

Procedures, findings, and recommendations for Measure N parcel tax audits fiscal year 2016-17 draft as of March 14, 2018.

Objectives

- 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 high school grants and charter school grants were allocated as per the ballot language. Include a schedule of allocations per school in the financial audit report.
- Ensure that the administrative overhead allocation does not exceed 10% cumulatively from inception, exclusive of county collection costs.
- Ensure that senior citizen exceptions and low-income exemptions are complete, accurate, and supported by source documents.
- Make a positive statement about the issue of supplanting versus supplementing.

Scope

- District expenditures funded by measure N during fiscal year 2016-17.
- Charter expenditures charged to measure N during 2016-17 and 2015-16.

Methodology/**Results as of (3/13/2018) and recommendations.**

1. Obtain parcel tax expenditure detail reports prepared by the District and agree amounts to the general ledger. **We obtained the details of all revenues and expenses charged to the Measure N general ledger accounting records. No exception as a result of applying this procedure.**
2. Separately for District schools and charter schools, review the nature of the expenditures, and review source documents as appropriate, to ensure they were within the permissible uses of the ballot language.

District schools: We selected a random sample of 60 vendor expenditures and 40 personnel expenditures funded by Measure N during fiscal year 2016-17. The results of applying this procedure is as follows:

For one vendor item, we were unable to verify if the nature of the expense is within the permissible uses of Measure N. For this item at Dewey High School, we were provided an invoice of the incurred costs which shows the expense was for overnight accommodations for 20 people including, food, parking, and audio/visual equipment.

For another item, the District was unable to provide supporting origination documentation. The general ledger indicates this is a consulting expense at Skyline in

the amount of \$4,620.

We selected a random sample of 40 payroll expenditures. The results of applying this procedure are as follows: Fremont is pending Joanna to followup; Skyline is pending Joanna to followup; Castlemont High School did not provide supporting documentation; no exceptions with expect to Oakland High and Oakland Tech.

Charter Schools: We selected a sample of vendor and payroll expense funded by Measure N at charter schools during 2015-16 and 2016-17. The results of applying this procedure is as follows:

Lionel Wilson: Five transactions totaling \$199,989 were selected for testing. No exceptions as a result of applying this procedure.

Envision Academy: Nine transactions totaling \$241,225 were selected for testing. Of the total sample, \$75,347 was for the purchase of chromebooks and internal access hardware. The school could not provide justification as to why Measure N is an appropriate funding source. *The school is confused as to what they need to provide. They requested a separate meeting to discuss.*

LPS: Five transactions totaling \$161,724 were selected for testing. No exceptions as a result of applying this procedure.

Unity: We have not received a population for us to select samples.

Recommendation: We recommend the District to establish written policies regarding appropriate use of Measure N funds. We also recommend the District to appoint an individual responsible for overseeing the use of Measure N funds and monitoring the expenditures by approving contracts/purchase orders and personnel hiring prior to incurring the expense.

3. Ascertain if District schools and charter schools used funds to provide services which they were legally required to make available by virtue of being a school. Also, perform procedures to determine whether the parcel tax funded services were previously provided with another funding source.

The same sample applicable to item #2 was used for this procedure. The exceptions at Dewey and Skyline for vendor items, the exceptions for payroll transactions, and the exceptions for charter schools also apply to this procedure since we cannot determine the nature of the expense.

Furthermore, there is no formal policy or procedure to ensure that Measure N funded expenditures are supplemental to services previously provided by a school site.

Recommendation: Similar to the recommendation for procedures number 2, ensuring an expenditure is supplemental should be part of the standard approval process prior to incurring an expense or entering into a contract.

4. Recalculate the ratio of administrative overhead charges to total proceeds to ensure that no more than 10% of proceeds are being spent on administrative overhead, cumulative and exclusive of county collection costs. We obtained the District's calculation of the fiscal year 2016-17 administrative overhead calculation noting that the District allocated 90% to school sites and 10 % for administrative overhead. The allocations are determined net of the county collection fees. OPEN item: there is an \$80K transfer of revenue from Measure N to Measure G that is pending the District to provide supporting documentation. Resolution of this item could impact the calculation, although the District's methodology is reasonable regardless.
5. Select a sample of district schools and a sample of charter schools. Test the allocation of grant proceeds to the sample of schools. We obtained the District's calculation of the fiscal year 2016-17 school allocation noting that the basis of the allocation is the "20 day count." Pending, need source documents for the 20-day count. We verified that the amount allocated to school sites is 90% of the total current year revenue.
6. Obtain an understanding of how the district processes the senior citizen exceptions and low-income exemptions. Select a sample of exemptions and apply procedures to ensure they are complete, accurate, and supported by source documents.
7. Determine, from the expenditure testing performed, if there were any a) control deficiencies, b) significant deficiencies or c) material weaknesses in internal control noted. To the extent there are deficiencies noted, prepare a separate report to the District listing the weakness noted and the recommended corrective action. See recommendations above. To be revised as documents are provided.
8. Examine sufficient supporting documentation to validate the amount of Measure N Parcel Tax revenues received and recorded by the District. The District corrected recorded the fiscal year 2016-17 revenue in the accounting records of Measure N. OPEN item: there is an \$80K transfer of revenue from Measure N to Measure G that is pending the District to provide supporting documentation.