

*West Contra Costa
Unified School District*

Proposal to Perform

Board of Education Forensic Accounting Investigation

September 4, 2015



Respectfully,

Michael de Castro
Managing Partner

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

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

extensive education and the experience of the "Big 4" CPA firms with the commitment and professionalism necessary to work succe

QUALIFICATIONS MATRIX

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

Firm	BCA Watson Rice	Government Financial Fi
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**Michael J. de Castro,
CGFM, CFE
Engagement Partner**

RELEVANT FORENSIC/FRAUD AUDIT EXPERIENCE:

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

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 C

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 auditnta-12(ov)-8(a6(.)-1() ((t)-1



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

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 systhat contract c

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.



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.

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 kn1()1(r)-6(es)-8(u)-12(l)3(t)- 0.182(t)-1(at

EDUCATION:

BA – Comp Sci/Telecomm,
Penn State University

United States Army
Communications and

Electronics Command at
Fort Monmouth, NJ:
x Certified System
Administrator
x Certified Network
Security Manager

Stanford University:
Advanced Computer
Security Certificate

PROFESSIONAL AFFILIATIONS/ CERTIFICATIONS:

x Certified Information
Systems Security
Professional (CISSP)
x Certified Information
Systems Auditor (CISA)
x Certified Ethical Hacker
(CEH)
x ITIL Foundation
x Certificate of Cloud
Security Knowledge
(CCSK)
x Security+
x 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

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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

2014

BCA Watson Rice LLP (BCAWR) and its team of subcontractors has provided forensic investigation on 2015 about the operations, financial reporting and maintenance construction program. BCAWR

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:

- f* Prepare and deliver Data Call (Information Request);
- f* Plan, schedule and execute Kick-Off/Entrance Conference;
- f* Prepare detailed work plan/ engagement plan; and
- f* 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 pro.79 0 Td [(w3D(0(m)-3(e)10(nt)2(au(w3D(0(m)-Td [004 Tw 6.87 0 Td [(c)4(o)nt)2(

- f* 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 h0

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.

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:

- f Encourages two-way exchanges of information to effectively reduce resistance to the project, address a complete set of the projectance

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 verifying 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:

- f* Trace and agree conclusions and findings to work papers and supporting documentation, as applicable;
- f* Summarize findings and prepare Preliminary Fraud Risk Assessment Draft Report identifying the highest risks of waste or improper expenditures;
- f* Submit Preliminary Fraud Risk Assessment Draft Report to WCCUSD for review and management comments;
- f* Prepare Final report incorporating WCCUSD comments.; and
- f* 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.



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

BCAWR Forensic/Fraud Experience

Project	Description
	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.

Project	Description
	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

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:



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

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

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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 bitTII <</MC T2(nos)-8(-13mt)-7.9416eto ceaitosicondoiat o icundr b

process, thus allowing the developer to save time and money in c

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.



Los Angeles County Auditor

707 Wilshire Blvd. Suite 3400 Los Angeles, CA 90017	
 \$90,980	 8/24/15 – 2/23/16
Description of Project and Services Provided:	
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.	

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



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-

pricing, and improved status reporting.

 	
	
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

Los Angeles World Airports – Construction Cost Audit

[REDACTED]

Los Angeles World Airports

construction, architecture, and engineering firms.

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.





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

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