

# Memorandum

To: Dr. Kyla Johnson-Trammell, Superintendent  
From: Jason Willis and Tia Taylor, WestEd  
Date: September 21, 2018  
Re: Supplemental Analysis: OUSD Contracts Investigation

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## Purpose

In February 2018, Oakland Unified School District (OUSD) requested that WestEd complete a third-party review and analysis of OUSD's Contracts. The purpose of this review is to determine the scope of contracts OUSD enters into with a focus on the volume of contracts which provide direct services for students. Many questions exist as to the composition of contracts from the board, bargaining units, community members, parents, and staff. The review attempts to provide a detailed analysis to eradicate misconceptions related to the composition of current contracts and recommendations for immediate and long-term solutions for improvements.

## Summary of Findings

Districts enter into contracts for a variety of reasons, the primary reason for conducting the analysis is to identify specific information related to the contracts OUSD enters into and to determine potential cost saving opportunities. To complete this process, WestEd investigated the composition of all expenditures posted to Object Code 5800, defined by the Standardized Account Code Structure (SACS) as the recording of expenditures for services requiring contract agreements. The following outlines major findings related to contract expenditures.

Unaudited Actuals represents a districts final actual expenditure for the fiscal year, pending any adjustments through an external audit. The 2017-18 Unaudited Actuals for OUSD reported general fund expenditures of over \$55M to Object Code 5800; this amount represents a reduction of approximately \$2.5M in expenditures reported for the 2016-17 fiscal year. Narrowing the scope to Unrestricted General Fund (UGF) expenditures, which totaled approximately \$27M, the largest portion of contracts, more than half, were initiated by departments classified as a Central site type. Drilling-down Central contracts, the highest volume is submitted to support Transportation (78.76%), Oakland Athletic League (OAL) (4.71%), and Continuous School Improvement (1.97%). See Table 1 for a detailed breakdown of Central contracts.

**Table 1: 2017-18 Unrestricted General Fund Expenditures for Object Code 5800**

By Site Type	\$26,903,332	
Elementary Schools	\$1,768,530	*
Middle Schools	\$651,767	*
High Schools	\$2,035,439	*
District Wide	\$7,203,341	
<b>Central</b>	<b>\$15,244,255</b>	
Top 10 Central Sites	\$15,244,255	% Total
995 – Transportation	\$12,006,837	78.76%
933 - Oakland Athletic League (OAL)	\$717,247	4.71%
956 - Continuous School Improvement	\$300,774	1.97%
980 - Chief Financial Officer	\$258,240	1.69%
994 - OUSD Police Department	\$228,263	1.50%
944 - Human Resources Services	\$207,765	1.36%
929 - Office of Equity	\$205,845	1.35%
986 - Technology Services	\$197,628	1.30%
922 - Comm. Schools & Student Services	\$158,953	1.04%
937 - Summer Programs	\$110,855	0.73%

\*\$4,455,736 total for Elementary, Middle and High Schools  
Gateway and Street Academy comprise \$752K of total

### *Summary of Transportation Expenditures*

Of the \$12,006,837 in expenditures posted for transportation, the majority of contracts support transportation services for special education students. The primary vendor for transportation services is First Student, Inc., which the district renewed a two-year contract on February 13, 2018, approved by the board on March 13, 2018. The contract terms are not to exceed \$11,500,000 for the term August 1, 2018 to July 31, 2020. Other vendors the districts entered into contracts to support transportation services for special education students include the following, JIR, AC Transit, 1<sup>st</sup> American, Friendly Trans, Michael’s Transportation, as well as approximately \$260,000 in reimbursements to parents.

### *Summary of District-Wide Expenditures*

Of the \$7,203,341 in expenditures posted to the District-Wide site type, \$1,614,107 of that amount supports School Contingency programs. The remaining expenditures, \$5,589,234, primarily support licensing agreements for technology, such as Escape. In addition to licensing agreements, there were district-wide expenses for consulting services for professional learning related to implementation and project management services, as well as temporary personnel to support payroll and accounts payable functions and independent audit fees.

### Summary of School Contingency Contracts

Of the \$1,614,107 in expenditures for school contingency contracts, the majority of the contracts support summer learning, after school programs, and a variety of intervention and enrichment programs that support math and the arts. The volume of contracts submitted far exceeds the number submitted to support Transportation and District-Wide contracts in relation to the costs associated with each contract. For example, Bay Area Community Resources had approximately 60 individual contracts submitted.

### Summary by Object 5825 Consultants

The 2017-18 Unaudited Actuals for OUSD reported general fund expenditures of \$16.3M to Object Code 5825; this amount represents expenditures coded for outside consultant support. Narrowing the scope to Unrestricted General Fund (UGF), total expenditures reached \$8,227,269, which represents 30.58% of UGF expenditures rolled-up to Object Code 5800. The majority of expenditures posted to Object 5825 in the UGF were direct services to students initiated by Elementary, Middle, High, and Chief of Schools (\$4,498,742). See Table 2 for a detailed breakdown UGF expenditures for Object Code 5825 by Site Type and Department/Chief Type.

**Table 2: 2017-18 Unrestricted General Fund Expenditures for Object Code 5825**

Department	Site Type					Grand Total
	Central	District Wide	Elem	Middle	High	
Chief of Schools	\$671,051		\$1,389,898	\$522,294	\$1,915,499	\$4,498,742
Senior Business Officer	\$433,785	\$2,205,305				\$2,639,091
Chief Academic Officer	\$288,273					\$288,273
Chief of Staff	\$210,575					\$210,575
Chief of Police	\$205,183					\$205,183
Chief Operating Officer	\$194,235					\$194,235
Chief Talent Officer	\$76,725					\$76,725
Chief Communications Officer	\$76,404					\$76,404
Legal	\$38,041					\$38,041
<b>Grand Total</b>	<b>\$2,194,273</b>	<b>\$2,205,305</b>	<b>\$1,389,898</b>	<b>\$522,294</b>	<b>\$1,915,499</b>	<b>\$8,227,269</b>

## Recommendations

The supplemental analysis surfaced several recommendations for OUSD staff specific to these three central office sites for implementation in the subsequent fiscal year. The recommendations include:

- Protocols for evaluating special education transportation needs:** Once the set-up for the contract arrives at transportation for a special education student the agreement has already been made between the school district and parent of the student. It is recommended that OUSD identify an individual to represent the school district in the IEP meetings and discussion to support the evaluation and provision of transportation services. This may begin by looking at a sample of IEPs included transportation provisions to understand the nature of the challenge.
- Guidelines for provisioning contracts in sites 998 and 999:** There seems to be no apparent pattern for why certain contracts were associated with sites 998 and 999. It is recommended that OUSD evaluate the criteria under which sites 998 and 999 are used for contracts and other financial

activities as a means to ensure the appropriate lines of authority and transparency to monitor and evaluate the year to year use of outside contractors.

- **Set-up Contract Review Process for 2018-19 Budget Revision:** There is still time to ensure that all contracts entered into by OUSD for the 2018-19 school year will be in the best interest of the district and students. Either through the Network Administrators, or a Contracts Administrator, create a contract review team that focuses determining the need for the contract and identify process improvements specific to the needs of OUSD.

