



HIGH SCHOOL LINKED LEARNING OFFICE

To: Measure N Commission
From: Matin Abdel-Qawi, Network Superintendent
Subject: **High School Linked Learning Staff Fiscal Year 2019-2020 Measure N Audit Report Corrective Actions Update**
Date: April 12, 2021

OVERVIEW & OBJECTIVE

Staff take Measure N Audit findings and recommendations with seriousness and have developed processes and procedures to increase transparency and address concerns. Staff will continue to learn from current and future audit reports to improve Measure N compliance review and approval procedures.

Mitigating Factors contributing to 2019-20 Audit Findings

Staff acknowledge that the following factors played a role in the Auditor's findings.

- **Delayed Audit and Condensed Timeline** Typically the Measure N audit occurs in the Fall and is completed by mid-December. Due to delays in approving a contract for a new Auditor, the FY 2019-20 audit began in February 2021. A condensed timeline for inquiry and District response left limited time for staff to adequately respond to Auditor's requests for documentation.
- **Pandemic** While the majority of Measure N paperwork is now digitized, some supporting documents from 2019-20 are still physically on desktops and in District files that have not been accessible due to the pandemic.
- **Measure N Staff Transition** A key Measure N staff member who typically supports and manages the Audit left the District mid-year. This position was vacant until March 29, 2021.

Corrective action that has been implemented to Date

- Measure N Guide
- Measure N Permissible Expenses Document
- Measure N Justification Form
- Measure N Program Manager position
- Measure N Budget Modification Process
- Measure N Coordinator position advertised December 2020 and hired March 29, 2021
- Charter school reimbursement process with Quarterly Expense Reports and mandatory supporting documents
- Measure N Staff & Commission collectively identified the below prompts that are now required for sites to justify Measure N expenditures:
 - *What is the specific expenditure or service type?*
 - *How does the specific expenditure or service type support or is aligned to pathway development?*
 - *How does this expenditure improve student engagement and how many students will be served?*
 - *What need does this specific expenditure or service type address?*



HIGH SCHOOL LINKED LEARNING OFFICE

SUMMARY

Auditor findings, auditor recommendations, and staff corrective actions to date and planned are as follows:

MEASURE N 2019-20 AUDIT: RECOMMENDATIONS & CORRECTIVE ACTION

A. Audit Procedure 2: *Separately for District schools and charter schools, review the nature of the expenditures, and review source documents to ensure the expenditures were within the permissible uses of the ballot language.*

Finding Procedure 2a: We analytically reviewed the entire population of expenditure accounting records to search for transactions potentially outside the scope of allowable expenditures. In addition, we haphazardly selected a sample of expenditures and reviewed the corresponding invoices, purchase orders, and Measure N Justification Forms. Subjected to the further audit analysis were 50 vendor expenditures aggregating \$1,091,156. We noted no impermissible uses of Measure N funds from applying these procedures. Although we found no evidence that selected expenditures were for other than District purposes, we noted that the explanations provided in the Measure N Justification forms can be vague in some instances and do not appear to establish a clear connection between the nature of the expense and the goals outlined in the Measure N ballot language. In these instances, the determination of whether or not the expenditures are permissible uses become significantly more subjective.

Finding Procedure 2b: From the same sample of 50 vendor expenditures, we noted one expenditure for travel and/or conference purposes scheduled for the March – April 2020 timeframe. Upon further review, we were unable to confirm if the District obtained refunds for these expenditures as it is our understanding that the related travel and/or conferences did not occur due to shutdowns and restrictions created by the COVID-19 pandemic.

Finding Procedure 2c: We analytically reviewed the population of payroll accounting records to search for transactions outside the scope of allowable expenditures. In addition, we selected a sample of 60 payroll expenditures, aggregating \$1,362,137, and requested source documents such as personnel and payroll records for each of these selections. Although we found no evidence that expenditures were for other than District purposes, the District was unable to provide us with supporting origination documentation for any of the items in the sample.

