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OFFICE OF THE CITY CLERK  
OAKLAND

**CITY OF OAKLAND**  
**AGENDA REPORT**

2011 JAN 13 PM 6:08

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Finance and Management Agency  
DATE: January 25, 2011

RE: **Informational Report Presenting the Measure Y – Violence Prevention & Public Safety Act of 2004 Audit and Program Status Report**

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**SUMMARY**

The Finance and Management Agency is pleased to present to the City Council the attached Measure Y – Violence Prevention & Public Safety Act of 2004 Audit and Program Status Report.

Measure Y, Part 2, Section 1, as well as Government Code Section 50075.3 (a) and (b) require the Chief Financial Officer to present to the governing board an annual report identifying (a) the amount of funds collected and expended; and (b) the status of any project required or authorized to be funded.

A discussion of audit findings, recommendations and management response is included in the “Key Issues and Impacts” section of this report.

**FISCAL IMPACT**

This is an informational report only and there is no fiscal impact. Measure Y revenues totaled \$20.2 million in FY 2009-10, including \$13.8 million from the parcel tax and \$6.4 million from the parking tax surcharge. Expenditures totaled \$22.3 million.

**BACKGROUND**

Passed by Oakland voters on November 2, 2004, Measure Y provides approximately \$20 million every year for ten years to fund violence prevention programs, additional police officers, and fire services. Measure Y funds are generated through a parcel tax along with a parking tax surcharge on the rental of parking spaces. In accordance with Government Code sections 50075.1 and 50075.3(a), and City of Oakland Resolution No. 78734 C.M.S., an independent audit shall be performed to assure accountability and the proper disbursement of the proceeds of the tax and the status of Measure Y programs.

Patel & Associates, an independent accounting firm and subcontractor, performed the Measure Y – Violence Prevention and Public Safety Act of 2004 financial audit for the year ending June 30, 2010. This report also provides the annual program status report for the Measure Y programs

Item#: \_\_\_\_\_  
Public Safety Committee  
January 25, 2011

2010. This report also provides the annual program status report for the Measure Y programs (Community and Neighborhood Policing, Violence Prevention Services with an Emphasis on Youth and Children, Fire services, and Evaluation) for FY 2009-2010 in accordance with Government Code Section 50075.3 (b).

## **KEY ISSUES AND IMPACTS**

### **The Measure Y – Violence Prevention and Public Safety Act of 2004 Audit Report**

The Measure Y audit report reflects the independent auditor's opinion that the Measure Y financial schedule of revenues and expenditures fairly presents, in all material respects, Measure Y activities, in conformity with United States generally accepted accounting principles, and in compliance with the purposes for which Measure Y was approved by the voters. The audit report contains a finding, which has no adverse impact on the auditor's unqualified opinion, which is a measure of the financial integrity of the Measure Y program.

### **Schedule of Audit Finding, Recommendation and Management Response**

#### Audit Finding

During the review of the payroll procedures, the auditors found discrepancies in processing the Police Department's payroll to Measure Y. It appears that some timesheets submitted by police officers were not properly reflected in the payroll system. When police officers assigned to Measure Y positions worked on other programs than Measure Y, their labor hours were sometimes still charged to Measure Y. A payroll clerk used the beat assignment in processing the timesheets (even when the officer had submitted a time sheet which showed the charges should be to non-Measure Y funds for non-Measure Y work), thus resulting in errors in Measure Y payroll charges. Upon this finding, City staff made adjustment entries to remove improper charges from the Measure Y Fund. Nonetheless, it appears that the controls over payroll were not properly implemented. There was no clear source document available to verify the time spent by police officers on Measure Y activities.

#### Recommendation

The auditors recommend that the City should review the Police Department's payroll control procedures and make sure that a standard document is maintained to track Measure Y funded positions. They also recommend that an independent review and reconciliation of the payroll is done on a periodic basis to ensure that errors are detected and corrected in a timely manner.

#### Management Response

Although none of the transactions cited in the report meet the materiality threshold that warrant an audit adjustment, the City will correct any misapplied charges in Measure Y for FY2009-10. The City also accepts the auditor's recommendations, including the establishment of an independent review of payroll charges on a periodic basis.

