



**Comprehensive
Performance Audit
of the
Portland Public Schools**

Final Report

September 3, 1998

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Dr. Ben Canada
Superintendent
Portland Public Schools
501 N. Dixon Street
Portland, OR 97227

Dear Superintendent Canada:

KPMG Peat Marwick LLP (KPMG) is pleased to present our final report regarding the Comprehensive Performance Audit of the Portland Public Schools (PPS).

The performance audit report contains over 130 findings and more than 230 recommendations for improvement in PPS' organization, operation and performance.

KPMG appreciates the opportunity to serve the PPS by conducting this performance audit. We would like to thank the management and staff within PPS for their cooperation during the audit. In particular, we would like to express our gratitude to Interim Superintendent Diana Snowden, Controller Heidi Franklin and community member Duane Schulz for their assistance as members of the performance audit Steering Committee.

Very truly yours,



EXECUTIVE SUMMARY

The people in Portland have demonstrated a strong commitment to public education and have always had high expectations for the Portland Public Schools (PPS). PPS' ability to meet these expectations has been undermined in the past decade for several major reasons, including: funding changes and cutbacks, a shrinking student population, aging and underutilized school buildings, and increasing legislative requirements for student achievement.

Since 1990, the Oregon Legislature has enacted two major property tax-limitation measures that severely restricted potential revenue sources and reduced funding. As a result, PPS has relied upon several one-time or variable funding sources to carry out its educational programs, including: lottery bonds, local government subsidies, the business income tax, one-time sale of property, and spending down existing fund balances. PPS' current budget continues this reliance on unstable funding sources to make ends meet.

Over the past 50 years, PPS' enrollment has fluctuated from approximately 50,000 to 79,000 students. In the 1997/98 school year, PPS' enrollment was approximately 56,583 students, slightly below the 58,373 enrollment in the 1945/46 school year. Recent studies suggest that the PPS' enrollment may further decrease to an estimated 50,000 students by the year 2002.

PPS operates 90 schools and 24 support facilities. This is virtually the same number of schools and support facilities it operated during the 1960s and 1970s when its enrollment peaked at over 70,000 students. While recent bond issues have provided health and safety and other improvements to existing facilities, roughly 50% of PPS' school buildings were built prior to 1940 and have the inherently high maintenance and operating costs associated with old buildings.

PPS' challenges are more than just fiscal and operational. Throughout the country, schools are faced with increasing demands for student performance, and Oregon is no different. School reform, passed by the Oregon Legislature in 1991, has established specific student achievement expectations through the Certificates of Initial Mastery (CIM)/Certificates of Advanced Master (CAM) and Proficiency-based Admission Standards System (PASS). So, PPS with less money, a declining student population, and a large and aging facility infrastructure, must also respond to the considerable challenge of improving educational performance to meet mandated achievement levels.



PORTLAND'S UNIQUENESS

PPS is distinguished from many other school districts in the country by the widespread public support it has enjoyed over the years. The Portland community believes in public education as is evidenced by the fact that nearly 9 out of 10 of Portland's school-age children attend public schools. Portland has a long tradition of neighborhood schools that are an integral part of the community. Perhaps it was this sense of community that brought out 30,000 people in 1996 to march in support of public education. The community also dramatically demonstrated its support when the City of Portland, Multnomah County, and Metro provided PPS with \$12 million in combined additional revenues for its 1998/99 budget. Moreover, this year voters approved a measure to increase business taxes by over \$9 million to help fund PPS' operations.

While subsidies from other sources have been significant, PPS fund balances have decreased to dangerously low levels. PPS is financially strapped and faces a struggle to continue to operate at its current level given its existing revenues. For this reason, PPS retained KPMG to conduct a comprehensive and independent performance audit of its operations. The performance audit is intended to determine PPS' strengths, weaknesses, and opportunities for improvement, with a specific emphasis on reducing costs, increasing financial accountability and enhancing student performance.

ACCOMPLISHMENTS

Since performance audits focus much time and effort identifying opportunities for improvement, it is important to recognize that numerous functions and activities at PPS currently are working well. For example, some of PPS' noteworthy accomplishments include:

- PPS employs a larger percentage of its employees who are teachers than the national average for all K-12th grade school districts and most of its peer districts. Of the total number of PPS' employees, 53% are teachers as compared to 45% of the national average and 52% of peer districts.
- Student performance continues to be above average in PPS based on available test result comparisons. According to 1997 SAT scores, PPS ranks 12 points above the national average on the verbal section and 14 points above the national average on the math section. Educationally, PPS is holding its own in comparison to state and national statistics. Unlike many urban schools in the nation, PPS is fortunate that it does not have to "dig itself out of a hole" academically.
- PPS has been effective in leveraging its management resources by doing the following: maintaining a prudent ratio of managers to staff that averages one manager to 22 staff; having a relatively flat organizational structure that has up to



six layers of management; and maintaining a lean administrative staff that accounts for 8% of PPS' total staff.

- PPS worked with the Citizens Budget Review Committee to get broader input on its budget for the 1998/99 school year. This demonstrated a renewed willingness of PPS to formally reach out to its stakeholders.

The performance audit report identifies numerous other accomplishments that reflect well on PPS' management and staff. In addition, it is important to recognize the hardworking and dedicated management, staff, and teachers within PPS who have persevered in the face of much turmoil in recent years to keep PPS operating and pursuing its educational mission.

15 POINT AGENDA FOR CHANGE

KPMG's performance audit identified more than 140 findings and over 230 recommendations for improvement that KPMG believes should provide a basis for change for the PPS in the coming years. These findings and recommendations fall into 15 major improvement areas, including:

1. Strategic Planning
2. Board Leadership and Direction
3. Communication
4. Administrative and Management Structure
5. Facility Utilization
6. Bond Management
7. Information Technology
8. Warehouse
9. School Police
10. Special Education
11. Minority Participation in Special Programs
12. Summer School
13. Enrollment Forecasting
14. Education Infrastructure
15. Human Resources

Each of these major points in the improvement agenda is briefly summarized below.

1. Strategic Planning

The driving force behind any high-performing organization is a clear vision that communicates and translates policy into action. PPS has only tinkered with strategic planning through several disjointed activities. These efforts include (1) management's efforts to draft a Strategic Plan for Student Achievement (SPSA); (2) Class ACTION undertaken to seek community input regarding key issue areas; and (3) the



development of the Interim Superintendent's focus group to develop criteria for selecting a new Superintendent. In addition, the Board adopted seven major goals for 1997/98 and each school site was required to develop a school site plan by June 30, 1998.

While commendable, these efforts have not been comprehensive or effective. PPS' stakeholders have not accepted or supported the SPSA. School Improvement Plans are not linked to an overall PPS mission, vision, or objectives and the strategic planning efforts are not in sync with the budget, nor are they evaluated based on a set of consistent performance measures. As a result, these plans do not provide the basis for effective resource allocation decision making. This is due, in part, to the lack of definable and measurable objectives. PPS needs to pursue a coordinated and comprehensive strategic planning effort to determine its future direction and the allocation and best use of scarce resources.

2. Board Leadership and Direction

The Board, as the policy-setting body for PPS, should provide continuity of leadership, and effective direction and guidance to PPS' administration and schools. The Board needs to establish an effective strategic planning process. The Board also needs to initiate a formal orientation and training process to provide members with the necessary tools and procedures to understand their roles, responsibilities and on-going duties. In addition, the Board needs to clearly define its committee roles and responsibilities and align its committees with PPS operations. It also has insufficient resources dedicated to coordinating work between the Board and PPS staff. Lastly, the Board does not have a formal communications plan in place to effectively share knowledge and information with its many stakeholders.

3. Communication

PPS needs to have clear communications with both internal and external stakeholders and a formal set of communication protocols. However, in recent years, PPS communications have not been well managed, leaving room for misinterpretation, inaccurate messages, and incomplete information. The communication difficulties that the PPS has had during the past year regarding reconstitution of schools and, potential school closures are examples of the PPS' communication problems. PPS also has not been a proficient external advocate to educate and inform policy makers and legislators as to PPS' concerns and needs.

