

Board Office Use: Legislative File Info.	
File ID Number	17-2674
Introduction Date	1/24/18
Enactment Number	18-0140
Enactment Date	1/24/18 er



OAKLAND UNIFIED
SCHOOL DISTRICT

Community Schools, Thriving Students

Memo

TO Board of Education

FROM Kyla Trammell-Johnson, Superintendent
Ryan Nguyen, Controller

BOARD MEETING DATE January 24, 2018

SUBJECT Professional Service Contract
Contractor: Yano Accountancy Corporation, Oakland, CA
Services for: District Financial Annual Audit

ACTION REQUESTED Ratification by the Board of Education of Contract between District and Yano Accountancy Corporation, Oakland, CA, for the latter to conduct the Measure B and Measure J Facilities Bond Audit for the Fiscal Year Ending June 30, 2017, in accordance with the Generally Accepted Government Auditing Standards (GAGAS) and the United States Generally Accepted Accounting Principles (USGAAP), for the term December 5, 2017 through March 31, 2018, at a cost not to exceed \$44,600.00.

BACKGROUND Bond Measure B and Bond Measure J legislation, as approved by the voters in 2006 and 2012, respectively, include the following audit requirements:

- An annual, independent financial audit of bond proceeds and until all of the proceeds have been spend for the school facilities projects
- An annual independent performance audit to ensure that bond proceeds have been expended only on the school facilities projects.

California Education Code §15286 states that the required annual independent financial and performances audits for the preceding fiscal year shall be submitted to the citizens' oversight committee established pursuant to Section 15278 by March 31 of each year. These audits shall be conducted in accordance with the Government Auditing Standards issued aby the Controller General of the United States for financial and performances audits.

DISCUSSION Yano Accountancy Corporation, therefore, will conduct a financial audit of the Combined Schedule of Measure B and Measure J Bond Revenues and Expenditures for the year ended June 30, 2017 in accordance with GAGAS for financial audits and US GAAS. Yano Accountancy Corporation will also conduct a performances audit of Bond Measure B and Bond Measure J bond expenditures in accordance with GAGAS for performance audits to determine whether such expenditures were spent only on the projects approved by the legislation.

RECOMMENDATION Ratification by the Board of Education of Contract between District and Yano Accountancy Corporation, Oakland, CA, for the latter to conduct the Measure B and Measure J Facilities Bond Audit for the Fiscal Year Ending June 30, 2017.

ATTACHMENTS Contract (including Scope of Work)

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**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

PROFESSIONAL SERVICES CONTRACT 2017-2018

This Agreement is entered into between Yano Accountancy Corporation (CONTRACTOR) and Oakland Unified School District (OUSD). OUSD is authorized by Government Code Section 53060 to contract for the furnishing of special services and advice in financial, economic, accounting, engineering, legal, and administrative matters with persons specially trained, experienced, and competent to perform such services. CONTRACTOR warrants it is specially trained, experienced, and competent to provide such services. The parties agree as follows:

1. **Services:** CONTRACTOR shall provide the ("Services" or "Work") as described in **Exhibit "A,"** attached hereto and incorporated herein by reference.
2. **Terms:** CONTRACTOR shall commence work on December 5, 2017 or the day immediately following approval by the Superintendent if the aggregate amount CONTRACTOR has contracted with the District is below \$88,300 in the current fiscal year; or, approval by the Board of Education if the total contract(s) exceed \$88,300, whichever is later. The work shall be completed no later than March 31, 2018.
3. **Compensation:** OUSD agrees to pay CONTRACTOR for services satisfactorily rendered pursuant to this Agreement. The compensation under this Contract shall not exceed **Forty Four Thousand, Six Hundred Dollars (\$44,600)**. This sum shall be for full performance of this Agreement and includes all fees, costs, and expenses incurred by Contractor including, but not limited to, labor, materials, taxes, profit, overhead, travel, insurance, subcontractor costs, and other costs. OUSD shall not be liable to CONTRACTOR for any costs or expenses paid or incurred by CONTRACTOR in performing services for OUSD

Payment for Work shall be made for all undisputed amounts within forty-five (45) days after CONTRACTOR submits an invoice to OUSD for Work actually completed and after OUSD's written approval of the Work, or the portion of the Work for which payment is to be made.

