

# Portland Public Schools

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## 2017 Bond Performance Audit Fiscal Year 2020/2021



### November 2021 – Final Report





November 12, 2021

Portland Public Schools  
Marina Cresswell, Senior Director Office of School Modernization  
510 N. Dixon Street  
Portland, OR 97227

Dear Ms. Cresswell,

Sjoberg Evashenk Consulting is pleased to submit our report for the Portland Public Schools (PPS) *2017 Bond Performance Audit – Fiscal Year 2020/2021*. We assessed performance of the bond program as implemented by PPS' Office of School Modernization (OSM) with focus on the delivery status of the 2017 Bond projects, business equity protocols, and bond communication efforts. We also assessed progress made towards implementing recommendations from prior 2017 Bond performance audits.

Our report concludes that, for the areas we reviewed, substantial progress was made towards delivering the capital school modernization projects. PPS was also committed towards improving business equity outcomes for its capital bond projects by critically assessing business equity challenges. Public communication on bond matters were comprehensive and often more robust than other school districts with similar bond programs, and PPS continues demonstrating commitment towards addressing prior audit recommendations with nearly all implemented or in-progress.

We also provided several recommendations related to reassessing the overall intent of PPS' business equity protocols, determining how equity is characterized, and developing the District's equity vision into succinct measurable subgoals or objectives to assist PPS and OSM in its emerging efforts to bolster business equity strategies and outcomes.

We appreciate the professionalism, cooperation, and dedication of all PPS and OSM staff who assisted us throughout the course of the audit, and look forward to continuing our collaboration during the next audit cycle.

Respectfully Submitted,

A handwritten signature in black ink that reads "CBrady".

Catherine Brady, Partner  
Sjoberg Evashenk Consulting, Inc.

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## Executive Summary

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Nearly four years since Portland voters passed the 2017 School Improvement Bond (Bond), the Portland Public Schools District (PPS) and its Office of School Modernization (OSM) completed two of the four major capital school improvements projects—Kellogg Middle School and McDaniel High School (formerly Madison High School), and the modernization of Lincoln High School and the Benson High School Campus was progressing on schedule. Health and safety (H&S) improvements also progressed well with substantial bond funds already spent towards addressing H&S needs.

We also found that PPS was committed towards improving business equity outcomes in contracting for public capital projects and was in the process of critically assessing equity challenges with the intent to help shape the future of business equity through its bond-funded programs. Expanding upon PPS in-progress efforts in this area, we offer several recommendations for PPS to refocus and bolster its activities by realigning current goals and strategies with latest developments in equity practices. Additionally, OSM-led efforts surrounding communication of Bond information to the public were comprehensive and in many instances were more robust than other school districts with similar bond programs. Yet, as these extensive bond communication efforts have been coordinated primarily through just one OSM staff member, this institutional knowledge about how best to convey information needs to be better retained, especially with the Bond programs and projects continuing to grow. Moreover, OSM continued to diligently address prior audit recommendations.<sup>1</sup>

Audit fieldwork covered the period between April 1, 2020 and March 31, 2021, although we incorporated any significant events after the end of fieldwork into this report. Key results and recommendations are summarized in the sections that follow.



### 2017 Bond Program Is Reaching Major Milestones

Nearly four years into the 2017 Bond program, Kellogg Middle School and McDaniel High School opened to students and teachers in the Fall of 2021—marking a major milestone for the Bond.

#### **KEY RESULTS:**

- Kellogg Middle School and McDaniel High School opened on schedule for the 2021-2022 school year.
- Lincoln High School is on schedule to complete construction by fall 2023.
- Benson High School was in design and estimated to open in the fall of 2024, still within its \$357.7 million budget.
- Health & Safety program improvements were well underway with more projects already completed than initially envisioned by the Bond.
- Bond premiums and state grants have provided over \$79 million in additional funding for 2017 Bond projects and a new 2020 Bond will help pay for the completion of the now \$1.098 billion 2017 Bond program.

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<sup>1</sup> Refer to Appendix B for status of prior audit recommendations and PPS website at <https://www.pps.net/Page/15137> for all Independent Bond Performance Audit reports.



## Business Equity Activities Generally Followed Industry Practices, Although There are Strategies PPS Should Consider to Better Focus its Efforts

PPS business equity efforts have centered around an aspirational goal that was arbitrarily established and has been difficult to attain. PPS was aware of these challenges and has started working towards strengthening equity efforts. As underlying equity values and vision are revisited and refined, PPS could consider certain strategies and improvements to better align efforts with intended outcomes.

### KEY RESULTS:

- PPS had Difficulty in Consistently Meeting its Overall Aspirational Goal as Did Other Entities Reviewed.
- Use of Aspirational Goal Aligns with Other Entities, Although PPS' Goal was Arbitrarily Established.
- Focus on Singular Aspirational Goal Alone Does Not Comprehensively Measure Equity.
- PPS Demonstrated Commitment Towards Achieving Equity, But Challenges Exist.
- Other Entities Reviewed Employed Other Varied Equity Approaches that PPS Could Consider.
- Some Members of the Local Contracting Community Identified Common Challenge Areas that PPS Should Consider to Improve its Business Equity Efforts.
- Existing Business Equity Reporting and Training for Contractor and Consultant Use of Diversity Management System Could be Bolstered.

### RECOMMENDATIONS:

As PPS moves forward with its School Improvement Bond programs, investing in the local underutilized / disadvantaged business community through PPS' Business Equity Administrative Directive should be guided by the PPS Board and implementation efforts should be led by the PPS Office of School Modernization in coordination with all PPS departments involved with business equity. Specifically:

1. The PPS Board should revisit its EPPC Policy to clarify and define the District's vision, goals, and commitment to business equity. This should include reassessing the overall intent, determining how equity is characterized, and expanding on what attainment of business equity goals for the District should entail.

Once EPPC Policies are Board-affirmed, OSM should work with other PPS departments involved with developing and implementing the District's business equity directive to:

2. Further develop the Board's overarching vision into more succinct measurable subgoals or objectives, support new goal setting with defensible data, and define qualitative and quantitative metrics to measure against new goals.
3. Conduct a cost-benefit analysis of available business equity strategies, such as those outlined in this report, and include considerations such as long-term versus short-term strategies, direct versus intangible "investment" type strategies, and unintended consequences.
4. Develop tools and protocols to capture outcomes of chosen equity strategies, and validate outcome data accuracy.
5. Create protocols to expand on existing business equity annual reporting to include an assessment of whether annual equity outcomes realized meet the intent of the EPPC Policy and goals of the Administrative Directive, or if modification to the portfolio of equity strategies is warranted, and based on results, adjust strategies as necessary.
6. Develop and formalize operating procedures to define the roles, responsibilities, and expectations of PPS staff specific to managing contractor and consultant business equity compliance, reporting on outcomes, and coordinating efforts to bolster PPS' presence and visibility in the certified business community.

PPS departments using the "B2GNow" Diversity Management software's data should:

7. Provide context and explanation of nuances and limitations of B2GNow data in presentations and reports to the Board and the Bond Accountability Committee.
8. Develop a PPS-led training to provide new and existing contractors and consultants guidance on equity reporting requirements and expectations; and provide refreshers on training materials on an established schedule over the course of the contract duration.
9. Conduct a review to explore system capabilities, functions, and reports with the B2GNow vendor that could enhance PPS' management of business equity efforts.



## Bond Communication Efforts Were Comprehensive, Although Institutional Knowledge Should Be Better Retained

Communication efforts demonstrated PPS' commitment to public transparency with vehicles used that were often more robust than other school districts in Oregon with similar bond programs. Yet, we offer recommendations for a few improvements needed to retain bond communication institutional knowledge and tighten existing presentation of bond materials.

### KEY RESULTS:

- Information about bond progress is communicated using a variety of media platforms including an interactive map with all schools listed—moreover, for individual schools, additional information is provided on the type of improvement made under both the 2012 and 2017 Bonds.
- Bond communication efforts relied heavily on the experience of one PPS staff; thus, creating an institutional knowledge gap should the staff retire or leave the role.
- The breadth of PPS' bond communication vehicles and methods were comprehensive, but could benefit from more uniformity and contextual information such as data sources, timestamps, and contact information.

### RECOMMENDATIONS:

To enhance existing strong bond communication efforts and further strengthen transparency and accountability surrounding School Improvement Bond work, OSM should consider:

10. Develop new and strengthen existing protocols for capturing institutional knowledge currently held by one OSM staff member to ensure information and processes about Bond communication efforts is retained with PPS. Protocols could include establishing key policies and procedures, cross-training staff on communication activities and knowledge, creating a resource library, and providing data sources, timestamps, "as of" dates, and follow-up contact information, as appropriate.

## Introduction and Background

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As the largest K-12 public school district in Oregon with more than 49,000 students and nearly 100 schools, Portland Public Schools' (PPS) Office of School Modernization (OSM) has been tasked with modernizing aging facilities and upgrading the learning environment over a 30-year period. To date, Multnomah County voters passed three major bond programs to fund these school improvements—in 2012, 2017, and the most recent one in 2020. Combined, these three bonds authorized over \$2.4 billion in funding through a levy against assessed property values for modernizing school facilities and improving learning experiences.

### Bond Capital Projects Program and Bond Audits

Modernizing aging school facilities is a complex endeavor with several phases and a variety of internal PPS and OSM players, external consultants and contractors, a citizen accountability committee, and an elected oversight board. For the 2012 school improvement projects, efforts were primarily focused at Grant, Franklin, and Roosevelt High Schools and Faubion Middle School; while the 2017 school improvement projects largely focused on Lincoln, McDaniel, and Benson High Schools in addition to Kellogg Middle School. Both bonds also set aside significant funds for a series of health and safety improvements at other schools within the PPS district as well as planning for specific future school modernizations.

All bonds required annual performance audits of bond activities as part of PPS' commitment to transparency and accountability to taxpayers. Beginning with the 2017 Bond, annual performance audit scopes of work generally focused on those bond-funded activities that could pose a risk to the overall delivery of the program and specific projects, or addressed concerns brought forward by OSM or the Bond Accountability Committee (BAC).<sup>2</sup> The construction status of the capital school construction projects would also inform audit scope decisions—such as assessing cost estimate practices when projects are in master planning or reviewing construction management when projects are in or nearing the construction phase.

Past performance audits for both the 2012 and 2017 bonds focused on specific capital construction phase activities and operational aspects of the bond programs. Since the capital school projects did not enter a construction phase that has not been previously audited, we focused this year's audit on overall bond delivery status, bond public communications, and status of prior audit recommendations.<sup>3</sup> In addition, because Bond funds pay significant amounts to the local contracting community through its construction projects, we examined PPS' business equity in purchasing and contracting goals—specifically, we assessed the history behind establishing goals, equity performance to date, and current protocols in place to meet PPS' equity goals.

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<sup>2</sup> The establishment of the BAC was a requirement of the Bond measure—it is a taxpayer oversight body consisting of private citizens that advise the Board and OSM on all Bond matters as defined by its charter.

<sup>3</sup> Refer to Appendix B for status of prior audit recommendations.

## Business Equity Practices and Challenges in Capital Construction Contracting

With public capital projects improving infrastructure and helping the economy through job creation, the concept of business equity in procurement and contracting has been considered by public entities for decades. For instance, locally in Portland, the city established a “Minority/Female Purchasing Program” in 1980 with the intent to promote procurement of goods and services offered by minority and women-owned businesses.<sup>4</sup> Shortly after, the US Congress enacted the first federal disadvantaged business enterprise provision in 1983, requiring a portion of federal funds on certain transportation projects to be spent on disadvantaged business enterprises.<sup>5</sup> Since that time, public sector agencies at the local, state, and federal levels have continued to develop policies and programs aimed at reaching businesses that were excluded from contracting opportunities.

Despite equity in contracting efforts existing for many years, there are not a lot of defined best practices memorialized in the industry. The general process used for creating an environment where disadvantaged or underrepresented businesses can participate in public sector procurement involves similar basic steps including:

1. Establishing a policy to advance equity.
2. Developing goals or targets.
3. Implementing specific strategies.
4. Tracking progress by measuring results.
5. Making changes to strategies and approaches based on results.

Both policy institutes and equity auditors acknowledge that identifying solutions and ultimately “achieving” equity for any public entity is a complex endeavor that requires significant continued commitment and effort. Most industry authoritative resources reiterate the challenge public entities face with equity being a continual pursuit toward a core value where milestones can be reached and progress made given the complex backdrop of diversity and inclusion but expecting that efforts will be ongoing and need to be refined as conditions warrant. In addition to a lack of available best practices for equity in contracting programs, the industry is challenged with the legality of equity efforts and changing market conditions that may influence business equity programs’ success or outcome. Many entities also cited struggles with identifying precise causes of often underwhelming equity outcomes and methods to resolve undesired results. Industry challenges noted include the following:

- Many external factors affect public entities’ ability to achieving equity that are outside their control.
- Strategies have inherent risk that efforts may unintentionally favor one target group over another.
- Equity may not always be quantitative or measurable, making it difficult to gauge progress.
- Legal court challenges nationwide can restrict certain equity driven contracting strategies.<sup>6</sup>
- Perceptions related to implicit bias, unwelcoming environments, and discrimination.

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<sup>4</sup> City Code 3.100.80 as amended by Ordinance No. 150738.

<sup>5</sup> US Congress, Disadvantaged Business Enterprise (DBE) provision 49 CFR 23, 49 CFR 26, 1983.

<sup>6</sup> Oregon Department of Aviation, 2021 Oregon Statewide Airport DBE Disparity Study, Keen Independent Research, January 2021.

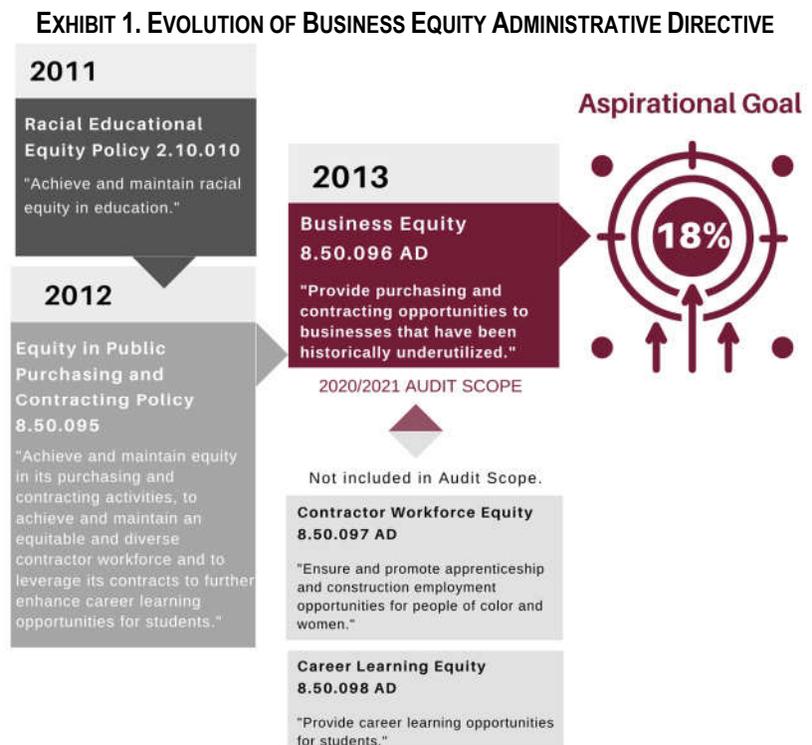
## Business Equity in Public Purchasing & Contracting (EPPC) at PPS

In June 2011, the Board of Education (Board) adopted the Portland Public Schools Racial Educational Equity Policy, 2.10.010 that affirmed the intent of the district to address and overcome educational barriers that resulted in a persistent achievement gap for students of color. The Board noted that these barriers and inequities were due to complex society and historical factors. A year later, they formally recognized that the impact of these inequities extended further to PPS’ business partners and the broader community.<sup>7</sup> To build upon the racial equity policy, the Board adopted its Equity in Public Purchasing and Contracting Policy (EPPC) in July 2012, stating that “modeling equity in District business practices will further enhance achievement of goals established in its Racial Educational Equity Policy.”

