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CITY OF OAKLAND


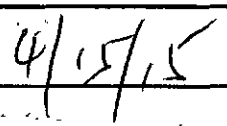
AGENDA REPORT

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: Osborn K. Solitei

SUBJECT: Measure Y - FY 2013-14 Financial Audit Report

DATE: April 3, 2015

City Administrator _____ Date _____
Approval  _____ 

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council accept the Measure Y-Violence and Public Safety Act of 2004 Independent Auditor's Report for the year ended June 30, 2014.

OUTCOME

The City will be in compliance with the reporting requirements of Measure Y, Part 1 Section 3.4 and Part 2 Section 1 as well as Government Code Section 50075.3 (a) and (b).

EXECUTIVE SUMMARY

The Finance Department, Controller's Bureau presents the attached Violence Prevention and Public Safety Act of 2004 (Measure Y) 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.

Patel & Associates, an independent accounting firm and subcontractor to Macias, Gini & O'Connell, the City's external auditor, performed the Measure Y financial audit for the year ending June 30, 2014.

Item: _____
Public Safety Committee
April 28, 2014

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, Program Audit and Oversight), for Fiscal Year (FY) 2013-2014 in accordance with Government Code Section 50075.3 (b).

A discussion of audit findings, recommendations and management response is included in the "Schedule of Findings and Responses" subsection of this report.

BACKGROUND/LEGISLATIVE HISTORY

On November 2, 2004, Measure Y was passed by Oakland voters. Measure Y provides approximately \$20 million every year for 10 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.

On November 2, 2010, Measure BB was approved by Oakland voters. Measure BB suspends 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 allowed the City to resume collecting Measure Y taxes, even if the City had fewer than 739 police officers funded by non-Measure Y funds.

In November 2014, voters in the City of Oakland approved the City's Public Safety and Services Violence Prevention Act of 2014 (Measure Z) which renews the parcel tax at the same rate of Measure Y per property unit and parking tax of 8.5 percent for 10 years. It requires the City to maintain a minimum of 678 sworn police personnel, as of July 1, 2016, unless unforeseen circumstances, such as unforeseen financial events, occur; in which case the City would have to follow a certain prescribed process to correct for it as described in the approved legislation. Measure Z also requires an annual audit similar to the one presented in this report.

ANALYSIS

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 for the current year, which is a measure of the financial integrity of the Measure Y program. This finding has no adverse impact on the auditor's unqualified opinion.

Item: _____
Public Safety Committee
April 28, 2015

Schedule of Audit Finding, Recommendation and Management Response

Current Year Audit Finding 2014-001:

Payroll charges:

Criteria:

Measure Y allows the 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, the officers, who work under the Measure Y positions for these specific duties, should only be charged to the Measure Y program. Internal controls over payroll require that charges by these officers should be verified against the personnel orders and timesheets of these officers to ensure that the actual time spent under Measure Y is only charged to 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 Y against the time actually worked under Measure Y.

Condition:

For testing of controls over payroll procedures under Measure Y, the auditors selected 24 employees from Oakland Police department (OPD) who were charged to Measure Y. They noted some discrepancies in processing the payroll charged to Measure Y by OPD. In three instances, there were discrepancies in charging the police officer's regular time to correct funding source. In four instances, overtime was wrongly charged to Measure Y. In four instances, other charges such as shift pay and education allowance were wrongly charged to Measure Y.

Based on the prior year audit recommendation, OPD started the payroll reconciliation process towards the end of Fiscal Year (FY) 2013-14. However, this process was performed only for reviewing the regular charges. Therefore, overtime and other charges were not reviewed and reconciled. Also, as the reconciliation of regular charges was done for the whole year at once, there were still some errors in regular charges which could not be caught and corrected during the reconciliation process.

Cause:

The controls over payroll were not implemented effectively. Payroll reconciliation performed by OPD did not cover all the charges incurred under Measure Y.

Effect:

There may be some errors in the time charged by the police officers working under Measure Y which may result in a misstatement of payroll charges under Measure Y.

Recommendation

The auditors recommend that the OPD strengthen and improve its current payroll review and reconciliation procedures to ensure that they are properly reviewed and reconciled by an independent person on a periodic basis and errors, if any, are corrected in a timely manner.

