

City of Oakland Office of the City Auditor

December 19, 2013

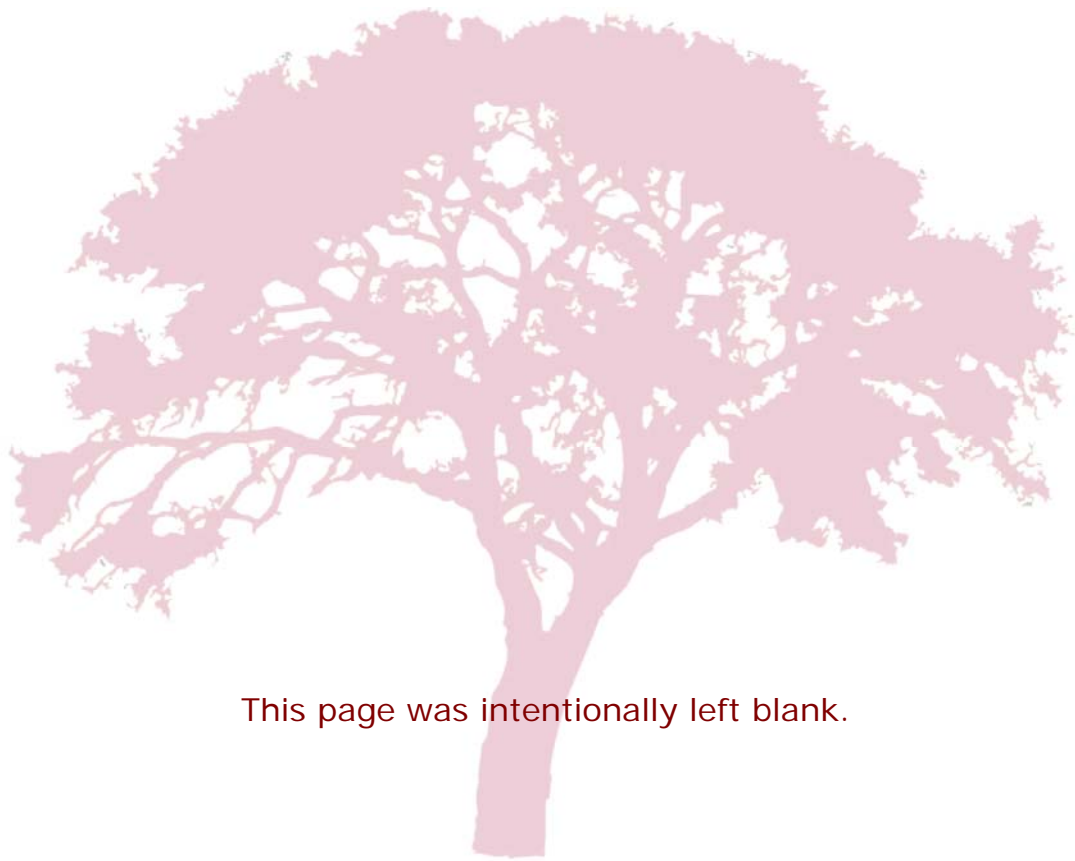
Library Services Retention and Enhancement Act (Measure Q) Audit FY 2009 – 10 through FY 2012 – 13

The audit found that the City properly administered and spent Measure Q funds.



City Auditor
Courtney A. Ruby, CPA, CFE

PERFORMANCE AUDIT



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December 19, 2013

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

RE: Library Services Retention and Enhancement Act (Measure Q) Audit

Dear Mayor Quan, President Kernighan, Members of the City Council, City Administrator Santana, and Oakland Citizens:

In 2004, the voters of Oakland demonstrated their commitment to our public library system by passing Measure Q, the Library Services Retention and Enhancement Act. Attached is the Library Services Retention and Enhancement Act Audit, which reviewed the disbursement and administration of Measure Q funds by the Oakland Public Library for FY 2009-10 through FY 2012-13.

