
OAKLAND UNIFIED SCHOOL DISTRICT

**INDEPENDENT ACCOUNTANT'S REPORT
MEASURE N PARCEL TAX
FOR THE YEAR ENDED JUNE 30, 2016**



INDEPENDENT ACCOUNTANT'S REPORT

Board of Trustees
Oakland Unified School District
Oakland, California

We have examined management's assertion of the Oakland Unified School District (the District) that the use of the Measure N Parcel Tax proceeds for the year ended June 30, 2016, was within the scope of the ballot language authorized by the District's Board of Trustees in specifying the intended use of the proceeds. Oakland Unified School District's management is responsible for compliance with the scope of ballot language specifying the intended use of the proceeds. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion that the District complied with the aforementioned compliance requirements for the year ending June 30, 2016, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
February 23, 2017

Financial Summary

- The Measure N Parcel Tax, known and referred to as “ The Oakland Unified School District College and Career Readiness for All Act” (Measure N) was authorized by an election of the registered voters of the District, held November 4, 2014. Measure N provides for a special tax of \$120 per taxable parcel in the City of Oakland. The parcel tax is for 10 years; the tax rate is fixed at \$120 per parcel, and provides for low income and senior citizen exemptions. Further, Measure N requires that no less than 90% of Measure proceeds be allocated equitably for education programs, on a per pupil basis, for students in grades 9 through 12, enrolled in all current Oakland Unified School District schools and Charter schools authorized by the Oakland Unified School District. The goals of Measure N are as follows:
 - Reduce the drop-out rate and provide OUSD high school students with real-world work and learning opportunities
 - Prepare students for admission to the University of California and other four-year colleges
 - Expand mentoring, tutoring, counseling support services and transition to job training programs
- Total Measure N parcel tax proceeds were \$11,339,346 for the year ended June 30, 2016. Actual program expenditures, before any auditor proposed adjustments, for the same period totaled \$2,763,594. The expenditures are segregated into 25 separate sub programs and are listed out the revenue and expenditure summary shown as Exhibit I to this report.

Management’s Assertions:

- 1) The Measure N Parcel Tax proceeds of the Measure were accounted separately in the accounting records of the District.
- 2) Expenditures charged against such proceeds were made in accordance with intended uses spelled out in Measure N and approved by the voters.
- 3) At least 90% of Measure N proceeds shall be allocated equitably for educational programs, on a per pupil basis.

Procedures Performed:

1. Obtain the project expenditure detail reports prepared by the District and agree amounts to the general ledger.
2. Select specific programs for detailed expenditure testing. See Exhibit II for a listing of programs selected for testing.
3. Review the nature of the program expenditures to ensure they were within the scope of the ballot language.
4. Recalculate to ratio of Administrative overhead charges to total proceeds to ensure that no more than 10% of Measure proceeds are being spent on Administrative overhead.

5. From the specific programs selected for testing, select a sample of payroll and non-payroll related expenditures as appropriate and obtain and review the necessary supporting documentation to satisfy ourselves as to the validity of the expenditure.
6. Test payroll benefits charged to the programs for reasonableness for those programs that incur large amounts of salary cost.
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.
8. Examine sufficient supporting documentation to validate the amount of Measure N Parcel Tax revenues received. **See finding noted below.**

Results of Testing

1. We obtained the program expenditure summary details and agreed the amounts to the general ledger without exception.
2. Exhibit II shows which programs were tested for the year under audit. The level of coverage for the programs tested approximates 87%.
3. We selected the three largest programs, Program 1414, College and Career, Program 1690 Measure N and Program 9000, Other Programs and Local Goals, to determine if the Program expenditures were within the scope of the ballot language.
 - a. Program 1414 is essentially the Administrative Overhead function of the Measure. Expenditures in this category consist mainly of salary and benefit allocations of school administrators that will manage the program. Expenditures in this Program are aggregated under the site "Office of Post-Secondary Readiness" indicating the expenditures are, for the most part, administrative overhead.
 - b. Program 1690 appears to be a somewhat catch-all for a variety of expenditures such as conference travel, retreats, salaries and benefits related to specific site activities and fees paid to consultants.
 - c. Program 9000 contains essentially two large expenditure types, 1) the collection fee paid to Alameda County to collect the tax proceeds (approximately \$280,000 before auditor adjustment) and 2) parcel tax proceeds paid to participating Charter schools (approximately \$377,200).

Except as noted in our findings section, the results of our testing in this area did not indicate any specific expenditure or set of expenditures that were not within the scope of the ballot language. We do, however note four separate findings as follows:

4. We did recalculate the Administrative cost ratio and the District is in compliance. However, see our Finding below:

Finding #1 - Program 1414 – This program contains all the Administrative costs of Measure N. The ballot language states that no more than 10% of Measure Proceeds can be spent on administrative overhead. For the current year, after the adjustment noted above we have calculated approximately \$509,000 in Administrative cost. The 10% factor is based on proceeds so, technically, since the parcel tax proceeds for the year were in excess of \$11,000,000, the District is in compliance with the 10% factor. However, the District needs to implement a procedure to rack the administrative cost on a cumulative basis. For example, it appears that Program 1414 costs will accelerate in future years since the 2015-16 expenditures are not indicative of what would be incurred in a full year. However the parcel tax proceeds are for a full year therefore it is likely the Administrative cost percentage will increase as full implementation of Measure N goals takes place.

