

Request for Proposal No. 16-V001
Board of Education Forensic Accounting Investigation

**West Contra Costa Unified School
District**

September 4, 2015



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**HEMMING
MORSE, LLP**

CERTIFIED PUBLIC ACCOUNTANTS
LITIGATION & FORENSIC CONSULTANTS

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September 4, 2015

Liz Block
Chair of the Board's Subcommittee for the Clay Investigation
West Contra Costa Unified School District
1400 Marina Way South
Richmond, CA 94804

Subject: Response to Request for Proposal for Board of Education Forensic Accounting Investigation

Dear Subcommittee Chair Block:

Enclosed is the joint proposal of Baker Tilly Virchow Krause ("Baker Tilly") and Hemming Morse ("Hemming Morse") to provide forensic accounting services to the West Contra Costa Unified School District's (the "District") Board of Education ("the Board") in connection with the Clay Investigation matter.

Throughout this proposal we refer to our team as BTHM except in instances requiring us to distinguish our firms. Our firms' unique collaboration is our way of bringing the best team to meet the needs of the Board, the District and the citizens who live within the District.

Our Understanding of Your Needs

The investigation arises from allegations made by District employee Dennis Clay ("Mr. Clay") related to the operations, financial reporting, and management of the District bond-funded construction program (the "Clay Investigation"). The Board is seeking a forensic accountant to analyze Mr. Clay's allegations and supporting documentation related to alleged acts of gross mismanagement, negligence, and malfeasance in the District's bond program.

Specifically, the Board is seeking a firm that will undertake a Phase I fraud risk assessment, focused on:

- > Analyzing the specific areas set forth in Mr. Clay's allegations
- > Analyzing the allegations to determine if there is overlap with the findings and recommendations set forth in the fiscal year 2013 and 2014 audit reports
- > Identifying the highest risk areas to provide a scope to the Board for the Phase II forensic investigation
- > Developing a scope of work, not-to-exceed fee amount and timeline for completing the Phase II investigation for the Board to review and approve



Cover Letter
West Contra Costa Unified School District
Board of Education Forensic Accounting Investigation

Depending on the findings of the Phase I fraud risk assessment, the selected firm will:

- > Conduct a forensic investigation based upon the Board approved scope of work
- > Develop and present both a preliminary and final report regarding the investigative findings

Why BTHM?

We recognize you have many potential options, and have endeavored to develop a proposal that highlights the unique reasons why Baker Tilly and Hemming Morse have joined together to present our approach and qualifications to serve as your forensic accountants in connection with the Clay Investigation. Our proposal provides information substantiating that we have successfully completed thousands of forensic accounting and investigative engagements for both governmental agencies as well as the private sector. Our expertise in this arena has enabled us to provide expert services nationally and internationally.

We have worked closely and in conjunction with various federal, state, and local agencies to assist them in understanding and documenting the matter that is at issue. Moreover, Hemming Morse has offices in the San Francisco area, and brings valuable knowledge at the local level. Our shared philosophy that the partner level is involved and actively manages the project is one of the intangibles that has helped us provide exceptional client service, as well as successfully compete for engagements against the largest accounting firms. Additionally, the Board can expect to benefit from our:

- > **Established relationship between Baker Tilly and Hemming Morse:** The BTHM relationship developed from a mutual involvement with the Forensic and Valuation Services section of the American Institute of Certified Public Accountants (“AICPA”), where personnel from both firms are involved at the highest levels, serving on the committees that develop practice aids and provide technical guidance for Certified Public Accountants (“CPAs”) who provide forensic accounting services. Our team is unmatched in caliber and expertise, and with Hemming Morse’s proximity, we believe we can truly provide the District with a breadth of expertise, coupled with a local presence.
- > **Proven track record of partnering with similar local governments.** For decades, BTHM team has been serving public sector clients like the Board in providing forensic investigation, as well as accounting, audit and other consulting services. Collectively, we serve over 900 public entities including school districts, municipalities, counties, public utilities, and other. We understand the complexities and nuances that are inherent in local governments and strive to form collaborative relationships with our clients to help them achieve their strategic goals and objectives. We define success as when our clients succeed.
- > **Listening to your needs and tailoring a solution that fits.** Our client-centric approach to executing our projects is focused first and foremost on understanding your unique needs and the environment in which you operate. We do not believe in a one-size-fits-all approach and instead customize our approach based on commonly accepted frameworks that are tailored to meet your specific needs.



Cover Letter
West Contra Costa Unified School District
Board of Education Forensic Accounting Investigation

- > **Value-added insight, while properly managing and mitigating risk.** Through our extensive experience, we recognize the challenges school districts face. With added pressures to “do more with less,” our team of public sector experts seek to drive results by providing value-added insight. Through our integrated teams of forensic and industry professionals, we are able to provide recommendations that will help the Board drive efficiencies and optimize its resources, while properly managing and mitigating its risk profile.
- > **Senior level of personnel.** An important factor of our proposal is the commitment of the senior level of the personnel comprising our project teams. The engagement partners, managers, and consultants identified in our proposal are integral, working elements of the team. Their experience means more efficient services for the Board, and the ability to bring the required skills and expertise to the table, regardless of changes in project focus. Our project teams are well-positioned to provide the professionalism, expert advice, and objective analysis needed on this matter on behalf of the Board.

We believe that the decision to work with the BTHM team will provide the Board with the best possible team to serve you. Above all, the Board deserves exceptional performance distinguished by timely and responsive deliverables. To ensure that you receive our best efforts, we will be personally involved in all aspects of our work with the Board. We want to do this assignment for the Board, and respectfully ask for the opportunity to do so. We look forward to discussing the details of our proposal and any questions you may have.

Regards,

BAKER TILLY VIRCHOW KRAUSE, LLP



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Partner
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HEMMING MORSE, LLP



David A. Grisham, CPA/CFF
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This document contains confidential material that is proprietary to Baker Tilly Virchow Krause, LLP and Hemming Morse, LLP, and other related entities (collectively referred to herein as BTHM). The materials, ideas, and concepts contained herein are to be used exclusively to evaluate the capabilities of Baker Tilly and Hemming Morse to assist the District. The confidential information and ideas herein may not be disclosed to anyone outside of the District and may not be used for purposes other than the District's evaluation of our joint capabilities.



1. Background Information

1.1 Firm Background – Baker Tilly

More than 2,600 professionals strong, Baker Tilly is a full-service accounting and advisory firm with specialized professionals who connect with you through refreshing candor and clear industry insight. Founded in 1931, we are now one of the top 12 largest accounting and advisory firms in the US. Baker Tilly has achieved dynamic growth while maintaining a commitment to our core values.

1.1.1 Forensic, Litigation, and Valuation Services (“FLVS”) Practice

Forensic accountants research, quantify, and present the financial impact of a dispute. In order to be effective, forensic accountants must communicate their findings in a simple, clear, and easy to understand manner. The complexity of the financial issues in forensic accounting matters requires skilled professionals to analyze, corroborate, reconstruct, evaluate, and present underlying financial issues in a clear and understandable manner. Baker Tilly’s national FLVS group helps clients to do just that.

