

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

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

FOR THE YEAR ENDED JUNE 30, 2018



Independent Auditor's Report

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

We have audited Oakland Unified School District's compliance with the requirements described in the August 27, 2008 Measure G for the year ended June 30, 2018.

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 August 27, 2008 Measure G. 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.

Basis for Qualified Opinion on Compliance with Measure G

As described in the appendix I, Summary of Audit Procedures, as items 2 and 3, Oakland Unified School District did not comply with requirements of Measure G. Compliance with such requirements is necessary, in our opinion, for Oakland Unified School District to comply with the requirements of Measure G.

Qualified Opinion on Compliance with Measure G

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Oakland Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the August 27, 2008 Measure G for the year ended June 30, 2018.

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 District'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. We consider the deficiencies in internal control over compliance described in the appendix I, Summary of Audit Procedures, as items 2 and 3, to be material weaknesses.

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.

Vaurinek, Trine, Day ZP

March 14, 2019

Appendix I
Summary of Audit Procedures

The Measure G Parcel Tax, known and referred to as the “2008 Education Parcel Tax Measure” (Measure G) was authorized by an election of the registered voters of the District, held February 5, 2008. Measure G provides for a special tax of \$195 per taxable parcel in the City of Oakland. The tax rate is fixed at \$195 per parcel and provides for low-income exemptions.

Goals of Measure G

- Attract and retain highly qualified teachers
- Maintain courses that help students qualify for college
- Maintain up-to-date textbooks and instructional materials
- Maintain small class sizes in Kindergarten through K-3
- Maintain after-school academic programs
- Maintain school library, music and arts programs

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 permissible uses as per the ballot language.
- Ensure that senior citizen exceptions and low-income exemptions are complete, accurate, and supported by source documents.

Scope

- Expenditures funded by measure G during the fiscal year 2017-18.

Methodology and Findings

The following describes the audit procedures and our related findings.

- 1) Obtain the itemized details reports of parcel tax expenditure prepared by the District and agree to amounts to the general ledger.

Finding – We obtained the details of all revenues and expenses charged to the Measure G general ledger accounting records; no exceptions as a result of applying this procedure.

- 2) Review the nature of the expenditures, and review source documents as appropriate, to ensure they were within the permissible uses of the ballot language.

Finding – We mapped each of the ten programs to the ballot language and noted that each program objective was within the scope of the ballot language. Three largest categories are Class Size Reduction (CSR), Covered Elementary Intervention and Basic School Support and are allocations of parcel tax dollars to the individual school sites. The sites use the allocation to cover the costs of specific classroom teachers and their related employee benefits supporting the initiative to attract and retain qualified teachers by offering competitive salaries and benefits.

The program called “HR Recruitment” funds District-level activities that support school sites. Within the program, a part called Educator Effectiveness supports the professional development of certificated teachers, administrators, and paraprofessional educators. Another piece called Human Resources Services Support funds the salaries and related benefits of human resources staff who are focused on recruitment and retention activities of site-level personnel. We conclude that this program addresses the initiative to attract and retain qualified teachers, a function that is handled by the District’s centralized human resources development.

A site called "School Contingency Funds" is primarily supporting salaries and related benefits of central support personnel providing direct music and art services to students, which is an eligible activity for parcel tax funding.

Noncompliance due to lack of documentation and material weakness in internal control over compliance:

We analytically reviewed the entire population of expenditure accounting records to search for transactions outside the scope of 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 further audit analysis were 20 vendor transactions expenditures aggregating \$176,207 and 85 payroll expenditures aggregating \$3,870,314, or 28% of the \$14.6 million of total expenditures before employee benefits. The results of applying this procedure are as follows:

We reviewed 16 vendor transactions in the total of \$132,207, with no exceptions noted.

For the following three items aggregating \$38,017, the documentation does not draw a clear nexus between the purpose of the expense of the expense and the goals of Measure G.

- Two invoices from Convey IQ Inc. of \$19,000 each coded as a human resources recruitment expense in the accounting records.
- One invoice from Grand Lake Ace of \$17 is coded as a site level art expense in the accounting records.