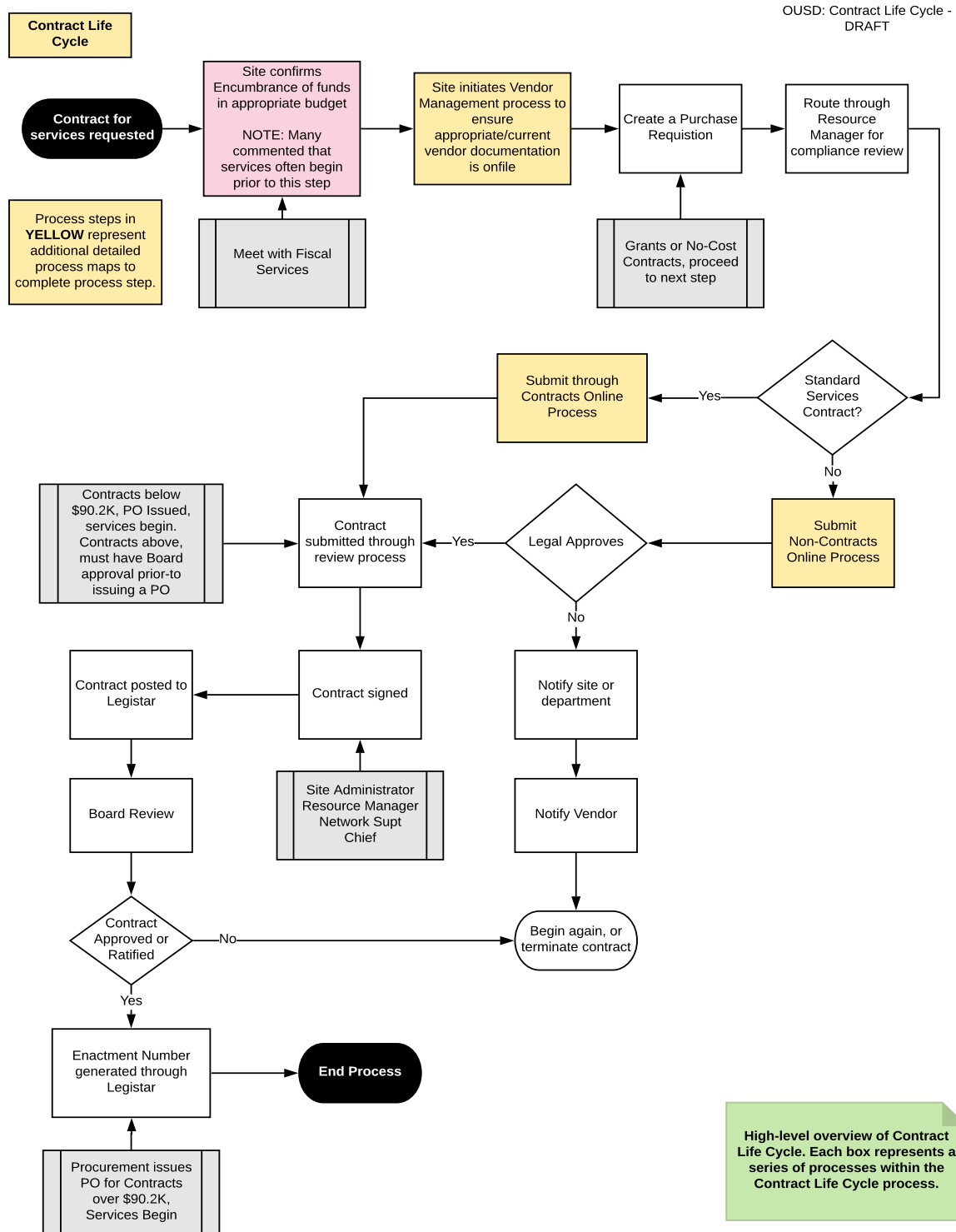
In addition to the contract analysis, WestEd created process maps detailing each phase of the contract submission and approval process. Upon review of each process, conducting interviews with OUSD staff, and researching best practices, WestEd also created process maps highlighting recommendations for process improvements. Please see Appendix A for the detailed process maps of the “as-is” process, followed by Appendix B for the detailed process improvement recommendations.