The FLVS group consists of more than 50 experienced forensic professionals, many of whom are also:

- > Certified public accountants
- > Certified in financial forensics
- > Certified fraud examiners
- > Private investigators
- > Computer forensic specialists

These professionals have exceptional experience in forensic accounting, fraud detection, and fraud prevention. As experienced investigative consultants that have worked on well over 3,000 engagements, we have the knowledge and expertise to serve as a source of authoritative advice for clients on investigative techniques throughout all phases of the engagement. We have experience in preparing cases for administrative review and criminal prosecution at local, state, and federal levels.

Our FLVS professionals dedicate 100 percent of their time assisting clients in matters similar to the issues alleged as part of the Clay Investigation.

1.1.2 Public Sector Practice

We are one of the few CPA firms with a public sector group dedicated entirely to serving governmental clients, including K-12 school districts. Each member of this 220-person team focuses on serving K-12 school districts and local governments and has a continuing professional education plan that includes significant training in these areas.



Our devotion to the public sector is illustrated by our commitment to inform and instruct our clients about important governmental issues. Annually, we speak at numerous accounting, financial, and management seminars and workshops throughout the nation.

Our employees work year round in this highly technical area and do not work in other areas such as commercial audits or tax return preparation. Since the governmental environment is so complex, we have further specialized into separate teams within our public sector group. Examples include teams that specialize in school districts, municipalities, counties, utilities and transit, single audits, and colleges and universities. This team approach allows us to broaden our knowledge and resource base to provide our clients with the highest possible service. **Section 3.1** includes more details on our public sector expertise as it relates to this engagement.

1.2 Firm Background – Hemming Morse

Hemming Morse was founded in 1958, and is one of the nation’s leading and most respected accounting firms. Hemming Morse’s strategic focus comprises two areas of expertise: litigation and forensic consulting services and financial and compliance auditing of employee benefit plans.

Hemming Morse is based in California with approximately 100 employees working in offices located in San Francisco, Los Angeles, Fresno, and Chico. Hemming Morse’s engagements are both national and international in scope. The firm provides consulting and expert testimony services to clients throughout the United States and in foreign countries.

1.2.1 Forensic Consulting Services

Hemming Morse’s Forensic Consulting Services Group is built on a foundation of highly experienced and dedicated partners with a broad range of expertise in accounting, economics, valuation, and finance and a commitment to providing high quality work product to our clients. Our professionals have successfully supported attorneys and clients in some of the largest and most complex business disputes and financial investigations in the United States and internationally, and many of our partners have been qualified as experts in state, federal and international courts.

Constantly adding value to the work we perform for our global clients is important to our partners. In accordance with this objective, Hemming Morse is an active member of The International Accounting Group (“TIAG”), a global association of CPAs, which operates in conjunction with TAGLaw, a worldwide alliance of law firms. Our dynamic involvement in these organizations allows us to collaborate with over 250 member firms within nearly 100 countries.

Our experience encompasses all phases of the forensic consulting process – from initial evaluation and development of strategy to discovery and in-depth financial analysis to settlement negotiations and expert testimony.

Hemming Morse offers extensive forensic investigation experience. The firm’s partners are published authors, frequent speakers, and expert witnesses in litigation and consulting related issues. Partners and professionals are very involved in leadership positions within professional organizations including the California Society of CPAs, the American Institute of Certified Public Accountants, and the Association of Certified Fraud Examiners to name a few.



1.2 Professionals Dedicated to the Engagement

Selecting a professional services team is one of the most important factors in creating a successful and enduring relationship. We have therefore assembled a unique engagement team of BTHM professionals to perform forensic accounting, white-collar crime investigations, monitoring and internal controls, and compliance.

The BTHM personnel proposed to perform your requested scope of services, shown in **Figure 1.2.a**, offer a proven ability to analyze highly complex issues and have extensive exposure working with federal law enforcement agencies. Collectively, our team also offers deep experience providing similar forensic investigations to organizations similar to the District.

This experience means you can be confident that our expertise will provide the Board with the support necessary to identify, document, and substantiate the potential fraud, waste, and abuse alleged in Mr. Clay’s complaint. We believe our group provides our clients with one of the most capable and competent groups of forensic accountants, CPAs, and forensic investigators in the country. We are confident that our team of forensic professionals is in a position to assist the Board with all of their investigative needs.

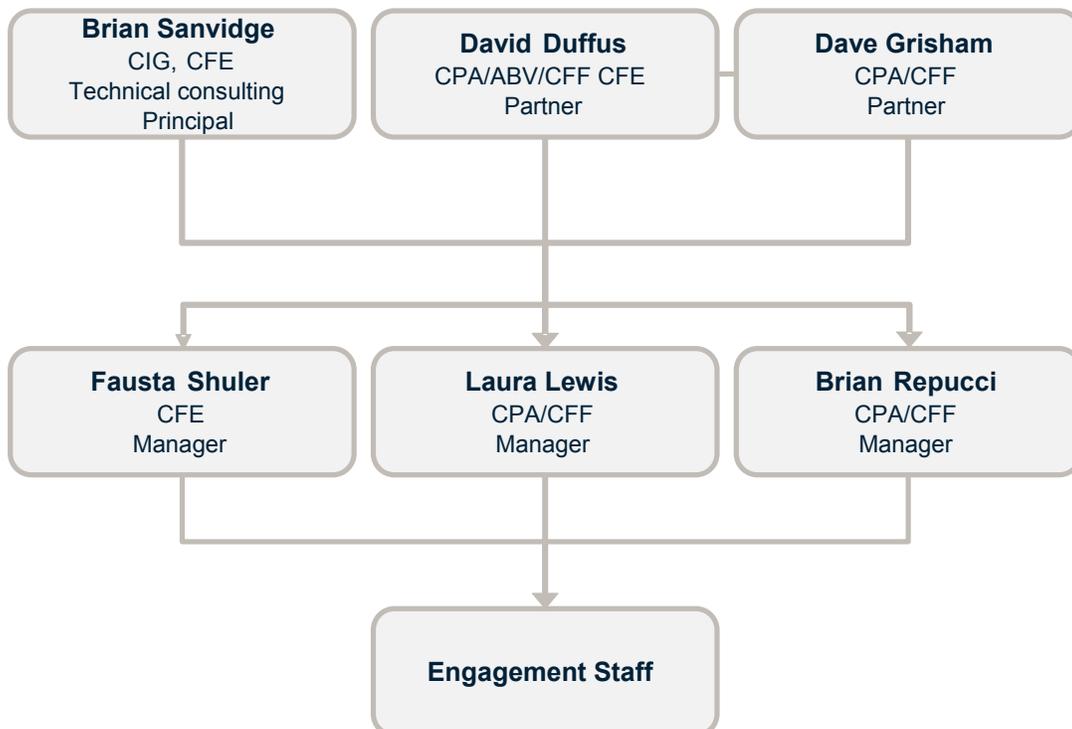


Figure 1.2.a: BTHM team organizational chart

Table 1.2.b below outlines the proposed BTHM professionals dedicated to both phases of the engagement along with their respective title and hourly rate, and their relevant experience at a high level. Full resumes are enclosed in **Section 1.3**



