



CSIS California School Information Services

Tehama County Department of Education

Extraordinary Audit

May 1, 2018

Michael H. Fine
Chief Executive Officer





May 1, 2018

Richard DuVarney, Superintendent
Tehama County Department of Education
1135 Lincoln Street
Red Bluff, CA 96080

Dear Superintendent, DuVarney:

In September 26, 2017 and as amended on January 8, 2018 Tehama Department of Education and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to conduct an AB 139 Extraordinary Audit to determine if fraud, misappropriation of funds or other illegal fiscal activities may have occurred at the Corning Union High School District. Specifically, the agreement states that FCMAT will perform the following:

Specific audit objectives will include evaluating the establishment, implementation and effectiveness of policies, procedures and internal control activities through the review of financial transactions recorded by the district on the following:

1. Expenditure of funds for personal or other nondistrict business purposes.
2. Use of credit cards
3. Time accounting of employee leave.

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve you and extends thanks to all the staff of the Tehama County Department of Education and Corning Union High School District for their cooperation and assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

FCMAT

Michael H. Fine, Chief Executive Officer

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About FCMAT

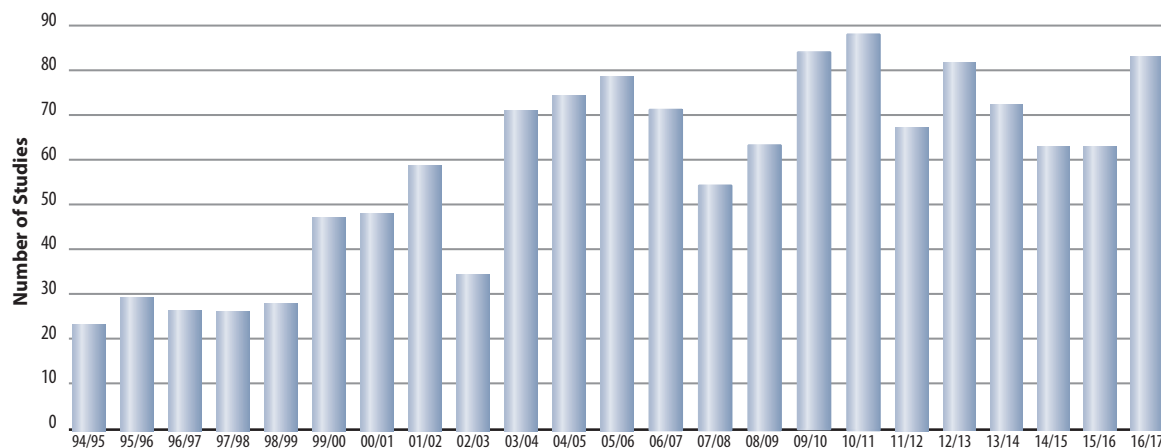
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its state-wide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

Located approximately 100 miles north of Sacramento, the Corning Union High School District serves approximately 950 students from the city of Corning and the surrounding southern Tehama County area.

Corning is an agricultural community with a population of 7,663 as of the last 2010 Census. The city has one elementary and one high school district. The former superintendent has deep roots in this small community, graduated from Corning High School, became superintendent in 2012 and resigned in September 2017.

In July 2017, the new chief business official (CBO) was concerned that the superintendent had not recorded vacation leave while attending a summer doctoral program in Oregon. The CBO sent an email to the superintendent requesting that he verify his leave, noting that his calendar indicated he was on duty during the entire month of July 2017. The CBO was also aware of cash advances for travel and meals provided to the superintendent earlier in the month related to this program.

A school district typically does not pay the costs of a doctoral program, yet the superintendent responded to the CBO by noting that Section 9 – Continuing Education of his contract allowed the following:

Superintendent shall endeavor to maintain his professional competency by all available means, including joining and participating at the Superintendent's discretion, in appropriate local, state and national education associations, and their activities, as well as workshop; visitations, meetings.

Unsatisfied with this response, the CBO provided this information to a governing board member and three district administrators. Concerned about possible irregularities with past travel expenditures, the CBO pulled all prior travel purchase orders and related support documentation for review. Her findings indicated that the district credit card was used to pay for family members travel, duplicate mileage reimbursement claims, as well as questionable attendance at some conferences and workshops.

The governing board hired a private investigator to review the CBO's findings. The investigative report, dated on September 18, 2017, was provided to the governing board, and the superintendent resigned September 30, 2017.

On September 1, 2017 during the district's private investigation, the superintendent of the Tehama County Department of Education contacted the Fiscal Crisis & Management Assistance Team (FCMAT) requesting assistance to conduct an AB 139 Extraordinary Audit to determine if fraud, misappropriation of funds or other illegal fiscal activities may have occurred.

Based on allegations of possible irregularities with the personal use of credit cards and unrecorded vacation leave, the county office requested that FCMAT provide for the assignment of professionals to study specific aspects of alleged fraud, misappropriation of funds and possible illegal fiscal activities at the district.

FCMAT visited the county office and district on November 9, 2017 and November 20-21, 2017. Interviews were conducted with the county superintendent and assistant superintendent of busi-

ness; district business office staff and administrative staff; the former superintendent and the former chief business official. Interviews were conducted to obtain information regarding business practices in general, and practices relating to district credit card use and timekeeping specifically.

During interviews and analysis of credit card transactions, FCMAT became aware of potential payroll fraud and possible misuse of the district credit card by other employees. As a result, the study agreement was amended in January 2018 expanding the scope to include payroll transactions of the former chief business official and all district credit cardholders for fiscal years 2013-14 through 2016-17.

Audit Fieldwork

Investigating allegations of fraud requires a number of steps such as conducting interviews with potential witnesses and gathering evidence from internal and external sources. FCMAT reviewed, analyzed and tested business records including credit card statements, general ledger activity, payroll records, board policy and administrative regulations, board meeting minutes, email correspondence and other internal documents secured from the district, Tehama Department of Education and independent third-party sources.

FCMAT also conducted interviews with current and former management personnel, business office and district staff members to obtain information related to general business practices and events that transpired during the current and three preceding fiscal years, including any alleged mismanagement, fraud or abuse.

Although there are many different types of fraud, occupational fraud is common when employees are in positions of trust and have access to assets. Embezzlement occurs when someone who is lawfully entrusted with property takes it for his or her personal use. Common elements in all fraud include the following:

- Misrepresentation: Intentional false and willful representation(s) of a material fact
- Reliance: An individual relied on the fraudulent information
- Concealment: Deliberate concealment of facts
- Damage: Damage: loss or injury by the deceived party

Scope and Procedures

Fraud investigations consist of gathering adequate information about specific allegations and establishing an audit plan, performing audit procedures to determine whether fraud has occurred; evaluating the associated loss; and determining who was involved and how it may have occurred.

The primary focus of this audit is to determine and report to the county office whether there are reasonable assurances based on testing performed, that the district has adequate management controls for the personal use of district credit cards, recording of employee leave time and advancement of payrolls; and whether fraud, misappropriation of funds or other illegal fiscal activities may have occurred.

Based on the specific allegations of personal use of district credit cards, recording of employee leave time and advancement of payrolls, the team reviewed four years of credit-card data representing up to 17 credit cardholders in any given year, examined payroll records for the former superintendent and former CBO and reviewed email correspondence and other information to support findings.

During interviews, FCMAT team members interviewed county and district-level management and other staff members to ask open-ended questions designed to elicit information about possible irregularities related to the scope of this audit. The team was granted full access to the district's financial records, credit card transactions directly from the financial institution, leave records, and email correspondence from the district and county office.

FCMAT obtained an independent investigative report prepared before the request was made for an AB 139 examination. While FCMAT reviewed the contents of the investigative report, the scope of the FCMAT audit did not include actual verification of conference attendance. Instead, the team reviewed multiple allegations of misappropriation of funds using district CAL-Cards, payroll irregularities and employee leave.

FCMAT's findings are the result of the above audit test procedures and in-depth analysis of credit card and payroll transactions.

During interviews, FCMAT became aware of potential fraud and/or misuse of district funds by other former and current employees, and the scope was expanded to include all district credit card transactions for the fiscal years 2014-15 through 2016-17.

Study Team

The study team was composed of the following members:

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*As a member of this study team, this consultant was not representing his respective employer but was working solely as an independent contractor for FCMAT.

Fraud, Occupational Fraud and Internal Controls

Fraud can include an array of irregularities and illegal acts characterized by intentional deception and misrepresentations of material facts. Occupational fraud and abuse is defined as “the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.” (Wells, Corporate Fraud Handbook, Preventing and Detection, 2nd Ed., 2007.)

Occupational fraud includes asset misappropriation, corruption, and fraudulent financial statements. Asset misappropriation is the largest group of occupational schemes that include twenty-one separate fraudulent disbursements schemes.

Although all employees have some degree of responsibility for internal controls, the governing board, superintendent and senior management are ultimately responsible.

