

# City of Oakland Office of the City Auditor

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## **Measure Q Performance Audit: Library Funds Were Mostly Spent in Accordance with the Measure**

**October 27, 2008**



**City Auditor**  
Courtney A. Ruby, CPA

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October 27, 2008

OFFICE OF THE MAYOR  
HONORABLE CITY COUNCIL  
OAKLAND, CALIFORNIA

**RE: Measure Q Performance Audit: Library Funds Were Mostly Spent in Accordance with the Measure**

Dear Mayor Dellums, President De La Fuente and Members of the Council:

I am pleased to present a performance audit of the Oakland Public Library's compliance with the "Library Services Retention and Enhancement Act" (Measure Q). In 2004, Oakland voters passed Measure Q to reauthorize the previous measure for libraries, Measure O, and to increase the parcel tax and expand library services in the City.

The objective of our audit was to determine whether: 1) the Library spent Measure Q monies in accordance with the measure; 2) the Library met the objectives specified in the measure; and 3) the City of Oakland and the Library complied with other requirements in Measure Q.

Our review found that the Library spent over \$23 million in Measure Q monies in fiscal years 2005-06 and 2006-07. Most of these expenditures were in accordance with the measure, with the exception of the excess General Facility Support costs and questionable common area maintenance fees at the Cesar Chavez branch library.

Although the monies were mostly spent in accordance with the measure, we recommend the Library improve internal controls, improve processes for library purchases, formalize controls for the annual calculation and assessment of the reserve requirement, and establish a separate reserve fund. Lastly, we recommend that the timeliness of appointments to the Library Advisory Commission be improved.

I would like to express my appreciation to the City Administration for their cooperation during our audit. A response from the Administration is included in the audit report.

I would also like to acknowledge Melanie Boughton from my staff for her dedicated service in performing the audit of Measure Q.

Respectfully submitted,

A handwritten signature in cursive script, reading "Courtney A. Ruby". The signature is written in dark ink and is positioned above the printed name.

COURTNEY A. RUBY, CPA  
City Auditor

**City of Oakland**  
**Office of the City Auditor**

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## **EXECUTIVE SUMMARY**

The Office of the City Auditor has completed an audit of the Oakland Public Library's (Library) compliance with the "Library Services Retention and Enhancement Act" (Measure Q). The purpose of the audit was to determine whether 1) the Library spent Measure Q monies in accordance with the measure; 2) the Library met the objectives specified in the measure; and 3) the City of Oakland (City) and the Library complied with other requirements in the measure.

The Library spent over \$23 million in Measure Q monies fiscal years 2005-06 and 2006-07. We found that the Library spent most of these monies in accordance with the measure with the exception of excess General Facility Support costs and questionable common area maintenance fees at the Cesar Chavez branch library.

Although the monies were mostly spent in accordance with the measure, the Library needs to improve internal controls to ensure compliance with Measure Q and improve processes for library purchases.

We also found that the Library met most of the objectives in the measure. In some instances, the measure lacked specific measurements or the Library lacked information to assess whether the objectives have been met.

We concluded that the City and the Library either met or partially met other Measure Q requirements. For instance, we found that the City Council appropriated the minimum General Fund appropriation requirement specified in the measure. We also found that the Library has met the reserve requirement; however, the City has not established a separate reserve fund. Furthermore, neither the Library nor the Budget Office assumed responsibility for calculating the reserve fund requirement. Therefore, the Library should formalize controls for the annual calculation and assessment of the reserve requirement and establish a separate reserve fund. Lastly, we found that the Measure Q oversight committee has been established; however, the timeliness of the appointments to the Library Advisory Commission must be improved.

The audit report includes eight recommendations to ensure that Measure Q monies are spent in accordance with the ballot measure, to improve internal controls, and provide greater assurance that the City and the Library satisfy the requirements of the measure.

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## INTRODUCTION

The Office of the City Auditor has completed an audit of the Oakland Public Library's (Library) compliance with "The Library Services Retention and Enhancement Act" (Measure Q). The purpose of the audit was to determine whether: 1) the Library spent Measure Q monies in accordance with the measure; 2) the Library met the objectives specified in the measure; and 3) the City of Oakland (City) and the Library complied with other requirements in Measure Q.

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## Background

Prior to the passage of Measure Q, Oakland voters passed a similar measure, "The Library Services Retention and Enhancement Act" (Measure O) in 1994. Measure O authorized a parcel tax to raise revenue for the City to provide library services. Specifically, Measure O approved expenditures to: 1) keep neighborhood libraries open a minimum of five days per week; 2) retain availability of library services at the Main Library seven days per week; 3) enhance and expand library collections; 4) provide educational and cultural programs for youth in every library; 5) expand library-based programs in support of literacy, lifelong learning, and information technology; and 6) operate an African American museum and library program.

In 2004, Oakland voters passed Measure Q, to not only reauthorize the previous measure, but to increase the parcel tax and expand library services. Specifically, Measure Q increased the parcel tax, extended the term of the measure from 2009 to 2024, and specified additional objectives for the use of the proceeds. These objectives are to:

1. Keep neighborhood libraries open a minimum of six days per week and increase weekend hours;
2. Retain availability of library services at the Main Library seven days per week;
3. Enhance and expand library collections, including the acquisition of new books and materials;
4. Continue to provide educational and cultural programs for youth in all Oakland libraries, including after school tutoring, literacy, and children's programs;
5. Expand library-based programs in support of literacy, lifelong learning, and information technology;
6. Operate an African American museum and library program;
7. Increase joint educational activities with local schools including librarian services;
8. Retain children's librarians in every library facility;

9. Operate the new joint school-public library in East Oakland;
10. Upgrade and enhance information technology in all libraries and improve access to computers and technology in the libraries;
11. Support after school homework programs; and
12. Support teen programs.

Additionally, Measure Q requires 1) a minimum Library appropriation level from the General Fund that should be no lower than the fiscal year 2000-01 appropriation of \$9,059,989; 2) the establishment of a reserve fund equal to five percent of the total parcel tax collected by the City in the previous fiscal year; 3) the creation of a City Council-appointed body to review expenditures of the funds and make recommendations; and 4) an annual audit by the City Auditor to assure accountability and proper disbursement of proceeds from the Measure Q tax in accordance with the objectives of the Measure.

#### Mission of the Library

The mission of the Library is to inform, inspire, and delight Oakland's diverse community as a resource for information, knowledge, and artistic and literary expression, providing the best in traditional services, new technologies, and innovative programs. To achieve its mission, the Library has established the following business goals:

- Increase circulation and in-library usage of library materials and services by providing superior collections and customer service through a well-trained and diverse staff.
- Increase the public's ability to access the Library's services and collections by upgrading the Library's network of public access technologies.
- Support children and teenagers' education and career goals and build a lifelong love of reading and learning through the expansion of outreach and literacy programs.
- Develop an excellent public relations program that publicizes to City Council, City staff, and the community, the Library's vast resources by strengthening the Community Relations Office.
- Provide Oakland residents access to archival materials and collections.

