

*West Contra Costa
Unified School District*

Proposal to Perform

Board of Education Forensic Accounting Investigation

September 4, 2015



21250 Hawthorne Blvd. Suite 150 Torrance, CA 90503
t: (310) 792-4640 f: (310) 792-4140

September 4, 2015

Liz Block
Subcommittee Chair
West Contra Costa Unified School District
1400 Marina Way South
Richmond, CA 94804

Re: RFP for Board of Education Forensic Accounting Services

Dear Ms. Block,

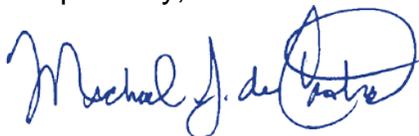
BCA Watson Rice LLP (BCAWR) is pleased to present this proposal to perform the Board of Education Forensic Accounting Services. As detailed in the attached proposal, BCAWR has extensive experience conducting forensic/fraud investigations and audits, and construction related audits for school districts and local government agencies.

BCAWR will serve as the prime contractor on this engagement and has complimented its project team by subcontracting with Government Financial Strategies (GFS) and Williams, Adley & Company LLP (WA). This strategic alliance enables us to provide qualified personnel in each functional area and meet the needs of the Board.

GFS brings a unique capability to the team having expertise in school bond construction financings and understanding of the legal compliance requirements of school construction bond programs. They also serve as advisors and trainers to numerous citizens' bond oversight committees in California. WA has construction and forensic audit experience that will provide the team with valuable insight for this assessment.

We appreciate the opportunity to submit this proposal to perform the requested forensic accounting services. If you should have any questions about our proposal, please feel free to contact me anytime at (310) 792-4640 x110 or email me at mdecastro@bcawatsonriceca.com.

Respectfully,



Michael de Castro
Managing Partner

TABLE OF CONTENTS

	<u>Page</u>
Cover Letter	i
1. Background of Firms	1
2. Project Methodology and Approach	21
3. Relevant Experience	28
4. References	40
5. Proposed Time Commitment & Cost of Services	41

1. BACKGROUND OF FIRMS

BCA Watson Rice LLP (BCAWR) is a California partnership formed in 2013 that continues the business operations that have been ongoing for over 30 years. BCAWR was formerly Thompson, Cobb, Bazilio and Associates (TCBA) and Bazilio Cobb Associates (BCA). TCBA/BCA was a Washington DC based CPA firm that had built a strong reputation since its founding in 1983.

BCAWR also has affiliated offices located in Washington DC, New York, and Miami, Florida. Combined, the resources available from within BCAWR and from its affiliated offices total more than 75 professionals, each of whom has significant experience in his or her field. BCAWR is also a member of the RSM McGladrey Network, the premier affiliation of independent accounting and consulting firms in the nation.

Many of our personnel are certified – as public accountants, fraud examiners, and or information systems auditors. Others have advanced degrees in business administration, public administration, and law.

BCAWR's affiliated offices ensure that virtually any resource or technical capability required by our clients is resident in one firm. At any time, as necessary, we can draw on the firm's resources, whether locally or from our other affiliated offices, to meet specific client needs and thus we are able to provide all services set forth in this Request for Proposals. BCAWR offers the full-service approach of a much larger firm and the personalized service of a small one.

BCAWR has established an organization structure that allows us to effectively utilize our resources and provide high quality service to our clients. The firm is grouped into four major practice areas: 1) management consulting and performance audits/assessments, 2) financial/compliance audit and assurance, 3) internal audit support, litigation support and contract audits, and 4) information technology and assurance assessments. Each practice area is headed by a partner/principal. By dividing the practice into specialized areas, we ensure that we are developing our resources and experience to provide expertise to our clients. The professionals assigned to each division have previous experience and receive specific continuing education in that area. For each client engagement, however, we utilize resources available in all divisions to the extent necessary to provide full service to our clients.

As a result of providing audit and audit-related services to state, local, regional, and federal government agencies for over two decades, we have developed a keen understanding of the issues government agencies face and have the know-how to achieve practical solutions. BCAWR provides a wide range of services for its government clients over the past twenty years. These services include but are not limited to:

- Forensic and fraud audits and investigations;
- A&E contract pre-award audits, FAR 31.2 cost incurred compliance and change order audits, and contract close-out audits for transit agencies and government

agencies in accordance with Federal Acquisition Regulations Cost principles and pertinent Cost Accounting Standards;

- Performance audits operational reviews, and business process of client organizations, including assessments of the effectiveness and efficiencies of agencies departments and programs;
- Financial and compliance audits for federal, state and local government agencies, nonprofit organizations, and organizations receiving government funding to determine compliance with federal and state regulations, contract requirements and industry standards;
- Financial statement and single audits of government agencies, government contractors and grantees, nonprofit organizations, and commercial enterprises;
- Internal control reviews and risk assessments;
- Accounting support services;
- Information technology controls and security audits; and,
- Peer reviews.

BCAWR will serve as the prime contractor on this engagement and has complimented its project team by subcontracting with Government Financial Strategies (GFS) and Williams, Adley & Company LLP (WA). This strategic alliance enables us to provide qualified personnel in each functional area and meet the needs of the Board. We describe the background of our sub-consultants below.

Government Financial Strategies (GFS) is an independent public finance consulting firm. By providing extensive consulting services with regard to each client's complete financial condition, GFS delivers comprehensive solutions. Since its founding in 1988, GFS has put together hundreds of financial plans, and helped finance billions of dollars of public projects for over 300 different California public agencies comprising every sector of government. They provide expertise to public agencies in the areas of: financial planning, short and long-term financings, technical writing, financial modeling, and public communication. GFS also specializes in expert witness work and third party reviews. GFS is a registered Municipal Advisor firm with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

Government Financial Strategies is located at:

1128 N Street, Suite 13
Sacramento, CA 95814

Williams, Adley & Company (WA) was established in 1982, and has grown to become one of the most progressive CPA firms in the country. Since its founding WA has specialized in providing services to government agencies including school districts, special districts, cities and the Federal government. WA's diverse leadership combines

extensive education and the experience of the "Big 4" CPA firms with the commitment and professionalism necessary to work successfully their client base. WA's success is attributable to the firm's determined efforts to maintain high ethical standards, and its continued investment in recruiting qualified professionals, ongoing training programs, and quality control procedures.

WA offers an array of services, including auditing and attestation, forensic accounting and litigation support, internal auditing and accounting, financial management systems reviews, risk assessments, management consulting, information technology and IT security consulting. They have a total of almost 80 professionals firm wide.

WA's California practice has been providing litigation support and forensic accounting services for over 20 years. They have provided litigation support and forensic accounting services to the U.S. Department of Agriculture, the U.S. Attorney's Office and the Justice Department. They have also conducted whistle-blower investigations for large non-governmental clients.

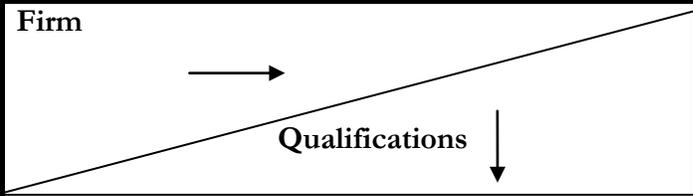
WA has significant, relevant experience in all aspects of construction. Their experience includes auditing large capital project programs for governments and businesses, as well as auditing and providing accounting services to construction management and engineering firms, and construction contractors of all types. WA has a thorough understand of school bonds legislation passed in California and the various compliance requirements. WA's practice group leader is an industry specialist in construction with 40+ plus years' experience. He also has 20 years' experience serving on a school board and has served as a board liaison to his local school board citizen oversight committee.

Williams, Adley & Company LLP is located at:

7677 Oakport Street, Suite 1000
Oakland, CA 94621

QUALIFICATIONS MATRIX

Below we provide a matrix of our proposed team’s combined relevant experience and qualifications.

Firm 	BCA Watson Rice	Government Financial Strategies Inc.	Williams Adley & Co.
Billing and performance of the District’s outside construction manager	✓		
Vendor contract administration and billing	✓		✓
Budgeting practices	✓	✓	✓
Change order approval and accounting practices	✓		✓
Adequacy of project accounting systems	✓		✓
Adequacy of performance audits	✓		
Conflict of interests	✓	✓	
Compliance with legal requirements and Board policies	✓	✓	
Experience in providing services to school districts and other government agencies		✓	✓
Recent experience in forensic accounting and investigations in bond programs or school district finances under the requirements of California state law		✓	
Recent experience in forensic data recovery	✓		
Recent experience in forensic accounting of public construction projects and knowledge of industry benchmarking	✓		
Recent experience in forensic accounting investigations of whistleblower complaints	✓		✓
Expert consulting and expert witness work	✓	✓	
Third party reviews		✓	
NAMA and registered municipal advisors		✓	
ACFE and certified fraud examiners		✓	
CalBOC and oversight committee training		✓	
CHPS and school construction programs		✓	

PROPOSED PERSONNEL

The success of any engagement is dependent on the team of professionals assigned to carry out the work. BCAWR expends considerable effort assembling an engagement team. We assign to each engagement professionals whose knowledge, experience, and continuing education best meet the requirements of the engagement. As discussed in the previous section, we have teamed with sub-consultants who have relevant school construction and school bond expertise, in addition to forensic audit experience. This team approach benefits the client because it ensures the most efficient and high-quality forensic accounting assessment performed by the most experienced and most qualified professionals to serve on this engagement.

Below we introduce our project team and their roles and responsibilities.

