



CHIEF FINANCIAL OFFICER

MEMORANDUM

TO: Audit Committee of the Oakland Unified School District Board of Education

FROM: Ruth Alahydoian, Chief Financial Officer

CC: Antwan Wilson, Superintendent
Vernon Hal, Senior Business Officer
Jacqueline Minor, Co-General Counsel

RE: Fraud (or Whistleblower) Hotline for Oakland USD

At the request of the Audit Committee of the Oakland Unified School District (OUSD), this memo provides information and a plan of action to review the feasibility of a fraud hotline for the District.

Fraud Hotline: A fraud hotline can provide an independent, anonymous option for reporting fraud and misconduct. Many public entities operate fraud hotlines, though they are less common among school districts. The size and history of the agency may determine the need for one. Typically the hotlines are operated by a third party to maintain independence from the agency. Several larger districts in California, including San Diego USD, Los Angeles USD, and Long Beach USD offer fraud hotlines. West Contra Costa USD has recently set-up a hotline for information around their bond program.

Reliance on External Auditors: Currently, OUSD relies on external auditors to spot possible fraudulent activity. In addition to the annual financial audit, the district is also subject to the following annual audits:

1. Financial and performance audit of the Measure G parcel tax;
2. Financial and performance audit of the Measure N parcel tax;
3. Financial and performance audit of the Measure B and Measure J bond programs.

Each audit is independently prepared and presented to a citizen's oversight committee. The District follows state guidelines on contracting with auditors and changing audit partners every seven years.

California Department of Education Audits - The State of California's Department of Education (CDE) audits the District regularly. A Federal Program Monitoring Review is conducted every year, alternating a paper audit with an in-person audit year to year. The CDE also audits the District's child nutrition, early childhood education, and afterschool programs regularly.

Other Agency Audits – Over the past year, the District has also been audited by the Internal Revenue Service, the California State Teacher's Retirement System, and the U.S. Department of Education's Office of Inspector General.



Office of Ombudsman: The District has an Ombudsman who is responsible for the intake and monitoring of all formal complaints. The origin of “ombudsman” comes from the Swedish “legal representative” and came into use in the 1950s. The meaning is “an official appointed to investigate individual’s complaints against mal-administration, especially that of public authorities.” The Office of the Ombudsman accepts complaints from employees, parents, students, and community members on any issue that involves the District. All complaints are investigate and responses are provided.

As required by the Uniform Complaint Procedures, the District posts signs to encourage the reporting of complaints regarding allegations of non-compliance with state and federal programs and/or for allegations of discrimination. The Ombudsperson is responsible for investigating discrimination complaints (filed by students or parents/guardians) as well as complaints concerning the state program for English Language Learners (ELL) and retaliation for, or interference with ELL Program advocacy. The Ombudsperson also coordinates Williams Uniform Complaints and submits a Quarterly Report to the Governing Board. The Ombudsperson also serves as the Title IX Coordinator.

Next Steps: To determine the value, cost and staff resources of a hotline, staff proposes to research the following over the next year:

| Action | Timing |
|---|------------------|
| Contact other school districts to ask about: <ul style="list-style-type: none"> • Value – what has been reported through the hotline? • Criteria – what criteria is used by the hotline to determine how /when to proceed to investigate a call. • Process – what steps are taken in response to a call? • Cost • Vendor • Staff resources required to respond to calls | July-October |
| Identify third party vendors who provide hotline services. Solicit information. | October-November |
| Identify potential funding options. | October-November |
| Provide an analysis and recommendation on whether or not to proceed to the Superintendent. | December |
| If decision is made to move forward, procure services to begin when funding is available. | Jan-June 2017 |