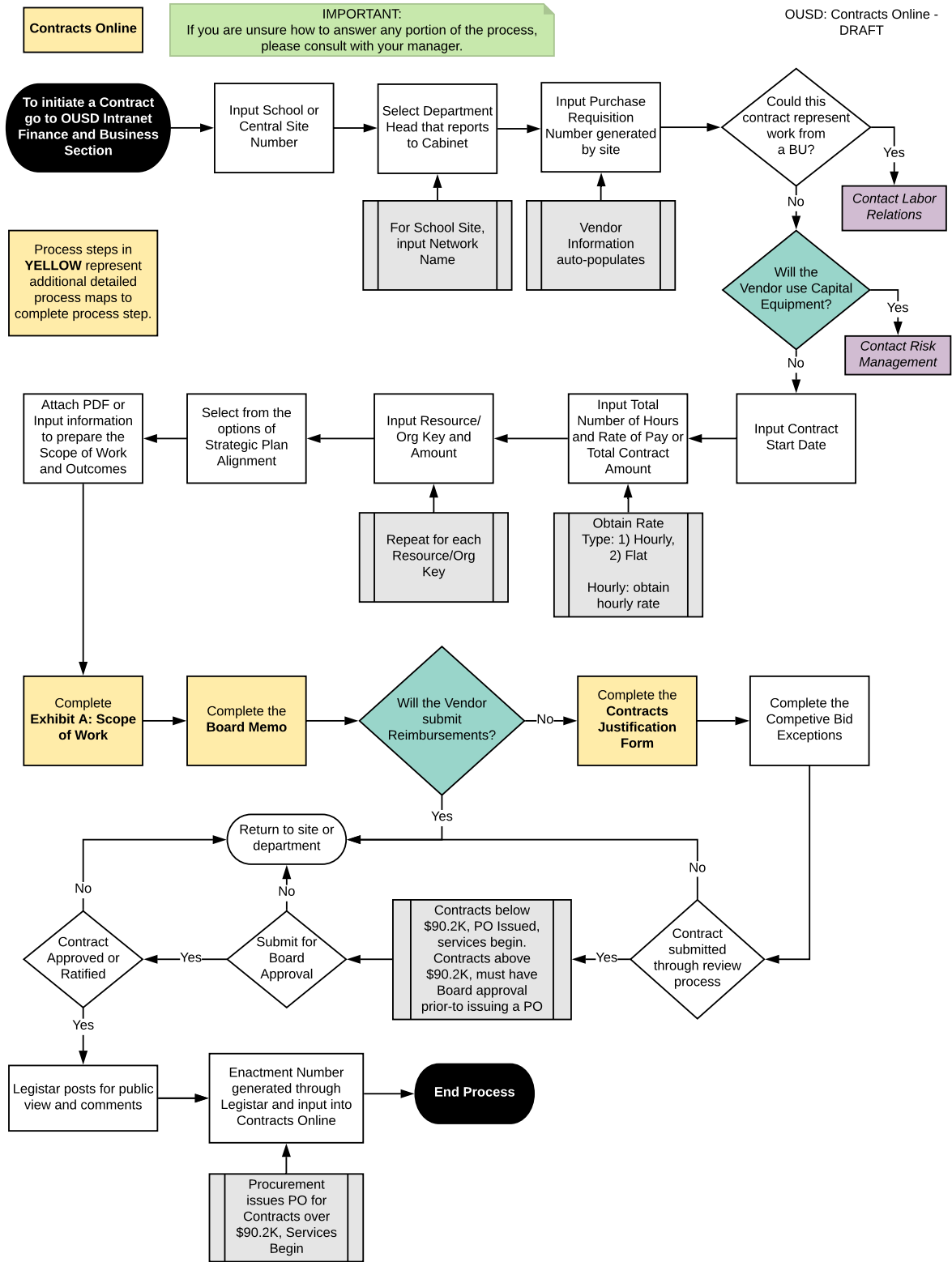
## Summary

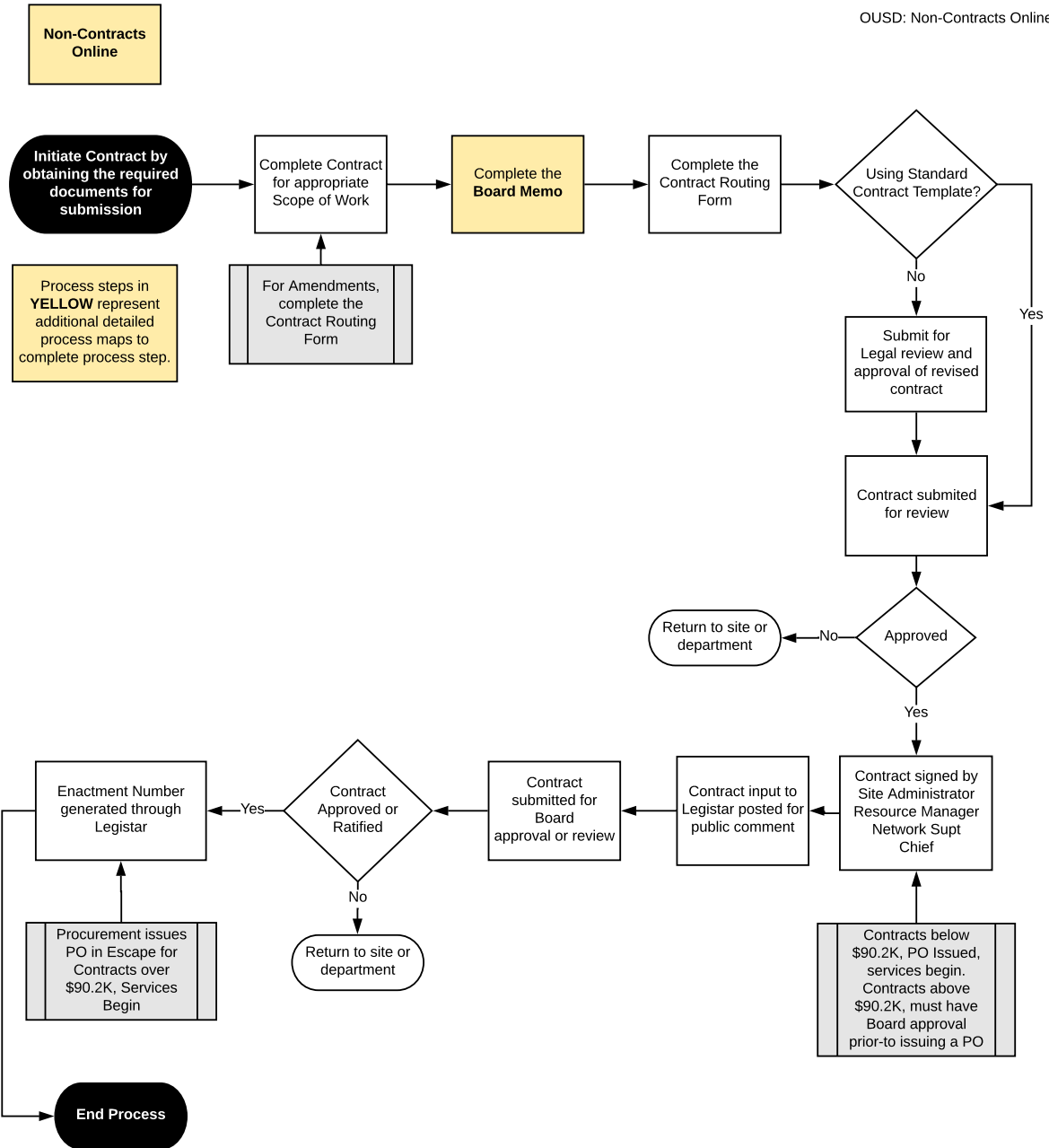
The contract analysis provides greater understanding of the scope of contracts entered into OUSD. The majority of contracts outlined in this review prove to provide direct services for students. While often not considered direct services for students, district-wide contracts, such as Escape Technology, provide a platform to efficiently analyze financial and student data and prevent “waste, fraud, and abuse”. Additional streamlining can be accomplished through dedicated processes via online or local software platforms. The district should consider investigating transportation contracts not linked to special education services and renegotiate the costs, at least on short-term basis. For contracts supporting summer learning, after school programs, and intervention and enrichment programs the district should consider master contracts to expedite the submission process and monitor the impact of these services in relation to student outcomes. As stated in the recommendations, OUSD has time to review all