### EPPC Has Three Main Areas

The EPPC has three main areas: Business Equity, Contractor Workforce Equity, and Career Learning Equity. While each area was operationalized into its own Administrative Directive (AD) that details the steps PPS will take to strive to meet goals, the scope of this audit only reviewed the Business Equity AD. As shown in Exhibit 1, the current Business Equity AD was signed by the Superintendent in September 2013 and focuses on pursuing equity in contracting and procurement practices.<sup>8</sup>

While the AD applies districtwide, we focused on business equity for bond-funded projects only as part of our annual bond performance audit scope. To measure achievement of equity, PPS established an aspirational, non-mandatory goal to have 18 percent of PPS’ applicable purchasing and contracting expenditures be awarded and paid to businesses certified by the state of Oregon as minority-owned, women-owned, service-disabled veteran-owned, or emerging small businesses. These businesses are certified by the state’s Certification Office for Business Inclusion and Diversity (COBID).<sup>9</sup>



Source: Auditor-generated from PPS library of policies and administrative directives <https://www.pps.net/policies>.

<sup>7</sup> Board Materials from July 16, 2012 note that PPS had been actively drafting the EPPC since 2009.

<sup>8</sup> The Business Equity AD has been revised twice since its adoption—once in 2015 and again in 2016 to add criteria in the proposal evaluation process, clarify applicability of the AD to specific divisions, and expand the list of accepted certified businesses.

<sup>9</sup> The term “certified business” is used in this report to comprehensively refer to all businesses certified by COBID. PPS also accepts businesses certified in Oregon, Washington, and California as Disadvantaged Businesses (DBE) by the US Department of Transportation, and certifications from the State of Washington’s Office of Minority and Women’s Business Enterprises (OMWBE).

The aspirational goal applies to expenditures related to architectural and engineering-type consultant services and construction contracts.<sup>10</sup> All prime contractors and consultants are encouraged to spend at least 18 percent of contract expenditures awarded to the individual contractors and consultants by hiring certified subcontractor businesses, or self-performing some work if the prime is also certified. Depending on the project, procurement solicitation, and contract type, contractors and consultants may have different requirements for demonstrating efforts in pursuing business equity. According to PPS, its goal is intentionally aspirational given federal rulings in the Ninth Circuit Court of Appeals prohibited race-conscious contracting programs absent sufficient evidence of discrimination of a particular target group and PPS has not conducted any formal study to provide such evidence.<sup>11</sup>

As discussed throughout this report, at the heart of the EPPC is PPS' desire to build upon its Racial Educational Equity Policy and extend its commitment to pursuing this equity in its contracting practices. However, the pursuit of equity against the backdrop of deeply complex, inequitable history nationwide makes equity challenging to pursue. As such, while continuous equity work is invaluable and should be resolutely pursued, these complexities require that some considerations be taken as PPS reflects on how to best address on-going equity challenges.

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<sup>10</sup> The goal applies to consultant services in Divisions 48 (architectural, engineering, land surveying, photogrammetric mapping, and transportation planning businesses) and construction contracts in Divisions 49 (excavating, landscaping, demolishing and detaching existing structures, leveling, filling in and doing other preparation of land for the making and placement of, creating or making, altering, partially constructing and doing repairs in and upon a building, structure or superstructure, as categorized by Oregon Revised Statutes and PPS Public Contracting Rules. The AD intended to apply the goal further to other Divisions in the future, but this has not yet occurred.

<sup>11</sup> The Ninth Circuit Court of Appeals ruling in *Western States Paving v. Washington State Department of Transportation, 2005*, prohibited race-conscious contracting programs absent sufficient evidence of discrimination of a particular target group.

## Scope and Objectives

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The Portland Public School District (PPS) hired Sjoberg Evashenk Consulting in October 2018 to conduct annual performance audits of the 2012 and 2017 School Improvement Bonds over a four-year period. Each year, auditors will assess performance and focus on different bond program and project areas. To establish our audit plan and objectives, Sjoberg Evashenk Consulting interviewed PPS executive leadership, operational staff, and external stakeholders; gathered and reviewed initial documents; and performed a high-level risk assessment.

For this performance audit cycle, we reviewed bond program activities for the period between April 1, 2020 and March 31, 2021. Our objectives were as follows:

- 1. 2017 Bond Status**  
Identified the delivery status for the 2017 Bond projects as of March 31, 2021 in terms of cost and schedule, and whether variances were reasonable and controlled.
- 2. Business Equity**  
Assessed whether current protocols in place to operationalize PPS' Equity in Public Purchasing and Contracting (EPPC) policy and administrative directive are effective in achieving business equity.
- 3. Bond Communications**  
Reviewed whether efforts to communicate bond information to the public are consistent, reliable, and appropriate.
- 4. Prior Audit Recommendations**  
Determined whether PPS and OSM sufficiently addressed prior audit recommendations related to bond activities and implemented appropriate corrective action.

To fulfill these objectives, Sjoberg Evashenk Consulting performed a variety of detailed audit tasks involving data mining and analysis, documentary examinations, project file review, industry best practice research, peer comparisons, source data verification, and interviews. Appendix A provides the detailed methodology employed on our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

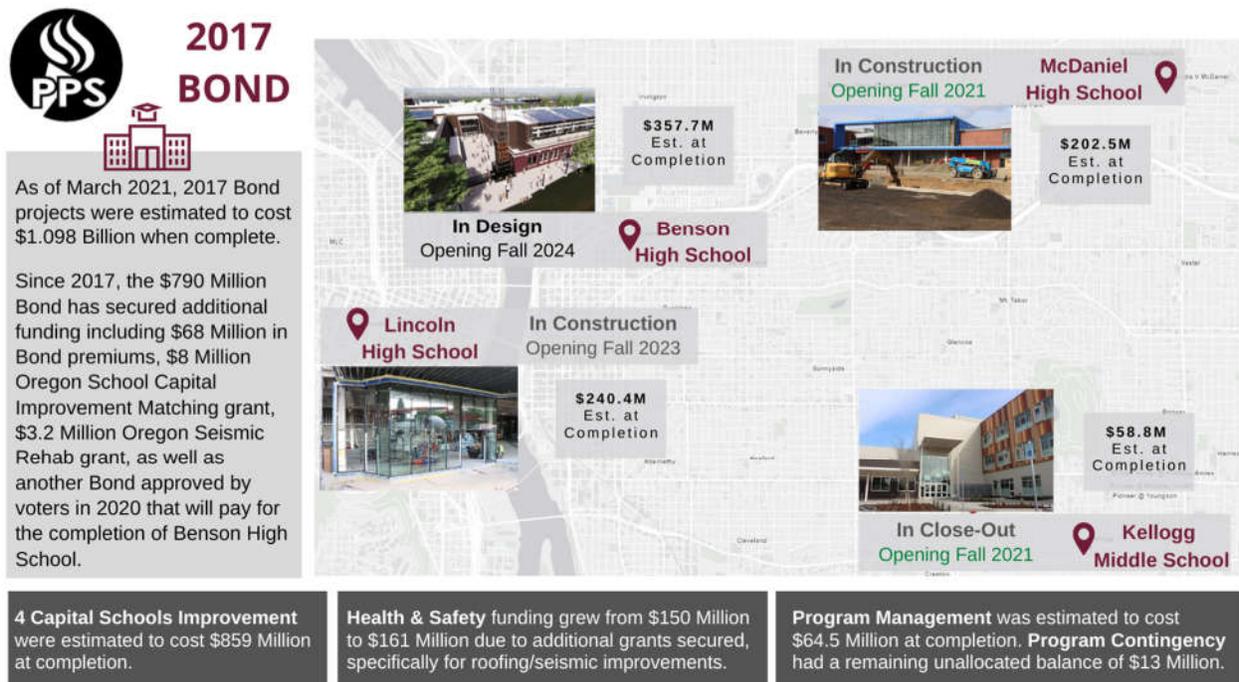
## Section 1: 2017 Bond Program is Reaching Major Milestones

The Office of School Modernization (OSM) continued to deliver on projects Multnomah County voters approved nearly four years ago under the 2017 School Improvement Bond. With Kellogg Middle School and McDaniel High School (formerly Madison High School) opening on schedule for the 2021-2022 school year, and health and safety program investments well underway, the Portland Public School District (PPS) will mark the completion of major milestones despite unprecedented challenges from the COVID-19 pandemic and extensive local wildfires affecting construction during the summer of 2020.

Moreover, PPS was able to secure another \$1.2 billion voter-approved bond in November 2020 that will help bridge the 2017 Bond funding gap.<sup>12</sup> The 2020 Bond specifically earmarked \$64 million for Benson’s Multiple Pathways to Graduation (MPG) building as well as another \$152 million for remaining projects.

As illustrated in Exhibit 2, as of March 2021, OSM was finishing construction on the Kellogg Middle School and McDaniel High School projects—both projects were expected to be completed on budget, although OSM planned to utilize program contingency to offset impacts from the pandemic on the construction of McDaniel High School. Lincoln High School was in construction, on-budget, and still on-schedule to be completed by fall 2023. The Benson High School’s main campus project was in design and the \$357.7 million estimated cost to complete has remained same since our last audit in March 2020.

**EXHIBIT 2. 2017 BOND STATUS, AS OF OCTOBER, 2021 & ESTIMATE AT COMPLETION, AS OF MARCH 2021 (IN MILLIONS)**



Source: Bond Accountability Committee March 31, 2021 Meeting Material, and e-Builder system data.

Note: The Benson High School project budget of \$357.7 includes improvements of the main campus, MPG building, and swing sites.

<sup>12</sup> 2017 Bond funding challenges were discussed in the first 2017 Bond Performance Audit report, issued in April 2019 and available on the PPS website <https://www.pps.net/Page/15137>.

## Section 2: Business Equity Activities Generally Followed Industry Practices, Although There are Strategies PPS Should Consider to Better Focus its Efforts

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As public entities strive to boost participation of certified businesses when delivering capital improvement programs, it has become increasingly challenging for public owners to define success when assessing their efforts towards offering opportunities to certified businesses. The Portland Public School District (PPS), with significant capital improvements under three large voter-approved bonds underway, is well positioned to leverage bond funding to help achieve its business equity goals.

Yet, there is no one approach or best practice that public sector agencies should employ toward equity attainment; rather, policies and varied strategies should be considered in context of the specific local environment demographics or market conditions and remain flexible to allow for adjustments when not working as intended. As such, there are different techniques to use in setting goals, tracking progress, and continually refining and revising equity approaches.

When reviewing PPS' business equity program, we found it followed a traditional framework starting with a policy established in 2012 and related equity goals, strategies and approaches, and metrics to measure progress. However, PPS' basis of measuring success of its equity program— a single aspirational goal— creates a one-dimensional focus that may not adequately capture how a program reaches and provides opportunities to certified businesses that are available to perform the work. Nonetheless, we found that PPS' use of its aspirational goal, equity outcomes and results, and strategies employed generally aligned with other entities we reviewed, although there are several other techniques and approaches for PPS to consider.

PPS departments, including the Office of School Modernization (OSM) and Purchasing and Contracting (P&C) with responsibility for implementing the EPPC, were aware of these challenges. In fact, staff have started working towards strengthening equity efforts by recruiting a new “Bond Certified Business Program Manager” position and initiating discussions at the Board and Bond Accountability Committee levels about business equity program challenges and successes over the past few years. However, more can be done at the PPS leadership level to revisit and reassess the intent and goals behind the EPPC Policy with consideration given to all possible strategies, especially when leveraging School Improvement Bond funding to achieve PPS business equity goals.

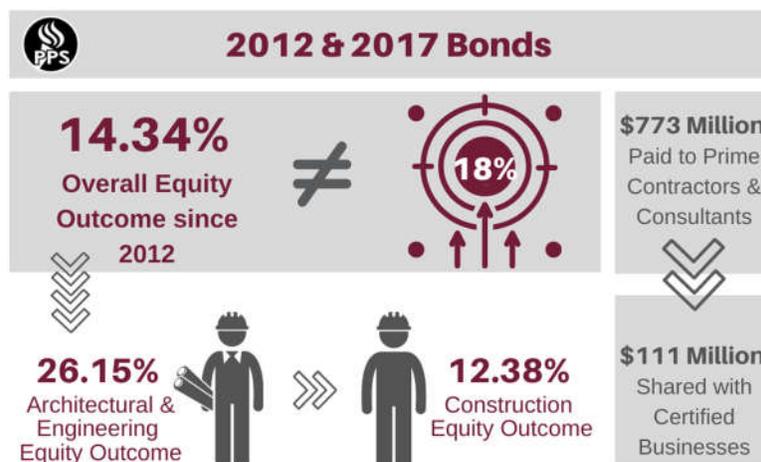
### **PPS had Difficulty in Consistently Meeting its Overall Aspirational Goal as did Other Entities Reviewed**

When the PPS Board of Directors (Board) established its Equity in Public Contracting & Purchasing (EPPC) Policy in 2012, one of its goals for business equity was to “provide purchasing and contracting opportunities to small businesses that have been historically under-utilized, including businesses owned by people of color and women.” Pursuant to the EPPC, PPS' Administrative Directive in 2013 established an 18 percent aspirational goal for the participation of certified businesses in PPS procurements of consultant and

construction services as determined by total payments made by PPS to consultants, contractors, and their subconsultants or subcontractors.

Nearly a decade and two large Bond measures later, PPS has paid \$772.6 million to prime contractors and consultants who in turn shared \$110.8 million, or 14.34 percent of the work, with certified businesses—overall short of the 18 percent business equity aspirational goal set by the District’s Business Equity Administrative Directive.<sup>13, 14</sup> When deconstructing equity performance by type of service contracted for the fiscal year 2019-2020 we reviewed, PPS surpassed the goal for architectural / engineering (A/E) services achieving 26.16 percent participation—although it only achieved 12.38 percent participation for construction services work as shown in Exhibit 3.<sup>15</sup>

**EXHIBIT 3. EQUITY OUTCOMES BY A/E AND CONSTRUCTION, AS OF MARCH 2021**



Source: Auditor-Generated based on PPS’s B2G Diversity Management System Data.

