



**West Contra Costa Unified School District**

**Proposal to Provide Professional Services**

**September 4, 2015**

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September 4, 2015

Liz Block  
Subcommittee Chair  
Board of Education Clay Investigation  
West Contra Costa Unified School District  
1400 Marina Way South  
Richmond, CA 94804

Dear Ms. Block:

We would like to thank you for this opportunity to submit our proposal to the West Contra Costa Unified School District ("WCCUSD") to perform forensic accounting services. In the following pages, we have responded to the specific areas identified in your Request for Proposal ("RFP") and highlighted why we believe EisnerAmper LLP ("EisnerAmper") and Ueltzen & Company LLP ("Ueltzen") are uniquely qualified for this engagement. We have the depth of experience and practice focus to meet your specific needs, and we have the resources to complete these assignments within any specified engagement time period. EisnerAmper and Ueltzen fulfill the requirements you have of a forensic accounting firm:

- We have extensive experience performing forensic accounting and fraud investigation services involving school districts, bond programs and public construction projects;
- We specialize in forensic technology investigations, including forensic data recovery;
- We are free of all obligations and interests that might conflict with the best interests of the West Contra Costa Unified School District; and
- We have the personnel capacity and resources to provide services on a timely basis.

We have carefully selected an outstanding group of professionals with substantial industry experience and forensic accounting experience to service your needs. We look forward to speaking with you in more detail about the information included in this proposal, and to the next steps in this process.

Very truly yours,

Dana Trexler Smith  
EisnerAmper LLP

Michael Ueltzen  
Ueltzen & Company, LLP

# BACKGROUND INFORMATION

## *Firm Profiles*

### **EisnerAmper LLP**

EisnerAmper offers accounting, tax and consulting services with an entrepreneurial focus, providing clients with solutions in an efficient and effective manner. Our firm professionals build strong client relationships through collaborative communication, and we believe that the trust clients put in us is paramount. With over 1,200 professionals, EisnerAmper is among the largest accounting firms in the country. EisnerAmper works with not-for-profit organizations, privately-held and publicly-traded companies to assist with their accounting, tax and advisory needs. As organizations grow, EisnerAmper is prepared to assist them with a full complement of services to help them reach their goals. With offices in New York, New Jersey, Pennsylvania, California, Ireland, and the Cayman Islands, and as an independent member of PKF International, EisnerAmper serves clients worldwide.

EisnerAmper's core values are to provide quality service, attract and develop a team of talented and highly trained professionals, stress innovation in all firm activities, and act with integrity at all times. The firm puts these values into practice at work as well as in the community. Through various avenues, such as EisnerAmperCares, the Women of EisnerAmper and employee affinity groups, EisnerAmper employees make a difference through volunteer projects and community service.

EisnerAmper's Forensic Services Group consists of a knowledgeable team of dedicated consultants who understand your concerns and work closely with you to address the financial aspects of your forensic investigation promptly, creatively and efficiently. We provide fraud and forensic investigative advisory services to government and not-for profit agencies, attorneys, and public and private companies. We have the resources and depth of experience of a national firm without the levels of bureaucracy, which allow us to operate efficiently and cost effectively, and to provide a level of personalized service to lead to positive outcomes. Our results-driven approach maximizes value for our clients and other stakeholders. Our fraud and forensics services group has 100 people in five offices who are Certified Public Accountants (CPAs), Certified in Financial Forensics credential holders (CFFs), Certified Fraud Examiners (CFEs), licensed attorneys, and certified insolvency and valuation professionals.

### **Ueltzen & Company, LLP**

Ueltzen was formed with the goals that we are committed to our clients, dedicated to our employees, actively encourage innovation, guided by personal and professional integrity, respectful of the individual, and devoted to our profession and our community.

As consultants and accountants to management and counsel, Ueltzen embraces its core values of objectivity and integrity and is committed to providing the highest level of consulting and expert witness services. The Firm has provided litigation consulting services to more than 100 law firms throughout California and the United States. We have been retained on behalf of both plaintiffs and defendants and acted as stipulated or court-appointed experts. Our professionals have been recognized as experts in state and federal courts.

A majority of our team members focus on forensic services, which includes forensic accountings, special investigations, forensic technology investigations, economic damages for both personal and commercial matters, accountancy malpractice matters, and business valuations. The tax and accounting team provides compliance and consulting services, along with compilation, review, and audit services to individuals and businesses on a wide variety of industries.

Our team members maintain relevant certifications and continue to attend courses to maintain and expand their capabilities. Some of the certifications held by team members include: Certified Public Accountant (CPA); Certified in Financial Forensics (CFF); Certified Fraud Examiner (CFE); Certified Valuation Analysis (CVA); Master Analyst in Financial Forensics (MAFF); Certified Forensic Interviewer (CFI); Certified Electronic Discovery Specialist (CEDS); EnCase Certified Examiner (EnCE) and AccessData Certified Examiner (ACE).

## Engagement Team

The Engagement Team is comprised of industry leaders in the applicable areas of forensic accounting, fraud risk and internal control assessments, fraud detection, construction audit and forensic technology investigations. The following table sets forth our key personnel (“Engagement Team”) including the individuals who are authorized to negotiate with WCCUSD on behalf of EisnerAmper and Ueltzen.

Team Member	Title/Role	Hourly Rate	Contact Information
Michael Ueltzen	Authorized Negotiator, Forensic Services Partner	\$425	3600 American River Drive, Suite 150 Sacramento, CA 95864 916.563.7790 muelzen@uelzen.com
Dana Trexler Smith	Authorized Negotiator, Forensic Services Partner	\$395	Two Logan Square, Suite 1101 100 North 18th Street Philadelphia, PA 19103 215.881.8147 dana.smith@eisneramper.com
Patrick DeLangis	Forensic Services Principal – Project Manager	\$350	3600 American River Drive, Suite 150 Sacramento, CA 95864 916.563.7790 pdelangis@uelzen.com
Jolene Fraser	Forensic Services Principal – Subject Matter Expert in Forensic Audit	\$350	3600 American River Drive, Suite 150 Sacramento, CA 95864 916.563.7790 jfraser@uelzen.com
Jeffrey Buchakjian	Forensic Services Senior Manager – Project Manager	\$350	Two Logan Square, Suite 1101 100 North 18th Street Philadelphia, PA 19103 215.881.8875 jeffrey.buchakjian@eisneramper.com
Timothy Van Noy	Forensic Services Director – Subject Matter Expert in Construction	\$385	Two Logan Square, Suite 1101 100 North 18th Street Philadelphia, PA 19103 215.881.8118 timothy.vannoy@eisneramper.com
Steven Konecny	Forensic Services Director – Subject Matter Expert in Forensic Data Recovery	\$325	3600 American River Drive, Suite 150 Sacramento, CA 95864 916.563.7790 skonecny@uelzen.com

Our Engagement Team recognizes the importance of partner involvement and continuity of professional staff. Additional professional staff-level team professionals will be added to the team upon scheduling our services. Resumes of the Engagement Team’s key personnel are included below.



