Portland Public Schools

Annual Bond Performance Audit-

Fiscal Year 2023/2024

June 13, 2025

SJOBERG EVASHENK CONSULTING, INC

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June 13, 2025

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

Dear Ms. Shanks,

Sjoberg Evashenk Consulting is pleased to submit our report for the Portland Public Schools (PPS) Annual Bond Performance Audit for Fiscal Year 2023/2024. We assessed performance of the 2017 Bond and 2020 Bond programs with focus on the status of school modernizations, bond staffing, and bond oversight, in addition to a review of the Office of School Modernization (OSM) practices in place to deliver the 2020 Infrastructure projects. We also assessed PPS progress made towards implementing recommendations from prior annual bond performance audits.

Our report concludes that, for the areas we reviewed, PPS continued progress toward meeting its bond pledges and delivered many projects as planned. For instance, PPS completed most of the 2017 Bond projects, although issued existed with the Benson Polytechnic High School project. Yet, PPS faced delays or higher than expected costs with the 2020 Bond school modernizations at Cleveland, Ida B, Wells, and Jefferson High Schools as well as with technology projects and the CBSE that continued to be stalled with no capital project movement. OSM generally completed most infrastructure projects as planned following industry practices.

Yet, data did not exist for us to determine whether staffing was adequate to handle the bond program workload. Further, although bond oversight was provided, certain disconnects existed with certain information not getting to the PPS Board or the Bond Accountability Committee. Finally, we found that PPS made progress implementing prior audit recommendations although about 38 percent remained in progress.

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

Respectfully Submitted,

CM Brady

Catherine Brady, Partner
Sjoberg Evashenk Consulting, Inc.

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List of Acronyms

ADA	Americans with Disabilities Act
BAC	Bond Accountability Committee
CBSE	Center for Black Student Excellence
CD	Construction Documents
CMGC	Construction Manager/General Contractor
CTE	Career and Technical Education
DD	Design Development
ERP	Enterprise Resource Planning
FAM	Facilities and Maintenance
F&O	Facilities and Operations
GMP	Guaranteed Maximum Price
IDIQ	Indefinite Delivery, Indefinite Quantity
LEED	Leadership in Energy and Environmental Design
MPG	Multiple Pathways to Graduation
OAC	Owner, architect, and contractor
OTL	Office of Teaching & Learning
OSM	Office of School Modernization
OTIS	Office of Technology & Information Services
OTL	Office of Teaching & Learning
PMO	Project Management Office
PPS	Portland Public Schools
SD	Schematic design
SFIOC	School Facilities Infrastructure Oversight Committee
SPED	Special Education

Executive Summary

The Portland Public School District (PPS) hired Sjoberg Evashenk Consulting, Inc. in October 2018 to conduct annual performance audits of the 2017 school improvement bond that was expanded to include the 2020 Bond when passed in November 2020. For this performance audit cycle, our audit period was July 1, 2023 through June 30, 2024, although we considered significant subsequent events through the end of February 2025 as relevant. Audit objectives focused on delivery status for the 2017 Bond and 2020 Bond projects, project management over the 2020 infrastructure projects, bond staffing, bond oversight, and status of prior audit recommendations.

Over the life of the various bond programs, PPS has built and delivered most of the projects planned to date as promised in the bond measures. They modernized high schools, improved facility infrastructure, implemented new curriculum, and upgraded technology. Although PPS was still progressing on completion of all bond projects, work during this annual audit cycle revealed that certain bond projects were delayed and estimated costs to modernize the next schools significantly increased. We found oversight was in place, but improvements were needed to strengthen oversight in addition to staffing practices. Key results and recommendations are summarized in the sections that follow. Full recommendations are provided at the end of each report section and compiled in Appendix A.

Section 1. Most of 2017 Bond Projects were Completed, Although Issues Existed with the Benson Polytechnic High School Project

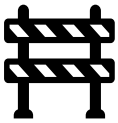
PPS was nearing completion of its pledged work for the 2017 Bond, with finished school modernizations at McDaniel High School, Kellogg Middle School, and Lincoln High School as well as most of the health & safety projects at multiple school sites. Additionally, PPS opened the Benson Polytechnic High School to students in August 2024—although issues remained.

KEY RESULTS:

- Planned modernizations at McDaniel High School, Kellogg Middle School, and Lincoln High School were completed with the Lincoln High School Project expecting more than $16.9 million in savings.
- Benson Polytechnic High School modernization was open to students, but work was not completed such as the main gym, locker room, and ancillary rooms that were flooded by a pump failure occurring in August 2024 right before school opening. Issues remained related to boilers, elevators, fire alarms, and security systems among other items.
- Schedule and scope issues generally started in 2023 midway through construction. Issues reported included significant unforeseen conditions, design documents and coordination misses, and constructability misses among other items.
- OSM appeared to employ typical project management techniques to mitigate schedule and scope issues, including raising concerns and perceived non-compliance issues with the architects and contractors.
- Disagreements existed between PPS and the contractor regarding the cause of unfinished work, including different interpretations of contract provisions.

SUMMARY OF RECOMMENDATIONS:

- To strengthen future project delivery and better manage risks highlighted from the 2017 bond program activities we made five recommendations in this section.
- Recommendations focused on performing post-mortems before the next projects enter construction, clarifying contract terms along with setting expectations with contractors, completing and discussing contractor evaluations, and formalizing plans to reallocate bond program cost savings.



Section 2. 2020 School Modernizations, Technology, and CBSE were Delayed or Expected Costs to be More than Budgeted

Although some 2020 bond projects were generally on budget with planned funding, several areas experienced delays as well as higher than expected future project costs increasing the risk that projects may not be completed as planned.

KEY RESULTS:

- Changing requirements from the Board led to changes in design and re-work that impacted project cost estimates for the Jefferson High School modernization project growing from $366 million to $491 million as of December 2024.
- At the time of the audit, the Jefferson High School opening was delayed from summer of 2026 until summer of 2028 based on design rework needed because of fluctuating requirements and priorities from the Board.
- Both Cleveland and Ida B. Wells High Schools faced higher than expected estimates for future costs.
- The PPS Superintendent paused the Jefferson, Cleveland, and Ida B. Wells High School projects to conduct cost-reduction studies setting target values requiring approximately $100 million in reductions—increasing the risk of further delays in school opening and inflationary cost increases due to the delays, potentially negating any identified cost reductions.
- Curriculum efforts were on target as planned, but technology projects faced schedule challenges delaying project completion until 2029.
- The Center for Black Student Excellence (CBSE) continued to be stalled with no schedule updates since 2020 estimates. The longer the delay, cost escalation will potentially impact the scope that can be provided within the original $60 million bond allocation and there are higher risks that the expected outcomes for the CBSE may not be realized.

SUMMARY OF RECOMMENDATIONS:

- To improve controls over modernization project's budget, schedule, and scope in addition to better manage risks associated with the 2020 bond program areas, we made five recommendations.
- Recommendations focused on summarizing results from cost-reduction efforts and making clear recommendations to the Board for the school modernization projects based on design features, using its external construction auditor to review a contractor's labor burden rates and general conditions before price negotiated, regularly updating the Board on future cost variances and recommended actions, and accelerating decisions regarding CSBE.

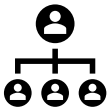
Section 3. 2020 Infrastructure Projects Were being Completed as Planned, Although a Few had Modest Delays and Budget Issues

In the last four years since the 2020 Bond passed, PPS had made progress toward delivering infrastructure improvements as planned—and in some instances, provided more than initially envisioned—while employing project management practices to help ensure they deliver projects as envisioned. Some infrastructure bond areas related to mechanical, security, and seismic projects had modest delays, and Americans with Disabilities Act (ADA)/Special Education (SPED) projects were overbudget—yet there were no significant negative impacts on planned improvements across schools.

KEY RESULTS:

- PPS followed established criteria to select and prioritize projects, with most of the ongoing infrastructure projects slated for completion by the end of 2025—although certain mechanical control upgrade projects will not be completed until Fall 2026.

- Projects were generally on track to be completed by the end of 2025—one year later and, in certain categories, more costly than envisioned.
- Project management tools and controls aligned with industry practices, and procurements followed statues and PPS policies for competitive awards and qualified bidders.
- Additionally, OSM employed cost management controls over contractor invoices and change orders.
- There were no recommendations made in this section.



Section 4. Data Did Not Exist to Determine Whether Staffing was Adequate to Handle Bond Program Workload

Leadership described practices for estimating its workload, but there were no formal protocols or methodologies for determining staffing needs in terms of hours of workload or gauging staff resources against the work needed. Thus, we could not determine with certainty whether staffing was adequate to handle bond program workload or whether staff were underutilized or overburdened, increasing the potential risk of staff not completing needed tasks.

KEY RESULTS:

- PPS did not have a formal approach for estimating workload tasks for the bond program; rather, estimation practices were broad and did not assign staff hours by task, project, or year.
- PPS did not track employee time spent on projects or how much effort it took to perform project management tasks—other than by salary and benefit costs.
- Without data to estimate the workload and compare staffing capacity against that load, we cannot conclude whether staffing aligned with current or future workload or whether staff were underutilized or overburdened.

SUMMARY OF RECOMMENDATIONS:

- To ensure staffing is sufficient to meet the growing bond workload and that staff paid with bond funds are appropriate, we made three recommendations.
- These recommendations focused on estimating workload needs at predetermined task levels, tracking staff time by task levels or some method to capture effort, and comparing staffing capacity with estimated workload to identify gaps.

Section 5. Bond Oversight was Provided, Although Disconnects Existed and Certain Information was Not Getting to the Board or Bond Accountability Committee

Together, the PPS Board, the School Facilities Improvement Oversight Committee (SFIOC), and the Bond Accountability Committee (BAC) provided oversight by engaging in discussions surrounding bond project design and scope, costs, schedules, and activities.[1] However, we found certain disconnects existed with unclear SFIOC responsibilities, opportunities for a stronger BAC role, key BAC and audit reports were not provided to the oversight bodies, and enhanced summarized data was needed for oversight bodies.

KEY RESULTS:

- Bond oversight framework aligned with others we reviewed, although the role and responsibilities of the SFIOC were unclear.
- With its technical expertise, the BAC could have a stronger role in bond oversight through greater involvement and access to staff analysis enabling the BAC to provide more detailed feedback and insight to PPS and the Board.

[1] SFIOC was formerly the Facilities and Operations (F&O) Committee.

- Oversight members engaged in important discussions surrounding a variety of critical bond topics, although PPS could improve information provided to the Board.
- The full Board did not receive BAC quarterly reports, and neither the Board nor BAC received external bond performance audits or project specific construction audits.
- BAC protocols could be improved to formalize advice or recommendations for the Board, when needed.
- Written BAC meeting minutes were not available during our audit, and BAC had significant vacancies for two years.
- PPS could benefit from a project management office function to enhance oversight of bond projects.

SUMMARY OF RECOMMENDATIONS:

- To improve the information available for decision-makers and demonstrate stronger Bond oversight, we made nine recommendations.
- These recommendations focused on defining role and communication protocols of the SFIOC; strengthening the role of BAC in the oversight framework; providing BAC reports to the Board; providing various bond audit reports to the oversight groups; summarizing board presentations and needed action; improving BAC protocols for voting, meetings, and recruiting; and creating a project management function to coordinate bond program activities and enhance accountability.

Section 6. Progress was Made on Prior Audit Recommendations, But Some Remained Outstanding

PPS actively tracked its progress against prior recommendations, and progress had been made on addressing recommendations—although 38 percent of the prior audit recommendations remained outstanding since 2020.

KEY RESULTS:

- Of the 52 audit recommendations made by the annual bond performance auditors since 2019, 20 recommendations were in progress or had not yet started.
- Outstanding recommendations mostly related to equity, construction management, and the CBSE.

SUMMARY OF RECOMMENDATIONS:

- To ensure bond performance audit recommendations are implemented in a timely manner and align with the benefit intended, we made one recommendation focused on having executive leadership take a more active role in overseeing and setting priorities for implementation of performance audit recommendations.

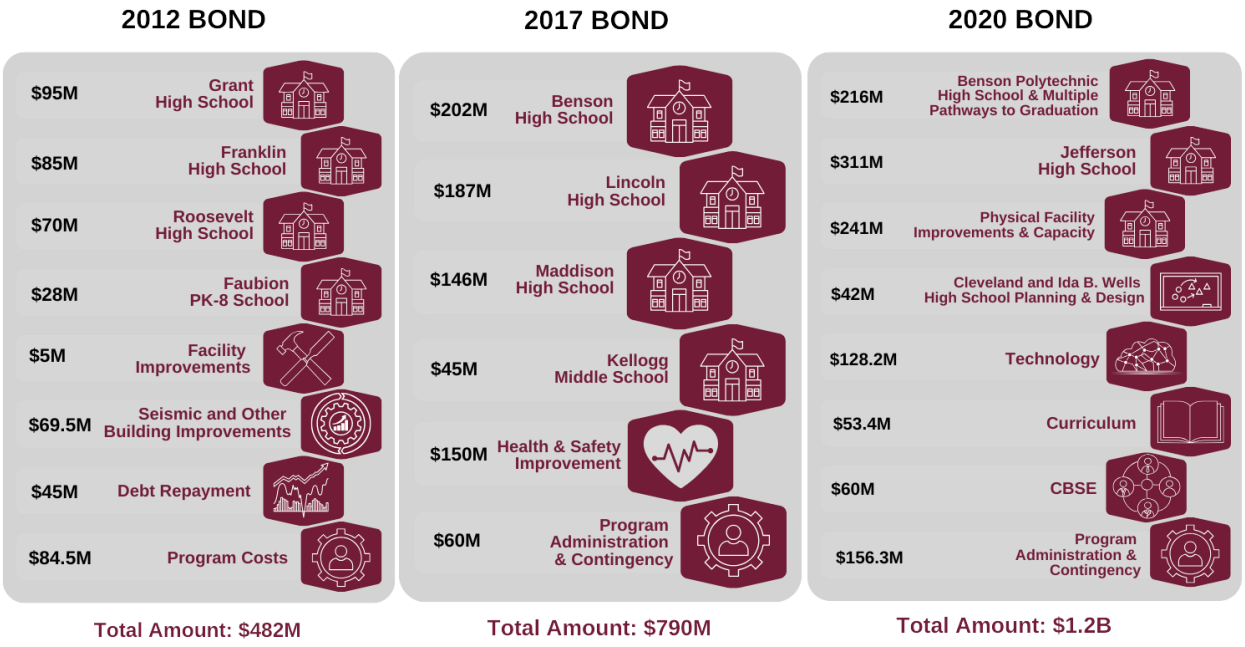
Introduction and Background

As the largest K-12 public school district in Oregon with approximately 44,000 students and 81 schools, PPS has been working on modernizing its aging school facilities and upgrading the student learning environment. To date, Multnomah and Washington County voters have passed three major bonds to fund these school improvements in 2012, 2017, and 2020. [2] Combined, these three bonds authorized nearly $2.5 billion in funding through a property tax levy for modernizing school facilities.

School Capital Improvement Bond Program

In 2012, the bond focused on school improvement efforts at Grant, Franklin, and Roosevelt High Schools in addition to Faubion PK-8 School; while the 2017 bond largely focused on Lincoln, McDaniel, and Benson Polytechnic High Schools in addition to Kellogg Middle School as shown in Exhibit 1. The bonds also set aside funds for a series of accessibility, seismic, and health and safety improvements at multiple schools within the PPS district. With the passage of a third bond in 2020, the district expanded planned areas to include not only traditional capital improvements at physical school buildings and the modernization of Jefferson High School but also funding for educational curriculum and information technology related infrastructure improvements as well as capital improvement projects for the CBSE. The 2020 bond also included planning funds for the modernization of Cleveland and Ida B. Wells High Schools.

EXHIBIT 1. CAPITAL PROJECTS BY APPROVED BOND PROGRAM WITH AMOUNTS



Source: Bond fact sheets and prior annual Bond Performance Audits.

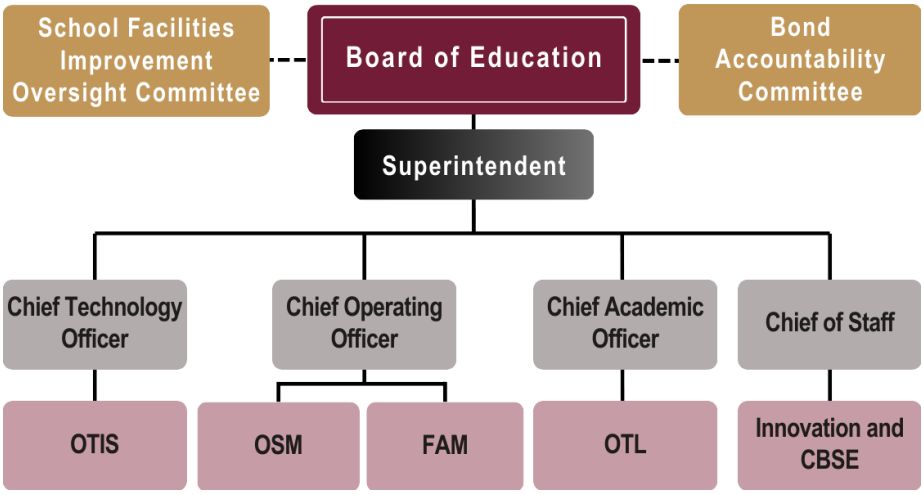
[2] Voters passed Measure 26-144 in 2012 for $482 million in bonds; Measure 26-193 in 2017 authorizing $790 million in bonds; Measure 26-215 in 2020 authorizing $1.2 million in bonds. In total, voters passed nearly $2.5 million in bonds for school modernization, renovation, repair, improvement, curriculum, technology, and safety.

Bond Program Oversight and Staff Involved with Delivery

Modernizing aging school facilities is a complex endeavor with several defined phases and a variety of internal and external PPS stakeholders, private sector consultants and contractors, a citizen accountability committee, and an elected oversight board that work together on ensuring bond programs are delivered as planned as shown in Exhibit 2.

Overseeing and advising staff on the bond programs is a seven-member Board of Education (Board), board committees such as the SFIOC, and a citizen-led BAC. [3] Responsibility for delivery of the capital bond program rests with PPS leadership, but the Office of School Modernization (OSM) is the primary office administering and coordinating the capital improvement projects for PPS. Specifically, OSM oversees the school modernizations and infrastructure projects in addition to coordinates meetings of the Bond Accountability Committee and tracks bond activities conducted by other PPS offices managing curriculum, technology, and the CBSE. The Facilities & Asset Management (FAM) department provides maintenance and repairs, coordinates energy and utilities, and operates custodial services at school facilities.

EXHIBIT 2. PPS OVERSIGHT BODIES AND DISTRICT OFFICES INVOLVED WITH SCHOOL BOND PROGRAM DELIVERY



Source: PPS Leadership Staff 2024-2025 organizational chart effective January 20, 2025 as located on PPS website at pps.net/Page/12889.
Note: OSM has primary responsibility for tracking the Bond Program.

Additional PPS offices beyond OSM are needed to deliver bond pledges—including the Office of Technology & Information Services (OTIS) managing technology projects, Office of Teaching & Learning (OTL) managing curriculum projects, Innovation and CBSE overseeing that effort, and various staff as needed in cross-functional offices such as Purchasing & Contracting helping bring external firms on-board to assist with the projects and Career and Technical Education working with equity programs on capital projects.

[3] The establishment of the BAC was a requirement of the Bond measure and consists of private citizens that advise the Board and OSM on all Bond matters as defined by its charter.

To help implement the bond projects, PPS contracts with external architectural and engineering consulting firms to design project features and general contractors to build the school facilities along with other external inspectors, cost estimators, and schedule management firms that PPS contracts with as needed for project services. As part of implementing school capital projects, OSM relies on a staffing structure of project managers and senior project managers to lead overall project delivery from design to construction completion, managing and being accountable for adherence to schedule, scope, and budget. OSM also relies on externally contracted construction managers to be the "boots on the ground" at project sites to manage day-to-day oversight of the intricate details of construction activities.

Annual Bond Audits

Voter-passed bond language requires annual performance audits of bond activities as part of PPS' commitment to transparency and accountability to taxpayers. Beginning with the 2017 Bond, auditors proposed annual audit scopes that 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 BAC. Audit scope decisions were also informed by the status or phase of the school capital improvement projects—for instance, auditors assessed timing audit scope with assessing cost estimate practices when projects were in master planning, reviewed construction management when projects were in or nearing the construction phase, and evaluated project closeout practices when modernization projects were completed.

For this fiscal year 2023-2024 annual performance audit, we focused on the overall bond delivery status for both the 2017 Bond and 2020 Bond projects, program management and delivery of the 2020 Bond physical infrastructure capital projects, bond staffing, bond oversight, and the status of PPS' implementation of prior audit recommendations.

Scope and Objectives

School improvement bonds passed by voters require annual audits of bond projects and expenditures. To fulfill that requirement, PPS engaged Sjoberg Evashenk Consulting, Inc. in October 2018 to conduct annual performance audits of the school improvement bonds for the 2017 Bond, which was expanded to include the 2020 Bond when passed in November 2020. For the current annual performance audit cycle, our audit period was July 1, 2023 through June 30, 2024, although we considered significant subsequent events through the end of February 2025 as warranted.

Our objectives were as follows:

1. **2017 Bond Status and 2020 Bond Status**
   Identify the delivery status of the remaining 2017 Bond projects and 2020 Bond projects as of June 2024 in terms of cost and schedule, with updates as needed.
2. **2020 Infrastructure Improvements**
   Review whether project management and procurement processes are in place to deliver the 2020 Bond infrastructure projects within budget, on schedule, and with the scope intended using leading industry practices.
3. **Bond Program Staffing**
   Assess how bond program staffing decisions are made for internal and outsourced staff members, and whether those existing approaches appear to align with anticipated bond program workloads.
4. **Bond Oversight**
   Evaluate how oversight bodies operate under established protocols to ensure there is suitable accountability over bond program and activities, and how these compare to other elected or appointed boards and similar taxpayer oversight or advisory entities.
5. **Prior Audits Recommendations**
   Determine whether PPS has sufficiently addressed prior audit recommendations related to bond activities and implemented satisfactory corrective action.

To fulfill these objectives, Sjoberg Evashenk Consulting, Inc. performed a variety of audit tasks involving interviews, data mining, analysis, documentary examinations, record review and testing, industry authoritative research, and source data verification. Refer to Appendix B for the detailed audit methodology.

