

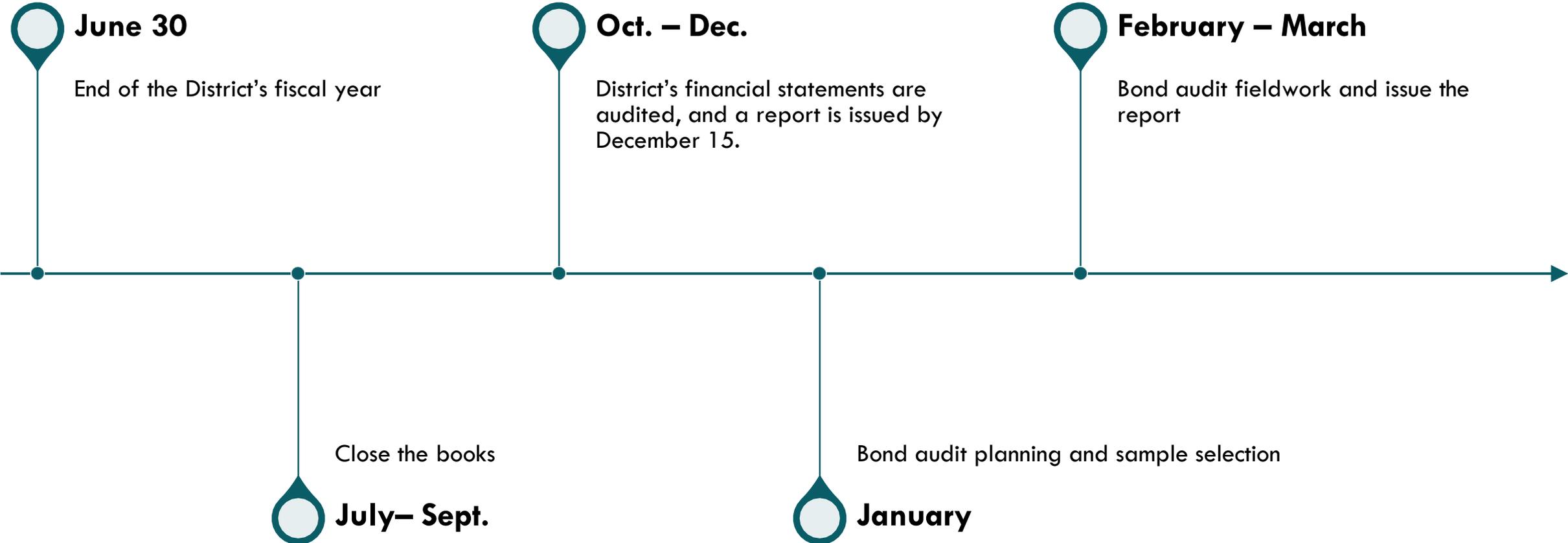


OAKLAND UNIFIED SCHOOL DISTRICT

Fiscal Year 2021 Audited Bond Fund Financial Statements and Bond Performance Audit