### Other Entities Did Not Meet Aspirational Goals, Although Equity Program Nuances Made Outcomes Difficult to Compare

As shown in Exhibit 4, some comparable entities also did not meet their aspirational goal—although goal setting and methods used in equity programs varied significantly among entities.<sup>16</sup> Specifically, a higher or lower aspirational goal did not necessarily guarantee successful equity attainment. For instance, the City of Portland (City), Portland Community College (PCC), and Port of Portland (Port) each set a 20 percent total aspirational goal; yet, only the Port and PCC met their goals. One nuance to note is that the City limited its calculation of outcome success to those construction projects valued between \$150,000 and \$10 million,

<sup>13</sup> The term “certified business” used in this report comprehensively refers to all businesses meeting the EPPC Policy definition. “MWESB” (Minority/Women/Emerging Small Business) and variations of this acronym (e.g., MWBE, MWESDV, etc.) is also often used to describe these certified businesses at PPS and other public entities. But for this report only “certified business” will be used for consistency. Additionally, data used is from PPS’ B2G Diversity Management System as of March 4, 2021 for the period from July 1, 2012 to March 4, 2021 and includes payments made to vendors under both the 2012 and 2017 Bonds.

<sup>14</sup> Aspirational Goal outcome data from PPS School Improvement Bond Committee Meeting, May 27, 2021.

<sup>15</sup> PPS captures A/E services in “Division 48” and construction services in “Division 49.”

<sup>16</sup> The seven entities considered by auditors for this assessment included: Beaverton School District, City of Portland, City of Seattle, Metro, North Clackamas School District, Port of Portland, and Portland Community College.

while PCC's utilization applied to construction contracts over \$1 million only.<sup>17</sup> Similarly, the Port's minimum contract threshold to calculate equity outcomes was \$500,000, although they also may set project-specific goals between 12 and 25 percent. In another example, the City of Seattle split its aspirational goal between purchasing and consulting services contracts. While the City of Seattle met its purchasing goal, it did not meet the goal for consulting contracts.

**EXHIBIT 4. MOST RECENT AVAILABLE ASPIRATIONAL GOAL OUTCOME AT COMPARABLE ENTITIES**

Year	FY 2020	CY 2020	FY 2020	CY 2020	CY 2019	CY 2020	CY 2020	FY 2020
		Beaverton SD	City of Portland	City of Seattle	Metro	North Clackamas SD	Portland Community College	Port of Portland
<b>Goal</b>	18%	10%	20% 14% sub-goal to DMWBE	18% Purchasing 27% Consulting	Project Specific	15%	20% With 14% max. to ESB	20% Also has project specific goals.
<b>Outcome</b>	 Architectural/Engineering Construction			 Purchasing Consulting				
<b>Goal Nuances</b>	<ul style="list-style-type: none"> <li>All Contract Values.</li> <li>All Construction &amp; A/E Contracts.</li> <li>All Levels of Subcontractors &amp; Subconsultants.</li> </ul>	<ul style="list-style-type: none"> <li>All Construction &amp; A/E Contracts.</li> </ul>	<ul style="list-style-type: none"> <li>Construction Contracts from \$150K to \$10M only.</li> <li>Subcontractors only.</li> </ul>	<ul style="list-style-type: none"> <li>Excludes Construction Contracts.</li> <li>First tier subconsultants only.</li> </ul>	<ul style="list-style-type: none"> <li>Construction over \$100K &amp; Personal Services Contracts over \$150K only.</li> <li>All levels of Subcontractors &amp; Subconsultants.</li> </ul>	<ul style="list-style-type: none"> <li>All Contract Values.</li> <li>All Construction &amp; A/E Contracts.</li> <li>All Levels of Subcontractors &amp; Subconsultants.</li> </ul>	<ul style="list-style-type: none"> <li>Construction &amp; A/E Contracts over \$1M only.</li> <li>All Levels of Subcontractors &amp; Subconsultants.</li> </ul>	<ul style="list-style-type: none"> <li>Construction Contracts over \$500K only.</li> <li>All Levels of Subcontractors.</li> </ul>

Source: Auditor-generated based on publicly available documents on each agency's website, and interviews with agency equity staff.

Note: Architectural / Engineering—captured by PPS in Division 48 while Construction Contracts are captured in Division 49.

As shown, factors such as the size of contracts, the type of contracts (e.g., construction, consulting, purchasing), and whether all levels of primes and subs are counted in utilization all impact the level of difficulty in meeting a set goal. In addition, an entity's portfolio of capital construction projects can significantly vary with some entities applying goals to smaller capital programs or individual projects only.

Also greatly impacting goal outcomes is the specific procurement method or contracting vehicle utilized—such as direct appointments, alternative methods such as competitive requests for proposals for Construction Manager/General Contractor (CM/GC) construction services, or traditional low bid-type procurements.<sup>18</sup> For instance, on low-bid construction projects, public owners cannot influence a prime contractor's choice of certified firms since the project must be awarded to the lowest responsible and responsive bidder. By contrast, for direct appointments, that are typically smaller-sized and priced projects, public owners can directly award the work to a certified business, thus exerting greater control over the ultimate recipient of contracting dollars. Another type of challenge that exists is when alternative contracting methods like CM/GC are used. This method provides more flexibility in considering more than price when hiring subcontractors including hiring more certified firms. Yet, CM/GC projects are often larger in scale where it can be challenging to meet an aspirational goal by percentage of the contract alone.

<sup>17</sup> The City of Portland has several programs and initiatives to address business equity. Our review focused on the City's Subcontractor Equity Program, as it is the most comparable to PPS' business equity program.

<sup>18</sup> For reference, 2017 Bond Health & Safety projects were mainly low-bid or direct appointments while the large school modernizations such as McDaniel, Lincoln, and Benson High School were CM/GC, except for Kellogg Middle School which was low-bid.

Thus, it may not be appropriate to apply the same one-dimensional aspirational goal across different types of procurement vehicles used; rather, PPS may want to tailor metrics based on the procurement method—direct appointment, low-bid, or alternate competitive proposals—used for Bond projects.

These and other nuances and variations in how goals can be applied highlight the challenge to compare PPS' goal and outcome to each comparable entity's outcome.

## **Use of Aspirational Goal Aligns with Other Entities, Although PPS' Goal was Arbitrarily Established**

PPS' use of a goal against which to measure progress in its efforts toward business equity aligns with industry best practice and other entities we reviewed, but its rationale behind the specific numeric goal established was not known or well documented.

### **Aspirational Goal was Arbitrarily Set**

While individual annual equity outcomes have fluctuated, PPS reported lower goal results in recent years have sparked discussions at the Board, Bond Accountability, Office of School Modernization, and Procurement & Contracting level about equity and how PPS can create opportunities to address perceived shortcomings in the District's equity efforts—as measured against the 18 percent business equity goal established nearly a decade ago.

The 18 percent business equity goal—although aspirational in nature only—was not established using a quantifiable or methodical approach and appeared to be loosely based on two prior PPS construction agreements from 2009 and 2012 where the proposal and contract documents stipulated an 18 percent aspirational goal for subcontracting to minority, women, and emerging small businesses.<sup>19</sup> Further, the District's 18 percent goal seemed to be, in part, modeled after the City of Portland's piloted its equity program with a participation goal of 20 percent based on the City of Portland's extensive multi-year disparity study assessing its programs' effect on construction and construction-related professional services industries in the greater Portland area. While PPS' 18 percent equity goal was generally aligned with the City of Portland's 20 percent goal, it was also loosely based on the minimal experience PPS had at the time with just two construction contracts. Moreover, when the EPPC was initially drafted in 2012, PPS met with community stakeholders and business leaders to solicit feedback and recommendations that were eventually incorporated into the adoption of the EPPC. Although those conversations did not appear to impact the actual goal setting, it did allow the community to share perspective on potential benefits and barriers associate with actions considered by PPS. Given the age of the EPPC and the method used to set the goal, PPS should revisit its policies and strategies to have more supported goals that meet the intent to increase certified business participation. Several recent audits of public entities in the western US also reiterated the need for consistent goal setting methodologies.<sup>20</sup>

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<sup>19</sup> The two contracts were for a PPS re-roofing project in 2009 and a boiler burner retrofitting project in 2012.

<sup>20</sup> Recent audits conducted include the City of Portland, Portland City Auditor, "City Procurement: Contracting process needs Council intervention", June 2015; City and County of Denver, Office of the Auditor, "Performance Audit of Minority/Women and/or Disadvantaged Business Program", June 2020; City of Portland, Portland City Auditor, "Equity in Construction Contracting", September 2020; City of San Diego, Office of the City Auditor, "Performance Audit of the Purchasing and Contracting Department's Small Local Business Enterprise

## Methodical Ways of Calculating Aspirational Goals Exist

PPS generally aligned with some other entities we reviewed in using a single aspirational goal, although some others used more methodical approaches in establishing goals ranging from formal disparity studies to customized goals developed for individual projects, number of underutilized firms participating on a contract, or utilization requirements based on market availability of certified firms.

Nonetheless, Exhibit 5 provides examples of different approaches available for PPS to consider, if appropriate given PPS' local contracting environment, that would strengthen the rationale and justification behind its goal-setting activities. Regardless of the method chosen to set goals, PPS should memorialize the support and logic behind any targets set.

**EXHIBIT 5. EXAMPLES OF METHODOLOGICAL STRATEGIES TO ESTABLISH EQUITY GOALS USED BY OTHER ENTITIES**

		Beaverton SD	City of Portland	City of Seattle	Metro	North Clackamas SD	Portland Community College	Port of Portland
• Disparity Study.	✗	✗	✓ 2009	✗	✗	✗	✗	✓ 2018
• In-house calculation based on market availability of certified firms.	✗	✗	✗	✓ In-house calculation	✓ In-house calculation	✗	✗	✗
• Establishment of project specific goal.	✗	✗	✗	✗	✓ By Project	✗	✗	✓ By Project
• Periodic revision of aspirational goal.	✗	✗	✗	✓ Annually	✗	✗	✗	✗

Source: Auditor-generated based on publicly available documents on each agency's website, and interviews with agency equity staff.

Note: All information about other entities' business equity programs, policies, and pursuits are unaudited and based on publicly available documents and interviews at the time of this review.

## Few Entities Reviewed Used Disparity Study Method that Rely on Empirical Data

Two of the entities we reviewed used formal disparity studies, which are extensive formal reviews that analyze whether inequities exist in public contracting and procurement for a designated market that adversely affect historically underutilized groups. Results from these studies are used to set business equity goals that are established using an empirical basis.<sup>21</sup> Single-entity disparity studies are considered a more elaborate effort to set equity goals as they can be more complex and typically have a limited shelf-life of approximately five to seven years.

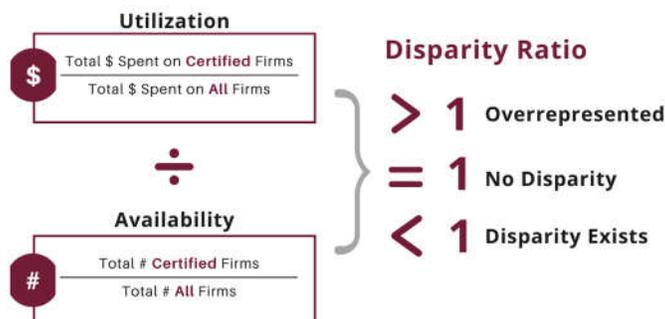
Alternately, given the time-consuming and generally costly nature of disparity studies, PPS could perform a higher-level analysis of market data to establish a disparity ratio. A disparity ratio considers and calculates

Program", November 2020; and King County Washington King County Auditor's Office, "Contracting Inequities Persist in Race-Neutral Environment", June 2021.

<sup>21</sup> The US Department of Commerce's Minority Business Development Agency defines a disparity study as a comprehensive effort that analyses a wealth of data pertaining to the legal, legislative, and contracting environment facing MBE (minority businesses) in a particular jurisdiction or when procuring contracts from specific federal, state, or municipal agencies. Similarly, the Oregon Department of Aviation (ODA) states that a disparity study determines if inequities exist in public procurement and contracting that adversely affect disadvantaged businesses, minorities, and/or women, and that the primary goal of such studies are to assess, quantify, and evaluate the prevalence, significant, and scope of discrimination in the marketplace, if any, against minority and women owned businesses.

a percentage of money spent on certified businesses compared to money spent on all firms in comparison to the percent of certified firms available to the amount of all firms available, as shown in Exhibit 6.

#### EXHIBIT 6. USING DISPARITY RATIO TO ASSESS MARKET AVAILABILITY OF CERTIFIED FIRMS



Source: Auditor-generated based on a “Contracting Barriers and Factors Affecting Minority Business Enterprises, Existing Disparity Studies” report completed by the US Department of Commerce’s Minority Business Development Agency in 2016.

When reading the results of the calculation, if the resulting ratio is the number one, it means there is no disparity of certified firms in the market. If the ratio is greater than one, there is an overrepresentation of certified firms in the market; alternately, a ratio less than one suggests a disparity of an insufficient number of certified firms in the local market. In addition, while a ratio of less than one suggests a disparity exists, the US Department of Commerce reported that a ratio of less than 0.8 is in fact considered a *substantial* disparity. Once calculated, the disparity ratio could assist with the actual establishment of an aspirational goal in that it provides data on whether the goal could reasonably be achieved given the local contracting environment.

If PPS wanted to develop its own disparity ratio, it may want to use Oregon’s COBID database as a starting point to capture some information related to its certified firms—although it would need to identify data for all firms in the local market from another source, such as the US Census, or other for purchase-type databases, that provide comprehensive market data. If an in-house calculation were to be used, PPS should also qualify whether the results of its calculation are statistically significant or legally defensible—factors which are normally addressed in disparity studies. Regardless of those factors, disparity calculations can help set the methodological basis for equity goals based on empirical data.

While data is captured and analyzed with disparity calculations, the method also has several challenges. For example, disparity calculation results may identify a higher representation of a target group than initially anticipated. If a disparity calculation revealed that some minority-owned businesses were not as disproportionately underrepresented in the market as suspected, a public owner could face difficulty determining whether to continue to direct efforts to those target groups.

