

**OAKLAND UNIFIED SCHOOL DISTRICT
MEASURE G1 PARCEL TAX**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND SUPPLEMENTARY SCHEDULES**

FOR THE YEAR EDNED JUNE 30, 2019

Independent Auditor's Report

Board of Education and
Measure G1 Citizens' Oversight Committee
Oakland Unified School District

We have audited Oakland Unified School District's compliance with the requirements described in the November 8, 2016 Measure G1 for the year ended June 30, 2019.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Oakland Unified School District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Oakland Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Oakland Unified School District has complied with the compliance requirements as specified in the November 8, 2016 Measure G1. An audit includes examining, on a test basis, evidence about Oakland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Oakland Unified School District's compliance with those requirements.

Opinion

In our opinion, Oakland Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the November 8, 2016 Measure G1 for the year ended June 30, 2019.

Internal Control Over Compliance

Management of Oakland Unified School District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Oakland Unified School District's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

DATE OF REPORT

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Appendix I
Summary of audit procedures

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Objectives of our audit

- Ensure proceeds and expenditures of the parcel tax are fully accounted in the books and records of the district.
- Ensure expenditures are in support of allowable uses as per the ballot language, separately with respect to middle school grants, salary for school site educators, and administrative overhead.
- Ensure that middle school grants and charter school grants were allocated as per the ballot language.
- Ensure that the administrative overhead allocation does not exceed 1% cumulatively from inception, exclusive of county collection costs.
- Ensure that middle school grant expenditures agree with the education improvement plans that were approved by the Citizens' Oversight Committee.
- Ensure that expenditures of Measure G1 are only for supplemental activities.

Scope

- District expenditures funded by measure G1 during the fiscal year ending June 30, 2019.

Methodology

The following describes the audit procedures and our related findings.

1. Obtain parcel tax expenditure detail reports prepared by the District and agree amounts to the general ledger.

Finding - No exceptions were identified from applying this procedure. The Measure G1 accounting records are complete and include all activity during the fiscal year. The summary financial schedules provided in Appendix II reconcile with the District's accounting records.

2. Review the nature of the expenditures incurred by the school sites, and review source documents as appropriate, to ensure they were within the specific purposes of the ballot language.

Finding – Except as noted later in this section, no exceptions were identified from applying this procedure. We analytically reviewed the entire population of expenditure accounting records to search for transactions outside the scope allowable expenditures. Individual transactions were selected for additional audit analysis, which includes reviewing source documents such as invoices, contracts, purchase orders, or payroll records. Subjected to the additional audit analysis were 49 individual transactions aggregating \$968K or 82% of the \$1.2 million of total District site level transactions. The results of applying this procedure are as follows:

Although we found no evidence that expenditures were for other than District purposes, for the following 12 transactions aggregating \$128,986, which is 13% of the total sampled transactions items, the documentation provided by the District does not include the vendor generated invoice. An invoice is necessary, in our opinion, to support the amount and period in which they were incurred.

- Alliance Academy
 - \$23,000 expensed for professional contract.
- Bret Harte
 - \$2,253 expensed for vendor payment; invoices totaling \$247.08 were provided.
- Elmhurst Community Prep

- \$23,300 expensed for professional contract.
- \$1,349 expensed for vendor payment.
- Frick
 - \$25,000 expensed for professional contract.
 - \$22,001 expensed for professional contract.
 - \$12,000 expensed for professional contract.
- La Escuelita
 - \$2,790 expensed for professional contract.
- Montera
 - \$2,646 expensed for vendor payment.
- Parker
 - \$12,000 expensed for professional contract.
- Roosevelt
 - \$1,145 expensed for vendor payment.
 - \$1,502 expensed for vendor payment.

We recommend that all invoices be electronically achieved in the accounting system.

Our opinion on the District's overall compliance with Measure G1 is not modified because in all cases we reconciled the accounting records with other documents to support compliance.

3. Select a sample of payroll related expenditures and obtain and review the necessary supporting documentation to satisfy ourselves that they were only to supply raises to "school site educators," as the term is used in the ballot text.