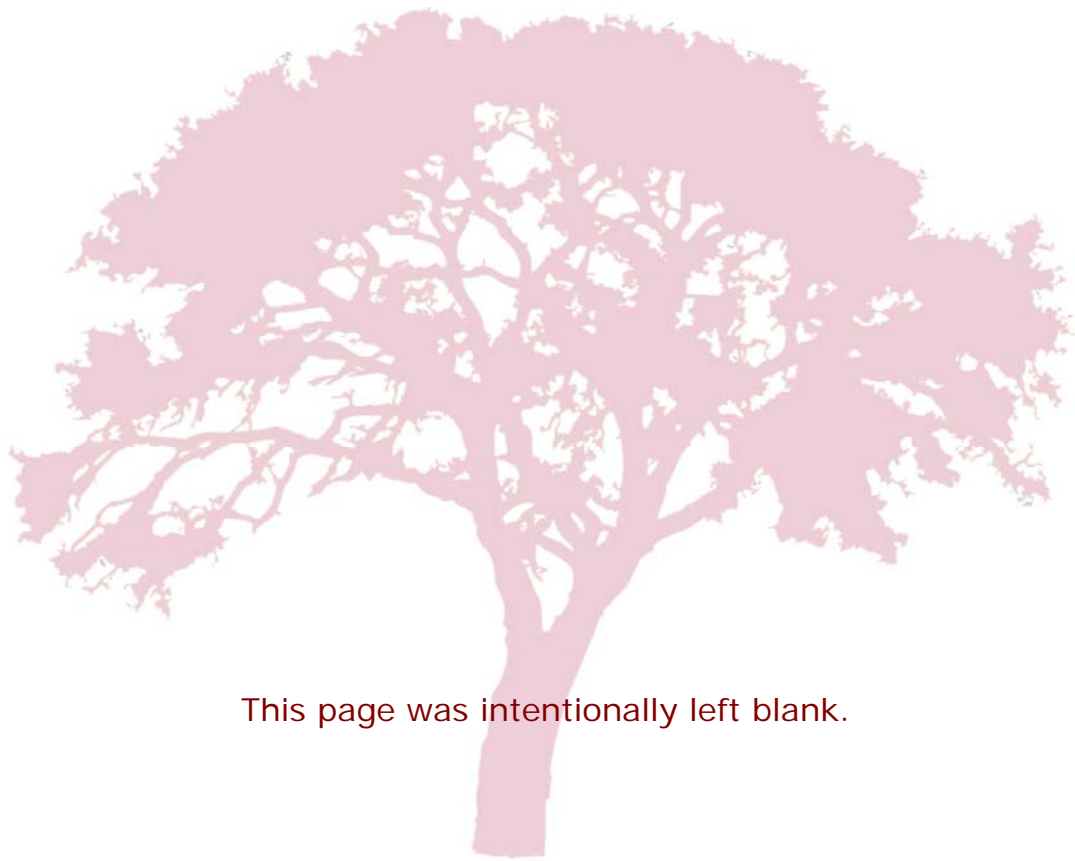
Measure Q requires an annual audit to ensure accountability and the proper disbursement of the parcel tax proceeds dedicated to library services. The audit found that the Library properly administered and spent Measure Q funds while enhancing and expanding library services. As a result, we are pleased to report that the Library is in compliance with Measure Q and there are no recommendations. This is our third audit and the Office commends the Library for their commitment to fully addressing past audit recommendations.

I want to express our appreciation to the Library Director and his staff for their cooperation during the audit and for their commitment to the objectives of Measure Q.

