

January 7, 2016

Subcommittee for the Clay Investigation
West Contra Costa Unified School District
1400 Marina Way South
Richmond, CA 94804

Re: West Contra Costa Unified School District (WCCUSD) Board of Education Forensic Accounting for the Clay Investigation – **Proposed Scope of Work for Phase II**

Dear Subcommittee for the Clay Investigation:

Vicenti, Lloyd & Stutzman, LLP (VLS) submits the attached Proposed Scope of Work for Phase II Forensic Investigation on the District's school construction bond program, which is prepared for the internal use of the West Contra Costa Unified School District (WCCUSD) pursuant to our engagement letter dated September 30, 2015 between VLS and the WCCUSD.

The overall scope of our work and approach is conducted utilizing standards in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Consulting Services contained in Rule 21 of the AICPA Code of Professional Conduct; and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE) In accordance with these standards, no opinion is expressed by VLS regarding the legal culpability of any person, party or organization.

Phase I of the Fraud Risk Assessment is comprised of a two-part deliverable, the Bond Program Fraud Risk Assessment and the Proposed Scope of Work for Phase II (including test of controls and forensic accounting investigation). This document addresses the **Proposed Scope of Work for Phase II (Test of Controls and Forensic Accounting Investigation)**.

Overview of Proposed Scope of Work for Phase II – (Test of Controls and Forensic Accounting Investigation)

The Proposed Scope of Work for Phase II begins on page five of this document. This document is further divided into two sections: Proposed Scope of Work for Phase II – Test of Controls

(TC) section beginning on page five; and Proposed Scope of Work for Phase II – Forensic Accounting Investigation (FI) section beginning on page nine of this document.

Each work step in the proposed scope of work for the Test of Controls section is identified by TC followed by a number. For example work step TC (1) is Test of Controls 1. Each work step also identifies the risk area followed by a color (red, yellow and green), which corresponds to the risk score as identified in the Fraud Risk Assessment.

For example COI (1) corresponds to Conflict of Interest 1, which is the risk score number assigned by VLS and presented in the Risk Assessment Matrix. One work step may cover more than one risk area. The following are the abbreviations used to identify the risk areas in the Proposed Scope of Work for Phase II. These risk areas correspond to those identified in the risk area.

<u>Abbreviation</u>	<u>Risk Area</u>
COI	Conflict of Interest
GOV	Compliance with Legal Requirements and Board Policies
BUD	Budgeting Practices
VCA	Vendor Contract Administration
BOP	Billings and Performance of Outside Construction Manger
COA	Change Order Approval and Accounting Practices
PAM	Project Accounting Systems – Munis
PAP	Project Accounting Systems – Primavera
FRP	Financial Reporting
APA	Adequacy of Performance Audits

The number assigned is strictly for numerical purposes and is not an indicator of priority, importance or value. However, no TC steps have been assigned for those risk areas which have been identified in the risk assessment matrix as a low risk area (green). However, for information purposes only, VLS has included proposed steps for these low priority risk areas in the Proposed Scope of Work for Phase II documents.

Proposed Scope of Work for Phase II – Test of Controls (TC) Section:

For each area identified where VLS will test internal controls, the work will generally be performed in two parts. The first part will include meeting with the District staff and/or SGI and other appropriate individuals to understand and document the detailed processes and procedures being followed, including what internal controls are in place within those processes and procedures. VLS will identify the significant internal controls that have been implemented and are being relied upon by the District to reduce the risk of fraud, waste and abuse.

Once the significant internal controls are fully identified, the population of transactions related to those controls will be identified, and a sample will be selected for testing.

The second part of this process involves VLS obtaining and reviewing the supporting documentation for the samples selected to verify that the significant controls identified are in place and are being followed. Both processes will require heavy involvement from the District staff and possibly SGI and other staff who are involved in the areas identified for testing.

Following is a summary of the Proposed Phase II Scope of Work for the Test of Internal Controls Section.