Technology offers many solutions to improve communications. With the use of a shared network and electronic mail, PPS could disseminate regular information bulletins. District-wide voicemail systems are also useful tools for timely delivery of broadcast messages. Teachers need the basic tools of communication common to any business environment, such as telephones, facsimile machines, business cards, and computer-



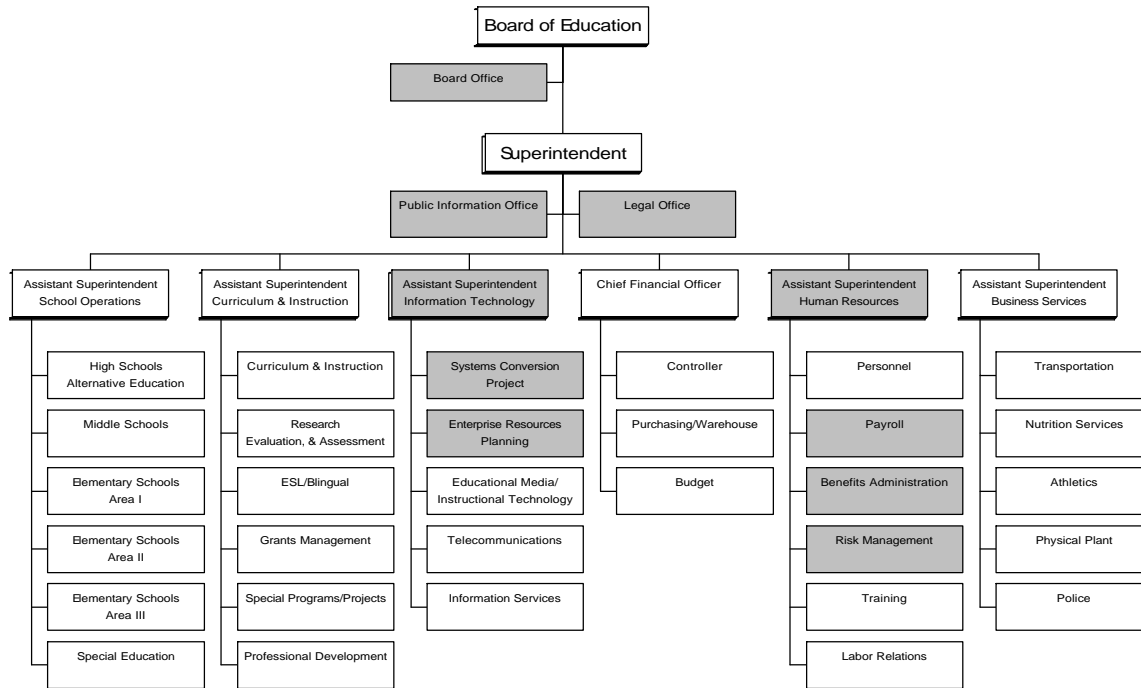
based electronic mail and Internet access. These simple tools could improve access to teachers by students and parents and enhance the ability of teachers to communicate with their associates within PPS.

4. Administrative and Management Structure

The administrative infrastructure of PPS has been neglected for many years. PPS' archaic information systems, many of which are over 20 years old, require excessive support, operate on out-of-date hardware, and maintain only basic financial and student data. As such, managers and policy-makers have little or no information upon which to make key instructional or budgetary decisions. In many cases, policies, procedures, and business processes are outmoded and do not reflect current industry practices. With inadequate systems support, many processes require excessive manual paper processing with many hand-offs, presenting significant opportunity for error. Certainly, PPS is presented with a considerable opportunity to use its resources better, and, more importantly, to redirect resources and invest in the education of PPS' students.

Management and administration is charged with ensuring the efficient and effective delivery of education services to PPS' students. In this area, there is a potential to streamline the reporting structures and management controls. KPMG is recommending that PPS adopt a new organizational structure. This proposed structure is shown in Exhibit ES-1. New and/or significantly realigned units are shaded on the proposed organization chart. The major changes in the organization structure include the creation of information technology and human resources departments reporting directly to the Superintendent. In addition, the responsibilities and/or staffing in certain units have been revised.

Exhibit ES-1: Proposed Organization Structure for the Portland Public Schools



5. Facility Utilization

PPS' schools currently house considerably fewer students than originally intended. PPS operates and maintains over 9.4 million square feet of space; yet, on average, elementary schools operate at 81% of capacity, middle schools at 84% of capacity, and high schools at 86% of capacity.

In the past 30 years, enrollment has declined by over 20,000 students. However, in spite of this significant decline in enrollment, PPS has continued to operate and maintain the same number of schools and square footage. PPS should explore three major options to reduce space and cut costs, these include:

- n Co-locate city and county services at schools operating under capacity, resulting in potential savings from \$1.1 to \$2.1 million annually.
- n Relocate staff from the Blanchard Education Service Center (BESC) to schools with available space and lease out all or part of the space at BESC to other organizations, resulting in a potential savings of approximately \$1.6 million annually in operating costs and lease revenues from \$1.5 to \$2.3 million annually.
- n Close the equivalent of 11 elementary schools, 1 middle school and 1 high school, resulting in potential savings from \$9.5 to \$12 million annually and increased revenues from \$1.85 to \$3.7 million annually.

These estimates are based on a building capacity analysis only and do not reflect adjustments for special needs programs, educational requirements, and neighborhood issues.



6. Bond Project Management

PPS needs to improve its management and control of bond funds to ensure that these funds are effectively utilized. KPMG found PPS' management and oversight of the \$221 million in bond projects is lacking in several areas. The projects are not part of a comprehensive program management plan to monitor the entire capital improvement program. PPS also has not established a complete Project Management function, nor developed project management plans for individual projects. Without a solid project management approach in place, PPS has not been effective in overseeing project change orders, and has insufficient controls over project budget changes and expenditures.

7. Information Technology

The rapid gains in information technology have changed the way large organizations conduct business, share information, coordinate activities, and analyze performance. Unfortunately, PPS has not effectively taken advantage of what modern technology can offer to enhance its management and operating systems. Certainly, funding constraints have impacted the District's ability to deliver technology improvements. Yet, at the core of its technology dilemma is a need to coordinate and plan for technology improvements. PPS has not adopted an IT Strategic Plan to support its business plan. Without such a plan it is difficult to discern priorities and make sound costing decisions for technology improvements.

Until January 1998, PPS had not invested in major systems needed to perform key business activities. Since this time, PPS has begun a systems replacement project to acquire information technology to meet the needs of its core functions, including:

- **Financial and Accounting** – support effective accounting and reconciliation, eliminate unnecessary manual processing, and support effective budgeting and site based decision making.
- **Payroll/Personnel** – establish an effective position control function and manage and control human resources information.
- **Student Information** – track enrollment, achievement, and core demographic data on PPS' students.
- **Nutrition Services** – support appropriate cost analysis, menu planning, merchandising, and labor tracking.
- **Purchasing/Warehouse** – provide on-line purchasing and stores inventory and accounting capabilities.



- **Risk Management** – provide capability to perform benefits administration and control various insurance exposures of PPS liabilities.
- **Position Control** – provide capability to establish, reclassify, abolish, and reconcile established positions with budgeted positions.
- **Grant Accounting** – support the establishing, tracking, accounting, and control of grant funds received for categorical programs.
- **Student Transportation** – support cost analysis, route planning, and contract management.
- **Physical Plant** – support work-order management, facility maintenance and inventory, and staff performance and work load management.

While the scope and specific requirements of the information technology systems needed to support each of these functions have not been fully defined, it is estimated that PPS may require \$25 to \$35 million in investments in hardware, software, and system integration costs over the next decade to meet these needs.

8. Warehouse

The PPS' warehouse has 154,000 square feet of capacity and maintains an inventory of approximately \$3.5 to \$5 million at any one time. The PPS' inventory turnover ratio is approximately 1.15 times per year, substantially below industry standards of 6 to 7 times per year. The potential exists for PPS to dramatically reengineer its purchasing and warehousing practices and reduce the warehouse by at least 50%. This would result in the reduction of 9 staff positions and result in total cost savings of an estimated \$896,000 annually.

9. School Police

PPS operates an independent school police function that employs a Chief, Lieutenant, three Sergeants, 15 officers, and one identification technician. The opportunity exists for PPS to transfer its school police function to, or consolidate it with, the City of Portland. This would reduce the management and administrative overhead for the school police function by five positions and result in an annual saving of \$238,000.

10. Special Education

PPS' Special Education program identifies and serves a relatively high number of students in the areas of mental retardation (9.3% of students versus a statewide average of 6.4%), emotional disturbance (10.9% of students versus a statewide average of 6.1%), and speech and language disability (27.1% of students versus a statewide average of 24.3%). As a result, PPS serves approximately 622 more students in these special education areas than are served on average throughout the State. Based on current funding levels, this results in an estimated \$1.75 to \$2.5 million in



additional cost to the PPS. PPS should seek additional funding from the Legislature to potentially offset its disproportionate needs and levels of service in these areas.

