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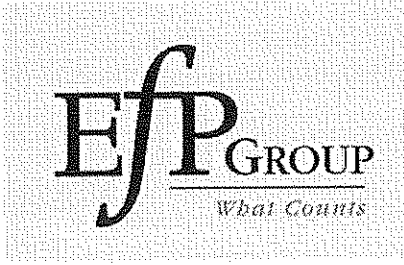
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Forensic Audit of Selected Projects & Transactions

**GREECE CENTRAL
SCHOOL DISTRICT**

**Greece Central School District
750 Maiden Lane
Rochester, NY 14615**

December 4, 2008



To the Board of Education
Greece Central School District
Rochester, New York

We have performed procedures which were agreed to by the Greece Central School District ("the District"), with respect to the District's Capital Improvement Project ("CIP") records and certain other financial transactions. These records are the responsibility of the District. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures included performing a forensic review of the 2001 CIP project, employee expense reimbursements and selected other financial transactions involving the former superintendent and his cabinet.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Eldredge, Fox & Porretti, LLP". The signature is written in a cursive, flowing style. The background behind the signature is a dotted grid, similar to the one in the logo above.

ELDREDGE, FOX & PORRETTI, LLP

BACKGROUND:

In April 2008, the Office of the State Comptroller issued a report on its recently completed audit of the Greece Central School District (the "District", or sometimes referred to as "GCSD"). The report was entitled "Internal Controls Over Selected Financial Transactions" and covered a number of areas, including the District's Control Environment, expenditures related to the Capital Improvement Project, Medicaid Reimbursement, Compensation and Information Technology. The report identified a number of deficiencies with respect to internal controls and District policies, and contends that these deficiencies created a poor control environment and led to many instances of what they described as waste and/or abuse.

In response to the State Comptroller's report, the District engaged Eldredge, Fox & Porretti, LLP ("EFP") in August 2008 to provide consulting services and address select findings of the State audit. These services included a forensic review of areas identified specifically by the District as being significant in terms of financial exposure and/or public perception. As such, our review was focused on the following areas: Capital Improvement Project ("CIP") activity, Expense Reimbursements for selected District personnel, Employment-Related Agreements, the District's Hiring Practices, and other relevant issues that may be identified during the course of our review.

The specific procedures performed for each of these areas, as well as a summary of our findings for each, are provided in detail in the following pages of this report.

OBJECTIVE:

The objective of our engagement was to review and evaluate the specific areas of concern outlined by the District at the start of this engagement.

AUDIT SCOPE:

The scope of this engagement includes a forensic analysis of CIP financial activity from the period July 2000 through August 2007, an analysis of expense reimbursement and fringe benefit documentation for selected individuals for the period July 2002 through August 2005, and a review of related District policies, procedures, and business practices.

INFORMATION GATHERING:

In performing our review, we obtained and examined a variety of District records for our scope period, including:

- CIP contracts
- CIP payment applications
- CIP supporting documentation for change orders and allowance charges
- Travel expense reimbursement documentation
- GCSD credit card statements
- Compensation agreements
- Time and attendance records
- Selected personnel files
- Cellular phone records
- GCSD Board of Education meeting minutes
- GCSD audited financial statements
- External audit management letters
- Prince William County, Virginia, Board of Education meeting minutes
- Steve Walts Superintendent's contract, GCSD
- Steve Walts Superintendent's contract, Prince William County, Virginia
- State Comptroller Audit Report of GCSD

We also interviewed numerous former and current District employees, former Board of Education members and employees of the New York State Comptroller's office.

PROCEDURES AND FINDINGS:

Our procedures and findings are summarized below and organized according to the different areas of specific concern identified by the District.

