

**Oakland Unified School District  
Prop 39 for FY 2018**

**Matrix for FY 17/18 Audit Response**

Source	Category	Observation	Recommendation	Management Response	Planned Resolution Date	Status of Resolution
CAPA 1	Expenditure Management and Controls	The ballot language addresses projects at the District and school site levels; however, it is unclear if some expenditures are allowable per the Bond language.	The District should continue to consult with its legal counsel to ensure costs incurred for the expenditures identified in Appendix D are allowable under the terms of the Measure J and Measure B bond language. Results of this consultation should be reported to the appropriate personnel (i.e., relevant District management, the Board, and CBOC) to ensure transparency and remediation take place, as necessary. Further, the District should formalize and report on relocation and/or reconstruction plans of the administration office building to ensure key stakeholders understand the total impact to the Bond Program.	<b>The district has retained the Services of Lozano Smith LLP to assist with reviewing all contracts to insure compliance</b>	Fiscal year 2019-20	
CAPA 2	Expenditure Management and Controls	The District could not provide adequate documentation to support staff charge allocations to the Bond Program.	The District should implement the processes and controls needed to provide supporting documentation that validates the applicability and accuracy of labor charged to the Bond Program consistent with Opinion 04-110. Specifically, a timekeeping system, or equivalent tracking system, should be implemented so that all labor costs incurred are identifiable, compliant, and have a direct beneficial relationship to the Bond Program. Additionally, the District should evaluate labor amounts charged to the Bond Program to ensure appropriateness and compliance with Opinion 04-110. Results of this evaluation should be reported to the appropriate personnel (i.e., relevant District management, the Board, and CBOC) to ensure transparency and remediation take place, as necessary. Finally, OUSD should consider reviewing the District's staffing plan to ensure reporting is available that includes key metrics, such as positions staffed, number of personnel, number of planned projects, and dollar value of planned projects utilized by the District to help determine organizational structure alignment with Bond Program needs.		Fiscal year 2019-20	

CAPA 3	Expenditure Management and Controls	The District was unable to explain a \$19,717.50 discrepancy to the Bond Program when comparing the Labor Distribution Report and the Cost Ledger for FY 2017/18	The District should perform a regular reconciliation between the Labor Distribution Report and financial reports to ensure completeness and accuracy of labor charges to the Bond Program. This will help ensure the labor cost charged to Bond Programs is accurate and complete.		Fiscal year 2019-20	Open – New observation and recommendation
Observation 1.1	Budgetary Management and Change Order Reporting and Controls	The District did not provide policies and procedures covering the process for developing and adhering to design and construction budgets.	The District should develop, implement, and consolidate their policies and procedures surrounding design and construction budgets to ensure consistent reporting, effective controls, accountability, and communication of the policies and procedures (see Recommendations 8 and 9.2 for further information). The Bond Program Budget information should have master plan update considerations (see Recommendation 1.2 for further information).		Fiscal year 2019-20	
Observation 1.2	Budgetary Management and Change Order Reporting and Controls	The District's Facilities Master Plan lacked adequate project-specific information by Bond Measure.	Per the California School Boards Association's article Facilities Master Planning (FMP) dated 2007, "An FMP should be conducted or updated by district staff approximately every five to 10 years, or prior to any significant building project. Once a board has decided to conduct or update their district's FMP, it must do three things: Set goals and expectations for the plan; allocate resources and set direction for district staff and; assemble an advisory committee." Master planning procedures should be documented within policies and procedures (see Recommendation 1.1 for further information). The District should also consider updating the 2012 Master Plan to include relevant financial data, the list of project by Measure, and the prioritization of those projects.		Fiscal year 2019-20	

Observation 2	Budgetary Management and Change Order Reporting and Controls	The District does not include revenues and expenditures by timeframe based on project forecasts to validate that sufficient funding is available to meet the financial requirements of Measure J objectives.	<p>Consistent with the GFOA, the District should report the project schedule, expenditure and available revenues by project by Measure to ensure enough funds are available to complete a project. Per the Government Finance Officers Association (GFOA) Capital Project Monitoring and Reporting best practices for Reporting on Projects Status and Activities states, "Meaningful reports should provide straightforward project information...Highlight significant changes to project scope, costs, schedule, or funding. To aid in the reporting, an annual snapshot of key schedule, cost estimate, and available funding information should be taken to establish baseline data for performance measures and report components." Without an updated schedule and the associated cash flow by project, it is difficult to see when the funds will be fully expended. Ensuring there are enough funds to complete a project prior to starting it and reporting the schedule of available revenues will help ensure projects that are started are adequately funded through completion and provide greater visibility into the program's financial position. Finally, schedule reporting and control policies and procedures should be implemented to ensure consistent tracking of Bond Program projects.</p>		Fiscal year 2019-20	
Observation 3.1	Program Management	The policies and procedures that guide accomplishment of the Bond Program schedule, scope management, and performance goals were incomplete and appeared to be out-of-date.	The District should develop, implement, and consolidate their policies and procedures surrounding performance goals to ensure consistent reporting, effective controls, accountability, and communication of the policies and procedures (see Observation No. 8 and 9.2 for further information).		Fiscal year 2019-20	