Table 1.2.b: Summary of proposed professionals' experience

| Name & Title | Rate | School Districts | Bond Programs | Forensic Data Recovery | Public Construction | Whistleblower Complaints |
|---|--------|------------------|---------------|------------------------|---------------------|--------------------------|
| David Duffus Partner, Baker Tilly | \$535 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Dave Grisham Partner, Hemming Morse | \$400 | ✓ | ✓ | | ✓ | ✓ |
| Brian Sanvidge Principal, Baker Tilly | \$525 | ✓ | ✓ | ✓ | ✓ | ✓ |
| Fausta Shuler Manager, Hemming Morse | \$345 | ✓ | ✓ | | ✓ | ✓ |
| Brian Repucci Manager, Hemming Morse | \$290 | ✓ | | | ✓ | ✓ |
| Laura Lewis Manager, Baker Tilly | \$300 | ✓ | ✓ | | ✓ | ✓ |
| Frank Risler Retained Consultant, Baker Tilly | \$250* | | | ✓ | ✓ | ✓ |

*Plus a per gigabyte charge of \$1.50/gig



1.3 Resumes



David M. Duffus, CPA/ABV/CFF, CFE

Partner, Baker Tilly

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David is a partner and leader in our Forensic, Litigation, and Valuation Services group who joined the firm in 2004. For over 20 years, David has provided accounting and consulting services to businesses ranging from start-up entities to Fortune 100 companies. David offers experience in bankruptcy and troubled company matters, construction disputes, economic damages claims, fraud and forensic investigations, healthcare fraud and abuse, insurance claims, intellectual property matters, professional liability claims, real estate disputes, shareholder and partnership disputes, and tax disputes. Prior to joining Baker Tilly, he led his own business and worked in the dispute analysis and investigations practice at PricewaterhouseCoopers LLP.

Specific experience

- > Works on complex litigation services, forensic accounting and valuation services assignments for businesses
- > Has worked extensively with counsel through all phases of the litigation process
- > Oversees assignment planning, supervision of staff, performing analyses, discovery assistance, and expert testimony for the forensic, litigation and valuation services practice in Pittsburgh
- > Serves as an expert witness and provides deposition testimony in state and federal court and in alternative dispute settings

Industry involvement

- > American Institute of Certified Public Accountants (AICPA)
 - AICPA economic damages task force and forensic and valuation services conference planning committee
- > Pennsylvania institute of certified public accountants (PICPA)
- > Association of certified fraud examiners
- > Turnaround management association, Pittsburgh chapter board of directors
- > Pennsylvania bar institute, presenter
- > Frequent speaker on economic damages, business valuation and fraud
- > Pittsburgh cares, board, past president
- > University of Pittsburgh, Katz graduate school of business, alumni board

Presentations and publications

- > Co-Presented "Using Models to Optimize Revenues & Contain Costs" to the Association of Independent Colleges & Universities of Pennsylvania (June 2014)



David M. Duffus, page 2

Presentations and publications, cont.

- > Presented “Investigating & Preventing Fraud in Government” at the Pennsylvania State Association of County Controllers (April 2014)
- > Presented “Effective Niche Marketing/Selling” at the Texas Society of Certified Public Accountants’ CPA Expo (December 2013)
- > Co-Presented “Attaining Reasonable Certainty in Damages Calculations” at the American Institute of Certified Public Accountants’ National Forensic and Valuation Services Conference (November 2013)
- > Presented “Applying Specialized Expertise to Client Issues” at the Penn State Beaver Fall 2013 Certified Public Accountant Series (November 2013)
- > Presented “Business Valuation Considerations in Shareholder & Partnership Disputes,” at the Pennsylvania Bar Institute Business Divorce Seminar (March 2013)
- > Presented “Red Flags of Fraud,” at the Penn State Greater Allegheny Certified Public Accountant Series (February 2013)
- > Co-Presented “Governmental and Not-for-Profit Fraud,” at the American Institute of Certified Public Accountants’ National Forensic and Valuation Services Conference (November 2012)
- > Presented “Adding and Expanding Forensic & Litigation Services to a Practice,” at the PICPA Pittsburgh Chapter Practitioners Conference (November 2012)
- > Presented “Adding and Expanding Forensic & Litigation Services to a Practice,” at the Penn State Greater Allegheny and Penn State Beaver Fall 2012 Certified Public Accountant Series (October 2012)
- > Co-Presented “Strategic Management of Acquisitions and Divestitures,” at the University of Pittsburgh Katz Graduate School of Business Executive MBA Program (July 2012)
- > Co-Presented “Discount Rates, Risk and Uncertainty in Economic Damage Calculations,” at the American Institute of Certified Public Accountants webinar (July 2012)
- > Co-Presented “Fair Value in Shareholder Disputes, Views of Delaware and Other Venues,” at the AICPA Business Valuation Conference (November 2011)
- > Co-Presented “Effective Use of Financial Experts,” at the Wecht Institute of Forensic Science and Law at Duquesne University (November 2011)
- > Presented “Red Flags of Fraud,” at the PICPA Practitioners Conference (November 2011)
- > Presented “Valuation & Financial Statement Fraud,” at the Pittsburgh Chapter of the Association of Certified Fraud Examiners (June 2011)
- > Presented “Fraud and Higher Education,” at the annual conference of the Pennsylvania State System for Higher Education (May 2011)
- > Presented “Financial Statement Shenanigans,” at the Spring Conference of the Philadelphia Chapter of the American Society of Appraisers (April 2011)
- > Presented “Fraud Overview – What Practitioners Should Know and Consider,” at the PICPA Practitioners Conference (November 2010)
- > Co-Presented “Economic Damages: An Overview” webinar as part of the AICPA Niche Practice Series (May 2010)



David M. Duffus, page 3

Presentations and publications, cont.

- > Co-Presented “Conducting Internal Investigations” at the joint meeting of the Pittsburgh Chapters of the Association of Certified Fraud Examiners and the Institute of Internal Auditors (May 2010)
- > Co-Presented “Financial Statement Fraud: A Tune Up,” to the Pittsburgh Chapter of the Association of Certified Fraud Examiners (December 2008)
- > Presented “Is There Danger Lurking Inside Your Business,” to the Centre County Chamber of Business and Industry (September 2007)
- > Co-Authored “The Quick Reference Guide for Attorneys: Business Valuations in Dispute,” December 2013
- > Authored “Ask the Expert,” FVS Consulting Digest, Issue 15 – May 29, 2013
- > Authored “A Consulting Role for CPAs for Hospitals with NIH Grants,” FVS Consulting Digest, Issue 10 – July 2012
- > Authored “Encountering New Venues with Shareholder Disputes? Remember the Special Ks” Financial Valuation – Shareholder Disputes Issue 37, June/July 2012
- > Authored “Discount Rates, Risk, and Uncertainty in Economic Damages Calculations,” AICPA, Forensic & Valuation Services Section, Practice Aid (2012)
- > Authored “Causation is Key to Developing Credible Economic Damages,” CPA Insider (2008)

Education

University of Pittsburgh
Bachelor of Arts
Master of Business Administration



David A. Grisham, CPA/CFF

Partner - Forensic Accounting, Hemming Morse

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David is a partner at Hemming Morse with more than 27 years of forensic accounting and professional services experience. He serves as a forensic accountant and damages expert specializing in complex commercial litigation, with extensive experience in economic damages, construction litigation, fraud, auditing, and accounting issues. David started his career as a financial auditor; he has served as a manager for a Big Four firm, as well as for a Silicon Valley start-up, giving him a unique, 360-degree business perspective he brings to every case. In 20 years as a forensic accountant, David has earned a reputation for his honest, straightforward approach, thorough investigations and analyses, and understandable, trustworthy conclusions.