CAPITAL IMPROVEMENT PROJECT

Audit Procedures

CIP Charges:

We obtained and analyzed a listing of over 2,400 change orders relating to the 2001 CIP. We also obtained a dollar listing of all contracts used in the CIP. After analyzing this information, we obtained and reviewed supporting documentation for charges related to change orders and allowances for the 34 contractors with the largest CIP contracts. In reviewing this documentation, we focused our attention on validating whether the markup percentages applied to these charges were correct and whether proper authorization for these expenses existed. We also looked for other relevant issues, such as whether the documentation was sufficient to support the charges and whether other unallowable expenses, such as sales tax, had been charged to the District. We based our review on our understanding of the following items with respect to allowable markups:

1. Contractors are prohibited from applying a markup or bond premium on charges applied to a contingency allowance.
2. For charges related to change orders and all other types of allowances, contractors are allowed a 15% markup for overhead and profit. If the work is performed by a subcontractor, the contractor can only include a 7% markup and the total combined overhead and profit markup, for contractor and subcontractor, may not exceed 15%.

In addition to reviewing the documentation outlined above, we met with a number of individuals to discuss a variety of issues related to the CIP's change orders, including the large volume of change orders issued, their necessity, and the approval process.

GCSD / Contractor Relationships:

EFP examined the backgrounds of selected District employees in an attempt to determine whether any inappropriate relationships and/or conflicts of interest may have existed between the District and those firms and individuals directly involved with the management of the CIP. Conflicts of interest could lead to decisions involving CIP-related issues being made based on motivations for personal gain rather than being in the best interest of the District and its taxpayers. This examination included conducting interviews, researching business affiliations, and employing other methods in attempting to find connections between key individuals and/or firms, such as family relationships, financial connections, etc.

Analysis

CIP Charges:

Contingency Allowances

Not all contracts were awarded with a budgeted contingency allowance. However, we found that the larger the contract, the greater the likelihood that it included a contingency allowance. We found a majority of the contractors were charging a markup and/or an additional bond premium on charges applied to a contingency allowance which appears to violate the provisions of their contracts. The amount of the markup being charged varied from contractor to contractor, but was generally between 10% to 15%. These potentially inappropriate charges total approximately \$143,000 for the contractors and invoices we reviewed.

In addition to the potentially inappropriate charges discussed above, we found examples of what could be perceived to be extravagant purchases made by the District and charged to contingency allowances. A Steinway Grand Piano for the Athena Performing Arts Center was purchased for over \$85,000. We learned that District management traveled to New York City, selected the piano, and procured it locally through a contractor working on the CIP. It was charged against the contractor's contingency allowance, at which time an additional 15% markup was applied. A special heat and humidity controlled room was built specifically to store the piano at a cost of over \$10,000. Total costs related to this piano exceeded \$100,000.

Change Orders

Based on our discussions with District management (past and present), former Board members, and the Construction Manager, the volume of change orders related to this CIP was unusually high. Our interviews consistently identified at least two main causes for this. First, the CIP was planned with a significant amount of urgency. A majority of the project could be funded by the State if it was, among other things, submitted within established deadlines. This contributed to a hastily planned project in which many details were initially overlooked or inaccurate. Second, there appears to have been a substantial number of design and aesthetic changes made at the request of District management after the project had started. Management hoped this project would result in improving the District's image and stature. Those expectations evolved over the course of the project and many changes were implemented to that end.

Even with a relatively modest number of change orders related to a construction project, the process must be managed properly if it is to be successful in accomplishing the anticipated changes at a reasonable cost and in a timely fashion. The desired changes must be communicated effectively and efficiently between all parties, namely the District, the Architect (Thomas Associates), and Construction Manager (Christa Construction), so that the changes can be drawn up, properly approved, and implemented into the ongoing construction process. The number and timing of change orders directly impacts project costs, the construction timetable, and the overall success of the CIP. The magnitude of the size and scope of this CIP, coupled with the volume and timing of change orders, negatively impacted this project. The 2001 CIP was budgeted for \$119.5 million and impacted 25 buildings within the District.

