

City of Ojai

Targeted Forensic Review

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Attention
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City of Ojai

From
Kroll Associates, Inc.

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1 Introduction

1.1 Background

From July 10, 2023 through May 15, 2025, Carl Alameda (“Alameda”) was the assistant city manager for the City of Ojai (the “City” or “Ojai”).

On May 15, 2025, the Los Angeles County District Attorney’s Office issued a press release¹ stating that Alameda had been charged with embezzlement and insurance fraud for conduct allegedly occurring between 2016 and 2022, while Alameda was the assistant city manager for the city of La Canada Flintridge (“La Canada”). Neither the press release nor any other publicly available statements alleged any misconduct by Alameda while he was employed by Ojai.

Alameda sought employment with the City after being separated from his position at La Canada. According to public statements made by La Canada², they learned of an investigation into Alameda by the LA County Sheriff’s Department in May 2022 and after some internal review, they placed Alameda on leave. Thereafter, in or around April 2023, Alameda’s employment with La Canada ended.

Given the above, it’s reasonable to assume that Alameda knew he was under investigation at the time he sought employment with Ojai, hence his use of a *former* La Canada employee as a reference for his prior employment and his insistence on being paid via paper check rather than direct deposit.

To date, Kroll has found no indication that the City was aware of the allegations against Alameda prior to the Los Angeles County District Attorney’s press release on May 15, 2025. Upon learning, the City placed Alameda on leave and subsequently terminated him.

¹ <https://da.lacounty.gov/media/news/former-assistant-city-manager-la-ca-ada-flintridge-charged-embezzlement-insurance-fraud>

² <https://lcf.ca.gov/city-addresses-charges-against-former-assistant-city-manager/>

1.2 Scope of Work

On May 28, 2025, Kroll was engaged by Colantuono, Highsmith & Whatley, PC as outside counsel to City of Ojai (the “City”) to conduct a targeted forensic review in the aftermath of former assistant city manager Alameda’s termination.³ Kroll’s targeted forensic review was structured in phases with Phase I designed to discern whether there was indicia that Alameda engaged in financial impropriety during his tenure with the City. Follow on phases, if warranted, were to include deeper dives into transactions or activities identified as suspicious, thereby requiring a more comprehensive forensic investigation.

1.3 Methodology

Kroll’s investigation to date has generally included the following components:

- Knowledge Transfer: Kroll conducted initial information gathering interviews with individuals across the City’s business units to understand policies, processes, procedures, gaps in controls, domain knowledge, and areas of concern (if applicable).
- Targeted Forensic Analysis: Kroll made several further requests for documents including, but not limited to policies and procedures, financial and accounting records, vendor management databases, employee and payroll documentation, and other records as the need arose. A complete list of documents requested and received by Kroll can be found in Appendix A. Once received, Kroll reviewed the documentation for anomalies, gaps, red and/or yellow flags, and other indicia of suspicious activity.

This was an iterative process driven by findings from review of documentation, information provided during interviews, and/or information provided by the City.

³ On May 15, 2025 the Los Angeles County District Attorney’s Office issued a press release implicating Carl Alameda in a multi-year embezzlement scheme during his employment at La Canada Flintridge. Per the press release, Mr. Alameda diverted more than \$200,000 in city funds to accounts under his personal control by demanding payment from a variety of insurance companies for damage caused to city property by their insured. Of note, Kroll understands that Mr. Alameda was hired by the City of Ojai immediately after his termination by La Canada Flintridge. Kroll further understands that Mr. Alameda was put on administrative leave on May 15, 2025 and terminated the following day.

- Targeted Research: Kroll conducted targeted research into certain vendors, employees, public and private entities, as well as into Alameda and the allegations against him by the Los Angeles County District Attorney's Office, and other matters as relevant.
- Office and Email Search: Kroll conducted a search of Alameda's city office and a targeted review of Alameda's city email communication.
- Interviews: Kroll conducted information gathering interviews with 13 individuals who were believed to possess information pertinent to this investigation and had several informal informational exchanges with the city manager.
- Recommendations: Based upon observations gathered throughout this review, Kroll has prepared a list of recommendations for the City to improve its governance and controls.

