

SUMMARY of the ANNUAL REPORT of the COC

Including a
SUMMARY OF
COC RECOMMENDATIONS

Fiscal Year July 1, 2016 – June 30, 2017

Executive Summary

FOUR MAJOR FINDINGS

1. Certain expenditures by the PUSD of Measure TT funds, both past and present, are prohibited by the law.
2. The PUSD has failed to provide the COC with all information necessary to enable the COC to perform its oversight function.
3. The PUSD reporting of expenditures is incomplete, confusing, and sometimes inaccurate. **The budget process is haphazard, incoherent, and incomplete.**
4. The oversight of Measure TT expenditures is ineffective.

1. Prohibited Expenditures of Prop. TT Funds

- Examples:
 - Legal fees, staff salaries, and consultant compensation unrelated to school construction and rehabilitation.
 - Certain routine operating expenses.
- The COC has repeatedly objected to certain expenditures, both to the PUSD and the Board and has supported its objections with written explanations and opinions of independent counsel.
- Violations are not accidental.
- That the majority of TT funds have been spent legally is no excuse for prohibited expenses.
- The Board has allowed this state of affairs to persist, and the violations continue to this day.

1. Prohibited Expenditures of Prop. TT Funds – continued

- Prohibited expenditures undermine public confidence in the management of TT funds and those who oversee the program.
- Charging ineligible expenses to TT funds understates the operating deficit of the District.
- Neither the Board nor the public can take comfort from the independent audit report by the firm Nigro & Nigro dated December 11, 2017. Even though the audit report contains an unqualified opinion on the numerical accuracy of the financial statements of the TT fund ,
 - The audit report specifically disclaims any opinion on the effectiveness of the PUSD's internal financial control system or the PUSD's compliance with the law governing TT expenditures.
 - These disclaimers appear to be inconsistent with the applicable Government Auditing Standards.

2. PUSD Failure to Provide the COC with Necessary Information

- All proposed expenditures of TT funds (Board Reports) should be provided to the COC in sufficient time to enable the COC to analyze them and render an informed opinion before the Board acts.
- To determine the allocation of dual-purpose expenditures between TT and non-TT funds the COC was obliged to file a Public Records Act request to get this basic information, only part of which it obtained.
- Reports lack the past, present, and future status, both financial and physical, of all TT projects. The objective is to give the Board and the public a short, clear, current summary of the **key facts*** pertaining to each TT project.

* Original budgeted amount, current budgeted amount, TT funds committed to date, TT funds spent to date, percentage of project completion, estimated date of completion, estimated remaining cost of completion, variance between budgeted amount and estimated cost of completion, Identification of the contractor(s) and architect(s).

2. PUSD Failure to Provide the COC with Necessary Information - continued

- Key project information should be kept current and posted on the PUSD website, as promised in Ballot Measure TT.
- Existing “budget status reports” of the PUSD are inadequate.
 - They do not provide a comparison of money spent or committed against actual progress on the ground; Percentage completion figures include funds spent but not those committed; Reports do not include all projects.
 - Reports list as “projects” activities that are not projects; some contain gross errors and omissions; they are not posted for the public to review.

3. The Prop. TT Budgeting Process

- Problems with the existing process:
 - There has been no Facilities Master Plan update since 2012, contrary to the promise made in Ballot Measure TT.
 - Budget reports are unavailable publicly, contain inappropriate categories, and omit necessary information. (see the addendum.)
 - “Spend-out” plans have become de facto budgets, with
 - No explanation of how the budgeted numbers shown were derived,
 - Frequent unexplained changes in budget amounts and priorities,
 - No posting on the PUSD website for public viewing.