A number of other factors contributed to an inefficient process, including the lack of a consistent Clerk of the Works and disputes with the Architect. We identified multiple change orders for which there was no evidence of approval by the Architect and/or the District. Ultimately, the changes resulted in significant modifications to the original construction timetable and increased costs.

Potential Overcharges:

We examined a significant amount of documentation related to change orders. We identified a variety of issues with respect to invoices for change order work. For example, we found the following:

1. Contractors' invoices included calculation errors when applying markups and exceeded the maximum 15% allowed by contract.
2. Some contractors used subcontractors to complete work called for in change orders. In many instances, the contractors then applied an overhead and profit markup in excess of the 7% allowed by contract.
3. Change order related work that was performed by a subcontractor included repeated instances in which the total overhead and profit markup applied exceeded the 15% allowed.

The potential overcharges that are related to these three situations that could be quantified for the contractors examined total at least \$43,500. It is likely that this figure is actually much higher, but cannot be confirmed due to insufficient documentation as described later in this report.

In addition to the inappropriate charges identified above, we also found multiple examples of excessive costs related to change order work. For example, we identified an instance in which a drinking fountain that was not part of the original plans was installed outside one of the schools. The amount of the change order authorizing this work was approximately \$10,000, while the actual cost of the drinking fountain itself was \$150. Similarly, we found a kitchen hood had been marked up over 60% instead of the allowed 15%. These findings were incidental to our primary purpose of reviewing the change order documentation, which was to ascertain the appropriateness of markups. It is probable that similar and more substantial examples would be identified if a more extensive examination were conducted.

Inconsistent Labor Rates:

Our review of the supporting documentation for change order work also revealed multiple examples of contractors charging inconsistent labor rates. We found different hourly rates were often quoted for the same individual and/or classification of worker in different change orders or from a change order to a contingency allowance. We recognize that the CIP work covered a period of several years and one could reasonably expect these rates to change over time. While some of our examples are likely attributable to this, we raise this issue because we noted many examples of inconsistent rates being used for change order work completed at approximately the same time. We did not attempt to quantify these discrepancies as they were considered outside the scope of our review. To do so would take a considerable amount of time and require significant amounts of additional documentation related to labor and benefits rates that was not immediately available.

Splitting Change Orders:

The State Comptroller's audit cites that District management had instructed that change orders be kept below \$20,000 as part of a conscious effort to keep them below the threshold requiring Board scrutiny. Although this may have occurred, it appears that those change orders greater than \$20,000 did not receive Board approval either. The Comptroller's report indicated that only 6 of 144 change orders greater than \$20,000 received Board approval, and that most were never even presented to the Board. Considering this, it does not appear that keeping change orders below a certain threshold, whether part of a conscious effort or not, would have had much, if any, impact on the Board's oversight of the CIP. Setting a materiality threshold at which change orders require Board scrutiny and approval is a very important internal control and should be consistently applied throughout the life of a CIP. Based on our review, it appears that current Board and District management concurs, and recently lowered the threshold to \$10,000.

Other Change Order Issues

We noted other miscellaneous billing issues related to change order work and charges applied to contingency allowances. There were repeated cases in which charges for sales tax were included on invoices charged to the District. These were isolated in nature and not exclusive to any one contractor.

Insufficient Documentation:

There were numerous instances in which the supporting documentation was insufficient for us to determine whether the markup issues previously described were applicable to the contractor and documentation in question. For example, quotes for work were often presented as a lump sum amount without any breakdown of labor, materials, or overhead and profit amounts. Subcontractor invoices submitted by contractors with their invoices were also found lacking in detail, often times just listing the total amount due. In these cases, we were unable to identify whether or not markups were applied, and if so whether they were applied correctly.

