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Memo

To Board of Education

From Antwan Wilson, Superintendent
Vernon Hal, Senior Business Officer
Ruth Alahydoian, Chief Financial Officer

Board Meeting Date August 12, 2015

Subject Audit Report for Fiscal Year Ending June 30, 2013

Action Requested Accept Audit Report for Year ending June 30, 2013, from Vavrinek, Trine & Day.

Background All school districts in California are required to submit their audited financial statements for the prior fiscal year to the State of California, Department of Education. An audit report includes the presentation of financial statements, tested by the auditor to allow the auditor to provide an opinion as to the reliability of the statements. Auditors also test for compliance with State and Federal programs. Independent auditors perform the audits for most districts. Oakland USD is required, by the legislation authorizing our State loan, to have our audits performed by the State Controller's Office (SCO). In January, 2015, the SCO authorized the District to use the independent audit firm of Vavrinek, Trine & Day (VTD) for the fiscal year 2012-13 audit, subject to review by the SCO.

VTD has completed the report and has submitted it to the SCO for final review.

- Discussion**
- The District is working on “catching up” on it’s audits. The completion of this audit in seven months and by an independent auditor is an indication of the progress the District has made.
 - The opinion is “qualified” due to the lack of records for Associated Student Body (ASB) funds (accounts held at school sites for student activities). Because ASB records were not provided, an audit of those funds was not possible. ASB funds are often the cause of a “qualified” opinion among school districts.
 - Staff has started working with principals and developing procedures so that ASB funds will be auditable by 2016-17 fiscal year.
 - The auditor has identified 13 findings:
 - Last audit (for 2011-12) had 24 findings
 - 9 of the 13 findings are repeats of the prior year findings. The timing of the prior year audit (completed in November 2014) was too late to implement corrective action in the 2012-13 fiscal year.
 - None of the findings rise to the level of “material weakness”

- 1 is related to financials (related to the lack of ASB account records).
- 9 are related to Federal program compliance issues
- 3 are related to State program compliance issues
- **Where procedures are in place, we need to continue training and instilling accountability.**
 - Attendance
 - Time accounting
 - After School Program
 - Programs for Exceptional Children (PEC)
- **Where new findings were identified, new processes were put in place.**
- **Once caught up, can't slow down**
 - Equipment and inventory tracking will be ongoing once we have caught-up in 2015-16.
 - Vendor suspension and debarment verification will be ongoing once we have caught-up in 2015-16.
 - Still need to complete two more audits in one fiscal year:
 - 2013-14 scheduled to be completed by December 2015
 - 2014-15 scheduled to be completed by and June 2016.
- The findings result in **\$403,089** in questioned costs:
 - Custodial costs overcharged to Child Care program - **\$307,437**
 - Attendance reports not accurate or complete at 8 schools - **\$95,652**
- **Status of Prior Year findings:**
 - 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-side in reserves for audit findings.

Recommendation

Acceptance by Board of Education of the Audit Report for Year ended June 30, 2013 from Vavrinek Trine and Day.

Attachments

Summary of Findings
Summary Presentation (PPT)
Audit Report for Year ended June 30, 2013