



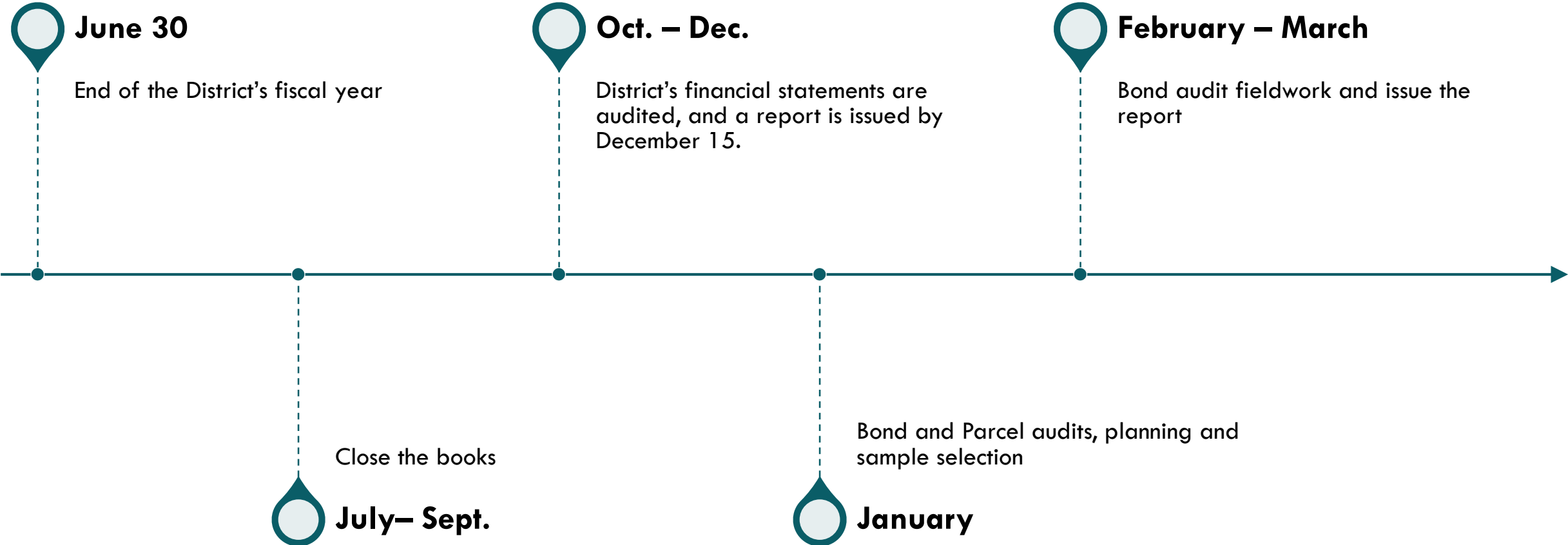
OAKLAND UNIFIED SCHOOL DISTRICT

Fiscal Year 2021 Audited Bond Fund Financial Statements and Performance Audit

Fiscal Year 2020 Measure G Compliance Audit



TIMING



SCOPE OF THE AUDIT



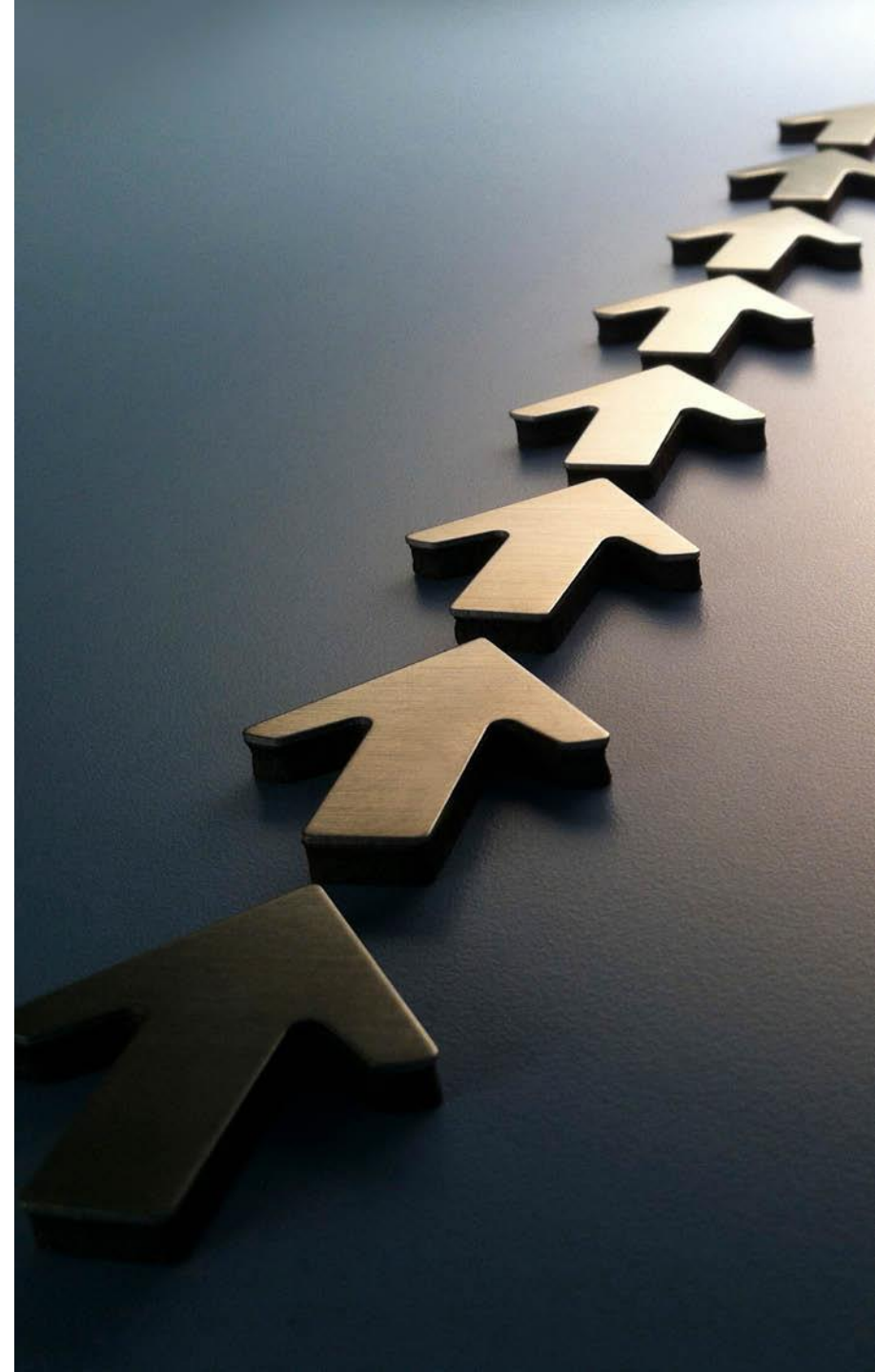
Auditor's responsibilities

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 AUDITS

- Audit of the Construction Bond Program's financial statements, separate for each Authorization
 - Do the financial statements comply with governmental accounting rules?
- Reporting on identified internal control deficiencies, if any
- Proposition 39 Bond Performance Audit and Measure G Compliance Audit
 - Were expenditures used only for allowable activities and costs?





CONSTRUCTION BOND 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

CONSTRUCTION BOND PERFORMANCE AUDIT CONCLUSIONS

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

CONSTRUCTION BOND PERFORMANCE AUDIT CONCLUSIONS

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

CONSTRUCTION BOND PERFORMANCE AUDIT OBSERVATIONS

- **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.

CONSTRUCTION BOND PERFORMANCE AUDIT OBSERVATIONS

- **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.

CONSTRUCTION BOND PERFORMANCE AUDIT OBSERVATIONS

- **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



MEASURE B AND J SEPARATE 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**

2021-001, Audit Adjustments – Material Weakness in Internal Control Over Financial Reporting

3 **COMPLIANCE**

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



2012 MEASURE J

Assets

Cash and investments	\$ 61,784,315
Interest receivable	133,810
Prepaid items	244,451
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Total assets	<u>\$ 62,162,576</u>

Liabilities and Fund Balances

Liabilities

Trade accounts payable	<u>\$ 1,792,767</u>
	<hr/>
Total liabilities	<u>1,792,767</u>

Fund Balance

Nonspendable	244,451
Restricted for Measure J	<u>60,125,358</u>
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Total fund balance	<u>60,369,809</u>
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Total liabilities and fund balance	<u>\$ 62,162,576</u>