Accounting Transfers:

The State Comptroller's report cites that the District intentionally transferred certain "incidental" costs originally capitalized as part of the CIP to the GCSD general fund after it became apparent the project was going to be over budget. In construction accounting, these types of costs are often handled using different methodologies, each of which might be considered acceptable. There are no specific guidelines mandating how these types of costs have to be accounted for. We have found no specific accounting basis for which to criticize these transfers. It is reasonable that the District may wish to transfer these "incidentals" to the general fund to minimize the CIP shortfall to the extent possible. The need to do so should have been communicated to the Board and to the public in an open forum and discussed.

GCSD / Contractor Relationships:

Upon conducting numerous interviews with individuals employed by the GCSD (past and present) and performing thorough reviews on a number of key management positions, we have found no evidence to support the existence of any improper relationships that may have contributed to CIP related decisions being made based on personal gain considerations by District personnel.

An overall inherent risk exists related to construction projects of this magnitude. The construction manager for this project employed various contractors who received a substantial amount of change order related work. On other area construction projects, the relationships of these companies can reverse. For example, while Christa Construction may have acted as construction manager on this particular project and employed LeChase Construction as a contractor, the situation could be reversed on the next project. This relationship carries an inherent risk that an organization's actions could become compromised by future considerations they may receive.

CIP Review Conclusion

Our review has identified numerous examples of vendors that repeatedly applied incorrect markups on work that was related to change orders or applied against a contingency allowance. Our cursory review of a sample of contractor files revealed at least \$200,000 of excess charges. We believe this estimate is conservative given the substantial number of instances in which the documentation that we reviewed was not sufficient for us to determine whether markups were accurately applied and that we only reviewed selected contractors. The lack of approval or timely approval by some of the parties involved also raises concerns about whether the charges incurred are reasonable.

Christa Construction, the Construction Manager, was provided a copy of our detailed findings with respect to potentially inappropriate markups on October 27th and they are aware of the issues identified in this report. Christa Construction indicated their intent to independently review documentation before contacting the District to discuss an agreeable course of action. The District is currently in discussions with Christa Construction regarding these matters.

EXPENSE REIMBURSEMENTS AND FRINGE BENEFITS

Audit Procedures

Travel / Purchasing Card Reimbursement / District Credit Cards / Cellular Phones

We analyzed the District's expense reimbursement documentation related to travel and purchasing card (P-card) activity of the former Superintendent (Steve Walts) and members of his cabinet (Assistant Superintendents) for the years 2002 - 2005. Our objective was to ascertain whether the expenses were reasonable and represented legitimate District business expenses.

District credit card activity was also examined for the years 2002 - 2005. EFP reviewed the expenses for reasonableness, proper documentation and whether they corresponded to appropriate seminars and conferences.

Our review also included independently researching dates of past conferences that had been attended by the former Superintendent and/or his cabinet to confirm they were consistent with the expenses submitted for reimbursement.

Finally, we reviewed the District's cell phone records for telephones assigned to the former Superintendent and members of his cabinet. We focused on the period 2004 – 2005 and reviewed the call activity and charges for reasonableness and to identify other issues or information relevant to the overall scope of the engagement.

Fringe Benefits

We analyzed time and attendance documentation of the former Superintendent and members of his cabinet, focusing specifically on the records for paid time off used in 2005. We then cross referenced this information with our review of travel reimbursement and cellular phone activity to identify discrepancies and/or relevant correlations between the information.

In addition, we reviewed documentation to determine whether there was evidence linking the former Superintendent with the Prince William County, Virginia, school district in late 2004. The District is concerned with an addendum to Steve Walts' employment contract which resulted in lifetime healthcare benefits being included in his revised GCSO contract. If a relationship between Steve Walts and Prince William County existed at that time, the negotiations reflected in the addendum could have been made in bad faith. Consequently, our review of this documentation was focused on this particular concern and included an examination of his cellular phone records for November and December 2004, as well as the Prince William County school board minutes and their employment contract with Steve Walts.

Finally, we reviewed the appropriateness of the paid time off (separation) payout and other benefits provided at separation to former Superintendent Walts and members of his cabinet upon their leaving the District in July 2005.

