

# DRAFT

February 27<sup>19</sup>, 2024

Re: Board Bylaw 9131, Section 3, Report of Audit Committee to the Oakland Unified School District Board of Trustees (Board)

Dear Trustees,

The Audit Committee (Committee) is pleased to present its findings, recommendations and summary of activities for the calendar year 2023.

## Financial Statements

The Committee reviewed the June 30, 2023, Annual Financial Report in detail with the external auditor, Eide Bailly, and with the Chief Business Officer (CBO), Lisa Grant-Dawson. The Committee would like to congratulate the district finance team for significant improvements in compliance. The number of audit findings dropped from eleven to seven. There were no findings with respect to pension, payroll and vacation tracking processes. In general, the committee notes that the management responses to the audit findings and the related corrective action plans have improved dramatically in the last couple of years and management has effectively implemented those plans to improve compliance.

Of the seven findings three related to attendance records, three related to other types of records management and the only non-repeat finding related to the lack of a transportation services plan. The attendance findings are problematic as the district should be able to competently track its students, however, it appears that significant progress is being made in that the district implemented an Expanded Learning Attendance system in 2022 and rolled out additional training in fall of 2023. Thus, provided the respective parties comply, we would expect those findings not to repeat in 2024. The other three records related findings had to do with the school accountability report card, specifically, teacher certification misassignments, independent study agreements and immunization records.

We note that the lack of a transportation services plan (audit finding 2023-007) requires the district to pay \$3.4 M back to the state and the cause of the oversight appears to be a lack of capacity at both the Board level and the management level. We remind the Board that the district incurred a \$360,000 fine related to teacher misassignments in 2021. Not addressing capacity issues faced by the finance group can and will result in real costs such as these. An increase in finance staff would effectively pay for itself and save money given the steep fines of such matters.

While technically beyond the purview of the Committee, we note that the available reserves the district currently holds is 15.29% of total expenditures or \$115M (see page 71 of the financial statements). The statutorily required reserve is only 2% and the Board approved a higher reserve of 3%. For 2023 the planned budget reserve was 7.1% with the actual reserve amount reported at 15.29%. In 2022 the planned budget reserve was 4.6% with the actual reserve amount reported at 8.5%. The last two years saw an actual ending reserve approximately double of what was budgeted. The financial statements

indicate that the district plans to run a deficit in 2024 to use those reserves (audited financial report page 71). Nonetheless, we recommend that the management along with the budget and finance committee provide a thorough, explicit and transparent plan for use of the excess reserve to the Board and the public.

In summary, for the second year in a row the district made substantial progress in correcting some significant and long-standing deficiencies in control, made plans for correcting the deficiencies and acted on them successfully. It is the view of the committee that increasing the headcount in the finance group would be an effective and efficient use of funds, but also appreciate that higher priorities may exist.

### The Committee

The Committee had trouble making quorum this year and had to cancel quite a few meetings so we greatly appreciate the Board's action to change the membership back to five. We still have an opening on the Committee and would appreciate the Board's help in reaching out to the community for volunteers.

The Committee also wishes to express its appreciation for the continued support from Trustee Williams and CBO, Lisa Grant-Dawson. Their attendance and participation in Committee meetings has been and will continue to be extremely valuable.

Respectfully, the Audit Committee

cc Kyla Johnson-Trammell, Superintendent

Attachment 1 (Audit findings tracker)

<u>Audit Committee Audit Findings Tracker</u> <u>- February 27, 2024</u>										
<u>Audit Year</u>							-	-	<u>Audit Finding Description</u>	<u>Views of Responsible Officials Planned Corrective Action Summary 2023</u>
<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>			
x	x	x	-	x	x	x	2023-001	<u>21st Century Attendance Reporting - misstated 2 of 6 school (2023) misstated 3 of 5 (2022), insignificantly overstated (2020), not accurate (2018), poorly maintained (2017). There was a material weakness in internal control over compliance because attendance reported to the CDE was incorrect.</u>	<u>OUSD has implemented a new Expanded Learning Attendance improved tracking system and provided training to service providers.</u>	
x	-	x	x	x	x	x	2023-002	<u>School Accountability Report Card - The District did not provide the quarterly summaries described in the criteria paragraph.</u>	<u>District is in process of assigning necessary staff and is continuing work to build out the complex data reporting mechanism to allow for continued compliance with Teacher Certification Misassignments. Additional work to be done and anticipate improvement in 2023-24</u>	
-	-	-	-	-	-	x	2023-003	<u>Independent Study - state requires written agreements for pupils enrolled in an independent study program. Of the sample two were not signed by the</u>	<u>Proactive training and awareness occurred and is now part of the District's periodic internal audit and review of independent study records/attendance.</u>	

								<u>administrators within the required timeline.</u>	
-	-	-	-	-	-	x	<u>2023-004</u>	<u>ASES Early Release - All sites did not use early release codes.</u>	<u>OUSD conducted a mandatory attendance meeting for all site coordinators and agency directors. They also created a new early release code so the program could be more adaptive to the needs of students.</u>
-	-	-	-	-	-	x	<u>2023-005</u>	<u>ASES - Attendance Reporting - Errors in attendance reported to CDE.</u>	<u>see above</u>
-	-	-	-	-	-	x	<u>2023-006</u>	<u>Immunizations - Specific immunization records are required to be on file. Of 273 pupils tested 6 were missing data (2023). Of 96 tested pupils 4 were missing data (2022).</u>	<u>Page 96 and 97 of the annual financial report outlines the district's policy and plan for gathering and maintaining immunization records. The district will review and monitor the training program and test for compliance.</u>
-	-	-	-	-	-	-	<u>2023-007</u>	<u>District did not have a plan in place by April 1 2023 to describe transportation services available to students. So must return \$3.4M to the state.</u>	<u>District did not have the capacity to engage and develop a plan for transportation. The district hopes to develop a plan to meet the funding requirement for 2024.</u>
<u>9</u>	<u>12</u>	<u>14</u>	<u>13</u>	<u>15</u>	<u>10</u>	<u>11</u>	<u>7</u>	-	-