### Library Programs and Services

The Library offers a variety of programs and services which include:

- Main Library Services,
- Branch Library Services,
- Library Systemwide Services,
- Literacy Programs, and
- African American Museum and Library at Oakland (AAMLO)

Main Library Services represent the public services provided at the Main Library, including General Reference Services, Main Library Administration, the Oakland History Room, Art/History and Literature, Magazines and Newspapers, Science, Business and Sociology, Children's Room, and the Computer Center.

Branch Library Services represent the public services provided at the 15 branch libraries located in Oakland, the Bookmobile, and Branch Library Administration.

Library Systemwide Services represent the systemwide services provided by the Finance and Administrative Unit, Teen Services, Children Services, Community Relations, Materials Unit, Computer Services Unit, and the Acquisitions and Cataloging Unit.

Literacy Programs represent the Literacy services provided by the Second Start Literacy Center. The Second Start Literacy program offers a confidential setting, in which adults can get a free "second start" at learning.

African American Museum and Library at Oakland (AAMLO) represents the public services provided at the museum and library.

### Funding for the Library

The two primary sources of funding for the Library are the City's General Fund and the Measure Q Fund. In fiscal year 2005-06, the City Council authorized the Library to spend over \$11.3 million from the General Fund and over \$11.2 million from the Measure Q Fund. Similarly, in fiscal year 2006-07, the City Council authorized the Library to spend over \$11.9 million from the General Fund and over \$11.6 million from the Measure Q Fund. These two funding sources accounted for nearly 98 percent of the Library's budget in fiscal years 2005-06 and 2006-07. Table 1 shows the source of funding for the Library's budget for fiscal years 2005-06 and 2006-07.

**TABLE 1**  
**SUMMARY OF THE LIBRARY ADOPTED BUDGET**  
**FOR FISCAL YEARS 2005-06 AND 2006-07**  
**BY FUNDING SOURCE**

<b>Funding Source</b>	<b>Fiscal Year 2005-06</b>	<b>Fiscal Year 2006-07</b>
General Fund	\$ 11,373,725	\$ 11,960,590
Telecommunications Reserve	54,458	56,990
California Library Services Grant	320,270	330,673
Measure Q Fund	11,201,829	11,612,977
Miscellaneous Grants	100,000	100,000
Oakland Public Library Trust	103,030	103,030
<b>Total</b>	<b>\$ 23,153,312</b>	<b>\$ 24,164,260</b>

Source: Fiscal Year 2005-07 Adopted Policy Budget<sup>1</sup>

Measure Q Fund Revenues

Since the inception of Measure Q through the end of fiscal year 2006-07, the City has received over \$38.1 million in parcel tax revenues. In addition to the parcel tax revenues, the City earned interest and other revenues on the Measure Q Fund in the amount of \$86,000. In total, the City had over \$38.2 million in revenues available for the retention and enhancement of Library services. A summary of the revenues available from Measure Q is displayed in the table below.

**TABLE 2**  
**SUMMARY OF REVENUES FOR MEASURE Q**  
**FISCAL YEARS 2003-04 THROUGH 2006-07**

Total Parcel Tax Revenue	\$38,160,129
Interest and Other Revenue <sup>2</sup>	<u>86,054</u>
Total Revenue	<u>\$38,246,183</u>

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<sup>1</sup> The totals in Table 1 do not include encumbrances and carryforward amounts. Encumbrances are obligations such as purchases orders, contracts, and salary commitments, which are chargeable to an appropriation. Carryforwards are appropriations brought forward from the previous fiscal year to continue or complete a specific project, program, or activity.

<sup>2</sup> Other revenue consists of \$7,000 in donations made to the Measure Q Fund. The Friends of the Oakland Public Library donated \$2,000, and the Gilmore Foundation donated \$5,000.

## **Objectives, Scope, and Methodology**

### Audit Objectives

The objectives of the audit were to determine whether: 1) the Library spent Measure Q monies in accordance with the measure; 2) the Library met the 12 objectives specified in the measure; and 3) the City and the Library complied with other Measure Q requirements. Specifically, these other Measure Q requirements include whether: 1) the City Council appropriated the minimum General Fund appropriation; 2) the Library established and maintained an adequate reserve fund; and 3) the Library has established an oversight committee to review Measure Q expenditures. We also assessed whether the Library implemented adequate internal controls to ensure compliance with Measure Q.

### Audit Scope

The scope of the audit was fiscal years 2005-06 and 2006-07. Our review of the internal controls was limited to those controls that the Library relied on to comply with Measure Q.

### Audit Methodology

This section describes the methodologies we used to complete the audit objectives. To determine whether the Library spent Measure Q monies in accordance with the objectives specified in the measure, we tested expenditure transactions pertaining to personnel services, operations and maintenance, and overhead. For personnel costs, we judgmentally selected a sample of Library personnel that were funded by Measure Q. We compared the salaries paid with the salary ordinance to ensure that the salaries were consistent with the approved salary schedules. We also reviewed the job descriptions of Library personnel funded by Measure Q to determine whether their duties were consistent with the objectives of the measure. We also analyzed fringe benefit calculations, such as health care and retirement, to ensure these calculations were consistent with City Administrative Instructions.

For operations and maintenance costs, we judgmentally selected expenditures to ensure that these expenditures were consistent with the objectives of Measure Q. For instance, we analyzed invoices for the purchase of books, periodicals, online databases, and computer hardware and software to ensure that these purchases were appropriate, properly authorized, and adequately documented.

For overhead expenses, we assessed whether the overhead charges were consistent with City directives. We reviewed the lease for the Cesar Chavez branch library and obtained a legal opinion from the Office of the City Attorney (City Attorney) to determine whether the Library could charge the common area maintenance fees to the Measure Q Fund. For the General Facilities Support overhead costs, we interviewed staff from the Public Works Agency and the Budget Office to obtain an understanding of how the General Facilities Support costs were calculated and allocated to the departments. We also obtained a legal opinion from the City Attorney to determine whether the Library could charge General Facilities Support costs to the Measure Q Fund.

In addition to our review of expenditures, we verified that all Measure Q revenues received from Alameda County were deposited into the Measure Q Fund.

