



**PASADENA UNIFIED SCHOOL DISTRICT (PUSD)  
CITIZENS' OVERSIGHT COMMITTEE (COC) MEETING  
Meeting Minutes of October 18, 2017**

**Location:** Pasadena Unified School District Education Center, Room 236, 351 S. Hudson Ave., Pasadena, CA. 91109

**Date & Time of Meeting:** October 18, 2017 at 6:30 p.m.

**Present:** Clifton Cates, Quincy Hocutt, Camille Dudley, Francis Boland, Glenn DeVeer, Jen Wang, Mikala Rahn, Mike Mohit, Steven Cole, Willie Ordonez, Diana Verdugo, Gretchen Vance, and James Vitale (attended via conference call).

**PUSD Board Member Liaison:** Kim Kenne

**PUSD Staff:** Brian McDonald, School Superintendent. Nelson Cayabyab, Chief Facilities Officer, Miguel Perez, Construction Specialist.

**Independent Auditor:** CJ Gaunder Singh, Nigro and Nigro

(Abbreviations used in these minutes: PUSD - Pasadena Unified School District and COC – Citizen's Oversight Committee.)

**I. CALL TO ORDER**

*Mr. Cates*

The meeting was called to order at 6:32 PM

**II. APPROVAL OF MINUTES OF JULY 19, AUGUST 16 AND SEPTEMBER 20, 2017 MEETINGS**

*Mr. Cates*

The Minutes of July 19, August 16 And September 20, 2017 Meetings were approved with votes of 9-1-4, 9-1-2 and 8-3-1, respectively; the September Minutes had two corrections.

**III. PUBLIC COMMENT**

*Mr. Cates*

Mr. Ordonez read an article from the Pasadena Weekly submitted by an Altadena resident that essentially criticized a sitting Board member regarding that Board member's opinion that the COC was too particular about how certain accounts were being charged. Mr. Cates noted that the said letter is available on line.

**IV. PENDING BUSINESS**

## A. Presentation by Nigro and Nigro regarding current annual audit.

Mr. Cates welcomed Ms. CJ Gaunder Singh, Audit Partner from Nigro and Nigro (N&N), and asked her to “describe the audits that are underway, their current status, and where we go from here”.

Ms. Gaunder Singh noted that Nigro & Nigro’s (N&N) audit covers the period of July 1<sup>st</sup>, 2106, to June 30, 2107 regarding the Measure TT Bond. She also noted that the audit was not yet complete, and that final results should be available before the November 15, 2017 COC meeting.

She reminded the COC that the audit has two parts, a Financial Audit and a Performance Audit:

1) The Financial Audit examines the account numbers, the balance sheet, and the revenues and expenses to ensure all are free of material misstatement. Two opinion letters are issued; one dealing with the financial statements as a whole and another dealing with internal controls to ensure that Financial Statements are properly stated, and are based on government auditing standards.

2) The Performance Audit’s major objective is to make sure that the District complies with all governing law, regulations, and contracts and that the expenditures charged to the Measure TT funds are documented and charged in accordance with what the bond project list contained according to the Measure TT ballot measure. N&N also looks at any discrepancies in internal controls and note any recommendations if N&N determines there should be recommendations that N&N would want to provide, and also N&N looks at the COC Committee, the buildup of the Committee and, in general makes sure that Article 13(a) requirements are met.

Ms. Gaunder Singh stated she had met with COC Audit Subcommittee members before the start of the audit. Some COC concerns led N&N to pick certain expenditures, expand the sample size, and include architect fees, legal fees, and contracts and salaries in their audit. She also noted that N&N had looked into 8 out of 10 employees, site constructions, bidding procedures and change orders. Ms. Gaunder Singh also stated that all N&N findings will be included in a draft that will be submitted when the audit is completed (by October 31, 2017.) After obtaining approvals from the District and the COC the audit would be finalized.

