



CITY OF OAKLAND
Office of the City Auditor

INVESTIGATION

DATE: November 9, 2021

TO: Mayor Schaaf, President Bas, Members of the City Council, City Administrator Reiskin, City Attorney Parker, and Oakland Residents

FROM: City Auditor Courtney Ruby, CPA, CFE

SUBJECT: **Oakland Parks, Recreation and Youth Development Department Investigation**

Allegations and Investigation History

In January 2019, an anonymous complaint to the City Auditor's Whistleblower Hotline outlined the following allegations concerning the Oakland Parks, Recreation and Youth Development Department (OPRYD):

- the OPRYD Director used City resources for private gain by using City facilities for a private event for his limited liability corporation;
- the OPRYD Director diverted money to the Oakland Parks and Recreation Foundation to circumvent City rules;
- OPRYD violated the City's competitive solicitation requirements; and
- the OPRYD Director used the Oakland Parks and Recreation Foundation to support the businesses of friends and associates.

In December 2019, the Office received another whistleblower complaint with the following allegation:

- the OPRYD Director misspent federal Community Development Block Grant funds.

In response to these allegations, the Office performed the work outlined in the Methodology section on page 32.

Investigation Conclusions

The investigation substantiated four of the five allegations. The investigation did not substantiate the allegation that the OPRYD Director used City facilities for a private event for his limited liability corporation; however, the investigation substantiated the following four allegations.

- ✓ The OPRYD Director diverted money to the Oakland Parks and Recreation Foundation to circumvent City rules. [*See Section 3*]
- ✓ OPRYD violated the City's competitive solicitation requirements. [*See Sections 2 and 3*]
- ✓ The OPRYD Director used the Oakland Parks and Recreation Foundation to support the businesses of friends and associates. [*See Section 2*]
- ✓ The OPRYD Director misspent federal Community Development Block Grant funds. [*See Section 3*]

The substantiated allegations, as well as other findings from this investigation reveal dire problems with the relationship and activities between OPRYD and the Oakland Parks and Recreation Foundation. Preventive and detective controls either did not exist, broke down, or were overridden, which allowed fraud, waste, abuse, and violations of City policies and procedures.

The following sections of this report summarize the findings and recommendations arising from the investigation.

Background

The Oakland Parks, Recreation and Youth Development Department (OPRYD) is a department within the City of Oakland

The Oakland Parks, Recreation and Youth Development Department (OPRYD) is a department within the City of Oakland. According to its mission statement, OPRYD is committed to providing *“best in class, relevant and equitable programs and services, while meeting the specific needs of people and communities both at the neighborhood level and regionally throughout the City of Oakland...”* As a City department, OPRYD and its employees are subject to the City’s administrative and ethics rules.

The Oakland Parks and Recreation Foundation supports Oakland parks and recreation programs

The Oakland Parks and Recreation Foundation (the Foundation) is a registered nonprofit organization that supports the expansion and improvement of parks and recreation resources across Oakland. The Foundation provides financial and volunteer resources and advocates for parks and recreation programs.

According to its 2019-20 Annual Report, as of June 30, 2020, the Foundation had \$1,746,633 in total assets. On its 2018, 2019 and 2020 federal tax forms, the Foundation respectively reported gross receipts of \$1,635,929, \$1,592,925, and \$1,455,173. As of 2020, the Foundation reported three employees including an Executive Director, a Development and Marketing staff member, and an Accounting and Operations staff member.

The City provides administrative funding to the Foundation

Between fiscal years 2016-17 and 2019-20, the City provided the Foundation with a total of \$230,000 to support fundraising efforts and administrative staff. The support was budgeted from the General Purpose Fund in the adopted budgets passed by the City Council. Exhibit 1 below shows the year-by-year support provided by the City between fiscal years 2016-17 and 2019-20.

Exhibit 1: Support for some Foundation operational functions between fiscal years 2016-17 and 2019-20

FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
\$50,000	\$60,000	\$20,000	\$100,000

Source: City Auditor summary based on records from the City’s financial system

The \$80,000 funding increase in fiscal year 2019-20 was detailed in the Scope of Service from the July 2019 grant agreement, which stated: *“The full funding of this one-time grant request will provide the initial development capacity that the Parks Foundation needs to establish fiscal independence from the City of Oakland and will dramatically improve our ability to raise critical resources for Oakland's parks and recreation programs. With these funds, the Oakland Parks and Recreation Foundation will add a revenue focused staff position and increase program staff hours, freeing up existing resources to pursue major donor cultivation and strategic partnerships.”*

The Foundation is a fiscal sponsor of the City and allows OPRYD to direct payments from Foundation-held accounts

The Foundation serves as the “fiscal sponsor” of OPRYD. The fiscal sponsorship agreement, most recently updated in 2016, outlines a partnership whereby OPRYD and the Foundation solicit donations and grants for recreation programs. The Foundation holds these moneys in various accounts dedicated to the different recreation programs. According to the agreement between the City and the Foundation, their partnership *“supports and funds park improvement projects and the services and activities of OPRYD, so that [the Foundation] can continue to act as a fiscal sponsor for the benefit of CITY and to receive and expend grant funds and donations for OPRYD's programs, facilities, and services.”*

The Foundation, as the City’s fiscal sponsor, uses its tax-exempt status to hold private donations for OPRYD to direct to parks and recreation programs. As part of this investigation, we identified these programs and associated accounts. They are outlined in Exhibit 2 below.

Exhibit 2: Oakland Parks and Recreation Foundation-held accounts used by OPRYD between January 2016 and June 2020

Construction Grants*	FM Smith Rec Center	Rotary RC & Duck Pond	Sports & Aquatics - Other
Bench & Naming Collective*	Franklin Rec Center	Sheffield Village P&C	ACE Kids Golf Program
Allendale Recreation Center	Inclusion Center Program	Sheffield Village Other	Davies Tennis
Arroyo Viejo	Ira Jenkins Rec Center	Studio One	Girls Sports
Bernice Ratto Fund	Lake Merritt Boating Cent	Town Camp-3% FEE	City of Oakland Pools
Bushrod Recreation Center	Lincoln Square Rec Center	W Oakland Youth Center	City Swim Team
Carmen Flores Rec Center	Malonga Casequelourd	Willie Keyes Rec Center	City-Wide
Central Reservations	Manzanita	Willie Keyes/Jason Kidd Pro 5%	Gator Sharks
Community Garden Program	Mosswood Rec Center	Battle for the Bay	Lions Swim Team
DeFremery RC Sponsor A Ch	Oakland Discovery Center	Intimate Evening	Live Oaks Swim Team
Digital Arts & Culinary	OPRYD Dogs	Sunday in the Redwood	Temescal Tidal
Dimond Rec Cent. Tot Lot	Programs without Borders	Green Tee	West Side Swim Team
Director	Rainbow Rec. Center	Adult Sports	EOSC - Healthy Aging Study
Dunsmuir-Hellman (DHHE)	Redwood H. Rec Center	Curt Flood Youth Programming	Tassafaronga Rec Center
E Oakland Sports Complex	Rotary Nature Center	Nat. Pub. Parks Tennis	

Source: City Auditor table based on Foundation records

***Note:** Accounts that have sub-accounts not listed here

Based on records provided by the Foundation, between January 2016 and June 2020, the investigation identified \$2,258,415 in OPRYD-directed payments from Foundation-held accounts.¹


The Foundation implemented a standardized process for OPRYD-directed payments

As the custodian of the program accounts, the Foundation is responsible for managing and monitoring the funds. Accordingly, the Foundation has implemented a process for OPRYD to direct funds.

To direct funds, the Foundation requires OPRYD to submit completed and signed request forms. These forms include space to provide information on who is requesting the funds, the specific Foundation-held account to direct payments from, signatures of requestors and authorizers, and instructions for delivering payments. Exhibit 3 shows a Foundation request form.

¹ Given the allegations, we reviewed the period between January 2016 and June 2020, to correspond closely with the OPRYD Director's tenure, which began in June 2016.

