

**OAKLAND UNIFIED SCHOOL DISTRICT
MEASURE G1 PARCEL TAX**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND SUPPLEMENTARY SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2020

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Independent Auditor's Report

Board of Education and
Measure G1 Citizens' Oversight Committee
Oakland Unified School District

Compliance

We have audited Oakland Unified School District's compliance with the requirements described in the November 8, 2016 Measure G1 for the year ended June 30, 2020.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Oakland Unified School District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Oakland Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Oakland Unified School District's November 8, 2016 Measure G1 occurred. An audit includes examining, on a test basis, evidence about Oakland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Oakland Unified School District's compliance with those requirements.

Opinion

In our opinion, Oakland Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the November 8, 2016 Measure G1 for the year ended June 30, 2020.

Other Matter

As described in procedures two, three, and four of appendix I, management of the District could not provide all documents requested to support our audit. Our opinion on the District's compliance with Measure G1 is not modified with respect to this matter.

Internal Control Over Compliance

Management of Oakland Unified School District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Oakland Unified School District's internal control over compliance as a basis for designing auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

DATE OF REPORT

Appendix I
Summary of audit procedures

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Objectives of our audit

- Ensure proceeds and expenditures of the parcel tax are fully accounted in the books and records of the district.
- Ensure expenditures are in support of allowable uses as per the ballot language, separately with respect to middle school grants, salary for school site educators, and administrative overhead.
- Ensure that middle school grants and charter school grants were allocated as per the ballot language.
- Ensure that the administrative overhead allocation does not exceed 1% cumulatively from inception, exclusive of county collection costs.
- Ensure that middle school grant expenditures agree with the education improvement plans that were approved by the Citizens' Oversight Committee.
- Ensure that expenditures of Measure G1 are only for supplemental activities.

Scope

- District expenditures funded by measure G1 during the fiscal year ending June 30, 2020.

Methodology

The following describes the audit procedures and our related findings.

1. Obtain parcel tax expenditure detail reports prepared by the District and agree amounts to the general ledger.

Finding - No exceptions were identified from applying this procedure. The Measure G1 accounting records are complete and include all activity during the fiscal year. The summary financial schedules provided in Appendix II reconcile with the District's accounting records.

2. Review the nature of the expenditures incurred by the school sites, and review source documents as appropriate, to ensure they were within the specific purposes of the ballot language.

Finding – With exceptions and clarifications, no instances of noncompliance were identified from applying this procedure. We analytically reviewed the entire population of expenditure accounting records to search for transactions outside the scope allowable expenditures. Individual transactions were selected for additional audit analysis, which includes reviewing source documents such as invoices, contracts, purchase orders, or payroll records. Subjected to the additional audit analysis were 61 individual transactions aggregating \$1.5 million which is 69 percent of the \$2.3 million of total District site level transactions. The exceptions and clarifications identified by applying this procedure are as follows:

No Documentation provided – No source documentation, such as the vendor generated invoice, was provided for one transaction of \$30,000.

Our opinion on the District's compliance with Measure G1 is not modified because the description of the transaction provided by the District indicates that the expense is for an allowable activity. Furthermore, the description and the amount both agree with the approved site plan.

3. Test a sample of expenditures to ensure they were spent following the approved education improvement plans. Applicable to this procedures are the same items described in procedures number two.

4. Finding – With exceptions and clarifications, no instances of noncompliance were identified from applying this procedure. The exceptions and clarifications identified by applying this procedure are as follows:

For one transaction of \$9,380 with a description of “MG1 Art After School Teacher,” we could not locate the activity on the site’s approved plan.

Additionally, for four related transactions of \$38,734 for “auditorium curtains,” we could not reconcile the dollar amount per the approved site plan with the after-the-fact invoice.

Our opinion on the District’s compliance with Measure G1 is not modified because the scope of these exceptions and clarifications does not rise to the level of material non-compliance with Measure G1.

5. Ascertain if salary increases were used to supply raises to “school site educators,” as the term is used in the ballot text.

Finding – No exceptions were identified from applying this procedure. The administrative regulations define a “school site educator” as an employee who spends at least 75% of their time at school sites, or who is a union-represented employee. The salary increases funded by Measure G1 were provided to these groups for the year ending June 30, 2020 through increases to the District-wide salary schedule.