Management Response

Staffing Issues

During FY 2013-14, the OPD Fiscal Services Division experienced high personnel turnover and staff shortages in positions associated with the Measure Y reconciliation.

In January 2014, the Accountant III started with OPD and a new Fiscal Manager came on board. In mid-April 2014, OPD hired a temporary part-time accountant to reconcile Measure Y. Due to staffing issues, OPD essentially only had a few months to reconcile several thousand hours of data for over 100 officers who, at some point, charged Measure Y.

Improvements

Realizing the need to improve the reconciliation process, OPD identified several process improvements to limit and correct errors. Most of the improvements were implemented in FY 2013-14 however; some went into effect July 1, 2014.

The following actions were taken in FY 2013-14:

- Communications were streamlined among Operations, the Payroll Unit and Fiscal Services;
- Clear standard operating procedures/guidelines were created for Measure Y reconciliation; and,
- Frequently asked questions were identified and distributed with answers to problem solving officers and crime reduction teams (supervisors and officers).

The following actions were implemented beginning July 1, 2014:

- Conducting bi-weekly reconciliations of Measure Y funds; and
- Conducting internal audits of Measure Y funds.

Status of Prior-Year Finding

This finding is related to payroll charges applied to Measure Y. There were discrepancies in processing payroll charged to Measure Y by OPD in the prior year, and no payroll reconciliation was done. As stated above, the finding is partially implemented.

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

Summary of Financials

The Table below summarizes Measure Y expenditures for FY 2013-14 by program and provides a description of each program. The attached audit report provides further details on program deliverables during FY 2013-14.

Program	Program Description	FY 2013-14
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.	\$ 13,853,037
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.	6,651,979
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.	4,266,947
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/Administration:</i> In addition to the evaluation amount, tax proceeds may be used to pay for the audit specified by Government Code Section 50075.3.	684,106
TOTAL		\$ 25,456,069

PUBLIC OUTREACH/INTEREST

The Controller's Bureau is scheduled to present this audit report to the Measure Y Oversight Committee on April 22, 2015. This item did not require any additional outreach other than the required posting on the City's website.

COORDINATION

This report was prepared in coordination with the Oakland Police Department, Oakland Fire Department, Human Services, City Administrator Office, City Attorney's Office and the Budget Office.

COST SUMMARY/IMPLICATIONS

This is an informational report only; there is no fiscal impact.

Measure Y revenues collected totaled \$23.3 million in FY 2013-14 and were generated mainly from the parcel tax (\$15.1 million) and parking tax surcharge (\$8.2 million). Expenditures for FY 2013-14 totaled \$25.5 million. The audited ending fund balance as of June 30, 2014 was \$5,557,413.

SUSTAINABLE OPPORTUNITIES

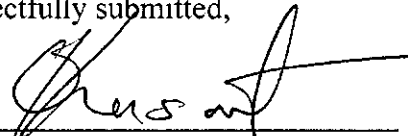
Economic: No direct economic opportunities have been identified.

Environmental: No environmental opportunities have been identified.

Social Equity: No social equity opportunities have been identified.

For questions regarding this report, please contact Osborn K. Solitei, Director of Finance/ Controller at (510) 238-3809.

Respectfully submitted,



OSBORN K. SOLITEI
Director of Finance/ Controller
Finance Department

Attachments:


Measure Y-Violence Prevention & Public Safety Act of 2004 Independent Auditor's Report for the Year ended June 30, 2014

Item: _____
Public Safety Committee
April 28, 2015

**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 30, 2014

 **Patel &
Associates, LLP**
Certified Public Accountants

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, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Schedule

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, 2014 and the related notes to the budgetary comparison schedule, which collectively comprise the revenues and expenditures of Measure Y activities.

Management's Responsibility for the Financial Schedule

Management is responsible for the preparation and fair presentation of the financial schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial schedule in order to design 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 as it pertains to Measure Y activities. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2014, in conformity with the basis of accounting described in Note B.

Emphasis of Matter

The financial schedule was prepared to present the total revenues and expenditures of Measure Y activity 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, 2014 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial schedule as a whole. Measure Y Annual Reporting on pages 12 through 17 is presented for purposes of additional analysis and complying with Annual Reporting requirement and is not a required part of the financial schedule.