Exhibit 3: Request form used by OPRYD to direct payments from Foundation-held accounts

OAKLAND PARKS AND RECREATION FOUNDATION		
A Non-Profit Corporation since 1981  Office at the lakeside Park Garden Center		
P.O. Box 13267, OAKLAND, CA 94661 (510) 465-1850 FAX (510) 465-1852 oaklandparks@sbcglobal.net www.oaklandparks.org		
PAYMENT REQUEST FORM for UMBRELLA ACCOUNTS		
Person Submitting Request: _____		
Signature: _____		
Organization or address: _____		
To be drawn from Umbrella Fund named: _____		
Telephone Number to call with any questions: _____		
Please make check payable to (vendor): _____		
For the amount: _____		
(Attach original receipts/purchase orders)		
DELIVERY INSTRUCTIONS		
<input type="radio"/> Please mail check to: _____ _____ _____		
<input type="radio"/> Please hold check in the Foundation Office for pickup by: _____		
<input type="radio"/> Please email and or call when check is ready: _____		
<input type="radio"/> I certify that the above request is in accordance with the approved contract agreement with the Oakland Parks and Recreation Foundation, and that all funds have and/or will be expended for educational and/or charitable purposes consistent with the mission of the nonprofit corporation.		
Authorized signer of Account: _____		
Print Name: _____ Telephone contact number: _____		
Date: _____		
FOR OFFICE USE	Check # _____	Date: _____

Source: Foundation records

There is no independent validation of OPRYD-directed payments

Even though it has established a process for disbursing OPRYD-directed payments, the Foundation has not implemented procedures to validate the payments before processing them. According to the Foundation, it requires only that OPRYD provide the aforementioned payment request form, an invoice, and a federal W9 form (for contractors) to direct payments. The Foundation does not substantively review payment requests for reasonableness, nor does the Foundation review the legitimacy of OPRYD's vendors.

Per its internal procedures, the Foundation emails a “monthly report of all account activity” to *“the OPRYD director, assistant director and the executive assistant to the director on or around the 15th of the month.”* This investigation found the Foundation provided these monthly expenditure reports to OPRYD as an opportunity for the OPRYD Director to identify and question suspicious expenditures, but there is no required review by independent City staff to validate the reasonableness and propriety of the OPRYD-directed expenditures.

OPRYD-directed payments were rife with red flags

The following are examples of observations made during the investigation:

- Most OPRYD-directed payments reviewed were missing required documents.
- Many payments were processed even though invoices had errors and anomalies.
- Payments were processed when authorized signatures were missing.
- For several payments, the OPRYD Director was both the requestor and authorizer, including at least one payment to the OPRYD Director himself. This is an example of a conflict of interest and inadequate separation of duties.

These conditions demonstrate the Foundation’s lack of adequate financial controls including processes, policies, and procedures to validate payments and prevent fraud, waste, and abuse from occurring through OPRYD-directed payments.

Investigation Findings

1. OPRYD used the Foundation to make questionable payments

Summary

The investigation found numerous instances of OPRYD directing, and the Foundation subsequently disbursing questionable payments. We identified 198 OPRYD-directed payments to 37 City employees between January 2016 and June 2020 totaling \$120,568. Among these OPRYD-directed payments were reimbursements to City employees who claimed out-of-pocket expenses for OPRYD programs. Some of these reimbursements had deficient documentation and explanations to justify payments. We also found OPRYD-directed payments to part-time OPRYD employees to circumvent the City's annual limits on part-time work, and potential violation of State and federal labor laws.

OPRYD directed Foundation funds to reimburse City employees for out-of-pocket expenses

Relying on City employees to personally incur expenses for City business should be avoided when possible. Reimbursing employees for out-of-pocket expenses is administratively burdensome, presents risk of abuse, and can present hardship to employees.

Despite these risks and the availability of various ways for City departments and employees to cover unanticipated costs like purchasing cards and petty cash disbursements, our investigation found 28 different OPRYD employees collected 125 payments for out-of-pocket expenses between January 2016 and June 2020. These payments totaled \$58,953 and ranged from \$14 to \$4,949, with the average payment being \$471.

Payments to reimburse City employees for out-of-pocket expenses were not supported by explanations or receipts

Reimbursements should be supported by explanations and receipts, but the Foundation did not require explanations or receipts for OPRYD-directed reimbursement payments to City employees. Below are some examples.

- **Theme Park Tickets.** On July 11, 2018, the Foundation paid \$2,505 to a part-time OPRYD employee to reimburse the employee for a June 1, 2018 purchase of theme park tickets. The payment request form and supporting documents indicated the tickets were for a July 6, 2018 summer day camp field trip. Supporting documents included an order form from the theme park itemizing the 75 tickets purchased, associated charges, and the

employee's credit card information. Also included was an order confirmation. Excluded from the supporting documentation was an itemized receipt and/or a copy of the credit card statement which could have confirmed that the transaction actually posted. The supporting documents also lacked details such as the identities of the individual recipients of the 75 tickets. In addition, the order confirmation showed that the theme park comped five additional tickets. There was no explanation given as to what happened to these additional five tickets. Lastly, for this OPRYD-directed payment, the payee did not complete or sign the payment request form. The form was completed by another OPRYD employee and approved by a supervisor and the OPRYD Director. Payees should sign their own reimbursement claims as a documented pledge that the claims are accurate and appropriate.

- **Family Day.** On May 29, 2018, the OPRYD Director emailed the Foundation to direct a payment to himself for \$1,500. The email stated: *"The second annual Family Picnic for Parks and Foundation (and PRAC) is June 10th. I'm not sure if I requested the \$1500 or not. I hope I did, if not, please forgive the tardiness. I will get flyers to you within a few days. Everyone and their families are welcome."* The Foundation provided a check on June 7, 2018 without documentation showing the nature of the expenses. When we asked the OPRYD Director during the investigation, he said the payment was a reimbursement for catering services for the event. As of the date of this investigation, OPRYD nor the Foundation have been able to provide further information for this payment, including supporting documents that would help justify the payment. Furthermore, just like in the previous example, the payee did not complete or sign the request form. The payment request form, however, was completed by the Foundation. Payees should sign their own reimbursement claims as a documented pledge that the claims are accurate and appropriate.

OPRYD directed Foundation funds to pay part-time OPRYD employees which circumvented the City's annual limits on part-time work

We identified 15 consultant payments to five City employees totaling \$24,372 between January 2019 and June 2020. These payments were recorded as "1099 Expense" – a reference to Form 1099 – a federal tax form used to report types of income other than wages, salaries, and tips.

We reviewed 1099 payments directed to two employees. One of these employees accrued \$13,227 in such payments between January and May 2019, and the other accrued \$4,640 in such payments in March 2019. When asked, the manager who requested the payments told us these were payments to pay part-time OPRYD employees who were going to exceed the City of

Oakland’s 960-hour limit on part-time employees’ work hours. The manager said these OPRYD-directed payments allowed these employees to continue performing their OPRYD job duties in City facilities as 1099 payees of the Foundation, in excess of the City’s limits on part-time employees’ hours. This investigation could not produce executed contracts, resolutions, or any other official documents authorizing these 1099 payees to work at City facilities outside of their City jobs. Besides the potential violations of City rules, this practice of the Foundation paying City employees as 1099 payees may violate state and federal labor laws, and present liability concerns when these individuals (1099 payees) work at City facilities.

According to the manager, using the Foundation to pay City employees as 1099 payees goes back at least to 2016 and this practice was known by the current and former department directors. The current OPRYD Director denied any knowledge of the specific transactions we reviewed; however, the OPRYD Director is the person contractually authorized to direct Foundation payments. Furthermore, the Foundation sends the OPRYD Director monthly account reports. These reports identify “1099 work” for part-time OPRYD employees.

