

# City of Oakland Office of the City Auditor

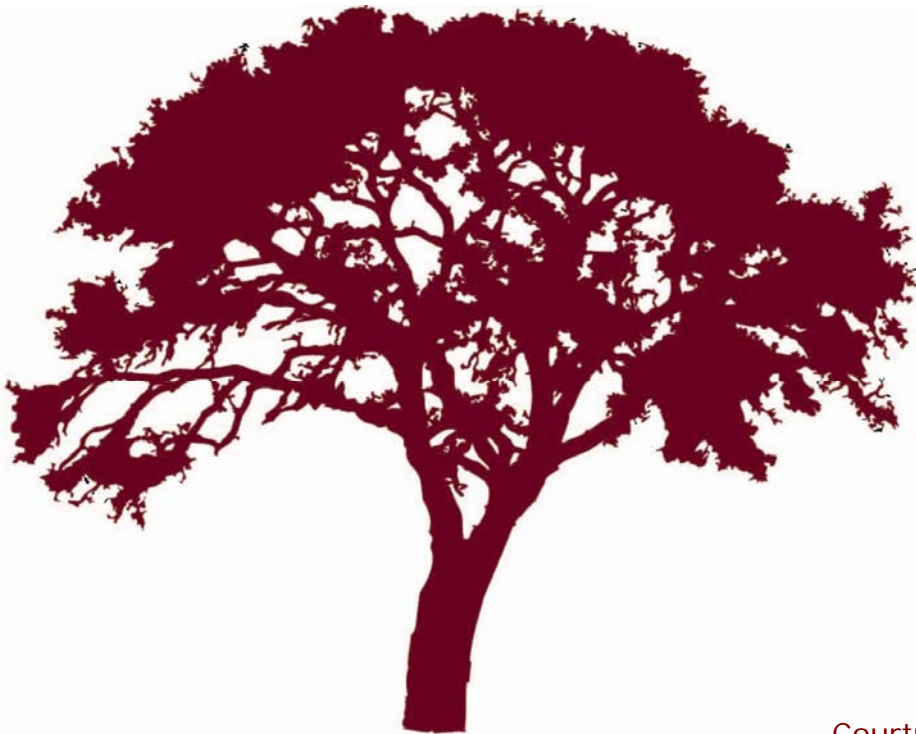
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April 14, 2011

## Audit Recommendation Follow-Up Report

### Measure Q Performance Audit

Full implementation of all audit recommendations by  
the Mayor, City Council, and City Administration



City Auditor  
Courtney A. Ruby, CPA, CFE

# Recommendation Follow-Up





CITY HALL • ONE FRANK H. OGAWA PLAZA, 4<sup>TH</sup> FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Auditor  
Courtney A. Ruby, CPA, CFE  
City Auditor

(510) 238-3378  
FAX (510) 238-7640  
TDD (510) 238-3254  
[www.oaklandauditor.com](http://www.oaklandauditor.com)

April 14, 2011

OFFICE OF THE MAYOR  
HONORABLE CITY COUNCIL  
OFFICE OF THE CITY ADMINISTRATOR  
OAKLAND, CALIFORNIA

**RE: AUDIT RECOMMENDATION FOLLOW-UP REPORT FOR MEASURE Q  
PERFORMANCE AUDIT**

Dear Mayor Quan, President Reid, Members of the City Council, Interim City Administrator Ewell, and Citizens of Oakland:

Attached is the final audit recommendation follow-up report to both the October 2008 and September 2010 Measure Q Performance Audit from the Office of the City Auditor (Office). This report focuses on the recommendations that had not been fully implemented at the conclusion of the September 2010 Measure Q Performance Audit.

The Office's follow-up on the Measure Q recommendations found that all four of the four open recommendations from the audit report were fully implemented and closed by the Mayor, City Council and City Administration. This prompt implementation of all of the audit's recommendations has enhanced internal controls over Measure Q purchases and the Measure Q reserve fund; increased preventive measures against fraud, thereby increasing accountability for purchases made with Measure Q funds; and, reimbursed \$43,848 in inappropriate charges to the Measure Q fund. The collaborative effort undertaken to implement these Measure Q recommendations resulted from a positive and constructive approach - one that should serve as a model for all future audit recommendation implementation by the City.