11. Minority Participation

The PPS needs to review its efforts to reach out and involve minorities in its programs that have an under-representation of minorities. These include:

- Alternative Education – This program is essential for reaching out to reluctant learners. PPS needs to address the disproportionately higher dropout rate of minority students. For example, from 1987 to 1997 PPS' total Latino population has increased by 186%, while dropout rates have increased 283%.
- English as a Second Language (ESL) – ESL program needs to make more concerted efforts to recruit a sufficient number of Spanish-speaking teachers to educate the increasing number of Latino students.
- Talented and Gifted (TAG) – Methods to identify, enroll, and track minority students to the program should be improved. Currently, minority students make up 33% of PPS' total enrollment, but they comprise only 18% of the TAG population.

12. Summer School

Enrollment in PPS' summer school program is considerably lower than in peer districts. PPS enrolls approximately 2% of its student population in summer school, while its peer districts enroll an average of 6% of their students in summer school. Summer school can be an important opportunity for students to improve educationally. PPS will need to address how to fund summer school so that summer school fees do not discourage the students who need this program the most.

13. Enrollment Forecasting

The PPS needs to improve its enrollment planning and budgeting function. Due to inaccurate enrollment projections, PPS has used a "shakedown" process at the beginning of the school year to adjust school enrollment and classes. As previously identified by the Blue Ribbon Finance Committee this has resulted in considerable classroom disruption that has interrupted student learning and impacted overall morale. As a result of inaccurate enrollment projections in the 1997/98 school year, PPS had to make a \$7.7 million emergency expense reduction in January 1998.

14. Educational Infrastructure

The staff cutbacks in recent years have significantly impacted PPS' educational infrastructure and reduced its ability to support educational programs and maintain or improve student achievement. Since the PPS abolished its curriculum office, it has



made little innovation in its curriculum and has fallen further behind in textbook adoption.

Moreover, PPS' methods for tracking student performance are neither comprehensive nor consistent. PPS has not effectively evaluated whether the curriculum or teaching methods it uses to deliver its educational program actually improve student learning and achievement. Without a comprehensive program evaluation approach, it will be difficult for PPS to evaluate and improve its current level of student achievement.

PPS also needs to enhance its research and evaluation activities to improve educational program accountability. Not only will such activities provide better information and tools for teachers in the classroom, but also improved testing and tracking methods will improve PPS' public accountability to deliver high educational performance.

15. Human Resources

Teachers, school clerks, librarians, administrators, and other staff are the valued "human resources" who provide educational services to the PPS' students. The methods used to manage this resource are vital to sustaining a learning organization. PPS needs to improve its human resources management capabilities to ensure it recruits, retains and develops staff effectively. It also needs to ensure that adequate systems and procedures are in place to evaluate all employees' job performance. PPS' human resources management methods are out dated and fragmented. PPS has not updated its classification and compensation plan since the early 1980's. Poor employee morale and compensation issues have been identified as contributing to PPS' loss of key administrators and staff to surrounding districts in recent years. PPS also lacks up-to-date and accurate information on employees; therefore, it is unable to proactively evaluate its human resources needs. Since the majority of PPS' expenditures are for salaries, the need to improve human resources management is clearly apparent.

IMPACT OF RECOMMENDATIONS

The performance audit contains more than 140 findings and over 230 recommendations for improvement in PPS. Exhibit ES.2, beginning on the next page, summarizes the major savings and costs associated with these recommendations. It is important to note that these recommendations may take several years to fully implement.

NEXT STEPS

Where should PPS go from here? PPS is currently suffering a crisis in confidence among its stakeholders. In an era of widespread public dissatisfaction with K-12 public education systems in this country, it is imperative that PPS show positive and meaningful action to restore its credibility in the community.



Several factors set the stage for moving forward. The Interim Superintendent and newly hired Superintendent have brought new vision, leadership, and management direction to PPS. The Portland community has demonstrated that it believes in the value of K-12 public education and is prepared to support positive change. PPS has a strong tradition of educational achievement, but it now must show a willingness to confront its problems and embrace meaningful change.

PPS, in its current state of financial tumult and education uncertainty, may be likened to a ship that is taking on water in rough seas. It is time to right the ship, chart a course, and sail on to a new and better destination.



Exhibit ES.2: Impact of Recommendations

Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
II. Planning Mechanisms							
II-10.1	Transfer the tracking of Residential Contingency Students to the school level where interaction with the students occurs on a day-to-day basis.	\$22,000	\$45,000	-	-	\$22,000	\$45,000
II-11.1	Add a staff member within Enrollment Services to aggressively seek out and attract additional students.	\$45,000	\$90,000	\$45,000	\$45,000	\$0	\$45,000
II-12.1	Address the costs of operating excess facility capacity and explore options for either funding these operations or cutting costs, potentially through the closure of schools.						
	OPTION 1: School Closure	\$11,350,000	\$15,700,000	-	-	\$11,350,000	\$15,700,000
	OPTION 2: Co-location	\$1,100,000	\$2,100,000	-	-	\$1,100,000	\$2,100,000
	OPTION 3: Decentralize and close BESC	\$3,100,000	\$3,900,000	-	-	\$3,100,000	\$3,900,000
III. School Oversight and Administration							
III-4.1	Add an analyst position to Board staff.	-	-	\$42,000	\$42,000	-\$42,000	-\$42,000
III-5.1	Add one analyst position to the PIO.	-	-	\$36,000	\$36,000	-\$36,000	-\$36,000
III-9.1 & III-9.2	Add a full-time general counsel and full-time paralegal.	\$265,000	\$265,000	\$168,000	\$168,000	\$97,000	\$97,000


Exhibit ES.2: Impact of Recommendations (continued)

Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
IV. Organization and Management Analysis							
IV-1.1	Eliminate the Assistant to the Superintendent position.	\$140,000	\$140,000	-	-	\$140,000	\$140,000
IV-1.3	Add an Assistant Superintendent of Information Technology.	-	-	\$140,000	\$140,000	-\$140,000	-\$140,000
IV-1.4	Add a Human Resources Assistant Superintendent to the organization.	-	-	\$140,000	\$140,000	-\$140,000	-\$140,000
IV-2.1	Re-examine narrow reporting relationships for the opportunity to consolidate functions and programs.	\$600,000	\$600,000	-	-	\$600,000	\$600,000
V. Information Technology							
V-3.1	Establish technology coordinators to provide the necessary assistance to schools.	-	-	\$1,092,000	\$1,092,000	-\$1,092,000	-\$1,092,000
V-7.1	Procure interface requirements to an integrated payroll/personnel system.	\$147,000	\$147,000	\$0	\$0	\$147,000	\$147,000
V-13.1	Nutrition Services should continue to consider a nutrition management system.	\$578,000	\$578,000	\$0	\$0	\$578,000	\$578,000
V-14.1	Install point-of-sale systems at all food services locations in the schools.	-	-	\$75,000	\$150,000	-\$75,000	-\$150,000


Exhibit ES.2: Impact of Recommendations (continued)

Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
V-15.1	Physical Plant should continue the procurement process and select a new facility management information system.	\$380,000	\$640,000	\$400,000	\$400,000	-\$20,000	\$240,000
V-16.1	Transportation services should continue the implementation of updated systems to improve efficiency.	-	-	\$10,000	\$10,000	-\$10,000	-\$10,000
VI. Financial Operations							
VI-1	Ensure that PPS adheres to a plan that will increase unreserved/undesignated fund balance.	-	-	\$10,000,000	\$16,000,000	-\$10,000,000	-\$16,000,000
VI-5.5	Conduct training on accounting basics for accounting staff.	-	-	\$40,000	\$40,000	-\$40,000	-\$40,000
VI-6.2	Consider obtaining bar-coded tagging equipment.	-	-	\$450,000	\$450,000	-\$450,000	-\$450,000
VI-7.1	Hire an internal auditor.	-	-	\$72,000	\$72,000	-\$72,000	-\$72,000
VI-8.1	Enforce PPS policy regarding time sheets.	\$55,000	\$55,000	-	-		
VI-11.1	Explore strategies to reduce its overall benefits burden.	\$6,000,000	\$6,000,000	-	-	\$6,000,000	\$6,000,000



Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VI-12.1	Implement a policy requiring current and future cardholders to use procurement cards whenever possible.	\$733,000	\$733,000	-	-	\$733,000	\$733,000

Exhibit ES.2: Impact of Recommendations (continued)

Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VI-13.1	Reduce the inventory in the Warehouse.	\$896,000	\$896,000	-	-	\$896,000	\$896,000
VI-14.1	Implement a warehouse credit policy.	\$50,000	\$50,000	-	-	\$50,000	\$50,000
VI-16.1	Enhance the efficiency of purchasing staff utilization by eliminating 2.5 positions.	\$72,000	\$72,000			\$72,000	\$72,000
VI-17.1	Replenish self-insurance fund reserves.	-	-	\$4,000,000	\$8,000,000	-\$4,000,000	-\$8,000,000
VI-19.1	Consider outsourcing the workers' compensation claims administration.	\$176,000	\$176,000	\$125,000	\$125,000	\$51,000	\$51,000
VI-21.1	Consider adequacy of staffing levels for the Environmental Health Safety Division.	-	-	\$72,000	\$72,000	-\$72,000	-\$72,000
VI-23.1	Dispose of obsolete equipment as soon as possible.	\$2,000	\$2,000	-	-	\$2,000	\$2,000
VI-24.1	Consider further staff reductions in the former Word Processing department.	\$187,000	\$187,000	-	-	\$187,000	\$187,000



Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VII. Academic Standards and Reform							
VII-20.1	Restructure programs and staff responsibilities to focus some staff on overall special programs and other program administration.	-	-	\$156,000	\$156,000	-\$156,000	-\$156,000
VII-21.2	Seek additional funding from the State Legislature.	\$1,750,000	\$2,500,000	-	-	\$1,750,000	\$2,500,000

Exhibit ES.2: Impact of Recommendations (continued)

Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VII-29.1	Explore expanded opportunities to provide scholarships to students who cannot afford to attend summer school.	-	-	\$55,000	\$55,000	-\$55,000	-\$55,000
VII-31.1	Conduct a longitudinal study to compare the quality and cost of Head Start program delivery capabilities.	-	-	\$50,000	\$50,000	-\$50,000	-\$50,000
VIII. School and Business Services							
VIII-1.1	Improve merchandising of Nutrition Services at the middle schools and high schools.	\$513,000	\$513,000	-	-	\$513,000	\$513,000
VIII-2.1	Disallow or strictly limit competitive food sales on school grounds.	\$178,000	\$178,000	-	-	\$178,000	\$178,000



Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VIII-4.2	Invest in new food warming equipment.	-	-	\$100,000	\$200,000	-\$100,000	-\$200,000
VIII-6.1	Consider hiring an industrial psychologist.	-	-	\$55,000	\$55,000	-\$55,000	-\$55,000
VIII-7.1	Update Board policy to definitively state the process for renting facilities.	\$3,500,000	\$7,000,000	-	-	\$3,500,000	\$7,000,000
VIII-8.1	Begin to aggressively advertise the availability of schools for rental purposes.	\$350,000	\$700,000	-	-	\$350,000	\$700,000
VIII-9.1	Improve collection procedures.	\$20,000	\$60,000	-	-	\$20,000	\$60,000
VIII-10.1	Develop equitable fee sharing methods.	\$130,000	\$130,000	-	-	\$130,000	\$130,000

Exhibit ES.2: Impact of Recommendations (continued)

Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VIII-11.1	Study the true costs to provide services to the renters of facilities.	\$100,000	\$500,000	-	-	\$100,000	\$500,000
VIII-13.1	Reconsider allocation of resources to ensure that the safety and cleanliness of facilities are not compromised.	\$2,500,000	\$2,500,000	\$566,000	\$566,000	\$1,934,000	\$1,934,000
VIII-15.1	Review allocation of resources to provide additional funding to custodial services.	-	-	\$650,000	\$650,000	-\$650,000	-\$650,000
VIII-16.1	Reinstitute the custodial training program.	-	-	\$27,000	\$37,000	-\$27,000	-\$37,000



Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VIII-17.1	Plant Operations management should track custodian time to complete jobs.	\$850,000	\$1,700,000	\$60,000	\$80,000	\$790,000	\$1,620,000
VIII-33.1	Continue to consider the use of moveable vehicle lifts in the Transportation Garage.	-	-	\$10,000	\$10,000	-\$10,000	-\$10,000
VIII-35.1	Increase the use of field supervisors to monitor the actions of bus drivers.	-	-	\$22,000	\$22,000	-\$22,000	-\$22,000
VIII-36.1	Hire a 1/2 full-time equivalent staff.	-	-	\$20,000	\$20,000	-\$20,000	-\$20,000
VIII-37.1	Conduct a cost benefit analysis to determine the savings associated with transferring transportation responsibilities.	\$1,500,000	\$3,000,000	-	-	\$1,500,000	\$3,000,000
VIII-38.1	Examine consolidation of services and support functions.	\$238,000	\$238,000	-	-	\$238,000	\$238,000

Exhibit ES.2: Impact of Recommendations (continued)

Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VIII-40.1, VIII-40.2, VIII-40.3,	Restore athletic participation to 1993-94 levels.	\$130,000	\$180,000	-	-	\$130,000	\$180,000



Rec. #	ISSUE	POTENTIAL COST SAVINGS		POTENTIAL INVESTMENTS		NET IMPACT	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
VIII-40.4, VIII-40.5 & VIII-40.6							
TOTAL *		\$23,207,000	\$45,575,000	\$18,678,000	\$28,883,000	\$4,529,000	\$16,692,000

* Note: Total does not include \$25 to \$35 million in information technology funding previously identified in PPS' on-going system replacement project.



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I – INTRODUCTION

This section of the performance audit report provides background information on the Portland Public Schools (PPS), enrollment and staffing information, and instructional and financial information. It also discusses our audit methodology and the organization of the audit report.

BACKGROUND

PPS first opened its doors to the community in 1851. In 147 years, PPS has grown from 20 students to a high of 79,000 in the 1960's and 56,583 in 1997/98. Its employee base has grown as well, from one teacher to a total of over 6,300 full-time equivalent staff. During this same period its revenues increased from a mere \$1,000 in 1851 to over \$635 million in 1997. Located in Northwestern Oregon at the junction of the Columbia and Willamette Rivers, PPS is the largest district in the Pacific Northwest, covering approximately 152 square miles.

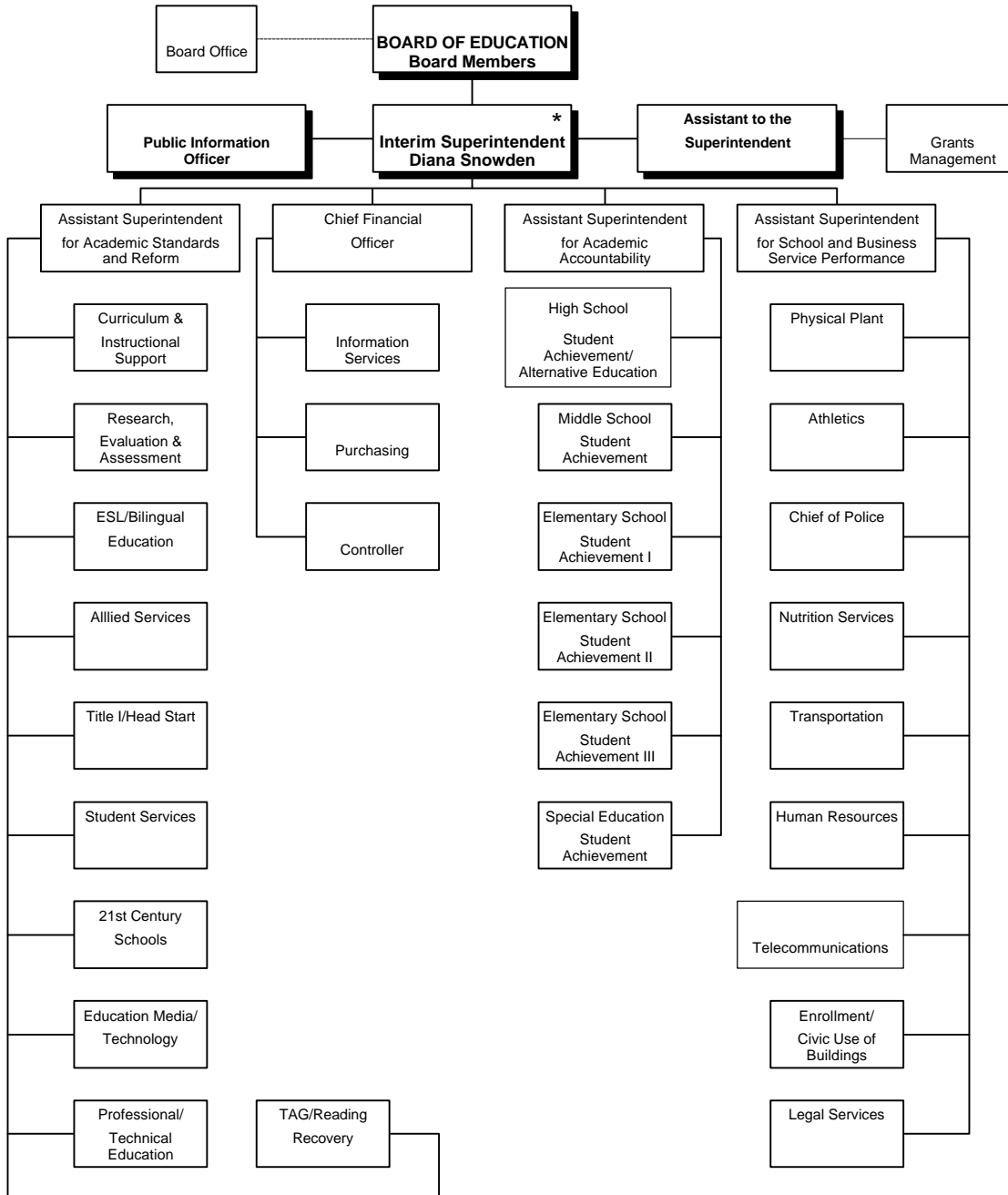
PPS' Board of Education consists of seven board members who serve four-year terms. The Superintendent is responsible to the Board of Education for the administration of the school system, including personnel, finance, instruction, student services, and all other aspects of PPS' educational and business operations.