**The Measure Y – Violence Prevention and Public Safety Act of 2004 Program Status Report**

The Measure Y expenditures for FY 2009-2010 by program are summarized below; along with a description of each program. The attached audit report provides further details on deliverables of each program during FY 2009-10.

<b>Program</b>	<b>Program Description</b>	<b>FY 2009-10</b>
Community and Neighborhood Policing	Hire and maintain at least a total of 63 officers assigned to the following specific community policing areas: Neighborhood beat officers, school safety, crime reduction team, domestic violence and child abuse intervention and officer training and equipment	\$ 11,011,046
Violence Prevention Services with an Emphasis on Youth and Children	Expand preventive social services provided by the City of Oakland, or by adding capacity to community-based nonprofit programs with demonstrated past success for the following objectives: Youth outreach counselors, after and in school program for youth and children, domestic violence and child abuse counselors, and offender/parolee employment training	6,293,908
Fire Services	Maintain staffing and equipment to operate 25 fire engine companies and seven (7) truck companies, expand paramedic services, and establish a mentorship program at each station	4,000,000
Program Audit and Oversight	<i>Evaluation:</i> Not less than 1% or no more than 3% of funds appropriated to each police service or social service program shall be set aside for the purpose of independent evaluation of the program, including the number of people served and the rate of crime or violence reduction achieved. <i>Audit:</i> In addition to the evaluation amount, tax proceeds may be used to pay for the audit specified by Government Code Section 50075.3.	982,880
<b>TOTAL</b>		<b>\$ 22,287,834</b>

**The Litigation**

In April 2008, a lawsuit was filed by Marleen Sacks, an Oakland resident, against the City alleging that the City did not collect and expend Measure Y funds in accordance with the terms of the ballot measure. The Superior Court’s judgment directed the City to reimburse the Measure Y Fund for monies expended to recruit and train officers who were not placed into community-policing positions described in Measure Y. The Superior Court ruled for the City in other respects. Both the City and petitioner appealed the judgment.

**The Appellate Court’s Decision**

On December 10, 2010, the First District Court of Appeal concluded that the City properly used Measure Y funds by indirectly hiring and training new officers to replace the veteran officers, who were assigned to the neighborhood beat positions described by the ordinance. The City did

not violate provisions of Measure Y by using Measure Y funds to recruit and train police officers. Thus, the Court of Appeal ruled that the City need not reimburse Measure Y Fund for monies expended to recruit and train officers.

The appellate court denied the petitioner's appeals, including her claim that since the City had not met the required 802 officer benchmark until mid-2008, she and other taxpayers should receive tax refunds. Thus, the City does not have to refund any portion of the Measure Y taxes collected between January 1, 2005 through June 30, 2010. The court also denied a request by Marleen Sacks to collect attorney fees from the City.

### **Measure BB**

On November 2, 2010, Measure **BB** was approved by Oakland voters. This measure revises Measure Y by suspending until 2015 a requirement in Measure Y that the City maintain non-Measure Y appropriations for at least 739 police officers in order to collect Measure Y taxes.

The adoption of Measure **BB** allows the City to resume collecting Measure Y taxes, even if the City has fewer than 739 police officers funded by non-Measure Y funds. Thus, the City has resumed collecting Measure Y taxes.

### **SUSTAINABLE OPPORTUNITIES**

No environmental, economic, or social equity opportunities have been identified.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

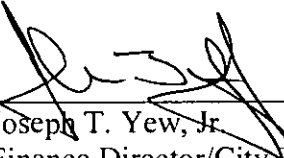
There are no **ADA** or senior access issues contained in this report.

### **RECOMMENDATION(S) AND RATIONALE**

Staff recommends that the City Council accept the Measure Y – Violence Prevention and Public Safety Act of 2004 Audit and Program Status Report.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff recommends that the City Council accept the Measure Y – Violence Prevention and Public Safety Act of 2004 Audit and Program Status Report.