The granting of any payment by OUSD, or the receipt thereof by CONTRACTOR, shall in no way lessen the liability of CONTRACTOR to correct unsatisfactory work, although the unsatisfactory character of that work may not have been apparent or detected at the time a payment was made. Work, which does not conform to the requirements of this Agreement, may be rejected by the District and in that case must be replaced by CONTRACTOR without delay.

4. **Equipment and Materials:** CONTRACTOR shall provide all equipment, materials, and supplies necessary for the performance of this Agreement.
5. **CONTRACTOR Qualifications / Performance of Services:**

CONTRACTOR Qualifications: CONTRACTOR warrants it is specially trained, experienced, competent and fully licensed to provide the Services required by this Agreement in conformity with the laws and regulations of the State of California, the United States of America, and all local laws, ordinances and/or regulations, as they may apply.

Standard of Care: CONTRACTOR warrants that CONTRACTOR has the qualifications and ability to perform the Services in a professional manner, without the advice, control, or supervision of OUSD. CONTRACTOR's services will be performed, findings obtained, reports and recommendations prepared in accordance with generally and currently accepted principles and practices of its profession for services to California school districts.

6. **Invoicing:** Invoices furnished by CONTRACTOR under this Agreement must be in a form acceptable to OUSD. All amounts paid by OUSD shall be subject to audit by OUSD. Invoices shall include, but not be limited to: Contractor name, Contractor address, invoice date, invoice number, purchase order number, name of school or department service was provided to, period of service, name of the person performing the service, date service was rendered, brief description of services provided, number of hours of service, hourly rate, total payment requested.
7. **Notices:** All notices and invoices provided for under this Agreement shall be in writing and either personally delivered during normal business hours or sent by U.S. Mail (certified, return receipt requested) with postage prepaid to the other party at the address set forth below:

OUSD Representative:

Name: Marion McWilliams
Site /Dept.: General Counsel, Office of the Legal Counsel
Address: 1000 Broadway, Suite 680
Oakland, California, 94607
Phone: (510) 879-8536
Email: Marion.McWilliams@ousd.org &
Ryannhon.Nguyen@ousd.org

CONTRACTOR:

Name: Eugene Yano
Title: Principal for Yano Accountancy Corporation
Address: 6051 Girvin Drive
Oakland, California 94611-2458
Phone: (510) 681-6390
Email: Eugene.Yano@YanoCPA.com

Notice shall be effective when received if personally served or, if mailed, three days after mailing. Either party must give written notice of a change of address.

8. **Status of Contractor:** This is not an employment contract. CONTRACTOR, in the performance of this Agreement, shall be and act as an independent contractor. CONTRACTOR understands and agrees that it and all of its employees shall not be considered officers, employees, agents, partner, or joint venture of OUSD, and are not entitled to benefits of any kind or nature normally provided employees of OUSD and/or to which OUSD's employees are normally entitled, including, but not limited to, State Unemployment Compensation or Worker's Compensation. CONTRACTOR shall assume full responsibility for payment of all Federal, State, and local taxes or contributions, including unemployment insurance, social security and income taxes with respect to CONTRACTOR's employees. In the performance of the work herein contemplated, CONTRACTOR is an independent contractor or business entity, with the sole authority for controlling and directing the performance of the details of the work, OUSD being interested only in the results obtained.

9. **Insurance:**

1. Unless specifically waived by OUSD, the following insurance is required:

i. If CONTRACTOR employs any person to perform work in connection with this Agreement, CONTRACTOR shall procure and maintain at all times during the performance of such work, Workers' Compensation Insurance in conformance with the laws of the State of California and Federal laws when applicable. Employers' Liability Insurance shall not be less than One Million Dollars (\$1,000,000) per accident or disease.

Check one of the boxes below:

CONTRACTOR is aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and will comply with such provisions before commencing the performance of the Work of this Contract.