TIMING



SCOPE OF THE AUDIT



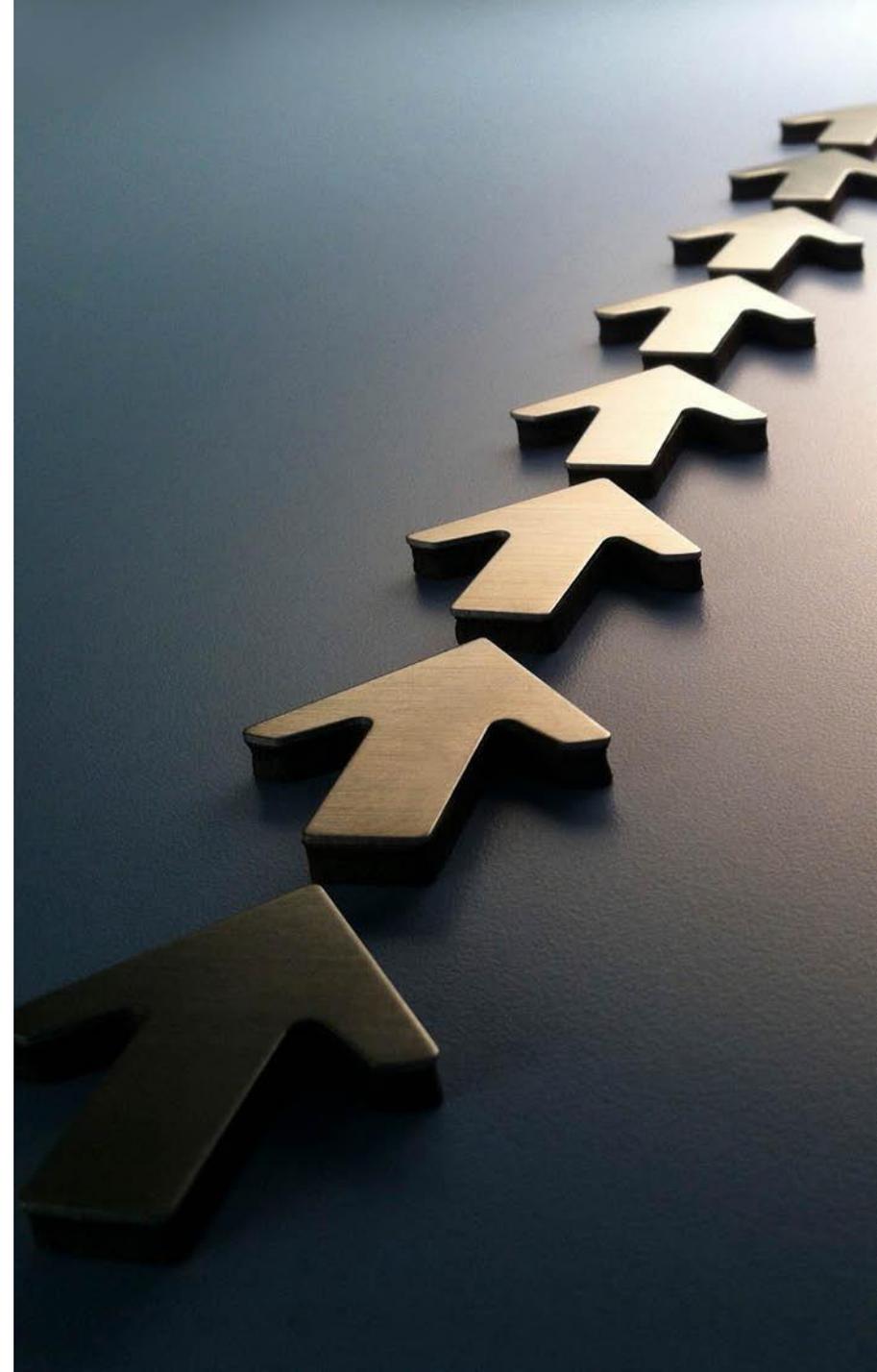
Auditor's responsibilities

Forming and expressing opinions based on the results of our audit of the **financial statements**, and audit of **compliance**.



Management's Responsibilities

Completeness and accuracy of the financial statements, maintenance of internal control over financial reporting, and compliance with laws and regulations.



SCOPE OF THE AUDIT

- Audit of the Bond Program's financial statements, separate for each Authorization
 - Are the financial statements prepared per US-GAAP for governmental entities?
- Reporting on identified internal control deficiencies, if any
- Proposition 39 Bond Performance Audit
 - Were expenditures only for allowable activities and costs?





PERFORMANCE AUDIT

PERFORMANCE AUDIT SCOPE (STANDARD)

- Ensure that such funds were expended on specific projects listed in the text of the applicable ballot measure.
- Verify that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.
- Verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

PERFORMANCE AUDIT SCOPE (EXPANDED)

- Development and adherence to design and construction budgets, schedules and timelines
- Financial Reporting and Internal Controls
- Payment Processing
- Change Order and Claim Procedures
- Public bidding and procurement
- Materials standardization
- Conflict of Interest

Focus is on “Compliance” *and* “Internal Control”



PERFORMANCE AUDIT CONCLUSIONS

The ballot language addresses projects at the District and school site levels; however, particular expenditures are not explicit the Bond language

	<u>Measure J</u>		<u>Measure B</u>	
Vendor	\$ 32,589,604		\$ 5,342,458	33
Payroll	<u>1,907,159</u>		<u>-</u>	
Total examined	\$ 34,496,763	144	\$ 5,342,458	33
Total incurred	\$ 45,352,645		\$ 6,827,621	
Percentage examined	76%		78%	

PERFORMANCE AUDIT CONCLUSIONS

- For *split-funded employees*, the District does not have a documented basis for distributing salary between the narrow category of bond compliant construction projects, and routine everyday school facilities administrator expenses.