Mr. Michael de Castro, CGFM, CFE, Engagement Partner – The services will be conducted under the management and direction of Michael de Castro, who will serve as the Engagement Partner. Mr. de Castro is the Managing Partner of BCAWR's Los Angeles (Torrance), CA office and has over 25 years of government audit experience. He will be the primary contact person and will have ultimate responsibility for the performance of the team and the client's satisfaction with the engagement. He will also provide overall quality assurance for the project. Mr. de Castro has managed BCAWR's Los Angeles area office for over 20 years and provides oversight and management of the firm's contracts. He is a Certified Fraud Examiner and has been the firm's leader on several fraud/forensic investigations. **(Hourly rate: \$ 250)**

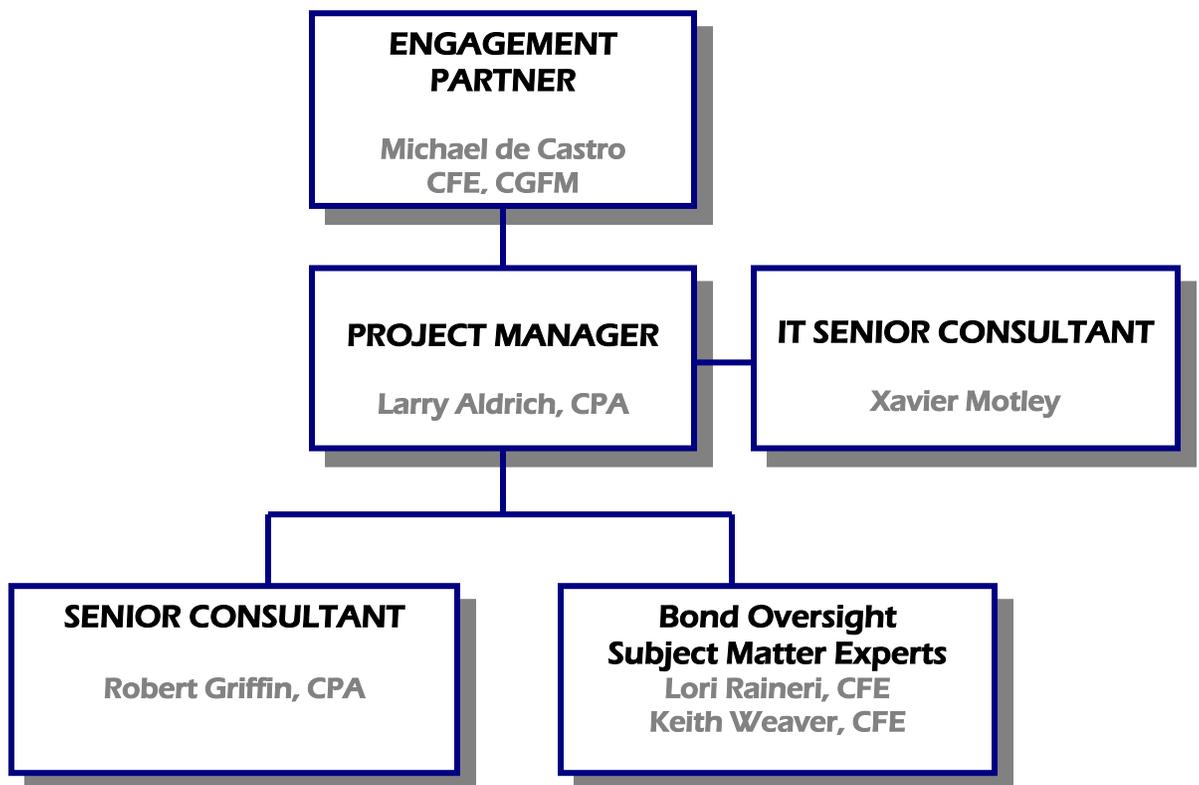
Mr. Larry Aldrich, CPA, Project Manager – Mr. Aldrich will serve as the project manager on this engagement. He will report directly to the engagement partner and will be primarily responsible for the planning, work program development, conducting fieldwork, and preparing the fraud risk assessment report. Mr. Aldrich has over 30+ years of government audit experience with a majority of those years auditing construction-related projects. **(Hourly rate: \$ 175)**

Mr. Robert Griffin, CPA, Senior Consultant – Mr. Griffin will serve as a Senior Consultant on this assessment. Mr. Griffin's construction audit experience combined with his forensic audit experience will provide the team with valuable insight for this assessment. He will assist in the review of documentation, assessment of bond program financial management practices, and provide his input on the overall fraud risk assessment conclusions and results. **(Hourly rate: \$ 250)**

Ms. Lori Raineri and Keith Weaver, CFE, Bond Oversight Subject Matter Experts - Ms. Raineri and Mr. Weaver will serve as construction bond oversight compliance subject matter experts. They both bring a unique capability to the team having expertise in school bond construction financings and understanding of the legal compliance requirements of school construction bond programs. They also serve as advisors and trainers to numerous citizens' bond oversight committees in California. They will assist primarily in the assessment of budgeting practices, conflicts of interests, and compliance with bond legal requirements and Board policies. **(Hourly rate: \$ 225)**

Mr. Xavier Motley, CISA, CISSP, IT Senior Consultant – Mr. Motley will serve as the IT Senior Consultant in support of this fraud risk assessment. Using selected Computer Aided Audit Tools, he will perform data mining and data analysis tasks as deemed necessary in both phase one and phase two of this assessment. **(Hourly rate: \$ 175)**

PROJECT ORGANIZATION CHART



We provide resumes/bios for our proposed engagement team on the following pages.

BCA Watson Rice LLP

Michael J. de Castro, CGFM, CFE Engagement Partner

Mr. de Castro is the Managing Partner of BCA Watson Rice's (BCAWR) Western Region office in Torrance, California. He has over 32 years of experience in forensic, performance, construction contract, and financial/compliance auditing for federal, state and local government agencies. Mr. de Castro is currently serving as Partner-in-Charge of BCAWR's internal audit and consulting support services contracts with ten separate governmental agencies.

Prior to joining BCAWR, Mr. de Castro was a Senior Management Analyst for eight years with the U.S. GAO. Mr. de Castro managed a variety of operational and financial audits of government agencies.

EDUCATION:

Bachelor of Business Administration, degree in Accounting, California State University at Dominguez Hills

PROFESSIONAL AFFILIATIONS/ CERTIFICATIONS:

Member of the Association of Government Accountants

RELEVANT FORENSIC/FRAUD AUDIT EXPERIENCE:

- Served as engagement partner on a Los Angeles Unified School District Office of the Inspector General fraud audit of a plumbing and industrial supply company under contract with the school district. In response to allegations of billings for supplies that were never received by the District, BCAWR conducted a comprehensive contract fraud audit, which identified over \$6 million of fraudulent billings. The audit also uncovered significant weaknesses in the procurement controls whereby the same individual was able to initiate a purchase order, approve the payment to the vendor, and sign off on the receiving document. Our audit was turned over to the Los Angeles District Attorney's and was instrumental in obtaining indictments.
- Served as engagement partner on a fraud audit for the Housing Authority of the City of Los Angeles (HACLA) related to alleged over billings made to various contractors under contract with Resident Management Corporations (RMC's). An RMC is responsible for the property management and administration of low-income housing projects. The RMC contracts to companies to provide services such as security, moving and maintenance. Our audit identified fraudulent billings for services not provided. Our audit also identified a conflict of interest relationship between a former HACLA executive and a consultant hired by the RMCs. BCAWR's engagement partner subsequently provided expert testimony at trial regarding the audit, which contributed to a guilty verdict against a former HACLA executive.
- Served as engagement partner on a citywide fraud risk assessment for the Los Angeles City Controller's Office. The primary objective of the engagement was to identify specific procurement fraud vulnerabilities through the risk assessment, and provide the City Fraud Unit with specific, targeted techniques to identify strong leads for investigation. As a result of our analysis, we identified eight potential fraud risks and made recommendations for further review.
- Served as engagement partner on a follow-up forensic audit for the City of Miami Beach Building Department related to known kickbacks given to Building Department inspectors from construction developers. Local law enforcement authorities had arrested several Building Department employees for receiving kickbacks from developers for bypassing the normal building inspection process, thus allowing the developer to save time and money in completing construction. BCAWR was asked to investigate whether there may have been other construction projects and other Building Department employees involved in similar schemes. Although BCAWR found no other schemes, BCAWR did identify significant internal control weaknesses in the building permit process that could lead to opportunities for further

Certified Government
Financial Manager, Certified
Fraud Examiner

unscrupulous behavior.

- Served as Engagement partner on a Los Angeles City Controller's Office fraud audit in support of the City's civil litigation against a public relations firm hired by the Department of Water and Power (DWP). In response to allegations of intentional over billing, BCAWR conducted a comprehensive contract fraud audit, which identified over \$4 million of questionable costs billed to the DWP by the public relations firm. The audit also uncovered evidence supporting the allegations of intentional over billing. Our audit was used to support the City's civil lawsuit, which eventually resulted in the public relations firm settling the lawsuit with the City for nearly \$6 million. In addition, the District Attorney's Office obtained grand jury indictments on two former employees of the public relations firm. A subsequent trial resulted in guilty verdicts.
- Served as engagement partner on forensic audit of a refuse collection company for the City of Placentia, CA. The purpose of the audit was to 1) determine whether the franchise fee calculations and payments made to PDI were in compliance with the Agreement (were unpaid franchise fees due?), 2) determine whether PDI's residential rate increases were calculated in compliance with the Agreement, 3) verify if PDI was maintaining an Equipment Purchase Fund as required by the Agreement, and 4) verify if PDI disposed of any refuse to landfills outside the contract approved area and whether PDI charged the City the proper rate.
- Served as engagement partner on an overhead cost investigative audit of a construction management contractor, Construction Control Services Corporation (CCSC), with respect to costs invoiced by CCSC to Parsons-Dillingham (PD) under a Los Angeles Metro contract. L.A. Metro was investigating PD for false billings. L.A. Metro was concerned that CCSC had included personal and non-business related costs in its overhead calculation. Our audit disclosed unallowable costs associated with condos in New York and Miami, and a DC apartment. We also identified personal costs in the overhead rates including cable TV for the company owner at his residence. Numerous other unallowable costs per FAR 31.2 were identified. The L.A. Metro was subsequently successful in receiving a monetary settlement from the contractor in an out of court settlement.
- Served as engagement partner on an investigative audit of the Entertainment Industry Development Corporation (EIDC), a film permitting contractor to the City of Los Angeles. The resulting audit report was instrumental in the successful prosecution of the EDIC's former director by the Los Angeles District Attorney's Office for misuse of public funds.
- Served as engagement partner on an investigative audit for the City of Los Angeles' Community Redevelopment Agency. The resulting audit report was used by LAPD fraud investigators to pursue prosecution of the former Controller of a nonprofit organization.
- Served as engagement partner on an assignment for the Compton Unified School District to provide support for a District Attorney's

Office investigation into a payroll fraud scheme. Provided expert testimony at administrative hearings.

- Served as engagement partner on a forensic review of the operational and internal controls of the Ventura County Public Administrator-Public Guardian Division. The primary objectives of the review were to determine whether client assets and resources were adequately safeguarded and protected and to discover potential fraud.

