

BLUM SHAPIRO QUESTIONS

At the previous Board of Finance meeting, I spoke at length about my serious concerns over Blum Shapiro working for the Board of Finance and the city for several months without a contract. I noted that this was a clear breach of the city's own internal controls and a negligent disconnect between the Controller, Law Department and the Purchasing Agent and Compliance Officer. Blum Shapiro had their original contract as well as TWO extensions expire. Their contract was out of compliance for several months in violation of our own internal controls. As a professional audit firm, why and how did they continue to work on the city's behalf?

I am providing some documents as a result of my own research which I believe will raise other important issues...

I spoke with several CPAs from prominent accounting firms and showed them CFRA documents that I just provided to the Board. Their first questions in light of the declining fund balance for the extra-duty account was: What field testing did the auditors do? Did they share their findings with the city and the Board of Finance?

What internal controls were applied to all the special revenue funds as articulated by the Controller and the city's own policies and procedures?

My own research appears to confirm that the time line of thefts seems to coincide with the rather dramatic reduction of the fund balance of the Extra Duty account. I will admit that, while fund balance as an indicator does not always mean fraud, something was definitely happening that should be questioned. Based on my review of available documentation, it appears that the auditors never questioned these anomalies. No questions on this matter ever appear in the Blum Shapiro final audit reports prepared by them for the city.

While it may require further research, the same kind of anomalies seem to appear in the Marina Fund. The time line shows account balance reductions which seem to coincide with the nearly \$100K in fraudulent purchases taken from the Marina Fund.

MLR

