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Memo

To	Oakland Unified School District Audit Committee
From	Ryan Nguyen, Controller Lisa Grant-Dawson, Chief Business Officer
Committee Meeting Date	February 7, 2022
Subject	District Audit Report and Findings Update - 2020-21 Financial Audit
	<p>Chair Ross,</p> <p>In preparation for the February 7, 2022 Audit Committee Meeting, the District is providing the final update of the Audit Committee Findings Tracker to reflect the final status of 2020-21 Financial Audit.</p> <p>We previously shared an update at the January 5, 2022 meeting and are providing the following revisions to include updates to the summary of findings:</p> <ul style="list-style-type: none"> • The 2019-20 Audit reflected 15 Findings, of which 14 were repeat findings from prior year(s). • The 2021-21 Audit as of the draft received has 9 10 Findings, where 6-8 are repeat findings. <ul style="list-style-type: none"> o The repeat findings are noted in the 2021 Column next to the existing findings o All 2020-21 Findings are listed in the peach shaded area starting with finding 2021-001. <ul style="list-style-type: none"> ▪ All repeat findings are listed in the 2021 Column with an “R” preceding the prior year finding number. o The final report has been received and will be presented by Eide Bailey at the February 7, 2022 Audit Committee Meeting. o During the January 7, 2022 meeting, the District was confident and anticipated clearing three (3) findings before the final report was completed; however, we were unable to secure the necessary documents in time and did not want to delay the audit completion. <p>As part of the practice that was recommended to the Committee, a sub committee would prepare the draft letter to the Board in tandem to the finalization of the audit report and in preparation for the submission to the</p>

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	Board. At this time, it does not appear that the sub committee has been assigned and a draft developed; thus, it will be important to know the Committee's plans to complete this task in order to schedule the Audit to be presented to the Board for action.
Attachments	<ul style="list-style-type: none">o Audit Committee Audit Findings Tracker

Audit Year						Audit Finding Description	Audit Year						Audit Finding Description	Views of Responsible Officials Planned Corrective Action Summary 2020	Responsible parties, departments and/or assigned director	Additional mechanisms, rules, procedures implemented to ensure integrity, accountability and prevent fraud and/or additions to monitoring process	Targeted Resolution and Status Update 2/7/22	2021-22 Audit View - Draft
2016	2017	2018	2019	2020	2021		2016	2017	2018	2019	2020	2021						
x	x	x	x	x	R 2021-001	2020-001 Associated Student Body (ASB) Accounts auditable summary lacking and therefore ASB accounts are not included in the financial accounts. Material weakness in internal control.	x	x	x	x	x	R 2021-001	2020-001 Associated Student Body (ASB) Accounts auditable summary lacking and therefore ASB accounts are not included in the financial accounts. Material weakness in internal control.	ASB Works, an ASB accounting system, is being rolled out and training scheduled for February 2021.	Ryan Nguyen, Controller All Principals with ASB Accounts	The Business Services Department has and will continue to provide training for all sites that have and are considering ASB Accounts. Monthly reconciliations and documentation.	Review of transactions, supporting docs and interviews, 4 accounts were not ASBs and have closed. Total fund balance for the remaining 15 accounts is \$783,262. Training to use the software as well as ASB account management have been provided by Graystep and FCMAT. Sites have been notified to use ASB works. Seven bank accounts have been centralized to be transacted/managed from Wells Fargo (WF). Business Services have fully access to review and manage bank accounts with WF including user access. Will continue to centralize the other 15 accounts. Audit documentation is available for external auditors to audit. ASB Works Training 9/15/2021	As of the testing date back in Feb of 2021, not all district ASB submitted documentation to Business Services. However, by June 30th, 2021, documentation was received. ASB accounts were recorded to the district's accounting system ASB Works, reconciled and documentation made available for audit. On annual basis, site administrators/principals are/will be asked to certify that they have disclosed all bank accounts under the site admin's management. Sites have been trained and will continue to be trained on managing ASB per FCMAT guidance. Business Services will update procedures to specifically request for certification that bank accounts have been disclosed by school principals and banks to Business Services.