- Number of TC Proposed Steps - 16
- Not-to-exceed contract amount - \$268,934
- Estimated number of hours - 1,289
- Estimated timeline to complete - four (4) months from date of signed agreement

Proposed Scope of Work for Phase II – Forensic Accounting Investigation (FI) Section:

The steps proposed to be performed for the FI section, involve primarily historical transactions. For each area identified where VLS will perform a forensic accounting investigation, the work will consist of two parts as well. The first part will include interviewing select District staff as well as select SGI staff and other relevant parties to gather information specific to the areas requiring a forensic accounting investigation.

The second part of this process can involve the following areas of work:

- Obtaining, organizing, reviewing and analyzing appropriate records, ledgers and overall detail accounting information
- Data analytical, sampling and overall analytical investigative techniques
- Computer forensic and electronic data review and analysis
- Background checks and investigation
- Other lawful investigative techniques

Both of these parts will require heavy involvement from the District staff and possibly SGI and other staff who are involved in the areas identified for testing.

Following is a summary of the Proposed Phase II Scope of Work for the Forensic Investigation:

- Number of FI Proposed Steps - 11
- Not-to-exceed contract amount - \$536,211
- Estimated number of hours - 2,594

- Estimated timeline to complete – Six (6) months from date of execution of signed agreement

Small efficiency savings are gained if VLS is engaged to perform all the work as proposed in this document for Phase II. If the District elects to engage VLS to perform the work as proposed for both the Test of Controls and the Forensic Investigation sections, the following is a summary of the total Proposed Phase II Scope of work not to exceed grand totals:

- Total number of Proposed Steps - 27
- Not-to-exceed contract amount - \$798,705
- Estimated number of hours - 3,883
- Estimated timeline to complete - eight (8) months from date of execution of signed agreement

VLS appreciates the opportunity to assist the Subcommittee for the Clay Investigation during Phase I of this investigation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ernest C. Cooper". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ernest C. Cooper, CPA, CFE
Vicenti, Lloyd & Stutzman LLP - Partner

West Contra Costa Unified School District - Bond Program
Proposed Scope of Work for Phase II
Test of Controls Section ("TC")
January 7, 2016

