



CITY HALL · ONE FRANK H. OGAWA PLAZA 4TH FLOOR · OAKLAND CALIFORNIA 94612

Courtney A. Ruby, CPA, CFE
City Auditor

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October 21, 2022

HONORABLE MAYOR
HONORABLE CITY COUNCIL
HONORABLE CITY ATTORNEY
HONORABLE COMMISSIONERS
CITY ADMINISTRATOR
OAKLAND FIRE DEPARTMENT CHIEF
FINANCE DEPARTMENT DIRECTOR
OAKLAND RESIDENTS

RE: AUDIT OF MEASURE N – PARAMEDIC SERVICES ACT

Dear Mayor Schaaf, City Council President Bas, Members of the City Council, City Attorney Parker, City Administrator Reiskin, Fire Chief Freeman, Director Roseman, and Oakland Residents:

The Office of the City Auditor (Office) completed an audit of Measure N - Paramedic Services Act.

The objectives of the audit were to determine whether the proceeds from Measure N were properly disbursed in accordance with the objectives established in the ballot measure and assess whether the Oakland Fire Department (The Fire Department or OFD) implemented the recommendation from the City Auditor's 2018 Measure N audit.

The audit found the Fire Department's expenditures for Measure N were consistent with the broad directives of the Measure.

As part of our audit, we followed up on the 2018 Measure N audit recommendations and found that the spending plan OFD management provided did not have enough detail to show how expenditures for future periods were estimated. Additionally, there was no detail to show anticipated key expenditures, such as salaries and benefits, nor did the plan include a latest revision date or a formal approval by the Fire Chief.

Over the audit period, the fund balance remained high, and without enough information regarding anticipated key expenditures, we were unable to determine the reasonableness of the fund balance.

To address this repeat finding, the Administration has agreed to implement our recommendation, and in fact, has committed in its response to the audit recommendation, to replace OFD's Fund Balance Management Policy with provisions contained in the City's more recently adopted Consolidated Fiscal Policy (CFP). The CFP establishes citywide targets for fund balance levels and management expects it will provide an improved basis for planning the use of expenditures under Measure N.

I want to express our appreciation to the City Administration, the Fire Department, and the Finance Department for their cooperation during this audit and commitment to address the audits recommendations with haste.

Sincerely,

A handwritten signature in black ink, appearing to read 'Courtney Ruby', with a stylized flourish at the end.

COURTNEY A. RUBY, CPA, CFE
City Auditor

Oakland's City Auditor is an elected official and works for, and reports to, the residents of Oakland. The Auditor's job is to provide oversight to the City's activities. The Auditor has the authority to access and audit City financial and administrative records, plus the policies and procedures of all City agencies and departments.

To make sure this work is done objectively and without bias, the City Auditor is not connected to any other City department and has no day-to-day financial management or accounting duties for the City of Oakland. This autonomy allows for independent analyses, ensuring tax dollars and other resources serve the public interest.

Office of the City Auditor

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Audit Team

Michael Houston, MPP, CIA
Assistant City Auditor

Orsolya Kovesdi, MBA, CIA
Performance Audit Manager



CITY OF OAKLAND
Office of the City Auditor

M E M O R A N D U M

DATE: October 21, 2022

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

FROM: City Auditor, Courtney Ruby, CPA, CFE

SUBJECT: **Performance Audit of Measure N – Paramedic Services Act**

INTRODUCTION & BACKGROUND

In 1997, Oakland voters passed Measure N - the Paramedic Services Act - imposing a parcel tax¹ solely for the purpose of raising revenue necessary to increase, enhance, and support paramedic emergency services in the City of Oakland (City).

The County of Alameda assesses and collects parcel taxes under Measure N from Oakland properties and remits the revenue to the City. Parcel tax rates vary depending on the type of parcel (see Appendix A). The proceeds are deposited into a separate restricted fund, and managed by the Oakland Fire Department (Fire Department or OFD).

The Fire Department developed an expenditure policy specifying the categories of expenses intended to meet the measure's goals. As Exhibit 1 below shows, the City received nearly \$1.7 million in Measure N proceeds in fiscal year 2017-18 and \$1.9 million in fiscal year 2020-21.

During the periods audited, the Fire Department's Measure N expenditures included the following:

- **Salaries & benefits:** administrative assistant, emergency medical services coordinator, firefighter paramedic, firefighter, fire division manager, lieutenant of

