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HONORABLE CITY COUNCIL
OAKLAND, CALIFORNIA

RE: SUMMARY OF MEASURE M RECOMMENDATION FOLLOW-UP

Dear Members of the City Council:

The Office of the City Auditor (Office) is required to report the status of its audit recommendations to the City Council (Council). In July 2011 the Office released its second performance audit of Measure M. As part of this audit, the Office followed-up on the implementation status of the recommendations that were issued to the Administration in the June 2008 audit of Measure M.

During our internal quality control process, we found that although the Council received a copy of the Office's Measure M audit when it was issued in July 2011, the recommendation status has not yet been presented to Council. For ease and clarity, we have attached a summary report of the recommendation follow-up conducted during the 2011 audit of Measure M and we will submit this report to the consent calendar for an upcoming meeting. Our next audit of Measure M will commence in 2013 and will be for the three year period 2009/10, 2010/11, and 2011/12.


The June 2008 Measure M Performance Audit contained two recommendations. The Office's follow-up found that:

- One recommendation is partially resolved and will be closed once it has been fully implemented.
- One recommendation is unresolved and will be closed once it has been fully implemented.

Audits are an objective assessment of whether or not public resources are responsibly and effectively managed to achieve intended results. The impact of an audit's recommendations is achieved when the City Administration ensures prompt and proper implementation, increased accountability, and proper safeguarding of City assets. Therefore, it is critical that the City Administration act upon its responsibility to Oakland residents through timely implementation of audit recommendations.

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 cursive script that reads "Courtney A. Ruby". The signature is written in black ink and is positioned above the printed name.

COURTNEY A. RUBY, CPA, CFE
City Auditor

RECOMMENDATION STATUS SUMMARY OF MEASURE M: EMERGENCY MEDICAL SERVICES RETENTION ACT FY 2007-08 AND FY 2008-09 PERFORMANCE AUDIT

OVERVIEW

The two recommendations issued to the Administration in the June 2008 performance audit of Measure M are still open as of July 2011.

Purpose of this Summary Report

Measure M is a reoccurring, mandated audit under the terms of the June 1997 ballot measure. The Office's original audit of Measure M in 2008 had two recommendations. The Office's audit of Measure M in 2011 had one recommendation. Status of the recommendations was reviewed as part of the July 2011 audit of Measure M. The City Auditor is required to report to City Council the status of all recommendations that are followed-up on. This Summary report highlights the recommendation follow-up portion of the July 2011 Measure M audit.

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.

Recommendation Implementation Status

Unresolved	No agreement on the recommendation or the proposed corrective action. Implementation of recommended corrective action is specified in this Report.
Partially Resolved	Partial agreement on the recommendation or the proposed corrective action. Implementation of the proposed corrective action is clarified in this 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 was reviewed during the audit recommendation follow-up and found to be fully implemented.

**Summary of
Recommendation Status**

The City Administration has not fully implemented the two recommendations from the 2008 Measure M audit. One of two recommendations is unresolved and one recommendation is partially resolved.

Measure M Recommendations Implementation Status		
2008 Audit Recommendation	2011 Audit Finding	2011 Recommendation Status
<p>Recommendation #1</p> <p>The City Administration should develop a policy and procedure defining how Measure M monies can be used. Specifically, the policy and procedure should clearly state the specific programmatic activities that can be funded with Measure M monies and the allowable costs associated with these activities. This policy and procedure should also identify responsibility for enforcing its provisions.</p>	<p>No policy and procedure was developed to define how Measure M monies can be used. As a result, the City continues to lack any formal guidance on how Measure M monies can be used and discretion over expenditures remains with Oakland Fire Department (OFD) staff with insufficient oversight to ensure consistent and proper use of the monies.</p>	<p>Unresolved</p>
<p>Recommendation #2</p> <p>The Fire Services Agency should work with the Office of the City Administrator and the Finance and Management Agency to reduce the year-end balance for the Measure M Fund. These steps should include a long term expenditure plan for Measure M monies, budgeting expenditures at a level commensurate with the estimated annual revenues, monitoring the fund balance, and identifying other uses for these monies that are consistent with the uses specified in the measure. If the City cannot reduce the fund balance, it should consider suspending the annual parcel tax rate increases until the fund balance is reduced to an acceptable level.</p>	<p>The OFD reduced the \$1.4 million fiscal year (FY) 2006-07 year-end balance of the Measure M Fund identified in the June 2008 audit report through the purchase of three fire engines totaling \$1,059,551, of which Measure M funds covered 80 percent. Additionally, the cost of two dispatchers was transferred from the General Fund to the Measure M Fund. At the end of FY 2008-09, the Measure M fund balance was \$495,256, and by the end of FY 2009-10, it was \$383,850. While the OFD developed the Projected Balance and Spending Plan to establish future balances and uses for the Measure M fund, the audit's assessment found the document was not comprehensive and inadequately projected expenditures and the fund balance.</p>	<p>Partially Resolved</p>

For additional information on the 2011 follow-up status of Measure M recommendations or regarding the complete 2011 Measure M audit, please review the audit report posted on the City Auditor's website.
<http://www.oaklandauditor.com/audits/reports>