Observation 3.2	Program Management	Financial reporting lacked adequate details for key stakeholders to analyze the schedule and budgetary information at the program and project level.	Both the SDCTA and GFOA recommends that budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances be periodically reported. Change order reporting should include information such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference. Detailed budget-level information for current bond issuances allows the District to monitor budgetary performance against committed contract values and can serve as an early warning indicator for potential problems. This information provides decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. Both the SDCTA and GFOA comments that this information is essential input for demonstrating accountability and transparency. Additionally, cash flow reporting should include revenues, cash, and expenditures by timeframe to document that sufficient funding is available to meet financial requirements for Measure J and these figures should be consistently reported in the Bond program report. This documentation will also serve as a useful tool for District management and stakeholders to understand the timing of project schedules.	We will consider the Auditor's recommendation to update the policies and procedures in accordance with current laws and regulations to ensure compliance in managing bond-funded projects. The district will also look into installing and/or updating the project management software system to track project schedule, construction costs, change orders and completion timelines.	Fiscal year 2019-20
		There were 37 instances where payment	The District should finalize payment processing policies	<p>We concur. The inability to determine the actual receipt date for some of the invoices was due to the fact that the "Date received" stamp was not legible in some invoices. The district is considering to replace the stamp that can be scanned in to the invoice receipt system.</p> <p><b>Systems are currently being implimented to help alleviate this. - Direct upload of invoices</b></p>	

Observation 4.1	Program Management	processing took longer than contractual requirements and was not supported by a payment application/invoice rejection letter justifying the delay. Additionally, the District was unable to provide formalized policies and procedures defining payment procedures and controls.	The District should finalize payment processing policies and procedures to ensure the District's compliance with contractual agreements, state laws and ordinances, and other regulations. Not only will this help the District remain in compliance, but prompt payment promotes better relationships with the contractors and subcontractors, which can lead to more bidders and potentially better pricing on future projects.		Fiscal year 2019-20	
Observation 4.2	Program Management	The District was unable to validate that 23 expenditures were properly approved prior to payment.	The District should finalize policies and procedures related to the payment approval process and obtain Board approval as a best practice. The District should also implement controls to ensure proper review and approval prior to payment. Providing clear policies and procedures can help ensure the process is clear to personnel. Implementing controls helps prevent unauthorized payments from being processed.	<b>A committee is currently working on developing a procedure manual. Work on this is expected to complete soon</b>	Fiscal year 2019-20	
Observation	Budgetary Management and	Change Order No. 2 with Arntz/Focon Joint Venture, Inc. represented a 16.5%	The District should update their policies and procedures to		Fiscal year	

Observation 5.1	Change Order Reporting and Controls	increase from the original contract value, which is not compliant with PCC 20118.4.	ensure future change orders are in compliance with PCC 20118.4 and best practices.		Fiscal year 2019-20	
Observation 5.2	Budgetary Management and Change Order Reporting and Controls	Change order execution and associated Board approval was not timely.	The District should implement policies and procedures to include a proactive approach to addressing change order management reporting and controls, especially those for delays and time extensions. The changes should be addressed as they occur. Executing changes in a timely manner helps support good relationships with contractors and subcontractors allowing them to be paid for their work in a timely manner and lessening the risk of them stopping work or seeking claims.		Fiscal year 2019-20	
Observation 5.3	Budgetary Management and Change Order Reporting and Controls	The policies and procedures surrounding change orders are conflicting, out of date and incomplete.	The GFOA recommends, within their article, "Documenting Accounting Policies and Procedures," that the documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years. As a best practice, the District should update and consolidate their policies and procedures surrounding change orders to ensure effective controls, accountability, and communication of the policies and procedures. Any changes in policies and procedures should be updated in the documentation promptly as they occur and a specific employee should be assigned the duty of overseeing this process. The resulting documentation can also serve as a useful training tool for staff.		Fiscal year 2019-20	

Observation 5.4	Budgetary Management and Change Order Reporting and Controls	Change orders were not reported to key Measure J stakeholders to document change order impact and assigned responsibility.	<p>As a best practice and consistent with the San Diego Taxpayers Association (SDCTA), OUSD should establish more robust change order reporting within Bond Program reporting to ensure end users understand change order impact and assigned responsibility. Change order reporting should include information such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference. Change order documentation should be available at the project and program level with both detailed and summary level information available. Summary and detailed change reporting is necessary to understand change order cause, responsibility, pricing, and compliance and to identify potential duplicated work scopes and/or redundancies caused by unclear scope objectives and/or expectations within the master plan. Absent this additional information, change order details are not adequately reported to end users. Per the SDCTA's Oversight Committee Best Practices, any alterations to project budgets or timelines with adequate explanations for these changes should be reported to the Citizen Oversight Committee. Policies and procedures surrounding change order management and controls should be updated accordingly to ensure consistent practices.</p>		Fiscal year 2019-20	
Observation 5.5	Budgetary Management and Change Order Reporting and Controls	District policies and procedures lacked claims avoidance considerations that address reporting requirements to identify actions taken to identify or limit claim exposure.	<p>As a best practice, OUSD should revise claims avoidance and control procedures within policy documents and update OUSD management reporting to reflect procedures performed to identify and avoid potential claims. The Bond Program report narrative section should address in detail potential differences with the contractor, such as responsibility for performing specific work. Particular care should be taken to record and preserve all possible data and evidence with respect to any matter that may become a basis for a contractor claim. As there may be many root causes for claims, the claims avoidance policy should include a detailed process that OUSD follows to identify the areas of exposure that may lead to a claim and steps taken to prevent claims, such as document control requirements, identification of appropriate communication channels, and proactive cost, schedule, and quality control procedures.</p>		Fiscal year 2019-20	

