

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

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES**

FOR THE YEAR EDNED JUNE 30, 2017



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Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Board of Trustees and
Citizens' Oversight Committee
Oakland Unified School District

We have performed the procedures enumerated below, which were agreed to by the management of the Oakland Unified School District and the Measure N Citizens' Oversight Committee (the specified parties), to review expenditures of the 2014 Oakland Unified school District College and Career Readiness for All Act Parcel Tax Fund (Measure N), for the year ended June 30, 2017, for the purpose of verifying if the use of the funds is within the scope of the published election materials specifying the intended use of parcel tax proceeds. Management of the District is responsible for compliance with Measure N. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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 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 revenues and expenditures, respectively for the fiscal year ended June 30, 2017, were \$11,791,178 and \$10,739,948.

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, Findings, and Recommendations

1. Obtain parcel tax expenditure detail reports prepared by the District and agree amounts to the general ledger.

Results: We obtained the details of all revenues and expenditures 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.

Results, District schools: We selected a random sample of 60 vendor 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 \$8,399 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 funded by Measure N during fiscal year 2016-17. The results of applying this procedure is as follows:

For Castlemont, we selected three transactions totaling \$109,940; no exceptions.

For Fremont, we selected nine transactions totaling \$185,282. Of this amount, for 7 transactions totaling \$81,929, the District was unable to provide adequate supporting documentation.

For Oakland High, we selected six transactions totaling \$42,962; no exceptions.

For Oakland Tech, we selected eight transactions totaling \$308,995; no exceptions.

For Skyline, we selected 14 transactions totaling \$241,025. For two transactions totaling \$8,891, the District was unable to provide adequate supporting documentation. One transaction for \$1,473 was not eligible for Measure N funding because the employee was engaged in school site administrative work. One transaction for \$7,507 should have been coded to McClymounds, not Skyline. However, the activity is appropriate for Measure N funding, and so this is not an audit exception.

Results, 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 internet access hardware. The invoices do not provide documentation as to why Measure N is an appropriate funding source.

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

Unity: The school did not provide a population of Measure N expenditures that is organized in an auditable form.

Recommendation: We recommend the District to develop written policies regarding appropriate use of Measure N funds, and document retention to support the audit, so that each site has clear and consistent guidelines to follow. 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 positions prior to incurring the expense.

With respect to charter schools, the District could consider reimbursement for incurred eligible expenditures. This would facilitate monitoring for compliance and retention of documentation to support the audit.

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.

Results: 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. The District should also develop written procedures so that each site has clear and consistent guidelines to follow.

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.

Results: No exceptions were noted as a result of applying this procedure. We obtained the District's calculation of the fiscal year 2016-17 administrative overhead calculation, noting that the District allocated 90% to school sites, including charter school sites, and 10% for administrative overhead. We calculated that from the inception of Measure N through June 30, 2017, the District was allocated \$2,271,921 of Measure N administrative funds. For the same period, the District expended \$2,254,992 for Measure N administrative activities. The remaining unspent Measure N administrative funds at June 30, 2017 of \$16,929 are available for spending in subsequent years.

5. Verify that administrative overhead charges are allowable for Measure N funding.

Results: Administrative expense for the fiscal year ending June 30, 2017 were \$1,422,601. We selected an audit sample of nine items totaling \$802,460 to verify if they are allowable for Measure N administrative funding. Three vendor items totaling \$85,028, are expenses incurred related to printing and mailing of exemptions forms. While this is an allowable administrative activity, the provided documentation does not show how the allocation to Measure N was calculated.

Like our recommendation for procedures 2, we recommend the District to appoint an individual responsible for overseeing the use of Measure N funds and monitoring the expenditures.

6. Select a sample of district schools and a sample of charter schools. Test the allocation of grant proceeds to the sample of schools.

Results: No exceptions as a result of applying this procedure. 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" and was consistently applied to District schools and charter schools. We also verified that the amount allocated to school sites is 90% of the total current year parcel tax.

7. 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.

Results: No exceptions as a result of applying this procedure with respect to the standard exemption process. We obtained an understanding of how the District processes the senior citizen exceptions and low-income exemptions. Our audit sample consisted of 60 randomly selected low income and senior citizen exemption forms submitted for the 2016-17 fiscal year. With respect to one item, the income verification documentation was not retained. We do not consider this to be a sign of a systemic deficiency that needs corrective action.

Outside of the standard exemption process, exemptions are allowed retroactively for prior parcel taxes paid. If someone paid the parcel tax and would have otherwise qualified for an income or age exemption had the proper forms been submitted timely, the District will issue a refund. For the year ending June 30, 2017 total refunds were \$269,280, of which \$84,240 was allocated to Measure N. Per our review of the District's calculation over the allocation between Measure G and Measure N, we noted the following:

One person received a refund of \$585 on September 6, 2016 and a second refund of \$585 on September 16, 2016. The second refund is an error per discussion with District personnel. Of the total \$1,170 refund, \$120 was allocated to Measure N because of how formulas are setup on the District's allocation worksheet. It is not clear if this is the correct amount that should be allocated to Measure N or is simply per the formulas on the allocation worksheet.

One person received a refund of negative \$315 on September 1, 2016. None of the negative refund was allocated to Measure N. We did not receive a clear answer about what is meant by a negative refund, nor could we conclude if the allocation to Measure N is correct or simply per the formula on the allocation worksheet.

