

SUMMARY REPORT OF INVESTIGATION

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I. INTRODUCTION & SCOPE OF INVESTIGATION

In November 2022, the Office of the Washington State Auditor (SAO) issued a two-year accountability audit report for the Toppenish School District (TSD or District) for the period September 1, 2019, through August 31, 2021. The report included several findings in the areas of: (1) lack of oversight to ensure the superintendent's pay and benefits were in accordance with his approved written contract; (2) disbursements and credit card payments; (3) payment to a wrestling coach who did not perform any services; and (4) the District's relationship with a nonprofit organization.

TSD's Board of Directors retained Seabold Group to investigate and analyze the SAO's findings with respect to a broader period than was addressed by the SAO (fiscal 2020 and 2021). Seabold Group was also asked to investigate several additional areas of concern to include: (1) Mr. Cerna's overall stewardship of District resources and finances; (2) Mr. Cerna's management of contracts with online providers and vendors; (3) the extent of Mr. Cerna's relationship with the nonprofit Community Safety Network (CSN); (4) Mr. Cerna's role in lawsuits filed by current and former employees; and (5) Mr. Cerna's role in the investigation and termination of his son John L. Cerna in January 2022.

This is the third of three summary reports provided to TSD's Board of Directors. This reports addresses the following: (1) Mr. Cerna's relationship with CSN; (2) Mr. Cerna's role in the decision to pay his son, John L. Cerna, the full amount of his coaching stipend in 2022 before he was terminated, and his role in the investigation leading to that termination; (3) Mr. Cerna's relationships with three vendors: Larry Moran, Legal Shield, and New York Life Insurance; (4) Mr. Cerna's credit card activity and disbursements for travel expenses; and (5) Mr. Cerna's role in lawsuits filed against him and the District that were identified by witnesses.

II. EXECUTIVE SUMMARY OF FINDINGS & CONCLUSIONS

A. Community Safety Network (CSN)

Since CSN was incorporated in 2010, Mr. Cerna has allowed the organization to conduct its business using District facilities, free of charge. CSN listed TSD's central office address as its principal place of business and used the District's address as its principal mailing address. Mr. Cerna also allowed CSN to conduct weekly and/or biweekly meetings using the District's conference room. Multiple District staff

attended those meetings during District business hours and were not required to use personal leave. The District's business manager served as CSN's treasurer for over 5 years and was responsible for maintaining CSN's books and records. The business manager fulfilled that role during District business hours and did not ever use personal leave. Mr. Cerna admitted that he dedicated time to CSN during District business hours but did not ever report personal leave. He also said he had no expectation that any District employee report personal leave for the time they dedicated to CSN even if it was during District business hours.

Mr. Cerna also formed a wrestling booster club that operated under CSN. It was not separately incorporated contrary to District policy. Mr. Cerna admitted that he formed the booster club to circumvent Associated Student Body (ASB) rules and regulations. On behalf of the booster club, Mr. Cerna engaged in fundraising efforts that included soliciting donations from District vendors and local businesses. District Policy 6230 prohibits District staff from accepting gifts or favors from District vendors. Through the booster club, Mr. Cerna also organized wrestling tournaments using District facilities, all for the exclusive benefit of the Toppenish High School wrestling team. Mr. Cerna did not charge CSN or his booster club fees for using District facilities and there was no indication that he required proof of insurance required by District Policy 4260 and 4120P. Mr. Cerna admitted that he did not engage in similar fundraising activities for any other District athletic program.

At all relevant times, Mr. Cerna was an officer, director, or governor of CSN and he was the individual primarily responsible for managing or overseeing the activities of the booster club. In its November 2022 Report, the SAO concluded that the relationship between Mr. Cerna and CSN posed a potential conflict of interest. The SAO also found that during the audit period, Mr. Cerna authorized District funds to be used for wrestling-related expenses that were later reimbursed by CSN. The auditors found that this possibly constituted "lending of credit."

Finally, District Policy 6114 requires Board approval of any gifts or donations to the District. There was no evidence that the Board approved donations from CSN (or the booster club) to the high school wrestling program.

B. Investigation of John L. Cerna and Payment of Coaching Stipend

Mr. Cerna's son, John L. Cerna, was placed on leave in May 2021 as a result of a student complaint. [REDACTED], the assistant superintendent and director of human resources, assumed responsibility for investigating the allegations. [REDACTED] hired an outside investigator who concluded that many of the allegations against Mr. Cerna Jr. were supported. On January 5, 2022, after the investigation report had been provided to the Board, [REDACTED] was appointed interim superintendent for purposes of addressing the investigative findings. [REDACTED] determined there was probable cause to support Mr. Cerna Jr.'s termination and he provided him with notice of termination dated January 20, 2022.

There is credible evidence that Mr. Cerna was angry with [REDACTED] decision and that he tried to pressure [REDACTED] to put Mr. Cerna Jr. on probation instead of termination. There is also credible evidence that Mr. Cerna lost his temper with [REDACTED] after a Board meeting in January 2022, and told [REDACTED] if he had "done his f**king job," his son would still be employed. Mr. Cerna admitted asking [REDACTED] to place Mr. Cerna Jr. on probation but denied putting pressure on [REDACTED] to do so. Mr. Cerna also denied ever getting angry with [REDACTED] regarding his decision to hire an outside

investigator or his decision to terminate Mr. Cerna Jr. However, [REDACTED] was credible and his recollection was supported by two other witnesses who were also credible. Their recollections were consistent and none of them had a motive to fabricate.

Mr. Cerna Jr. missed the deadline for appealing his termination, and there is credible evidence that Mr. Cerna attempted to pressure [REDACTED] to extend the appeal deadline for his son. Mr. Cerna admitted that he asked [REDACTED] to extend the appeal period but denied that he tried to pressure [REDACTED] into doing so. [REDACTED] credibly stated that Mr. Cerna told him that [REDACTED] "owed" him for all that Mr. Cerna had done for him. [REDACTED] also credibly reported that Mr. Cerna told him that as superintendent, he had the authority to extend the statutory deadline for appealing a termination decision. [REDACTED] recollection was corroborated by documentary evidence and another witness with whom he had contemporaneous discussions about his conversations with Mr. Cerna.

Finally, the evidence establishes that on or about January 5 or 6, 2022, Mr. Cerna told the athletic director to pay Mr. Cerna Jr.'s full coaching stipend of \$7,108, two months after the season started, and two weeks before his termination. The evidence shows that there was no signed contract and Mr. Cerna Jr. did not perform any coaching duties. Two other coaches had been hired and paid \$2,718 each to replace Mr. Cerna Jr. in the 2021-2022 wrestling season. Mr. Cerna denied that he directed the athletic director to pay Mr. Cerna Jr., but the evidence establishes that his denial is not credible.

In its November 2022 report, the SAO found that payment of \$7,108 to Mr. Cerna Jr. was not allowable and recommended a legal review to determine if repayment was warranted.

C. Mr. Cerna's Relationships with Vendors

Witnesses identified three vendors with whom they had concerns: Larry Moran, Legal Shield, and New York Life.

Mr. Moran served as the District's insurance broker for a number of years. Witnesses reported that Mr. Cerna and Mr. Moran were close and that Mr. Cerna often traveled to Spokane to meet with Mr. Moran. The financial records reviewed by Seabold Group established that Mr. Cerna regularly sought reimbursement from the District for his travel expenses, which included mileage, meals, and lodging. Based on the limited documentation available to us, Seabold Group was unable to determine how many times Mr. Cerna traveled to Spokane to meet with Mr. Moran but it was often enough that witnesses raised their concerns without being specifically asked. Witnesses questioned the legitimacy of Mr. Cerna's business purpose for overnight trips to Spokane to discuss insurance. None of the documentation reviewed by Seabold Group provides any explanation of why it was necessary to travel to Spokane to discuss insurance instead of using the telephone or email.