contracts for 2018-19 to ensure each contract is in the best interest of the districts and students. Please see Appendix C for a PowerPoint which includes additional charts and supporting data, as well as specific recommendations for future consideration.

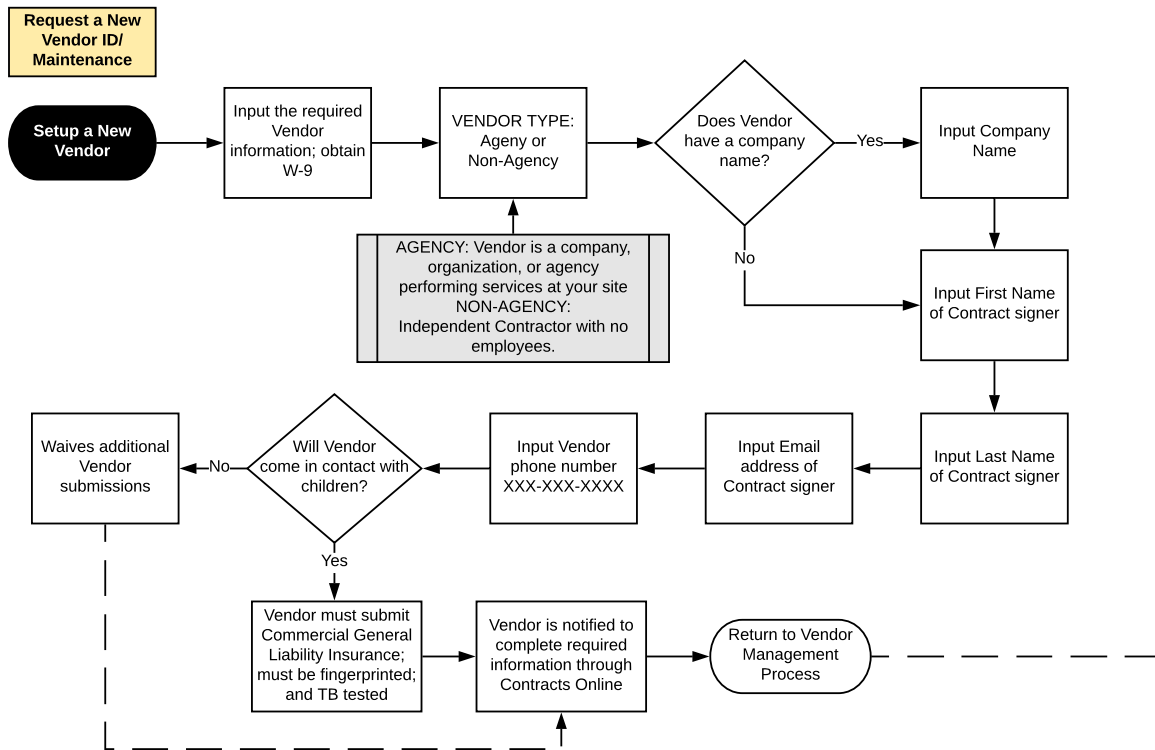
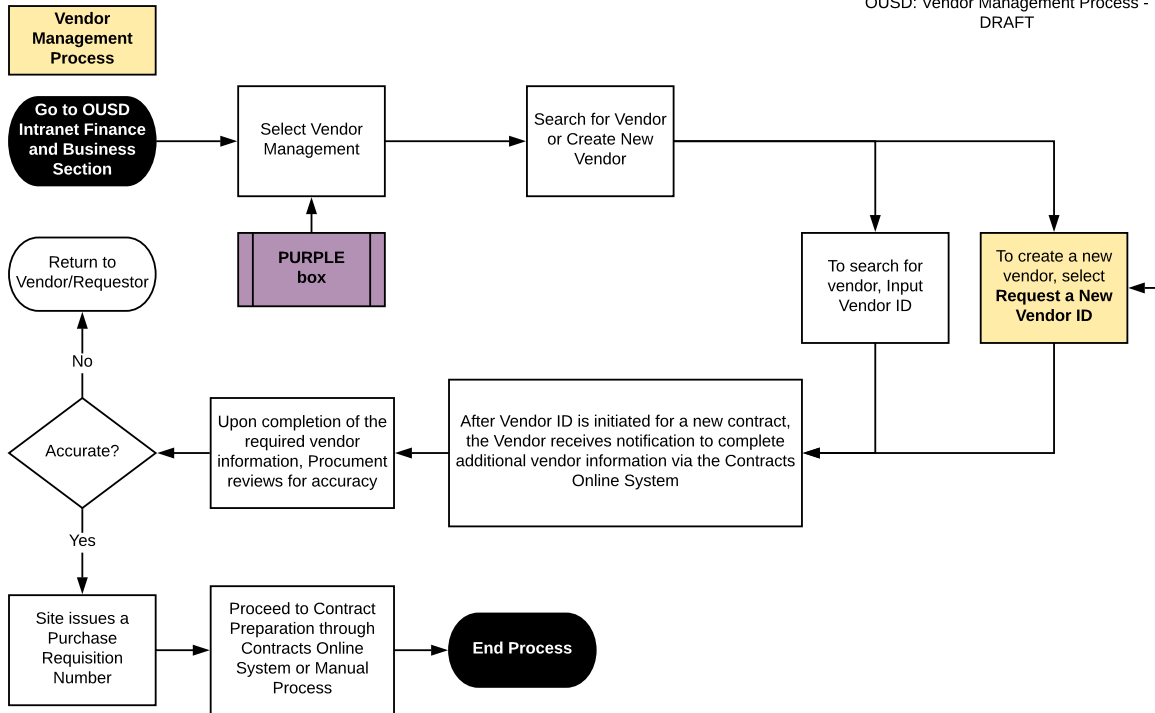
We are confident that all District staff, working together as a team, will be able to make many positive changes toward implementing improvements specific to the contract process. The District should create an action plan to implement key recommendations from this memo. After consideration and discussion of the recommendations, the District should develop a priority list with an implementation target date and the identification of the staff responsible for implementation. In addition, a reporting system with established dates for providing updates to the Superintendent, cabinet, and the board should be implemented. We appreciated the opportunity to support the work of the District and would be happy to provide more information pertaining to this review by request.