We obtained an understanding of the methodology to process and allocate retroactive refunds, but did not select a representative sample. Had we selected a representative sample, additional errors may have been identified. We recommend the District to reconsider the methodology of allocating retroactive refunds between Measure G and Measure N, and to apply the revised methodology to fiscal year 2017. Any errors identified should be corrected in fiscal year 2018.

8. 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.

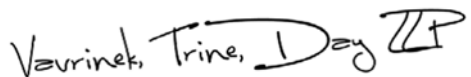
Results: See recommendations connected with each of the respective procedures.

9. Examine sufficient supporting documentation to validate the amount of Measure N Parcel Tax revenues received and recorded by the District.

Results: The District correctly recorded the fiscal year 2016-17 revenue in the accounting records of Measure N.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on Measure N. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education, the Citizens' Oversight Committee, and management of the District and is not intended to be and should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Palo Alto, California
May 7, 2018

**Supplementary Information
(Unaudited)**

Table 1, Expenditures by Program

Program #	Program Name	FY17 Amount	
1414	College and Career	\$ 1,278,404	11.9%
1540	African American Male Achievement	10,939	0.1%
1690	Measure N	6,379,715	59.4%
1691	Measure N - Innovation	17,325	0.2%
3830	Green Academy @ Skyline	109,914	1.0%
3837	CPA Computer Science & Technology	14,825	0.1%
3843	CPA - Fashion @ Oak Technology	5,770	0.1%
3847	CPA - Computer Science @ Skyline	73,900	0.7%
3851	Media Academy	35,227	0.3%
3861	Architect, Design, Construction	14,899	0.1%
3867	Enviromental Science Academy	21,026	0.2%
3906	SUDA	1,800	0.0%
3907	9th Grade Academy	556,131	5.2%
3908	Health Academy	9,701	0.1%
3909	VAAMP	40,645	0.4%
3910	PLTW	47,989	0.4%
3911	AVID	13,850	0.1%
3912	PHA	12,482	0.1%
3913	Global Studies	7,945	0.1%
3914	VAPA	58,981	0.5%
9000	Other Programs/ Local Goals	1,884,283	17.5%
9055	Fiscal 1X Parcel Tax	144,197	1.3%
	Total	<u>\$ 10,739,948</u>	

Table 2, Allocations and Ending Balances

School	2016-17 Measure N Allocation	2015-16 Carryover	FY 2016-17 Available Fund Balance	FY 2016-17 Actual Expense	Carryover Amount (Unspent 2016-17 Funds)
215 Madison Park Upper	\$ 353,600	\$ 50,316	\$ 403,916	\$ 231,793	\$ 172,123
232 CCPA	228,650	38,290	266,940	259,467	7,472
335 Life Academy	235,450	30,184	265,634	146,426	119,208
338 MetWest	147,050	14,510	161,560	120,338	41,221
301 Castlemont	629,000	86,914	715,914	584,392	131,521
302 Fremont	655,350	170,571	825,921	697,496	128,425
303 McClymonds	317,050	27,078	344,128	232,225	111,902
304 Oakland High	1,336,200	60,097	1,396,297	1,245,765	150,531
305 Oakland Tech	1,732,300	281,933	2,014,233	1,619,598	394,635
306 Skyline	1,563,150	168,820	1,731,970	1,486,965	245,006
309 Bunche	92,650	29,882	122,532	33,449	89,082
310 Dewey	226,100	15,489	241,589	128,153	113,436
313 Street Academy	97,750	7,480	105,230	101,730	3,500
330 Sojourner Truth	164,900	28,140	193,040	114,778	78,262
333 Community Day	28,900	(1,223)	27,677	25,319	2,358
352 Rudsdale	141,950	49,748	191,698	86,832	104,866
353 Oakland International	351,050	7,477	358,527	318,338	40,189
Charter ARISE	236,300	-	236,300	236,300	-
Charter Aspire Lionel Wilson	241,400	-	241,400	246,373	(4,973)
Charter Envision Academy	349,350	-	349,350	349,350	-
Charter Lighthouse	220,150	-	220,150	187,850	32,300
Charter LPS Oakland	304,300	-	304,300	304,300	-
Charter Oakland Unity High School	295,800	-	295,800	295,800	-
Total Cohort 1 Schools	9,948,400	1,065,704	11,014,104	9,053,037	1,961,067
					Carryover Amount (Unspent 2016-17 Funds)
	Full Measure N Allocation	Amount in Reserve	2016-17 Planning Year Allocation	FY 2016-17 Actual Expense	
Charter American Indian High School	219,300	167,700	51,600	51,600	-
Charter COVAH	45,900	35,100	10,800	10,800	-
Charter Aspire Golden State Prep	248,200	189,800	58,400	58,400	-
Charter East Bay Innovation Academy	51,850	39,650	12,200	12,200	-
Total Cohort 2 Schools	565,250	432,250	133,000	133,000	-
					Carryover Amount (Unspent 2016-17 Funds)
	2016-17 Measure N Allocation	2015-16 Carryover	FY 2016-17 Available Fund Balance	FY 2016-17 Actual Expense	
OUSD Admin Oversight	1,165,987	378,012	1,543,998	1,422,601	121,397
County collection fee	-	-	-	131,310	-
Total, Measure N	\$ 11,679,637	\$ 1,875,965	\$ 12,691,102	\$ 10,739,948	\$ 2,082,464