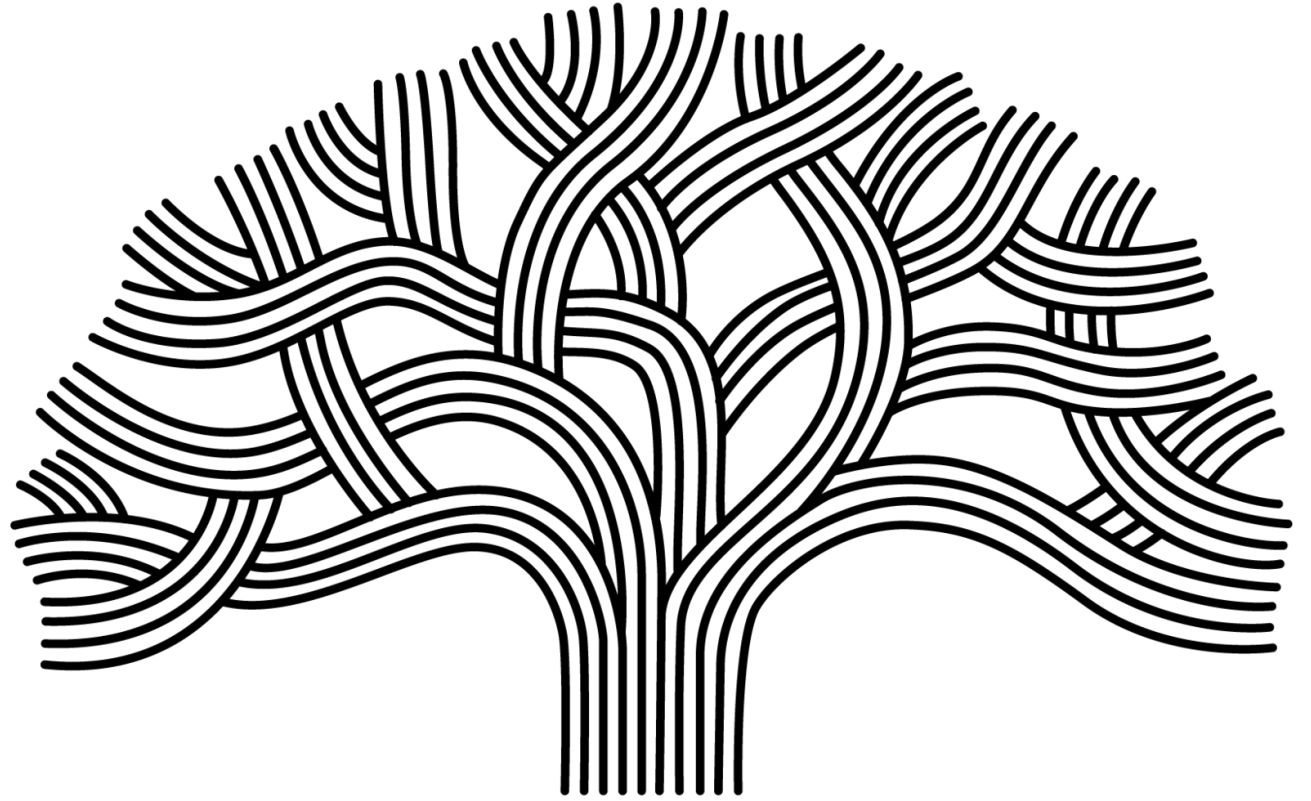


Office of the City
Auditor

Presentation to
Asian Real Estate
Association of the
East Bay

Courtney Ruby CPA, CFE
City Auditor

February 18, 2021



CITY OF OAKLAND

Creating Positive Change in the City of Oakland, One Audit at a Time.