4. Why Oversight of TT Expenditures is Ineffective

- **Lack of cooperation and passive resistance by the Facilities Department:**

- **Failure to provide information essential to oversight.**

- *All* requests to the Board for expenditure of TT funds
- Complete project summary information *in useful form*
- Explanation and justification of dubious expenditures questioned by the COC

- **Facilities Department tactics.**

- Lengthy delays in responding to requests for information
- Partial responses
- Document dumps
- No response at all

- **Why the Facilities Department's resistance to oversight has succeeded.**

- The COC has no real power, whether to compel the production of information or compliance with the law
- With rare exceptions, the Board does not compel the Facilities Department to take any corrective action that the COC recommends
- With rare exceptions, the Board approves all proposed TT expenditures regardless of the COC's recommendations

RECOMMENDATIONS

Review of expenses

All proposed TT expenditures should be submitted to the Committee for review before they are submitted to the Board (as the LAUSD does.)

The Committee and the Board's Facilities Committee should be given adequate time to review proposed expenditures before the Board acts.

Expenditures disapproved by the Committee but still desired by the PUSD should be given special scrutiny by the Board. The PUSD should be required to rebut the COC's findings and, where appropriate, to provide legal advice that supports its position.

Prevent impermissible expenses

The Board should adopt and then enforce clear standards governing expenditures of TT funds. The COC's standards provide a model.

The Board should insure that the PUSD promptly reimburses any TT expenditure that the Board has found to be inappropriate.

RECOMMENDATIONS

Continued

Prevent
impermissible
expenses – cont.

The Board should require the PUSD to respond promptly and in good faith to all reasonable requests for information by the COC, or to explain why it cannot do so.

Provide necessary
information

The Director of Facilities should be encouraged to attend all COC meetings.

The Board should require the District to prepare a monthly summary of the financial and construction status of all TT projects containing the basic information identified by the COC or requested by the Board.

All status reports generated by the PUSD should be promptly posted on the COC website and revised when any material changes occur.

Improve reporting
and budgeting

Regularly update the Facilities Master Plan and prepare detailed budgets designed to carry it out.

All material budget changes proposed by the PUSD should be explained and justified.

RECOMMENDATIONS

Continued

Improve reporting and budgeting – cont.

The 5 key functions--budgeting, spending, building, internal financial control, and reporting—should not be performed by a single entity, as they are now by the Facilities Department.

Budgeting and spending: the Facilities Department proposes; the Board disposes.

Building: the Facilities Department should be in charge.

Internal financial control: the Business Department should be responsible.

Reporting: the Facilities Department can prepare but the Business Department should be ultimately responsible.

The Chief Business Officer should be ultimately responsible for overseeing the accounting and reporting of TT fund expenditures, not the Facilities Department. The Facilities Department can perform the bookkeeping and drafting functions.

A Business Department employee should be assigned to monitor the Measure TT internal control system to insure that TT funds are properly spent, not merely accounted for numerically.

All annual independent financial and performance audits should be managed by the Chief Business Officer

Budget reports should account for *all* bond projects (past, present, and future) and *all* TT funds.

The Board should advise the public and the COC of the Board's responses to the COC's recommendations, particularly when the COC has concluded that certain expenditures of TT funds are contrary to law.