Occupational Fraud

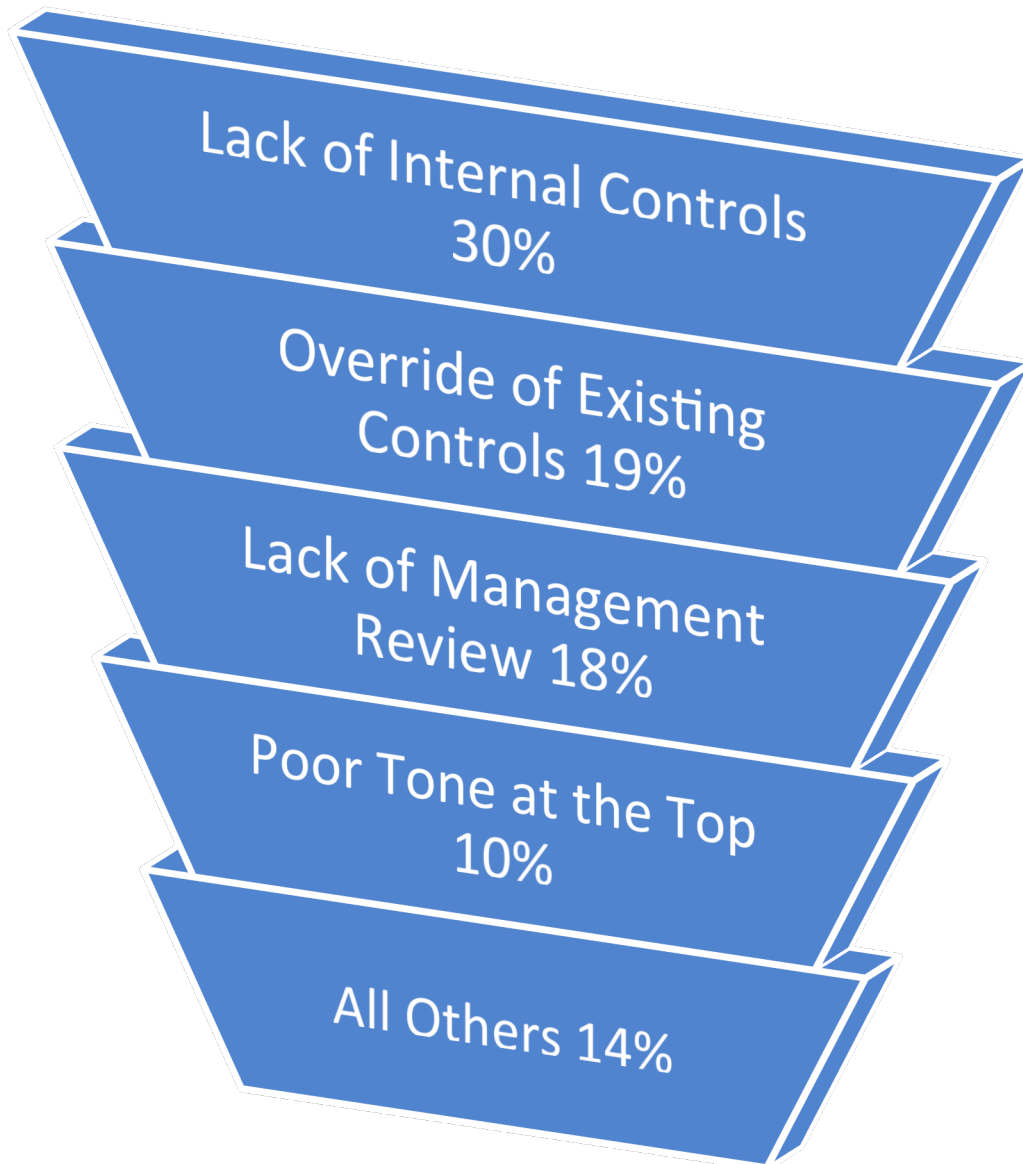
An organization’s owners, executives, managers or employees may commit occupational fraud using various schemes. Occupational fraud occurs when an organization’s owners, executives, managers or employees use their position within the organization to deliberately misuse or misapply the employer’s resources or assets for personal benefit. The three main types of occupational fraud are asset misappropriation, corruption, and financial statement fraud.

Asset misappropriation fraud includes cash skimming, falsifying expense reports, payroll, accounts payable, inventory and/or forging company checks. Corruption schemes involve an employee(s) using his or her influence in business transactions to obtain a personal benefit that violates that employee’s duty to the employer or the organization; conflicts of interest fall into this category. Financial statement fraud includes the intentional misstatement or omission of material information in the financial reports.

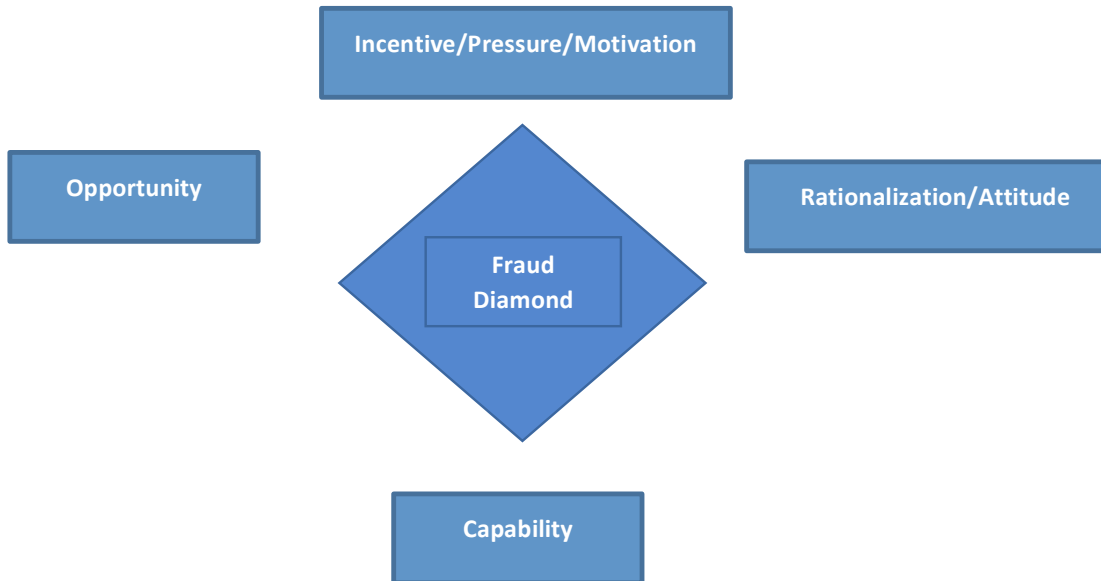
Occupational fraud is one of the most difficult types of fraud and abuse to detect. However, the most common method of detection is receiving tips from employees, customers and anonymously, accounting for 40% of detection methods overall. According to the 2018 Report to the Nations on Occupational Fraud and Abuse prepared by the Association of Certified Fraud Examiners, Inc. (ACFE), corruption schemes for governmental entities accounted for 38% of occupational fraud cases reported, with a median loss of \$125,000.

Based on survey to respondents in the ACFE 2018 report, 30% of all cases cite that “a simple lack of controls was the main factor that enabled the fraud to occur, while another 19% of cases occurred because the perpetrator was able to override the controls that had been put in place.” The following table shows the primary internal control weaknesses that contribute to occupational fraud according to the ACFE report:

Based on this report, the perpetrator's position and authority in the organization have a direct correlation with the losses incurred. ACFE reports that 44% of fraudsters were employees, 34% were managers, 19% were owner/executives, and 3% other categories. Although the second-lowest percentage is from owner/executives, this group generated the largest median loss of \$850,000 in the 2,690 cases reported worldwide between January 2016 and October 2017.



Essential elements of fraud must be present for a perpetrator's unethical behavior to occur. The fraud triangle (Cressey, 1953) includes three factors: incentive/pressure/motivation, opportunity, and rationalization/attitude. An extension of the fraud triangle is the fraud diamond, which adds capability to the mix (Wolfe and Hermanson, 2004).



To commit fraud, the perpetrator usually has the following characteristics:

- Incentive/Pressure/Motivation:
 - Needs to get something accomplished, self-promoting, has financial pressures or personal reputation to protect.
- Opportunity:
 - In a position of authority or provides an essential function in the organization.
- Rationalization/Attitude:
 - Confident that fraudulent behavior will go undetected.
- Capability:
 - Able to understand the systems (financial/accounting) and can override internal controls.

This report will focus on whether the former superintendent, former chief business official (CBO) and others misappropriated funds through the use of CAL-Cards; were negligent in reporting leave time and/or used their position to gain access to the accounting system for advanced payrolls and vacation payouts on demand that was not repaid in at least one case.

Internal Controls

Internal controls are the principal mechanism for preventing and/or deterring fraud or illegal acts and protect the district from fraud or misappropriation of funds. Illegal acts, misappropriation of assets or other fraudulent activities can include an assortment of irregularities characterized by intentional deception and misrepresentation of material facts.

An effective system of internal control provides a foundation for sound financial management and provides reasonable assurance that a district's operations are effective and efficient, the financial information produced is reliable, and the district operates in compliance with all applicable laws and regulations. Board policies, procedures, checks and balances are specific internal control

elements intended to ensure that financial information provided to senior management and the governing board for decision-making is reliable and complies with laws and regulations.

Management and employees with administrative responsibility have a fiduciary duty and a higher standard of conduct to the district in the course of their employment and are entrusted to safeguard assets and ensure that internal controls function as intended.

Internal control elements provide the framework for an effective fraud prevention program. An effective internal control structure includes the policies and procedures used by staff, adequate accounting and information systems, the work environment, and the professionalism of employees. The five interrelated elements of an effective internal control structure and their definitions are included in the table below.

Internal Control Element	Definition
Control Environment	Commonly referred to as the moral tone of the organization, the control environment includes a code of ethical conduct; policies for ethics, hiring and promotion guidelines; proper assignment of authority and responsibility; oversight by management, the board or an audit committee; investigation of reported concerns; and effective disciplinary action for violations.
Fraud Risk Assessment	Identification and assessment of the organization's objectives to develop a strategy to react in a timely manner.
Control Activities	The development of policies and procedures to enforce the governing board's directives. These include actions by management to prevent and identify misuse of the district's assets, including preventing employees from overriding controls in the system.
Information and Communication	Establish effective fraud communication. Ensure that employees receive information regarding policies and opportunities to discuss ethical dilemmas. Establish clear means of communication within an organization to report suspected violations.
Monitoring	Conduct ongoing monitoring that includes periodic performance assessments to help deter fraud by managers and employees.

The following is a partial list of deficiencies and omissions that can cause internal control failures:

- Failure to adequately enforce and/or segregate duties and responsibilities related to authorization.
- Failure to limit access to assets or sensitive data (e.g. cash, fixed assets, payroll and personnel records).
- Failure to record transactions, resulting in lack of accountability and the possibility of theft.
- Failure to reconcile assets with the correct records.

- Unauthorized transactions, resulting in skimming, embezzlement or larceny.
- Lack of monitoring or implementation of internal controls by the governing board and management, or because personnel are not qualified.
- Collusion among employees where little or no supervision exists.

A system of internal controls consists of policies and procedures designed to provide the governing board and management with reasonable assurance that the organization is achieving its objectives and goals. Traditionally referred to as hard controls, these include segregation of duties; limiting access to cash; management review and approval; and reconciliations. Other types of internal controls, typically referred to as soft controls, include management tone, performance evaluations, training programs, and maintaining established policies, procedures and standards of conduct.

A strong system of internal controls that includes all five elements above is necessary to provide reasonable but not absolute assurance that the organization will achieve its goals and objectives. Based on the scope of this audit, the control environment and control activities relate directly to the breakdown of internal controls that include many of the deficiencies listed above that will be fully described throughout this report.

Control Environment

The internal control environment is critical because it establishes the district's moral tone.

Though intangible, it begins with the leadership and consists of employees' perception of the ethical conduct displayed by the governing board and executive management.