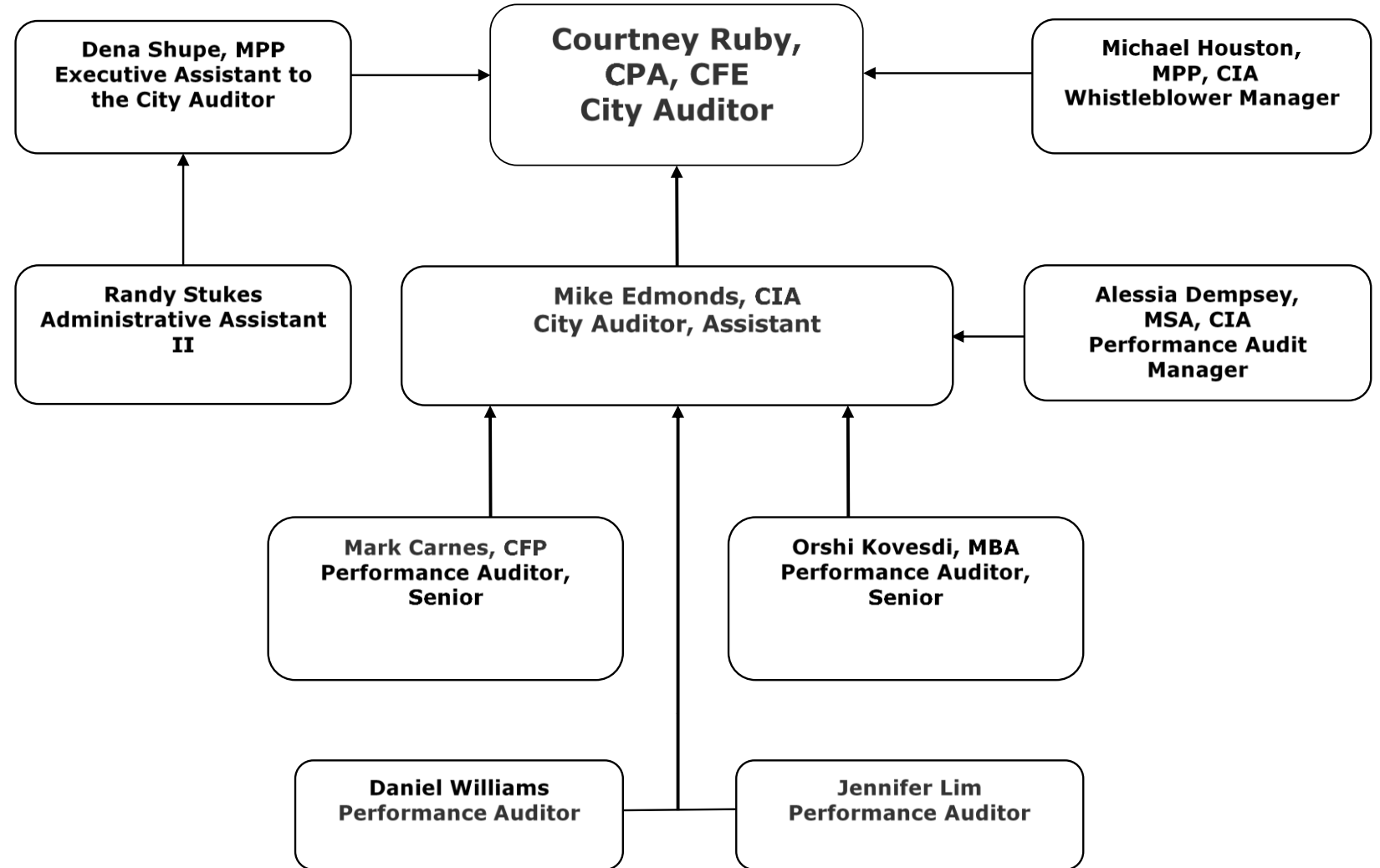
Oakland's City Auditor (again)

- City Auditor from 2007-2014
- City Auditor again in 2019



Office Overview & Structure

- Assumed Office January 7, 2019
 - Term: 4 years
- Authority to audit anything and everything in the City
- Staffing: 10 FTE's
 - 8 Auditors
 - 2 Administrative staff
- Office budget is \$2.4M
- City budget of \$1.6B



How Does the City Auditor Provide Value to Oakland residents?

- Ensures transparency and accountability.
- Protects against fraud, waste, abuse, and mismanagement.
- Ensures public funds are spent in the public interest.
- Identifies areas of greatest risk in government.
- Increases revenue and decrease costs.



Mission Statement

To conduct performance audits and investigations that return in-depth and meaningful results to the residents of Oakland by identifying, auditing and investigating areas of government most vulnerable to mismanagement, fraud, waste, and abuse.



Personal Vision

- Highest standards of performance and professionalism
- Serve the public with the utmost integrity
- Dig Deeper – greater Impact



How Does My Office Fulfill It's Mission And Goals?



Whistleblower Program

- Performance Audits
- Mandated Audits
- Ballot Measure Analyses
- And more...



Whistleblower Program Purpose

- Deter, detect and defend against **fraud, waste, and abuse**.
- 46% of fraud is initially detected through hotline tips; drops to 30% without hotline and
- 50% of tips come from employees



Waste

- Extravagant expenditures of City funds or misuse of resources
- Outdated practices, systems that are ineffective or wasteful
- Ex: Leaving City vehicle unsecure and vulnerable to theft

Fraud

- Lying and cheating to get money or assets
- Committed by contractors, vendors or employees
- Ex: theft of City property, payroll & timekeeping fraud, information theft

Abuse

- Obtain personal gain to which one is not entitled to
- Abuse of position and public trust
- Ex: Using City vehicle outside of City purposes

Why Should You Report?