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: Most of 2017 Bond Projects Were Completed, Although Issues Existed with the Benson Polytechnic High School Project

OSM was nearing completion of most of its pledged work for the 2017 Bond as of February 2025. As reported in prior annual bond performance audits, OSM completed McDaniel High School, Lincoln High School, and Kellogg Middle School, as well as most of the health & safety projects at multiple school sites. Additionally, in August 2023, OSM completed the Phase II athletic fields for the Lincoln High School modernization project on time and opened the Benson Polytechnic High School (main campus) to students in August 2024—although significant issues remained.

The status of 2017 projects are shown in Exhibit 3 and discussed in the sections that follow.

EXHIBIT 3: COMPARISON OF 2017 BOND PROJECT EXPENSES AGAINST PLANNED BUDGET, AS OF FEBRUARY 13, 2025

2017 Bond Categories	Initial Bond Budget	Revised Budget February 2025 [A]	Expenses February 2025	Estimate at Completion February 2025
Benson Polytechnic High School [B]	$ 202,000,000	$ 172,889,406	$ 166,127,158	$ 175,785,098
Lincoln High School	$ 187,000,000	$ 240,469,558	$ 223,600,784	$ 223,557,850
Kellogg Middle School	$ 45,000,000	$ 57,941,414	$ 57,892,035	$ 57,892,617
McDaniel High School	$ 146,000,000	$ 200,717,847	$ 200,396,979	$ 200,508,133
Health & Safety	$ 150,000,000	$ 179,280,525	$ 142,549,788	$ 175,282,872
Athletics	$ -	$ 2,147,865	$ 1,882,549	$ 2,156,459
Administration	$ 40,000,000	$ 64,112,941	$ 57,367,101	$ 63,050,454
Contingency	$ 20,000,000	$ 23,766,312	$ -	$ -
Unallocated Athletics	$ -	$ 104,511	$ -	$ 104,511
Totals:	**$ 790,000,000**	**$ 941,430,379**	**$ 849,816,394**	**$ 898,337,994**

Source: Project cost summary downloads from eBuilder for program budget and costs as of February 13, 2025.

Note [A]: The revised budget is for additional funds made available for use on the bond program including bond premium and grants.

Note [B]: Budget and cost information for the Benson Polytechnic High School project shown in this table comprises data for the Benson main campus and the swing sites funded with 2017 Bond sources.

Also, as of February 2025, OSM nearly spent all the $150 million allocated from the 2017 bond on health & safety projects to deliver more improvements than initially envisioned or at more schools than planned in several areas including roof and seismic retrofit, fire alarm and sprinkler improvements, security upgrades, and accessibility in accordance with ADA requirements. With an added $11 million from other non-bond funds, OSM continued to implement health & safety improvements during our audit cycle—some projects which were still in progress. However, there was no stated deadline for when these projects had to be completed—partly because health and safety needs greatly exceeded available funds as discussed in prior audit reports and OSM endeavored to complete as much work with available funds as possible.

Benson Polytechnic High School Opened in Fall 2024, but Not All Work was Completed and Cost and Schedule Issues Continued to Exist

In terms of the high school modernization projects OSM completed to date, both its internal project managers and external general contractors agree that the Benson Polytechnic High School was a complex and challenging project with several historical aspects of the school designed to be preserved. In fact, the $418 million project included an approximate 368,000 square foot building on the main campus, an approximate 17,000 square foot Multiple Pathways to Graduation (MPG) building at a nearly adjacent site, and development and movement of two swing sites at the former Marshall High School and Kenton Elementary School locations.

For instance, one challenge included preserving the historic walls of the school perimeter that needed steel to be installed before the foundation was set, shoring up the building—basically lifting and suspending the building—to excavate underneath the existing building. Other challenges included pandemic-related market disruptions causing extreme cost escalation and construction pricing volatility as well as certain unforeseen required scope changes to meet new building code requirements that added costs to the 2017 bond project that were covered by funding from the passage of the 2020 bond. Exhibit 4 below shows budget status of the Benson Polytechnic High School budget as of February 2025.

EXHIBIT 4. COST STATUS OF THE BENSON POLYTECHNIC HIGH SCHOOL PROJECT, AS OF FEBRUARY 13, 2025

Benson Polytechnic High School Project Categories	Budget February 2025	Actuals February 2025	Estimate at Completion February 2025
Main Campus	$ 325,587,899	$ 314,815,459	$ 328,483,592
Swing Sites	$ 12,205,396	$ 12,205,396	$ 12,205,396
MPG Building	$ 80,515,523	$ 77,074,819	$ 80,515,523
Totals:	**$ 418,308,818**	**$ 404,095,674**	**$ 421,204,511**

Source: Project cost summary downloads from eBuilder for program budget and costs as of February 13, 2025.

Notes: The $418 million budget is funded through both 2017 bond and 2020 bond funds. Estimates at completion that are more than budgeted costs may be covered by bond contingency funds, savings from other bond projects, or other bond funds that remain unallocated funds.

Project events over the last year related to unfinished work, missed project milestone dates, increased costs from delays, and pending claims all heighten the risk that the Benson Polytechnic High School project may ultimately cost more than shown in the exhibit. Given the issues brought to our attention near the end of our fieldwork, we conducted a cursory review of project documents to understand potential cause and what steps OSM took to mitigate issues—although the current year audit scope was not focused on a detailed project review of Benson Polytechnic High School. [4]

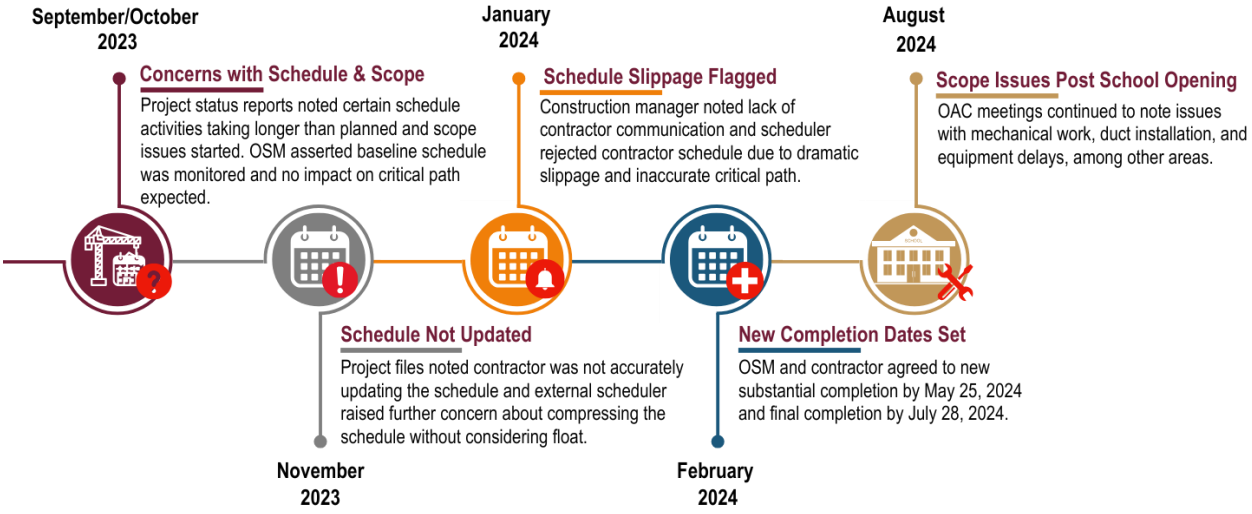
[4] We reviewed schedule reports, owner-architect-contractor (OAC) meetings, project status reports, construction manager reports, requests for information submitted for clarification on project plans, change requests, and project communications. The purpose of OAC meetings is to discuss and memorialize project issues and decisions. These meetings are crucial for open communication and collaboration to address issues to keep the project on schedule, within budget, and on-track with scope. There could have also been scope design gaps or disconnects with approved design specifications impacting issues, but we did not conduct an in-depth root cause analysis on the project.

Schedule and Scope Issues Generally Started in 2023 During Construction, Although OSM Appeared to Generally Follow Industry Practices to Address

The Benson Polytechnic High School main building opened for student attendance in 2024, although key timelines were not met for the project with timelines slipping from plans for substantial completion by March 2024 to partial turnover in August 2024. OSM asserted this condensed the time available for teachers to move-in and made commissioning work and turnover tasks more difficult to complete with students onsite. Concerns with schedule, scope, and budget started in 2023 during the second half of construction as shown in Exhibit 5.

OSM appeared to employ typical project management tools and techniques to mitigate schedule and scope issues on the Benson Polytechnic High School project as expected in industry. We saw monthly schedule reviews, owner-architect-contractor (OAC) meetings, construction management reports, inspections, testing, and field reports that OSM conducted to monitor scope, schedule, and budget. As noted in this section, OSM raised issues and documented concerns and perceived non-compliance issues with its architects and contractors throughout the project.

EXHIBIT 5. SUMMARY OF BENSON POLYTECHNIC HIGH SCHOOL SCHEDULE & SCOPE ISSUES DURING CONSTRUCTION



Source: External schedule reviews, testing, field reports, project status reports, and OAC meetings.

Note: Float is the number of days of delay that project activities can experience without impacting the overall project completion date.

For instance, in September and October 2023, project status reports began citing that certain schedule activities were taking longer than planned—although not on the critical path at that time. Issues reported at included significant unforeseen conditions, design documents and coordination issues, higher builder risk costs than expected, and constructability misses as well as contractor coordination issues. At that time, final completion date was pushed out a month from June 2024 to July 2024. Minutes from OAC meetings documented discussions and repeated attempts to rectify schedule issues. [5]

[5] Meeting minutes were routed to all OAC attendees and contained a request to "Please review these notes. If there are any incorrect, misrepresented, or omitted items, please let the preparer know within 24 hours" allowing a process for resolution of disagreements on items discussed and noted in the record.

As part of schedule communications OSM sent to the project team including the contractor and architect in January 2024, the construction manager reported concerns about the lack of communication about completion dates moving and whether schedules were being vetted with subcontractors. The external scheduler rejected the contractor's project schedule stating it showed dramatic slippage, and the critical path did not appear accurate. Subsequent conversations between OSM and the contractor in February 2024 resulted in newly agreed-upon finish dates of substantial completion by May 25, 2024 and final completion by July 28, 2024.

Through meeting notes, OSM informed the contractor they had not provided daily reports required by contract for months even after repeated requests by email and that smaller subcontractors and sub-tier contractors were not included in daily reports since early in construction—attributed to inaccurate subcontractor reports. By the school opening in August 2024, OSM continued to note scope issues related to items such as mechanical work and duct installation in addition to equipment delays after raising concerns about long-lead times, installation, and manpower. Commissioning was behind schedule at that point and OSM commented that not all outstanding punch list items were captured.

OSM Continued to Focus On Items That Remained Incomplete Upon School Opening

When the Benson Polytechnic High School main building opened for student attendance in August 2024, certain areas of the building were not completed. More significant items included the main gym, locker room, and ancillary rooms that were flooded by a pump failure occurring in August 2024 right before school opening; boiler issues; food service items; elevators, fire alarms, and security systems among other items.

The contractor resolved some open items since that time, but project files indicated that key work remained as of December 2024 including work on the lower level of the gym, training rooms, rework on the roof, fire protection work, various signage, exterior punch list items, and final inspections and certifications. PPS estimated that approximately 10 percent of the overall campus was affected by these issues. The resolution for these items was still in flux as final scope was still being debated. For instance:

- In October 2024, work was still being done on the roof parapet with OSM recommending it to be built according to design specifications while the contractor requested a third-party review of manufacturer requirements given that OSM raised warranty issues. [6]
- At that time, OSM noted the contractor reported on its schedule that final project completion was again extended from July 2024 to September 2024. By the end of 2024, the final completion date was moved to February 2025—a more than 7 months delay—for base contract work and May 2025 for activities related to a gym flood. [7]
- As of December 2024, there were remaining activities noted on the contractor's schedule with many related to open requests for information that needed resolution—although OSM reported it had not received supporting documentation from the contractor it had been requesting for a year. According to OSM internal status reports, issues related to scope gaps, constructability, and contractor coordination were increasing project costs.

[6] Roof parapet is the intersection a roof and a wall where "building aesthetics meet structural performance, air and moisture management, energy efficiency, construction trade sequencing, and operational maintenance" according to the International Institute of Building Enclosure Consultants.

[7] Contractual final completion date was not updated.

OSM continued to work with the contractor and subcontractors to finish outstanding work, but issues and disputes existed causing concerns over the additional cost to complete and pressure on timelines for when outstanding work will be finished—as described in the following section. As of February 2025, the project final completion continued to be delayed, as work was not yet complete.

Disagreements Existed Between OSM and Contractor Regarding Cause of Unfinished Work

OSM attributed the unfinished project work and completion schedule delays to several factors including non-conforming work, schedule issues caused by the main contractor and mechanical contractor, subcontractor management, and missing coordination among project team members including the design team, contractor, and subcontractors. Additionally, there were unforeseen building conditions that required adjustments to plans in addition to the death of a construction worker after sustaining injuries on site and a teacher strike that further impacted the project.

When we spoke to the contractor, they attributed the unfinished project work and completion schedule delays to differences in contract interpretation, design gaps, and long processing timelines for OSM to review and approve project requests for information and change orders leading to additional work needed which added time and cost to the project. We reviewed five contract amendments that took longer than 200 days and found the longer processing times were at the general contractor review stage, and several OAC meeting minutes tracking status and timelines indicated most open items resided with the contractor and that pricing of additional work took more than a month in several instances. [8]

The unfinished work and time extensions caused additional costs to the project as well. For instance, OSM executed a $3.5 million contract amendment in early August 2024 to expedite substantial completion by the school opening and completing the project shortly thereafter with funds subject to audit and recovery — although it appeared that agreed-upon milestones were not met. PPS indicated to us that the amendment did not cover costs resulting from project delays, but rather conditionally paid certain change orders representing scope adjustments while postponing contractor documentation requirements. [9] Likewise, OSM approved multiple change orders for additional architect service fees needed for items such as review needed for the gym floor work and additional testing due to contractor quality issues, suggesting that completing the outstanding work will be further delayed.

At a January 2025 BAC meeting, OSM informed the committee that the contractor filed significant claims against PPS on the project—although OSM did not disclose a specific dollar amount. Records indicated that OSM also filed a warranty notice and notice of claim against the contractor citing certain contract provisions regarding the pump failure and water damage in the gym; the defects causes were still under investigation as of February 2025. Although OSM stated it will submit a claim to the contractor for damages and recoupment of the cost of work that OSM must pay to address the issue, there was no dollar amount estimated or available to us at the time of our audit.

[8] CMGC contract amendments can start with a contractor needing additional clarification from architects on designed plans (known as requests for information) which requires architect time to review, contractor efforts to price out new work, and owner time to review and approve contract changes as warranted.

[9] PPS asserted that if the contractor subsequently failed to provide documentation or if the change orders were subsequently found to not be legitimate changes in scope, PPS will claw back the conditional payments.

Without conducting a deeper dive into the root-cause of the project disconnects, we cannot comment on which party should bear the cost to pay claims or how much additional funds might be needed if PPS is responsible for paying claims. As of January 2025, OSM had $68 million remaining in 2017 bond contingency and other unallocated or underspent funds in addition to another $59 million in 2020 bond contingency. [10] Because the cost to finish work and pay potential claims was uncertain, we cannot determine whether sufficient funds exist to cover ultimate project costs without affecting other projects or whether additional money will be needed. Thus, both budget and schedule remain a concern to fully close out the Benson Polytechnic High School project.

OSM and Contractor had Different Interpretations of Contract Provisions Impacting the Completion of Work and Schedule for the Benson Polytechnic High School

Once a project is in active construction, it can be challenging for owners to balance resolving general contractor issues that might arise with ensuring a project's completion. If issues exist, owners are limited to enforcing contractual terms, issuing notices of non-compliance, assessing liquidated damages, and/or pursuing legal remedies as warranted. Project files we reviewed for the Benson Polytechnic High School indicated that OSM communicated expectations on contractual requirements and areas of non-compliance. For instance, OAC meeting minutes distributed to project team members (that included the contractor) described the need to comply with contractual requirements such as reminding the contractor to complete daily field reports and risk logs.

Yet, some of the issues faced with the Benson Polytechnic High School project reportedly centered around differing interpretations of the Construction Manager/General Contractor (CMGC) contract provisions, making it difficult for OSM to enforce contractual terms. Based on audit interviews with OSM and the contractor in January 2025, there were disagreements on contract provisions such as the base scope. OSM asserted that the contactor's refusal to do certain work until the base scope was defined was not compliant with contract terms.

Conversely, the contractor believed that contract terms were vague and unclear. Inside an executed contract amendment where the Guaranteed Maximum Price (GMP) for the project was approved, the contractor provided "Estimate Clarifications and Assumptions" to clarify intent of the project. [11] On the document, it stated that PPS did not accept the assumptions and that the document was for reference only given that OSM would handle any contractor clarifications needed through normal project processes starting with requests for information. Yet, perhaps the ambiguities led to confusion on contract and project requirements later in the project and contributed to delays on the Benson Polytechnic High School project. This raises concerns about future high school modernization projects using similar contracts—especially given that the same contractor with the potentially same contract language was planned for use on the in-progress Jefferson High School modernization project.

[10] According to OSM's quarterly status report presented to the BAC on January 22, 2025, bond contingency showed a remaining $22 million in 2017 bond contingency. However, when combined with other unallocated funds or money not spent on other bond projects, the amount available was $68 million at that time. That number is reduced from the $98 million reported as remaining in 2017 bond contingency per PPS' audited annual comprehensive financial report as of June 30, 2024.

[11] Exhibit AA GMP Amendment to Contract, Attachment C, Exhibit T, Estimate for Benson High School, dated February 11, 2022, "100% CD (GMP) Estimate Clarifications and Assumptions" pdf pages 86 through 100.

Furthermore, as part of project-specific construction audits, PPS hired an external construction auditor to review project specific contractor performance and compliance with contract terms and conditions for the bond modernization projects. Results from the 2017 and 2020 bond school modernization project audits highlighted recurring contract compliance issues related to overcharges for rental equipment, labor and associated rates, insurance, and fees. This recurrence underscores the importance of addressing vague or missing terms in contracts, and for enforcing contract provisions from the beginning of contracted project work. To ensure projects do not repeat similar issues, it is critical that OSM formalizes significant contract interpretations and resolves any ambiguities before it approves the GMP contract amendment for any in-progress and future modernization projects.

Lincoln High School was Completed On Time and Under its Revised Budget, With Savings Not Yet Reallocated to Other Bond Projects or Areas

OSM planned its Lincoln High School modernization using a two-phase approach—both of which were completed. OSM completed the Phase I main building in the fall of 2022 on time for the 2022-2023 school year and completed the Phase II athletic field in time for the fall 2023-2024 school year as planned. As of February 2025, there were minor closeout activities still in progress and retention to be released to the contractor, but OSM expected to complete the project under budget as shown in Exhibit 6.

EXHIBIT 6. LINCOLN HIGH SCHOOL PROJECT ESTIMATED TO BE $16.9 MILLION UNDER BUDGET, AS OF FEBRUARY 2025

Budget Category	Original Budget	Revised Budget	Actual Costs	Forecasted Savings
Cost of Construction	$124.6 million	$201.6 million	$195.6 million	$6 million
Professional Services	$13 million	$16.5 million	$16 million	$500 thousand
Owner Cost	$7.6 million	$12.2 million	$12 million	$200 thousand
Contingency	$41.7 million	$10.2 million	$0	$10.2 million
Totals	$186.9 million	$240.5 million	$223.6 million	**$16.9 million**

Source: Project Cost Summary generated from eBuilder on February 10, 2025 and most recent contractor payment application as of July 2024.
Notes: All amounts are rounded.

Initial estimates for the Lincoln High School modernization were approximately $187 million at the time of the 2017 Bond but were revised to $240.5 million in April 2020 when the GMP was set. That amount included costs for design, construction, other services, and owner-controlled contingency. With a February 2025 estimated project completion cost of $223.6 million, the school project will be approximately $16.9 million under the revised budget—mostly from construction savings and owner-controlled project contingency not needed. [12] OSM reported they will ultimately "return" the funds to the overall 2017 bond program contingency, although there were no formal plans for reallocating the money to other projects.

[12] According to the most recent OSM report provided to BAC in January 2025, the reported savings from the Lincoln High School Project were $18.6 million. Project numbers are continually being updated, so the difference between the amount reported to BAC and presented in this report by auditors is likely due to timing and additional close-out activities.

During prior annual bond performance audits, OSM staff stated their approach for reallocating available contingency would be to consider whether items previously removed from a specific project during value engineering could reasonably be added back as warranted, funds could be used on the project for other improvements, or cost savings should be returned to the overall Bond program contingency to be allocated as needed. [13] OSM noted that they had not previously needed a formal procedure to allocate unspent funds in the past, but explained that discussions on how to prioritize and document unallocated funding would happen once Lincoln High School was closed out.

Recommendations

To strengthen future project delivery and better manage risks highlighted from the 2017 bond program activities, we recommend PPS:

1. Perform a post-mortem on the Benson Polytechnic High School project now before the remaining high school modernization projects go through the GMP process and start construction. Memorialize discussion and action plans to mitigate similar issues on future projects in writing.
2. Clarify and memorialize contract expectations, terms, and conditions in the CMGC agreement and GMP amendment identified based on the Benson Polytechnic High School post-mortem for the remaining high school modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools as well as at future school projects before any PPS executes any new CMGC contracts and GMP amendments. Ensure that vague or missing contract terms are clearly defined, including legal remedies for contract non-compliance, what constitutes non-compliance, and how non-compliance will be measured.
3. Set expectations early with future CMGC contractors before construction starts to ensure a shared understanding and interpretation of key contract provisions and strengthen the enforcement of contract provisions with support from legal staff including tracking communications with external contractors related to contract enforcement. This could include holding a meeting(s) with PPS, the architect, and the CMGC contractor to walk-through construction phase contract requirements and documenting any subsequent written and defined assumptions that are incorporated as part of the GMP amendment process as needed.
4. Establish and complete formal contractor evaluations based on project performance and contract compliance that are discussed with the contractor being evaluated. Topics to assess could include factors such as the ability to meet deadlines, quality of work, adherence to budget, safety compliance, change order management, communication, responsiveness to issues identified, innovation, and subcontractor management, to name a few.
5. Develop and formalize a written plan or methodology for allocating bond contingency funds including identifying how project savings will be assigned to other bond projects or returned to the 2017 program contingency fund.

