



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

2012-13 Audit Report

Report to Audit Committee



August 3, 2015

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Momentum Building on Audits

- In January 2015, the State Controller's Office (SCO) authorized the District to use Vavrinek, Trine and Day (VTD), an independent audit firm, to prepare our 2012-13 audit report.
- Thanks to the tireless efforts of the OUSD and VTD staff, the 2012-13 Audit was completed in 7 months.
- In VTD's opinion, **the financial statements represent fairly, in all material respects, the financial position of the District**, with the exception of the omission of the Associated Student Bond (ASB) funds.
- The number of findings has dropped from 24 in the 2011-12 audit to **13**.
- The questioned costs have dropped from \$1.9 million to **\$0.4** million.

Not Flawless Yet

- The “qualified” opinion and the only financial finding is due to Associated Student Bond (ASB) funds (accounts held at school sites for student activities) not auditable.
 - Staff has started working with principals and developing procedures so that ASB funds will be auditable by FY16-17.
- The findings with financial implications are:
 - Custodial charges overcharged to federally-funded portion of Child Care program (and undercharged to state funded portion)
- **\$307,437**
 - School site attendance records not maintained - **\$95,652**

Summary of Findings

- Of 13 findings, 9 were repeats from prior year because the 2011-12 audit was not released until after the fiscal year 2012-13 had ended.

Finding Information		Financial Impact
Section	# of Findings	Questioned Cost
Financial	1	\$ -
Federal	9	\$ 307,437
State	3	\$ 95,652
Totals	13	\$403,089

Summary of Findings - Financial

FINANCIAL (1)					
Finding #	Finding	Prior Year?	Procedures in Place in 12-13?	Plan to Resolve/Address/Improve	Potential Cost
2013-1	Financial statement presentation of fiduciary funds (Associated Student Body Funds not included in financial statements)	2012-01	No	Process for ASB accountability in progress for full implementation in 2016-17	<i>No financial impact</i>
Total:		1			0

Summary of Findings - Federal

FEDERAL (9)					
Finding #	Finding	Prior Year?	Procedures in Place in 12-13?	Plan to Resolve/Address/Correct	Potential Cost
2013-2	Noncompliance with equipment records management. District did not complete an inventory of federally funded equipment valued between \$500-\$5000.	2012-04	No	New procedures in place; back-log to be completed in 2015-16	<i>No financial impact</i>
2013-3	Noncompliance with procurement, suspension and debarment of vendors - District updated policy in 2011-12, but has not gone back and checked all existing vendors yet.	2012-03	Yes	Implementation began in 2012-13; back-log to be completed in 2015-16	<i>No financial impact</i>
2013-4	NSLP – Noncompliance with school lunch application verification. 1 of 25 sampled applications misclassified by district during verification process		No	New procedures implemented in 2013-14.	<i>No financial impact</i>
2013-5	NSLP - School lunch paid price equity - District did not perform a calculation to assess compliance.		No	Alternate process in place.	<i>No financial impact</i>
2013-6	Special Education – IEP records not maintained. 4 out of 60 IEP documents tested had discrepancies - 3 not revised annually; 1 not found.	2012-13	Yes	Improvements to procedures made in 13-14 and 14-15, including add'l training.	<i>No financial impact</i>
2013-7	School Improvement Grant (SIG) Program – Transformation model not implemented within required timeframe.		No	Evidence has been provided that program reqmts were met.	<i>No financial impact</i>
2013-8	Employee Time and Effort Documentation discrepancies. Of 35 employees tested, 7 did not submit time and effort documentation meeting the federal program requirements.	2012-02	Yes	Improvements to procedures and accountability measures made in 13-14 and 14-15	<i>No financial impact</i>
2013-9	Child Care & Development – Allocation of Costs - custodial costs were not allocated based on the relative benefits received.		No	Error was corrected in 2014-15 financials; new procedure now in place.	\$307,437
2013-10	Child Care & Development - Child care eligibility code. District did not have process in place to substantiate eligibility of students.	2012-08	No	New procedures implemented in 2014-15.	<i>No financial impact</i>
Total:		5			\$307,437

Summary of Findings - State

STATE (3)					
Finding #	Finding	Prior Year?	Procedures in Place in 12-13?	Plan to Resolve/Address/Correct	Potential Cost
2013-11	After School Education and Safety (ASES) Program – student attendance records not properly maintained. Sign in sheets did not support the reported attendance and in some instances were poorly maintained.	2012-23 & 24	No	New procedures implemented in 2014-15.	<i>No financial impact</i>
2013-12	Attendance records maintenance. Attendance reports were not accurate or complete at 8 of the schools tested.	2012-14	Yes	Revised procedures implemented in 2013-14, including tighter oversight and add'l training.	\$95,652
2013-13	School Accountability Report Card (SARC) reporting inaccuracies. Inconsistent reporting of facility conditions, teacher vacancies, and misassignments. Reports to the board were not reported quarterly	2012-19	Yes	Procedures enhanced in 2014-15.	<i>No financial impact</i>
Total:		3			\$95,652

Takeaway #1

Where procedures are in place, we need to continue training and instilling accountability.

- **Attendance** – procedures are in place; training and monitoring were incorporated in 2013-14; implementation continues to improve as training takes hold and procedures are refined.
- **Time accounting** – procedures were in place and have been improved since 2012-13; accountability measures were incorporated in 2014-15 and will need to be monitored for effectiveness.
- **After School Program** – new procedures were put into place in 2013-14 that include training and oversight of program providers to improve compliance.
- **Programs for Exceptional Children (PEC)** – new procedures were put in place in 2013-14 to ensure Individual Educational Plans (IEPs) are reviewed annually; additional training was provided in 2013-14 and 14-15.



Takeaway #2

Where new findings were identified, new processes were put in place.

- New requirement for school lunch program was missed – new process improvements have been implemented.
- Facilities inspections for School Accountability Report Cards not completed – improvements added to existing process.
- Over/under charge of custodial services to child care was inadvertent – corrections made and a new process has been implemented.



Takeaway 3

Once caught up, can't slow down

- Equipment and inventory tracking will be ongoing once we have caught-up.
- Vendor suspension and debarment verification will be ongoing once we have caught-up.
- Still need to complete two more audits in one fiscal year

Status of Prior Year Findings from 2010-11 and 2011-12 Audits

- CDE – Certain findings must be cleared by the California Department of Education (CDE) based on corrective actions demonstrated by the District. All prior findings except for one (below) have been cleared by CDE.
 - Pending is the time-accounting finding from 2010-11 that will require approx. **\$600,000** be reimbursed ***internally*** to Title 1 from unrestricted resources.
- EAAP – Certain findings were appealed to the Education Audit Appeals Panel (EAAP).
 - Final settlement for 2010-11 and 2011-12 is expected any day, with the final liability being **approximately \$330,000**.
- All findings will be paid from the \$4 million set-aside in reserves for audit findings.



EVERY STUDENT THRIVES!



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