To determine whether the Library met the 12 objectives, we reviewed the following: 1) the Library's statistical reports detailing the number of visitors, computer sessions, book collections, and scheduled hours at each branch library; 2) the Library's statistical reports detailing the number of programs and program attendees at each branch library; 3) monthly branch library manager reports describing the monthly programs and activities held at each branch library; 4) Oracle financial reports and Budget Reporting and Analysis Support System (BRASS) staffing reports; and 5) the Joint Use Agreement between the Oakland Public Library and the Oakland Unified School District regarding the new library in East Oakland. In addition, we visited six branch library locations including AAMLO and interviewed the branch library managers.

To determine whether the City Council appropriated the minimum General Fund appropriation for the Library, we analyzed the City of Oakland's Fiscal Years 2005-07 and 2007-09 Adopted Policy Budget.

To determine whether the Library met the reserve fund requirement for Measure Q, we analyzed Oracle fund balance reports and calculated the reserve requirement based on the guidance provided in the measure. We then compared our calculation to the requirement specified in the measure. We also interviewed Library staff and the Budget Office staff to determine responsibility for calculating the reserve requirement.

To determine whether the Library established an oversight committee to review Measure Q expenditures, we interviewed the Library Director, the Library's Chief Fiscal Officer, and Library Advisory Commission members. We also reviewed the Library Advisory Commission ordinance, meeting minutes, letters of nomination, and appointment documents.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## AUDIT RESULTS

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### SECTION I: THE LIBRARY SPENT MOST MEASURE Q MONIES IN ACCORDANCE WITH THE MEASURE

In fiscal years 2005-06 and 2006-07, the Library spent over \$23 million in Measure Q monies. We found that the Library spent most of these monies in accordance with the measure with the exception of the excess General Facilities Support costs and questionable common area maintenance fees for the Cesar Chavez branch library. In addition, our review found that the Library needs to improve internal controls to ensure compliance with Measure Q and improve processes for receiving, approving, and recordkeeping of library purchases.

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#### Measure Q Expenditures

In fiscal years 2005-06 and 2006-07, the Library spent over \$23 million in Measure Q monies, \$11.2 million in 2005-06 and \$11.8 million in 2006-07. Table 3 shows Measure Q monies by expenditure category.

**TABLE 3**  
**MEASURE Q EXPENDITURES BY CATEGORY**  
**FISCAL YEARS 2005-06 AND 2006-07**

<b>Expenditure Category</b>	<b>Fiscal Year 2005-06</b>	<b>Fiscal Year 2006-07</b>	<b>Total</b>	<b>Percentage of Total</b>
<b>Personnel Services</b>	\$ 8,246,170	\$ 8,714,194	\$ 16,960,364	74%
<b>Operations and Maintenance</b>	2,535,704	2,583,679	5,119,383	22%
<b>Overhead</b>	412,910	531,700	944,610	4%
<b>Total</b>	<b>\$ 11,194,784</b>	<b>\$ 11,829,573</b>	<b>\$ 23,024,357</b>	<b>100%</b>

Source: City Auditor Staff Analysis of Oracle Financial Reports

### Personnel Services

In fiscal years 2005-06 and 2006-07, the Library spent nearly \$17 million, or 74 percent of Measure Q monies on personnel services. These monies paid for librarians, administrative staff, and custodial staff at the Main Library and the branch libraries. The personnel costs included salaries and fringe benefits. We concluded that the personnel services costs charged to the Measure Q Fund were appropriate and consistent with uses specified in the measure.

### Operations and Maintenance

In fiscal years 2005-06 and 2006-07, the Library spent \$5.1 million, or 22 percent of Measure Q monies on operations and maintenance. The Library spent Measure Q monies on books, periodicals, online databases, technology equipment, office supplies and equipment, repairs, and maintenance. We concluded that the operations and maintenance costs charged to the Measure Q Fund were appropriate and consistent with the uses specified in the measure.

### Overhead

In fiscal years 2005-06 and 2006-07, the Library charged over \$944,000 to various overhead costs. The two major overhead expenses were city-wide General Facilities Support costs (\$772,000) and common area maintenance fees (\$172,000) associated with the lease of the building that houses the Cesar Chavez branch library.

In fiscal years 2005-06 and 2006-07, the Library charged the Measure Q Fund approximately \$772,000 for General Facilities Support costs which includes material and labor for custodial services, utilities, building engineers and building maintenance. At the beginning of the fiscal year, the City charges the departments for the budgeted General Facilities Support costs. However, the City does not adjust for the actual costs, which are not known until after the fiscal year is completed. Furthermore, the Library's budgeted General Facilities Support costs exceeded the actual costs in both fiscal years we reviewed. Specifically, in fiscal year 2005-06, Measure Q was charged \$351,833 for General Facilities Support costs but the actual General Facilities Support costs were \$295,540, resulting in a \$56,293 overcharge to the Measure Q Fund. Similarly, in fiscal year 2006-07, the Measure Q Fund was charged \$420,311 for General Facilities Support costs but the actual costs were \$416,067, resulting in a \$4,244 overcharge to the Measure Q Fund. In total, the General Facilities Support costs charged to the Measure Q Fund exceeded the actual cost incurred by \$60,537 in fiscal years 2005-06 and 2006-07.

The City Attorney opined that Measure Q monies can be used to pay for General Facilities Support costs (See Appendix 1 for the City Attorney's opinion). However, the City Attorney also opined that Measure Q monies cannot be used to pay for more than the actual cost of the services provided to the Library. Thus, the \$60,537 in General Facilities Support costs charged to the Measure Q Fund that are in excess of the actual costs should not have been charged to the Measure Q Fund.

During our review of the City's process for calculating the General Facilities Support cost for the Measure Q Fund, we found that the City does not correct any of the General Facilities Support cost allocations city-wide to reflect the actual costs. Rather, the City charges all of the funds based on budgeted costs. According to City Officials, the City did not track actual General Facilities Support costs prior to fiscal year 2005-06. Furthermore, the City still has not established a process to charge actual General Facilities Support costs to other funds. This is indicative of a larger issue regarding deficit balances in the Facilities Fund and other funds that receive reimbursements for user charges. The City's external auditors reported their concerns regarding the internal service fund deficits during the fiscal year 2005-06 financial audit.

To remedy the problem with the General Facilities Support costs, the City should reimburse the overcharges to the Measure Q Fund and take steps to ensure that the Measure Q Fund only pays for actual General Facilities Support costs in the future. Furthermore, the City needs to establish a process for charging actual General Facilities Support costs to all funds.

In fiscal years 2005-06 and 2006-07, the Library also paid for expenses known as common area maintenance fees for the common area building space the Library leased for the Cesar Chavez branch library. In fiscal years 2005-06 and 2006-07, the Library used Measure Q monies to pay approximately \$172,000 in total for these common area maintenance fees.

The common area maintenance fees are associated with the upkeep for Fruitvale Village, where the Cesar Chavez branch library is located. The common area maintenance fees include cleaning, mechanical maintenance, elevator, security, general building repair and maintenance, administration, insurance, utilities, and parking expenses.

