

Pasadena Unified School District's Citizens' Oversight Committee Report to the School Board and Community

May, 2012

This report is provided by the Citizens' Oversight Committee (the "Committee") to the School Board and Community, and it is the second Committee report based upon an independent audit of the District.

The Committee's Observations and Recommendations

Independent Financial Audit Gives District Clean Bill of Health

The District's audit firm -- Vavrinke, Trine, Day and Co. -- has delivered both a financial audit and performance audit on the Measure TT bond program, covering the July 1, 2010 through June 30, 2011 fiscal year. Once again, the financial audit was, in technical terms, "clean" -- that is, the auditors found no problems or issues whatsoever, and they could assure our Committee, and the public, that all proceeds from bond sales were fully accounted for. Further, the performance audit, which tested the District's accounting policies and practices, found no exceptions, even after testing 53% of all expenditures, totaling over \$14,000,000. Thus, the independent auditors could assure the Oversight Committee not only that all funds were accounted for, but that all funds had been expended for properly authorized and eligible purposes. Lastly, the auditors did not issue a management letter, which means they found no deficiencies in policies, practices or internal controls.

The Committee is thus pleased to report to the PUSD community that, for the 2010 - 2011 fiscal year, the Measure TT bond funds have been carefully accounted for and expended in full compliance with state law and with the Measure TT bond language. This is particularly important since the 2010 - 2011 fiscal year was the first year during which PUSD expended substantial amounts of bond funds -- over \$26 million.

Planning and policies

In the 2010 - 2011 fiscal year, there was still uncertainty as to which schools might be closed; however, those issues are now mostly resolved, substantially reducing the concern that bond funds might be spent on facilities that might, in the near future, be utilized for different purposes. Continuing state funding constraints will inevitably pose some risk to the District, but the District, it seems to us, is planning appropriately to minimize those risks. The Committee recognizes that, in recent weeks, the District has had to recalibrate the Facilities Master Plan, recognizing that state funds will not be available to supplement the Measure TT capital funds, as had been planned. This represents an on-going challenge for the District, even though the Measure TT bond funds are unaffected.

Infrastructure

With a permanent Facilities Chief in place, the District was able, over the 2010 - 2011 year, to add several Owners Representatives and substantially complete their staffing plan. This progress significantly allays the Committee's concerns that the District had adequate capacity effectively to manage the bond program.

Committee membership

Over the year, several committee members have had to resign due to family, health, or business commitments. The District has been slow to appoint replacement members, leaving the Committee with fewer members than would be optimal. The Committee urges the Board quickly to replace those members and thereby enhance the Committee's ability to provide effective oversight.

Project execution

During the July 1, 2010 - June 30, 2011 period covered by the independent audits, based on the District's Cumulative Bid List and Measure TT Consolidated Expenditure Report (the "Report"), dated May 7, 2012, the District has completed or substantially completed (i.e., at least 98% complete) 21 projects. Of those projects, 14 were completed on time (or within one month of the planned completion date) **and** on or under budget (as set by the Facilities Master Plan allocations); 7 projects were completed on budget but missed their scheduled completion date by 1 month or more.

The District's single largest project to date, the Blair Middle School, was dedicated on June 14, approximately four months beyond the original schedule, although that delay has not significantly impacted the District's educational program.

The District's soft cost target is 25% and the District has explained that the soft cost percentage as of June, 2011 (41%) is higher than the target as a result of soft-cost intensive activities in the beginning phases of projects. In particular, the District spent over \$7 million on architectural fees that covers both projects under construction and projects not yet begun. The Committee has requested that the District provide a report showing the soft to hard cost ratio for only completed projects which should correct for this distortion and allow the Committee to evaluate whether the District is meeting its target. It is noteworthy that for Blair Middle School, the first large-scale construction project that was completed, the soft cost ratio was under 15%, even after adding in a proportional share of the salaries of the Facilities group. This is a remarkable achievement of which District staff can be proud. The soft cost ratio for the program overall is currently projected to be approximately 16%.

Transparency and accountability

While much progress has been made on developing the proper reporting formats, the Committee is concerned with the usability and accuracy of some of the reports that it has received from the District in connection with the expenditure of bond funds and completion of projects. The Committee is actively working with the Facilities group and new personnel to tailor reports to our needs. The Committee is relieved that we finally have a new webmaster for the Measure TT site.

Oversight Committee

The current Committee members are listed in Appendix A.

In addition to having the minutes and all materials reviewed by the Committee posted on the Measure TT website (www.measurett.org), the Committee has established an Outreach Sub-Committee, tasked with ensuring that information about the Committee and its meetings is disseminated broadly and with ensuring that community members can easily and effectively provide input to the Committee. Committee members have also volunteered to serve as liaisons to each school in the District and have committed to attend school site council meetings to solicit feedback from the school community on the progress of the Measure TT projects at each of the school sites. To date, Field, Norma Coombs, McKinley, Willard, Madison, Sierra Madre Elementary and Middle schools and Blair High School have each been visited by a Committee member. Notwithstanding these efforts, the Committee feels that it and the District need to do more to provide information pertaining to the activities of the Committee and the bond program to a broader segment of the community (e.g., through a monthly email notice or inclusion of certain bond program items in one of the District's existing electronic newsletters).

Appendix A

Oversight Committee members

Gregory Barna

Ed Barnum

Joanna Bauer

Carolyn Ellner, Vice-Chair

Jon Fuhrman, Chair

Kenneth Hargreaves

Paul Hunt

James Kossler

Rita Turner

Augustin Zuniga