Respectfully submitted,

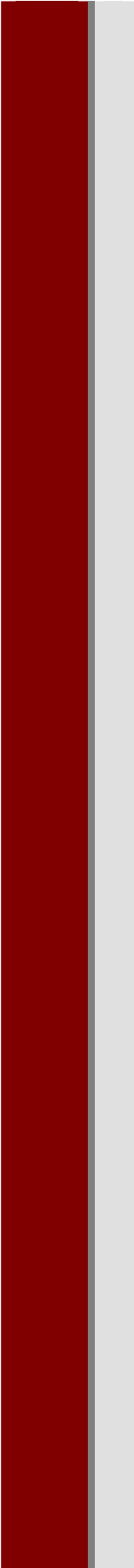
A handwritten signature in black ink that reads "Courtney A. Ruby". The signature is written in a cursive, flowing style.

COURTNEY A. RUBY, CPA, CFE
City Auditor

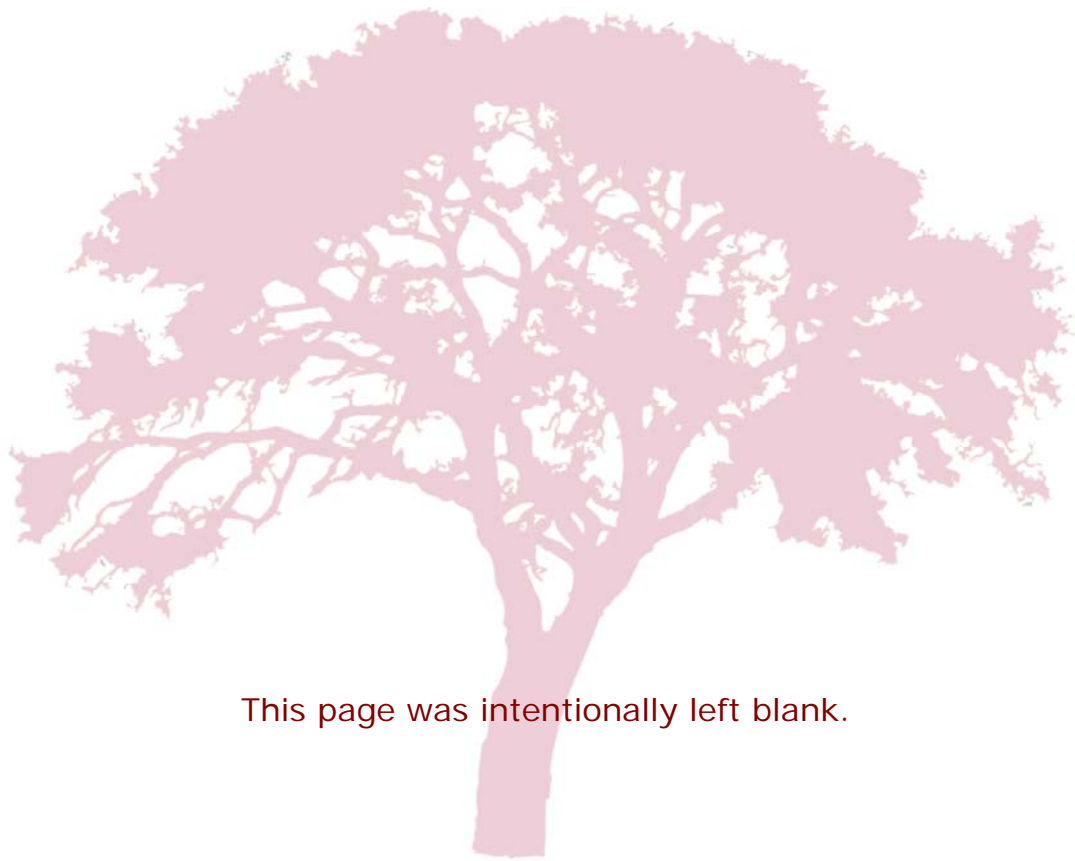


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Library Services Retention and Enhancement Act Audit FY 2009-10 through FY 2012-13

Introduction

The Library Services Retention and Enhancement Act (Measure Q) requires that the City of Oakland (City) appropriate at least \$9,059,989 from the City's general fund to the Oakland Public Library (Library) each year in order to qualify to receive the Measure Q parcel taxes collected by Alameda County (County). Measure Q also requires that the City Auditor's Office (Office) perform an annual audit to ensure that Measure Q funds are properly disbursed and administered by the Library.