Specific experience

- > Served as an expert for the board of directors of a private school, investigating possible fraudulent activity by the head of school
- > Served as an expert for the County Counsel of San Mateo in an investigation of the Portola Valley School District, engaged to investigate possible accounting irregularities by the Superintendent, who pled no contest to six felony charges, including embezzlement
- > Assisted the Board of Directors of an international oil and gas exploration and production company to investigate possible violations of the Foreign Corrupt Practices Act and help with the company's code of conduct manual
- > Was retained by a healthcare company to investigate a kickback scheme regarding a buyer, who had received checks directly from the suppliers and deposited the checks in South American banks
- > Consulted on an investigation of revenue recognition, revenue reserves and channel stuffing for the Special Committee of the Board of Directors of a publicly traded pharmaceutical company pursuant to an SEC subpoena
- > Prepared damage claim pursuant to costs incurred in the remediation of a chemical leaking into the water supply from defendant's flare manufacturing facility
- > Consultant for the defendant, the trustees of a family trust, assisted the expert in ascertaining whether the trustees had properly invested and accounted for the monies in the trust over an eight year period
- > Consultant for the defendant, bondholders of a disk drive manufacturer, assisted the expert in determining whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles and whether the audits were prepared in accordance with Generally Accepted Auditing Standards; testimony focused on inventory and reserve issues as well as revenue recognition schemes
- > Expert for a defense and aerospace systems company preparing an expert report analyzing a subcontractor's claim of increased overhead costs dues to a contract dispute

Industry involvement

- > California Society of Certified Public Accountants



David A. Grisham, page 2

Industry involvement, cont.

- Board of Directors, San Francisco Chapter, 2009-present
- Treasurer, 2013-present – State Council Member , 2013-present
- Economic Damages Section, Member, 1995-1998, 2003-present
- Construction Industry Conference Planning Committee, Member, 2006
- > Adjunct Professor, Golden Gate University, 2009-present
 - Introduction to Financial Forensic Accounting
 - Construction Claims
- > Menlo College, Accounting Advisory Board
- > American Institute of Certified Public Accountants
- > Construction Financial Management Association

Presentations and Publications

- > Authored “Damages after Sargon” for the California Lawyer, June 2014
- > Presented “Construction Fraud Insights” for the Accounting & Financial Women’s Alliance, July 2013
- > Presented “Construction Law 101: Claims and Scheduling” for the Bar Association of San Francisco, May 2013
- > Presented “Facts about Fraud” for the California Society of CPAs, CPE Extravaganza, June 2006
- > Presented “Revenue Recognition of Software Contracts” for Hemming Morse, Inc., November 2005
- > Presented “Construction Litigation” for the Jeffreys Henry International Litigation Conference, 2004

Education

San Jose State University, California
Bachelor of Science in Accounting; Minor in Cybernetics



Brian P. Sanvidge, CIG, CFE

Principal

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Brian is a principal and a leader of the firm's Forensic, Litigation, and Valuation Services group. He has been with Baker Tilly since 2007. He is a certified inspector general based in New York, who brings more than 25 years of experience working with businesses on labor investigations, fraud investigations, disaster recovery, and business continuity. He has lectured nationally on labor law, business fraud, white-collar crime, and tax fraud, as well as regulatory compliance and government investigations for groups including the New York State Surrogate Bench as well as several bar associations.

Specific experience

- > Inspector general for twelve years (ten of which for the New York State Department of Labor (DOL)), overseeing the civil and criminal investigations conducted by the department
 - Over 5,000 investigations resulted in criminal convictions and civil restitutions of \$250 million
- > Certified inspector general with over twenty-five years of experience in local, county, and state government
- > Has worked with businesses on labor investigations, fraud investigations, disaster recovery, and business continuity
- > Helped companies ensure integrity and government regulatory compliance
- > Qualified as an expert witness in financial crimes in the State and Federal court systems as well as in American Arbitrations Association (AAA) arbitrations
- > Lectured nationally on labor law, business fraud, white collar crime, and tax fraud, as well as regulatory compliance and government investigations for groups including the New York State Surrogate Bench as well as several bar associations
- > In December 2013, was honored to be included among the *Who's Who* of Forensic Accountants, by Long Island Business News

Industry involvement

- > American Society for Industrial Security
- > Association of Inspectors General
- > Association of Certified Fraud Examiners
- > Citizen's Budget Commission - Trustee
- > International Association of Independent Private Sector Inspectors General
- > National White Collar Crime Center - Certified Financial Records Expert Witness
- > New York Metro InfraGard Alliance - Secure member

Education

State University of New York at Albany
Bachelor of Arts in Political Science



Fausta M. Shuler, CFE

Manager, Hemming Morse

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Fausta is a manager at Hemming Morse with more than 21 years of forensic accounting and professional services experience. Fausta started his career as an accountant. She has since served as a forensics consultant for a Big Four firm and as a forensic accountant in various other businesses.

Specific experience

- > Analyzed accounts, trade records, internal databases, market data and news reports to reconstruct suspicious employee activities as part of work with an international investment company
- > Analyzed employee and third-party conduct to ensure compliance with SEC regulations and internal code of conduct
- > In a securities fraud matter where damages exceeded \$276 million, investigated claims that implicated an individual allegedly involved in a pyramid scheme and insider trading
- > Created schedules used as report and trial exhibits to demonstrate the results of the analysis and successfully kept the client from being incarcerated under those charges
- > Investigated the origination and destination of funds through hundreds of bank accounts extending from Eastern Europe to the United States involving high-level Eastern European government officials; analysis helped to successfully defend the client and keep him from being extradited to his home country
- > In the construction arena, performed a price analysis of change orders that included tracing relevant documents and invoices to validate pricing and price changes; examined contractors' request for payment and actual payment records to demonstrate that sufficient funds were not provided in a timely manner, therefore breaching the terms of the contract
- > In high technology, performed a detailed cost analysis to determine the dispute-related costs incurred by two companies and Created a cost-comparison schedule showing discrepancies between actual costs, costs agreed to in the contract, and the damage claim
- > In health insurance, worked closely with the lead attorney and the Insurance Commissioner in Hawaii to quantify the damages a health insurance company caused its insured by forming its own Third Party Administrator (TPA) to administer the plan and overpaying itself while denying benefits to its insured
- > Analyzed trading data from a prominent mutual fund company to determine to what extent late trading and market timing instances had occurred and under what circumstances; results helped further develop the case for the SEC
- > Reviewed language found in prospectus of various fund offerings from a large mutual fund company to assist the Chief Compliance Officer in drafting internal compliance policies to be implemented in accordance with Sarbanes Oxley rules



Fausta M. Shuler, page 2

Industry involvement

- > Association of Certified Fraud Examiners
- > California Society of Certified Public Accountants
- > Associate member of the American Bar Association

Education

California State University, Sacramento
Bachelor of Science in Accounting



Laura L. Lewis, CPA/CFF

Manager, Baker Tilly

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Laura is a manager in our Forensic, Litigation, and Valuation Services group and joined the firm in 2012. She has extensive experience in the analysis, investigation, and review of financial documents and has concentrated exclusively on forensic accounting since 2003. Representative clients include insurance companies, financial institutions, attorneys, and public and private entities. Prior to joining Baker Tilly, Laura was with a top 10 accounting firm, performing litigation support for federal government agencies and also has audit experience of state and local government, including school districts.

