

REPORT FOR THE AUDIT COMMITTEE
Presented March 19, 2009

AUDIT RESOLUTION UPDATE 2003-Present

I. 2002-03 Audit Findings.

The total audit liability for the **2002-03** fiscal year is **\$911,856**.

Education Audit Appeals Panel (EAAP) No. 04-22, 2002-03 – The EAAP issued a final determination of OUSD’s audit liability for the 2002-03 fiscal year in the amount of \$911,856 (a significant reduction from the initial \$30 million in audit findings). \$611,856 was paid to the state Department of Finance and \$300,000 was retained by the District to implement FCMAT recommendations to address some of the findings as specified in section 1d of the EAAP settlement agreement. Payment was made to the DOF from the OUSD Fund 17 (second state loan drawdown of \$35 million).

II. 2003-04 Audit Findings.

The total audit liability for the **2003-04** fiscal year is **\$887,029**.

Education Audit Appeals Panel (EAAP) No. 06-01, 2003-04 - The EAAP issued a final determination of OUSD’s audit liability for the 2003-04 fiscal year in the amount of \$887,029 (a significant reduction from the initial \$30 million in audit findings). \$887,029 was paid to the state Department of Finance for findings specified in EAAP report. Payment was made to the DOF from the OUSD Fund 17 (second state loan drawdown of \$35 million).

III. 2004-05 Audit Findings.

Below is a summary of the current status of the 2004-05 audit resolution process. As noted below the EAAP Executive Director will have to make a ruling on certain findings.

Audit Finding No.	Description of Finding	Amount of Audit Finding	Status of Resolution
05-19	ADA Disallowance of Extended Year Special Education Program	\$100,907	Request to EAAP Executive Director for summary disposition. If the District does not receive satisfactory decision we will appeal to the Administrative Law Judge (ALJ).

05-20	Average Daily Attendance (ADA) claim relating to Street Academy High School	\$500,746	The District proposes to admit liability for the penalties and disallowances associated with this finding as follows: Pay the state \$200,000 and retain \$300,746 to be used to strengthen financial and compliance systems.
05-23	ADA Claims for students who were retained in kindergarten for one additional year.	\$47,778	Request to EAAP Executive Director for summary disposition. If the District does not receive satisfactory decision we will appeal to the Administrative Law Judge (ALJ).
05-24	District's claim for Independent Study Program funds based on submittal of agreements and work samples.	\$24,360	Request to EAAP Executive Director to reduce claim from \$24,360 to \$10,000.
05-27	Adult Education Classes Attendance claims	\$17,902	This claim has been resolved with the California Department of Education.
05-29	District's claim for Instructional Time and Staff Development Reform program funds.	\$38,482	Request to EAAP Executive Director for summary disposition. If the District does not receive satisfactory decision we will appeal to the Administrative Law Judge (ALJ)
05-30	Required amount of instructional minutes not met at some elementary schools.	\$2,114,504	The California Board of Education granted a waiver to the District based on the District having the students make up the missed instructional time at a 2 to 1 ratio.
05-31	District's Class Size Reduction program claim; teacher training and claims preparation.	\$55,680	Request to EAAP Executive Director for summary disposition. If the District does not receive satisfactory decision we will appeal to the Administrative Law Judge (ALJ).

05-32	Instructional Materials public hearing requirements not meet.	\$5,774,443	In October of 2008 the Alameda County Office of Education granted the District a waiver based on the District's present "due diligence" to assure that future public hearing timelines are adhered too.
05-33	Instructional Materials: 9-12 grade textbook notification requirements	\$74,867	Request to EAAP Executive Director for summary disposition. If District does not receive satisfactory decision we will appeal to the Administrative Law Judge (ALJ).

Remaining liabilities for 2004-05 total \$842,820. The OUSD is appealing \$632,820 of this amount. Payment of the final resolved amount will be made to the DOF from the OUSD Fund 17 (second state loan drawdown of \$35 million).

