

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



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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

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

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

412 697 6404
david.duffus@bakertilly.com

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 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

415 836 4050
grishamd@hemming.com

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

WIndutry involvement, cnt



Brian P. Sanvidge, CIG, CFE

Principal

212 792 4836
brian.sanvidge@bakertilly.com

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 crim

Fausta M. Shuler, CFE

Manager, Hemming Morse

415 836 4087
shulerf@hemming.com

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

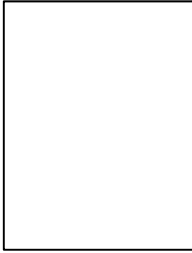
Fausta M. Shuler, page 2

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

412 697 6404
laura.lewis@bakertilly.com

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

559 440 0575

2. General Methodology and Approach

2.1 Approach

In performing our work, the BTHM team will gain a detailed understanding of the issues

- ! 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 Å 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 |

Relevant Experience

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 |

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 |

Table 3.6.c: Performance example

| Park District – Construction Delays | |
|--|--|
| Our client's need | The construction agency (district) required assistance in resolving construction |

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 Distr2 .603n- 8.9829 0 0 9 176.52 379.Dys8 | | | |
|--|--|--|--|
|--|--|--|--|

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**.