E N D

--- ADDENDUM ---

ILLUSTRATION OF THE INADEQUACIES OF EXISTING BUDGET
REPORTS

with

COC RECOMMENDED IMPROVEMENTS

CURRENT FORMAT for "Budget Status" Report

Pasadena Unified School District



Printed 2/15/2017

Budget Status Report Budget versus Commitments and Expenditures

Budget vs. Commitments and Expenditures

School Name/Project Name	Budget	Commitments	Expenditures						
	Total Budget	Total Commitments	Paid	In Process for PMT	Held Retention	Construction Withholds	Total Expenditures	Remaining Against Committed	% Budget Spent
Altadena Elementary School									
Altadena Elementary School - Modernization Project (95068.0) (2)	10,224,932	10,291,155	10,113,684	71,693	-	-	10,185,378	105,778	99.6%
	10,224,932	10,291,155	10,113,684	71,693	-	-	10,185,378	105,778	99.6%
Altadena Elementary School									
Altadena Elementary School - Measure T E-Rate (95180.0)	90,000	88,088	83,683	4,404	-	-	88,088	-	97.9%
	90,000	88,088	83,683	4,404	-	-	88,088	-	97.9%
Blair High School									
Blair High School - Career Technical Education (95145.0)	1,450,000	-	-	-	-	-	-	-	0.0%
Blair High School - Measure T E-Rate (95180.0)	270,000	428,677	407,243	8,185	13,249	-	428,677	-	158.8%
Blair High School - Modernization of Main Building (95056.0) (2)	18,505,169	3,136,755	2,596,667	31,990	10,762	-	2,639,419	497,336	14.3%
	20,225,169	3,565,432	3,003,910	40,175	24,011	-	3,068,096	497,336	15.2%
Burbank Elementary School									
Burbank Elementary School - Lunch Shelter/Renovation (95131.0) (2)	577,042	988,744	724,337	126,540	-	-	850,877	137,867	147.5%
	577,042	988,744	724,337	126,540	-	-	850,877	137,867	147.5%
Career Technical									
Career Technical - Career Technical Education Projects (95145.0) (1) (2) (3)	11,431,841	2,731,103	2,676,961	(4,469)	4,453	-	2,676,944	54,159	23.4%
	11,431,841	2,731,103	2,676,961	(4,469)	4,453	-	2,676,944	54,159	23.4%
Center for Independent Studies									
Center for Independent Studies - Career Technical Education (95145.0)	375,000	-	-	-	-	-	-	-	0.0%
	375,000	-	-	-	-	-	-	-	0.0%
Cleveland Elementary School									
Cleveland Elementary School - CLEVE - Student Safety Wall & Flooring Padding (1)	8,550	8,515	-	-	-	-	-	8,515	0.0%
Cleveland Elementary School - Measure T E-Rate (95180.0)	115,200	113,292	107,628	-	5,665	-	113,292	-	98.3%
Cleveland Elementary School - Modernize Kitchen (95121.0) (2)	453,138	107,445	105,802	1,643	-	-	107,445	-	23.7%
	576,888	229,252	213,429	1,643	5,665	-	220,737	8,515	38.3%
CTE RESERVE									
CTE RESERVE - Career Technical Education Projects	1,122,000	-	-	-	-	-	-	-	0.0%
	1,122,000	-	-	-	-	-	-	-	0.0%
CTE ROP									
CTE ROP - ROP (95145.0)	28,000	-	-	-	-	-	-	-	0.0%
	28,000	-	-	-	-	-	-	-	0.0%
District Service Center									
District Service Center - Facilities Administration (95000.0) (2) (4)	12,278,302	12,673,351	11,012,336	15,943	-	-	11,028,279	1,645,072	89.8%
	12,278,302	12,673,351	11,012,336	15,943	-	-	11,028,279	1,645,072	89.8%