## Appendix A: Detailed Maps of the “As-Is” Contract Process

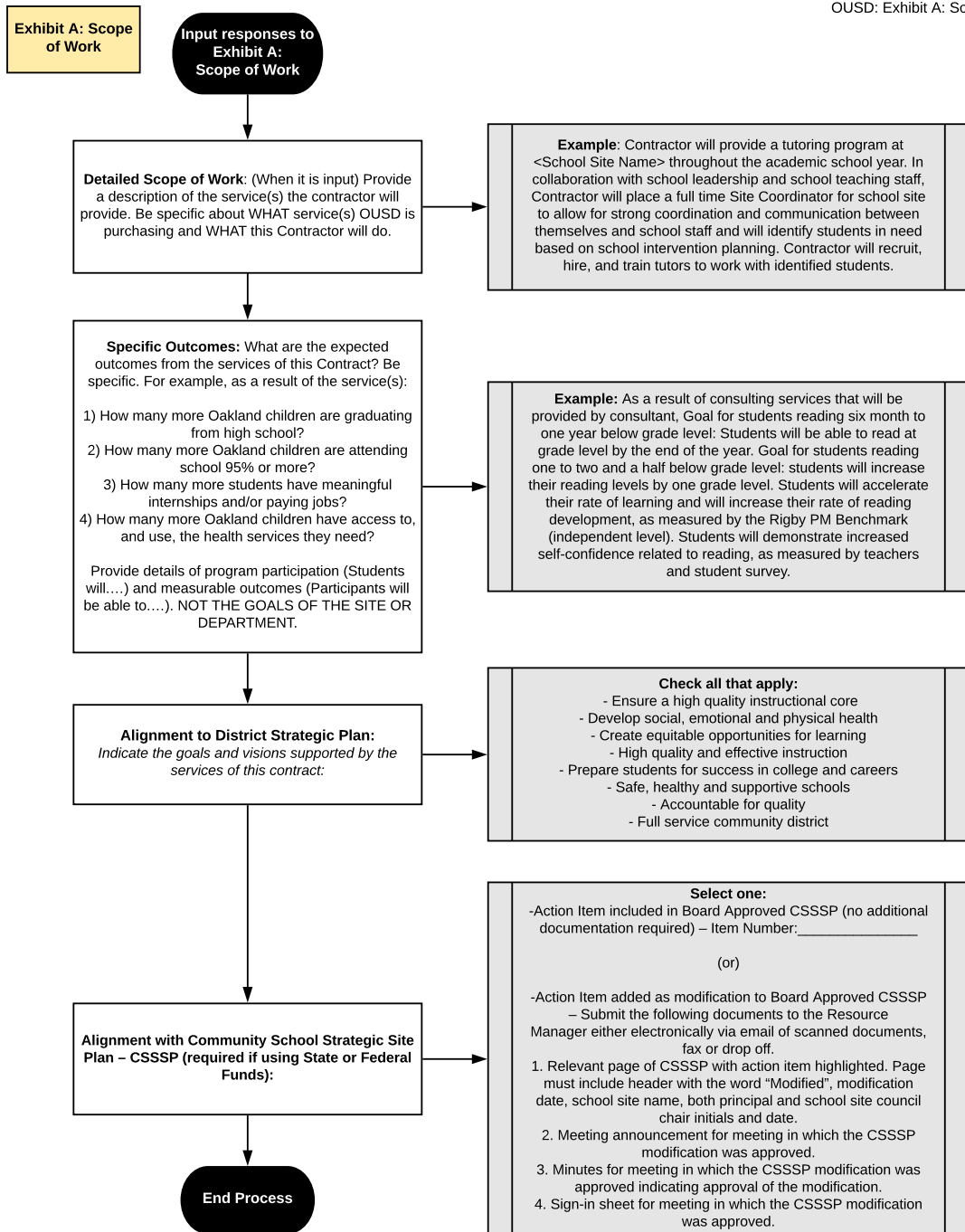


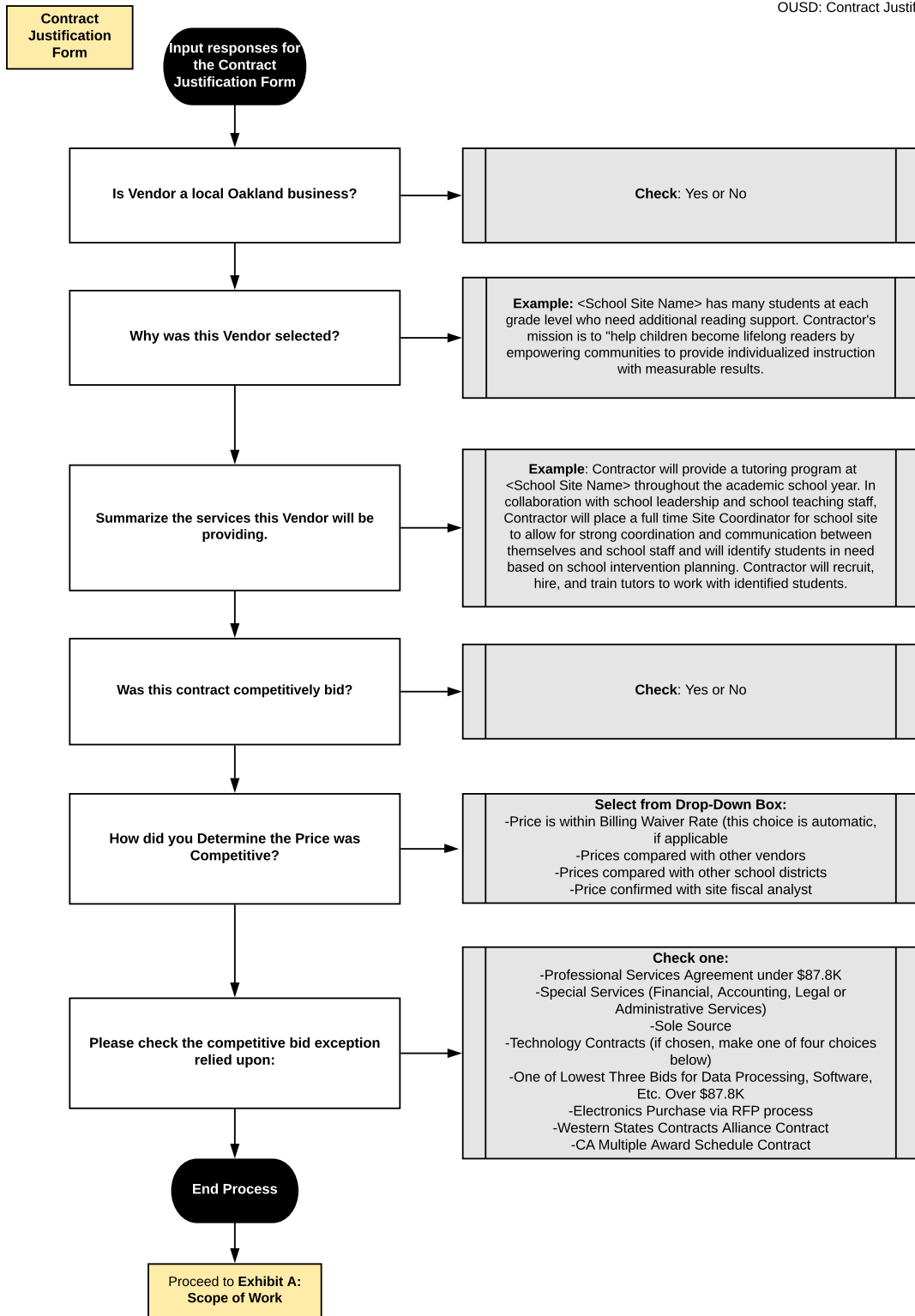




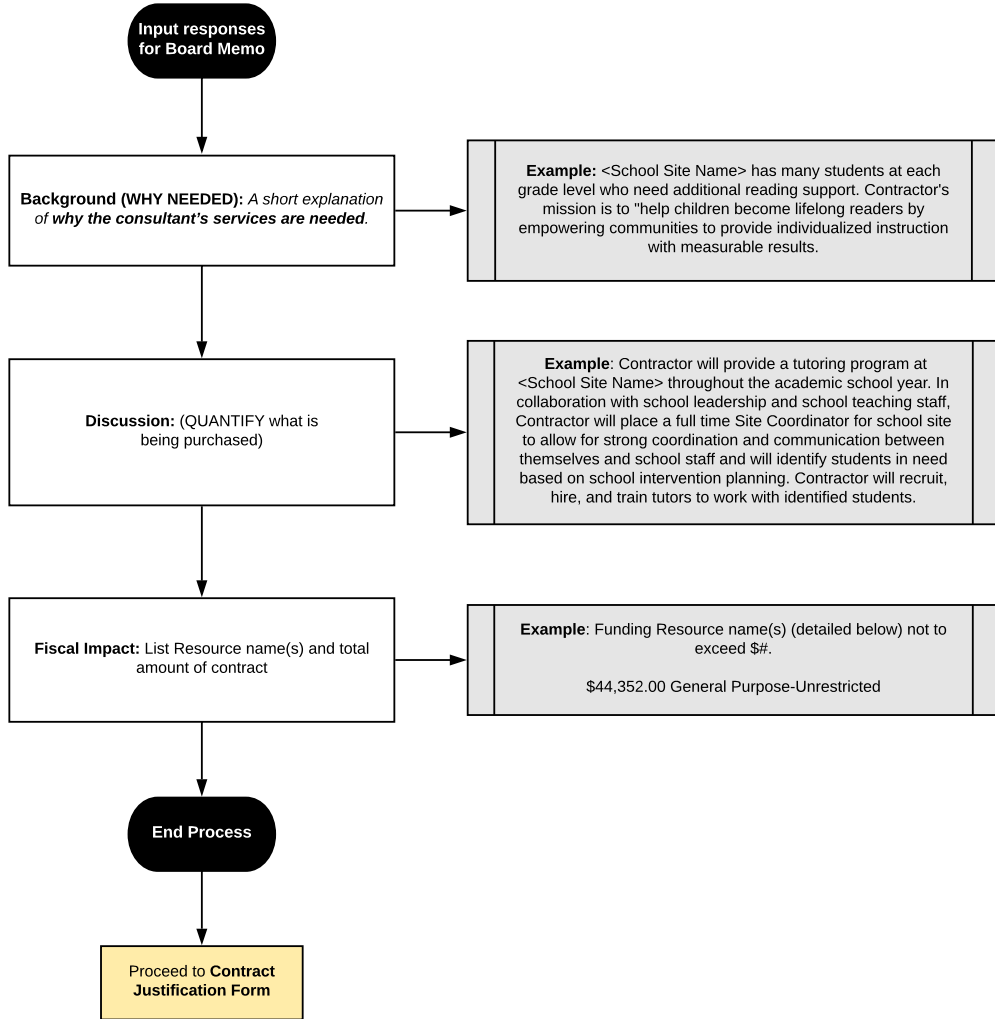




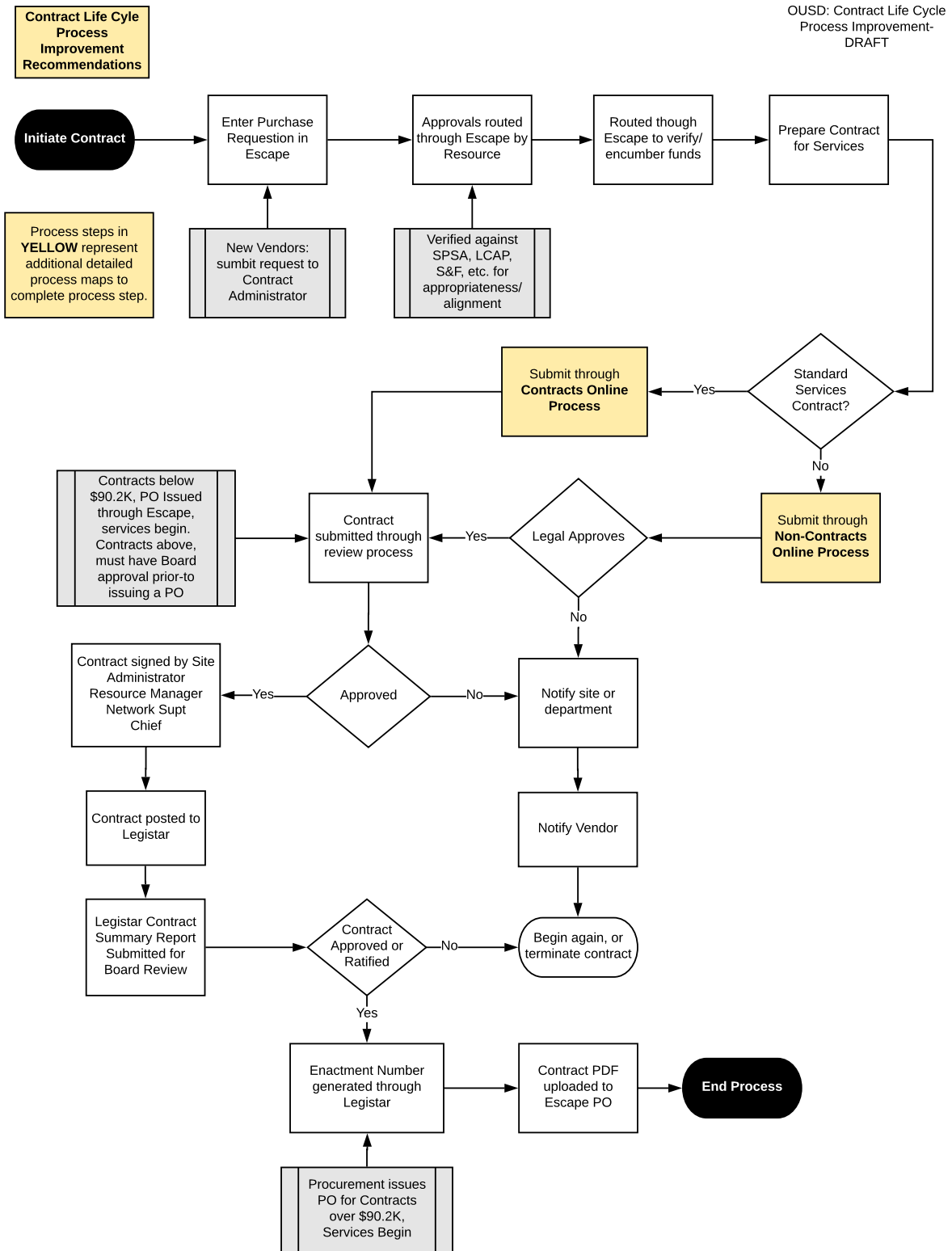


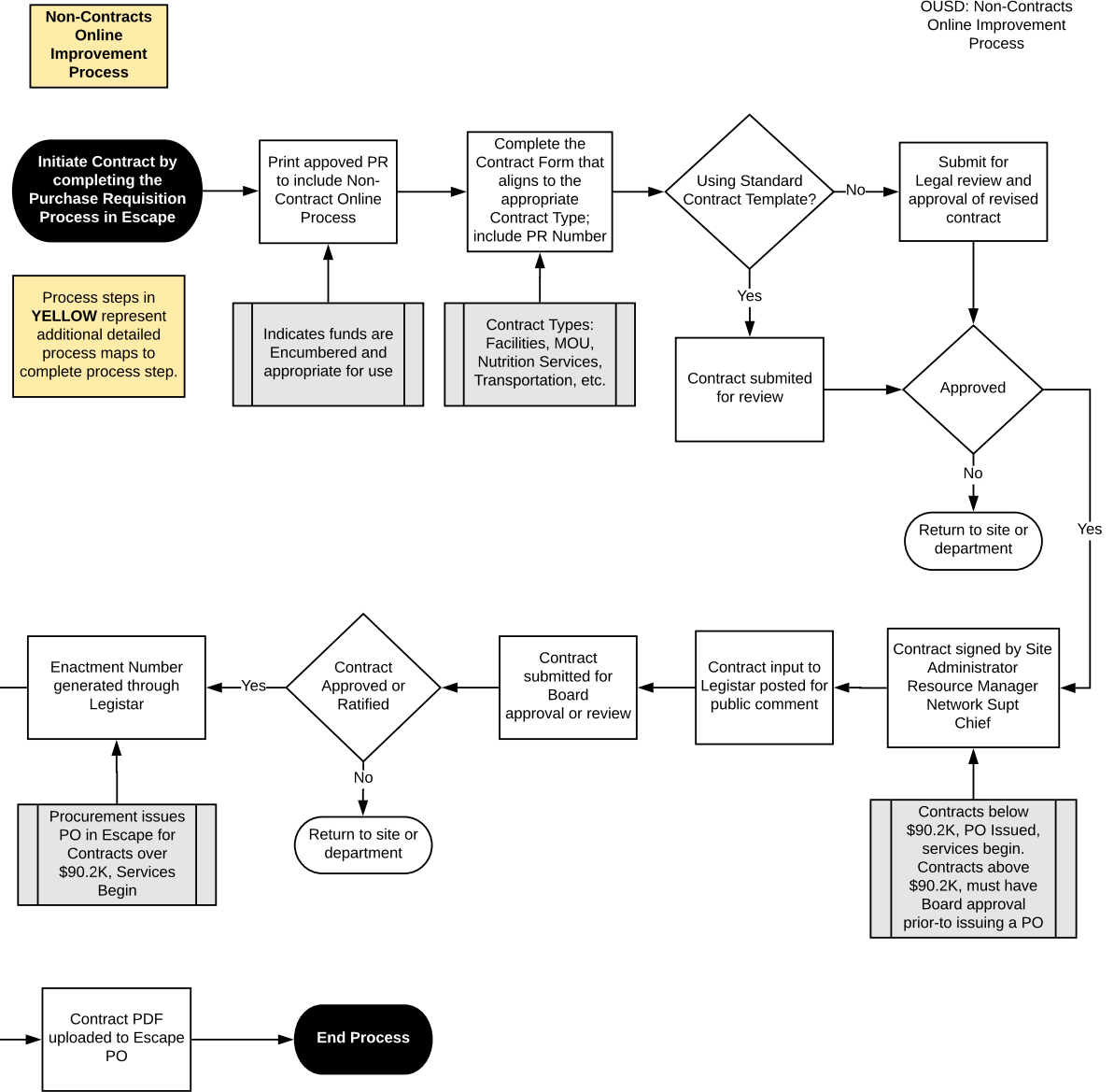


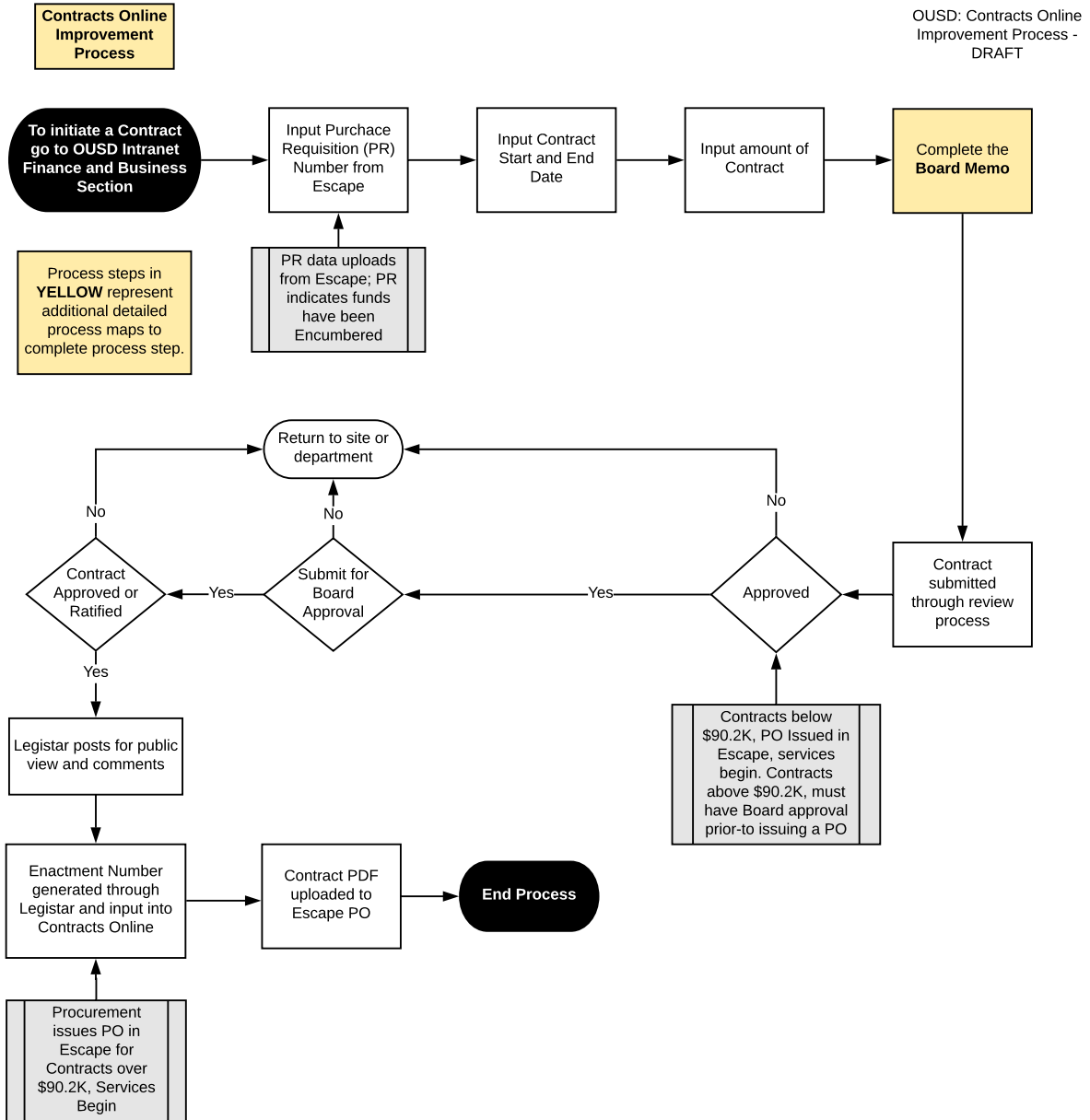
Board Memo



## Appendix B: Detailed Maps of Contract Process Improvement Recommendations







## Process Improvement Recommendations Vendor Management and Forms

### **Vendor Management Process Improvement Recommendations:**

#### Centralize Vendor Management Process

- Reduce workload and burden on sites and departments, as well as strengthening internal controls
- Ensure the district is meeting competitive bid requirements
- Ensure the district is monitoring contracts against bargaining unit qualifications
- Ensure all vendors have appropriate paperwork and required clearance to work with students

### **Forms and Paperwork Improvement Recommendations:**

#### Exhibit A: Scope of Work

- Integrate responses to Scope of Work Form in the PR fields in Escape, i.e., include SPSA, LCAP, or other District Plan reference demonstrating alignment of resources

#### Board Memo

- Replace/modify board memo with a summary of contracts to approve
- Prepare and obtain board approval for new contract approval process to ensure and that contracts submitted for board approval are budgeted prior-to submission

#### Contract Justification Form

- Eliminate form and incorporate responses in Vendor Management System