  
\_\_\_\_\_  
Joseph T. Yew, Jr.  
Finance Director/City Treasurer

Prepared by:  
Osborn Solitei, Controller  
Finance and Management Agency

**APPROVED AND FORWARDED TO THE  
PUBLIC SAFETY COMMITTEE:**

  
\_\_\_\_\_  
Office of the City Administrator

Attachments:  
Measure Y – Violence Prevention and Public Safety Act of 2004 Audit Report

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**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and**  
**Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**

**Independent Auditor's Report**  
**and Budgetary Comparison Schedule**

**For the Year Ended June 2010**

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**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**  
**For the Year Ended June 30, 2010**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members  
of the City Council  
City of Oakland, California

We have audited the accompanying budgetary comparison schedule (financial schedule) of the City of Oakland's (City) Measure Y - Violence Prevention and Public Safety Act of 2004 (Measure Y), a fund of the City, for the year ended June 30, 2010. This financial schedule is the responsibility of the City's management. Our responsibility is to express an opinion on this financial schedule based on our audit.

We conducted our audit 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 the financial schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting as it pertains to Measure Y activities. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedule, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial schedule was prepared to present the total revenues and expenditures of Measure Y activities, as described in Note B, and do not purport to, and do not, present fairly the changes in the City's financial position for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedule referred to above presents fairly, in all material respects, the revenues and expenditures of Measure Y activities for the year ended June 30, 2010 in conformity with the basis of accounting described in Note B.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010 on our consideration of City's internal control over financial reporting as it pertains to Measure Y activities and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Our audit was conducted for the purpose of forming an opinion on the financial schedule of Measure Y. The supplementary information on pages 13 through 17 is presented for purposes of complying with Annual Reporting requirement and is not a required part of the financial schedule. This information has not been subjected to the auditing procedures applied by us in the audit of the financial schedule and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's Mayor and Council and the City's management and is not intended to be and should not be used by anyone other than these specified parties.

*Palmieri Associates*  
Oakland, California  
December 8, 2010

CITY OF OAKLAND  
Measure Y - Violence Prevention and Public Safety Act of 2004  
[A Fund of the City of Oakland]  
Budgetary Comparison Schedule (on a Budgetary Basis)  
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
<b>Revenues:</b>				
Parcel tax	\$ 13,618,470	\$ 13,618,470	\$ 13,866,988	\$ 248,518
Parking tax surcharge	6,069,000	6,069,000	6,361,262	292,262
Total revenues	<u>19,687,470</u>	<u>19,687,470</u>	<u>20,228,250</u>	<u>540,780</u>
<b>Expenditures:</b>				
<b>Community and Neighborhood Policing</b>				
Salaries and employee benefits	11,292,770	10,800,297	10,785,053	15,244
Other supplies and commodities	482,520	446,571	112,755	333,816
Other contract services	(2,927,660)	14,823	1,843	12,980
Other expenditures	69,620	340,918	111,395	229,523
Total Community and Neighborhood Policing expenditures	<u>8,917,250</u>	<u>11,602,609</u>	<u>11,011,046</u>	<u>591,563</u>
<b>Violence Prevention with an Emphasis on Youth and Children</b>				
Salaries and employee benefits	922,160	938,105	941,485	(3,380)
Other supplies and commodities	29,950	70,470	66,100	4,370
Other contract services	4,963,650	7,044,216	5,261,611	1,782,605
Other expenditures	34,820	42,117	24,712	17,405
Total Violence Prevention expenditures	<u>5,950,580</u>	<u>8,094,908</u>	<u>6,293,908</u>	<u>1,801,000</u>
<b>Fire Services</b>				
Salaries and employee benefits	4,000,000	4,086,373	4,000,000	86,373
Total Fire Service expenditures	<u>4,000,000</u>	<u>4,086,373</u>	<u>4,000,000</u>	<u>86,373</u>
Evaluation	264,530	786,747	721,671	65,076
Administration	46,280	52,245	261,209	(208,964)
Total expenditures	<u>19,178,640</u>	<u>24,622,882</u>	<u>22,287,834</u>	<u>2,335,048</u>
Change in fund balance, on a budgetary basis	\$ <u>508,830</u>	\$ <u>(4,935,412)</u>	<u>(2,059,584)</u>	\$ <u>2,875,828</u>
<b>Items not budgeted:</b>				
Charges for services			149	
Interest income			(4,815)	
Total items not budgeted			<u>(4,666)</u>	
Change in fund balance, on a GAAP basis			(2,064,250)	
Fund balance, beginning of year			<u>3,262,695</u>	
Fund balance, end of year			\$ <u>1,198,445</u>	

The notes to the budgetary comparison schedule are an integral part of this schedule.