Analysis

Purchasing Card Reimbursement

In analyzing the P-card activity of former Superintendent Walts and his cabinet, we found that the cards were used for a variety of purposes, including meals, miscellaneous food items, conference registrations, florist expenses, etc. The majority of expenses were relatively inexpensive, generally between \$20-\$50, and appeared to be business related.

The most common use appeared to be for business luncheons. These expenses were generally submitted on an expense report and were usually supported by receipts. However, we did note that very rarely was the purpose of the business luncheon or the names of those in attendance documented on the expense report. Good business practices generally require this information to be included to substantiate the business purpose of the meeting. The lack of this information makes it difficult to determine whether the frequency of these luncheons and the amount of the expenses constitutes excessive use or abuse.

Travel

In analyzing travel expense reports of the former Superintendent and his cabinet, we found that they were generally reimbursed for several business related trips each year. Many trips were regional (Buffalo, Syracuse, Albany) workshops and were relatively inexpensive because of their proximity and short duration. We also noted that each cabinet member went on approximately three or four business trips each year to conferences located throughout the country, from New York City to California. These trips were much more expensive due to airfare, more expensive registration fees, and extended stays in hotels. The expense reports, for the most part, did have supporting documentation that was consistent with the purpose of the trip, appeared reasonable, and appeared to be legitimate business expenses.

However, we note that in several cases we identified costs that appeared excessive. For example, there were at least six instances in which we observed the District reimbursing for rooms that were in excess of \$350 per night, and in some cases over \$500¹ per night. Some of these were for conferences in which several members of the former Superintendent's cabinet attended at the same time. For example, multiple people would attend the annual minority recruitment expositions in New York City. We also observed instances in which the choice of the hotel appeared to be questionable, in terms of its location relative to the proximity of the conference and its cost. We also observed one trip in which the former Superintendent's flight to California was in excess of \$2,100.

Generally speaking, the travel expenses appeared to be supported by adequate documentation that was consistent with the purpose of the trip and appeared to be business related. There were, however, cases in which the costs could be considered excessive. For the year 2004 - 2005, we documented combined travel costs for the Superintendent and just three members of his cabinet to total over \$37,500.

¹ We found three occurrences where the hotel charges exceeded \$500/night and the individuals only requested that the District reimburse them \$350/night.

District Credit Cards

Selected department charge cards of the District were reviewed. We analyzed the charges made during 2002 - 2005 and found that these expenses were business-related and adequately supported. In most instances, business travel and conference fees were charged on these credit cards.

Cellular Phones

We analyzed the cellular phone charges for Steve Walts, and cabinet members Keith Johnson, and Keith Imon, concentrating on the period January 2005 through July 2005. In July 2005, these three individuals all left the GCSD and began new employment with the Prince William County, Virginia, School District. We noted that during the months of April – July each of their cellular activity and associated charges increased dramatically. For example, Steve Walts' average monthly bill for that timeframe rose from \$60/month to \$518/month and included a month in which the charges were \$774. Keith Imon's monthly bill rose from \$150/month to \$689 for May 2005.

In further analyzing the cellular activity, we reviewed the detailed monthly statements and noticed that there were calls to and originating from Virginia, presumably personal business related to their quest to secure new employment. Based on our review, we conclude that the dramatic increase in cellular activity and charges during this timeframe was substantially related to personal matters and was excessive in nature. The District appears to have paid for significant increases in charges during this timeframe that may not have been related to GCSD business. However, an examination of Steve Walts' employment contract found the District offered him the use of a cellular phone. Although the purchase order for his telephone had to be increased twice in his last six months, no dollar maximums were referenced in his contract. We also found no reimbursement for these charges during the time of his GCSD employment.

Fringe Benefits

Using the information regarding call originations and destinations from the monthly detailed reports of cellular activity, we created schedules of dates that we believe these three individuals traveled to Virginia, presumably on personal business related to their prospective new jobs.