### Dana Trexler Smith

Partner

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215.881.8147

#### Certifications

- Certified Public Accountant (CPA)
- Certified in Financial Forensics (CFF)

#### Specialties

- Forensic Accounting
- Commercial Disputes
- Expert Witness Testimony

#### Professional Activities

- AICPA
- PICPA
- ABA

Dana Trexler Smith is a Partner and the Philadelphia practice leader of the Forensic, Litigation and Valuation Services group. Dana has over 20 years of experience assisting clients conduct fraud and forensic investigations in both large governmental investigations and smaller internally focused investigations. Her forensic experience has assisted companies where there was known or suspected fraud, as well as where non-fraudulent financial anomalies were identified. Ms. Trexler Smith has experience with educational institutions, including analysis of board-related issues. She also provides expert witness services in complex commercial disputes, and assists clients in post-acquisition disputes, insurance claims and contract compliance examinations. Ms. Trexler Smith has consulted for clients in many sectors, including health care, software, pharmaceutical, biotechnology, medical device, manufacturing, high technology, financial services, and the service industry.

Prior to joining EisnerAmper, Ms. Trexler Smith was a Principal in the Forensic, Valuation and Litigation Services Practice of a regional accounting firm. Her background also includes 18 years at a Big Four firm where she was a Director in the Forensic Services Group and assisted clients in litigation and contract compliance matters, as well as helped to establish and lead the Corporate Intelligence practice. A frequent speaker, Ms. Trexler Smith has presented a range of forensic accounting and litigation topics to various professional organizations.

Ms. Trexler Smith received her B.S. in Accounting from Bucknell University and her M.B.A. from The Wharton School of the University of Pennsylvania. She is a member of the American Institute of Certified Public Accountants (AICPA), Pennsylvania Institute of Certified Public Accountants (PICPA), the American Bar Association (ABA), and Bucknell University Alumni Association of Philadelphia.



## Tim Van Noy

Director

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215.881.8118

### Certifications

- Certified Public Accountant (CPA)
- Certified Fraud Examiner (CFE)
- Certified in Financial Forensics (CFF)

### Specialties

- Forensic Accounting
- Fraud Investigations
- Construction Disputes

### Professional Activities

- AICPA
- PICPA
- ACFE

Tim Van Noy is a Director in the Forensics, Litigation and Valuation Services group with extensive experience in providing dispute and investigative support services, specializing in forensic accounting and investigations, construction claims, and damage measurement. He has testified as an expert witness in civil and criminal matters in state and federal courts.

Mr. Van Noy has over 30 years of experience in construction and construction disputes on a wide variety of domestic and international contracts including: schools, highway, bridge and dam construction; electrified and commuter rail projects; commercial, industrial and institutional building construction and renovation; utility and cogeneration projects; and shipbuilding. On these projects, he has reviewed and assessed change orders and damage claims related to cost overruns, defective design, extra work, acceleration, delay, lost productivity, and additional field and home office overhead.

Mr. Van Noy's forensic experience includes fraud investigations of both foreign and domestic entities, including trusts, private and public corporations, financial institutions, developers, contractors, and government contracts. The issues involved in these investigations have included fraudulent financial statements, fraudulent statutory reporting, FCPA compliance, corruption, fraudulent loan underwriting, embezzlement, and record reconstruction. Mr. Van Noy has also assisted the U. S. Department of Justice in criminal and civil investigations of false claims and financial statement fraud.

A frequent speaker, Mr. Van Noy has presented to various professional groups on topics related to construction damages and investigating fraud and corruption on major infrastructure projects. He has also served as an adjunct professor in LaSalle University's Institute of Fraud and Forensic Accounting. Prior to joining the firm, Mr. Van Noy spent 10 years managing his own consulting practice. He is a former Partner at a Big Four accounting firm and has served as the Chief Financial Officer for an infrastructure design and construction management corporation. He also formerly served as a public school board member in New Jersey.

Mr. Van Noy graduated with honors, receiving a degree in Accounting from Old Dominion University. He is a member of the American Institute of Certified Public Accountants (AICPA), Pennsylvania Institute of Certified Public Accountants (PICPA), and Association of Certified Fraud Examiners (ACFE).





## Jeffrey M. Buchakjian

Senior Manager

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215.881.8875

### Certifications

- Certified Public Accountant (CPA)
- Certified in Financial Forensics (CFF)

### Specialties

- Forensic Accounting
- Commercial Disputes
- Commercial Damages Analysis

### Professional Activities

- AICPA – FVS Section
- PICPA

Jeffrey Buchakjian is a Senior Manager in the Forensic, Litigation and Valuation Services Group where he specializes in providing complex commercial dispute consulting and investigative accounting services to attorneys, public and private corporations, and governmental agencies.

Mr. Buchakjian has experience with educational institutions, including analysis of board-related issues. He has provided dispute consulting and forensic accounting investigation services on cases involving fraud, complex commercial damages, lost profits analyses, lender liability disputes, and business interruption calculations. He has led engagements for clients in many industries including education, telecommunications, pharmaceutical, medical device, energy, manufacturing, banking, real estate, construction, and insurance, among others.

Mr. Buchakjian frequently conducts seminars and continuing professional and legal education programs related to forensic accounting. He has presented seminars on topics including forensic accounting, lost profits damages, and financial statement analysis.

Mr. Buchakjian earned a B.S. in Finance from Towson University. He is a member of the American Institute of Certified Public Accountants (AICPA) Forensic and Valuation Services (FVS) section and the Pennsylvania Institute of Certified Public Accountants (PICPA).