The District was unable to provide the supporting documentation of the following item.

- \$6,000 with the transaction description of "Craigslist" coded as a human resources recruitment expense in the accounting records.

We reviewed 55 payroll transactions in the total of \$2,496,962 with no compliance exceptions.

For 30 payroll items aggregating \$1,373,352, the District was unable to provide supporting origination documentation. The following table is a summary of the accounting records related to these employees.

Program Name	Site Name	Employee Name	Measure G Funded Amount
BASIC SCHOOL SUPPORT	MADISON MIDDLE	Employee 1	\$ 320
Total			<u>320</u>
CLASS SIZE REDUCTION	GLENVIEW	Employee 2	51,071
Total			<u>51,071</u>
COVERED ELEM INTERVENTION PDS	ACORN WOODLAND K-5	Employee 3	38,697
	BELLA VISTA	Employee 4	61,938
	CARL MUNCK	Employee 5	32,063
	CHABOT	Employee 6	58,775
	ESPERANZA ACADEMY	Employee 7	52,276
	FRANKLIN	Employee 8	65,987
	GARFIELD	Employee 10	80,506
	GARFIELD	Employee 9	11,444
	JOAQUIN MILLER	Employee 15	62,625
	KAISER	Employee 11	33,587
	LAUREL	Employee 16	66,798
	LINCOLN	Employee 12	35,109
	MELROSE LEADERSHIP ACAD	Employee 13	65,626
	PIEDMONT AVENUE	Employee 14	42,746
Total			<u>708,176</u>
Effective Educ Systems Initiat	Encompass Small School	Employee 29	62
	HOWARD	Employee 30	65
Total			<u>127</u>
MUSIC	School Contingency Funds	Employee 17	83,724
		Employee 18	71,243
		Employee 19	64,124
		Employee 20	74,809
Total			<u>293,899</u>
Oakland Fine Arts Summer Schl	School Contingency Funds	Employee 21	668
Total			<u>668</u>
SCHOOL LIBRARIES	School Contingency Funds	Employee 22	75,728
		Employee 23	13,484
		Employee 24	30,296
		Employee 25	23,637
		Employee 26	93,872
		Employee 27	45,073
		Employee 28	37,000
Total			<u>319,091</u>
Grand Total			<u><u>\$ 1,373,352</u></u>

Recommendation:

The District's current Measure G compliance policy is not working as intended, as evidenced by time-delays and lack of documentation to support the audit. We recommend the District to formally create, in writing, an organization chart identifying the department and specific person responsible for approving expenses for payment. We also recommend the District to officially develop a document retention policy to facilitate timely retrieval of supporting documents.

- 3) Obtain an understanding of how the District processes low-income exemptions. Select a sample of exemptions and apply procedures to ensure they are complete, accurate, and supported by source documents.

Finding – We obtained an understanding of how the District processes low-income exemptions. Our audit sample consisted of 40 randomly selected low-income forms. We identified no deviations from applying this procedure.

Recommendation for improvements to internal controls:

Processing exemptions and updating the tax rolls is managed exclusively by one District employee. We recommend the District to identify a specific person responsible for overseeing the work of that employee. That person should periodically review applications to ensure the District's control process is working as intended.

- 4) Determine, from the expenditure testing performed, if there were any a) control deficiencies, b) significant deficiencies or c) material weaknesses in internal control noted.

Finding – See control deficiencies and recommendations connected with each of the respective procedures.

- 5) Examine sufficient supporting documentation to validate the amount of Measure G Parcel Tax revenues received and recorded by the District.

Finding – No exceptions as a result of applying this procedure. The District correctly recorded the fiscal year 2017-18 revenue in the accounting records of Measure G.