Legal Shield is a for-profit company that provides subscriptions for legal services. New York Life Insurance is also a for-profit company. Witnesses reported that Mr. Cerna required District staff to attend sales presentations by Legal Shield and New York Life representatives at District offices.

D. Mr. Cerna's Credit Card Activity and Travel Disbursements

The SAO found a number of issues with Mr. Cerna's use of his District credit card and his reimbursements for travel expenses. The issues included failure to follow District policy, incomplete or missing documentation, miscoding expenses, and using general funds to pay for wrestling-related expenses instead of ASB funds. Seabold Group reviewed financial documentation before, during, and after the audit period considered by the SAO and found additional charges and reimbursements with similar deficiencies. Those occurrences are addressed in detail in the report. There were also examples of Mr. Cerna authorizing charges to his District credit card for his wife's air travel. The documentation noted that Mr. Cerna reimbursed the District, but the records provided by the District did not include documentation of the reimbursements.

E. Litigation Filed against the District and Mr. Cerna

Witnesses reported several lawsuits against the District and Mr. Cerna that they believed were triggered by Mr. Cerna's personnel actions. Those lawsuits resulted in large settlements and/or reinstatement of staff who were terminated. We summarize those cases in the report.

III. INVESTIGATIVE PROCESS

A list of witnesses interviewed in this investigation is attached as Appendix A. Mr. Cerna was interviewed twice with his counsel present. Seabold Group attempted to interview Mr. Cerna a third time to address his relationships with certain vendors and his role in litigation filed against the District. Mr. Cerna's counsel did not respond to our efforts to schedule a third interview. Accordingly, Mr. Cerna did not provide any information concerning the remaining issues identified above.

Seabold Group reviewed thousands of pages of financial records, personnel files, litigation records, and other relevant documentation. Seabold Group also reviewed documents produced by the SAO in response to our public records request for all documentation it received from the District in connection with the 2022 accountability audit.

This report is intended to be a summary report of factual findings. It is not intended as a comprehensive detail of all the information that was collected, reviewed, and considered as part of the investigation. The factual findings in this report are based on the entirety of the record considered by Seabold Group and are not limited to the information referred to in the body of this report.

IV. DETAILED SUMMARY OF EVIDENCE

A. Community Safety Network of Toppenish (CSN)

1. Background

CSN was incorporated in Washington State on March 29, 2010, as a nonprofit organization. Mr. Cerna was one of the founders and served as an officer and/or director, later referred to as "governor," until the spring of 2023. The articles of incorporation listed CSN's "registered office" as 306 Bolin Drive, Toppenish, WA 98948, which is the District's central office address.¹ The District's central office address

¹ The original articles of incorporation are attached as Exhibit 1.

was later added as CSN's principal business address until March 2023, when CSN changed its principal business office to 101 Lincoln Avenue in Toppenish.² It appears that CSN's principal activities included annual or biannual graffiti abatement and garbage clean-up in and around the City of Toppenish, and raising money for student scholarships. CSN was also one of several organizations that sponsored the annual Martin Luther King Peace March and "National Night Out."

2. CSN's use of District facilities and staff

District Policy No. 4260 governs the use of school facilities, stating in part:

The superintendent is authorized to establish procedures for use of school facilities, including rental rates, supervisory requirements, restrictions, and security. Those using school facilities will maintain insurance for accident and liability covering persons using the district's facilities under the sponsorship of the organization.

Since CSN's incorporation in 2010, Mr. Cerna permitted the organization to use District facilities to conduct business, free of charge. CSN held its weekly and bi-weekly meetings in a District conference room. Those meetings were attended by numerous District staff, including Mr. Cerna, during District business hours. Mr. Cerna said he had no expectation that District staff use personal leave for the time they dedicated to CSN even if it was during their normal District work hours. Mr. Cerna also permitted CSN to use the Toppenish Middle School to stage its clean-up and graffiti removal events.

██████████, the District's business manager, served as CSN's treasurer for five and a half years. He said Mr. Cerna "voluntold" him to fill that role. ██████████ was responsible for CSN's books and records and said he viewed his CSN role as a component of his District duties and responsibilities. ██████████ also attended CSN's annual retreats. He said the retreats were held Friday through Sunday, with Friday being a travel day. ██████████ said he never used personal leave for the time he spent working on CSN activities.

██████████, the District's accounting director, replaced ██████████ as CSN's treasurer in or about July 2022. ██████████ said he began attending CSN meetings at the District offices soon after being hired, and eventually became CSN's treasurer in July 2022. ██████████ said he did not feel any pressure from Mr. Cerna to become CSN's treasurer. ██████████ said he did not use personal leave to attend CSN meetings, but instead treated his attendance at those meetings as flex time. ██████████ said he attended CSN's retreat in the summer of 2022 and reported two days of vacation to attend the event. He recalled that several other District staff also attended the retreat, but he did not know if any of them reported vacation leave. ██████████ resigned as CSN's treasurer in the spring of 2023.

Mr. Cerna stated that he never used personal leave for the time he dedicated to CSN activities. He believed his involvement in the organization fell under his duties and responsibilities to be involved in the community. He also said he was never compensated by CSN, but the organization paid for his travel expenses to attend retreats. In its review of financial records, Seabold Group discovered that there were

² CSN also used the District's address as its principal mailing address. Mr. Cerna said that one of the other founders typically collected and processed CSN's mail. CSN also provided an unrelated post office box address, and it is unclear how much mail was delivered to the District office versus the post office box.

also occasions when Mr. Cerna sought and received expense reimbursement from the District for attending CSN events.

3. Mr. Cerna formed a wrestling booster club that operated under CSN

District Policy No. 4120P states in relevant part:

The following guidelines are provided for use by booster and/or PTSA/PTSO groups which are involved in money-raising activities:

- a) Local booster clubs and PTSAs/PTSOs should be incorporated as nonprofit organizations.
- b) In order to receive nonprofit status, the group must file articles of incorporation and bylaws with the Secretary of State. A nonprofit organization must adhere to state laws [RCW 24.03].
- c) The board of directors of the school district has established a fee schedule that governs the use of facilities by a school-support organization.
- d) The nonprofit organization must operate without cost to the district.
- e) The Washington State Gambling Commission, the Department of Licensing and the Internal Revenue Service have licensing regulations covering fund raising activities by nonprofit corporations.
 - i. A nonprofit corporation may conduct sales or benefit affairs which include athletic or sports events, bazaars, benefits, campaigns, circuses, contests, dances, drives, entertainments, exhibitions, expositions, parties, performances, picnics, sales, social gatherings, theaters, and variety shows;
 - ii. A nonprofit corporation may operate bingo activities, raffles, and amusement games under requirements regulated by the Washington State Gambling Commission (RCW 9.46); and
 - iii. A charitable organization involved in sales and benefits grossing over \$5,000 must obtain IRS recognition.

Mr. Cerna and another long-time District employee formed and managed a wrestling booster club that operated under the CSN umbrella.³ The wrestling club was not separately incorporated and did not obtain IRS recognition. Mr. Cerna said that he established the club under a private entity to avoid Associated Student Body (ASB) rules and regulations governing fundraising and spending for athletics. Mr. Cerna admitted that he engaged in fundraising activities, which included soliciting donations from District vendors and local businesses and sponsoring wrestling tournaments using District facilities.

