

President Eng and Board Members,

This letter from the Citizen's Bond Oversight Committee is intended to express our concerns and expected outcomes related to the 2017-2018 Moss Adam's Measure B & J Annual Performance Audit; agenda Item 19-0653.

In the March 29, 2019 in the annual performance audit report, the auditor recorded three exceptions and 9 key observations. The staff's response have been provided at two different times, one recorded as part of the audit report (refer to Appendix C, p 26-32 of the audit) and another response at the August 12 joint CBOC - Board Facilities committee meeting as per a memo from Facilities Chief Tim White. The responses vary in substance between the two documents.

CBOC categorizes the staff responses to the exceptions and observations in three general categories: (i) the staff doesn't understand the Auditor's recommendations; (ii) the auditors are wrong in their observation and the staff have the documentation to prove it; and (iii) the staff will consider the recommendation or they agree with the recommendations and will provide resolution in FY19/20.

As a result of the surprising termination of Moss Adams as the third party Performance Auditor by the District, unfortunately as it pertains to responses in category (i), CBOC, the Board nor the district will be able to garner value from the auditor's potential insights with a discussion to weight the validity of the auditors recommendation compared to the staff's opinion.

An example of this is with respect to Observation 2: "The district should report the project schedule, expenditures and available revenuesmeaningful reports should provide straightforward project information...highlight significant changes to scope, costs, schedule or funding". Whereas staff the response states "...contrary to stated observation, details of both budget and expenditures are provided to CBOC every month. This was one of short comings of auditors process." {CBOC's opinion is that the Auditor has made an accurate assessment based our belief that only partial information has been presented to date to CBOC.}

As such, CBOC will focus on categories (ii) and (iii).

For category (ii), where staff stated the auditors are wrong in their observation and it has documentation to prove it, staff we assume will provide the relevant information so that as required by Ed Code 15280

(2) The governing board of the district shall provide the citizens' oversight committee with responses to any and all findings, recommendations, and concerns addressed in the annual, independent financial and performance audits required by subparagraphs (C) and (D) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution within three months of receiving the audits."

CBOC requests that staff provide the evidence to the Board Facilities committee and to a CBOC sub-committee or designated member who can then report to the full committee so we don't take up a lot of time at our regular meeting on this subject.

Examples include:

- *Observation 4.1 (payment took longer than contractual requirements and was not supported by justification for delay; staff memo claims the documentation is available for FY17/18); and*
- *Observation 6.2 (as per the memo, staff state that the projects were publicly bid and they have the documentation")*

For category (iii), where staff stated they will consider or they agree with the recommendations and will provide resolution in FY19/20, CBOC would like to get quarterly updates on the progress for each of these items.

Examples include:

- *Observation 3.1 (as per the memo, staff claim that the district is working on revised Procedures Manual surrounding performance goals for the Bond Program);*
- *Observation 5.3 that policies and procedures surrounding change orders are conflicting, out of date and incomplete (as per the memo, staff state the district is working on the revised Procedures Manual)*

While the previous auditor engagement was terminated, we expect that the new audit firm will provide a similar detailed Performance Audit and review the same areas that the prior auditor stated as exceptions and observations.

Attached is a tracking log for each exception and observation with the specific follow-up we respectfully request for resolution.