RELEVANT CONSTRUCTION/BOND RELATED AUDIT EXPERIENCE:

- Directed California Measure B Construction Bond performance review for the Oakland Unified School District. The primary objectives of the audit were to determine whether bond funds were expended in compliance with the bond measure and to assess the adequacy of internal controls over Measure B invoice processing
- Serves as engagement partner construction contract incurred cost reviews, pre-award price reviews, change order audits, and contract close-out reviews under a CPA audit pool contract with the Los Angeles Unified School District Office of the Inspector General. The LAUSD is undertaking one of the largest school construction programs in the nation. Over the past several years, Los Angeles County voters have passed bond measures totaling over \$20 billion to construct new schools and modernize existing schools. The reviews consist of verifying the adequacy of contractor accounting systems and internal controls, the reasonableness of contractor submitted direct labor rates, indirect/overhead rates, and other direct costs in accordance with federal cost principles, and a determination on whether incurred costs are reasonable, adequately supported and in compliance with the contract and/or change orders.
- Serves as engagement partner on construction contract related audits conducted under several CPA audit pool contracts with public transportation agencies such as LA Metro, Metrolink, Orange County Transportation Authority, Riverside Transportation Commission, San Bernardino Associated Governments (SANBAG) and the Ventura County Transportation Commission. The audits include pre-award price reviews, change order audits, cost incurred and closeout audits, and indirect cost reviews in accordance with GAGAS, Federal Acquisition Regulations and federal cost allocation requirements (Circular A-87).
- Directed cost closeout reviews of seven grants provided to Caltrans totaling over \$70 million in grant funds. Caltrans expended a majority of these grant funds on private engineering contractors to design and construct traffic communications buildings, highways, and closed circuit television cameras for the traffic operation systems on portions of various Los Angeles freeways.
- Currently serving as engagement partner on audits of contract modifications and change orders related to the \$2.5 billion Exposition Light Rail Line from Downtown Los Angeles to Santa Monica. BCAWR is currently auditing 13 change orders and/or

modifications with a value exceeding \$650,000 each.

- Served as project director on financial and compliance audit of the City of Los Angeles for the Exposition Metro Line Construction Authority under a Master Cooperative Agreement and an audit of five (5) change orders submitted to the Authority by the joint-venture design-build contractor. The overall objective of this audit was to determine whether the Authority received and paid for services rendered by the City of L.A. and the joint-venture contractor, FFP, in the most cost-effective and efficient manner
- Served as engagement partner on performance audit of the Fox Theater Renovation Project for the City of Oakland Office of the City Auditor. The overall objective of the audit was to conduct a comprehensive evaluation of contract compliance, project management and complex financing strategy relating to the project. The audit included a tailored review of all construction documents including change orders.
- Project director on internal control assessment of the Los Angeles County + USC Medical Center Replacement Project. The assessment focused on the fiscal administration of the project to ensure that contract changes and change orders were adequately controlled and that system, document and reporting controls had been established.
- Served as project director on construction contract cost and compliance audit for Los Angeles World Airports.

Prior to joining BCAWR, Mr. de Castro was a Senior Management Analyst for eight years with the U.S. GAO. Mr. de Castro managed a variety of operational and financial audits of government agencies such as the Department of Defense, Veterans Administration, Social Security Administration, Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, and the Resolution Trust Corporation.

Mr. de Castro also served as the Contractor Oversight Audit Manager for Resolution Trust Company's California Office. Mr. de Castro was responsible for monitoring and directing CPA firm audits for all types of RTC contracts such as Asset Management, Loan Servicing, and Property Management. He conducted reviews and evaluations of RTC's asset management and disposition activities.

BCA Watson Rice LLP

Larry Aldrich, CPA Senior Audit Manager

Larry Aldrich is a senior audit manager in BCA Watson Rice's California office. Mr. Aldrich has over 38 years of financial, compliance, contract and performance auditing experience, 30 years as an audit manager for the U.S. General Accounting Office's Los Angeles Region.

EDUCATION:

Bachelor of Science, degree in Business and Public Administration,
University of Arizona

SPECIAL CERTIFICATION:

Member – California Society of Certified Public Accountants

Member – American Institute of Certified Public Accountants

RELEVANT EXPERIENCE:

- ✦ Served as project manager on a Los Angeles Unified School District Office of the Inspector General fraud audit of a plumbing and industrial supply company under contract with the school district. In response to allegations of billings for supplies that were never received by the District, BCAWR conducted a comprehensive contract fraud audit, which identified over \$6 million of fraudulent billings. The audit also uncovered significant weaknesses in the procurement controls whereby the same individual was able to initiate a purchase order, approve the payment to the vendor, and sign off on the receiving document. Our audit was turned over to the Los Angeles District Attorney's and was instrumental in obtaining indictments.
- ✦ Served as project manager on a citywide fraud risk assessment for the Los Angeles City Controller's Office. The primary objective of the engagement was to identify specific procurement fraud vulnerabilities through the risk assessment, and provide the City Fraud Unit with specific, targeted techniques to identify strong leads for investigation. As a result of our analysis, we identified eight potential fraud risks and made recommendations for further review.
- ✦ Served as audit manager on an overhead cost investigative audit of a construction management contractor, Construction Control Services Corporation (CCSC), with respect to costs invoiced by CCSC to Parsons-Dillingham (PD) under a Los Angeles Metro contract. L.A. Metro was investigating PD for false billings. L.A. Metro was concerned that CCSC had included personal and non-business related costs in its overhead calculation. Our audit disclosed unallowable costs associated with condos in New York and Miami, and a DC apartment. We also identified personal costs in the overhead rates including cable TV for the company owner at his residence. Numerous other unallowable costs per FAR 31.2 were identified. The L.A. Metro was subsequently successful in receiving a monetary settlement from the contractor in an out of court settlement.
- ✦ Served as audit manager on forensic audit of a refuse collection company for the City of Placentia, CA. The purpose of the audit was to 1) determine whether the franchise fee calculations and payments made to PDI were in compliance with the Agreement (are unpaid franchise fees due?), 2) determine whether PDI's residential rate increases were calculated in compliance with the Agreement, 3) verify if PDI was maintaining an Equipment Purchase Fund as required by the Agreement, and 4) verify if PDI disposed of any refuse to landfills outside the contract approved area and whether PDI charged the City the proper rate.
- ✦ Served as Engagement partner on a Los Angeles City Controller's Office fraud audit in support of the City's civil litigation against a public relations firm hired by the Department of Water and Power (DWP). In response to allegations of intentional over billing, BCAWR conducted a comprehensive contract fraud audit, which identified over \$4 million

of questionable costs billed to the DWP by the public relations firm. The audit also uncovered evidence supporting the allegations of intentional over billing. Our audit was used to support the City's civil lawsuit, which eventually resulted in the public relations firm settling the lawsuit with the City for nearly \$6 million. In addition, the District Attorney's Office obtained grand jury indictments on two former employees of the public relations firm. A subsequent trial resulted in guilty verdicts.

- Served as project manager on a fraud audit for the Housing Authority of the City of Los Angeles (HACLA) related to alleged over billings made to various contractors under contract with Resident Management Corporations (RMC's). An RMC is responsible for the property management and administration of low-income housing projects. The RMC contracts to companies to provide services such as security, moving and maintenance. Our audit identified fraudulent billings for services not provided. Our audit also identified a conflict of interest relationship between a former HACLA executive and a consultant hired by the RMCs. BCAWR's engagement partner subsequently provided expert testimony at trial regarding the audit, which contributed to a guilty verdict against a former HACLA executive.
- Served as engagement partner on a follow-up forensic audit for the City of Miami Beach Building Department related to known kickbacks given to Building Department inspectors from construction developers. Local law enforcement authorities had arrested several Building Department employees for receiving kickbacks from developers for bypassing the normal building inspection process, thus allowing the developer to save time and money in completing construction. BCAWR was asked to investigate whether there may have been other construction projects and other Building Department employees involved in similar schemes. Although BCAWR found no other schemes, BCAWR did identify significant internal control weaknesses in the building permit process that could lead to opportunities for further unscrupulous behavior.
- Serves as audit manager on construction contract incurred cost reviews, pre-award price reviews, change order audits, and contract close-out reviews under a CPA audit pool contract with the Los Angeles Unified School District Office of the Inspector General. The LAUSD is undertaking one of the largest school construction programs in the nation. Over the past several years, Los Angeles County voters have passed bond measures totaling over \$20 billion to construct new schools and modernize existing schools. The reviews consist of verifying the adequacy of contractor accounting systems and internal controls, the reasonableness of contractor submitted direct labor rates, indirect/overhead rates, and other direct costs in accordance with federal cost principles, and a determination on whether incurred costs are reasonable, adequately supported and in compliance with the contract and/or change orders.
- Serves as audit manager on construction contract related audits conducted under several CPA audit pool contracts with public transportation agencies such as LA Metro, Metrolink, Orange County Transportation Authority, Riverside Transportation Commission, San

Bernardino Associated Governments (SANBAG) and the Ventura County Transportation Commission. The audits include pre-award price reviews, cost incurred and closeout audits, and indirect cost reviews in accordance with GAGAS, Federal Acquisition Regulations and federal cost allocation requirements (Circular A-87).

- Served as audit manager of performance audit of the Fox Theater Renovation Project for the City of Oakland Office of the City Auditor. The overall objective of the audit was to conduct a comprehensive evaluation of contract compliance, project management and complex financing strategy relating to the project. The audit included a tailored review of all construction documents including change orders.
- Served as audit manager on internal control assessment of the Los Angeles County + USC Medical Center Replacement Project. The assessment focused on the fiscal administration of the project to ensure that contract changes and change orders were adequately controlled and that system, document and reporting controls had been established.
- Served as project manager on financial and compliance audit of the City of Los Angeles for the Exposition Metro Line Construction Authority under a Master Cooperative Agreement and an audit of five (5) change orders submitted to the Authority by the joint-venture design-build contractor. The overall objective of this audit was to determine whether the Authority received and paid for services rendered by the City of L.A. and the joint-venture contractor, FFP, in the most cost-effective and efficient manner.
- Currently serving as audit manager on audits of contract modifications and change orders related to the \$2.5 billion Exposition Light Rail Line from Downtown Los Angeles to Santa Monica. BCAWR is currently auditing 13 change orders and/or modifications with a value exceeding \$650,000 each.
- Conducted on-site construction contract audits for two of six consortium companies awarded a \$400 million contract by the Los Angeles Metro. The objective of the audits was to determine the allow-ability, allocability, and reasonableness of the cost incurred. Mr. Aldrich identified over \$500,000 in questioned costs.
- Served as project manager on operational audit of the construction of the Emergency Operations Center/Police Operations Center/Fire Dispatch Center (ECO/POC/FDC) facility and other Proposition Q projects for the Los Angeles City Controller's Office. The primary objectives of the audit were to perform an overall assessment of the management functions of Proposition Q projects and to conduct contract compliance and performance reviews of the general contractor, the project architect, and the project construction management consultant.

Prior to joining BCA Watson Rice, Mr. Aldrich was an auditing manager at the GAO. While at the GAO, Mr. Aldrich first managed the Los Angeles Region's Income Security audits conducting economy, efficiency, and effectiveness reviews of the Social Security Administration and of state and local agencies responsible for

administering various welfare programs. Subsequently, Mr. Aldrich managed the Region's environmental audits conducting economy, efficiency, and effectiveness reviews of the Environmental Protection Agency's and state agencies implementations of environmental laws and regulations. In Mr. Aldrich's last year with the GAO, he managed the Region's Defense contract audits to determine contractor and agency compliance with federal procurement laws and regulations.