Mr. Cates asked if there were any improper charges related to the 7-11Committee. Ms. Gaunder Singh answered “we didn’t really think that they were something that is not okay”, and later stated “if you can’t really determine which properties are surplus or not,

then you can't really start doing projects on them, so in our mind it would have been totally okay if those legal fees were being paid out of measure TT funds.” It was subsequently noted that the COC and the Board had objected to these charges against Measure TT and a decision had been reached by the Board to remove these charges from Measure TT.

A short discussion ensued regarding the allocation of time charges by Facilities personnel to various accounts. The auditor stated that if there were no documentation in Human Resource records as to the allocations to be made, that would be an area that they would recommend improving. It was noted that the auditors felt it was not within their scope of the audit to give an opinion on the adequacy of internal controls. The auditor stated that if budget reports were generated late, that would be an internal control weakness that would be a significant deficiency and would be pointed out.

Ms. Gaunder Singh noted that there were no “grades” given on audits. It was also noted that the audit performed was not considered an “internal audit.” Ms. Gaunder Singh stated she did not feel the need for an internal audit of PUSD.

Dr. McDonald asked about the difference between the audit N&N is performing and a forensic audit. Ms. Gaunder Singh explained that a forensic audit goes much deeper and is much more costly. Mr. McDonald stated “I would be open to a forensic audit if it would settle this once and for all”, “we'll support a forensic audit, and hopefully when the results come back, we can all move on; if they say we're doing something wrong, we fix it, we move on”. Mr. Cates thanked Mr. McDonald for his offer.

Following comments from Mr. Cayabyab, Ms. Kenne and some of the COC members in regards to a forensic audit's need, cost, funding, timing, scope (years), cost compared to the benefits, etc., it was decided to postpone a forensic audit discussion to the next meeting.

## **B. Discussion of COC contacts made to public media.**

Mr. Boland and Mr. Cole stated that they felt a discussion should have been held internally to the COC before outside news media interviews were held. Mr. Cates stated that his actions in regards to his press interview were according to the COC bylaws; and only repeated decisions that had been previously agreed to by the COC. He noted that the COC legal obligations were to monitor expenditures of TT funds and to publicize their findings. Mr. Cates stated he was amenable to having the COC discuss and

approve any future press release and several COC members concurred that would be acceptable going forward.

**C. Consideration of proposal for removal of COC chair and vice-chair** *Mr. Cates*

After an airing of concerns of the pros and cons of removing the chair and vice-chair by several members, the proposed removal was defeated by a vote of 10-3-0

**D. Status of Outstanding information requests** *Mr. Cates*

Mr. Cates informed that since the last meeting he had been in direct touch with the District's legal counsel to see if the COC could work out the problem with getting all of the information requested pursuant to the Public Records Act Request; Mr. Cates stated the "We have received some of that, but by no means all", and that the District's legal counsel was cordial and cooperative.

Mr. Cates noted that the COC is missing:

- Any information about specific legal fees other than for the period January through June of 2017
- The allocation of staff compensation to Measure TT funds.
- Other expenses charged to TT (many of which documented in the information provided by Ms. Kenne.)

Mr. Cates stated that he had suggested to the District's legal counsel that he would recommend to the Committee a reasonable settlement provided that we can get information about the amounts at stake for the past two years.

Ms. Vance asked about the attorney-client privilege in regards to the disclosure of the information in the legal fees invoices. Mr. Cates stated "the district is claiming a privilege; I hope to be able to work things out with counsel. Ms. Kenne noted that other departments in the District use the same legal firm, so the invoices have different kinds of business on the same bills so personnel and special education are sometimes on the same bills with TT work.

Mr. Boland expressed the opinion that others, including the auditor, had said they were satisfied with the District's explanation of payments but that the COC was not and that it was not the entity elected to make those decisions. Mr. Cates replied that decisions to disapprove the unrelated legal fees, and unrelated staff compensations were decisions taken by this Committee already. And were supported by the opinion of COC counsel.