- The City Auditor protects **confidentiality**
- Whistleblowers can remain **anonymous**
- Employees are protected from **retaliation**
- We will take **appropriate action** based on the investigation results.
- The City **benefits!**

Integrity

We adhere to our moral and ethical principles and we work honestly and fairly with the public and each other.

How to Submit a Confidential Report

To file a complaint, you may call the **WHISTLEBLOWER
HOTLINE** at **1-888-329-6390** (interpreter available) or
SUBMIT A REPORT ONLINE
(Español or 汉语)



All reports go through an independent company

All reports are then reviewed by the Office of the City Auditor

Continuing On To How We Fulfill Our Mission And Goals?

- ✓ Performance Audits
- ✓ Mandated Audits
 - Ballot Measure Analyses
 - And more...



Audits Issued

Performance Audits

- Police Overtime
- City of Oakland Financial Condition
- Workforce Development Board Follow-Up Audit
- Oakland Fire Department – Fire Prevention
- Rent Adjustment Program Follow-up Audit

Mandated Audits

- Library Services (Measures Q and D)
- Kids First! Fund for Children and Youth Act (Measure D)
- Police Commission & Community Policing Review Agency (CPRA) (Measure LL)
- Business Tax Refunds FY 2017-18
- Limited Public Financing Act



Highlights and Impacts of Some of Our Released Audits

Performance Audits

- Police Overtime
- Financial Condition
- Oakland Fire Prevention Bureau

Mandated Audits

- Police Commission & Community Police Review Agency
- Kids First
- Library Services

Police Overtime Audit

Issued June 10, 2019

Objective:

To assess OPD's current overtime practices and whether the City's Administration and OPD have taken substantial actions to implement the 2015 audit report's recommendations.

Why this audit matters:

- **OPD has averaged nearly \$30 million in overtime costs** over the last four fiscal years.
- **The City needs to provide the residents of Oakland with assurance** that all overtime worked is necessary and justified in support of OPD's mission to reduce crime and serve the community through fair, quality policing.
- **The City's budgetary practices need to be based upon realistic assumptions** to ensure appropriate transparency and accountability.

Police Overtime Audit

Issued June 10, 2019



What we found:

While OPD has taken some steps to slow the growth of overtime costs, the City still needs to take significant steps to better manage overtime and increase transparency on the true costs of overtime.

Impact of Police Overtime Audit

Administration agreed to implement 17/21 report recommendations

Accountability & Transparency

Audit surfaced long-term systemic issue. City still does not realistically budget for overtime. OPD has exceeded its overtime budget by an average of \$13.7 million over the last four fiscal years. ***The City has not considered historical spending in developing a balanced budget nor does it recognize reimbursable overtime revenues***, thus contributing to the City consistently underfunding OPD's overtime budget.

Financial Conditions Audit

Issued April 16, 2020

Objective:

To examine the City's financial well-being by calculating financial ratios, analyzing trends in the City's financial data over the past seven-year period, and comparing the results to other cities of similar size.

Why this audit matters:

For public officials and residents, independently assessing the City's financial health is a daunting task requiring an understanding of the City's CAFRs and Fiscal Year Budgets. We wanted to provide the public and City leaders with an easily digestible account of the City's financial health and assist decision makers in visualizing the City's course, consider options, and make adjustments to improve the City's long-term financial condition.

Financial Conditions Audit

Issued April 16, 2020



What we found:

Prior to the COVID-19 global pandemic, Oakland's financial health was relatively stable. Based on our financial analysis through FY 2018-19, revenues had increased, debt was down, the City had a balanced annual budget, and the City's liquidity and credit ratings were strong. This report prepared prior to COVID-19, however, illustrates the City needs to do more to address its increasing pension and OPEB liabilities, quantify its unmet infrastructure needs, and prepare for the future in which, according to the City's five-year forecast issued in March 2019, expenses are expected to outpace revenues.

Impact of Financial Condition Audit

**Administration agreed to implement
3/3 recommendations**

Accessibility & Relevance:

- Provides information on the City's financial health prior to the COVID-19 pandemic.
- Provides the public and City leaders with an easily digestible account of the City's financial health and.
- Administration ***requested*** we update the report for this current budget cycle—our goal was to assist decision makers in visualizing the City's course, consider options, and make adjustments to improve the City's long-term financial condition

Fire Prevention Bureau Audit

Issued September 30, 2020

Objective:

To examine whether the Bureau implemented the 2017 recommendations from the Mayor's Task Force established after the tragic Ghost Ship Fire in 2016 and assess the adequacy of its fire safety inspections to keep our residents and businesses safe.