Balance sheet

2012 MEASURE J

Revenues	
Interest	\$ 1,023,284
Changes in the fair value of the investments	514,428
Vendor refunds	710,049
	<hr/>
Total revenues	2,247,761
Expenditures	
Current	
Operations	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	40,053,594
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Total expenditures	45,352,645
Excess of expenditures over revenues	(43,104,884)
Net change in fund balance	(43,104,884)
Fund balance, beginning of the year	103,474,693
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Fund balance, ending of the year	\$ 60,369,809
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Income Statement



2006 MEASURE B

Assets

Deposits and investments	\$ 13,976,475
Interest receivable	<u>31,366</u>

Total assets \$ 14,007,841

Liabilities and Fund Balances

Liabilities

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

Fund Balance

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



Balance sheet

2006 MEASURE B

Revenues	
Interest	\$ 226,526
Changes in the fair value of investments	<u>116,424</u>
Total revenues	<u>342,950</u>
Expenditures	
Capital outlay	
Salaries	3,389
Employee benefits	511
Equipment	50,000
Construction	<u>6,773,721</u>
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>



Income Statement





MEASURE G PARCEL TAX COMPLIANCE AUDIT

AUDIT OPINION RANGE



1 **QUALIFIED OPINION COMPLIANCE WITH MEASURE G**

“...except for the possible effects of the matter described on the following slide, Oakland Unified School District complied, in all material respects, with the compliance requirements ...of Measure G... Measure G for the year ended June 30, 2020”

2 **MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that **there is a reasonable possibility that material noncompliance** with a compliance requirement **will not be prevented, or detected and corrected, on a timely basis.**



MEASURE G COMPLIANCE AUDIT CONCLUSIONS

- The Measure G accounting records are complete and include all activity during the fiscal year.
- Revenues of \$21 million are correctly recorded into the accounting records of Measure G.
- Review the nature of the expenditures, and review source documents, to ensure expenditures were within the permissible uses of Measure G

Examined transaction	Amount	Count	Percentage of Total Expenditures
Payroll and related	\$ 2,792,992	44	21%
Vendor and related	648,165	33	65%
Sub-total, sampled transactions	3,441,157	77	
Benefits	6,135,353	-	100%
County collection fee	347,136	-	100%
Total, examined transactions	<u>\$ 9,923,646</u>		48%

The District did not supply documentation to support 14 transactions totaling \$905 thousand as illustrated in the following table:

Deviations, Incomplete Documentation	Amount	Count	Percentage of Sampled Expenditures
Payroll and related	\$ 904,991	14	32%
Vendor and related	-	-	
Total	<u>\$ 904,991</u>	<u>14</u>	





MEASURE G FINANCIAL SUMMARY SCHEDULES

SCHEDULE OF BALANCE SHEET ACCOUNTS

Table 1, Schedule of Balance Sheet Accounts for the Year Ended June 30, 2020

Assets	
Cash in County Treasury	<u>\$ 127,359</u>
Total assets	<u><u>\$ 127,359</u></u>
Liabilities and Fund Balance	
Accrued expenditures	127,359
Fund balance - restricted for Measure G	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 127,359</u></u>

SCHEDULE OF INCOME STATEMENT ACCOUNTS

Table 2, Schedule of Income Statement Accounts for the Year Ended June 30, 2020

Revenues			
	Measure G parcel tax collections	<u>\$ 20,727,416</u>	
Expenditures			
1100	Certificated Teacher's Salaries	12,311,784	59.4%
1200	Certificated Pupil Support Salaries	47,637	0.2%
1300	Certificated Supervisor's and Administrator's Salaries	2,203	0.0%
2100	Classified Instructional Salaries	2,451	0.0%
2200	Classified Support Salaries	333,093	1.6%
2300	Classified Supervisor's and Administrator's Salaries	434,846	2.1%
2400	Clerical, Technical and Office Staff Salaries	110,620	0.5%
3000	Employee Benefits	6,135,353	29.6%
4000	Books and Supplies	501,404	2.4%
5100	Subagreements for Services	28,000	0.1%
5200	Travel and Conference	1,495	0.0%
5300	Assemblies and workshops	4,180	0.0%
5600	Music instruments	17,621	0.1%
5700	Noncapital improvements	6,045	0.0%
5800	County Collection Fee	347,136	1.7%
5800	Professional/Consulting Services	<u>436,048</u>	2.1%
Total expenditures by object		<u>\$ 20,719,916</u>	
Change in fund balance		7,500	
Fund balance - beginning of year		<u>(7,500)</u>	
Fund balance - end of year		<u>\$ -</u>	





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