Prior to joining EisnerAmper, Jeffrey worked for a global expert services and management consulting firm.



## Michael Ueltzen

Partner

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916.563.7790

### Certifications

- Certified Public Accountant (CPA)
- Certified in Financial Forensics (CFF)
- Certified Fraud Examiner (CFE)

### Specialties

- Professional Standards for Accountants
- Financial Statement Fraud
- Commercial Litigation
- Forensic Accounting Investigations
- Fraud Investigations
- White-Collar Investigations

### Professional Activities

- AICPA – NAC Chair
- CalCPA
- ACFE

Michael Ueltzen is the founding Partner of Ueltzen & Company, LLP and has participated and testified in excess of 100 forensic accounting engagements involving both criminal and civil complaints. His expertise is in the fields of forensic accounting and professional standards applicable to CPAs. Prior engagements have ranged from multi-billion dollar Ponzi schemes, financial statement frauds, embezzlement, and complex civil litigation, including breach of contract, anti-trust claims, and organizational disputes. Mr. Ueltzen has also served in a multitude of capacities in the conduct of forensic examinations, including work with the United States Department of Justice, the Federal Defender's Office, a United States District Court appointment as a special master, and Superior Court appointments as a referee, neutral expert, and arbitrator. Mr. Ueltzen has been practicing as a CPA for over 40 years.

On a national level, Mr. Ueltzen is the current Chair of the National Accreditation Commission (NAC) of the American Institute of Certified Public Accountants (AICPA). Previously, he served the AICPA as the first Chair of the Forensic and Valuation Services Executive Committee, as the first Chair of the Credential Committee for the Certified in Financial Forensics credential, and on the AICPA Council, the organization's governing body. He has also been active in many AICPA committees on a national level.

Mr. Ueltzen is a past President of the California Society of Certified Public Accountants (CalCPA), recipient of the Distinguished Service Award, and served as Chair of several CalCPA senior committees, including the Accounting Principles and Auditing Standards Committee, the Professional Conduct Committee, and the Litigation Services Committee.

Mr. Ueltzen served as a member of the faculty at the National Judicial Center and the Federal Judicial Center where he taught accounting and auditing standards to both state and federal judges over a ten-year period. He is a frequent guest speaker on topics related to forensic accounting. He received his B.S. in Business Administration (Accounting) and M.B.A. from California State University, Sacramento. He is a member of the AICPA, CalCPA, and Association of Certified Fraud Examiners (ACFE).



## Patrick DeLangis

Principal

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916.563.7790

### Certifications

- Certified Public Accountant (CPA)
- Certified in Financial Forensics (CFF)
- Master Analyst in Financial Forensics (MAFF)
- Certified Valuation Analyst (CVA)
- Certified Fraud Examiner (CFE)
- EnCase Certified Examiner (EnCE)

### Specialties

- Commercial Litigation
- Financial Statement Fraud
- Internal & External Fraud Schemes
- Internal Investigations
- Forensic Accounting Investigations
- Fraud Investigations
- White-Collar Investigations
- Computer Forensics

### Professional Activities

- AICPA
- CalCPA
- ACFE
- NACVA
- NAFE
- CPDE
- AAEFE
- HTCIA

Patrick DeLangis is a Principal in the Forensic, Litigation and Valuation Services Group with over 20 years of diversified experience in litigation consulting, forensic accounting, and forensic technology services. He has testified in federal and state courts, as well as other tribunals in California, Oregon and Washington. Mr. DeLangis' expert witness services have included matters that involve white-collar crime, internal and external fraud investigations, internal controls, commercial disputes, intellectual property, employment disputes, personal injury, wrongful death, product liability, construction disputes, and shareholder disputes.

Prior to joining Ueltzen & Company, LLP, Mr. DeLangis has been a leader of the litigation consulting and forensic accounting practices at other public accounting firms. His background also includes traditional accounting services, financial statement attestation, tax return preparation, bookkeeping and sophisticated consulting engagements.

Mr. DeLangis is a frequent guest speaker on topics such as forensic accounting, economic damages and personal injury damages. He received his B.S. in Accounting from Loyola Marymount University. He is a member of the American Institute of Certified Public Accountants (AICPA), California Society of Certified Public Accountants (CalCPA), Association of Certified Fraud Examiners (ACFE), National Association of Certified Valuators and Analysts (NACVA), National Association of Forensic Economists (NAFE), Collegium of Pecuniary Damages Experts (CPDE), American Academy of Economic and Financial Experts (AAEFE), and High Technology Crime Investigation Association (HTCIA).



## Jolene Fraser

Principal  
jfraser@ueltzen.com  
916.563.7790

### Certifications

- Certified Public Accountant (CPA)
- Certified in Financial Forensics (CFF)
- Certified Fraud Examiner (CFE)

### Specialties

- Commercial Litigation
- Professional Standards for Accountants
- Economic Damages
- Financial Statement Fraud
- Forensic Accounting Investigations
- Fraud Investigations

### Professional Activities

- AICPA – FVS Section
- CalCPA – Council; Forensic Services Section Steering Committee
- ACFE
- ARC Accounting Advisory Committee

Jolene Fraser is a Principal in the Forensic, Litigation and Valuation Services Group with nearly 20 years of experience in public accounting. Jolene specializes in forensic accounting, providing consulting services and expert testimony in matters involving professional standards applicable to CPAs, special investigations, fraud investigations, and commercial and individual damages. She works with counsel and their clients on complex accounting, auditing and financial issues throughout the litigation process.

Prior to joining Ueltzen & Company, LLP, Ms. Fraser was at a Big Four firm and a large national accounting firm managing audits of clients across multiple industries, such as government, commercial and residential real estate, manufacturing and distribution, non-profit organizations, high technology, publishing and employee benefit plans.

Ms. Fraser is a member of the American Institute of Certified Public Accountants (AICPA) Forensic and Valuation Services (FVS) Section, California Society of Certified Public Accountants (CalCPA) and the Association of Certified Fraud Examiners (ACFE). She serves on the CalCPA's Council and as a member of their Forensic Services Section Steering Committee. She has served on the AICPA CFF Credential Committee and continues to participate in the AICPA CFF Mentor program. Ms. Fraser is also President of the nonprofit organization Teaching Everyone Animals Matter (TEAM) and serves on the American River College (ARC) Accounting Advisory Committee.