Why this audit matters:

Public safety is among the top priorities for the residents of the City of Oakland. Following the 1991 Oakland/Berkeley Hills Tunnel Fire and 2016 Ghost Ship Fire, the City launched major fire prevention efforts to improve fire and life safety throughout the City of Oakland. This audit identifies opportunities for the Fire Prevention Bureau to improve its fire prevention practices, thus assuring Oakland residents the City is doing everything possible to prevent further fire disasters.

Fire Prevention Bureau Audit

Issued April 16, 2020



What we found:

Finding 1: After Three Years, a Great Deal of Work Remains for the City to Accomplish the Reforms Outlined by the Mayor's Task Force Following the Ghost Ship Fire;

Finding 2: The Bureau is Not Meeting its State-Mandated Inspection Requirements; and

Finding 3: The Bureau's Current Enforcement of Fire Safety Laws is Often Ineffective

Impact of Fire Prevention Bureau Audit

Administration agreed to 29/30 recommendations

Safety & Accountability

- Created a sense of urgency and accountability at the Bureau.
- Assist the Department in fully implementing the reforms efforts identified by the Mayor's Task Force.
- Improve the Bureau's inspection capability, provide more accountability for inspectors and for the Bureau, and ensure adequate staffing for the cannabis inspection program.
- Enhance the Bureau's enforcement efforts, address fire safety violations at the Oakland Unified School District, and operationalize the appeals process to provide property owners with an opportunity to dispute the Bureau's Findings of Violation.

The Importance of Mandated Audits

- ❖ Accountability
- ❖ Added Assurance
- ❖ Transparency
- ❖ Entrusting government to meet the will of the people



Police Commission & Community Police Review Agency (Measure LL) Mandated Audit

Issued June 1, 2020

Objectives:

To determine whether the Commission has provided effective oversight of the OPD and the Agency and whether both the Commission and the Agency complied with the requirements of the City Charter and the Oakland Municipal Code Sections 2.45 and 2.46.

Why this audit matters:

Oakland's Police Commission was created to be one of the most powerful police oversight bodies in the country, however, it must be effectively organized and properly supported to use its power to create lasting systemic change for the community and the Police Department.

Police Commission & CPRA Mandated Audit

Issued June 1, 2020



What we found:

Since the Commission's inception, it has undertaken various activities related to its mission, however, the audit found more work is required for the Commission to be more effective. Additionally, the Commission must take great care to understand its role and responsibilities as a public oversight body and the City Council should work with the Commission, City Administration, and City Attorney to better define their respective roles. *The Commission's greatest power is its ability to create effective policy, but it cannot do that without the proper organizational foundation and an unwavering commitment to prioritize the policies of greatest importance to our community's safety.*

The Impact of the Police Commission & CPRA Audit

The report contained 41 recommendations:

- A total of 13 recommendations were directed to the Police Commission
Awaiting response
- 4 were directed to the City Administration
4/4 recommendations agreed to
- 17 were directed to the Community Police Review Agency and
16/17 agreed to
- 7 were directed to the City Council
All recommendations considered during ballot measure discussions

The Impact of the Police Commission & CPRA Audit

Accountability & Compliance

- Provide a roadmap for how the Commission needs to be effectively organized and properly supported to use its power to create lasting systemic change for the community and the Police Department.
- Identified a number of systemic weaknesses in CPRA's investigative processes and made recommendations based upon best practices to ensure timely and comprehensive investigations and compliance with the Charter and Municipal Code.

Kids First! Oakland Fund for Children and Youth Act (Measure D) Mandated Audit

Issued November 10, 2020

Objectives:

To verify the City correctly calculated and set aside the appropriate amount to the Kids First! Fund and that the City met the baseline spending requirements for FY 2016-17 and FY 2017-18.

Why this audit matters:

Measure D prioritizes funding programs that provide services to children and youth with the greatest needs, at no or low cost. These programs focus on developing strong leaders, helping youth excel in academia, teaching important life skills, encouraging community building, instilling confidence, and more generally, transitioning to adulthood. This audit assures Oakland residents and taxpayers that the correct allocated amounts have been set aside and spent on these programs, as intended by Measure D.