1.4 Caveats

This presentation was prepared for the City of Ojai solely for its internal use and is not intended for any other purpose. The observations presented herein are based on information supplied by the City of Ojai and other information obtained during the course of our work. Kroll accepts no responsibility or liability to any other party with respect to the information contained herein or any reliance that any third party may place thereon. The information contained herein should be considered preliminary and subject to change depending on new information that may be obtained.

Kroll was retained to conduct a high-level review to identify whether indicia of fraud or other misconduct by Alameda was present. Kroll was *not* retained to and in fact, did *not* conduct a comprehensive forensic audit or investigation.

Several factors negatively impacted Kroll's ability to determine – without a more rigorous investigation - whether anomalous or fraudulent activity occurred. These same factors often resulted in Kroll only being able to select very small sample sizes for review, leaving substantial room for issues to be overlooked. As detailed throughout the body of our report, Kroll has identified instances in which these factors impaired our ability to make determinations.

- The City's weak financial controls and the inconsistent implementation of existing processes and protocols led to historically poor record keeping, making the identification, and subsequent review of documents exceedingly cumbersome.
- High staff turnover and chronic understaffing in the Finance department resulted in some established processes and procedures being neglected and/or inconsistently performed.
- Accounting records often contained vague descriptions of transactions, making it overly time consuming to audit the source documentation and validity of the transaction.
- Revenue and expenses were often recorded inconsistently in the general ledger, making review and reconciliation of specific funds extraordinarily difficult.
- The City's Microsoft Office 365 logging was insufficient to detect whether Alameda engaged in certain activity as it pertains to digital records.
- Alameda appears to have removed voluminous amounts of physical records from his office prior to termination. Given the City is still largely on a paper record keeping system, the impact of this is potentially substantial.

Kroll understands that many of the above listed weaknesses are being rectified and more robust policies, procedures, and governance structures are being implemented. In support of this, Kroll has included several recommendations for remediation in Section 3 of this report.

2 Summary of Findings

To date, Kroll's preliminary review has not identified any evidence that Alameda engaged in financial or other misconduct during his tenure at Ojai. However, as noted above, the City's weaknesses in financial controls, recordkeeping, and consistent adherence to processes make detection of anomalous or fraudulent behavior difficult, thereby making it nearly impossible for Kroll to determine that Alameda did not engage in misconduct without substantial additional investigation and cost.

2.1.1 Interviews

Based on Kroll's interviews with 13 employees across Finance, Public Works, City Hall, Transit, Information Technology ("IT"), Human Resources ("HR"), and Policing, Kroll did not identify any evidence tying Alameda to financial or other misconduct. However, these interviews did expose several gaps in the City's processes that could have been exploited by Alameda, or others.

For example, when City property is damaged by a third party, detailed information about the responsible party is inconsistently reported to the City and even when it is reported, attempts to recuperate the cost of repairs from the responsible party or their insurance company are not made. Given this is precisely the loophole that Alameda is alleged to have exploited while at La Canada, it was an area of keen interest for Kroll.

Although we found no evidence to suggest that Alameda was made aware of property damage reports or that he attempted to recover funds from any responsible parties or their insurance companies, the opportunity for him to do so was available and the ability for that to be tracked is minimal.

2.1.2 Search of Alameda's Office

Although Kroll did not identify any documentation or other evidence in Alameda's office that would suggest he was involved in financial or other misconduct, the dearth of records remaining in Alameda's office was surprising. This, coupled with witnesses' recollection that Alameda was carrying

a large bag with him when he last left the City, raises concerns that Alameda removed any incriminating evidence.

2.1.3 Search of Alameda's Emails

Kroll found no evidence of financial or other misconduct in Alameda's emails.⁴ However, the City's Microsoft Office 365 only maintains activity logs for the default period of seven days. Without proper forensic preservation of Alameda's account within that seven-day period, determining whether Alameda deleted, modified, extracted, or conducted any other suspicious activity is not possible.

