

Oakland Unified School District

Audit Committee

Annual Report to the Board of Education

December 2015

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2015 OUSD Audit Committee Report

Overview of the Audit Committee

The responsibilities of the Audit Committee shall include but not be limited to the following:

1. Recommend to the Board for approval the independent auditors.
2. Review the independent audit engagement including the fee, scope and timing of the audit, and any other services to be rendered, including non-audit services.
3. Review with the independent auditor's district policies and procedures regarding internal auditing and internal accounting and financial controls.
4. Upon completion of their audit, review with the independent auditors the cooperation they received from district personnel during the audit, the extent to which district resources could be used to minimize the time spent on the audit, and any significant matters of concern arising from the audit.
5. Review with the independent auditors any significant transactions which are not a normal part of the district's business, any changes in accounting principles and practices, all significant proposed audit adjustments, and any recommendations that they may have for improving internal controls, choice of accounting principles or management systems.
6. Review with the district's financial and accounting staff district policies regarding internal accounting and financial controls.
7. Review and recommend district policies to the Board to prohibit unethical, questionable, or illegal activities by district employees.
8. Review with the internal auditor the organization and independence of the internal audit function; the goals and plans of internal audit including the nature and extent of work; problems and experiences in completing internal audits; and findings, conclusions, and recommendations as a result of internal audits.
9. Upon completion of the independent audit, review with the district's financial and accounting managers their perception of the independent auditors, any significant matters of concern arising from the audit, and the extent to which recommendations made by the independent auditors have been implemented.
10. Prepare semi-annual written reports to the Board relating the results of committee activities. The Board of Education shall provide written guidance to the Audit Committee on an annual basis regarding those areas on which the Audit Committee should focus.

Committee Members

Member	Position on Committee	Appointed by	Appointment Date	Term Expires
Dan Lindheim	Chairperson	Board of Education	6/11/2014	6/10/2016
Gregory Redmond	Vice Chairperson	Board of Education	5/23/2012	1/13/2016
Beverly Hansen	Secretary	Board of Education	2/1/2015	1/31/2017
Edward Berne		Board of Education	2/1/2015	1/31/2017
Frank Tsai		Board of Education	9/24/2015	1/31/2017

Schedule of Meetings

The first meeting for the year was April 4, 2015. The district held a regular meeting on the first Tuesday of each month, with the exception of July and September.

Work plan

The committee adopted a work plan at its first meeting on April 4, 2015. The following table lists each work plan item and a summary of the status of that item.

Original Timing	Item	Status
April	Review the independent audit engagement including the fee, scope and timing of the audit, and any other services to be rendered, including non-audit services. (BP3461.2)	<p>The committee reviewed the extension of the contract for audit services to Vavrinek, Trine & Day on April 6, 2015.</p> <p>The committee noted (1) VTD’s peer review was nearly out-of-date; and (2) the state controller’s office had not technically authorized an independent auditor beyond the 2012-13 audit.</p> <p>Staff responded to both issues at the subsequent meeting: (1) VTD was in the process of getting an updated peer review; and (2) the District’s expectation is that the SCO will continue to allow VTD to do independent audits, and in any case, the District intends to continue to use an independent auditor, even if the SCO decides to come back.</p>
May	Review with the internal auditor the organization and independence of the internal audit function; the goals and plans of internal audit including the nature and extent of work; problems and experiences in completing internal audits; and findings, conclusions, and recommendations as a result of internal audits. (BP3461.8)	<p>The District’s internal auditor presented to the Committee on May 4, 2015. While the District is still in catch-up mode, the internal auditor, Bonnie Ruesch, is focusing on reconciling certain accounts and helping the district prepare for the audit, rather than strictly focusing on internal control.</p> <p>Ms. Ruesch also reported on two ratios the district must calculate: the Ratio of Administrators to Teacher (“RAT”) (by FTE,</p>