PPS provides Pre-Kindergarten through 12th grade public education through its 90 schools, which include 63 elementary schools, 17 middle schools, and 10 high schools. In addition, PPS provides student services at 24 alternative, special, administrative, support, and holding facilities.

PPS' current organizational structure is presented in Exhibit I-1.



Exhibit I-1: Current Organizational Structure of the Portland Public Schools



Source: Portland Public School PPS Organizational Chart, January 9, 1998.

*Note: Dr. Ben Canada assumed duties of Superintendent in August 1998.



ENROLLMENT

Over the past 50 years, PPS' enrollment trends have fluctuated from approximately 50,000 students to 79,000. Student enrollment during the 1996-97 school year was 58,022, similar to the enrollment in 1945 when it was 58,373. 1997-98 enrollment is slightly lower at 56,583. Enrollment peaked in the early 1960s when the baby boom generation filled PPS' schools. During the 1970's, enrollment declined again. During most of the 1980s and early years of this decade, enrollment expanded once again as the region attracted population from other states. Exhibit I-2 summarizes these trends.

Exhibit I-2: Portland Public Schools Enrollment Trends from 1930-1996

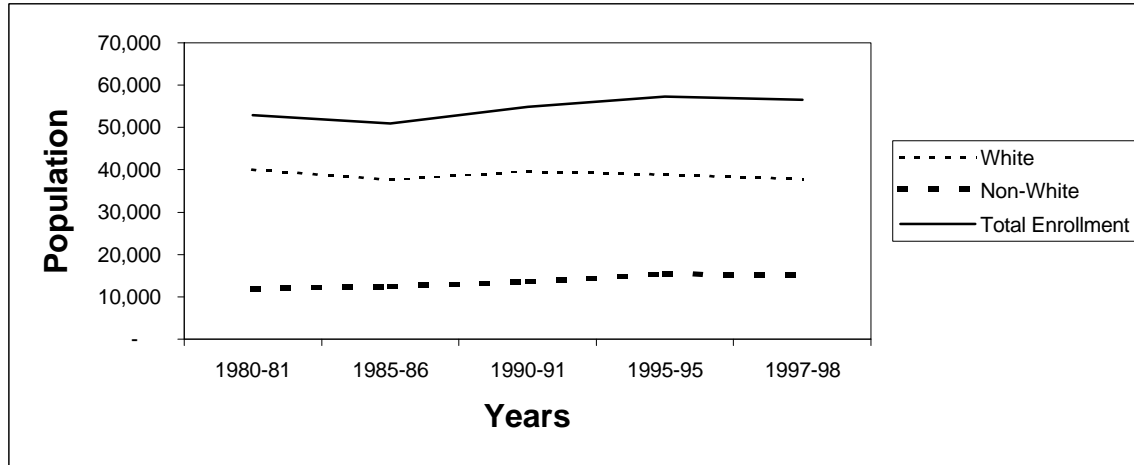


Source: 1997 Portland Public Schools Enrollment Report

A notable aspect of PPS' enrollment trends is the growth in the minority population. Since 1980, PPS' minority population increased by 46% while enrollment for the white population decreased by 6%. In 1980, approximately 24% of PPS' population were minority and today, approximately 33% of PPS population are minority. A substantial growth in the minority population is attributable to the increase in Latino students who enjoyed a gain of 283% over the past 17 years. Exhibit I-3 summarizes these trends.



Exhibit I-3: Portland Public Schools Enrollment Trends by Ethnicity



Source: 1997 Portland Public Schools Enrollment Report.

PPS anticipates that overall student enrollment will decrease, forecasting that by the year 2002 enrollment could be as low as 49,864. The decrease in the overall population is expected to occur while PPS continues to experience a continued increase in the Latino population. Latinos are the fastest growing ethnic group in the nation and in Oregon.

FUNDING

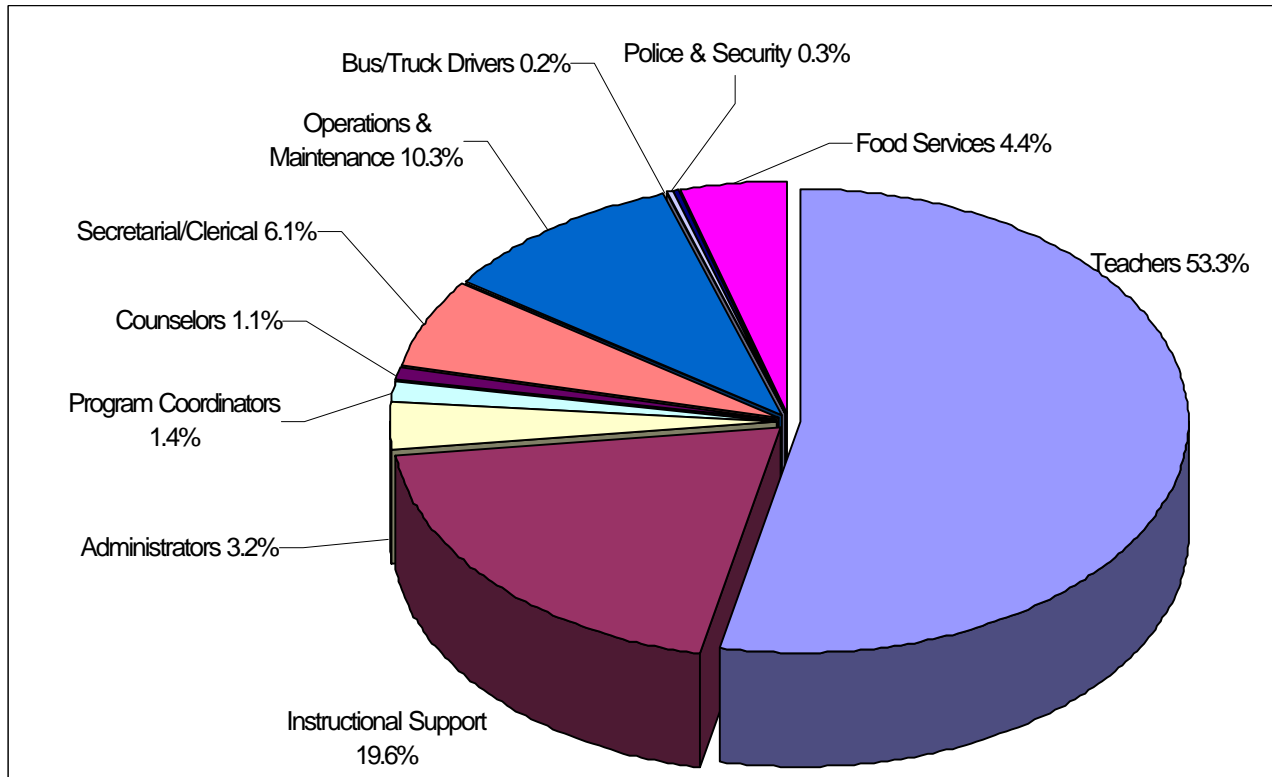
The State portion of Public Schools funding is based on an overall appropriation. From this set appropriation amount, funds are allocated to individual school districts based on the State Funding Formula (SFF). This formula considers student enrollment levels, adjustments for special education, and other factors. In several areas of this report, KPMG recommends methods to enhance PPS funding through actions that will impact the SFF. However, it should be noted, that because appropriation levels may change, and other Oregon school districts can modify their own data to influence the SFF, it is difficult to predict PPS funding levels from year to year. As such, factors outside of the control of PPS influence funding allocations.

STAFFING LEVELS

PPS currently employs approximately 6,300 full-time equivalent staff – 3,353 (53%) of whom are teachers. Exhibit I-4 depicts PPS' staff allocations among teachers, support, and other operational areas.