		x	x	x	R 2021-002	2020-002 Documentation to support payroll reported to pension providers lacking in 67 out of total sample of 89. Significant deficiency in internal control.			x	x	x	R 2021-002	2020-002 Documentation to support payroll reported to pension providers lacking in 67 out of total sample of 89. Significant deficiency in internal control.	A designated area of focus by district management. Resolution requires both systems changes and procedural changes followed by training.	Nicole Caldwell, Director Payroll		Change implementation started in Sept 2020	
		x	x	x	R 2021-003	2020-003 Vacation Reserves - documentation to verify vacation usage lacking which impacts accrued vacation on separation which could lead to eventual payouts in excess of what was earned. Material weakness in internal control.			x	x	x	R 2021-003	2020-003 Vacation Reserves - documentation to verify vacation usage lacking which impacts accrued vacation on separation which could lead to eventual payouts in excess of what was earned. Material weakness in internal control.	Leadership team is revising procedures.	Lisa Grant-Dawson, Business Services, Jenine Lindsey, Labor Relations, & Tara Gard, Human Resources	The District is aligning its practices to the Contractual Bargaining Agreements and working with Labor Relations, Human Resources, and Bargaining Unit Leadership.	In progress and executed for 2020-21 as of 2019-20	
x		x	x	x		2020-004 Documentation to support vendor selection is pursuant to District policy lacking. Significant deficiency in internal control.	x		x	x	x		2020-004 Documentation to support vendor selection is pursuant to District policy lacking. Significant deficiency in internal control.	District is developing new procedures which may result in recommendation to board for revised purchasing policies.	Kimberley Raney, Director Purchasing, Transportation and Warehouse, Ryan Nguyen, Controller and Lisa Grant-Dawson		2022-23	Eliminated for FY20-21 audit.
		x	x	x	R 2021-005	2020-005 Health Benefits Governance Board (HBGB) formula used to calculate the District's obligation to fund health and welfare benefits lacks clarity and differing interpretations result in substantially different outcomes. Material weakness in internal control.			x	x	x	R 2021-005	2020-005 Health Benefits Governance Board (HBGB) formula used to calculate the District's obligation to fund health and welfare benefits lacks clarity and differing interpretations result in substantially different outcomes. Material weakness in internal control.	HBGB negotiations in progress.	Lisa Grant-Dawson, Business Services, Jenine Lindsey, Labor Relations, & Tara Gard, Human Resources, Josh Daniels, General Counsel		Negotiation is ongoing.	
				x	R 2021-006	2020-006, 2019-007 Audit adjustments. 2019 Health and Welfare benefits were incorrectly charged resulting in an audit adjustment. 2020 Building Fund expense charged to current year due to late receipt of invoice should have been recorded in prior year in accordance with generally accepted accounting principals (GAAP). Significant deficiency in internal control.			x	x	x	R 2021-006	2020-006, 2019-007 Audit adjustments. 2019 Health and Welfare benefits were incorrectly charged resulting in an audit adjustment. 2020 Building Fund expense charged to current year due to late receipt of invoice should have been recorded in prior year in accordance with generally accepted accounting principals (GAAP). Significant deficiency in internal control.	Accounting controls and procedures will be part of training.	Corrected		2019-20	
x	x	x	x	x		2020-007 Documentation required to support employee time allocation for federal programs is insufficient. Material weakness in internal control.	x	x	x	x	x		2020-007 Documentation required to support employee time allocation for federal programs is insufficient. Material weakness in internal control.	Procedure implementation began January 2021.	Lisa Spielman, Director Strategic Resource Planning	Implemented and in progress	2020-21	
				x		2020-008 Evidence that vendors for child nutrition and food service programs were selected according to Uniform Guidance is lacking. Material weakness in internal control.					x		2020-008 Evidence that vendors for child nutrition and food service programs were selected according to Uniform Guidance is lacking. Material weakness in internal control.	Procedures being centralized under Director of Transportation and Purchasing.	Preston Thomas, Chief Systems & Services Officer & Kimberly Raney, Director Purchasing, Transportation and Warehouse			
x	x			x		2020-009 Students incorrectly identified as qualifying for free or reduced price meals. Material weakness in internal control.	x	x			x		2020-009 Students incorrectly identified as qualifying for free or reduced price meals. Material weakness in internal control.	Technology staff to work with child nutrition staff to ensure documentation is complete, reviewed and reconciled.	Lisa Grant-Dawson, Preston Thomas, and Susan Beltz, Director of Technology		2021-22	
x	x	x		x	R 2021-007	2020-010 Program attendance for afterschool 21st Century grant insignificantly overstated (2020), not accurate (2018), poorly maintained (2017). Significant deficiency in internal control.	x	x	x		x	R 2021-007	2020-010 Program attendance for afterschool 21st Century grant insignificantly overstated (2020), not accurate (2018), poorly maintained (2017). Significant deficiency in internal control.	Federal and State compliance department to develop procedures.	Martha Pena, Coordinator After School Program			