Audits are an objective assessment of whether or not public resources are responsibly and effectively managed to achieve intended results. However, it is not until an audit's recommendations are fully implemented that the true public benefit can be realized through operational efficiencies, increased accountability, and proper safeguarding of City assets. Therefore, it is critical that the City Administration act upon its responsibility to Oakland residents by the timely implementation of audit recommendations, as shown here.

Office of the Mayor; Honorable City Council, Interim City Administrator  
Measure Q Audit Recommendation Follow-up  
April 14, 2011  
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It is only when the City's leadership prioritizes the timely implementation of audit recommendations that the City delivers on our promise to the public - to serve as effective stewards of the City's assets and continue to be deserving of their trust.

Respectfully submitted,

A handwritten signature in black ink, reading "Courtney A. Ruby". The signature is written in a cursive, flowing style with a large initial 'C'.

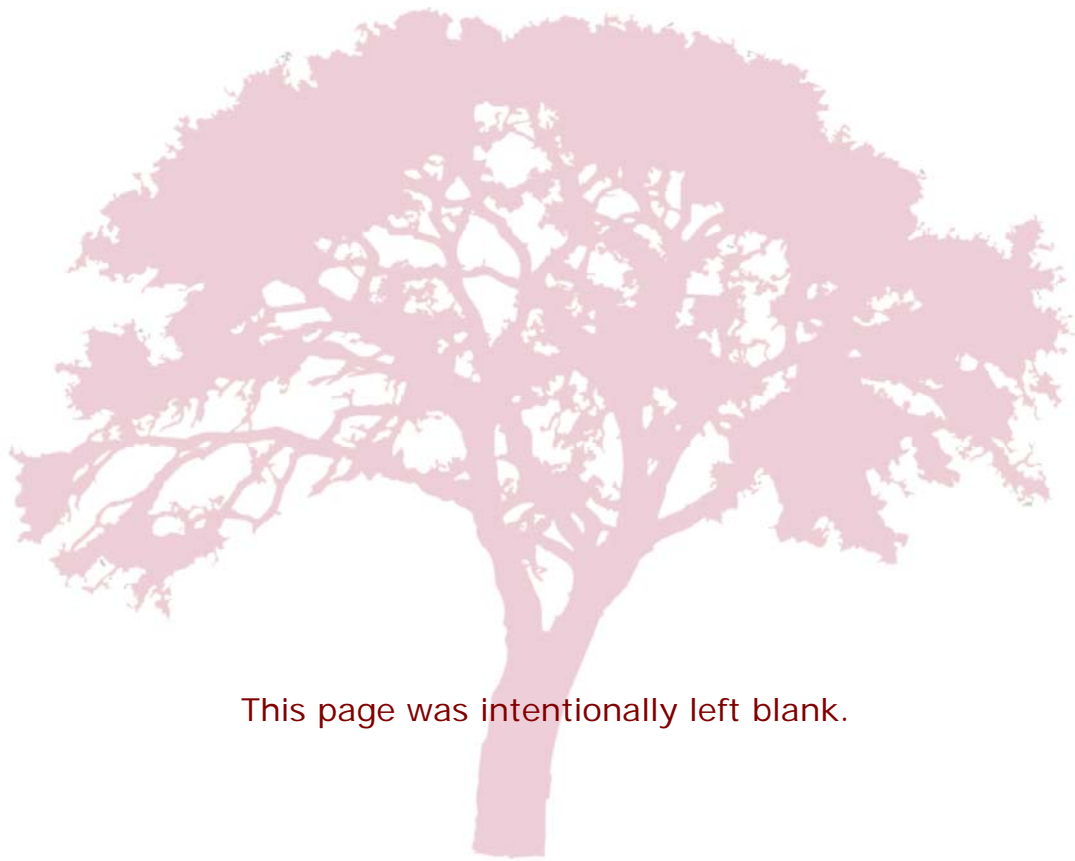
COURTNEY A. RUBY, CPA, CFE  
City Auditor

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## Overview

The impact of an audit's recommendations is achieved when the City Administration ensures prompt and proper implementation. Corrective action taken by the City Administration on audit findings is essential to improving the effectiveness and efficiency of Oakland's operations.