Test of Controls Areas	Scope of Work	HOURS	AVERAGE HOURLY RATE	AMOUNT
Conflict of Interest - CBOC				
Areas of Risk	COI (7)			
TC (1)	Determine whether the revised District/Board policy for the selection and appointment of the Citizens Bond Oversight Committee (CBOC) members is transparent, neutral, and free of possible conflicts or loyalties.			
	Subtotal	24	\$ 190	\$ 4,560
Conflict of Interest - Steering/Prioritization Committees				
Areas of Risk	COI (8) VCA (1)			
TC (2)	Review the mission, goals and actions of the Steering Committee and Prioritization Committee to ensure they are adequate for meeting the objectives of analyzing school building conditions based on pre-established criteria that prevents political (or other) influence and pressure. Where appropriate, test the controls/process to determine overall effectiveness.			
	Subtotal	58	\$ 181	\$ 10,520
Conflict of Interest - Bond Program Expenditures				
Areas of Risk	COI (8)			
TC (3)	Review and assess the adequacy of internal controls in place to ensure that bond program expenditures are incurred in compliance with voter approved bond measure language and whether schools identified for construction or modernization were actually constructed or modernized. Note those schools that were included in bond language, but never started. Perform a test of these internal controls to determine overall effectiveness.			
	Subtotal	68	\$ 185	\$ 12,580
Compliance with Legal Requirements and Board Policies - Governance				
Areas of Risk	COI (1, 2, 5, 6) GOV (2, 5) VCA (3, 11)			
TC (4)	Test to determine whether the DRAFT of the Governance Handbook and related documentation are comprehensive, adequate and sufficient in addressing the duties and responsibilities of the Board and addresses the following areas. <ul style="list-style-type: none"> - Board is not involved in the operations of the Bond program - What is added as agenda items presented to the Board - Brown Acts requirements - Conflict of Interest rules - Conflict of Interest rules pertaining to vendors - Involvement with District decisions - Interactions with District employees and vendors - Proposing amendments to vendor contracts 			
	Subtotal	52	\$ 211	\$ 10,980
Budgeting Practices - Master Planning				
Areas of Risk	COI (4) GOV (2, 5, 6) BUD (1, 2) VCA (1) PAM (2)			
TC (5)	Review and assess the Master Planning budgeting process to determine whether appropriate steps have been put into place to adequately budget future school construction/modernization projects. Determine whether detailed budgets are prepared and approved by the Board, are shared with the Board and public where appropriate, and are used to track project performance and results. Perform a test of these internal controls to determine overall effectiveness. Determine whether remaining school projects can be completed with the remaining funding, and determine whether the architect(s) involved in the master planning process have a prior relationship with the District.			
	Subtotal	60	\$ 183	\$ 10,960
Budgeting Practices - Adequacy/Completeness				
Areas of Risk	BUD (1, 2, 3, 4, 5, 6, 7) VCA (6, 8, 9) PAM (2, 4)			
TC (6)	Review and assess the adequacy of the internal controls related to budgeting practices. Ensure that the policies, procedures and overall accounting for budgeting practices is adequate and complete. Ensure that the process for detailed line-by-line budget preparation and reporting to the Board and relevant committee(s) is accurate, thorough, and comprehensive. Perform a test of these internal controls to assess overall effectiveness.			
	Subtotal	54	\$ 203	\$ 10,980
Vendor Contract Administration - Vendor Due Dilligence				
Areas of Risk	COI (3) VCA (2, 4, 5, 8, 15)			
TC (7)	Review and assess the current process to determine if there are adequate internal controls in place which allow for the District to perform the appropriate "Vendor Due Diligence" prior to contracting with vendor(s). Perform a test of these internal controls to determine overall effectiveness.			
	Subtotal	54	\$ 174	\$ 9,380