The control environment is a prerequisite that enables other components of internal control to be effective in achieving the goals and objectives to prevent and/or deter fraud or illegal acts. It sets the tone for the district, provides discipline and control, and includes factors such as integrity, ethical values and competence of employees.

The control environment is weakened significantly by a lack of experience in financial management and the absence of an effective internal control structure.

Control Activities

Control activities are a fundamental element of internal controls and are a direct result of policies and procedures designed to prevent and identify misuse of a district's assets, including preventing any employee from overriding controls in the system. Control activities include the following:

1. Performance reviews, which compare actual data with expectations. In accounting and business offices, this most often occurs when budgeted amounts are compared with actual expenditures to identify variances.
2. Information processing, which includes the approvals, authorizations, verifications and reconciliations necessary to ensure that transactions are valid, complete and accurate.
3. Physical controls, which are the processes and procedures designed to safeguard and secure assets and records.
4. Segregation of duties, which consists of processes and procedures that ensure that no employee or group is placed in a position to be able to commit and

conceal errors or fraud in the normal course of duties. In general, segregation of duties includes separating the custody of assets, the authorization or approval of transactions affecting those assets, the recording or reporting of related transactions, and the execution of the transactions. Adequate segregation of duties reduces the likelihood that errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction, and for independent review of the work.

Gift of Public Funds

Gifts of public funds are governed under Article 16, Section 6 of the California Constitution, which specifies that the state Legislature cannot authorize any county, city, or other political subdivision to make any gift of public funds to an individual or corporation. This constitutional provision prohibits making any gift of public money, including items of value, to any individual including public employees, corporation, or other government agency. The constitutional prohibition of gifts of public funds is designed to obstruct the misuse of public money.

The primary determining factor is to evaluate if the funds expended have a direct and substantial public purpose in providing an incidental benefit to the individual. To justify the expenditure of public funds, the governing board must determine that the expenditure will benefit the education of district students. Expenditures that most directly and tangibly benefit students' education are more likely justified, but expenditures driven by personal motives are not even if they have been a longstanding local custom or are based on benevolent intentions. If the LEA's governing board has determined that a particular type of expenditure serves a public purpose, courts will almost always defer to that finding. Therefore, if the district has a board policy stating that specific items are allowable, such as scholarships and awards, the expenditure will likely be considered allowable.

Gifts and awards to staff and/or students may be considered a gift of public funds unless the board has an established policy defining the parameters of allowable gifts and awards. A review of the district's board policies indicates that there is no such policy. Expenditures for flowers, staff appreciation meals, monthly birthday cakes, and gift cards constitute a gift of public funds without a district policy that the governing board adopted specifically approving the expenditure of district funds for noble, virtuous, or moral considerations. Specific findings described later in this report will fully describe questionable expenditures that may be considered a gift of public funds.

Findings

Credit Card Transactions

FCMAT examined transactions including receipts for meals, conferences, supplies, gifts, merchandise and other expenditures. Several transactions sampled had little or no support documentation including receipts and statements of business purpose for those in attendance. Proper documentation is needed to support receipts and justify that these are legitimate expenditures. Many meal receipts included multiple meals with unknown individuals, indicating a personal benefit rather than a legitimate school expenditure.

Because the original scope of work focused on allegations that the former superintendent misused the district's credit card for personal reasons, the team examined and analyzed all credit card transactions and backup documentation for the former superintendent for the fiscal years December 2012 through June 2017, with the exception of February 2014 and December 2014, which the district could not locate. In addition, all travel documentation for the former superintendent and expense reimbursements were reviewed.

During the review of records, FCMAT learned that several administrators had district credit cards and discovered potential misuse by others, resulting in an expansion of FCMAT's scope of work and a test of transactions for all cardholders for the fiscal years July 2013 through July 2017 except for February 2014 and November 2015 which the district could not locate.

The test sample does not include all transactions for the selected period. Instead, sample testing is intended to provide reasonable but not absolute assurance as to the accuracy of district cardholder activity. FCMAT randomly selected months of credit card transaction data for each fiscal year for all cardholders. The months selected were as follows:

Fiscal Year	Month 1	Month 2	Month 3
2013-14	February, 2014	April, 2014	June, 2014
2014-15	August, 2014	October, 2014	June, 2015
2015-16	November, 2015	March, 2016	June, 2016
2016-17	August, 2016	April, 2017	
2016-17	July, 2017		

Note: The district did not provide backup documentation for February 2014 and November 2015.

FCMAT selected and reviewed supporting documentation for 1,579 of 4,076 credit card transactions charged to district credit cards between December 2012 and July 2017. The total value of transactions during these time periods is \$646,554, and the total amount of items tested and reviewed is \$218,662.

Sample Criteria and Date Range

The district provided scanned credit card statements and supporting documentation for the transactions tested. Support documentation consisted of credit card authorization requisitions, receipts and correspondence.

FCMAT reviewed and analyzed individual monthly statements and associated documentation based on several criteria, including authorization and requisition usage, receipt documentation, and notes and other documentation.

Authorization: Authorization is a key element of proper internal controls in purchasing, which includes credit cards. Proper authorization and subsequent review are essential to ensure that the purchase complies with the law and local board policy.

Transactions tested by FCMAT focused on authorization signatures to determine if a board-designated official other than the credit cardholder authorized and approved the transaction. The team found that the district uses the following two internal forms for credit card documentation and authorization:

- Requisition Form (requisition): Used for the purchase of goods and supplies, and
- Travel Purchase Order: Used for conference and travel expenses.

The team reviewed both types of forms for authorization signature(s), itemized descriptions; and dollar amounts.

Item descriptions and dollar amount on both forms were evaluated to ensure that the activity described was consistent with the receipt documentation provided. Since the exact cost of some of the items purchased including taxes and shipping are not known prior to final receipt, minor variances are considered normal between requisition estimates and final cost.

Receipt Documentation: Support documentation provides evidence for the receipt of goods and/or services rendered and is another important component of internal controls. FCMAT reviewed receipt documentation that accompanied the authorizations to purchase. While an order confirmation for goods and/or services shows items requisitioned, the confirmation itself does not validate the receipt of those goods or services. Instead, the printed receipt or packing slip is evidence that demonstrates that goods and/or services were received.

Notes and Other Documentation: Additional support documentation can include notes or other documents. These include emails, notations and other written documentation written on requisitions, order confirmations, and receipts. These notes can further clarify the nature or purpose of the purchase.

The table below summarizes the number of district credit card transactions and activity from December 2012 through July 2017 sampled by FCMAT.

CAL-Card Transactions	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Number of Cardholders	1	12	17	15	17	15	N/A
Total Number Transactions in the Sample Period	103	276	945	1028	1333	391	4,076
Total Value of Transactions	\$8,582	\$40,932	\$147,719	\$164,816	\$197,474	\$87,031	\$646,554
Number of Transactions Sampled	103	276	312	467	397	24	1,579
Value of Transactions Sampled	\$8,582	\$40,932	\$41,241	\$60,029	\$58,061	\$9,817	\$218,662

District staff provided CAL-Card transaction data for all cardholders in Excel format downloaded from the US Bank website from July 2014 through November 2017 (records prior to this date were based on credit card statements from district files). Available backup documentation, including purchase requisition or travel purchase order (PO) and copies of receipts, was provided for each of the sampled months.

FCMAT conducted a review of credit card transactions, analysis of supporting documentation for credit card transactions, related purchase requisitions or travel purchase orders in addition to select board policies, administrative regulations, internal handbooks and guidelines developed by district staff to determine if internal controls operate as intended.

FCMAT selected random months to review credit card transactions. The review and analysis focused on compliance with board policy, administrative regulations and internal policies to determine if internal controls operate as intended, and proper procedures were followed including the following:

- Credit card purchases were approved in advance as evidenced by the existence of a purchase requisition or travel purchase order.
- Appropriate signature approvals are on the purchase requisition or travel purchase order.
- Attendees are properly noted on support documentation for meals.
- Itemized and legible receipts were submitted.
- A legitimate business purpose was substantiated.

The team tested 1,579 credit card transactions valued at \$218,662 and found exceptions totaling \$111,358. The table below summarizes the number and percentage of transactions that represent exceptions totaling 996, or 63%, identified by FCMAT during review of supporting documentation. Some transactions have multiple items; therefore, some can represent more than one exception. The table below shows that 51% of the total value of all transactions sampled had at least one exception.

The former superintendent, associate principal and former CBO combined represent more than 73% of total transactions that have exceptions, and 63% of the total value of exceptions tested by FCMAT. This demonstrates complete breakdown in the district's internal controls that allowed management the ability to override those controls. Essential elements of fraud are present for all three employees including motivation, opportunity and capability. Based on statements provided to the private investigator regarding the former superintendent's trips to Baltimore and Oregon, rationalization is also present. The former CBO rationalized paying for her children's airfare stating in her FCMAT interview that she needed to book the flights together to ensure they were all on the same flight.

Employee Position/Dept.	Total Value of Transactions Tested	Total Number Tested	Total Value of Exceptions Found	Total Number of Transactions with Exceptions Found
Former Superintendent	\$36,208	512	\$33,466	494
Associate principal	40,700	299	30,531	173
Former CBO	11,097	92	5,938	65
All Other Administrators	17,209	110	9,371	68
Departments and Travel Card	113,448	566	32,052	196
Grand Total	\$218,662	1,579	\$ 111,358	996

As previously mentioned, some transactions tested had more than one exception. For example, one transaction may represent only the cardholder signature and lack a receipt and the list of attendees. Of the 996 transactions listed above, nine had four exceptions, 54 had three; 449 had two and 484 had one exception, representing 1,580 total exceptions identified by FCMAT.

Exceptions	Total
Receipt not itemized	48
No attendee list	388
Receipt illegible	20
Meal amount over per-diem	37
Gift cards purchased	38
Missing receipt	134
Personal purchase	14
Alcohol purchased	1
Gratuuity over 20%	34
No signature	154
Cardholder signature only	712
Total Exceptions	1,580

FCMAT's analysis indicates the majority of total transactions tested, 63%, demonstrate inappropriate use of district credit cards and violate the district's board policy and in some cases the constitutional ban on a gift of public funds.

The following list of inappropriate credit card usage reveals complete lack of adherence to internal controls, inappropriate standard of conduct by leaders that hold a fiduciary duty to the district, disregard for board policy and total lack of prudent use of district funds.

