



**CITY OF  
OAKLAND**

OFFICE OF THE CITY AUDITOR  
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**INVESTIGATION REVEALS DEPARTMENT DIRECTOR  
DEFRAUDED CITY BY CHANNELING \$75,000 IN FEDERAL  
FUNDS THROUGH THE PARKS AND RECREATION  
FOUNDATION TO PAY UNAUTHORIZED SERVICE  
PROVIDER**

*Unchecked authority coupled with lax fiscal management by the City's fiscal sponsor – leads to City rules circumvented and federal funds misspent*

OAKLAND, Calif. (Nov. 9, 2021): Today, Oakland City Auditor Courtney Ruby released a report on an investigation into the Oakland Parks, Recreation, and Youth Development Department (OPRYD) and its Director. The investigation was prompted by two whistleblower complaints, containing a total of five allegations. The first complaint was received in January 2019 alleging the Director used City resources for personal gain, fraudulently diverted money to the Oakland Parks and Recreation Foundation (the Foundation) to circumvent City rules, used the Foundation to support friends and associates, and that OPRYD violated City competitive solicitation requirements. The second complaint, received in December 2019, alleged the Director misspent federal funds.

The Foundation is a registered nonprofit organization and serves as a “fiscal sponsor” of the City. The purpose of the Foundation is to support the expansion and improvement of parks and recreation activities across Oakland by providing financial and volunteer resources. The fiscal sponsorship agreement outlines the partnership whereby OPRYD and the Foundation solicit donations and grants for recreation programs, the Foundation then holds these monies in various accounts dedicated to different recreation programs, and OPRYD directs payments from the Foundation’s dedicated accounts in support of various recreation programs and activities.

The investigation substantiated four out of five of the allegations and found the OPRYD Director defrauded the City by using federal grant funds to pay a Youth Engagement Provider \$75,000. In 2017, the former Housing and Community Development Director introduced the Oakland based Youth Engagement Provider to the OPRYD Director. The investigation uncovered the Youth Engagement Provider was hired without a contract, leading the OPRYD Director and the former Housing and Community Development Director to look for a way to pay the unauthorized Youth Engagement Provider. The OPRYD Director

fraudulently passed federal funds from the City to the Foundation and then directed the Foundation to pay the unauthorized Youth Engagement Provider \$75,000—which the Foundation did, without question.

Auditor Ruby stated, “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. It also reveals dire problems with the relationship and activities between OPRYD and the Foundation. Preventive and detective controls either did not exist, broke down, or were overridden, allowing fraud, waste, abuse, and violations of City policies and procedures to occur.”

The investigation also found the Director used the Foundation to pay friends and associates to provide services without following City rules and executing contracts. In one example, a friend from Minnesota was paid \$4,500 to coach a City employee by phone for five consecutive days. The City employee discontinued the coaching after two days, yet the Director’s friend was paid the full amount and the only documentation related to the payment made by the Foundation was a cryptic invoice. The investigation also found OPRYD used the Foundation to reimburse City employees for out-of-pocket expenses not supported by explanations or receipts, and to circumvent the City’s annual limit on part-time work. For example, one part-time City worker was paid \$13,227 by the Foundation, completely circumventing the City’s controls. The practice of circumventing part-time City employment rules predates the current Director, illustrating lax financial controls between OPRYD and the Foundation existed for years.

The investigation report includes 11 recommendations, many of which must be implemented immediately such as removing the OPRYD Director’s authority to direct Foundation funds and conducting a thorough review of the Foundation’s fiscal sponsorship agreement and all directed payments through the Foundation. Additionally, the results of this investigation reveal the City’s need to conduct a review of its fiscal sponsorship agreements and related activities involving other nonprofit organizations and improve controls within the City to decrease the risk of fraud or misspent funds with such agreements.

Auditor Ruby stated, “This investigation highlights a failure of leadership – and a nonprofit, tasked with fiscal sponsorship, failing to fulfill its fiduciary duty to safeguard funds intended for charitable purposes. Aspects of this investigation are reminiscent of the San Francisco Public Works scandal, and Oakland should take heed to learn from the weaknesses identified in San Francisco’s investigations and move swiftly to address the many weaknesses identified in this one.”

To read the full investigation click [here](#).

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#### **ABOUT OAKLAND CITY AUDITOR COURTNEY RUBY**

City Auditor Courtney A. Ruby, CPA, CFE, was re-elected in November 2018, and took office in January 2019. She previously served as Oakland's City Auditor for eight years, between 2007 and 2014. She has been an executive in governmental and political organizations for over twenty years, including Chief Financial Officer for the Association of Bay Area Governments (ABAG), Chief Financial Officer for the State of Illinois Department of Human Rights, Deputy Chief Financial Officer for the Democratic National Committee and 1996 Democratic National Convention Committee. Courtney is a graduate of American University, a Certified Public Accountant and a Certified Fraud Examiner. In 2014, Auditor Ruby was recognized by the American Center for

Government Auditing as one of the most influential professionals in Government Auditing. In April 2019, an Association of Local Government Auditors peer review team found the Office of the City Auditor met the highest standards in performance auditing.

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