CONTRACTOR does not employ anyone in the manner subject to the workers' compensation laws of California.

ii. CONTRACTOR shall maintain Commercial General Liability insurance, including automobile coverage, with limits of at least One Million Dollars (\$1,000,000) per occurrence for corporal punishment, sexual misconduct, harassment, bodily injury and property damage. The coverage shall be primary as to OUSD and shall name OUSD as an additional insured. Evidence of insurance must be attached. Endorsement of OUSD as an additional insured shall not affect OUSD's rights to any claim, demand, suit or judgment made, brought or recovered against CONTRACTOR. The policy shall protect CONTRACTOR and OUSD in the same manner as though each were separately issued. Nothing in said policy shall operate to increase the Insurer's liability as set forth in the policy beyond the amount or amounts shown or to which the Insurer would have been liable if only one interest were named as an insured.

iii. If CONTRACTOR is offering OUSD professional advice under this Contract, CONTRACTOR shall maintain Errors and Omissions insurance or Professional Liability insurance with coverage limits of One Million Dollars (\$1,000,000) per claim.

OR

iv. CONTRACTOR is not required to maintain any insurance under this agreement. (Completed and approved Waiver of Insurance Form is required from OUSD's Risk Management.) Waiver of insurance does not release CONTRACTOR from responsibility for any claim or demand.

10. **Licenses and Permits:** CONTRACTOR shall obtain and keep in force all licenses, permits, and certificates necessary for the performance of this Agreement.

11. **Assignment:** The obligations of CONTRACTOR under this Agreement shall not be assigned by CONTRACTOR without the express prior written consent of OUSD.

12. **Non-Discrimination:** It is the policy of OUSD that in connection with all work performed under Contracts there be no discrimination because of race, color, ancestry, national origin, religious creed, physical disability, medical condition, marital status, sexual orientation, gender, or age; therefore, CONTRACTOR agrees to comply with applicable Federal and California laws including, but not limited to, the California Fair Employment and Housing Act beginning with Government Code Section 12900 and Labor Code Section 1735 and OUSD policy. In addition, CONTRACTOR agrees to require like compliance by all its subcontractor(s). CONTRACTOR shall not engage in unlawful discrimination in employment on the basis of actual or perceived; race, color, national origin, ancestry,

Professional Services Contract

religion, age, marital status, pregnancy, physical or mental disability, medical condition, veteran status, gender, sex, sexual orientation, or other legally protected class.