				x		2020-011 Funds spent on early intervention services for special education should be tracked separately from other special education services. Material weakness in internal control.					x		2020-011 Funds spent on early intervention services for special education should be tracked separately from other special education services. Material weakness in internal control.	TBD	Jennifer Blake		2020-21	
x	x	x	x	x	R 2021-008	2020-012 Average daily attendance (ADA) would have been overstated but for an audit adjustment. There is a known glitch in the attendance system that requires a technology fix. There are policies in place to manually correct these errors, but processes and policies to ensure that the corrections are made at secondary sites need to be enforced.	x	x	x	x	x	R 2021-008	2020-012 Average daily attendance (ADA) would have been overstated but for an audit adjustment. There is a known glitch in the attendance system that requires a technology fix. There are policies in place to manually correct these errors, but processes and policies to ensure that the corrections are made at secondary sites need to be enforced.	Policies and procedures will be revised as identified.	Lisa Grant-Dawson, Preston Thomas, Susan Beltz and Ryan Nguyen		2020-21	2020-21
x		x	x	x		2020-013 School accountability report card - failure to adequately track/publish complaints.	x		x	x	x		2020-013 School accountability report card - failure to adequately track/publish complaints.	Central office staff are developing procedures.	Lisa Grant-Dawson		2020-21	2020-21
				x		2020-014 School accountability report card - failure to provide an adequate facility inspection tool or equivalent to document conditions reported in facilities for 11 out of 18 sites sampled.					x		2020-014 School accountability report card - failure to provide an adequate facility inspection tool or equivalent to document conditions reported in facilities for 11 out of 18 sites sampled.	Identified by district as a gap in assignment and will take corrective action.	Lisa Grant-Dawson		2020-21	2020-21
x	x	x	x	x		2020-015 Unduplicated local control funding formula (LCF) pupil count audit sample incorrectly classified one English learner (EL) and two free or reduced price meal (FRPM), one EL (2019) and FRPM (2018). Internal control process has inadequate monitoring.	x	x	x	x	x		2020-015 Unduplicated local control funding formula (LCF) pupil count audit sample incorrectly classified one English learner (EL) and two free or reduced price meal (FRPM), one EL (2019) and FRPM (2018). Internal control process has inadequate monitoring.	District to review assignments and data validation procedures.	Lisa Grant-Dawson, Preston Thomas, and Susan Beltz, Director of Technology		2020-21	2020-21
					R 2020-001	2021-001 A material weakness in internal control over financial reporting – The District cannot provide documented evidence that all student body activity is captured within its accounting records. Furthermore, the District is developing the controls to ensure that student activity funds are expended for allowable activities and accordingly were not auditable for the year ended June 30, 2021.						R 2020-001	2021-001 A material weakness in internal control over financial reporting – The District cannot provide documented evidence that all student body activity is captured within its accounting records. Furthermore, the District is developing the controls to ensure that student activity funds are expended for allowable activities and accordingly were not auditable for the year ended June 30, 2021.				The District should continue implementing a corrective action that started during the fiscal year 2021. We recommend the District formally document how it concluded that all student body funds were recorded into the District's accounting records. Additionally, the District should adopt the procedures contained in the FCMAT ASB manual regarding custody and oversight of the student body funds.	

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2016	2017	2018	2019	2020	2021		2016	2017	2018	2019	2020	2021							
					R 2020-002	2021-002 - A material weakness in internal control over financial reporting – The District could not supply documentation to satisfy us that census information and payroll amounts reported to pension providers are complete and accurate. We analytically recalculated these expenses, noting that the payment made to pension providers during the year appears correctly recorded in the accounting records of the District. However, since we could not verify if the underlying data on which those charges are based is complete and accurate, we cannot confirm if the eventual payments are for the correct amounts.						R 2020-002	2021-002 - A material weakness in internal control over financial reporting – The District could not supply documentation to satisfy us that census information and payroll amounts reported to pension providers are complete and accurate. We analytically recalculated these expenses, noting that the payment made to pension providers during the year appears correctly recorded in the accounting records of the District. However, since we could not verify if the underlying data on which those charges are based is complete and accurate, we cannot confirm if the eventual payments are for the correct amounts.					There appears to be a lack of ongoing monitoring and oversight to ensure that employees involved in the critical process are consistently following the established policies and procedures, including the retention of pertinent physical records to support the performance of documented controls. Often no single person is accountable to locate documents or answer questions.	
