

BOARD OF EDUCATION

Portland Public Schools
REGULAR MEETING
 January 9, 2018

BOARD AUDITORIUM

Blanchard Education Service Center
 501 N. Dixon Street
 Portland, Oregon 97227

Note: Those wishing to speak before the School Board should sign the public comment sheet prior to the start of the meeting. No additional speakers will be accepted after the sign-in sheet is removed, but testifiers are welcome to sign up for the next meeting. While the School Board wants to hear from the public, comments must be limited to three minutes. All those testifying must abide by the Board's Rules of Conduct for Board meetings.

Public comment related to an action item on the agenda will be heard immediately following staff presentation on that issue. Public comment on all other matters will be heard during the "Public Comment" time.

This meeting may be taped and televised by the media.

AGENDA

- | | | |
|-----|---|---------|
| 1. | <u>OPENING AND RECOGNITION</u> | 6:00 pm |
| 2. | <u>SUPERINTENDENT'S REPORT</u> | 6:10 pm |
| 3. | <u>STUDENT AND PUBLIC COMMENT</u> | 6:20 pm |
| 4. | <u>BALLOT MEASURE 101</u> – vote | 6:40 pm |
| 5. | <u>FINANCIAL ACCOUNTABILITY</u> | |
| | a. PPS Financial Audit – Corrective Action Plan – vote | 6:50 pm |
| 6. | <u>2017 CAPITAL BOND: HEALTH AND SAFETY</u> | |
| | a. 2017 Bond Environmental Health, Safety and Accessibility Update | 7:10 pm |
| 7. | <u>STAFF COMMENTS</u> | |
| | a. Portland Association of Teachers | 7:30 pm |
| 8. | <u>BOARD LEADERSHIP VOTE</u> | 7:40 pm |
| 9. | <u>APPEALS TO THE BOARD</u> | |
| | a. Discussion: Step 3 Complaint - vote
<i>(public comment accepted)</i> | 7:45 pm |
| | b. Consideration of Step 2 Complaint | 8:15 pm |
| 10. | <u>BOARD COMMITTEE AND CONFERENCE REPORTS;
STUDENT REPRESENTATIVE REPORT</u> | 8:30 pm |
| 11. | <u>OTHER BUSINESS / COMMITTEE REFERRALS</u> | 8:40pm |
| 12. | <u>BUSINESS AGENDA</u> - vote
<i>(public comment accepted)</i> | 8:45 pm |
| 13. | <u>ADJOURN</u> | 8:50 pm |

Portland Public Schools Nondiscrimination Statement

Portland Public Schools recognizes the diversity and worth of all individuals and groups and their roles in society. The District is committed to equal opportunity and nondiscrimination based on race; national or ethnic origin; color; sex; religion; age; sexual orientation; gender expression or identity; pregnancy; marital status; familial status; economic status or source of income; mental or physical disability or perceived disability; or military service.

Chinese, Russian, Somali, Spanish and Vietnamese Interpreters available at meeting.

School District #1J, Multnomah County, OR

Portland, OR

January 2, 2018

Office of the Secretary of
State Audits Division
255 Capitol St. NE, Suite
#500 Salem, OR 97310

Plan of Action for School District No. 1J

School District No. 1J (“the District”) respectfully submits the following corrective action plan in response to three material weaknesses reported in our audit of fiscal year ended June 30, 2017. The audit was completed by the independent auditing firm Talbot, Korvola & Warwick, LLP.

The material weaknesses are discussed below with the Action Plan listed for each.

- 1. Material Weakness:** The District should have in place a system of internal controls over financial reporting to ensure complete and accurate reporting of amounts reported in the financial statements. When the District presented the original trial balance and financial statements for audit, the District did not recognize an accounts payable of approximately \$2.05 million for the construction of capital assets. The District’s internal control over the processing of year-end accounts payable failed to recognize the asset and accounts payable for fiscal 2017 and instead recorded the transaction in fiscal 2018. As a result, assets and liabilities were understated in the District’s Statement of Net Position and the GO Bond Fund liabilities were understated and fund balance was overstated by the \$2.05 million.

Recommendation: We recommend the District enhance its internal control review process over accounts payable to prevent miscoding of fiscal year accounting.

Action Taken: As recommended, the District has implemented additional and repetitive training for the Accounts Payable team. Over the past two months four sessions of training have been held. The District will continue to provide periodic training to ensure the staff has the knowledge and skills to perform this task. The District is also implementing multi-departmental strategies to ensure all expenses are recorded in the correct fiscal year.

- 2. Material Weakness:** The District should have in place a system of internal controls over financial reporting to ensure complete and accurate reporting of amounts reported in the financial statements. When the District presented the original trial balance and financial statements for audit, deferred outflows and net position were overstated by approximately \$18 million. The District enlisted an outside contractor to assist in calculating GASB 68 pension journal entries and disclosures. This calculation incorrectly included \$18 million in pension contributions subsequent to measurement date that had not actually been made. As a result, deferred outflows and net position were overstated in the District’s Statement of Net Position by \$18 million.

Recommendation: We recommend the District thoroughly review all work completed by outside contractors.

Action Taken: As recommended, the District will implement two levels of review for CAFR preparation; including all work completed by outside contractors.