IV. 2005-06 Audit Findings.

Below is a summary of the current status of the 2005-06 audit resolution process. As noted below the EAAP Executive Director will have to make a ruling on certain findings. The information is our best thinking at this time.

Audit Finding No.	Description of Finding	Amount of Audit Finding	Status of Resolution
06-27	Internal control deficiencies over federal program expenditures	\$317,494	The financial resolution of federal audit findings is deferred to the State Department of Education. The CDE acknowledges OUSD's progress in maintaining strong internal controls. The audit finding is resolved by the CDE.
06-28	Inadequate employee time certification records	\$20,297,079	The financial resolution of federal audit findings is deferred to the State Department of Education. The CDE has determined the OUSD has developed a process to adequately document employee time certification records. The audit finding is resolved by the CDE.

06-30	National school lunch program: discrepancies in reconciling reimbursement claims	\$6,181	The financial resolution of federal audit findings is deferred to the State Department of Education. The CDE agrees that the recording errors are insignificant when compared to the overall volume. The audit finding is resolved by the CDE.
06-31	National school lunch program: eligibility verification weakness	\$22,085	The financial resolution of federal audit findings is deferred to the State Department of Education. The CDE determined that OUSD has made progress in developing a web based parent eligibility system integrating AFCD records. The audit finding is resolved by the CDE.
06-34	Title I: Highly qualified teacher discrepancies	\$1,296,229	The financial resolution of federal audit findings is deferred to the State Department of Education. The CDE acknowledges that the district has strengthened its Highly Qualified teacher documentation process. The audit finding is resolved by the CDE.
06-38	Non-possession of valid teaching credential	\$10,907	The District proposes to admit liability for the penalties and disallowances associated with this finding as follows: Retain \$10,907 to be used to strengthen financial and compliance systems.
06-40	District's claim for Independent Study Program funds based on submittal of agreements and work samples.	\$41,792	The District proposes to admit liability for the penalties and disallowances associated with this finding as follows: Pay the state \$21,792 and retain \$20,000 to be used to strengthen financial and compliance systems.

06-43	Required amount of instructional minutes not met at one elementary school.	\$262,452	The District is in the process of compiling documentation to support a remedy to the finding. The District is required to provide the students with the instructional minutes missed during a subsequent school year. The time missed must be doubled to meet the waiver requirements of the State Board of Education.
06-44	District 9 th grade class size reduction program claim. Morgan-Hart Act.	\$28,856	The District proposes to admit liability for the penalties and disallowances associated with this finding as follows: Pay the state \$24,642 and allow \$4,214 as allowable costs.
06-45	Instructional Materials public hearing held one-week after time limit required by Education Code.	\$2,635,109	On Thursday February 26 th the District received verbal confirmation of approval of waiver from the Alameda County Office of Education (ACOE). A formal written request is being prepared by the District to be submitted to the ACOE. Audit finding liability will be reduced to \$0.
06-46	Instructional Materials: 9-12 grade textbook notification requirements	\$239,520	Request to EAAP Executive Director for summary disposition. If the District does not receive satisfactory decision we will appeal to the Administrative Law Judge (ALJ)
06-50	Districts claim for Proposition 20 restricted Lottery funds.	\$270,946	The District proposes to admit liability for the penalties and disallowances associated with this finding as follows: Admit liability for \$98,600 and to retain these funds to purchase additional instructional materials as required in Proposition 20 regulations. \$172,346 should be allowed – Request to EAAP Executive Director for summary disposition.

The total remaining liability for 2005-06 is \$854,473. The district is appealing \$674,318 of this amount. Payment of the final resolved amount will be made to the DOF from the OUSD Fund 17 (second state loan drawdown of \$35 million).