The City Attorney opined on whether Measure Q monies may be used to pay the common area maintenance fees (See Appendix 1 for the City Attorney's opinion). The City Attorney's opinion notes that the common area maintenance fees can be charged to the Measure Q Fund if there is a connection between the fees and the provision of library services. The City Attorney's opinion states:

Use of Measure Q Funds is limited to the retention and enhancement of library services and programs. Some Project Operating Costs appear to address issues outside of the Library's immediate premises and unrelated to keeping the library open. Items, such as "Administration" appear to be distantly connected to the provision of library services.

The City Attorney's opinion also states:

Other costs are necessary for the provision [of] library services and keeping the Library open. The charge for "Utilities," while invoiced for "common area expense" include direct utility costs for the library. Without electricity or water, the Library could not be kept open. Therefore Measure Q Funding can be used to pay for these expenses.

To ensure that Measure Q monies are only used to pay for common area maintenance fees that are directly connected to the provision of library services, we recommend that the Library research the common area maintenance fees and determine which fees are directly connected to the provision of library services. If the Library identifies any common area fees that are not connected to providing direct library services, the Library should reimburse these charges to the Measure Q Fund.

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### **The Library Needs to Strengthen its Internal Controls**

Internal controls are a fundamental component of an organization's operations that provide reasonable, though not absolute, assurance that management's objectives are being met. Internal controls consist of plans, methods, policies and procedures used to meet management's mission, goals and objectives.

Although we found that the Library has spent most of the Measure Q monies in accordance with the measure, the Library lacks formal written policies and procedures on the use of Measure Q monies. Therefore, we recommend that the Library develop a policy and procedures defining how Measure Q monies can be used. Specifically, the policy and procedures should clearly state the specific programmatic activities that can be funded with Measure Q monies and the allowable costs associated with these activities. The policy and procedures should also identify the Library staff responsible for enforcing its provisions.

The Library is responsible for ordering, receiving, approving payments, and recordkeeping for library purchases. When the Library receives an order, staff compare the items received to the order. If the shipment is consistent with the order, Library staff stamp the invoice as received and approve the invoice for payment. Library staff then submit the approved invoice for payment to the City's Central Accounts Payable Division in the Finance and Management Agency. The Library staff also maintain a copy of the approved invoice to refer to if any questions arise. The stamp is an important internal control because it provides the proof that the order was received and approved for payment.

Our review found that the Library needs to improve internal controls for receiving, approving, and recordkeeping of library purchases such as books, compact discs, periodicals, and technology hardware and software. Specifically, we found that the Library lacks formalized written procedures for receiving, approving payments, and recordkeeping. Furthermore, our review of the Library's process for receiving and approving invoices identified several inconsistent practices. For instance, we found that 9 of 69 invoices, or over 10 percent of the invoices tested, lacked a stamp to verify the books were received. With regards to recordkeeping, we found that 10 of 69 invoices, or over 10 percent of the invoices tested, were missing from the Library's files.

The Library drafted written procedures for purchasing. However, the Library did not formally adopt and communicate the procedures to purchasing staff. Therefore, to improve internal controls over the payment of library purchases, the Library needs to formalize and implement policies and procedures for receiving, approving, and recordkeeping related to Library purchases.

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## **SECTION II: THE LIBRARY MET MOST OF THE 12 OBJECTIVES IN THE MEASURE**

Measure Q specified that proceeds from the measure may only be used to achieve the following 12 objectives:

1. Keep neighborhood libraries open a minimum of six days per week and increase weekend hours;
2. Retain availability of library services at the Main Library seven days per week;
3. Enhance and expand library collections, including the acquisition of new books and materials;
4. Continue to provide educational and cultural programs for youth in all Oakland libraries, including after school tutoring, literacy, and children's programs;
5. Expand library-based programs in support of literacy, lifelong learning, and information technology;
6. Operate an African American museum and library program;
7. Increase joint educational activities with local schools including librarian services;
8. Retain children's librarians in every library facility;
9. Operate the new joint school-public library in East Oakland;
10. Upgrade and enhance information technology in all libraries and improve access to computers and technology in the libraries;
11. Support after school homework programs; and
12. Support teen programs.

During the period of our review, the Library met most of the objectives in the measure. In some instances, the measure lacked specific measurements or the Library lacked information for us to assess whether the objectives have been met. Below is our analysis of whether the Library has met the objectives in the measure.

### **Did the Library keep neighborhood libraries open a minimum of six days per week and increase weekend hours? (Objective 1)**

The Library met this objective. All neighborhood libraries were open six days per week, Monday-Saturday. Prior to the passage of Measure Q, only 7 of 15 branch libraries were open on Saturdays. Thus, the Library has increased weekend hours since the passage of Measure Q.

**Did the Library keep the Main Library open seven days per week?**  
(Objective 2)

The Library met this objective. The Main Library was open seven days per week.

**Did the Library enhance and expand its library collections including the acquisitions of new books and materials?** (Objective 3)

The Library met this objective as it has increased the acquisition of books and materials since the passage of Measure Q. In fiscal year 2003-04 (prior to the passage of Measure Q), the Library purchased \$546,000 in books and materials. However, in fiscal year 2005-06 and fiscal year 2006-07, the Library purchased \$1,082,000 and \$1,331,000, respectively, in books and materials. The amount of money spent on book purchases in fiscal year 2006-07 represented a 144 percent increase over the amount spent in fiscal year 2003-04. Furthermore, the Library's book collections have increased by approximately 33 percent since the measure passed in 2004.

**Did the Library provide educational and cultural programs for youth in every library, including after school tutoring, literacy, and children's programs?** (Objectives 4 and 11)

The Library appeared to have met the intent of this objective. Specifically, the Library has established educational and cultural programs in every library. The amount and frequency of educational and cultural programs depends on the needs of the community and is determined at the discretion of the branch library manager.

In regards to after school tutoring, the Library does not offer structured after school tutoring at all branch libraries. The Library's Children's Services Unit has developed a new after school homework tutoring program, "*Oakland Library After School*" (OLAS). OLAS volunteers provide homework assistance to children and the program is currently offered in four branch libraries. The Library also assigns a children's librarian to each branch library except for AAMLO. These librarians are available to assist students with their school work.

With regards to literacy programs, the Library offers an adult literacy program called Second Start located at the West Oakland branch library. The Library, however, has not established a formal literacy program in every branch library. The Library officials believe that after school tutoring, as well as family reading nights and story times improve literacy.