Background

The Library Services Retention and Enhancement Act is an annual parcel tax that dedicates funding to Oakland's libraries; it was first approved by voters in 1994. In 2004, the act went back to the voters for renewal as Measure Q; the measure was approved through 2024. In order to access Measure Q funds that are collected by the County, the City is required to provide a general fund appropriation to the Library equal, or greater to, the amount appropriated in fiscal year 2000-01, which was \$9,059,989. If the City does not appropriate this minimum funding to the Library, then the City will not receive the Measure Q taxes from the County. The amount of Measure Q funding received by the Library each year depends on the parcel taxes collected as well as any exemptions granted for low-income homeowners and certain low-income residential hotels. The average annual Measure Q tax that the City received over the last four years total \$13,386,611.

Measure Q also establishes 12 objectives for the City to enhance and retain library services. In 2008, the City Attorney clarified that these objectives are not requirements but are instead limits to how Measure Q funds can be used. For example, funds can be used to increase or maintain the hours the Library is open, but the library is not required to meet the objective of branch libraries remaining open six days a week.

The Measure Q objectives are:

- To keep neighborhood libraries open a minimum of six days per week and increase weekend hours.
- To retain availability of library services at the main Library, seven days per week.
- To enhance and expand library collections, including acquisition of new books and materials.
- To continue to provide educational and cultural programs for youth in every library, including after school tutoring and literacy and children's programs.
- To expand library-based programs in support of literacy, lifelong learning, and information technology.
- To operate an African-American museum and library programs.
- To increase joint educational activities with local schools including librarian services.
- To retain children's librarians in every library facility.
- To operate the new joint school-public library in East Oakland.

- To upgrade and enhance information technology in all libraries and improve access to computer and technology in the libraries.
- To support after-school homework programs.
- To support teen programs.

The Office previously audited Measure Q in September 2010 and identified five findings, including that the Library generally complied with Measure Q, however, the Library did not have a formal purchasing manual, the Library Advisory Commission was not meeting its membership requirement, a common-area maintenance fee should have been charged to the General Fund, and a 5% Reserve Fund needed to be established, as required by the Measure. In April 2011, the Office followed up on the audit recommendations and found that all four recommendations had been addressed. As a result, the Office closed all of the audit recommendations.

Objectives, Scope & Methodology

Audit Scope & Objectives

The objectives of the audit are to verify the proper disbursement of Measure Q funds and confirm that the Library provides services to address each of the 12 Measure Q objectives. The scope of the audit includes fiscal years 2009-10 through 2012-13.

Audit Methodology

To conduct the audit, the Office:

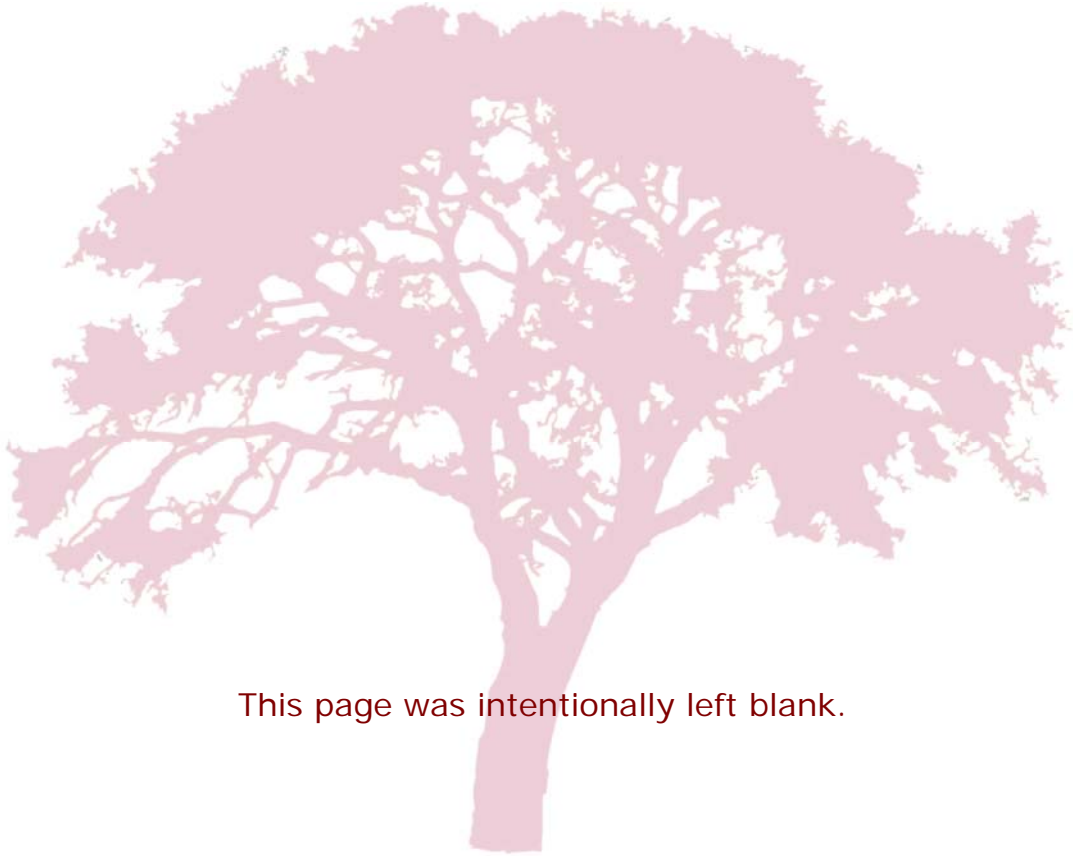
- Reviewed the Library's purchasing policies and procedures
- Verified that the City was allocating the correct minimum amount of funds to the Library
- Tested if the Library met the 5% reserve fund requirement
- Assessed the internal controls over Measure Q spending
- Verified the Measure Q funds received from the County
- Reviewed and quantified the Library's programs, services, and achievements related to the Measure Q objectives
- Reviewed meeting records from Library Advisory Commission and assessed whether the Library Advisory Commission requirements were met

The language in Measure Q Code requires that the Office annually audit it; however, due to resource limitations, the Office was not able to audit Measure Q annually. This audit brings the Office current on meeting this mandate.

The Office conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). These standards require that the Office plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit's findings and conclusions based on the audit's objectives. The Office believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.



AUDIT RESULTS



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Finding*The Library properly administered and spent Measure Q funds.*

For all four years reviewed, fiscal years 2009-10 through 2012-13, the City allocated at least the required amount (\$9,059,989) to the Library from the general fund and as a result received a total of \$53,546,444 in Measure Q taxes from the County. See the Exhibit below.

| Library Appropriations and Measure Q Funds Received | | |
|--|---|--------------------------|
| Fiscal Year | General Fund Appropriation to the Library | Measure Q Funds Received |
| 2009-2010 | \$10,899,680 | \$13,126,669 |
| 2010-2011 | \$11,529,190 | \$13,242,795 |
| 2011-20 12 | \$9,061,135 | \$13,384,065 |
| 2012-2013 | \$9,062,689 | \$13,792,915 |
| TOTAL | \$40,552,694 | \$53,546,444 |

The audit also found that the Library has sufficient controls to ensure that Measure Q funds are used in accordance with the requirements of the measure. In addition to creating a purchasing manual that follows City policies and procedures, the Library developed procedures specific to administering Measure Q funds, including the required 5% Reserve Fund. These procedures for allocating and spending Measure Q funds are documented and used by Library management.

