

January 7, 2025

Re: Board Bylaw 9131, Section 3, Report of Audit Committee to the Oakland Unified School District Board of Trustees (Board)

Dear Trustees,

The Audit Committee (Committee) is pleased to present its findings, recommendations and summary of activities for the calendar year 2024.

### Financial Statements

The Committee reviewed the June 30, 2024, Annual Financial Report in detail with the external auditor, Eide Bailly, and with the Chief Business Officer (CBO), Lisa Grant-Dawson. The Committee would like to congratulate the Oakland Unified School District (District) finance team for continued improvements in compliance. The number of audit findings dropped from seven to six. But importantly, although there were deficiencies in control there were no material weaknesses in control (i.e., the findings are less severe). There were no findings with respect to the presentation of the financial statements and no federal compliance findings. The six findings were related to state compliance, were all considered deficiencies in control (although not material weaknesses) and are summarized in the attachment below. As long as there are findings there are deficiencies, but the Committee is pleased with the results from the 2023-24 audit and the significant improvements in compliance in the last 5 years.

Although not considered a material weakness in compliance audit finding 2024-001 merits consideration by the Board. The finding states that there were 4 teachers for whom insufficient information was provided to determine whether the teacher possessed the appropriate teacher certification. This finding was not considered a 'repeat finding' because it was not found last year but it is a recurring finding in that it also occurred in 2021. The cause was effectively stated as the District's difficulty in hiring fully credentialed teachers. The penalty was \$801,632. We remind the Board that the district incurred a \$360,000 fine related to teacher misassignments in 2021. Not addressing capacity issues faced by the finance group can and will result in real costs such as these fines. An increase in finance staff would effectively pay for itself and save money given the steep fines of such matters. The solution was stated as 'evaluate the process and controls'. However, it seems that the solution lies not just in improving the process and controls, but also quite significantly in improving the attractiveness of the District to qualified teachers. Clearly the District and Board strive to build a district that attracts qualified teachers and this is just one more reason to maintain that focus.

Also, during the year, the Committee focuses on the prior year audit findings and reviews the Corrective Action Plans (CAP) required by the county and the state related to those findings. To that end there was a section titled 'Views of the Responsible Officials' in the audited financial report. That section was like a preview to the related CAPs and helped the Committee understand the underlying issue and the direction to which the District was committed or at least the District's perspective on the issue. It would be nice if the District and Auditor would restore that section of the financial report.

While technically beyond the purview of the Committee, we note that the available reserves the District currently holds is 13.4% of total expenditures or \$116M (see page 70 of the financial statements). The statutorily required reserve is only 2% and the Board approved a higher reserve of 3%. The 2023 financials reported a 15% reserve for 2023 and anticipated a deficit for 2024 that would bring the reserves to 4.23% of total expenditures. That didn't happen and the actual 2024 ending reserve was 13.42%. The reserve has been over 8% since 2021 and we recommend again that the management along with the budget and finance committee provide a thorough, explicit and transparent plan for use of the excess reserve to the Board and the public.

### The Committee

By the time this report is presented to the Board there will be two openings on the Committee and the Committee would appreciate the Board's help in reaching out to the community for volunteers.

The Committee also wishes to express its appreciation for the continued support from Trustee Williams and CBO, Lisa Grant-Dawson. Their attendance and participation in Committee meetings has been and will continue to be extremely valuable.

Respectfully, the Audit Committee

cc Kyla Johnson-Trammell, Superintendent

Attachment 1 (Audit findings tracker)

Attachment 1

<b>Audit Committee - Audit Findings Tracker - January 2, 2025</b>						
<b>Audit Year</b>						
<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Audit Finding</b>	<b>Views of Responsible Officials Planned Corrective Action Summary 2024</b>
	x			2024-001	District may not have fully complied with requirements regarding teacher credentialing. 4 teachers lacked sufficient information to validate certification. Penalty \$800k.	None provided in 2024 Financial Report
				2024-002	Expanded Learning Opportunities Program pupil to staff ratio exceeded the allowable ratio at 2 of the 13 schools tested.	None provided in 2024 Financial Report
x	x	x	x	2024-003	School Accountability Report Card - The District did not provide the quarterly summaries described in the criteria paragraph.	None provided in 2024 Financial Report
		x	x	2024-004	ASES (After School Education and Safety)- Attendance Reporting - Errors in attendance reported to CDE (CA Dept of Ed).	None provided in 2024 Financial Report
				2024-005	ASES after school program must be open daily. 4 of 11 sites tested were not open on October 31, 2023.	None provided in 2024 Financial Report
		x	x	2024-006	Immunizations - Specific immunization records are required to be on file. Of 273 pupils tested 6 were missing data (2023). Of 96 tested pupils 4 were missing data (2022). In 2024 of 120 tested pupils from 29 sites 2 were missing data.	None provided in 2024 Financial Report
15	10	11	7	6		