

WCCUSD Subcommittee on Clay Investigation
Alvarado Adult Education Campus

January 7, 2016
Minutes (Amended January 11, 2016)

A. OPENING PROCEDURES

A.1 Call to Order

The meeting was called to order at 6:34 PM by Chairperson Liz Block.

A.2 Roll Call

Committee Members Present: Liz Block, Ivette Ricco, Valerie Cuevas (arrived 7:20 PM)

Staff Attendees: Lisa LeBlanc, Associate Superintendent for Operations; James K. Kawahara, Special Counsel; Phyllis Rosen, Clerical Staff.

A.3 Approval of Agenda

MOTION: Ms. Ricco moved to approve the Agenda. Ms. Block seconded. Ms. Block and Ms. Ricco voted yes, with no abstentions and Ms. Cuevas absent. Motion carried 2-0-0-1.

A.4 Approval of Minutes: November 30, 2015

Public Comment:

Anton Jungherr corrected the November 30, 2015 minutes stating that he did support having an anonymous hotline on the district webpage.
Linda Lozito corrected the spelling of Fatima Alleyne.

Board Comment:

Ms. Block asked Mr. Cooper to clarify whether or not the results were "findings." Mr. Cooper said they were not the final findings and that items rated on the risk assessment areas identified the risk score. He said that Section B.2 of the minutes clarified that well.

MOTION: Ms. Block moved to approve the minutes of November 30, 2015, as amended. Ms. Ricco seconded. Ms. Block and Ms. Ricco voted yes, with no abstentions and Ms. Cuevas absent. Motion carried 2-0-0-1.

Approval of Minutes: December 8, 2015

MOTION: Ms. Ricco moved to approve the minutes of December 8, 2015. Ms. Block seconded. Ms. Block and Ms. Ricco voted yes, with no abstentions and Ms. Cuevas absent. Motion carried 2-0-0-1.

B. DISCUSSION / APPROVAL ITEMS

B.1 VLS presentation of the Phase I forensic accounting risk assessment and proposed Phase II Scope of Work (including not-to-exceed contract and timeline).

Ernie Cooper and Ana Rodriguez of Vicenti Lloyd Stutzman LLP “VLS” presented Phase I of the Fraud Risk Assessment, which was comprised of a two-part deliverable: **1) Phase I Bond Program Fraud Risk Assessment** and **2) Proposed Scope of Work for Phase II**. Handouts of these two documents were provided.

Mr. Cooper said that since providing the risk score document on November 30, 2015, VLS did not receive any new work or conduct any new interviews, and that no new documents were requested.

Ms. Rodriguez provided an overview of the **Phase I Bond Program Fraud Risk Assessment**. She said that the *Controls to Minimize Risk* column was not a comprehensive list of all internal controls in place today, and that the *New Risk Score* column would be completed after testing controls.

Mr. Cooper provided an overview of the **Proposed Scope of Work for Phase II**, and explained this is divided into two sections: Test of Controls (“TC”) and Forensic Investigation (“FI”). He explained how the hours, average hourly rate, amount and estimated time was calculated.

Ms. Block inquired whether the Subcommittee could remove some of the areas. Mr. Cooper said yes and clarified that the amount projected for *Project oversight, Travel, Communications and Reporting* was not a strict calculation or percentage and if the subcommittee chose selected areas, they would need to revise the number.

A break was taken at 8:00 PM. The subcommittee reconvened at 8:06 PM.

Mr. Cooper added that the area of test of controls generally covers situations today and moving forward, whereas forensic investigation deals with historical transactions. He said that regarding Test of Controls, VLS will provide “recommendations” and for Forensic Investigation they will report “findings.”

Mr. Kawahara provided information based on hypothetical situations that could arise out of the investigation regarding the District’s right to enforce a contract for breach and considering whether to file a claim.

Ms. Ricco expressed concern regarding the eight month timeframe estimated for Phase II and said that the public was waiting for an answer.

B.2 Discussion of Phase II Scope of Work, not-to-exceed contract amount and timeline for completion of Phase II

Public Comment:

Ben Steinberg thanked VLS and said he trusted their process. He said that as a taxpayer he wanted to know if there was fraud or abuse that taxpayers have funded. He added that he would like a focus on uncovering fraud and abuse where restitution might be possible and to establish accountability if anyone is at fault.

Anton Jungherr said that the proposal should be significantly reduced. At the Subcommittee’s request, he listed those areas he thought should be excluded as TC’s 1, 2, 3, 4, 5, 9, 10, 12 and FI’s 1, 2, 4, 6, 8, 9, 10, which he estimated to be a savings of \$386,000.

Board Comment:

Ms. Cuevas asked what the percentage of cost to 1.6 billion dollars was if all items were included. Ms. Rodriguez said the number is .49%, less than 1% of the entire bond program.¹

Ms. Cuevas asked Mr. Kawahara to compile a list of priorities of high recovery impact areas for restitution as well as for referral for criminal action.

Ms. Block, Ms. Cuevas and Ms. Ricco provided initial comments on which items they thought were necessary to include and which items could be excluded. However, they said they felt rushed to make a decision as they just received the packet.

Mr. Kawahara noted that if items were taken off the table and identified as high risk, it would need to be decided how the District as a whole would address those items.

Ms. Ricco said it is important that they review the proposal carefully and take a hard look at their goals, but she did not feel that could be done tonight. Ms. Block suggested that they take time individually to review the packet and schedule a meeting to discuss what they came up with. All agreed to meet January 11, 2016 at 7:00 PM and put the item on the January 20th Board agenda.

Mr. Cooper said that he would be available by phone during the January 11th meeting and that VLS could turn around a revised document that same evening.

Mr. Kawahara said that he would put some scenarios together based on their discussion to identify areas of potential restitution or potential criminal acts and the responsibilities of the Subcommittee to that purpose.

B.3 Approve Recommendation for (a) Phase II Scope of Work, (b) not-to-exceed contract amount and (c) proposed timeline for completion of Phase II

Public Comment:

Mr. Jungherr inquired how SGI, district overtime and the architect would be billed. Ms. LeBlanc responded that SGI staff would be billed for time worked on the audit, and staff overtime would also be billed to this project. She did not know the details for the architect.

Board Comment:

Ms. Block inquired why internal controls would involve staff or SGI time. Mr. Cooper said VLS would review and analyze documents, and that could involve some follow up with individuals. He said having Ms. LeBlanc as one point of contact has been an efficient process and he expects that to continue.

C. FUTURE MEETINGS

Special Meeting on Monday, January 11, 2016 at 7:00 PM.

D. ADJOURNMENT

Chairperson Block adjourned the meeting at 9:12 PM.

¹ The number .49% was recalculated at the January 11, 2016 meeting to .05%.