Appendix II
Summary financial schedules

Table 1, Schedule of Balance Sheet Accounts for the year ended June 30, 2018

Assets	
Cash in County Treasury	\$ 73,557
Total Assets	<u>73,557</u>
Liabilities and Fund Balance	
Accrued Expenditures	<u>73,557</u>
Total Liabilities and Fund Balance	<u><u>\$ 73,557</u></u>

Table 2, Schedule of Income Statement Accounts for the year ended June 30, 2018

Revenues		
	Measure G parcel tax collections	\$ 20,423,067
Expenditures		
1100	Certificated Teacher's Salaries	12,356,548
1200	Certificated Pupil Support Salaries	147,965
1300	Certificated Supervisor's and Administrator's Salaries	11,550
2100	Classified Instructional Salaries	33,676
2200	Classified Support Salaries	431,920
2300	Classified Supervisor's and Administrator's Salaries	648,280
2400	Clerical, Technical and Office Staff Salaries	6,839
3000	Employee Benefits	5,831,463
4000	Books and Supplies	100,487
5200	Travel and Conference	2,447
5300	Dues and Memberships	13,193
5600	REPCONT EQUIP?	5,161
5800	Professional/Consulting Services and Operating Expenditures	838,699
Total expenditures by Object		<u>20,423,067</u>
Change in fund balance		-
Fund balance - beginning of year		-
Fund balance - end of year		<u>\$ -</u>

Table 3, Expenditures by Program

Class Size Reduction	\$ 6,399,636
Covered Elem. Intervention PDS	4,872,862
Basic School Support	4,634,056
School Libraries	1,592,704
Music	1,049,806
HR Recruitment	936,634
Art	475,229
Other Programs and Local Goals	337,762
Oakland Fine Arts Summer School	76,118
Effective Educ Systems Initiative	48,258
Total	<u>\$ 20,423,067</u>

Table 4, Expenditures by Site

Academic Innovation	\$ 122,025	International Community School	195,989
Acorn Woodland K-5	150,481	Joaquin Miller	244,524
Allendale	209,422	Kaiser	150,235
Alliance Academy	47,895	La Escuelita	148,479
Bella Vista	331,556	Lafayette	25,094
Bret Harte Middle	62,719	Laurel	304,089
Bridges Academy @ Melrose	201,915	Life Academy	40,955
Brookfield	771,289	Lincoln	353,517
Burckhalter	772,127	Madison Lower	103,432
Carl Munck	161,758	Madison Middle	35,333
Castlemont High School	51,526	Manzanita Community School	195,188
Chabot	320,429	Manzanita Seed	162,016
Claremont Middle	35,829	Markham	111,351
Cleveland	199,901	Martin Luther King Jr. K-3	171,686
Coliseum College Prep Academy	46,450	McClymonds High School	23,486
Community United Elementary	240,969	Melrose Leadership Acad	677,320
Crocker Highlands	228,999	Montclair	237,574
Districtwide Expenses	337,762	Montera Middle	478,313
East Oakland Pride	199,528	New Highland Academy	160,330
Edna Brewer Middle	100,946	Oakland High School	580,506
Educator Effective	95,427	Oakland International High School	38,370
Elmhurst Community Prep	36,630	Oakland Tech High School	632,219
Emerson	100,616	Parker	114,205
Encompass Small School	163,978	Peralta	208,175
Esperanza Academy	159,189	Piedmont Avenue	234,151
Franklin	949,569	Prep Literary Acad/Cultural Ex	96,308
Fred T Korematsu Discovery Academy	195,256	Reach Academy	670,311
Fremont High School	63,682	Redwood Heights	199,426
Frick Middle	25,032	Rise	616,092
Fruitvale	101,975	Roosevelt Middle	127,030
Futures Elementary	161,666	Roots International Academy	48,238
Garfield	306,129	Sankofa Academy	107,158
Glenview	241,004	School Contingency Funds	2,776,930
Global Family School	209,164	Sequoia	259,527
Grass Valley	158,815	Skyline High School	125,368
Greenleaf Elementary	274,660	Think College Now	144,609
Hillcrest	157,157	Thornhill	222,738
Hoover	126,051	United For Success Academy	29,559
Horace Mann	191,726	Urban Promise Academy	40,164
Howard	90,330	West Oakland Middle	30,957
Human Resources Services, Support	841,208	Westlake Middle	59,328
		Total	<u>\$ 20,423,067</u>