CURRENT FORMAT for "Budget Status" Report

Examples of inadequacies



The last public report was in February, 2017 e

Project Descriptions are Inadequate

School Name/Project Name	Budget	Commitments	Expenditures					Remaining Against Committed	% Budget Spent
	Total Budget	Total Commitments	Paid	In Process for PMT	Held Retention	Construction Withholds	Total Expenditures		
Altadena Elementary School									
Altadena Elementary School - Modernization Project (95068.0) (2)	10,224,932	10,291,155					185,378	105,778	99.6%
	10,224,932	10,291,155					185,378	105,778	99.6%
Altadena Elementary School									
Altadena Elementary School - Measure T E-Rate (95180.0)	90,000	88,088					88,088	-	97.9%
	90,000	88,088	83,683	4,404			88,088		97.9%
Blair High School									
Blair High School - Career Technical Education (95145.0)	1,450,000					249			0.0%
Blair High School - Measure T E-Rate (95180.0)	270,000					62	428,677		158.8%
Blair High School - Modernization of Main Building (95056.0) (2)	18,505,291					111	2,639,419	497,336	14.3%
	20,225,291						3,068,096	497,336	15.2%
Burbank Elementary School									
Burbank Elementary School - Lunch Shelter/Renovation (95131.0) (2)	577,042	988,744	724,337	126,540			850,877	137,867	147.5%
	577,042						850,877	137,867	147.5%
Career Technical									
Career Technical - Career Technical Education Projects (95145.0) (1) (2) (3)	11,431,841						2,676,944	54,159	23.4%
	11,431,841	2,731,103	2,676,961	(4,469)	4,453		2,676,944	54,159	23.4%
Center for Independent Studies									
Center for Independent Studies (95145.0)	375,000								0.0%
	375,000								0.0%
Cleveland Elementary School									
Cleveland Elementary School - Flooring Padding (1)	8,550							8,515	0.0%
Cleveland Elementary School - Facilities Salaries	115,200								98.3%
Cleveland Elementary School - Facilities Salaries	453,138							107,445	23.7%
	576,888						220,737	8,515	38.3%
CTE RESERVE									
CTE RESERVE	1,122,000								0.0%
	1,122,000								0.0%
CTE ROP									
CTE ROP - ROP (95145.0)	25,000								0.0%
	25,000								0.0%
District Service Center									
District Service Center - Facilities Administration (95000.0) (2) (4)	12,278,302	12,673,351	11,012,336	15,943			11,028,279	1,645,072	89.8%
	12,278,302	12,673,351	11,012,336	15,943			11,028,279	1,645,072	89.8%

Percentage of Budget Expended is misleading

Tech. Education expenses may NOT be construction related

Budget derivations are unexplained

A major expenditure (Blair Middle) is excluded from the report.

Facilities Salaries are not all related to TT and this budget has been overrun

At the total level, bond expenses and income are not included

PROPOSED FORMAT for "Budget Status" Report

of Education - Proposed Budget Status Report - Spend-Out PLUS Completed Projects						Data as of: 6/11/17					
Architect Contractor	Spend-Out Priority of \$126 M	SCHOOL NAME & PROJECT	Expenditure Approved by PUSD BOARD?	Original Budget	CURRENT BUDGET	EXPENDITURES plus COMMITMENTS	REMAINING BUDGET	EFFICIENCY			Project Mgr.
								% BUDGET SPENT	projected budget overrun	% PHYSICALLY COMPLETE	
Blair High School											
GKK Piner	4	Modernization of the existing high school building as the Blair HS.	yes	18,505,169	24,000,000	3,136,755	20,863,245	13%	161%	5%	AR, RK, KK
PJHM TBD	4a	Rehab of the DG track to an artificial track. <i>Note: Only when other funding sources have been identified- then it will be brought up to the board for approval. Non-MIT budgets being sought.</i>	no	0	900,000	0	900,000	0%		0%	none
TOTAL						3,136,755	21,763,245	13%			AR
Don Benito Elementary School											
TBD	6a	Move and provide interim housing for the Don Benito Modernization (2 portables from upper to lower field)	yes	20,000	200,000	629,879	(429,879)	315%		0%	AR / KK
PBWS	6	Modernize the (new construction) admin building with a library and computer labs. This project's interim housing is part of this project scope. Two portables will need to be moved where the admin building is located before construction can begin.	yes	4,878,843	3,800,000	784,605	3,015,395	21%	106%	10%	AR / KK
PBWS	19	Upgrade of the kitchen and HVAC installation.			152,000	0	152,000				AR
TOTAL						1,414,484	2,737,516	34%			
Eliot Middle School											
Swift Lee Schneider	11	Add an HVAC system to the Cafeteria.	yes		1,000,000	0	1,000,000	0%		0%	JV
PJHM	23	Rehab of the DG field to an artificial track. (Budget is for construction -)Doesn't include architectural fees.)	yes	0	700,000	0	700,000	0%		0%	AR
TOTAL						1,700,000	1,700,000	0%			
Franklin Elementary School											
PJHM		Structural and drainage repairs.			1,700,000	0	1,700,000	0%	0%	0%	AR / SB
TOTAL						1,700,000	1,700,000	0%			
Hodges and Peoria / Burbank EDC											
ONYX	26	H&P in the DSA design process to move the EDC staff and Washington EDC program to H&P. Hodges & Peoria EDC project Note: <i>Funding source will be from Developer Fees and Y & H (donations)</i>	no	214,450	2,000,000	114,947	1,885,053	6%		0%	NC
TOTAL						114,947	1,885,053	6%			
Jackson Elementary School											
WLC	18	Expansion of parking lot and drop-off.			1,800,000	0	1,800,000	0%	-100%	5%	SB / RK
		Modernization of MPR/Cafe/Admin (Is this being dropped ?)		4,124,742	-	3,313,553					
TOTAL						3,313,553	(1,513,553)	184%			RK
Jefferson Elementary School											
Flewling & Moody	21	ADA access campus wide - Required for code compliance			1,000,000	0	1,000,000	0%	-100%	98%	SB