13. **Drug-Free / Smoke Free Policy:** No drugs, alcohol, and/or smoking are allowed at any time in any buildings and/or grounds on OUSD property. No students, staff, visitors, CONTRACTORS, or subcontractors are to use controlled substances, alcohol or tobacco on these sites.
14. **Indemnification:** CONTRACTOR agrees to hold harmless, indemnify, and defend OUSD and its officers, agents, and employees from any and all claims or losses accruing or resulting from injury, damage, or death of any person, firm, or corporation in connection with the performance of this Agreement. CONTRACTOR also agrees to hold harmless, indemnify, and defend OUSD and its elective board, officers, agents, and employees from any and all claims or losses incurred by any supplier, contractor, or subcontractor furnishing work, services, or materials to CONTRACTOR in connection with the performance of this Agreement. This provision survives termination of this Agreement.
15. **Copyright/Trademark/Patent/Ownership:** CONTRACTOR understands and agrees that all matters produced under this Agreement shall become the property of OUSD and cannot be used without OUSD's express written permission. OUSD shall have all right, title and interest in said matters, including the right to secure and maintain the copyright, trademark, and/or patent of said matter in the name of OUSD. CONTRACTOR consents to use of CONTRACTOR's name in conjunction with the sale, use, performance and distribution of the matters, for any purpose and in any medium. These matters include, without limitation, drawings, plans, specifications, studies, reports, memoranda, computation sheets, the contents of computer diskettes, artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, source codes or any other original works of authorship, or other documents prepared by CONTRACTOR or its Sub-CONTRACTORS in connection with the Services performed under this Agreement. All works shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in those works are the property of OUSD.
16. **Waiver:** No delay or omission by either party in exercising any right under this Agreement shall operate as a waiver of that or any other right or prevent a similar subsequent act from constituting a violation of the Agreement.
17. **Termination:** OUSD may at any time terminate this Agreement upon 30 days prior written notice to CONTRACTOR. OUSD shall compensate CONTRACTOR for services satisfactorily provided through the date of termination. In addition, OUSD may terminate this Agreement for cause should CONTRACTOR fail to perform any part of this Agreement. In the event of termination for cause, OUSD may secure the required services from another contractor. If the cost to OUSD exceeds the cost of providing the services pursuant to this Agreement, CONTRACTOR shall pay the additional cost.
18. **No Rights in Third Parties:** This Agreement does not create any rights in, or inure to the benefit of, any third party except as expressly provided herein.
19. **OUSD's Evaluation of CONTRACTOR and CONTRACTOR's Employees and/or Subcontractors.** OUSD may evaluate CONTRACTOR's work in any way that OUSD is entitled to do so pursuant to applicable law. The OUSD's evaluation may include, without limitation:
 1. Requesting that OUSD employee(s) evaluate the CONTRACTOR and the CONTRACTOR's employees and subcontractors and each of their performance.
 2. Announced and unannounced observance of CONTRACTOR, CONTRACTOR's employee(s), and/or subcontractor(s).
20. **Limitation of OUSD Liability:** Other than as provided in this Agreement, OUSD's financial obligations under this Agreement shall be limited to the payment of the compensation provided in this Agreement. Notwithstanding any other provision of this Agreement, in no event, shall OUSD be liable, regardless of whether any claim is based on contract or tort, for any special, consequential, indirect or incidental damages, including, but not limited to, lost profits or revenue, arising out of, or in connection with, this Agreement for the services performed in connection with this Agreement.
21. **Confidentiality:** CONTRACTOR and all CONTRACTOR's agents, personnel, employee(s), and/or subcontractor(s) shall maintain the confidentiality of all information received in the course of performing the Services. CONTRACTOR understands that student records are confidential and agrees to comply with all state and federal laws concerning the maintenance and disclosure of student records. This requirement to maintain confidentiality shall extend beyond the termination of this Agreement. Contractors will be permitted access to student data only where permissible under state and federal law and only after executing OUSD's Confidentiality Agreement Regarding Student Data.
22. **Conflict of Interest:** CONTRACTOR shall abide by and be subject to all applicable, regulations, statutes or other laws regarding conflict of interest. CONTRACTOR shall not hire any officer or employee of OUSD to perform any service by this Agreement without the prior approval of OUSD Human Resources.

CONTRACTOR affirms to the best of his/her/its knowledge, there exists no actual or potential conflict of interest between CONTRACTOR's family, business or financial interest and the services provided under this Agreement, and in the event of change in either private interest or services under this Agreement, any question regarding possible conflict of interest which may arise as a result of such change will be brought to OUSD's attention in writing.

Through its execution of this Agreement, CONTRACTOR acknowledges that it is familiar with the provisions of section 1090 *et seq.* and section 87100 *et seq.* of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions. In the event CONTRACTOR receives any information subsequent to execution of this Agreement which might constitute a violation of said provisions, CONTRACTOR agrees it shall notify OUSD in writing.

23. **Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion:** CONTRACTOR certifies to the best of his/her/its knowledge and belief, that it and its principals are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency according to Federal Acquisition

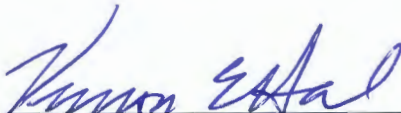
Professional Services Contract

Regulation Subpart 9.4, and by signing this contract, certifies that this vendor does not appear on the Excluded Parties List (<https://www.sam.gov/>).