Kids First! Oakland Fund for Children and Youth Act (Measure D) Mandated Audit

Issued November 10, 2020



What we found:

- We confirmed **the Finance Department correctly calculated the set-aside monies and transferred these amounts to the Kids First! Fund** in FY 2016-17 and FY 2017-18, and found the City exceeded the baseline spending requirement by a total of at least \$18.56 million in the two fiscal years.
- The audit also found that **the City is not capturing the full amount of the City's spending on children and youth services.**
- Additionally, **the Finance Department inadvertently included expenditures in the baseline calculation that did not benefit children and youth, such as services for seniors.**

The Impact of Kids First! Oakland Fund for Children and Youth Act (Measure D)

**Administration agreed to implement
1/1 recommendation**

Assurance

Ensure the City has systems in place to fully account for all City spending for children and youth services, including Measure D spending that prioritizes services to children and youth with the greatest needs, at no or low cost.

Library Services Retention and Enhancement Act (Measure Q) & the 2018 Oakland Public Library Preservation Act (Measure D) Mandated Audit

Issued February 11, 2021

Objectives:

To determine whether:

- The Library spent tax proceeds as intended by the respective measures,
- The City met the minimum General Fund appropriation requirement,
- The Library met the Reserve Fund requirement for Measure Q, and
- Determine the reasons why the Library needed to place Measure D on the ballot.

We also assessed whether the Library implemented the recommendations from the City Auditor's 2018 audit report.

Why this audit matters:

Measures Q and D require the City Auditor to perform regular audits affirming the City is adhering to the Measure's requirements which will ultimately maintain, protect and improve library services.

Library Services Retention and Enhancement Act (Measure Q) & the 2018 Oakland Public Library Preservation Act (Measure D) Mandated Audit

Issued February 11, 2021



What we found:

1. The Library spent Measure Q and D proceeds in accordance with their respective requirements.
2. The City met the minimum General Fund appropriation requirement.
3. The Library met the Measure Q Reserve Fund requirement.
4. The Measure Q parcel tax and the General Fund over time was inadequate to provide the necessary financial support for the Library

The Impact of Library Services Acts (Measures Q & D)

**Administration agreed to implement
1/1 recommendation**

Assurance

Answering the concerns of the Library Commission and members of the community, we analyzed what occurred to warrant Measure D being placed on the 2018 ballot.

The combined support of the annual Measure Q parcel tax and the General Fund over time was inadequate to provide the necessary financial support for the Library, leading to the depletion of available Measure Q funds.

To ensure the Commission has sufficient information to provide adequate financial oversight, we recommend the Library provide the Commission with regular briefings on revenues, expenditures, fund balances, and financial projections. The Administration fully embraces the recommendation.

Audits in Progress

Performance Audits

- Homeless Services
- IT Security Audit
- Financial Indicators
- OPD Overtime Follow-up

Mandated Audits

- Measures M - Emergency Services Act
- Measure N - Paramedic Services Act





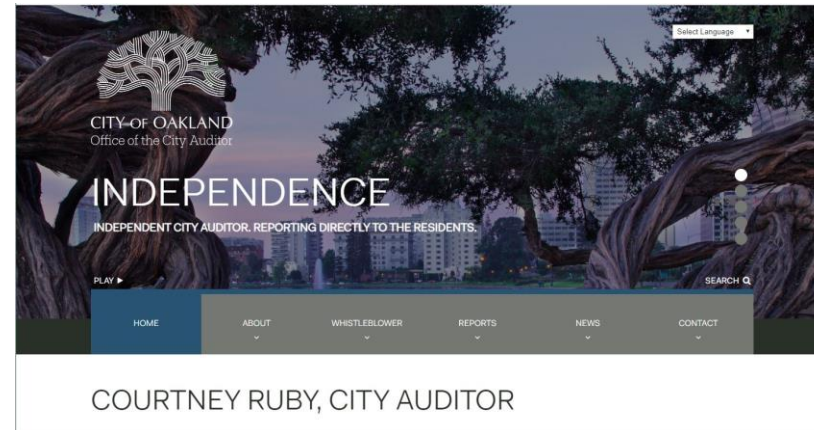
**What Are Your
Concerns?
What Are You Thinking
About?**

Contact Us

1 Frank H. Ogawa Plaza
4th Floor, City Hall
Oakland, CA 94612

Ph. (510) 238-3378

Comments and questions
cityauditor@oaklandca.gov



View Reports at:
www.oaklandauditor.com/Reports

A large, gnarled tree trunk in the foreground, with a city skyline and a lake in the background. The tree's roots are thick and twisted, extending across the frame. In the background, a city skyline is visible across a body of water, with a fountain in the distance. The sky is a mix of blue and pink, suggesting dusk or dawn.

Comments/Questions

Photo: Greg Linhares, City of Oakland