



OAKLAND UNIFIED  
SCHOOL DISTRICT  
*Community Schools, Thriving Students*

# OUSD 2021 Audit Update

## Findings Detail 2021 - 002 & 003



Presented to Audit Committee  
April 4, 2022

# Purpose

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The purpose of this presentation is to provide context for the impetus for Audit Findings 2021-002 and 2021-003 as cited in the District's 2020-21 Financial Audit Report and the summary of the corrective actions.

## **Audit Finding | R2021 - 002**

### **Pension Status**

#### **Summary**

Documentation to support payroll reported to pension providers lacking in 67 out of total sample of 89

#### **Level**

Significant deficiency in internal control

#### **Context**

##### **Desired process and result**

As new/returning employees are onboarded, staff ensures the person is eligible to work in the position based on current retirement status and any required retirement contributions set up appropriately (e.g. to CalPERS, CalSTRS)

##### **Risk**

- a) Retired employees may be placed in positions for which they are ineligible to work based on retirement status.
- b) Retirement contributions may be erroneously made impacting the employee's retirement status and/or necessitating financial restitution by the District.

##### **Audit Finding Detail**

Documentation commonly used for assessment of eligibility and proper pension setup was not found/provided to auditors in 67 of the 89 former employees sampled.

## **Audit Finding | R2021 - 002**

### **Pension Status Cont;**

#### **Summary**

Documentation to support payroll reported to pension providers lacking in 67 out of total sample of 89

#### **Level**

Significant deficiency in internal control

## **Context**

### **Cause**

There appears to be a lack of ongoing monitoring and oversight to ensure that employees involved in the critical process are consistently following the established policies and procedures, including the retention of pertinent physical records to support the performance of documented controls. Often no single person is accountable to locate documents or answer questions.

Identification as a Repeat Finding  
See finding 2020-002.

### **Recommendation**

The District should ensure that management in charge of these areas is held accountable to ensure that all critical internal control policies and procedures are communicated to the employees charged with carrying out those procedures. Management further needs to monitor compliance and ensure that processes are being performed timely and consistently. Furthermore, there needs to be one established method to ensure that controls are being followed and that employees do not deviate from established District policies. Finally, there needs to be a formal record retention policy that supports the fact that controls are being followed per District policies.

## **Audit Finding | R2021 - 002**

### **Pension Status**

#### **Summary**

Documentation to support payroll reported to pension providers lacking in 67 out of total sample of 89

#### **Level**

Significant deficiency in internal control

#### **Corrective Action**

##### **Correct any identified deficiencies**

Staff to review identified cases to ensure employees are eligible to work and retirement contributions are being made appropriately.

##### **Process Improvement and Internal Controls**

Staff to develop/refine flowchart of steps with responsibilities and timelines to ensure:

- Prospective employees complete designated form needed to assess eligibility and setup appropriate pension
- Staff makes timely assessment and setup of prospective employees
- Documentation supporting assessment is stored for both internal reviews and external audits

Process improvement to include schedule for periodic internal review and staff training along with ongoing supervision and quarterly internal audit.

## **Audit Finding | R2021 - 003**

### **Vacation Reserves**

#### **Summary**

Documentation to verify vacation usage lacking

#### **Level**

Material weakness in internal control

#### **Context**

##### **Desired process and result**

As employees request and take vacation, the authorization workflow is documented, tracked and results in appropriate deduction from leave balances. Vacation accrual limits and payouts of leave balances implemented according to labor agreements/board resolutions.

##### **Risk**

- a) Vacation accrual in excess of limits
- b) Vacation payout in excess of amount earned minus amounts taken
- c) Vacation payout is less than amount earned minus amounts taken due to lack of audit of leave entry and documentation

## **Audit Finding | R2021 - 003**

### **Vacation Reserves**

#### **Summary**

Documentation to verify vacation usage lacking

#### **Level**

Material weakness in internal control

## **Context**

### **Audit Finding Detail**

Documentation to verify vacation usage lacking.

### **Cause**

There appears to be a lack of ongoing monitoring and oversight to ensure that employees involved in the critical process are consistently following the established policies and procedures, including the retention of pertinent physical records to support the performance of documented controls. Often no single person is accountable to locate documents or answer questions. Furthermore, adequate internal controls are an overall District responsibility requiring interdepartmental communication to be successful.

### **Recommendation**

Management in charge of these areas should be held accountable to ensure that all critical internal control policies and procedures are communicated to the employees charged with carrying out those procedures. Management further needs to monitor compliance and ensure that processes are being performed timely and consistently. Furthermore, there needs to be one established method to ensure that controls are being followed and that employees do not deviate from established District policies. Finally, there needs to be a formal record retention policy that supports the fact that controls are being followed following District policies.

## **Audit Finding | R2021 - 003**

### **Vacation Reserves**

#### **Summary**

Documentation to verify vacation usage lacking

#### **Level**

Material weakness in internal control

#### **Corrective Action**

##### **Process Improvement and Internal Controls**

Staff to develop/refine flowchart of steps with responsibilities and timelines to ensure:

- Vacation planning at management level to ensure use and support is made for appropriate levels of staff vacation based on contractual/employment agreements to include timely payouts
- Workflow approval process for vacation requests including documentation attached to each request/approval (ideally 100% electronic)
- Appropriate deductions and corrections made to vacation balances during the year.

Process improvement to include schedule for periodic internal review/audit and staff training along with ongoing supervision.

Process improvement supported by ensuring vacation accrual limitations are accurately reflected in the District's business system and occur automatically with appropriate notifications.





Financial Statements  
June 30, 2021

Oakland Unified School District

# Questions?