**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**  
**Notes to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2010**

**NOTE A – DESCRIPTION OF REPORTING ENTITY**

The Oakland City Council (the City Council) approved Resolution No. 78734 on July 20, 2004 submitting the Violence Prevention and Public Safety Act of 2004 – Measure Y (Measure Y) to the electors at the November 2, 2004 general election; making a determination with regard to the majority protest procedure for approval of the assessments; creating the Violence Prevention and Public Safety Oversight Committee; and approving, adopting, and levying the annual parcel tax and parking tax surcharge for Measure Y. The citizens of the City of Oakland (the City) approved Measure Y in November 2004.

The parcel tax is collected with the annual Alameda County property taxes, beginning on July 1, 2005. The annual parcel tax is levied to pay for all activities and services for Measure Y (see below) in accordance with the terms and conditions outlined in the approved ballot measure. Measure Y shall be in existence for a period of ten (10) years. Beginning in Fiscal Year 2004-2005, and each year thereafter, the City Council may increase the tax imposed based on the cost of living for the San Francisco Bay Area, as shown on the Consumer Price Index (CPI). The percentage increase of the tax shall not exceed such increase, using Fiscal Year 2003-2004 as the index year and in no event shall any adjustment exceed 5% (five percent).

Measure Y provides for the following services:

1. *Community and Neighborhood Policing* – Hire and maintain at least a total of 63 officers assigned to the following specific community- policing areas: neighborhood beat officers, school safety, crime reduction team, domestic violence and child abuse intervention, and officer training and equipment. For further detail of the specific community- policing areas see Oakland City Council Resolution No. 78734.
2. *Violence Prevention Services With an Emphasis on Youth and Children* – Expand preventive social services provided by the City of Oakland, or by adding capacity to community-based nonprofit programs with demonstrated past success for the following objectives: youth outreach counselors, after and in school program for youth and children, domestic violence and child abuse counselors, and offender/parolee employment training. For further detail of the social services see Oakland City Council Resolution No. 78734.
3. *Fire Services* – Maintain staffing and equipment to operate 25 (twenty-five) fire engine companies and 7 (seven) truck companies, expand paramedic services, and establish a mentorship program at each station with an amount not to exceed \$4,000,000 annually from funds collected under Measure Y.
4. *Evaluation* – Not less than 1% or no more than 3% of funds appropriated to each police service or social service program shall be set aside for the purpose of independent evaluation of the program, including the number of people served and the rate of crime or violence reduction achieved.

**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**  
**Notes to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2010**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying financial schedule presents only the revenues and expenditures of the Measure Y activities and does not purport to, and does not present fairly the changes in the City's financial position for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

A special revenue fund (governmental fund) is used to account for the City's Measure Y activities. The measurement focus is based upon the determination of changes in financial position rather than upon the determination of net income. A special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

*Basis of Accounting*

In accordance with the provisions of the City Charter, the City adopts an annual budget for Measure Y activity, which must be approved through a resolution by the City Council. The budget for Measure Y is prepared on a modified accrual basis.

Measure Y activity is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when "susceptible to accrual" (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined, and "available" means that revenues are collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual include the parcel tax and parking tax surcharge. The City considers the parcel tax revenues and the parking tax surcharge revenues to be available for the year levied and if they are collected within 60 and 120 days, respectively, of the end of the current year. Expenditures are recorded when a liability is incurred, as under accrual accounting.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE C - BUDGET**

Measure Y - Violence Prevention and Public Safety Act of 2004, as approved by the voters in November 2004, requires the adoption of an annual budget, which must be approved by the City Council of the City. The City budgets annually for Measure Y activities. The budget is prepared on the modified accrual basis, except that the City does not budget for charges for services or investment earnings on Measure Y investments.

**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**  
**Notes to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2010**

When the budget is prepared, the City allocates the funds to each program in accordance with Measure Y Ordinance. Thus, the City ensures that of the total proceeds spent on programs enumerated in the *Community and Neighborhood Policing* and the *Violence Prevention Services With an Emphasis on Youth and Children* sections above, no less than 40% of such proceeds is allocated to programs enumerated in the *Violence Prevention Services With an Emphasis on Youth and Children* section each year Measure Y is in effect.

