district. The day after the bond offering was sold, the auditor was fired. MUSD later hired a different auditing firm to perform its 2016 audit.

The Securities and Exchange Commission (SEC) determined that MUSD defrauded bond investors by not disclosing the allegations that the district auditor was attempting to investigate. Furthermore, by submitting the clean 2015 audit to potential investors, it misled them into thinking that the forthcoming 2016 audit would also be clean.



**Superintendent Anthony Martinez**

### **District and Superintendent Settle with SEC**

MUSD and Dr. Martinez reached a settlement with the SEC. The settlement does not include any admission of culpability. MUSD has agreed to establish appropriate written policies and procedures regarding municipal securities disclosures and provide ongoing employee training within 180 days. They also agreed to hire an outside consultant with municipal finance experience who has no connection to MUSD or its leadership. The consultant will provide written recommendations to MUSD within 180 days, and MUSD will either adopt the recommendations or appeal to the SEC to adjust any recommendations they may dispute. MUSD is required to disclose this settlement on any future bond issues and cease and desist from any future violations. [\*\*Dr. Martinez personally paid a \\$10,000 civil money penalty to the SEC.\*\*](#)

### **Charges of Impropriety against Rojas**

[\*\*The allegations against Ruben Rojas have resulted in charges of impropriety, including liability for materially misleading investors. His case remains pending.\*\*](#)

Meanwhile, the schools in MUSD are still in need of the repairs that the voters wanted to take care of when they approved Measure GS. Once the district has met the requirements of its settlement with the SEC, one can only hope that they will move forward, follow the appropriate procedures in making the next bond offering, and utilize these funds to improve the infrastructure of the schools so that the students can learn in a safe and positive environment.