[13] Refer to Fiscal Year 2022/2023 Annual Bond Performance Audit Report pages 6 and 7. Also, in the 2020 Bond Budget Summary presented to the Board on July 13, 2020, the Chief Operating Officer stated that program contingency could be used for a variety of unanticipated costs including estimation errors, discretionary scope additions, cost escalation, or other unanticipated costs.

Section 2: 2020 Bond School Modernizations, Technology, and CBSE Were Delayed or Expected Costs to be More than Budgeted

The 2020 Bond pledged to modernize Jefferson High School, plan and design two additional future high school sites, and invest in physical infrastructure improvements such as roofs, seismic work, and mechanical upgrades as well as provide educational program improvements for district technology upgrades and curriculum adoption. Additionally, the bond provided funds for upgrades to address the district's changing capacity and enrollment needs as well as for improvements as part of a new concept for the CBSE. Budget status for the 2020 bond projects is shown in Exhibit 7.

EXHIBIT 7. COMPARISON OF 2020 BOND PROJECT EXPENSES AGAINST PLANNED BUDGET, AS OF FEBRUARY 2025

2020 Bond Categories	Initial Bond Budget	Revised Budget February 2025 [A]	Expenses February 2025	Estimate at Completion February 2025
Benson 2020 [B]	$ -	$ 164,903,890	$ 160,893,697	$ 164,903,890
Jefferson [C]	$ 311,000,000	$ 366,007,500	$ 19,852,230	$ 366,007,500
CBSE	$ 60,000,000	$ 60,000,000	$ -	$ 60,000,000
Cleveland	$ 20,000,000	$ 20,000,000	$ 5,608,356	$ 20,000,000
Ida B. Wells	$ 20,000,000	$ 20,000,000	$ 6,759,831	$ 20,086,066
Roosevelt (Phase V)	$ 2,000,000	$ 2,000,000	$ 97,625	$ 2,000,000
Benson MPG	$ 64,000,000	$ 80,515,523	$ 77,074,819	$ 80,515,523
Curriculum	$ 53,444,000	$ 70,161,233	$ 51,843,865	$ 73,369,816
Technology	$ 128,200,000	$ 151,681,785	$ 89,586,686	$ 105,353,953
Infrastructure	$ 241,000,000	$ 284,533,936	$ 200,034,283	$ 276,677,567
Administration	$ 63,098,640	$ 63,098,640	$ 20,573,855	$ 63,098,640
2017 Bond Balance	$ 152,000,000	Note [D]	Note [D]	Note [D]
Contingency	$ 93,257,360	$ 59,511.241	$ -	$ -
Totals:	**$ 1,208,000,000**	**$ 1,342,413,748**	**$ 632,325,247**	**$ 1,232,012,955**

Source: Project cost summary downloads from eBuilder for program budget and costs as of February 13, 2025.

Note [A]: The revised budget was because additional funds were available for use on the bond program including bond premium and grants.

Note [B]: The Benson Polytechnic High School comparison is shown in Section 1 of this report which combines 2017 and 2020 bond funding.

Note [C]: Jefferson estimates to complete were from eBuilder files. Estimates received from the project team were higher than budgeted.

Note [D]: 2017 Bond Balance category was for Benson Polytechnic High School, so amounts are combined in first row of the table.

Some 2020 bond projects were generally on budget with planned funding, yet several areas experienced higher than expected future project costs as well as schedule delays increasing the risk that projects may not be completed as planned. This situation primarily related to the modernization of Jefferson High School, current design and future construction for Cleveland and Ida B. Wells High Schools, certain technology improvements, and the CBSE planned improvements.

Jefferson High School Modernization Faced Budget Issues and Schedule Delays During Design That Were at Heightened Risk of Becoming More Substantial

When we looked at the status of its planning and design effort during the prior audit, the Jefferson High School project faced increasing cost estimates growing from the $311 million estimated when the 2020 bond passed to $366 million by December 2022 as adjusted for inflation in the construction market. At that time, OSM planned to use bond program contingency to cover the escalated costs. As design progressed, the Board directed OSM to change design plans along the way that impacted cost estimates and schedule.

By September 2024, budget estimates at the 100 percent schematic design phase jumped $124.8 million to a total estimate of $491 million to complete the modernization—of which $407 million related to construction costs. September 2024 schedules showed a two-year delay from initial plans for a school opening for the 2026-2027 school year pushed to an opening in the 2028-2029 school year. Since that time, OSM paused design work at the request of the PPS Superintendent to complete cost reduction exercises—although that design hiatus adds risk of further delay.

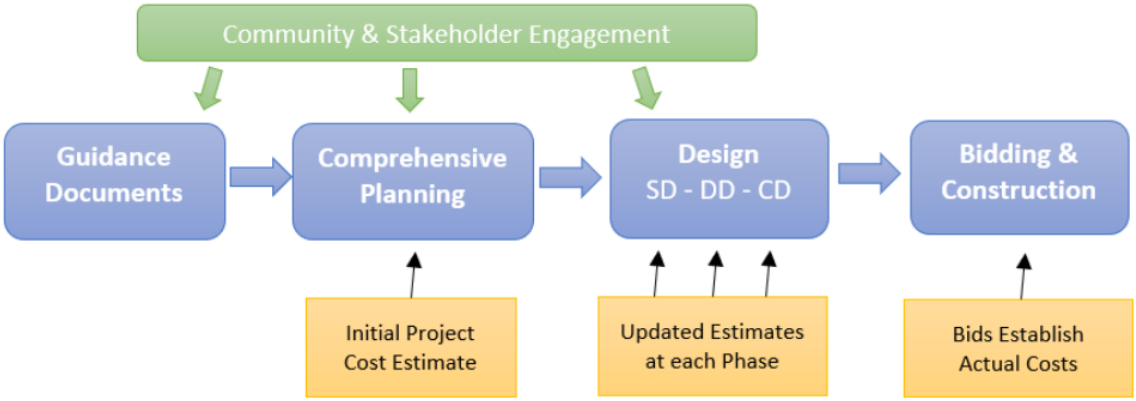
OSM Received Cost Estimates at Several Phases During a Project that Change Over Time as is Standard with Delivery of Capital Projects

Successfully delivering a high-dollar capital bond program requires reasonably accurate cost estimates and project budgets that are developed based on design inputs. Depending on the size of the project, the process can take multiple years of planning over which costs fluctuate depending on a variety of market and cost inflationary factors as well as specific project designs until budgets can be set. For PPS projects, designs are guided by various documents that are refined by stakeholders and community feedback in addition to subject matter experts such as:

- Board-approved PPS Education Specifications (Ed Specs) that identify space organization, furnishings and equipment, and room design characteristics.
- PPS Design Standards are the technical design and construction criteria for how a space is built and finished including building materials and systems such as air handlers, fire suppression, and electrical.
- Board policies such as climate policy electrification versus fossil fuel systems, sustainability using mass timber instead of steel, and business equity requirements.

Like others in industry, OSM relied on external architect consultants, general contractors, and third-party estimators who work with OSM starting at the comprehensive planning phase to prepare designs, estimate costs, and build capital projects as designed. Project design and cost estimates evolved over time from conceptual master plans (outlining scope and schedule based on features such as square footage or use of swing site) approved by the Board, through the design phase to construction as shown in Exhibit 8.

EXHIBIT 8. HOW COST ESTIMATES FLUCTUATE OVER DIFFERENT CAPITAL PROJECT PHASES



Source: PPS Graphic from January 23, 2025 PPS Staff memo on Cornerstone Cost Study presented to the Board on February 4, 2025.

As depicted in the exhibit, project estimates change throughout the design phase as features are better defined, constructability is reviewed, and value engineering exercises take place to reduce costs without compromising quality or design. Three distinct design phases occur—Schematic Design (SD) with rough drawings for the overall project concept and requirements with square footage, Design Development (DD) where drawings are refined with design elements and system features, and Construction Documents (CD) with specific plans to guide construction of the building. Once designs are finished or nearly finished, CMGCs estimate a guaranteed maximum price for the construction phase based on designs and its contracts with major subcontractor trade partners (known as buyout).

Costs can still change in the construction phase through change orders for events such as when allowances are intentionally created to account for features that could not yet be priced at the time GMP was approved, when building codes change mid-project or permit requirements change mid-project, or unforeseen situations occur that could not be reasonably anticipated such as contaminated soil even after testing, impact from a global pandemic, or shortage on materials such as steel or concrete. Other factors impact costs and schedules including changing market conditions and inflation, unforeseen building issues especially with older and historic buildings, or changes made to project designs—all of which are typical with multi-year capital projects and can cause delays and additional project costs.

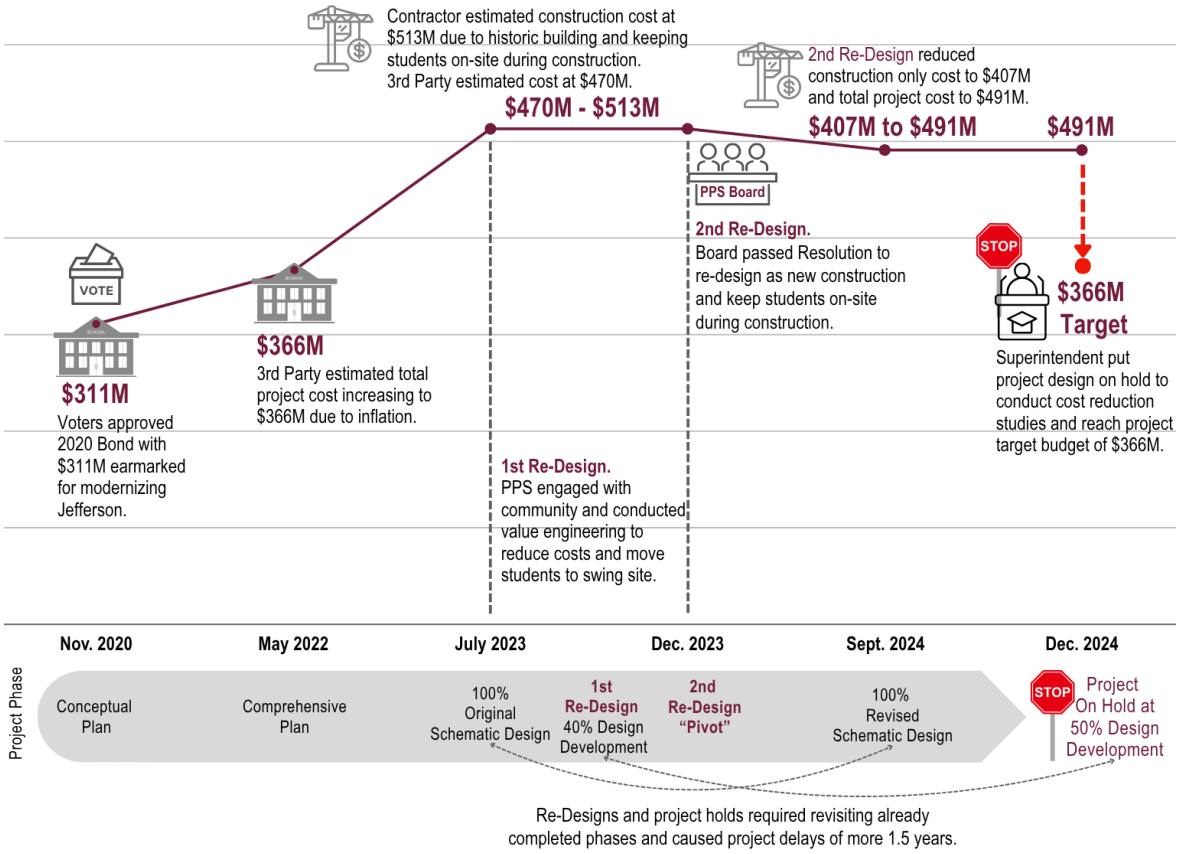
Changing Requirements from the Board Led to Changes in the Design That Impacted Estimated Project Costs as well as Timelines for Completion of the Jefferson High School Project

Over recent years, OSM experienced significant budget escalation on the Jefferson High School modernization project mostly due to changing priorities and several redesigns needed. For instance, when OSM included the Jefferson High School project in the 2020 bond, the focus was to modernize the school to an approximate size of 339,000 with capacity for 1,700 students for a cost of $311 million and a school opening by the start of the 2026-2027 school year. When OSM contracted with the design team in May 2022, OSM received updated information from their third-party estimators that adjusted costs for inflation to a new project budget of $366 million. Throughout 2022, OSM led several meetings with its Conceptual Master Planning Committee that included parents, teachers, students, and community stakeholders and revealed the general preference was to preserve the school's historic features of the school while

maintaining students on site. OSM incorporated this feedback into a Comprehensive Plan that the Board approved in December 2022.

Subsequently, OSM brought aboard the CMGC who provided a construction only estimate for the project totaling $513 million during the first 100 percent schematic design phase in early July 2023—which was higher than OSM's third-party estimates of $470 million, but both sets of estimates similarly increased over the 2022 costs as shown in Exhibit 9. Cost estimate increases from the previous $366 million were partly attributed to constructability issues raised by the CMGC as the school's four-story unreinforced masonry structure from 1909 posed unique and unanticipated structural and safety challenges while keeping students on site during construction. To reconcile the higher cost estimates, OSM worked with the design team and CMGC to perform value engineering as well as conduct a value study with the community to determine how to build the most important features desired by the community for the least cost. By May 2023, that effort resulted in the first redesign to preserve the school's historical features, but have students move to a swing site during construction.

EXHIBIT 9. TIMELINE OF JEFFERSON HIGH SCHOOL DESIGN CHANGES AND COST EVOLUTION



Source: Project comprehensive plans, cost estimates, schedules, design documents, status reports, OAC meetings, and board meetings.

Over the next six months, the project team continued design. Through the end of November 2023, the project team was about 40 percent through design development phase although the budget had not changed to reflect the higher cost estimates. However, the school opening was delayed one year to the

summer of 2027. When the community began expressing strong preferences for maintaining student presence on campus during construction, OSM recommended the Board reverse course seven months later in December 2023 to pass a resolution to authorize a second redesign. The approved redesign planned for a pivot away from the swing site option keeping students on campus during construction to a different design for a new building rather than preserving the historical 1909 building—and keeping students on site during construction. That pivot required the project team to craft a second redesign, adding another year of delay to the project schedule, pushing completion into the summer of 2028 and additional cost to the project.

By the time the architects reached 100 percent schematic design for the second phase in September 2024, total project cost estimates grew to more than $490 million—this included higher than expected architectural fees and contractor pre-construction costs needed for the multiple project redesigns. Of that total amount, $407 million was estimated for constructions costs; this amount was lower than the earlier estimates received during 2023.

Project Completion was Delayed by at Least One Year, but the Recent Pause for Cost Reduction Studies Heightens the Risk of Further Postponement in School Opening

In addition to the redesigns causing higher than expected costs, the Jefferson High School schedule was extended to address shifting priorities needing redesign. As a result, key milestones were delayed, such as the completion of 100 percent schematic design (the second redesigned set) that was pushed into September 2024 and the planned school opening moved from the summer of 2026 to the summer of 2028.

In December 2024, the PPS Superintendent paused all project design work and community engagement activities at Jefferson, Cleveland, and Ida B. Wells High Schools, and directed the modernization teams to conduct a cost reduction study offering two options. [14] One option was to consider building for 1,700-student capacity while meeting minimum Ed Specs criteria; and another option that considered reductions associated with features such as beyond-code standards for seismic resiliency and Leadership in Energy and Environmental Design (LEED) certification, sustainability measures, business equity participation, and removal of preferred spaces above recommended Ed Specs to name a few. [15,16]

The PPS Superintendent directed each team to provide conceptual design narratives and diagrams, supporting cost estimates, additional design and preconstruction fees to complete the revised design options, and revised schedules for each of the two options to reach precise targeted project budgets. Although the budget targets were $366 million for Jefferson High School and $360 million each for the two remaining schools, PPS and OSM leadership could not provide rationale or methodology to support how they arrived at the estimated budget targets. However, the Jefferson High School target budget of $366

[14] At a November 6, 2024 School Facilities Improvement Oversight Committee, board members expressed a desire to evaluate the cost of school modernizations and identify ways to reduce overall cost.

[15] LEED Standard is a Leadership in Energy and Environmental Design certification based on a rating system of a building's sustainability and use of green-building practices to design buildings that are more efficient, healthier, and better for the environment.

[16] The modernization teams included OSM staff as well as each project's architect & engineering team and the CMGC team with independent third-party cost estimators as needed.

million was the same amount PPS received from its third-party cost estimator as reported to the Board two years ago in December 2022.

Latest Development on the Jefferson High School Project as of February 2025

As of the end of January 2025, OSM started receiving high-level cost reduction options from the Jefferson High School project architectural firm and CMGC. To reach target costs set by the PPS Superintendent, the options suggest that OSM would need to cut square footage and remove some features that were over minimum based Ed Specs such as additional spaces for Career and Technical Education (CTE), climate change responses including electric systems and mass timber, above code seismic structural resiliency, and equity features through certified business participation. [17]

At its February 11, 2025 meeting, the Board passed a resolution to "adopt a framework to build high quality-high schools in a cost-efficient manner" so that other repairs and implements can be made at elementary and middle schools in the district. Specifically, the Board directed the PPS Superintendent to provide "general contractor cost reductions"—such as pre-construction services, general conditions, contractor fee, and more—and "modernization cost reductions" through potential reductions to building square footage, specialized spaces not in Ed Specs, building systems, materials, and more. [18] Further, the Board set a target for additional cost reductions to be $10 million per school.

How the PPS Superintendent's pause to conduct these cost reduction studies will affect the Jefferson High School schedule is unknown at this time. If the project restarts soon with minimal changes to square footage, the schedule might hold depending on how quickly designs can be drawn, permits pulled and what they cover, and building can occur. However, if significant redesign is needed—the third time for the Jefferson High Schol project—the schedule would be impacted as well as construction costs may likely be higher as well, considering another redesign and related cost inflation factors from the delay.

While Planning Expenses for the Cleveland and Ida B. Wells High School Modernizations as Part of the 2020 Bond were Generally On Budget, the Projects Faced Schedule Delays and Future Construction Cost Challenges

In addition to providing funding to complete school modernizations projects at Benson Polytechnic and Jefferson High Schools, the 2020 bond set aside $20 million for early planning and design work as part of modernization projects for two additional high schools—Cleveland and Ida B Wells High Schools. As shown on Exhibit 7 at the beginning of this report section, OSM was generally on budget with the planning costs. Further, OSM planned that funding for construction of these projects would be part of future bond proposals. However, recent events indicated that the modernizations' schedule, funding, and scope are at risk at both schools.

[17] Certified business participation is established through the Oregon Certification Office for Business Inclusion and Diversity (COBID).

[18] Board-established and approved Framework for Delivering Modernized High Schools with Cost Reductions including reducing total building area to 295,000 square feet, aiming to meet Ed Specs for number and size of spaces, providing a Health Center only if there are committed health care providers for service, including Teen Parent Child Center only if demonstrated need, and presenting options other than LEED Gold Certification among other areas. Board direction includes continued conformance with PPS Climate Policy and Equity in Contracting Policy.

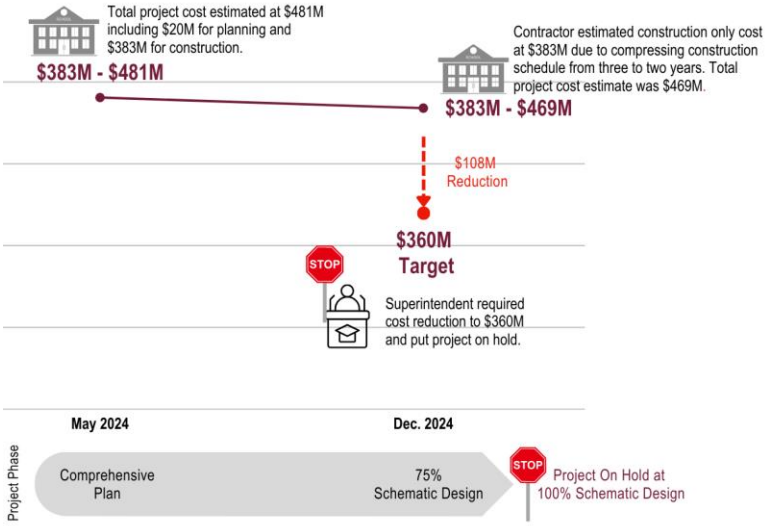
Cleveland High School Modernization Total Project Estimates were $481 Million, Although Recent Work Pause with Direction to Reduce Budgets to $360 Million is Likely to Delay Project

As part of the Board-approved Comprehensive Plan, the planned design of the Cleveland High School included 315,000 square feet of buildings with student relocation to the Marshall High School campus during the construction phase. [19] As noted in the Comprehensive Plan approved on May 7, 2024, the Cleveland High School project will be an all-new construction planned with updates to the parking lot site and track site, as well as possible improvement of Powell Park (owned by Portland Parks & Recreation) to include softball, baseball, and multi-purpose fields for the school.

OSM provided an analysis at the May 7, 2024 Board meeting stating the design was larger than base 2017 Ed Specs due to "lessons learned in the most recent high school modernization projects, spaces related to PPS' resiliency goals, and space needs for current Cleveland High School educational programming." Total project cost estimates presented by OSM at that meeting were approximately $481 million—including the $20 million already spent on planning—with a planned 2026 construction start and open to students by the 2028-2029 school year as shown in Exhibit 10.

Yet, by December 2024 at the architect's 75 percent schematic design phase, the estimated cost of construction alone was more than $462 million without adding design fees, owner costs, and owner contingency. After a detailed analysis of the demolition and seismic work needed as part of value engineering efforts, the CMGC contractor revealed that a three-year construction period was needed to get the modernization built as compressing work into a two-year period would have required extensive overtime and added cost. Thus, the time extension reduced cost estimates and brought the total project cost back in line with the $481 million budget.

EXHIBIT 10. EVOLUTION OF CLEVELAND HIGH SCHOOL PROJECT COST ESTIMATES



Source: Project comprehensive plans, cost estimates, schedules, status reports, OAC meetings, and board meetings.

Note: Total project costs presented to the Board as part of the Cleveland High School Comprehensive Plan were higher than total project costs of $468 million shown in internal project status reports as of May 2024.

[19] Board resolution #6901 approved the Cleveland High School Modernization Comprehensive Plan.