2.1.4 High-Level Financial Review

Kroll's high-level financial review did not identify any evidence to suggest Alameda engaged in financial or other misconduct. However, Kroll did not perform an exhaustive forensic audit of all sources and uses pertaining to the City, but rather, conducted a targeted review of areas most likely to have been misappropriated. These included:

- Sources of funds that Alameda had direct access to (such as bank accounts⁵ and credit/purchase cards⁶);
- Departments and/or areas over which Alameda had some purview (such as City Hall, Transit, IT, Public Works, Short Term Rentals ("STR"), Cannabis, Special Events, and Transit Occupancy Tax); and

⁴ Kroll's search included all available folders within Alameda's mailbox: Inbox, Junk, Outbox, Sent, Deleted, Drafts, Archive, Conversation History, and RSS Subscriptions. The search targeted responsive emails to key words and phrases such as insurance, damage, demand, claim, short term rental, Airbnb, VRBO, STR, cannabis, SB125, Jasper, Transwest, Altigen, Watershed, Kear, Grainger, Trevor Morris, National General, as well as roots and extensions of these words and phrases.

⁵ Kroll reviewed the Fiscal Years 2024 and 2025 monthly statements for the City's bank accounts at the following financial institutions: Banc of California, Pacific Western, Wells Fargo, as well as Bank of Sierra accounts from June 2023 to May 2025.

⁶ Kroll reviewed statements and relevant backup documentation for expenses incurred on Alameda's credit card accounts ending in x2786 and x9479.

- A number of areas where the City's weak accounts payable ("AP") and accounts receivable ("AR") processes provided opportunity for diversion of funds (such as payroll, vendor payments, grant funding, cash receipts, other ACH and check payments).

Due to the large volume of information, difficulties accessing the data in formats conducive to efficient review, lack of sufficient record keeping practices by the City, and inconsistent accounting processes for recognizing revenue and expenses, in many cases, Kroll was only able to select a very small sample size for each area of review.

For example, Kroll attempted to review all assessments levied and payments received against those assessments for short term rentals. However, due to insufficient tracking of fines, and a lack of detail regarding recorded offsets and receipts against those fines, Kroll was only able to review a very small sample of this revenue.

3 Governance/Control Observations, Implications, and Recommendations

Kroll's observations of governance and/or control deficiencies and recommendations summarized below are subject to our scope of review, scope limitations, and are point in time based on Kroll's last day of fieldwork. This does not contemplate if the City of Ojai has initiated enhancements since the last day of Kroll's fieldwork.

Description/Category	Observations and Implications	Recommendation
Business need – initiating request for a service or to procure supplies	<p>Observation: City of Ojai operates on a demand basis.</p> <p>Implication: This increases exposure to financial crime risk (e.g., fraud, waste, and abuse, etc.), raises risk to spending in excess of budget, reduces the ability of the City of Ojai to identify cost efficiencies.</p>	<p>Recommend City of Ojai move to a purchase order requisition process, whereby when a business unit identifies a need to procure supplies or a service, a purchase order requisition is first initiated, including at a minimum, describing why the purchase is required/business need, timing, and cost estimate. Kroll understands the City of Ojai is moving to a PO requisition process and training is underway.</p>
Accounts payable and expenses approved with insufficient accompanying documents	<p>Observation: The City of Ojai lost their accounts payable resource and as a result, accounts payable tasks are split between remaining staff, resulting in a lack of segregation of duties. In addition, Kroll observed instances of a lack of sufficient supporting detail for payables recorded in the general ledger (e.g., accounts payable entries in Ojai's accounting system do not contain detailed descriptions, which</p>	<p>Recommend the City of Ojai establish parameters of what constitutes sufficient documentation (e.g., recording sufficient detail on nature of expenses incurred, vendor name, invoice details, etc.) and document this requirement within procurement and accounts payable policy documents and</p>