³ It is unclear when this club was formed, but some witnesses recalled it might have been 2017 or earlier.

These fundraisers were for the exclusive benefit of the Toppenish High School wrestling program.⁴ The money derived from those fundraising activities was used to pay for travel expenses to national tournaments, uniforms, championship rings, and other wrestling-related expenses. Mr. Cerna said that he did not undertake fundraising efforts for any other District athletic program.

It was reported to Seabold Group that just before Mr. Cerna was placed on administrative leave, he demanded to be paid \$10,000 from CSN funds. A witness said the demand was made to ██████████ and that he refused to pay Mr. Cerna. ██████████ denied the allegation that Mr. Cerna demanded payment of \$10,000. ██████████, CSN's treasurer at the time, said that Mr. Cerna requested approval from CSN's board of directors to transfer \$4,000 from CSN's general fund to the wrestling club, to pay for rings because there were no funds available in the wrestling booster club account. ██████████ said he reviewed the invoice for the purchase of the rings and oversaw the transfer of funds to pay the invoice.

Mr. Cerna resigned from CSN in March 2023, and the wrestling club, under CSN, has been disbanded.

4. The "Renaissance Booster Club" operated under CSN

Until March 2023, the Toppenish Renaissance Booster Club also operated under the CSN umbrella. This club was formed to support District students and staff through recognition and rewards. Under Mr. Cerna, numerous District staff traveled to national renaissance conferences, held at different locations every year, at the District's expense. In March 2023, the Renaissance Club filed articles of incorporation as a charitable nonprofit organization. ██████████ became one of the directors and serves as the entity's registered agent. Since March 2023, the Renaissance Club has operated separately and apart from CSN.

5. SAO findings regarding the District's business relationship with CSN

In its 2022 audit report, the SAO found that:

The District conducted business with a nonprofit organization [CSN] that District administrators held governing roles with, and did not establish terms and conditions of the relationship in a written agreement.⁵

The auditors also found that CSN had assisted the District "in paying for out-of-state tournaments for the high school wrestling team, as well as other community-building events." The auditors discovered that the District initially paid the travel expenses for wrestlers and was later reimbursed in the amount of \$9,909 by CSN. The SAO concluded that this arrangement posed a potential conflict of interest because Mr. Cerna and ██████████ were making decisions on behalf of both organizations at the same time. The auditors also found that the District's actions possibly constituted "lending of credit" to CSN in violation of state law.

⁴ The District's Policy No. 6230 "Relations with Vendors" states that District staff "will not accept a gift or favor from vendors or prospective vendors . . . who have had or hope to have transactions with the district." Policy No. 6114 provides that gifts or donations to the District "will be subject to board approval." We found no record that the Board ever approved gifts or donations from CSN to the high school wrestling program.

⁵ The November 2022 Audit Report is attached as Exhibit 2.

Regarding the use of District facilities and attendance of District staff during business hours without taking leave, the SAO found:

While employees can attend [CSN's] meetings during their personal time, this is not an appropriate use of their paid District time.

The District disputed the SAO's findings that the relationship between CSN and the District posed a conflict of interest. The District also disputed the auditors' conclusion that the District lacked systems to prevent the District from loaning credit to CSN. In its rebuttal, the District stated:

The business transactions at issue with the non-profit are not an example of a system failure, rather they are examples of how internal controls are working properly at Toppenish School District. This was an error by an employee that was recognized immediately by the business department and corrected in a timely manner. In both instances, separated by a year each, the transactions were immediately flagged and corrected. The first instance was corrected on the same day; the second instance was flagged and corrected within a week. No lending of credit occurred in either instance as both the charge and reimbursement were receipted in the same reporting period and cancelled each other out. Furthermore, outside of these two instances, no other examples of this error occurred in FY20, 21, and 22. It is not reasonable to hold these two errors as proof that there is a business relationship between the district and non-profit; no such business relationship exists.⁶

The SAO replied:

Our audit identified District resources were used to pay for non-District transactions on four separate occasions, which is considered a lending of public credit and was not an isolated occurrence. Further, in their positions as District administrators and governors of the nonprofit organization, the Superintendent and Business Manager are involved in making decisions on behalf of both parties at the same time, which may be a conflict of interest. We reaffirm our finding and will follow up on the status of the condition during the next audit.

The SAO reviewed District records for the period September 1, 2019, through August 31, 2021. Seabold Group reviewed a sample of Mr. Cerna's charges to his District credit card from August 2015 through August 2017 (several months of statements were missing from the documents provided by the District). There was at least one additional occasion of Mr. Cerna authorizing charges on his District credit card for the wrestling program that were reimbursed by CSN.⁷

⁶ ██████████ said the District's response to this finding was prepared with the assistance of District counsel.

⁷ Mr. Cerna's 2015-2017 credit card statements and reconciliation reports are attached as Exhibit 3. Mr. Cerna authorized a charge of \$840 on January 23, 2017, to pay for wrestling uniforms. The District was reimbursed by CSN on January 24, 2017. The purchase of uniforms was coded to 9735-12-5000, which according to the business manager is an account used to record overhead expenses. See Exhibit 3, p. 1284.

B. The Investigation of John L. Cerna and Payment of his Coaching Stipend in 2022

1. The Investigation of John L. Cerna (Mr. Cerna Jr.)

Background

In May 2021, Mr. Cerna Jr. and his wife, Bertha Cerna, also a District employee, were placed on administrative leave due to misconduct allegations made by a minor female high school student. Mr. Cerna Jr. was the assistant principal at the high school and the head wrestling coach when he was placed on administrative leave.

██████████, the District's assistant superintendent and Human Resources (HR) director, assumed responsibility for the investigation of the claims against the Cernas. ██████████ said that the Yakima County Sheriff's Office (YCSO) initiated a criminal investigation and requested that he delay the District's administrative investigation of the Cernas. ██████████ said he agreed and held off initiating an investigation for approximately two months. In August, ██████████ met with YCSO detectives, who told ██████████ they had no objection to the District moving forward with its investigation. Accordingly, ██████████ retained Sarah Wixson, an outside investigator, to conduct the investigation.

██████████ said that initially, Mr. Cerna did not express any concerns or complaints about the investigation. As the process continued, however, he became upset with the amount of time it was taking and the cost. ██████████ said that Mr. Cerna asked constantly, "When is it going to be over?" and at some point, suggested that the investigator was "not going to find anything because there was nothing there."⁸ Mr. Cerna reportedly referenced text messages but said that his son "wasn't going to lose his job over that."

Ms. Wixson concluded her investigation and prepared a report dated January 4, 2022, in which she found that most of the allegations against Mr. Cerna Jr. were supported.⁹ The report was shared with the Board, and on January 5, 2022, the Board appointed ██████████ as interim superintendent for all matters relating to allegations of misconduct against Mr. Cerna Jr. and his wife, Bertha Cerna.

██████████ said that following a January 18, 2022 board meeting, during which the Board and Mr. Cerna were informed of a no confidence vote by the Toppenish Education Association, Mr. Cerna confronted him outside the meeting room. ██████████ recounted that in an angry voice, Mr. Cerna said to him, "If you would have done your f**cking job, Johnny would still be here." ██████████ said he replied that he did not deserve that from Mr. Cerna, and he was going to confront him but, instead, decided to walk away.¹⁰

⁸ Another witness reported hearing Mr. Cerna make similar comments.

⁹ Ms. Wixson's report is attached as Exhibit 4.