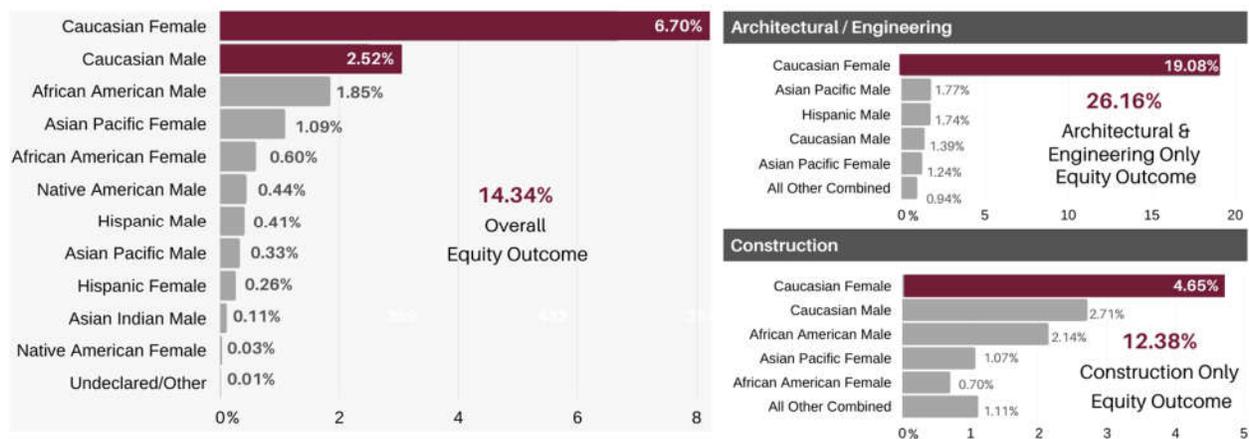
Without a methodical basis for goal-setting, it is not possible to determine if the goal is reasonable, appropriate, and achievable. Thus, PPS should analyze the cost-benefit of any equity goal-setting method used under the framework on its business equity policy that implies some degree of financial commitment. PPS will need to weigh financial implications against the backdrop of investment in a core PPS value of equity to create change. Regardless of methods used to set goals, PPS should document the development of the ultimate goals and targets.

## Focus on Singular Aspirational Goal Alone Does Not Comprehensively Measure Equity

As previously discussed, PPS surpassed its 18 percent overall aspirational goal for A/E contracts where it achieved a 26.16 percent certified business participation rate. When reviewing business equity data at a more granular level, we found that the work for bond-funded projects was indeed completed by a variety of certified businesses, although it is unclear whether the outcomes equated to achievement of equity in the spirit of the Board Policy upon a closer view of actual certified firms receiving work as shown in Exhibit 7.

Most of the contracting dollars spent, or 19.08 percent of that 26.16 percent for A/E was given to businesses certified as Caucasian female-owned.<sup>22</sup> While this outcome may demonstrate success in addressing the gender disparity aspect of the District’s Equity Policy (e.g., women-owned certified businesses received more work than men-owned certified businesses), questions remain surrounding success in achieving efforts against racial disparity—although PPS is constrained by certain legal limitations on implementing certain types of equity policies focused solely on race.<sup>23</sup>

**EXHIBIT 7. BUSINESS EQUITY STATISTICS**  
**2012 AND 2017 BOND-FUNDED PROJECTS ONLY, JULY 1, 2012 TO MARCH 4, 2021 (A)**



Source: PPS B2G System Utilization Report, July 1, 2012 and March 4, 2021, with payments reported to Architectural/Engineering (Division 48) and Construction (Division 49) firms.

Note: (A) Race, ethnicity and gender categories shown in this Exhibit are unaltered from the B2G System.

Since the District seeks to provide opportunities to under-utilized small businesses including people of color and women, it may want to reconsider if assessing outcomes through a singular aspirational goal is sufficient in capturing whether equity was pursued in accordance with its equity policy, and how it could approach other under-utilized businesses that carry a notably smaller share.<sup>24</sup>

<sup>22</sup> Descriptions of race, ethnicity, and gender categories such as ‘Caucasian’ are from PPS’ business equity tracking system, B2Gnow.

<sup>23</sup> The Ninth Circuit Court of Appeals ruling in *Western States Paving v. WSOT* prohibited race conscious contracting programs absent sufficient evidence of discrimination of a particular target group.

<sup>24</sup> The District’s Equity in Public Purchasing and Contracting Policy states the goal of providing opportunities to “small businesses that have been historically under-utilized, including businesses owned by people of color and women.”

Thus, while a single overall equity percentage goal is commonly used by many entities, including PPS, it can be one-dimensional and may not sufficiently or comprehensively capture intended outcomes without having more refined PPS criteria for determining progress in achieving equity.

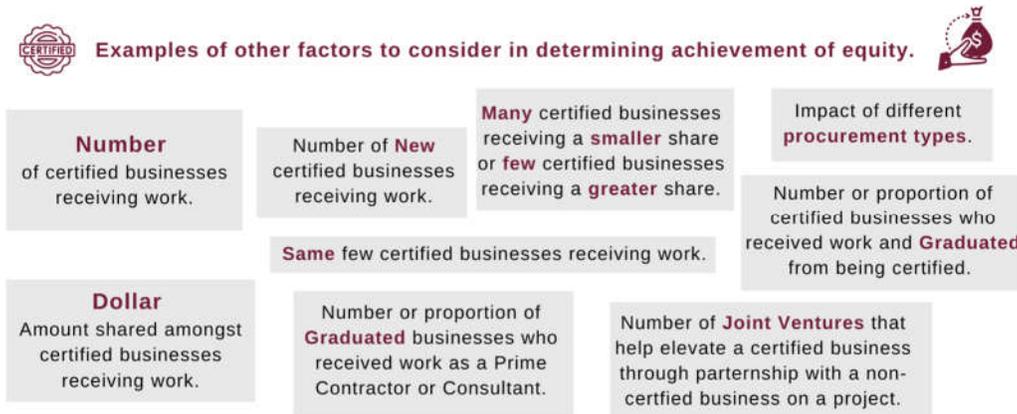
### Additional Metrics Would More Fully Measure Equity

While an overall aspirational goal measured by dollars spent is important and most commonly used by others we reviewed in determining equity achievement, considerations should also be given to additional measures that could to provide a more comprehensive assessment of progress toward equity.

For instance, no metric exists to measure equity achieved outside attainment of the aspirational goal, such as use of a joint venture for construction—though PPS included in various Request for Proposal (RFP) instructions that PPS supports the use of them. A construction joint venture is where an established general construction contractor enters into a legal agreement with a certified firm—representing a significant commitment by both the general contractor and the certified firm to share responsibility, liability, and risk.<sup>25</sup> For the general contractor, the joint venture is a major business decision compared to traditional ways of hiring certified firms as subcontractors. However, in terms of measuring business equity outcomes, this commitment by the general contractor would not be factored into the 18 percent aspirational goal achievement calculation. Viewing the contracting opportunity solely using the aspirational goal method disregards the potential benefit and success of the joint venture experience potentially allowing a certified firm to grow in size, skill, and earnings. The experience could make them more competitive on future work opportunities by removing commonly cited certified business barriers of insufficient human and capital resources, bonding capacity, or demonstrating experience in the delivery of large construction projects such as those under the PPS Bonds. Though this process can be a strategy to pursue equity in contracting, no metric exists to give credit toward those efforts.

Although not exhaustive, Exhibit 8 provides examples of additional metrics PPS could deliberate when affirming its position with regard to measuring equity outcomes.

#### EXHIBIT 8. EXAMPLES OF ADDITIONAL EQUITY METRICS IN CONJUNCTION WITH AN ASPIRATIONAL GOAL



Source: Auditor-Generated based on review of other equity in contracting programs at peer entities and interviews with local businesses.

<sup>25</sup> The 2012 Bond-funded Grant High School Modernization project was built by a joint venture team consisting of a General Contractor and a certified business. Similarly, the 2017 Bond-funded Lincoln High School project is also being built by a joint venture team.

These additional metrics expand indicators available to measure equity achievement and provide different ways to consider benefits for different types of firms or contracting methods. For instance, a project may utilize a high number of unique certified firms and pay a smaller amount to each firm, but not meet the overall 18 percent aspirational goal of dollars spent. With just the current aspirational goal as the only metric, the project could be characterized as not having achieved desired equity. Yet, small certified firms may still value and benefit from what PPS qualifies as a small dollar amount and receiving those shares. Those contracting dollars and related experience could be considered progress toward achieving equity. Without an expansion of equity metrics, discrete benefits being realized can be lost. Several recent audits of other west coast public sector entities also highlighted the need for expanded metrics to fully measure equity results.

### PPS Demonstrated Commitment Towards Achieving Equity, But Challenges Exist

In pursuit of the aspirational goal, PPS employed various efforts and strategies to improve its business equity that align with those found in industry. PPS' Administrative Directive 8.050.096 outlined a series of specific steps that PPS committed to take as part of implementing its Business Equity Program. As shown in Exhibit 9, those steps called for PPS to participate in local organizations representing certified businesses, attend trade shows, notify certified businesses of upcoming procurements, consider past certified business utilization performance in evaluation of formal contractor and consultant proposals, and actively seek certified businesses for solicitations that qualify for direct appointments.<sup>26</sup>

#### EXHIBIT 9. PPS ADMINISTRATIVE DIRECTIVE SPECIFICATIONS FOR BUSINESS EQUITY PROGRAM



Source: PPS Equity in Purchasing and Contracting Policy, Administrative Directive 8.050.096.

PPS generally employed these steps in addition to other efforts not specifically mandated by the Administrative Directive, such as leveraging the use of alternative procurement methods that consider vendor qualifications and best value in addition to allow for more flexibility in requiring prime consultants and contractors to submit contracting plans to employ equity subcontracting firms on applicable projects.

<sup>26</sup> Direct appointment procurements have a threshold of maximum \$100,000 in contracting dollars and require minimal competition per PPS' Procurement & Contracting Rules.

While PPS demonstrated its commitment toward pursuing its aspirational goal through these methods, challenges still exist and efforts were not always successful.

Specifically, when PPS includes equity factors as part of evaluation criteria for its applicable alternative procurement projects, it requires proposing firms to provide their written strategies as well as verbally describe how they plan on increasing certified business participation during oral procurement interviews. Factoring in these equity considerations in evaluation criteria and scoring firms based on their responses is a leading practice, but the strategy impact can be counterintuitive where certified prime consultants and contractors that may meet PPS equity goals through their own certified status must still develop strategies to engage other disadvantaged businesses like themselves to increase participation toward the aspirational goal. When certified prime consultants and contractors compete with non-certified prime consultants and contractors on projects, there was no consideration given for the certified prime consultant and contractor already being one of the targeted disadvantaged groups the equity evaluation was intended to benefit even though the certified firm’s project efforts would be able to meet a significant portion of the goal.

This circumstance occurred as part of a procurement for an A/E firm on one of the school bond modernization projects where a PPS’ request for proposals evaluation matrix showed that a certified prime consultant proposing on the work did not receive additional points for being certified themselves. In fact, the certified firm did not receive the highest score among non-certified competitors for the certified business section of the proposal, though the certified firm proposed one of the highest aspirational goal targets. Exhibit 10 shows the scoring results for the certified business portion of the procurement where the certified business, Firm 4, did not receive the most points. This shows that while PPS is committed to equity and uses an adequate practice of considering and scoring equity practices, the application of the strategy may be flawed when the only certified prime consultant proposing on the work with the highest equity target does not receive the most points during evaluation. While the certified prime consultant was ultimately awarded the procurement, it was for unrelated reasons outside the equity evaluation.<sup>27</sup>

**EXHIBIT 10. COMPARISON OF WRITTEN PROPOSAL SCORING FOR A/E FIRMS’ CERTIFIED BUSINESS STRATEGY ON A SCHOOL BOND MODERNIZATION PROJECT**

	Certified?	Proposed Aspirational Goal Target	Score for Certified Business Strategy
Firm 1	No	18-20%	31 points
Firm 2	No	60%	29 points
Firm 3	No	12-15%	27.50 points
Firm 4	Yes	55%	29 points
Firm 5	No	18-20%	28 points

Note: RFP language does not specify exactly what firms must include in their certified business strategy. As such, firms employed different ways of demonstrating their efforts.

In a revision to the Administrative Directive in 2015, PPS stated that in accordance with legal interpretation and advice, the District has never awarded evaluation points based on the proposer’s status as a certified

<sup>27</sup> According to PPS staff, multiple modernization procurements were being solicited concurrently and the proposers that initially bid on the project in this example chose to move on to be considered for a larger project, leaving the certified proposer as the sole candidate for remaining portion of the solicitation process.

business. Instead, the District asks proposers to “identify diversity policies and outreach and/or past history of Minority Women and Emerging Small Business (MWESB) utilization.” While understandable, this example demonstrates that even an equity strategy that seems beneficial may have unintended consequences, challenges, and results. More focus and advantage is given to those prime consultants and contractors that give work to subcontracted certified businesses, rather than giving that benefit to a certified prime consultant or contractor that is a target of the business equity policy.

Nonetheless, PPS staff noted that they still require certified firms to provide a certified business participation strategy because PPS wants to strive to realize diverse participation. For example, if a certified prime is woman-owned and one of the target groups identified in the Business Equity program, PPS would want that certified firm to demonstrate how it plans to involve other target groups such as minorities and emerging small businesses. The rationale is reasonable, but neither the Board Policy nor the Administrative Directive details this level of strategy consideration—highlighting a need for PPS leadership to revisit and clarify the implementation details and nuances for how PPS promotes and scores equity during procurements.

As PPS seeks to continually refine how it approaches equity in contracting, it should consider and analyze potential impacts, outcomes, and unintended consequences that may arise from strategies employed and consider how to address them to best ensure intended benefits.

### **Factors Outside of PPS Control Can Impact Ability to Implement Strategies**

In addition to the challenges noted above, there are factors outside of PPS’ control that impact its ability to successfully implement equity in contracting strategies such as timing and changes in market conditions. On large capital construction projects such as those being implemented through the 2017 Bond, proposal project timelines for onboarding subcontractors can have significant impacts on the ability of awarded consultants and contractors to capitalize on proposed equity goals. Between the time a prime consultant or contractor proposes a certified business strategy and when they can issue their own procurement bid packages to the subcontracting community, the market can change and initially identified certified businesses that had availability could subsequently be hired for other jobs, no longer qualify for certification, or be unavailable for a variety of other reasons. Moreover, in fall 2020, Business Oregon reported a 19 percent decrease in the number of certified businesses available in the COBID directory between 2019 and 2020, from 3,392 certified firms to 2,757.<sup>28</sup> While the reduction was partly due to firms graduating out of certification, the driving factor was effects from the COVID-19 pandemic—which could not have been anticipated. By contrast, the pre-pandemic change from 2018 to 2019 was only a five percent decrease.<sup>29</sup>

Neither PPS nor its contracting community can anticipate all types of market challenges and obstacles and there is no one solution to minimize the impact on business equity. As a June 2021 audit in King County mentioned, equity issues “have systemic and societal causes that are outside of the control of any one

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<sup>28</sup> Business Oregon is the state of Oregon’s economic development agency.

<sup>29</sup> Report from the Governor’s Office, Annual Performance Progress Report; Reporting Year 2020, Published February 2021.

agency.” However, PPS should regularly consider how to incorporate these external factors into its strategies and be nimble to adjust course should market conditions significantly change.