Later that month, the architect completed the 100 percent schematic design, but the PPS Superintendent issued a memo to all in-progress modernizations to stop and conduct a cost reduction exercise with a targeted reduction of $100 million for the Cleveland High School project. Like with the cost reductions discussed in the Jefferson High School section, reducing project estimates by $100 million is a significant challenge and will impact project scope.

Further, the redesign needed to adjust scope to meet targeted costs will impact the ultimate opening of the modernized school. A recent project calendar in OSM's project files from December 2024 showed a two-year delay in the estimated opening to the beginning of school year 2030-2031, although it was unclear whether the estimated schedule had included any time impact from pausing designs to conduct cost reduction exercises.

In its January 7,2025 meeting, the Board voted to send a proposed 2025 bond to Multnomah and Washington County voters on May 20, 2025 based on PPS leadership's recommendation of $1.15 billion for construction of Cleveland High School, Ida B. Wells High School, Jefferson High School, and modernizations at unnamed elementary and middle schools. Previous PPS leadership presentations of the proposed 2025 Bond to the BAC in December 2024 included total project cost estimates of $469 million for the Cleveland High School project, but targeted total project budgets of $360 million with $340 million of that funding proposed under the 2025 bond.

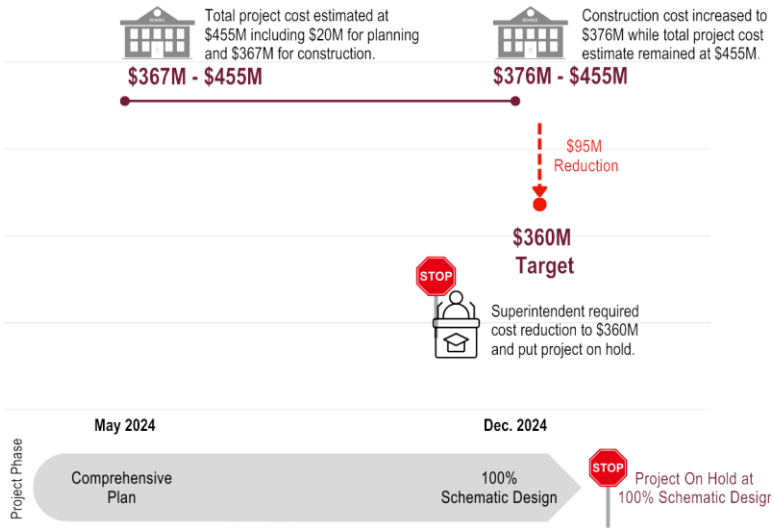
Ida B. Wells High School Modernization Total Project Estimates were $455 Million, Although Recent Work Pause with Similar Direction to Reduce Budgets to $360 Million is Also Likely to Delay Project

Like Cleveland High School, the planned Ida B. Wells High School modernization design was based on a Board-approved Comprehensive Plan calling for 311,000 square feet of all-new construction including sports fields while students remained on campus.[20] OSM provided an analysis at the May 7, 2024 Board meeting that the design was larger than base 2017 Ed Specs due to lessons learned from more recent high school modernization projects as well as additional athletic spaces and areas, features related to PPS' resiliency goals, and space needs for CTE programs. Total project cost estimates presented by OSM at that meeting were approximately $455 million—including the $20 million already spent on the planning phase—with an estimated construction cost of $367 million. Planned construction was set to start in early 2026 with the school building opening to students by the 2028-2029 school year and the sports fields completed by summer 2029 as shown in Exhibit 11.

By December 2024, the project team had completed the schematic design phase and construction cost estimates rose slightly to $376 million—but that did not include architect fees, owner cost, or owner contingency. Even though total project costs were still $455 million for the Ida B. Wells High School project as presented to BAC and the SFIOC in December 2024, the target total project costs planned for inclusion in the proposed 2025 bond were $360 million with $340 million of funding from the $1.15 billion proposed for modernizations at high schools, elementary schools, and middle schools.

[20] Board resolution #6900 approved the Ida B. Wells High School Modernization Comprehensive Plan.

EXHIBIT 11. EVOLUTION OF IDA B. WELLS HIGH SCHOOL PROJECT COST ESTIMATES



Source: Project comprehensive plans, cost estimates, schedules, status reports, OAC meetings, and board meetings.

Like Cleveland High School, the PPS Superintendent also requested that the Ida B. Wells High School modernization project team conduct a cost reduction exercise to develop options to reach a targeted total project budget of $360 million. Those efforts were still in progress as of February 2025 although the Board recently provided OSM with a framework for the reductions focusing on general contract cost savings and modernization cost savings to come from reduced square footage among other items. At the meeting, PPS leadership stated it estimated there could be at least $20 to $40 million in savings, although it was unclear if those amounts related to each school or were in total across the schools.

Even with the ongoing cost reduction activities, it seems challenging for the Cleveland and Ida B. Wells High School modernization projects to be built within those budgets without significant scope changes, especially given the potential savings estimated by PPS leadership were still far off the 100 percent schematic design cost estimates. Additionally, the pause in design efforts to perform cost reduction exercises will likely increase overall project costs due to general inflation that occurs as time passes and potential impacts from recent tariffs imposed at the federal level. OSM should clearly communicate whether cost reduction measures implemented will offset any cost increases caused by the project design delay to conduct the reduction exercises—and any contingent plans to address and net cost increases.

Costs could also be affected by the Board's delay in approving the CMGC contracts for both modernization projects. Specifically, in December 2024, PPS leadership requested the Board's approval for both the Cleveland and Ida B. Wells High Schools CMGC contracts, but the contracts were still on hold and pending as of February 2025. [21] Delays in approving the contracts impact the benefits of having the CMGC on board early in the project to provide input on constructability, construction phasing, or design alternatives and suggest potential schedule and cost saving opportunities. Further, by the time the PPS project teams

[21] In its May 7, 2024 meeting, the Board passed a resolution approving the CMGC alternative contracting method for both modernization projects. According to OSM, the Board's reasoning for removing the contracts from their agenda related to questioning the use of CMGC for the projects—contradicting a previous Board resolution directing PPS staff to procure CMGC contractors for the Cleveland and Ida B. Wells projects.

resume designs, OSM awards and Board approves CMGC contracts, and construction ultimately starts, there could likely be additional impacts on project schedules.

Recent Study Comparing PPS Projects with Other Modernizations Identified Areas of Difference Impacting Cost, and Clear Planned Commitments are Needed to Avoid Continued Project Delay

While preparing for construction of the next high school modernization projects, the Board asked questions regarding the elevated costs. Those discussions resulted in PPS contracting for an independent cost study in October 2024 comparing OSM cost estimates for the in-progress designs for Cleveland, Ida B. Wells, and Jeffersons High Schools to previous OSM high schools modernized and schools built by the neighboring Beaverton School District and providing recommendations regarding project costs. The consultant attributed the differences between the various school project estimates and why PPS schools' estimates were higher to the following:

- Square footage and size of school buildings
- Climate-change resolutions such as phasing out the use of fossil-fuel systems and building to LEED Gold standards for mechanical, electric, and plumbing systems [22]
- Sustainability features such as use of mass timber instead of concrete and steel
- Inclusion of on-campus health centers and teen parent centers
- Higher general conditions costs from CMGC contractors
- Complexity of site features and logistics
- Workforce equity goals for contractors and subcontractors

The report highlighted opportunities for cost savings including, but not limited to, OSM revisiting their design standards and Ed Specs, CMGC pre-construction scope of work, CMGC general conditions, LEED standards, and equity goals. [23] With decisions needed related to budget, scope, and schedule for the modernization at Cleveland, Ida B Wells, and Jefferson High Schools, additional statistical information could help the Board deliberate options and memorialize rationale for decisions.

At a February 4, 2025 board meeting, PPS leadership asked the Board for input on priorities for cost reductions the Board would be willing to consider before project teams suggested design changes—yet the Board indicated frustration that they did not have sufficient information to provide OSM with input. Information could have included data such as enrollment (current and forecasted), usage of health centers and teen parent centers, and costs associated with workforce equity, mass timber versus steel, and

[22] LEED Standard is a Leadership in Energy and Environmental Design certification based on a rating system of a building's sustainability and use of green-building practices to design buildings that are more efficient, healthier, and better for the environment.

[23] Construction general conditions are the direct project costs for site management through superintendents, project engineers, safety supervisors, estimators, and more as well as costs for permits and fees, mobilization and demobilization of site offices and materials, and security fencing and alarms among other costs.

electrification versus fossil fuel use among other areas. There was significant board discussion on the item, yet the meeting ended without clear direction to OSM to suggest cost reduction efforts.

Subsequently, on February 11, 2025, the Board provided PPS with direction through its adopted resolution establishing a framework for delivering high school modernizations with cost reductions requesting OSM to bring alternatives and tradeoffs to the Board regarding the cost options and propose recommended actions for Board consideration regarding the high school modernization projects. Information that PPS should provide—along with supporting details—includes details on specific reductions such as what space, features, or square footage could be cut; how much each reduction will potentially save; what design features are above Ed Specs; and the pros and cons of each reduction.

Moving forward, the Board needs to understand that capital projects are a balance of scope, cost, and schedule—if one component changes, it impacts the other components to keep the equation balanced. For instance, if cost reduction is the goal, then scope (as refined through Ed Specs, design standards, professional expertise and community engagement) will need to change. Likewise, if maintaining the Board's commitment to the sustainability of its school facilities or equity goals is desired, the Board needs to acknowledge that those values could cost more—or create the need to reduce other scope features to stay on budget—which is why having conversations about the tradeoffs impacting ultimate decisions is important.

Nonetheless, as projects undergo multiple redesigns for scope changes due to shifting stakeholder preference or Board-directed input, leaders need to realize and accept that project costs will continue to increase for the design rework needed and general market cost escalation will be impacted by delays in schedule—unless offsetting scope reduction decisions are made to keep projects within an accepted budget amount.

The longer the design for the current modernization projects remains paused, the higher the likelihood that existing cost estimates will continue to escalate even after OSM implements cost reduction strategies—especially since the high school designs still need to finish the design development phase and start/complete the construction document phase when the construction GMP is set before construction gets fully underway. Thus, total project costs can continue to increase until the GMP is established and budgeted costs are better known as subcontractor trade contracts are negotiated, general escalation from schedule delays are factored in, and market conditions impacting the project are estimated (such as recent tariffs imposed at the federal level). At this point, it is unknown when OSM is scheduled to negotiate and execute the GMP.

By the time we finalize this audit report, OSM may have brought potential cost reduction strategies to the Board for final approval. Regardless of what path the Board ultimately decides to take, PPS should document the rationale for its direction and the Board should ensure it stays committed to decisions made so that future costly redesigns are not needed, and the projects can move forward without further delay and additional unnecessary costs.

Although the 2020 Bond Curriculum Area was on Schedule and Budget, Technology Projects Faced Schedule Challenges

As noted in the prior performance audit, OTL expected to implement the 2020 Bond curriculum efforts by the end of 2024. OTL completed planned curriculum implementation and was working on providing additional mental health curriculum for grades 9-12 by June 2025—more than initially planned with the bond funds.

While the technology bond improvements were progressing against promised outcomes, projects continued to face schedule issues. Shortly after voters passed the 2020 bond, OTIS planned to have bond technology improvements implemented by December 2025. However, as of July 2024, OTIS extended the projected completion date to 2029, reflecting a cumulative four-year delay as shown in Exhibit 12. This included schedule issues noted in the previous annual bond performance audit involving issues with whiteboard installations, wall mounted projectors, and pull-down projection screens. [24] According to OTIS, delayed technology contracts caused the more recent timeline extensions that primarily impacted the planned classroom modernization, infrastructure, and security projects with wireless access points, wall mounted projectors, and voice amplification systems.

EXHIBIT 12: OVERVIEW OF 2020 BOND TECHNOLOGY SCOPE DELAY, AS OF JULY 2024

Technology Scope Area	Original Bond Amount	Revised Amount	Planned Scope Improvement	Baseline Planned Completion	Revised Completion
Program Administration	$23.2M	$13M	-	-	-
Classroom Modernization	$25M	$25.8M	Wireless access points, mounted projectors, voice amplification, wireless display, projection surface, etc.	2025	**2029**
Device Replacement	$31M	$38.7M	Student Chromebooks, Admin Devices, Support staff desktops windows computers, etc.	2025	Completed
Enterprise Resource Planning Replacement	$11M	$10.8M	Business process analysis, development of requirements, architecture, etc.	2025	Completed
Infrastructure & Security	$38M	$39.1M	Wireless upgrades, data center server refresh, phone upgrades, security focused dashboard, handsets, security assessment, switch replacements, fiber interconnections, etc.	2025	**2029**
Totals	**$128.2M**	**$127.4M**			

Source: Bond 2020 Technology Plan from March 4, 2021 presented to the School Improvement Bond Committee, 2020 Bond Conceptual Schedule dated December 7, 2020, July 2024 BAC Report.

Specifically, during the early phases of implementing the 2020 bond program, OTIS used a contracting method known as Indefinite Delivery, Indefinite Quantity (IDIQ) to solicit firms and create a pre-qualified list of contractors to perform work through individual task orders on projects. This method was employed

[24] Fiscal Year 2022/2023 Annual Bond Performance Audit , pages 25 and 26.

during the pandemic, and the requirement for mandatory proof of vaccination coverage excluded larger contracting unions who were not enforcing the vaccination requirement—leaving a small pool of four contractors to use on PPS' bond technology projects.

According to OTIS, the method prohibited them from procuring technology and related services through any additional type of bid or using other contractors. Because the IDIQ was multi-year and did not end until November 2024, OTIS had less capacity with the smaller pool of contractors and not all planned work could get done. OTIS stated it met with staff from OSM, Procurement & Contracting, and Legal offices to discuss other remedies; internal decisions were made in October 2022 and December 2023 that no change could occur until the IDIQ contract ended in November 2024.

Since that time, OTIS has transitioned to an Invitation to Bid procurement approach to expand its contractor pool capacity and get improvements back on track. This change came with its own delays as OTIS implemented new processes and solicited bids, further delaying work on schools slated for technology improvements. As of December 2024, OTIS' plans included improvements at three school groups starting the design phase in spring 2025 and the implementation phase in summer 2025, followed by one school group during the school winter break. That pattern of four school groups a year will continue until OTIS completes all planned technology improvements in 2029. Despite the schedule delay, there have not yet been any changes to the original $128.2 million bond budget. OTIS clearly and transparently showed the delay and revised schedules on its technology dashboard on the PPS website, so stakeholders can know when to expect technology improvements.

CBSE Continued to Be Delayed with Limited Progress Made, and No Concrete Plans

As of December 2024, PPS had still not identified what capital improvement projects will be planned, designed, or constructed with the $60 million of bond funds allocated to the CBSE concept. OSM has not spent any of the $60 million, but the planned improvements (once defined) were drastically behind schedule at four years post voter-approval and only limited planning activities to date. Specifically, the 2020 Bond program conceptual schedule estimated a 54-month timeline from planning start of CBSE in December 2020, through implementation in 2021, and finishing with project completion by summer 2025. While the COVID-19 pandemic occurring during that timeframe impacted the schedule, there have been no updates to the CBSE schedule since the initial 2020 estimates.

PPS leadership attributed the delays to not having a CBSE director in place. [25] This aligns with findings from the fiscal year 2021-2022 annual bond performance audit report where auditors noted the CBSE program had no director, undefined staff roles and responsibilities, and limited project management tools employed. When that audit report was issued two years ago in February 2023, PPS indicated there was an Executive Sponsor in place to support the CBSE staff at the time and expected to make progress after the end of the audit fieldwork. Auditors made several recommendations as part of that audit to establish formal CBSE framework that included management and staffing with clear roles and responsibilities, an updated implementation schedule with targets, a plan for capital purchases or building, and a structure to monitor

[25] According to OSM leadership, PPS hired a CBSE Director in Fal 2024.

progress against plans. These issues were raised again in last year's fiscal year 2022-2023 annual bond performance audit, although PPS has made minimal progress since that time.

In September 2024, OSM reported to us that it was in the final stages of planning its approach to secure architectural and engineering services and start with concept predesign services on a building. As of January 2025, there were no documented decisions provided to us guiding what a general scope would be to direct those architects and engineers in early design work and no clear or specific update on capital construction plans. Moreover, the longer the start on the CBSE capital project is delayed, cost escalation will potentially impact the scope that can be provided within the original $60 million bond allocation.

Although it is typical for capital projects to work through scope details during the project design phase, there was no general conceptual design or capital project direction available at the time of the bond, or after the bond passage. PPS did not define the scope for the CBSE as to what type of capital project was needed—such as a single building, set of buildings, or other type of capital project—or what might be delivered given the availability of funding. With approximately five years elapsed since the initial planning for the CBSE in the 2020 Bond, PPS needs to accelerate work in this area and revisit whether the same capital need exists or if the district has different demands.

Recommendations

To improve controls over modernization project budget, schedule, and scope in addition to better manage risks associated with the 2020 bond program areas, we recommend PPS:

6. More clearly communicate those significant project design features that are above minimum Ed Specs or design standards for modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools if decisions have not yet been made on those projects as well as on any future school modernizations—including, but not limited to, square footage, capacity, optional spaces, sustainability features, and significant above minimum criteria materials This should be accompanied by a one- or two-page document providing a brief rationale behind substantive design feature changes for the Board to use as a reference for decision making for each school, as well as be combined into a summary at-a-glance document comparing significant design features planned at future schools against previously modernized schools.
7. Make clear and transparent recommendations to the Board based on current cost reduction options considering tradeoffs between scope and costs in addition to any offsetting cost increases due to the project pause for the Board to make informed decisions on school modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools if decisions have not yet been made and any future school modernizations. This could include working with the Board to identify the specific type of information needed, but at a minimum should summarize itemized details on significant specific feature reductions such as what space, features, or square footage could be cut; how much each individual reduction option could potentially save; what features are designed above board-approved Ed Specs; potential qualitative impacts, and the pros and cons of each reduction. Recommendations also should clearly itemize estimates for additional inflationary costs and the costs of redesigns needed due to the pause in project design and impact on construction schedules.

8. Use OSM's external project-specific construction auditor to conduct detailed work testing the accuracy and reasonableness of the CMGCs' and subcontractors' proposed labor burden rate calculations in addition to general conditions/general requirements costs for the school modernizations against source documents to identify potential savings prior to PPS' acceptance of GMP pricing and contract amendment execution for Cleveland, Ida B. Well, and Jefferson High Schools.[26]
9. Regularly update the Board on significant projected changes (and reasons for the changes) in project scope, schedule, or cost estimates as in-progress and future projects are designed and built to enhance transparency, in addition to capturing impacts and risks resulting from the projected variances and recommended actions to mitigate. This would include tracking and memorializing rationale behind board direction to PPS on the significant cost changes for the modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools when weighing future decisions.
10. Accelerate decisions regarding the CBSE to make more immediate progress and communicate concrete plans and timelines to the Board, or revisit initial bond pledges.

[26] General conditions during construction are the contractor general costs to manage the project such as project executives, superintendents, project managers, and other field office staff as well as site set up and support; general requirements are the non-management indirect costs specific to a project such as equipment, permits, fences utilities, and such.

Section 3: 2020 Infrastructure Projects Were Completed as Planned, Although a Few had Modest Delays and Budget Issues

The 2020 Bond earmarked approximately $231 million for physical facility infrastructure projects across PPS schools including improvements for roofs, seismic features, security, fire, SPED, and ADA compliance. At the time of the bond, PPS did not select specific school sites or projects slated for improvements but committed to making as many improvements as possible to exhaust all bond funding allocated for the projects. [27] These projects were smaller in scale and scope than the high school modernization projects and typically involved repairs, remodels, and replacements that occur over a shorter timeframe ideally when there were limited activities and students present on campus.

Since the 2020 Bond passed, OSM has made progress toward delivering improvements as planned—and, in some instances, provided more than initially envisioned. Following similar project delivery tools and controls like those used for 2017 health and safety projects, OSM continued to employ project management practices that helped ensure they delivered projects as intended, on-schedule, and on-budget. We found some infrastructure bond areas related to mechanical, security, and seismic projects had modest delays, and ADA/SPED projects were overbudget—yet there were no significant negative impacts on OSM's planned improvements across schools.

PPS Followed Its Established Criteria to Select and Prioritize Projects

To inform its 2020 Infrastructure project efforts, OSM commissioned several foundational documents for prioritizing projects including a Long-Range Facility Plan from 2021 and a Facilities Condition Assessment in 2020. The Long-Range Facility Plan provided information and data such as planning principles, enrollment and utilization forecasts, capital forecasts, and general facility conditions, as well as site-specific summary details, including number of stories, capacity, zoning, educational suitability, fire protection, electrical and more. The Facilities Condition Assessment report supported this work by quantifying Long-Range Facility Plan data into Facility Condition Index scores for the school buildings and individual systems as well as prioritizing building systems based on need, observed deficiencies, remaining useful life, and replacement timeframes.

These documents comprised a central repository of critical systems data that PPS used to prioritize projects and regularly update with additional studies and data such as ADA accessibility studies and feedback from PPS' FAM staff. We reviewed 12 projects selected for improvements across all six infrastructure areas and found that they generally adhered to OSM's' stated criteria for prioritizing project improvements.

[27] The $231 million discussed here is solely for infrastructure improvement projects including mechanical, roof, ADA, security, seismic, and SPED learning environments. In the Introduction and Background section of this report, we combine the $231 million of infrastructure projects with the $10 million in 2020 bond funds allocated for future student capacity and enrollment projects.

Infrastructure Projects Were Generally Getting Completed as Envisioned

Of the $231 million available for 2020 infrastructure projects, OSM spent more than $160 million, or nearly 70 percent, making improvements at numerous school sites. Most of the ongoing infrastructure projects were slated for completion by the end of 2025—although certain mechanical control upgrade projects will not be completed until Fall 2026 as shown in Exhibit 13.

