



CPAs & BUSINESS ADVISORS

HACIENDA LA PUENTE SCHOOL DISTRICT FORENSIC AUDIT UPDATE

Presented by Brandon Waldren on 6/30/2022

AGENDA



Summary of the Forensic Accounting Engagement



Information Reviewed



Part 1 Procedures and Observations



Part 2 Status

DEFINITIONS

- **Fraud**– The wrongful or criminal deception intended as to result in financial or personal gain. This includes false representation of fact, making false statements, or by concealment of information. This is proved in court or with evidence.
- **Waste** – Thoughtless or careless expenditure, mismanagement, or abuse of resources to the detriment of a Government. This also includes incurring unnecessary costs resulting from inefficient or ineffective practices, systems, or controls. This is subjective.
- **Abuse**– Excessive or improper use of a thing, or to use something in a manner contrary to the natural or legal rules for its use. This is subjective.



Definitions were provided by the Office of Inspector General.



SUMMARY OF THE FORENSIC PROJECT

PART I

- Examine bond expenditures for the purpose of identifying questionable transactions.

PART 2

- Determine how the shortfall of bond funds occurred
- Identify indicators of fraud, if present.
- Provide recommendations on how to mitigate the risk of this issue from happening in the future.

INFORMATION REVIEWED

PART I

- General Ledger for 7/1/2017-6/30/2021
- Purchase Orders, Invoices, Checks
- Measure BB Bond Performance Audits
- Measure BB Bond Issuance Documentation

PART 2

- Interviews with 12 District personnel
- Interviews with all 5 Board Members
- Board Meeting Agendas and Attachments
(**6,523** in total, **778** were directly related
(**12%**))
- CBOC Meeting Agendas and Attachments
(**302** in total, **25** were directly related (**8%**))
- Human Resource Information

SAMPLE SELECTION FOR PART 1



Population of Transactions = **1,654**

Amount of Transactions = **\$40,057,815**

Transactions for Sample = **285 (17%)**

Amount of Sample = **\$36,568,364 (91.2%)**

Breakdown of the **285** transactions:

170 Transactions > \$56,500

115 Transactions < \$56,500 (Selected at
Random)

PROCEDURES FOR PART 1 - CLASSIFICATIONS

“Proceeds of the Bonds will be used to pay costs of issuance of the Bonds and for the purposes specified in the District’s bond proposition submitted at the Election, which includes any of the following:

- (A) providing the facilities and equipment needed for career training, advanced programs in math, science, technology, music, visual and performing arts programs, and technical education classes;
- (B) Repairing or replacing worn out roofs, floors, plumbing, and electrical systems, providing improved, up-to-date technology infrastructure and repairing athletic facilities and infrastructure;

PROCEDURES FOR PART 1 – CLASSIFICATIONS (CONT'D)

(C) upgrading and repairing fire alarm systems to automatic systems, fire safety equipment, sprinklers and fire safety doors and security systems including security lighting, fencing, smoke detectors, and emergency communications systems;

(D) installing energy efficient systems, improving heating, ventilation, air conditioning and lighting systems;

(E) upgrading instructional technology providing and maintaining up-to-date technology including data and communication equipment, wireless systems, telecommunication and Internet and network connections; and

(F) upgrading and replacing electrical wiring, data networks and broadband, computers, hardware and infrastructure systems, classroom, and library technology and teaching equipment.”

SUMMARY OF PART 1 OBSERVATIONS

Fire Monitoring Questionable	=	\$239
Payroll Questionable	=	\$620
Furniture Questionable	=	\$35,470
Laptop Questionable	=	\$5,702,589
Total Questionable	=	\$5,738,918
Total Tested	=	\$36,568,364
% Questionable	=	15.6%

STATUS OF PART 2

- Determine how the issue occurred – **IN PROGRESS**
 - Identify indicators of potential fraud if present – **No indicators have been identified to date.**
 - Provide recommendations on how to avoid from happening again – **3 RECOMMENDATIONS**
- AT THIS TIME**

STATUS OF PART 2

Needed before Completion

- Attempt to contact 5 prior employees for interviews
- Request to interview 2 District personnel

FINAL PRESENTATION TO BE PRESENTED AT THE BOARD MEETING ON JULY 21, 2022.



CPAs & BUSINESS ADVISORS

QUESTIONS?

This presentation is presented with the understanding that the information contained does not constitute legal, accounting or other professional advice. It is not intended to be responsive to any individual situation or concerns, as the contents of this presentation are intended for general information purposes only. Viewers are urged not to act upon the information contained in this presentation without first consulting competent legal, accounting or other professional advice regarding implications of a particular factual situation. Questions and additional information can be submitted to your Eide Bailly representative, or to the presenter of this session.

THANK YOU!

Brandon Waldren, CPA, CFE, CFI

Senior Manager of Fraud and Forensics

bwaldren@eidebailly.com

925.819.2668



CPAs & BUSINESS ADVISORS