3. Material Weakness: The District should have in place a system of internal controls over financial reporting to ensure complete and accurate reporting of amounts reported in the financial statements. When the District presented the original trial balance and financial statements for audit, accrued interest was overstated by approximately \$5.6 million. In addition, there were misclassifications within the net position category of approximately \$37 million. The District's internal control over year-end financial statement preparation failed to detect and correct incorrectly calculated accrued interest and net position classifications at year-end. As a result of the accrued interest error, liabilities were overstated and net position understated in the District's Statement of Net Position by \$5.6 million. As a result of the net position misclassifications, investment in capital assets and restricted net position were overstated by approximately \$35.5 million and \$1.5 million, respectively, and unrestricted net position was understated by approximately \$37 million.

Recommendation: We recommend the District enhance its internal control review process over year-end financial statement preparation.

Action Taken: As recommended, the District will implement two levels of review for CAFR preparation.

Sincerely,

Guadalupe Guerrero, Superintendent

Julia Brim-Edwards, Board Member – Zone 6, Board Chair

Julie Esparza Brown, EdD, Board Member – Zone 1, Co-vice Chair

Rita Moore, Board Member – Zone 4, Co-vice Chair

Paul Anthony, Board Member – Zone 2

Amy Kohnstamm, Board Member – Zone 3

Scott Bailey, Board Member – Zone 5

Mike Rosen, Board Member – Zone 7



General Counsel

PORTLAND PUBLIC SCHOOLS
501 N. Dixon, Portland, OR 97227
(503) 916-3570 • Fax: (503) 916-2724

MEMORANDUM

TO: Board of Education
FROM: Liz Large, Interim General Counsel
DATE: January 2, 2018
RE: Approval to Pay on Contract – Miller Nash Graham & Dunn LLP

General Counsel requests Board approval to pay on contract LS62999. The contract is overspent by \$212,596 due to work performed on our behalf by contractor. Attached is a Direct Voucher to be approved.

BOARD OF EDUCATION
SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

INDEX TO THE AGENDA

January 9, 2018

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Other Matters Requiring Board Approval

The Superintendent RECOMMENDS adoption of the following items:

Numbers 5557 through 5562

RESOLUTION No. 5557

Support of Measure 101: Medicaid Funding Package

RECITALS

- A. Medicaid provides health care insurance for almost one in four Oregonians, or more than 1 million low income people.
- B. Over 387,000 children – more than 40% of all children in Oregon – receive their health care through the Oregon Health Plan.
- C. The Board of Education of the Portland Public Schools District believes that all students deserve access to health insurance and affordable doctor’s visits that keep them healthy and able to learn.
- D. Measure 101 secures \$320 million already budgeted for healthcare in the 2017-19 biennial state budget and more than \$1.3 billion dollars in combined federal and state funding.
- E. Measure 101 fails, hundreds of thousands of Oregon students could lose their healthcare which would impact their ability to attend school ready and able to learn.
- F. Instability in the state budget could lead to significant negative impacts to K-12 education which is 39% of the state budget.
- G. Portland Public Schools’ ability to provide high quality, comprehensive, and engaging educational opportunities to its more than 49,000 students depends on stable, adequate, and predictable funding.

RESOLUTION

The Board of Education of Portland Public Schools urges a Yes vote on Ballot Measure 101.

RESOLUTION No. 5558

Approval of Corrective Action Plan for Material Weaknesses Related to Financial Statement Findings

RECITALS

- A. Secretary of State requirements call for the Board to approve all recommendations to a Corrective Action Plan in response to three material weaknesses found during the year-end financial statement audit.
- B. The independent auditors found three identified material weaknesses related to financial statement findings including:
 - 1. The District’s internal control over the processing of year-end accounts payable failed to recognize the asset and accounts payable for fiscal 2017 and instead recorded the transaction in fiscal 2018; and
 - 2. The District enlisted an outside contractor to assist in calculating the GASB 68 pension journal entries and disclosures. This calculation incorrectly included \$18 million in pension contributions subsequent to measurement date that had not actually been made; and
 - 3. The District’s internal control over year-end financial statement preparation failed to detect and correct incorrectly calculated accrued interest and net position classifications at year end.
- C. The Corrective Action Plan includes the following steps:
 - 1. Related to the accounts payable recognition, the District has implemented additional and repetitive training for the Accounts Payable team in addition to continued periodic training to ensure the staff has the knowledge and skills to perform this task; and
 - 2. Related to the pension contribution calculation and incorrectly calculated year-end values the District will implement two levels of review for CAFR preparation, including all work completed by outside contractors.
 - 3. Related to all three material weaknesses, staff immediately modified the reports and included an additional level of review prior to the audit opinion being issued.
 - 4. A copy of this resolution will be filed with the Secretary of State.

RESOLUTION

The Board of Directors for Portland Public Schools, School District No. 1J, Multnomah County, Oregon, approves the Corrective Action Plan in response to the financial statement findings.

RESOLUTION No. 5559

Election of Board Chairperson and Vice Chairperson(s)

Director _____ is hereby elected Chairperson of the Board and Director(s) _____ are hereby elected Vice-Chairperson(s) of the Board for the period beginning Jan. 9, 2018, until their successors are elected.

RESOLUTION No. 5560

HOLD for Step 3 Complaint

RESOLUTION No. 5561

Renaming of Board Taskforce

The Board's Policy and Governance Taskforce shall be renamed to the Board Policy and Governance Committee. Per Portland Public Schools Board Policy 1.20.014-P, Special Committees have a special purpose to serve until their assignment is completed.

RESOLUTION No. 5562

Minutes

The following minutes are offered for adoption:

December 19, 2017

RESOLUTION No. 5563

Authorizing Payment

The authority to pay \$212,596 is granted to Miller Nash Graham and Dunn LLP for work performed on the District's behalf.

This expenditure will be charged to the District's legal fund 601.

L. Large