Finding – In process

4. Ensure the same percentage increase in salary was applied to all school site educators.

Finding – In process

5. Verify if the parcel tax is funding supplemental activities by performing the following procedures. Ascertain if funds were used to provide services which were required to be made available by virtue of being a school. Also, perform procedures to ascertain whether the parcel tax funded services that were previously provided with another funding source.

Finding – No exceptions were identified from applying this procedure.

- Recalculate the ratio of administrative overhead charges to total proceeds to ensure that no more than 1% of proceeds are spent on administrative overhead, cumulative and exclusive of county collection costs.

Finding – No exceptions were identified from applying this procedure. The following tables shows the calculation of current year allowable administrative costs:

Current year G1 parcel tax proceeds	\$ 11,719,847
Less county tax collection fees	<u>(196,464)</u>
Basis for calculation of maximum administrative cost	<u>\$ 11,523,383</u>
Unspent administrative cost carryover from prior year	\$ 108,439
Additions from current year tax proceeds	<u>115,234</u>
Unspent administrative cost carryover to the following year	<u>\$ 223,673</u>

No administrative costs were funded by Measure G1 in the current fiscal year. The \$223,673 is available to fund administrative costs in a future fiscal year.

- Recalculate the 65/35 percent allocation between raises for school site educators and middle school grants.

Finding – No exceptions were identified from applying this procedure.

- Select a sample of district schools and a sample of charter schools. Test the allocation of grant proceeds to the sample of schools.

Finding – No exceptions were identified from applying this procedure. We recalculated the allocation of grant proceeds to District schools and charter schools. The allocation is consistently applied and calculated per the methodology described in Measure G1.

- Test a sample of expenditures to ensure they were spent in accordance with the approved education improvement plans. We reviewed 15 payroll transactions and 34 vendor transactions, and verified if the they are consistent with the approved plan.

Finding – No exceptions were identified from applying this procedure.

- Examine supporting documentation to validate the amount of Measure G1 Parcel Tax revenues received.

Finding – No exceptions were identified from applying this procedure. Current year revenues of \$11,719,847 are correctly recorded into the accounting records of Measure G1.

Appendix II
Summary financial schedules

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Table 1, Schedule of Income Statement Accounts for the year ended June 30, 2019

Revenues	
Measure G1 parcel tax collections	\$ 11,719,847
Expenditures	
Direct District site expenditures - Middle School Grants	1,187,215
Direct District site expenditures - Teacher Retention Grants	4,726,699
Charter school reimbursements made - Middle School Grants	663,117
Charter school reimbursements made - Teacher Retention Grants	2,392,838
County collection fee	196,464
Total expenditures	<u>9,166,333</u>
Change in fund balance	2,553,514
Fund balance - beginning of year	<u>9,336,970</u>
Fund balance - end of year	<u><u>\$ 11,890,484</u></u>

Table 2, Schedule of the calculation of ending fund balance components and of and for the year ended June 30, 2019

Calculation of the ending fund balance restricted for middle school grants (35%)	
Inception to date revenues as of the beginning of the year	\$ 3,864,926
Current year revenues for middle school grants	<u>4,101,946</u>
Inception to date revenues for middle school grants as of the end of the year	<u>7,966,872</u>
Inception to date expenditures as of the beginning of the year	1,506,907
Current year expenditures for middle school grants	<u>1,850,332</u>
Inception to date expenditures for middle school grants as of the end of the year	<u>3,357,239</u>
Ending fund balance restricted for middle school grants	<u>4,609,633</u>
Amounts to be used for raises for school site educators (65%)	
Inception to date revenues as of the beginning of the year	7,177,719
Current year revenues for raises for school site educators	<u>7,617,901</u>
Inception to date revenues for middle school grants as of the end of the year	<u>14,795,620</u>
Inception to date expenditures as of the beginning of the year	-
Current year expenditures for raises for school site educators	<u>7,119,537</u>
Inception to date expenditures for raises for school site educators as of the end of the year	<u>7,119,537</u>
Ending fund balance restricted for raises for school site educators	<u>7,676,083</u>
Less: Collection fees paid from G1 from inception to date	<u>395,232</u>
June 30, 2019 ending fund balance of G1	<u><u>\$ 11,890,484</u></u>