Ms. Fraser graduated from California State University, Sacramento with a B.S. in Business Administration, Accountancy. She has presented on a variety of topics, including accounting, auditing, and forensic investigation procedures and reporting.



## Steve Konecny

Director

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916.563.7790

### Certifications

- Certified Fraud Examiner (CFE)
- Certified Insolvency & Restructuring Advisor (CIRA)
- Certified Ethical Hacker (CEH)
- Access Data Certified Examiner (ACE)

### Specialties

- High Tech Investigations
- Computer Forensics
- Cybercrime Investigations
- White-Collar & Fraud Investigations
- Complex Data Analytics
- Receiverships
- Distressed Companies
- E-discovery
- System Failures
- Source Code Theft

### Professional Activities

- ACFE
- AWI
- AIRA
- HTCIA
- CRF

Steven Konecny is a Director in the Forensic Services Group with over 15 years of experience as a high tech investigator and business consultant specializing in the utilization of information technology and information analysis within complex corporate disputes, investigations, litigation, receiverships and business turnarounds. He has extensive experience in computer forensics, cybercrime and fraud investigations, e-discovery, complex data analytics, and providing expert technology consulting services for distressed companies. Mr. Konecny has worked on global Ponzi schemes, taking control of companies' operations and assets placed into receiverships, determining missing royalty payments for various entities in the software and entertainment industry, as well as leading teams on matters across international borders. He has also been engaged on numerous sophisticated technology investigations dealing with theft of intellectual property and trade secrets, destruction of assets, unauthorized system access and many other mischievous, unethical and often illegal things individuals have devised with their computers, gadgets and devices.

Prior to joining Ueltzen & Company, LLP, Mr. Konecny founded and worked for over a decade at a boutique technology investigations and software development firm, and started a West Coast computer forensics and cybercrime investigations group for a Big Four firm involved in complex litigation and investigative cases. He also served as an Intelligence Analyst in the U.S. Army specializing in second and third world ground force tactics, intelligence and reconnaissance planning, and operational security.

Mr. Konecny received an M.S. in Information and Operations Management from the Graduate School of Business at the University of Southern California and a B.A. in Political Science from the University of Nevada, Reno. He is a member of the Association of Certified Fraud Examiners (ACFE), Association of Workplace Investigators (AWI) and Association of Insolvency & Restructuring Advisors (AIRA). He is also involved in the High Technology Crime Investigation Association (HTCIA) and California Receivers Forum (CRF).

# GENERAL METHODOLOGY AND APPROACH

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Our risk-based approach to performing the fraud risk assessment and forensic accounting investigation results in the most efficient and effective program by identifying and prioritizing high fraud risk areas and focusing our resources to address those risks with the appropriate responsive controls (fraud prevention) and substantive testing procedures (fraud, waste and abuse detection).

## Fraud Risk Assessment

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Unlike most fraud risk assessment approaches which view fraud from the top down in an academic manner, our risk assessment process begins at the functional level, where fraud actually occurs. We begin with an analysis of the current control environment to identify gaps and weaknesses that may provide opportunities for fraud, waste and abuse. The primary objectives of our fraud risk assessment are to:

- Identify the inherent and residual areas of fraud risk;
- Determine the likely fraud schemes within those fraud risk areas;
- Assess the relative likelihood that the identified fraud schemes could be accomplished within the existing operational and control environments;
- Evaluate the likely impact to the organization(s) if the identified fraud scheme was perpetrated;
- Identify improvements to controls for high risk areas; and
- Identify residual risk that may be impractical to address at this time.

To achieve our objectives, the fraud risk assessment methodology we will apply for the WCCUSD includes, but may not be limited to, the following steps:

1. **Understanding WCCUSD's Organization and Mr. Clay's Allegations and Analyzing of Relevant Processes and Procedures:** This step includes obtaining an overall understanding of WCCUSD's organization and bond program, including the various departments and key employees involved in the areas detailed in Mr. Clay's allegations. We will also conduct a detailed analysis of Mr. Clay's allegations and supporting documentation and analyze documented policies, processes and standard operating procedures that exist in the departments and functional areas subject to the Clay Investigation.
2. **Interviewing Key Personnel:** Meeting with key department personnel to gain an understanding of how written procedures and controls are actually implemented, and to substantiate the allegations made by Mr. Clay.
3. **Evaluating Fraud Risk Schemes:** Using the information gained in steps one and two, we will substantiate the allegations and evaluate and measure the fraud risks associated with the allegations.
4. **Communicating and Reporting Results and Findings:** Presenting a summary of our analysis of Mr. Clay's allegations, including clear and concise detail regarding the important issues and to provide a roadmap for developing the scope of work and timeline for our forensic investigation of high priority items. As part of our reporting process, we create a fraud risk assessment matrix that further summarizes the identified fraud risks/schemes and the items addressed above.



## 1. Understanding WCCUSD's Organization and Mr. Clay's Allegations

Our Engagement Team will obtain an understanding of the relevant departments within the WCCUSD organization related to Mr. Clay's allegations and identify the key job functions that are involved in those areas. Based on our understanding of the allegations and analysis of the supporting documentation to date, our fraud risk assessment will focus on the following departments and functional areas: (1) Financial Management; (2) Project Management; and (3) Compliance/Governance.

This step also includes a detailed analysis of the supporting documentation; and obtaining and analyzing the documented policies, procedures and controls currently used by each department or functional area within the WCCUSD and third-party managers involved with bond funded capital projects. In addition to the specific supporting documentation in the Clay Investigation, we would expect to obtain an understanding of the following:

- **Policies and Procedures Manuals** – This is a critical document when performing a fraud risk assessment, providing a roadmap to project systems, controls, forms and reports.
- **Document Controls** – Document control policies and procedures are important functions, especially on large complex construction projects. Document controls should include a centralized operation with all divisions, major subcontractors, and JV partners utilizing the same system. While more difficult to control, email documentation should also be maintained on the same system. Deficiencies and weaknesses in document controls can lead to:
  - Project delays;
  - Wasted time and materials;
  - Cost overruns;
  - Errors and omissions;
  - Rework;
  - Injuries;
  - Claims; and
  - Financial Losses.
- **Requests for Information (RFIs)** – RFI's are important documents as most change orders, cost overruns and design modifications begin with an RFI. Contractors/consultant(s) should have systems in place to file RFIs and assign unique RFI numbers. Internal control assessments related to RFIs will include gaining an understanding of how contractors/consultant(s) initiate RFIs and track correspondence related to RFIs as they cycle between contractor/consultant(s) and designer. Deficiencies and weaknesses in RFI controls can result in construction delays, additional costs and change orders.
- **Modifications** – Modifications should be tightly controlled by contractors/consultant(s) with each modification dated, assigned a control number, and approvals logged. Modifications should also be filed with the costs of change estimates and change justifications.
- **Meeting Minutes** – Meeting minutes are a key project management control component and often provide important information for monitors/auditors related to fraud, waste and abuse. Meeting minute controls include record keeping methods, approval processes, distribution processes, and processes for corrections, clarifications, complaints and resolutions. Detailed meeting minutes should be maintained by a contractor for the various project meetings, including:

- Design meetings;
  - Construction meetings;
  - Schedule meetings;
  - Project meetings;
  - Specialty trade contractor/consultant(s) meetings;
  - Progress meetings; and
  - Special issues meetings
- **Project Management Reports** – The object of project management reporting controls is to ensure that reports are created, distributed and filed accurately and in a timely manner. Project management reports should include information pertaining to financial/accounting, scheduling, progress/status, job costs, sub-contractors, change orders and designs/specifications.
  - **Estimating** – Contractors/consultant(s) should have the appropriate processes and procedures in place for project estimating, including material, labor, equipment, sub-contractors, small tools and supplies, field and home office overhead, and profit. Stages of estimation of interest include the detailed internal bid estimates, control/budget estimation processes, bid buyout analyses, and estimates to complete (ETCs) prepared as a management tool through the life of the project. Estimating procedures may also impact change order pricing.
  - **Scheduling** – Scheduling processes and procedures can be complex and are critical to the successful management of a construction project. Schedules should interface with all facets of a project and consider each input (e.g., designs, estimates, procurement, job costs and material vendors) and output (e.g., management reports, completion forecasts, resource forecasts and schedule updates). The procedures and controls surrounding schedule updates are also important as they will impact the change orders and claims for additional time and the resulting delay costs.
  - **Job Cost Reports** – Project monitors/auditors will use job costs reports extensively. All projects should implement a job cost system that summarizes cost to date for all activities on either a weekly or monthly basis. Job cost reports should be organized by activity and by cost type within each activity (e.g., labor, material, etc.). For each cost type within a given activity, a job cost report should detail the control/budget estimate cost and quantity, actual cost and quantity to date, variances from estimate, estimates to complete, and productivity calculations.
  - **Financial/Accounting** – Financial and accounting controls should be a separate function/module from the job cost system. Financial/accounting system controls relate to typical accounting functions including accounts payable, billing and accounts receivable, payroll, financial statements, cash flow analysis, financing/debt and profitability.

## 2. Interviewing Key Personnel

If and where necessary, our fraud risk assessment also includes interviews of key personal at each of the functional areas inside and outside of the District. In most organizations, the policies that are documented are not the policies followed in practice. This could be a result of being short-staffed, intentional subversion, or simply lack of training on proper protocols. Although the WCCUSD would prefer the interviews be delayed until Phase II, to prepare a proper Fraud Risk Assessment, we highly recommend interviews regarding practices and procedures take place during Phase I and have built that into our budget.



Our team of professionals will meet with key employees within each of the functional areas as described above, including managers and supervisors, to gain an understanding of their roles and responsibilities, including how they implement and carryout the existing policies, procedures and controls as they pertain to the allegations. Our interview process will also provide insight into additional problem areas identified by Mr. Clay’s peers and supervisors. From these interviews and discussions, we will be able to identify specific areas that may present elevated levels of risk to consider when developing the scope of our forensic accounting investigation.

### **3. Evaluating Fraud Risk Schemes**

We have read Mr. Clay’s Executive Summary dated April 18, 2015 and understand the alleged fraud, waste and abuse of the District’s approximately \$1.6 billion bond program. Our evaluation of potential fraud risk schemes will be conducted based on the allegations made by Mr. Clay and contained to the functional areas that we deem relevant. Our fraud specialists will consider supporting documentation, procedures and discussions with key personnel to evaluate and substantiate the allegations set forth by Mr. Clay. This assessment will serve as a roadmap for developing the scope of the forensic accounting investigations. Best practices will also be identified during this process and leveraged where possible to reduce the scope of the forensic accounting investigation in areas where WCCUSD has strong controls and procedures. Additionally, if necessary, we will make recommendations for increased or improved controls within WCCUSD in areas where we identify weaknesses.

#### **a. Financial Management**

Mr. Clay’s Executive Summary included several allegations related to the financial management of the bond program, including but not limited to the following:

- Proposed change orders (“PCOs”) that have not been entered into the District’s contract management software (Primavera);
- Master projects reported in the District’s financial system (Munis) that were not entered into Primavera, resulting in project ledger discrepancies;
- Lack of vendor invoice information in Primavera;
- The District’s practice of increasing budgets to match the actual costs incurred, resulting in a failure to identify and report cost overruns; and
- Lack of processes and procedures to track budget variances, control project expenditures, and identify and prevent project overruns.

The bond program’s financial management should encompass procedures and controls directed at ensuring the project comes in on budget, costs are accurately recorded and invoices are accurately priced. Areas within the financial management process that require evaluation include purchasing and receiving, payroll processing, progress billing, job cost recording, processing of sub-contractor and material provider invoices, change order cost tracking, lien release procedures, maintenance of insurances, and job cost reporting. Typical fraud schemes evaluated under this function include:

- Labor fraud schemes;
- Advanced billing, including falsified stored materials;
- Unbalanced bids;
- Inflated costs and/or overheads;

- Cost shifting to support false claims and change orders;
- Pass-through of fraudulent sub-contractor claims, with or without kickbacks; and
- Recording of falsified or inflated costs, with or without sub-contractor collusion.

***b. Project Management***

Mr. Clay’s Executive Summary included the following allegations related to project management:

- Lack of project budgets or under-budgeted projects;
- Project managers failure to process daily reports in Primavera;
- Project Managers failure create PCOs for a Request for Information that may result in additional project costs; and
- Improper management of project expenditures and project budgets.