Specific experience

- > Responsibilities include preparation of financial damage analysis and forensic accounting investigations
- > Other responsibilities include case planning and management, financial and economic analysis, expert report preparation, oral presentation of findings as well as assistance with discovery, interrogatories, and depositions
- > Has managed teams that analyzed records stored in over 500,000 boxes and consisted of millions of documents including inventorying, imaging, analyzing, and reporting findings to federal government representatives

Industry involvement

- > American Institute of Certified Public Accountants (AICPA)
- > Women's Bar Association of Western Pennsylvania

Presentations and publications

- > Presented "An Introduction to Forensic Accounting" to Members of the Women's Bar Association of Western Pennsylvania (April 2014)
- > Presented "Introduction to Financial Documents" to Buchanan, Ingersoll, and Rooney, PC (September 2014)
- > Presented "Forensic Accounting" to Penn State Beaver Continuing Education CPA Continuing Education Series participants (October 2014)
- > Presented "Auditors, Ethics, and Fraud" to the Northeastern Pennsylvania Chapter of Institute of Internal Auditors (May 2015)
- > Presented "Data Mining" to the Lancaster Bar Association (June 2015)

Education

New Mexico State University
Bachelor of Arts in Accountancy



Brian S. Repucci, CPA/CFF

Manager, Hemming Morse

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Brian is a manager at Hemming Morse with more than 17 years of forensic accounting and professional services experience. He served clients by performing damages and lost-profit analysis, which includes reviewing industry trends and historical financial data and creating various financial models to be used as trial exhibits. He also has various accounting experience including income tax preparation, planning and performing audits and preparation of financial statements.

Specific experience

- > Served as an accounting consultant for a network of health care providers to perform labor rate examinations of the general contractor and subcontractors for contract negotiations and evaluated contractors' proposed billing and overhead rates
- > Accounting consultant in a wage and hour matter, which alleged that hundreds of farm labor employees were paid improper wages
- > Prepared analysis using hours worked records, compensation data, and employee records to determine the proper calculation of employees' regular rate of pay
- > Performed accounting consultant in several business interruption cases
- > Duties have included calculation of damages, calculation of business interruption loss and interpretation of accounting records
- > Accounting consultant regarding damages in a breach of lease action; analysis included a quantification of unpaid rents, and quantification of the impacts of mitigation efforts
- > Accounting Consultant for a major insurance company sued by a former independent contractor claiming he should have been an employee
- > Helped prepare extensive analyses of time records, expense documents and other financial records
- > Assisted in the preparation of detailed analysis of the various factors considered by the courts in making decisions regarding employment status
- > Assisted attorneys in preparation for depositions in various stages of litigation and in anticipation of litigation and prepared exhibits and related write-up work for trial

Industry involvement

- > Certified Public Accountant, State of California
- > American Institute of Certified Public Accountants
- > California Society of Certified Public Accountants

Education

California State University, Fresno
Bachelor of Science in Business Administration



Frank Risler, CFE, CPP, EnCE, ACE

Retained Consultant, Baker Tilly

212 697 6900
frank.risler@bakertilly.com

Frank is a retained consultant in the firm's forensic, litigation, and valuation services group, in the New York regional offices of Baker Tilly, specializing in computer forensics, data transfer and recovery and e-discovery.

Specific experience

- > Served as the assistant deputy inspector general for the New York State Department of Taxation and Finance
- > Served as manager of the department's computer crime and investigation laboratory
- > Investigates white-collar crime, computer crime, bribery, forgery and assists in the investigations of criminal tax evasion schemes
- > Lab personnel conduct computer forensics and provide other technical support to all criminal investigators within Taxation and Finance's Revenue Crimes Bureau, Petroleum, Alcohol and Tobacco Bureau, the Office of the Deputy Inspector General, the Labor Relations Bureau and other law enforcement and government agencies

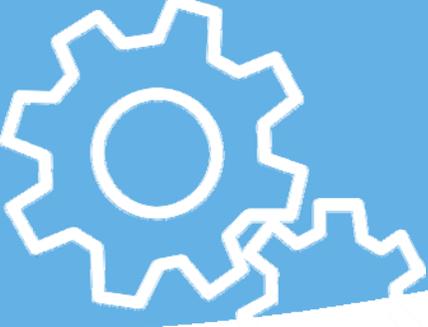
Industry involvement

- > Board of Directors, National White Collar Crime Center
- > Member, National White Collar Crime Center (NW3C)
- > National Association of Certified Fraud Examiners,
- > ASIS International
- > Member, High Technology Crime Investigations Association (HTCIA)
- > Received advanced computer forensics training from the National White Collar Crime Center
- > Additional advanced forensics training relative to data recovery through leading third party vendors
- > Pioneer in the computer forensics discipline evolving as the technological, legal, and evidentiary issues dictated

Education

Russell Sage College
Bachelor of Science, Criminal Justice

Marist College Graduate School of Management
Master of Science, Public Administration



2. General Methodology and Approach

2.1 Approach

In performing our work, the BTHM team will gain a detailed understanding of the issues to establish a comprehensive and realistic scope of work and budget. Our team members have worked for law firms and other clients that provide parameters for our services, and we keep within those parameters providing service and value. We will work within our budget and communicate any concerns with our client when necessary.

In general, our approach is to minimize the impact of the forensic investigation to ongoing operations.

- > To not be accusatory in questions asked of staff, but be fact finding
- > To ask questions in a manner that gains needed information but doesn't reveal information
- > To rely, as appropriate, on work performed by staff or others, i.e., do not reinvent the wheel
- > Learn what is supposed to happen (policies and procedures), and then identify what actually happened (deviations from those policies and procedures)
- > To collaborate and discuss the approach to be taken with staff and others in the organization
- > Work with the Board to come to an understanding as to the appropriate "deliverable" to be generated, e.g., oral presentation, PowerPoint presentation, and/or written report of findings
- > Present to the Board a final report of findings including recommendations that should be adopted to improve the District's bond funded construction program. If necessary perform additional follow up procedures

2.2 Fraud Risk Assessment Methodology (Phase I)

Below we outline our methodology for performing the requested Phase I fraud risk assessment.