5. We selected 10 individual employees for payroll verification. The total salaries and benefits covered by our testing aggregated \$489,081. In addition we selected 52 individual vendor transactions totaling \$965,243 for verification. In total we selected 53% of the total expenditures for the 2016 fiscal year. Our Findings are noted below:

Finding # 2 - Program 1414 – Per review of the detailed payroll expenditures with District personnel, it was noted that one employee, Claire Shorall, had a portion of her salary and benefits allocated to Measure N in error. This was noted by OUSD personnel in our review of the expenditure detail. The total amount of the correction is \$104,468. We have discussed this matter with the District and they have agreed to make the appropriate adjustment.

Finding # 3 - Program 9000 - The District has 2 parcel tax measures, Measure G and Measure N. The County of Alameda bills the District a collection fee for collecting and remitting the parcel tax proceeds. We note that for this year, the District initially split the total collection fee 50-50 between the two Measures. In essence, Measure N was allocated too much fee and Measure G allocated too little. The amount of misallocation is \$66,943. We have discussed this matter with District staff and they concur and have agreed to make the necessary correction. Our expenditure summary reflects the corrected amounts.

Finding # 4 - Program 9000 – Transfers to Charter Schools – During the year the District transferred \$377,200 in Measure N parcel tax proceeds to six participating Charter Schools. We noted the payments made and we verified the amounts to a summary of the allocations prepared by the District. However, we did not receive any documentation to support how the amounts were arrived at. Therefore we were not able to determine if the allocation was made in an equitable manner. We request the District provide us with the appropriate backup make the documentation to support the amounts transferred to these six schools.

Finding # 5 - Program 9000 – Charter School Transfers – The Charter Schools that received the funds have their own financial records separate from the District. We therefore were not able to review any of the Charter School expenditures of parcel tax proceeds to ensure they were being spent in accordance with the ballot language. The bulk of the Charter School parcel tax proceeds (80%) for the 2015-16 year were given to those schools in July of 2015. The remaining 20% were distributed in February 2016. We are not aware of any District program or procedure that monitors the spending of those proceeds by the Charter Schools in question. We believe the District needs to develop a procedure to monitor parcel tax proceeds spent by the Charter Schools in order to ensure compliance with the ballot language.

6. We tested payroll benefits charged in programs 1414 and 1690 by comparing for reasonableness the amounts charged as benefits in relation to the salaries charged in those programs. We noted no errors or inconsistencies.
7. We believe the issue discussed in **Finding #5** to be a significant deficiency in internal control. We believe the issues discussed in Findings #1, #2, #3 and #4 represent control deficiencies. All findings need to be addressed by District management.
8. From the general ledger detail we receive in performing the regular District audit, we were able to drill down to view the individual entries that comprise the parcel tax revenue number for the year. We reviewed District provided backup for the significant entries that make up the revenue balance and noted no errors.

**Oakland Unified School District
Measure N Parcel Tax Fund
Revenue and Expenditure Summary
Year Ended June 30, 2016**

EXHIBIT I

	Working Budget	Actual	Variance Favorable (Unfavorable)
Revenues	\$ 11,339,346	\$ 11,339,346	\$ -
Expenditures by Program			
1414 - COLLEGE and CAREER	1,167,044	700,729	466,315
1540 - African American Male Achvmt	19,200	15,946	3,254
1690 - Measure N	1,545,734	952,407	593,327
1691 - Measure N - Innovation	107,500	61,742	45,758
1692 - Measure N - Innvtn Site Visit	15,014	3,130	11,884
3822 - EDUCATION ACADEMY 306 SKYLINE	40,000	11,098	28,902
3830 - Green Academy @ Skyline	22,700	3,043	19,657
3837 - CPA Comp Sci & Tech	27,400	9,140	18,260
3843 - CPA - Fashion @Oak Tech	19,600	5,682	13,918
3847 - CPA-Comp Sci@ Skyline	39,000	1,957	37,043
3851 - MEDIA ACADEMY	30,000	13,459	16,541
3861 - ARCHITECT, DESIGN, CONST	30,000	6,683	23,317
3867 - ENVIRONMENTAL SCIENCE ACAD	38,246	17,363	20,883
3880 - ENGINEERING ACADEMY	31,600	3,625	27,975
3906 - SUDA	18,600	69	18,531
3907 - 9th Grade Academy	110,100	40,725	69,375
3908 - Health Academy	48,400	12,707	35,693
3909 - VAAMP	38,400	19,756	18,644
3910 - PLTW	38,400	37,948	452
3911 - AVID	22,000	16,789	5,211
3912 - PHA	33,400	12,533	20,867
3913 - Global Studies	30,000	9,618	20,382
3914 - VAPA	12,800	18,592	(5,792)
9000 - OTH PROGRAMS / LOCAL GOALS	3,028,319	590,248	2,438,071
9055 - FISCAL 1X PARCEL TAX	20,000	27,194	(7,194)
	<u>6,533,457</u>	<u>2,592,183</u>	<u>3,941,274</u>
Excess of Revenues over Expenditures	<u>\$ 4,805,889</u>	<u>\$ 8,747,163</u>	<u>\$ 3,941,274</u>

**Oakland Unified School District
Measure N Parcel Tax Fund
Programs Selected for Testing
Year Ended June 30, 2016**

EXHIBIT II

	<u>Program Number</u>	<u>Program Expenditures</u>
COLLEGE and CAREER	1414	\$ 700,729
MEASURE N	1690	952,407
OTHER PROGRAMS / LOCAL GOALS	9000	<u>590,248</u>
		<u>\$ 2,243,384</u>