Test of Controls Areas	Scope of Work	HOURS	AVERAGE HOURLY RATE	AMOUNT
Vendor Contract Administration - Vendor Contracts				
Areas of Risk	GOV (1, 2, 5) BUD (7) VCA (1, 2, 4, 5, 6, 8, 11, 13, 15) PAM (3)			
TC (8)	<p>Review and assess the internal controls related to the overall administration of Bond and Vendor contracts to ensure these contracts:</p> <ul style="list-style-type: none"> - Are thoroughly evaluated, appropriate and complete - Are now being memorialized and all administrative/regulatory guidelines and procedures are being followed - Are now being submitted to the Board for approval and are within the approved budget <p>Ensure internal controls are in place which address communications with Board related to budgeting and vendor contracting and are thorough and complete. Perform a test of these internal controls to determine overall effectiveness.</p>			
Subtotal		62	\$ 184	\$ 11,400
Vendor Contract Administration - Bidding Process				
Areas of Risk	VCA (7)			
TC (9)	Review and assess the internal controls involving the District bond program bidding process to ensure it is in compliance with administrative/educational policies and procedures. Perform a test of these internal controls to assess overall effectiveness.			
Subtotal		46	\$ 193	\$ 8,900
Vendor Contract Administration - Reporting				
Areas of Risk	VCA (12)			
TC (10)	Review and assess internal controls to ensure all reports generated and provided by SGI to the Board, District, CBOC and/or Facilities Subcommittee are in line with contract specifications. Perform a test of these internal controls to assess overall effectiveness.			
Subtotal		28	\$ 182	\$ 5,100
Vendor Contract Administration - Invoice Payments				
Areas of Risk	VCA (16) BPO (1, 2, 3, 4, 6, 7)			
TC (11)	Review and assess the internal controls over the District approval of invoices submitted by SGI and other vendors to ensure that controls are adequate, thorough, transparent and financially sound. Perform a test of these controls to assess overall effectiveness.			
Subtotal		52	\$ 189	\$ 9,820
Billings and Performance of Outside Construction Manager				
Areas of Risk	BPO (5)			
TC (12)	Review and assess the internal controls over the District's involvement with the interviewing, hiring and promoting of SGI employees assigned to District projects to ensure they are adequate, thorough, transparent and financially sound. Perform a test of these controls to assess overall effectiveness.			
Subtotal		48	\$ 197	\$ 9,440
Change Order Approval and Accounting Practices				
Areas of Risk	COI (4) GOV (2, 5) COA (1, 3, 4, 5, 7) PAM (5)			
TC (13)	Review and assess the internal controls related to Change Orders and Vendor "Add Services" to ensure they are adequate, thorough, transparent and financially sound. Perform a test of these controls to assess overall effectiveness.			
Subtotal		62	\$ 192	\$ 11,880
Project Accounting Systems - Munis				
Areas of Risk	BUD (3, 4, 5, 6, 7) VCA (6, 8, 9) PAM (1, 2, 4, 5, 6)			
TC (14)	<p>Review and assess the internal controls in place to ensure:</p> <ul style="list-style-type: none"> - That the procedures for Munis tracking of budgets, including the multiyear functionality is adequate, reliable and accurate - That the reconciliation process between the project ledger and the general ledger in Munis is accurate and complete - That access rights in Munis for all data entry points related to the bond program are under the responsibility of the District only <p>Will perform a detailed walkthrough of the process for entering bond program related information into Munis (contracts, change orders, etc.) to gain a detailed understanding of the process and ensure proper controls are in place. Perform a test of these internal controls to assess overall effectiveness.</p>			
Subtotal		74	\$ 180	\$ 13,340
Project Accounting Systems - Primavera				
Areas of Risk	GOV (4) VCA (10) COA (2, 6) PAM (6) PAP (1, 2, 3) FRP (1, 3, 4)			
TC (15)	<p>Review and assess the internal controls in place to ensure:</p> <ul style="list-style-type: none"> - Primavera is accurate, reliable, and appropriately updated - To ensure procedures and controls have been adequately implemented to recover any potential lost information - To ensure procedures and controls have been adequately implemented for recording of proposed change orders - To ensure procedures and controls have been adequately implemented - To ensure reconciliation between Munis and Primavera is accurate and complete <p>Perform a test of these internal controls to assess overall effectiveness.</p>			
Subtotal		66	\$ 183	\$ 12,100

Test of Controls Areas	Scope of Work	HOURS	AVERAGE HOURLY RATE	AMOUNT
	Financial Reporting			
Areas of Risk	PAM (4) FRP (2, 3, 4)			
TC (16)	Review and assess the internal controls concerning the District's preparation and distribution of the various financial reports summarizing program expenditures and encumbrances to ensure they are adequate, thorough, transparent and financially sound. Perform a test of these internal controls to assess overall effectiveness. Ensure the bond program financial reports produced by the Executive Director of Business Services (and staff) accurately and completely reflect the financial position of the bond program.			
	Subtotal	70	\$ 192	\$ 13,460
SUBTOTAL TO COMPLETE TEST OF CONTROLS WORK		878	\$ 188	\$ 165,400

PROJECT OVERSIGHT, TRAVEL, COMMUNICATIONS, AND REPORTING 411 252 \$ 103,534

GRAND TOTAL TO COMPLETE THE TEST OF CONTROLS SECTION 1,289 \$ 268,934

ESTIMATED TIME TO COMPLETE IN MONTHS 4

West Contra Costa Unified School District - Bond Program
Proposed Scope of Work for Phase II
Test of Controls Section ("TC")
No Work Proposed for These Areas
January 7, 2016

