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August 7, 2025

Presiding Judge Thomas Nixon
Alameda County Superior Court
1225 Fallon Street, Department One
Oakland, CA 94612

Attention: Cassie Barner
c/o Alameda County Grand Jury
1401 Lakeside Drive, Suite 1104
Oakland, CA 94612

RE: RESPONSE TO THE 2024-25 ALAMEDA COUNTY GRAND JURY FINAL REPORT

Honorable Judge Nixon and Members of the Grand Jury,

Pursuant to California Penal Code Section 933.05, I am submitting a response to the 2024-25 Alameda County Grand Jury Report, dated June 20, 2025. The report addressed six issue areas, two of which invoke the Oakland City Auditor's Office. This letter responds to those items:

FINDING 25-10 AND, RECOMMENDATIONS 25-5 AND 25-6

Finding 25-10. The Grand Jury found the City of Oakland has not conducted any audits under Measure KK or Measure U, as required by the measures.

I agree with Finding 25-10.

To my knowledge, the City has not conducted any audits of Measure KK or Measure U.

Recommendation 25-5. The Grand Jury recommends that the City of Oakland must ensure that an audit of Measure KK's expenditures is immediately conducted and reported to the City Council.

Recommendation 25-6. The Grand Jury recommends that the City of Oakland must ensure that an external independent audit of Measure U's expenditures is immediately conducted.

I agree with Recommendations 25-5 and 25-6.

My Office is currently working on a performance audit of the financial management of capital improvement projects which may address some of the concerns raised by the Grand Jury.

To meet the requirements described within the language of Measure KK and Measure U, however, the City requires an annual report on the amount of funds collected and expended and the status of any project required to be authorized to be funded. Measure KK (2016) states, *"as long as any authorized bond proceeds have not been spent, an annual audit shall be performed to ensure accountability and proper disbursement of the bond proceeds in accordance with the objectives stated herein and in compliance with California Government Code sections 53410(c), 53410(d), and 53411."* California Government Code Section 53411 specifies the chief fiscal officer, or Finance Director, of a municipality shall file this report annually for bond accountability. Measure U similarly states, *"As long as any authorized bond proceeds have not been spent, an annual independent audit shall be performed by an external entity to ensure accountability and proper disbursement of the bond proceeds in accordance with the objectives stated herein."* To my knowledge, the annual report and independent audit would have been contracted by the Finance Department.

My Office will pursue this issue as it pertains to internal controls to support the financial management of bond-funded capital improvement projects, to be completed within a year.

FINDINGS 25-19, 25-20, 25-21, 25-22, 25-24, 25-17, AND RECOMMENDATIONS 25-11 THROUGH 25-14

Finding 25-19. The Grand Jury found that the declaration of extreme fiscal necessity allowed the Oakland City Council to divert funds intended for additional park services.

Finding 25-20. The Grand Jury found in its last disclosure of maintenance of effort calculations, the City of Oakland reported a decrease in Measure Q funding for new park services from 45 percent to 32 percent.

Finding 25-21. The Grand Jury found community park stakeholders and Oakland city staff do not agree on a definition of “extreme fiscal necessity.”

Finding 25-22. The Grand Jury found Measure Q requires biennial reports, and the Oakland City Auditor did not conduct the second biennial audit covering Fiscal Year (FY) 2022-2023 and FY 2023-2024.

Finding 25-24. The Grand Jury found, “as recommended and funded in Measure Q, no independent financial audit has been conducted.”

Finding 25-27. The Grand Jury found the City of Oakland has not prepared annual reports documenting revenues, expenditures and the status of projects funded by Measure Q as required by California Government Code 50075.3.

I partially agree with Findings 25-19, 25-20, 25-21, 25-24, and 25-27.

They generally reflect findings and recommendations within our [audit of Measure Q](#), released December 2023.

I partially disagree with Finding 25-22, as described below in our response to Recommendations 25-11 and 25-12.

Recommendation 25-11. The Grand Jury recommends that the Oakland City Auditor’s workplan for FY 2025-26 must include the required second Measure Q audit covering FY 2022-23, FY 2023-24, and FY 2024-25.

I partially agree with Recommendation 25-11.