6. Ensure the same percentage increase in salary was applied to all school site educators.

Finding – No exceptions were identified from applying this procedure. The salary increases funded by Measure G1 were applied to the District-wide salary schedules.

7. Verify if the parcel tax is funding supplemental activities by performing the following procedures. Ascertain if funds were used to provide services which were required to be made available by virtue of being a school. Also, perform procedures to ascertain whether the parcel tax funded services that were previously provided with another funding source.

Finding – No exceptions were identified from applying this procedure.

8. Recalculate the ratio of administrative overhead charges to total proceeds to ensure that no more than 1% of proceeds are spent on administrative overhead, cumulative and exclusive of county collection costs. Also, verify if administrative costs were for Measure G1 administrative activities.

Finding – No exceptions were identified from applying this procedure. The following tables shows the calculation of current year allowable administrative costs:

Current year G1 parcel tax proceeds	\$ 11,778,426
Less county tax collection fees	(197,369)
Basis for calculation of maximum administrative cost	<u>\$ 11,581,057</u>
Unspent administrative cost carryover from prior year	\$ 184,089
Additions from current year tax proceeds	115,811
Less administrative costs funded by G1 in the current year	(149,736)
Unspent administrative cost carryover to the following year	<u>\$ 150,164</u>

Administrative costs of \$149,736 were in support of Measure G1 administration. The \$150,736 is available to fund Measure G1 administrative costs in a future fiscal year.

9. Recalculate the 65/35 percent allocation between raises for school site educators and middle school grants.

Finding – No exceptions were identified from applying this procedure.

10. Select a sample of district schools and a sample of charter schools. Test the allocation of grant proceeds to the sample of schools.

Finding – No exceptions were identified from applying this procedure. We recalculated the allocation of grant proceeds to District schools and charter schools. The allocation is consistently applied and calculated per the methodology described in Measure G1.

11. Examine supporting documentation to validate the amount of Measure G1 Parcel Tax revenues received.

Finding – No exceptions were identified from applying this procedure. Current year revenues of \$11,778,426 are correctly recorded into the accounting records of Measure G1.

Appendix II
Summary financial schedules

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Table 1, Schedule of Income Statement Accounts for the year ended June 30, 2020

Revenues

Measure G1 parcel tax collections	\$ 11,778,426
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Expenditures

Direct District site expenditures - Middle School Grants	2,257,511
Direct District site expenditures - Teacher Retention Grants	4,822,416
Charter school reimbursements made - Middle School Grants	961,466
Charter school reimbursements made - Teacher Retention Grants	2,604,600
County collection fee	197,369
Administrative	149,736
Total expenditures	<u>10,993,098</u>
Change in fund balance	785,328
Fund balance - beginning of year	<u>11,890,484</u>
Fund balance - end of year	<u><u>\$ 12,675,812</u></u>

OUSD to verify this agrees with its accounting records.

Table 2, Schedule of the calculation of ending fund balance components as of June 30, 2020

Calculation of the ending fund balance restricted for middle school grants (35%)

Inception to date revenues as of the beginning of the year	\$ 7,750,256
Current year revenues for middle school grants	<u>4,012,836</u>
Inception to date revenues for middle school grants as of the end of the year	<u>11,763,092</u>
Inception to date expenditures as of the beginning of the year	3,357,239
Current year expenditures for middle school grants	<u>3,218,977</u>
Inception to date expenditures for middle school grants as of the end of the year	<u>6,576,216</u>
Ending fund balance restricted for middle school grants	<u>5,186,876</u>

Calculation of the ending fund balance restricted for raises for school site educators (65%)

Inception to date revenues as of the beginning of the year	14,393,332
Current year revenues for raises for school site educators	<u>7,452,410</u>
Inception to date revenues for middle school grants as of the end of the year	<u>21,845,742</u>
Inception to date expenditures as of the beginning of the year	7,079,953
Current year expenditures for raises for school site educators	<u>7,427,016</u>
Inception to date expenditures for raises as of the end of the year	<u>14,506,969</u>
Ending fund balance restricted for raises for school site educators	<u>7,338,773</u>

Calculation of the ending fund balance available for administrative costs

Unspent administrative funds as of the beginning of the year	184,089
Additions from current year proceeds	115,811
Less administrative costs funded by G1 in the current fiscal year	<u>149,736</u>
Ending fund balance available for administrative costs	<u>150,164</u>
June 30, 2020 ending fund balance of Measure G1	<u><u>\$ 12,675,812</u></u>