	<p>would include vendor name, invoice details, and subsequent check numbers) and in the accompanying documents for expenses already incurred, such as certain trolley repair expenses reviewed by Kroll, there is a lack of supporting information to help the approver assess whether expenses incurred relate to work actually performed. In addition, as the expenses are already incurred, this puts the City of Ojai in a challenging position if finance/others would not have approved the payment in part or in whole if they found issues with the expense (e.g., nature of the expense, red flags in the accompanying documents, etc.) – See also observations below on budget management and lack of a purchase order requisition process.</p> <p>Implication: A lack of sufficient details for those tasked with providing checks and balances within finance, creates the opportunity for misconduct (e.g., fraud, waste, abuse, etc.).</p>	<p>provide training to City of Ojai employees involved in initiating procurement of services or incurring expenses and those involved in reviewing and approving expenses.</p>
<p>Accounting, financial reporting, and sufficient detail recorded to ensure a proper 'audit' trail</p>	<p>Observation: We observed several instances of insufficient details in the City of Ojai's accounting and business records. For instance, the use of batch check runs (essentially a range of check numbers) as descriptors for transactions recorded in the GL makes it difficult to ascertain exactly which check(s) is/are associated with the specific line item. This challenge of determining which checks correspond</p>	<p>For financial reporting accuracy and to facilitate an easier process for internal and external audit and/or review of transactions, Kroll recommends that Ojai provide more detailed descriptions and unique identifiers (i.e., for breakdowns of batch runs) when allocating</p>

	<p>to what specific line item is exacerbated if within the batch there are multiple transactions for the same dollar amount.</p> <p>Implication: A lack of sufficient details for those tasked with providing checks and balances within finance and for audit or review by external auditors, this creates the opportunity for misconduct (e.g., fraud, waste, abuse, etc.) and also makes it more difficult for the City of Ojai to answer their own and/or external questions on expenses incurred and amounts received.</p>	<p>balance sheet entries (e.g., assets, liabilities).</p>
Budget management	<p>Observation: Finance does not track expenses against specific departmental budgets, but rather, each department is responsible for verifying their budget and remaining balance.</p> <p>Implication: Finance's reliance, combined with the fact that there is no PO requisition process, raises risk to spending in excess of budget and reduces the ability of the City of Ojai to identify cost efficiencies.</p>	<p>As noted above, recommend City of Ojai move to a purchase order requisition process. According to Avila, the City of Ojai is moving to a PO requisition process and training is underway.</p> <p>Recommend City of Ojai implement a more robust budget to actual review on a regular cadence with reporting to each department to help reduce risk of overspending.</p>
Vendor management	<p>Observation: Master vendor listing is not reviewed for stale accounts. Oversight of the master vendor listing was previously performed by the Accounting Supervisor; however, due to staff turnover, there</p>	<p>Recommend City of Ojai establish a regular cadence of reviewing master vendor listing for stale accounts and to remove vendors for those with whom City of Ojai no longer conducts business.</p> <p>Recommend City of Ojai also</p>

	<p>have been resource challenges and this task has been left uncovered.</p> <p>Implication: Reviewing master vendor listing on a regular basis helps to reduce the opportunity for someone to use stale accounts to facilitate procurement fraud (e.g., creating fictitious suppliers and changing bank account information for payment of accounts payables, etc.).</p>	<p>implement a system generated process whereby changes in key information on a vendor are flagged (e.g., addresses, payment information, etc.)</p>
Vendor due diligence	<p>Observation: Due diligence is not performed on vendors. Vendor due diligence as part of new vendor onboarding is a fundamental component of third-party risk management.</p> <p>Implication: This represents third party risk to the City of Ojai in that they may enter into a business arrangement for procuring services and/or supplies with a third party that represents financial crime risks, financial distress (and therefore supply chain risk), reputational risk with which City of Ojai could become negatively associated with as a business partner with the vendor.</p>	<p>Recommend City of Ojai establish due diligence procedures on new vendors as a requirement of new vendor onboarding as well as ongoing due diligence to manage third party risk and association with partnering with vendors.</p>
Physical security controls on check stock paper	<p>Observation: The City's check stock paper is locked away in a cabinet with only two people having key access. No one else has access to the key unless they left the key with someone else or in a designated "spot". However, the cabinet is in an accessible area.</p>	<p>Recommend City of Ojai consider pass card access to room with cabinet containing check stock paper to allow for logging in and out. This increases physical security and tracking, in particular, in the event that the cabinet is broken into and/or human error if</p>

