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**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

Memo

To Board of Education

From Antwan Wilson, Superintendent
Dr. Devon Dillon, Interim Superintendent
Vernon Hal, Senior Business Officer
Gloria Gamblin, Interim Chief Financial Officer
Daniel B. Menyon, Controller

Board Meeting Date January 11, 2016

Subject Audit Report for Fiscal Year Ending June 30, 2016

Action Requested Accept Audit Report for Year ending June 30, 2016, 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). The SCO has authorized the District to use the independent audit firm of Vavrinek, Trine & Day (VTD), subject to review by the SCO.

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

Discussion

- With the completion of the 2015-16 audit, the District has finally caught up with all outstanding audits. 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 for the 2017-18 fiscal year.
- The auditor has identified 9 findings
 1. 8 findings are repeats from prior years
 2. 1 finding is new

- **Financial Findings (3):**

1. **ASB funds are not available for inclusion in the financial statements. (Repeat finding)** The District has a plan in place to bring ASB accounts into compliance so that the 2016-17 audit will include ASB funds.
2. **Fund 76, the revolving account used for all payroll transactions, has not been reconciled in a timely manner.** The District has revised procedures and staff are now reconciling Fund 76 on a monthly basis during 2015-16. An accounting manager will review the reconciliations monthly.
3. **Human Resources/Payroll Internal Control Finding - Policies & procedures designed to ensure that wages are allocated to proper funding sources were not followed . (Repeat finding)** The District now has a standing committee comprised of key staff members from Human Resource, Payroll, Benefits and Information Technology divisions to ensure established Internal Control procedures are being followed.

- **Federal Findings (2):**

1. **District was not able to provide confirmation that vendors had been checked against the federal debarred and suspended list. (Repeat finding)** Procedures were established in 2012-13 but partly followed in subsequent years. These procedures were fully implemented in 2015-16. All current vendors are checked against the list annually, and new vendors are checked before contracts are approved.
2. **Highly Qualified Teachers and Paraprofessionals – District did not utilize the “Highly Qualified Teacher Certification of Compliance form, as required by California Department of Education. To ensure compliance, the District utilized its own internally developed form. However, the auditor noted during their audits that the internally developed form were not used in all situations where it was applicable. (Repeat finding)** The California Department of Education no longer require the Certificate of Compliance beginning with the 2016-17 year and thereafter. Talent Division will use the Certificate of Compliance and the Authorization to Work to show teachers are highly qualified until the CDE develops new procedures. The Division will develop processes and procedures to comply with the new regulations and requirements once they are announced by CDE

- **State Findings (4):**

1. **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. (Repeat finding)** New attendance reporting procedures were put into place in 2014-15, with documentation and training, and oversight by a compliance and operations officer. The District anticipate that the number of ASES-related audit findings will continue to decrease in the upcoming program years.

2. **School Accountability Report Card (SARC) reporting inaccuracies. SARCs did not include annual facility inspections and inconsistent information on resolution of complaints. (Repeat finding)** Error in the process for Facilities information was identified and resolved for 2014-15 and subsequent years. Facilities Division has updated their reporting system to improve the accuracy of the data and ensure that all schools are reviewed in a timely manner.
3. **Unduplicated Pupil Count for Local Control Funding Formula (LCFF) –** Four students were incorrectly designated English Learners (EL) in CalPADS; the net affect on the District's unduplicated count was an overstatement of 4 pupils. The District has improved the internal review process prior to entering data into CALPADS.
4. **Educator Effectiveness – District did not adopt a plan delineating how the funds will be spent prior to spending.** District received \$3.5 million of new monies from CDE but did not submit a spending plan to Governing Board in a timely manner prior to charging expenditures. Effective 2016-17 the District implemented an approved spending plan.

- The findings result in **\$10,266** in questioned costs:

- **English Learner designation not correct for 4 students - \$10,266**

Recommendation

Acceptance by Board of Education of the Audit Report for Year ended June 30, 2016 from Vavrinek Trine and Day.

Attachments

Summary Presentation (PPT)

Audit Report for Year ended June 30, 2016