

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

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

FOR THE YEAR ENDED JUNE 30, 2018

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Independent Auditor's Report

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

Compliance

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, 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 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, 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 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.

[Signature]

[Date]

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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, 2018.

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 52 individual transactions aggregating \$696K or 58% of the \$1.2 million of total District site level transactions.

We identified 1 transaction of \$2,999.28 outside the scope of allowable G1 expenditures. The expense was for a substitute teacher salary, which we do not consider within the scope of measure G1. The noncompliance is isolated to one transaction at one school and is not an indicator of a larger systemic issue.

We recommend that management 1) follow-up with the site in question to clarify appropriate G1 activities; 2) review the sites fiscal year 2019 expenditures for compliance with G1; and 3) transfer the expense to an allowable funding source.

Our opinion on the District's overall compliance with Measure G1 is not modified due to this exception.

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 – This procedure is applicable in fiscal year 2018-19, when this activity will be funded.

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

Finding – This procedure is applicable in fiscal year 2018-19, when this activity will be funded.

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 legally 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 – Except as noted later in this section, no exceptions were identified from applying this procedure. The same transactions described in procedure 2 were evaluated to ascertain if G1 is providing for supplemental activities. The deviation and recommendation described in procedure 2 is also applicable to this procedure.

Our opinion on the District’s overall compliance with Measure G1 is not modified due to this exception.

6. 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	\$ 11,042,645
Less county tax collection fees	<u>(198,768)</u>
Basis for calculation of maximum administrative cost	<u>\$ 10,843,877</u>

Unspent administrative cost carryover from prior year	\$ -
Additions from current year tax proceeds	108,439
Less administrative costs funded by G1 in the current year	<u>-</u>
Unspent administrative cost carryover to the following year	<u>\$ 108,439</u>

No administrative costs were funded by Measure G1 in the current fiscal year. The \$108,439 is available to fund administrative costs in a future fiscal year.

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

Finding – This procedure is applicable in fiscal year 2018-19, when raises for school site educators will be funded.

8. 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.

9. Obtain the approved education improvement plans for a sample of middle schools and verify if the actual parcel tax expenditures are consistent with the approved plan.

Finding – Except as noted later in this section, no exceptions were identified from applying this procedure. The same transactions described in procedure 2 were also subjected to this procedure. We identified the following G1 funded activities that were not included on an approved site plan:

- \$2,999.28 for a substitute teacher salary. (This is the same transaction described in procedure 2.)
- \$6,393.58 for art supplies. The site plan’s approved budget for these expenditures was \$3,224. This is otherwise a permissible measure G1 expense.
- \$10,500 for chorus. This activity was not part of the sites approved spending plan. This is otherwise a permissible measure G1 expense.

The noncompliance is isolated to these transactions and is not an indicator of a larger systemic issue.

We recommend that management 1) follow-up with the sites in question to clarify appropriate G1 activities; 2) review the sites fiscal year 2019 expenditures for compliance with site plans; and 3) transfer the expense to an allowable funding source.

Our opinion on the District’s overall compliance with Measure G1 is not modified due to this exception.

10. 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 \$11,048,980 are correctly recorded into the accounting records of Measure G1.

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

Appendix II
Summary financial schedules

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Table 1, Schedule of Income Statement Accounts

Revenues	
Measure G1 parcel tax collections	\$11,042,645
Expenditures	
Direct District site expenditures - Middle School Grants	1,200,750
Charter school reimbursements made - Middle School Grants	306,157
County collection fee	198,768
Total expenditures	<u>1,705,675</u>
Change in fund balance	9,336,970
Fund balance - beginning of year	-
Fund balance - end of year	<u>\$ 9,336,970</u>

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Table 2, Allocations and Ending Balances

Site	FY 2017-18 Allocation	FY 2017-18 Actual expense	Carryover at June 30, 2018
District Schools			
Alliance Academy	\$ 73,478	\$ 67,770	\$ 5,708
Bret Harte	94,949	80,948	14,001
Claremont	54,870	53,820	1,050
Coliseum College Prep Academy	47,236	34,915	12,321
Community Day Middle	1,193	-	1,193
Edna Brewer	124,769	119,067	5,702
Elmhurst Community Prep	86,838	85,267	1,571
Frick	51,530	50,000	1,530
Greenleaf	35,546	29,225	6,321
Hillcrest	3,817	-	3,817
La Escuelita	18,847	18,778	69
Life Academy	43,180	43,180	-
Madison Park Upper	83,021	92,571	(9,550)
Melrose Leadership Ac	30,536	-	30,536
Montera	92,563	91,609	954
Parker	17,415	17,026	389
Roosevelt	117,135	111,599	5,536
Roots International Academy	74,909	64,499	10,410
Sankofa	16,700	-	16,700
Sojourner Truth	1,670	-	1,670
United For Success Academy	76,579	76,152	427
Urban Promise	84,213	79,823	4,390
West Oakland Middle	42,226	30,000	12,226
Westlake	79,919	54,501	25,418
Total District schools	1,353,139	1,200,750	152,389

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Site	FY 2017-18 Allocation	FY 2017-18 Actual expense	Carryover at June 30, 2018
Charter Schools			
American Indian Public Charter li	53,368	-	53,368
American Indian Public Charter School	26,684	-	26,684
Ascend Academy	29,000	29,000	-
Aspire Berkley Maynard Academy	27,981	3,092	24,889
Aspire Eres Academy	16,762	598	16,164
Aspire Golden State College Preparatory Academy	58,662	55,968	2,694
Aspire Wilson (Lionel) College Preparatory Academy	50,220	50,220	-
Bay Area Technology School (Baytech)	30,348	-	30,348
Community	6,649	6,649	-
Downtown Charter Academy	45,100	3,722	41,378
East Bay Innovation Academy	12,241	12,021	220
Epic Charter School	72,000	72,000	-
Kipp Bridge Charter Academy	36,230	-	36,230
Lazear	31,000	31,000	-
Lighthouse Community Charter	38,251	-	38,251
Lodestar	10,947	-	10,947
North Oakland Community Charter School	4,000	-	4,000
Oakland Charter Academy	44,437	11,233	33,204
Oakland Military Institute	40,424	-	40,424
Oakland School For The Arts	7,654	-	7,654
Oakland Unity Middle School	33,115	30,654	2,461
Urban	1,481	-	1,481
Yu-Ming	1,811	-	1,811
Total charter schools	678,365	306,157	372,208
Fiscal year 2017-18 Measure G1 totals	\$ 2,031,504	\$ 1,506,907	\$ 524,597

Notes to Table 2

Additional reimbursements of \$7,512 to Downtown Charter and \$15,119 to Oakland Charter were recorded in the District’s fiscal year 2018-19 accounting records.

With respect to charter schools, the “actual” column is reimbursement requests processed by the District for fiscal year 2017-18. Expenditures reported by a charter school could vary due to timing differences.

Charter schools’ compliance audits were conducted by other auditors whose reports can be found at...