We then pulled the District's attendance records and related timesheets for these dates. For some of the dates in question, we noted that these individuals did not submit for paid time off within the District's attendance system. We summarized our findings and the estimated exposure to GCSD and have submitted these findings under separate cover to the District's counsel for further consideration.

Upon reviewing the cellular phone activity, the Prince William County, Virginia, school board minutes, and Steve Walts' employment contract with the Prince William County School District, it appears he accepted the position in Virginia on April 6, 2005. Five days later Steve Walts resigned from the GCSD with an effective date of July 9, 2005. This is documented in the GCSD's minutes of the Board meeting held that day.

Although we cannot be certain, we have found no evidence of negotiations between Steve Walts and the Prince William County School District that date back to the timeframe of the addendum to his GCSD contract in December 2004.

Health Care Benefits:

We reviewed Steve Walts' employment contracts with the GCSD. The following clause is included in the December 2004 addendum:

“Should the Superintendent retire from the District or become disabled while in service to the District, he will be eligible to continue coverage in any group health insurance program, and the District will contribute 100% of the cost of this health care coverage.”

While this clause appears to commit the District to providing this benefit, we have found similar clauses in each of the employment contracts going back three years. However, the word “the” was replaced by “any” in describing the group health program in the amendment. This minor change, initiated by Superintendent Walts, appears to permit him to transfer this benefit to another employer.

The 2004 - 2005 employment contract states:

“Should the Superintendent retire from the District or become disabled while in service to the District, he will be eligible to continue coverage in the group health insurance program, based upon the enrolled plan at the time of retirement, and the District will contribute 100% of the cost of this health care coverage.”

This clause was in all three of his most recent contracts and were all approved by different GCSD Boards of Education. The contracts for all three years further state that “the Superintendent shall be deemed to have retired from his employment if he has completed at least 5 years of service.” Steve Walts met this requirement in June 2003, well before the addendum was negotiated in December 2004.

Vacation Benefits/Dual Employment:

While we have found no evidence to question the timing of the addendum negotiated in December 2004, we do find the timing of the Prince William County employment contract noteworthy for the following two reasons. First, the agreement was entered into on a date that, when accounting for the required 90-day notice that was required, made the effective date of his resignation fall immediately following the start of the new fiscal year. Had his resignation been effective just nine days earlier, Steve Walts would not have received the benefit of having the entire 2005 - 2006 year's allocation of paid time off credited to his vacation bank. This represented 32 days valued at approximately \$27,328.

Second, his employment contract with Prince William County was effective July 1, 2005. For the period July 1st through July 9th, Steve Walts was technically the Superintendent for two school districts. The scope of his contract with the GCSD required him to “devote his full time and attention to his official duties” during the term of his Agreement. His obligations to the Prince William County School District after July 1st would seem to conflict with his GCSD contract. We do recognize, however, he was not required to be on-site in Prince William County until July 11th as stipulated in his employment agreement with them.

Separation Payout:

We reviewed the appropriateness of the amount of accumulated paid time off that was compensated to former Superintendent Walts when he left office in July 2005. Based on the District's Employee Absence Balance documentation that we obtained for the fiscal year ended June 30, 2005, Steve Walts had accumulated 31.5 days of paid time off. His 2005 employment contract allowed him to carryforward up to 40 days of paid time off from one fiscal year to the next. Therefore, based on the terms of his contract, he was eligible to carryforward the entire year ending balance of 31.5 days. As of July 1st, he was credited for the entire fiscal year (2005/2006) paid time off allowance of 32 days (25 days plus an additional seven days for seven years of service to the District). Therefore, the amount of paid time off available to him for the 2005 - 2006 fiscal year was 63.5 days. He submitted one day as paid time off in early July 2005, leaving him with a balance of 62.5 days at the date of his departure. Although we were not provided with documentation of his paid time off distribution, the District informed us that Steve Walts was compensated for 62.5 days of paid time off at separation representing \$53,367. Based on this information, it appears that the amount of paid time off distributed to Steve Walts was accurate and appropriate according to the terms of his contract.

