



**Clay Investigation Subcommittee
West Contra Costa Unified School District
Status Report
November 30, 2015**

**I. Status Report on Phase One forensic accounting risk assessment process
(VLS/Kawahara Law)**

A. Work Performed by VLS

1. Field work by VLS began on 10/13/2015

2. Interviews Conducted

- Interviews of current District employees: 6
- Interviews of former District employees: 3
- Interviews of current SGI – Consultants staff: 3
- Interviews of former SGI – Consultants staff: 1
- Interviews of other individuals: 4

3. Documents and records received

- From District
 - General District documents
 - Written policies and procedures related to:
 - Bond program procurement/purchasing
 - Vendor contract approval, administration and billing
 - Vendor disbursements
 - Change orders
 - Budgeting
 - CBOC
 - Bond program project documents
 - External audit documents
 - Select job descriptions
 - Documents related to RFP process for current SGI contract
- From individuals
 - Documents related to District employee complaint
 - Public records request documents District provided to individuals

- Supporting documents related to certain allegations
- Documents related to Civil Grand Jury
- Grand Jury Report No. 1514

The records request list to the District was continually updated between VLS and the District. All records requested from the District were provided in a timely manner and currently all records requested from the District have been provided, if available.

B. Bond Program Anonymous Hotline

1. Date initiated: 11/2/2015
2. Where advertised: District website – Subcommittee on Clay Investigation webpage
3. Purpose and protocol of Hotline
4. Results

C. Meetings and Briefings with legal counsel, subcommittee chair on Clay Investigation and District staff

1. Weekly status reports provided by VLS to legal counsel
2. Legal counsel then reported to subcommittee on Clay Investigation

D. Work Limitations

1. Persons willing to be interviewed under certain conditions only, therefore not interviewed

II. **Presentation of DRAFT of the Phase One Risk Score (VLS/Kawahara Law)**

A. Methodology

- Risk Area
 - Ten Major Categories
 - 67 Sub Categories
 - 138 Concerns

- Risk Score – a risk score was assigned for each risk area subcategory based on whether adequate controls were in place to minimize risk as follows:
 - **Likelihood:** Under the historical controls and environment in place, what was the likelihood that the risk subcategory (allegation) or risk to the District occurred? The likelihood that the District may be or have been at risk for waste, improper expenditure or fraud (financial irregularity) related to the Bond Program expenditures.
 - **Low** – low likelihood of occurrence
 - **Medium** – medium likelihood of occurrence
 - **High** – high likelihood of occurrence
 - **Significance (Dollar Amount):** Monetary significance to the District from assessed risk for waste, improper expenditure, abuse or fraud (financial irregularity). This is the potential dollar impact.
 - **Low** – low dollar value
 - **Medium** – medium dollar value
 - **High** – high dollar value (potentially material)
 - **Significance (Other Factors):** The significance of other factors to the District, such as public perception and trust.
 - **Low** – the allegation/risk would have a low impact on other factors (low level of impact public perception or trust)
 - **Medium** – the allegation/risk would have a medium level impact other factors (may impact public perception or trust)
 - **High** – the allegation/risk would have significantly impact other factors (a significant impact on public perception or trust)
 - **Risk to District (Based on Historical Controls):** This is the overall risk to the District based on the three previous factors. We assigned the risk level based on the level assigned to the majority of the three areas previously discussed. For example, if an area was assigned two lows and one medium, we assigned it an overall score of low.
 - **Low** – There is a low likelihood that the District may be at risk for waste, improper expenditure or fraud (financial irregularity) related to the Bond

Program expenditures, the dollar impact would be low, and the impact on public perception/trust would be low.

- **Medium** – It is possible that the District may be at risk for waste, improper expenditure or fraud (financial irregularity) related to the Bond Program expenditures, the dollar impact may be large, and there may be an impact on public perception/trust.
- **High** - There is a high likelihood that the District may be at risk for waste, improper expenditure or fraud (financial irregularity) related to the Bond Program expenditures, the dollar impact would be significant, and the impact on public perception/trust would be significant.

B. Overview of Risk Score – See attached document “Bond Program – Risk Score”

III. **Presentation of draft scope of the Phase Two Forensic Accounting (VLS/Kawahara Law)**

A. Methodology

B. Overview of proposed Phase Two steps

1. Forensic accounting investigation of high and medium priority items which will include:
 - a. Areas for detailed testing of records, interviews and investigation of selected historical transactions
 - b. Testing of internal controls which have already been implemented
 - c. Testing of internal controls which are in process
 - d. Implementation and follow-up testing of internal controls which are lacking

IV. **Next steps – Discussion**