# Oakland Unified School District

## Analysis of Contract Spending, Process, and Opportunities for Investigation

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September 12, 2018

## Overview

- Purpose
- Scope of Analysis
- Disaggregation of Process
- 17-18 Observations & Trends
- Recommendations



## Purpose

### Phase I: Data Analysis

- Review of Contract Spending
- Map Contract Approval Process

### Phase II: Recommendations

- Potential Savings
- Process Improvements

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## Scope of Analysis

- **Contracts paid with General Fund only (Fund 01)**
  - Excludes Adult Ed, Nutrition Services, Early Childhood, and Facilities
- **Unrestricted General Fund expenditures only**
  - FY17-18 Unaudited Actuals
- **Expenditures posted to 5800 object codes**
  - Total expenditures: \$55,742,662

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## Observations of Restricted General Fund Contract Spending

- **Spending on contracts for restricted resources** are very often governed by federal or state mandates
  - Examples include: spending for an IEP with a student, resource tied directly to a program (after-school care), or restricted use (Title III)
- **Large proportion of Restricted Fund Resources support Special Education**
  - To curtail spending needs to come through management of program, not cutting contracts (Program Review and Implementation Plan)
- Therefore, focus on specific areas where unrestricted resources are used for contracts

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## Object 5800 Expenditures

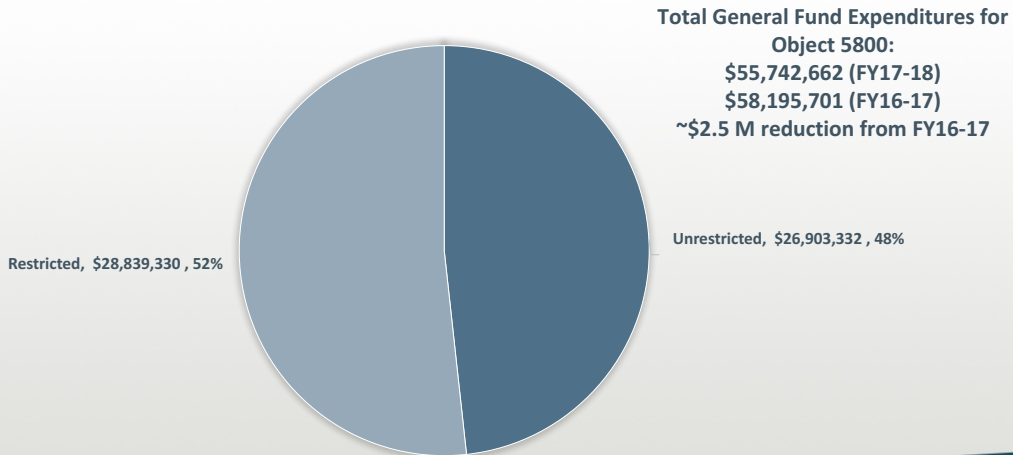