¹⁰ After the Board learned of the no confidence vote, they went into executive session to discuss Mr. Cerna's evaluation. It was then announced by President Jimenez during the public session that the Board was extending Mr. Cerna's contract and had approved a 3% raise to be applied retroactively to July 2021. The SAO later found that the retroactive raise violated state law.

Another witness interviewed in the investigation said he observed the exchange, stating:

One night after a Board meeting, John walked by and yelled at him (referring to [REDACTED]), "If you had done your f**king job right, Johnny would still have his job."

The witness also recalled Mr. Cerna say that [REDACTED] should have said "nothing to the Board" and, instead, should have told them that "the investigation found nothing." The witness stated that the investigation report was already final when Mr. Cerna made the comments to [REDACTED]. The witness also recalled that Mr. Cerna was angry that [REDACTED] had hired an outside investigator and told [REDACTED] that he should have conducted the investigation himself. The witness said that [REDACTED] replied to Mr. Cerna that he did not deserve his comments, hesitated as though he was going to confront Mr. Cerna, and then turned and walked away without saying anything more.

[REDACTED] met with Mr. Cerna Jr. on January 19, 2022, during which Mr. Cerna Jr. was given an opportunity to dispute the investigative findings and provide additional information. Following that meeting, [REDACTED] concluded that the allegations were supported and warranted termination. [REDACTED] said he informed Mr. Cerna of his decision during a meeting in Mr. Cerna's office on January 19, 2022. [REDACTED] said the conversation was initially "okay", but then there was a "flip of the switch." He said Mr. Cerna became angry and told [REDACTED], "I need a favor, put them on probation." He also said, "I've been good to you" and continued to push [REDACTED] to put the Cernas on probation instead of terminating them.

[REDACTED] did not change his decision to terminate the Cernas and he provided them with termination letters dated January 20, 2022.¹¹ The documentation included their appeal rights, which required them to file an appeal within 10 days (by January 30, 2022). [REDACTED] said he was shocked to learn that they both missed the filing deadline. [REDACTED] said on February 1, 2022, he received a call from Mr. Cerna, who told [REDACTED] he wanted to meet with him in Mr. Cerna's office immediately. As he was driving back to the District offices, he received a call from the District's attorney, who asked [REDACTED] to pull his car to the side of the road. The attorney then informed [REDACTED] that he had just spoken to Mr. Cerna and informed him that his son had missed the appeal deadline. The attorney told [REDACTED] that Mr. Cerna yelled, "F**k" and "hung up on him." The attorney said he was calling [REDACTED] to give him a "heads up."

[REDACTED] said he continued to the District offices and met with Mr. Cerna alone. He said Mr. Cerna accused him of withholding information about Mr. Cerna Jr.'s appeal rights. [REDACTED] disputed the allegation and told Mr. Cerna that the appeal rights were clearly explained in the letter of termination. Mr. Cerna insisted on calling his son while they were together in his office. Mr. Cerna put Mr. Cerna Jr. on the speaker phone, and he also accused [REDACTED] of withholding information about the 10-day period for appeal. [REDACTED] told Mr. Cerna Jr. the same thing, namely that the paperwork clearly explained the appeal process and timeline.

[REDACTED] reported that Mr. Cerna ended the call with his son, then told [REDACTED] that he "owed" Mr. Cerna after everything Mr. Cerna had done for him. [REDACTED] reported that Mr. Cerna also said

¹¹ A copy of Mr. Cerna Jr.'s letter is attached as Exhibit 5.

that [REDACTED] had the authority as superintendent to extend the appeal deadline. [REDACTED] said he questioned Mr. Cerna's assertion and told Mr. Cerna that was a question for the lawyers. [REDACTED] said that Mr. Cerna told him there was no need to contact the lawyer and repeated that [REDACTED] could extend the appeal deadline.¹² [REDACTED] said he insisted on involving a lawyer, which he did. He contacted outside counsel and was told that he had no authority to change the deadline. [REDACTED] said he then shared his conversation with the lawyer with Mr. Cerna. Mr. Cerna told [REDACTED] he was going to be receiving a letter of appeal from Mr. Cerna Jr. anyway.

After that conversation, Mr. Cerna provided a copy of an appeal letter to [REDACTED] on behalf of Mr. Cerna Jr. The letter was dated February 1, 2022. The next day, he provided a revised version of the letter, signed on February 2, 2022.¹³ With the help of the District's counsel, [REDACTED] sent Mr. Cerna Jr. a letter dated February 4, 2022, denying his request for an extension of the statutory appeal deadline.¹⁴

Mr. Cerna

Mr. Cerna said he learned of the allegations against Mr. Cerna Jr. from [REDACTED] and that after discussions with the Board president, it was decided that he would not be involved in any way in the investigation of the Cernas. Mr. Cerna said he eventually learned that [REDACTED] hired an outside investigator but denied that he ever criticized [REDACTED] for not conducting the investigation himself. Mr. Cerna said there came a time when he expressed frustration because he thought the investigation was taking too long and there was insufficient communication with the community.

Mr. Cerna said the outside investigator never interviewed him and he did not believe he had relevant information until after the investigation report was released. Mr. Cerna said he disagreed with some of the findings, including the investigator's finding that Mr. Cerna Jr. was under the influence on District property during business hours. He also said he believed that some of the witnesses lied to the investigator but did not provide any details. Mr. Cerna denied reviewing the documentary evidence (texts messages) but said he spoke to Mr. Cerna Jr. about the texts and believed his son's denials that the texts were sent by him.

Mr. Cerna denied that he ever tried to influence [REDACTED] decisions regarding his son and daughter-in-law. He acknowledged that he asked [REDACTED] to extend the appeal deadline after learning that Mr. Cerna Jr. had missed it. Mr. Cerna said that [REDACTED] spoke to the lawyer and was informed that the deadline could not be extended. Mr. Cerna said, "So it was done, that was the only thing I asked Shawn." Mr. Cerna denied that he told [REDACTED] that as superintendent [REDACTED] had the authority to extend the appeal deadline.

¹² [REDACTED] said the February 1, 2022 conversation with Mr. Cerna was the "hardest, worst day in his professional career." Another witness stated that she spoke to [REDACTED] after a meeting with Mr. Cerna and he was "shaken and terrified" by Mr. Cerna's comments. [REDACTED] told the witness, "if I end up in the ditch, I need you to know what Cerna said." This witness said she was also informed by [REDACTED] that Mr. Cerna had asked him for a favor of putting the Cernas on probation instead of terminating them.

¹³ Both letters are attached as Exhibit 6.

¹⁴ A copy of the denial letter is attached as Exhibit 7.

Mr. Cerna was asked whether or how he learned that [REDACTED] was recommending termination of the Cernas. Mr. Cerna did not recall but added that he asked [REDACTED] if he would consider putting Mr. Cerna Jr. on probation and was told no. "I just lived with it. I didn't say anything."

Mr. Cerna denied that he ever got angry with [REDACTED] regarding any of his actions and decisions related to the investigation and termination of the Cernas. He also denied that he ever told [REDACTED] that he "owed" Mr. Cerna for all that he had done for [REDACTED].

2. Mr. Cerna Jr.'s Coaching Stipend

Background

Every year, the District's athletic director presented a proposed list of coaches and advisors to be approved by the TSD Board of Directors for the upcoming school year. The Board regularly approved the list as a consent agenda item. Even though Mr. Cerna Jr. was on administrative leave when the list was presented to the Board on July 27, 2021, his name was included. At that point in the process, no contracts had been prepared or signed.¹⁵

SAO Audit Finding

In its November 2022 report, the auditors found that the District had paid Mr. Cerna Jr. \$7,108 to coach the high school wrestling team even though there was no signed contract and Mr. Cerna Jr. did not perform any coaching duties.¹⁶ The SAO further found that Mr. Cerna Jr.'s "Personnel Notice of Employment" to contract with him for coaching duties in the 2021-2022 school year was signed in January 2022, two months after the season started and two weeks before he was terminated. The SAO stated that the District was unable to produce "any evidence that the Board knew about the contract and payment." In its report, the SAO concluded:

Without an approved supplemental contract, the District paid the former Vice Principal for coaching duties that he never fulfilled. Therefore, we determined this \$7,108 payment was unallowable.

