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MEMORANDUM

TO: Liz Block, Chair
Clay Investigation Subcommittee

From: James K. Kawahara, Special Legal Counsel

Date: August 1, 2016

Subject: Process for Finalizing and Publishing Report of the Clay
Investigation Subcommittee

For the purpose of planning how the Subcommittee may complete its report to the Board, I have prepared the following timeline with proposed deadlines and tasks to be completed. In addition, Vicenti, Lloyd and Stutzman LLP (VLS) prepared an overall outline of the forensic accounting report, so the Subcommittee can appreciate the type of information that will be presented.

As a reminder, VLS was retained to conduct a phase 2 forensic accounting of the risk areas identified in the phase 1 risk assessment. There were sixteen areas where VLS was asked to test accounting controls (i.e. "TC"s), and eleven forensic investigation items (i.e. "FI"s).

In addition to retaining VLS to conduct the forensic audit, the Subcommittee was tasked by the Board with the assignment of "assisting the special counsel and audit firm in combining the findings from the forensic audit with a report of legal findings to the Board of Education." [Motion - Board Meeting. F.1, July 21, 2015.] Part of our discussion today will be used to decide the best approach for the Subcommittee to carry out this duty to the Board.

Proposed Timeline

Time frame	Task
July 14 to August 1	Draft recommendations to address findings from "Testing of Controls" ("TCs") have been prepared by VLS and sent to Kawahara Law and District staff for comment per standard operating procedures for this type of audit.
August 12 to August 15	Draft recommendations to address findings from the "Forensic Investigation" ("FIs") to be prepared by VLS and sent to Kawahara Law and District staff for comment per standard operating procedures for this type of investigation.
August 17	VLS to present remaining sections of draft report to Kawahara Law (see report outline).
August 17 to August 30	VLS and Kawahara Law to revise draft report and to address District staff comments; prepare "final draft" VLS forensic accounting report.
August 31	Draft VLS forensic accounting report is presented to Kawahara Law and Clay Investigation Subcommittee.
August 31	Kawahara Law presents legal findings and draft recommendations based on VLS forensic accounting report to the Clay Investigation Subcommittee.
August 31 – September 7	[possible] Additional District staff comments provided to VLS and Kawahara Law on any outstanding draft recommendations from the FIs.
September TBD	Clay Investigation Subcommittee meets to discuss draft VLS forensic accounting report and Kawahara Law legal findings and draft recommendations [likely closed session items] .
September TBD – September 14	VLS and Kawahara Law to finalize report to incorporate outstanding District staff comments (for FIs only) and feedback from Clay Investigation Subcommittee
September 21	Clay Investigation Subcommittee Report (including Final VLS Report and Final Kawahara Law Findings and Recommendations) Presented to Board [likely closed session items] .

Outline of VLS Forensic Accounting Report

This outline represents the sections that will be included in the VLS report. This outline is subject to change as progress is made in writing the report.

- Section I: Executive Summary
- Introduction and background on scope, objective, Phase I, etc.
 - Highlights of Work Performed by VLS for Phase II
 - Highlights of any limitations of work VLS was unable to perform, including vendors that did not respond or delayed their responses and impact this had on our work
 - Highlights of the final Risk Assessment Matrix
 - High level summary of our findings and recommendations for TC's and FI's
 - Closing statement
- Section II: Final Updated Risk Assessment Matrix
- Section III: Test of Controls (TC) Results of Testing and Recommendations
- Section IV: Forensic Investigation (FI) Results of Investigation and Recommendations
- Section V: Work Performed by VLS
- Section VI: Scope Limitations & Impact on Work Performed
- Section VII: Closing Paragraph
- Exhibits: List of Exhibit Documents (which will be attached to report)