

WCCUSD Subcommittee on Clay Investigation
Alvarado Adult Education Campus

September 23, 2015

Minutes (as amended November 30, 2015)

A. OPENING PROCEDURES

A.1 Call to Order

The meeting was called to order at 9:10 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; Silvia Garfield, Administrative Assistant.

A.3 Approval of Agenda

Item B.1. Ms. Block requested that the presentations be structured to have each firm provide introductions to include any new team members present, provide a recap of their previous presentation, and then present any new information.

Item B.3. Ms. Block requested that the discussion include what types of information and updates the subcommittee would like to receive on a regular basis from the forensic team and in what timeframe.

MOTION: Ms. Ricco moved to approve the Agenda, as amended. 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 16, 2015

Ms. Block corrected an error in Section B.2, Public Comment, second paragraph, inserting "agenda" after "hidden."

MOTION: Ms. Ricco moved to approve the minutes of the September 16, 2015 meeting, as amended. 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

Public Comment:

Linda Lozito spoke about the importance of the firm having a construction background, and being truly independent. She said the audit teams should be asked if they have ever done an audit that has been critical of a district.

Board Comment:

Ms. LeBlanc commented that one of the subcontractors on the BCA team, Lori Raineri, has done consulting work for Kronick Moskowitz, a law firm that has done work for our district. Ms. Block added that Kronick Moskowitz has contributed to a district bond campaign.

B.1 Presentations from Selected Firms

EisnerAmper LLP / Ueltzen & Co LLP

Dana Trexler Smith, Tim Van Noy, 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.

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

Michael de Castro, 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, Dan Warden, Linda Saddlemire, Scott Saddlemire, Ana Rodriguez 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.

A break was taken at 1:15 PM. The meeting resumed at 1:35 PM.

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

Public Comment:

Ms. Lozito said that one question that did not come up was if the audit teams had ever done an audit with a district and found possible fraud with the district. She said she still liked VLS and what they said about taking interviews.

Board Comment:

Ms. Block asked Ms. Ricco to share her prior reservations about VLS. Ms. Ricco said her concern was with Mr. Cooper's discussion of his background and whether that could be intimidating in the course of interviews, but that after further investigation she now believes it could be a positive. She added she was grateful to hear comments from Mr. Saddlemire today. She said she is confident that VLS could do the job.

Ms. Block commented she thought that VLS's approach was generic and not what she expected, and Ms. Ricco agreed.

Ms. Cuevas said VLS has a strong team with regard to skill set, although their description of their deliverable work product feels less inclusive than the other firms. By comparison, she said Eisner provided a clearer sense of the actual product.

Ms. Ricco said that one thing troubling with VLS is the cost.

Ms. Cuevas spoke in favor of VLS's skill set and their interviewing skills, but said she had a concern that they would deliver a work product the subcommittee could use.

Ms. Block said she was very impressed with Mr. Van Noy who gave a very detailed presentation. She said she liked Eisner the most and that VLS would be her second choice. She felt Ms. Dominguez was very well prepared.

Ms. Ricco said she was comfortable with all three firms. She thought Mr. Van Noy added a strong presence to Eisner. She said she was disappointed with VLS's presentation and thought it could have been more straight-to-the-point regarding the allegations. Ms. Block said she agreed.

Ms. Block raised the issue of Ms. Raineri's potential conflict and Mr. Kawahara provided clarification. Ms. Cuevas added that it appeared to be between VLS and Eisner anyway, and that she would prefer to find someone completely independent of the process.

Ms. Ricco pointed out that VLS and Eisner offered different approaches. She said Eisner was more technical and clearer about what we would be getting, and their price was appropriate to that. She added that a heavy cost would come in Phase II. She said VLS is more expensive because of their reliance on interviewing, and so she suggests asking that their approach be more clearly defined.

Ms. Cuevas said the investigation will be driven by what surfaces in Phase I and what they decide to prioritize based on recommendations, and so the question is who will be able to carry out whatever Phase II is most effectively.

Ms. Block said she is comfortable with VLS or Eisner, although she thought Eisner seemed better. She would agree to VLS if the other two subcommittee members preferred that firm. She added she liked the down to earth nature of VLS.

Ms. Ricco felt that VLS was the best choice and said that if chosen no one would accuse this subcommittee of not doing the most in-depth investigation possible.

Ms. Block asked Ms. LeBlanc for input. Ms. LeBlanc said that any of the firms are well-qualified to do the job. She recommended the subcommittee come to a consensus on who would be the first firm to recommend to the board and then if for some reason contract negotiations failed, to have a second firm lined up to move forward.

Mr. Kawahara commented on VLS and said that finding the scope goes to contract negotiation, and that the final scope and cost associated with Phase I is going to be part of the negotiation.

Ms. LeBlanc added that VLS would require more negotiation regarding definition of scope and steps involved, and Mr. Kawahara agreed.

Ms. Cuevas said she is comfortable with VLS first and Eisner second.

Ms. Ricco said that if staff can produce a strongly defined scope in the contract, with deliverables that everyone can agree with, she believes VLS has the strongest team.

MOTION: Ms. Cuevas moved to accept VLS as the subcommittee's top recommendation to the Board, with EisnerAmper as the alternate. Ms. Ricco seconded. Ms. Block, Ms. Cuevas and Ms. Ricco voted yes, with no abstentions and no absences. Motion carried 3-0-0-0.

B.3 Discuss / Approve next steps

Board Comment:

Ms. LeBlanc recommended moving forward to make a recommendation to the Board on behalf of the subcommittee and in the interim begin contract negotiations with VLS, with the contract subject to Board approval.

Discussion followed regarding the timeframe in which to bring the recommendation and the fully negotiated contract to the Board.

It was decided that Ms. Block would communicate with Board President Groves about when the VLS recommendation could be brought to the Board, with October 7th as the targeted date set for submitting the full contract.

Discussion followed regarding the parameters of the contract.

Ms. Block opened the discussion regarding establishing a template or form that itemized the information that the subcommittee wants to be apprised of and the timeframe for being updated.

Mr. Kawahara said it would be helpful to decide on a template to include in the contract.

The subcommittee members discussed what information they would like to have included in the template, and Ms. LeBlanc summarized the list of recommended progress updates as follows:

- Weekly report
- Number of interviews
- Documents requested and received
- One update to the subcommittee as a whole
- Schedule updates, if applicable
- Any obstacles or challenges they are facing

Ms. Cuevas spoke about the importance of how the scope is presented in the contract, and going into negotiations within the parameters of the RFP and not changing the scope.

The subcommittee members discussed whether to review and provide feedback to the audit firm prior to the Board receiving the final report.

Mr. Kawahara informed the subcommittee that the district received a public records request from Kessler International, one of the firms that submitted a proposal. He said he will be providing a response and providing Kessler International with a copy of all the proposals and the minutes of the subcommittee's deliberation.

Discussion followed regarding the status of the scoring sheets used in the deliberation process.

Mr. Kawahara commented that with a professional services contract, there is no requirement to go to the lowest qualified bidder.

C. FUTURE MEETINGS:

Ms. LeBlanc said she will provide the subcommittee with progress on the contract negotiations in order to determine the timing on the next best meeting date.

D. AJOURNMENT

Chairperson Block adjourned the meeting at 2:45 PM.