My Office released the first performance audit of Measure Q in December 2023, just prior to the close of the FY 2022-23 books following the City’s independent financial audit. Given this timing, the scope of our Measure Q audit included FY 2020-21 and FY 2021-22. We included revenues and expenditures from FY 2019-20 (the year prior to the first major expenditure of the tax) and 2022-23, the current fiscal year, for informational purposes. Additionally, we included budget information from FY 2022-23, 2023-24, and 2024-25 for informational purposes.

Based on the two-year cadence required by the Measure, the next audit was not due on our FY 2024-25 work plan. It is included in our forthcoming FY 2025-26 work plan that will be

issued in August, per City Charter Section 403(4). This second audit will cover the two-year period FY 2022-23 and FY 2023-24.

Recommendation 25-12. The Grand Jury recommends that the Oakland City Auditor’s workplans beyond FY 2025-26 must include biennial audits in workplans for the life of Measure Q until FY 2039-40, as required by Measure Q.

I agree with Recommendation 25-12.

The Measure Q audit is also in our internal recurring audit schedule, which we developed at the start of my term as City Auditor, along with the 10 other recurring audits our Office is required to complete. We will continue to include the Measure Q audit within our audit work plan every two years. As described above, our FY 2025-26 work plan will include the Measure Q audit in accordance with its biennial cadence.

Our work plan aims to balance the need for timely recurring audits with the need to evaluate areas of the City that face the greatest risk. Recurring audits are an important accountability tool; the recurring nature, however, is both resource-intensive and, by its nature and intent, reduces risk. Since the City Council has declared states of extreme fiscal necessity since FY 2022-23, I have not had the required minimum staffing necessary to conduct all recurring audits, or other audits of emergent issues, or are requested. We are earnestly working towards that ideal, and with our most recent FY 2025-26 budget, we hope to be able to bring our recurring audits current. We will issue our FY 2025-26 work plan in August 2025, in accordance with the City Charter.

Recommendation 25-13. The Grand Jury recommends the City of Oakland should conduct the recommended independent financial audit of Measure Q within the next six months, with funding allowed by the measure.

I agree with Recommendation 25-13.

As the Grand Jury notes in its report, this is a recommendation in our Measure Q audit made to the City Administration (Recommendation 15), finding that the language of the Measure did not match the requirements of California state law. The City Administration agreed with that recommendation, stating, “Management agrees. The Finance Department, Controller’s Bureau will add Measure Q to the scope of the independent auditor’s contract to include Measure Q in the annual audit, beginning in 2025.” My Office will continue to advocate for that audit and follow up on it as part of our Charter-required Semi-annual Recommendation Follow Up report. Our next semi-annual audit recommendation follow-up report will be issued in Fall 2025 for the six-month period ending June 30, 2025.

Recommendation 25-14. The Grand Jury recommends, to comply with state requirements for special parcel tax measures and to provide transparency to voters, the Oakland City Council must ensure that annual reports documenting revenues, expenditures, and the status of projects are completed in a timely manner.

I agree with Recommendation 25-13, as described above.

My Office will continue to advocate for that annual report and follow up on it as part of our Charter-required semi-annual audit recommendation follow up report. Our next report will be issued in Fall 2025 for the six-month period ending June 30, 2025.

I appreciate the time and effort invested into the Grand Jury's volunteer analysis and reporting. I am also concerned by the broader commonality noted within the foreword: "a failure to provide citizen oversight and internal controls." I am constantly wary of the areas we do not have the resources to audit especially because my Office manages the citywide Whistleblower Hotline that receives approximately 130 complaints annually from employees, residents, and business owners. There are trade-offs my Office has had to confront in determining which areas to dedicate limited staffing to, in an environment with such high risk for mismanagement.

With our most recent budget allocation, I hope to meet expectations for timely recurring audits, while continuing to audit the areas of greatest risk facing our community.

Thank you for your dedication to government accountability, transparency, and effectiveness.

Respectfully submitted,



Michael C. Houston
City Auditor

cc: Barbara Lee, Mayor
Kevin Jenkins, City Council President, District 6 Councilmember
Rowena Brown, At-large Councilmember
Carroll Fife, District 3 Councilmember
Noel Gallo, District 5 Councilmember
Ken Houston, District 7 Councilmember
Janani Ramachandran, District 4 Councilmember
Zac Unger, District 1 Councilmember
Charlene Wang, District 2 Councilmember
Jestin Johnson, City Administrator
Jan Mazyck, Interim Finance Director