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Oakland Unified School District

Audit Committee

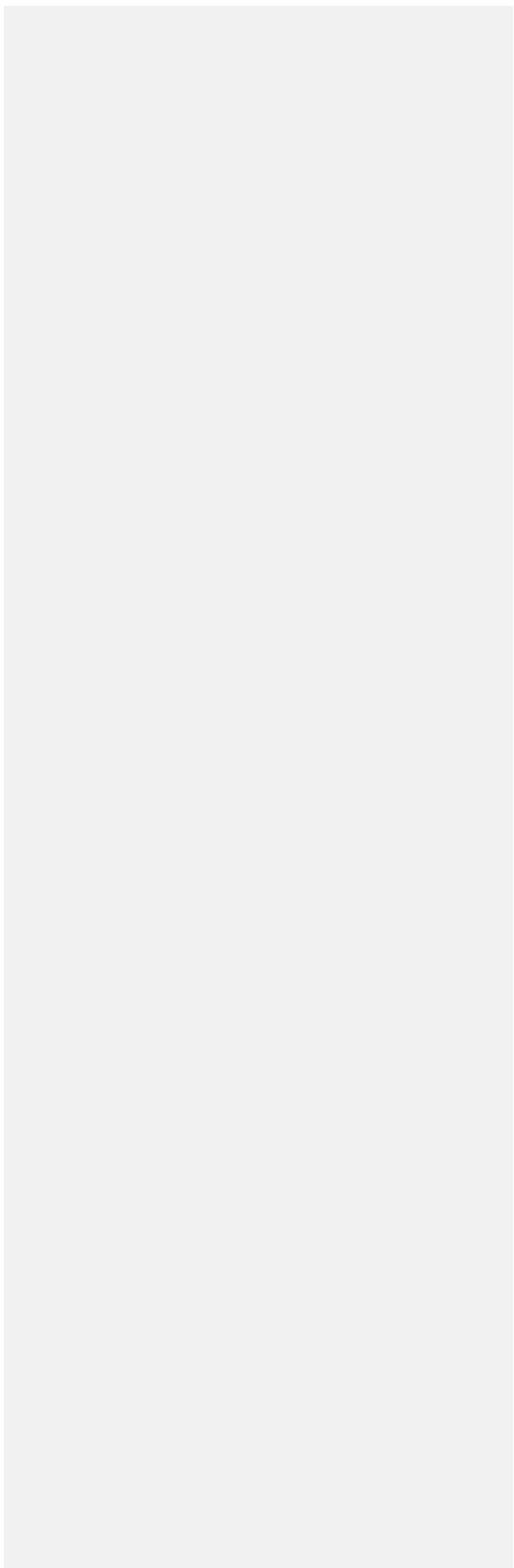
Annual Report to the Board of Education

December 2016

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2016 OUSD Audit Committee Report

Overview of the Audit Committee

The responsibilities of the Audit Committee shall include but not be limited to the following:

1. Recommend to the Board for approval the independent auditors.
2. Review the independent audit engagement including the fee, scope and timing of the audit, and any other services to be rendered, including non-audit services.
3. Review with the independent auditor's district policies and procedures regarding internal auditing and internal accounting and financial controls.
4. Upon completion of their audit, review with the independent auditors the cooperation they received from district personnel during the audit, the extent to which district resources could be used to minimize the time spent on the audit, and any significant matters of concern arising from the audit.
5. Review with the independent auditors any significant transactions which are not a normal part of the district's business, any changes in accounting principles and practices, all significant proposed audit adjustments, and any recommendations that they may have for improving internal controls, choice of accounting principles or management systems.
6. Review with the district's financial and accounting staff district policies regarding internal accounting and financial controls.
7. Review and recommend district policies to the Board to prohibit unethical, questionable, or illegal activities by district employees.
8. Review with the internal auditor the organization and independence of the internal audit function; the goals and plans of internal audit including the nature and extent of work; problems and experiences in completing internal audits; and findings, conclusions, and recommendations as a result of internal audits.
9. Upon completion of the independent audit, review with the district's financial and accounting managers their perception of the independent auditors, any significant matters of concern arising from the audit, and the extent to which recommendations made by the independent auditors have been implemented.
10. Prepare semi-annual written reports to the Board relating the results of committee activities. The Board of Education shall provide written guidance to the Audit Committee on an annual basis regarding those areas on which the Audit Committee should focus.