**Did the Library expand library-based programs in support of literacy, lifelong learning, and information technology? (Objective 5)**

The Library met the intent of this objective. The majority of the library programs in some way support literacy, lifelong learning, and information technology. Although the number of activities declined since fiscal year 2003-04, the number of participants increased substantially. In fiscal year 2003-04, the Library sponsored 2,776 children's programs or activities. In fiscal year 2006-07, the Library sponsored 2,483 programs and activities, which is an 11 percent decrease in the number of programs and activities since fiscal year 2003-04. Although the number of programs and activities declined, the number of children participating in these programs and activities increased significantly from 83,377 to 106,962, which is a 28 percent increase in the number of participants.

The Library did not maintain data on the number of adult programs, activities, and participants prior to the passage of Measure Q. Thus, we could not assess whether the Library has expanded programs in support of adult literacy, lifetime learning, and information technology. However, the Library is currently tracking adult program statistics. We noted that the Library increased in the number of adult programs in fiscal year 2006-07 by 24 percent over the number of programs offered in fiscal year 2005-06. Although the number of programs increased, the number of participants decreased by 15 percent in fiscal year 2006-07.

**Did the Library operate an African American Museum and Library Program? (Objective 6)**

The Library met this objective. The AAMLO opened for public use in February 2002 and is currently operating as a non-circulating reference library.

**Did the Library increase joint educational activities and librarian services with local schools? (Objective 7)**

Although the Library provided joint educational activities and librarian services with local schools, we could not assess whether the Library had increased these activities. The Library did not maintain data prior to the passage of Measure Q on the number of joint educational activities and librarian services. Therefore, we could not determine whether the Library increased these services. However, in fiscal year 2005-06, the Library conducted over 2,900 joint programs with the Oakland Unified School District and other Oakland schools. In fiscal year 2006-07, the Library conducted over 2,400 joint programs with the Oakland Unified School District and other Oakland schools. These joint activities included story

times at the library, homework assistance or research, and children or teen librarian visits to local schools for presentations or programs.

**Did the Library have a children's librarian in every library facility?**  
(Objective 8)

The Library met this objective. The Library assigned a children's librarian to every library facility with the exception of AAMLO.

**Did the Library operate the new joint school-public library in East Oakland?** (Objective 9)

The Library has taken steps to address this objective. A Joint Use Agreement between the Oakland Public Library and the Oakland Unified School District was signed on January 15, 2004. A ground breaking ceremony for the construction of the new joint school-library was held on May 31, 2008, and the new facility is scheduled to open in late 2009.

**Did the Library upgrade and enhance information technology and improve access to computers and technology in all libraries?**  
(Objective 10)

The Library met this objective. The Library has upgraded and enhanced information technology by purchasing and implementing an updated Integrated Library System (ILS) in October 2006. Also, the Library has increased spending on other technology items. In fiscal year 2003-04, the Library spent \$163 on minor computer hardware and software. In contrast, in fiscal years 2005-06 and 2006-07, the Library spent approximately \$451,000 and nearly \$223,000, respectively, on computer hardware and software. Furthermore, the Library has added computers to the libraries since fiscal year 2003-04. The Library added 334 new computers in fiscal years 2005-06 and 2006-07.

**Did the Library support teen programs?** (Objective 12)

The Library met this objective. In fiscal years 2005-06 and 2006-07, the Library sponsored 247 and 312 different teen programs and activities, respectively. The teen programs included the Teen Homework Assistance program, Teen Volunteer program, Teen Advisory Board and the Youth Leadership Council. In addition to these programs the Library sponsored activities and events on an on-going basis. These activities included dance performances, video game sessions, movie nights, and teen book clubs.

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### **SECTION III: THE CITY AND THE LIBRARY PARTIALLY MET OTHER REQUIREMENTS IN THE MEASURE**

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During our review, we found that the City Council appropriated sufficient monies to meet the minimum General Fund appropriation requirement. We also found that the Library has met the reserve requirement; however, the City has not established a separate reserve fund. Furthermore, neither the Library nor the Budget Office assumed responsibility for calculating the reserve fund requirement. Lastly, we found that the Measure Q oversight committee has been established; however, we noted problems with the composition of the committee.

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#### **The City Met the Minimum Level of General Fund Appropriation**

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Measure Q requires that City Council appropriate General Fund monies for library services at a level no lower than the General Fund appropriation in fiscal year 2000-01. In fiscal year 2000-01, the City Council appropriated \$9,059,989 for library services.

The City Council appropriated sufficient monies to satisfy this requirement in fiscal years 2005-06 and 2006-07. Specifically, the City Council appropriated over 11.3 million in fiscal year 2005-06 and over \$11.9 million in fiscal year 2006-07.

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#### **The Library Met the Reserve Requirement, but Did Not Establish a Reserve Fund**

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The measure also requires the Library to maintain a reserve fund of five percent of the total amount of parcel taxes collected by the City in the previous fiscal year. Measure Q requires that the City calculate the reserve requirement on January 1 of each year. The reserve requirements for fiscal year 2005-06 and fiscal year 2006-07, were \$536,031 and \$556,484, respectively.

The Library has maintained sufficient reserves to comply with the reserve requirement for fiscal years 2005-06 and 2006-07. As of January 1, 2006, the Measure Q Fund had a balance of \$2,780,295, or \$2,244,264 more than the reserve requirement. Furthermore, as of January 1, 2007, the Measure Q Fund had a balance of \$2,633,140, or \$2,076,656 more than the reserve requirement.

Although the fund balance exceeded the reserve fund requirement, the fund balance of Measure Q fluctuates throughout the year as most of the tax revenues are collected in April and December. We found that the Measure Q Fund had negative balances for four months for both of the fiscal years we reviewed. Table 4 shows the monthly fund balances for fiscal years 2005-06 and 2006-07.

**TABLE 4**  
**SUMMARY OF MEASURE Q FUND BALANCE**  
**FOR FISCAL YEARS 2005-06 AND 2006-07**

<b>Month</b>	<b>Fiscal Year 2005-06</b>	<b>Fiscal Year 2006-07</b>
July	\$ 1,302,195	\$ 1,178,732
August	398,588	308,678
September	(397,633)	(479,368)
October	(1,310,201)	(1,406,220)
November	(2,096,674)	(2,337,735)
December	2,780,295	2,633,140
January	1,841,407	1,417,697
February	1,049,086	334,195
March	(17,345)	(972,979)
April	3,591,499	1,441,239
May	2,706,664	1,668,959
June	1,958,401	1,307,495

**Source:** Fund Balance Reports from Oracle Financial Reports

Although the City met the Measure Q requirement for the amount of reserves, the City has not established a separate reserve fund. All of the revenues collected were transferred to the Measure Q Fund. Furthermore, our review found that neither the Library nor the Budget Office calculated the fund balance as of January 1 of each year to ensure that the reserve requirement was met.