The SAO recommended that all supplemental contracts be approved by the Board, going forward, and that the District undertake a legal review to determine if repayment was necessary or required by law.

The District disagreed with the auditors' finding, claiming there was a valid contract and the District was obligated to pay Mr. Cerna Jr. even though he was on leave.¹⁷ In its response, the District further claimed that it "weighed the financial risks associated with him (referring to Mr. Cerna Jr.) filing a wage withholding lawsuit against the value of his coaching contract." District staff most closely involved in the

¹⁵ The consent agenda item was described as: "Approval of 2021-22 Athletic Coaches and Activity Advisory Assignments."

¹⁶ A copy of the unsigned, proposed coaching contract provided to Sebold Group by the SAO is attached as Exhibit 8.

¹⁷ In his communications with the auditors, [REDACTED] acknowledged no signed contract existed for Mr. Cerna Jr.

audit on the District's side were [REDACTED] and [REDACTED]. District witnesses said that legal counsel assisted the District in drafting some of its responses to the SAO.¹⁸

The SAO rejected the District's position and reaffirmed its finding that the payment was not allowable.

Witness Statements

The District's athletic director stated that he believed he had canceled the coaching stipends for both Cernas near the beginning of the wrestling season (late October or November 2021) because he knew that they were on administrative leave.¹⁹ He said as the athletic director, he had the authority to hire and fire coaches with or without cause.

The athletic director said he believed that near the end of December 2021, Mr. Cerna learned that his son was not receiving stipend payments. The athletic director said Mr. Cerna told him even though his son was on leave, he still needed to get paid. The athletic director said he disagreed with Mr. Cerna but he was directed to reinstate the stipend and pay it in full. The athletic director said that Mr. Cerna never said anything about reinstating Ms. Cerna's stipend. The athletic director said all of his conversations with Mr. Cerna about Mr. Cerna Jr.'s stipend were verbal.

The athletic director informed the investigator that he believed that Mr. Cerna called him on January 6, 2022, and told him to reinstate his son's coaching contract. Seabold Group received copies of his email communications with HR staff regarding Mr. Cerna Jr.'s stipend. Those communications began on January 6, 2022.²⁰ Below is a summary.²¹

January 6, 2022, at 3:09 p.m. – HR to the athletic director:

Before I can submit the added contract to payroll, please submit a PERS notice. This allows for a paper trail as to why the contract is starting late in the season.

January 6, 2022, at 3:28 p.m. – athletic director to HR:

Understood. Pers Notice attached.

January 7, 2022, at 10:01 a.m. – HR to athletic director:

I thought we split this contract to hire Mike Zuniga and Zech Romero?

¹⁸ Even though counsel was involved in the audit responses, there was no evidence that anyone from the District consulted counsel before the decision was made to pay Mr. Cerna Jr. his full coaching stipend.

¹⁹ Ms. Cerna was a cheer coach and her name was not included on the list provided to the Board in July 2021. The athletic director believed that there should have been personnel notices to cancel the Cernas' stipends, but the District was unable to locate those records, if in fact, they existed. It is possible the athletic director did not submit formal paperwork given that there were no signed contracts for the Cernas.

²⁰ On January 5, 2022, the Board had appointed Mr. Meyers as interim superintendent on all matters related to the Cernas.

²¹ The emails are attached as Exhibit 9. The auditors also had copies of these communications.

January 7, 2022, at 10:09 a.m. – athletic director to HR:

We did split this stipend for that position but I was recently informed by Mr. Cerna that while on administrative leave, the original stipend needed to stay in place.

The personnel notice referred to in the above communications was signed by the athletic director and dated January 5, 2022. The position is listed as “THS Co-Head Coach of Boys Wrestling.”²²

The athletic director said that Mr. Cerna Jr. should not have been on the list of coaches approved by the Board in July 2021, but even if a coach is on the list, it is not a guarantee that he or she will be offered a coaching contract. The athletic director added that even if a coach is offered a coaching contract or there is a signed agreement, the athletic director has the authority to release the coach.

HR witnesses said that they believed Mr. Cerna Jr.’s stipend had been cancelled and that the District had hired two coaches to replace him. Seabold Group received copies of coaching contracts for Zech Romero and Mike Zuniga who were each paid \$2,718 to coach wrestling in the 2021-2022 school year. The HR witnesses confirmed that they were notified by the athletic director in January 2022 by email to reinstate Mr. Cerna Jr.’s stipend at Mr. Cerna’s direction.

Payroll Records

Payroll records show that Mr. Cerna Jr. received payment in the amount of \$2,369.34 for his coaching stipend in his January 31, 2022 paycheck. He received the remaining balance of \$4,738.66 in his final paycheck on February 28, 2022. There is no evidence that the athletic director was consulted during the audit about this issue.

Mr. Cerna

Mr. Cerna agreed that an athletic director has the authority to hire and fire coaches, with or without cause. Mr. Cerna was also aware that Mr. Cerna Jr. did not coach during the 2021-2022 season and that two other individuals, Mike Zuniga and Zech Romero, were assisting with the program. Mr. Cerna said he was not aware that those two individuals were being paid “to fill in for Johnny.”

Mr. Cerna was asked why Mr. Cerna Jr. was paid his full stipend even though he did not coach that year. Mr. Cerna said because “he was under contract,” and “when you’re on paid admin leave, you get paid on your contract.” Mr. Cerna then admitted that Mr. Cerna Jr. did not have a signed contract in place, but he was aware that the Board had approved a list of coaches that included his son in July 2021.

Mr. Cerna was asked whether he directed the District to pay Mr. Cerna Jr. his full stipend. He replied, “No, I didn’t direct it. I didn’t have any role in that. Athletics, I don’t deal with athletics.”

Mr. Cerna was also asked whether Ms. Cerna was paid her cheer coaching stipend even though she was on leave. Mr. Cerna said he did not know. Mr. Cerna was asked if he knew of any other employee who

²² The personnel notice is attached as Exhibit 10.

was on administrative leave who was paid stipends even though they did not perform the work. Mr. Cerna said, "I don't . . . , the athletic director and principal are usually responsible for that."

C. Mr. Cerna's Relationships with District Vendors

Witnesses identified the vendors listed below as those with whom they had concerns. Mr. Cerna has not been asked about this issue because his counsel did not respond to efforts to schedule his final interview.

1. Larry Moran

Mr. Moran served as the District's insurance broker for a number of years. Witnesses reported that Mr. Cerna selected him and that they had a close relationship. Over the years, Mr. Cerna has traveled to Spokane on a number of occasions to meet with Mr. Moran. To the extent he provided a business purpose for his travel, it was typically to discuss insurance. There was no explanation as to why the discussions could not occur over the telephone or by email. Based on the limited documentation Seabold Group was able to review, we are unable to conclude how many times Mr. Cerna traveled to Spokane to meet with Mr. Moran, but it was often enough that witnesses raised the issue without being specifically asked about it by the investigators. Staff questioned the business purpose of his trips to Spokane.²³

Witnesses also reported that Mr. Cerna promoted Mr. Moran to other superintendents in other districts, encouraging them to do business with Mr. Moran.²⁴ Mr. Moran lost the District's health insurance business when it was required to move into the State's health insurance system.