Committee Members

Member	Position on Committee	Appointed by	Appointment Date	Term Expires
Dan Lindheim	Chairperson	Board of Education	6/11/2014	1/31/2018
Gregory Redmond	Vice Chairperson	Board of Education	5/23/2012	1/31/2018
Beverly Hansen	Secretary	Board of Education	2/1/2015	1/31/2017
Edward Berne		Board of Education	2/1/2015	1/31/2017
Frank Tsai		Board of Education	9/24/2015	1/31/2017

Schedule of Meetings

The first meeting for the year was January 11, 2016. The district held a regular meeting on the first Tuesday of each month, with the exception of July and September.

Work plan

The committee adopted a work plan at its first meeting on April 4, 2015. The following table lists each work plan item and a summary of the status of that item.

Meeting	Item	Status
January 11	Review Work Plan for 2016 Review District's First Interim Report	Work Plan for 2016 was reviewed and adopted. Report on District's First Interim was presented to the committee.
February 1	Upon completion of their audit (2013-14), review with the independent auditors the cooperation they received from district personnel during the audit, the extent to which district resources could be used to minimize the time spent on the audit, and any significant matters of concern arising from the audit. (BP3461.4) Review audit findings from 2013-14 Audit and corrective actions taken / being taken by the District. Review District's Conflict of Interest Policy with District's General Counsel.	District auditors Leonard Danna and Nathan Edelman from Vavrinek, Trine, Day & Co., LLP, presented the 2013-14 Audit Report to the Committee. Presentation was made to the Audit Committee by General Counsel, Jacqueline Minor, on the District's use of contractors for temporary oversight of departments.
March 11	Upon completion of the audit (2013-14), review with the district's financial and accounting managers their perception of the independent auditors, any significant matters of concern arising from the audit, and the extent to which recommendations made by the independent auditors have been implemented. (BP3461.9)	Committee officers were elected. District staff reflected on the 2013-14 audit. District Staff presented the Second Interim Financial Report. District staff reported on the progress on the 2014-15 audit.

	<p>Review District's Second Interim Report</p> <p>Review progress on 2014-15 Audit</p>	
April 4	<p>Presentation by staff on procedures and controls in Procurement Department.</p> <p>Presentation by staff on procedures and controls in IT Department.</p> <p>Approval authority of staff– what is it and when does it apply?</p>	<p>District staff reported on the progress on the 2014-15 audit.</p> <p>Operations Officer, Michael Moore, provided a presentation on the Procurement Department and its procedures and controls.</p> <p>Chief Technology Officer, John Krull, provided a presentation on Information Technology – District Financial Systems.</p> <p>General Counsel, Jacqueline Minor, provided information on the District's policy regarding contracts and delegation of authority.</p>
April 13	Present Annual Report to Board	Chairperson Dan Lindheim presented the Annual Report for 2015 to the Board of Trustees.
May 2	Review other audits – Measure G, Measure N, Bond Program – that are completed by external auditors for the District and are the reported to other oversight committees.	<p>District staff reported on the progress on the 2014-15 audit.</p> <p>Responses provided to questions asked during Procurement presentation during April meeting.</p> <p>Measure G auditor, Leonard Danna from Vavrinek Trine, Day & Co, LLP, reported on the Measure G financial Audit for FYE June 2015.</p> <p>Bond Measure auditor, Eugene Yano from Yano Accounting reported on the Measures B & J 2015 Financial & Performance Audits.</p> <p>Possibility of meeting jointly with the Citizen's Bond Oversight Committee ("CBOC") was discussed.</p> <p>District staff provided a presentation on the District's budget development process for 2016-17.</p>