Test of Controls Areas	Scope of Work	HOURS	AVERAGE HOURLY RATE	AMOUNT
	Vendor Contract Administration - Contract Retention Payments			
Areas of Risk	VCA (14)			
TC (17)	Review the internal controls related to contract retentions to assess if the controls in place are appropriate and adequate to ensure compliance with administrative, regulatory and other applicable policies. Perform a test of these internal controls to assess overall effectiveness.			
	Subtotal	-	\$ -	\$ -
	Adequacy of Performance Audits			
Areas of Risk	GOV (6) APA(1, 2, 3)			
TC (18)	Determine whether the CBOC Audit Subcommittee performs due diligence in the selection and evaluation of the bond performance and bond financial auditor.			
	Subtotal	-	\$ -	\$ -

West Contra Costa Unified School District - Bond Program
Proposed Scope of Work for Phase II
Forensic Investigation Section ("FI")
January 7, 2016

Forensic Investigation Areas	Scope of Work	HOURS	AVERAGE HOURLY RATE	AMOUNT
Conflict of Interest				
Areas of Risk	COI (3) GOV (2, 5, 6) BUD (1, 2, 4, 8) VCA (1, 3) PAM (2)			
FI (1)	Conduct appropriate investigative steps to identify contributions, gifts, or other payments made by District vendors to specific outside organizations, District Board members or District employees, which may have been given as a result of undue influence by District Board members or District employees			
Subtotal		412	\$ 184	\$ 75,740
Budgeting Practices				
Areas of Risk	BUD (1, 2, 5)			
FI (2)	Conduct appropriate investigative steps to: - Determine which projects had budgets approved by the Board or by an individual or committee authorized by the Board - On a sample basis, review past project expenditures and compare to identified budgets - Determine whether budgets submitted to the Board historically have been sufficient and free of errors			
Subtotal		132	\$ 168	\$ 22,220
Vendor Contract Administration - SGI				
Areas of Risk	VCA (3, 8, 13, 15) BPO (2, 3, 4, 5, 6, 7) COA (5)			
FI (3)	Conduct appropriate investigative steps to determine: - If Facilities Subcommittee recommended to the Board that SGI be selected contrary to staff recommendation - If SGI withheld or failed to make payments to subcontractors working on District projects through SGI - If SGI was paid inappropriately for sick and vacation time and if SGI billed the District for hours not worked by SGI employee - If District paid SGI for computers that were never received at the District office - If SGI employees possess the appropriate qualifications as stated in the terms specified in the SGI contract with the District - If sufficient supporting documentation was provided with invoices submitted by SGI to the District - If SGI communicated an incorrect and lower cost for change orders			
Subtotal		490	\$ 188	\$ 92,120
Areas of Risk	VCA (8, 15) BPO (3, 7)			
FI (4)	Construction expert to: - Conduct industry benchmarking - Assess if the SGI contract is reasonable and within industry standards - Review staffing levels of SGI compared to services delivered and volume of projects			
Subtotal		99	\$ 256	\$ 25,310
Vendor Contract Administration - Vendor Contracts and Payments				
Areas of Risk	COI (4) GOV (2, 5) VCA (2, 4, 5, 8, 9, 15, 16) BPO (1, 2, 3, 4) PAM (3)			
FI (5)	Conduct appropriate investigative steps to test a sample of vendor invoice payments to verify the following: - Contracts were appropriately approved by the Board - Appropriate contracts were executed - Payment was made timely - Invoice contains the appropriate District approval for payment - Payment agrees with contract terms - No duplicate payments (or overpayments) were made to a vendor due to two purchase orders being created for one contract			
Subtotal		99	\$ 171	\$ 16,910
Areas of Risk	GOV (3)			
FI (6)	Assess the responsibilities of the CBOC based on California Education Code and the California State Constitution and determine what actions taken by the CBOC may overstep their responsibility			
Subtotal		6	\$ 197	\$ 1,180
Vendor Contract Administration - Architect Firms				
Areas of Risk	VCA (1) BPO (1) GOV (6) COA (1)			
FI (7)	Conduct appropriate investigative steps to: - Evaluate if contracts with and payments to architect firms were appropriate - Evaluate the timing elapsed between commencement of design work and commencement of construction - Determine whether architects were approved for "add services" due to the need for updated designs - Determine whether "add service" of \$7 million approved for WLC was appropriate - Determine whether "add service" of \$800,000 approved for other architectural firm was appropriate - Benchmark against industry standards - Assess the claim that Lovonya DeJean MS design was inappropriately billed as a new design and assess if this payment meets industry standards for this type of design			
Subtotal		270	\$ 191	\$ 51,660