- 24. **Litigation:** This Agreement shall be performed in Oakland, California and is governed by the laws of the State of California, but without resort to California's principles and laws regarding conflict of laws. The Alameda County Superior Court shall have jurisdiction over any litigation initiated to enforce or interpret this Agreement.
- 25. **Incorporation of Recitals and Exhibits:** The Recitals and each exhibit attached hereto are hereby incorporated herein by reference. CONTRACTOR agrees that to the extent any recital or document incorporated herein conflicts with any term or provision of this Professional Services Contract, the terms and provisions of this Professional Services Contract shall govern.
- 26. **Integration/Entire Agreement of Parties:** This Agreement constitutes the entire agreement between the Parties and supersedes all prior discussions, negotiations, and agreements, whether oral or written. This Agreement may be amended or modified only by a written instrument executed by both Parties.
- 27. **Counterparts:** This Agreement and all amendments and supplements to it may be executed in counterparts, and all counterparts together shall be construed as one document.
- 28. **Signature Authority:** Each party has the full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of each Party has been given the proper authority and empowered to enter into this Agreement.
- 29. **Contract Contingent on Governing Board Approval:** OUSD shall not be bound by the terms of this Agreement until it has been formally approved by OUSD's Governing Board, and no payment shall be owed or made to CONTRACTOR absent that formal approval. This Agreement shall be deemed approved when it has been signed by the Board of Education, and/or the Superintendent as its designee.
- 30. **W-9 Form:** If CONTRACTOR is doing business with OUSD for the first time, complete and return with the signed Contract the W-9 form.
- 31. **Contract Publicly Posted:** This contract, its contents, and all incorporated documents are public documents and will be made available by OUSD to the public online via the Internet.

OAKLAND UNIFIED SCHOOL DISTRICT

CONTRACTOR



Vernon Hal



Contractor Signature

Vernon Hal, Senior Business Officer
Print Name, Title

Eugene Yano, President
Print Name, Title

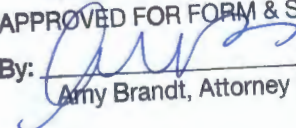


1/25/18

- President, Board of Education
- Superintendent
- Chief or Deputy Chief



1/25/18
Secretary, Board of Education

OAKLAND UNIFIED SCHOOL DISTRICT
Office of the General Counsel
APPROVED FOR FORM & SUBSTANCE
By: 
Amy Brandt, Attorney at Law

Form approved by OUSD General Counsel for 2017-18 FY

EXHIBIT "A" SCOPE OF WORK

[IF A CONTRACTOR PROVIDES AN ACCEPTABLE DESCRIPTION OF SERVICES AS PART OF A PROPOSAL, THAT DESCRIPTION OF SERVICES MAY BE ATTACHED WITHOUT ANY TERMS, CONDITIONS, LIMITATIONS, ETC., FROM THAT PROPOSAL.]

1. **Description of Services to be Provided:** Provide a description of the service(s) the contractor will provide. Be specific about what service(s) OUSD is purchasing and what *this* Contractor will do.

See the attached Engagement Letter dated November 2, 2017 from Yano Accountancy Corporation.

Professional Services Contract

2. **Specific Outcomes:** What are the expected outcomes from the services of this Contract? Be specific. For example, as a result of the service(s): 1) How many more Oakland children are graduating from high school? 2) How many more Oakland children are attending school 95% or more? 3) How many more students have meaningful internships and/or paying jobs? 4) How many more Oakland children have access to, and use, the health services they need? Provide details of program participation (Students will...) and measurable outcomes (Participants will be able to...). NOT THE GOALS OF THE SITE OR DEPARTMENT.

Full financial and performance audits conducted and reports created for Fiscal Year 2016-17 pursuant to Exhibit A attachment Engagement Letter.

3. **Alignment with District Strategic Plan:** Indicate the goals and visions supported by the services of this contract:
(Check all that apply.)