Robert Griffin, CPA, CGMA- Partner

BACKGROUND

Mr. Griffin has been a partner in Williams, Adley's Local Government Services Practice for over eighteen years and has forty years of accounting and auditing experience in public accounting and private industry. Prior to joining Williams, Adley Mr. Griffin worked for the firm of PricewaterhouseCoopers and held several senior management positions in the construction and financial services industries.

RELEVANT EXPERIENCE

Litigation Support- Mr. Griffin has over twenty years of litigation support and consulting experience. Most of the cases have drawn on his construction-related expertise. He has provided expert witness testimony in court. He has also been involved in mediation and arbitration proceedings. Some of his experience in forensic accounting and litigation support services includes:

- *Provided forensic accounting services to the U.S. Department of Agriculture and the U.S. Attorney-Eastern District of California-* Mr. Griffin worked in conjunction with the Department of Agriculture to conduct a forensic audit of an agricultural support program payments (crop subsidies). The forensic services resulted in the identification of over \$1.8 million in improper payments. Mr. Griffin briefed and provided a report to the U.S. Attorney California Eastern District for legal action. This engagement involved extensive data analysis to match up shipping and payment records over several years' time.
- *Provided litigation support services in federal criminal trial.* Mr. Griffin was retained by a Washington, DC based law firm to provide litigation support services in a \$500+ million criminal securities fraud case. The scope of the work included examining the company's audit reports, securities filings, internal accounting records, company policies and procedures, the work of the internal accountants and the audit work of several external auditors. The case involved: identifying the fraudulent records, the improper accounting practices and the deficient auditing practices. Mr. Griffin provided the defense team with forensic analyses of the case. The engagement lasted for two years.
- *Audit of fraudulent payroll reporting for a large urban school district.* Mr. Griffin and WA used data mining and analyses techniques to identify fraudulent payroll payments which occurred over several years. The contributing factors that resulted in the fraudulent

payments were: a stand-alone payroll system, inadequate internal controls and collusion between supervisors and employees. The basic scheme involved double and triple reporting work hours, holiday pay, weekend and other work hours. The WA report contributed to the dismissal and discipline of district employees. As part of the investigation we provided information to the local police department and district attorney's office for potential criminal prosecution.

- *Audit of childcare program receipts.* WA was engaged to perform a forensic audit to identify the extent of theft of cash receipts from a city government supported childcare program. We identified the internal control issues involved, quantified the amount of losses and issued a report to client's board. The employees involved ultimately resigned.
- *Robert Griffin was appointed a special master by Superior Court of Alameda County.* Mr. Griffin was appointed a special master and led a WA team that performed a forensic audit of a multi-million dollar corporation to identify theft of corporation assets. The case involved a dispute between the corporation's two shareholders. WA reviewed the corporation financial records and other available information. Mr. Griffin provided a report to the Court on the condition of the internal controls and financial records as well as analyses of potential questionable transactions.

PROFESSIONAL CERTIFICATION AND ACTIVITIES

- Mr. Griffin is a certified public accountant, licensed in the State of California and the District of Columbia. He belongs to the AICPA and the California State Society of CPAs. He is also a Chartered Global Management Accountant. He is also a member of the AICPA Forensic and Valuation Services Section.
- Mr. Griffin is a member of the San Mateo Union High School District Board of Trustees. He has served on the board since 1996. He serves as the liaison to the Board's Budget Committee and Citizen's Oversight Committee.

EDUCATION

Mr. Griffin graduated with a Bachelor of Science degree in Accounting from the University of San Francisco.

Government Financial Strategies

Lori Raineri, CFE **President**

Lori Raineri is President of Government Financial Strategies and has had a thirty-year career in public finance. She is a Certified Independent Professional Municipal Advisor and a Certified Fraud Examiner. Lori currently serves on the Board of Directors for the National Association of Municipal Advisors, California League of Bond Oversight Committees, and Collaborative for High Performance Schools. Lori has developed long-range capital financing plans for hundreds of public agencies and is well known for her ability in financial analysis and public speaking. Recently, Lori has been a speaker for several California statewide associations, notably the County Treasurer-Tax Collectors, the County Auditor-Controllers, and School Business Officials. She is also an advisor to the Los Angeles County Metropolitan Transportation Authority Measure R Bond Oversight Committee.

Lori has been personally involved in the planning and structuring of well over \$7 billion dollars of financing. Recently, Lori has served as expert consultant or expert witness on more than a dozen court cases, has undertaken numerous independent third-party reviews of debt transactions, and has examined several school district bond programs.

At the age of 26, Lori founded Government Financial Strategies after having worked as an investment banker. Lori is the author of more than two-dozen articles and publications and is in high demand as a public speaker. Lori received her B.A. in Philosophy from the University of California, Berkeley and received her M.S. in Financial Analysis from the University of San Francisco. Lori demonstrated her interest in government early in life, serving as the student School Board Member for the Santa Clara Unified School District.

Government Financial Strategies

Keith Weaver, CFE **Client Services Director**

Keith Weaver is a Client Service Director and has worked at Government Financial Strategies for over a dozen years. He is a Certified Independent Professional Municipal Advisor and Certified Fraud Examiner. He focuses on financial modeling, financial research, and technical writing. Keith has extensive experience in long-range financial planning and has structured nearly \$2 billion of financings. He has expertise in niche finance areas such as solar and green energy project financings, federally subsidized financings, and redevelopment revenue-based financings. Keith has also assisted with expert consulting on a half-dozen court cases, has undertaken numerous independent third-party reviews of debt transactions, and has examined several school district bond programs.

Keith received his B.A. in Economics (High Honors) from the University of California, Berkeley, and his M.S. in Accountancy from California State University, Sacramento.

BCA Watson Rice LLP

Xavier Motley, CISA, CISSP

IT Auditor/IT Security Engineer/Project Manager

Xavier Motley is a CISSP and CISA with an active Secret Security Clearance who has over 15 years of IT experience with the last 9 years directly in the areas of Enterprise Information Security Management: including Security Design, Service Design, Administration, Engineering, Development, Virtualization, Information Systems Auditing, Security Assessments, Encryption, Firewall & IDS Configuration and Management, Penetration Testing, Business Continuity, Risk Management, and Threat Mitigation. He has advised clients in various industries including Media, Government, Financial Services, Airport & Port Authorities, Business Intelligence, Public Utilities, Housing, Mass Transit, Education, and Military.

EDUCATION:

BA – Comp Sci/Telecomm,
Penn State University

United States Army
Communications and

RELEVANT EXPERIENCE:

- As a key component of BCA Watson Rice's management consulting practice, Mr. Motley has worked with both private and public sector clients in providing IT audit review services, along with extensive data analysis, statistical and manipulation work. He assists in providing greater project (audit) coverage, less disputable, faster and more robust results using his extensive knowledge of statistics and Computer Aided Audit Tools (CAAT). Xavier is proficient in implementing numerous data extraction and analysis techniques including, but not limited to, accounting tests, attribute planning and evaluation, statistical sampling, fraud detection, forensic analysis and continuous monitoring. His data analysis skills extend to the analysis of IT data such as server and intrusion prevention/detection system logs. Xavier has enhanced the results of various job types using data analysis such as general and application controls testing; vulnerability assessment; compliance testing; risk assessment; forensic investigation and penetration testing. In engagements of variable lengths and schedules, he managed multiple simultaneous projects, project teams, and client deliverables. He performed data mining, security assessments, ethical hacking, and recommended security measures to protect against unauthorized data modification, damage or loss. Well versed in the ITIL framework, Mr. Motley has helped clients improve IT operations by implementing best practices. He performed technical security testing on client software exposing vulnerabilities, measured operational risk to each, and provided a roadmap for assured security effectiveness across each client's organization. Some of these clients included: **Washington DC's Office of the Chief Technology Officer, County of Fresno, Metropolitan Washington Airports Authority (Reagan and Dulles), University of the District of Columbia, and the Washington State Auditor's Office.** For these clients, he demonstrated the capacity to implement innovative security programs that drive awareness, decrease exposure, and strengthen the organization's overall security posture. As SME (subject matter expert) and team lead for BCA Watson Rice, Motley's experience includes directing the information security efforts on projects for the following companies and client personnel: **Los Angeles County Metropolitan Transportation Authority (LAMTA), FCC's Universal Service Administrative Company (USAC), Air Quality Management District (LA-AQMD), Industrial Bank, Port of Seattle, Marriott International, Orange County Transportation Authority (OCTA), and the LA Unified School District.** These engagements focused on integrated security audits, assessments of internal controls in connection with Sarbanes-Oxley, HIPAA, PCI, Graham-Leach-Bliley, attack and penetration security assessments, application source code vulnerability analyses, system implementation security/control reviews, and business process effectiveness reviews.

Electronics Command at
Fort Monmouth, NJ:

- Certified System Administrator
- Certified Network Security Manager

Stanford University:
Advanced Computer
Security Certificate

PROFESSIONAL AFFILIATIONS/ CERTIFICATIONS:

- Certified Information Systems Security Professional (CISSP)
- Certified Information Systems Auditor (CISA)
- Certified Ethical Hacker (CEH)
- ITIL Foundation
- Certificate of Cloud Security Knowledge (CCSK)
- Security+
- Certified Oracle UPK/OnDemand CBT Developer

Housing Authority for the City of Los Angeles – Los Angeles, CA IT Director / Network & Applications Security Manager

- Mr. Motley managed the daily enterprise information technology security operations for this government organization with more than 1100 employees, 30 remote business locations, which provided services for low-income residents in LA County living in its 75,000 housing units. Hired to address an ineffective IT operations and insecure IT security, he was quickly promoted to IT Director and was able to redesign and implement a more secure and robust enterprise IT infrastructure. Mr. Motley built his department's processes and procedures in full compliance with the ITIL framework. He was key in improving the agency's overall IT service management, including a vastly improved IT service continuity. Some of his achievements included migrations such as a Novell Netware to Microsoft AD migration, PIX to Checkpoint, GroupWise to Exchange, physical to virtual servers migration, Blackberry Enterprise Server implementation, Heat to Remedy Help Desk upgrade, and a Citrix Desktop Implementation. He worked with a new CFO to expose and drastically reduce fraud and abuse within the organization.