Budgetary control is maintained at the fund level. Line item reclassification amendments to the budget may be initiated and reviewed by the City Council, but approved by the City Administrator. Any shifting of appropriations between separate funds must be approved by the City Council. Annual appropriations for the budget lapse at the end of the fiscal year to the extent that they have not been expended. At year-end, unobligated appropriations may lapse and remain within the authorized program.

Supplemental budgetary changes made to Measure Y throughout the year, if any, are reflected in the "final budget" column of the accompanying budgetary comparison schedule.

**NOTE D - LITIGATION**

In April 2008, a lawsuit was filed by Petitioner Marleen Sacks in Alameda Superior Court against the City (Sacks v. City of Oakland, RG08380286) alleging that the City did not collect and expend Measure Y funds in accordance with the requirements of Measure Y and failed to properly implement Measure Y. The Superior Court rejected some claims, ruling in favor of the City, but accepted some claims which were against the City. With respect to the claims against the City, the Court entered a Judgment and issued a Writ directing the City to reimburse the Measure Y Fund for monies expended to recruit and train officers who were not placed into the community-policing positions described in Measure Y.

The City and the Petitioner both appealed the Judgment. The First District Court heard oral argument on the appeals on October 5, 2010. A decision is due within 90 days of the oral argument. In the meantime, the Superior Court's Writ is stayed until the appeals are resolved.

As this is subject of many uncertainties, the outcome of the litigated matters cannot be predicted with certainty. If the appellate court affirms the Judgment to the extent it favors Petitioner, the City would be obligated to comply with the Writ by making an inter-fund transfer to the Measure Y Fund of recruitment and training expenses which may be between \$10 and \$15 million. If the appellate court reverses the Judgment to the extent it favors the City, the City might be obligated to refund Measure Y taxes, to stop collecting Measure Y taxes, and/or to employ 739 officers with non-Measure Y funds.

If the appellate court reverses the judgment to the extent it favors Petitioner, then the City will not have to make the inter-fund transfer to the Measure Y Fund.

**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**  
**Notes to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2010**

In March 2010, the same Petitioner filed another law suit against the City alleging seven causes of action regarding the City's implementation of Measure Y in Fiscal Years 2009-10 and 2010-11 and related matters (Sacks v. City of Oakland, RG10504741). This case is scheduled for a hearing on the merits in the Superior Court on March 14, 2011.

**NOTE E - SUBSEQUENT EVENT**

**Approval of Measure BB**

On November 2, 2010, voters in the City of Oakland approved the City's Measure BB which revises Measure Y by suspending until 2015 a requirement in Measure Y that the City maintain non-Measure Y appropriations for at least 739 police officers in order to be entitled to collect Measure Y taxes (parcel and parking).

Measure Y provides that Measure Y taxes may not be collected if "the appropriation for staffing of sworn uniformed police officers is at a level lower than the amount necessary to maintain the number of uniformed officers employed by the City for the fiscal year 2003-2004 (739)." In July, 2010, the City laid off 80 police officers, and appropriated non-Measure Y funds for fewer than 739 officers. Therefore, the City was precluded from continuing to collect Measure Y taxes at that time.

However, the adoption of Measure BB allows the City to resume collecting Measure Y taxes, even if the City has not appropriated non-Measure Y funds for at least 739 officers. Thus, the City has resumed collecting Measure Y taxes. However, there remains some risk that Petitioner's success in either of her lawsuits (as mentioned in Note D) will preclude the City from continuing to collect Measure Y taxes or will obligate the City to grant claims for refunds.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF A FINANCIAL SCHEDULE PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members  
of the City Council  
City of Oakland, California

We have audited the accompanying budgetary comparison schedule (financial schedule) of the City of Oakland's (City) Measure Y - Violence Prevention and Public Safety Act of 2004 (Measure Y), a fund of the City, for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as it pertains to Measure Y activities, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedule but not for the purpose of expressing an opinion on the effectiveness of Measure Y's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Measure Y's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Measure Y's financial schedule will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure Y's financial schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's Mayor and Council and the City's management and is not intended to be and should not be used by anyone other than these specified parties.