Mr. Moran was very supportive of Mr. Cerna and his interests. Mr. Cerna said Mr. Moran donated money to the wrestling booster club and to golf tournaments hosted by CSN. Others reported that Mr. Moran was famous for donating hams to the Toppenish Food Bank during the holidays.

2. Legal Shield

Legal Shield is a national for-profit company that sells subscriptions for legal services.

2014

Witnesses reported that Mr. Cerna required staff to attend sales presentations by a local Legal Shield representative at District facilities. District staff who signed up for the service had payments deducted from their payroll. Witnesses did not recall when these presentations started, but Seabold Group received a copy of an agenda for a May 9, 2014 Central Office Staff Meeting in the District's Board Conference Room. The first item on the agenda was "Legal Shield Presentation." Seabold Group also

²³ Mr. Cerna routinely requested to be reimbursed for his travel expenses associated with his overnight trips to Spokane.

²⁴ One witness said that Mr. Cerna "absolutely shoved insurance down everyone's throat in the valley." The witness said he was viewed as Mr. Moran's "salesman" and "ambassador." The witness added that the insurance was a "fair deal," but the witness did not understand why Mr. Cerna was pushing it so hard.

received a copy of an agenda for an April 22, 2014 Administrative PLC Meeting in the District Office Board Room. The seventh item on the agenda was "Legal Shield (Manual Lopez)."²⁵

January 15, 2015

Seabold Group was provided with an unsigned copy of a letter from Yakama Nation Tribal Enterprises, stating that a representative met with Mr. Cerna, Manuel Lopez, and Simon Sampson, one of CSN's founders, on April 10, 2015, regarding Legal Shield.²⁶ Based on that meeting, according to the letter, Yakama Nation authorized and recommended that the subscription service be extended to all of its employees as part of its employee benefits package.

May 2017

Seabold Group received a copy of a reimbursement request by Mr. Cerna for travel to Portland, Oregon, on May 11-12, 2017, to meet with Legal Shield. He was reimbursed \$232 for his out-of-District mileage and meals. He used his District credit card to pay for lodging (\$281). There was no description of a business purpose for his travel.²⁷

3. New York Life Insurance

Witnesses reported that Mr. Cerna required staff to meet with a representative of New York Life Insurance at District facilities. The local representatives were identified as Ana Ruiz Peralta and Alma Welch, whose offices were believed to be located in the Tri-Cities.

December 2014

Mr. Cerna submitted a food and beverage expenditure form for a meeting on December 18, 2014. The business purpose was described as "Discussion with NY Life re TSD \$25,000 'Gang Prevention Grant.'" No amount was included in the form, and the four attendees included Mr. Cerna, Alma Welch, Anna Ruiz, and Simon Sampson.²⁸ It is unclear if the District ever received the grant described.

September 3, 2015

Mr. Cerna sought reimbursement for a meal in Pasco on September 3, 2015. It was described as a "Working lunch: discussion on security management." Ana Peralta was listed as an attendee. It is unclear why she was included in a meeting about "security management." Other attendees included: Eligio Jimenez, Yolanda Espinoza, and Raul Cital.²⁹

²⁵ Both agendas are attached as Exhibit 12.

²⁶ Exhibit 13.

²⁷ This same reimbursement request shows that on May 12, 2017, the day he returned from Portland, Mr. Cerna traveled to Spokane to meet with Mr. Moran and to attend a soccer match. He returned from that trip on May 14, 2017. Mr. Cerna received \$295 dollars in mileage and meals reimbursement. Mr. Cerna used his District credit card to pay for lodging (\$371). See Exhibit 11.

²⁸ Exhibit 14.

²⁹ See Exhibit 17, pps. 3. 6-7.

May 2018

Mr. Cerna appears to have drafted a letter of recommendation for Ms. Peralta for a position on the National Advisory Council for Migrant Health. In the letter, he promotes her participation on boards of organizations related to health services. He also wrote, "She spent a short tenure with New York Life Insurance."³⁰ The letter is unsigned and includes his position as TSD superintendent. It is unclear if the letter was sent and/or to whom.

April 2020

In April 2020, the District canceled a warrant to New York Life in the amount of \$451.39, issued on January 31, 2017.³¹ There was no further information regarding the purpose of the warrant.

D. Mr. Cerna's Credit Card Activity and Travel Disbursements

1. SAO Findings

In its November 2022 report, the auditors findings stated that "The District lacked oversight to ensure its policies and procedures over disbursements and credit card activity were adequate for safeguarding public funds." The SAO identified several areas of concern:

- Lack of policies and procedures governing per diem rates for student-related activities. Most of the issues described by the SAO related to the wrestling team.
- The District paid wrestling-related expenses using general funds instead of out of the ASB fund or local revenue subfunds approved by the Board.
- The District improperly coded wrestling-related expenses as "Professional Development and Teaching" instead of extracurricular activities.
- Expenses paid for lodging and dinners for the wrestling team were not supported by adequate documentation (missing attendee lists and itemized receipts).
- Mr. Cerna used his district credit card to pay for coaches and athletes' dinners after two State tournaments without proper documentation. The same coaches and athletes also received per diem for the same meals.
- The District's informal travel reimbursement policies were inconsistent with Board approved policies and the District's practices were inconsistently applied. Sometimes District employees received per diem, other times they were reimbursed the actual cost of their travel expenses.
- Mr. Cerna used his District credit card to pay for 9 out-of-state and 3 in-state trips for Mr. Cerna and other District staff totaling \$42,234 during the audit period with the following issues identified:
 - Eight trips lacked documentation to support charges in the amount of \$24,305 (lack of agenda, business purpose, and itemized receipts.)³²

³⁰ Exhibit 15.

³¹ Exhibit 16.

³² The SAO noted that the agendas were missing originally but the District was eventually able to locate the agendas to support the business purpose of the travel, but the District could not find all of the relevant receipts.

- The District reimbursed Mr. Cerna for a flight to Orlando without documentation, and during the audit it was discovered that the flight had been canceled. Mr. Cerna reimbursed the District after the auditors discovered the lack of documentation.
- There were other “minor” charges to the District’s credit card of approximately \$1,500 that lacked appropriate documentation.

It appears that Mr. Cerna’s credit card and disbursement activity was the only activity reviewed by the auditors. The SAO concluded that the cause of the condition was the failure to “establish adequate procedures for an independent review of the Superintendent’s travel and credit card transactions.”

2. Witness Summaries

Many of Mr. Cerna’s travel arrangements and charges were handled by his administrative assistant.³³ He would inform her where he wanted to go and where he wanted to stay. If Mr. Cerna was traveling to attend a conference, he would request to stay at the conference site or a location recommended by the conference. According to a witness, those options usually exceeded the allowable per diem, “but the travel manual” used by District staff provided an exception to the per diem rule if attendees were staying at the conference site. On other occasions, not involving conferences, Mr. Cerna selected where he wanted to lodge, and it was reported that the accommodations exceeded per diem but Mr. Cerna did not request staff to search for less expensive options.

Mr. Cerna’s administrative assistant reviewed Mr. Cerna’s monthly credit card statements and collected receipts provided by Mr. Cerna (and others) to support the charges. Sometimes that process required additional research to track down the receipts. The administrative assistant also prepared food and beverage forms, and she relied on Mr. Cerna’s representations regarding the business purpose and attendees.

