WEST CONTRA COSTA
UNIFIED SCHOOL DISTRICT

BOND PROGRAM

PHASE II
REPORT OF FORENSIC ACCOUNTING INVESTIGATION

September 16, 2016

FINAL REPORT

Prepared by:
Vicenti, Lloyd & Stutzman LLP
CPAs and Business Advisors
September 16, 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—Phase II

Dear Subcommittee for the Clay Investigation:

Vicenti, Lloyd & Stutzman, LLP (“VLS”) is pleased to deliver to the Subcommittee for the Clay Investigation (Subcommittee) the Phase II Final Report of Forensic Accounting Investigation (Report). This Report is prepared pursuant to the Phase II contract between VLS and the West Contra Costa Unified School District (WCCUSD) executed on February 9, 2016. VLS’s work was performed under the direction of Kawahara Law, APC, acting as special outside legal counsel to the Subcommittee.

VLS prepared a Preliminary Draft Report dated September 9, 2016. Subsequent to this Draft Report, VLS made a substantive modification that is reflected in the Final Report dated September 16, 2016. This modification was presented to the Subcommittee for the Clay Investigation on September 15, 2016. This modification was in section FI (2), work step B.

The overall scope of our work and approach was conducted utilizing standards in accordance with the American Institute of Certified Public Accountants (“AICPA”) Statement on Standards for Consulting Services No. 1 (SSCS) 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 guilt or innocence of any person, party, or organization.

In consulting engagements, the nature and scope of work is determined solely by the agreement between the practitioner (VLS) and the client (the District). This Report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, VLS does not express such an opinion.
Attached to this cover letter is the Final Report dated September 16, 2016 and consists of the following:

- **Section I of the Report: Executive Summary**
  The Executive Summary of the Report highlights the key areas of the Report as detailed in the other sections. The Executive Summary summarizes all the recommendations made by VLS in the Report and details a specific action plan of the overall next steps for the District to consider in implementing the recommendations.

- **Section II of the Report: The Final Risk Assessment Matrix Phase II**
  As specified in the contract, the scope of work for Phase II was to assign a New Risk Score to the Risk Assessment Matrix prepared in Phase I. This Final Risk Assessment Matrix Phase II is the Risk Assessment Matrix completed in Phase I with the “New Risk Score” indicated in the last column. This “New Risk Score” is based on the results of the “Test of Controls” performed during Phase II. The methodology for completing the Final Risk Assessment Matrix Phase II is discussed in this section of the Report. Also included are the recommendations for the District to consider implementing in order to lower the New Risk Score to a Low risk. The Final Risk Assessment Matrix Phase II is located in Exhibit II-B.

- **Section III of the Report: The “Test of Controls” (TC)**
  As specified in the contract, the scope of work for Phase II was to perform a test of controls on sixteen High or Medium risk areas identified by VLS. This TC section consists of the results of the testing performed for the sixteen risk areas, which were identified in Phase I. The sixteen areas selected were directly related to the risk of fraud areas identified in the Phase I Risk Assessment Matrix. Section III contains the methodology and the results of the work performed by VLS for these sixteen TCs along with recommendations for the District to consider implementing in order to lower the New Risk Score to a Low risk.

- **Section IV of the Report: The “Forensic Accounting Investigation” (FI)**
  As specified in the contract, the scope of work for Phase II was to perform a forensic accounting investigation on eleven High or Medium risk areas identified by VLS. This FI section consists of the results of the testing performed for the eleven risk areas, which had been identified in Phase I. These eleven areas were related to the risk of fraud areas identified in the Phase I Risk Assessment Matrix and the allegations that initiated this engagement. The eleven FI’s involve primarily historical transactions. Section IV contains the methodology and results of the work performed by VLS for the eleven FIs.

Section IV also includes recommendations based on the results of work performed for the eleven FIs. These recommendations were made to assist the District in improving the overall efficiencies and effectiveness in the management and operation of the District Bond Program. Additionally, certain FI recommendations can also lower the New Risk Score to a Low risk, if implemented.
• **Section V of the Report: Work Performed by VLS in Phase II**
  This section of the Report details the work performed by VLS during Phase II. This includes interviews performed, documents and records requested, computer forensics analysis, and other procedures performed during Phase II.

• **Section VI of the Report: Scope Limitations and Impact on Work Performed by VLS**
  During the course of performing the work in Phase II, VLS requested interviews with and financial records from various organizations and individuals. However, certain organizations and/or individuals either failed to respond to VLS’s request or responded in an untimely manner. In this section, VLS discusses the scope limitations that existed and the impact this had on the scope of our work. During the course of our work in Phase II, VLS worked directly with legal counsel James Kawahara, as Mr. Kawahara dealt directly with those organizations and/or individuals who retained legal counsel subsequent to being contacted by VLS during our work in Phase II.

• **Section VII of the Report: Closing Statement**
  This section recaps the recommendations made by VLS in the Report and provides four additional recommendations, the last of which details a specific action plan of next steps for the District to consider in implementing all recommendations.

• **Section VIII of the Report: Exhibits**
  This section includes a list of the Exhibits referenced throughout the report and a list of terms and acronyms used. The actual Exhibit documents immediately follow.

On behalf of VLS, we sincerely appreciate the opportunity to be of service and assist the Subcommittee during both Phase I and Phase II of this engagement.

Sincerely,

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