Finding Procedure 2d: For expenditures of Measure N funds made by charter schools, we reviewed the Measure N Expenditure Accounting forms submitted to the District by each charter school to assess if any items appear outside the scope of Measure N. Those transactions, and other random transactions, were selected for additional analysis including tracing the accounting records to source documents. While we noted no



HIGH SCHOOL LINKED LEARNING OFFICE

inappropriate or potentially unallowable expenditures during this review, we were unable to form a conclusion for this objective as the District was only able to provide the Measure N Expenditure Accounting Forms but could not provide supporting origination documentation for review. Since detailed listings of charter school expenditures and related supporting documentation were unavailable for review, we were unable to confirm compliance.

Auditor Recommendation for 2a-d: Similar to the Findings and Recommendations included in the Measure N audit report for the year ended June 30, 2019, it does not appear that the current policies and procedures regarding compliance with Measure N requirements are working as intended. This is evidenced by the lack of documentation to support the audit. Under current policy, the Measure N office approves the site-initiated expense request and the District's payroll and accounts payable departments approve the related supporting documentation for payment. However, details about the practical implementation of the policy are subject to the interpretation of current employees of the responsible departments. As a result, the policies and procedures appear to change with continued employee turnover. The policies and procedures for Measure N expenditures should be documented in writing and incorporated into the formal accounting policies and procedures of the District so that they may be objectively followed by the individuals responsible for compliance, and available to support the audit.

We also recommend that the District formally identify the department and specific district official that is responsible for approving Measure N expenses for payment. The person responsible for approving payments should also keep the supporting documentation that was the basis of the approval because that is the same documentation that will support the audit.

Measure N Expenditure Accounting Forms submitted to the District by charter schools receiving and expending parcel tax funds should be supported by charter school accounting records and origination documentation to allow program staff of the District to confirm that funds are properly accounted for, adequately supported, and expended for allowable purposes.

1. Staff Response to Auditor Findings Procedure 2 - Agree with Reservations

Staff acknowledge that some of these findings and recommendations have surfaced in previous audits. Staff also acknowledge that the pandemic created unusually challenging circumstances. For example, extensive efforts were made to recoup travel-related expenses that had been incurred but it was not always possible with vendors. Staff agree with the auditor's recommendations and believe that no additional District corrective action is required due to below implemented procedures already in place.



HIGH SCHOOL LINKED LEARNING OFFICE

2. Staff Corrective Actions - Implemented

- Measure N staff has determined the process and specific person responsible for approving Measure N expenditures for both district and charter schools
- Measure N Guide provides an overview of the review and approval process for district and charter schools
- Measure N staff provides training on the review and approval process of Measure N expenditures at the beginning of the school year
- Measure N staff and OUSD Business Services Department have met to ensure that Measure N staff and the Controller understand broader District audit procedures, the support Measure N audits will receive moving forward, and specific staff that will help the audit completion.
- Duty statement template has been created for the process of determining if a position is supplemental
- Measure N staff has notified the school staff to route all ET/OT to the Measure N staff for pre-approval first
- A justification form template has been created for the pre-approval process of expenditures like supplies, materials, or equipment to determine if supplemental
- Permissible expenses document provides information on what is meant by supplemental as well as expenditures that are non-permissible due to supplanting issues
- There continues to be some difficulty in implementing this corrective action when reviewing charter school budgets as we do not have access to their full budget and how expenditures have been funded previously.

B. Audit Procedure 3: *Test a sample of expenditures to ensure they were spent in accordance with the approved site plan.*

Finding Procedure 3: Material weakness in internal control over compliance and non-compliance. The following is a summary of our findings:

- For 19 vendor expenditures of Measure N funds made by the District, we were unable to establish a clear connection between the expenditure and the actions and services outlined by the site plan.
- For 60 payroll expenditures of Measure N funds made by the District, we have no basis to conclude if the expenditures were made in accordance with the site plan because supporting documentation was not provided for us for review.
- For expenditures of Measure N funds made by charter schools sponsored by the District, we were unable to form a conclusion as the District was only able to provide the Measure N Expenditure Accounting Forms but could not provide supporting origination documentation for review. Since detailed listings of charter school expenditures and related supporting documentation were unavailable of review, we



HIGH SCHOOL LINKED LEARNING OFFICE

were unable to confirm compliance.