RAND – Santa Monica, CA Information Security Engineer

- During a consulting engagement with the think-tank, Mr. Motley led a team in conducting an internal audit of the recently deployed Tripwire Enterprise and ArcSight; two key component RAND utilized to maintain network security. He was effective in remediating many of the control gaps found in the audit. He also developed security processes and policy documentation to help facilitate more effective business continuity in the InfoSec group. Mr. Motley led the effort to implement Nessus and Sourcefire on the enterprise network. This implementation allowed the InfoSec team to better scan the network for rogue nodes and vulnerabilities of known systems, ensuring systems are compliant with DoD and NIST standards. Other systems he had gained increasing responsibility with include ArcSight Console, ArcSight Logger, Snort, Checkpoint, Bluecoat Web Filtering, Bit9 and Crossbeam. In addition, Mr. Motley maintained active security incidents reports that documented information security incidents and InfoSec's responses to these incidents. These reports helped to prioritize InfoSec's responsibilities and it also helps to communicate risks with upper management. He ensured all servers were NIST compliant and worked as the liaison for 3rd party security audits and penetration testing.

Media Arts Lab (Apple Inc.) – Playa Vista, CA Information Security Manager

- Mr. Motley was responsible for the overall information security posture for the agency. He managed, designed, and secured the network infrastructure that supported 9 different offices in 7 different countries including Los Angeles, New York, London, Shanghai, Tokyo, Sydney, Toronto, Seoul, and Beijing. He was responsible for ensuring configurations of network and security appliances were secure. He designed and implemented robust backend systems and solutions as a leader of the global infrastructure team. He also worked directly

with the development team to ensure secure coding. Mr. Motley hardened internal and publicly facing servers and web stacks to reduce exposure yet maintain optimal functionality and performance. He employed his project management expertise to best manage new internally built applications through their SDLC. He worked with agency executives to reduce risk and build a global business continuity plan. Mr. Motley had implemented and managed the agency's enterprise SIEM (Security Incident Event Management) system. Mr. Motley lead a \$700k project to upgrade the agency's security systems to bring in line with the strict security requirements contractually mandated by its client.

TECHNICAL SKILLS

- ✦ **Network Security:** IBM Proventia, Juniper Networks SSG, Cisco ASA SSL/IPSec VPN, ArcSight, Websense Appliance and Software, Checkpoint Security Gateway, Crossbeam C-Series and X-Series Platforms, SonicWall NSA, Barracuda Web Application Firewall, Sourcefire IPS, RSA SecurID Appliance
- ✦ **Operating Systems:** Windows OS 95 – 7; Windows Server 03,08,12; Linux: Red Hat, Fedora, Ubuntu, CentOS); Mac OS; VMware; MS Exchange 03,07; MS SQL Server 05,08
- ✦ **Coding:** HTML, HTML5, CSS, PHP, JavaScript, Wordpress, Joomla
- ✦ **Software:** Proventia IPS, Microsoft ISA, Oracle Financials and HRMS, Cisco IronPort Systems, Cisco IOS, PIX OS, Jun OS, Crossbeam XOS, Cisco IDS/IPS, Surf Control, Websense, Active Directory Management, Dell Open Manage applications, Blackberry Enterprise Server, Remedy Help Desk, PGP, RSA Software, EnCase Forensics, GFI LanGuard, Citrix, Snort, Nmap, Wireshark, Kismet, BeEF, Splunk
- ✦ **Configuration Management:** ArcSight, Tripwire, Puppet, GFI LanGuard, Tripwire, Microsoft Operations Manager (MOM) / System Center Operations Manager (SCOM), Novell ZenWorks, Belarc, Qualys
- ✦ **Project Management:** Agile, SCRUM, RUP, Waterfall, SDLC, Primavera, Oracle Hyperion, CA Clarity, MS SharePoint, MS Project, MS Visio, BaseCamp
- ✦ **Compliance:** NIST, ISO 9001, IEC 27001, PCI DSS, Sarbanes-Oxley, HIPAA, Graham-Leach-Bliley, ITIL, GAGAS

2. GENERAL METHODOLOGY & APPROACH

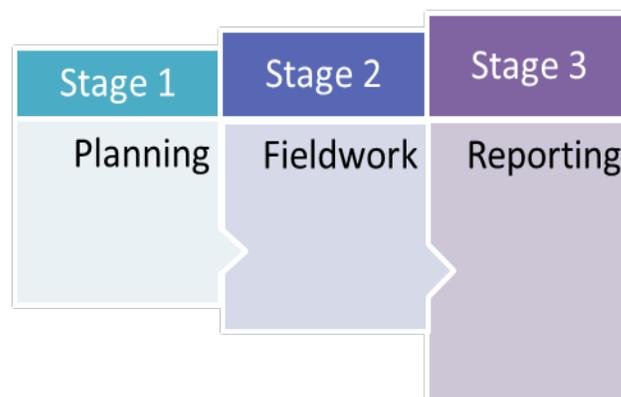
BCA Watson Rice LLP (BCAWR) and its team of subcontractors has provided forensic audit services to various public sector clients for many years and we have developed a proven framework and approach for such engagements. We have been able to tailor our approach to suit the scope of each engagement and look forward to assisting WCCUSD in accomplishing the scope of work detailed in the RFP issued on August 12, 2015. This section of our proposal describes our understanding and approach for fulfilling the services outlined by WCCUSD.

We understand that WCCUSD is looking for the work described within this proposal to be completed in two phases. The first or initial phase of this special forensic audit will consist of a forensic accounting investigation of a complaint from a District employee about the operations, financial reporting and management of the District's bond-funded construction program. BCAWR will conduct the forensic audit to identify any financial activity indicating misappropriation or waste of assets and/or fraudulent or unethical activity.

The objectives of the forensic audit are to determine whether assets are safeguarded in compliance with internal and external requirements for allowable purposes as designated by funding source and budgetary requirements. In addition, the audit will include testing related to prior audit findings to verify the integrity and reliability of financial data including proper classification of accounts, segregation of restricted accounts, and completeness and accuracy of account balances. In addition, we will perform due diligence to assure to the extent possible that fraud has not occurred and that appropriate detective and preventive measures and related internal controls are implemented.

We further understand that services described in the scope of work are an initial investigation and that it may be expanded if anomalies are discovered.

Key to the success of this engagement is the personnel assigned and the methodology and approach used to address the needs of WCCUSD. BCAWR recommends addressing the initial investigation phase in the following 3 stages:



Stage 1 – Planning

During the planning stage we will ensure that all necessary steps are taken to adequately plan the work to meet the project objectives. Our planning stage will include, but is not limited, to the following tasks:

- Prepare and deliver Data Call (Information Request);
- Plan, schedule and execute Kick-Off/Entrance Conference;
- Prepare detailed work plan/ engagement plan; and
- Prepare communication plan/schedule.

We will obtain a detailed understanding of WCCUSD's bond program management, its accounting system setup, and control activities; including policies and procedures. The team we have assembled allows us to achieve our planning efficiently but most importantly, effectively. The deliverables of this phase will include:

1. Detailed work plan; and
2. Communication plan/schedule.

Stage 2 – Fieldwork

Our approach in this stage is going to consist of the steps discussed below.

Understanding WCCUSD's Bond Program Management Financial Environment

During this step we will make observations, perform reviews of whistleblower documentation and other relevant bond program management documentation, conduct walkthroughs, and conduct interviews to obtain a detailed understanding of the WCCUSD bond program financial management environment. Our prior experience with other school district construction bond programs gives us a unique perspective in understanding and documenting the financial management environment.

Fraud Risk Assessment

An effective risk assessment is critical for this project. Techniques for the assessment and examination of fraud differ considerably from those traditionally used in financial statement auditing. To begin a fraud examination, a fraud examiner conducts a risk assessment to determine if sufficient predication exists. The Association of Certified Fraud Examiners defines predication as "the totality of circumstances that would lead a reasonable, professionally trained, and prudent individual to believe a fraud has occurred, is occurring, and/or will occur".

In other words, fraud examiners are constantly looking for signs (or as we prefer to call them – anomalies or "red flags") in the records or in our interviews. As these anomalies are identified we assess all the circumstances to determine if there is sufficient predication.

In the fraud assessment and examination, the examiner follows what is known as the Fraud Theory Approach. Beginning with an assumption, based on the known facts, of what might have occurred. We test this assumption by:

- Analyzing available data;
- Creating a hypothesis;
- Testing the hypothesis;
- Refining and amending the hypothesis, and retesting if necessary.

Forming the basis of the Fraud Theory are the following fraud axioms:

1. **Fraud is Hidden** – Concealment is the methodology of fraud. Numerous methods, some ingenious, are used to conceal activities or schemes. It is for this reason that we (nor anyone, in our opinion) cannot guarantee that all fraud has been identified nor that any additional fraud has occurred.
2. **Use Reverse Proof** – To prove fraud has occurred, proof must include attempts to prove fraud has not occurred (the reverse is also true). In law, it is our understanding that proof of fraud must preclude any explanation other than guilt.
3. **Existence of Fraud** – The determination of fraud is solely within the purview of the courts and juries. Therefore, we never express opinions on guilt or innocence of any person or party. A discussion of guilt or innocence is only a part of the fraud theory. None of our statements are to be construed otherwise.
4. **Predication** – Our examination considers the totality of circumstances that would lead us to believe that a fraud has occurred. This is the basis upon which our examination is commenced.

Our approach to each forensic engagement includes the understanding and the application of each of the above steps. The facts and circumstances surrounding the fraud engagement and what has been specifically requested of us are also factored into our approach.

Our fraud risk assessment will consist of a custom framework which is based on AICPA guidelines, Certified Fraud Examiner Techniques, WCCUSD's policies and procedures and other applicable best practices.

Forensic Accounting Techniques

Our forensic audit techniques have been proven time and again for various clients. Audit steps and techniques BCAWR will employ include:

- Vendor Analysis
 - Vendors list legitimacy (valid and complete Tax IDs, Addresses, etc.)
 - Duplicate vendors
 - Verification that employees are not vendors
 - Verification that all vendors in AP are verified and legitimate vendors (ghost vendors)
 - Maximum, minimum and sum total per vendor

- Accounts Payable Analysis
 - Average and maximum expenditure amount
 - Expenditure and trend by bond issuance, if applicable
 - Duplicate transactions
 - Split transactions
 - Transactions just below approval limits (based on WCCUSD policies)
 - Purchase card usage, if applicable

We will also evaluate all other applicable areas including general ledger and journal entries. We will determine the reasonableness of selected transactions and if any anomalies in the transactions tested could indicate potential fraud or misstatements in the accounting records, whether intentional or unintentional. We will also cover the adequacy of policy and procedures with respect to:

1. Compliance with laws and regulation for the award of public contracts.
2. Compliance with conflict of interest restrictions.
3. Incentives for controlling program cost.
4. Cash flow management and reporting.
5. Change order processing
6. Vendor payment Processing
7. Project review and approval.
8. Contract award and approval.
9. Budgeting review, approval and reporting.
10. Project, contract and financial reporting.