Observation 6.1	Program Management	The policies and procedures surrounding procurement are out-of-date and incomplete.	As a best practice, the District should update and consolidate their policies and procedures surrounding procurement to ensure effective controls, accountability, and communication of the policies and procedures (see Recommendations 8 and 9.2 for further information).		Fiscal year 2019-20	
Observation 6.2	Program Management	The District was unable to provide complete competitive solicitation documentation for two public works projects.	The District should maintain complete and consolidated bid and procurement documentation that is readily available in a central location, either physically or electronically. This will enable the District to verify compliance with applicable guidance. Additionally, as a best practice, the District should maintain a consolidated bid and procurement activity report that will allow District senior management to identify, prevent, or detect noncompliance with District policies and procedures, state laws, regulations, and best practices (e.g., not sole source procurement). A checklist or equivalent mechanism, with appropriate sign-offs on procurement requirements, can serve as a good tool for all relevant parties (Accounting, as well as Facilities and Procurement) to validate compliance with policy and procedure requirements.		Fiscal year 2019-20	
Observation 6.3	Program Management	The District did not provide sufficient documentation to allow us to review nine out of 17 sampled vendors, or 53%.	The District should maintain complete and consolidated bid and procurement documentation that is readily available in a central location, either physically or electronically (see Recommendation 6.2 for further information).		Fiscal year 2019-20	
Observation 6.4	Program Management	The District awarded and issued contracts to bidders prior to Board of Education approval.	The District should receive, and require, Board approval prior to issuing or awarding any contracts or Purchase Orders (see Recommendation 6.2 for further information).		Fiscal year 2019-20	



Observation 7	Program Management	The District's standardized items list for Bond Program materials procurement is not current and is potentially not complete.	<p>The District should regularly update its standardized items and educational specifications list to accurately reflect the most up-to-date standards and guidance provided by local and state governments. The manual should include details such as material types, standard equipment and systems, manufacturer specification numbers, and minimum standards for new construction and modernization mandated by the District for projects undertaken. This manual should be provided to project architects and designers, and required products and system specifications should be provided to all bidders during the procurement process. As a best practice, these minimum standards mandated by the District should consider facility safety, energy conservation (e.g., Title 21 and 24), longevity, educational requirements and other appropriate regulations and standards. Procurement staff should be trained on how to utilize the standard specifications when procuring materials or services for the District. Additionally, OUSD should define how to make updates to the Standards Specifications document. This policy should ensure that documentation exists including the requestor and date of request, description of change, cost-benefit relationship for the change, approver and date of approval, and a time-stamped updated specifications document (see Recommendation 8 and 9.2 for further information). The cost-benefit analysis for significant specification changes should be approved by appropriate OUSD management.</p>		Fiscal year 2019-20	Open – New observation and recommendation
Observation 8 and 9.1	Program Management	The District did not provide conflict of interest forms for the entire facilities management team.	<p>As a best practice, the District should clearly document their policies and procedures surrounding conflict of interest, maintain a complete set of completed conflict of interest forms, and review their current forms to determine if additional action needs to be taken. Having consolidated, adequate, and documented policies and procedures as well as maintaining completed forms will provide insight to potential conflicts, allowing the District to make appropriate adjustments and help protect the District if conflict of interest issues arise.</p>		Fiscal year 2019-20	

<p>Observation 8 and 9.2</p>	<p>Program Management</p>	<p>Policies and procedures were not centrally located, did not define roles and responsibilities and the process for updating manuals was not documented.</p>	<p>As a best practice, the District should consolidate all policies, procedures, and resolutions into one document to ensure effective controls and communication of the policies and procedures. The GFOA recommends, within their article "Documenting Accounting Policies and Procedures," that the documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years. Any changes in policies and procedures should be updated in the documentation promptly as they occur and a specific employee should be assigned the duty of overseeing this process. We recommend that construction program procedures are documented and updated in a similar manner. The resulting documentation can also serve as a useful training tool for staff.</p>	<p><b>A committee is currently working on developing a procedure manual. Work on this is expected to complete soon</b></p>	<p>Fiscal year 2019-20</p>	
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