	Audit Finding	Finding Amount	Status				Comments
			Resolved	Paid	Open	Appealing	
2002-03							
1 03-75	Expenditures improperly charged against programs	\$ 235,449	\$ 235,449	\$ -			Finding resolved by mutual agreement with the State Controllers Office (SCO).
2 03-82	Attendance P-2 cutoff error and inconsistent number of attendance days	342,381	342,381				Finding resolved by Stipulation and Settlement Agreement with the Education Audit Appeals Panel (EAAP).
3 03-83	Calculation deficiencies used fro reporting special education ADA	-	-				Finding resolved by Stipulation and Settlement Agreement with the EAAP
4 03-84	Attendance improperly recorded at school sites	3,019	-	3,019			
5 03-91	Kindergarten continuation forms not maintained	42,180	42,180				Finding resolved by Stipulation and Settlement Agreement with the EAAP
6 03-92	Error in independent study attendance calculation	365	-	365			J18/19 P 2 attendance form modified
7 03-93	Calc deficiencies in rptng Ind Study ADA. Amt of \$27,672 incl in finding 03-82.	-	-				Finding resolved by Stipulation and Settlement Agreement with the EAAP
8 03-94	Deficiencies in rptng less than full-time Indep Study ADA. Amt of \$110,805 incl in finding 03-82.	-	-				Finding resolved by Stipulation and Settlement Agreement with the EAAP
9 03-95	K - 5th grade independent study master agreement deficiencies	141,469	141,469				Finding resolved by Stipulation and Settlement Agreement with the EAAP
10 03-96	Independent study agreements and work samples not provided or deficient	26,066	26,066				Finding resolved by Stipulation and Settlement Agreement with the EAAP
11 03-97	Independent study student-to-teacher ratio not calculated.	-	-				Finding resolved by Stipulation and Settlement Agreement with the EAAP
12 03*-98	Continuation education attendance accounting errors and incorrect bell schedule	26,825	-	26,825			J18/19 P 2 attendance form modified
13 03-99	Incorrect continuation education site reporting and district computational error	5,119	5,119				Finding resolved by Stipulation and Settlement Agreement with the EAAP
14 03*-10	Deficient Adult education course catalogue	11,977,951	11,977,951				Finding resolved by Stipulation and Settlement Agreement with the EAAP
15 03-101	Adult Ed classes provided to incarcerated students. Cost amt of \$89,267 incl in finding 03-100	-	-				Finding resolved by Stipulation and Settlement Agreement with the EAAP
16 03-102	Adult education independent study written agreement deficient	73,526	73,526				Finding resolved by Stipulation and Settlement Agreement with the EAAP
17 03-103	Adult Ed classes of concurrent students only. The Q. C. amt of \$53,810 incl in finding 03-100.	-	-				Finding resolved by Stipulation and Settlement Agreement with the EAAP
18 03-105	Adult education classes not on approved list or no course outline	23,237	23,237				Finding resolved by Stipulation and Settlement Agreement with the EAAP
19 03-109	Inadequate ITSDR documentation. The Q. C. amt of \$1,924,135 incl in finding 03-100	-	-				Finding resolved by Stipulation and Settlement Agreement with the EAAP
20 03-110	Ineligible ITSDR participants	20,052	20,052				Finding resolved by Stipulation and Settlement Agreement with the EAAP
21 03-113	class size reduction supporting documentation not provided	14,397,246	14,397,246				Finding resolved by Stipulation and Settlement Agreement with the EAAP
22 03-114	Ineligible school site program to reduce class size in two courses in grade 9	113,040	113,040				Finding resolved by Stipulation and Settlement Agreement with the EAAP
23 03-115	No advance notice of public meeting on instructional materials	2,307,788	2,307,788	-			Audit finding/questioned cost waived by Alameda County Office of Education and CDE.
24 03-117	Digital high school documents not provided and ineligible flexibility transfers	1,700,502	1,700,502				Finding resolved by Stipulation and Settlement Agreement with the EAAP
25	Stipulated agreeemnt settlement (part 1):		(611,856)	611,856			OUSD will have \$611,856 withheld from principal apportionments as a compromise action of audit findings.