To comply with Measure Q, the City should establish a separate reserve fund for Measure Q monies, and the Library and the Budget Office should work together to establish responsibility for calculating the reserve fund requirement and assessing whether the requirement is met.

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### **The City Established an Oversight Committee but Improvements Are Needed**

Measure Q also requires the establishment of an oversight committee comprised of local citizens to review Measure Q expenditures and make recommendations. The City partially met this requirement. The City Council has designated the Library Advisory Commission (Commission) to review Measure Q expenditures and make recommendations.

Although the Commission acts as an oversight committee and reviews Measure Q expenditures, the audit identified several problems related to the appointment of members to the Commission. First, the enabling ordinance specifies that the Commission shall be comprised of 15 members and 8 members shall constitute a quorum. The Commission had 11 members as of June 30, 2007. Moreover, the Commission conducted business without 8 properly appointed members for all 12 Commission meetings held in fiscal years 2005-06 and 2006-07. Thus, the Commission is not operating in accordance with its enabling ordinance.

In addition, the City did not appoint members to the Commission in a timely manner. The enabling ordinance states that Commission members can serve up to two consecutive three-year terms, and members with expired terms can serve an additional year in a hold over capacity. As of June 30, 2007, 6 of 11 commission members' terms had expired and exceeded the one year hold over period.

To ensure that the Commission operates in accordance with its enabling ordinance, the Library needs to work with the Mayor and City Council to increase the size of the Commission to the required 15 members. In addition, the Library should also work with the Mayor and the City Council to improve the timeliness of the appointments to the Commission.

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## CONCLUSION

Our review found that the Library spent over \$23 million in Measure Q monies in fiscal years 2005-06 and 2006-07. Most of these expenditures were in accordance with the measure, with the exception of the excess General Facility Support costs and questionable common area maintenance fees at the Cesar Chavez branch library. Although the monies were mostly spent in accordance with the measure, we identified areas where internal controls need to be improved. We also found that the Library met most of the objectives with regards to Library services. Furthermore, the City Council has appropriated sufficient General Fund monies to satisfy the minimum funding requirement. In addition, the Library has maintained adequate reserves, but should formalize controls for the annual calculation and assessment of the reserve requirement and establish a separate reserve fund. Finally, the Commission has been assigned responsibility for providing oversight of Measure Q expenditures. However, the timeliness of the appointments to the Commission must be improved.

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## Recommendations

RECOMMENDATION No. 1: The City should repay the Measure Q Fund for the excess General Facilities Support costs and take steps to ensure that the Measure Q Fund only pays for actual General Facilities Support costs in the future.

RECOMMENDATION No. 2: The City should establish a process for charging actual General Facilities Support costs to all funds to ensure all funds pay only actual General Facilities Supports costs incurred in the future.

RECOMMENDATION No. 3: The Library should research the common area maintenance fees and determine which fees are directly connected to the provision of library services. If the Library identifies any common area fees that are not connected to providing library services, the City should reimburse these charges to the Measure Q Fund.

RECOMMENDATION No. 4: The Library should develop a policy and procedures defining how Measure Q monies can be used. Specifically, the policy and procedures should clearly state the specific programmatic activities that can be funded with Measure Q monies and the allowable costs associated with these activities. The policy and procedures should also identify responsibility for enforcing its provisions.

RECOMMENDATION No. 5: The Library needs to formalize and implement written policies and procedures for the receiving, approving, and recordkeeping of purchases.

RECOMMENDATION No. 6: The Library should work with the Budget Office to establish a reserve fund for Measure Q monies.

RECOMMENDATION No. 7: The Library and the Budget Office should clarify responsibilities for calculating the reserve requirement for the Measure Q Fund.

RECOMMENDATION No. 8: The Library should work with the Mayor and City Council to comply with the Library Advisory Commission enabling ordinance requirement that the Commission be comprised of 15 members. The Library should also work with the Mayor and the City Council to improve the timeliness of the appointments to the Library Advisory Commission.

APPENDIX I

**CITY OF OAKLAND**  
**Office of the City Attorney**  
**Legal Opinion**

TO: Michael Edmonds,  
Chief Deputy City Auditor  
Melanie Boughton, Deputy City Auditor

FROM: John Russo  
City Attorney

DATE: August 19, 2008

RE: Use of Measure Q (Library Tax) Funds

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**I. INTRODUCTION**

The Library Services Retention and Enhancement Act of 1994 ("the Act") as amended in 2004 ("Measure Q") governs the use of funds collected by this tax. Section 10 of the Act mandates: "The City Auditor will perform an annual audit "to assure accountability and the proper disbursement of the proceeds of this tax in accordance with the objectives stated herein." In the course of the City Auditor's annual audit, you have asked the City Attorney's Office to provide a legal opinion on the use of Measure Q funds for certain "rental" expenses associated with the Cesar Chavez Library and to identify payment limits, if any, for the janitorial services performed at all City libraries.

**II. QUESTIONS**

1. Whether Measure Q funds may be used to pay for "Project Operating Costs" for the Cesar Chavez Library ("the Library") located in Fruitvale Village at 3301 East 12<sup>th</sup> St.?
2. Whether Measure Q funds expended for janitorial services to City libraries should be limited to the actual cost of those services to the libraries?

**III. SUMMARY CONCLUSION**

1. Measure Q provides that the proceeds of this tax may only be used in accordance with twelve objectives. Measure Q provides that "The proceeds of this tax

may only be used in accordance with the following objectives: to keep neighborhood libraries open a minimum of six days per week and increase weekend hours . . . .” To the extent that any Project Operating Costs of the Fruitvale Village allow the Library to stay open, they are permitted Measure Q costs. This may include costs that are necessary for library patrons to use or library employees to provide library services, provide for the repair or maintenance of the Library facility.

2. Yes. Because use of the Measure Q tax is expressly limited to library related expenditures, Measure Q funds may not be used for non-library expenses. Accordingly, Measure Q funds appropriated for janitorial expenses must be no greater than the actual cost of janitorial services provided in the City libraries.

#### **IV. BACKGROUND**

In 1994, Oakland voters passed Measure O, the Library Services Retention and Enhancement Act (“the Act”), which imposed a parcel tax on residential and non-residential parcels for the sole purpose of retaining and enhancing library services. In March 2004, the voters passed Measure Q, an ordinance amending the Act. Measure Q

- (1) extended the expiration date of the Act from 2009 to 2024,
- (2) increased the parcel tax levy,
- (3) expanded the services for which the tax proceeds could be used,
- (4) increased the minimum general fund library appropriation (before Measure Q proceeds could be collected),
- (5) established a “Reserve Fund Requirement,” mandating that all funds collected be deposited in a special fund in the City Treasury, and
- (6) augmented the Act’s audit requirement by directing the City Council to designate a body of Oakland citizens to make recommendations and review expenditures of Measure Q funds.