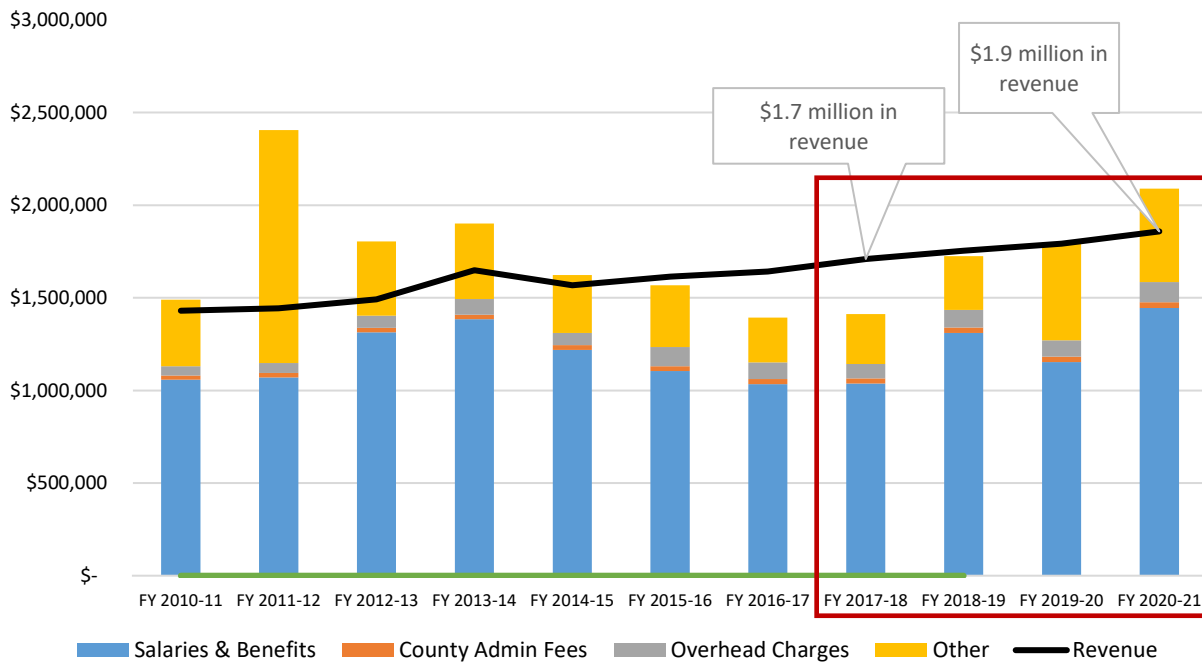
¹ A parcel tax is a form of property tax assessed at a rate based on the characteristics of a unit of property, rather than a rate based on the assessed value of property.

fire department, fire communications manager, and accountant.

- **Other:** consulting fees, medical supplies, medications, and registration and tuition for staff.
- **Overhead cost allocation:** administration, personnel, and legal support costs.

The following chart shows historical Measure N expenditures and revenues.

Exhibit 1: Measure N Expenditures and Revenues (FYs 2012-13 through 2020-21)



Source: Oracle - City's Financial Management System

AUDIT OBJECTIVES AND SCOPE

The objectives of the audit were to:

- determine whether the proceeds from Measure N were properly disbursed in accordance with the objectives established in the ballot measure, and
- assess whether OFD implemented the recommendation from the City Auditor's 2018 audit report.

The scope of the audit includes Measure N proceeds from fiscal years 2017-18, 2018-19, 2019-20, and 2020-21. The audit also followed up on the recommendation from the City Auditor's 2018 report.

METHODOLOGY

In conducting this audit, we:

1. Reviewed Measure N and its requirements.
2. Reviewed the results of prior Measure N audits.
3. Reviewed OFD's policies and procedures regarding expenditures and fund balance management.
4. Interviewed OFD staff.
5. Reviewed financial reports to identify revenue and expenditures.
6. Reviewed the Measure N spending plan to determine its completeness.
7. Selected a judgmental sample of Measure N expenditures to determine appropriateness against the measure's objectives.
8. Re-calculated the related parcel tax increases over the periods audited.

STATEMENT OF COMPLIANCE WITH AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

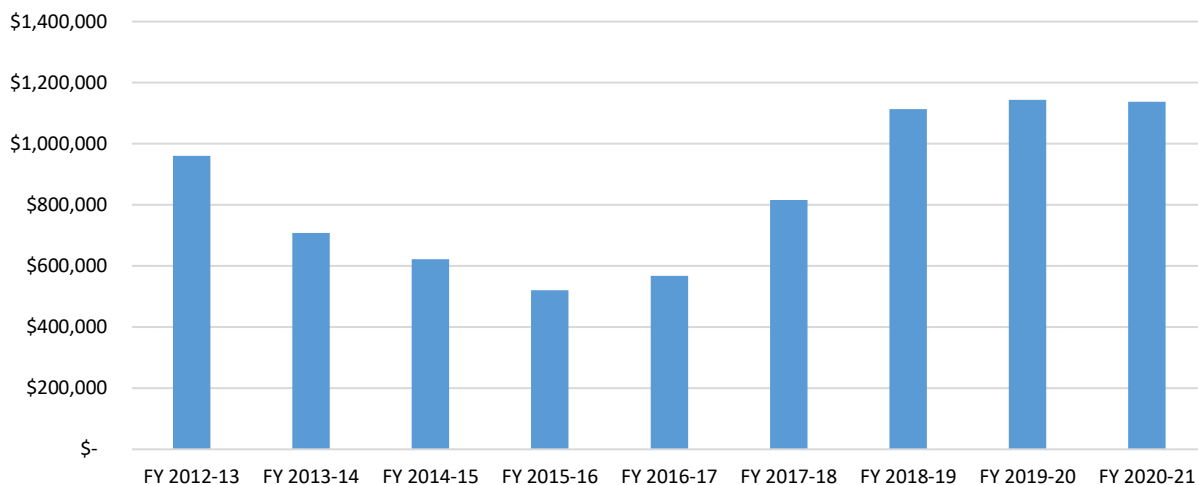
AUDIT RESULTS

The Fire Department's expenditures for Measure N were consistent with the broad directives of the measure. The ballot measure states that revenue should be used "...to increase, enhance and support paramedic emergency services in the City of Oakland..."