2. OPRYD directed payments to unauthorized consultants with personal associations with the OPRYD Director

Summary

The investigation determined OPRYD brought on third-party consultants to provide services to City employees and the general public without following the City's competitive purchasing and contracting processes as outlined in the Oakland Municipal Code (OMC). As a City department, OPRYD is subject to the requirements of the OMC. Furthermore, the fiscal sponsorship agreement between the City and the Foundation specifies OPRYD-directed payments are subject to the terms of the OMC. Some of the unauthorized consultants included personal friends of the OPRYD Director. This may run afoul of OMC 2.25.060/2, which states: *"No Public Servant or candidate for City Office may use his or her position or prospective position, or the power or authority of his or her office or position, in any manner intended to induce or coerce any person to provide any private advantage, benefit, or economic gain to the City Public Servant or candidate or any other person."* The Public Ethics Commission is the City's authority for investigating alleged violations of the Government Ethics Act, but the City Auditor's Office is responsible for investigating allegations of fraud, waste, and abuse. City employees using their positions to provide a private advantage to themselves or others is considered abuse. OPRYD-directed payments to unauthorized consultants were possible due in part to a lack of parameters around the OPRYD Director's use of Foundation-held accounts. These OPRYD-directed payments were processed by the Foundation but would not have been allowed by the City of Oakland Finance Department's Accounts Payable (AP) unit.

The fiscal sponsorship agreement between the City and the Foundation defers to the City's purchasing and contracting rules

According to the agreement between the City and the Foundation, *"the acceptance and expenditure of restricted gifts and donations to the City shall be pursuant to the Oakland Municipal Code..."* OMC 2.04 outlines required processes for the City Administration to solicit, evaluate, and award contracts to service providers to ensure fairness and equity in public contracting. The OMC requires choosing service providers after soliciting and receiving multiple price quotes from prospective contractors. According to OMC 2.04.040/B/1, *"Informal advertising and bidding procedures established by the City Administrator are required for purchase orders or contracts for supplies, construction services or combination involving expenditures between five hundred dollars (\$500.00) and fifty thousand dollars (\$50,000.00) in any single transaction or term agreement..."* The City also requires work performed by service providers be formalized by executed contracts. OMC 2.04.040/C/2 states: *"All purchases and*

contracts for supplies, services or combination of professional services in excess of five hundred dollars (\$500.00) shall be in writing, in a format approved by the City Attorney.”

OPRYD directed payments to third-party service providers without adhering to purchasing requirements or executing contracts

We found numerous examples of OPRYD directing, and the Foundation subsequently processing, payments to service providers working on City programs without going through the required competitive process or executing contracts.

- **Cultural Agility Expert.** In May 2019, the OPRYD Director paid a Michigan-based Cultural Agility Expert to travel and stay in Oakland for two days to provide cultural agility training to OPRYD staff. According to the documentation for the payments, the expert conducted two 4-hour trainings for City employees. The Cultural Agility Expert provided an invoice that identified session fees totaling \$3,000. We also identified \$853 in additional costs for lodging, checked bags, food, and transportation. It is important to note initially the OPRYD used a City issued purchasing card (p-card) to pay for lodging and then later sought reimbursement by the Foundation. The City only allows specific City employee travel costs to be paid in advance with a p-card. This use of the p-card for non-employee travel expenses appears to violate City policies.² The OPRYD Director testified he witnessed the cultural agility expert at a professional conference, and felt it was important to bring the expert to Oakland. The decision to bring in this consultant was solely based on the Director’s experience seeing the expert at a conference. Later, this consultant published a positive review of the OPRYD Director’s book, *Who Do You Think You Are? Affirmations, Reminders and Vibes for a Healthy Mindset and a Positive Perspective*, which was published in 2020. We did not determine the hiring of the Cultural Agility Expert and the positive review as connected, however, these events could give the appearance of a “pay to play” or *quid pro quo* arrangement.
- **Arts and Crafts Practitioner and Personal Friend.** According to the OPRYD Director and corroborated by supporting documentation and social media entries, the OPRYD Director paid a Georgia-based Arts and Crafts Practitioner in October 2019 to travel to Oakland and stay for three days to provide arts and crafts workshops for the general public. According to the documentation related to the payments to the Arts and Crafts Practitioner, the workshops were attended by 32 people. We were able to identify \$1,400 in costs for workshop fees, workshop supplies, lodging, checked bags, food, and transportation. Lodging and airfare were paid by a City p-card and later reimbursed by

² Administrative Instructions 1055 and 120 respectively pertain to Purchasing Cards and Travel on City business.

the Foundation. This appears to violate City policies as documented in the previous example. It is unknown whether additional costs were incurred. The OPRYD Director reported being impressed by the talents of the Arts and Crafts Practitioner and thought it would be good to bring the Arts and Crafts Practitioner to Oakland. When we asked how he knew the Arts and Crafts Practitioner, the OPRYD Director reported the Arts and Crafts Practitioner is the spouse of one of the OPRYD Director's best friends, and the Arts and Crafts Practitioner was also a former band mate of the OPRYD Director. Additionally, the Arts and Crafts Practitioner contributed artwork to the OPRYD Director's book, *Who Do You Think You Are? Affirmations, Reminders and Vibes for a Healthy Mindset and a Positive Perspective*, which was published in 2020. We did not determine the hiring of the Arts and Craft Practitioner and the contributed artwork as connected, however, the events could give the appearance of a "pay to play" or *quid pro quo* arrangement.

- **Executive Coaching Practitioner and Personal Friend.** In July 2017, the OPRYD Director solicited a Minnesota-based Executive Coaching Practitioner to provide coaching to an OPRYD employee because the OPRYD Director claimed he wanted this employee to be better prepared for an upcoming supervisor job opening. According to the OPRYD Director, the coaching entailed telephone consultations for five consecutive days. However, according to the OPRYD Director's testimonial account and emails, the employee receiving the coaching did not participate after the second day and it is unclear what services were provided during these first two days. The Executive Coaching Practitioner provided a \$4,500 invoice for "Executive Coaching," however, there were no records of the agreed upon scope of services, or of the services that were actually provided. The \$4,500 invoice was cryptic and did not include the quantity of coaching, or even the dates of the coaching yet the full amount of \$4,500 was paid to the Executive Coaching Practitioner. The OPRYD Director reported being familiar with and personally benefiting from the Executive Coaching Practitioner's skills and talents and identified the Executive Coaching Practitioner as a personal friend, mentor, and confidant.

OPRYD needs guidelines for its use of Foundation-held accounts

As discussed earlier, this investigation found that the Foundation does not scrutinize OPRYD-directed payments. In addition, even though there were separate accounts set up in the Foundation for the various parks and recreation programs, the OPRYD Director has discretion over which accounts he uses and is not limited on the type of expenditures he can direct from the accounts. For example, it was unclear how the questionable OPRYD-directed payments

highlighted in this section supported the expansion and improvement of parks and recreation resources across Oakland, which is the purpose of the fiscal sponsorship between the City and the Foundation.

In many cases, OPRYD-directed payments from the Foundation-held accounts were indistinguishable from the kinds of payments for which OPRYD would use its City budget. This is especially true for payments that went toward OPRYD employee training, such as the aforementioned cultural agility training, which was funded through the Foundation-held Town Camp account, and executive coaching, which was funded through the Foundation-held Adult Sports account.

To ensure charitable donations are applied to their intended charitable purposes, documented policies and procedures should be in place to identify the type of expenditures OPRYD can direct, and which accounts it can direct them from.

Payments to unauthorized consultants are not allowed by the City's Accounts Payable unit.

In contrast with the lax practices of the Foundation, the City's Accounts Payable procedures (Administrative Instruction 1304) requires payment requests from City departments to go through the Accounts Payable unit (AP) and include completed request forms, as well as original invoices and copies of contracts or grant agreements. AP reviews payment requests – including validating contractor and invoice information and authorizing signatures – to ensure compliance with the City's purchasing policies.

AP rejects incomplete or incorrect payment requests and does not process payments for consultants that are not on the City's contractor database.

