

PORTLAND PUBLIC SCHOOLS

2017 BOND PROGRAM PERFORMANCE AUDIT FISCAL YEAR 2019/2020

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FIRM BACKGROUND & AUDIT STANDARDS

- Hired in October 2018 to conduct Annual Performance Audits of School Bond Program
- Sjoberg Evashenk Consulting (SEC) Background
- Generally Accepted Government Auditing Standards (GAGAS, “Yellow Book”)
- Approach to Annual Audit Scope Development

PERFORMANCE AUDIT SCOPE

■ Year 2 Performance Audit Scope

- 1. 2017 Bond Status**
- 2. Health & Safety**
- 3. Construction Management**
- 4. Contracts and Procurement**
- 5. Prior Audit Recommendations**

SECTION 1: 2017 BOND PROJECTS PROGRESS WELL, BUT FUNDING CHALLENGES EXIST

Key Results

- Construction is well underway for Kellogg, Madison, and Lincoln, and H&S program secured additional funding to complete additional projects.
- Bond funds for the Benson High School project will be depleted by December 2021.

Recommendations

- OSM should coordinate with PPS finance and work with PPS leadership, as appropriate to:
 1. Provide the Board an analysis discussing implications if voters do not approve the November 2020 Bond on the Benson High School Project, as well as other 2017 Bond projects, as appropriate. At the minimum, this analysis should provide cash flow projections for the Benson High School project, and deliberate on the effects of a full faith and credit loan option to ensure the Board can make informed decisions going forward.

SECTION 2: OSM IS ON TRACK TO COMPLETE MORE H&S PROJECTS THAN INITIALLY ENVISIONED, BUT CAN ENHANCE PROGRESS REPORTING

Key Results

- Substantial H&S accomplishments were achieved, although they were not easily identifiable or communicated.

	Schools Funded per Bond	Status as of January 2020		Estimate Complete by
		Completed	Upcoming	
ADA	Up to 9	6	5	09/2020
Asbestos	Up to 48	15	10	06/2021
Fire	Up to 16	11	20	07/2020
Lead Paint	Up to 88	58	72	03/2023
Radon	Up to 90	16	Re-Test Every 5 Years	
Roof/Seismic	Up to 14	7	7	09/2021
Security	Up to 11	6	81	10/2020
Water	Up to 90	6 Pilots	15/Month	02/2021

Source: 2017 Bond Performance Audit Fiscal Year 2019/2020, Report p.13, Exhibit 5

SECTION 2 (CONTINUED): OSM IS ON TRACK TO COMPLETE MORE H&S PROJECTS THAN INITIALLY ENVISIONED, BUT CAN ENHANCE PROGRESS REPORTING

School Site	ADA	Asbestos	Lead Paint	Fire	Radon	Roof/Seismic	Security	Water
1. Abernethy			✓					
2. Ainsworth			✓	✓				
3. Alameda			✓					
4. Alliance at Meek					✓		✓	
5. Applegate			✓					
6. Arleta			✓					✓
7. Astor			✓		✓			
8. Atkinson			✓					
9. Beach			✓					
10. Beaumont		✓			✓			
11. Beverly Cleary-Ferwood	✓		✓	✓		✓		
12. Boise Eliot			✓					
13. Bridger			✓					
14. Bridlemile			✓					
15. Buckman			✓				✓	
16. Capitol Hill		✓	✓					
17. Cesar Chavez			✓		✓			
18. Chapman		✓	✓				✓	
19. Creston			✓					
20. Da Vinci				✓				
21. Duniway			✓					✓
22. Edwards			✓		✓			
23. Faubion at Tubman			✓					
24. George							✓	
25. Glencoe			✓					
26. Green Thumb				✓				
27. Grout			✓					
28. Harrison Park		✓	✓				✓	
29. Hayhurst			✓					
30. Hosford		✓						
31. Humboldt					✓			
32. Irvington			✓					
33. Jackson		✓	✓					
34. Jefferson		✓		✓	✓			✓
35. Kelly			✓		✓			
36. Kelly Center			✓		✓			
37. King	✓		✓	✓		✓		
Sub-Total	2	8	30	5	9	2	5	3

School Site	ADA	Asbestos	Lead Paint	Fire	Radon	Roof/Seismic	Security	Water
38. Lane		✓	✓		✓			
39. Laurelhurst			✓					
40. Lee			✓	✓				
41. Lent					✓			
42. Llewellyn			✓					✓
43. Lewis	✓		✓	✓				
44. Madison			✓					
45. Maplewood			✓	✓				
46. Markham			✓					
47. Marshall			✓					
48. Marysville		✓	✓					
49. Metropolitan			✓					
50. Oakley Green					✓			
51. Odyssey at East Sylvan			✓					
52. Peninsula			✓		✓			
53. Pioneer at Holladay						✓		
54. Richmond			✓					
55. Rieke			✓					
56. Rigler	✓	✓	✓	✓		✓		✓
57. Robert Gray			✓					
58. Rose City Park	✓	✓	✓			✓		
59. Roseway Heights		✓	✓		✓			
60. Sacajawea			✓					
61. Scott			✓					
62. Sitton		✓	✓			✓		
63. Skyline					✓			
64. Stephenson			✓					
65. Sunnyside			✓				✓	
66. Terwilliger			✓					
67. Tubman	✓	✓				✓		
68. Vernon			✓		✓			
69. West Sylvan				✓				
70. Winterhaven			✓					
71. Whitman			✓					
72. Wilcox					✓			
73. Woodlawn			✓					
74. Woodstock		✓	✓					
Total	6	15	58	11	16	7	6	6

Recommendations

2. Implement plans to ensure project team members have needed access to e-Builder and that key non-PPS employees in critical project roles have computers to access project information.
3. Revisit systems and tools used on a go-forward basis for capturing H&S project expenditure and status data to be able to more efficiently generate reliable data to address H&S project status reporting needs to oversight bodies and the public.
4. Complete the development of the interactive map tool and ensure the map is supplemented with summary information about the H&S program. At the minimum, the public information should provide common data from each H&S category in a standardized format that provides easy tracking of budget, schedule, status, and delivery plans in relation to initial Bond plans.