*Parsons & Associates*  
Oakland, California  
December 8, 2010



**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Finding 2010-1:**

**Payroll charges:**

***Criteria:***

Violence Prevention and Public Safety Act of 2004 – Measure Y (Measure Y) allows City of Oakland (the City) to hire and maintain at least a total of 63 officers which will be assigned to some specific community-policing areas. Thus, only the officers, who actually work under the Measure Y positions for these specific duties, should be charged to Measure Y program. Internal controls over payroll require that timesheets of the officers charged to Measure Y positions should be verified for the actual time spent under Measure Y; payroll charges to Measure Y should be reviewed and reconciled by an independent appropriate person for accuracy. A clear audit trail should be maintained to verify the time charged to Measure against the time actually worked under Measure Y.

***Condition:***

For our review and testing of payroll procedures under Measure Y, we selected 22 employees from Oakland Police department (OPD) who were charged to Measure Y. We noted that there were many discrepancies in processing the payroll charged to Measure Y by OPD. In six instances, timesheets submitted by police officers showed that they worked under other programs than Measure Y, however when payroll was processed, they were charged to Measure Y. In two instances, the timesheets mentioned that the police officers worked under Measure Y but during payroll processing, the same were charged to general fund. We also noted that in three other instances, there were some errors in updating the payroll system with overtime and payroll adjustments.

On our inquiry, it was explained to us that OPD maintains a beat assignment document for the positions charged to Measure Y which gets updated with any change in Measure Y positions. When payroll is processed, the payroll person verifies the time sheets of Measure Y officers with this document and then updates the payroll system. However, due to limited resources available during the year, this document was not updated on a regular basis. Thus, in some instances, when there was a change in Measure Y positions due to change in temporary assignments, the payroll person did not use the correct funding source in updating the payroll system. Even though the timesheets in such cases showed the correct funding source, for payroll processing, the payroll person used the beat assignment document which was not updated on a regular basis. This resulted in errors in charging the payroll to Measure Y program. We were also informed that there was a change in payroll person during the year which also caused some of the errors noted by us.

Based on our observations and inquiry, OPD performed an independent review of payroll charged to Measure Y program. During the review, it was noted that in three instances, salary of the police officers was wrongly charged to Measure Y for few months though these officers did not work under Measure Y during these months. Adjustment entries were recorded to remove these charges from Measure Y.

**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

***Cause:***

The controls over payroll were not implemented effectively. Payroll charges to Measure Y were not reviewed and reconciled by an independent appropriate person. Beat assignment document to track Measure Y positions was not maintained and updated with OPD's weekly personnel orders on a regular basis. Thus, there was no clear source document available to verify the time spent under Measure Y.

***Effect:***

The discrepancies could result in increased risk of wrong charges of payroll by OPD to Measure Y and thus, misstatement of payroll charges under Measure Y.

***Recommendation:***

We recommend that the City should review OPD's control procedures for payroll and consider improving and strengthening the procedures to ensure that a standard document is prepared, maintained and updated to track Measure Y positions; timesheets are reviewed and verified against this standard document before the time is input in the system for payroll processing; an independent review and reconciliation of the payroll is done on a periodic basis to ensure that errors are detected and corrected in a timely manner.

***Management's Response:***

Although none of the transactions cited in the report meet the materiality threshold to complete an audit adjustment, the City will correct any misapplied charges in Measure Y from FY2009-10, and accepts the auditor's recommendations to establish independent review of payroll charges, going forward.

**CITY OF OAKLAND**  
**Measure Y - Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**

**STATUS OF PRIOR YEAR FINDINGS**  
**YEAR ENDED JUNE 30, 2010**

There were no findings reported in the prior year.

**SUPPLEMENTARY INFORMATION**

**CITY OF OAKLAND**  
**Measure Y –Violence Prevention and Public Safety Act of 2004**  
**[A Fund of the City of Oakland]**

**ANNUAL REPORTING**

The following pages provide the financial and program status reports for Measure Y – Violence Prevention & Public Safety Act of 2004 for the year ending June 30, 2010 in accordance with Measure Y, Part 1 Section 3.4 and Part 2, Section 1; and Government Code Section 50075.3 (a) and (b).