OSM delivered most of the projects as originally pledged to voters; and in one case we reviewed, the project team delivered improvements on one more roof than planned. Though the bond did not commit to improvements at a specific number of sites, OSM exceeded its own internal target of 71 sites to provide SPED furniture by being on track to complete 84 sites total at project-end. However, for the mechanical projects, OSM revised its plan from doing full mechanical replacements at 15 schools to instead implementing a variety of control upgrades at multiple sites. [28]

EXHIBIT 13. STATUS OF INFRASTRUCTURE PROJECT SITES AND SCHEDULE, AS OF JANUARY 2025

Area	Number of Sites Initially Planned	Revised Number of Sites	Completed	In progress/ Upcoming	Percent Completed	Estimated Completion Date
ADA	See Note A	81 overall sites	73	8	90%	Nov. 2025
SPED	See Note A	71 furniture	80	4	113%	May 2025
		81 overall sites	73	8	90%	Nov. 2025
Roof	12	13 sites	13	0	108%	Completed
Mechanical	15	4 full replacements	0	4	0%	Oct. 2025
		27 control upgrades	8	19	30%	Fall 2026
Security	See Note A	81 door hardware	83	0	100%	Completed
		20 intrusion systems	7	13	35%	Dec. 2025
		85 security cameras	24	61	28%	Dec. 2025
Seismic	3	3 sites	2	1	100%	Fall 2025

Source: 2020 Bond Budget Summary Memo presented to the Board of Education July 13, 2020, Project Team Management Plans, Bond Accountability Committee Presentations, interviews with Project Managers, and eBuilder data as of January 2025.

Note A: No specific number of sites were pledged in the bond.

Modest Schedule Delays and Estimated Budget Overages Existed in a Few Areas, Although Projects were Reported On-track for Completion in 2025

When comparing infrastructure projects between the 2020 Bond program conceptual baseline schedule and the current completion schedule, projects were generally on track to be done by end of 2025—one year later and in some categories more costly than envisioned. But overall OSM was on track to deliver the planned infrastructure work within the original $231 million bond allocation. Categories experiencing modest delays and cost variances are shown in Exhibit 14.

[28] For details on this scope change, see the Fiscal Year 2022/2023 Annual Bond Performance Audit, issued May 2024.

EXHIBIT 14. STATUS OF INFRASTRUCTURE PROJECTS BUDGET AND SCHEDULE, AS OF JANUARY 2025 [A]

Area	Original Bond Budget	Revised Budget	Actual Expenses	Estimate at Completion (EAC)	Percent Change EAC to Original Budget	Budget Status	Percent Spent of EAC	Schedule Status
ADA	$33,800,000	$47,389,284	$39,557,130	$47,600,416	11%	Over budget	83%	Delayed 1 Year
SPED	$13,400,000	$4,631,452	$1,759,397	$4,631,452			38%	
Roof	$65,700,000	$68,446,243	$60,273,511	$65,567,017	0%	On budget	92%	On schedule
Mechanical	$75,000,000	$63,500,000	$33,105,181	$63,576,806	-15%	On budget [A]	52%	Delayed 1 Year
Security	$25,900,000	$27,419,107	$9,601,086	$22,625,900	-13%	On budget	42%	Delayed 1 Year
Seismic	$17,200,000	$24,757,866 [B]	$16,410,820	$24,760,548	44%	On budget	66%	Delayed 1 Year
Total	**$231,000,000**	**$236,143,952**	**$160,707,125**	**$228,762,139**			**70%**	

Source: Downloads of eBuilder project cost summary reports as of January 2025 and interviews with project managers. Budget data includes unallocated infrastructure funds

Note [A]: Projects were underbudget for the category because of the scope change that shifted from full mechanical replacements for all planned sites to reduced full replacements and controls upgrades at more sites.

Note [B]: In addition to the bond funds allocated to the Seismic projects, there was also $7.5M in grant funds from the state Seismic Rehabilitation Grant Program used to add to the project budget, bringing the total available budget to $24.7 million.

OSM grouped ADA and SPED projects together because the scopes aligned and made practical sense to be combined. This group of projects was the only category of infrastructure projects that was both over budget and delayed with its schedule. According to OSM, some reasons for the delay included unanticipated permit requirements such as requiring installation of backflow protection at multiple sites as part of bathroom accessibility updates for ADA/SPED projects and unanticipated needs discovered mid-project such as doors needing asbestos remediation before installing locking hardware systems as part of security improvements. These events resulted in delays and introduced extra work, ultimately expanding scope and impacting costs. The combined cost impact for the projects was approximately $5 million, or 11 percent more than the original bond budget had allocated for ADA and SPED.[29] While any delay and increased cost is not ideal, the project scopes were delivered as pledged and were nearly completed—and the overall infrastructure improvement budget was not exceeded.

According to OSM, several plausible reasons existed for schedule delays with the mechanical, security, and seismic projects including unforeseen jurisdictional requirements related to historic building review requirements and permitting delays among other items. For instance, OSM explained that a major delay in completing the mechanical retrofits was the long supply lead durations—between 8 and 12 months—to secure equipment such as transformers and switch gear. Those circumstances and the invasive nature of the work on students and staff required PPS to spread several projects over a two-year period to allow work to be completed during school summer break periods.

[29] ADA original bond budget $33.8 million + SPED original bond budget $13.4 million = $47.2 million combined. ADA estimate at completion $47.6M million + SPED estimate at completion $4.6 million = $52.2 million combined. $52.2 million estimate at completion - $47.2 million budgeted = $5 million over budget. The calculation for the percent change is $52.2 million - $47.2 million divided by $47.2 million base = 10.7 percent, or approximately 11 percent (rounded).

Project Management Tools and Controls Aligned with Industry Practices

To best ensure capital projects stay on budget, on schedule, and within planned scope, project management tools should include, but not be limited to, ensuring contractors are qualified and competitive, monitoring and controlling expenses within budget, forecasting milestones and tracking schedule performance, and ensuring quality in accordance with design plans. Without strong practices in place, increased risks exist for scope and quality issues such as completed deliverables differing from approved plans, schedule delays, or cost overruns. For the 2020 infrastructure projects, OSM employed project management practices that aligned with industry related to procurement, payments, and change orders on the projects we reviewed as shown in Appendix C.

Procurements Followed Oregon Revised Statutes and PPS Policy

Unlike the larger modernization projects, OSM used a typical design-bid-build procurement and delivery method for the 2020 infrastructure projects hiring an external architect and engineering firm to design the project scope specifications before OSM issues a request for competitive bid where an external contractor submits a price bid to build the project according to the specifications. Design-bid-build projects were typically awarded to the lowest bid contractor, as OSM project managers reported this method was best suited for these projects given their smaller size and duration—an approach that aligns with typical industry practices. OSM followed relevant Oregon Revised Statutes and its internal PPS policies based on the ten infrastructure project procurements we reviewed. Specifically, procurement files contained evidence of public advertising, competitive quotes solicited, evaluation of bids, and award to the lowest priced bidder.

Cost Management Controls Were Employed Over Contractor Invoices and Change Orders

A robust control system over project expenses can help mitigate the risks of contractors over-charging owners on invoices and increasing project costs with unnecessary change orders. Strong cost management is a key tenet of a successful construction project and should include activities to "monitor and control project cost so that the project is delivered within the owner's budget." [30] We found OSM used automated controls through its e-Builder project management system that prevent project expenses from being paid if the budget was exhausted or if established approval workflow steps did not occur. Also, we tested contractor payment applications and approval processes for five infrastructure projects and found appropriate evidence of review, accurate calculations, and support.

Additionally, we reviewed controls over change orders used to authorize new or modified scopes of work that typically require additional payment to a contractor—although they can also be used for time extension without monetary impact on the owner. Leading industry practices stress that effective change order controls are necessary to "contain both scope creep and cost growth." [31] As with contractor payment applications, OSM used its e-Builder project management system with built-in automated workflow processes that required project manager approval of change orders before approval and subsequent payment made. We reviewed change orders for five infrastructure projects and found evidence of OSM review and appropriate questioning of costs.

[30] The Construction Management Association of America (CMAA), Cost Management Guidelines, 2018, p.1.

[31] CMAA, Cost Management Guidelines, 2018, p.87.

Section 4: Data Did Not Exist to Determine Whether Staffing was Adequate to Handle Bond Program Workload

OSM leadership described practices for estimating its workload, although there was no documented policy or formal protocols for determining staffing needs or linking staff resources with the hours of work needed. Thus, we could not determine whether staffing was adequate to handle the bond program workload or whether staff were underutilized or overburdened, increasing the potential risk of staff not completing needed tasks. However, there was no data to correlate staffing with any delayed bond projects—other than with the CBSE area where PPS leadership attributed a lack of progress with the past vacancy of the CBSE director position.

PPS Did Not Formally Estimate Workload Tasks and Functions, But Used Project Dollars and Responsibilities as a Baseline for OSM Staffing Needs

Managing the multi-faceted and complex PPS bond program requires many personnel from multiple offices and many tasks as part of their workload. In fact, each bond cycle that voters have passed included a component for program costs and administration to manage the bond program and capital improvement projects. Successful management of the bond program relies on planning the available PPS staffing (capacity) to perform certain needed tasks and activities (workload) that take an estimated number of hours to complete. Project management practices prescribe that project planning entails developing estimates for work effort and time duration or labor hours to be performed to achieve the project outcome. Once planned duration of activities is known and resources are assigned, utilization of staff can be estimated. [32]

However, PPS did not have a formal approach for estimating workload in terms of identifying functions and tasks needed and approximating related hours to administer the bond program and complete the bond capital projects overseen by OSM. For the overall bond program, OSM quantified workload at a high-level using dollars allocated to projects through a combination of factors such as project value, complexity, and schedule in addition to the capacities and portfolios of staff. When the 2012 Bond was established, PPS leadership described to us that it used the Beaverton School District as a benchmark to informally estimate workload using general percentages and historical costs related to administrative costs for projects and still uses that approach. No data or documented assumptions were available to us to validate the approach described.

For individual bond capital projects, OSM used spreadsheet tools for staffing including a project responsibility matrix with a listing of tasks necessary for the completion of a project and people assigned to each project in certain calendar periods. Individual project tasks included activities for contracting and procurement, managing design and construction progress/outcomes, schedule and scope management during construction, cost management including payment and change order reviews or approvals, meetings and project coordination, and general reporting and documentation.

[32] Industry guidance Construction Management Standards of Practice Chapter 11 Program Management, Project Management Institute's Project Management Body of Knowledge (PMBOK) and The Standard for Project Management Seventh Edition Section 2.4.2.2, Construction Extension to the PMBOK Guide Third Edition, and articles and guidance from the PMI library.

Although OSM identified workload tasks by staff level and project on its responsibility matrix as well as linked individual staff to specific projects, the matrices did not provide estimates of the effort or hours required for each task. They identified that the work existed and what staff position was responsible for the task, but not the load. As such, PPS did not identify or assign hour-burdens to staff by task, project, or year. Further, PPS did not track employee time spent on specific projects or how much effort it took to perform individual project management tasks.

OSM leadership and project managers did not know of any past efforts to estimate the duration of tasks on projects, and mentioned to us that estimating staffing time for a project on the front-end was not effective because there were many factors that may significantly impact project management time such as project size, complexity, cost, and consultants and contractors working on a project. We acknowledge that workload is heavily impacted by factors such as consultant and contractor behavior, consultant and contractor competency, and project complexity. Yet, the absence of any kind of tracking data for staff time and effort prohibits OSM from being able to review the accuracy of its professional staffing judgments made or to identify consistent time inefficiencies, work not getting completed, and overburdened staff to inform whether additional staff are needed. OSM informed us that they were working on a new staffing project load and projection document that will include the total percentage of time staff are allocated to specific projects.

Without Workload Data We Could Not Validate Whether Staffing Aligned with Bond Project Needs

In terms of bond program staffing to meet needs, PPS leadership described its approach of estimating OSM project management costs at approximately three percent of total project costs based on similar past projects, anticipated project costs and complexity, and professional judgment of staff skillsets and capacity limits—although there was no data provided for us to review. Using that staffing cost estimate, PPS leadership described how they worked backward to estimate average salary costs of employees and then the number of employees needed. OSM used a staffing projection spreadsheet based on salary and benefit costs by fiscal year, as escalated for cost-of-living adjustments.

Additionally, OSM leadership stated it relied on its project responsibility matrix and staff assignments as a foundation to apply their understanding of current staff capacity relative to the amount of project work being completed and adjusted plans as work progressed. Leadership stated they relied heavily on professional judgment and expertise to make sure employees were not overburdened by their workloads, and by adding staff project support such as construction managers or additional project managers on complicated projects. OSM leadership and project managers also described meeting biweekly to share priorities, current workload, and assess staffing needs.

Project management guidance speaks to measuring resources and performance to compare actual effort and duration against planned effort and duration in addition to comparing usage of resources against plans for utilization. Yet, without data estimating workload and comparing staffing capacity against that load, we cannot conclude whether these staffing assignments align with workload or whether it might be sufficient for future workload if the 2025 bond passes.

Further, we could not determine whether staff might be underutilized and available to take on additional work, or whether staff were overburdened and not able to perform some tasks needed. Overburdened staff could lead to certain project tasks being missed or not being completed potentially resulting in issues such as projects delays, issues with contractors, or budget overruns if change orders are not closely managed.

OSM Staffing Structure Grew with Bond Volume, and Mix of Internal and External Staff Aligned with Industry

Since the 2017 Bond, OSM increased its overall staff size and reduced the percentage of contracted workers. Specifically, between 2017 and 2024, OSM staff grew by 27 employees, or 93 percent, to accommodate increased workload between the 2017 Bond and the 2020 Bond.

Initially, OSM relied heavily on external consultants to help implement the bond program since the 2012 bond was the first time in decades that PPS had an official capital program function and OSM stated it was difficult to find and hire qualified applicants for the internal project manager positions. Since that time, OSM has made a concerted effort to hire internal project management staff and mostly use external consultants now for construction manager roles. When OSM first began building its staff for administration of the 2020 Bond, approximately 40 percent of OSM staff were contracted external partners; by 2024, the percentage of contracted staff reduced to 23 percent of OSM staffing. Using a mix of internal and externally hired construction managers aligned with industry practices. Since the 2020 Bond, the staffing structure of OSM has stayed relatively stable, with only modest adjustments occurring between 2021 and 2024.

For the 2020 bond infrastructure projects that were not as complex as the school modernizations, OSM modified its staffing when several infrastructure areas did not involve construction or warrant traditional construction management staffing requiring both project manager and construction manager functions. Where needed, OSM hired external construction management firms to provide additional oversight on certain projects for clarifying and answering contractor questions on design specifications during the construction phase and conducting site walks to monitor progress and plan conformance of work completed or underway against contract provisions.

Staff Positions Paid with Bond Funds Seemed Associated with Bond-Related Work

No formal protocols existed for identifying which PPS personnel the bond funds should pay for or ensuring work performed related to allowable bond activities, although PPS leadership established an internal Bond Compensability Committee in January 2021 to determine which costs were appropriately compensable under the 2020 Bond including costs related to staffing. [33] For example, the committee approved a technology position to be paid 50 percent by bond proceeds due to spending half-time performing bond compensable work and subsequently reverted that individual back to 100 percent general funded when time sheets no longer validated bond-compensable work being performed.

[33] Bond Compensability Committee members included staff from OSM, Finance, Purchasing & Contracting, OTL, and OTIS.

PPS' Human Resources Office did not provide a listing of all individuals paid with bond funds, but OSM maintained a matrix of known positions funded with bond proceeds. [34] Of the 75 active positions included in the matrix, most were OSM staff reasonably associated with bond project work. There were seven other non-OSM-affiliated positions—three staff were assigned to OTIS for bond technology projects, one staff was assigned to OTL for bond curriculum projects, another staff was assigned to FAM for infrastructure projects, and two staff to schools undergoing modernizations. For the two staff assigned to modernization projects, one staff member was assigned to the Benson Polytechnic High School and another staff assigned to the Jefferson High School modernization projects to function as a school liaison between the design and construction teams. Because PPS did not have its bond-funded staff maintain detailed time sheets tracking bond-activity, we could not determine with certainty whether these seven non-OSM positions were performing bond work. Nonetheless, our cursory review of work conducted as well as interviews with key employees suggested that staff in the bond-funded positions were likely performing bond-related activities.

Using detailed timesheets was a practice employed by other entities we reviewed with bond or sales tax-funded programs. For instance, one large school district in California required employees who charge their time to bond programs to support that activities performed were in support of bond funded projects. This was done either through a time tracking system to capture activities by project, other types of supported documentation for time and effort, or a semi-annual certification. In Oregon, time and effort reporting was typically associated with and required for projects receiving federal funds or state funds with special revenue sources. Because public sector capital improvement programs have higher levels of scrutiny and oversight and are similarly funded by special revenues from bonds, stronger timesheet practices would provide additional assurance that bond-related staffing expenditures are appropriate.

Recommendations

To ensure staffing is sufficient to meet the growing bond workload and provide additional assurance that staff paid with bond funds are appropriate, we recommend PPS:

11. Develop an approach to formally estimate and document bond workload that would involve identifying task categories to be used as part of workload (perhaps using OSM's existing responsibility matrix as a baseline) and assigning durations of time expected to complete tasks.
12. Require bond-funded staff to use time sheets tracking time against the proposed predetermined task category levels. At a minimum, require timesheets for staff paid for with bond funds that spend less than 100 percent of their time on bond work or conduct regular time studies with documentation to ensure the allocation of bond and non-bond effort is appropriately supported and aligned with funds used to pay staff.
13. Compare staffing capacity with estimated bond workload to identify gaps and determine whether staff are under-utilized or over-utilized and not able to complete the bond work needed.

[34] According to OSM, its Enterprise Resource Planning system can also identify funding sources for employee salaries that would indicate which PPS employee would be bond-funded.

Section 5: Bond Oversight was Provided, Although Disconnects Existed and Certain Information was Not Getting to the Board or Bond Accountability Committee

Managing multi-million-dollar capital projects inherently comes with complex challenges and risks that are further amplified when public funds are at stake. As such, there is an intrinsic obligation for greater transparency, accountability, and oversight.

Starting in 2012 when the first school improvement bond was passed, PPS employed an oversight framework consisting of the Board, SFIOC (formally known as the Facilities and Operations Committee), and the citizen-led BAC to provide direction and advice in the implementation of its bond programs that aligned with other structures we reviewed. Operating under charters and defined responsibilities, the Board and BAC provided oversight by engaging in discussions surrounding bond project design and scope, costs, schedules, and activities.

However, we found disconnects existed with the unclear role and responsibility of the SFIOC; key BAC and external audit reports were not provided to the oversight bodies; enhanced data was needed for the Board; and regular updates and communications were lacking between the oversight bodies. There were other improvements needed that would enhance oversight and benefit the bond program including giving technical experts on the BAC a stronger role in overseeing bond activities, clearer or more in-depth OSM updates to BAC, formal BAC voting and recommendations to the Board, and strengthened protocols over BAC minutes and recruitment.

Finally, PPS leadership could establish a central project management office concept to coordinate and facilitate certain bond tasks that span across multiple PPS offices with direct authority from leadership and to add an extra layer of accountability.

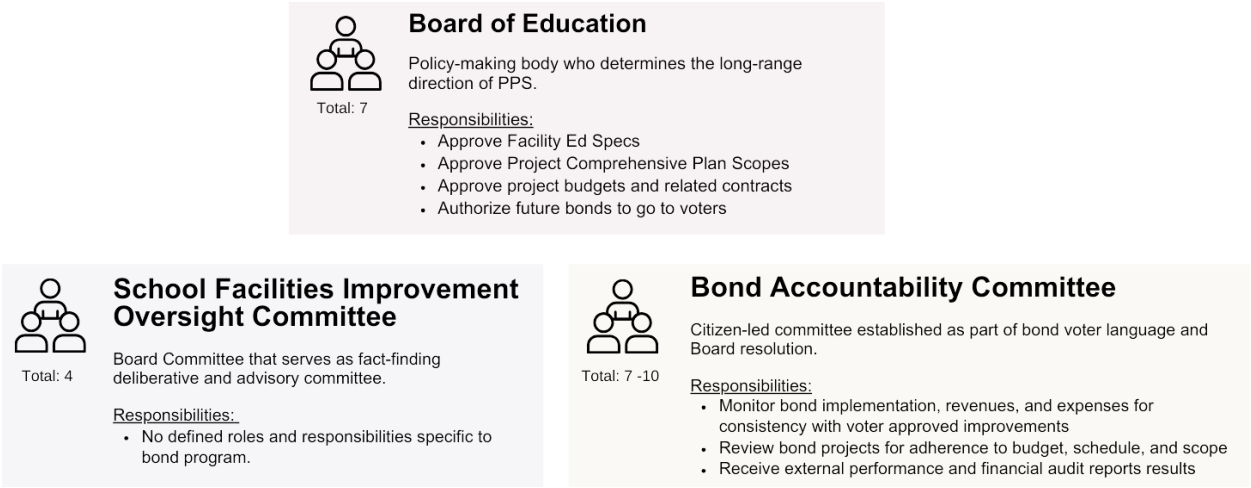
Bond Oversight Framework Generally Aligned with Others, Although Certain Responsibilities were Unclear and Expertise Was Not Maximized

As with most school districts with bond-funded capital programs, PPS' oversight framework including the Board, SFIOC, and BAC who collectively guided direction over the bond program and activities.

PPS Employed a Typical Framework for Overseeing the Bond Programs

With PPS charged with making day-to-day decisions related to implementing the bond program and capital projects, oversight of district bond activities was governed by its Board, SFIOC, and citizen-led BAC. Under this framework, the BAC served as technical experts and the SFIOC vetted bond details with the full Board authorized to approve bond plans, budgets, and contracts as shown in Exhibit 15—like other peer districts and entities we reviewed.

EXHIBIT 15. THOSE INVOLVED WITH PPS BOND OVERSIGHT



Source: Portland Public School Board Website, Board Policy (1.20.014-P), and Bond Accountability Committee Charter

For instance, like the BAC, other entities employed a comparable citizen-led bond oversight committee that served in an advisory role, provided the taxpayer perspective and technical advice, and operated under established charters to ensure bond funds were used for purposes intended. [35] Similarly, other citizen-oversight bodies discussed scope, schedule, and cost details behind capital projects and facility improvements as applicable to their specific bond.

Further, although both the Board and BAC had operating protocols or a charter with defined roles and responsibilities, the SFIOC did not have a similar document to clarify its purpose as discussed more in the section that follows.

SFIOC Role and Responsibilities as Part of Bond Oversight Were Unclear

Defining roles and responsibilities for oversight bodies is important for accountability and decision-making. Recommended best practices include laying out duties and responsibilities in a well-developed charter to "eliminate ambiguities with respect to roles, authority, and procedures that can impede a committee's effectiveness." [36]

Yet, unlike the Board and BAC, the SFIOC had no charter, operating protocols, or other documents to clearly establish its bond function or responsibilities making it challenging to understand expectations and their role in the oversight process. There was a general PPS Board policy guiding its committees (that would include the SFIOC) which stated that "committee findings and recommendations will be reported to the full Board in a regular or special meeting of the Board," but our review of meeting minutes did not identify the intention of the committee or clarify what role it served in bond oversight or its responsibilities over bond activities.