3. The OPRYD Director defrauded the City by using federal grant funds to pay an unauthorized service provider \$75,000

Summary

The OPRYD Director took advantage of lax controls and poor transparency within the Foundation and provided misleading documentation to the City to pay for the services of a Youth Engagement Provider with which OPRYD never executed a contract. Specifically, after accepting the services of the Youth Engagement Provider between January and June 2018, OPRYD requested the Foundation prepare a \$75,000 invoice for these services rendered to the City. OPRYD then used this invoice to fraudulently request a \$75,000 payment from the City to the Foundation. Once the \$75,000 payment was received by the Foundation from the City, OPRYD directed the Foundation to pay the unauthorized Youth Engagement Provider \$75,000.

The payment request submitted by OPRYD's Director to the City claimed the payment was for a legitimate OPRYD program. However, the OPRYD Director used the \$75,000 to pay the unauthorized Youth Engagement Provider. This payment was outside of the City's contracting and financial rules, lacked transparency demanded by contracting laws over public funds, and was fraudulent. Furthermore, this scheme cost the City \$3,375 in fees charged by the Foundation.

The funds used to pay the unauthorized Youth Engagement Provider were federal funds awarded by the United States Department of Housing and Urban and Development (HUD) and formally authorized by the City Council for other purposes. In 2018-19, OPRYD was allocated \$150,000 in federal Community Development Block Grant (CDBG) funding for OPRYD's "Town Camp" summer camp sessions. On July 24, 2018, the City Council approved Resolution 87317, which formally authorized the funding. The investigation found \$58,666 was spent consistently with Resolution 87317 and the remaining \$91,333 was misspent. Of the \$91,333 misspent, \$75,000 was used to pay OPRYD's unauthorized Youth Engagement Provider.

OPRYD accepted the services of a Youth Engagement Provider without executing a contract

In 2017, the former Housing and Community Development (HCD) Director introduced the OPRYD Director to an Oakland-based Youth Engagement Provider. Email records show in November 2017, both directors participated in a meeting with the Youth Engagement Provider. Also in November 2017, the Youth Engagement Provider sent a scope of work outlining specific tasks to be completed between January and June 2018, at a cost of \$75,000. Between January and June 2018, the Youth Engagement Provider performed work to the benefit of OPRYD even though a contract between the City and the Youth Engagement Provider was never executed.

The Youth Engagement Provider kept OPRYD apprised of its progress throughout this time period.

According to the former HCD Director, she introduced the Youth Engagement Provider to OPRYD because the Youth Engagement Provider's work with a local school district was impressive. The investigation confirmed the former HCD Director was previously acquainted with the Youth Engagement Provider. The consultant was the assistant coach for a sports team of which the former HCD Director's son was a member, and for which the former HCD Director was an active parent volunteer. When we interviewed the OPRYD Director on this matter, he stated the former HCD Director told him: "I got this person He's going to do some community engagement for you. You guys write it out [scope of services] and Housing is going to pay it."

The fact this Youth Engagement Provider was allowed to propose \$75,000 in services and render those services for the City without a contract, with the involvement of two department directors, reveals either a systemic weakness in the training and competency of the department directors, or collusion by them to circumvent City rules to pay a consultant known to one of the directors, or both.

OPRYD could not use the City's normal payment process to pay its Youth Engagement Provider because the consultant did not have a City contract

In June 2018, OPRYD's Youth Engagement Provider sent a \$75,000 invoice to the directors of OPRYD and HCD with a report on the work performed since January 2018. Exhibits 4 and 5 below respectively show the Youth Engagement Provider's invoice and report of the work performed.

Exhibit 4: \$75,000 Invoice originally sent by the Youth Engagement Provider and subsequently forwarded by OPRYD Director to HCD and the Foundation (with redactions)

<div style="background-color: black; width: 150px; height: 15px; margin-bottom: 5px;"></div> <div style="background-color: black; width: 100px; height: 15px; margin-bottom: 5px;"></div> <div style="background-color: black; width: 100px; height: 15px; margin-bottom: 5px;"></div> <div style="background-color: black; width: 100px; height: 15px;"></div>		Ship To: <div style="background-color: black; width: 100px; height: 15px; margin-bottom: 5px;"></div> <div style="background-color: black; width: 100px; height: 15px; margin-bottom: 5px;"></div> <div style="background-color: black; width: 100px; height: 15px;"></div>
Services rendered from; Jan 1st - June 1st, 2018		
Oakland Parks, Recreation & Youth Dev. FOR 250 Frank H Ogawa Plaza (suite 3330) Oakland Ca. 94612 1-510-238-3187	Community Engagement, Resign Of Community Engagement Development Plan/ City-Wide Unification	
DESCRIPTION Co-author of CDP, youth sports, full service production, song/ video licensing, positive branding, family engagement	AMOUNT \$75,000.00	
<div style="text-align: right;">SUBTOTAL</div> \$75,000.00		
<div style="text-align: right;">0.00%</div>		
<div style="text-align: right;">OTHER</div> \$0.00		
<div style="text-align: right;">TOTAL</div> \$75,000.00		
Any questions concerning this invoice, contact <div style="background-color: black; width: 100px; height: 15px; display: inline-block;"></div>		
THANK YOU FOR YOUR BUSINESS!		

Source: Screenshot of invoice provided to OPRYD and HCD by the Youth Engagement Provider (with City Auditor's redactions)

Exhibit 5: The Youth Engagement Provider's report on work performed between January and June 2018

Report out (January – June 2018)
OPRYD theme song platform - Youth Engagement Provider developed concept, produced, OPRYD theme song entitled "Parks & Recs". Used for "We Are Oakland" T.V. show on KTOP, family activities
"We Are Oakland Show" platform - Youth Engagement Provider developed concept, produced, We Are Oakland video platform for; KTOP/ City of Oakland website
Jan. 20th. Youth Basketball Jamboree at Bushrod Recreation Center , Consultant provided; Sound system, photo's, stage risers, music between games, giveaways, captured program effectiveness data via; Developed 5- minute OPRYD video segment, photo's, hosted by Youth Engagement Provider
Jan. 24th, Oakland Post News Paper Group article entitled "OPRYD Debuts Gym Donated By Steph Curry And The Golden State Warriors , Consultant provided media platform/ storyline, that enhanced OPRYD/ OPRYD Director visibility in the City of Oakland
Jan. 27th – March. 10th, Youth Basketball League Play , Consultant provided sound system, hit music catalog of family oriented/ sports themed hits such as; "Teamwork", "Love Your Parents", "Sportsmanship", "Get My Education", Sportsmanship", "Respect Your Elders", "Parks & Recs"
Sportsmanship - Consultant developed a "Sportsmanship" award, presented after every game. Each coach selects one player, based on a good attitude, each player receives a medal
Parent/ youth engagement - Consultant developed a free premium raffle for parents. Raffle tickets are drawn by OPRYD selected staff member, winner picks up the tickets from Bushrod Recreation Center. Prizes includes premium G.S. Warriors tickets (Suites/ V.I.P.) and motor cross tickets

April 1st – June 1st (Development of Community Development Plan) – Youth Engagement Provider with OPRYD Director, is co-authoring the re-design and implementation strategies for a City-Wide Community Engagement Plan. In efforts to enhance OPRYD community engagement activities, outreach and stakeholder partnerships, the goal is for Youth Engagement Provider to support OPRYD site directors at the neighborhood and Citywide level. CDP will consist of a (14) step process via; Mission, Vision, Program, Data, Developing A Community Engagement Activity Plan, Staff Training, City-Wide Unification of Facilities, Campaign, Marketing Methods, Objectives, Level Of Engagement Methods, Community Stakeholder Partnership Methods, Timelines, Reporting & Feedback Methods, Evaluation & Monitoring Methods, Levels Of Measuring Impact Levels, Guidelines, Protocols & Policies

Source: City Auditor’s adaptation of the report provided to the OPRYD and HCD directors by the Youth Engagement Provider in June 2018

OPRYD’s Director provided the following account of what occurred after receiving the \$75,000 invoice from the Youth Engagement Provider in June 2018:

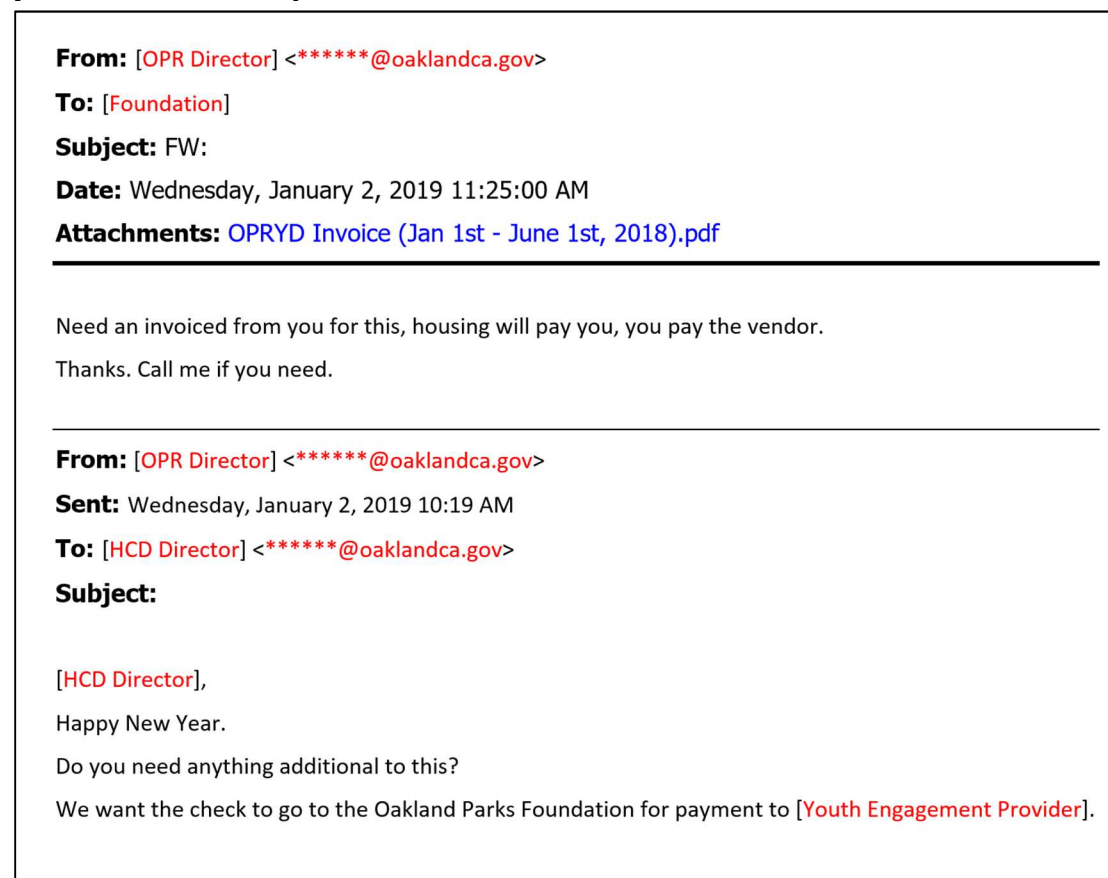
- OPRYD’s Director assumed the former HCD had already established a contract with the Youth Engagement Provider, and HCD would pay the invoice. It wasn’t until weeks later when the Youth Engagement Provider contacted OPRYD’s Director to inquire about the status of the \$75,000 payment, when the OPRYD Director learned OPRYD was being charged for the Youth Engagement Provider’s services. As a result, OPRYD’s Director contacted the former HCD Director to request assistance with the payment. The former HCD Director told OPRYD’s Director that OPRYD was expected to pay the invoice for the services that were provided to OPRYD, yet the former HCD Director identified and pledged \$75,000 to pay the Youth Engagement Provider. Next, in late 2018, OPRYD’s Director sought guidance internally from OPRYD’s former Administrative Services Manager to identify a way to pay the Youth Engagement Provider for the services already rendered even though a contract was never executed.
- In the OPRYD Director’s own words: *“It wasn’t until I was contacted directly by [Youth Engagement Provider] that I understood that [Youth Engagement Provider] hadn’t been paid by [the former HCD Director].” “I found out that [the former HCD Director] had not executed a contract.” “[The former HCD Director] said she would [send] the money into the department and we would pay [the Youth Engagement Provider] for the services. I never asked where the money was coming from. [The former HCD Director said] Housing has money set aside to pay it. [The former HCD Director] sent the money. And [the former HCD Director] said \$75,000 is for [Youth Engagement Provider] ... I went to my financial person to find out what to do and I took his advisement on how to pay the invoice.”*

To pay the Youth Engagement Provider without a City contract, OPRYD implemented a fraudulent scheme to pass money through the Foundation

The investigation confirmed the following transactions in early 2019 – seven months after it received the \$75,000 invoice from the Youth Engagement Provider:

- In January 2019, OPRYD’s Director emailed (see Exhibit 6 below) the Foundation with the Youth Engagement Provider’s invoice attached (see Exhibit 4 above), requesting the Foundation send OPRYD an invoice.


Exhibit 6: January 2, 2019 emails from OPRYD Director to the HCD Director and Foundation *[Auditor-sanitized text]*



Source: Screenshot of OPRYD Director’s email and attachment to HCD and the Foundation in January 2019

- Later in January 2019, the Foundation (as requested by OPRYD) sent a \$75,000 invoice to OPRYD and HCD. (Exhibit 7 below).

Exhibit 7: Invoice the OPRYD Director sought and received from the Foundation and subsequently provided to the City's Accounts Payable unit to request the \$75,000 payment to the Foundation

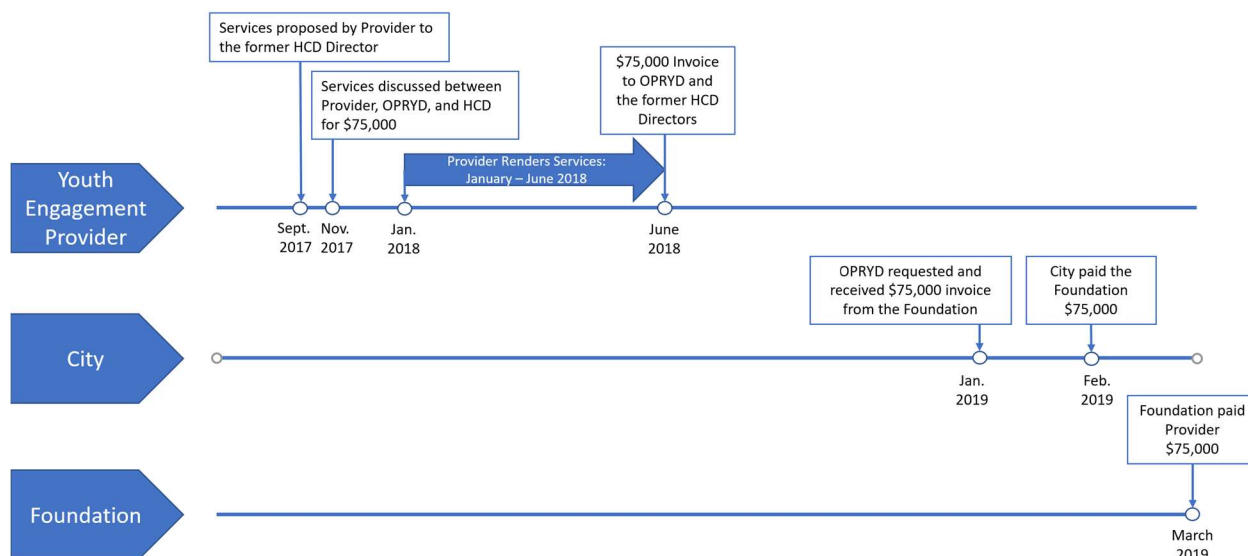
INVOICE							
 <p>Oakland Parks and Recreation Foundation PO Box 13267 Oakland, CA 94661 Phone 510.465.1850 Fax 510.465.1852</p>							
INVOICE #010219 DATE: JANUARY 2, 2019							
TO: ATTN: [REDACTED] Oakland Housing & Community Development 250 Frank H. Ogawa Plaza, Suite 5313 Oakland, CA 94612	FOR: Oakland Parks, Recreation and Youth Development Town Camp Community Engagement						
<table border="1"> <thead> <tr> <th>DESCRIPTION</th> <th>AMOUNT</th> </tr> </thead> <tbody> <tr> <td>Program Support</td> <td>\$75,000</td> </tr> <tr> <td colspan="2"> <div style="float: right;">TOTAL</div> <div style="clear: both;"></div> </td> </tr> </tbody> </table>	DESCRIPTION	AMOUNT	Program Support	\$75,000	<div style="float: right;">TOTAL</div> <div style="clear: both;"></div>		<div style="float: right;">\$75,000.00</div> <div style="clear: both;"></div>
DESCRIPTION	AMOUNT						
Program Support	\$75,000						
<div style="float: right;">TOTAL</div> <div style="clear: both;"></div>							
<p>Make all checks payable to: Oakland Parks and Recreation Foundation (tax id number 94-2751052) Payment is due within 30 days. If you have any questions concerning this invoice, contact: [REDACTED]</p> <p style="text-align: center;">Thank you for your support!</p>							