26	Stipulated agreeemnt settlement (part 2):		(300,000)	300,000			OUSD will use \$300,000 from its own funds to implement recommendations of FCMAT
		\$ 31,436,215	\$ 30,494,150	\$ 942,065	\$ -	\$ -	
2003-04							
1 04-25	Time Cert not Maintained for Nat'l Lunch Pgm	\$ 8,005,442	\$ 8,005,442				District completed corrective actions. Q.C. waived by Cal Dept of Ed (CDE)
2 04-26	Internal Control deficiencies in maintenance of sal records	124,040	124,040				District completed corrective actions. Q.C. waived by CDE
3 04-27	Maint of Effort not maintained for Title 1, II & IDEA (Spec Ed)	10,267,561	10,267,561				District completed corrective actions. Q.C. waived by CDE
4 04-28	Exps improperly charged to Title I, NLSIP, 21 st IDEA	898,385	898,385				District completed corrective actions. Q.C. waived by CDE
5 04-29	Pr yr fund bal not expended within 37 mos. Title I, II IDEA	2,913,043	2,913,043				District completed corrective actions. Q.C. waived by CDE
6 04-33	Variances in reported P 2 and P Annual attendance reports	297,514	232,966	64,548			Resolved by Stipulation & Settlement Agmt with Ed Audit Appeals Panel (EAAP). District must repay amt listed.
7 04-34	Discrepancies in District's attendance summaries	35,792	35,792				Finding resolved with State Controllers Office.
8 04-35	Kindergarten continuation forms not maintained	88,630	-	88,630			Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
9 04-36	Error in independent study attendance calculations	386	386				Finding resolved with State Controllers Office.
10 04-37	Calculation deficiencies when reporting independent study ADA	109,484	109,484				Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
11 04-38	Excess independent study student to teacher ratio	202,747	130,337	72,410			Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
12 04-39	K thru 5th independent study pgm & Met West H. S. independent study deficiency	426,397	-	426,397			Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
13 04-40	Independent study agreements and/or work samples deficient or not provided	20,757	-	20,757			Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
14 04-41	Continuation education attendance accounting errors	65,072	-	65,072			District submitted revised J18/19 attendance report
15 04-42	Continuation education attendance record retention deficiencies	173,059	173,059				Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
16 04-44	Adult Ed indep study written agmt deficiencies & no evidence of eval of student work.	67,017	-	67,017			Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
17 04-47	Instructional time and staff development report (ITSDR) funding; ineligible staff claimed.	10,464	-	10,464			Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
18 04-48	ITSDR program calculation errors.	783,541	783,541				Finding resolved with State Controllers Office.
19 04-49	ITSDR program compliance deficiencies at school site level.	38,908	38,908				Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
20 04-50	Instructional time: Insufficient instructional minutes-kindergarten	1,290,933	1,290,933				Negotiated waiver with State Board of Ed. Student instructional minutes made up in future years from finding.
21 04-52	Instructional time: Insufficient instructional minutes - grades 4-8	3,305,718	3,305,718				Negotiated waiver with State Board of Ed. Student instructional minutes made up in future years from finding.
22 04-53	Instructional time: Insufficient instructional days at school sites	1,374,390	1,374,390				Negotiated waiver with State Board of Ed. Student instructional minutes made up in future years from finding.
23 04-55	Calculation error for class size reduction for grades k-3	118,686	-	118,686			Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
24 04-56	Class size reduction for grades K-3: class size not maintained.	18,120	-	18,120			Resolved by Stipulation & Settlement Agmt with EAAP. District must repay amt listed.
		\$ 30,636,086	\$ 29,683,985	\$ 952,101	\$ -	\$ -	