[35] Other entities reviewed included Oregon school districts including Beaverton School District, North Clackamas School District, and Lake Oswego School Districts as well as other bond or sales tax-funded entities including the City of Portland, Multnomah County, and San Diego Association of Governments.

[36] Beliefs and Policies of the National School Boards Association, March 29, 2019; State of Oregon Bord Member Handbook, revised June 2024; Monitoring and Oversight of General Obligation Bonds to Improve Broward County Schools: Recommended Best Practices, August 31, 2015.

Using a board committee to discuss and vet bond activities over capital projects given the full PPS Board has many broad responsibilities makes practical sense, but the SFIOC would operate more effectively if responsibilities were clarified. Although the SFIOC generally met monthly in prior years, more recent practices revealed the SFIOC will only meet as needed in the future with the most recent meeting held in December 2024 as of the time of this report.

BAC Oversight Responsibilities Generally Aligned With Others Reviewed, Although The Board and Bond Program Would Benefit From a Stronger BAC Role

Like PPS, other bond-funded or special-revenue funded capital programs made commitments to voters for accountability through annual external audits and citizen-led technical advisory committees, although there are no industry standards or accepted protocols guiding the role of citizen advisory committees. At PPS, the Board-appointed BAC has a charge to "monitor the planning and progress of the bond programs relative to voter-approved work scope, schedule, and budget objectives."

We found that the BAC's bond responsibilities were generally like other taxpayer committees we reviewed although the BAC's level of activity changed over time with the committee meeting less frequently and having less involvement in certain bond program activities. Examples of BAC required responsibilities and tasks include determining whether the 2017 Bond and the 2002 Bond:

- Program status and implementation are consistent with programs approved by voters
- Revenues are expended for approved bond purposes
- Budget is sufficient to complete the scope of work
- Projects that are planned, in-progress, or completed meet scope in voter-approved bonds
- Projects are delivered on schedule
- External performance and financial audit reports and results are reviewed

Other entities, such as Beaverton School District, North Clackamas School District, and Gresham-Barlow School District, had similar responsibilities to review bond revenues and expenses for consistency with bond measures, as well as monitor spending and scheduling respective to their projects. To help BAC fulfill its responsibilities, OSM provided quarterly updates to the BAC showing project status, budget, and schedule that BAC reviewed and discussed. Additionally, BAC prepared quarterly reports designed for the Board commenting on whether school district bond revenues were expended only for the purposes for which the bonds were approved, and bond budget was sufficient to complete the scope of work as outlined and as scheduled in the voter-approved bonds.

Yet, with the growing bond program and portfolio, PPS could better utilize the BAC's technical expertise and accentuate the committee as a more vital partner in the bond oversight process—as well as enhance accountability to taxpayers paying for the bond program. For example, some other taxpayer oversight committees also reviewed annual independent financial audits of the proceeds from the sale of bonds as well as participated in and oversaw annual performance audits. These other citizen-led oversight committees had greater levels of participation with their required annual performance audits including having a subcommittee that met with external auditors during performance audits and attended audit exit

meetings. Prior to 2021, the BAC had a stronger role in the annual performance audits through its audit subcommittee that would meet with the external auditors for input on audit scope based on the risks the BAC identified or areas raised that needed additional scrutiny and would review draft copies of the audit report prior to finalization to seek clarity on results or provide context for the audit team.

Meeting minutes available indicated that the BAC may not have received certain bond information and staff analysis or memos that PPS provided to its SFIOC that could have also assisted BAC in their oversight. [37] Given BAC members' technical expertise in the capital bond areas (including building design, construction, construction management, capital financing, and public contracting), the BAC is best suited and proficient in understanding the complexities of capital project data and advise OSM, SFIOC, and the Board. PPS could better use BAC by providing access to the same data and analysis that PPS gives to SFIOC and seeking BAC's input as part of its monitoring responsibilities.

Additional information that could be vetted through the BAC to garner their advice and feedback might include planned design documents, detailed project schedules showing tasks and critical path, contract template language, and assumptions behind cost estimates. Not only could technical feedback from the BAC assist PPS' project managers with practical strategies related to bond project delivery and better align with industry practices, but also this objective technical perspective can provide the Board with an independent point of view on bond progress and assurance on whether PPS is effectively managing and delivering projects.

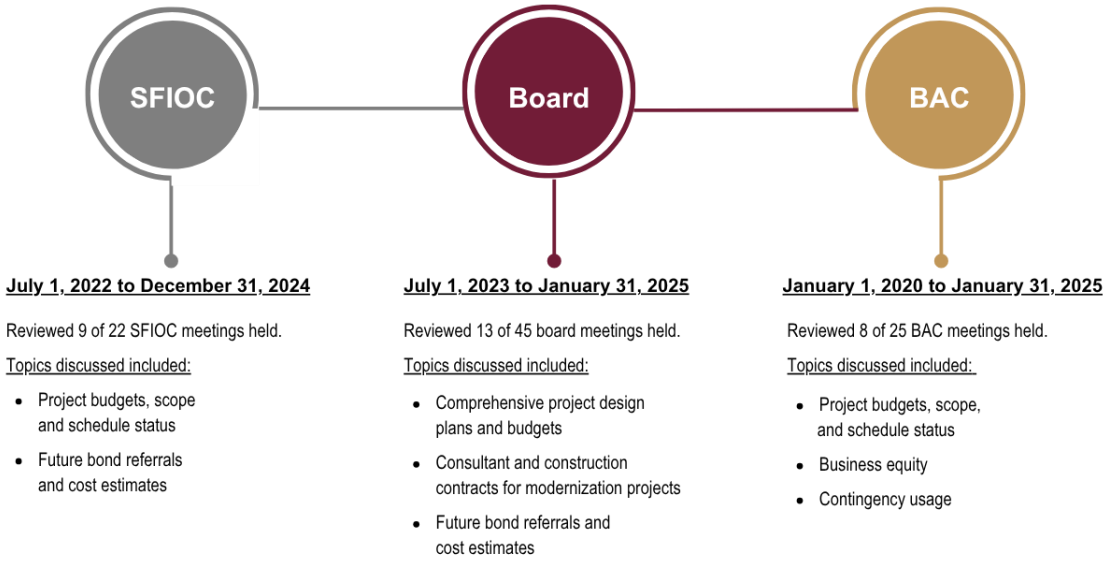
BAC's charter aligns with this approach acknowledging that the BAC "may" provide feedback and advice to the Board on a variety of technical issues such as alignment of the bond with the PPS Long Range Facilities Plan, district standards for lowering costs while improving efficiency, sustainability and building longevity, potential capital partnerships, ways to address seismic issues, and ADA compliance among other areas. Without receiving detailed data and staff analysis, it may be more challenging for the BAC to maximize its full value.

Meeting Minutes Demonstrated Oversight of Bond Activity, Although Certain Bond-Related Information was Not Provided

Our review of agendas, materials provided, and meeting minutes or videos demonstrated that oversight board and committee members received and engaged in important discussions surrounding a variety of critical bond topics related to planning, design, construction, costs, schedule, contracting equity, and more as shown in Exhibit 16.

[37] Based on auditors' review of BAC meeting materials available on the PPS webpage available at https://www.pps.net//site/Default.aspx?PageID=466.

EXHIBIT 16. OVERSIGHT MEETING MINUTES REVIEWED AND EXAMPLES OF BOND TOPICS DISCUSSED,



Source: PPS Board, SFIOC, and BAC meeting minutes, videos, and observations.

In meetings reviewed, members asked probing questions and engaged in meaningful discussions on different aspects of the bond program and specific projects. For instance, the BAC asked diligent questions on scope changes, costs, delays, risk logs, contingency use, completion forecasts, contracts, and equity outreach. Also, the SFIOC questioned bond items such as increases in project budgets, scope, and next steps on upcoming modernization projects. Similarly, the Board held work sessions that discussed modernization projects and bond planning among other bond related topics, as well as approved or denied bond related resolutions. Yet, PPS did not provide certain bond information needed for oversight as discussed in the section that follows.

Technical Advice from Quarterly BAC Reports was Not Provided to the Full Board

Neither PPS staff nor the SFIOC provided quarterly BAC reports it received to the full Board. Although the BAC charter required that regular reports be provided to the full Board and the BAC created quarterly reports as required by its charter, no one provided the reports to the Board in the meetings we reviewed. BAC-produced quarterly reports included information such as sufficiency of bond budgets, adherence of project scope with voter promises, and whether projects were on schedule.

Over the last few years, reporting protocols were informally changed to have the BAC reports sent to the SFIOC instead of the Board. Yet, meeting minutes provided no indication that the SFIOC discussed the reports in their meetings, distributed the BAC reports to the full Board, or presented information contained in the BAC reports to the Board at the meetings we reviewed. BAC members themselves raised this situation as a concern. At a January 2025 BAC meeting, one member "took offense" that the BAC reports went to the SFIOC instead of directly to the Board against their charter requirements. [38] Without clear SFIOC responsibilities regarding communication and reporting protocols for distributing or presenting the BAC quarterly report, the full Board did not get the benefit of receiving technical BAC advice or their

[38] At the time of BAC report distribution, the SFIOC was known as the Facilities and Operations Committee.

external validation of bond activities to assist in decision-making—especially since the BAC did not have opportunities to directly present or share its technical expertise or concerns with the Board. Although the BAC regularly prepared quarterly reports, the last report posted on PPS' website was from May 2022 until recently in December 2024 when PPS began posting the BAC reports on its website. [39]

Neither the Board nor BAC Received Bond Audit Reports that Could Enhance Oversight

In addition to the general PPS-wide financial audits that encompassed bond activities in addition to other annual district activities, PPS commissioned two different types of independent audits over bond activities—annual bond performance audits and project-specific construction audits.

Based on our review of board meetings, PPS had not delivered or presented the annual bond performance audits to the full Board since April 2019 and did not appear to have provided any information or updates on the project-specific construction audits—yet, it is unclear which PPS office or Board committee was responsible for delivery or presentation of the audit reports to the Board. [40] Likewise, the BAC had not received the annual bond performance audit reports or a summary of results from the audits since November 2021, even though its charter required the committee to receive and review the bond performance audits. [41] This was after the BAC requested multiple times in its quarterly reports between January 2024 to June 2024 for updates on the annual bond performance audits; however, this request remained outstanding until July 2024 when OSM provided the BAC with an audit recommendation implementation status update.

For the annual bond performance audits, results and recommendations can provide insight for the Board to consider when weighing decisions about project expenditures and costs, assurance related to OSM project delivery, and validation of accuracy of data presented to the Board. [42] Also, for the larger modernization projects, PPS employed an external construction auditor to conduct in-depth verifications of contractor costs and compliance with individual project contract terms and conditions. This effort included reviewing contractor accounting records and support for general contractor labor, materials, subcontractors, rental equipment, and direct costs as well as general conditions and use of contingencies and allowances. Thus, audit reports are important documents to provide to the Board, BAC, and related board committees for additional insight as part of overseeing the bond program.

[39] Until December 2024, the latest BAC report published on-line was Report #36 completed on 5/31/2022. For the eight other reports issued—Report #37 completed on 9/16/2022 Report # 38 completed on 12/7/2022, Report #39 completed on 3/2/2023, Report # 40 completed on 9/20/2023, Report # 41 completed on 1/24/2024, Report # 42 completed on 4/8/2024, Report # 43 completed on 6/17/2024, and Report #46 completed on 12/18/2024—PPS posted those in December 2024. We searched the PPS website and SFIOC packages and did not see Report #44 or Report #45.

[40] One of the Board Audit Committee's responsibilities is to "provide ongoing oversight of audits performed by external auditors."

[41] Based on our review of board meetings (July 2020 to January 2025) and BAC meetings (March 2021 to January 2025), Auditors last presented the 2018-2019 (Year 1) report to the Board in April 2019 and last presented the 2020-2021 (Year 3) audit report to BAC at a joint BAC/SFIOC meeting in November 2021—although 2022-2023 (Year 5) audit report was recently presented to the BAC in January 2025.

[42] Prior performance audit topics included (1) cost estimates for 2017 bond, financial management, project management, and project delivery framework in the 2018-2019 audit; (2) bond budget and schedule status, health & safety program, contracting and procurement, and construction management, (3) bond budget and schedule status, business equity, and bond communications, (4) bond budget and schedule status, contractor workforce equity, project closeout, project performance, and high-level review of 2020 bond program; and (5) bond budget and schedule status, career learning equity, curriculum delivery, and curriculum delivery.

SFIOC were Actively Engaged in Reviewing Bond Activities, But Did Not Regularly Update the Full PPS Board on Topics Discussed or Make Recommendations

Our review of meeting minutes showed that PPS staff presented detailed information to the SFIOC on bond-related topics and that SFIOC members were actively engaged in asking probing questions, seeking clarification, and offering comments. Information provided related to areas such as budgets for certain modernization projects, project scopes, and project features impacting schedule among other topics. PPS also provided the SFIOC members with staff memos that included analysis, options, and recommended actions for several bond areas.

Yet, there were limited instances where the SFIOC provided regular updates to the Board related to bond topics discussed at SFIOC meetings based on the minutes we reviewed—even though the SFIOC meeting information was important for the full Board to possess as part of its deliberative processes over project comprehensive plans, cost escalation, and future bond proposals. Board agendas had a standing item designated for committee reports, but we observed very few SFIOC presentations or updates during 2023 and 2024 related to bond activities from the members themselves in board meetings reviewed. A subset of board members sat on the SFIOC and were privy to the detailed bond discussions, yet other board members are at a disadvantage if summaries of committee discussion are not regularly shared with the full Board as part of public meetings.

Additionally, the SFIOC only made a few recommendations to the full Board for consideration based on its committee bond discussions in the nine meetings we reviewed. Like other committee processes at entities we reviewed, the SFIOC should summarize items discussed and make explicit recommendations to the Board based on its vetting of bond activities such as project priorities, cost, or scope of projects that could assist the Board with ultimate decision-making. To maximize its contribution to the oversight process and better align with industry practices, the SFIOC should set some structure around its communication protocols with the Board, standard format for Board updates, and mechanisms for providing recommended actions to the Board.

PPS Provided Bond Information to the Board, Although Slight Enhancements Would Aid Decision-Making and Oversight

Striking the right balance between overburdening decision-makers with complicated matters and condensing information without affecting the necessary detail needed for decision-making is difficult.

Because bond documents were often lengthy, board protocols required meeting materials 12 calendar days in advance of a meeting, PPS often supplemented bond documents provided to the Board with a multi-page staff memo or slide deck highlighting key components of lengthy technical documents or concepts. These staff memos and reports often included backgrounds, analysis, and possible options. Protocols allowed board members to ask questions of PPS staff within 8 days of their next meeting based on the materials provided, presumably to seek clarification and information to streamline questions during the public meeting. Protocols stated PPS staff would respond within 5 days of the next board meeting and publish a question-and-answer document.

PPS leadership and OSM could enhance the bond information provided to the Board by briefly summarizing recommendations and clearly providing tradeoffs for the Board to deliberate for decision-making. While PPS provides detailed bond data and analysis to the Board, PPS could enhance its staff reports by attaching a one or two-page summary to better help the Board synthesize information quickly, understand what board actions are needed (approval, information only, feedback, etc.), and more easily understand the impact of their actions—as some others in industry provide to their boards. These summaries could quicky communicate the following:

- ✓ Brief background paragraph on the topic
- ✓ Clear actions needed such as for information only or needing board approval
- ✓ Synopsis of alternatives for the board to consider
- ✓ Quick pros and cons of actions to be taken, including cost, scope, or schedule impacts
- ✓ Succinct recommendations, as applicable

BAC Protocols for Actions, Minutes, and Recruiting Could Be Improved

Although the BAC possessed technical expertise related to bond programs and capital improvement projects, we found that certain BAC protocols could be improved as shown in Exhibit 17. For instance, although the BAC functions in an advisory capacity and individual members on the BAC gave input to OSM during meetings, we did not identify instances where the BAC formally voted on or collectively made recommendations to the Board. Per its Charter, the Board appointed the BAC to actively monitor bond programs and provide advice to the Board. The BAC is not a "decision-making" committee, but their input memorialized into formal recommendations, where warranted, would be valuable for the Board and in line with other citizen oversight committees we reviewed.

EXHIBIT 17. BAC PROTOCOL AREAS WHERE IMPROVEMENTS COULD BE MADE

Source: BAC meeting minutes and video recordings, board minutes, webpage on PPS website, charter, and quarterly reports.

In another example, only videos were available to review discussions and deliberations of BAC meetings during our audit period. The last date PPS drafted and posted written meeting minutes to its website was November 2020 leaving nothing in writing to serve as a formal record of topics discussed, decisions made, or actions assigned during a meeting since that time. [43] Written meeting minutes not only enhance accountability by allowing the public access to key oversight provided without having to mine through hours of video but also assist the BAC members in recalling past discussions. Without meeting minutes,

[43] Leading practices suggest minutes should include attendance, brief description of presentations/topics discussed, and record of requests or actions to ensure clear communication, transfer of knowledge through historic discussions, and resolution of action items. Based on other Oregon school districts we reviewed, many provided written minutes—although some were behind in posting meeting minutes on their websites.

confusion could occur with past discussions or action items could get lost such as those past repeated BAC requests to provide their quarterly reports to the Board or fill vacancies. Recently, in January 2025, PPS reinstated its practice to prepare and post written BAC meeting minutes.

Also, although informal protocols communicated strive to have materials to BAC members one week in advance of a meeting, there were no formal timelines for distributing BAC meeting materials. Given that the BAC meetings were held quarterly, it seems reasonable and not overly burdensome to provide meeting materials at least one or two weeks in advance to allow for adequate BAC review.

Finally, although PPS' BAC charter required between seven and ten members, the BAC had fewer members than required between March 2023 and December 2024. Without full membership, there were lost opportunities for additional points of view, expertise, insights, and deliberations as part of the bond oversight function. From its March 2022 BAC report through its May 2024 BAC report, committee members continued to request that PPS recruit new BAC members to fill vacancies—although, anecdotally, we heard it was challenging to recruit BAC members. Nonetheless, there were no formal protocols for applying to or recruiting for the BAC. In December 2024, the Board appointed four new members to fill vacancies giving the BAC full membership with nine individuals.

PPS Could Benefit from a Project Management Office Function to Enhance Oversight and Accountability over its Bond Capital Improvement Program

In addition to the oversight provided by the Board, SFIOC, and the BAC, OSM provided overall bond coordination across bond projects and project management oversight on each bond project. Specifically, OSM leadership tracked bond program schedule and budget progress, approved use of contingency, managed performance and construction audits, and provided updates and coordinated BAC meetings among other responsibilities. OSM project managers oversaw details of specific projects managing design, cost, schedule, scope, construction, and project close out.

Within the 2020 Bond as well as the proposed 2025 Bond, there were other PPS areas involved outside of the typical capital program under OSM's authority such as technology, curriculum, and the CBSE. As the primary contact for bond activities, that role can be challenging for OSM to fulfill when different offices within PPS were responsible for the bond areas outside OSM control. These included OTIS that managed technology, OTL that managed curriculum, and PPS' Innovation Studio that directed the planning and concept for the CBSE.

To help coordinate bond or sales-tax funded capital project responsibilities and enhance accountability with executive support, some other entities in industry use a Project Management Office (PMO) concept. The role of a PMO function can be to coordinate project management activities, but also to provide overall bond program support, facilitate activities and compliance across an entity, respond to and assist stakeholders, and enhance transparency and accountability. [44] Before the 2020 Bond passed, PPS included a PMO function as part of its draft 2020 Bond Execution Plan delivered to the School Improvement Bond

[44] Project Management Institute Project Management Body of Knowledge (PMBOK) Guide 6th Edition; PMBOK Guide 7th Edition and The Standard for Project Management; and Construction Extension to the PMBOK Guide 3rd Edition.

Committee on October 29, 2020—although it was not clear if the proposed PMO was meant to be at the district level across all bond project categories or if it referred to some of the PMO-like responsibilities OSM performed.

Typically, PMOs report directly to executives that have the authority to support the PMO in making changes needed and coordinating program efforts entity wide. PMOs do not necessarily have reporting authority over functional areas but rather can act in a facilitation role with the authority and direction of executive management across an organization, while alleviating some administrative burden from staff allowing them to focus on their primary responsibilities implementing capital projects. It also adds an extra layer of accountability for any program. For instance, a PMO-function within PPS could include tasks such as:

- Planning and coordinating oversight committee meetings.
- Preparing oversight reports and posting bond information to websites allowing offices like OSM to focus on project delivery, contractor management, and cost and schedule management.
- Tracking and coordinating follow-up on audit recommendations in addition to facilitating corrective actions—especially those outside of OSM's purview and authority to push implementation.
- Synchronizing equity efforts as it relates to bond program areas to work with leaders to define policy, set concrete targets, and track and report performance, while functional areas such as OSM implement equity strategies on capital projects.

OSM currently performs many of these functions but stated they are considering hiring an external firm or senior position to assist with program management activities. In the early years of the 2017 bond program, OSM used a similar strategy as currently being considered where it employed an external firm with responsibility for bond program management acting in an owner's representative capacity. Although OSM's plans may alleviate some of its administrative burden and allow staff to focus on project implementation and delivery, the possible future staff or contract firm engaged would still report to the Senior Director of OSM and may not have the needed authority over bond areas managed by other PPS offices.

Recommendations

To improve the information available for decision-makers and demonstrate stronger bond oversight, we recommend PPS:

14. Work with the Board to define the purpose and responsibility of the SFIOC and set/clarify protocols for the committee to regularly communicate bond updates and formally make recommendations to the full Board.
15. Revisit how best to use the BAC and strengthen the committee's role and involvement in oversight to enhance bond program and project delivery through BAC's technical feedback and insights on project details. This could include PPS providing the BAC with the same or similar bond data and staff analysis/memos currently provided to the SFIOC as well as other documents such as contract templates, detailed schedules with critical path, or project priority criteria for review, in addition to involving the BAC with the annual bond performance audits.