Auditor Recommendation: Similar to the recommendation for procedures number two, ensuring expenditures are included on the approved site plan should be a component of the approval process that occurs before an expense is obligated. The policies and procedures for Measure N should be documented in writing and incorporated into the formal accounting policies and procedures of the District so that they may be objectively followed by the individuals responsible for compliance, and available to support the audit.

Measure N Expenditure Accounting Forms submitted to the District by charter schools receiving and expending parcel tax funds should be supported by charter school accounting records and origination documentation to allow program staff of the District to confirm that funds are properly accounted for, adequately supported, and expended for allowable purposes.

1. Staff Response to Auditor Finding Procedure 3 - Disagree

Staff disagree with the findings related to the 60 payroll expenditures and the charter schools expenses because the documentation does exist. Due to mitigating factors identified above, staff was unable to access the requested documents in a timely fashion.

2. Staff Corrective Action - Implemented

- Assuming a strategic action is ambiguous, the site will have to provide a justification form to ensure the expenditure meets all 5 criteria and supports pathway development.
- Duty statement template has been created to determine if a position is supplemental
- Measure N Guide provides an overview of the review and approval process for district and charter schools
- Measure N staff provides training on the review and approval process of Measure N expenditures at the beginning of the school year
- Measure N staff has notified the school staff to route all ET/OT to the Measure N staff for pre-approval
- Measure N staff now requires Charters schools to submit their expenditure supporting documents via Google Docs

3. Staff Corrective Action - to be Implemented

- Hire additional clerical support staff during audit season
- Monthly check-ins with the auditor or their staff to monitor progress
- Monthly finance check-ins with OUSD Controller and Business Services to identify potential areas of improvement
- Staff will create an online documentation submission and approval process for all Charter schools.
- Staff will train all Charter schools on the new Online procedures before school starts.



HIGH SCHOOL LINKED LEARNING OFFICE

C. Audit Procedure 7: *Test if Measure N is funding supplemental activities by reviewing documents to support if District schools and charter schools used funds to provide services which they were required to make available by virtue of being a school.*

Finding Procedure 7: Material weakness in internal control over compliance and noncompliance. The same sample applicable for procedure number two was used for this procedure. Although we found no evidence that expenditures were for other than supplemental activities, the District could not provide adequate documentation that specifically evidences that the sampled expenditures were determined to be supplemental before incurring the expense. While the District uses the Measure N Justification Form to address this need, we found that the majority of expenditures for consultant services are not typically accompanied by Measure N Justification Forms. This was evidenced for 38 of the expenditures included in our vendor expenditures sample. In addition, we found that the explanations provided in the form are often vague and do not directly address supplant versus supplement. As a result, we were unable determine if these expenditures are for supplemental purposes.

Auditor Recommendation: There should be adequate procedures incorporated into the approval process to ensure that each expenditure is supplemental in nature prior to incurring the expenditure or approving the contract. To that end, the Measure N Permissible Expenses document for 2019-20 gives specific written criteria that may be used to evaluate if an expense is supplemental. The document further requires that “District and school site personnel must maintain documentation that clearly demonstrates the supplementary nature of these funds.”

We suggest that the District utilize the Measure N Justification Form or an equivalent checklist document that specifically reconciles a planned expenditure with the Measure N Permissible Expenses document. This documentation should be completed by the individual initiating the request, approved by Measure N program staff, and should be maintained with the procurement file in order to provide evidence that the policy was followed and that an expenditure is for a supplemental activity. In addition, we recommend developing policies specific to uses of Measure N funds for technology and equipment purchases as there are often other federal and state sources that can be used to fund classroom technology and related equipment purchases.