The program status report is provided for each of the four sections of Measure Y:

- a. Community and Neighborhood Policing: \$ 11,011,046

Hire and maintain at least a total of 63 officers assigned to the following specific community policing areas: Neighborhood beat officers, school safety, crime reduction team, domestic violence and child abuse intervention and officer training and equipment.

- b. Violence Prevention Services with an Emphasis on Youth and Children: \$6,293,908

Expand preventive social services provided by the City of Oakland, or by adding capacity to community-based nonprofit programs with demonstrated past success for the following objectives: Youth outreach counselors, after and in school program for youth and children, domestic violence and child abuse counselors, and offender/parolee employment training.

- c. Fire Services: \$ 4,000,000

Maintain staffing and equipment to operate 25 fire engine companies and seven (7) truck companies, expand paramedic services, and establish a mentorship program at each station.

- d. Program Audit, Evaluation and Oversight: \$ 982,880

*Evaluation:* Not less than 1% or no more than 3% of funds appropriated to each police service or social service program shall be set aside for the purpose of independent evaluation of the program, including the number of people served and the rate of crime or violence reduction achieved.

*Audit / Administration:* In addition to the evaluation amount, tax proceeds may be used to pay for the audit specified by Government Code Section 50075.3.

MEASURE Y ANNUAL REPORTING - FISCAL YEAR 2009-2010

POLICE DEPARTMENT

A. Status Report ("status of projects required or authorized to be funded")

Program Name & Description (According to Measure Y language)	Dollar Amount Expended	City Personnel Employed (FTEs for Full Year)	09-10 Status		Outcomes	Comments (Program achievements, issues, etc.)
			Completed	On-Going		
<b>Community and Neighborhood Policing (OPD)</b>						
Neighborhood beat program	\$ 9,180,559	51.00		xx	Services Performed Neighborhood Officers assigned to neighborhood beats to provide problem-solving and basic police services	NOTES: N/A - Not Yet Available
School safety program	\$ -	-		xx	Supplemental police services to respond to school safety and truancy issues	
Crime reduction team program				xx	Supplemental police services to investigate and respond to illegal narcotics transactions and violent crimes in "hot spots"	
Domestic violence and child abuse intervention program	\$ 1,818,264	12.00		xx	Supplemental services to work with social service providers to intervene in domestic violence, child abuse and child prostitution cases	
Officer training, recruitment, and equipment	\$ 12,223				Overtime associated with training Measure Y officers on policies and tactics	
<b>Subtotal Comm &amp; Neigh Policing - FY09-10</b>	<b>\$ 11,011,046</b>	<b>63.00</b>				