FOLLOW-UP ON 2018 AUDIT RECOMMENDATION

The City accounts for all Measure N revenues and expenditures in a separate fund exclusive to Measure N. As of June 30, 2021, the year-end fund balance was \$1.1 million. Exhibit 2 below shows the Department's fund balance for Measure N between fiscal years 2012-13 and 2020-21.

Exhibit 2: Measure N Fund Balance (FYs 2012-13 through 2020-21)



Source: Oracle - City's Financial Management System

The Fire Department's Fund Balance Management Policy requires the preparation of an annual spending plan for the use of Measure N proceeds. This is a common budgetary tool managers use to record current and future expenditures.

Follow-up Finding

The spending plan OFD management provided did not have enough detail to show how expenditures for future periods were estimated. Additionally, there was no detail to show anticipated key expenditures, such as salaries and benefits. The plan did not include the latest revision date or a formal approval by the Fire Chief.

Over the audit period, the fund balance remained high, and without enough information regarding anticipated key expenditures, we were unable to determine the reasonableness of the fund balance.

This finding was also noted in the 2011 and 2018 Measure N audit reports.

FOLLOW-UP ON 2018 AUDIT RECOMMENDATION

As stated in the two previous audit reports, OFD should finalize and fully develop an annual spending plan.

ACKNOWLEDGMENT

I want to express our appreciation to staff from the Oakland Fire Department for their prompt cooperation during this audit and their strong commitment to improving practices.

Appendix A: Measure N Parcel Tax Rate by Parcel Type

MEASURE N				
Parcel Type	Parcel Rate for FY 2017-18	Parcel Rate for FY 2018-19	Parcel Rate for FY 2019-20	Parcel Rate for FY 2020-21
Single Family, Rural, and Institutional	\$11.47	\$11.84	\$12.30	\$12.71
Multiple Residential (2-4 units) and Commercial	\$22.93	\$23.67	\$24.60	\$25.42
Industrial	\$45.88	\$47.36	\$49.23	\$50.87
Multiple Residential (5+ units)	\$57.35	\$59.20	\$61.53	\$63.59

Source: Oakland City Council Ordinance

CITY OF OAKLAND



CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator

Edward D. Reiskin

City Administrator

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October 17, 2022

**The Honorable Courtney Ruby
Oakland City Auditor
1 Frank Ogawa Plaza, 4th Floor
Oakland, CA 94612**

RE: City Administrator's Response to the Audit of Measure N –Paramedic Services Act

Dear City Auditor Ruby:

The City Administrator's Office, Finance Department, and Fire Department appreciate the Audit of Measure N Paramedic Services Act which finds that:

1. The Fire Department's expenditures for Measure N were consistent with the broad directives of the measure.
2. The Fire Department's annual spending plan for Measure N, which is required by its Fund Balance Management Policy, did not have sufficient detail to support expenditure estimates and has not been consistently updated. This is a repeat finding from the 2011 and 2018 Measure N audit reports.

Attached is management's response to these items. I want to thank you and your staff for the open communication during this audit. This valuable service keeps the City running smoothly and efficiently.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. Reiskin'.

**Edward D. Reiskin
City Administrator**

cc: Erin Roseman, Finance Director
Reginald Freeman, Fire Chief

Attachment: City Administration's Recommendation Implementation Plan Matrix – Measure N



Follow-up Finding

2018 Audit Report Finding	2018 Audit Report Recommendation	Management Action Plan	Responsible Party	Target Date of Completion
The Measure N annual spending plan was incomplete and did not include sufficient detail to support forecasted expenditures. This finding was also noted in the 2011 Measure N audit report.	<p>Medical Services Division (MSD) and Fiscal and Administration Services Division (FASD) management should finalize and fully develop the spending plan, enlisting the guidance of the City's Budget Office. The spending plan should include the following information and analysis:</p> <ul style="list-style-type: none">• Detailed anticipated revenue and expenditure by category, including salaries and benefits.• Actual to plan variance analysis with explanations when differences are more than 10% of the spending plan amounts.• Appropriate approval and date of approval.• A developed and specific strategy to address anticipated funding shortfall from the County's First Responder Advanced Life Support services.	The Finance Department and Fire Department will coordinate on the replacement of the Fund Balance Management Policy with provisions contained in the City's more recently adopted Consolidated Fiscal Policy (CFP). The CFP establishes citywide targets for fund balance levels and management expects it will provide an improved basis for planning and expenditures under Measure N.	Finance Department Budget Administrator and Fire Department Administrative Services Manager	December 31, 2022