Further, in fiscal years 2009-10 through 2012-13, the Library used Measure Q funds in accordance with the 12 objectives established in the measure and provided all age groups with a wide range of materials, services, and programs at all of the library branches. Some examples of how the Library enhanced and expanded library services in accordance with Measure Q include:

- Purchasing an average of 61,907 books each year
- Establishing a collection of over 9,500 eBooks and eAudioBooks
- Serving an average of 39,000 children each year
- Serving an average of 30,000 adults each year
- Providing a wide range of programs, including summer reading programs, video game tournaments, tax assistance, retirement planning, chess, arts and crafts for all ages, story time for children, English as a Second Language programs, computer classes, and financial planning workshops
- Keeping the Main Library open seven days a week and opening all of the 14 branches 5 days a week targeting the specific populations each branch serves

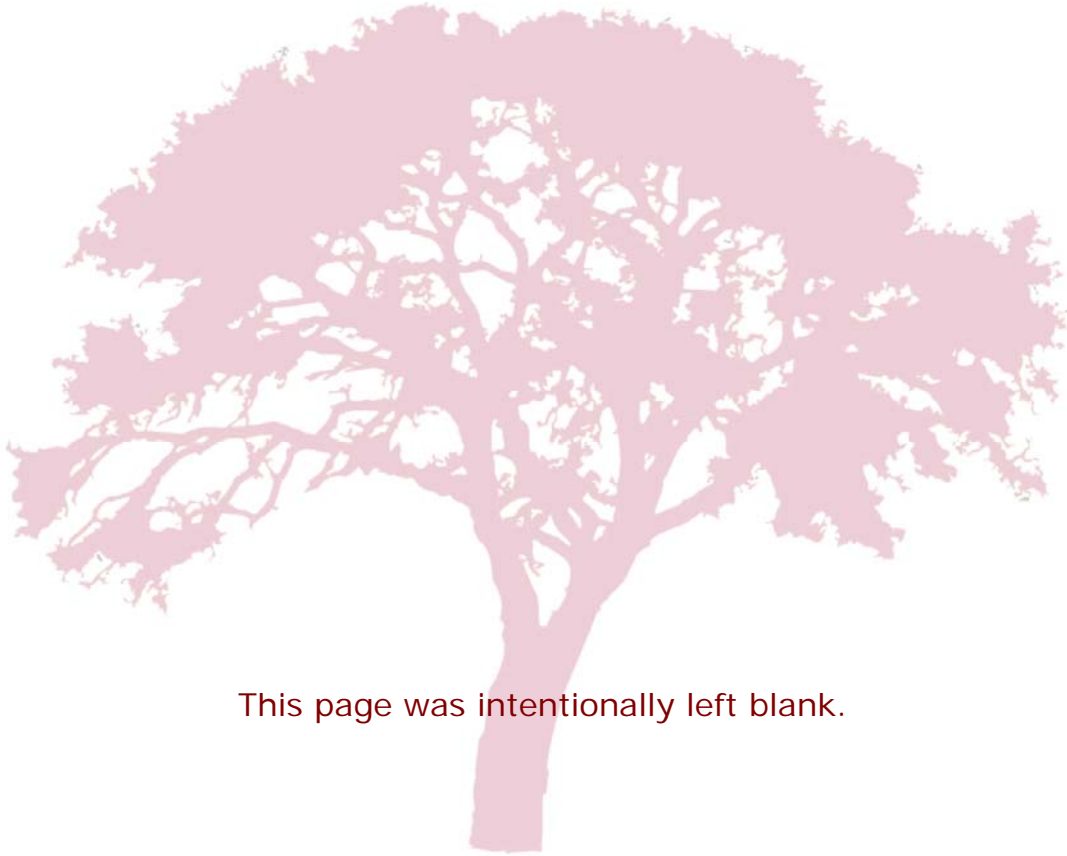
In addition to the 12 objectives listed above, Measure Q also requires that a panel of citizens make recommendations and review expenditures. This role is performed by the Library Advisory Commission (Commission). The structure of the Commission was amended in 1994 by City Ordinance 11730, which expanded the membership of the Commission from seven to 15 commissioners and established a three-year term for each commissioner.