A. Status Report ("status of projects required or authorized to be funded")

Program Name & Description (According to Measure Y language)	Dollar Amount Expended	City Personnel Employed (FTEs for Full Year)	09-10 Status		Outcomes		Comments (Program achievements, issues, etc.)
			Completed	On-Going	Listing of Grantees Providing Services During the Year under Each Category	Number of People Served During the Year	
<b>Violence Prevention Services With an Emphasis on Youth and Children (DIIS)</b>							
Youth outreach counselors	\$ 25,000 23,986 171,082 277,056 213,000 121,877 118,518 85,000 96,000 86,136 220,000 39,960 122,125 175,000 310,800 510	2.22      0.78	xx xx xx xx xx xx xx xx xx xx xx xx xx xx xx xx	xx xx xx xx xx xx xx xx xx xx xx xx xx xx xx xx	Alameda County OA's Office (G261268) Alameda County Health Care (CRSN) CCNI - City Admin Breakom Prison Outreach Healthy Oakland, Inc. Youth Uprising Oakland Street Outreach/DIIS Youth Alive Breakout Prison Outreach East Day Agency for Children East Bay Asian Youth Center Oakland Unified School District The Mentoring Center Youth Uprising Catholic Charities of the East Bay <i>Contract Compliance &amp; Internal Work Order charges</i>	96 192 267 62   65   49 88 37 37 82 402	Provide outreach, case management, employment and other services for youth who are chronically truant, dropped out or on probation
After and in school program for youth and children	15,000 15,000 57,958 300,000 62,050 133,200 131,717 177,600 219,514 177,600		xx xx xx xx xx xx xx xx xx xx	xx xx xx xx xx xx xx xx xx xx	Oakland Unified School District The Mentoring Center Youth Employment Partnership Youth Uprising Youth Radio Community Initiatives Oakland Unified School District Youth Employment Partnership Alameda County Health Care Oakland Unified School District	242   82 23 279 16,000 94 672 231	Provide school based services including case management, mental health, violence prevention curriculum and peer conflict mediation
Domestic violence and child abuse counselors	399,600 177,372 248,640		xx xx xx	xx xx xx	Family Violence Law Center Safe Passages Alameda County Health Care	1,097 103 257	Provide special services for families experiencing domestic violence and youth exposed to violence including sexually exploited minors
Offender/parole employment training	120,036 57,680 71,324 17,179 93,240 49,700 264,660 222,000 212,000 111,000 222,000 280	0.87	xx xx xx xx xx xx xx xx xx xx xx xx	xx xx xx xx xx xx xx xx xx xx xx xx	Mayor's Re-entry Program Youth Employment Partnership The Workfirst Foundation Mentoring Center Goodwill Industries Leadership Excellence The Workfirst Foundation Volunteers of America Bay Area Youth Employment Partnership The Mentoring Center Volunteers of America Bay Area <i>Contract Compliance &amp; Internal Work Order charges</i>	50   75 37 17 82 214 49	Provide diversion and reentry services and employment for youth and young adults on probation and parole
supporting all categories	524,706 70,453 53,350	5.90	xx xx xx	xx xx xx	DUS - Administration - Personnel DIIS - Administration - Non Personnel DIIS - Misc. Vendor/Travel		
<b>Subtotal Violence Prev Svcs - FY09-10</b>	<b>\$ 6,293,908</b>	<b>9.77</b>					<b>20,981</b>

MEASURE Y ANNUAL REPORTING - FISCAL YEAR 2009-2010

FIRE DEPARTMENT

A. Status Report ("status of projects required or authorized to be funded")

Program Name & Description (According to Measure Y language)	Dollar Amount Expended	City Personnel Employed (FTEs for Full Year)	09-10 Status		Outcomes	
			Completed	On-Going		
<b>Fire Services (Fire)</b>					<b>Services Performed: Number of fire companies retained, paramedic and mentorship services provided</b>	<b>Number of People Served During the Year</b>
Minimum staffing and equipment	\$ 4,000,000			xx	25 engines, 7 trucks on-site education training, fire safety education, and career in the fire services	2,087 fire calls 49,887 EMS calls 1,143 other calls
Paramedic services	<i>included in above</i>			xx	26 Advance Life Support units	16,637 Oakland youth were served through the public education program
Mentorship program	<i>included in above</i>			xx	6 Basic Life Support units	
<b>Subtotal Fire Svcs - FY09-10</b>	<b>\$ 4,000,000</b>					



MEASURE Y ANNUAL REPORTING - FISCAL YEAR 2009-2010

PROGRAM AUDIT AND OVERSIGHT

A. Status Report ("status of projects required or authorized to be funded")

Program Name & Description (According to Measure Y language)	Dollar Amount Expended	City Personnel Employed (FTEs for Full Year)	09-10 Status		Outcomes	Comments (Program achievements, issues, etc.)
			Completed	On-Going		
Evaluation	\$ 38,750				Provider of Evaluation Services	
	387,000				City Span Technologies	
	5,000				Resource Development	
	1,690				National Council on Crime	
	289,231	1.00		xx	Other Professional Services Agreements Personnel and other O&M costs	
<b>Total Evaluation</b>	<b>\$ 721,671</b>					
Staff Oversight (CAO)	\$ 13,005			xx	Services Performed	
					Assessment Services for Violence Prevention Rate Setting	
Audit (FMA)	\$ 19,735			xx	Services Performed	
Administrative Fee (FMA)	\$ 228,469			xx	Measure Y annual financial audit	
<i>Total Evaluation, Oversight, Audit and Administrative Fee - FY 09-10</i>	<b>\$ 982,880</b>	1.00			County administrative fee for parcel tax collection	