Source: Screenshot of the Foundation's invoice to the OPRYD and HCD Directors in January 2019 (with City Auditor's redactions)

- In February 2019, OPRYD forwarded the invoice from the Foundation to the City's Accounts Payable unit. A payment of \$75,000 was issued to the Foundation in February 2019.
- In March 2019, at the direction of the OPRYD Director, the Foundation paid the Youth Engagement Provider \$75,000 from the Foundation-held Town Camp account.

These transactions, as well as the aforementioned milestones related to bringing the Youth Engagement Provider onboard, are outlined in the timeline shown in Exhibit 8.

Exhibit 8: Milestones related to OPRYD's payment of its Youth Engagement Provider



Source: City Auditor presentation of key milestones related to the use of and payment to OPRYD's Youth Engagement Provider

OPRYD's \$75,000 payment request to the City's Accounts Payable unit was fraudulent

The documentation the OPRYD Director submitted with the payment request to AP did not include any information about the Youth Engagement Provider. The Youth Engagement Provider and the services reported to be rendered were not mentioned, and the invoice and report on services (shown earlier in Exhibits 4 and 5), were not included.

Instead, the supporting documents for the \$75,000 payment request to AP erroneously linked the \$75,000 payment to OPRYD's Town Camp and included a \$75,000 invoice from the Foundation for "Program Support for Town Camp Community Engagement" (as shown earlier in Exhibit 7). Even though the invoice supporting the City's payment request mentioned the payment was for "Program Support" for Town Camp, neither the November 2017 scope of services by the Youth Engagement Provider, nor the June 2018 report of services provided, nor the invoice provided by the Youth Engagement Provider, mentioned Town Camp.

OPRYD's \$75,000 payment request in February 2019 was different than its other payment requests to the Foundation and was a red flag

In February 2019, OPRYD submitted to AP, a direct payment request of \$75,000 to the Foundation. This request was unique.

- First, all other payments greater than \$5,000 to the Foundation between fiscal years 2016-17 and 2019-20 were to support administrative functions within the Foundation such as help with fundraising and money for administrative staff positions. This unique \$75,000 request was to support a specific program, Town Camp, and was deposited not in the Foundation's fiscal management system, but into a Foundation-held account for OPRYD to direct.
- Second, the previous payments greater than \$5,000 to the Foundation were for administrative support and were signed by OPRYD's Administrative Services Manager, whereas the February 2019 payment request for \$75,000 was signed by the OPRYD Director. During our investigation, the OPRYD Director reported being "comfortable" signing the \$75,000 payment request even though this was outside the normal processes for these types of payment requests.
- Lastly, the resolutions supporting the payments for administrative support specifically mention the Foundation within the City Council-approved resolution. However, Resolution No. 87317, which OPRYD provided to AP as supporting documentation to justify the payment to the Foundation, does not mention the Foundation.

Exhibit 9: Payments over \$5,000 to the Foundation between fiscal years 2016-17 and 2019-20

Fiscal Year	Invoice Number	Amount	Supporting Resolution	Payment Request Authorized by	Notes
FY2016 - 2017	71516	\$ 50,000.00	Resolution No. 86250	Administrative Services Manager	Backup for the payment request was the midcycle budget amendment exhibit; Resolution No. 86250 provides the Foundation \$50,000 in one-time funding
FY2017 - 2018	72517	\$ 20,000.00	Resolution No. 86871	Administrative Services Manager	Resolution No. 86871 states the Foundation will receive \$20,000 in FY17-18 and \$20,000 in FY18-19
FY2017 - 2018	102417	\$ 40,000.00	Resolution No. 86821	Administrative Services Manager	Backup for the payment request was the FY17-19 budget exhibit; Resolution No. 86821 provides the Foundation \$40,000 in one-time funding
FY2018 - 2019	062518A	\$ 20,000.00	Resolution No. 86871	Administrative Services Manager	Resolution No. 86871 states the Foundation will receive \$20,000 in FY17-18 and \$20,000 in FY18-19
FY2018 - 2019	10219	\$75,000.00	Resolution No. 87317	OPRYD Director	Resolution No. 87317 was used as backup documentation for the payment request. The resolution does not reference the Foundation
FY2019 - 2020	071819A	\$ 20,000.00	Resolution No. 87761	Administrative Services Manager	Backup documentation on the payment request says Resolution No. 87598, but on legistar it's Resolution No. 87761. Resolution No. 87761 includes \$20,000 in FY19-20 and \$20,000 in FY20-21 of funding for the Foundation
FY2019 - 2020	071819B	\$ 80,000.00	Resolution No. 87834	Administrative Services Manager	Resolution No. 87834 amended Resolution No. 87761 and increased support for the Foundation by \$80,000 in FY19-20

Source: City Auditor's summary of City invoices as identified in Legistar

Red flags in the payment request went unchallenged by the City

The City of Oakland's Accounts Payable unit (AP), under the direction of Finance, issued a check to the Foundation after reviewing OPRYD's misleading request and fraudulent supporting documentation. According to Finance, AP's role is to confirm the payment was accounted for and approved by designated departmental staff. AP does not review the validity of payment requests. Individual departments are responsible for ensuring their payment requests are valid and align with City Council-approved allocations. Based on our evidence, this request appeared to be an anomaly at the onset. As stated above, it was approved by the OPRYD Director instead of the Administrative Services Manager and no such program support payments had been provided previously from the City to the Foundation. Furthermore, AP processed OPRYD's payment request to the Foundation even though none of the supporting documentation identified any services provided by the Foundation.

OPRYD's payment to the Foundation cost the City \$3,375 and the pass through nature of the payment was not questioned

The Foundation's fiscal sponsorship of OPRYD was established to help the City solicit donations from outside entities to benefit City park facilities and programs – not to solicit funds from the City. Per the terms of the agreement between the City and the Foundation, the Foundation derives a basic administrative fee of 4.5 percent of gross revenues received by the Foundation and deposited into its accounts.

The Foundation considered the City's pass through payment of \$75,000 subject to this fee and accordingly charged the City a \$3,375 fee. It is important to note that no other City payments included in Exhibit 9 either incurred such a fee by the Foundation or were similar pass through payments. Again, such an anomaly should have given both OPRYD and the Foundation pause, yet at no point was the pass through nature of this payment questioned. In fact, when the OPRYD Director notified the Foundation's Executive Director of the need for the Foundation to invoice the City for \$75,000 (Exhibit 6), the Executive Director's immediate response is to notify the OPRYD Director that the City will be charged a fee for this transaction.

While this 4.5 percent fee (\$3,375), was consistent with the terms of the agreement, the Foundation's financial account documentation for the Town Camp account indicated the fee should have been 3 percent. If this account documentation is correct, and it is correct to assume the City should have been charged at all, then the City was overcharged \$1,125.

Of the \$150,000 in federal grant funding allocated to Town Camp, up to \$91,333 was misspent.