Measure Q specifies that tax proceeds may be used only for twelve objectives, most of which provide for the continuation, enhancement or expansion of library and/or educational services. The objectives, as specified in Section 2 of Measure Q under the heading “Use of Proceeds” are as follows:

1. to keep neighborhood libraries open a minimum of six days per week and increase weekend hours;
2. to retain availability of library services at the Main Library 7 days per week;
3. to enhance and expand library collections, including the acquisition of new books and materials;
4. to continue to provide educational and cultural programs for youth in every library, including after school tutoring and literacy and children’s programs;
5. to expand library-based programs in support of literacy, learning and information technology;
6. to operate an African-American museum and library program;

7. to increase joint educational activities with local schools including librarian services;
8. to retain children's librarians in every library facility
9. to operate the new joint school-public library in East Oakland;
10. to upgrade and enhance information technology in all libraries and improve access to computers and technology in the libraries;
11. to support after-school homework programs; and
12. to support teen programs.

## V. ANALYSIS

The terms of Measure Q dictate and limit how the proceeds of the tax may be used. Sections 2 and 4 of Measure Q unequivocally specify that this tax can only be used for the purposes authorized.

"All funds collected by the City from the imposition of the tax shall be deposited into a special fund in the City treasury and **appropriated and expended only for the purposes authorized by this Ordinance.**" (Emphasis added, Measure Q, Section 4.)

A review of Measures O and Measure Q reveals that this tax was imposed to facilitate the expansion of library services and programs or retain existing services and programs. Section 1(B) of Measure O states:

The tax imposed under this Ordinance is solely for the purpose of raising revenue necessary to retain and enhance library services in the City of Oakland.

...

The Library Services Retention and Enhancement Act of 1994 is for the sole purpose of raising revenue that will be utilized for library services.

(Emphasis added.)

In 1999, the City Council Finance & Management Committee asked whether Measure O funds could be used to pay for library buildings reconstruction and/or rehabilitation. On June 8, 1999, the City Attorney's Office issued an opinion stating that Measure O funds are for operations and maintenance:

[T]he purpose of the Library Tax is retention of library services. The reconstruction of the Main Library would be capital improvement. The Library Tax funds may be fairly characterized as an operations and maintenance fund, as opposed to a capital expense fund. Consequently, the Library Services Fund is

an inappropriate source of funds for the capital expenditures. (p. 1, emphasis added.)

Examination of the Measure Q and its legislative history also shows the intent to retain existing services or expand such services, particularly in light of "revenue shortfalls" (Measure Q, fourth Whereas; City Auditor's Impartial Financial Analysis), "increased costs due to new neighborhood branches," (Argument in Favor of Measure Q), and "State budget cuts" (Id.) In the face of these threats, the Measure Q tax would be used so that services would be retained, including neighborhood library hours.

Section 2.1 of Measure O provided:

"The proceeds of this tax may only be used in accordance with the following objectives:

1. to keep neighborhood libraries open a minimum of 5 days per week;"

Section 2.1 of Measure Q provides:

"The proceeds of this tax may only be used in accordance with the following objectives:

2. to keep neighborhood libraries open a minimum of six days per week and increase weekend hours;"

This language shows that proceeds of the tax could be used for the broad purpose of keeping neighborhood libraries open.

#### **A. "Rent" For The Cesar Chavez Library**

The Cesar Chavez Library opened in February 2004, one month before Measure Q passed. A review of the itemized payments on the Library's Expenditure Summary under "Account No. 53211; Description – Rental: Land and Building" (See General Ledger Operating Details from Oracle) reveals that the "rent," that is the subject of this legal opinion, is the Fruitvale Village "Project Operating Costs".

The City of Oakland, as Cesar Chavez Library ("the Library"), contracted with the Fruitvale Development Corporation (landlord) to be a tenant in the Fruitvale Village (or "the Project") in August, 2002. The Fruitvale Village rental contract, a long-term lease agreement, ("the Agreement") reveals that the Library's base rent of \$4,500,000 to cover a 20 year term was to be fully paid within 15 days of the "commencement date". The commencement date was defined as "The latter to occur of October 1, 2003 or the date of substantial completion of the Tenant improvements. ..." Fruitvale Village tenants also must pay "additional rent".

"Additional rent" is defined as "All costs and expenses which Tenant assumes or agrees to pay to Landlord under the Lease..." "Additional rent" includes payment, in monthly installments of the annually estimated "Project Operating Costs" (the actual costs of which are adjusted in the following year's annual estimate). As detailed in one and one-half pages of the Agreement, "Project Operating Costs" is the Library-tenant's proportional share of a cornucopia of taxes, insurance, operating and maintenance expenses of Fruitvale Village which include, but are not limited to, operation and maintenance of a mail room, upkeep of the common areas, compensation (including taxes and fringe benefits) of all persons who perform duties connected with the operation, maintenance, repair or overhaul of the Project (Fruitvale Village) and equipments, improvements and facilities located within the Project. The landlords invoices the Library for the Project Operating Costs monthly as Common Area Maintenance ("CAM") charges. CAM charges are common in leases for space in shopping centers and like commercial spaces.

Use of Measure Q funds is limited to the retention and enhancement of library services and programs. Some Project Operating Costs appear to address issues outside of the Library's immediate premises and unrelated to keeping the library open. Items, such as "Administration" appear to be distantly connected to the provision of library services.

Other costs are necessary for the provision library services and keeping the library open. The charge for "Utilities," while invoiced for "common area expense" include the direct utility costs for the library.<sup>1</sup> Without electricity or water, the library could not be kept open. Therefore Measure Q funding can be used to pay for these expenses. Similarly, if the "parking expense" and "elevator" are for services available to library patrons or employees, then they are reasonable costs for to "keep neighborhood libraries open," (If the library is on an upper floor, the elevator may be necessary for compliance with the Americans with Disabilities Act.) "Cleaning" may be for cleaning the interior of the library or for areas library patrons use for ingress or egress. If so, then it would be a permitted cost under Measure Q. To the extent that any other cost is for the maintenance or repair of library facilities, for areas that library patrons or employees will use, or would otherwise support the library in keeping its doors open, Measures Q funds may be used.<sup>2</sup>

## **B. Janitorial Services For City Libraries**

Measure Q presents the prescribed usages as objectives, several of which expand or retain library services and the number of days or hours that the libraries are

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<sup>1</sup> Paulette Mitchell of the Library Department provided a sample invoice and explanation via telephone on August 14, 2008.

<sup>2</sup> There is a reasonable argument that rent is a necessary cost "to keep neighborhood libraries open a minimum of six days." If no rent is paid, the library is evicted. This may explain the reason why Measure Q funds were used to pay the "additional rent." The most prudent application however, especially in light of our June 8, 1999, opinion is to also require that there be a connection to the provision of library services.