- Gift cards
 - Purchased with no indication of individual receiving the cards or what was purchased on CAL-Cards.
- Travel
 - Frequent in-state, and out-of-state travel for workshops/conferences without prior approval. In the case of out-of-state travel, board policy requires governing board approval.
- Missing authorization
 - Cardholder the only approval signature on the requisition.
- Alcohol purchase
 - One instance of alcohol purchased.

- Airfare
 - Purchased airfare for family members.
- Goods delivered to individual homes
 - Three incidents of goods ordered delivered to employee's home.
- Missing, illegible, or not itemized receipts
 - More than 200 receipts tested were either missing, illegible or not itemized.
- Meals
 - Excessive use of the CAL-Card for meals for cardholders and other attendees.
- Excess amount beyond per diem
 - Cardholders using CAL-Cards to purchase meals while on travel without regard to per-diem amounts.
- Food for staff meetings and other events
 - High frequency of expenditures spent on food for staff meetings and other events without supporting documentation such as agendas or sign-in sheets.

The table below summarizes the total transactions by category for all cardholders selected for testing.

Category	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Grand Total
ASB		\$8,182.90	\$6,868.25	\$5,477.66	\$5,490.92	\$4,008.94	\$30,028.67
Conference	\$3,422.34	\$12,530.58	\$5,128.14	\$15,498.67	\$15,213.01		\$51,792.74
Credit	-\$29.42		-\$2,862.71	-\$245.75	-\$836.94	-\$2,073.25	-\$6,048.07
Disputed					\$257.00		\$257.00
Field Trips		\$3,380.02	\$8,107.18	\$1,289.70	\$794.31	\$3,264.96	\$16,836.17
Gift Cards	\$1,375.00	\$1,910.00	\$775.00	\$275.00	\$400.00		\$4,735.00
Meals/Food	\$3,192.37	\$4,881.07	\$5,715.81	\$7,825.33	\$6,813.84	\$213.17	\$28,641.59
Membership			\$112.00	\$825.00	\$450.00		\$1,387.00
Missing			\$135.87	\$3,191.83	\$133.35	\$2,869.34	\$6,330.39
Office/School	\$124.22	\$8,129.11	\$15,324.56	\$18,227.52	\$11,705.02	\$690.78	\$54,201.21
Other		\$749.87	\$627.46	\$6,737.58	\$16,357.26	\$843.30	\$25,315.47
Personal	\$4.29	\$973.99	\$340.40	\$42.00	\$402.88		\$1,763.56
Personal-Reimbursed		\$4.05			\$70.92		\$74.97
Student Meals/Food		\$190.44	\$143.39	\$285.24	\$441.98		\$1,061.05
Training	\$493.00		\$826.00	\$599.00	\$247.00		\$2,165.00
Unknown					\$120.00		\$120.00
Grand Total	\$8,581.80	\$40,932.03	\$41,241.35	\$60,028.78	\$58,060.55	\$9,817.24	\$218,661.75

Board policy 3350, Travel Expenses, adopted August 21, 2014, and the accompanying Administrative Regulation, adopted November 17, 2016 authorizes the reimbursement of actual and necessary travel expenses to meetings, conferences, or workshops with prior approval.

Board policy allows reimbursement for actual costs for lodging, registration fees and other necessary expenditures incurred on district business. “Meal costs shall be reimbursed based on documented actual expenses within the maximum amounts established by the Superintendent or designee and based on the time of day that travel for district business begins and ends. The established per-diem rates: Breakfast - \$8, Lunch - \$12, Dinner - \$26.

A summary of board policy for actual and necessary travel expenses is listed below:

- Meal expense exceeding the maximum rate of reimbursement established by the district shall be reimbursed only with the approval of the Superintendent or designee.
- Transportation expense is allowed at actual “cost of transportation, parking fees, bridge or road tolls, lodging when district business reasonably requires an overnight stay, registration fees for seminars and conferences, telephone and other communication expenses incurred...and other necessary incidental expenses.”
- Mileage reimbursement for the use of a privately-owned vehicle will be reimbursed at the current approved IRS rate.
- Receipts documenting the expenses incurred on the district credit cards shall be submitted promptly following return from travel.
- Employees may be personally responsible for any improper costs incurred.
- Personal services are allowed “Under no circumstances shall personal expenses be charged on a district credit card even if the employee intends to subsequently reimburse the district for the personal charges.”
- A travel advance may be authorized by the Superintendent not to exceed the estimated out-of-pocket reimbursable expenses. The employee shall submit a final accounting with all necessary supporting documentation within 10 working days following return from travel.
- The district “shall not reimburse personal travel expense including, but not limited to, tips or gratuities, alcohol, entertainment, laundry, expenses of any family member who is accompanying the employee on district-related business...”

While most travel policies allow for a customary gratuity of 15-20%, the team noted numerous receipts that included gratuities in direct violation of board policy. FCMAT tested 34 transactions where the gratuity was more than 20%.

FCMAT’s review of CAL-Card transactions and documentation found the following violations of the district’s travel policy and best practices. While some expenditures were ultimately reimbursed to the district, the policy precludes this practice. Some reimbursements occurred several months following the actual expenditure as requested by the new CBO.

- Multiple instances of meals charged to the CAL-Card at rates above the per-diem rates established by the district.
- Gratuity on the CAL-Card.
- Receipts that are missing, illegible, or not itemized.

- One instance of alcohol charged to the district CAL-Card on a student trip to Washington.
- CAL-Card used to purchase oil and/or gas for privately owned vehicle.
- Personal expenses charged to the district's CAL-Card for airfare for family members accompanying the employee on district-related business, in-room movies, room service, hotels for personal travel, and even personal groceries.

In several transactions, FCMAT could not determine if charges for meals and lodging for conference and travel were appropriate district-related expenses because no documentation was available such as a flyer or registration form indicating dates and location of the conference. In two cases, travel was extended several days before and after conference dates where meal and lodging expenses for the additional days were charged to the district's CAL-Card.

Several reimbursements for mileage expenses for meetings were not properly documented on a travel purchase order to support the expense claim. The claim form does not have a requirement to document the purpose of the travel.

FCMAT noted multiple emails from the accounts payable clerk to cardholders requesting backup support and documents for CAL-Card activity to pay the monthly statements. Late payments on the account resulted in late fees being applied because of delayed paperwork from credit cardholders.

The district increased per-diem rates on January 1, 2017 to \$12 for breakfast, \$18 for lunch, and \$26 for dinner. On November 17, 2016, the district approved Administrative Regulation 3350 to tighten existing board policy and past practice identifying specific procedures for reimbursable travel expenses.

The CAL-Card policies were updated in September 2017, with a minor adjustment in February 2018. The new policy prohibits use of the card for personal reasons, alcohol or tobacco. Meals can no longer be charged on the district credit card. If a vendor accepts purchase orders, the normal purchasing policy must be followed. The policy now requires a requisition to be completed in advance of travel, and the monthly statement must be reconciled within five days of receipt. (Whether in policy or not, California law prohibits the use of public education funds to purchase alcohol.)

Former Superintendent

From December 2012 through June 2017, a total of 512 CAL-Card transactions by the former superintendent were tested with 494 exceptions, or 96%. The total value of all tested transactions is \$36,208, with \$33,466 having at least one exception.

The table below summarize the former superintendent's CAL-Card activity by the total number of exceptions by category associated with these exceptions.

Type of Exception – Total Number

Fiscal Year	2012-13	2013-14	2014-15	2015-16	2016-17	Grand Total
Conference	43	26	13	4	20	106
Gift cards	8	12	1		2	23
Meals/Food/Staff/Others	43	93	55	66	70	327
Membership					1	1
Missing					1	1
Office/School	4	2	1	4	3	14
Other				2	2	4
Personal	1	3			1	5
Student Meals/Food		2		4	4	10
Training	3					3
Grand Total	102	138	70	80	104	494

The table below summarizes the former superintendent's CAL-Card activity total value amount of transactions by activity with exceptions by activity:

Category of Exceptions – Total Dollar Amount

Fiscal Year	2012-13	2013-14	2014-15	2015-16	2016-17	Grand Total
Conference	\$ 3,422	\$3,504	\$ 782	\$ 257	\$1,959	\$ 9,924
Gift cards	1,375	1,260	50		310	2,995
Meals/food	3,193	3,472	2,655	3,041	3,671	16,032
Membership					450	450
Missing					13	13
Office/School	124	17	99	170	168	578
Other				774	107	881
Personal	4	974			403	1,381
Student Meals		190				190
Student meals/food				285	244	529
Training	493					493
Grand Total	\$ 8,611	\$9,417	\$3,586	\$4,527	\$7,325	\$ 33,466

Gift Cards

A review of gift cards purchased by the former superintendent on the district CAL-Card over the audit period shows 23 separate transactions with approximately 189 individual gift cards that do not indicate the names or signatures of the recipients, however, support documentation accompanying the receipts indicate gift cards were purchased for staff members, board members and student awards sometimes in multipacks. All gift card purchases by the former superintendent represent a gift of public funds totaling \$2,995.

Travel and Conference

The following table is a summary of the former superintendent's travel and conference expenses charged to the district's CAL-Card from December 2012 through June 2017. As previously stated, results of transactions sampled and tested below do not include all transactions in the audit period, only a random sample.

Conference Description	Amount
ASCD Conference, Maryland	\$2,497.27
AP Annual Conference, Philadelphia	\$2,194.36
AASA Conference, Baltimore	\$1,257.10
Gear Up Conference, San Francisco	\$885.46
Gear Up Conference, Chicago	\$751.78
Superintendent's Academy	\$648.97
School Construction Workshop	\$615.00
Google Certified Educator Level 1 Exam	\$597.00
Google Certified Educator Level 2 Training	\$597.00
Gear Up Conference, Orlando	\$371.20
SSC Budget Workshop	\$260.71
Superintendent Workshop	\$208.00
CISI Common Core & LCFF Workshop	\$202.49
Unnamed Workshops	\$194.44
CSBA Conference	\$180.74
Ed Source Symposium	\$129.00
CASH Webinar	\$75.00
Superintendent Leadership Workshop	\$72.29
Assessment Training Update	\$70.51
HR Law Training	\$62.59
Bond Presentation	\$34.00
Basics of School Construction & School Construction Accounting	\$31.83
LCAP Training	\$30.00
PERB hearing	\$24.00
Bond Workshop	\$15.05
Finance Workshop	\$8.04
Grand Total	\$12,013.83

Below is a summary of personal charges to the district CAL-Card for the various workshops and conferences attended by the former superintendent. FCMAT did not independently confirm that workshops took place during the dates indicated on supporting documentation, or that the former superintendent even attended these events. Instead, the team reviewed the documentation to meet the “reasonable and necessary” test of expenditures in compliance with board policy and administrative regulation.