Measure Y Annual Reporting information has not been subjected to the auditing procedures applied in the audit of the financial schedule and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Patricia - [Signature]
Oakland, California
January 15, 2015

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, 2014

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Revenues:				
Parcel tax	\$ 13,956,299	\$ 13,956,299	\$ 15,093,619	\$ 1,137,320
Parking tax surcharge	7,109,400	7,109,400	8,189,181	1,079,781
Total revenues	<u>21,065,699</u>	<u>21,065,699</u>	<u>23,282,800</u>	<u>2,217,101</u>
Expenditures:				
Community and Neighborhood Policing				
Salaries and employee benefits	11,613,937	13,411,545	13,309,623	101,922
Other supplies and commodities	500,000	232,363	117,669	114,694
Other contract services		166,355	109,003	57,352
Other expenditures	<u>264,706</u>	<u>373,659</u>	<u>316,742</u>	<u>56,917</u>
Total Community and Neighborhood Policing expenditures	<u>12,378,643</u>	<u>14,183,922</u>	<u>13,853,037</u>	<u>330,885</u>
Violence Prevention with an Emphasis on Youth and Children				
Salaries and employee benefits	1,275,424	1,368,031	1,168,688	199,343
Other supplies and commodities	12,843	45,992	22,090	23,902
Other contract services	5,639,407	7,023,930	5,398,185	1,625,745
Other expenditures	<u>(196,135)</u>	<u>331,069</u>	<u>63,016</u>	<u>268,053</u>
Total Violence Prevention expenditures	<u>6,731,539</u>	<u>8,769,022</u>	<u>6,651,979</u>	<u>2,117,043</u>
Fire Services				
Salaries and employee benefits	4,000,000	4,266,947	4,266,947	
Total Fire Service expenditures	<u>4,000,000</u>	<u>4,266,947</u>	<u>4,266,947</u>	
Evaluation				
	<u>481,083</u>	<u>719,260</u>	<u>416,019</u>	<u>303,241</u>
Administration				
	<u>22,975</u>	<u>81,606</u>	<u>268,087</u>	<u>(186,481)</u>
Total expenditures	<u>23,614,240</u>	<u>28,020,757</u>	<u>25,456,069</u>	<u>2,564,688</u>
(Deficiency) of revenues over expenditures	\$ <u>(2,548,541)</u>	\$ <u>(6,955,058)</u>	<u>(2,173,269)</u>	\$ <u>4,781,789</u>
Other financing sources				
Transfer from City	<u>2,184,390</u>	<u>2,184,390</u>	<u>184,390</u>	<u>(2,000,000)</u>
Change in fund balance, on a budgetary basis	<u>\$ (364,151)</u>	<u>\$ (4,770,668)</u>	<u>(1,988,879)</u>	<u>\$ 2,781,789</u>
Items not budgeted				
Investment income			<u>26,029</u>	
Total items not budgeted			<u>26,029</u>	
Change in fund balance, on a GAAP basis			(1,962,850)	
Fund balance, beginning of year			<u>7,520,263</u>	
Fund balance, end of year			<u>\$ 5,557,413</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, 2014

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, 2014

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, 2014 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, 2014

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 - TRANSACTIONS WITH THE CITY OF OAKLAND

During the year ended June 30, 2014, the City of Oakland transferred \$184,390 to Measure Y. The transfer was done to provide support services under the Measure and has been shown as other financing sources in the accompanying financial schedule.

NOTE E - SUBSEQUENT EVENT

Approval of Measure Z

In November 2014, voters in the City of Oakland approved the City's Measure Z which renews parcel tax ranging between \$51.09 and \$99.77 per property unit and parking tax of 8.5 percent for ten years. It requires the City to maintain a minimum of 678 sworn police officers unless some sudden, unforeseen event sharply affects the City's financial status. If the City fails to budget for at least this many officers in any given year, the City would be prohibited from levying either the parcel tax or the parking tax.

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

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

We have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial schedule which collectively comprise the revenues and expenditures of the Measure Y activities and have issued our report thereon dated January 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedule, we considered the City's internal control over financial reporting (internal control) as it pertains to Measure Y, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting as it pertains to Measure Y.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial schedule will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control described in the accompanying schedule of findings and responses listed as 2014-001 that we consider to be significant deficiency.