16. Provide the BAC quarterly report directly to the full Board so that members receive needed technical advice and ensure BAC reports are uploaded timely to the PPS website including establishing a timeline to publicly post the report (such as within 30 days of receipt).
17. Provide annual bond performance audit reports and final project-specific construction reports (at least a summary of issues noted and resolution) to the BAC, SFIOC, and the Board.
18. Enhance staff reports for the Board and other bond oversight committees to also include a one- to two-page summary of actions needed (information only or approval), alternative and recommendations, pros and cons on recommended actions, and impacts of those recommended actions including cost, scope, and schedule.
19. Work with the BAC to establish protocols for voting and formalizing any relevant recommended advice at its meetings that can be presented in BAC quarterly reports to the Board or provided in real-time by direct BAC-led presentations or OSM-led presentations to the Board.
20. Ensure written BAC minutes include attendance, summaries of discussions or presentations, action items, and recommendations made as well as establish protocols to distribute meeting materials at least 12 days in advance of BAC quarterly meetings to align with distribution protocols for board meeting materials.
21. Formalize the BAC recruiting and application process that is employed when a vacancy occurs or as soon as it is known a member is leaving to best retain full membership.
22. Create a bond project management office function outside of OSM to facilitate and coordinate bond program accountability across PPS offices with executive support for making change as needed.

Section 6: Progress was Made on Prior Audit Recommendations, But Some Remained Outstanding

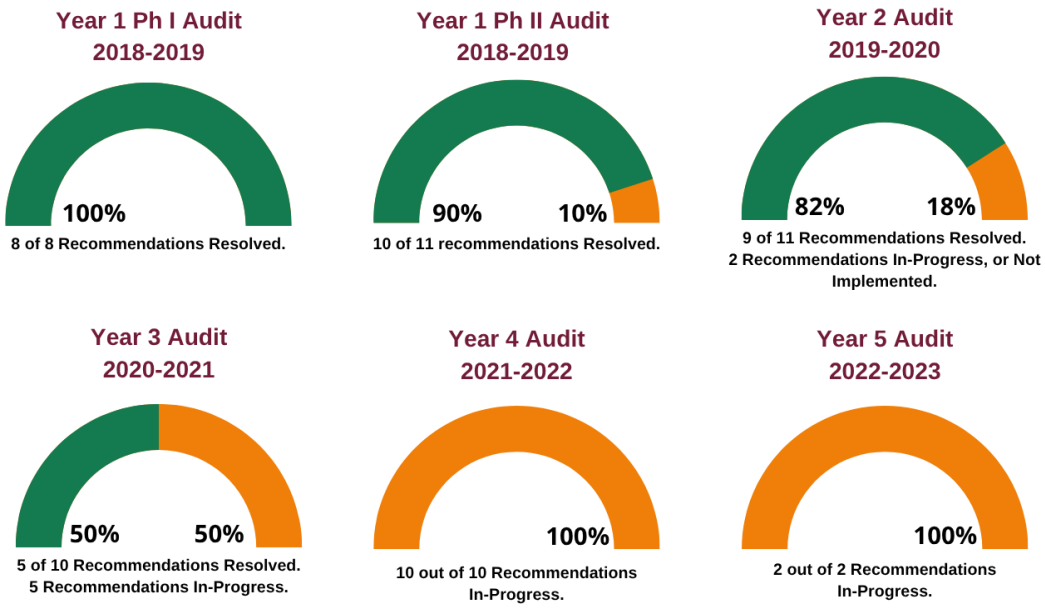
As part of its commitment to accountability and transparency, PPS included specific bond language requiring annual bond performance audits. Auditors conduct these audits in real-time with a goal to affect proactive change as PPS implements the bond programs making capital improvements.

Toward that goal, we found that PPS actively tracked progress against prior recommendations and made progress on addressing recommendations. However, 38 percent of the audit recommendations remained outstanding, with one recommendation unaddressed since 2019. Given that several recent audit recommendations span across multiple PPS offices, executive direction could help prioritize actions and timely implementation of audit recommendations.

Although Recommendations Were Addressed, 38 Percent Remained Outstanding

Since 2019, auditors have made 52 recommendations over the last five annual bond performance audits. Although implementing certain audit recommendations can take longer periods of time on occasion, there were 20 recommendations—or approximately 38 percent—still in progress or not implemented as of December 2024 as shown in Exhibit 18.

EXHIBIT 18. ANNUAL BOND PERFORMANCE AUDIT RECOMMENDATIONS REMAINING OUTSTANDING, AS OF DECEMBER 2024



Source: 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.

Without implementing corrective actions to address audit findings in a timely manner, PPS cannot achieve the intended benefit from the recommendations or best demonstrate audit accountability to taxpayers.

Outstanding Recommendations Mostly Related to Equity, CBSE, and Construction Management Among Other Areas

When looking at how long audit recommendations have been outstanding, 12 recommendations, or 60 percent, were from the two most recent bond audits for 2021-2022 and 2022-2023 as expected given that not a lot of time has passed since the issuance of the audit reports. The other eight recommendations, or 38 percent, were from the annual bond performance audits for 2018-2019 through 2020-2021—remaining unresolved for two to five years. [45]

As shown in Exhibit 19, most of the outstanding recommendations related to PPS' equity programs—business equity, workforce equity, and career learning equity. [46] In fact, ten prior recommendations related to equity, with CBSE having four recommendations and construction management having three recommendations.

For Audit Recommendation #10 from the 2019-2020 audit (Year 2), we disagreed that OSM actions taken fully addressed the audit finding regarding inconsistencies between architect/engineer contracts and CMGC contracts related to the timing of cost estimates. OSM reported that the CMGC contract template was updated to align with the language in the architect/engineer contract, but our review of the most recent CMGC and architect/engineer contracts for modernization projects revealed that there were still some misalignments related to the timing of cost estimate submissions.

EXHIBIT 19. OUTSTANDING AUDIT RECOMMENDATIONS AND STATUS, AS OF DECEMBER 2024

	Rec #	Category	Summary of Recommendation and Implementation Status
Year 1 Audit Phase 2: 2018-2019 (1 recommendation outstanding)			
1	Rec #7	Construction Management	Formally communicate, clarify, and train OSM project teams and individuals involved with project delivery on existing document management protocols and expectations for usage. • PPS estimated this recommendation could be fully addressed by February 2025 as it was still working on developing training materials for OSM staff and contractors, developing templates, and defining processes for continuous improvements.
Year 2 Audit: 2019-2020 (2 recommendations outstanding)			
2	Rec #7	Construction Management	Conduct post-project completion analysis for Madison and Lincoln High Schools to evaluate benefits and challenges of the CMGC delivery method. • PPS planned to review examples from other agencies, analyze eBuilder and other internal data, and report findings in support of the alternative contracting method to the Contract Review Board, as well as create post-project evaluation templates for future use. PPS estimated this recommendation would be addressed by February 2025
3	Rec #10	Construction Management	Address inconsistencies between architect/engineer design contracts and CMGC construction contracts related to reconciled cost estimates. • PPS considered this recommendation completed; however, recently executed contracts do not have that change made; as such, auditors consider this recommendation to still be outstanding.

[45] It should be noted that the COVID-19 pandemic was ongoing during some of this period potentially impacting implementation.

[46] Business equity provides purchasing and contracting opportunities to business that have been historically underutilized. Workforce equity promotes apprenticeship and construction employment opportunities for people of color and women. Career Learning Equity provides opportunities for students.

	Rec #	Category	Summary of Recommendation and Implementation Status
Year 3 Audit: 2020-2021 (5 recommendations outstanding)			
4	Rec #1	Equity	Revisit the EPPC Policy to clarify and define the Board's vision, goals, and commitment to business equity. • PPS noted it was working on providing an implementation workplan for the Board's Policy Committee consideration. No anticipated completion date was provided.
5	Rec #2	Equity	Further develop the District's business entity directive to implement the Board's equity vision through measurable sub goals and metrics to measure against goals. • PPS combined this recommendation with Year 3 Rec #1 and noted that staff would identify new focus areas for EPPC goal reporting. No anticipated completion date was provided.
6	Rec #3	Equity	Conduct a cost-benefit analysis of available business equity strategies. • PPS completed a cost benefit analysis as recommended but was working toward standard operating procedures for annual EPPC reporting with an estimate to complete by January 2025.
7	Rec #4	Equity	Develop tools and protocols to capture outcomes of chosen equity strategies and validate outcome data accuracy. • PPS anticipated that outcomes metrics and measurement methods for chosen strategies would be defined by March 2025.
8	Rec #5	Equity	Create protocols to expand on existing business equity annual reporting. • PPS planned to develop procedures and annual reporting templates by March 2025.
Year 4 Audit: 2021-2022 (10 recommendations outstanding)			
9	Rec #1	Construction Management	Complete development of construction close-out policies and procedures, and train staff on the new procedures. • PPS completed the policies and procedures but planned to train staff and pilot the new materials by February 2025, followed by a closeout go-live for all projects.
10	Rec #2	Equity	Develop protocols for identifying, reviewing and assessing workforce equity strategies. • PPS combined this recommendation with Year 3 recommendation #5.
11	Rec #3	Equity	Clarify Workforce Equity Administrative Directive protocols for reporting outcomes. • PPS reported it was researching history on the original intent of the Administrative Directive and would analyze the value of differing reporting methodologies before moving forward with updates to reporting or publishing methods. This effort was anticipated to be completed by March 2025.
12	Rec #4	Equity	Conduct a review of workforce equity program specifications and analyzing whether rules can be enhanced to benefit intended target audiences. • PPS planned to analyze the City of Portland's workforce equity program specifications and determine whether to customize the rules for PPS to better align with PPS goals by May 2025.
13	Rec #5	Performance Metrics	Continue efforts to revisit the types of key performance indicators (KPIs) to track and report. • PPS intended to develop relevant KPIs, related standard templates for reporting, and explore eBuilder for automated KPI tools, as well as define audiences for receipt of data by April 2025.
14	Rec #6	Performance Metrics	Require general contractors to consistently report specific safety performance data. • PPS reported that safety data fields were incorporated into eBuilder and training for project management staff was being developed. PPS also intended to update contracts to require contractors to report on those standard safety metrics by February 2025.
15	Rec #7	CBSE	Establish a formal framework for CBSE management and staffing with clear roles and responsibilities including defined authority. • PPS stated this was completed in November 2024; however, the audit could not confirm this was implemented.

	Rec #	Category	Summary of Recommendation and Implementation Status
16	Rec #8	CBSE	Update existing CBSE implementation schedule with realistic dates, interim milestones, and general tasks and activities. • PPS reported that a revised implementation schedule was developed and pending approval by senior staff. PPS estimated it would complete the recommendation by September 2025.
17	Rec #9	CBSE	Work with key PPS departments to put a CBSE implementation plan in place. • PPS noted that workplans, schedules, analysis of options were being developed and would be provided to CBSE leadership by February 2025.
18	Rec #10	CBSE	Create CBSE project management plans to identify general tasks and monitoring mechanisms to set, track, and report on budgets, schedules, and progress. • PPS noted a project management plan was developed and pending approval by senior staff. PPS estimated it would complete the recommendation by December 2025.
Year 5 Audit: 2022-2023 (2 recommendations outstanding)			
19	Rec #1	Equity	Research and assign resources to implement a structured Career Equity Learning Equity Program with clear roles, responsibilities, coordination protocols, targets, consultant/contractor management, and reporting. • PPS estimated it would complete this recommendation by April 2025.
20	Rec #2	Equity	Alternatively (to Rec#1 above), revise the Administrative Directive to limit the scope of the Career Learning Program to more appropriately align with the District's capacity. • PPS reported a revision to the Administrative Directive was drafted and with the PPS Superintendent for final review before publishing. PPS estimated it would complete this recommendation by January 2025.
Total	**20 Recommendations Outstanding**		

Source: Prior annual Bond Performance Audit reports and OSM's Bond Performance Audit Recommendation Tracker as of December 2024.

In addition to a "status of performance audit recommendations document" provided to the BAC in the past, OSM recently presented a "Bond Performance Audit Recommendation Implementation Plan" to the Board Audit Committee on December 16, 2024 with added details including steps to address a recommendation, staff responsible for implementation, and expected date of completion.

While OSM coordinated tracking and reporting on the status of prior audit recommended actions, many recommendations were in areas outside of OSM responsibility and authority. In fact, audit areas with recommendations were spread among different PPS units with responsibility to address a particular audit recommendation. However, we did not see any indication of PPS executives prioritizing or setting timelines across of between the different units related to the audit recommendations.

Recommendations

To ensure bond performance audit recommendations are implemented in a timely manner and align with the benefit intended, we recommend PPS:

23. Have executive leadership take a more active role in overseeing the implementation of the annual bond performance audit recommendations, setting priorities, holding staff accountable for timely corrective action, or providing rationale if not implementing a recommendation.

Appendix A: Summary of Audit Recommendations with Priorities

In this appendix, we summarize the 23 audit recommendations discussed throughout the report and prioritize their significance into three separate categories based on the impact to the bond program goals and pledges, critical path activities, accountability, and timing as shown in Exhibit 20. Priority categories are as follows:

- **High Priority**: 11 of 23 recommendations. Significant risk to achievement of bond goals and pledges, is fundamental to the bond's success or program activities for budget and schedule adherence, or is important for accountability. Prompt attention is warranted.
- **Medium Priority**: 10 of 23 recommendations. Some risk to achievement of bond goals and pledges, is important to the bond's success or program activities for budget and schedule adherence, or would help strengthen accountability. Moderate attention is warranted.
- **Low Priority**: 2 of 23 recommendations. Opportunity for improvement, but not vital to the bond's success or program activities. Routine attention is warranted.

EXHIBIT 20. COMPREHENSIVE AUDIT RECOMMENDATION MATRIX WITH PRIORITY RANKINGS

	Audit Recommendation	Priority
Section 1: Most of 2017 Bond Projects were Completed, Although Issues Existed with the Benson Polytechnic High School Project		
1.	Perform a post-mortem on the Benson Polytechnic High School project now before the remaining high school modernization projects go through the GMP process and start construction. Memorialize discussion and action plans to mitigate similar issues on future projects in writing.	**High**
2.	Clarify and memorialize contract expectations, terms, and conditions in the CMGC agreement and GMP amendment identified based on the Benson Polytechnic High School post-mortem for the remaining high school modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools as well as at future school projects before any PPS executes any new CMGC contracts and GMP amendments. Ensure that vague or missing contract terms are clearly defined, including legal remedies for contract non-compliance, what constitutes non-compliance, and how non-compliance will be measured.	**High**
3.	Set expectations early with future CMGC contractors before construction starts to ensure a shared understanding and interpretation of key contract provisions and strengthen the enforcement of contract provisions with support from legal staff including tracking communications with external contractors related to contract enforcement. This could include holding a meeting(s) with PPS, the architect, and the CMGC contractor to walk-through construction phase contract requirements and documenting any subsequent written and defined assumptions that are incorporated as part of the GMP amendment process as needed.	**High**
4.	Establish and complete formal contractor evaluations based on project performance and contract compliance that are discussed with the contractor being evaluated. Topics to assess could include factors such as ability to meet deadlines, quality of work, adherence to budget, safety compliance, change order management, communication, responsiveness to issues identified, innovation, and subcontractor management, to name a few.	**Medium**
5.	Develop and formalize a written plan or methodology for allocating bond contingency funds including identifying how project savings will be assigned to other bond projects or returned to the 2017 program contingency fund.	**Medium**

	Audit Recommendation	Priority
Section 2: 2020 Bond School Modernizations, Technology, and CBSE were Delayed or Expected Costs to be More than Budgeted		
6.	More clearly communicate those significant project design features that are above minimum Ed Specs or design standards for modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools if decisions have not yet been made on those projects as well as on any future school modernizations—including, but not limited to, square footage, capacity, optional spaces, sustainability features, and significant above minimum criteria materials This should be accompanied by a one- or two-page document providing a brief rationale behind substantive design feature changes for the Board to use as a reference for decision making for each school, as well as be combined into a summary at-a-glance document comparing significant design features planned at future schools against previously modernized schools	**Medium**
7.	Make clear and transparent recommendations to the Board based on current cost reduction options considering tradeoffs between scope and costs in addition to any offsetting cost increases due to the project pause for the Board to make informed decisions on school modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools if decisions have not yet been made and any future school modernizations. This could include working with the Board to identify the specific type of information needed, but at a minimum should summarize itemized details on significant specific feature reductions such as what space, features, or square footage could be cut; how much each individual reduction option could potentially save; what features are designed above board-approved Ed Specs; potential qualitative impacts, and the pros and cons of each reduction. Recommendations also should clearly itemize estimates for additional inflationary costs and the costs of redesigns needed due to the pause in project design and impact on construction schedules.	**High**
8.	Use OSM's external project-specific construction auditor to conduct detailed work testing the accuracy and reasonableness of the CMGCs' and subcontractors' proposed labor burden rate calculations in addition to general conditions/general requirements costs for the school modernizations against source documents to identify potential savings prior to PPS' acceptance of GMP pricing and contract amendment execution for Cleveland, Ida B. Well, and Jefferson High Schools.	**High**
9.	Regularly update the Board on significant projected changes (and reasons for the changes) in project scope, schedule, or cost estimates as in-progress and future projects are designed and built to enhance transparency, in addition to capturing impacts and risks resulting from the projected variances and recommended actions to mitigate. This would include tracking and memorializing rationale behind board direction to PPS on the significant cost changes for the modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools when weighing future decisions.	**Medium**
10.	Accelerate decisions regarding the CBSE to make more immediate progress and communicate concrete plans and timelines to the Board, or revisit initial bond pledges.	**High**
Section 3: 2020 Infrastructure Projects Were Completed as Planned, Although a Few had Modest Delays and Budget Issues (No Recommendations)		
Section 4: Data Did Not Exist to Determine Whether Staffing was Adequate to Handle Bond Program Workload		
11.	Develop an approach to formally estimate and document bond workload that would involve identifying task categories to be used as part of workload (perhaps using OSM's existing responsibility matrix as a baseline) and assigning durations of time expected to complete tasks.	**Medium**
12.	Require bond-funded staff to use time sheets tracking time against the proposed predetermined task category levels. At a minimum, require timesheets for staff paid for with bond funds that spend less than 100 percent of their time on bond work or conduct regular time studies with documentation to ensure the allocation of bond and non-bond effort is appropriately supported and aligned with funds used to pay staff.	**Medium**

	Audit Recommendation	Priority
13.	Compare staffing capacity with estimated bond workload to identify gaps and determine whether staff are under-utilized or over-utilized and not able to complete the bond work needed.	**Medium**
Section 5: Bond Oversight was Provided, Although Disconnects Existed and Certain Information was Not Getting to the Board or Bond Accountability Committee		
14.	Work with the Board to define the purpose and responsibility of the SFIOC and set/clarify protocols for the committee to regularly communicate bond updates and formally make recommendations to the full Board.	**High**
15.	Revisit how best to use the BAC and strengthen the committee's role and involvement in oversight to enhance bond program and project delivery through BAC's technical feedback and insights on project details. This could include PPS providing the BAC with the same or similar bond data and staff analysis/memos currently provided to the SFIOC as well as other documents such as contract templates, detailed schedules with critical path, or project priority criteria for review, in addition to involving the BAC with the annual bond performance audits.	**High**
16.	Provide the BAC quarterly report directly to the full Board so that members receive needed technical advice and ensure BAC reports are uploaded timely to the PPS website including establishing a timeline to publicly post the report (such as within 30 days of receipt).	**High**
17.	Provide annual bond performance audit reports and final project-specific construction reports (at least a summary of issues noted and resolution) to the BAC, SFIOC, and the Board.	**High**
18.	Enhance staff reports for the Board and other bond oversight committees to also include a one- to two-page summary of actions needed (information only or approval), alternative and recommendations, pros and cons on recommended actions, and impacts of those recommended actions including cost, scope, and schedule.	**Medium**
19.	Work with the BAC to establish protocols for voting and formalizing any relevant recommended advice at its meetings that can be presented in BAC quarterly reports to the Board or provided in real-time by direct BAC-led presentations or OSM-led presentations to the Board.	**Medium**
20.	Ensure written BAC minutes include attendance, summaries of discussions or presentations, action items, and recommendations made as well as establish protocols to distribute meeting materials at least 12 days in advance of BAC quarterly meetings to align with distribution protocols for board meeting materials.	**Medium**
21.	Formalize the BAC recruiting and application process that is employed when a vacancy occurs or as soon as it is known a member is leaving to best retain full membership.	**Low**
22.	Create a bond project management office function outside of OSM to facilitate and coordinate bond program accountability across PPS offices with executive support for making change as needed.	**Low**
Section 6: Progress was Made on Prior Audit Recommendations, But Some Remained Outstanding		
23.	Have executive leadership take a more active role in overseeing the implementation of the annual bond performance audit recommendations, setting priorities, holding staff accountable for timely corrective action, or providing rationale if not implementing a recommendation.	**High**

Appendix B: Detailed Audit Methodology

To fulfill the audit objectives highlighted in the Scope and Objectives section of this report, Sjoberg Evashenk Consulting performed a variety of detailed audit tasks including, but not limited to, the following fieldwork steps.

To help assess risk and guide analyses across audit task areas, we conducted interviews with:

- PPS Board members and BAC members
- PPS Chief Operating Officer
- Office of Internal Performance Audit: Senior Internal Performance Auditor
- OSM: Senior Director, Senior Manager of Business Operations, Directors of Construction, Senior Project Managers, Project Managers, and contracted Construction Managers
- OTIS: Chief Technology Officer, Senior Director of Technology Operations, and Communications and Change Manager
- OTL: Chief Academic Officer and Manager of Instructional Resources Adoption
- Other management and staff including the Director of Purchasing and Contracting
- Contractors involved in 2017 Bond and 2020 Bond projects

To identify the overall bond status and progress of the remaining 2017 Bond projects and for the 2020 Bond in terms of cost and schedule, we:

- Analyzed the schedule delivery status and budget status for the 2017 Bond and 2020 Bond projects, as of July 2024 and February 2025, by reviewing underlying cost and schedule estimate at completion from the e-Builder system and materials presented to oversight groups.
- Reviewed baseline schedules and budgets to compare delivery status and costs to initial plans.
- Conducted high-level review of significant variances in budget and schedule using project file data such as OAC meeting minutes, project status reports, schedule reports, requests for information, change orders, and other project files.

To assess program delivery and management of the 2020 Bond physical infrastructure improvement projects against leading industry practices and adherence with budget, schedule, and scope planned, we:

- Investigated instances of significant variances between baseline schedules and budgets against actual project delays and overruns.
- Assessed project prioritization and selection protocols to determine if OSM had selected and executed projects according to criteria outlined by PPS and bond language.
- Selected a sample of 12 infrastructure projects, using non-statistical sampling techniques, for improvements over roofs, ADA accessibility and SPED learning environments, seismic, security, and mechanical and reviewed project management practices.

