



OAKLAND UNIFIED
SCHOOL DISTRICT
Community Schools, Thriving Students

OUSD 2021 Audit Update

Findings Detail 2021 - 002 & 003



Presented to Audit Committee
April 4, 2022

Purpose

The purpose of this presentation is to provide context for the impetus for Audit Findings 2021-002 and 2021-003 as cited in the District's 2020-21 Financial Audit Report and the summary of the corrective actions.

Audit Finding | R2021 - 002

Pension Status

Summary

Documentation to support payroll reported to pension providers lacking in 67 out of total sample of 89

Level

Significant deficiency in internal control

Context

Desired process and result

As new/returning employees are onboarded, staff ensures the person is eligible to work in the position based on current retirement status and any required retirement contributions set up appropriately (e.g. to CalPERS, CalSTRS)

Risk

- a) Retired employees may be placed in positions for which they are ineligible to work based on retirement status.
- b) Retirement contributions may be erroneously made impacting the employee's retirement status and/or necessitating financial restitution by the District.

Audit Finding Detail

Documentation commonly used for assessment of eligibility and proper pension setup was not found/provided to auditors in 67 of the 89 former employees sampled.

Audit Finding | R2021 - 002

Pension Status Cont;

Summary

Documentation to support payroll reported to pension providers lacking in 67 out of total sample of 89

Level

Significant deficiency in internal control

Context

Cause

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.

Identification as a Repeat Finding
See finding 2020-002.

Recommendation

The District should ensure that management in charge of these areas is 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 per District policies.

Audit Finding | R2021 - 002

Pension Status

Summary

Documentation to support payroll reported to pension providers lacking in 67 out of total sample of 89

Level

Significant deficiency in internal control

Corrective Action

Correct any identified deficiencies

Staff to review identified cases to ensure employees are eligible to work and retirement contributions are being made appropriately.

Process Improvement and Internal Controls

Staff to develop/refine flowchart of steps with responsibilities and timelines to ensure:

- Prospective employees complete designated form needed to assess eligibility and setup appropriate pension
- Staff makes timely assessment and setup of prospective employees
- Documentation supporting assessment is stored for both internal reviews and external audits

Process improvement to include schedule for periodic internal review and staff training along with ongoing supervision and quarterly internal audit.

Audit Finding | R2021 - 003

Vacation Reserves

Summary

Documentation to verify vacation usage lacking

Level

Material weakness in internal control

Context

Desired process and result

As employees request and take vacation, the authorization workflow is documented, tracked and results in appropriate deduction from leave balances. Vacation accrual limits and payouts of leave balances implemented according to labor agreements/board resolutions.

Risk

- a) Vacation accrual in excess of limits
- b) Vacation payout in excess of amount earned minus amounts taken
- c) Vacation payout is less than amount earned minus amounts taken due to lack of audit of leave entry and documentation

Audit Finding | R2021 - 003

Vacation Reserves

Summary

Documentation to verify vacation usage lacking

Level

Material weakness in internal control

Context

Audit Finding Detail

Documentation to verify vacation usage lacking.

Cause

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. Furthermore, adequate internal controls are an overall District responsibility requiring interdepartmental communication to be successful.

Recommendation

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.

Audit Finding | R2021 - 003

Vacation Reserves

Summary

Documentation to verify vacation usage lacking

Level

Material weakness in internal control

Corrective Action

Process Improvement and Internal Controls

Staff to develop/refine flowchart of steps with responsibilities and timelines to ensure:

- Vacation planning at management level to ensure use and support is made for appropriate levels of staff vacation based on contractual/employment agreements to include timely payouts
- Workflow approval process for vacation requests including documentation attached to each request/approval (ideally 100% electronic)
- Appropriate deductions and corrections made to vacation balances during the year.

Process improvement to include schedule for periodic internal review/audit and staff training along with ongoing supervision.

Process improvement supported by ensuring vacation accrual limitations are accurately reflected in the District's business system and occur automatically with appropriate notifications.



Financial Statements
June 30, 2021

Oakland Unified School District

Questions?