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*.

City of Oakland's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial schedule and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance as it pertains to Measure Y. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance as it pertains to Measure Y. Accordingly, this communication is not suitable for any other purpose.

PwC
Oakland, California
January 15, 2015

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, 2014

Finding 2014-001:

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, the officers, who work under the Measure Y positions for these specific duties, should only be charged to Measure Y program. Internal controls over payroll require that charges by these officers should be verified against the personnel orders and timesheets of these officers to ensure that the actual time spent under Measure Y is only charged to 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 Y against the time actually worked under Measure Y.

Condition:

For our testing of controls over payroll procedures under Measure Y, we selected 24 employees from Oakland Police department (OPD) who were charged to Measure Y. We noted some discrepancies in processing the payroll charged to Measure Y by OPD. In three instances, there were discrepancies in charging the police officer's regular time to correct funding source. In four instances, overtime was wrongly charged to Measure Y. In four instances, other charges such as shift pay, education allowance were wrongly charged to Measure Y.

Based on audit recommendation in prior year, OPD started the payroll reconciliation process towards the end of fiscal year 2014. However, this process was performed only for reviewing the regular charges. Therefore, overtime and other charges were not reviewed and reconciled. Also, as the reconciliation of regular charges was done for the whole year at once, there were still some errors in regular charges which could not be caught and corrected during the reconciliation process.

Cause:

The controls over payroll were not implemented effectively. Payroll reconciliation performed by OPD did not cover all the charges incurred under Measure Y.

Effect:

There may be some errors in the time charged by the police officers working under Measure Y which may result in misstatement of payroll charges under 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, 2014

Recommendation:

We recommend that OPD should consider improving and strengthening its procedures for review and reconciliation of payroll to ensure that payroll is properly reviewed and reconciled by an independent person on a periodic basis and errors, if any, are corrected in a timely manner.

Views of the responsible officials and planned corrective action:

During fiscal year (FY) 13-14, the Oakland Police Department (“OPD”) Fiscal Services Division experienced high personnel turnover and staff shortages in positions associated with the Measure Y reconciliation. The Accountant III position was vacant for the first half of the year, the Fiscal Manager left OPD four months into the fiscal year (November 2013), and the lead accountant for Measure Y was on a leave of absence for two months and had performance issues that impacted output.

In January 2014, the Accountant III started with OPD and a new Fiscal Manager came on board as a temporary contract service employee. The Fiscal Manager became permanent in March 2014. In mid-April 2014, OPD hired a temporary part-time accountant to reconcile Measure Y. In May 2014, the temporary employee received access to financial systems and started the reconciliation for the entire fiscal year. Due to staffing issues, OPD essentially only had a few months to reconcile several thousand hours of data for over 100 officers who, at some point, charged Measure Y.

Improvements

Realizing the need to improve the reconciliation process, OPD identified several process improvements to limit and correct errors. Most of the improvements were implemented in FY2013-14, however, some went into effect July 1, 2014.

The following actions were taken in FY2013-14:

- Communications were streamlined among Operations, the Payroll Unit and Fiscal Services
- Clear standard operating procedures/guidelines were created for Measure Y reconciliation
- Frequently asked questions were identified and distributed with answers to problem solving officers and crime reduction teams (supervisors and officers)

The following measures were implemented beginning July 1, 2014:

- Conducting bi-weekly reconciliations of Measure Y funds
- Conducting internal audits of Measure Y funds

OPD also addressed associated staff performance issues. All of these changes have greatly improved our ability to properly reconcile Measure Y and quickly correct errors. With our current staff and process improvements, OPD is confident that the accounting issues have been properly addressed.

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 AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2014

FINDINGS

STATUS

2013-001: PAYROLL CHARGES

There were many discrepancies in processing payroll charged to Measure Y by OPD. There was no payroll reconciliation done.

Partially implemented See current year finding 2014-001.