- **Districts record expenditures for personal services rendered by personnel who are not on the payroll of the LEA.**
- **Professional/consulting services are delivered by an independent contractor (individual, entity, or firm) that offers its services to the public.**
- **Such services are paid on a fee basis for specialized services that are usually considered to be temporary or short term in nature, normally in areas that supplement the expertise of the LEA.**
- **This includes all related expenditures covered by the personal services contract.**

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# FY17-18 Object 5800 Expenditure Analysis

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## FY17-18 Contract Funding Sources: Total General Fund Expenditures for Object 5800



## FY17-18 Object 5800 Expenditures Summary

### 17-18 Preliminary Unaudited Actuals

Object Code	Amount (%)	Object Code	Amount (%)
Consultants (5825)	\$16.3M (29.3%)	Advertising/Legal (5810/5845*)	\$301K (0.5%)
Transportation Contracts (5880)	\$9M (16.2%)	Admission (5829)	\$241K (0.4%)
Non-Public Agency Contracts (5824)	\$8.1M (14.6%)	Bank Fees (5822)	\$117K (0.2%)
Non-Public School Contracts (5827)	\$7.5M (13.5%)	Fingerprinting (5838)	\$56K (0.1%)
Licensing Agreements (5846)	\$4.6M (8.3%)	Testing (5875)	\$43K (0.1%)
Contracted Services (5830)	\$4.6M (8.3%)	Assembly (5828)	\$24K (0.04%)
Ext Workorder Service (5826)	\$3.5M (6.3%)	Printing (5870)	\$22K (0.04%)
Other Service & Operating (5800)	\$730K (1.3%)	Tax Penalty (5847)	\$5K (0.01%)
Payments to Parents (5865)	\$397K (0.7%)	Assessments & Fees (5818)	\$3K (0.01%)