Superintendent’s Academy, Various Dates

While traveling to the Superintendent’s Academy on various dates, the former superintendent charged five meals to the CAL-Card that totaled \$19 over the allowed per-diem rate, and personal expenses charged to the CAL-Card were \$4.29 for motor oil for his personal vehicle while claiming mileage reimbursement.

- Personal costs for the Superintendent’s Academy total \$23.29.

ASCD Conference, Maryland, June 28-30, 2013

Conference dates were June 28-30, 2013. Airfare was purchased using the CAL-Card for the former superintendent and his spouse departing San Francisco on June 26 and returning on July 8, 2013.

- Personal cost total for airfare is \$483.90.

A total of \$766.92 in lodging at the Westin Alexandria was charged to the district’s CAL-Card for six nights from June 27 through July 3, 2013. An additional night for June 26 was added at a cost of \$150.60. Reasonable and necessary hotel charges would include the night before and after the conference from June 27 to July 1, or four nights, totaling \$511.28, yet the total lodging cost charged to the CAL-Card was \$917.52. An additional charge on the hotel bill was for an in-room movie of \$5.99.

- Excess hotel and personal charges total \$412.23.

Actual meals charged to the CAL-Card for the trip totaled \$287.53. Allowable meals should have been June 27 through July 1, 2013. Several meal receipts indicated more than one meal/beverage was purchased, were greater than the per-diem amount, and included gratuity amounts of more than 20%. Actual allowable meal costs should have been \$169.72.

- Total personal costs for meals were \$117.81.

Parking for 13 days totaled \$121.00, allowable would be 5 days @ \$9.31 per day, or \$46.54.

- Personal cost for parking is \$74.46.

Provided that this is legitimate district-related travel the total personal expenses for the ASCD conference charged to the district credit card are \$1,088.40:

Type of Expense	Personal Expense Total
Airfare – Spouse	\$483.90
Lodging and In-Room Movie	412.23
Meals	117.81
Parking	74.46
Total	\$1,088.40

Gear Up Conference, San Francisco, CA, July 14-16, 2013

While attending the Gear Up Conference in San Francisco, the former superintendent charged the district's credit card for lodging at Hotel Nikko in San Francisco for two nights at a cost of \$763.43. Meal expenses included on the dinner receipt at the Rainforest Café on July 15, 2013 for \$107.97 indicates that six individuals were served. The total of \$107.97 is \$81.97 more than the board-approved per-diem allowance of \$26. Dinner at Taco Bell on July 16, 2013, while within the per diem amount, shows meals for two individuals.

- Total personal expenses for the Gear Up Conference in San Francisco charged to the district CAL-Card are \$81.97.

Gear Up Conference, Chicago, IL, May 1-3, 2014

While attending the Gear Up Conference in Chicago, the former superintendent charged two meals to the CAL-Card that totaled \$9.97 over the allowed per-diem rate.

- Total personal expenses for the Gear Up Conference in Chicago charged to the district credit card were \$9.97.

AP Conference, Philadelphia, PA, July 10-12, 2014

While attending the AP Conference in Philadelphia, which was held on July 10-12, 2014, airfare was purchased using the CAL-Card for the former superintendent, his spouse and daughter, departing San Francisco on July 3 and returning July 15, 2014. Total cost for the airfare was \$1,452.00.

- Personal expense for airfare for his spouse and daughter is \$968.00.

A total of \$825.95 for four nights at the Hyatt Regency, July 8 through July 12, 2013, was charged to the CAL-Card in two transactions, one for \$526.80 for lodging, and another for \$299.15 to Hyatt Hotels Regency for parking, meals, and movies. Lodging and parking costs for two days prior to the conference would not be considered reasonable and necessary expenses. The personal cost of the additional night is \$131.70. Total cost for parking was \$120 for four nights, the personal cost of the extra day of parking is \$30. Personal expenses included in the hotel charge were two in-room movies totaling \$24.82.

- Total personal expense for lodging, parking, and in-room movies is \$186.52

Meals charged to the CAL-Card during the trip totaled \$283.74. Seven of the meals charged were over the per-diem rate by \$181.51. Several of the meals purchased show more than one individual meal on the transaction. Four charges for room service meals were charged to the hotel invoice.

- Total personal expense meals over per-diem is \$181.51.

Parking for 12 days totaled \$180 charged to the district's CAL-Card. Reasonable and necessary parking expense would have been for five days, or \$75. Personal expense for parking totaled \$105.

- Total personal expense for parking is \$105.

Total personal expenses charged to the district credit card for the AP Conference were \$1,441.03 as summarized below:

Type of Expense	Personal Expense Total
Airfare – Spouse and daughter	\$968.00
Meals	181.51
Parking	105.00
Lodging, parking, and In-Room Movie	186.52
Total	\$1,441.03

Superintendent Leadership Workshop, Pleasanton, CA, June 27, 2016

While attending the Superintendent Leadership Workshop in Pleasanton on June 27, 2016, the former superintendent charged lunch and dinner to the CAL-Card in a total amount of \$72.29, which is \$34.29 over the per-diem amount. Both receipts indicate more than one person was served, and one meal ordered through room service which included a delivery charge.

- Total personal expenses charged to the district credit card for the Superintendent Leadership Workshop in Pleasanton are \$34.29.

Superintendent Workshop Series, Oakland, CA, August 21, 2016

While attending the Superintendent Workshop Series in Oakland on August 21, 2016, the former superintendent charged two lunches to the district CAL-Card for \$90.15 which was in excess of the district's per-diem rates. Receipts for both meals show two entrees and beverages. The former CBO reduced the former superintendent's reimbursement claim by the amount in excess of the per-diem.

- Deducted by the CBO.

Ed Lab Workshop, Sacramento, CA, September 30, 2016

Duplicate mileage reimbursements of \$124.20 were made to the former superintendent, one on October 5, 2016 and one on October 18, 2016.

- Total personal charge for mileage duplicate reimbursement is \$124.20.

AASA Superintendent Annual Conference, Baltimore, MD, April 19-25, 2017

Documentation provided by the district indicates that the 2017 AASA Conference was in March 2017 in New Orleans instead of April 2017 in Baltimore. In an email the district provided to FCMAT, a representative from AASA said that former superintendent was not registered for the AASA Conference. The district provided an April 19, 2017 email from the former superintendent in response to an email by the county office in which the former superintendent indicated he was out of town on vacation.

A total of \$805.76 in airfare was purchased using the CAL-Card. The receipt submitted to the business office to support the CAL-Card statement shows a total cost of \$805.76 with the spouse information redacted, but the actual CAL-Card statement shows two tickets purchased for \$402.88 each for the former superintendent and his spouse. District emails confirm that the spouse's name was on the original confirmation.

- Personal expenses for airfare for the former superintendent and his spouse cost \$805.76.

A total of \$263.90 for one night's lodging at the Holiday Inn Express in Oakland on April 18, 2017 was charged to the district's CAL-Card along with \$114.22 for one additional night at the Westin Baltimore/Washington Airport on April 24, 2017.

- Total personal expense for lodging is \$378.12.

A total of \$349.10 in car rental charges for five days from April 19 through April 24, 2017 were charged to the CAL-Card in two transactions: The first for \$275.33 to Priceline Rental and the second for \$73.77 to Avis Rent-A-Car.

- Total personal expense is \$349.10.

Parking at Oakland International Airport for seven days totaled \$112. Parking at the Holiday Inn in Oakland for one additional day, April 18-19, 2017 totaled \$15.

- Total personal expense for parking is \$127.

The former superintendent was reimbursed for mileage and meals totaling \$551.11.

- Total personal expense for meals and mileage is \$551.11.

Total personal charges to the district credit card for the AASA Superintendent Annual Conference are \$2,211.09 as itemized in the table below.

Type of Expense	Personal Expense Total
Airfare – Spouse and daughter	\$805.76
Mileage and Meal Reimbursement	551.11
Rental Car	349.10
Lodging	378.12
Parking	127.00
Total	\$2,211.09

Superintendent Leadership Training, Newburg, OR, July 09-21, 2017

The former superintendent submitted a travel purchase order for Superintendent Leadership Training in Newburg, Oregon requesting a \$1,068.57 advance for meals and mileage during the time when he was working on a doctorate degree at George Fox University. The travel request is related to the summer session at the university. Pursuit of advanced degrees is a personal expense unless specifically authorized by the governing board. Because this expenditure was not, it is a personal expense.

- Personal expense for the Superintendent's Leadership Training is \$1,068.57.

Total personal travel and conference expenditures identified by the FCMAT team are as follows:

Conference Description	Amount
AASA Superintendent Annual Conference, Baltimore, April 19-25, 2017	\$2,211.09
AP Conference, Philadelphia, July 10-12, 2014	1,441.03
ASCD Conference, Maryland June 28-30, 2013	1,088.40
Superintendent Leadership Training, Newburg, OR, July 9-21, 2017	1,068.57
Ed Lab Workshop, Sacramento, September 30, 2016	124.20
Gear Up Conference, San Francisco, July 14-16, 2013	81.97
Superintendent's Leadership Workshop, Pleasanton, June 27, 2016	34.29
Superintendent's Academy, Various Dates	23.29
Gear Up Conference, Chicago, May 1-3, 2014	9.97
Superintendent's Workshop Series, Oakland, August 21, 2016	CBO Deducted
Total	\$6,082.81

Former Chief Business Official

From 2013-14 through March 2017, a total of 92 CAL-Card transactions by the former CBO were tested with 65 exceptions. (Some transactions have more than one exception as previously discussed.) The total value of all tested transactions is \$11,097, with \$5,938 having at least one exception based on FCMAT's review of the records.

The tables below summarize the former CBO's CAL-Card activity by the total number of exceptions by category associated with these exceptions.