Project management function should ensure that the actual scope of work as outlined in the contract is completed in compliance with the drawings and specifications. Systems and procedures evaluated in project management include issue identification and resolution, scope change identification and pricing, management of subcontracts and coordination of trades, scheduling, document control, drawing control, quality assurance and control and site control and security. Typical fraud scenarios evaluated under this function include:

- False claims and change orders;
- Unilateral scope changes;
- Falsified inspection and testing reports;
- Falsified quality inspections and testing records including inspector qualifications and related certifications;
- Schedule manipulation; and
- Collusive activities between contractor/consultant(s) and sub-contractors to support claims and changes.

***c. Compliance/Governance***

In addition to the allegations related to the bond program’s financial and project management, Mr. Clay also sets forth compliance and District governance related issues, including but not limited to:

- Project budgets, expenditures, and change orders not approved by the Board;
- Board approval of contracts “after the fact as a consent item;”
- Reliance on Facilities Subcommittee approvals; and
- Improper oversight of project budgets and expenditures, resulting in cost overruns and future bond issues to be used entirely for prior bond issues projects.

The compliance and governance function of the District’s bond program involves the oversight and approval of project budgets, expenditures and change orders. Improper oversight and improper approval processes create an environment that is conducive to fraud, waste and abuse.

**4. Communication and Reporting Results and Findings**

Our work plan documentation and reports are updated in real-time so that we are prepared to provide oral presentations and/or written reports that detail our progress, recent tasks, findings and recommendations. In addition, at a minimum, we will schedule regular meetings to discuss our progress, findings and upcoming tasks and project milestones.

At the completion of our assessment, we will provide the Board’s Subcommittee with a summary of the procedures we performed and our fraud risk assessment matrix. The matrix will include the fraud schemes associated with Mr. Clay’s allegations and our assessment of the likelihood and impact of these identified fraud risk areas. This evaluation will then serve as the basis for the design and implementation of our forensic investigation. Table No. 1 below provides an example of our fraud risk assessment matrix to illustrate the deliverable we will provide to the Board’s Subcommittee.

**Table No. 1  
Example Fraud Risk Assessment Matrix**

#	Identified Fraud Risks/Schemes	Likelihood	Impact	Department/ Functional Area	Ratings Rationale/ Control Effectiveness	Control Gap/ Comments
1	False Claims and Change Orders	Low	High	Financial and Project Management		
2	Project Scope Changes	Medium	Low	Project Management		
3	Advanced Billing	Medium	High	Financial and Project Management		

**Identified Fraud Risks/Schemes:** This column captures the fraud risks/schemes specific Mr. Clay’s allegations and our analysis of the supporting documentation.

**Likelihood:** As noted above, the evaluation of likelihood represents the probability of the fraud risk/scheme succeeding if attempted.

**Impact:** The impact represents the effect to the District if the scheme is/was successful both from a monetary and reputational perspective.

**Department/Functional Area:** Represents the area that is affected by the identified fraud risks/schemes.

**Ratings Rationale/Control Effectiveness:** This sets forth the basis for how we arrived at the assignment of a specific rating for both “Likelihood” and “Impact.” This column will also provide information regarding which controls, procedures and processes are in place which may mitigate the fraud risk/scheme identified.

**Control Gap/Comments:** These are control, procedure and process deficiencies identified during our assessment.

The analysis of likelihood and impact will be utilized to substantiate the allegations, prioritize fraud schemes and to develop the scope and work plan for the forensic investigation in Phase II. The development and implementation of the forensic investigation should address each fraud risk/scheme identified as medium or high in likelihood and impact. Conversely, if a fraud scheme ranks low in both likelihood and impact, no additional investigation related to this allegation should be necessary. Table No. 2 below outlines some examples of the potential fraud risks/schemes arising from the allegations and our fraud risk assessment and the associated forensic investigation procedures. The fraud risks/schemes noted Table No. 2 are not meant to be representative all of fraud risks/schemes stemming from Mr. Clay’s allegations or procedures we may encounter and conduct during the actual implementation of our fraud risk assessment and forensic investigation.

**Table No. 2  
Example Fraud Risks/Schemes and Associated Procedures**

	<b>Example Identified Fraud Risks/Schemes</b>	<b>Example Forensic Accounting Investigation Procedures</b>
1	<p><u>False claims and change orders:</u> Change orders always raise our awareness in connection with potential fraud. This risk is heightened in the presence of fixed price contracts as change orders are the primary mechanism used to commit fraud in such scenarios. Change order fraud can relate to the specific task and/or the associated cost. Change orders are common in legitimate construction projects so detecting fraudulent change orders is more complex. Change order fraud is further complicated by the fact that project management faces contractual pressure to resolve changes quickly and that there are often economic impacts to delaying change order approvals.</p>	<ul style="list-style-type: none"> <li>● Understanding the facts and circumstances leading to a change order and assessing the reasonableness of each change order request;</li> <li>● Evaluation and testing both cost verification and timing of cost and work against work tracking documents such as daily logs;</li> <li>● Assess the level of cost segregation in the contractor’s job cost accounting system and adjust our testing procedures accordingly;</li> <li>● Monitor areas of large unfavorable variances;</li> <li>● Review technical issues with engineers; and</li> <li>● Review correspondence related to issues underlying change order.</li> </ul>
2	<p><u>Scope changes:</u> Contractor's allegation that some portion/aspect of project outside the scope of the contract. Scope changes typically involve ancillary or interface work and are requested through change orders for scope of work.</p>	<ul style="list-style-type: none"> <li>● Review and understand contract scope of work and drawings/specifications;</li> <li>● Monitor change orders; and</li> <li>● Attend meeting and/or review meeting minutes.</li> </ul>
3	<p><u>Advanced billing:</u> Prevalent in both fixed and cost-plus contracts, advanced billing schemes involve contractors billing for work not performed. Overstatements may include hours, materials purchased, materials in place and equipment.</p>	<ul style="list-style-type: none"> <li>● Comparison of billed percent complete to scheduled percent complete and work in place;</li> <li>● Comparison of job cost reports and billings;</li> <li>● Comparison of labor cost distribution hours and billings;</li> <li>● Request supporting detail for billings; and</li> <li>● Field observations.</li> </ul>