1. Staff Response to Auditor Finding Procedure 7 - Agree

Staff agree with this finding and recommendation. We implemented corrective actions in the past to address this finding and acknowledge that Measure N justification forms require greater specificity to determine permissibility of expenditures relative to supplementing versus supplanting funds.

2. Staff Corrective Action - to be Implemented

- Staff will work with Legal to create a policy regarding use of Measure N funds for technology and equipment purchases.



HIGH SCHOOL LINKED LEARNING OFFICE

- Staff will create customized Measure N Justification Forms specific to expenditure types (ie. technology, equipment and contractors/consultants) to be required for all purchases. Forms will ask if the expenditure is supplemental (or above Base for positions), which will be verified by checking the school's budget.



APPENDICES

Prior Measure N Audit Recommendations & Corrective Actions

MEASURE N 2018-19 AUDIT: RECOMMENDATIONS & CORRECTIVE ACTION

A. Auditor Recommendation:

Audit Procedure 2: Separately for District schools and charter schools, review the nature of the expenditures, and review source documents to ensure the expenditures were within the permissible uses of the ballot language.

Finding A:

Material weakness in internal control over compliance, and non-compliance regarding District *vendor* transactions because supporting documentation was not provided for us to review.

Finding B:

Material weakness in internal control over compliance and non-compliance regarding District *payroll* transactions because supporting documentation was not provided for us to review.

Recommendation:

We recommend the District to formally identify the department and specific person responsible for approving Measure N expenses for payment. The person responsible for approving payments should also keep the supporting documentation that was the basis of the approval because that is the same documentation that will support the audit.

1. Staff Response - Disagree

Staff disagree with the recommendation and believe that no corrective action is required due to district procedures existing already. Staff also acknowledge that these findings and recommendations have surfaced in previous audits.

2. Staff Corrective Action - Implemented

- Measure N staff has determined the process and specific person responsible for approving Measure N expenditures for both district and charter schools
- Measure N Guide provides an overview of the review and approval process for district and charter schools
- Measure N Permissible Expenses document includes status of indirect costs being non-permissible
- Measure N staff provides training on the review and approval process of Measure N expenditures at the beginning of the year
- Measure N staff and OUSD Business Services Department have met to ensure that Measure N staff and the Controller understand broader District audit procedures, the support Measure N audits will receive moving forward, and specific staff that will help the audit completion.



HIGH SCHOOL LINKED LEARNING OFFICE

B. Auditor Recommendation:

Audit Procedure 3: Test if Measure N is funding supplemental activities by reviewing documents to support if District schools and charter schools used funds to provide services which they were required to make available by virtue of being a school. We also reviewed documents to determine whether the parcel tax funded services that were previously provided with another funding source.

Finding A:

Material weakness in internal control over compliance and noncompliance.

Recommendation:

Ensuring an item of expenditure is supplemental should be part of the standard approval process before incurring an expense or entering into a contract. To that end, the document Measure N Permissible Expenses 2018-19 gives specific and written criteria that may be used to evaluate if an expense is supplemental. The document further requires that "District and school site personnel must maintain documentation that clearly demonstrates the supplementary nature of these funds."

We suggest that the District develop a checklist document that specifically reconciles a planned expenditure with the Measure Permissible Expenses document. The checklist should be maintained with the procurement file as evidence that the policy was followed and that an activity is supplemental.

1. Staff Response - Agree

Staff agree with this recommendation.

2. Staff Corrective Action - Implemented

- Duty statement template has been created for the process of determining if a position is supplemental
- A justification form template has been created for the pre-approval process of expenditures like supplies, materials, or equipment to determine if supplemental
- Permissible expenses document provides information on what is meant by supplemental as well as expenditures that are non-permissible due to supplanting issues

3. Staff Corrective Action - To Be Determined

- There continues to be some difficulty in implementing this corrective action when reviewing charter school budgets as we do not have access to their full budget and how expenditures have been funded previously.

C. Auditor Recommendation

Audit Procedure 4: Test a sample of expenditures to ensure they were spent in accordance with the approved site plan.