Step 1: Planning and Scoping

Careful planning will help us to coordinate our joint efforts, keep the project on track, manage resources, and avoid surprises. Key points of planning and coordination include:

- > Meet to kick-off the project and agree on protocols, expectations, goals, and logistics
- > Gather background information to understand the nature of the allegations made by the District employee including how the issues were identified and the work performed to date to investigate the concern or allegation
- > Coordinate milestones and touch points



- > Determine the specific scope of the Phase I review
- > Identify and refine the list of interviewees and documentation request list

Step 2: Information Gathering

During information gathering, we will obtain and review key documentation related to the Clay Investigation and interview key District personnel.

Our documentation review will include, but will not be limited to, analyses of:

- > Documentation produced by Mr. Clay in connection with his allegations
- > Results of any investigation conducted to date to determine whether it is complete and can be relied upon as the investigation moves forward
- > Procedure and policy manual related to contract management and administration of the construction program to gain an understanding as to how the program should operate
- > Documentation to determine the magnitude and multitude of deviations from current policies and procedures
- > Billing packages from outside construction manager including all supporting documentation
- > Obtain and review the District's previous audit reports to determine if risk areas identified have already been disclosed to the District or Board

We will also seek to gain an understanding of the following:

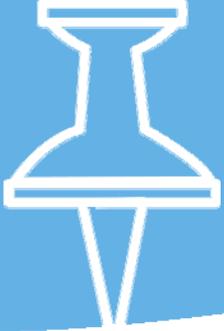
- > The vendor selection process as well as procedures for approving and recording transactions within the accounting and contract management systems
- > The accounting system including the review of applicable accounting transactions to the outside construction manager's business practices

Step 3: Analysis

Based on the on the initial investigation of the allegations and the documentation obtained in Step 2, we will:

- > Determine and report any overlap of the current investigation with prior findings discussed in the audit reports for fiscal years ending 2013 and 2014
- > Determine the extent of testing to conduct in Phase II of the investigation
- > Identify and rank by order of magnitude the areas posing the greatest potential for waste, improper expenditures or fraud
- > Develop a detailed work plan for each identified risk area, in descending order based on the magnitude, which:
 - Would include the proposed steps to be completed, staff and a budgeted amount needed to complete the identified tasks
 - Could be included or excluded by the Board of Education to establish a "not-to-exceed" contract amount

We will meet with the Board to discuss risk assessment and collaborate with Board members to develop a scope of priority items to address in Phase II.



3. Relevant Experience

3.1 School Districts and Other Governmental Agencies

Collectively, BTHM has been providing services to government entities, including school districts in California with bond programs, for more than 80 years. More than 900 public sector entities rely on BTHM's specialized expertise. Our qualified professionals provide more than 225,000 accounting and advisory hours to the public sector annually.

3.1.1 Experience with School Districts

BTHM serves over 250 school districts nationally with diverse service offerings, including, but not limited to, forensic investigations. A small sampling of school districts benefitting from BTHM's services and experience includes the following:

- > Arrowhead School District
- > Boyceville School District
- > Brooklyn Center Independent School District
- > Butternut School District
- > Darien Public School District No. 61
- > DeForest Schools
- > Dodgeland School District
- > Dover School District, District No. 1
- > Eau Claire Area School Dist
- > Edgerton School District
- > Johnson Creek School District
- > Kaukauna Catholic School System
- > Lakeland Union High
- > Legacy Christian Academy
- > Los Rios Community College
- > Plainfield Consolidated Community School District
- > Portola Valley School District
- > Rochester School District
- > San Ramon Valley Unified School District
- > Woodside School District

Services provided to our school district and local governmental clients include accounting and auditing, operational reviews, consolidation and shared services studies, information systems analysis, economic impact analysis, and utility consulting among others. All team members are available to consult with the District's staff on a daily basis throughout the year. In all engagements, our clients are welcome to consult with all levels of staff as well as partners.

3.1.2 Experience with Other Governmental Agencies

A very brief and representative listing of public sector entities that have retained BTHM includes the following:

- > California Attorney General's Office
- > City and County of San Francisco
- > City of Beverly Hills
- > City of Redding
- > Modesto County
- > Onondaga County, NY
- > Pennsylvania Department of Education
- > San Mateo County



- > City of Roseville
- > City of San Francisco
- > City of San Jose
- > Department of Justice
- > East Bay Municipal Utilities District
- > Hempfield Township, Pennsylvania
- > Madera County Board of Supervisors
- > Santa Clara County
- > Santa Clara Valley Water District
- > Sierra Blanca (New Mexico)
- > St. Louis Metro Link
- > The Harrisburg Authority
- > Transbay Terminal

Collectively, BTHM’s litigation client base also includes various attorneys representing both for-profit and not-for-profit organizations and entities as plaintiffs or defendants. Oftentimes these engagements involve legal proceedings requiring expert witness testimony.

3.2 Forensic Accounting and Investigations in Bond Programs or School District Finances

BTHM has been involved in multiple investigations related to school districts, including California schools. These investigations included analyzing the costs of the school district’s construction projects. Some of these investigations uncovered misappropriations of construction funds by school district employees. The projects listed in **Tables 3.2.a – 3.2.c** are a subset of investigations the BTHM team has executed that are similar to the nature, scope, and size of the investigation proposed herein. We would be happy to provide more detail on any of these examples at your request.

Table 3.2.a: Performance example

| School District – Performance of Construction Projects | |
|--|--|
| Our client’s need | The Philadelphia School District School Reform Commission retained Baker Tilly to perform a forensic investigation of the \$1.5 billion, five-year Capital Improvement Plan due to a number of concerns related to construction activities under the plan. |
| Baker Tilly solution | Baker Tilly investigated the construction activities under the plan, and assisted in evaluating interdepartmental issues, as well as the performance of the external and internal program managers, and helped determine whether it was necessary to keep the external program manager to complete the Capital Improvement Plan. |
| Results achieved | Baker Tilly presented their findings to the Reform Commission, and advised them on how best to progress with construction activities. |

Table 3.2.b: Performance example

| Portola Valley School District – Forensic Investigation of Bond Expenditures | |
|--|---|
| Our client’s need | The Governing Board of the Portola Valley School District retained Hemming Morse to Investigate the District’s concerns regarding the General Obligation Bonds issued for the Building Fund, and expenditures and evaluation of a solar construction project. |
| Hemming Morse solution | Hemming Morse’s investigation identified funds were used personally by the District’s superintendent as well as funds being used for non-qualified purposes. These non-qualified uses put the district in risk of losing their federal subsidy. |
| Results achieved | Hemming Morse presented their findings to the School Board including and provided recommendations of best practices as the district moves forward. |