## **Other Entities Reviewed Employed Other Varied Equity Approaches That PPS Could Consider**

All eight public entities we reviewed faced equity challenges similar to PPS and conveyed to us how challenging the equity concept was for them and the struggles when a potentially ideal strategy to increase equity addresses one aspect of equity but negatively impacts another area.<sup>30</sup>

As such, some other entities we reviewed did not use one standard or set solution to address equity challenges; rather, their business equity strategies were multifaceted and encompassed a variety of approaches—similar to PPS. While the other entities reviewed were also in the process of researching business equity strategies to potentially adopt, we noted several existing business equity strategies employed by other entities that PPS could consider.

## **Strategies Used by Other Entities Reviewed Ranged from Procurement Incentives to Penalties when Equity Goals Were Not Met**

In addition to no single best practice or “guidebook” for the equity practices a public entity should implement, we did not find a correlation between how a particular strategy employed resulted in increased or decreased utilization rates. For instance, implementing a strategy such as conducting training academies or workshops for certified business alone does not guarantee better or greater equity outcomes. In fact, implementation of various strategies could incite no change in outcomes at all or could even have unintended consequences that decrease opportunities for some groups as well. Yet, when combined with thoughtful and realistic goal setting, the strategies shown in Exhibit 11 and discussed in the bullets that follow are strategies to consider in creating greater opportunities for certified businesses to participate in PPS capital improvement programs.

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<sup>30</sup> The eight public entities were Beaverton School District, City of Portland, City of Seattle, Los Angeles Unified School District, Metro, North Clackamas School District, Portland Community College, and Port of Portland.

EXHIBIT 11. EXAMPLES OF BUSINESS EQUITY STRATEGIES EMPLOYED AT COMPARABLE ENTITIES

EQUITY STRATEGIES		Beaverton SD	City of Portland	City of Seattle	Los Angeles USD	Metro	North Clackamas SD	Portland Community College	Port of Portland
Proposal Bid Preferences incentivizes primes to hire certified firms.									
Preferential Procurement allows certified businesses to secure work without competition (e.g. direct appointments).									
Dedicated Business Equity Staff engages with local businesses and organizations to promote awareness of the entity's work and supports certified and non-certified firms in navigating business equity requirements.									
Training Academies, Workshop, and Mentorships creates learning opportunities for certified businesses to prepare for "real life" work.									
Equity Advisory Committee can provide public owners direct feedback from the contracting community about challenges or improvements needed to bolster equity.									
Internal or Self-Certifications broaden the pool of businesses where their participation counts towards an entity's equity goal.									
Grants & Sponsorships financially support organizations that serve communities seeking careers and business ownership in construction.									

Source: Interviews and Business Equity data provided by entities shown in Exhibit.

Note: Metro does not have dedicated business equity staff but a procurement staff is assigned business equity responsibility for approximately 40 percent of their time. Although LAUSD is significantly larger than PPS and operates in an entirely different local market, we included it in this comparison because it has some notable strategies for PPS to consider.

Consideration of strategies to employ should also be assessed in terms of short-term versus long-term benefits, quantifiable investments versus less tangible benefits to the certified business community, and other nuances that could help inform PPS’ revisited, multi-pronged business equity strategy. As additional strategies are considered, PPS should amend existing protocols to explicitly describe what strategies are intended to do—such as whether they are intended to educate firms and strengthen competitiveness in the market or whether it is a one-time immediate benefit to introduce a new firm to PPS projects.

However, what is critical for the public and PPS to recognize is that what did or did not work for one public entity does not mean another entity will necessarily have the same results. In the ever-changing landscape of equity work, public entities should remain open to strategically pilot various approaches with thoughtful post-analysis of results to make necessary adjustments as part of cost-benefit considerations.

- **Training Academies and Workshops:** Half of the eight entities we reviewed offered some form of educational training to businesses, ranging from one-day seminars on special topics to more time-intensive formal programs with established curriculum. For instance, the City of Seattle hosted monthly general trainings with consultants and contractors on how to conduct business with the

City as well as training on how to report equity progress in its automated B2G system. Another example is the Port of Portland's three-year Mentor-Protégé Program that incorporates a mentorship model with educational classes and technical services provided to businesses. Topics for past classes and services have include bookkeeping, marketing, and bid preparation. More extensively, the Los Angeles Unified School District offered an eight-week bootcamp with hands-on curriculum on topics such as bonding and certification, scheduling using a well-known automated project management tool known as Primavera, public contract law, and accessing capital among other course offerings. To support these efforts, some peer entities partnered with state and federal agencies that also provide financial assistance through grant opportunities.

- **Dedicated Business Equity Staff:** Majority of the peer entities also employed dedicated business equity staff who served as the contracting community's point of contact for all matters related to equity. At the time of the audit, OSM was working on developing a new "Bond Certified Business Program Manager" position intended to oversee all aspects of equity for the Bond. Once established, this role could help expand PPS' presence with local business networks and the certified business community.
- **Specialized Programs:** Other entities also had specialized programs geared towards identifying certified businesses' needs such as a "racial equity toolkit," which was an intensive review process used at the City of Seattle to identify barriers that prevented companies owned by people of color from participating on specific projects. At the City of Portland, it used a separate "Prime Development Program" that specifically targeted certified businesses that could perform work as prime contractors. The program provided technical assistance, training, and educational opportunities to equip contractors and place them on a city directory for bureaus to access. In another instance, Metro incorporated an internal training program for its staff that addressed unconscious bias during the procurement process.
- **Additional Certifications:** A few entities accepted other disadvantaged certifications in addition to COBID, such as the Portland Community College acceptance of certifications from the Northwest Mountain Minority Supplier Development Council.<sup>31</sup> Further, both the North Clackamas School District and the City of Seattle allowed businesses to self-identify as any of the COBID-identified target groups. Doing so allows for additional businesses that may still face barriers in contracting but are not able to be formally certified be included and recognized as part of the overall pool of businesses that could benefit from equity efforts.
- **Grants & Sponsorships** were only available at the City of Portland and Metro. Specifically, the City of Portland set aside a percentage of construction costs on all City-owned public improvement projects for a program that provided grants to organizations that serve communities of color seeking careers in construction trades and business ownership. Similarly, Metro provided sponsorships to professional organizations that support historically disadvantaged businesses.

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<sup>31</sup> PPS accepts businesses certified by the state of Oregon's Certification Office of Business Inclusion and Diversity (COBID), certifications in Oregon, Washington, and California as Disadvantaged Businesses (DBE) by the US Department of Transportation, and certifications by the State of Washington's Office of Minority and Women's Business Enterprises (OMWBE).

- **Compensation:** Although less common and only available at the Port of Portland, contractors can receive additional compensation if they are able to meet agreed upon goals, including business equity goals—however, specific incentive amounts would be negotiated and were not available on all Port of Portland contracts.

In addition to “support” type strategies where public owners engaged in activities or created programs to assist both certified and non-certified businesses, there were also a few public entities who held their prime consultants and contractors to a stricter level of compliance and penalized businesses for not meeting equity goals. While peer entities were generally not in favor of imposing such consequences, one City we reviewed may withhold payments, impose a monetary fine, or consider disqualifying the contractor from future City work if a contractor failed to comply with subcontractor equity program requirements. Two other entities were also considering using some type of consequence for not meeting goals as part of their equity program at the time of our review. These consequences included exploring the use of liquidated damages payments to fund certified business education or using other formulas for calculating monetary penalties at one entity, in addition to considering potential debarment from future work at another City for not meeting equity goals.

Weighing benefits and cost of implementing business equity strategies is important and challenging at the same time. While some strategies may work for a city government or other educational entities, they may not be entirely replicable at PPS due to its governing statutes or local procurement rules that need to be vetted prior to PPS adopting one or multiple strategies. The Government Alliance on Race and Equity noted that one of the key building blocks to equity in contracting is a “continuous process of enhancing the program” and that entities should be flexible, and understand that trial and error may occur.<sup>32</sup> As PPS strives toward building greater equity for its capital improvement programs, it is important that PPS fully vet strategies internally among its departments, with oversight bodies, and as part of local business community discussions, where appropriate to ensure equity achievements can be meaningful.

### **Some Members of the Local Contracting Community Identified Common Challenge Areas that PPS Should Consider to Improve its Business Equity Efforts**

To gain greater perspective and understanding of potential challenges surrounding PPS business equity requirements and efforts, we reached out to the local contracting community as part of our audit to solicit confidential feedback.<sup>33</sup> Of the 246 survey instruments we distributed, fifty-two respondents participated in the survey. We also interviewed 15 current and past school improvement bond prime contractors, consultants, and certified businesses to solicit their experience with and perception of business equity at PPS. The perspectives shared by the survey respondents and interviewees were not validated or corroborated—rather, they serve to represent anecdotal insight on their experiences. While opinions shared by respondents or interviewees may or may not be factually accurate, they may highlight areas where clearer information is needed or strategies may need to be reconsidered.

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<sup>32</sup> Government Alliance on Race and Equity (GARE), “Contracting for Equity”, December, 2015.

<sup>33</sup> Refer to Appendix C for the Business Equity Survey Questionnaire Sjoberg Evashenk Consulting administered as part of this audit.

Based on the survey responses and interviews, it appeared PPS clearly communicated its desire to be equitable in its contracting and procurement practices—yet, its current framework was not perceived as conducive to achieving its aspirational equity outcomes. Survey respondents and interviewees shared a variety of business equity challenges experienced when contracting with or bidding on PPS capital construction projects, as it relates to business equity. Most common challenges that survey respondents and interviewees raise included:

- **More than 20 percent of respondents cited a lack of outreach, notice, or sufficient information about PPS projects.** In addition to anecdotal feedback from interviewees, more than 20 percent, or 11, respondents indicated that PPS did not visibly advertise in the business community or provide sufficient outreach and information on upcoming work when compared to other public project owners. Ten respondents indicated the same issue from prime contractors. Those surveyed responded that:
  - Upcoming project notices were often missing information or level of detail needed surrounding project scope, proposal requirements, or other distinctions firms must be familiar with PPS to be proactive in asking relevant follow-up questions.
  - Other public owners provided more comprehensive outreach to both prime contractors and consultants as well as subcontractors and subconsultants.
  
- **Nearly 35 percent of survey respondents perceived the procurement type and selection process to be a barrier.** Approximately 18 of the 52 survey respondents stated that the procurement type itself was a barrier to many certified businesses, both prime and subcontractors/consultants. Specifically, respondents felt that:
  - Low bid selection restrictions rule out many certified firms because they are smaller, cannot achieve the same cost economies of scale, and are challenged to be the lowest bidder.
  - Same certified firms seem to be selected on projects.
  
- **Several entities interviewed alleged a lack of support from PPS.** Both during the procurement process and post-contract award, several entities felt that PPS did not provide as much support as other public owners in collaboratively working toward the success of equity goals. Commenters indicated they:
  - Were unclear who to ask for help at PPS when firms were having trouble meeting goals; and
  - Perceived PPS was focused on results and strict compliance, rather than being collaborative in problem-solving.

As PPS revisits and revises its nearly decade-old equity policy and administrative directives to modernize and refine its strategies, it could also consider involving stakeholders in the conversation to demonstrate its commitment towards improving business equity by listening and valuing public concerns.

## **Existing Business Equity Reporting and Training for Contractor and Consultant Use of Diversity Management System Could be Bolstered**

Since 2015, PPS has been using a program called “B2GNow” (B2G) to track and report on business equity utilization. Intended as an automated reporting tool for the contracting community to confirm payment received on PPS projects, B2G is linked with the State of Oregon’s COBID system. The system appears to be a leading industry tool for diversity management and was used at three of the eight entities we reviewed, with one additional entity intending to purchase the software.<sup>34</sup>

Although B2G had various features that were helpful for tracking certified business utilization, we noted limitations such as its dependency on accurate and timely payment data entry by contractors and its reliance on utilization statistics based on payments reported by the prime contractor or consultant that were not always confirmed by subcontractors or consultants. We found some contractors and consultants were unsure or entirely unaware of B2G reporting requirements outlined in their contracts—a challenge that could easily be corrected through additional training and reminders on contract requirements.

Since B2G data heavily relied on manual inputs from the contracting community, resulting B2G reports used by OSM to communicate equity outcomes to the Board and Bond Accountability Committee should include adequate disclosure and reminders about the data set presented.

### **More Training to Contractors and Consultants Could Improve Accuracy of B2G Data**

At PPS, B2G interfaces with the District’s PeopleSoft financial system from which monthly contractor payment data is pulled into B2G. After a high-level review by PPS P&C staff of the Peoplesoft data import, the system automatically notifies prime contractors to certify payment made to subcontractors and, in turn, subcontractors would confirm receipt of prime contractor payment in B2G as well. Because B2G relies on manual input of payment information by contractors, there is an inherent challenge with ensuring data is entered timely and accurately.

In reviewing B2G data for the 2017 capital school improvement projects, we noted inconsistencies between data residing in B2G and the actual payments that would qualify towards measuring business equity goal achievement. For example, the architect for one of the four capital school modernizations was not aware of the B2G reporting requirement until their work was nearing completion. Since efforts needed to complete the data would outweigh benefits, the architect opted not to retroactively confirm payments. However, subsequent to the close of audit fieldwork, PPS informed us that it was working with the architect to retroactively confirm those missing payments. As such, district-wide equity percentages PPS reported through the end of December 2019 for this particular project were not reflective of actual certified business payments made. In fact, B2G reported 100 percent participation for the architect because the architect was a certified business; however, we were informed that the actual utilization should have been approximately 61 percent since a portion of the contract was subcontracted to non-certified firms. While 61 percent still

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<sup>34</sup> Peer entities utilizing COBID were City of Portland, City of Seattle, and Port of Portland. Portland Community College was in the process of procuring B2G at the time of our review.

greatly exceeded the 18 percent participation goal, the 100 percent achievement outcome was inaccurately captured and reflected in the B2G system as of April 2021.

Similarly, another architect for one of the modernization projects noted that its certified business utilization in B2G was reported as 11 percent, but this information was incomplete and did not include all tiers of subcontractor payments. The architect was unsure who had entered the incomplete data, but believed PPS had been entering data on their behalf and did not know that it was the architect's responsibility to report even though B2G reporting was a contract requirement. Neither the architect nor PPS staff were able to identify who had entered the data.

In another example, one general contractor for a major school modernization project misunderstood the reporting requirement and did not fully report all subs. Although this was noted by OSM and reported to the Bond Accountability Committee in May 2020, the general contractor informed us that the B2G data was still incomplete as the contractor was still in process of updating B2G as of December 2020. Specifically, the data reflected in B2G for the contractor showed approximately four percent certified business participation, although the project was nearing 70 percent construction completion. When asked, the contractor indicated that the final utilization figure for the project was estimated at 13 percent.

While these reporting gaps were eventually discovered by P&C and OSM who notified the responsible firms and instructed them to follow reporting requirements, we learned that limited contractor and consultant B2G "onboarding" was available and that the contracting community needed more direct guidance from PPS in the use of B2G.