Mr. Cates asked Ms. Kenne to present data that had been distributed to the Committee regarding questions that were posed in our Public Records Request Act. Ms. Kenne explained the contents of each of 4 pages of the report distributed to the members. The data indicated that Facilities salaries were running at an average rate of \$1.5 million per year and that central administration costs since 2008 would be about \$7 million. The object of the report was to provide transparency of central administration costs as part of the overall TT budget. It was observed that transparency would help to create trust. Ms. Kenne reminded the group that the COC exists to help the Board fulfill its responsibility of spending taxpayer money in a responsible, forward thinking way. She explained that “for the good of the kids” the District should get the most bang for its buck and that the COC could provide more detail oversight than the Board, with its multiple responsibilities. She noted that the COC is required to address the legality of expenses but is allowed to weigh in on appropriateness of expenditures and provide advice to the Board, which would make the ultimate decisions. A request was made for the COC to present its issues to the Board in an organized approach. It was questioned if charging legal fees to the central administration account was preferable to charging those fees to the schools where the issues arose, as putting it into one central place was less transparent.

Mr. Vitale questioned certain other charges in the central admin. account which were explained as architectural fees to facilitate work on the Facilities Master Plan. Other charges were for the accounting system, payroll fees, the auditor, the financial advisor and other miscellaneous charges.

Mr. Cayabyab noted that he had not had time to review the data before the meeting and thought that it should be vetted by the Executive Leadership Team and the Facilities Committee before submittal to the COC. Ms. Vance asked if the COC could be given greater access to detail information contained in the “accountability” system and Mr. Cayabyab agreed.

#### E. Construction Status Report

Mr. Hocutt stated the Construction Status Report contained, to a large degree, the information the COC had requested. [Note: it was later pointed out that the report only refers to projects in active construction, ignoring those in the planning states, in DSA, or in other elements of a construction time frame.]

## **F. Review of Board Reports**

*Mr. Cates*

### **1. Timely delivery of Board Reports by PUSD**

Mr. Cates stated that Board Reports are not provided to the COC in a timely manner, and are often available only a day or two before the COC meeting.

An extended discussion noted that Facilities tries to get as many items covered on Board Reports as possible so as to secure Board approval to proceed on projects, but the timing is difficult due to the workload involved and the scheduled meetings of the COC, Facilities Committee and the Board meetings. Ms. Kenne did note that the public would not understand how oversight could be provided AFTER money had been spent.

There was a discussion with the participation of several of the members and Mr. Perez with regard to Budget changes and Architect's fee increases associated with increases in the Pasadena High School's project construction costs. It was not resolved how an increase in construction cost (for materials, for example) could cause a rise in the architect's fees.

**At 9:52 PM Mr. Cates noted that that quorum had been lost as members left, and that no more official business could be conducted.**

## **G. Report by Chief of Facilities**

*Mr. Perez*

### **1. Construction status report**

Mr. Perez presented the Construction Status Report and the Facilities Active Projects Power Point presentation, making comments regarding construction status as the slides were shown. He noted that minutes of construction meetings containing details of construction status would be posted on the COC website.

### **2. Status of budget priorities**

This item was not addressed

## **H. Report by Board of Education Liaison to the COC**

*Ms. Kenne*

Ms. Kenne noted that Facilities would be submitting different scenarios to the Board to aid in setting priorities for projects going forward. It was noted that due to the amount of HVAC work required at the schools, a discussion would be held about borrowing the money for those projects.

No further discussions of a future bond had been held by or for the Board at this time. The COC was asked again to update the data regarding the term expiration dates for the members.

**III. Review of new Board Reports**

*Mr. Hocutt*

This item was not addressed

**IV. Report by the Public Outreach Sub-Committee**

This item was not addressed

**IV. NEW BUSINESS**

This item was not addressed

**VI. NEXT MEETING DATE: NOVEMBER 15, 2017**

This item was not addressed

**VI. ADJOURNMENT**

**At 10:07 PM Mr. Cates adjourned the meeting. .**