Exhibit I-4: Portland Public Schools Total Full-Time Equivalent Staff

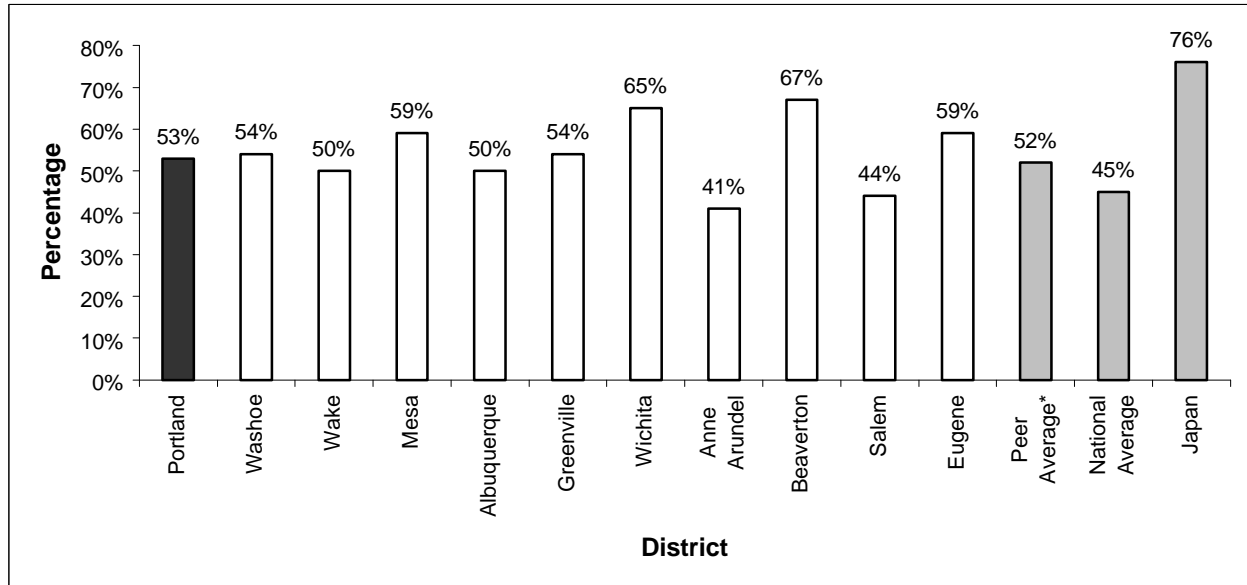


Sources: Portland Public Schools Annual Budget for 1997-98.
Portland Public Schools Grant Supplement for 1997-98.

To put this staffing statistic into context, Exhibit I-5 presents ratios of teachers to total employees for selected peer districts, the U.S. national average, and the international benchmark. For example, approximately 76% of the employees in school districts in Japan are teachers; in comparison, approximately 45% of school district employees in the United States are teachers. PPS' teacher to employee ratio is higher than the national average and is comparable to the peer districts average teacher to employee ratio of 52%.



Exhibit I-5: Comparison of Teacher Staffing to Peer Jurisdictions



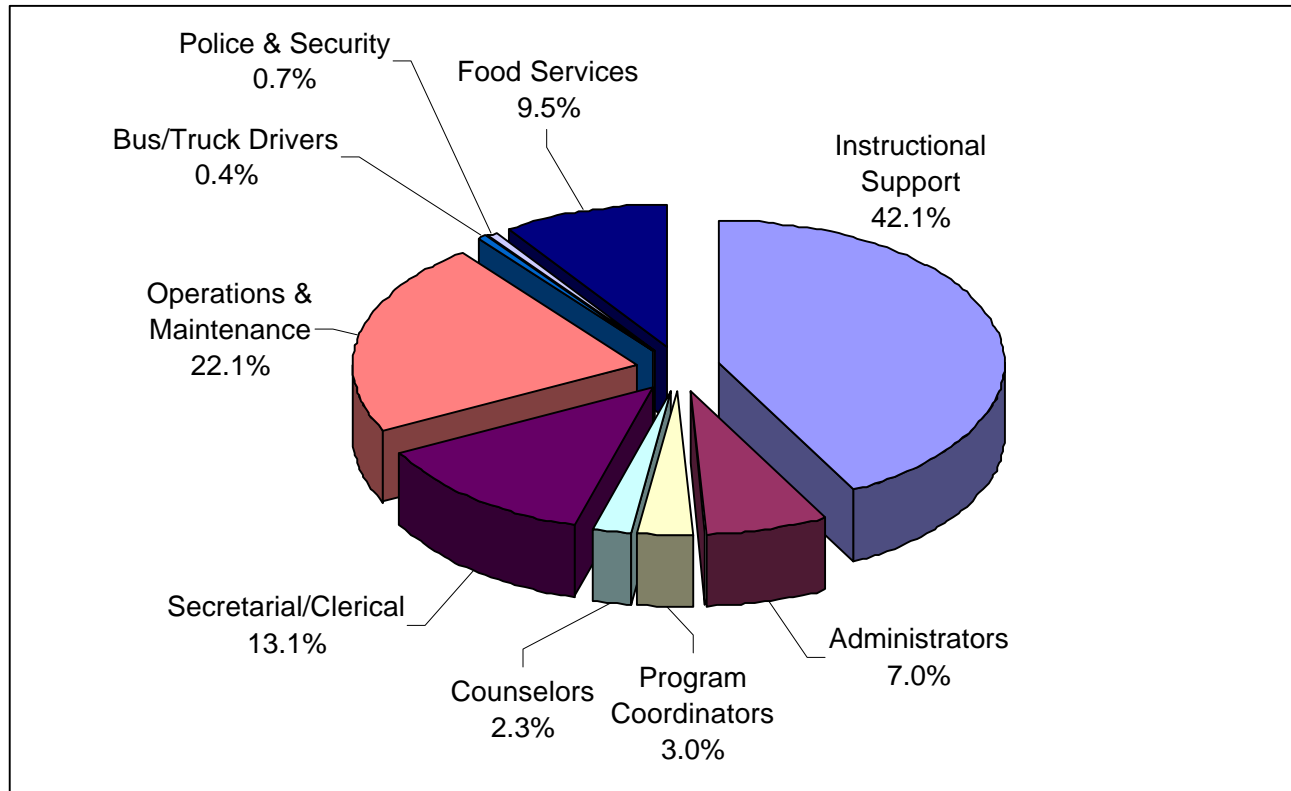
Source: Portland Public School Grants Supplement and Annual Budget for 1997-98 and KPMG Benchmarking Database, June 1998.

Note: *The peer average does not include the Salem or Eugene school districts. These smaller Oregon districts are shown for information purposes only.

The 47% of PPS' employees who perform non-teaching functions are responsible for providing student support, administrative support, custodial support, nutrition services, transportation services, health services, counseling, school administration, curriculum support, and school police services. Exhibit I-6 summarizes the various non-teacher positions within PPS.



Exhibit I-6: Portland Public Schools Total Non-Teacher Full-Time Equivalent Staff



Source: Portland Public Schools Annual Budget for 1997-98.

INSTRUCTION

Instruction comprises nearly 64% of PPS total General Fund Budget. Total instructional expenditures, including early childhood education, elementary school instruction, middle school instruction, secondary school instruction, special education, instructional staff and other instructional services, amounted to \$213.6 million in 1997-98, a 6% increase since 1994-95. This increase in the instructional budget is primarily attributable to a 10% augmentation in the elementary school budget and a 10% increase in the special education budget. Elementary school instruction, secondary school instruction and special education comprise the largest portions of the instructional budget. Exhibit I-7 depicts PPS' General Fund instructional allocations.


Exhibit I-7: Portland Public Schools Instructional General Fund Allocations

1997-98 Instructional Service	Total Instructional Budget	Percentage of Instructional Budget
Early Childhood Education	\$3,728,114	1.7
Elementary School Instruction	71,798,578	33.6
Middle School Instruction	31,213,511	14.6
Secondary School Instruction	48,170,542	22.6
Special Education	34,296,296	16.1
Other Instructional Services	4,265,059	2
Student Instructional Support Services	8,603,887	4
Instructional Staff	11,507,834	5.4
TOTAL INSTRUCTIONAL BUDGET	\$213,583,821	100

Source: Portland Public Schools Annual Budget for 1997-98.

Fund transfers, which amounted to \$22 million and 7% of general fund expenditures, are transactions that withdraw money from one fund, the General Fund, and placed in another fund without recourse. Exhibit I-8 contains the other fund that the transfer is being made to and the transfer amount.

Exhibit I-8: Key Fund Transfer Transactions

Fund	1997-98
Bond Sinking Fund	\$13,125,623
Nutrition Services (Cafeteria Fund)	0
BESC/Special Obligation Debt Services Fund	1,793,550
Capital Improvement Debt Service Fund	5,908,800
Early Retirement Fund	1,000,000
TOTAL KEY FUND TRANSFER AMOUNT	\$21,827,973

Source: Portland Public Schools Annual Budget for 1997-98.