In addition, our subcontractor, Government Financial Strategies, will provide an analysis of the bond program including:

- Bond issuances
- Bond refinancings
- Building fund expenditures
- Interfund transfers

In addition, they will review the following bond program documents:

- Bond measures
- Bond project lists
- Bond financial and performance audits
- Bond oversight committee reports
- Bond official statements and other documents
- Building fund budget reports and other financial reports

This work will result in an identification of the bond program cash flow involving when bond funds were generated and how bond funds were spent, and how such expenditures compare to the authorizing bond documents and bond financial reports. This will assist in contributing to an assessment of high risk areas related to wasteful or improper expenditures.

Automated Forensic & Fraud Techniques

BCAWR has used Computer Aided Audit Tools (CAAT) for many forensic and fraud audits over the years. Among the various tools we use for automated techniques is IDEA. IDEA is a data extraction, analysis and manipulation tool which provides numerous advanced audit and forensic techniques which BCAWR uses to provide complete, accurate and timely data interrogation. BCAWR is able to present several advantages to WCCUSD by using IDEA automated forensic and fraud techniques. These include:



Using IDEA, we have been able to centralize and mine massive amounts of client data; reaching over 50 Gigabytes. We use IDEA with most common file formats including text files, data files, Microsoft Excel files, PDF, Microsoft Access files, AS400, XML, Lotus and more. We are able leverage our knowledge and technical abilities to establish direct interfaces between various client databases and IDEA. We can achieve 100% testing, if necessary with IDEA.

Using IDEA coupled with our advanced technical skillset we have successfully performed data analysis and/or forensic analysis for several federal, state, local agencies and private organizations. Some of our clients include the Los Angeles Unified School District, Los Angeles City-Controller, the Federal Deposit Insurance Corporation, Marriott International, Prudential, HMS Host, Marion County Florida, Metropolitan Washington Airport Authority, New Jersey Court System, Washington Suburban Sanitation Commission, CareFirst, Miami-Dade Transit, FL and City of Quincy, FL. Our work for these and other clients included financial analysis as well as forensic and customized detailed analysis of information technology and other security related data.

IDEA provides a large amount of capabilities and we would like to take this opportunity to highlight some of the more robust features:

Benford's Law - This test provides an efficient means of fraud detection by measuring an expected population distribution against the actual distribution. It has the ability to potentially identify data which has been altered by a person. By highlighting potentially fraudulent or misstated transactions, we are better able to isolate and focus on a target group.

Trend Analysis - We use this for field comparisons to detect any unusual trends. We may compare data with prior periods' data, budgets or other bench marks and determine any fluxes in trend. We will investigate any spikes or troughs in usage based on seasonal averages.

Stratification – We use this to organize sets of data (transactions) into related groups or sub-population for more detailed analysis and definition of relationships which otherwise would not be noticed.

Gap Detection – We use this for determining gaps in data which should be sequential. For example, this test is excellent in analyzing purchase orders and invoices.

Duplicate Key Detection – We use this to identify and extract duplicate records within a given population.

Other IDEA capabilities – These and other capabilities of the IDEA software will be used to deliver the best possible service to WCCUSD. Other capabilities include: Filters, Sorts, Data Aging, Statistical Sampling, systematic sampling, Monetary Unit Sampling, Random Sampling and Stratified Random Sampling, Summarization and Pattern Recognition.

Continuous Monitoring and Follow-Up

Our objective is to maintain effective project communication which will inform stakeholders about the overall project and maintain information about project outcomes.

Effective communication of project information does the following:

- Encourages two-way exchanges of information to effectively reduce resistance to the project, addressing questions WCCUSD management may have regarding key issues, accountability, and timing of communication to affected stakeholders.
- Provides the project leadership with a framework for directing formal communications to people whose acceptance and commitment is needed for the successful implementation of the project.
- Organizes the announcement and promotion of the project and associated change activities to targeted audiences to have the best effect.
- Reinforces our commitment to the project, as it assists project leadership in planning and projecting these messages.

BCAWR will be sure to maintain effective communication through the establishment of an effective communication plan and weekly or bi-weekly status reports. In addition, apart from regularly scheduled meetings, it is BCAWR's policy to notify our clients immediately upon making any discoveries which are significant in nature.

Stage 3 – Reporting

During the reporting phase we will present all results, conclusions and recommendations based on our work. The final report will incorporate all findings. **We will eliminate false positives from our reporting by vetting all potential issues and by retesting and third party verification.** Below are procedures outlined to facilitate the efficient delivery and communication of our results; BCAWR will:

- Trace and agree conclusions and findings to work papers and supporting documentation, as applicable;
- Summarize findings and prepare Preliminary Fraud Risk Assessment Draft Report identifying the highest risks of waste or improper expenditures;
- Submit Preliminary Fraud Risk Assessment Draft Report to WCCUSD for review and management comments;
- Prepare Final report incorporating WCCUSD comments.; and
- Develop a scope of work, not-to-exceed contract amount and timeline for completion of the forensic accounting investigation of high priority items for approval by the Board's Subcommittee for the Clay Investigation.

3. RELEVANT EXPERIENCE

In this section we provide relevant project descriptions and experience for BCAWR and GFS.

BCAWR Forensic/Fraud Experience

Contractor Fraud Audit for the Los Angeles Unified School District

Description of Project and Services Provided:

BCA Watson Rice LLP (BCAWR) was engaged by the Los Angeles Unified School District's Office of the Inspector General to conduct a fraud audit of a plumbing and industrial supply company under contract with the District. In response to allegations of billings for supplies that were never received by the District, BCAWR conducted a comprehensive contract fraud audit, which identified over \$6 million of fraudulent billings. The audit also uncovered significant weaknesses in the procurement controls whereby the same individual was able to initiate a purchase order, approve the payment to the vendor, and sign off on the receiving document. Our audit was turned over to the District Attorney's Office, which resulted in indictments against the company.

Payroll Fraud Audit – Compton Unified School District

Description of Project and Services Provided:

BCA Watson Rice LLP (BCAWR) was engaged by the Compton Unified School District to support a District Attorney investigation into a payroll fraud scheme that was uncovered by BCAWR. BCAWR was reviewing an after school program funded by federal funds and found that the Director of the program was hiring ghost employees and having employees provide kickbacks to him from their paychecks. BCAWR collected falsified signatures on timesheets and testimonial evidence from employees about providing kickbacks to the Director. BCAWR's working papers were turned over to the District Attorney and used to prosecute the wrongdoers. BCAWR also provided expert testimony at the administrative hearings.

Citywide Fraud Risk Assessment/Procurement Fraud Detection for the City Los Angeles Office of the Controller

Description of Project and Services Provided:

BCA Watson Rice LLP (Watson Rice) was engaged by the Los Angeles City Controller's office to assist the Controller's Fraud Unit in identifying specific procurement fraud vulnerabilities through a citywide fraud risk assessment, and provide the Fraud Unit with specific, targeted techniques to

identify strong leads for investigation. With the input of the City Controller's staff, we selected the top 10 City departments with the most expenditures.

We interviewed key officials at each of the departments selected and using data mining techniques, we analyzed electronic data for payments for the 12 departments to identify anomalies and suspicious transactions that could indicate the possibility of fraud, waste or abuse. Based on our review of City documents, information provided during interviews, data analysis results, best practices of similar organizations, and our team's collective extensive background and experience we identified potential fraud risks in the areas listed below and made recommendations to improve control weaknesses:

- Accounts payable process
- Purchasing process
- Warehouse operations
- Inventory
- Duplicate payments
- Information management (FMIS and SMS)
- Blanket Purchase Orders
- Bid-rigging, collusive bidding, and bid rotation

Forensic Audit of Placentia Disposal

Description of Project and Services Provided:

BCA Watson Rice LLP conducted a forensic audit for the City of Placentia (City) of its waste hauler contractor, Placentia Disposal. Concerns were raised that the contractor was billing the City inappropriately. Thus, the purpose of the forensic audit was to 1) determine whether the franchise fee calculations and payments made to PDI were in compliance with the Agreement, 2) determine whether PDI's residential rate increases were calculated in compliance with the Agreement, 3) verify if PDI is maintaining an Equipment Purchase Fund as required by the Agreement, and 4) verify if PDI disposed of any refuse to landfills outside the contract approved area and whether PDI charged the City the proper rate.

Contractor Fraud Audit for the Los Angeles City Auditor-Controller

Description of Project and Services Provided:

BCA Watson Rice LLP (BCAWR) was engaged by the Los Angeles City Controller's Office to conduct an audit in support of the City's civil litigation against a public relations firm hired by the Department of Water and Power (DWP). In response to allegations of intentional over billing, BCAWR conducted a comprehensive contract fraud audit, which identified over \$4 million of questionable costs billed to the DWP by the public relations firm. The audit also uncovered evidence supporting the allegations of intentional over billing. Our audit was used to support the City's civil lawsuit, which eventually resulted in the public relations firm settling the lawsuit with the City for nearly \$6 million. In addition, the Los Angeles District Attorney's Office received grand jury indictments on two former employees of the public relations firm. A subsequent trial resulted in guilty verdicts.

Forensic Audit of the Public Administrator-Public Guardian Division for Ventura County**Description of Project and Services Provided:**

BCA Watson Rice LLP (BCAWR) conducted a forensic review of the operational and internal controls of the Public Administrator-Public Guardian (PAPG) Division. The County of Ventura Grand Jury issued a report identifying serious problems in the PAPG Division, including lack of written policies and procedures, lack of dual control over client assets, inadequate purchasing practices, insufficient supervision and management controls, and staffing workload issues. The primary objective of this review was to determine whether client assets and resources were adequately safeguarded and protected, and to discover potential fraud. To accomplish this objective, we (1) evaluated the implementation status of corrective actions steps taken in response to the County of Ventura Grand Jury report on the PAPG, (2) conducted a comprehensive internal control assessment of the internal controls currently in place at the PAPG Division, and (3) determined PAPG Division compliance with regulatory requirements and applicable governing laws.

Investigative/Fraud Audit for the Community Redevelopment Agency of Los Angeles**Description of Project and Services Provided:**

BCA Watson Rice LLP (BCAWR) was engaged by the City of Los Angeles' Community Redevelopment Agency to investigate how a former Controller at a nonprofit organization was able to embezzle approximately \$450,000 over a 2-3 year period. BCAWR determined that the Controller was able to circumvent internal controls by handling the responsibilities of receiving and recording cash and checks, and making bank deposits. The former Controller was skimming cash and replacing the cash with checks. BCAWR recommended improvements to segregation of duties and management review of daily cash and checks received. The LAPD's fraud investigative unit used our report to seek prosecution of the former Controller, who fled the U.S. to escape prosecution.