## Follow-Up Process

The purpose of the follow-up process is to assess the status of full implementation of audit recommendations and to then close the recommendations. If a recommendation is not closed or fully implemented, it is considered open. Open recommendations are comprised of unresolved, partially resolved, and resolved recommendations.

Follow-up reports, released on a quarterly basis, may combine more than one audit or focus on groups of recommendations from larger audits. During audit recommendation follow-up, the Office of the City Auditor (Office) assesses if corrective action has occurred through documentation review, interviews or on-site visits.

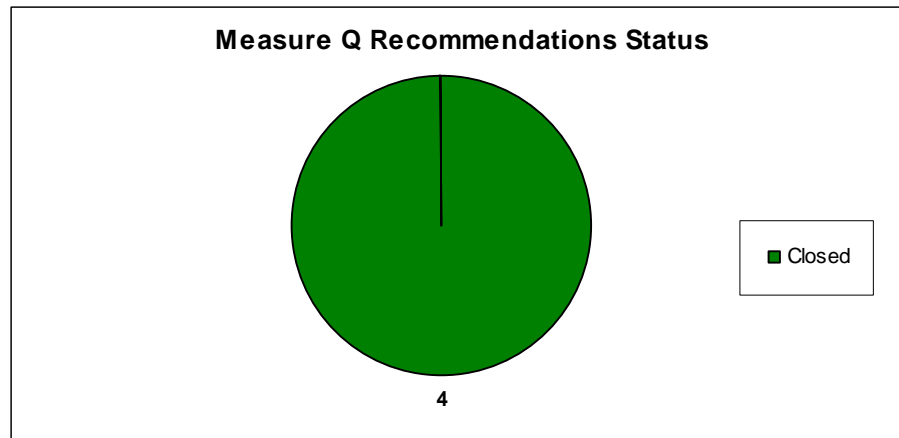
For any recommendation that is not fully implemented, the Office undertakes a collaborative process with the auditee to identify any potential barriers to full implementation. The Office then works with the auditee to identify corrective actions that can be successfully implemented. Once an auditee's corrective action has been assessed, a determination on the implementation status of the recommendations is made. The table below shows the four implementation status categories.

<b>Recommendation Implementation Status</b>	
Unresolved	No agreement on the recommendation or the proposed corrective action. Implementation of recommended corrective action is specified in the City Auditor's Audit Recommendation Follow-up Report.
Partially Resolved	Partial agreement on the recommendation or the proposed corrective action. Implementation of the proposed corrective action is clarified in the City Auditor's Audit Recommendation Follow-up Report.
Resolved	Agreement on the recommendation and the proposed corrective action. At the time of the audit recommendation follow-up, implementation of the proposed corrective action has not occurred.
Closed	Agreed upon corrective action complete. The corrective action is reviewed during the audit recommendation follow-up by the Office of the City Auditor and found to be fully implemented.