### **PPS Should Continue to Clarify and Disclose Data Nuances when Using B2G to Report on Equity**

Since human data entry errors cannot be fully avoided and there will always be a certain degree of learning from the contracting community, it is important that PPS departments using B2G data to report on equity outcomes clearly state those nuances that could impact the accuracy of the statistics reported. For example, a not very evident but important distinction to make when reporting using B2G data, is that the system's total payment information and equity utilization calculation is based on self-reported data from the prime contractor or consultant—it does not always capture confirmation of those payments received by subcontractors or subconsultants. In other words, a B2G report showing \$100,000 in payments made to certified businesses could only represent the amount the prime contractor or consultant has self-certified as paid to their subcontractors or subconsultants—whether the subcontractor or subconsultants had received that payment or not is not evident without further detailed review of payment transactions.

This challenge is due to timing difference between a prime contractor or consultant entering the payment information into B2G versus when a subcontractor or subconsultant actually confirms receipt of the payment. While typically, this delay should not be extensive, it could be months in some instance before a payment is confirmed. As such, there needs to be that clarification made by PPS that equity utilization number is as of a point in time and does not fully represent actual payments received by certified businesses. This type of nuance among others should be clarified and noted whenever B2G data is reported.

## Recommendations

As PPS moves forward with its School Improvement Bond programs, investing in the local underutilized / disadvantaged business community through PPS' Business Equity Administrative Directive should be guided by the PPS Board and implementation efforts should be led by the PPS Office of School Modernization in coordination with all PPS departments involved with business equity. Specifically:

1. The PPS Board should revisit its EPPC Policy to clarify and define the District's vision, goals, and commitment to business equity. This should include reassessing the overall intent, determining how equity is characterized, and expanding on what attainment of business equity goals for the District should entail.

Once EPPC Policies are Board-affirmed, OSM should work with other PPS departments involved with developing and implementing the District's business equity directive to:

2. Further develop the Board's overarching vision into more succinct measurable subgoals or objectives, support new goal setting with defensible data, and define qualitative and quantitative metrics to measure against new goals.
3. Conduct a cost-benefit analysis of available business equity strategies, such as those outlined in this report, and include considerations such as long-term versus short-term strategies, direct versus intangible "investment" type strategies, and unintended consequences.
4. Develop tools and protocols to capture outcomes of chosen equity strategies, and validate outcome data accuracy.
5. Create protocols to expand on existing business equity annual reporting to include an assessment of whether annual equity outcomes realized meet the intent of the EPPC Policy and goals of the Administrative Directive, or if modification to the portfolio of equity strategies is warranted, and based on results, adjust strategies as necessary.
6. Develop and formalize operating procedures to define the roles, responsibilities, and expectations of PPS staff specific to managing contractor and consultant business equity compliance, reporting on outcomes, and coordinating efforts to bolster PPS' presence and visibility in the certified business community.

PPS departments using the "B2GNow" Diversity Management software's data should:

7. Provide context and explanation of nuances and limitations of B2GNow data in presentations and reports to the Board and the Bond Accountability Committee.
8. Develop a PPS-led training to provide new and existing contractors and consultants guidance on equity reporting requirements and expectations; and provide refreshers on training materials on an established schedule over the course of the contract duration.
9. Conduct a review to explore system capabilities, functions, and reports with the B2GNow vendor that could enhance PPS' management of business equity efforts.

## Section 3: Bond Communication Efforts Were Comprehensive, Although Institutional Knowledge Should be Better Retained

With the passage of the 2012 Bond, PPS hired dedicated staff using bond funds to provide bond-specific communications. These communication efforts for both the 2012 and 2017 bonds spanned both digital and physical media such as flyers, videos, lawn signs, website updates, community email blasts, videos, and more for both the general public and the PPS community. The general nature of communications activities is creative, fast-paced, and requires quick responses to minimize potential misinformation when issues occur for timely notice of important news. However, PPS relied heavily on one individual to run bond communications throughout both bonds. While the actual communication efforts appeared generally appropriate and in line with what other public entities with tax funded programs are doing, opportunities exist to strengthen how bond communications institutional knowledge is retained by the District and expand or share responsibilities with more than one employee.

### Breadth of Communication Efforts Demonstrate PPS’ Commitment to Transparency

OSM’s Project Management Plan states that PPS has pledged transparency as a guiding principle of its bond programs including “visibility or accessibility of information, especially concerning the business practices and management of the Bond projects and program.” PPS remained loyal to this pledge as demonstrated by its past efforts communicating information about its bonds. In addition to providing separate formal updates to the Board of Education (Board) and Bond Accountability Committee (BAC) on bond status, PPS has employed a variety of communication efforts through different vehicles for both the general public and the PPS community. Exhibit 12 shows the main vehicles used to share bond information.

**EXHIBIT 12. BOND COMMUNICATION VEHICLES**

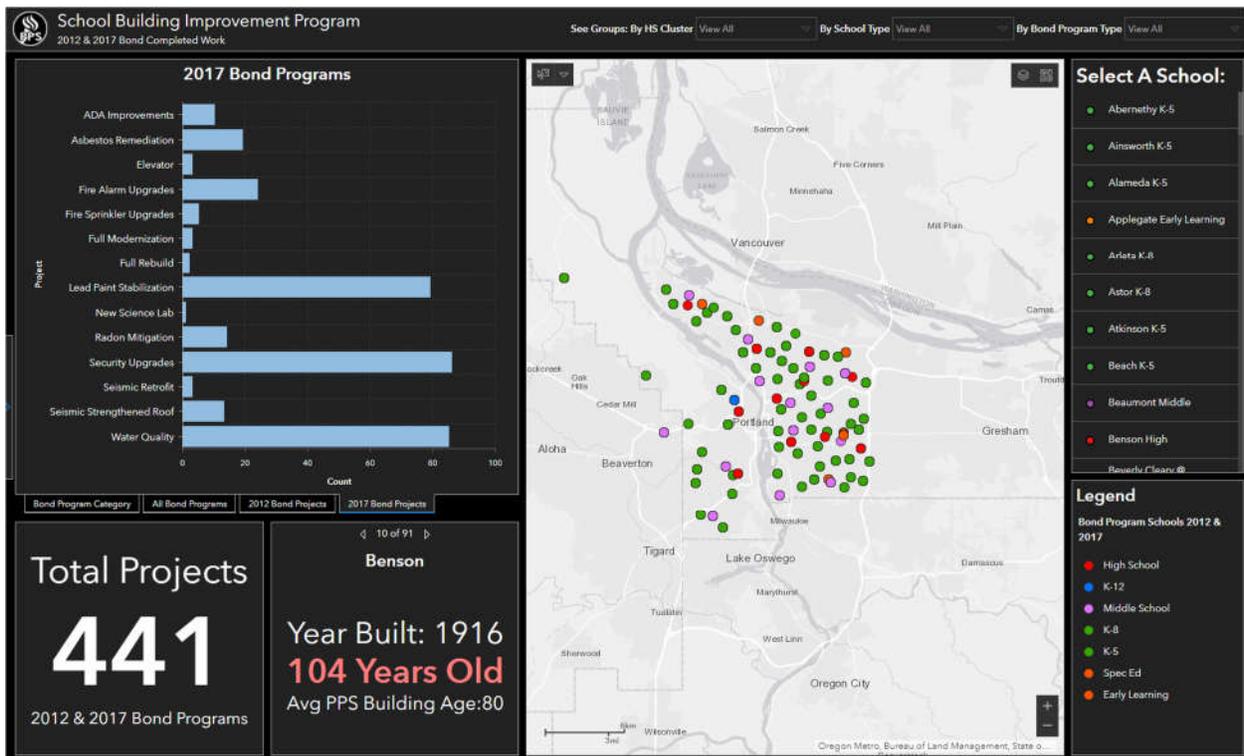
	Content Provided	Update Frequency
 <b>Website</b>	<ul style="list-style-type: none"> <li>General facts, construction updates, photos, videos, links to files and documents.</li> <li>FAQ sheets.</li> <li>Interactive Bond Map.</li> </ul>	Every 4-6 weeks for modernization webpages; as needed for others
 <b>E-newsletter &amp; News Releases</b>	<ul style="list-style-type: none"> <li>Weekly Pulse articles highlighting bond projects and news.</li> </ul>	Weekly; as needed.
 <b>Visual Media</b>	<ul style="list-style-type: none"> <li>Photos on Flickr.</li> <li>Videos on Youtube.</li> </ul>	As needed.
 <b>Physical Notices</b>	<ul style="list-style-type: none"> <li>Flyers, lawn signs, door hangers.</li> <li>Info on construction activities and schedules, events, general facts on bond projects.</li> </ul>	As needed.
 <b>Direct Contact</b>	<ul style="list-style-type: none"> <li>Emails and robocalls on invitations to public meetings, events, project-specific news.</li> </ul>	As needed.

Source: Auditor-generated based on interviews with PPS staff.

The primary source for bond communication is the PPS website, which has dedicated webpages to general bond information as well as individual pages for projects. These webpages provide considerable information on high-level bond facts such as bond history and oversight structure, and comprehensive updates on project details and status. For example, viewers can visit the Kellogg Middle School Modernization webpage and take virtual tours of the school grounds, read recent anecdotal construction updates with photos, and learn about key project facts such as why a school is being rebuilt versus modernized.

Another helpful tool provided on the bond website is the Interactive Bond Program Map. This interactive ArcGIS map plots every bond project on a map of the district and provides information on all the bond capital construction work PPS has done to date. For each school, the map indicates what type of improvements have been completed at the individual school along with age of the school facility and number of projects underway. Exhibit 13 shows a summary level screenshot of the map.

**EXHIBIT 13. SCHOOL IMPROVEMENT BONDS PROGRESS MAP**



Source: PPS Bond Interactive Map Webpage <https://arcg.is/1nunWv>, accessed June 4, 2021.

In addition to these mediums that viewers can explore on their own, PPS also emails relevant news, places robocalls, and mails physical materials to the PPS community as needed. PPS also provides contact information of OSM and project delivery team members for the PPS community to contact about project-specific or overall bond-related questions. According to the OSM Bond Communications Manager, customer service is valued and often utilized part of how PPS can be transparent with the public on bond progress.

Our review of online bond communication materials posted by the eight other Oregon school districts with bond programs showed that PPS employed comparable and often more robust efforts than peers.<sup>35</sup> Exhibit 14 provides a comparison of the types of online bond communication materials that PPS and its peers posted. As shown, PPS utilized six different types of communication vehicles similar to the Salem-Keizer School District—which was more than the other school districts.

**EXHIBIT 14. COMPARISON OF OTHER OREGON SCHOOL DISTRICTS' ONLINE BOND COMMUNICATIONS\*\***

		Beaverton	Salem-Keizer	North Clackamas	Hillsboro	Eugene	Tigard-Tualatin	Gresham	Corvallis
Bond Project Webpages	✓		✓	✓	✓	✓	✓	✓	✓
Flyers	✓		✓	✓	✓		✓		✓
Social Media*	✓	✓	✓	✓	✓			✓	
Bond Newsletter	✓	✓	✓		✓	✓	✓	✓	✓
FAQs	✓		✓	✓	✓	✓	✓	✓	✓
Dashboard/Map	✓	✓	✓	✓		✓			

Source: Auditor-generated based on review of peer school district's online webpages with bond information.

Notes: \*Social media was only counted if it was used as a primary vehicle for bond communications, such as a YouTube page with numerous videos with bond work shared. Other social media such as Facebook or Twitter where bond work might only be irregularly highlighted were excluded. \*\* Checkmarks indicate that auditors verified that bond communications were available online on peer districts' websites as of April 2021. The lack of a checkmark does not necessarily indicate that the peer district did not employ that type of communication; rather, it indicates that it was not readily available and evident as of April 2021.

## Steps Need to be Taken to Retain Institutional Knowledge

While PPS' bond communication vehicles were appropriate and positive ways for the District to adequately share and make available information on the bond programs, there are improvements that PPS can adopt to strengthen existing efforts for sharing responsibilities and memorializing institutional knowledge. For both the 2012 and 2017 Bonds, PPS largely relied on one staff member, the Bond Communications Manager, to manage bond-specific communication efforts. While tools existed to generally guide the specific work, no framework was in place to capture, retain, and memorialize all the knowledge used to implement the communications work that occurs behind-the-scenes and any lessons learned during the process. The breadth of this knowledge largely resided solely with the Bond Communication Manager himself.

Existing guides and tools included a portion of the PPS Project Management Plan dedicated to communications, the District's Bond Communication Plan, and various school-specific communication plans that detailed the District's goals and objectives for communicating bond news and provided high-level methods to be used. Additionally, the Bond Communications Manager used internal spreadsheets and tools for tracking work done to date and planning upcoming work. However, not all tools were regularly utilized and some were outdated. For example, the latest iteration of the Bond Communications Plan was from May 2019 and contained outdated details such as referencing bond communications standard

<sup>35</sup> Peers in Exhibit 14 represent a selection of comparable school districts in Oregon with bond programs that had bond communications work online that could be compared to PPS'. These peers are different than the peer entities identified for business equity because those peer entities are not all school districts with bond programs, and not all the school districts in Exhibit 14 have business equity policies and programs. As such, two separate peer groups were used.

operating policies that were no longer actively used at the time of this review as well as communication methods no longer regularly used such as Facebook and Twitter. Additionally, the Bond Communication Manager's internal tracking tools were inconsistently used.

For instance, we found a planning spreadsheet correctly noted that e-Newsletters were paused in 2020 due to COVID-19, but the spreadsheet was missing other notations that other deliverables had been paused or delayed as well. Further, these resources did not sufficiently capture the wealth of institutional knowledge accrued by the current Bond Communications Manager related to how to successfully implement the work. Examples of this role-specific knowledge included leveraging past successes and challenges learned from previous bonds to inform current practices, having an understanding of how parents and the public will react to specific wording and tone based on past experience monitoring the customer service inboxes and phone line, and knowing how to tailor specific communications to address needs for multiple and different capital construction projects of varying sizes and scale.

Since the Bond Communications Manager has led bond communications work since the 2012 Bond, PPS and OSM placed a heavy reliance on the Bond Communications Manager's years of experience, established working relationships, and tenure with the bond programs. While this may have sufficed to date, PPS is in need of a more formal process and structure for memorializing and retaining the body of knowledge and specific activities associated with bond communications with the PPS institution rather than with just one employee. Should the Bond Communications Manager retire or leave the role, PPS is at heightened risk of losing years of lessons learned in navigating important Bond communications work.

To help memorialize and retain this institutional knowledge, PPS can consider formalizing aspects of bond communications implementation and sharing the responsibilities among more than one staff. This could include:

- **Establishing key policies and procedures.** Specifically, written procedures should delineate specific roles, responsibilities, and decision-making authority surrounding bond communications, given that many players within PPS are involved, including staff on project teams, OSM leadership, and PPS Communications Department. In practice, some of these roles and relationships appear to have operated under informal, understood agreements, but they were not comprehensively memorialized. Additionally, as mentioned, though some general tools existed to frame delineation of communications duties, interviewed OSM staff reported a lack of clarity in existing tools that pointed to a need for revision and strengthening of materials.
- **Cross-training staff.** Whether this involves other communications staff in the Communications Department or employees within OSM, cross-training other staff on the Bond Communication Manager's regular tasks would help bridge the knowledge gap if the employee was unavailable for a short-term or long-term basis.
- **Developing a resource library.** To add value for anyone tasked with implementing bond communications, PPS could document lessons learned similar to how OSM project teams operate for capital construction projects or catalog best practices and role-specific critical items to transfer knowledge.