Exhibit I-9 below depicts PPS' total general fund expenditures, by dimension, including Fund Transfers, Contingency Funds, Other Support Services, Transportation, Operations/Maintenance, School administration and Instruction.



Exhibit I-9: 1997-98 Total General Fund Expenditures by Dimension

Description by Dimension	General Fund Amount	Percentage of Total General Fund Budget
Instruction and Instructional Support	\$213,583,821	64
School Administration	27,365,631	8.2
Operations/Maintenance of Plant	39,475,884	11.9
Transportation	13,418,626	4
Other Support Services	13,002,032	3.9
Contingency Funds	3,326,033	1
Fund Transfers	21,827,973	7
TOTAL GENERAL FUND BUDGET	\$332,000,000	100

Source: Portland Public Schools Annual Budget for 1997-98.

The total program budget for the fiscal year ended June 30, 1998 was \$332 million, a 5.2% increase since 1994/95. As noted above, the largest expenditure was for general instruction, representing 64% of PPS General Fund budget. The second largest expenditure category, representing 12% of expenditures, was Operations and Maintenance, which accounts for all maintenance functions including school custodians. The third largest expenditure category, representing 8% of expenditures, was Administrative Support Services, which accounts for all instructional and central office support services.

It should be noted that expenditure comparisons to peer districts are presented for some of these expenditures in the body of the report.



AUDIT METHODOLOGY

In March 1998, PPS contracted with KPMG to conduct a comprehensive performance audit of its operations. According to the U.S. General Accounting Office,

“a performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.”

Project Objectives

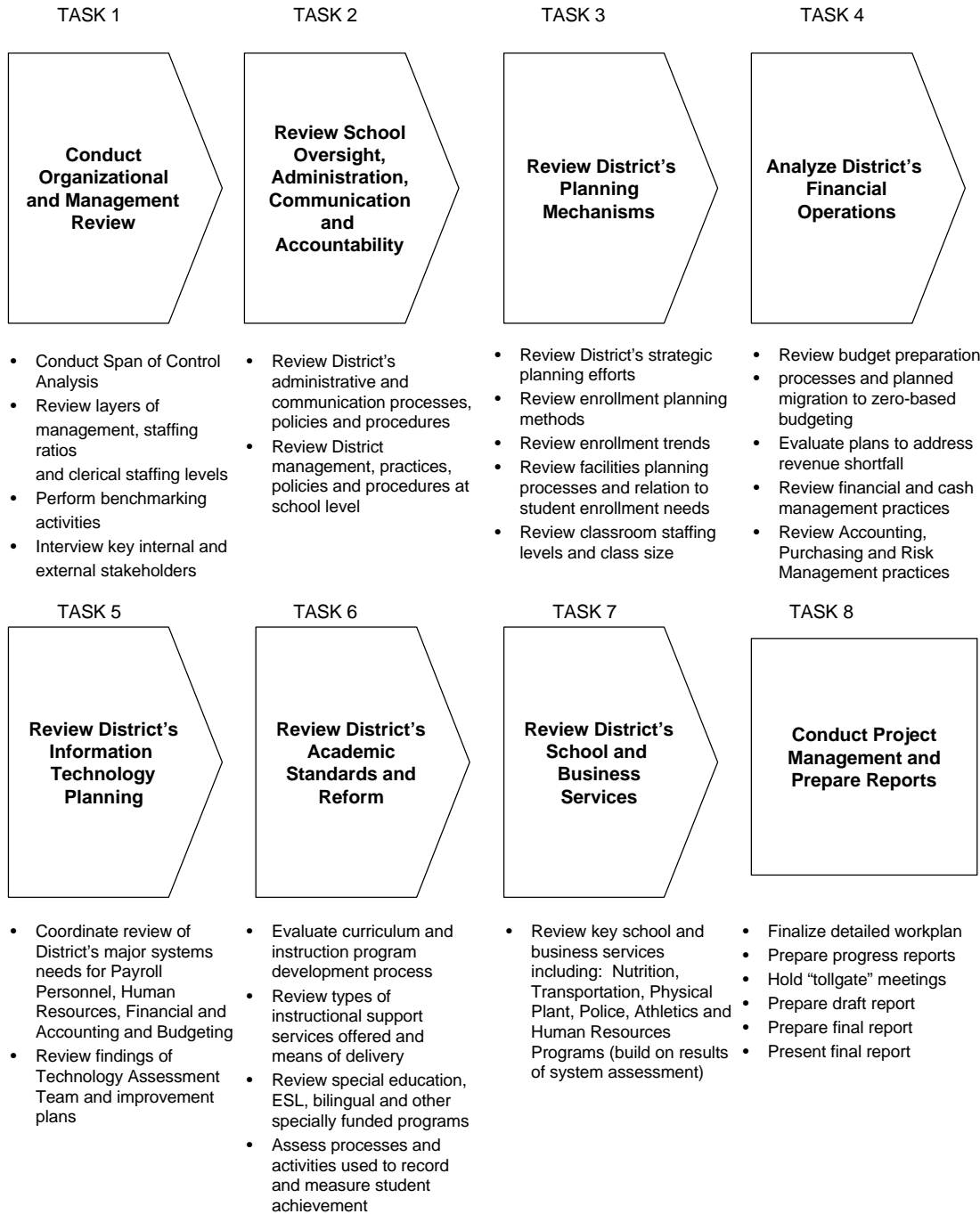
The objectives of KPMG’s performance audit of PPS were to:

- Conduct an independent and objective, comprehensive management and operations audit of PPS.
- Determine the strengths, weaknesses, and opportunities for improvement in PPS’ organization, operation, and performance.
- Conduct detailed reviews of PPS’ major functions and activities.
- Identify recommendations to improve the performance and accountability of PPS.
- Build public confidence and credibility in PPS’ efforts to meet the community’s needs and use resources effectively.

In order to accomplish these objectives, KPMG devised an audit plan consisting of eight tasks. The major components of the audit plan included a structured productivity analysis systems (SPANS) of PPS’ non-teaching personnel utilization and costs, a comprehensive benchmarking analysis of PPS against selected peers, interviews with over 50 PPS-wide stakeholders, and in-depth reviews of PPS’ major functional areas. The scope of the audit plan is depicted below in Exhibit I-10.



Exhibit I-10: PPS Performance Audit Project Scope



Source: KPMG Work Plan, April 1998.



Audit Approach

KPMG relied on several different techniques to obtain information and data during this audit:

- **Data Gathering and Input** —KPMG relied on a number of sources to solicit input and understand issues, concerns and operations relative to the Portland Public Schools. Throughout the course of the review, KPMG attended Board of Education meetings to understand the issues before the Board and the concerns of parents, teachers, students, and staff members. KPMG interviewed people from both inside the PPS’ operations and within various community groups or committees. We also examined numerous newspaper articles, correspondence, prior audits, and other written documents and reports that articulated the thoughts, concerns, and insights of many other constituents. The purpose of this effort was to obtain information, solicit ideas and concerns, and clarify issues from a cross-section of PPS personnel, including Board Members, the Interim Superintendent, Assistant Superintendents, Department Directors, and key stakeholders. In interviewing PPS staff, KPMG used structured, written interview guides to assure consistency in the interview process. These interviews were designed to gain a top-down understanding of PPS’ business processes and operating environments, determine the levels of automation throughout, solicit suggestion for improvement, and learn about any issues or constraints faced by the departments.
- **Document Review** —The KPMG team compiled and analyzed written materials describing PPS’ operations and activities. These materials included: organization charts, applicable laws and regulations, PPS policies and procedures, strategic planning documents, department purpose and goals statements, departmental and PPS budgets, organizational overviews, other financial and performance information, and minutes of Board of Education meetings.
- **Span of Management Control** —The KPMG team gathered and analyzed organization charts depicting the management reporting relationships within PPS. This analysis charts layers of management, the ratio of managers to support staff, and proportion of administrative support staff to overall staffing levels. Excess layers of management along with overly narrow or wide management spans of control are identified as opportunities for organizational streamlining.
- **Benchmarking** —Benchmarking is a process for comparing staffing, business processes, expenditures and policies across similar organizations. Benchmarking is a critical step for school districts to identify areas for improvement and provide a relative context to understanding PPS spending priorities. Benchmarking is useful not only in evaluating how well PPS is currently performing, but also for learning about trends, innovations, and alternative strategies use by similar public school districts. In addition to providing a tool for assessing performance relative to peers, benchmarking helps identify innovative ways of operating.
 - KPMG identified eight peer school districts to benchmark against various aspects of PPS’ budgeting, staffing, and operations activities. In addition, KPMG contacted three additional school districts in Oregon and requested that they participate in the benchmarking efforts. In some instances, KPMG compared PPS against state and national public education performance statistics. KPMG made various telephone calls to many of the superintendents to garner their support and explain in more detail the purpose of the study. In the end, 7 peer districts and 2 Oregon districts participated.
 - For those districts that agreed to participate, KPMG identified managers of the different functional areas that were to be benchmarked. Exhibit I-11 summarizes the areas identified for benchmarking:



Exhibit I-11: Benchmarking Subject Areas

- | | |
|--------------------------------|-----------------------------------|
| ■ General Information | ■ Curriculum and Instruction |
| ■ Vocational Education | ■ Head Start Program |
| ■ Summer School | ■ Talented and Gifted Program |
| ■ English as a second language | ■ Transportation Services |
| ■ Security and School Police | ■ Financial and Accounting System |

Source: KPMG Work Plan, April 1998.