## Summary of Results

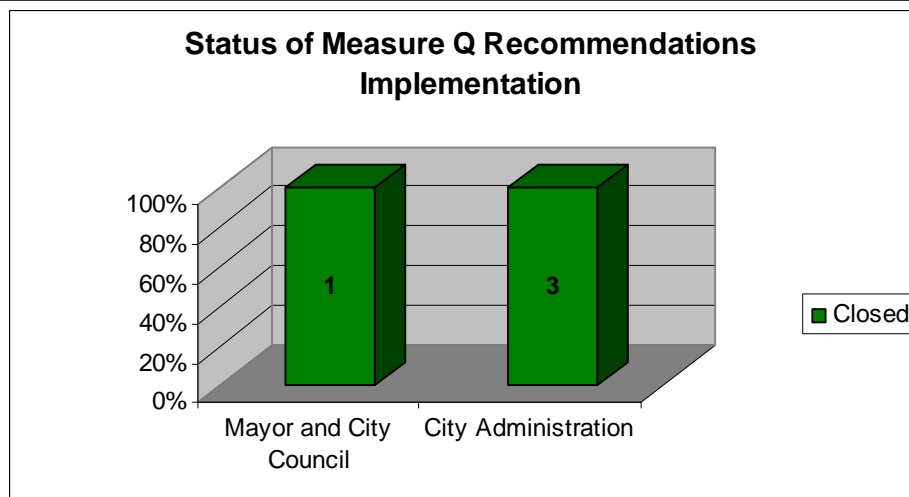
This report focuses on the implementation status of audit recommendations for the September 2010 Measure Q Performance Audit. Overall, the follow-up review found that all four of the four open recommendations from the audit report were fully implemented and closed, as shown in the exhibit below.

### Measure Q Recommendations Implementation Status



The entities that were responsible for the implementation of the Measure Q recommendations were the Mayor, City Council, and the City Administrator's Office, as shown in the exhibit below.

### Implementation Status of All Recommendations by Responsible Entity





## Measure Q Overview

The Measure Q Performance Audit was issued on September 20, 2010. The objectives of this audit were to analyze and evaluate the City's compliance with Measure Q requirements to:

- Expend parcel tax proceeds for Measure Q's 12 specified objectives
- Provide appropriations from the City's General Fund for library services in FY 2007-08 and FY 2008-09 at a level no lower than \$9,059,989 – the General Fund appropriation for FY 2000-01
- Establish a Reserve Fund in the amount of five percent (5%) of the total parcel taxes collected by the City in the previous fiscal year
- Designate a body comprised of Oakland citizens to make recommendations and review the expenditures of the funds
- Determine whether or not the City implemented the recommendations made in the October 2008 audit report

## Implementation Status of Recommendations

Of the four recommendations from the September 2010 Measure Q audit, the recommendation follow-up assessed the actions taken by the Mayor, City Council, and City Administration were sufficient to achieve full implementation and to close the recommendations.

### Open Recommendations: Measure Q

Open recommendations are unresolved, partially resolved or resolved recommendations, where corrective action has not yet been fully agreed upon or implemented by the City Administration at the time of the Office of the City Auditor's follow-up. Steps to close recommendations along with updated deadlines are provided to assist the City Administration in implementing the corrective action. Future audit follow-up by the Office of the City Auditor will continue to review the implementation of recommendations.

None: all recommendations have been fully implemented

## Closed Recommendations: Measure Q

Closed recommendations have been fully implemented by the Mayor, City Council, and City Administration and have been assessed by the Office of the City Auditor to have fully addressed the findings from the audit report.

Recommendation #1	The City Administration provided documentation showing that annual CAM fees of \$21,924 for both FY 2007-08 and FY 2008-09 were reimbursed to the Measure Q Fund. Additionally, the City Administration provided documentation demonstrating that the CAM fees would not be charged to the Measure Q Fund for FY 2011-13, subject to the City Council's approval of the budget. However, the recommendation follow-up determined that in FY 2009-10, \$21,924 CAM fees were inappropriately charged to the Measure Q fund, which will be need to be reimbursed by the General Fund.
Recommendation #2	Oakland Public Library (OPL) provided to the Office of the City Auditor both a completed Purchasing Policy and Procedure Manual and a training schedule for employees who will be making OPL purchases. The Manual included procedures on reducing the risk of error and potential fraud in the purchasing process.
Recommendation #3	The City Administration provided documentation to show that a separate Measure Q Reserve Fund has been established.
Recommendation #4	The City Administration, through OPL, provided documentation to show that OPL reported on its recommendations for the Library Advisory Commission (LAC). These recommendations covered the appropriate size of LAC, as well as alternatives to help facilitate more timely appointments to LAC, thus ensuring that LAC operates as an effective citizen oversight committee. OPL Management addressed the matter of prompt appointments to LAC with the Mayor and City Council.