Fiscal Year	2013-14	2014-15	2015-16	2016-17	Grand Total
Conference		2	14	6	22
Meals/Food/Staff/Others	1	2	2	1	6
Membership			1		1
Missing			2	1	3
Office/School	2	10	15	1	28
Other				2	2
Personal		2	1		3
Grand Total	3	16	35	11	65

The table below summarizes the former CBO's CAL-Card activity with exceptions by category and amount:

Fiscal Year	2013-14	2014-15	2015-16	2016-17	Grand Total
Conference		\$680	\$1,801	\$606	\$3,087
Meals/food	\$8	51	26	48	133
Membership			570		570
Missing			391	20	411
Office/School	20	336	988	27	1,371
Other				48	48
Personal		276	42		318
Grand Total	\$28	\$1,344	\$3,818	\$748	\$5,938

A review of the former CBO's CAL-Card transactions found that two separate \$42 hotel charges each lack proper documentation. These are separate charges that happened to occur at hotels in the same city during different periods. The first was listed by the former CBO as a "personal" travel expense incurred at the Omni Hotel in San Diego that posted on March 30, 2016. The second \$42 charge is at an Embassy Suites hotel in San Diego that posted on August 3, 2015. FCMAT was unable to locate documentation to support that these two charges were ever repaid to the district.

Two other hotel charges occurred following the former CBO's resignation in early January 2017. Both to the Holiday Inn Express in Roseville – the first January 20, 2017 for \$117.79, and the second on March 3, 2017 for \$117.79. Both charges were billed back to the former CBO and repaid as discussed later in this report.

In an email dated March 9, 2017, the former CBO expressed concern that her CAL-Card was still on file with hotels where she had previously stayed, and that the hotels were not using her personal card per her instruction. FCMAT reviewed CAL-Card purchases from August 2014 through her termination date in January 2017 and found that they did not include any prior transactions for the Holiday Inn Express in Roseville on the district's CAL-Card as she stated in the email below. This highlights the lack of internal controls over credit cards. The former CBO should have surrendered her credit card at the time of her resignation and the district should have taken steps to cancel the credit card with the bank immediately.

March 9, 2017:

...It's happened a couple of times now that hotels that I've previously used my CAL-Card for have charged that, rather than my personal card, that I give them each time I make my reservation...I think I've changed the card on file with the different travel sites I use, but it has still happened again recently, no matter that I told the hotel to remove the card from my file (sic) :/”

The same day, the current CBO emailed the accounts payable clerk “wondering if it got declined when she tried to use it... Lets (sic) complete an invoice for everything that we know of so far and make sure we leave it for her.” The current CBO was referring to five charges totaling \$613.23 for personal expenses charged by the former CBO on the district's CAL-Card, a violation of district Board Policy 3350, which states employees are not authorized to charge personal expenses to the district's CAL-Card “even if the employee intends to subsequently reimburse the district for the personal expense.”

The former CBO knowingly charged personal expenses to the district's CAL-Card. The following charges were billed on March 10, 2017 to the former CBO following her resignation in January 2017 and paid back to the district on March 12, 2017.

1. Southwest Airlines, 10-13-2014, airfare for her daughter.	\$138.20
2. Southwest Airlines, 10-13-2014, airfare for her son.	\$138.20
3. Safeway Stores, 11-20-2016, personal charge.	\$101.25*
4. Holiday Inn, 1-20-2017, personal charge.	\$117.79*
5. Holiday Inn, 03-3-2017, personal charge.	<u>\$117.79*</u>
Total	<u>\$612.23</u>

**Transactions outside the selection periods requested by FCMAT.*

Other personal charges to the district's credit card include \$276.40 for her children's airfare in a flight from Sacramento to Santa Ana while the former CBO attended the annual CASBO CBO Symposium in Newport Beach, CA.

Of the transactions reviewed, \$7,799.47 of the \$11,097.21 total, or 70%, were associated with conferences, workshops or meetings. The table below summarizes the former CBO's conference activity.

Former CBO	Amount
CASBO Annual Conference, 2016	\$1,946.83
Skill Path Advanced Excel, May 17-18, 2016	\$838.72
SSC Governor's Budget Workshop, January, 2016	\$684.76
CBO Symposium, Newport Beach, CA, November 20, 2014	\$663.20
Escape User Conference 2015	\$496.02
CASBO Legal Aspects & Accounting for Student Body	\$445.00
SSC School Finance & Management Conference	\$430.00
CUPCCAA Workshop, San Diego, CA, September 30, 2016	\$406.96
Advanced Budgeting, February, 2016	\$389.47
HR Essentials, Woodland, CA, September 13, 2016	\$265.00
CASBO Year End Closing	\$255.00
CASH Bond Workshop, Sacramento, CA, July 26, 2016	\$246.11
CASBO Student Fees	\$215.00
SSC May Revise Workshop	\$199.82
SSC Budget Workshop, May 2016	\$155.00
LCAP Input Meeting, August 15, 2016	\$112.93
Unknown Conference	\$26.29
ACA Data Instruction - TCOE Meeting	\$23.36
Grand Total	\$7,799.47

Below is a summary of personal charges to the district CAL-Card for the various workshops and conferences attended by the former CBO. FCMAT did not independently confirm that workshops identified took place during dates indicated on supporting documentation, or that the former CBO attended these events. Instead, the team reviewed the documentation for reasonable and necessary expenditures in compliance with board policy and administrative regulations.

The former CBO had made deductions to the former superintendent's travel claims when he claimed per-diem when actual charges incurred were less, yet in three transactions that FCMAT tested, the former CBO adjusted her claims to the higher per-diem amount.

CBO Symposium, 2014:

The conference occurred on Thursday, November 20, 2014 and Friday, November 21, 2014. The former CBO incurred \$276.40 in personal expenses related to the CBO Symposium for her children's airfare. The former CBO and her children flew from Sacramento to Santa Ana on Tuesday, November 18, and flew back to Sacramento on Saturday, November 22, incurring hotel and meal per-diem expenses for an extra day.

- Personal expense for her children's travel is \$276.40.

The former CBO's travel claim shows four days' reimbursement for breakfast and lunch, and five dinners totaling \$300. Necessary and reasonable travel plans would have

the former CBO fly Wednesday afternoon and back, arriving no later than Saturday afternoon. The reimbursement should have been for one breakfast, one lunch and three dinners since this conference provides breakfast and lunch.

Using the district's per-diem rates of \$8 for breakfast, \$12 for lunch and \$26 for dinner, the adjusted reimbursement should be \$98. The former CBO reimbursed herself \$202 more than what is considered reasonable and necessary.

- Personal expense for meals is \$202.

The former CBO and her children stayed at the Newport Beach Marriott Hotel and Spa for four nights, a total of \$1,014.50. This indicates a rate of \$253.63 per night. It would have been reasonable to stay three nights for a two-day conference; therefore, she incurred a personal charge of \$253.63 for the hotel.

- Personal expense for hotel is \$253.63.

Total personal charges for the CBO Symposium is \$732.03 as follows:

Type of Expense	Personal Expense Total
Airfare – CBO's Children	\$276.40
Lodging	253.63
Meal Reimbursement	202.00
Total	\$732.03

SSC May Revise:

For travel to Sacramento for the SSC May Revise workshop on May 20, 2015, the former CBO used the CAL-Card to purchase dinner for \$29.07 for two entrees, which is \$3.07 over the per diem amount. The former CBO claimed lunch and dinner on her travel purchase order.

- Personal expense for meals is \$3.07.

Escape User Conference:

While traveling for the Escape User Conference in Sacramento on October 6-8, 2015, the former CBO claimed reimbursement for six meals at the per-diem rates and deducted actual CAL-Card meal charges that were less than the per-diem rate.

- Personal expenses for meals over per-diem is \$15.80

CASBO Annual Conference:

While traveling for the CASBO Annual Conference in Pasadena on April 14-16, 2016, the former CBO charged five meals to the CAL-Card, and all were missing receipts that she claimed were "misplaced." In addition, one taxi receipt and the airport parking receipt were missing.

SSC Governor's Workshop:

While traveling for the Governor's Workshop in Sacramento on January 13, 2016, the former CBO charged \$12.66 for lunch to the CAL-Card. Another meal for \$14.09 was charged and included on the hotel statement although the receipt was not itemized. The former CBO deducted charges that were lower than per-diem for meals charged on her CAL-Card and reimbursed herself the higher per-diem amount.

- Personal expenses for meals over per-diem is \$19.25.

CASH Bond Workshop:

While traveling for the CASH Bond Workshop in Sacramento on July 26, 2016, the former CBO charged three transactions to the CAL-Card. All three receipts were not receipts itemized. The first transaction was for \$8 to Annie's Gift Shop. A handwritten note on the receipt indicates it was for batteries for her laptop mouse. The second transaction was for \$17.49 also to Annie's Gift Shop and included a handwritten note on the receipt indicating it was for "water and muscle milk." The last was for \$3.26 to the Doubletree Sacramento. A handwritten note on the receipt indicates it was for a bagel and cream cheese. The former CBO deducted charges that were lower than per-diem for meals charged on her CAL-Card and reimbursed herself the higher per-diem amount.

- Personal expenses for meals over per-diem is \$13.15

Of the conferences attended, the following table lists events where the former CBO authorized her own expenditures, or where no authorization existed in the district record provided to FCMAT.

Conference	Authorization	
	CBO Authorized Only	No Authorization
CASBO Legal Aspects & Acct for Student Body	\$445.00	
CUPCCAA Workshop, San Diego, CA, September 30, 2016		\$406.96
LCAP Input Meeting, August 15, 2016	\$112.93	
ACA Data Instruction - TCOE Meeting	\$23.36	
Skill Path Advanced Excel, May 17-18, 2016	\$838.72	
SSC Governor's Budget Workshop, January, 2016	\$684.76	
SSC School Finance & Management Conference		\$430.00
CBO Symposium, Newport Beach, CA, November 20, 2014		\$663.20
SSC May Revise Workshop	\$199.82	
Total	\$2,304.59	\$1,500.16

Total personal travel and conference expenditures identified by the FCMAT team for the former CBO are as follows:

Description	Amount
CBO Symposium, Newport Beach, CA, November 20, 2014	\$732.03
SSC May Revise Workshop	3.07
Escape User Conference 2015	15.80
SSC May Revise Workshop	19.25
CASH Bond Workshop, Sacramento, CA, July 26, 2016	13.15
Total	\$783.30

Associate Principal

From 2013-14 through March 2017, a total of 299 CAL-Card transactions by the associate principal were tested with 173 exceptions. (Some transactions have more than one exception as previously discussed.) The total value of all tested transactions is \$40,700, with \$30,531 having at least one exception based on FCMAT's review of the records.

The tables below summarize the associate principal's CAL-Card activity by the total number of exceptions by category.