- Specifically, we:
    - Reviewed procurements and contracts awarded for competitive advertisement and quote received, adherence with PPS policy and relevant Oregon Revised Statutes, compliance of evaluation of contractor bids and ultimate awards, and documentation of decisions made.
    - Tested contractor payment applications for mathematical accuracy, evidence of review, and scope compliance with contract.
    - Assessed change orders submitted and approved for mathematical accuracy, evidence of review, and adherence with contract.

To evaluate the sufficiency of bond staffing to align with bond program workload, we: [47]

- Requested and reviewed documents, including spreadsheets and tools, that OSM used to estimate workload and assign staff at the overall bond program level.
- Investigated documentation, organization charts, eBuilder reports, and OSM-staff-generated eBuilder queries to identify staffing assignments and estimated project size and duration.
- Evaluated gaps between workload and staffing.
- Assessed reasonableness of staff positions funded by bond revenues.
- Where data was available, compared PPS workload estimation, staffing practices, and staffing structures against other school districts and capital construction programs as well as oversight industry leading practices.

To assess the groups involved with bond oversight and their practices employed to ensure accountability as well as how those practices compared with others, we:

- Obtained and evaluated board and committee charters, policies, protocols, and responsibilities.
- Reviewed a sample of 18 meeting agendas, information packets, presentations, and minutes of the Board, SFIOC, and BAC between January 2020 and June 2024 where we:
    - Tested adherence to board and committee charters, policies, and protocols regarding meeting frequency, member attendance, expertise, communication, and responsibilities.
    - Reviewed the type of information provided to the oversight bodies.
    - Assessed oversight demonstrated in agendas, meeting minutes, supporting materials provided, discussions, and action items.
    - Compared PPS' oversight structure, membership, frequency of meetings, topics discussed, and member backgrounds against other school districts and capital construction programs as well as oversight industry leading practices.

[47] The scope of the audit was not a comprehensive staffing study assessing hiring practices, job requirements and descriptions, work assignments, employee skills, training, and turnover.

- Reviewed an additional 13 meeting agendas, minutes, and discussions of the Board, SFIOC, and BAC between July 2024 and February 2025 to assess oversight related to relevant significant events affecting the audit objectives and results.

To compare PPS practices against those used in industry, we reviewed guidance from organizations including, but not limited to, the Construction Owners Association of America, Construction Management Association of America, National School Board Association, National Center on School Infrastructure, National Council on School Facilities, Oregon School Facilities Management Association, Oregon School Boards Association, and California Association of Bond Oversight Committees.

To determine the status of prior audit recommendations and evaluate progress toward implementing corrective action, we:

- Identified status of audit recommendations from prior annual bond performance audits for the 2017 Bond and 2020 Bond.
- For recommendations noted as closed during our audit period, we verified auditee implemented actions by confirming against relevant documents and fieldwork analyses.
- For recommendations noted as still open and not yet addressed during our audit period, we assessed status and progress toward implementation. Where applicable, we considered the rationale and challenges faced with not implementing recommendations.

Appendix C: 2020 Infrastructure Projects Tested

To assess OSM's project management of the 2020 Bond physical infrastructure projects against leading industry practices and adherence with budget, schedule, and scope as planned, we reviewed 12 projects related to improvements over roofs, ADA/SPED, seismic, security, and mechanical as shown in Exhibit 21. Our review included tests of project prioritization, procurements, payments, and change orders.

EXHIBIT 21. SPECIFIC 2020 BOND INFRASTRUCTURE PROJECTS TESTED

	Infrastructure Category	Project Name	Contract Number	Contractor
1	Roofs	West Sylvan - Partial Re-Roof-Bond - 5789 - FY22	C92772	In Line Commercial Construction, Inc.
2		Glencoe - Re-Roof-Bond - 5790 - FY22	C91501	2KG Contractors, Inc.
3		Duniway - Re-Roof Phase II-Bond - 5894 - FY22	C93029	Skyward
4	ADA/SPED	Multiple Sites-- ADA Signage Fab & Install-Bond - 5887 - FY22	S91479	Blink Marketing, Inc dba Blink Signs
5		Multiple Sites - ADA/SPED Upgrades Pkg1-B - Bond - 6231- FY23	C93543	In Line Commercial Construction, Inc.
6		ADA/SPED Upgrades Pkg2-C - Bond- 6264 – FY24	C95059	Fulcrum Construction & Building Services
7	Seismic	Creative Science - SRGP - 5712	C91416	Skyward
8		Marysville-Seismic Upgrades	ARCH94376	Arcadis Architects, (USA), Inc.
9	Security	Multiple Sites - Security & ADA Hardware Upgrades - Bond - 5999 - FY23	S91908	Chown Hardware, Inc
10		Multiple Sites - Security Cameras & Intrusion Systems - Phase 1 Construction - Bond - 6245 - FY23	93944	Point Monitor
11	Mechanical	Multiple Sites - Controls Upgrades Phase 1 - Bond - 6216 - FY24	ESPC93857	Ameresco
12		Kelly - Mechanical Upgrades-Bond - 5828 - FY22	C93509	Piper Mechanical

Source: PPS procurement files including bid documents and contracts, change orders, payment applications, and eBuilder files.

Appendix D: Auditee Response

PORTLAND PUBLIC SCHOOLS
OFFICE OF SCHOOL MODERNIZATION
501 North Dixon Street / Portland, OR 97227
Telephone: (503) 916-2000
Mailing Address: P. O. Box 3107 / 97208-3107

MEMO

Date: June 9, 2025

To: Cathy Brady, Principal
Sjoberg, Evashenk Consulting Inc.

From: Stormy Shanks, Senior Director
Office of School Modernization

Subject: Performance Audit – Fiscal Year 2023/2024
Staff Response

Portland Public Schools (PPS) and the Office of School Modernization (OSM) have received and reviewed Sjoberg, Evashenk Consulting (SEC) 2023/2024 May 2025 Draft Audit Report titled "Annual Bond Performance Audit - Fiscal Year 2023/2024" (the Draft Report).

PPS appreciates SEC's work this year in reviewing 2017 and 2020 bond program status, bond program staffing, bond oversight, and the status of previous audit recommendations. We are pleased to note that SEC recognized the 2020 Infrastructure program has delivered more improvements than initially envisioned and employed project management practices to ensure effective project delivery, which led SEC to conclude that no audit recommendations were needed for this audit area. As with all audit reports and recommendations, PPS is committed to continuous quality improvement and providing Bond-funded improvements in an environment of quality, accountability and transparency.

Based on our review of the Draft Report, PPS has prepared responses to each of your 23 recommendations. Each response contains one of the following statements:

- Concur – Goal is to implement the recommendation by December 30, 2025
- Concur with Comment – Goal is to implement the recommendation by December 30, 2025 with qualifying comments
- Nonconcur – Recommendation may not be implemented with comments to explain
- Completed – Recommendation has been implemented

PPS Staff will develop implementation plans for each recommendation with a "concur" response and will make a good faith effort to meet the implementation goal of December 30, 2025. The quantity of recommendations will likely push implementations past that date. Staff appreciate that the auditor indicated a level of priority for each recommendation and will consider this when prioritizing implementations. The following is a tabulated summary of the recommendations and PPS's responses.

#	Abbreviated Recommendation	Dept	Response
1	**Recommendation:** Perform a post-mortem on the Benson Polytechnic High School project now before the remaining high school modernization projects go through the GMP process and start construction. Memorialize discussion and action plans to mitigate similar issues on future projects in writing.	OSM	Concur with Comment
	Staff Response: Staff concur with this recommendation to find the root causes of issues on the Benson project and implement action plans to mitigate similar issues on future projects. PPS is currently managing claims related to the Benson construction contract, so some of the documentation that will contribute to implementing this recommendation may be privileged and confidential until the conclusion of the claims process.		
2	**Recommendation:** Clarify and memorialize contract expectations, terms, and conditions in the CMGC agreement and GMP amendment identified based on the Benson Polytechnic High School post-mortem for the remaining high school modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools as well as at future school projects before any PPS executes any new CMGC contracts and GMP amendments.	OSM	Concur with Comment
	Staff Response: Staff agree that PPS will benefit from updates to the standard CM/GC contract as part of the action plan to prevent issues similar to those on Benson in future projects (Recommendation #1). This recommendation has been partially implemented.		
3	**Recommendation:** Set expectations early with future CMGC contractors before construction starts to ensure a shared understanding and interpretation of key contract provisions and strengthen the enforcement of contract provisions with support from legal staff including tracking communications with external contractors related to contract enforcement.	OSM	Concur with Comment
	Staff Response: Staff agree that setting expectations early and coming to a shared understanding of the contract provisions with future CM/GC contractors will likely improve outcomes in the construction phase. Staff will work to implement the recommendation at the appropriate phase of the CM/GC projects underway. Some implementation will necessarily occur after December, 2025, to align with the CM/GC project schedules and timing of GMP amendment negotiation and construction start.		

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4	**Recommendation:** Establish and complete formal contractor evaluations based on project performance and contract compliance that are discussed with the contractor being evaluated.	OSM	Concur with Comment
	Staff Response: Staff agree. This recommendation is partially implemented. The existing Contract Closeout Process already includes an evaluation of the contractor's performance. Staff agree that discussing the evaluation with the contractor could be a valuable addition to the existing evaluation process. It may improve relationships with contractors and encourage better outcomes for future contracts with those contractors who receive evaluations.		
5	**Recommendation:** Develop and formalize a written plan or methodology for allocating bond contingency funds including identifying how project savings will be assigned to other bond projects or returned to the 2017 program contingency fund.		Concur
	Staff Response: Staff agree that a clear set of criteria and a methodology for prioritizing projects to be funded with bond contingency funds and project savings is necessary for using bond resources effectively.		
6	**Recommendation:** More clearly communicate those significant project design features that are above minimum Ed Specs or design standards for modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools if decisions have not yet been made on those projects as well as on any future school modernizations—including, but not limited to, square footage, capacity, optional spaces, sustainability features, and significant above minimum criteria materials. This should be accompanied by a one- or two-page document providing a brief rationale behind substantive design feature changes for the Board to use as a reference for decision making for each school, as well as be combined into a summary at-a-glance document comparing significant design features planned at future schools against previously modernized schools.	OSM	Completed
	Staff Response: This recommendation has been completed. The April 22, 2025 Board meeting materials (https://meetings.boardbook.org/Public/Agenda/915?meeting=684707) included a comparison of Ed Spec program areas to Jefferson, Ida B Wells, Cleveland, and Lincoln High Schools. Presentations and materials were also provided related to the High School Modernization cost reductions, features, and design changes at the March 18, 2025, and April 8, 2025, Board meetings.		
7	**Recommendation:** Make clear and transparent recommendations to the Board based on current cost reduction options considering tradeoffs between scope and costs in addition to any offsetting	OSM	Completed

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	cost increases due to the project pause for the Board to make informed decisions on school modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools if decisions have not yet been made and any future school modernizations. This could include working with the Board to identify the specific type of information needed, but at a minimum should summarize itemized details on significant specific feature reductions such as what space, features, or square footage could be cut; how much each individual reduction option could potentially save; what features are designed above board-approved Ed Specs; potential qualitative impacts, and the pros and cons of each reduction. Recommendations also should clearly itemize estimates for additional inflationary costs and the costs of redesigns needed due to the pause in project design and impact on construction schedules.		
	Staff Response: This recommendation is complete to the extent that it will be completed for the current modernization projects. Materials and presentations were provided to the Board at meetings on March 18, April 8, and April 22, 2025, that responded to those requirements.		
8	**Recommendation:** Use OSM's external project-specific construction auditor to conduct detailed work testing the accuracy and reasonableness of the CMGCs' and subcontractors' proposed labor burden rate calculations in addition to general conditions/general requirements costs for the school modernizations against source documents to identify potential savings prior to PPS's acceptance of GMP pricing and contract amendment execution for Cleveland, Ida B. Well, and Jefferson High Schools.	OSM	Concur with comments
	Staff Response: Staff agree that the construction auditor's review of proposed labor burden costs and general requirements costs would provide valuable input in the GMP negotiation process. Staff will work to implement this recommendation at the appropriate time in the current CM/GC projects. Implementation will necessarily occur after December, 2025, due to the expected GMP amendment timeline for the projects. The standard GM/GC contract has already been revised to include a requirement that the CM/GC provide a full accounting of what burden costs are included in proposed Labor Costs for the construction phase.		
9	**Recommendation:** Regularly update the Board on significant projected changes (and reasons for the changes) in project scope, schedule, or cost estimates as in-progress and future projects are designed and built to enhance transparency, in addition to capturing impacts and risks resulting from the projected variances	OSM / BOE	Concur with comment

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	and recommended actions to mitigate. This would include tracking and memorializing rationale behind board direction to PPS on the significant cost changes for the modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools when weighing future decisions.		
	Staff Response: Staff agree there is value in regular updates to the Board that include the information necessary for them to carry out their governance responsibilities. Staff will encourage the Board to engage in a collaborative process to define what that transparency and reporting would look like and to develop a regular cadence of updates.		
10	**Recommendation:** Accelerate decisions regarding the CBSE to make more immediate progress and communicate concrete plans and timelines to the Board, or revisit initial bond pledges	Chief of Staff / OSM	Concur with comment
	Staff Response: Staff agree with the assessment that the CBSE capital project is behind schedule relative to the goals established at the beginning of the 2020 Bond. Before PPS can execute the capital project to deliver a facility in which the Center for Black Student Excellence will operate, the functions and operations of the CBSE program itself must be defined. Only then can the facility requirements be understood and a capital project executed that delivers a facility that meets those requirements. The work of defining the functions and operations of the CBSE program is not a bond-compensable scope of work, and that work is not complete. Departments outside OSM are responsible for completing the prerequisite work of defining the CBSE program functions and operations. OSM Staff meets regularly with those responsible for that effort to provide feasibility information about the costs and schedules for accommodating CBSE program elements in a capital project in an effort to accelerate decisions regarding the CBSE program functions and operation.		
11	**Recommendation:** Develop an approach to formally estimate and document bond workload that would involve identifying task categories to be used as part of workload (perhaps using OSM's existing responsibility matrix as a baseline) and assigning durations of time expected to complete tasks.	OSM	Nonconcur
	Staff Response: Staff do not find this recommendation to be implementable nor would implementing it result in improved outcomes for staffing OSM work. The OSM responsibility matrix identifies nearly 200 different tasks/responsibilities required of OSM project teams in the course of delivering a capital project. Some of those tasks have a predictable time duration. The time required to complete the rest of the tasks is highly variable based on project complexity, contractor behavior, phase of project, and other factors. It is also not possible to make a meaningful estimation of how many times each task will be required during a given project or how frequently. Appropriate OSM staffing cannot be achieved by calculating the number of widgets per hour an employee can produce and then assigning		

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	the number of employees needed to produce the number of widgets required in the time allotted. OSM staff do not build the same widget repeatedly. OSM staff do knowledge work that is highly variable on a project-to-project, week-to-week basis. Staff agree that a methodology should be developed to estimate bond project workloads and will work to develop that methodology. It may be based on an analysis of staffing on PPS's own past projects and benchmark data collected from other public entities.		
12	**Recommendation:** Require bond-funded staff to use time sheets tracking time against the proposed predetermined task category levels. At a minimum, require timesheets for staff paid for with bond funds that spend less than 100 percent of their time on bond work or conduct regular time studies with documentation to ensure the allocation of bond and non-bond effort is appropriately supported and aligned with funds used to pay staff.	OSM, OTIS, HR, Finance, OTL	Partially concur with comment
	Staff Response: Staff agree that regular time studies with documentation for staff paid with bond funds that spend less than 100 percent of their time on bond-compensable work is a reasonable recommendation that will increase confidence that bond funds are being used effectively.		
13	**Recommendation:** Compare staffing capacity with estimated bond workload to identify gaps and determine whether staff are underutilized or over-utilized and not able to complete the bond work needed.	OSM	Concur
	Staff Response: Staff agree that after a methodology is developed to estimate bond workload within a reasonable margin of error, the next step is to align staffing levels to the estimated workload.		
14	**Recommendation:** Work with the Board to define the purpose and responsibility of the SFIOC and set/clarify protocols for the committee to regularly communicate bond updates and formally make recommendations to the full Board.	OSM / BOE	Concur with comment
	Staff Response: The Board of Education determines what information is presented to the full Board versus what is directed to a designated Board subcommittee. Meeting agendas are set collaboratively by the Board Chair and the chairs of individual subcommittees. The Board has expressed interest in establishing a consistent meeting schedule for the SFIOC. Staff intend to continue the established practice of working closely with the Committee Chair to develop future meeting agendas, which will include regular bond updates from OSM and the BAC.		
15	**Recommendation:** Revisit how best to use the BAC and strengthen the committee's role and involvement in oversight to enhance bond program and project delivery through BAC's technical feedback and insights on project details. This could include PPS providing the BAC with the same or similar bond data	BOE	Partially concur with comment

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	and staff analysis/memos currently provided to the SFIOC as well as other documents such as contract templates, detailed schedules with critical path, or project priority criteria for review, in addition to involving the BAC with the annual bond performance audits.		
	Staff Response: Staff partially agrees with recommendation. However, Staff cannot implement this recommendation. The BAC reports directly to the Board of Education, which also appoints the BAC members and establishes its charter. Staff report data and information to the BAC in alignment with the scope defined in the BAC charter. The BAC, in turn, reports to the Board in accordance with that charter. If the auditor's recommendation is intended to modify the BAC's role or scope, it should be directed to the Board of Education for consideration.		
16	**Recommendation:** Provide the BAC quarterly report directly to the full Board so that members receive needed technical advice and ensure BAC reports are uploaded timely to the PPS website including establishing a timeline to publicly post the report (such as within 30 days of receipt).	OSM, BOE, BAC	Nonconcur
	Staff Response: The Board has indicated a desire to receive the BAC Committee's quarterly reports in regularly scheduled SFIOC meetings going forward. Staff agree that the SFIOC meetings are the most effective venue for delivering BAC Reports. Committee Meetings are less formal and intended for ideas exchange and interactive discussions between Committee members, Staff,and BAC members while full Board Meetings are intended for decision making and Board discussion of Resolutions. Staff will work to implement timely posting of BAC reports on the PPS website.		
17	**Recommendation:** Provide annual bond performance audit reports and final project-specific construction reports (at least a summary of issues noted and resolution) to the BAC, SFIOC, and the Board.	OSM	Nonconcur
	Staff Response: Staff partially agree with recommendation and will provide annual bond performance audit reports to the BAC and to the Board's Audit Committee. The Board has not requested or expressed a desire for the Performance Audit to be presented to the full board or to the SFIOC. The Board's Audit Committee's charter includes review of the Bond Performance Audit. Staff will make the project-specific construction audit reports and resolutions of the issues available to the BAC, Board, or its committees, but Staff does not agree that there is value in presenting those project-specific reports at meetings. The issues described do not yield to brief summaries because they are highly technical and require deep knowledge of the contract terms and an understanding of construction accounting practices.		
18	**Recommendation:** Enhance staff reports for the Board and other bond oversight committees to also include a one- to two-page	OSM	Nonconcur

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	summary of actions needed (information only or approval), alternative and recommendations, pros and cons on recommended actions, and impacts of those recommended actions including cost, scope, and schedule.		
	Staff Response: Staff finds that the spirit of this recommendation is valuable and will consider it when developing staff reports for the Board and oversight committees. However, staff finds that the recommendation is not implementable. Most issues described in staff reports to the Board cannot be effectively communicated within the constraints of a template one- to two-page summary report. The recommendation seems to be pointing to a need to be clearer with the Board about what Staff is asking of them and to center information that are the inputs to their governance and decision making. OSM will work to improve reports in this way, but there is not a clear way of measuring the implementation of this recommendation or determining when it has been implemented.		
19	**Recommendation:** Work with the BAC to establish protocols for voting and formalizing any relevant recommended advice at its meetings that can be presented in BAC quarterly reports to the Board or provided in real-time by direct BAC-led presentations or OSM-led presentations to the Board.	BAC	Nonconcur
	Staff Response: Staff does not agree that developing formalized voting procedures for the BAC's recommended advice to the Board would add value to the BAC's function. The BAC has consistently made recommendations and provided advice to the Board without formal voting structures and have reached consensus during meetings without voting procedures. Additionally, if the auditor is recommending modifications to the Board approved BAC charter, this recommendation should be directed to the Board of Education.		
20	**Recommendation:** Ensure written BAC minutes include attendance, summaries of discussions or presentations, action items, and recommendations made as well as establish protocols to distribute meeting materials at least 12 days in advance of BAC quarterly meetings to align with distribution protocols for board meeting materials.	OSM	Complete
	Staff Response: This recommendation is complete. Written BAC minutes are provided following each meeting. BAC meeting materials are now distributed 5 business days in advance of BAC quarterly meetings. Staff does not agree that 12 days in advance is reasonable or that it is necessary to align distribution protocols with those of the full Board meetings. The full Board is making decisions, voting on Resolutions and making policy. The Board's own committees, however, distribute materials two days in advance. The BAC is comparable to a Board Committee in that they are not a decision-making or governing body.		

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21	**Recommendation:** Formalize the BAC recruiting and application process that is employed when a vacancy occurs or as soon as it is known a member is leaving to best retain full membership.	OSM	Concur
	Staff Response: Staff agree that formalizing the BAC recruiting and application process will improve the outcomes for retaining full membership.		
22	**Recommendation:** Create a bond project management office function outside of OSM to facilitate and coordinate bond program accountability across PPS offices with executive support for making change as needed.	N/A	Nonconcur
	Staff Response: A bond project management office function outside of OSM would require nonbond resources at a time when PPS has had to cut $40 million from its general fund budget, cutting positions and programs significantly. The auditors mention that this would "add an extra layer of accountability." PPS does not have the resources for "extra layers" at this time.		
23	**Recommendation:** Have executive leadership take a more active role in overseeing the implementation of the annual bond performance audit recommendations, setting priorities, holding staff accountable for timely corrective action, or providing rationale if not implementing a recommendation.		Concur with comments
	Staff Response: Staff partially agree that additional executive leadership engagement could improve timeliness and completeness of audit recommendation implementations. This will only be effective if it is paired with a commitment from executive leadership to create the environment in which the staff doing the work of implementing the recommendations have the time and space to do so effectively. That means the executive leadership would need to maintain a genuine commitment to prioritizing audit recommendation implementation and protecting Staff's capacity to execute those implementation plans.		