These types of formalized improvements would build a stronger framework surrounding bond communications for the current bonds and future bond cycles as well, whether or not the same staff remain in the Bond Communication Manager role.

## Minor Improvements Could Tighten Existing Communications

As work that is publicly funded, any information shared about the bond is ultimately a way of reporting back to taxpayers. All reporting needs sufficient context with its content so that viewers can appropriately understand the update and follow-up with PPS staff, if desired. While the breadth of PPS' bond communications vehicles and methods were generally appropriate and sufficient as discussed in the previous section, there are minor improvements that could be adopted consistently to provide further transparency to the public. As the school district with the largest school bond in Oregon, PPS could set the standard for communication efforts that exceed typical expectations and finetune efforts where possible.

Yet, auditors found a few instances where bond communication data on some webpages, documents, and materials was not always consistently applied to contain contextual information such as:

- ✓ Data Sources, such as e-Builder or Primavera, to know how information was generated.
- ✓ Timestamps and dates, including updated on MM/DD/YY or data pulled MM/DD/YY from project management files, to understand the currency or relevancy of information.
- ✓ Contact Information, of PPS staff or project managers, to ask questions or communicate concerns.

For example, a transportation advisory communication for McDaniel High School posted on the McDaniel High School webpage noted that it was created August 2019—which is a good practice. But the advisory did not include how a person could reach a PPS employee to ask questions. In another flyer for McDaniel High School, contact information was included, but there was no timestamp to indicate when the flyer was created.<sup>36</sup> In other examples, various individual webpages for 2017 Bond projects did not consistently include dates of when the webpage was last updated, making it unclear for viewers to know if the most up to date information was being reported. The main four schools had project updates with monthly dates included, but other webpages—such as those for the individual health and safety project pages for roofs, lead paint, MPG, and others—did not have timestamps to indicate when pages had last been updated.<sup>37</sup>

While these oversights are minor and PPS staff state that the public could access contact information and other contextual information elsewhere online, it is important for PPS to consistently provide this information when materials are shared electronically and in print to enhance transparency and accountability.

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<sup>36</sup> The file name itself included a date. Yet, since flyers can be printed, mailed, and emailed without the file name, a timestamp on the document would be more useful.

<sup>37</sup> After the close of audit fieldwork, PPS updated various health and safety webpages with a link to the May 2021 Bond Accountability Committee status report, providing a date-stamped update.

Ensuring that these minor improvements are uniform on all bond communications helps the public understand provided information and demonstrates additional accountability if viewers wanted to follow-up on the noted data or better understand and reference those project details.

## **Recommendations**

To enhance existing strong bond communication efforts and further strengthen transparency and accountability surrounding School Improvement Bond work, OSM should consider the following:

10. Develop new and strengthen existing protocols for capturing institutional knowledge currently held by one OSM staff member to ensure information and processes about Bond communication efforts is retained with PPS. Protocols could include establishing key policies and procedures, cross-training staff on communication activities and knowledge, creating a resource library, and providing data sources, timestamps, “as of” dates, and follow-up contact information, as appropriate.

## Appendix A: Audit Methodology

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To fulfill our objectives related to bond communications, business equity in purchasing and contracting, 2017 Bond status, and prior audit recommendations, Sjoberg Evashenk Consulting performed a variety of detailed audit tasks including, but not limited to, the following:

- Conducted in-depth interviews with key PPS personnel including the Director of Purchasing and Contracting, Solicitations Manager, Bond Communications Manager, Senior Director of Communications, Senior Bond Accountant/Analyst, Senior Project Managers and Assistant Project Managers, Construction Managers, a PPS Board member, and Bond Accountability Committee representatives to understand and assess policies, practices, and tools in place regarding all aspects of delivering the Bond program.
- Interviewed contractors and consultants hired for the major 2017 Bond projects to understand their business equity efforts on individual projects.
- Reviewed publicly available program information of comparable business equity policies, elements, and programs from peer public entities and interviewed representatives to identify program elements and approaches and compare against what PPS is doing.
  - Including the City of Portland, North Clackamas School District, Portland Community College, Metro, Port of Portland, Los Angeles Unified School District, and the City of Seattle. Beaverton School District's program was also reviewed but auditors were not able to conduct an interview.
- Created and distributed a survey to current and past contractors and consultants who have worked on PPS 2012 and 2017 Bond projects, local professional networks and organizations, and minority chambers of commerce to understand their perspectives of and experiences with PPS' business equity program.
  - Conducted follow-up interviews with contractors and consultants who indicated in the survey that they'd like to provide additional feedback
- Spoke with local professional organizations to understand conditions of the certified business market in the greater Portland area.
- Analyzed data from PPS' diversity tracking software, B2GNow, to identify trends, statistics, and results in certified business utilization.
- Reviewed bond project documents to understand the relationship and process of how contractors and consultants were chosen, what plans were in place to pursue business equity, and what results actualized and why. Reviewed documents included Requests for Proposals, proposal responses, proposal evaluation matrices, contracts, contracting and procurement plans, and other applicable documents.
- Identified best practices, reports, and whitepapers on business equity practices
- Identified the universe of applicable bond communication efforts and reviewed sample mediums including flyers, webpages, FAQ sheets, signs, social media, and newsletters.

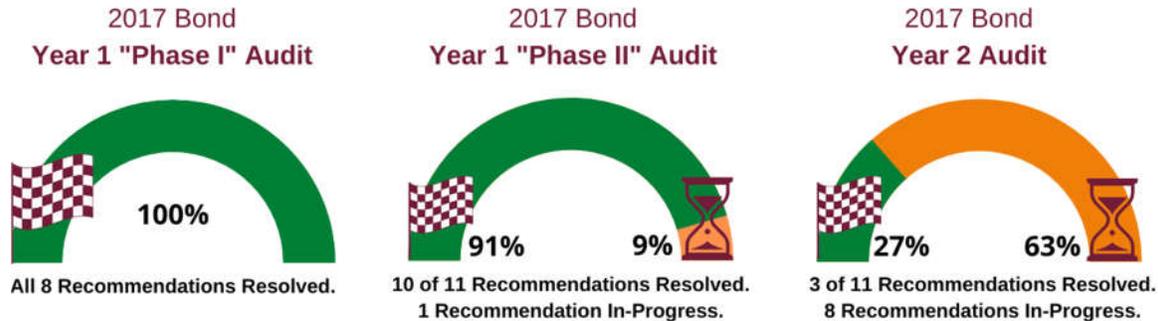
- Tested a sample of reported data in bond communication materials against internal documentation for accuracy and reliability.
- Researched publicly available online bond communication efforts for peer school districts in Oregon and compared against PPS' efforts. These peers included:
  - Beaverton School District, Salem-Keizer Public Schools, North Clackamas School District, Hillsboro School District, Eugene School District, Tigard-Tualatin School District, Gresham-Barlow School District, Corvallis School District.
  - Expanded the search nationwide to non-Oregon school districts for additional bond communication examples
- Assessed tools, processes, plans, and meetings in place to implement bond communication efforts.
- Analyzed the schedule delivery status and budget status overall for the 2017 Bond projects as of March 2021.
  - Reviewed cost and schedule estimate at completion reports from the e-Builder system and materials presented to the Bond Accountability Committee in March 2021 and reported project schedule progress from OSM master schedules generated from the Primavera system.
- Followed-up on the status of prior 2012 and 2017 Bond performance audit recommendations focusing on those recommendations categorized as open. Where applicable, verified auditee responses through fieldwork analyses, observations, and documentary review. Implementation status of areas not within the scope of this year's audit will be reviewed during future performance audits. Further, follow-up on prior external construction audit recommendations were not included in our performance audit since that external auditor is reviewing corrective actions and implementation status as part of current construction audits.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix B: Status of Prior Performance Audit Recommendations

OSM continued its commitment towards addressing and resolving prior Bond audit recommendations. As of April 2021, all 96 recommendations from the 2012 Bond had been addressed.<sup>38</sup> Also, nearly all recommendations from three 2017 Bond performance audits have been implemented as well, as shown in Exhibit 15.

**EXHIBIT 15. SUMMARY STATUS OF ALL 2017 BOND PERFORMANCE AUDIT RECOMMENDATIONS, AS OF APRIL 2021**



Source: Auditor-Generated based on review of underlying documentation supporting the implementation progress.

Note: All prior audit reports are available on the PPS website at <https://www.pps.net/Page/15137>

The one outstanding recommendation from the Year 1 “Phase II” audit related to OSM providing written guidance on OSM’s decision-making hierarchy and training on standard practice for value engineering and design deviations on future projects. While these items were still under review by the OSM Audit Implementation Team, the recommended actions will not be critical until future capital construction projects begin the design phase.

For the Year 2 audit, more time is needed to address recommendations since it has been less than one since the Year 2 audit report was finalized.<sup>39</sup> However, OSM has already resolved three of the eleven recommendations and is working towards implementing the remaining ones. The three resolved recommendations related to:

- ✓ Communicating impacts a full faith and credit loan for completing the Benson High School project may have on other PPS activities in case the 2020 Bond did not pass;
- ✓ Providing all project team members access to e-Builder and PPS computers; and
- ✓ Revisiting systems and tools used for capturing and reporting on health and safety data.

<sup>38</sup> 2017 Bond Performance Audits were conducted by our firm, Sjoberg Evashenk Consulting, Inc. in 2019, 2020, and 2021. 2012 Bond Performance Audits were conducted by a separate independent auditor between 2014 and 2017.

<sup>39</sup> The Year 2 Bond Performance Audit was presented to the Board School Improvement Bond Committee on August 31, 2020.

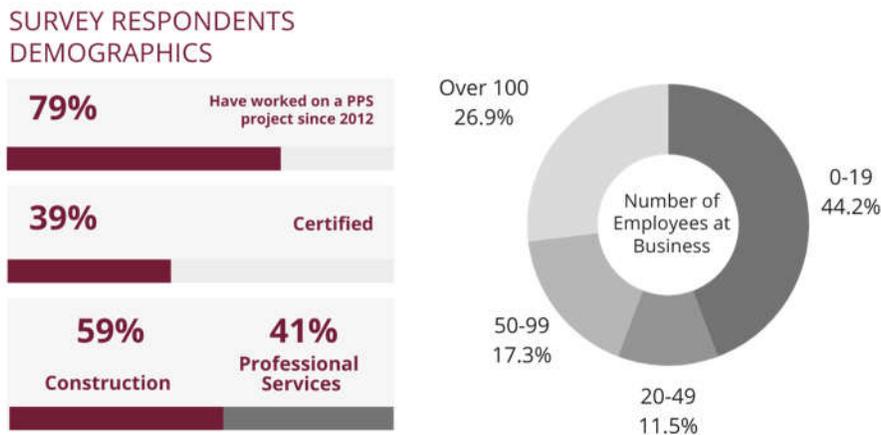
## Appendix C: Business Equity Survey

As part of the audit, we conducted a survey to gather feedback from the local business community in the Greater Portland area on their experiences and opinions of PPS’ business equity efforts. Our primary intent was to confidentially solicit perspective from local businesses about their knowledge of PPS capital improvement projects in general and specifically highlight any challenges identified as barriers to conduct work under the School Improvement Bond program. The opinions shared by interviewees were not validated or corroborate—rather, they reflect the respondents’ perception and provide anecdotal insight on their experiences.

The survey was created using the SurveyMonkey online survey tool and distributed by Sjoberg Evashenk Consulting (SEC) via email in early January 2021 directly to 246 consultants and contractors who have worked with PPS on either the 2012 and/or 2017 Bond based on a combination of an e-Builder Bond vendor directory as well as businesses identified by OSM Project Delivery Teams. In addition, we asked business representation organizations such as the Oregon Association of Minority Entrepreneurs, Latino Built, Business Diversity Institute, Professional Business Development Group, National Association of Minority Contractors, the Hispanic Metropolitan Chamber, Oregon Native American Chamber, Philippine American Chamber, and the Oregon-Columbia Chapter of the Association of General Contractors to share the survey to their members.

At the close of the survey on March 5, 2021, SEC had received 52 survey responses via SurveyMonkey for a response rate of 21.1 percent. As shown in Exhibit 16, the survey respondent pool represented a mix of construction contractors, professional services firms, and certified businesses, with majority of the respondents holding active contracts with PPS. Most respondents were also small businesses with fewer than 19 employees.

**EXHIBIT 16. BUSINESS EQUITY SURVEY RESPONDENTS**



Source: Auditor-Compiled SurveyMonkey results for responses captured between January 12, 2021 to March 5, 2021.

Of the 52 survey respondents, SEC conducted follow-up interviews with the seven firms who indicated in their survey responses an interest in sharing additional information with auditors.<sup>40</sup> For the interviews held

<sup>40</sup> Of the 52 survey respondents, 29 expressed interests in sharing additional information with auditors; ultimately, only seven firms agreed to interview.

in February and March 2021, we asked businesses to share any additional feedback that they had not included in the survey. The survey's 17 questions are shown in Exhibit 17 with general result statistics summarized as well.