	<p>Implication: As the cabinet is in an accessible area, this provides limited physical security on the check stock paper.</p>	an individual leaves check stock paper outside the cabinet.
Positive Pay	<p>Observation: The City of Ojai previously established Positive Pay but only for the amount of the check and not for the payee.</p> <p>Implication: This meant that the payee could be changed and as long as the amount wasn't changed, the City of Ojai wouldn't know the check had been diverted.</p>	Recommend both check amount and payee name are required to match.
Accounts receivable and revenue	<p>Observation: The City's accounts receivable and revenue collection processes are weak.</p> <p>By way of example, Finance currently receives Recreation revenue in the form of check and cash, while ActiveNet tracks revenue received via credit card. The Recreation Department provides a log of checks and cash received and provides such to Finance. Finance uses the report provided by Recreation to ensure the received amount of checks and cash is accurate. However, Finance has no way of validating whether the log received from Recreation is fulsome and accurate.</p> <p>In addition, there is a lack of segregation of duties as it pertains to receipts of checks via mail, in which the process of</p>	Recommend City of Ojai hire additional resources and/or reallocate responsibilities around revenue collection and mail collection in order to create adequate separation of duties, thereby lowering exposure to financial crime risks and to enhance processes on revenue tracking and documentation including in accounting records (e.g., details in journal entries and descriptions/narratives for transactions impacting the balance sheet, etc.) so the City knows to expect revenue coming in and to follow up to collect on receivables.

	<p>receipt, distribution, recording, and reconciling fall with one person.</p> <p>Implication: A lack of segregation of duties in turn creates the opportunity for misconduct (e.g., fraud, abuse, etc.). In addition, the lack of adequate tracking and documentation within the City's processes and accounting records, means that the City may not know to expect revenue coming in and to follow up to collect on receivables.</p>	
Accounts receivable aging	<p>Observation: Accounts receivable aging is not reviewed on any consistent basis due to understaffing and lack of proper training.</p> <p>Implication: This represents a cash flow management risk and risk of potential increase in uncollectable accounts receivable.</p>	<p>Recommend City of Ojai have a dedicated resource to review accounts receivable aging to monitor for potential uncollectible amounts and to allow for more proactive approach in following up with payment to improve cash flows.</p>
Mail process and access	<p>Observation: City of Ojai used to have a dedicated person that would obtain the mail and new mail was logged. However, there has been a lot of turnover and there currently is no dedicated person managing the mail. It often falls to a person in Finance (as referenced above).</p> <p>Implication: This represents a lack of segregation of duties and in turn creates the opportunity for misconduct (e.g., fraud, abuse, etc.).</p>	<p>Recommend City of Ojai have a dedicated individual separate from accounts receivable and accounts payable functions to collect mail and distribute to the appropriate department.</p>

Employee listing management	<p>Observation: The master employee listing is reviewed only once per year. There are no manual or system generated alerts to flag employee information, such as changes to direct deposit, or separation of employees.</p> <p>Implication: Reviewing employee listing on a more regular basis helps to reduce the opportunity for someone to facilitate fraud (e.g., changing bank account information to redirect payments, or use of ghost or former employees to receive payments, etc.).</p>	Recommend increased frequency of employee listing monitoring and implementation of system generated flags for changes in key information to reduce reliance on human led controls.
Conflict of interest	<p>Observation: There is no review for conflict of interest unless obvious in seeing a company name that looks like employee (e.g., John Doe LLP) and there is no cross comparison across Master Vendor and employee listing to review for conflict of interest.</p> <p>Implication: This creates the opportunity for wrongdoing (e.g., nepotism, unreported related party transactions, etc.) and potential increased financial crime risk.</p>	Recommend City of Ojai establish a regular cadence of review of conflict of interest timed with the cadence of review of master vendor listing and employee listing. City of Ojai should also implement a formal requirement for employees (and as part of new hire packages) to sign and declare conflict of interest forms (e.g., such as if they own and operate outside businesses, etc.).
Grant management	<p>Observation: Inconsistent treatment of grants from an accounting perspective and insufficient tracking of grant funds. For example, certain grants are recorded as revenue upon receipt, meanwhile others are recorded as deferred</p>	Recommend consistent accounting treatment for grants and establishing clear tracking of grant funds (e.g., separate accounts, sufficient details