Table 3, Allocations and Ending Balances as of and for the year ended June 30, 2019

Site	Carryover at June 30, 2018	FY 2018-19 Allocation	FY 2018-19 Actual expense	Carryover at June 30, 2019
District Schools				
Alliance Academy	\$ 5,708	\$ 85,280	\$ 47,477	\$ 43,511
Bret Harte	14,001	117,598	114,223	17,376
Claremont	1,050	43,162	40,559	3,653
Coliseum College Prep Academy	12,321	41,910	54,370	(139)
Community Day Middle	1,193	3,317	-	4,510
Edna Brewer	5,702	107,783	111,854	1,631
Elmhurst Community Prep	1,571	78,910	60,252	20,229
Frick	1,530	45,862	47,001	391
Greenleaf	6,321	40,642	32,059	14,904
Hillcrest	3,817	211	3,187	841
La Escuelita	69	20,796	12,790	8,075
Life Academy	-	46,465	34,125	12,340
Madison Park Upper	(9,550)	76,715	59,795	7,370
Melrose Leadership Academy	30,536	5,060	30,122	5,474
Montera	954	98,250	93,955	5,249
Parker	389	28,319	24,000	4,708
Roosevelt	5,536	118,240	98,880	24,896
Roots International Academy	10,410	63,512	40,804	33,118
Sankofa	16,700	3,726	18,000	2,426
Sojourner Truth	1,670	2,144	-	3,814
United For Success Academy	427	78,597	67,493	11,531
Urban Promise	4,390	77,244	80,264	1,370
West Oakland Middle	12,226	44,412	46,305	10,333
Westlake	25,418	63,329	69,700	19,047
Site Name?		22,099		22,099
Site Name?	-	2,255		2,255
Total District schools	152,389	1,315,838	1,187,215	281,012

Site	Carryover at June 30, 2018	FY 2018-19 Allocation	FY 2018-19 Actual expense	Carryover at June 30, 2019
Charter Schools				
American Indian Public Charter li	53,368	31,435	51,485	33,318
American Indian Public Charter School	26,684	21,114	22,846	24,952
Ascend Academy	-	22,702	22,702	-
Aspire Berkley Maynard Academy	24,889	843	7,988	17,744
Aspire Eres Academy	16,164	14,112	14,275	16,001
Aspire Golden State College Preparatory A	2,694	52,888	52,888	2,694
Aspire Wilson (Lionel) College Preparatory	-	42,580	32,368	10,212
Bay Area Technology School (Baytech)	30,348	26,617	8,798	48,167
Community	-	10,339	-	10,339
Downtown Charter Academy	41,378	36,931	61,974	16,335
East Bay Innovation Academy	220	19,452	17,247	2,425
East Bay Leadership Academy	-	6,538	-	6,538
Epic Charter School	-	68,852	68,852	-
Kipp Bridge Charter Academy	36,230	22,543	58,773	-
Lazear	-	27,591	27,591	-
Lighthouse Community Charter	38,251	33,187	59,802	11,636
Lodestar	10,947	17,656	28,603	-
North Oakland Community Charter School	4,000	6,857	3,867	6,990
Oakland Charter Academy	33,204	44,554	29,281	48,477
Oakland Military Institute	40,424	42,488	51,646	31,266
Oakland School For The Arts	7,654	3,082	-	10,736
Oakland Unity Middle School	2,461	42,131	42,131	2,461
Roses in Concrete	-	11,402	-	11,402
Urban	1,481	3,374	-	4,855
Yu-Ming	1,811	822	-	2,633
Total charter schools	<u>372,208</u>	<u>610,090</u>	<u>663,117</u>	<u>319,181</u>
Fiscal year 2018-19 Measure G1 totals	<u>\$ 524,597</u>	<u>\$ 1,925,928</u>	<u>\$ 1,850,332</u>	<u>\$ 600,193</u>

Notes to Table 3

With respect to charter schools, the “actual” column is reimbursement requests processed by the District for fiscal year 2018-19. Expenditures reported by a charter school could vary due to timing differences.

Other auditors conducted charter schools’ compliance audits.