		Audit Finding	Finding Amount	Status				Comments
				Resolved	Paid	Open	Appealing	
2004-05								
1	05-19	ADA Disallowance of Ext Yr. Spec Ed Pgm	\$ 100,907			\$ 100,907	\$ 100,907	Request for summary Disposition. If not successful, appeal to Admin Law Judge (ALJ)
2	05-20	ADA related to Street Academy	500,746			500,746	300,746	Admit liab. Proposal: pay \$200K to the state & retain the bal to improve financial & compliance systems
3	05-23	ADA Claims for students retained in kinder for 1 add'l yr.	47,778			47,778	47,778	Request for summary Disposition. If not successful, appeal to Admin Law Judge (ALJ)
4	05-24	Independent Study based on agreements & wk samples	24,360			24,360	24,360	Request reduction down to \$10K
5	05-27	Adult Ed attendance Claims	17,902	17,902				This claim has been resolved with CDE.
6	05-29	Claim for Instr Time & Staff Devel Reform pgm funds	38,482			38,482	38,482	Request for summary Disposition. If not successful, appeal to Admin Law Judge (ALJ)
7	05-30	Required Instr minutes not met at some elem schls	2,114,504	2,114,504				Cal Bd of Ed granted a waiver based on the students making up the time at 2 to 1 ratio
8	05-31	CSR Claim; teacher training & claims preparation	55,680			55,680	55,680	Request for summary Disposition. If not successful, appeal to Admin Law Judge (ALJ)
9	05-32	Instr Materials public hearing requirement not met	5,774,443	5,774,443				Oct '08 the ACOE granted a waiver based on future hearing timelines being adhered too
10	05-33	Instr Materials: 9-12 grade textbook notice requirements	74,867			74,867	74,867	Request for summary Disposition. If not successful, appeal to Admin Law Judge (ALJ)
			\$ 8,749,669	\$ 7,906,849		\$ 842,820	\$ 642,820	
2005-06								
1	06-27	Internal control deficiencies over st & fed pgms	\$ 317,494	\$ 317,494				Resolved by the CDE. CDE acknowledges progress in maintaining stronger internal controls
2	06-08	Inadequate time certification records	20,297,079	20,297,079				Resolved by the CDE. CDE determined errors are insignificant compared to overall volume
3	06-30	Nat'l schl luch pgm: reimb claims discrepancies	6,181	6,181				Resolved by the CDE. CDE determined OUSD has developed adequate procedures
4	06-31	Nat'l schl luch pgm: weakness in eligibilty verification	22,085	22,085				Resolved by the CDE. CDE determined OUSD has made systems progress
5	06-34	Title 1: Highly qualified teach discrepancies	1,296,229	1,296,229				Resolved by the CDE. CDE determined OUSD has strengthened its documentation process
6	06-38	Non-possession of valid teaching credentials	10,907			10,907	10,907	Admit liability & Propose: retain amt and use to strenghen systems
7	06-40	Independent Study based on agreements & wk samples	41,792			41,792	20,000	Admit liability & propose: pay \$21,792 to the state & keep \$20K to improve fsystems
8	06-43	Required Instr minutes not met at some elem schls	262,452			262,452	262,452	OUSD is compiling docs to support a remedy. Time missed to be doubled to get waiver
9	06-44	CSR 9th Claim. Morgan Hart	28,856			28,856	4,214	Admit liab & propose: pay \$24,642 to the state & allow \$4,214 as allowable costs
10	06-45	Instr Materials public hearing held 1 wk after required	2,635,109	2,635,109				Feb '09 the ACOE granted a verbal waiver . Formal waiver is pending submission & approval
11	06-46	Instr Materials (9-12 textbks) public hearing requirement not met	239,520			239,520	239,520	Request for summary Disposition. If not successful, appeal to Admin Law Judge (ALJ)
12	06-50	Claim for Prop 20 restr lottery funds	270,946			270,946	172,346	Admit liab for \$98,600 & keep \$\$ to purch add'l materials. \$172,346 s/b allowed. Request summary disposition
			\$ 25,428,650	\$ 24,574,177		\$ 854,473	\$ 709,439	
			\$ 96,250,620	\$ 92,659,161	\$ 1,894,166	\$ 1,697,293	\$ 1,352,259	