**Table No. 2**  
**Example Fraud Risks/Schemes and Associated Procedures**  
**(continued)**

	Example Identified Fraud Risks/Schemes	Example Forensic Accounting Investigation Procedures
4	<u>Unbalanced bid</u> : Typically found in Fixed price contracts, unbalanced bids involve the falsification of schedule of values which may include loading project overheads and profits on early items of work. Owner pays for work far in advance and bears the risk that the contractor will default.	<ul style="list-style-type: none"> <li>• Analyze schedule of values;</li> <li>• Comparison of bids to engineer's estimates;</li> <li>• Observing and documenting mobilization effort and early work items;</li> <li>• Comparison of amounts billed to work force levels;</li> <li>• Request and review bid estimate detail;</li> <li>• Analyze billings against Job Cost report; and</li> <li>• Field observations.</li> </ul>
5	<u>Inflated or falsified costs</u> : Can relate to quantity, amount and/or rate. This fraud must be considered with and without vendor involvement. With vendor involvement this fraud schedule typically includes some form of kickback.	<ul style="list-style-type: none"> <li>• Review cash payments to vendors and subcontractors;</li> <li>• Look for claims or issues that are dropped without resolution;</li> <li>• Review invoices/time cards for alteration and/or fabrication;</li> <li>• Confirm invoice numbers with vendor; and</li> <li>• Compare invoices to other quantity data (e.g. scheduling system).</li> </ul>
6	<u>Cost shifting between codes and/or jobs</u> : The purpose of this scheme is to move costs to claimable areas or reimbursable areas. Cost shifting can occur between different codes within one project and shifts between projects.	<ul style="list-style-type: none"> <li>• Review journal entry re-classes of labor and equipment;</li> <li>• Review changes on timecards and invoices;</li> <li>• Compare crew locations with engineers log;</li> <li>• Compare equipment locations with engineer's log;</li> <li>• Assess ship-to addresses for material and equipment; and</li> <li>• Monitor common staging areas for multiple projects.</li> </ul>

### **Development of the Forensic Accounting Investigation Scope of Work**

As experienced forensic accountants and fraud examiners, we understand that the objective of a fraud risk assessment is to efficiently and effectively identify areas susceptible to fraud, prioritize risks, and investigate and remediate those risks. The customized forensic accounting investigation procedures developed from our risk assessment process is focused on meeting these objectives by focusing our investigative efforts on those areas most susceptible to fraud.

Our analysis of the allegations and the resulting fraud risk assessment report will create the framework from which we will develop the forensic accounting investigation. Our programs will clearly state the known fraud, waste and abuse risks and outline in specific detail what, when, how and where tasks need to be performed. The program will also contemplate staffing needs including identifying the most experienced project manager and the number of staff required to execute the program. It will discuss how each identified risk will be proactively addressed, analyzed and detected, documented and reported. Our program will also consider where applicable training, education and awareness are necessary.

The forensic accounting scope will establish measurable objectives and milestones to track progress and document our provision of services. It will provide time tables for tasks and deliverables which can in turn be utilized to create and support financial and time budgeting. Similar to our fraud risk assessment reports, our programs will also have the flexibility to adapt to new findings to ensure that the appropriate resources are properly allocated to perform detailed forensic analysis and investigative procedures. This will also allow our project managers to quickly identify and communicate instances where tasks, schedules and financial budgets may change.

Once the scope of our forensic accounting investigation has been fully developed and approved in coordination with the Board's Subcommittee, our Engagement Team will immediately initiate our implementation. EisnerAmper has decades of experience in managing large investigations. While developing a work plan requires technical expertise, putting that plan into action requires much more. Our approach to implementation is centered on the following: (1) Organization; (2) Coordination; (3) Communication; and (4) On-site Presence.

## RELEVANT EXPERIENCE

The following recent and ongoing projects exemplify our Engagement Team’s experience in providing relevant forensic accounting, fraud investigation and forensic data recovery services to school districts and other governmental agencies.

Project Title	Project Description
<p><b>Coatesville Area School District</b> Forensic Accounting Services</p>	<p>EisnerAmper was retained to perform forensic accounting and fraud investigative services within various departments and accounts of the District, including: The District’s bond program accounting, and bond proceeds and expenditures related to public construction projects; Business Office revenues and expenditures, including wire transfers, inter-fund transfers, employee reimbursement vouchers and federal grants; Technology department expenditures, payment processing and purchase of goods and services; and Facilities department collection of revenues, facilities use rental fees, and other revenues, facilities department expenditures for employee reimbursement and purchase of goods and services.</p>
<p><b>Bensalem Township School District</b> Forensic Accounting and Construction Project Auditing Services</p>	<p>EisnerAmper performed an investigation of the district’s facilities’ department transactions for a two year period. Transactions analyzed included: overtime charges, employee time charges, purchases of goods and services, and the use of district credit cards, vehicles, and gas cards. For each of these transaction types, testing was performed to identify the proper support and recording, and compliance with district policies and procedures and with state and federal regulations.</p> <p>EisnerAmper also provided forensic accounting services to the district respecting a \$15 million High School Gym construction project. Services included procedure and process reviews, financial records reviews to ensure compliance, forensic accounting, oversight services and fraud examination services.</p>
<p><b>Pennsylvania Department of Transportation</b> Forensic Accounting and Construction Auditing Services</p>	<p>EisnerAmper was retained to perform forensic accounting and construction auditing services related to the evaluation of contractor claims on a \$55 million highway reconstruction and expansion project and a \$4.5 million highway resurfacing project. The forensic accounting and construction auditing services we provided included a detailed financial compliance review of the construction project’s financial records.</p>
<p><b>New Jersey Transit Corporation</b> Forensic Accounting and Integrity Monitoring Services</p>	<p>EisnerAmper is one of four firms selected to provide ongoing Integrity Monitoring of federally funded repair and resiliency construction projects resulting from Superstorm Sandy. Services include but are not limited to, forensic accounting, fraud risk assessments, internal control assessments, compliance of relevant laws and regulations.</p>