HIGH SCHOOL LINKED LEARNING OFFICE

Finding A:

Material weakness in internal control over compliance and non-compliance.

Recommendation:

Similar to the recommendation for procedures number two and number three, ensuring expenditures are included on the approved site plan should be part of the approval process that occurs before an expense is obligated. The process and the specific approvals should be documented in writing so that they may be objectively followed by the person responsible for compliance, and available to support the audit.

The District implemented a new accounting information system during the fiscal year 2018-19. The information needed to support compliance may be maintained electronically in the District's accounting system. If so, a specific person should be designated as responsible for providing this information. Furthermore, that specific person should be required to participate in the audit process.

We also recommend that site plans avoid ambiguous language subject to interpretation after approval such as "consultants" or "travel and conferences" or "professional learning" or "house spirit supplies."

1. Staff Response - Agree

Staff agree with the recommendation and acknowledge that this finding and recommendation has surfaced in previous audits.

2. Staff Corrective Action - Implemented

- Assuming a strategic action is ambiguous, the site will have to provide a justification form to ensure the expenditure meets all 5 criteria and supports pathway development.

Measure N 2017-18 Audit: Recommendations & Corrective Action

A. Auditor Recommendation

"We recommend the District to formally create an organization chart identifying the department and specific person responsible for approving Measure N expenses for payment.

We also recommend the District to officially develop a document retention policy to facilitate timely retrieval of supporting documents.

Concerning indirect costs, the District should formally determine if such costs are allowable and the administrative regulations should be amended to avoid any ambiguity."



HIGH SCHOOL LINKED LEARNING OFFICE

1. Staff Response - Agree

Staff agree with this recommendation.

2. Staff Corrective Action - Implemented

- Measure N staff has determined the process and specific person responsible for approving Measure N expenditures for both district and charter schools
- Measure N Guide provides an overview of the review and approval process for district and charter schools
- Measure N Permissible Expenses document draft includes status of indirect costs being non-permissible
- Measure N staff provides training on the review and approval process of Measure N expenditures at the beginning of the year

3. Staff Corrective Action - To be determined

- District retention policy of supporting documents
- One on one check-ins with sites periodically throughout the year regarding Measure N expenditures

B. Auditor Recommendation (Repeat from 2016-17 Audit Recommendations)

“Ensuring an item of expenditure is supplemental should formally be part of the standard approval process before incurring an expense or entering into a contract. To that end, the District should develop specific and written criteria that may be used to evaluate if an expense is supplemental.”

Furthermore, like the recommendation for procedures number 2, the recommendation regarding documentation retention is also applicable to this procedure.”

1. Staff Response - Agree

Staff agree with this recommendation.

2. Staff Corrective Action

- Duty statement template has been created for the process of determining if a position is supplemental
- A justification form template has been created for the pre-approval process of expenditures like supplies to determine if supplemental
- Permissible expenses document provides information on what is meant by supplemental as well as expenditures that are non-permissible due to supplanting issues

C. Auditor Recommendation

“Similar to the recommendation for procedure number 2, ensuring expenditures are included on the approved site plan should be part of the approval process that occurs before an expense is obligated.”



HIGH SCHOOL LINKED LEARNING OFFICE

The process should be documented in writing so that it may be objectively followed by the person responsible for compliance. As a condition for approval, there should be a documented connection to the specific item on the site plan of which an intended expenditure relates.

We also recommend that site plans avoid ambiguous language subject to interpretation after approval such as “consultants” or “travel and conferences” or “professional learning” or “house spirit supplies.””

1. Staff Response - Agree

Staff agree with this recommendation overall. The recommendation regarding avoiding ambiguous language is a bit more difficult to address due to language potentially being subjective.

2. Staff Corrective Action

- Assuming a strategic action is ambiguous, the site will have to provide a justification form to ensure the expenditure meets all 5 criteria and supports pathway development.

D. Auditor Recommendation

“Recommendation for improvements to internal controls:

Processing exemptions and updating the tax rolls is managed exclusively by one District employee. We recommend the District to identify a specific person responsible for overseeing the work of that employee. That person should periodically review applications to ensure the District’s control process is working as intended.”