- | | |
|--|--|
| <input type="checkbox"/> Ensure a high quality instructional core | <input type="checkbox"/> Prepare students for success in college and careers |
| <input type="checkbox"/> Develop social, emotional and physical health | <input type="checkbox"/> Safe, healthy and supportive schools |
| <input type="checkbox"/> Create equitable opportunities for learning | <input type="checkbox"/> Accountable for quality |
| <input type="checkbox"/> High quality and effective instruction | <input type="checkbox"/> Full service community district |

4. **Alignment with Community School Strategic Site Plan – CSSSP (required if using State or Federal Funds):**

Please select:

- Action Item included in Board Approved CSSSP** (no additional documentation required) – Item Number: _____
- Action Item added as modification to Board Approved CSSSP** – Submit the following documents to the Resource Manager either electronically via email of scanned documents, fax or drop off.
1. Relevant page of CSSSP with action item highlighted. Page must include header with the word "Modified", modification date, school site name, both principal and school site council chair initials and date.
 2. Meeting announcement for meeting in which the CSSSP modification was approved.
 3. Minutes for meeting in which the CSSSP modification was approved indicating approval of the modification.
 4. Sign-in sheet for meeting in which the CSSSP modification was approved.

Yano Accountancy Corporation

Litigation and Financial Consulting • Forensic Accounting
Certified Public Accountants

November 2, 2017

Honorable Members of the Governing Board, and
Members of the Measures A, B and J Independent
Citizens' School Facilities Bond Oversight Committee
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

Dear Members:

Thank you for the opportunity to be of continued service to the Oakland Unified School District. We are pleased to present this proposal to perform the financial and compliance audits of Bond Measure B and Bond Measure J for the year ended June 30, 2017.

STATUTORY REQUIREMENTS

Bond Measure B and Bond Measure J legislation, as approved by the voters in 2006 and 2012, respectively, include the following audit requirements:

“...annual, independent financial audit of the bond proceeds...” and “...until all of the proceeds have been spent for the school facilities projects...”

“...an annual independent performance audit to ensure that bond proceeds have been expended only on the school facilities projects ...”

California Education Code §15286 states that:

“...the required annual, independent financial and performance audits for the preceding fiscal year shall be submitted to the citizens' oversight committee established pursuant to Section 15278 by March 31 of each year. These audits shall be conducted in accordance with the Government Auditing Standards issued by the Comptroller General of the United States for financial and performance audits...”

Government Auditing Standards issued by the Comptroller of the United States are commonly known as generally accepted government auditing standards (GAGAS). GAGAS for financial audits incorporates all auditing standards generally accepted in the United States of America (US GAAS) by reference, so financial audits under GAGAS must also comply with US GAAS.

SCOPE OF WORK

We therefore will conduct a financial audit of the Combined Schedule of Measure B and Measure J Bond Revenues and Expenditures (“Combined Schedule”) for the year ended June 30, 2017 in accordance with GAGAS for financial audits and US GAAS. The Combined Schedule will have separate columns for Bond Measure B and Bond Measure J.

6051 Girvin Drive • Oakland, CA 94611-2458
Tel: 510/681-6390 • Fax: 510/482-9042

Honorable Members of the Governing Board, and
Members of the Measures A, B and J Independent
Citizens' School Facilities Bond Oversight Committee
Oakland Unified School District
November 2, 2017 – Page 2

We also will conduct a performance audit of Bond Measure B and Bond Measure J bond expenditures in accordance with GAGAS for performance audits to determine whether such expenditures were spent only on the projects approved by the legislation.

Financial Audits Performed in Accordance With Generally Accepted Government Auditing Standards and Auditing Standards Generally Accepted in the United States of America

A financial audit in accordance with GAGAS and US GAAS includes tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

In accordance with GAGAS, we also will issue a report on our consideration of OUSD's internal control over financial reporting as it pertains to OUSD and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting, compliance or other matters. We will not give such an opinion. This report is an integral part of a financial audit performed in accordance with *Government Auditing Standards*.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to OUSD or to acts by management or employees acting on behalf of OUSD.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material misstatements that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Yano Accountancy Corporation

Honorable Members of the Governing Board, and
Members of the Measures A, B and J Independent
Citizens' School Facilities Bond Oversight Committee
Oakland Unified School District
November 2, 2017 – Page 3

Our audit will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to express an opinion or to provide any other assurance on internal control or to identify significant deficiencies in the design or operation of internal control. Accordingly, we will not express an opinion on the effectiveness of OUSD's internal control. However, during the audit, if we become aware of such significant deficiencies, we will communicate them to you.