Table 3.2.c: Performance example

| The Harrisburg Authority – Forensic Investigation into Debt | |
|---|---|
| Our client's need | Baker Tilly was retained by The Harrisburg Authority (the Authority) to perform a forensic investigation into the accumulation of more than \$300 million in debt and other obligations in connection with its ownership and retrofit of the Harrisburg Resource Recovery Facility (RRF), a trash to steam plant. After amassing the debt, the Authority was unable to meet the debt service through operation of the RRF, which resulted in guarantors, the City of Harrisburg, PA, and Dauphin County, as well as the bond insurer making payments on the Authority's debt. |
| Baker Tilly solution | Baker Tilly personnel performed forensic and financial analysis of tens of thousands of pages of documents to, among other things, evaluate the financial projections prepared to support the retrofit and to allegedly demonstrate that debt was self-liquidating through operational earnings; assess and present actual operating performance; investigate communications and analyses surrounding subsequent bond issues and the payment of related guarantee fees; and analyze the amounts paid to various professionals involved in the financing of the RRF. |
| Results achieved | Baker Tilly's findings and conclusions were set forth in a report that was made public by the Authority in January 2012. Additionally, our report has been provided to various committees in the Pennsylvania House and Senate, as well as the Act 47 Receiver appointed by Governor Corbett after the City attempted to file for bankruptcy. |

3.3 Forensic Data Recovery

It is our understanding that the Board is not aware of any attempts to destroy information, but desires a firm that has expertise in the event it was needed, most likely in Phase II. To meet the Board's need, we have included Frank Risler on our team. Frank is a retained consultant at Baker Tilly and is available for any of the Board's specialized computer forensic needs. His expertise in law enforcement and digital forensics is unmatched. His resume is enclosed in **Section 1.3**, and outlines his experience serving as the Assistant Deputy Inspector General for the New York Department of Taxation and Finance, where he managed the Department's computer crime and investigation laboratory. This laboratory provides computer forensic and other technical support in criminal investigations for a variety of federal and state agencies.

3.4 Forensic Accounting of Public Construction Projects

BTHM has been delivering construction audit, compliance monitoring, and consulting services for more than a decade. Our clients include public entities including school districts, colleges and universities, Fortune 1000 corporations, energy companies, public-private partnerships, health care networks, and private owners to name a few.

We have deep specialization in working with both small and high profile, complex projects. **Tables 3.4.a – 3.4.b** on the next page contain examples of this experience.

Additional public construction projects attributable to BTHM include the following:

- > Transbay Terminal
- > City of Redding
- > City and County of San Francisco
- > Sierra Blanca (New Mexico)
- > St. Louis Metro Link
- > Miller Park (Milwaukee)
- > Rochester School District



Table 3.4.a: Performance example

| Rochester Joint Schools Construction Board – MWBE, SBE, and DBE Integrity Monitoring | |
|--|--|
| Our client's need | A large municipality enacted a school modernization program, where some of the schools in the district would be renovated and new schools would be constructed. As part of funding requirements, the municipality had to adhere to certain MWBE, DBE, and small business entity (SBE) minimum requirements (diversity plan) when awarding contracts and with the prime contractor's hiring of employees. |
| Baker Tilly solution | Baker Tilly was engaged to examine and monitor the implementation of the diversity plan. To accomplish our objectives, Baker Tilly incorporated digital systems, analytical procedures, and controls and processes designed to ensure that compliance to the diversity goals are adhered to by the contractors who have been, or are in the process of being, awarded contracts. |
| Results achieved | The engagement is currently on going. Baker Tilly consistently reviews documents, conducts outreach programs with prime contractors and subcontractors, and continues to ensure compliance with the diversity plan. |

Table 3.4.b: Performance example

| University Regents Contractor Dispute– Forensic Accounting of Public Construction Project | |
|---|---|
| Our client's need | The University of California Regents required assistance defending multiple construction claims made against the University related to the building of a new hospital. |
| Hemming Morse solution | Hemming Morse assisted counsel for the Regents of the University of California in defending claims for additional compensation by the general contractors and five of its major subcontractors, as well as in presenting affirmative claims related to the California False Claims Act. The disputes arose from design changes made during construction of a new hospital tower at U.C. Davis Medical Center. |
| Results achieved | Hemming Morse assisted counsel through schedules, reports and presentation. The claim was settled at mediation prior to trial. |

3.4.1 Knowledge of Industry Benchmarking

By virtue of our involvement in investigative accounting and dispute matters, our team is familiar with industry metrics, best practices and benchmarking, which may be useful in the course of the Clay Investigation. For example, the work we performed on behalf of the Philadelphia School District School Reform Commission (**performance example 3.2.a**) involved conducting an evaluation of the performance of the program manager overseeing the capital improvement program. We provided recommendations for improvement, based upon our expertise in public sector construction projects, including recommendations that addressed:

- > Project management
- > Bid and award processes
- > Contracting options
- > Bonding requirements
- > Change order processes
- > Reporting requirements

3.5 Investigations of Whistleblower Complaints

BTHM has executed a number of investigations resulting from whistleblower complaints. **Tables 3.5.a – 3.5.d** represent examples of this experience. We have also helped clients to set up and monitor fraud hotlines and whistleblower protections.



Table 3.5.a: Performance example

| Financial Institution – Whistleblower Alleges Theft | |
|--|--|
| Our client's need | A whistleblower working at a regional financial institution approached human resources and internal audit, asserting that various improprieties existed within the institution, including alleged misstatements in the institution's borrowings from the Federal Home Loan Bank and the US Treasury, identity theft related to client accounts, and misstatements related to the investments held by the bank. |
| Baker Tilly solution | Working on behalf of a special committee of the Board of Directors we: <ul style="list-style-type: none"> > Conducted an extensive interview of the whistleblower, as well as interviews of other bank personnel > Performed detailed analyses of the bank's borrowings and related reporting > Performed analyses of customer account activity, including analyses surrounding account set-up, any potential linkage between account mailing addresses and the mailing addresses of institution employees, and analyses of unusual or suspicious activity > Traced and agreed investment holdings to publicly available securities data |
| Results achieved | Baker Tilly concluded that the allegations put forth by the whistleblower were unfounded. |

Table 3.5.b: Performance example

| County Government – Whistleblower Claims | |
|---|---|
| Our client's need | A county in Texas retained Baker Tilly as part of a whistleblower investigation of the county's Chief Investment Officer ("CIO"). |
| Baker Tilly solution | Baker Tilly analyzed transactions in a \$25 billion fixed income portfolio. In performing our analyses, we compared certain financial transactions to historical market transactions and were able to determine if the trades were favorable or unfavorable. Our analyses revealed that the CIO used his relationships with select broker/dealers to provide them with a benefit, to the detriment of the county. |
| Results achieved | Baker Tilly prepared a report of findings and developed recommendations for the county to consider with respect to improving its investment activities, investment policy, internal audit coverage/scope, books and records and internal control. The report prepared by Baker Tilly's was used by the county district attorney in a related investigation. |

Table 3.5.c: Performance example

| Valley Care Health Systems – Whistleblower | |
|---|---|
| Our client's need | The Board of Directors was informed by the company's CFO of improper use of company funds by the CEO for personal use. The Board and the Company's Counsel hired Hemming Morse to investigate the allegations. |
| Hemming Morse solution | Hemming Morse performed an in-depth investigation of all allegations made. Hemming Morse identified the CEO was using the company's AMEX credit card to charge personal expenses and using intimidation tactics to ensure the card was paid in a timely manner with company funds. The investigation uncovered that the CEO was essentially taking an interest free loan to pay for personal expenses and the funds for reimbursement to the company were from the company. In addition, the CEO was not properly recording vacation time on the company books in order to get vacation hours "cashed out." The vacation hours cashed out resulted in gross payments to the CEO totaling approximately \$715,000. |
| Results achieved | Hemming Morse prepared a report of findings for counsel to assist in legal actions against the CEO. |