		non-federal funds); and the Current Expense Formula / Minimum Classroom Compensation ("CEA") (55% of expenditures must be spent in front of students).
June	Review District's Third Interim Report	The committee received a briefing on the district's Third Interim Report on June 1, 2015.
June	Review with the independent auditor district policies and procedures regarding internal auditing and internal accounting and financial controls. (BP3461.3)	The committee received a briefing by the district's independent auditor, Leonard Danna of VTD, on the status of the 2012-13 audit and the significant audit findings he expected to report on June 1, 2015.
June	Upon completion of their audit (2012-13), review with the independent auditors the cooperation they received from district personnel during the audit, the extent to which district resources could be used to minimize the time spent on the audit, and any significant matters of concern arising from the audit. (BP3461.4)	The 2012-13 Audit was completed in July 2013. VTD presented the results of the audit to the committee on August 3, 2015. The committee also met in closed session with VTD on other matters of concern arising from the audit.
August	Review District's Adopted Budget Review Admin to Teacher ratio	The 2015-16 Budget was not formally presented; it was incorporated in the report of the 2014-15 Unaudited Actuals in October 2015.
August	Upon completion of the independent audit (2012-13), review with the district's financial and accounting managers their perception of the independent auditors, any significant matters of concern arising from the audit, and the extent to which recommendations made by the independent auditors have been implemented. (BP3461.9)	No significant matters concerning the auditors were brought to the attention of the committee.
August & December	Prepare semi-annual written reports to the Board relating the results of committee activities. The Board of Education shall provide written guidance to the Audit Committee on an annual basis regarding those areas on	The committee has prepared an annual report rather than semi-annual. The report shall be presented to the Board as soon as possible after final approval by the committee.

	which the Audit Committee should focus. (BP3461.10)	
September	Review with the independent auditors any significant transactions which are not a normal part of the district's business, any changes in accounting principles and practices, all significant proposed audit adjustments, and any recommendations that they may have for improving internal controls, choice of accounting principles or management systems. (BP3461.5)	No major transactions or changes in accounting principles were identified during 2015. However, the committee received regular reports on the status of the prior year audit findings as they were resolved with the California Department of Education or the Education Audit Appeals Panel, and the audits currently in progress (2012-13 and 2013-14).
September	Review District's Unaudited Actuals	The committee received a briefing on the district's Unaudited Actuals for fiscal year 2014-15 on October 5, 2015. The CEA ratio for 2014-15 was reported as 55.9%.
October	Review with the district's financial and accounting staff district policies regarding internal accounting and financial controls. (BP3461.6) Including review of Attendance procedures & ASB procedures.	The committee received a briefing on the district's procedures for federal time accounting on October 5, 2015, by Dr. Susana Ramirez, the Director of the Office of Accountability Partners. The committee made various recommendations regarding improving these procedures. The committee received a briefing on the district's attendance procedures on November 2, 2015, by Shelia Brown, the Coordinator, PreK-12 Systems & Operations. The Committee was impressed with the actions being taken to improve procedures for attendance reporting; given its importance to the District, this matters requires constant vigilance
November	Review and recommend district policies to the Board to prohibit unethical, questionable, or illegal activities by district employees. (BP3461.7)	The committee did not identify any unethical, questionable or illegal activities by district employees during the course of its work in 2015.
August & December	Prepare semi-annual written reports to the Board relating the results of committee activities. The Board of Education shall provide written guidance to the Audit Committee on an	An annual report has been prepared and will be submitted to the Board following the January meeting.

	annual basis regarding those areas on which the Audit Committee should focus. (BP3461.10)	
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Committee Recommendations to the Board of Education

The District is finally beginning to close in on catching up with its annual audits. The Audit for FY 12/13 was completed in June and the FY 13/14 Audit is in process. The District is now only one year behind state standards with the expectation that the District will be fully caught up by the end of CY 2016.

Responding to both audit and current financial accounting responsibilities has placed great stress on OUSD staff. Until audits have been fully caught up, the Committee has been reluctant to add additional items to the staff workload. As the staff audit workload decreases, the Committee expects to analyze District procedures in greater detail.