					R 2020-003	2021-003 - A material weakness in internal control over financial reporting – The District was unable to supply documentation to prove that vacation usage is accurately recorded in the payroll system and that balances do not exceed the maximum allowed per District policy. Furthermore, we noted that the controls over the calculation of accrued vacation on separation do not include documentary evidence of an independent reviewer. The District verbally informed us that someone independent of the preparer reviews each calculation. However, because evidence of the control is not documented, we consider this to be evidence of a material weakness. In substantive testing of general ledger account balances, the reported payroll expenditures are fairly stated based on the amounts paid upon separation. However, we cannot conclude if the District has a complete and accurate accounting of vacation balances on which to base payments upon separation.						R 2020-003	2021-003 - A material weakness in internal control over financial reporting – The District was unable to supply documentation to prove that vacation usage is accurately recorded in the payroll system and that balances do not exceed the maximum allowed per District policy. Furthermore, we noted that the controls over the calculation of accrued vacation on separation do not include documentary evidence of an independent reviewer. The District verbally informed us that someone independent of the preparer reviews each calculation. However, because evidence of the control is not documented, we consider this to be evidence of a material weakness. In substantive testing of general ledger account balances, the reported payroll expenditures are fairly stated based on the amounts paid upon separation. However, we cannot conclude if the District has a complete and accurate accounting of vacation balances on which to base payments upon separation.					Management in charge of these areas should be held accountable to ensure that all critical internal control policies and procedures are communicated to the employees charged with carrying out those procedures. Management further needs to monitor compliance and ensure that processes are being performed timely and consistently. Furthermore, there needs to be one established method to ensure that controls are being followed and that employees do not deviate from established District policies. Finally, there needs to be a formal record retention policy that supports the fact that controls are being followed following District policies.	
					New	2021-004 Payroll Internal Control Process, Vacation Payments A material weakness in internal control over financial reporting – The District was able to pay \$7 million to employees for vacation accumulated; however, it is unable to assert that the amounts paid were actually due to the employees.						New	2021-004 Payroll Internal Control Process, Vacation Payments A material weakness in internal control over financial reporting – The District was able to pay \$7 million to employees for vacation accumulated; however, it is unable to assert that the amounts paid were actually due to the employees.				Currently, leave records are maintained at the site and are not submitted to the District's Leave department. These records are imperative to evaluate vacation and other leave requested and taken and it has been recommended and a new process developed to secure the detail records of employee leave monthly from each site/department. It is these records that historically have not been available within the Central District Office and/or requested or provided by the sites/departments upon auditor selection.	Management in charge of these areas should be held accountable to ensure that all critical internal control policies and procedures are communicated to the employees charged with carrying out those procedures. Management further needs to monitor compliance and ensure that processes are being performed timely and consistently. Management should prepare an auditable accounting of the documentation of which the District determined payouts of accumulated vacation during the year to be valid. The District should consult with legal counsel about recovery if any payouts are determined to have been incorrect.	
					R 2020-005	2021-005 - A material weakness in internal control over financial reporting The formula to calculate the District's health and welfare obligations per the HBGB agreement is unclear and has been interpreted differently with substantially varying outcomes. Specifically, the part of the formula that reads "...take the FTE from the total of all authorized full-time equivalent positions covered by this Agreement...as outlined in the Position Control Report as of October 31..." is not clear. Standard usage of the PCR is for budgeting purposes, subject to estimation risk and uncertainty.						R 2020-005	2021-005 - A material weakness in internal control over financial reporting The formula to calculate the District's health and welfare obligations per the HBGB agreement is unclear and has been interpreted differently with substantially varying outcomes. Specifically, the part of the formula that reads "...take the FTE from the total of all authorized full-time equivalent positions covered by this Agreement...as outlined in the Position Control Report as of October 31..." is not clear. Standard usage of the PCR is for budgeting purposes, subject to estimation risk and uncertainty.					The negotiations process is in progress with HBGB, and the objective to negotiate a formula that is clearer and minimizes the risk of interpretation for future operational failure is the goal of the District.	
					R 2020-006	2021-006 A material weakness in internal control over financial reporting – Audit adjustments were necessary for the financial statements to be presented to conform with generally accepted accounting principles.						R 2020-006	2021-006 A material weakness in internal control over financial reporting – Audit adjustments were necessary for the financial statements to be presented to conform with generally accepted accounting principles.					The District will review its professional development plans to support employee training in this area to support appropriate entries.	Management personnel responsible for financial accounting and reporting should seek continuing professional education regarding accounting standards applicable to governmental entities.