Overhead Fraud Audit for the Los Angeles County Metropolitan Transportation Authority**Description of Project and Services Provided:**

BCA Watson Rice LLP (BCAWR) was engaged by the Los Angeles County Metropolitan Transportation Authority (Metro) to conduct an overhead fraud audit of Construction Control Services Corporation (CCSC) with respect to costs invoiced by CCSC to Parsons-Dillingham (PD) under a Metro Contract. Metro was investigating PD for false billings. Metro was concerned that CCRS had included personal and non-business related costs in its overhead calculation. Our audit disclosed unallowable costs associated with condos in New York and Miami, and a DC apartment. We also identified personal costs in the overhead rates including cable TV for the company owner at his residence. Numerous other unallowable costs per FAR 31.2 were identified. Metro was subsequently successful in receiving monetary damages from the contractor in an out of court settlement.

Fraud Audit for the Housing Authority of the City of Los Angeles

Description of Project and Services Provided:

BCA Watson Rice LLP (BCAWR) was engaged by the Housing Authority of the City of Los Angeles (HACLA) to conduct a fraud audit of alleged over billings made to various contractors under contract with Resident Management Corporations (RMC). An RMC is responsible for the property management and administration of low-income housing projects. The RMC would then contract to companies to provide services such as security, moving and maintenance.

Our review period covered all payments made under RMC contracts for a 3 year period. The primary objective of the audit was to determine whether RMC invoices were adequately supported and in compliance with contract terms and conditions. Our findings included questionable payments representing approximately 5% of all payments made to the RMC and unsupported payments representing approximately 14% of all payments made to the RMC during the review period for one public housing project. For another housing project, our findings included questionable payments representing approximately 15% of all payments made to the RMC and unsupported payments representing approximately 42% of all payments made to the RMC during the review period for one public housing project. The primary cause of our questioned payments was for various services provided without an executed contract. Our audit also identified a conflict of interest relationship between a former HACLA executive and a consultant hired by the RMCs. BCAWR's partner subsequently provided expert testimony at trial regarding the audit, which contributed to a guilty verdict against the former HACLA executive.

Information Technology Forensic Audit for the Housing Authority of the City of Los Angeles

Description of Project and Services Provided:

BCA Watson Rice LLP (BCAWR) performed a forensic information technology (IT) audit and provided interim IT enterprise management and operations for the Housing Authority of the City of Los Angeles (HACLA). The purpose of the forensic audit was to determine the extent of compliance with best practices and industry standards and to determine whether any irregularities or fraudulent activity had taken place.

The audit scope included end-to-end information systems processing involving all end users and deliverables. BCAWR's audit procedures focused on information systems processing, input processing, and output. Our audit procedures included a re-creation of files based on a review of audit logs, review of financial and other transactions using data analysis tools, and use of automated forensic and vulnerability scanning tools.

BCAWR also reengineered HACLA's information systems department to ensure it aligned with industry best practices. We developed an IT governance framework, which entailed developing, implementing, training and enforcing policies and procedures for IT management with a special focus on IT security. The team developed policies, procedures and guidelines for requesting, authorizing, granting, and revoking access to network systems and to areas housing critical systems components. We designed access control mechanisms and change control mechanisms to ensure that access privileges and

controls are reviewed and updated in a timely manner. In addition, the team implemented controls to authenticate nodes of the network; authenticate users; define routing of network traffic; control network connections; firewall and DMZ configuration; maintain security of network services; patch management and control network device security.

Forensic Audit of the Oakwood Deposit Bank Company for the Federal Deposit Insurance Corporation (FDIC)

Description of Project and Services Provided:

A BCA Watson Rice LLP (BCAWR) team of former bank examiners and forensic auditor examined bank records and recreated transactions to assess the extent of fraud perpetrated at Oakwood Bank in Texas. The bank went into receivership to the FDIC when it was discovered that a senior bank executive perpetrated a massive and pervasive fraud costing taxpayers millions of dollars. The FBI also discovered a check kiting scheme operating at Oakwood. BCAWR's responsibilities included investigating the misappropriation of funds, reviewing financial transactions, tracing funds, compiling reports and work summaries, and reviewing and analyzing documents pertaining to the bank's failure. BCAWR traced more than 40,000 transactions that comprised the kiting scheme. The FBI used BCAWR's report to seek prosecution of the former senior bank executive.

Forensic Audit of the Entertainment Industry Development Corporation

Description of Project and Services Provided:

BCA Watson Rice LLP (BCAWR) conducted a forensic investigative audit of the Entertainment Industry Development Corporation (EIDC), a contractor to the City of Los Angeles. The City and County of Los Angeles created the EIDC to promote film production in Los Angeles and to streamline the issuance of film permits to production companies. The EIDC's former director was under investigation by the Los Angeles District Attorney's Office for alleged misuse of public funds. BCAWR was engaged by the City of Los Angeles Controller in determining whether public funds received by the EIDC were properly accounted for and expended over a 3-year period. BCAWR's audit uncovered many instances of lavish spending that was not connected to the purpose, mission and programs of EIDC. The District Attorney's Office successfully prosecuted the former director, in part, due to our audit report. In addition, our audit report was used to enhance internal controls and improve corporate governance of the EIDC to prevent such an occurrence from happening again.

Forensic Audit of the Building Department – City of Miami Beach

Description of Project and Services Provided:

BCA Watson Rice LLP (BCAWR) conducted a follow-up forensic audit for the City of Miami Beach Building Department related to known kickbacks given to Building Department inspectors from construction developers. Local law enforcement authorities had arrested several Building Department employees for receiving kickbacks from developers for bypassing the normal building inspection

process, thus allowing the developer to save time and money in completing construction. BCAWR was asked to investigate whether there may have been other construction projects and other Building Department employees involved in similar schemes. Although BCAWR found no other schemes, we did identify significant internal control weaknesses in the building permit process that could lead to opportunities for unscrupulous behavior.

BCAWR Construction Contract Related Audit Experience

Audit of the Fox Theater Renovation Project

Description of Project and Services Provided:

BCA Watson Rice conducted an audit of the Fox Theater Renovation Project for the City of Oakland Office of the City Auditor. The overall objective of the audit was to conduct a comprehensive evaluation of contract administration, project management and controls, and complex financing strategy relating to the project. Some specific objectives of the audit included:

- Evaluating original project scope and final project scope including a detailed reconciliation of changes by identifying who authorized each change, was authorization appropriate, were the changes necessary and how did the changes impact project cost.
- Evaluating compliance with all relevant laws, rules, regulations, policies and procedures.
- Evaluating project management by ORA, CCG Turner Construction and any other significant subcontractors, including reviewing each parties' roles and responsibilities, effectiveness of the project's organization structure, and if duplication of roles and responsibilities occurred.
- Evaluating the adequacy of internal controls used by ORA, project manager, general contractor, subcontractors, architects and engineers.
- Evaluating the process used to hire contractors and subcontractors.
- Determining whether the City Council was appropriately informed by ORA of the project's progress including all critical decisions related to changes in the project scope and cost implications from such changes.
- Examining applications for payments to ensure they were accurate and met contract terms.
- Evaluating the change order process.
- Evaluating related party transactions.
- Evaluating the level and adequacy of the quality assurance and quality control measures used on the project.

Contract Audit Services for the Los Angeles Unified School District – Office of the Inspector General

Description of Project and Services Provided:

Since 2003, BCA Watson Rice has been under contract to perform contractor pre-award and incurred cost reviews for the LAUSD/OIG under a CPA audit pool contract. The LAUSD is undertaking one of the largest school construction programs in the nation. Over the past several years, Los Angeles County voters have passed bond measures totaling over \$10 billion to construct new schools and

modernize existing schools. The reviews consist of verifying the adequacy of contractor accounting systems and internal controls, the reasonableness of contractor submitted direct labor rates (including verification of prevailing wage rates), indirect/overhead rates, and other direct costs in accordance with federal cost principles, and a determination on whether incurred costs are reasonable, adequately supported and in compliance with the contract or agreement. To date, we have audited construction contracts for LAUSD valued at over \$1 billion.

Construction Contract Audit and Internal Control Assessment of the Los Angeles County + University of Southern California Medical Center Replacement Project

Client Information:

Contact Information:

Los Angeles County Auditor-Controller
 500 West Temple St. Room 525
 Kenneth Hahn Hall of Administration
 Los Angeles, CA 90012

De Witt Roberts
 Ph: 213-253-0199
droberts@auditor.lacounty.gov

Description of Project and Services Provided:

BCA Watson Rice (BCAWR) has performed numerous audits over the past 12 years for the County of Los Angeles Auditor-Controller under a master contract agreement. Under this agreement BCAWR conducted an internal control assessment of the Los Angeles County + University of Southern California Medical Center Replacement Project (the "Project"). This internal control assessment focused primarily on the fiscal administration of the Project, to ensure contract changes and change orders were adequately controlled and that system, document and reporting controls had been established. The Department of Public Works had primary fiscal oversight responsibility of this massive construction project, which is estimated to cost approximately \$818 million over a 4 to 5 year period.

The LAC+USC Medical Center is the largest safety net health facility provider for the uninsured, particularly high acuity specialty services not sufficiently available in the community. It also serves as the County's primary emergency and trauma care hospital, providing almost thirty percent of the County's trauma care.

Prior to the commencement of major construction, the Auditor-Controller wanted to ensure that adequate internal controls are in place. BCAWR provided the Auditor-Controller with an assessment on whether adequate internal controls and systems were in place to ensure that the Project's initial cost, schedule and performance goals could be achieved, and that all compliance requirements of the Project were met.

Exposition Metro Line Construction Authority – Contract Modifications and Change Order Audits

Client Information:

Contact Information:

Exposition Metro Line Construction Authority

Roslyn Lewis
rlewis@exporail.net

707 Wilshire Blvd. Suite 3400 Los Angeles, CA 90017	
Contract Value: \$90,980	Period of Performance: 8/24/15 – 2/23/16
Description of Project and Services Provided:	
<p>BCA Watson Rice LLP (BCAWR) has been engaged by the Expo Metro Line Construction Authority (Expo Metro) to perform audits of contract modifications and change orders related to the \$2.5 billion Exposition Light Rail Line from Downtown Los Angeles to Santa Monica. BCAWR is currently auditing 13 change orders and/or modifications with a value exceeding \$650,000 each. The audits are being conducted in accordance with FAR 31.2 and/or OMB Circular A-87 cost principals.</p>	

Industrial, Economic and Administrative Survey (IEA Survey) of Port of Los Angeles Port Properties and Departments

Description of Project and Services Provided:

BCA Watson Rice LLP completed an Industrial, Economic and Administrative survey of the Port of Los Angeles (Port) on behalf of the Los Angeles City Controller as required by the Los Angeles City Charter in Section 266. The Port is the largest container port in the western hemisphere. It is the nation's number one container port, covering approximately 7,500 acres of land and water. Within its boundaries are 43 miles of waterfront, 220 berths, 25 major cargo terminals—including facilities to handle automobiles, containers, dry and liquid bulk products—and eight container terminals. The Port handles over eight million Twenty-foot Equivalent Units (TEUs) of containerized cargo each year.