SUPPLEMENTARY INFORMATION

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, 2014

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, 2014 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: \$13,853,037

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: \$6,651,979

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: \$4,266,947

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 and Oversight: \$684,106

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 2013-2014

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)	13-14 Status		Outcomes	Comments (Program achievements, issues, etc.)
			Completed	On-Going		
Community and Neighborhood Policing (OPD)					Services Performed	NOTES:
Neighborhood beat program	\$ 6,411,297	34.00		xx	Neighborhood Officers assigned to neighborhood beats to provide problem-solving and basic police services	
School safety program	-	-		xx	Supplemental police services to respond to school safety and truancy issues	
Crime reduction team program	6,898,325	36.00		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				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	543,414	-		xx	Training, equipment and supplies for Officers	
Subtotal Comm & Neigh Policing - FY13-14	\$ 13,853,037	70.00				

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 Es for Full Year	13-14 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	
Violence Prevention Services With an Emphasis on Youth and Children (DHS)							
Youth outreach counselors							
G463374	110,000 00		XX		Youth Alive	54	Provide outreach, case management, employment and other services for youth who are chronically truant dropped out of high school or on probation. Also provide comprehensive support services to sexually commercially exploited children and gang-impacted youth
G463374	110,500 00		XX		MISSEY	48	
G463374	275,000 00		XX		East Bay Asian Youth Center	117	
G463374	178,000 00		XX		Oakland Unified School District	55	
G463374	74,500 00		XX		The Mentoring Center	43	
G463374	147,029 00		XX		Youth Uprising	81	
G463361	546,000 00		XX		California Youth Outreach	259	
G463361	265,685 00		XX		Healthy Communities	97	
G463361	25,000 00		XX		CAL PEP	264	
G463369	137,935 00	1 00	XX		Violence Prevention Coordinator		
G463352	218,199 00	2 00	XX		City County Neighborhood Initiative (CCNI)	Over 1,000 attended 8 community events (Friday Night Live, Juneteenth Celebration, Job Fair) 142 attended 13 community planning meetings 28 secured employment, over 30 attended 10-week ESL program, and 33 attended informational workshops (housing, Medi-Cal)	Provide outreach services to families provide employment training and employment. Also implemented community events such as Friday Night Live Juneteenth, Health Fairs, Job Fairs, and Neighborhood Clean-Ups. Also held workshops and planning meetings (ESL classes, housing, Medi-Cal, community mini-grants)
G463373 Messengers For Change	9,263 00	N/A				Approximately 300-500 attendees each week, across all three park sites. Over 1,200 young children received toy gifts	Community outreach and organizing. Provide Friday Night Live Parks program in three parks for youth and young adults at the highest stressed neighborhoods between hours of 6pm - 10pm, every Friday for 6 consecutive weeks in the summer months. Coordinate and implement the Mayor's Holiday Toy Drive. Coordinate with local faith community partners on community-based projects
After and in school program for youth and children							
G463366	200,000 00		XX		Al City Health Care Services Agency	549	Provide school based services including case management mental health, violence prevention curriculum and peer conflict mediation. Also provided employment skills training and after-school/summer employment opportunities
G463375	125,000 00		XX		OUSD Alternative Education	126	
G463359	150,000 00		XX		Community Initiatives	205	
G463351	180,000 00		XX		Youth Employment Partnership	105	
G463351	89,000 00		XX		Youth Radio	31	
G463351	59,777 00		XX		Unity Council	12	
G463351	90,000 00		XX		Youth Uprising	33	

