

WCCUSD Subcommittee on Clay Investigation

Alvarado Adult Education Campus

September 16, 2015

Minutes

(Approved, as amended September 23, 2015)

A. OPENING PROCEDURES

A.1 Call to Order

The meeting was called to order at 8:38 AM by Chairperson Liz Block.

A.2 Roll Call

Committee Members Present: Liz Block, Valerie Cuevas, Ivette Ricco

Staff Attendees: Lisa LeBlanc, Associate Superintendent for Operations; James K. Kawahara, Special Counsel; Jackie Kim, CPA, Internal Auditor; Phyllis Rosen, Clerical Staff.

A.3 Approval of Agenda

MOTION: Ms. Block moved to approve the Agenda. Ms. Cuevas seconded. Ms. Block, Ms. Cuevas and Ms. Ricco voted yes, with no abstentions and no absences. Motion carried 3-0-0-0.

A.4 Approval of Minutes: September 10, 2015

MOTION: Ms. Ricco moved to approve the minutes of the September 10, 2015 meeting. Ms. Cuevas seconded. Ms. Block, Ms. Cuevas and Ms. Ricco voted yes, with no abstentions and no absences. Motion carried 3-0-0-0.

B. DISCUSSION / APPROVAL ITEMS

B.1 Presentations from Selected Firms

BCA Watson / Government Financial Strategies / Williams, Adley & Co.

Michael de Castro, Larry Aldrich, Lori Raineri and Robert Griffin provided a presentation to the Subcommittee. The presentation was followed by questions from Ms. Block, Ms. Cuevas and Ms. Ricco, and responses from The BCA Watson Team.

Vicenti, Lloyd & Stutzman LLP (VLS)

Ernest Cooper and Jennie Dominguez provided a presentation to the Subcommittee. The presentation was followed by questions from Ms. Block, Ms. Cuevas and Ms. Ricco, and responses from The VLS Team.

EisnerAmper LLP / Ueltzen & Co LLP

Dana Trexler Smith, Jeffrey Buchakjian, Patrick DeLangis and Heather Lyons provided a presentation to the Subcommittee. The presentation was followed by questions from Ms. Block, Ms. Cuevas and Ms. Ricco, and responses from The EisnerAmper Team.

A break was taken from 12:15 PM to 12:45 PM.

Baker Tilly / Hemming Morse LLP (BTHM)

David Duffus, David Grisham and Fausta Shuler provided a presentation to the Subcommittee. The presentation was followed by questions from Ms. Block, Ms. Cuevas and Ms. Ricco, and responses from The BTHM Team.

B.2 Discuss / Approve subcommittee selection of forensic audit firm for recommendation to the Board of Education.

Public Comment:

Ben Steinberg commended the subcommittee for acting promptly, transparently and fairly in the process. He believed that all of the four teams were qualified to serve as the forensic auditing team. His preference for selection is VLS, as he was impressed with the teams' experience, overall expertise, ability to articulate effectively, and experience working in California.

Linda Lozito said she thought all firms sounded really qualified. She added that she was impressed with the subcommittee's transparency and lack of a hidden agenda. She said her preference was for VLS because they have the most experience with actual school construction and knowledge of what to do if fraud is found.

Tom Panas said if VLS checks out okay, the subcommittee should select them.

Anton Jungherr said his preference was for VLS.

Board Comment:

The subcommittee members discussed the pros and cons of all of the four firms interviewed considering the firm's investigative experience, experience working in California, team continuity, allocation of time and money, and the team's ability to articulate their understanding around forensic audits, contract expectations and methodology. The following chart represents each subcommittee member's order of preference, with #1 the highest and #4 the lowest:

<i>Firm</i>	<i>Val Cuevas</i>	<i>Liz Block</i>	<i>Yvette Ricco</i>	<i>Totals</i>
Baker	4	3	3	10
BCA	2	4	1	7
Eisner	3	1	4	8
VLS	1	2	2	5

Mr. Kawahara and Ms. Kim provided additional comments regarding the subcommittee's selection. Mr. Kawahara disclosed that he has worked with Mr. De Castro and Mr. Aldrich in the past on the review of the MTA's Legal Counsel Office regarding legal billing of outside law firms to MTA.