Source: 2017 Bond Performance Audit Fiscal Year 2019/2020, Report p.15, Exhibit 6

SECTION 3: SOLID CONSTRUCTION MANAGEMENT PRACTICES COULD BENEFIT FROM MORE CONSISTENCY IN DOCUMENTING CHANGE ORDER REVIEW

Key Results

■ Construction Management was Consistent with Leading Practice



Regular Progress Meetings

- ✓ Weekly Meetings between Owner, Architect, and Contractor (OAC Meetings)
- ✓ Monthly Contractor Payment Application Meeting between OAC



Construction Site Inspections

- ✓ Construction Site Inspections done:
 - Daily by Prime Contractor
 - Regularly by OSM Construction Manager
 - Weekly by Architect
 - As-Needed by Specialized Consultants



Co-Location

- ✓ Owner, Architect, and Contractor are working out of trailers at the construction site, thus facilitating direct communication and timely addressing of questions.

Construction Phase Management Leading Practices

SECTION 3 (CONTINUED): SOLID CONSTRUCTION MANAGEMENT PRACTICES COULD BENEFIT FROM MORE CONSISTENCY IN DOCUMENTING CHANGE ORDER REVIEW

Key Results

- Contractor payment reviews were generally appropriate, although change order cost review documentation could be enhanced to minimize unnecessary cost.

Recommendations

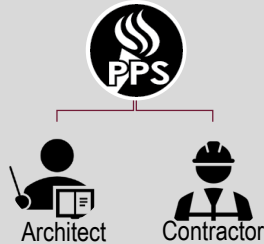
5. Require and maintain more consistent documentation associated with the review of price proposals or quotes from construction contractors related to change orders through means such as incorporating project team notes, uploading negotiations in email correspondence, or marked-up price proposals, into the e-Builder system to provide evidence of OSM's due diligence in reviewing contractor change order prices.

SECTION 4: PROCUREMENT AND CONTRACTING FOLLOWED INDUSTRY PRACTICES, ALTHOUGH CERTAIN IMPROVEMENTS ARE NEEDED

Key Results

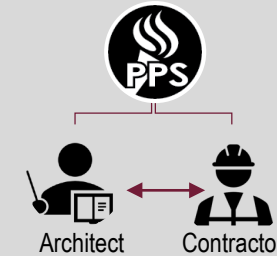
- Construction Manager/ General Contractor (CM/GC) procurement process aligned with industry practices and peer districts, although improvements should be made.

DBB Kellogg, H&S Projects



- Traditional Delivery System
- Construction Bid based on 100% Complete Designs
- Architect is hired first to prepare designs.
- Contractor is hired for construction only

CM/GC Madison HS Lincoln HS



- Alternative Delivery Method
- Construction Contract is Negotiated with a Guaranteed Maximum Price
- Contractor is hired during design to act as the construction manager (CM) and as general contractor (GC) during construction.

SECTION 4 (CONTINUED): PROCUREMENT AND CONTRACTING FOLLOWED INDUSTRY PRACTICES, ALTHOUGH CERTAIN IMPROVEMENTS ARE NEEDED

Key Results

- OSM Procured CM/GC contractors earlier in design than in past, but work started before contract was signed.

Recommendations

6. Prohibit contractors to perform any work for the district until a fully executed contract is in place or a formal written authorization is provided to allow for pre-contract execution work to start.
7. Conduct a post-project completion analysis for the Madison and Lincoln High School projects to evaluate benefits and challenges of the CM/GC delivery method overall, as well as specific aspects such as timing of GMP contract amendments, and make process changes as warranted.
8. Memorialize and discuss underlying rationale and decisions related to the timing of GMP negotiations with the Bond Accountability Committee and present to the Board for future CM/GC GMP contract amendments.

SECTION 4 (CONTINUED): PROCUREMENT AND CONTRACTING FOLLOWED INDUSTRY PRACTICES, ALTHOUGH CERTAIN IMPROVEMENTS ARE NEEDED

Key Results

- **Contracts were generally comprehensive and aligned with best practices.**
 - **Madison High School Contracts:**
 - CM/GC contract could strengthen records maintenance section.
 - CM/GC and Architect contracts should be better aligned to coordinate design cost reviews.
 - Contractor invoice requirements in H&S contracts need to be reassessed for better clarity regarding format of payment applications.

Recommendations

9. Clarify and incorporate language in CM/GC contracts related to contractor financial records in accordance with generally accepted accounting principles.
10. Address inconsistencies between the contract for architect/engineer services and the CM/GC contract for construction services related to the timing of reconciled cost estimates for future projects by ensuring that the same deliverable milestones are included in contracts.
11. Evaluate payment terms and conditions for all H&S low-bid lump-sum contracts to ensure consistency between procurement documents, contract language, and actual payment process practices.

SECTION 5: OSM DILIGENTLY ADDRESSED AUDIT RECOMMENDATIONS TO IMPROVE BOND PROJECT DELIVERY

Key Results

- New Audit Implementation Team focused on addressing recommendations.
- Majority of 2012 Bond recommendations were resolved and good practices put in place.
- Timely progress was made on 2019 audit recommendations.

2017 Bond Audits



2012 Bond Audits



QUESTIONS

Sjoberg Evashenk appreciates the cooperation and assistance from PPS and its external consultants.

Questions?