Each year, the U.S. Department of Housing and Urban Development (HUD) awards funds to cities for community development projects through the Community Development Block Grant (CDBG) program. The City of Oakland's Housing and Community Development Department (HCD) leads the City's application for CDBG funding and allocates the money to various City programs that meet CDBG eligibility requirements.

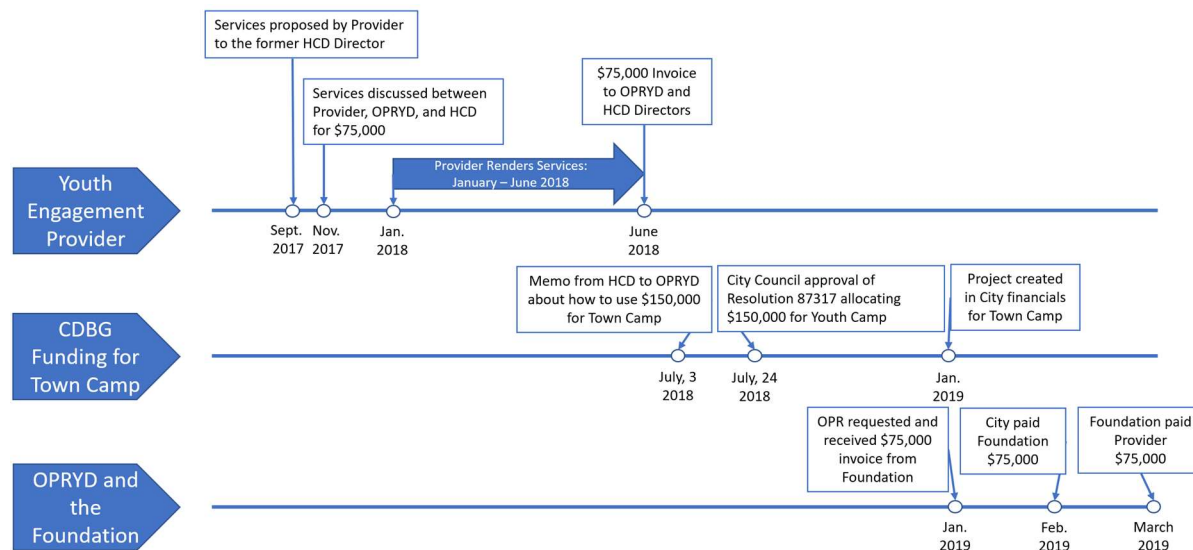
On July 3, 2018, HCD's Director sent an Inter-Office Memorandum to OPRYD detailing how CDBG funding was to be spent on OPRYD Town Camp summer sessions. The sessions were to be held between June 11, 2018 and August 3, 2018, and June 10, 2019 and August 9, 2019.

The memo included a budget of \$150,000 for labor costs – salaries and fringe benefits – split evenly across eight positions (four recreation director positions and four part-time Recreation Leader II positions) at four recreation centers (Allendale, Carmen Flores, Manzanita, and DeFremery).

On July 24, 2018, the City Council approved Resolution 87317, which officially codified the \$150,000 CDBG spending plan. We found funds were spent outside of uses authorized in Resolution 87317.

The \$75,000 paid to the Foundation for services rendered by the Youth Engagement Provider as discussed in the earlier report sections was funded by the CDBG award. These services were not directly connected with Town Camp as described earlier in this report. Records show they were rendered by the consultant between January 1, 2018 through June 1, 2018 – well before the July 24, 2018 approval of the CDBG allocation by the City Council, and before Town Camp was in session, as shown in the timeline in Exhibit 10. Furthermore, the Youth Engagement Provider did not mention Town Camp in its report detailing the scope of services provided. The July 3, 2018 Inter-Office Memo (IOM) from the HCD's Director to OPRYD included a specific section identifying amounts that could be spent on contractors or consultants, and that section was not filled out.

Exhibit 10: Milestones related to the payment of OPRYD's unauthorized Youth Engagement Provider and the federal CDBG Award



Source: City Auditor presentation of key milestones related to the use of OPRYD's Youth Engagement Provider and the CDBG funding of Town Camp based on investigation work.

In addition, between March 9, 2019 and May 17, 2019, OPRYD charged \$16,333 in labor costs – salary and fringe benefits – to the Town Camp project. This money was used on labor costs for a Recreation Supervisor position, a position not approved for CDBG funding, and for a time period outside the weeks Town Camp sessions were scheduled. According to the OPRYD Director, even though these charges were outside of the timeframe for Town Camp, this money funded an employee who completed a majority of the planning of Town Camp. Appendix A details the misspent CDBG funding.

OPRYD and the former HCD Director took advantage of a lack of oversight and monitoring by the City

As the City's expert on CDBG funding rules, HCD, on behalf of the City, submits funding applications to HUD pursuant to CDBG eligibility requirements. In addition, HCD conducts monthly reviews of authorized CDBG expenditures and program data provided by other City departments. HCD also conducts annual site visits to review CDBG-funded programs in action. However, HCD does not compare actual expenditures against Council-approved funding allocations. Consequently, HCD did not identify money was spent outside of the Council-approved funding allocations for 2018 and 2019 Town Camp sessions. Individual departments are primarily responsible for ensuring the appropriate spending of funds allocated through CDBG through Council-approved funding allocations. The former HCD Director and OPRYD Director took advantage of this lack of oversight.

4. The effectiveness of the fiscal sponsorship between the City and the Foundation is in doubt

Summary

To be effective, fiscal sponsorship agreements require adequate capacity and strong controls among the fiscal sponsor and the sponsoree. This investigation did not find the City or the Foundation had adequate capacity or sufficient controls, based on the questionable OPRYD-directed payments and the fraud substantiated during this investigation. The capacity of the Foundation was further questioned in light of the struggles the Foundation had in providing timely information for this investigation. Requests languished for weeks, and at times, months. Furthermore, because the risks arising from ineffective fiscal sponsorships are enormous, the City should immediately conduct a thorough review of its fiscal sponsorship agreement with the Foundation, OPRYD-directed payments from Foundation-held accounts, as well as fiscal sponsorship agreements and related activities involving other nonprofit organizations. These reviews should be encapsulated in a public report to the City Council and the City Auditor.

Fiscal Sponsorship agreements require capacity and strong controls to work as intended

The National Network of Fiscal Sponsors (NNFS) is a professional network of organizations and individuals working in the field of fiscal sponsorship. The NNFS urges fiscal sponsors to establish and maintain sound systems, policies, procedures, and internal controls. They also recommend fiscal sponsors build, maintain, and continually improve financial management, accounting, administrative, reporting, human resources, training, risk management, and technical assistance systems.

Fiscal sponsorships bring responsibilities for all involved parties. Fiscal sponsors should be accountable to donors, grantors, and sponsorees. They should maintain oversight and control over funds and monitor sponsorees' use of them. Fiscal sponsors must be ethical. On the other side of the fiscal sponsorship, sponsorees must be accountable to their own administration, as well as to the fiscal sponsors and their donors and grantors. Specifically, sponsorees must ensure their use of funds is in accordance with their own internal rules, the rules of the fiscal sponsor, and are in accordance with the terms of the fiscal sponsorship agreements. Risks of fraud, waste, and abuse grow when fiscal sponsors or sponsorees either lack capacity to have adequate controls or are influenced by people who exhibit poor judgement or poor ethics.

The Foundation's capacity is limited

As described throughout this report, our investigation found the Foundation lacked sound systems, policies, and procedures pertaining to OPRYD-directed funds. In addition to the numerous "red flags," questionable activity, and fraud observed during our review of OPRYD-directed funds, the Foundation struggled to produce basic accounting records, policies and procedures, and other documents requested by our Office. The contract between the City and the Foundation requires the Foundation to provide records within 10 working days of being requested, however, throughout this investigation, the Foundation consistently needed 30 or more days to provide requested records, and cited staffing shortages and technical challenges for the delays. Some requests for records remain unfulfilled as of the date of this report. If the Foundation cannot provide requested documents, how can the City be assured the Foundation can adequately fulfill the more difficult tasks that come with being a fiscal sponsor?