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verify this agrees
with its accounting
records.*

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Table 3, Allocations and Ending Balances, Middle School Grants as of and for the year ended June 30, 2020

Site	Carryover at June 30, 2019	Current Year Allocation	Current Year Expense	Carryover at June 30, 2020
District Schools				
Alliance Academy	\$ 43,511	\$ -	\$ (1,689)	\$ 45,200
Bret Harte	17,376	206,702	222,001	2,077
Claremont	3,653	91,571	91,190	4,034
Coliseum College Prep Academy	(139)	93,757	-	93,618
Community Day Middle	4,510	4,160	-	8,670
Edna Brewer	1,631	211,816	202,119	11,328
Elmhurst Community Prep	20,229	291,674	1,689	310,214
Elmhurst United	-	-	328,197	(328,197)
Frick	391	103,075	57,710	45,756
Greenleaf	14,904	76,998	1,336	90,566
Hillcrest	841	5,468	5,440	869
La Escuelita	8,075	42,244	20,000	30,319
Life Academy	12,340	84,334	79,833	16,841
Madison Park Upper	7,370	149,771	145,564	11,577
Melrose Leadership Academy	5,474	33,271	38,256	489
Montera	5,249	183,407	164,891	23,765
Parker	4,708	42,408	36,363	10,753
Roosevelt	24,896	244,676	249,448	20,124
Roots International Academy	33,118	120,673		153,791
Sankofa	2,426	39,353		41,779
Sojourner Truth	3,814	3,797		7,611
Special Education Home and Hospital	24,354	4,622		28,976
Special Education non-public schools		26,809		26,809
SITE 217	-		25,278	
SITE 232			96,115	
United For Success Academy	11,531	160,924	142,203	30,252
Urban Promise	1,370	165,960	171,241	(3,911)
West Oakland Middle	10,333	86,953	65,106	32,180
Westlake	19,047	122,261	115,220	26,088
Total District schools	281,012	2,596,686	2,257,511	741,580

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Site	Carryover at June 30, 2019	Current Year Allocation	Current Year Expense	Carryover at June 30, 2020
Charter Schools				
American Indian Public Charter li	33,318	95,163	43,316	85,165
American Indian Public Charter School	24,952	49,410	27,351	47,011
Ascend Academy	-	64,608	61,831	2,777
Aspire Berkley Maynard Academy	17,744	34,011	-	51,755
Aspire Eres Academy	16,001	36,432	43,019	9,414
Aspire Golden State College Preparatory A	2,694	116,843	113,910	5,627
Aspire Wilson (Lionel) College Preparatory	10,212	99,465	77,529	32,148
Bay Area Technology School (Baytech)	48,167	40,391	29,200	59,358
Community	10,339	12,069	9,053	13,355
Downtown Charter Academy	16,335	100,285	40,015	76,605
East Bay Innovation Academy	2,425	39,854	32,420	9,859
East Bay Leadership Academy	6,538	-	-	6,538
Epic Charter School	-	131,579	66,797	64,782
Francophone Charter School	-	890	-	890
Kipp Bridge Charter Academy	-	65,170	65,170	-
Lazear	-	64,061	64,061	-
Lighthouse Community Charter	11,636	76,044	70,882	16,798
Lodestar	-	47,221	47,221	-
North Oakland Community Charter School	6,990	12,496	-	19,486
Oakland Charter Academy	48,477	100,847	78,805	70,519
Oakland Military Institute	31,266	99,312	72,100	58,478
Oakland School For The Arts	10,736	12,327	8,875	14,188
Oakland Unity Middle School	2,461	73,295	9,911	65,845
Roses in Concrete	11,402	20,634	-	32,036
Urban	4,855	6,366	-	11,221
Yu-Ming	2,633	3,707	-	6,340
Total charter schools	319,181	1,402,480	961,466	760,195
Fiscal year 2019-20 Measure G1 totals	\$ 600,193	\$ 3,999,166	\$ 3,218,977	\$ 1,501,775

Notes to Table 3

With respect to charter schools, the “actual” column is reimbursement requests processed by the District for fiscal year 2019-20. Expenditures reported by a charter school could vary due to timing differences.

Other auditors conducted charter schools’ compliance audits.