

Pasadena Unified School District's Citizen's Oversight Committee
Annual Report for fiscal year July 1, 2017 – June 30, 2018

This report required annually by the California Constitution governing the Measure TT Bond Funds, is an overview of the oversight provided by the Citizens Oversight Committee. This report will provide a brief overview of the committee's objectives and areas of focus for the fiscal year July 1, 2017 – June 30, 2018, as well as potential areas of focus for the future fiscal year. Additional information about the Measure TT Bond progress can be found on the COC website (hyperlink: <https://www.pusd.us/Domain/1836>) including monthly meeting minutes and the annual audit completed by a 3rd party auditor.

COC Objective

The Citizen's Oversight Committee's (COC) primary responsibility is the review of expenditures of Measure TT Bond funds to ensure they are being made in accordance with the Bond Language and the subsequent reporting to the citizens of Pasadena. These funds are "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", and the COC provides a valuable service for the residents of Pasadena in providing insight and assurance that the funds are being spent properly.

The COC acts in accordance to our Bylaws. (hyperlink: <https://www.pusd.us/Page/4633>)

Measure TT Bond Progress

During the fiscal year July 1, 2017 – June 30, 2018, 12 Notices of Completion were filed, representing just about \$12,015,000. The bulk of this expenditure was represented by the design and construction of the Sports Complex at Marshall Fundamental, which along with renovation of the gym accounted for over \$10,000,000. This was a multi-year project.

Other major projects were completed as follows:

			Multi-year project
Longfellow ES	Kinder roof replacement and maintenance	\$66,000	
Norma Coombs ES	Electrical work in the kiln room	\$112,000	
Roosevelt ES	Electrical work in the drop off zone	\$78,000	yes
Rose City HS	Demo and upgrade CTE room 147	\$44,000	yes
San Rafael ES	Projectors & restroom reno	\$58,000	
Sierra Madre	Cooling Tower replacement	\$161,000	
Washington CC	Restoration of rooms 3,4,5	\$34,000	

At the end of the fiscal year, we are unable to determine the remaining bond funds based on the information provided to the COC.

COC Areas of Focus

The committee focused on several areas of activity relating to facilities projects funded by Measure TT to ensure activities were done in accordance to the bond language and California constitution. These areas were the annual audit, the partnership with facilities, change orders, board reports, job scope planning and bidding, and budget clarity.

1. Annual Audit

The COC is responsible for the review and acceptance of a yearly financial and performance audit on Measure TT spending. During this fiscal year, the COC helped interview and select a new firm, Christy White Associates, to conduct the required audit.

The audit for the July 2016 – June 2017 year was done by Nigro & Nigro. The concerns expressed by the committee were that although the audit shows no findings the COC felt that the audit conveyed a false sense of security in that it did not directly address the internal controls the school district has in place nor did in any way address a unique set of circumstances, it was more very shallow cut and paste report done as a quick fee generation by a few very similar firms.

The COC attempted to address this and chose Christy White Associates, also attempting to get the audit parameters to specifically address internal controls. The audit again showed no findings, and parts of the COC had objections. These objections were given a full airing in a meeting between the auditor and the COC. The objections included the numerous disclaimers contained in the audit about what does not fall under the parameters of the audit, specifically the internal controls used to control, direct, and supervise Measure TT spending decisions.

During the meeting the auditor referred to the report as “a standard Prop 39 audit”. This actually perfectly encapsulated the attitude the COC is concerned with, although expression of that concern was different among committee members. The COC’s concerns remain the same in that the audit is simply a very shallow look at what the school district says it is doing and a statement that the records are accurate. The audit is clean, fulfills the legal requirements, but could be a lot more thorough, in terms of what they actually look at. The auditor expressed visible frustration at a portion of the COC, and admittedly, the COC was sharply divided on approach to this issue, but the COC was united in its feeling that these various opinions must be given hearing, and they were.

The report was accepted with no substantial changes by the COC. A COC subcommittee did meet with the personnel in charge of the accounting reconciliation, and the internal controls we had been asking the audit to examine were described to us. Our conclusion in this regard is these controls are extensive and appropriate but having the auditor – whom has expertise in this area, examine and comment on them would be a good practice.

2. Partnership with Facilities Department

The COC has adopted the approach that in order to be truly effective, it must maintain a respectful relationship with the Facilities department. Using this approach, we have been able to continue review of proposed expenditures, and to offer opinions and at times suggestions for improvement. We have been able to provide valuable input using the variety of experience represented among our membership.

Members of the COC regularly attended monthly Facilities Committee Meetings to have a deeper understanding of Board Reports relating to facilities expenditures prior to being presented to the School Board for approval, although those meetings have been streamlined.