Performance Audits Performed in Accordance With Generally Accepted Government Auditing Standards

Our performance audit will evaluate whether bond proceeds were spent only on the projects identified in the two bond measures. We specifically will evaluate the supplementary schedules of expenditures by project to confirm that the schedules include only projects allowed by the two bond measures, and evaluate whether expenditures are for the specific projects listed. We also will look at internal controls over procurement and expenditure approval.

We also will evaluate OUSD Facilities expenditures funded with Measure B and Measure J for compliance with bond measure requirements. As part of the evaluation of OUSD Facilities expenditures, we will look at the allocation of these expenditures between Measure B and Measure J.

Because the scope of work also includes a financial audit in accordance with GAGAS and US GAAS, certain procedures that would have been performed during a stand-alone performance audit are performed as part of the financial audit. Any findings applicable to both the financial and performance audits are included in the financial audit section of the report.

Procedures Common to Both the Financial and Performance Audits

A number of procedures are common to both the financial and performance audits. We maximize both our audit effectiveness and audit efficiency by combining the procedures for both audits to the extent practicable.

Audit Planning

This phase will focus on understanding the District's organization and its operating environment for the Bond Program in order to formulate an audit strategy. This is accomplished by performing the following:

- Conduct an entrance conference with appropriate personnel to discuss areas of concern, new developments, background information, time frames and the appropriate lines of communication.
- Prepare a document request of the schedules, statements and documents necessary to complete the audit. Normally the document request is given to the client in advance in order to allow sufficient time to compile the information.
- Review of any prior year's audits that disclose information about the District's bond funds or program.
- Perform risk assessments to evaluate audit risk considerations will be prepared for material account balances and classes of transactions to identify areas and types of testing to be performed.
- Determine materiality levels will be determined for each fund and account type.

- Prepare audit programs to best accomplish our audit objectives.

Follow-Up on Prior-Year Audit Findings

GAGAS for both financial and performance audits require that we follow up on prior-year audit findings of all relevant audits. Accordingly, we will follow up on not only any findings from our prior year financial and performance audits, but also on all relevant audit findings from other audits performed on OUSD.

Internal Controls

This phase concentrates on the evaluation of the organization's internal controls and tests of compliance. We will obtain an understanding and evaluate OUSD's internal control structure for the bond program and test transactions as deemed necessary. In this phase, the engagement team will gain a greater understanding of the OUSD's bond program and obtain information necessary to select specific areas for further evaluation in the detailed phase. The significant internal control cycles we will evaluate are the following:

- Bond revenues and cash management
- Purchasing and cash disbursements
- Payroll and personnel policies and procedures
- Procurement policies and practices
- Compliance with applicable state laws, regulations, guidelines

Substantive Procedures

Based on our review of internal controls, we will assess how well OUSD has met its goals and perform detailed testing of balances and transactions of the District's Building fund, with an emphasis on the allowability, reasonableness and accounting on the accrual basis. In order to accomplish these tasks, the following approach will be taken:

- Substantive testing of material account balances is performed in order to ensure appropriateness, allowability and reasonableness.
- Test cash disbursements to determine if costs are allowable as indicated in the Bond Measure, Public Contract Code and in accordance with District procedures and guidelines.
- Assess whether the bond project management have achieved its stated goals and objectives by evaluating results of programs put in place to achieve those goals and objectives.
- Evaluate the bond project management's ability to achieve proposed or newly established objectives.
- Assess whether performance measures have been used as part of effective management control systems to measure, report and monitor project results.
- Analyze outcomes, achievements, and related effects for the selected programs and activities to identify the overall impact of the programs- both negative and positive effects.

- Analyze project costs in relation to reported results or outcomes to obtain indicators of project efficiency problems. Evaluate the reasonableness of project results in relation to project costs.
- Evaluate the presentation of the Schedule of Bond Measure B Revenues and Expenditures for accuracy, clarity and complete and proper disclosure.
- As appropriate, chart trend data of project results to show the effectiveness of the selected projects.
- An exit conference is convened with appropriate personnel to summarize the audit and to discuss our findings and recommendations.