	<p>contributions until expenses are incurred related to the grant. In certain cases, grant revenue is recorded in one GL account whereas expenses against that grant are recorded in a separate GL account.</p> <p>Implication: Without sufficient tracking of grant funds, the City of Ojai increases their risk that funds may be used in a manner that is not compliant with the requirements of the grant provider. This in turn can put the City of Ojai's ability to obtain such grants in the future. In addition, inconsistent treatment of grants from an accounting perspective, can create additional work for finance and potential misunderstanding by a reader of the City's financial statements.</p>	<p>recorded in the general ledger, etc.).</p>
Claims process	<p>Observation: The City of Ojai does not have a formal policy for when repairs are required on City of Ojai property. Public Works typically makes necessary repairs (e.g., if there is a light pole that is damaged, Public Works would repair the damage). However, there is no attempt to recuperate the cost of parts or labor to repair the damage from the responsible party(ies). In theory, recuperation would fall into the City's risk manager; however, there is no system in place to ensure notification to the risk manager.</p> <p>Implication: Without a formalized policy and process in place, the City will not even know when to seek recuperation from</p>	<p>Recommend City of Ojai establish a formal claims process with assigned roles and responsibilities and document this with adequate processes in place. In addition, Public Works should ensure they capture and document the costs they incur for repairs to city property to support the City where they decide to place a claim with their insurance provider.</p>

	<p>the responsible party(ies). Furthermore, there is an increased risk that City of Ojai will not have line of sight to know when to expect an insurance claim payment and to follow up and manage same.</p>	
<p>New hire processes - employee background checks</p>	<p>Observation: When Alameda was being considered for employment, reference checks did not include a current employee at La Canada Flintridge (Alameda's prior employer). Rather, a former La Canada Flintridge employee was contacted and interviewed.</p> <p>Implication: This increases the risk that the City hires an employee with prior known employment issues (e.g., history of misconduct or wrongdoing, etc.) and/or other factors which may have impacted the City's hiring decision.</p>	<p>Recommend the City update their new hire background check requirements to require reference checks with prior employers of the individual being considered for a position; in particular for candidates being hired for positions within finance and other positions with high level of authority.</p>
<p>Employee departure procedures</p>	<p>Observation: Post-termination, Alameda was never specifically asked whether he destroyed any digital records or took any documentation or physical records from the City. Furthermore, Alameda initially did not return his City provided laptop with other City property, claiming he didn't have a large enough package to return the laptop.</p> <p>Implication: Without adequate and documented employee departure requirements including the timing for completion, the City increases the risk that important and confidential City</p>	<p>Recommend City of Ojai develop a checklist, with input from HR, IT, and legal, for employee departure procedures, and in particular for employees being terminated for cause and/or suspected wrongdoing or misconduct. For example, to ensure that all City provided devices (e.g., smart phones, laptops, etc.) as tracked by IT are requested from the employee upon notice of termination or employee resignation.</p>

	<p>information continues to be in the possession of the departed employee including what could be evidence and increases the opportunity of the departed employee to destroy evidence or otherwise misuse confidential City information.</p>	
City of Ojai Microsoft Office 365 settings for logging and data retention	<p>Observation: The City of Ojai's Office 365 settings for logging and data retention are limited to the default minimum of seven days.</p>	Recommend the City upgrade its license and ensure default retention for all audit logs to at least 180 days.