Fiscal Year	2013-14	2014-15	2015-16	2016-17	2017-18	Grand Total
Conference	3	3	11	7		24
Gift Cards		8	3			11
Meals/Food/Staff/Others	5	7	18	6		36
Missing			6		1	7
Office/School	1	7	44	21	1	74
Other	1	1	10	5		17
Student Meals/Food		2				2
Training		2				2
Grand Total	10	30	92	39	2	173

The table below summarizes the associate principal's CAL-Card activity total value amount of transactions by category that have exceptions:

Fiscal Year	2013-14	2014-15	2015-16	2016-17	2017-18	Grand Total
Conference	\$1,270	\$428	\$2,127	\$1,936		\$5,762
Gift Cards		725	75			800
Meals/food	303	468	1,601	258		2,630
Missing			1,747		2,869	4,616
Office/School	2,107	623	6,270	914	452	10,366
Other	11	47	3,996	2,104		6,159
Student Meals/Food		46				46
Training		152				152
Grand Total	\$3,692	\$2,489	\$15,817	\$5,212	\$3,321	\$30,531

An important component of purchasing procedures is proper authorization and support documentation. In several instances, FCMAT found that the associate principal did not follow proper purchasing procedures and approved many transactions herself without evidence of supervisor authorization or subsequent approval for payment of the CAL-Card or reimbursement. The findings include many instances in which the associate principal did not include receipts or the required requisitions. The following summarizes her disregard for internal controls and other procedures as well as board policy that was disregarded:

- 42 transactions with no receipts totaling \$5,925.
- 47% of transactions were self-approved without supervisor approval.
- 20 transactions do not have a requisition or travel purchase order attached.

- 160 out of 299 transactions lack proper signature authorization.

Questionable Purchases

Gift Cards: The associate principal had 11 of the tested transactions on the CAL-Card that included the purchase of 22 gift cards ranging from \$25 to \$50 for a total cost of \$800.

According to the backup documentation accompanying the receipts, one \$25 card was for a student for positive behavior, and 10 cards for a total of \$775 were for staff members. No documentation was included to indicate the names or signatures of the individuals receiving the cards.

Flowers: In addition to the gift cards, \$49.30 in flowers was purchased for Administrative Assistants Day. Authorization of the purchases is by the associate principal only.

Delivery to Personal Residence: Three of the purchases made from Amazon on the associate principal's CAL-Card were delivered to an employee's personal residence.

All Other Cardholders

The members of senior management have a responsibility to the parents, students and governing board to hold themselves to high standards of conduct that establish a moral tone at the top. Leading by example through their own actions and commitment to ethical values shows employees that the governing board's policies and best business practices will be followed. Setting this tone requires that leaders and managers hold themselves accountable at all times.

A review of the 15 other cardholders found purchasing practices that emulate senior administrators violating district policy on a regular basis and demonstrate that it was not necessary for other employees to follow board policy, administrative regulations or internal guidelines. The district allowed several administrators to use the district CAL-Card for personal reasons and to purchase a variety of materials and supplies; staff and student meals; gift cards; travel without going through a proper purchasing procedure.

The former superintendent, former CBO and associate principal combined represent tested transactions with findings totaling \$69,935 of \$111,483. The balance, or \$32,052, is related to departmental operations, and \$9,371 for other cardholders.

More than half of all tested transactions lacked adequate supporting documentation, transaction descriptions and receipts to ensure that the use of district funds had a legitimate business purpose. Although the district had board policies for expenditures and purchases (BP 3300, travel expenses BP 3350, and management of district assets BP 3400), the former superintendent and former chief business official routinely violated these policies and were negligent in their official fiduciary duties and ignored internal controls designed to protect district assets.

Employee Leave, Payroll Advances, Payments for Unused Vacation and Overtime

Employee Leave: As previously mentioned, senior administrators should establish the tone at the top for all other employees to emulate. Instead, the former superintendent and former chief business official did not follow basic best practices and defined business procedures, yet other employees were required to follow in recording leave time for personal and vacation time while away from the district.

The former superintendent maintained a calendar on his computer. Monthly records were not sent to the business office; therefore, the district was unable to provide monthly attendance records to show leave activity for the superintendent other than an outlook calendar. While attending a summer doctoral program in Oregon, he charged the district for travel, meals and other expenses but did not record vacation or personal leave.

The former CBO would periodically email the superintendent stating she was "...working from home," "...the county office," or "...the DMV" and continue the day working from other locations. Her vacation leave record showed multiple entries where leave was deducted only to be reinstated. In several instances, she claimed in email correspondence that because of her excessive workload, she was unable to take her vacation leave time, yet she attended a number of conferences and training events. Even during the last month before her resignation, the former CBO was on vacation in Europe, but claimed to be working the entire time. No deduction of leave time was made for the week she was traveling, and no reimbursement for unused vacation pay (which was paid to her earlier in the month) was made to the district.

During at least one of these trainings noted earlier in this report, the former CBO took her children to Southern California while she attended a conference and charged the children's airfare on her district-authorized CAL-Card with extended days beyond the conference dates bringing into question if this was a combination business and/or vacation trip. She noted that the purchase of the airfare for her children on October 13, 2014 was a personal expense that she intended to repay, but never repaid these amounts until the new CBO discovered this omission and billed her on March 10, 2017, approximately 2.4 years later. This was a direct violation of Board Policy 3350 – Travel Expense which states the following:

Under no circumstances shall personal expenses be charged on a district credit card, even if the employee intends to subsequently reimburse the district for the personal charges.

This same policy states that the board authorizes "actual and necessary travel expenses" in accordance with Education Code 44032, yet the CBO took per-diem when her actual food purchases were lower than the district's authorized rates and paid herself the higher rate when actual meal expenses were higher than per-diem.

Employee Payroll Advances, Overtime and Vacation Payoff Payments:

The former CBO was the beneficiary of five unusual payroll payments between May 2013 and September 2015 authorized by the former superintendent evidenced in email correspondence between May 2013 and September 2015. Four payments were for "unused vacation" and one "Payroll Advance," which was never repaid.

The following details regarding the former CBO's payroll are from payroll records produced by the county office and subsequently confirmed by the district:

Payment Date	Amount	Description	Posting Date
5/1/2013	\$2,200	120 Hrs., Vacation Payout, Year End	5/31/2013
12/26/2013	\$2,000	80 Hrs., 4/4/14	1/31/2014
4/10/2014	\$2,000	40 Hrs., 1/21/15	4/30/2014
10/17/2014	\$1,015	40 Hrs., 1/21/15	10/31/2014
9/8/2015	\$2,000	Payroll Advance	Not Repaid
Total	\$9,215		

The county office and the district have confirmed that the payroll advance taken on September 8, 2015 was never deducted from subsequent payrolls or repaid with a personal check.

FCMAT requested records from the county office and compared them with those provided by the district. According to county office staff, the 120 hours of vacation payout on May 1, 2013 was not deducted from the vacation leave balance during the next payroll cycle. FCMAT's review of the records indicates that on January 21, 2015, eight months later, three entries on the payroll leave balance register show a reduction in vacation accrual of 40 hours each; this occurred following inquiries by the district's independent auditor. The following is an excerpt of the communication between the former CBO and former superintendent regarding the auditor's inquiry concerning the former CBO's vacation payouts:

December 1, 2014:

Oddly enough, our auditor is now asking about my vacation payout. I'd have to guessat the County Office who is the one who was very specific in questioning it two weeks ago asked the auditors to look closer.

I am going to gather all of the back up (sic) and send it to them to put this to rest. If you are agreeable, I'd like to also write up the vacation was paid out and that you and I had communicated regarding the payout since I'm typically unable to be away.

Not sure why this is such a major concern, but through the transition of leaves and people involved in posting the leaves, mine isn't the only one we've discovered needs to be adjusted...

Of particular concern is that the former CBO failed to notice that her own leave record had not been properly reduced by 120 hours until the auditor questioned the record.

A month earlier, the auditor and the county office questioned the former CBO's leave record. The auditor requested a copy of the district policy for cashing out vacation. In an email to the former superintendent, the former CBO explained that "no such policy exists and has only been afforded at the discretion and approval of the Superintendent." During this same email, the former CBO affirms that she is a confidential/management/supervisor and as such follows "most of the same benefits of the classified staff" yet the former CBO earned overtime on two separate occasions. As an exempt employee, the former CBO is not entitled to overtime. Overtime will be discussed later in this section of the report.

FCMAT obtained direct access to emails that support some of these transactions. On December 26, 2013, the superintendent granted the former CBO's request about "cashing out some vacation days" because of an unexpected bill:

December 26, 2013:

....I was hoping to ask about cashing out some vacation days. Santa was kind enough to deliver my final attorney bill and hospital bill...guess I should have checked the mailbox before Christmas...I continue to have more vacation than I can use simply due to my workload and on-going impending projects we are hoping to continue tackling. With the time off we also had over the holidays I don't feel I am giving anything up by cashing some out, provide you don't mind."

On April 10, 2014, the former CBO makes another request to the former superintendent:

If you don't mind, if I could do a payroll advance so that I can take care of my taxes by the deadline, that will save me a great deal on penalties and interest...

On September 8, 2015, the former CBO has a "mishap" while paying personal bills and needs a cash advance which was never repaid:

...I had a mishap this weekend trying to pay a bill online while juggling my grandson ;(I accidentally paid 2,000 instead of 200...I've been on the phone with the student loan folks and the bank this morning, and if they can cancel the payment it may take a couple days to resolve. In the mean time I have a major problem with the funds already showing as a pending withdrawal from my bank account....

While the former superintendent granted the CBO a payroll advance and vacation payoffs on demand, other district employees cash out unused vacation balances following the end of the school year.

Education Code Section 45130 provides that "certain positions or classes of positions as supervisory, administrative, or executive and exclude the employees serving in such positions and the positions from overtime provisions." According to the current CBO, it is not the district's practice to pay overtime to any employee in one of these classifications, yet the former CBO was paid overtime on two separate occasions.

The first overtime payment was \$528.22 for 11 hours and billed back to the county office. The district confirmed that this payment was during the former CBO's transition as an employee of the county office to her new position at the district. On February 29, 2016, the former CBO was paid 16 hours of overtime totaling \$938.24 with no supporting document other than a handwritten notation on the payroll journal: "O/T Flood Damage." According to the current CBO, the former superintendent approved the overtime, but not the governing board.

The former CBO was able to use her position and working relationship with the former superintendent to personally benefit from payroll advances, unused vacation payouts and overtime that were not afforded to other employees.