PROPOSED FORMAT for "Budget Status" Report

Suggested Improvements

of Education - Proposed Budget Status Report - Spend-Out PLUS Completed Projects										Data as of: 6/11/17	
Architect Contractor	Spend-Out Priority of \$126 M	SCHOOL NAME & PROJECT	Expenditure Approved by PUSD BOARD?	Original Budget	CURRENT BUDGET	EXPENDITURES plus COMMITMENTS	REMAINING BUDGET	EFFICIENCY			Project Mgr.
								% BUDGET SPENT	projected budget overrun	% PHYSICALLY COMPLETE	
Blair High School											
GKK Piner	4		yes	18,505,169	24,000,000	3,136,755	20,863,245	13%	161%	5%	AR, RK, KK
PJHM TBD	4a		no	0	900,000	0	900,000	0%		0%	none
TOTAL					24,900,000	3,136,755	21,763,245	13%			AR
TBD	6a	move and provide interim housing for the Don Benito modernization (2 portables from upper to lower field)	yes	20,000	200,000	629,879	(429,879)	315%		0%	AR / KK
PBWS	6	Modernize the (new construction) admin building with a library and computer labs. This project's interim housing is part of this project scope. Two portables will need to be moved where the admin building is located before construction can begin.	yes	4,878,843	3,800,000	784,605	3,015,395	21%	106%	10%	AR / KK
PBWS	19	Upgrade of the kitchen and HVAC installation.			152,000	0	152,000				AR
TOTAL					4,152,000	1,414,484	2,737,516	34%			
Eliot Middle School											
Swift Lee Schneider	11	Add an HVAC system to the Cafeteria.	yes		1,000,000	0	1,000,000	0%		0%	JV
PJHM	23	Rehab of the DG field to an artificial track. (Budget is for construction -) Doesn't include architectural fees.)	yes	0	700,000	0	700,000	0%		0%	AR
TOTAL					1,700,000	-	1,700,000	0%			
Franklin Elementary School											
PJHM		Structural and drainage repairs.			1,700,000	0	1,700,000	0%	0%	0%	AR / SB
TOTAL							- 1,700,000	0%			
Hodges and Peoria / Burbank EDC											
ONYX	26	H&P in the DSA design process to move the EDC staff and Washington EDC program to H&P. Hodges & Peoria EDC project Note: Funding source will be from Developer Fees and Y & H (donations)				1,885,053		6%		0%	NC
TOTAL								6%			
Jackson Elementary School											
WLC	18	Expansion of parking lot and drop-off.						0%	-100%	5%	SB / RK
		Modernization of MPR/Cafe/Admin (Is this being dropped ?)		4,124,742				184%			RK
TOTAL											
Jefferson Elementary School											
Flewling & Moody	21	ADA access campus wide - Required for code compliance						0%	-100%	98%	SB

Data showing architect, contractor and project mgr. are added.

for funding sources have been added - budgets being sought.

Descriptions are enhanced

Original budgets are revealed

Remaining budgets account for commitments

A "physically complete" % is added and compared to budget expended and a projection of budget over/under is made - to provide early alert to the