Regards,
Andrea Dawson-CBOC Chair on behalf of COC members

Independent Citizen’s Bond Oversight Committee (“CBOC”) for

Measures A, B & J

Resolution Log for FY2017/18 Audit Report’s Exceptions and Observations

Source	CBOC Request	Status of Resolution
CAPA1	Provide update on the “relocation plan as alternative temporary housing for some central office operations starting FY19/20” specifically as it relates to impact on current bond funds.	
	If applicable, dates when external and/or internal counsel provided consultation as to the legality of the six identified potentially unallowable expenses (as listed in Appendix D; and as per August memo, such guidance is provided to CBOC):	
	<u>Measure J:</u>	
	Oakland Public Education Fund (community outreach)	
	Sparknight c/o CBRE Asset (rent for 1000 Broadway)	
	Apple Computer (non-site specific equipment)	
	Inter-Communications (non-site specific equipment)	
	<u>Measure B:</u>	
	Oakland Public Education Fund (community outreach)	
	Cody Anderson Wasney Architect (Admin site at the Center)	
CAPA2	In 2017/2018, the allocated staff charge was \$955,285 (out of \$3.5 million of staff costs). Are the staff members with an allocation to the General Fund utilizing Escape Online 5 as suggested in the original “management response”? The response in August differed from the Audit Log with a statement that management did not feel this was a “good use of (the three staff members)’ time”	
CAPA3	Provide the support from the manual record filing system as indicated in the August response for the cost discrepancy.	
	With the implementation of Escape Online 5, will this type of expense be recorded accurately to allow for regular reconciliations between Labor Distribution Report and financial reports? (March response states this will be fully implemented; while the August response states OUSD cannot support full electronic record of this type of expense)	
Obs. 1.1	What is status of consideration or implementation of updating the Facilities & Project Management policies and procedures in accordance with current laws and regulations to ensure compliance in managing bond-funded projects? Specifically (in Audit, p9), there is lack of well-defined roles and responsibilities around who prepares detailed budgets; when and how budgets are developed and reported; and who is responsible for recording budget information in accounting and project management systems. If such a comprehensive policy exists (as indicated in August response), please provide a copy of such manual.	
	What is the status of utilizing a “project management software system” that will enable timely and accurate reporting? (also referred to in Observations 1.2, 2, 3.2, 5.1)	
Obs 1.2	--	FMP in process
Obs. 2	GFOA states best practices include reports that “Highlight significant changes to project scope, costs, schedule or funding. To aid in the reporting, an annual snapshot of key schedule, <u>cost estimate</u> and available funding information should be taken to establish baseline data for performance measures and report components”. Future management financial reports to CBOC should include: 1) Updated Cost Estimate for completion (currently only 8/18 budget and cumulative expenditure is included in reports to CBOC); and 2) “Updated schedule/timelines data by project	
Obs. 3.1	Revised Policies and Procedures Manual that guide accomplishment of the Bond Program schedule, scope and management, and specifically the policies surrounding “performance goals to ensure consistent	

	reporting, effective controls, accountability and communication of policies and procedures”	
Obs. 3.2	In line with the Auditor’s observations and recommendations, CBOC requests the following as part of the periodic financial reporting: 1) Report of alterations to project budgets or timelines with adequate explanations for these changes 2) Comparison of current status of projects in terms of budgets and timelines to the original (or 8/18) budget and timeline of the project 3) Change order reporting should include information such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals and totals	
Obs. 4.1	Copy of formalized policies and procedures defining payment procedures and controls to ensure OUSD compliance with contractual agreements, state laws and ordinances	
	Has there been any revision to the procedure around invoices which are not eligible for payment (because of lack of documentation or it is not the start of contractual period for payment) and historically have been “scanned out” of the system?	
Obs 4.2	Copy of finalized policies and procedures related to payment approval process (per Audit, only a draft of the procedure manual exists and the draft procedures were not followed)	
	Status of obtaining OUSD approval of such finalized policies and procedures?	
Obs 5.1 – 5.4	OUSD to update policies and procedures to ensure future change orders are in compliance with PCC 20118.4 and best practices. Policies and procedures should clearly indicate what occurs in the instance of a >10% change order. Per August memo, it appears that management uses “case law” and its judgement whether a re-bid is required.	
Obs 5.5	OUSD to update policies and procedures as it relates to claims avoidance and control procedures. If already up to date, please provide a copy of the policies and procedures.	
	OUSD to update its management reporting to reflect these claims avoidance procedures.	
	Next Bond Program report narrative section to address in detail potential differences with the contractor, such as responsibility for performing specific work.	
Obs. 6.1	Update and consolidation of procedures manual on procurement	
Obs. 6.2	Provide public bid documentation on two projects that is evidence of CUPCCAA compliance (Per August memo, management disputes 6.2 and states the documentation is available for Thompson Builders and Stronger Building Services)	
Obs. 6.3	Provide consolidated bid and procurement documentation on projects listed in Appendix G (Per August memo, management disputes 6.3 and states they have the documentation)	
Obs. 6.4	Update on the identification of deviances from and the review of policies of awarding contracts after board approval	
Obs. 7	Log of changes to the Design Standards and Specifications listed on the website (i.e. requestor, date of request, description of change, cost-benefit relationship for the change, approver and time stamped updated specifications document)	
Obs. 8 and 9.1	List of job titles that Board designated as required to complete a conflict of interest form and date when this list was approved by the Board	
	Copy of documentation related to Conflict of Interest policy and procedures	
Obs. 8 and 9.2	Status and/or copy of completed updated Accounting Policies and Procedures manual	