The risks of faulty fiscal sponsorships are enormous

As described throughout this report, poor internal controls contributed to the circumvention of City policies, the defrauding of the City, and the misspending of federal grant funds. Furthermore, we observed questionable transactions that may have misused charitable donations. Controls are needed to provide assurance that funds intended for charitable purposes are used appropriately. Without such controls, Oakland could be susceptible to what occurred in San Francisco where a City department director directed money held by a fiscal sponsor to pay for personal exploits. Furthermore, controls should be reviewed to ensure donations do not appear to influence decision-making, such as what allegedly occurred in San Francisco where a department director awarded lucrative City contracts to individuals and organizations that donated to the department's fiscal sponsors.

The City should review its agreements with the Foundation, OPRYD-directed payments through the Foundation, and its agreements with other fiscal sponsors

The scope and objective of this investigation did not include a comprehensive review of the Foundation's financial activities with the City. However, based on the inherent characteristics of the fiscal sponsorship and the potential for wrong-doing through fiscal sponsorships, as well as the control weaknesses and exploitation of the weaknesses within the City and the Foundation as described throughout this report, we believe the City should comprehensively review the agreement between the City and the Foundation, as well as the transactions between the two

entities since the OPRYD Director's tenure began in June 2016, even though it appears some of these practices predated his tenure.

Furthermore, the City of Oakland is a sponsoree of other fiscal sponsorship agreements and collaborates with nonprofit organizations. Based on the results of this investigation, it would behoove the City Administration to review the City's agreements with these entities and related financial activities.

Recommendations

- 1) The City Administration should immediately revoke the OPRYD Director's authority to direct payments through the Foundation.
- 2) The City Administration should take over the responsibilities assigned to OPRYD as outlined in the fiscal sponsorship agreement between the City and the Foundation until a thorough review is conducted.
- 3) The City Administration, in consultation with the City Attorney's Office, should notify the U.S. Department of Housing and Urban Development (HUD) regarding the federal grant funds OPRYD misspent, and negotiate corrective actions with HUD if necessary.
- 4) The City Administration, in consultation with the City Attorney's Office, should determine how to address OPRYD-directed payments that potentially circumvented the City's part-time work limits and determine other Human Resources implications that may need to be addressed.
- 5) The City Administration should refer the OPRYD Director's actions to the Public Ethics Commission for its review.
- 6) The City Administration should conduct a comprehensive review of all directed payments through the Foundation dating back to January 2016 and issue a public report to the City Council and City Auditor on the results.
- 7) The City Administration, in consultation with the City Attorney's Office, should prepare a comprehensive fiscal sponsorship agreement to meet the City's needs for the City Council's consideration. The agreement should include the following:
 - a. scope of services to be provided by the fiscal sponsor
 - b. each parties' roles and responsibilities
 - c. guidelines on the appropriate sources and uses of fiscal sponsor-held accounts , as well as prohibited sources and uses of fiscal sponsor-held accounts
 - d. schedule of fees to be charged by the fiscal sponsor
 - e. defined administrative financial support, if any, to be provided by the City
 - f. documented financial controls to ensure all transactions are in compliance with City rules, appropriately reviewed, and approved before they are processed
 - g. requirement that payments over a certain dollar threshold made from the City to fiscal sponsors are approved by the City Council.

- h. required monthly financial reports to be reviewed and signed off on by two senior management staff members assigned by the City Administrator in addition to the fiscal sponsor's Executive Director
 - i. required annual financial reports presented to the City Council jointly by the City and the fiscal sponsor
- 8) The City Administration should work with the City Council to temporarily transfer fiscal sponsorship responsibilities to another organization until it is determined the Foundation has the proper organizational structure, controls, and leadership to successfully serve as a fiscal sponsor. If the Foundation is unable to adequately address its deficiencies, the City should find a new fiscal sponsor.
- 9) The City's Accounts Payable unit should amend policies and procedures to ensure appropriate review and approval of financial transactions, such as requiring departmental payment requests over a specified threshold to have multiple levels of review and approval from both department directors and department administrative services managers (or managers responsible for fiscal matters).
- 10) The Department of Housing and Community Development (HCD) should set up or approve the authorized CDBG appropriation amount in the City's financial management system, in such a way that when it runs expenditure reports, it can easily identify unauthorized expenditures such as contractors, and expenditures in excess of authorized amounts or in the wrong time periods.
- 11) The City Administration should initiate a review of all other existing fiscal sponsorship agreements in the City to ensure they have addressed the concerns outlined in Recommendation #7.

Next Steps

Within six months from the date of this report, the City Administration should provide a written report on the status of the recommendations outlined in this investigation report to the Office of the City Auditor. The Office will publicly report on the status of the recommendations to the City Council and the general public after receiving a report from the City Administration and verifying the status of the recommendations

Methodology

The City Auditor's Office performed a preliminary review of the whistleblower reports to confirm understanding of the reported allegations, and determine if all the following four investigation criteria were met:

- 1) The alleged incident(s) involved City of Oakland property, infrastructure, employees, officials, or otherwise falls within the City's jurisdiction.
- 2) If true, allegations met the definition of "fraud," "waste," OR "abuse."
- 3) The alleged incident(s) occurred within 12 months of being reported.
- 4) The alleged incident(s) are not known to be the subject of current litigation.

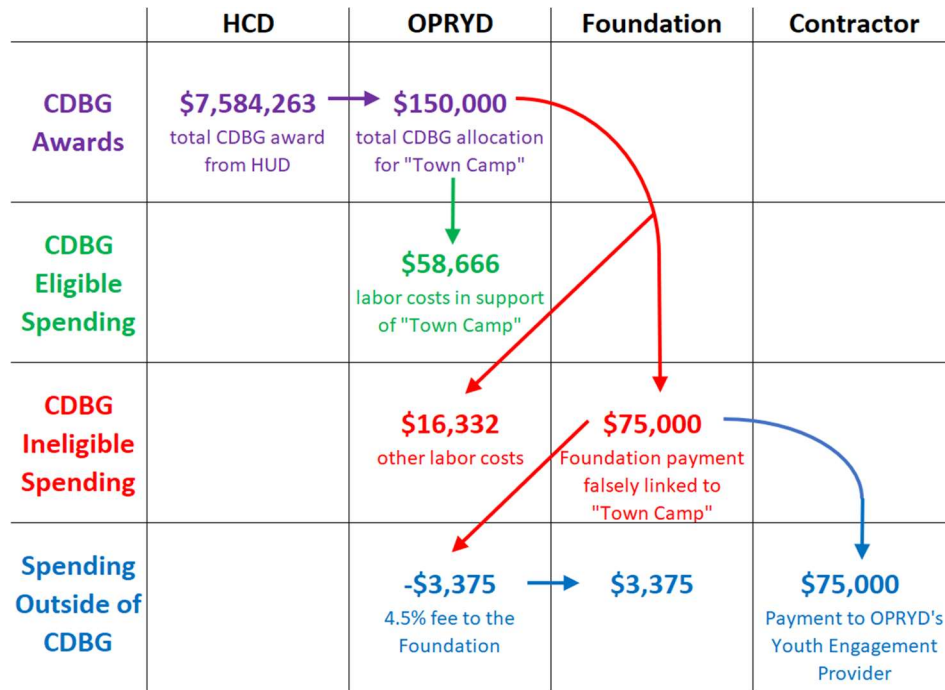
After completing the preliminary review, the Office conducted an investigation to arrive at the findings and conclusions in this report. This work included reviewing:

- The City Charter, City Municipal Code, and administrative procedures.
- City financial records.
- Foundation financial records.
- OPRYD marketing materials.
- Emails and electronic records.
- Social media profiles.
- Relevant meetings of the City Council and committees, as well as related documents.

In addition, this investigation included interviews of current and former staff members of OPRYD, HCD, the City Attorney's Office, the Foundation, and the Youth Engagement Provider.

Appendix A

The flow of CDBG funding awarded for OPRYD's "Town Camp"



Source: City Auditor diagram based on review of financial records, related documentation, and investigation work



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