PERFORMANCE AUDIT CONCLUSIONS

- **Observation 1.1** - Although none in the current year, the District's project cancellation increases the risk of inefficient use of bond funds.
- **Observation 2** - The District does not include expenditures by *timeframe* based on *project* forecasts to validate that sufficient funding is available to meet the financial requirements of Measure J objectives.
- **Observation 3** - Financial Reporting and Internal Controls, the District has resolved the prior year observations and recommendations under Specific Outcome No.3.

PERFORMANCE AUDIT CONCLUSIONS

- **Observation 4** - There were instances where payment processing took longer than contractual requirements and was not supported by a payment application/invoice rejection letter justifying the delay.
- **Observation 5.1** - The policies and procedures surrounding change order review and acceptance are applied inconsistently.
- **Observation 5.2** - There is not a defined policy for reporting of meaningful change orders to key stakeholders.
- **Observation 5.3** - Change orders are often classified as “error and omissions” due to the architect’s drawings, not including all specifications.

PERFORMANCE AUDIT CONCLUSIONS

- **Observation 6** – Bidding and procurement procedures, the District has resolved the prior year observations and recommendations under Specific Outcome No.6.
- **Observation 7** – The District’s standardized items list for Bond Program materials procurement is not current and is potentially not complete.
- **Observation 8 and 9.1** – The District did not provide a conflict-of-interest disclosure for specific management positions defined in the District’s board policy within the facilities department.
- **Observation 8 and 9.2** – Policies and procedures were updated, centrally located, defined roles and responsibilities and readily available at the District’s website; however, some procedures are inconsistent and incomplete as of June 30, 2021



FINANCIAL STATEMENTS

1 **OPINION ON THE FINANCIAL STATEMENTS**

“...the financial statements referred to above present fairly, in all material respects, the financial position of the Measure A Bond Fund...”

2 **INTERNAL CONTROL OVER FINANCIAL REPORTING**

2020-001, Audit Adjustments

3 **COMPLIANCE**

“...no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards...”



2012 MEASURE J



Balance sheet

Assets	
Cash and investments	\$ 61,784,315
Interest receivable	133,810
Prepaid items	244,451
Total assets	<u>\$ 62,162,576</u>
Liabilities and Fund Balances	
Liabilities	
Trade accounts payable	\$ 1,792,767
Total liabilities	<u>1,792,767</u>
Fund Balance	
Nonspendable	244,451
Restricted for Measure J	60,125,358
Total fund balance	<u>60,369,809</u>
Total liabilities and fund balance	<u>\$ 62,162,576</u>

2012 MEASURE J

Revenues	
Interest	\$ 1,023,284
Changes in the fair value of the investments	514,428
Vendor refunds	710,049
Total revenues	<u>2,247,761</u>
Expenditures	
Current	
Maintenance	124,332
Operation	2,840,603
Capital outlay	
Salaries	515,298
Employee benefits	215,975
Supplies and equipment	1,423,883
Services and operating expenditures	303,292
Construction	39,929,262
Total expenditures	<u>45,352,645</u>
Excess of expenditures over revenues	(43,104,884)
Net change in fund balance	(43,104,884)
Fund balance, beginning of the year	<u>103,474,693</u>
Fund balance, ending of the year	<u>\$ 60,369,809</u>



Income Statement

2006 MEASURE B



Balance sheet

Assets

Deposits and investments	\$ 13,976,475
Interest receivable	31,366
Total assets	<u>\$ 14,007,841</u>

Liabilities and Fund Balances

Liabilities

Trade accounts payable	\$ 65,627
Total liabilities	<u>65,627</u>

Fund Balance

Restricted for Measure B	13,942,214
Total Liabilities and fund balance	<u>\$ 14,007,841</u>



2006 MEASURE B



Income Statement

Revenues	
Interest	\$ 226,526
Changes in the fair value of investments	116,424
Total revenues	<u>342,950</u>
Expenditures	
Capital outlay	
Salaries	3,389
Employee benefits	511
Equipment	50,000
Construction	6,773,721
Total expenditures	<u>6,827,621</u>
Excess of expenditures over revenues	<u>(6,484,671)</u>
Net change in fund balance	<u>(6,484,671)</u>
Fund Balance, beginning of the year	<u>20,426,885</u>
Fund Balance, ending of the year	<u>\$ 13,942,214</u>





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