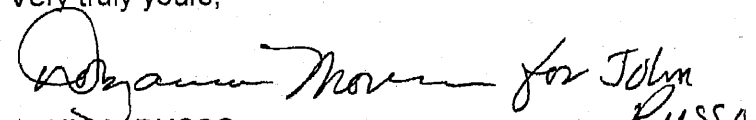
open. It reasonably follows that janitorial service for all the libraries must also be expanded or retained to keep the libraries open and if the library services are to be effectively used by patrons. A clean building, including clean restroom and floors, are necessary for the use of library services. While the cost of janitorial services may reasonably be paid from Measure Q funds, the actual cost of the janitorial services performed in all City libraries sets the maximum amount that can be paid for those services with Measure Q funds.

It may be that the cost of janitorial services is charged by proportional payments from all buildings or departments served. Because of the legally restricted use of Measure Q funds, the City should maintain a reasonable account of the City libraries' use and corresponding cost of services that are Measure Q eligible even if the cost of such services are otherwise shared for accounting reasons with other departments.

#### VI. CONCLUSION

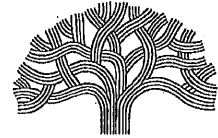
(1) Whether Project Operating Costs for Fruitvale Village are an appropriate use of Measure Q funds depends on the connection of those costs to keeping the library open; and (2) funds no greater than the actual cost of janitorial services to the City libraries can be paid from Measure Q funds.

Very truly yours,

  
JOHN A. RUSSO  
City Attorney

Attorney Assigned:  
Mark Morodomi

# CITY OF OAKLAND



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Office of the City Administrator

(510) 238-3301  
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October 21, 2008

To: Courtney Ruby, City Auditor

From: Dan Lindheim, Acting City Administrator

A handwritten signature in dark ink, appearing to be 'DL' or similar initials, written over the 'From:' line.

Re: Response to Final Draft Measure Q Audit Findings and Recommendations

I have reviewed the October 7, 2008 Final Draft Measure Q Audit Report and am pleased that the City Auditor has confirmed that the City has generally expended Measure Q funds in accordance with the provisions of the ballot measure. Responses to the eight recommendations included in the audit report are provided below.

Recommendation No. 1:

The City should repay the Measure Q Fund for the excess General Facilities Support costs and take steps to ensure that the Measure Q Fund only pays for actual General Facilities Support costs in the future.

Response:

Staff concurs with this recommendation. The Public Works Agency will work with the Budget Office, Library and the Finance and Management Agency to reimburse \$60,537 to the Measure Q Fund. In future years, the Budget Office will ensure that the Measure Q Fund budget established for General Facilities Support charges be based on the most recent prior fiscal year actuals.

Recommendation No. 2:

The City should establish a process for charging actual General Facilities Support costs to all funds to ensure all funds pay only actual General Facilities Supports costs incurred in the future.

Response:

As part of the biennial budget development process, the Budget Office will propose a baseline budget that incorporates General Facilities Support charges based on the most recent prior fiscal year actuals or an average of prior year actuals. Adjustments may also be warranted depending on new facilities that are anticipated to come online during the fiscal year (or existing facilities anticipated to go offline during the fiscal year).

Recommendation No. 3:

The Library should research the common area maintenance fees and determine which fees are directly connected to the provision of library services. If the Library identifies any common area fees that are not connected to providing library services, the City should reimburse these charges to the Measure Q Fund.

Response:

Library staff concurs with this recommendation. Library staff will work with the Community and Economic Development Agency's Real Estate Office to review the Chavez Branch Library common area maintenance fees to determine which fees are connected to the provision of library services. Should staff identify any common area fees that are not connected to providing library services, the Library will work with the Financial Services Agency to repay fees incorrectly charged to the Measure Q Fund.

Recommendation No. 4:

The Library should develop a policy and procedures defining how Measure Q monies can be used. Specifically, the policy and procedures should clearly state the specific programmatic activities that can be funded with Measure Q monies and the allowable costs associated with these activities. The policy and procedures should also identify responsibility for enforcing its provisions.

Response:

Although the Measure Q initiative clearly states the purpose for which these funds may be utilized, Library staff nonetheless generally concurs that a written policy statement outlining how Measure Q monies may and may not be used is in the interest of good public policy. Therefore, Library staff will work with the City Attorney's Office to develop a clear policy statement regarding the expenditure of Measure Q funds.

The audit also recommends establishing a written procedure for the expenditure of Measure Q monies. The City currently has in place detailed purchasing procedures for the expenditure of all City funds. Although the procedure for the expenditure of Measure Q funds falls within the existing purchasing guidelines, they do not adequately ensure that Measure Q monies will not be used inappropriately. Therefore, library staff will develop procedures to ensure that Measure Q funds are used in accordance with the defined policy.

Recommendation No. 5:

The Library needs to formalize and implement written policies and procedures for the receiving, approving, and recordkeeping of purchases.

Response:

Library staff concurs with this recommendation. Library staff has drafted procedures for the receiving, approving, and recordkeeping of purchases. The procedures are currently under review and staff anticipates full implementation by January 1, 2009.

Recommendation No. 6:

The Library should work with the Budget Office to establish a reserve fund for Measure Q monies.

Response:

Although Library staff "has maintained sufficient reserves to comply with the reserve requirement," as noted in the report, staff nonetheless concurs with this recommendation. The Library is currently working with the Budget Office to establish a set-aside of the required reserve amount in compliance with the requirements set forth under Measure Q.

Recommendation No. 7:

The Library and the Budget Office should clarify responsibilities for calculating the reserve requirement for the Measure Q Fund.

Response:

Staff concurs with this recommendation. Library and Budget Office staff will jointly share this responsibility. As required, Library staff will calculate the requirement each year and will forward it to the Budget Office for confirmation. The reserve requirement for calendar year 2008 is \$557,420.

Recommendation No. 8:

The Library should work with the Mayor and City Council to comply with the Library Advisory Commission enabling ordinance requirement that the Commission be comprised of 15 members. The Library should also work with the Mayor and the City Council to improve the timeliness of the appointments to the Library Advisory Commission.

Response:

Library staff concurs with this recommendation. Library staff will continue to work with the Mayor's Office and the City Council to fill vacancies on the Library Advisory Commission.

In summary, the audit finding that Measure Q funds have been expended properly, with the noted exception, is accurate. Although already provided within the initiative language and the City's purchasing procedures, the recommendation for written policies and procedures for the expenditure of these funds, will nonetheless help ensure that Measure Q monies are used in accordance with the intent of Measure Q.

cc: Carmen Martinez

Raúl Godinez II

Sarah Schlenk

William Noland

William Zenoni