The subcommittee members discussed whether Mr. Cooper's experience could send a negative message. Mr. Kawahara commented that he believed Mr. Cooper's experience would send a signal to the public that there is much concern about the allegations and that the subcommittee is going to do the most thorough investigation possible. He said that while Mr. Cooper's experience could be intimidating for someone being interviewed, the point is that employees are being asked to cooperate and be truthful and so he sees this as a positive. Mr. Kawahara added that Mr. Cooper made it clear that he is not law enforcement.

The subcommittee agreed, by consensus, to approve the ranking from highest to lowest as VLS, BCA, Eisner and Baker Tilly.

B.3 Discuss / Approve reporting relationship of accounting firm to Subcommittee, law firm, and Board.

Public Comment:

Mr. Panas said we need to consider whether it is the proper time to discuss this item, as whoever we select may want to be part of the conversation. He thanked the subcommittee for their efforts.

Mr. Jungherr said he believes the contract should run to the district and not to the attorney. He said he is very comfortable with the attorney getting the information which gives him the ability to determine what is privileged. He said he strongly advocates that the final report be without redaction.

Board Comment:

Ms. Cuevas said she is in favor of having the audit firm report directly to Mr. Kawahara to protect the attorney work product and attorney-client privileges.

Ms. LeBlanc said the contract would be with the district but that it would contain contract language regarding the reporting relationship with the law firm.

Mr. Kawahara agreed and recommended that the contract would be with the district and the reporting relationship with the law firm to protect the attorney work product and attorney-client privileges during the investigation.

The subcommittee members advised that Mr. Kawahara would not contact or work with the district's other counsel to formulate the language of the contract, and Mr. Kawahara agreed.

Mr. Kawahara discussed how the contract language would need to reflect which documents are privileged and which would be made public. He confirmed that he was being directed to analyze the correct contracting provision to maintain attorney-client and attorney work product privileges to the forensic accounting firm that will be contracted, and Ms. Block agreed.

Ms. Block asked about the process of receiving updates. Mr. Kawahara suggested that the subcommittee establish a template or form that itemized the information they want to be apprised of and the time frame when they wanted to be updated, and he would work with the forensic team to provide an update to the subcommittee that may include, for example, numbers of interviews, number of hours, percentage of completion and also to maintain a schedule as far as date of completion of the project, and Ms. Block said that would be very helpful.

Ms. Ricco suggested a kickoff meeting to determine the parameters.

Ms. LeBlanc added that those language recommendations would be made during contract negotiations.

MOTION: Ms. Block moved to approve a reporting relationship that is a combination that maintains attorney client privilege, attorney work product and direct reporting of the forensic team to the special counsel with general reporting to the subcommittee that will be determined, with the final report being made public in the end. Ms. Ricco seconded. Ms. Block, Ms. Cuevas and Ms. Ricco voted yes, with no abstentions and no absences. Motion carried 3-0-0.

B.4 Discuss / Approve next steps

Board Comment:

Ms. LeBlanc proposed that the subcommittee make a recommendation on the selection of VLS as the auditing firm to be taken to the Board for approval authorizing staff and special counsel to begin negotiations on the contract, and then in another step bring a final contract for approval at the next Board meeting. She noted that there is a request to the Board for a special meeting on September 23rd a 5:00 PM, which was suitable for submitting the recommendation on the selection.

Mr. Kawahara agreed, saying it was appropriate to take the extra step to submit a fully negotiated contract to the Board for approval.

Mr. Jungherr said he agreed with Mr. Kawahara.

The subcommittee members discussed the timing of completing the reference checks and length of time for contract negotiations, with comments from Ms. LeBlanc.

The subcommittee sought consensus to 1) bring a recommendation to the Board on September 23, 2015, selecting VLS as the auditing firm, subject to no adverse references, authorizing staff and special counsel to begin negotiations on the contract, and then to 2) bring a final negotiated contract for approval at the next Board meeting.

C. FUTURE MEETINGS

Ms. LeBlanc recommended that the next subcommittee meeting occur following completion of contract negotiations and prior to the Board meeting asking for Board approval, such date to be determined.

D. ADJOURNMENT

Chairperson Block adjourned the meeting at 3:50 PM.