**EXHIBIT 17. BUSINESS EQUITY SURVEY QUESTIONNAIRE AND SUMMARIZED RESULTS**

Survey Question	Statistics
<p>1. What is your business certification? Select all that apply.</p> <p><input type="checkbox"/> Minority/Women Business Enterprise (MWBE)</p> <p><input type="checkbox"/> Emerging Small Business (ESB)</p> <p><input type="checkbox"/> Service-Disabled Veteran (SDV)</p> <p><input type="checkbox"/> Disadvantaged Business Enterprise (DBE and ACDBE)</p> <p><input type="checkbox"/> Not certified</p> <p><input type="checkbox"/> Other (please specify)</p>	<p>52 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ MWBE: 17</li> <li>▪ ESB: 6</li> <li>▪ SDV: None</li> <li>▪ DBE/ACDBE: 10</li> <li>▪ Not certified: 30</li> </ul> <p><i>Note: Respondents can have multiple certifications.</i></p>
<p>2. What services do you offer? Select all that apply.</p> <p><input type="checkbox"/> Construction (Electrical)      <input type="checkbox"/> Construction (Carpentry)</p> <p><input type="checkbox"/> Construction (Mechanical)      <input type="checkbox"/> Professional (Surveying)</p> <p><input type="checkbox"/> Construction (Masonry)      <input type="checkbox"/> Professional (Inspections)</p> <p><input type="checkbox"/> Construction (Roofing)      <input type="checkbox"/> Professional (Geotechnical)</p> <p><input type="checkbox"/> Construction (Landscaping)      <input type="checkbox"/> General Contractor</p> <p><input type="checkbox"/> Construction (Painting)      <input type="checkbox"/> Other (please specify)</p>	<p>52 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Professional Services: 18</li> <li>▪ 26 Construction: 26</li> <li>▪ Other: 8</li> </ul>
<p>3. What is your current company size (FTE)?</p> <p><input type="checkbox"/> 0 - 19 Employees      <input type="checkbox"/> 50 - 99 Employees</p> <p><input type="checkbox"/> 20 - 49 Employees      <input type="checkbox"/> Over 100 Employees</p>	<p>52 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Employees: 23</li> <li>▪ 20-49 Employees: 6</li> <li>▪ 50-99 Employees: 9</li> <li>▪ Over 100 Employees: 14</li> </ul>
<p>4. Have you completed work on a PPS capital construction project since 2012?</p> <p><input type="checkbox"/> Yes      <input type="checkbox"/> No</p>	<p>52 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Yes: 41</li> <li>▪ No: 11</li> </ul>
<p>5. How many PPS capital construction projects have you completed since 2012?</p>	<p>39 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Responses ranged from 1-12 projects.</li> </ul>
<p>6. Are you currently working on a PPS capital construction project?</p> <p><input type="checkbox"/> Yes      <input type="checkbox"/> No</p>	<p>49 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Yes: 31</li> <li>▪ No: 18</li> </ul>
<p>7. How many PPS capital construction projects are you currently working on?</p>	<p>28 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Responses ranged from 1-5 projects.</li> </ul>
<p>8. How many contracts have you had with PPS in total?</p> <p><input type="checkbox"/> Number of Construction Contracts</p> <p><input type="checkbox"/> Number of Professional Services Contracts</p>	<p>42 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Responses ranged from 1-50 construction contracts.</li> <li>▪ Responses ranged from 1-15 professional services contracts.</li> </ul>
<p>9. For your past or current PPS projects, are you primarily acting as a Prime Contractor/General Contractor or a Subcontractor? Please explain. Example: In past PPS work I was always a first-tier subcontractor, but now I am the Prime Contractor on my current PPS contract.</p>	<p>41 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Primarily act as subs: 24</li> <li>▪ Primarily act as primes: 11</li> <li>▪ Act as both: 5</li> </ul>
<p>10. How was your most recent/last PPS work procured?</p> <p><input type="checkbox"/> Competitive RFP, RFQ, RFB, ITB through PPS</p> <p><input type="checkbox"/> Direct Appointment through PPS</p>	<p>43 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Competitive through PPS: 13</li> <li>▪ Direct Appointment through PPS: 3</li> </ul>

Survey Question	Statistics
<input type="checkbox"/> Competitive RFP, RFQ, RFB, ITB through a Prime/General Contractor <input type="checkbox"/> Direct Appointment through a Prime/General Contractor <input type="checkbox"/> Other (please specify)	<ul style="list-style-type: none"> <li>▪ Competitive through a Prime/General Contractor: 19</li> <li>▪ Direct Appointment through a Prime/General Contractor: 4</li> <li>▪ Other: 2</li> </ul>
<p>11. Looking at your entire portfolio of work you have done for PPS, what is the typical value of the contracts you had held?</p> <input type="checkbox"/> Less than \$50,000 <input type="checkbox"/> \$151,000 to \$200,000 <input type="checkbox"/> \$51,000 to \$100,000 <input type="checkbox"/> Over \$200,000 <input type="checkbox"/> \$101,000 to \$150,000 <input type="checkbox"/> Specific Amount (please specify)	<p>43 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Less than \$50,000: 10</li> <li>▪ \$51,000 to \$100,000: 8</li> <li>▪ \$101,000 to \$150,000: 5</li> <li>▪ \$151,000 to \$200,000: 2</li> <li>▪ Over \$200,000: 17</li> <li>▪ Other: 1</li> </ul>
<p>12. For your past or current PPS work, how did you learn about the opportunity to work with PPS? Select all that apply.</p> <input type="checkbox"/> PPS In-Person Outreach <input type="checkbox"/> PPS Email or other Electronic Outreach <input type="checkbox"/> Prime Contractor In-Person Outreach <input type="checkbox"/> News Media (Advertisement in trade journals, newspaper, radio, television, internet) <input type="checkbox"/> Word of Mouth <input type="checkbox"/> Other (please specify)	<p>43 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ PPS In-Person Outreach: 12</li> <li>▪ PPS Email or other Electronic Outreach: 2</li> <li>▪ Prime Contractor In-Person Outreach: 19</li> <li>▪ News Media (Advertisement in trade journals, newspaper, radio, television, internet): 15</li> <li>▪ Word of Mouth: 10</li> <li>▪ Other: 11 (e.g., Outreach from 1<sup>st</sup> tier sub, was contacted by school, OAME networking)</li> </ul>
<p>13. What are the greatest challenges you face when considering a PPS capital construction project to propose on? Select all that apply.</p> <input type="checkbox"/> Lack of notice/outreach/details from PPS about upcoming projects. <input type="checkbox"/> Lack of notice/outreach/details from prime contractors about potential opportunities. <input type="checkbox"/> Procurement type (direct appointment vs low bid, etc.). <input type="checkbox"/> Required experience or level of skill needed. <input type="checkbox"/> Not enough skilled employees to fulfill PPS required scope of work. <input type="checkbox"/> Other (please specify)	<p>35 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Lack of notice/outreach/details from PPS: 11</li> <li>▪ Lack of notice/outreach/details from prime contractors: 10</li> <li>▪ Procurement type (direct appointment vs low bid, etc.): 18</li> <li>▪ Required experience or level of skill needed: 1</li> <li>▪ Not enough skilled employees: 3</li> <li>▪ Other: 8 (e.g., Favoritism of certain firms, amount of time required for scope, limited resources for small firm to seek out PPS work)</li> </ul>
<p>14. If provided the opportunity, would you propose on future PPS work based your past experience with PPS capital construction projects?</p> <input type="checkbox"/> Yes <input type="checkbox"/> No (please explain)	<p>43 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Yes: 40</li> <li>▪ No: 3</li> </ul>
<p>15. Please provide any additional comments about your experience working for PPS and what PPS can do better to facilitate small business involvement.</p>	<p>19 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Responses varied with 5 respondents indicating a good work experience, while the remaining respondents had general concerns about outreach, procurement process, lack of communication, or highlighted specific challenges with PPS.</li> </ul>
<p>16. Can we contact you for follow-up questions?</p> <input type="checkbox"/> Yes <input type="checkbox"/> No	<p>43 of 52 Respondents answered this question.</p> <ul style="list-style-type: none"> <li>▪ Yes: 27</li> <li>▪ No: 14</li> <li>▪ Did not check but provided contact information in following question: 2</li> </ul>
<p>17. Please provide your contact information</p> <input type="checkbox"/> Contact Person Name, Title <input type="checkbox"/> Email Address <input type="checkbox"/> Business Name <input type="checkbox"/> Phone Number	<p>29 of 52 Respondents answered this question.</p>

## Appendix D: Auditee Response



### PORTLAND PUBLIC SCHOOLS

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**Date:** October 29, 2021

**To:** Cathy Brady, Principal  
Sjoberg, Evashenk Consulting

**From:** Marina Cresswell, Senior Director  
Office of School Modernization

**Subject:** Performance Audit – Fiscal year 2020/2021  
Staff Response

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Portland Public Schools (PPS) and the Office of School Modernization (OSM) have received and reviewed Sjoberg, Evashenk Consulting (SEC) 2020/2021 October 2021 Draft Audit Report titled “2017 Bond Performance Audit: Performance Audit – Fiscal Year 2020/2021” (the Draft Report).

PPS appreciates SEC’s extraordinary efforts this year to research and summarize the complex and nuanced topic of business equity. Staff have found great value in their discussions about the topic with SEC during the field work period, and are looking forward to implementing recommendations related to this focus area. OSM appreciates that the Draft Report recognizes implementation of business equity strategies does not necessarily lead to achieving Certified Business participation goals. Rather, the recommendations focus on creating systematic processes for identifying potential strategies; analyzing the potential cost benefit of different strategies; implementing strategies over a set period of time; and conducting post-implementation reviews of the strategies to determine whether they have been beneficial in improving outcomes. This will allow PPS to have a standardized and transparent process of continuous improvement, while remaining flexible in the development of goals, subgoals and strategies to address a current environment.

Based on our review of the Draft Report, PPS has prepared responses to each of your 10 recommendations. Each response contains one of the following statements:

- Concur – Goal is to implement the recommendation by October 30, 2022
- Concur with Comment – Goal is to implement the recommendation by October 30, 2022 with qualifying comments
- Nonconcur – Recommendation may not be implemented with comments to explain
- Completed – Recommendation has been implemented

The following table presents a tabulated summary of PPS’s responses.

#	Abbreviated Recommendation	Dept	Response
1	The PPS Board should revisit its Equity in Public Purchasing and Contracting (“EPPC”) Policy to clarify and define the District’s vision, goals, and commitment to business equity. This should include reassessing the overall intent, determining how equity is characterized, and expanding on what attainment of business equity goals for the District should entail.	Board of Education	Concur with comment
2	Further develop the Board’s overarching vision into more succinct measurable subgoals or objectives, support new goal setting defensible data, and define qualitative and quantitative metrics to measure against new goals.	Business & Operations	Concur
3	Conduct a cost-benefit analysis of available business equity strategies, such as those outlined in this report, and include considerations such as long-term versus short-term strategies, direct versus intangible “investment” type strategies, and unintended consequences.	Business & Operations	Concur
4	Develop tools and protocols to capture outcomes of chosen equity strategies, and validate outcome data accuracy.	Business & Operations	Concur with comment
5	Create protocols to expand on existing business equity annual reporting to include an assessment of whether annual equity outcomes realized meet the intent of the EPPC Policy and goals of the Administrative Directive, or if modification to the portfolio of equity strategies is warranted, and based on results, adjust strategies as necessary.	Business & Operations	Concur
6	Develop and formalize operating procedures to define the roles, responsibilities and expectations of PPS staff specific to managing contractor and consultant business equity compliance, reporting on outcomes, and coordinating efforts to bolster PPS’ presence and visibility in the certified business community.	Business & Operations	Concur

7	Provide context and explanation of nuances and limitations of B2GNow data in presentations and reports to the Board and the Bond Accountability Committee.	OSM	Concur
8	Develop a PPS-led training to provide new and existing contractors and consultants guidance on equity reporting requirements and expectations; and provide refreshers on training materials on an established schedule over the course of the contract duration.	OSM/P&C	Concur with comment
9	Conduct a review to explore system capabilities, functions, and reports with the B2GNow vendor that could enhance PPS' management of business equity efforts.	P&C	Concur
10	Develop new and strengthen existing protocols for capturing institutional knowledge currently held by one OSM staff member to ensure information and processes about Bond Communication efforts is retained with PPS. Protocols could include establishing key policies and procedures, cross-training staff on communication activities and knowledge, creating a resource library, and providing data sources, timestamps, "as of" dates, and follow-up contact information, as appropriate.	OSM	Concur

Attached is our specific response to each of your recommendations. Please contact me if you have any questions or comments. Thank you again for your hard work and efforts to identify areas for improvement.

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**Recommendation 1 (p. 28)**

The PPS Board should revisit its EPPC Policy to clarify and define the District's vision, goals, and commitment to business equity. This should include reassessing the overall intent, determining how equity is characterized, and expanding on what attainment of business equity goals for the District should entail.

**Staff Response: Concur with comment**

PPS staff appreciate the opportunity for updated guidance from the PPS Board on their goals for business equity. Staff will share this recommendation with the PPS Board, however policy updates are scheduled by the Board and will therefore be subject to the Board's timeline.

**Recommendation 2** (p. 28)

Further develop the Board’s overarching vision into more succinct measurable subgoals or objectives, support new goal setting defensible data, and define qualitative and quantitative metrics to measure against new goals.

**Staff Response:**                    **Concur**

Staff concur with this recommendation, noting that the development of new subgoals or objectives may be dependent on potential changes by the Board to the EPPC Policy and/or changes to the Superintendent’s Business Equity Administrative Directive 8.50.096-AD.

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**Recommendation 3** (p. 28)

Conduct a cost-benefit analysis of available business equity strategies, such as those outlined in this report, and include considerations such as long-term versus short-term strategies, direct versus intangible “investment” type strategies, and unintended consequences.

**Staff Response:**                    **Concur**

**Recommendation 4** (p. 28)

Develop tools and protocols to capture outcomes of chosen equity strategies, and validate outcome data accuracy.

**Staff Response:**                    **Concur with comment**

As noted in the Draft Report, it can be difficult to find a direct correlation between “how a particular strategy employed results in increased or decreased utilization rates.” Staff will look to develop tools to capture outcomes, with the understanding that not all outcomes may be able to be directly attributed to chosen equity strategies.

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**Recommendation 5** (p. 28)

Create protocols to expand on existing business equity annual reporting to include an assessment of whether annual equity outcomes realized meet the intent of the EPPC Policy and goals of the Administrative Directive, or if modification to the portfolio of equity strategies is warranted, and based on results, adjust strategies as necessary.

**Staff Response:**                    **Concur**

Staff agrees that an annual review of business equity strategies, and plan of changed or new strategies for the upcoming year, would allow for a more structured framework in which to identify potential changes or new strategies, develop cost-benefit analyses, and collect and analyze outcome data.

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**Recommendation 6** (p. 28)

Develop and formalize operating procedures to define the roles, responsibilities and expectations of PPS staff specific to managing contractor and consultant business equity compliance, reporting on outcomes, and coordinating efforts to bolster PPS' presence and visibility in the certified business community.

**Staff Response:** **Concur**

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**Recommendation 7** (p. 28)

Provide context and explanation of nuances and limitations of B2GNow data in presentations and reports to the Board and the Bond Accountability Committee.

**Staff Response:** **Concur**

Staff concur with this comment while noting that some limitations of the B2GNow data, such as data being based on payments made as opposed to contract total, are already communicated regularly to the Board and Bond Accountability Committee.

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**Recommendation 8** (p. 28)

Develop a PPS-led training to provide new and existing contractors and consultants guidance on equity reporting requirements and expectations; and provide refreshers on training materials on an established schedule over the course of the contract duration.

**Staff Response:** **Concur with Comment**

Staff concur with this recommendation but have not been able to implement previously due to lack of staff resources. OSM is in the process of recruiting for a Bond Certified Business Program Manager position; this position will be tasked with creating the training once hired.

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**Recommendation 9** (p. 28)

Conduct a review to explore system capabilities, functions, and reports with the B2GNow vendor that could enhance PPS' management of business equity efforts.

**Staff Response:** **Concur**

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**Recommendation 10** (p. 34)

Develop new and strengthen existing protocols for capturing institutional knowledge currently held by one OSM staff member to ensure information and processes about Bond Communication efforts is retained with PPS. Protocols could include establishing key policies and procedures, cross-training staff on communication activities and knowledge, creating a resource library, and providing data sources, timestamps, "as of" dates, and follow-up contact information, as appropriate.

**Staff Response:** **Concur**