**Relevant Experience continued:**

Project Title	Project Description
<p><b>United States v. BBC/MEC, et al.</b></p>	<p>Assisted the U.S. Department of Justice in their investigation of criminal and civil fraud allegations related to a \$600 million construction project stemming from whistleblower complaints. False claims allegations investigated included material substitutions, undisclosed design and specification changes, fraudulent and overstated requests for equitable adjustment, unilateral scope reductions and corruption in equipment selection.</p> <p>EisnerAmper’s scope of work performed included functioning as a technical consultant to the FBI during the seizure of contractor records; reviewing, organizing and evaluating documents obtained through search warrant and subpoena; reviewing and analyzing correspondence, change orders, drawings, specifications and engineering records; evaluating contractor systems, procedures and controls; and preparing and presenting findings to DOJ and various federal agencies; and observing contractor field operations through site walkthroughs and covert observations. We also assisted criminal AUSA’s and the FBI in planning and conducting interviews both domestically and internationally. Our work also included preparing exhibits, presenting testimony and assisting DOJ civil fraud attorneys during settlement negotiations leading to an eight figure civil settlement amount.</p>
<p><b>Confidential Client – Forensic Data Recovery</b></p>	<p>A District Attorney’s office accidentally overwrote their encrypted evidence photo database and found that none of their backup tapes had worked. The database contained all of their photographic evidence for historical and upcoming criminal cases. Consultants from Ueltzen &amp; Company performed a special type of data recovery, that is, rebuilding a file whose pieces reside on multiple locations within a hard drive. After identifying all of the potential pieces of the photo database on the hard drive, our consultants determined what pieces belonged together, which ones were older non-relevant versions of the database and then painstakingly put together the relevant pieces in their correct sequence to rebuild the photo database. Close to 98% of all of the photos were recovered.</p>
<p><b>Confidential Client— A California City Forensic Accounting Services</b></p>	<p>Ueltzen &amp; Company was retained to analyze the accounting records, controls in place and construction expenditures of a governmental entity which issued construction bonds guaranteed by a City. The City was alleging mismanagement of the bond proceeds resulting in significant cost overruns which the governmental entity was demanding the City fund.</p>
<p><b>Confidential Client— A California School District Forensic Accounting Services</b></p>	<p>Ueltzen &amp; Company was retained to analyze the accounting records, controls in place and management of a school districts’ cash collection process. The school district identified a potential embezzlement in conjunction with facility rentals. Ueltzen was retained to confirm that cash funds were inappropriately removed from the school district, quantify the extent of scheme, and then identify and report on the internal controls that were lacking which allowed the scheme to take place.</p>
<p><b>Confidential Client— A California City Forensic Accounting and Professional Standards Litigation Services</b></p>	<p>Ueltzen &amp; Company was retained to perform forensic accounting investigation and professional standards evaluation services as a result of a City employee embezzlement. The scope of our assignment was to assess the application of accounting principles and government auditing standards by the CPA as well as analyze the City’s internal controls and processes within City Hall and the Building department. Ueltzen &amp; Company compared the internal controls as audited by the CPA to the actual procedures that were performed in order to determine how the City employee was able to embezzle funds and mislead the CPA.</p>



## REFERENCES

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Client/Contact	Contact Name	Address	Contact Information
Coatesville Area School District	Dr. Cathy Taschner Superintendent	3030 C G Zinn Road Thorndale, PA 19372	610-466-2433 taschnerc@casdschools.org
Bensalem Township School District	Dr. David Baugh Superintendent	3000 Donallen Drive Bensalem, PA 19020	215-750-2800 dbaugh@bensalemsd.org
Stubbs & Leone	Brian A. Duus, Esq.	2175 North California Blvd. Suite 900 Walnut Creek CA 94596	925-974-8600 x 108 duusb@stubbsleone.com
Wilson Elser	Steven Parminter	555 S. Flower Street Suite 2900 Los Angeles, CA 90071	213-330-8831 Steven.parminter@wilsonelser.com

# PROPOSED TIME COMMITMENT AND COST OF SERVICES—PHASE I

## Time Commitment

Based on our understanding of WCCUSD’s needs and the scope of services, we estimate completion of Phase I in approximately ten weeks. Certain tasks will have definitive performance milestones and deliverables, while other tasks will be ongoing throughout the life of the Project. The schedule below outlines certain performance milestones and the associated deliverables.

Performance Milestone	Completion Date*	Deliverable/Result
Engagement Kick-Off Meetings	10/01/2015	These meetings will result in a more refined scope of tasks and deliverables.
Completion of Fraud Risk Assessment	11/20/2015	At the completion of this milestone, we will have analyzed the allegations and completed our evaluation of fraud, waste and abuse areas.
Completion of Proposed Forensic Accounting Investigation	12/4/2015	At the completion of this milestone, we will have developed our recommendations for the forensic accounting investigation to be presented to the Board Subcommittee for further scope development.
Project Completion	12/11/2015	Submission of final report and presentation of findings.

*\*Our project completion timeline assumes that we will receive a notice to proceed on October 1, 2015. The completion dates for the milestones are subject to change depending on when we receive the notice to proceed, the accessibility and availability of WCCUSD staff and our receipt of the financial documents and information necessary to complete our fraud risk assessment. Should WCCUSD wish to expedite this timeline, we will make a good faith effort to accelerate our deliverables to meet the needs of the WCCUSD.*

## Cost of Services

### Estimated Fees

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We commit to delivering these services in a timely, cost-effective manner. For the Phase I fraud risk assessment, we estimate our cost of services to be in the range of **\$45,000 to \$65,000**. The basis for this estimate is as follows:

- The overall size of the bond program;
- The scope of Mr. Clay's complaint, which covers several functional areas and includes allegations of illegal conduct, negligence, and facilitation;
- The level of documentation to review, including but not limited to the 175 files of supporting documentation provided by Mr. Clay, the District, Bond Performance and Bond financial Audit Reports, and other documentation we deem relevant;
- Our belief that interviews of certain key personnel is a necessary component to the Phase I fraud risk assessment;
- Drafting and finalizing a written fraud risk assessment report, which will include recommendations for the forensic accounting investigation; and
- Working with the Board's Subcommittee to develop the scope and budget for the forensic accounting investigation.

EisnerAmper devotes considerable effort to controlling the time expended, consistent with the need to perform our professional responsibilities. Any additional services provided by our firm beyond the scope of services set forth will be discussed and approved by WCCUSD management before work commences and will be billed at our designated hourly rates.

### Out-of-Pocket Expenses

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Out-of-pocket expenses are invoiced as these costs are incurred without markup.