The primary objective of the IEA Survey was to assess the Port's competitive position, management processes and accountability systems with a major focus on the construction planning and management of the Port's nearly \$1 billion in capital projects. We also assessed the Department's operational strengths and weaknesses by conducting a risk assessment, and assessing the Department's current operational capabilities, measurable results and challenges in meeting its goals. Other purposes of the survey were to:

- Identify the significant/core activities performed by the Port to meet its mission;
- Identify the processes related to those core activities;
- Identify the business risks associated with the Port's core activities;
- Determine whether the Port's current organizational structure, business processes and practices, and capital and operating budgets adequately mitigate the business risks associated with those core activities;
- Identify areas at highest risk, which also present the greatest opportunity for improvement that will assist the Port in meeting its mission in an effective and efficient manner.
- For selected areas of highest risk/significance, as determined by the risk assessment and in consultation with representatives of the City Controller, Mayor, City Council and the Port's General Manager, conduct detailed management review(s) of those functions/activities that would result in recommendations that when implemented, will have the greatest positive benefit.

Based on our assessment, we reported recommendations for improving construction planning and management, including improved selection of contractors, revisions in change order issuance and

pricing, and improved status reporting.

<i>Contract Audit Services for the Southern California Regional Rail Authority (SCRRA)</i>	
Client Information:	Contact Information:
SCRRA One Gateway Plaza Los Angeles, CA 90012-2952	Lia McNeil-Kakaris Senior Contract Administrator MCNEILKAKARISL@scrra.net
Description of Project and Services Provided:	
BCA Watson Rice is currently under contract to perform contractor incurred cost reviews and pre-award price reviews for the SCRRA under a CPA audit pool contract. The reviews consist of verifying the adequacy of contractor/grantee accounting systems and internal controls, the reasonableness of contractor/grantee submitted direct labor rates, prevailing wage rates, indirect/overhead rates, and other direct costs in accordance with federal cost principles, and a determination on whether incurred costs are reasonable, adequately supported and in compliance with the contract or agreement.	

<i>Contract Audit Services for the Orange County Transportation Authority (OCTA)</i>	
Client Information:	Contact Information:
Orange County Transportation Authority 550 South Main Street Orange, CA 92863-1584	Janet Sutter Executive Director – Internal Audit (714) 560-5591 jsutter@octa.net
Description of Project and Services Provided:	
For the last ten years, BCA Watson Rice (BCAWR) has performed numerous pre-award price reviews and incurred cost reviews of construction, architectural and engineering contractors for the Orange County Transportation Authority under a CPA audit pool contract. The reviews consist of verifying the adequacy of contractor/grantee accounting systems and internal controls, the reasonableness of contractor/grantee submitted direct labor rates, indirect/overhead rates, and other direct costs in accordance with federal cost principles, and a determination on whether incurred costs are reasonable, adequately supported and in compliance with the contracts or agreements. We also reviewed compliance with applicable prevailing wage rates.	

Los Angeles World Airports – Construction Cost Audit

Client Information:

Los Angeles World Airports
6053 West Century Blvd., Suite 602
Los Angeles, CA 90045

Contact Information:

Amanda E. Dyson
Departmental Audit Manager
(424) 646-7372
adyson@lawa.org

Description of Project and Services Provided:

BCA Watson Rice was retained by the Los Angeles World Airports (LAWA) Internal Audit Division to conduct a follow-up audit of a construction contractor (Gensler) and one of its subcontractors. The overall objective of the audit was to determine whether costs charged by the contractors to the Contract were appropriate and in compliance with contractual provisions. Specifically, we 1) reviewed Contractors’ records and determined whether adequate oversight over contract hours was maintained by them, 2) determined the accuracy of Contractors’ billings to LAWA to ensure that they were adequately supported and justifiably charged to the contract, 3) conducted a follow-up on audit findings previously identified in the initial invoice review performed by LAWA’s Internal Audit Division, and 4) identified recommendations for improvement as necessary.

On a separate engagement, BCA Watson Rice was retained by Los Angeles World Airports (LAWA) Internal Audit Division to conduct a financial and compliance audit of the expenses invoiced by AECOM Technical Services Inc. (AECOM) under its integrated program management contract with LAWA. The overall objective of this audit was to determine if personnel expenses charged to the Contract were in compliance with the terms and conditions of the Contract. Specifically, we determined whether 1) personnel authorization requests were appropriately scrutinized prior to approval, 2) personnel expenses charged to the Contract were in compliance with contractual provisions or requirements, and 3) the internal control process established over the authorization and approval of personnel costs is adequate and being complied with.

Los Angeles Metro Contract Audit Services

Client Information:

Los Angeles County Auditor-Controller
350 South Figueroa St., 8th Floor
Los Angeles, CA 90071

Contact Information:

Diana Estrada
Audit Manager
(213) 922-2161
estrada@metro.net

Description of Project and Services Provided:

For the past sixteen years, BCA Watson Rice has been providing contract audit, performance audit and operational review services for LA Metro’s Contracts Audit Group and Project Audit Group under CPA audit pool contracts. Under these contracts we have conducted various assessments of departments, systems and projects. These engagements included interim and final contract incurred cost audit services and change order audits. We performed financial and compliance audits of construction and technical contracts and grants worth more than \$200 million. We conducted audits of more than 100 contractors/grant recipients, which include nonprofit organizations, state and municipal agencies, and

construction, architecture, and engineering firms. Several of these audits were contract closeout audits to determine the allowability and reasonableness of costs invoiced to Metro. We reviewed direct labor rates, prevailing wage rates, overhead rates, and other direct costs for compliance with Federal Acquisition Regulations Cost Principles and Cost Accounting Standards. The audits included assessments of internal controls and fiscal capabilities of contractors. As a result of these audits, we have identified more than \$20 million in questioned costs, and millions more of unspent funds.

Government Financial Strategies Relevant Experience

Expert Consulting and Expert Witness Cases

Description of Project and Services Provided:

Government Financial Strategies has served as expert consultants or expert witnesses on more than a dozen litigation cases since 2008. These cases generally involved alleged misconduct related to public finance (usually bond financing) or accounting. Our work typically included a review of the documentation relevant to the case, financial modeling of what happened, analysis of scenarios of what could have happened had different actions been taken, followed by a report explaining the analysis. These reports often led to depositions by the opposing attorney.

Independent Third Party Financing Reviews

Description of Project and Services Provided:

Government Financial Strategies has reviewed more than 50 financings since the passage of AB 2197 in 2009. This law created a pre-debt issuance review requirement for county offices of education and county auditors. We developed a systematic review process and evaluation criteria to analyzing school district debt and finances. We subsequently utilized these criteria to help governmental entities throughout the State evaluate financings. In addition, we have provided training in several counties to prepare school districts on the evaluation criteria, and training to county offices of education on the review process.

Bond Program Investigations

Description of Project and Services Provided:

Government Financial Strategies has experience working on finance and accounting investigations of bond programs. We assisted the Cleveland Metropolitan School District Bond Accountability Commission with a review of the school district's bond program. More locally in California, we helped a

Citizens' Committee of Pleasanton Unified School District with a review of the District's bond program, and we reviewed Peralta Community College District's bond program for the Fiscal Crisis and Management Team (FCMAT). We have provided training on bond programs to numerous citizens' bond oversight committees and county grand juries throughout the State. Lori Raineri of Government Financial Strategies serves on the Board of Directors for the California League of Bond Oversight Committees and Collaborative for High Performance Schools.

School Board Expertise

Description of Project and Services Provided:

Government Financial Strategies has served as financial advisor on over 80 California general obligation bond programs and have advised on the issuance of more than 800 financings totaling nearly \$10 billion for public agencies in California. 85% of these financings were for school districts. The president of Government Financial Strategies, Lori Raineri, serves on the Board of Directors for the National Association of Municipal Advisors. Both Lori Raineri and Keith Weaver of Government Financial Strategies are Registered Municipal Advisors.

Large School Districts and Bond Programs

Description of Project and Services Provided:

Government Financial Strategies serves as a financial advisor to some of the largest school districts in California including Elk Grove Unified School District (5th largest), Santa Ana Unified School District (7th largest), and Capistrano Unified School District (8th largest). We also have experience with large bond programs: we have been involved in the issuance of nearly \$1 billion of bonds for Santa Clara Unified School District, and have issued hundreds of millions of dollars for several other school districts in California.

4. REFERENCES

It is important to BCAWR and our sub-consultants to provide high-quality, timely service. The success of our firms is based on our reputations and the knowledge and experience of our professionals. Our reputations have often been a factor in our being selected to provide audit and other services. Below we provide the names and telephone numbers of some of our team's clients who can attest to the quality of work and the professionalism of our firms.

Austin Onwualu, Director (BCAWR Client)
Los Angeles Unified School District
333 S. Beaudry Ave. 12th Floor
Los Angeles, CA 90017
213-241-7750
Austin.onwualu@lausd.net

Jim Olds (BCAWR Client)
Departmental Audit Manager
Port of Los Angeles
425 S. Palos Verdes Street
San Pedro, CA 90731
310-732-3562
jolds@portla.org

Mark Allgire (GFS Client)
Assistant Superintendent, Business Services
Santa Clara Unified School District
1889 Lawrence Road
Santa Clara, CA 95051
(408) 423-2024
mallgire@scusd.net

Enitan Adesanya (WA Client)
Vice President & Risk Management Executive
Kaiser Permanente
Facilities & Clinical Technology Risk Office
1800 Harrison Street
Oakland, CA 94612
(510) 625-2779

5. TIME COMMITMENT & COST OF SERVICES

Below we provide our fixed, not-to-exceed cost for phase 1 of the engagement based on an estimated number of hours, proposed hourly rates and estimated travel costs.

Name/Position	Hours	Hourly Rate	Cost
Michael de Castro – Engagement Partner	80	\$ 250	\$ 20,000
Larry Aldrich – Project Manager	120	175	21,000
Robert Griffin – Senior Consultant	60	250	15,000
Lori Raineri – Bond Oversight SME	50	225	11,250
Keith Weaver – Bond Oversight SME	50	225	11,250
Xavier Motley – IT Senior Consultant	40	175	7,000
Total Hours and Labor Costs	400		\$ 85,500
Travel Costs			5,000
Total Proposed Project Fee			\$ 90,500