As demonstrated through the FCMAT analysis, the former CBO either through neglect or intent was overpaid by \$2,000, was paid \$1,466.46 in overtime payments as an exempt employee, used the district credit card for personal expenditures totaling \$732.30 and accessed the district's cash reserves for her personal benefit to take care of personal obligations by advancing payrolls and being paid for unused vacation on demand.

Poor practices regarding time keeping and recording of leaves have a detrimental effect on the district's financial statements, budget, cash reserves and potentially CalSTRS and CalPERS pension obligations.

Subsequent Events

Following fieldwork, the district appointed a new superintendent, who immediately initiated new credit-card procedures and internal policies after consultation with the county office. These procedures include a CAL-Card agreement signed by each employee with an authorized credit card; a monthly purchase log activity and support documentation; an expedited process for monthly reconciliation and payment to US Bank; a listing of specific credit card transactions included in the board packet; and instructions to all credit cardholders regarding the district's credit card policy and limitations on expenditures.

The district continues to examine and evaluate business practices and procedures to ensure that public funds are used properly.

Conclusion and Recommendation

Prevention and Detection

Ethical Values and Fiduciary Duty

Internal controls clearly are among the most important aspects of any fraud prevention program. Superintendents, chief business officials and other senior administrators are in a position of authority and therefore have a higher standard of care to establish the ethical tone and serve as examples to other employees. Employees with administrative responsibility have a fiduciary duty to the district to ensure that those activities are conducted in compliance with all applicable board policies, laws, and regulations.

Management personnel are entrusted to safeguard the district's assets and ensure that internal controls function as intended. The internal control environment includes ethical values and integrity displayed by the governing board and management, as well as the underlying tone established by the organization's site administrators. While the governing board and all district employees have some responsibility for internal controls, the former superintendent and former CBO had a fiduciary duty and responsibility to ensure that the governing board fiscal policies and procedures were applied and conducted responsibly and ethically.

The control environment is an essential element and provides the foundation for other internal controls to be effective in achieving the goals and objectives to prevent and/or deter fraud or illegal fiscal acts. The tone of the organization set by management through its words and actions demonstrates to others that dishonest or unethical behavior will not be tolerated. An atmosphere in which employees feel safe to communicate concerns is a fundamental component of a strong and effective internal control environment.

Board Policy 3400 states that the board recognizes its fiduciary responsibility to effectively manage and safeguard the district's assets and resources and relies on the superintendent or designee to carry out effective financial management systems, processes and procedures to ensure effective internal controls are functioning as intended. The former superintendent and former CBO violated their fiduciary duty to the governing board, staff, students and parents of the district by ignoring established internal controls and did not hold themselves to a higher standard of conduct.

The district's internal control environment has a significant material weakness that increases the probability of fraud and/or abuse. These findings should be of great concern to the Tehama County Department of Education and the district's governing board and require immediate intervention to limit the risk of fraud and/or misappropriation of assets in the future.

It is imperative for the county office and district's governing board to review the findings and recommendations of this audit to implement effective internal controls. Based on the evidence in this report, there is sufficient documentation to demonstrate that fraud, mismanagement and misappropriation of the district's funds and assets may have occurred.

Judgments Regarding Guilt or Innocence

The existence of fraud is solely the purview of the courts and juries, and FCMAT will not make statements that could be construed as a conclusion that fraud has occurred.

In accordance with Education Code Section 42638(b), action by the county superintendent shall include the following:

If the county superintendent determines that there is evidence that fraud or misappropriation of funds has occurred, the county superintendent shall notify the governing board of the school district, the state controller, the superintendent of public instruction and the local district attorney.

In accordance with Education Code Section 1241.5(b), the county superintendent shall report the findings and recommendations to the governing board of the district at a regularly scheduled board meeting within 45 days of completing the audit.

Recommendation

The county superintendent should:

1. Notify the governing board of the Corning Union High School District, the state controller, the superintendent of public instruction, and the local district attorney that fraud or misappropriation of district funds and/or assets may have occurred.

Appendix

A. Study Agreement



CSIS California School Information Services

**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
AB139 STUDY AGREEMENT
September 26, 2017
AMENDED AB139 STUDY AGREEMENT
January 8, 2018**

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Tehama County Department of Education, hereinafter referred to as the COE, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local educational agencies (LEAs). Pursuant to the provisions of Education Code (EC) Section 1241.5 (b), a county superintendent of schools may review or audit the expenditures and internal controls of any school in his or her county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. The extraordinary audits conducted by the county superintendent shall be focused on the alleged fraud, misappropriation of funds, or other illegal fiscal practices and shall be conducted in a timely and efficient manner.

All work shall be performed in accordance with the terms and conditions of this agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

The Tehama County Department of Education has requested FCMAT to assign professionals to conduct an AB 139 Extraordinary Audit. This audit will be conducted pursuant to Education Code Section 1241.5 (b). The COE has received allegations of possible fraud, misappropriation of funds or other illegal practices at the Corning Union High School District and is requesting that FCMAT review the superintendent's use of district funds for travel and expense reimbursement claims for personal use and claiming workdays for personal time off and the related internal controls of each. FCMAT will also review district credit card statements for possible personal use and the related internal controls.

The primary focus of this review is to determine, based on the testing performed, whether (1) adequate management and internal controls are in place regarding the district's reporting and monitoring of financial and leave transactions, and (2) based on that assessment, whether fraud, misappropriation of funds or other illegal fiscal practices may have occurred.

Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Specific audit objectives will include evaluating the establishment, implementation and effectiveness of policies, procedures and internal control activities through the review of financial transactions recorded by the district on the following:

- Expenditure of funds for personal or other nondistrict business purposes
- Use of credit cards
- Time accounting of employee leave

The team will review and test recorded transactions for fiscal years 2013-14 through 2017-18 to date, to determine if fraud, misappropriation of funds or other illegal activities may have occurred. Testing for this review will be based on a sample of transactions and records for this period. Testing and review results are intended to provide reasonable but not absolute assurance regarding the accuracy of the district's financial transactions and activity to accomplish the following:

1. Provide reasonable assurance to management that the internal control system is established, implemented and monitored.
2. Prevent internal control activities from being overridden by management.
3. Help identify and correct inefficient processes.
4. Ensure that employees are aware of the proper internal control expectations.

The review will include but not be limited to the following:

1. Evaluate the adequacy of the district's internal control structure including the development, implementation and monitoring of policies and procedures and other control activities.
2. Evaluate whether lines of authority and responsibility are clearly established within and between the district's departments and are documented in organizational charts.
3. Evaluate whether proper segregation of duties exists.
4. Evaluate the reliability and integrity of financial transactions.
5. Assess internal control monitoring processes:
 - a. Evaluate monitoring procedures and verify that controls are operating properly.
 - b. Evaluate controls to determine that they are designed to prevent management from overriding internal controls to detect or deter misappropriation of funds.

B. Services and Products to be Provided

1. Orientation Meeting - The team will conduct an orientation session at the district to brief management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary; and will continue to review pertinent documents off-site.
3. Progress Reports - The team will inform the COE of material issues as the review is performed.
4. Exit Meeting – The team will hold an exit meeting at the conclusion of the on-site review to inform the COE of any significant findings to that point.
5. Draft Report – When appropriate, electronic copies of a preliminary draft report will be delivered to the COE's administration for review and comment on a schedule determined by the team.
6. Final Report - Electronic copies of the final report will be delivered to the COE and/or district following completion of the review. Printed copies are available from the FCMAT office upon request.
7. Follow-Up Support – If requested, the team will meet with the COE and/or district to discuss the findings and recommendations of the report.

3. PROJECT PERSONNEL

The FCMAT study team may also include:

- | | | |
|----|-------------------------|-------------------------|
| A. | <i>To Be Determined</i> | <i>FCMAT Staff</i> |
| B. | <i>To Be Determined</i> | <i>FCMAT Consultant</i> |

Other equally qualified staff or consultants will be substituted in the event one of the above individuals is unable to participate in the study.

4. PROJECT COSTS

The cost for studies requested pursuant to EC 42127.8 (d) (1) shall be:

- A. \$950 per day for each staff team member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.

Based on the elements noted in Section 2A, the total estimated cost of the study will be \$43,000.

- C. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT services may be reimbursed from funds pursuant to EC 1241.5 set aside for this purpose. Other payments, when deemed necessary, are payable to Kern County Superintendent of Schools - Administrative Agent, located at 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. **RESPONSIBILITIES OF THE COE AND/OR DISTRICT**

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following if requested:
1. Policies, regulations and prior reports addressing the study request
 2. Current or proposed organizational charts
 3. Current and two prior years' audit reports
 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in an electronic format
 5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository where the district shall upload all requested documents.
- C. The COE and/or district's administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

6. **PROJECT SCHEDULE**

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

<i>Orientation:</i>	<i>To be determined</i>
<i>Staff Interviews:</i>	<i>To be determined</i>
<i>Exit Meeting:</i>	<i>To be determined</i>
<i>Preliminary Report Submitted</i>	<i>To be determined</i>
<i>Final Report Submitted</i>	<i>To be determined</i>

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a preliminary draft report and a final report. Prior to completion of fieldwork, the COE may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the COE does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the COE will be responsible for the full costs. The COE understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the COE shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the COE. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the COE in any manner without prior express written authorization from an officer of the COE.

9. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the COE, automobile liability insurance in the amount required under California state law, and workers compensation as required under California state law. FCMAT shall provide certificates of insurance, with Tehama County Department of Education named as additional insured, indicating applicable insurance coverages upon request, prior to the commencement of on-site work.

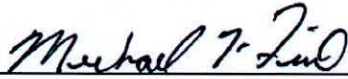
10. HOLD HARMLESS

FCMAT shall hold the COE, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. CONTACT PERSON

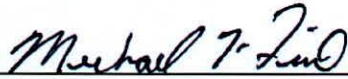
Contact: Rich DuVarney
Telephone: (530) 528-7323
E-mail Address: rdubarney@tehamaschools.org

SIGNED BY RICH DU VARNEY SEPTEMBER 26, 2017
Rich DuVarney, County Superintendent Date
Tehama County Department of Education

 SEPTEMBER 26, 2017
Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis & Management Assistance Team

AMENDED STUDY AGREEMENT

 1/8/18
Rich DuVarney, County Superintendent Date
Tehama County Department of Education

 JANUARY 8, 2018
Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis & Management Assistance Team