West Contra Costa Unified School District - Bond Program
Proposed Scope of Work for Phase II
Forensic Investigation Section ("FI")
January 7, 2016

Forensic Investigation Areas	Scope of Work	HOURS	AVERAGE HOURLY RATE	AMOUNT
Vendor Contract Administration - Bidding				
Areas of Risk	VCA (7)			
FI (8)	Conduct appropriate investigative steps to test a sample of contracts and trace these contracts to bidding documentation to verify that appropriate bidding processes took place, if appropriate			
	Subtotal	65	\$ 167	\$ 10,860
Vendor Contract Administration - Retention Release Payments				
Areas of Risk	VCA (14) COA (7)			
FI (9)	Conduct appropriate investigative steps to: - On a sample basis, test retention release payments to assess whether payment was made in accordance with the District's retention payment policy - Assess the claim that retention was released to a particular contractor prior to standard District policy/practice			
	Subtotal	54	\$ 190	\$ 10,280
Change Order Approval and Accounting Practices				
Areas of Risk	COA (3, 4, 5, 7)			
FI (10)	Conduct appropriate instigative steps to test a sample of change orders to assess for appropriate Board approval			
	Subtotal	46	\$ 165	\$ 7,580
Financial Reporting				
Areas of Risk	GOV (4) PAP (3) COA (2, 6) PAM (3) FRP (4)			
FI (11)	Conduct appropriate investigative steps to: - Determine whether Primavera has been fully adopted and is being updated as required - Review recent projects to determine whether PCOs have been entered into Primavera - Determine whether any change orders from the period when Primavera went down are currently not recorded in Primavera - Determine if multiple purchase orders were created for a single contract and determine the control deficiencies that allowed this to occur -Determine if the KPI and CAMP reports historically provided to the Board were inaccurate			
	Subtotal	94	\$ 169	\$ 15,920
SUBTOTAL TO COMPLETE FORENSIC INVESTIGATION WORK		1,767	\$ 187	\$ 329,780

PROJECT OVERSIGHT, TRAVEL, COMMUNICATIONS, AND REPORTING 827 \$ 206,431

GRAND TOTAL TO COMPLETE THE FORENSIC INVESTIGATION SECTION 2,594 \$ 536,211

ESTIMATED TIME TO COMPLETE IN MONTHS 6

West Contra Costa Unified School District - Bond Program
Proposed Scope of Work for Phase II
Forensic Investigation Section ("FI")
No Work Proposed for These Areas
January 7, 2016

Forensic Investigation Areas	Scope of Work	HOURS	AVERAGE HOURLY RATE	AMOUNT
Compliance with Legal Requirements and Board Policies				
Areas of Risk	GOV (6)			
FI (12)	Conduct research related to use of long-term debt to finance short term assets			
	Subtotal	-	\$ -	\$ -
Budgeting Practices				
Areas of Risk	BUD (8)			
FI (13)	Verify language included in bond measures and voter ballots allows the District to pay for projects promised with previous measures. If ballot language does not allow for funding of prior measure projects, quantify the amount of funds expended for projects promised with previous measures.			
	Subtotal	-	\$ -	\$ -
Adequacy of Performance Audits				
Areas of Risk	GOV (6) APA(1, 2, 3)			
FI (14)	Conduct an evaluation of the Bond Program performance and financial audits to assess adequacy and completeness			
	Subtotal	-	\$ -	\$ -