\*Object 5845: Legal Expenses \$194K

## FY17-18 Object 5800 Expenditures

### Unrestricted & Restricted General Fund

OBJECT CODE - DESCRIPTION	UNRESTRICTED	% UGF	RESTRICTED	% RGF	TOTAL
5880 - TRANSPORTATION-CONTRACTED	\$9,038,320	33.60%	\$0	0.00%	\$9,038,320
5825 - CONSULTANTS	\$8,227,269	30.58%	\$8,124,284	28.17%	\$16,351,554
5846 - LICENSING AGREEMENTS	\$4,408,281	16.39%	\$220,013	0.76%	\$4,628,294
5830 - CONTRACTED SERVICES	\$2,604,036	9.68%	\$1,999,669	6.93%	\$4,603,706
5826 - EXTERNAL WORK ORDER SERVICES	\$1,570,277	5.84%	\$1,960,856	6.80%	\$3,531,133
5865 - PYMTS TO PARENTS IN LIEU OF	\$364,481	1.35%	\$32,200	0.11%	\$396,681
5800 - OTH SERVICES & OPERATING EXPS	\$337,762	1.26%	\$392,712	1.36%	\$730,474
5822 - BANK FEES	\$117,344	0.44%	\$0	0.00%	\$117,344
5810 - ADVERTISING - LEGAL	\$103,719	0.39%	\$3,391	0.01%	\$107,110
5829 - ADMISSION FEES	\$61,288	0.23%	\$180,468	0.63%	\$241,756
5875 - TESTING	\$43,062	0.16%	\$0	0.00%	\$43,062
5828 - ASSEMBLIES/CLASSRM PRESENTION	\$20,129	0.07%	\$3,500	0.01%	\$23,629
5847 - FEDERAL PAYROLL TAX PENALTY	\$5,040	0.02%	\$0	0.00%	\$5,040
5818 - ASSESSMENTS AND FEES	\$2,450	0.01%	\$0	0.00%	\$2,450
5824 - NON-PUBLIC AGENCY CONTRACTS	\$0	0.00%	\$8,139,290	28.22%	\$8,139,290
5827 - NON-PUBLIC SCHL CONTRACTS	\$0	0.00%	\$7,510,603	26.04%	\$7,510,603
5838 - FINGERPRINTING	\$0	0.00%	\$55,778	0.19%	\$55,778
5870 - PRINTING	-\$126	0.00%	\$22,281	0.08%	\$22,155
5845 - LEGAL EXPENSE	\$0	0.00%	\$194,284	0.67%	\$194,284
<b>Grand Total</b>	<b>\$26,903,332</b>		<b>\$28,839,330</b>		<b>\$55,742,662</b>

17-18 Preliminary Unaudited Actuals

## 17-18 Unrestricted General Fund Object 5825 Expenditures by Department and Site

Department	Site Type					Grand Total
	Central	District Wide	Elem	Middle	High	
Chief of Schools	\$671,051		\$1,389,898	\$522,294	\$1,915,499	\$4,498,742
Senior Business Officer	\$433,785	\$2,205,305				\$2,639,091
Chief Academic Officer	\$288,273					\$288,273
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<b>Grand Total</b>	<b>\$2,194,273</b>	<b>\$2,205,305</b>	<b>\$1,389,898</b>	<b>\$522,294</b>	<b>\$1,915,499</b>	<b>\$8,227,269</b>

## Object 5825 District-Wide Expenditures

Expenditure Summary	Prelim. Unaudited Actuals
Licensing Fees	\$442,892
Cent Supp Blueprint	\$281,099
Marcus Foster Institute	\$250,000
Springboard Collaborative	\$250,000
APEX- Post Secondary	\$162,475
Audit Fees	\$149,300
Counseling Services (Book Trust)	\$146,800
Art Instruction	\$132,265
UCSF Benioff Childrens Hospital	\$114,600
BSTA Induction	\$89,964
Fiscal Services Project Mgmt	\$79,910
UC Regents	\$54,000
PACE Middle School: HERO PE	\$28,000
East Bay Asian Youth Center	\$15,000
Summer Learning for Arts	\$8,000
Finkbeiner & Assoc.	\$1,000
<b>Grand Total</b>	<b>\$2,205,305</b>

# Recommendations

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## Recommendation #1 - Immediate

### In preparation for budget reductions for FY2019:

- Investigate transportation contracts not linked to special education programming for savings opportunities.
- School-level per pupil might include (a) reduction in allocation to and (b) guidance to schools about initiation of contracts.
- Investigate contracts to in 998 and 999 to: (a) Identify potential renegotiation with ongoing vendors (or cancel if appropriate), and (b) evaluate one-time agreements and if not needed, do not renew.

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## Recommendation #1 – Potential Savings

Area	Amount	Next Steps
<b>School-based allocation reduction</b> (5% of FY2018 contract spending as of 5/1)	\$115K	Decision to initiate school-based reduction; focus on contracts
<b>Special education program</b> , maintain previous year spending through monitoring student entry/exit	\$0	Continued monitoring and improvement of agreements put in place for special education
<b>Site 998/999 contracts review</b> , one-time and ongoing	\$500K	Establish workgroup to review, assess and recommend changes
<b>Remaining central office department contract review process</b> (25% of FY2018 contract spending as of 5/1)	\$400K	Establish workgroup to establish process, initiate, and monitor through first quarter of fiscal year

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## Recommendation #3 - Short-term

### Consider instituting master contracts wherever possible; engage schools and department heads to meet timelines

- OUSD generates a tremendous number of contracts throughout the year which puts a lot of pressure on a small number of individuals to process contracts.
  - This often delays the process and potentially creates redundancies.
  - Establishing master contracts for annual, frequently used vendors may help to reduce that volume.
- Master contracts also ensures the district can meet the competitive bid obligation and can potentially negotiate lower costs for contracts.
- Evaluate FY17-18 Contracts greater that \$90.2K, initiate process for competitive bidding.

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## Recommendation #4 – Long-term

### **Set a time early in budget development and budget revision to analyze, review and decide on contracting for subset of sites**

- From the analysis we see that there are a handful of Central Office and school sites that generate a large portion of the contracting for the school district.
- Set a schedule to work with those program staff to review and set-up contractors for the upcoming school year.
- This includes: transportation, districtwide, school contingency, special education, comm. srvcs./std. services, post-sec. readiness.

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## Recommendation #5 – Long-term

### **Define roles and responsibilities of each department and establish routine training and support**

- Define the roles and responsibilities of procurement, legal, site, finance, approvers, and the board to strengthen internal controls.
- Set a regular training schedule for all individuals and departments initiating contracts; focus attention on sites that indicate a need for additional support.
- Annually review the contract approval process to ensure each stage of the process, including required forms, are necessary to the process.

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## Recommendation #6 – Process Improvements - Immediate

### Centralize Vendor Management Process

- Reduce workload and burden on sites and departments, as well as strengthening internal controls
- Ensure the district is meeting competitive bid requirements
- Ensure the district is monitoring contracts against bargaining unit qualifications
- Ensure all vendors have appropriate paperwork and required clearance to work with students

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## Recommendation #7 – Process Improvements - Immediate

### Streamline Contract Approval Process through Escape

- Contracts can be approved for alignment to district goals and appropriate use of fund
  - Reduces workload and volume of duplicative paperwork:
    - Exhibit A: Scope of Work
    - Board Memo (current required responses)
- Contracts can be encumbered and budgeted prior-to complete the contract approval process
  - Ensures funds have been encumbered and budgeted

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## Recommendation #8 – Process Improvements - Immediate

### Reduce the volume of contracts requiring review by Legal

- Incorporate non-standard contract templates in the Contracts Online System
- Incorporate amendment templates in the Contracts Online System
- Annually review types of non-standard contracts and amendments submitted to Legal for review to incorporate in the Contracts Online System

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## Recommendation #9 – Process Improvements - Immediate

### Streamline Forms and Paperwork

#### Exhibit A: Scope of Work

- Integrate responses to Scope of Work Form in the PR fields in Escape, i.e., include SPSA, LCAP, or other District Plan reference demonstrating alignment of resources

#### Board Memo

- Replace/modify board memo with a summary of contracts to approve
  - Prepare and obtain board approval for new contract approval process to ensure and that contracts submitted for board approval are budgeted prior-to submission

#### Contract Justification Form

- Eliminate form and incorporate responses in Vendor Management System

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## Recommendation #10 – Process Improvements - Immediate

### Develop Commitment and Communication Strategy on New Contract Processes

- **Board:** Seek input on process changes to ensure confidence from the board; present new process for board approval
- **Staff:** Present process changes to staff; focus on sites and departments with high-volume of contracts
- **Community:** Upon approval from the board, present new process to community to develop trust in the new process