Deliverables

We will issue the following reports upon the completion of all of our audit procedures:

- Independent Auditors' Report on the Combined Schedule for the year ended June 30, 2017. This report will include our opinion on the Combined Schedule, and our report on the Supplementary Schedule of Bond Measure B Expenditures by Project, and Supplementary Schedule of Bond Measure J by Project, in relation to the Combined Schedule.
- Independent Auditors' Report on Internal Control, Compliance and Other Matters. This report includes our findings on internal control over the preparation of the Combined Schedule of Bond Measure B and Bond Measure J Revenues and Expenditures, compliance with laws and regulations, and other matters such as abuse. Please note that since the objective of a financial audit is the expression of an opinion on the Combined Schedule of Bond Measure B and Bond Measure J Revenues and Expenditures, we will not form an opinion on internal control.
- Independent Auditors' Report on the Performance Audit. This report describes the objectives, scope, methodology and results of our performance audit.
- Report to the Members of the Governing Board and Members of the Measures A, B and J Independent Citizens' Oversight Committee. US GAAS requires us to report to those charged with governance on certain subjects related to the planning, performance and results of our audit. This report is issued under separate cover from the other reports.

OUSD Management Responsibilities

OUSD management has a number of responsibilities as part of an audit in accordance with GAGAS and US GAAS. These responsibilities include the establishment and maintenance of adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. OUSD management is also responsible for adjusting the financial schedule to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial schedule taken as a whole.

Honorable Members of the Governing Board, and
Members of the Measures A, B and J Independent
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OUSD management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the company involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial schedule. OUSD management is also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others. In addition, OUSD management is responsible for identifying and ensuring that OUSD complies with applicable laws and regulations.

YOUR AUDIT TEAM

The Yano Accountancy Corporation/BCA Watson Rice (YAC/BCA) team will again be your audit team. The YAC/BCA team has performed the Measure B financial and performance audits for the years ended June 30, 2011-2016, and BCA Watson Rice led the Measure B audits for the years ended June 30, 2007-2010.

Eugene Yano, MBA, CPA; Brandon DeCastro; and Katherine Yoshii, MA will again form the core audit team. Eugene is the YAC Managing Principal and has led the Measure B audits for each of the past six years. Brandon, from BCA Watson Rice, has worked with YAC since the 2014 audit. Katherine, from YAC, has led the fieldwork for each of the past six years.

PEER REVIEW

In compliance with GAGAS, our most recent peer review report is publicly available on the American Institute of CPAs website at:

https://peerreview.aicpa.org/public_file_search.html

We received a peer review rating of "Pass", a conclusion that our system of quality control has been suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

TIMING AND FEES

The following timeline will serve as a guide to give OUSD an indication of our proposed schedule. We will modify this schedule to meet the needs of OUSD:

	<u>Number of Days</u>
Conduct an entrance conference with appropriate personnel	Start date to be determined
Planning phase	Day 1
Interim field work	Days 1-5
Detailed field work	Days 6-25
Preliminary report	Days 26-29
Draft and final report	Days 30-40

Yano Accountancy Corporation

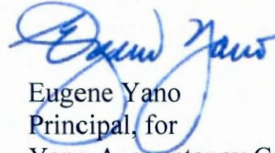
Honorable Members of the Governing Board, and
Members of the Measures A, B and J Independent
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The proposed fee for the audits for the year ended June 30, 2017 audits is \$44,600. Our proposed fee is based on the scope of work described in this engagement letter. Should there be any changes to the scope of the work, we will contact you promptly to discuss any fee adjustments. Examples of scope changes include the issuance of separate audit reports on Measure B and Measure J, and the review of any reports that includes our audit reports, either in whole or excerpts. The review of other reports that includes information included in our audit report (either in whole or in part) is a recent US GAAS requirement.

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Again, we appreciate the opportunity to be of service to OUSD. You have my personal commitment, as well as that of all BCA Watson Rice and Yano Accountancy Corporation professionals, to quality and timely service. Please contact me at 510/681-6390 if you have any questions.

Sincerely,



Eugene Yano
Principal, for
Yano Accountancy Corporation