It should be noted that District policy has since been changed so that the manner in which paid time off is earned is now specifically addressed on an individual contract basis. This improvement will prevent the ambiguous language of previous contracts which led to varying interpretations of the appropriate application of separation payments.

Computer Equipment:

We learned that when Steve Walts and two assistant superintendants (Johnson and Imon) resigned from their positions in July 2005, they each created "Memorandums of Understanding" with the District permitting them to take technology equipment belonging to the District that had been assigned to them while employed. The memorandums itemized the equipment items (computers, cell phones, printers) and were signed by each employee. However, an independent representative of the District did not countersign any of the documents, and therefore the completeness and accuracy of the items listed in the memorandums could not be verified by either the District or EFP.

At that time, some concerns were raised with District Management, and approximately one month later, at least some, if not all, of the items appear to have been returned to the District. A one-page document provided by the District documents that some technology equipment items were received. The list of returned items was a very informal handwritten document which did not include serial numbers of the equipment in question.

As a result of our review and further inquiry made by the District, it was determined by the Office of Technology that the equipment was returned to the District. We confirmed with the individual who originally received the equipment and produced the handwritten note that he was present when the equipment was returned. Several of the items were reformatted before they arrived back to the District. Some of this equipment is currently being used today by other District employees. Other items were simply recycled due to obsolescence.

Based on our review, it appears that the District did not have formal policies in place at the time which would have outlined acceptable practices governing this area. The District has since developed formal policies outlining acceptable practices regarding District equipment that has been assigned to employees that are leaving the District. Separation checklists are now completed and maintained for all employees when they are terminated.

Expense Reimbursement and Fringe Benefit Review Conclusion

Based on our review of the documentation discussed above, we conclude that while the majority of expense reimbursements appear reasonable and business related, there were consistent issues regarding the lack of appropriate information being included to substantiate business luncheons and dinner expenses.

Through conversations with current District personnel and our reviews of current policies, these issues have since been addressed.

We also conclude that there were instances of charges related to travel and cellular phones that would be considered excessive, particularly during the 2004 - 2005 fiscal year. The conferences were approved by the Superintendent or incurred on his behalf. Other business policies regarding appropriate cellular phone usage were not in place during the time period covered by this review. Policies have since been implemented and a heightened sense of awareness now seems to exist. Some of the charges and activities noted could be construed as personal in nature and have been presented separately for the District to review.

HIRING PRACTICES

As a result of conversations with management and a thorough review of a limited number of personnel records and documentation of senior management, we did not find any evidence of the District engaging in nepotism or any other inappropriate hiring practices during the periods of our review. There were no noteworthy issues that came to our attention.

OVERALL CONCLUSION

As noted throughout this report, we observed some of the same control weaknesses documented by the State Comptroller for the years reviewed. EFP investigated these issues in greater depth and tried to determine whether these control weaknesses led to frauds being perpetrated against the District.

The former Superintendent and his immediate cabinet were found to spend funds generously on conference travel, meals and entertainment, cellular phones, etc. In some cases, we question whether three or four District administrators needed to attend the same conference or stay at a \$500/night hotel. Controls have since been implemented to discourage this activity from reoccurring.

We have presented the District's counsel with specific examples of possible abuse that they may be able to pursue and potentially recover.

The CIP portion of our engagement finds the District in a strong position to recover potential overcharges. As of the date of this report, the CIP project has not been finalized and Christa Construction is still employed as the Construction Manager. The potential overcharges noted for each contractor should offer the District the opportunity of recovering these funds. Fees paid to Christa Construction and Thomas Associates for their guidance, oversight and approval throughout this project should also be reviewed by District's counsel to determine whether they could be recovered.

If you have any questions concerning the procedures that were performed or the results listed in this report, please do not hesitate to contact us.