June 6	Review District's Adopted Budget	District staff reported on the progress on the 2014-15 audit. District staff provided a report on the prospects of a Whistle Blower or Fraud Hotline for the District.
August 1	<p>Upon completion of their audit (2014-15), review with the independent auditors the cooperation they received from district personnel during the audit, the extent to which district resources could be used to minimize the time spent on the audit, and any significant matters of concern arising from the audit. (BP3461.4)</p> <p>Review with the independent auditors any significant transactions which are not a normal part of the district's business, any changes in accounting principles and practices, all significant proposed audit adjustments, and any recommendations that they may have for improving internal controls, choice of accounting principles or management systems. (BP3461.5)</p> <p>Upon completion of the independent audit (2014-15), review with the district's financial and accounting managers their perception of the independent auditors, any significant matters of concern arising from the audit, and the extent to which recommendations made by the independent auditors have been implemented. (BP3461.9)</p>	<p>District auditor Nathan Edelman from Vavrinek, Trine, Day & Co., LLP, presented the 2014-15 Audit Report to the Committee.</p> <p>Auditor & District staff reported on the progress on the 2015-16 audit.</p> <p>Internal Auditor – the committee discussed their concerns about the elimination of the internal auditor position in the 2016-17 budget.</p> <p>The potential establishment of a District Whistleblower program was discussed.</p>
August & December	Prepare semi-annual written reports to the Board relating the results of committee activities. The Board of Education shall provide written guidance to the Audit Committee on an annual basis regarding those areas on which the Audit Committee should focus. (BP3461.10)	Committee Chair attended school board meeting when audit was presented to the board.
September	Review with the process for the 2015-16 audit, including any new audit procedures or requirements.	Possibility of meeting jointly with the Citizen's Bond Oversight Committee ("CBOC") was discussed.

Commented [dl1]: When was I at the Board ? Was it April 13? Yes – I've added a row in April.

	<p>Review District's Unaudited Actuals</p> <p>Review adequacy of self-insurance reserves.</p>	<p>The District's Ombudsperson, Gabriel Valenzuela, made a presentation on the District's complaint process and the responsibilities of the Office of the Ombudsperson.</p> <p>District Staff presented the Unaudited Actuals Financial Report.</p> <p>The Committee asked for a report on Per Pupil Funding by School Site.</p>
October	<p>Review with the district's financial and accounting staff district policies regarding internal accounting and financial controls. (BP3461.6) including review of Attendance procedures & ASB procedures.</p>	<p>Shelia White, Coordinator for Pre K-12 Systems and Operations, presented a report on the District's Attendance Procedures and the implementation of the electronic signature process.</p>
November	<p>Review and recommend district policies to the Board to prohibit unethical, questionable, or illegal activities by district employees. (BP3461.7)</p>	<p>District staff reported on the progress on the 2015-16 audit.</p>
	<p><i>Upon completion of their audit (2015-16), review with the independent auditors the cooperation they received from district personnel during the audit, the extent to which district resources could be used to minimize the time spent on the audit, and any significant matters of concern arising from the audit. (BP3461.4)</i></p>	<p><i>2015-16 Audit will be presented to the Committee at the first meeting in January.</i></p>
August & December	<p><i>Prepare semi-annual written reports to the Board relating the results of committee activities. The Board of Education shall provide written guidance to the Audit Committee on an annual basis regarding those areas on which the Audit Committee should focus. (BP3461.10)</i></p>	<p><i>An annual report has been prepared and will be submitted to the Board following the January meeting.</i></p>

Committee Comments and Recommendations to the Board of Education

1. The District completed three audits during 2016:
 - 2013-14 completed in January
 - 2014-15 completed in June, and
 - 2015-16 to be completed in December.

As a result, the District is “caught up” and in step with other California school districts. In addition, the number, magnitude and penalties / costs of the findings are reduced from prior years.

As indicated in the prior report, “Responding to both audit and current financial accounting responsibilities has placed great stress on OUSD staff. Until audits have been fully caught up, the Committee has been reluctant to add additional items to the staff workload. As the staff audit workload decreases, the Committee expects to analyze District procedures in greater detail.”

Now that the District is up-to-date, the Committee intends to give greater attention to analyzing District procedures.

2. As indicated in our letter of November 1, 2016, it is now especially important to recruit for and fill the position of Internal Auditor. Completing three audits in this calendar year has provided substantial outside focus on District recordkeeping and procedures. Now that external attention may be lessened, it is critical that the District itself increase its focus on improving its internal procedures and on compliance with State and federal requirements. Having an Internal auditor in place will substantially facilitate this effort.