3. Seabold Group’s Review of Mr. Cerna’s Credit Card Activity and Disbursements

Based on our review, it appears that Mr. Cerna prepared almost all of his own travel reimbursement forms.³⁴ One of the auditors’ findings related to how Mr. Cerna coded his credit card charges and reimbursement requests. The accounting codes often used by Mr. Cerna included: 0131-27-8000 and 0132-27-8000 which are assigned to the superintendent and assistant superintendent, respectively. He also frequently used the code 9735-12-8000, that the business office routinely changed to 9735-12-8580. The business manager informed Seabold Group that the 9735 series was intended to cover District-wide “overhead.”³⁵ It is unclear which codes the auditors determined were incorrectly used by

³³ The District used to require purchase orders for travel but transitioned to credit cards. Staff reported that after the 2022 audit report, the District has or is in the process of reverting to a purchase order system.

³⁴ Attached as Exhibits 17 and 18 are Mr. Cerna’s reimbursement records provided by the District for the periods 2015-2020 and 2019-2023.

³⁵ Seabold Group was provided with the District’s “2021-22 Expenditure Account Code Handbook (Handbook),” attached as Exhibit 19. The Handbook describes code 9735-12-8580 as: District-wide support/general education/superintendent/meals, mileage, lodging, parking etc. This series has been used by the District for years to account for travel expenses.

Mr. Cerna because the report does not list any accounting codes. The coded noted above are all general fund accounts that do not include athletics or extracurricular activity.³⁶

The District's accounting code for athletics (also known as "extracurricular") is 0128-28. It appears that the auditors found that wrestling-related expenses should have been coded under this series.

Based on our review, we found additional examples of charges and disbursements with the some of the same issues identified by the SAO in its November 2022 report. This included lack of documentation showing a business purpose, missing or lack of itemized receipts, and possible miscoding of expenses. There were also additional examples of Mr. Cerna using his District credit card to pay for wrestling-related expenses using general funds not related to extracurricular activities, paying travel expenses for his wife, and reimbursements for items that were not approved by the Board. These additional examples are described below.

Credit Card Charges

- December 11-12, 2015 – Mr. Cerna authorized charges of \$1,025 for wrestlers' lodging at the Best Western Silverdale Beach Hotel. The charges were coded to 0131- and 0132-27-8000 and the documentation did not include a list of coaches and athletes who stayed at the hotel.³⁷
- February 20, 2016 - Mr. Cerna authorized a charge of \$593 to pay for dinner for the wrestling team at the Azteca restaurant in Federal Way, WA. The expense was coded to 0131-27-8000. It was unclear whether the coaches and athletes had also received per diem for the same meal.³⁸
- May 4, 2016 - Mr. Cerna authorized a charge of \$890 to pay for covers on athletic equipment in the workout room. The expenses were coded to 0131 and 0132-27-5000.³⁹
- January 7-8, 2017 - Mr. Cerna authorized a charge of \$1,200 to pay for lodging for the wrestling team at the Hampton Inn in Federal Way. The expense was coded to 0131 and 0132-27-8000, and the supporting documentation did not include a list of athlete and coaches who stayed at the hotel.⁴⁰
- April 6, 2017 - Mr. Cerna authorized a charge of \$2,000 to pay for championship rings for the wrestling team. A notation on the invoice indicates that payment of \$2,000 was "on account for the Wrestling Team rings." The expense was coded to 0131-27-5000, and there was no documentation to indicate how many rings were purchased.⁴¹
- July 10 - 11, 2017 - Mr. Cerna authorized charges of \$125, \$179, and \$152 to pay for his wife's airfare for travel to/from Las Vegas July 24-28, 2017. He also authorized a charge of \$323 to pay for the airfare of Eligio Jimenez's wife to travel round trip from Pasco to Las Vegas. There was documentation in the records that Mr. Jimenez reimbursed the District on July 11, 2017. The reconciliation report states that the District was reimbursed for Mrs. Cerna's flights, but there

³⁶ According to the Handbook, the 0131-27-8000 and 0132-27-8000 codes are described as: Basic Education, Superintendent (31) Assistant Superintendent (32) Miscellaneous Budget, Teaching. There is no 8000 option in the Handbook. The closest code is 8520 for meals, mileage, lodging etc.

³⁷ Exhibit 3, p. 6.

³⁸ Exhibit 3, pp. 435, 467.

³⁹ Exhibit 3, p. 596.

⁴⁰ Exhibit 3, pps. 1189-90.

⁴¹ Exhibit 3, p. 1415.

was no documentation included with the report supporting that Mr. Cerna had reimbursed the District. The charges were coded to 0131-27-8000.⁴²

- May 12, 2017 - Mr. Cerna authorized a charge of \$365 to pay for his wife's airfare from Yakima to Phoenix. Notes indicate, without supporting documentation, that Mr. Cerna reimbursed the District. The charge was coded to 9735-12-8000. Mr. Cerna also authorized a charge of \$158 to pay for his wife's airfare from Phoenix to San Francisco. Notes indicate, without supporting documentation, that Mr. Cerna reimbursed the District. The charge was coded to 9735-12-8000.⁴³

Travel Disbursements

- October 13-14, 2019 – Mr. Cerna was reimbursed mileage for his travel to Spokane to meet with Mr. Moran.⁴⁴
- December 18-22, 2019 – Mr. Cerna was reimbursed for his mileage and meals to travel to Portland, OR to fly to Fresno, CA to attend a wrestling tournament.⁴⁵ Mr. Cerna was also reimbursed for his airfare and rental car expense. Mr. Cerna was accompanied by his wife, and another district employee and his wife. The total reimbursement was \$1,160, which was coded to the 9735 series.⁴⁶
- February 13-15, 2020 – Mr. Cerna was reimbursed for mileage and meals to travel to Spokane to meet with Mr. Moran, Phoenix Corporation, and to attend a regional wrestling tournament. All of his expenses were coded to the 9735 series.⁴⁷
- July 14, 2020 – Mr. Cerna was reimbursed \$200.29 for payment of his life insurance premium. There was no record that the Board approved paying for Mr. Cerna's life insurance. The charges were coded to 9735-12-4712.
- July 15-16, 2020 – Mr. Cerna was reimbursed \$319 for travel to Spokane to meet with Mr. Moran. He was reimbursed \$77 for lodging at the Northern Quest Resort and Casino, a reservation that was under his wife's name.⁴⁸
- May 14-15, 2020 – Mr. Cerna was reimbursed \$230 for travel to Spokane to meet with Mr. Moran regarding "insurance issues."⁴⁹
- March 12, 2021 and April 8-9, 2021 – Mr. Cerna was reimbursed mileage for travel to Richland and Spokane to meet regarding "online programs" and with "online providers.: No further details were provided and none of the District's online providers were located in Richland and Spokane in 2021.⁵⁰

⁴² Exhibit 3, p. 1920.

⁴³ Exhibit 3, p. 1628. This trip involved travel from Yakima to Seattle, Phoenix, San Francisco, Seattle, Yakima, and was rebooked, incurring change fees of \$125 for Mr. Cerna and his wife that Mr. Cerna also charged to his District credit card. Exhibit 3, p. 1921.

⁴⁴ Exhibit 18, p. 49.

⁴⁵ Exhibit 18, p. 42.

⁴⁶ Exhibit 18, pps 42-44.

⁴⁷ Exhibit18_, p. 17.

⁴⁸ Exhibit 18, p. 3. The July reimbursements were included on the same form. All of Mr. Cerna's travel reimbursements for travel to visit Mr. Moran were coded using the 9735 series.

⁴⁹ Exhibit 18, pp 12-13.