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 Es for Full Year	13-14 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	
Violence Prevention Services With an Emphasis on Youth and Children (DHS)							
Domestic violence and child abuse counselors							
G463354	400,000 00		XX		Family Violence Law Center	1180	Provide special services such as mental health services, systems advocacy, crisis hotline support for families experiencing domestic violence and youth exposed to violence including sexually commercially exploited minors, young children 0-5 years old. Also provide first responder support services to families of homicide victims, and provide hospital-based intervention and support services to victims of violence.
G261270	92,847 00		XX		Alameda County Health Care	no contract in 13/14	
G463356	40,000 00		XX		Safe Passages	186	
G463356	60,000 00		XX		The Link to Children	83	
G463357	94,500 00		XX		MISSEY	71	
G463357	80,000 00		XX		Bay Area Women Against Rape	189	
G463372	125,000 00		XX		Youth Alive	117	
G463376	300,000 00		XX		Catholic Charities of the East Bay	307	
Offender/parolee employment training							
G463353	130,216 00	1 00	XX		Outreach Developer	n/a	Provide diversion and re-entry services for youth and young adults on probation and parole which include employment skills training and employment opportunities, pre and post-release case management, and crew-based transitional employment.
G463355	141,000 00		XX		Civic Corps	26	
G463355	92,500 00		XX		Men of Valor	52	
G463355	211,200 00		XX		Oakland Private Industry	93	
G463355	90,000 00		XX		Youth Uprising	15	
G463355	100,000 00		XX		Center For employment	no contract in 13/14	
G463355	251,500 00		XX		Volunteers of America Bay Area	47	
G463355	127,800 00		XX		Youth Employment Partnership	34	
G463365	100,000 00		XX		The Mentoring Center	37	
G463365	240,000 00		XX		Volunteers of America Bay Area	110	
supporting all categories G261250, G261271, G261273 G261240 G358550, G360050, G421150 G421250, G463350 Mayor's (01111/0000000) CAO (02111/02811/0000000)	879,517 00 44,809 00 60,202 00	4 30			DHS - Administration - Personnel DHS - Administration - Non Personnel DHS - Other Contract DHS - Travel/Other		
Subtotal Violence Prev. Svcs - FY13-14	6,651,979 00	8 30					

MEASURE Y ANNUAL REPORTING - FISCAL YEAR 2013-2014

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)	13-14 Status		Outcomes		Comments (Program achievements, issues, etc.)
			Completed	On-Going	Services Performed	Number of People Served During the Year	
Fire Services (Fire)							
Minimum staffing and equipment	\$ 4,266,947			xx	25 engines, 7 trucks on-site education training, fire safety education, and career in the fire services 26 Advance Life Support units 6 Basic Life Support units	2,910 fire calls 44,889 EMS calls 21,736 other calls 39304 Oakland youth were served through the public education program	The figures for people served through Oakland Fire Department is a department-wide number. Measure Y funds 51 percent of the department's operations personnel costs. As part of their duties, department personnel engage in youth public education. As written, Measure Y does not distinguish between Measure Y fire department personnel and non-Measure Y fire department personnel. Therefore Measure Y supports and can be credited for approximately 51 percent of the youth served in each fiscal year.
Paramedic services	<i>included in above</i>			xx			
Mentorship program	<i>included in above</i>			xx			
Subtotal Fire Svcs - FY13-14	\$ 4,266,947						

MEASURE Y ANNUAL REPORTING - FISCAL YEAR 2013-2014

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)	13-14 status		Outcomes	Comments (Program achievements, issues, etc.)
			Completed	On-Going		
EVALUATION EVALUATION COMMUNITY POLICING AND VIOLENCE PREVENTION PROGRAMS	305,000			X	Provider of Evaluation Services	EVALUATION COMMUNITY POLICING AND VIOLENCE PREVENTION PROGRAMS
	7,787		X		Resource Development	
	105,232	1.10	X		Various vendors and City Duplicating Shop	
	416,019				Personnel costs	Expenses essential to serve the Msr Y Oversight Committee
Staff Oversight (CAO)					<p>Services Performed</p> <p>Provided staff assistance to the Measure Y Oversight Committee by noticing meetings preparing agendas and minutes Coordinating with OPD DHS and the Measure Y evaluators for presentations Prepared the RFP for the new Measure Y evaluator for FY 2013-15 and managed the review and selection process Prepared staff reports, contracts, and coordinated the agenda process for Measure Y related items for the Public Safety Committee This is supported by Acting CPRB Executive Director 30 FTE and a part time Senior Aide/ELDE 50 FTE Provide administrative assistance to Assistant City Administrator who oversees the Oakland Police Dept Position is annually budget at 30 FTE Supported by Executive Assistant to the Assistant City Administrator</p>	Staff support provided to the Measure Y Oversight Committee to hold monthly public meetings Arrangement of the presentation of reports from the evaluators and audit Coordinated quarterly reports to the Council's Public Safety Committee Meet directly with the City Administration, RDA evaluators Police Department and Department of Human Services as program issues arise
Audit (Administrative Service Department)	22,145			X	Measure Y annual financial audit	
	245,942			X	Administration fees (County of Alameda)	
Subtotal Oversight & Evaluation - FY13-14	684,106	1.10				