					R 2020-010	2021-007 - Twenty-First Century Attendance Reporting There was a material weakness in internal control over compliance because attendance reported to the CDE was incorrect.						R 2020-010	2021-007 - Twenty-First Century Attendance Reporting There was a material weakness in internal control over compliance because attendance reported to the CDE was incorrect.					The District will work with the appropriate departments to train on the attendance requirements to ensure appropriate attendance reporting is correct and reviewed during the year.	Any changes to attendance records after the cut-off period should require manual override by responsible District officials.

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2016	2017	2018	2019	2020	2021		2016	2017	2018	2019	2020	2021							
						<p>2021-008 - If not for audit adjustments, reported attendance, and by extension, state funding that is based on ADA would have been overstated.</p> <p>Aeries defaults students as present unless specially marked absent by the classroom teacher. The District's internal control process requires site clerks to verify that a "single period" attendance is correct. We identified instances where the verification occurred, but the necessary revisions to the Aeries attendance records did not happen. Furthermore, various designations are used to record when students are absent because of, for example, illness, vacation, field trip, unexcused. We identified instances where students were counted as "present" when multiple absence codes were used on a single day.</p> <p>R 2020-012</p>						<p>2021-008 - If not for audit adjustments, reported attendance, and by extension, state funding that is based on ADA would have been overstated.</p> <p>Aeries defaults students as present unless specially marked absent by the classroom teacher. The District's internal control process requires site clerks to verify that a "single period" attendance is correct. We identified instances where the verification occurred, but the necessary revisions to the Aeries attendance records did not happen. Furthermore, various designations are used to record when students are absent because of, for example, illness, vacation, field trip, unexcused. We identified instances where students were counted as "present" when multiple absence codes were used on a single day.</p> <p>R 2020-012</p>						<p>Though this has been a significant area of improvement in training and development, there continue to be areas of adjustment and training that is occurring which we expect to yield even better results in 2021-22.</p>	<p>This is a carryover finding from 2020 due to a temporary carryover of ADA from 2020. The total regular ADA at P-2 was 33 thousand. A change of one ADA has approximately a \$10,800 effect on the unrestricted general fund.</p>
						<p>2021-009 Teacher Certification and Missignments - From a sample of 100, we identified two possible instances of noncompliance.</p> <p>One sample was identified with an attempted transfer out of state credential but not valid currently, and the last sample was identified showing no credential.</p> <p>New</p>						<p>2021-009 Teacher Certification and Missignments - From a sample of 100, we identified two possible instances of noncompliance.</p> <p>One sample was identified with an attempted transfer out of state credential but not valid currently, and the last sample was identified showing no credential.</p> <p>New</p>					<p>We are facing a national teacher shortage, impacting all districts, including Oakland Unified's ability to find fully credentialed teachers. Therefore, some of the teachers we have do not have the appropriate credentials. We have been supporting teachers to get the appropriate authorizations by one on one support about the credentialing process, identifying pathways for teachers to credentials and additional authorizations. We have established a cross departmental team to analyze how courses are coded and which teachers are assigned to help mitigate the amount of mis-assignments. As part of our goals of increasing diversity in our teaching force, we recognize that traditional credentialing programs do not have a significant pool of teachers of color. As we target the recruitment of more teachers of color into the teaching force and they are needing emergency credentialing authorizations as we support them to become fully credentialed. Additionally, we are exploring an in-house OUSD credentialing program.</p>	<p>From a sample of 100, we identified two possible instances of noncompliance. One sample was identified with an attempted transfer out of state credential but not valid currently, and the last sample was identified showing no credential.</p>	
						<p>Audit Finding 2021-010 School Accountability Report Card - The District did not provide us with the quarterly summaries described in the criteria paragraph.</p> <p>R 2020-013</p>						<p>Audit Finding 2021-010 School Accountability Report Card - The District did not provide us with the quarterly summaries described in the criteria paragraph.</p> <p>R 2020-013</p>					<p>District HR/Talent office staff are developing procedures to address this finding. To that end, Talent staff will work to ensure that it is in compliance with Teacher Certification Misassignment Compliance requirements. See responses for finding 2021-009.</p>	<p>Information contained in the SARC regarding complaints related to teacher misassignments or vacancies may be incomplete or inaccurate. Furthermore, the District did not comply with the requirements noted in the Criteria paragraph.</p>	
9	12	14	13	15	10		9	12	14	13	15	10							