⁵⁰ Exhibit 18, p. 84.

- August 20-22, 2021 – Mr. Cerna was reimbursed \$335.20 for mileage and meals to travel to Anacortes, WA to attend a CSN retreat. The charges were coded to the 9735 series.⁵¹
- October 3-4, 2021 – Mr. Cerna was reimbursed for mileage, meals, and lodging to travel to Spokane to meet with Mr. Moran. The hotel reservation was in Mr. Cerna’s wife’s name and the room rate of \$158 exceeded the allowable per diem.⁵²
- December 22, 2021 – Mr. Cerna was reimbursed \$85 for TSA PreCheck enrollment. There is no record that the Board approved paying for his enrollment. The charge was coded to 9735-12-7810.⁵³
- January 14-16, 2022 – Mr. Cerna was reimbursed for his expenses to travel to Spokane, WA to attend a wrestling tournament. The hotel reservation was in Mr. Cerna’s wife’s name, and the room rate of \$239 exceeded the allowable per diem. The charges were coded to the 9735 series.
- January 6-7, 2023 – Mr. Cerna was reimbursed \$449 for mileage and meals to attend a wrestling tournament in Renton, WA. The charges were coded to the 9735 series.⁵⁴
- January 13-14, 2023 – Mr. Cerna was reimbursed \$344 for mileage and meals to travel to Spokane to meet with “prospective ALE clients.” He submitted an “agenda” indicating that the meeting was held in the Davenport Meeting Room and the participants included: Mr. Cerna, Larry Moran, Mr. St. George, and Dave Lucas. No business names were provided. It’s unclear if Mr. Cerna charged the District for his lodging. The charges were coded to the 9735 series.⁵⁵
- January 23, 2023 – Mr. Cerna was reimbursed \$355 for mileage and meals to attend a WALAS retreat in Shoreline, WA. He provided travel dates of January 21-22, 2023. The documentation in support of the reimbursement stated that the retreat was scheduled for Sunday, January 23, 2023 at the Shoreline School District from 10:00 a.m.-4:00 p.m.⁵⁶

E. Litigation Filed against the District and Mr. Cerna

Witnesses described several lawsuits against the District and Mr. Cerna that they believed were triggered by Mr. Cerna’s personnel decisions. Below are summaries of those matters.

1. Roybal v. Toppenish School District, John Cerna, Superintendent, 1:14-cv-03092 (E.D. WA, filed 6/30/2014)⁵⁷

Mr. Roybal was a principal in the TSD from 2005-2012. In 2012 he was transferred to vice principal. The former TSD HR Director rated Mr. Roybal “basic” in all areas in his 2012-2013 evaluation. Mr. Roybal retained legal counsel to challenge the evaluation. The federal district judge found that in or about August 2013, Mr. Cerna criticized Mr. Roybal for “going outside” the District by hiring an attorney. In May 2014, Mr. Roybal was demoted by Mr. Cerna from vice principal to two part-time positions, resulting in a \$40,000 reduction in base pay. Mr. Roybal sued alleging several causes of action.

⁵¹ Exhibit 18, p. 170.

⁵² Exhibit 18, pps. 161-62.

⁵³ Exhibit 18, p. 145.

⁵⁴ Exhibit 18, p. 176.

⁵⁵ Exhibit 18, pps. 179-181.

⁵⁶ Exhibit 18, pps. 172-74.

⁵⁷ This case was originally filed in Yakima County Superior court on June 13, 2014, and removed to federal court on June 30, 2014.

In a May 30, 2018 summary judgement ruling, the Court found that the District violated Mr. Roybal's "statutory rights by transferring him to a subordinate certificated position without a probable cause hearing." The court ordered the District to reinstate Mr. Royball and found that he was entitled to damages and attorney's fees. The case was ordered to go to trial to determine the amount of damages.⁵⁸ Four months later, after the parties had spent considerable efforts preparing for trial, the matter settled and an order of dismissal was entered.⁵⁹

The District settled with Mr. Roybal for \$400,000, which did not include substantial legal fees incurred by the District to defend the lawsuit.⁶⁰ The agreement also provided that Mr. Roybal would be placed in a director position and the District was barred from considering evaluations that led to his prior transfers and demotion.

2. In the Matter of Doug Matheny – November 2019

Mr. Matheny was terminated from his position as painter. He grieved his termination and his union made a demand for arbitration. On November 25, 2019, the District settled with Mr. Matheny and agreed to reinstate him to his previous position with the same working conditions and salary. The District agreed to pay Mr. Matheny \$39,284 in back pay and damages. The District also agreed that the termination would be rescinded and replaced with a disciplinary notice directing Mr. Mathey to comply with the District's HIB and civility policies.

3. In the Matter of Isaias "Chi" Vela

Mr. Vela was a custodian at the TSD for over twenty years. Witnesses reported that Mr. Cerna was instrumental in his termination. Community members have made allegations about the motive for Mr. Vela's termination during public sessions at TSD Board meetings. Those allegations will not be repeated here. However, a credible witness in this investigation reported that the termination was not justified, and with the assistance of his union, Mr. Vela was reinstated to his position. Seabold Group requested documentation from the District regarding this termination and reinstatement, but no records were provided. It is unclear if Mr. Vela received compensation in connection with his reinstatement. Mr. Vela passed away on September 7, 2021, not long after he was rehired by the District.

4. ██████████ v. Toppenish School District, John Cerna, 1:22-cv-03129-TOR (E.D. WA, filed 9/23/2022)⁶¹

On July 19, 2022, Counsel for ██████████ submitted a formal letter of complaint to the TSD Board of Directors and Mr. Cerna, alleging retaliation and demanding reinstatement and damages. In the letter, ██████████ alleged that Mr. Cerna retaliated by demoting her from Curriculum Director to a principal position because of her participation in the investigation of Mr. Cerna Jr, resulting in a loss of

⁵⁸ The summary judgment decision is attached as Exhibit 20.

⁵⁹ The order of dismissal is attached as Exhibit 21.

⁶⁰ A copy of the associated docket sheet is attached as Exhibit 22.

⁶¹ This case was originally filed in Yakima County Superior court and removed to federal court on September 23, 2022.

\$72,452 in compensation.⁶² It was further alleged that Mr. Cerna retaliated by giving [REDACTED] a poor evaluation for the 2021-2022 school year because of her participation in that investigation.⁶³ The letter requested the Board to investigate her complaints against Mr. Cerna. Mr. Cerna informed the investigators that no such investigation was commenced and he could not recall receiving [REDACTED] demand letter.

[REDACTED] sued the District in state court on September 9, 2022. It was removed to federal court on September 23, 2022.⁶⁴ The District settled with [REDACTED] on April 18, 2023, for \$200,000 and agreed to reinstate [REDACTED] to a director position. The District also agreed to remove the 2021-2022 performance evaluation prepared by Mr. Cerna from her personnel records.

5. Jane Doe v. Toppenish School District, John Cerna, et al, 22-2-02428-39 (Yakima County Superior Court, 11-15-2022)

This matter was filed by the student who came forward with allegations against the Cernas. The case was settled on February 24, 2023, for \$300,000.⁶⁵

⁶² [REDACTED] was replaced by the wife of one of Mr. Cerna's relatives. The selection process was not competitive.

⁶³ A copy of the demand letter with attachments is attached as Exhibit 23.

⁶⁴ A copy of the removal motion and complaint is attached as Exhibit 24.

⁶⁵ The settlement amounts do not include the costs of the District's legal expenses to defend these actions, and it is unclear whether those fees were covered by insurance.

APPENDIX A

Witness List

John M. Cerna