1. Staff Response - Agree

Staff agree with this recommendation.

2. Staff Corrective Action

- Corrective action to be determined.

Measure N 2016-17 Audit: Recommendations & Corrective Action

A. Auditor Recommendation

We recommend the District to develop written policies regarding appropriate use of Measure N funds, and document retention to support the audit, so that each site has clear and consistent guidelines to follow.

1. Staff Corrective Action

- Measure N Permissible Expense document was created in December 2016 and was provided to all Measure N schools
 - Document was provided again with the 2018-19 SPSA



HIGH SCHOOL LINKED LEARNING OFFICE

- Measure N Permissible Expense document includes definition of supplanting vs. supplement
- Measure N team is currently finalizing revised administrative regulations to include this information
- Measure N Budget Proper Justification document was provided to schools that provides information on the proper information needed for Measure N budgets
- Measure N Guide has been finalized for all schools

B. Auditor Recommendation

We also recommend the District to appoint an individual responsible for overseeing the use of Measure N funds and monitoring the expenditures by approving contracts/purchase orders and personnel positions prior to incurring the expense.

1. Staff Corrective Action

- Creation of Program Manager of Measure N Operations

C. Auditor Recommendation

Similar to the recommendation for procedures number 2, ensuring an expenditure is supplemental should be part of the standard approval process prior to incurring an expense or entering into a contract.

1. Staff Corrective Action

- Measure N Permissible Expenses document to capture this information

D. Auditor Recommendation

The District should also develop written procedures so that each site has clear and consistent guidelines to follow.

1. Staff Corrective Action

- Measure N Guide

Measure N 2015-16 Audit: Recommendations & Corrective Action

Measure N Commission Recommendations	Staff Corrective Action
<p>1. Publish and distribute written standard policies and procedures regarding the appropriate use of, including definition of supplement versus supplant, and proper expense documentation of Measure N funds</p>	<ul style="list-style-type: none"> ● Measure N Permissible Expense document was created in December 2016 and was provided to all Measure N schools <ul style="list-style-type: none"> ○ Document was provided again with the 2018-19 SPSA ● Measure N Permissible Expense document includes definition of supplanting vs. supplement ● Measure N Guide includes information regarding proper documentation



HIGH SCHOOL LINKED LEARNING OFFICE

	<ul style="list-style-type: none">● Measure N Budget Proper Justification document was provided to schools that provides information on the proper information needed for Measure N budgets● Measure N Permissible Expense documents provides information on allowable and non-allowable expenses, definition of supplement vs. supplant, and required justification
2. Provide ongoing training and support to all district and charter high school principals and business operations employees on the appropriate use of and proper expense documentation of Measure N funds	<ul style="list-style-type: none">● Measure N staff provided Measure N training in the Fall of 2017 specifically to OUSD school site clerical and business managers● Measure N staff provided Measure N trainings in the Fall of 2018● Measure N staff held 1-1 check-in with some sites to learn about challenges and provide solutions
3. Designate an individual responsible for overseeing the use of all Measure N funds, and monitoring expenditure by approving personnel positions, contracts, and purchase order prior to incurring actual expense	<ul style="list-style-type: none">● Creation of Program Manager of Measure N Operations
4. Implement the use of cost reimbursement contract agreements with each independent charter school to facilitate reasonable and necessary monitoring of charter schools' appropriate use of and proper expense documentation of Measure N funds	<ul style="list-style-type: none">● All charter schools have signed an MOU that has been Commission and Board approved● Charter schools will be on quarterly reimbursement that requires quarterly submission of quarterly expenditure reports and supporting documentation
5. Implement the use of a chart of accounts and financial statements that the Measure N Commission and an independent auditor can readily identify functional uses of Measure N funds by school and by administration	<ul style="list-style-type: none">● Measure N staff will revise administrative regulations to articulate this requirement of use of chart of accounts and financial statements