The audit found that the Commission makes recommendations and reviews expenditures which meets the Measure Q requirement. As part of this audit, the Office also reviewed whether the Library met the Commission membership requirement established by Ordinance 11730. During the audit scope, the Library did not meet the 15-member requirement. The number of Commissioners ranged from 10 to 14 people between 2009 and 2013. According to the Library, this is because there is a lack of awareness or interest by community members to volunteer, insufficient publicity and promotion of vacant Commissioner positions, and delays in the legislative appointment process.

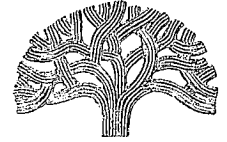
While the number of Commissioners did not comply with the City's membership requirement, attracting and retaining 15 volunteers for three-year terms appears to be difficult. However, out of a sample of 17 meetings reviewed, the Commission only failed to meet quorum twice. It is the Office's conclusion that the Commission is operating in compliance with Measure Q.



**ADMINISTRATION'S
RESPONSE**



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Deanna J. Santana
City Administrator

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December 17, 2013

The Honorable Courtney Ruby
Oakland City Auditor
City of Oakland, California
1 Frank H. Ogawa Plaza, 4th Floor
Oakland, California 94612

RE: Measure Q Audit, Fiscal Years 2009-10 through 2012-13

Dear City Auditor Ruby:

I am pleased to provide you with the City Administrator's response to the *Measure Q Audit, Fiscal Years 2009-10 through 2012-13*. We welcome performance audits conducted cooperatively to improve the efficiency and transparency of City Government operations. As specified under Section 10 of Measure Q passed by the electorate in 2004, the Office of the City Auditor is required to perform an annual audit to ensure accountability and proper disbursement of the proceeds of the parcel tax in accordance with the objectives stated in Section 2 of the Measure. However, due to the limited resources in the City Auditor's Office, this audit has not been conducted for several years. Thus, in order to bring the City Auditor's Office current in accordance with Measure Q, the time period selected for the audit was Fiscal Years 2009-10 through 2012-13.

The Administration is pleased with the Audit results, which determined that the Library properly administered and spent Measure Q funds for all four years reviewed. Specifically:

- The City not only met, but exceeded its required allocation to the Library from the general fund for all four years reviewed;
- The Library has sufficient controls to ensure that Measure Q funds are used in accordance with the requirements of the Measure. In addition to creating a purchasing manual that follows City policies and procedures, the Library developed procedures specific to administering Measure Q funds, including the required 5 % Reserve Fund;
- The Library used Measure Q funds in accordance with the 12 objectives established in the measure and provided all age groups with a wide range of materials, services and programs at all of the library branches.

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Furthermore, the City is also pleased with the Audit's final conclusion that the Library Advisory Commission is operating in compliance with its Measure Q oversight responsibilities. Nonetheless, the City welcomes the City Auditor's review of the Library Advisory Commission and the establishing City Ordinance 11730 C.M.S. that calls for 15 members to be on the Commission. Despite not achieving the 15-member requirement of the Commission at any one time over the four years that were reviewed, the audit found that a quorum was reached 15 out of 17 meetings reviewed.

In conclusion, the City Administration is in agreement with the overall results of the Measure Q Audit, which found that the Library properly administered and spent Measure Q Funds during the four year scope of the audit. We also appreciate dedication and collaboration of City Auditor's staff performing the Measure Q audit.

Sincerely,



Deanna J. Santana,
City Administrator

cc: Osborn K. Solitei, Finance Director/Controller
Irene de Jong, Assistant Controller
Gerry Garzon, Interim Library Director