Table 3.5.d: Performance example

| California Electric Substation – Whistleblower Fraud and Internal Control Assessment | |
|--|---|
| Our client's need | A large holding company was advised by the assistant controller of one of their subsidiary companies of improper accounting and actions by the former controller. Hemming Morse was retained to perform an investigation of the allegations as well as assess the current internal control environment of the company. |
| Hemming Morse solution | Hemming Morse's investigation occurred in two phases: the first focused on the assistant controller's allegations and the second assessed the current internal controls of the various areas of high risk. Hemming Morse interviewed key staff, performed analytical and transactional testing, and reviewed key documents, including e-mails. These procedures identified several questionable transactions as well as internal control weaknesses that the company needed to address. |
| Results achieved | Hemming Morse prepared two reports to present to the parent company, which included documentation of our findings pursuant to the allegations, and recommendations to improve the company's internal control environment. |

3.6 Additional Experience

The best way to manage a fraud investigation is to prevent it in the first place, so we experience helping organizations to develop and implement fraud prevention programs to mitigate the risks, costs, and effects of fraud, abuse, and corruption. **Table 3.6.a** outlines an example of this experience. In addition, as outlined in **Section 3.4.1**, we often help clients strengthen internal controls. **Table 3.6.b** shows an example of this experience. **Table 3.6.c** and **3.6.d** show examples of Hemming Morse's additional experience.

Table 3.6.a: Performance example

| California Based Higher Education Institute - Fraud Risk Assessment | |
|---|---|
| Our client's need | After discovering unauthorized checks for large amounts, Baker Tilly was retained by a California-based not-for-profit higher education institute to assess the financial systems and controls at their headquarters. |
| Baker Tilly solution | Baker Tilly analyzed the various systems of the not-for-profit to gain an understanding of the systems used to report to the corporate oversight function, with an emphasis on approvals. Our analysis included a site visit, walk-through of various accounting systems such as procurement and accounts payable, and selecting and reviewing documentation for specific transactions on a test basis. |
| Results achieved | Baker Tilly prepared a report of findings and developed recommendations for the not-for-profit's audit committee to consider with respect to improving their financial accounting systems and controls. |

Table 3.6.b: Performance example

| New Jersey Township – Analysis of Fraud, Waste, and Abuse | |
|---|--|
| Our client's need | A township in New Jersey had concerns over fraud, waste, and abuse over a five-year period. The township engaged our team to analyze and investigate several areas and functions within the township. |
| Baker Tilly solution | Through our forensic analysis and testing procedures, Baker Tilly identified several cash skimming schemes, corruption, and collusion within the licenses and inspection, construction, and recreation departments. We also identified several controls within the police department's overtime approval process that were not operating effectively, putting the township at risk of theft of overtime. |
| Results achieved | Baker Tilly presented our findings to the mayor and provided recommendations for strengthening internal controls. The mayor has expanded the scope, engaged our team for further investigative work, and is looking into using our findings and analysis for purposes of insurance recovery and possible prosecution. |

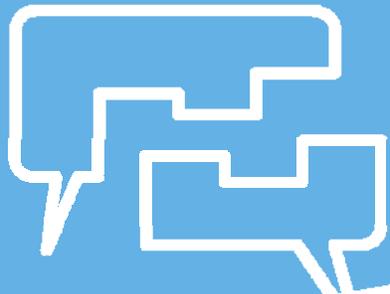


Table 3.6.c: Performance example

| Park District – Construction Delays | |
|--|---|
| Our client's need | The construction agency (district) required assistance in resolving construction delay claims related to a baseball stadium project and resulting in substantial settlement for the district. |
| Hemming Morse solution | Hemming Morse assisted counsel for Southeast Wisconsin Professional Baseball Park District, the agency responsible for the construction of the Miller Park baseball stadium. Our team developed and presented claims against Mitsubishi Heavy Industries of America relating to delays and disruptions experienced during the construction of Miller Park, including a serious industrial accident. |
| Results achieved | The parties agreed to an out-of-court settlement with the district receiving a substantial amount. |

Table 3.6.d: Performance example

| San Francisco Bay Area County Department – Fraud Investigation | |
|---|--|
| Our client's need | The department head of a County Department suspected an employee of the unit of misappropriating funds and manipulating financial books and records. |
| Hemming Morse solution | Hemming Morse conducted an extensive investigation into the allegations and assessed the internal control environment. Through interviews, transactional testing and internal control reviews, we determined the employee may have misappropriated hundreds of thousands of dollars. |
| Results achieved | Hemming Morse prepared a report detailing our findings regarding the allegations and provided recommendations to improve the control environment. This investigation is ongoing. |



4. References

Tables 4.a – 4.c represent professional references for organizations for which BTHM has completed similar work for in recent years.

Table 4.a: Reference information

| Klehr Harrison Harvey Branzburg LLP | | | |
|-------------------------------------|---|--------------|---------|
| Name | Doug F. Schleicher | Title | Partner |
| Address | 1835 Market Street Suite 1400, Philadelphia, PA 10103 | | |
| Phone | 215 569 2795 | | |
| Relationship | Client Referral | | |

Table 4.b: Reference information

| Greenan, Peffer, Sallander & Lally, LLP | | | |
|---|--|--------------|------------|
| Name 1 | John P. Makin Esq. | Title | Partner |
| Address | 6111 Bollinger Canyon Road, Suite 500, San Ramon, CA, 94586-5285 | | |
| Phone | 925 866 1000 | | |
| Name 2 | Kevin D. Lally | Title | Of Counsel |
| Address | 6111 Bollinger Canyon Road, Suite 500, San Ramon, CA, 94586-5285 | | |
| Phone | 925 866 1000 | | |
| Relationship | Client Referral | | |

Table 4.c: Reference information

| Portola Valley School District | | | |
|--------------------------------|----------------------|--------------|-----------------------|
| Name | Claire Cunningham | Title | Deputy County Counsel |
| Address | San Mateo County, CA | | |
| Phone | 650 363 4795 | | |
| Relationship | Client Referral | | |

5. Proposed Time Commitment and Cost

BTHM anticipates billing for this engagement on a time plus expense basis. **Table 5** below shows our proposed hourly billing rates. Note that BTHM team will treat this engagement as performed out of San Mateo, and, as such, will not bill travel expense for personnel to travel from the East Coast.

Table 5: Billing rates

| Level | Hourly Rates |
|---------|---------------|
| Partner | \$400 – \$550 |
| Manager | \$255 – \$345 |
| Staff | \$125 – \$200 |

Based upon the approach and methodology discussed in **Section 2** of this proposal and our understanding of the issues, we project that the time necessary to perform the Phase I fraud risk assessment will be **460 hours**. At this level of effort our Phase 1 fees, exclusive of expenses, will be **\$125,000**.