The beginning of this fiscal year was marked by a very contentious distrustful relationship between the COC and facilities. This led to a lot of wasted time during which the COC would demand that facilities provide proof of wrongdoing it denied undertaking. Resolution of disagreements were nonexistent. Facilities controls the information the COC needs to perform its oversight function. This disqualifies by ability the COC as an investigative body. A clean opinion by the COC is simply one relating to documented expenditure of Measure TT funds. This does not replace oversight of actual expenditure by the school board, and/or district attorney. The COC must be an effective, independent, respected body within its purview.

3. Review of Change Orders

The COC examined Change Orders with an eye towards determining if there were any red flags in terms of number or size. In a four-month period, March 2018 to June 2018, there were eight change orders submitted for various projects that listed “unforeseen conditions and architect/district requested scope changes” as the reason for the increased expense. The COC analyzed these board reports against the project budgets and determined they accounted for between 0.2% and 1.6% of the total project budgets. Understanding that the project budgets have a 10% contingency fund for change orders and that PUSD is required to accept the lowest project bid, these change orders are the nature of construction for government projects. After this concern was addressed with the facilities department, they agreed to include more detail in the board reports beyond “unforeseen conditions and architect/district requested scope changes.”

In conclusion, the COC did not find any unusual or inappropriate use of change orders. The COC does feel the bidding process could be improved in terms of the definition of proposed job scope, and ability of the school district to accept the best bid, not just the cheapest. The use of 10% contingency addresses the requirement to accept the cheapest bid by being able to bring expenditure into line with reality, where a little more upfront defining of reality might be more efficient.

4. Board Reports

Board Reports are requests for funding that are presented by the Facilities Department to the School Board for approval. At monthly meetings, the COC reviews board reports pertaining to the expenditure of Measure TT funds. The review of these board reports keeps the COC current with expenditures and involved in the conversation. There were times when the COC objected to a request which resulted in the Facilities department modifying or removing the request for funding. Although the COC does not have the authority to “approve” the board reports before they are presented to the school board, it is an integral part of the COC’s work to ensure funds are spent in accordance to the bond language to review and comment on them.

In the beginning of the fiscal year, the COC was concerned with a board report authorizing what it felt were inappropriate legal expenditures along with appropriate ones. The COC leadership at the time made the claim for a sizeable ongoing inappropriate expenditure of Measure TT funds based on this board report. The COC made requests for information, specifically legal billings documenting expenditures of TT money. The COC was told attorney client privilege was involved, then provided partial records. The issue was eventually dropped but the difficulties highlighted the limitations of the COC as an investigative body, and the lack of standard process for resolution of disagreements between the COC and the School Board. Current COC membership has taken the attitude that the Board and facilities are elected and employed to plan and execute the expenditure of Bond money. The COC is a commentary body that does report to the citizens that provided the money but is not a co-planner. Still, improvement could be made in defining a process for resolution of basic disagreement of legality.

5. Job Scope Planning and Bidding

Job scope planning was examined with an eye towards determination of whether the process prior to seeking bids is extensive enough to then attract appropriate bids. This allows for budgeting to be accurate and not overly altered through the use of change orders.

A ten percent allowance is built into each budget and the treatment of any unused portion of that built in ten percent was discussed. Currently, the facilities department applies this excess to additional work at the construction project described by the budget in question. In other districts, this excess gets placed back into the Measure fund and then applied to construction projects further down the master list. This is not a problematic issue, just different. The current treatment of the 10% allowance seems to allow issues not defined upfront to be addressed on the back end of projects, or a valuable extra step is able to be applied.

6. Budget Clarity

It is the recommendation of the COC that a budget report be available to the public that shows the budget by individual project, how much has been spent or contracted against the budget and what amount remains. This budget clarity remains an issue due to the two

accounting programs utilized; People Soft and Accountability.

COC reviewed monthly financial status reports prepared by facilities which includes information about the total budget and expenditures of open projects. These reports don't include a total dollar amount remaining in the Measure TT fund for additional projects.

Future Areas of Focus

The COC will continue to oversee the expenditures presented by the facilities department for the school board's approval on a monthly basis. As the Measure TT bond projects come to a close, we challenge the school board to confirm facilities plans before new projects are started. This has been a recommendation since the COC's 2010 annual report, the first year in which bond funds were spent.

COC Members

The committee is comprised of a revolving appointment of community volunteers of varied expertise. Members include PUSD parents, residents and business leaders.

The Citizens Oversight Committee provides eyes for the voting public and it reports to the public whether the bond money is being spent in accordance with the terms of the bond. Additionally, The COC is a voice of advocacy for the students and residents of the City of Pasadena.