In order to collect the benchmarking information, KPMG developed comprehensive surveys with indicators for each separate functional area. Surveys were developed to include indicators that would provide the best insight into the operations of PPS. KPMG relied on our experience and National Benchmarking studies to determine which pieces of information are most useful when compared across school districts.

KPMG conducted numerous follow-up telephone interviews to ensure that the data received was accurate and comparable. KPMG also worked cooperatively with PPS management and staff to obtain specific program performance data and other information.



Performance Audit Context and Limitations

Several key factors should be considered in reviewing the results of this performance audit.

- KPMG’s observations and recommendations are made with respect to the overall functioning of the Portland Public Schools. Critiques of specific functional areas apply, therefore, to the manner in which the entire school district operates, not just on specific unit.
- PPS has many external and internal stakeholders including teachers, students, staff, parents, community members, Board members and management. KPMG examined constituent and stakeholder issues in various ways: attending Board of Education meetings, analyzing correspondence sent to PPS, reviewing prior studies and reports, interviewing internal and external stakeholders. These initial steps undertaken to interpret stakeholder input should be expanded upon in PPS’ future strategic planning work.
- Various recommendations contained in this report suggest that PPS could enhance staff funding by taking actions to modify the State Funding Formula. These recommendations assume that overall appropriation levels would stay constant and that other Oregon school districts would not significantly change their funding formula factors.
- The performance audit was completed in five months. For the most part, this assessment applies to the way in which PPS was organized and functioning at the time of the review. It should be noted that the current PPS organizational structure had only been in place for less than a year.
- KPMG conducted direct observations and walkthroughs of PPS’ major administration and support functions within the scope of the audit. While observations and recommendations may focus on specific aspects of particular operations, it should be noted that managers within these units may have a broader range of responsibility than might be implied by their title.
- KPMG collected extensive data provided by PPS staff and through employee surveys. We also compiled and analyzed numerous documents and records. While these documents were reviewed for reasonableness and accuracy, they were not formally audited.

ORGANIZATION OF THE REPORT

The performance audit report is divided into several sections, as described below:

- **Executive Summary** – highlights key aspects of our performance audit results, and discusses issues that stem across the various performance audit areas.
- **Section I - Introduction** – presents the background of PPS System and discusses the audit approach and objectives.
- **Section II - Planning Mechanisms** – examines the methods used by PPS to plan for education delivery, information technology, enrollment and facility needs throughout the school system.



- **Section III - Organization and Management Analysis**- analyzes the organizational structure and the executive and policy decision making framework for the overall school system, and examines the efficiency of the management to staff span of control.
- **Section VI - School Oversight, Administration, and Communication**– reviews the decision making, communications, and oversight structure that directs and impacts school site activities and educational processes.
- **Section V – Information Technology** - reviews PPS’ use of information technology and efforts to implement new systems to enhance the communications, decision making structure and process efficiency among PPS operations.
- **Section VI - Financial Operations** – analyzes the financial management and related accounting system and business functions and operations that support PPS, including budgeting, accounting, bond project management, cash management, purchasing and warehousing, payroll, risk management, word processing and records management.
- **Section VII - Academic Standards and Reform** – reviews the educational delivery systems and curriculum applied in teaching PPS’ students, including curriculum, special education, alternative education, Head Start, English as a second language, summer school, talented and gifted students, library and instructional media, and research and evaluation. More specifically, it examines the mechanisms in place to ensure educational performance and accountability.
- **Section VIII - School and Business Services** – examines the business support functions throughout PPS including facilities, maintenance, nutrition services, school police, personnel, school transportation, and school athletics programs
- **Section IX - Implementation Plan** – summarizes the key findings and recommendations stemming from the performance audit work, and identifies the relative time frame and responsibility for implementing recommendations. This serves as a stand-alone document for monitoring implementation efforts.
- **Appendices** – provides additional technical information to support the results of the performance audit.

In the sections that follow, KPMG presents our assessment of PPS’ current management and operations. The recommendations that address these findings are intended, at the least, to assist PPS in implementing best practices. KPMG’s desire is that by adopting the recommendations provided in this audit report, PPS will enhance accountability, achieve excellence, and regain the trust and support of the Portland community.



II –PLANNING MECHANISMS

This section of the performance audit report presents KPMG’s findings and recommendations related to PPS’ strategic, enrollment, information technology and facility planning mechanisms.

STRATEGIC PLANNING

BACKGROUND

PPS’ planning efforts have involved four separate processes. These processes include the: (1) six goals which the Board of Education established (see Section III Board of Education); (2) Strategic Plan for Student Achievement (SPSA) which PPS management drafted; (3) Class ACTION program and School Improvement Plans which individual schools have developed; and (4) Operational or tactical level plans including information technology planning, facilities planning, and enrollment planning which various PPS units have developed.

ACCOMPLISHMENTS

As noted above, PPS has taken several actions that have contributed to its overall planning efforts. The four planning efforts are representative of the PPS’ desire to move forward.

FINDINGS AND RECOMENDATIONS

Finding II-1:	PPS’ strategic planning efforts have not been coordinated with a clear policy directive from the Board of Education. The efforts have not had the appropriate participation of key stakeholders nor have they been tied to specific action plans with measurable results.
----------------------	--

As noted in the background section above PPS has initiated four separate major planning initiatives, in addition to other operational planning efforts for technology, enrollment, facilities, or other planning. These efforts, while commendable, have not been coordinated with one another. This experience has made it difficult for PPS to discern if individual plan objectives are consistent with one another, or if the plans have been developed with measurable goals and objectives.

Even more problematic, however, is that the plans developed by PPS staff and management do not appear to have been developed in context of the Board’s policy direction. The Board of Education is the policy making body for PPS. As such, it has both the responsibility and authority to articulate this policy directive for management action. This requires evaluating the operating environment, and the internal strengths and weaknesses of PPS, as well as addressing challenges and issues impacting PPS’ future. From this analysis, the Board should then establish a strategic framework articulated in terms of its vision, mission, values and goals. It should then reconsider its six goals in context of this overall strategic framework and establish tangible, measurable strategic goals and specific actionable objectives designed to achieve the revised goals.

With the Board’s policy framework in place, as specified by its vision, mission values and goals, PPS management can then establish its own plans designed to achieve the goals and objectives of the Board’s directive. This results in developing tactical level plans, with more specific actionable items and steps. The school improvement plans then becomes each school’s approach to implementing



the Board's strategic direction. Primary responsibility for implementing these tactical plans rests with the Superintendent, who should report regularly to the Board on plan implementation status and progress. Subordinate managers, in turn, are responsible to report to the Superintendent the progress made in their areas. As such, each manager has a specific responsibility for developing and implementing tactical plans.

Student achievement, information technology, facilities, and human resources are areas that frequently require specialized attention in the planning process. While these stand alone as separate planning documents, they should still be established to be consistent with the overall policy framework as established by the Board's Strategic Direction.

Exhibit II.1 Illustrates the hierarchy of the proposed strategic planning framework for PPS.



Exhibit II-1 Proposed Strategic Planning Hierarchy

Source: KPMG Strategic Planning Methodology



- Recommendation II-1.1:** **Implement a strategic planning hierarchy that establishes a Board level strategic framework, develops operational level tactical plans, and provides for specialized planning needs of PPS.** Tactical and specialized plans should be consistent with the strategic framework set out by the Board.
- Recommendation II-1.2:** **Conduct annual meetings between the Board, the Superintendent, and Assistant Superintendents to review and discuss major issues and update strategies and tactical plan activities.** Strategic plan goals and objectives and tactical plan implementation efforts should be reviewed in context of changing circumstances, budget and stakeholder needs.
- Recommendation II-1.3:** **Ensure appropriate stakeholder participation in the strategic planning process.** Leverage the stakeholder participation already in place and develop strategies for ensuring appropriate stakeholder input at all levels of the strategic planning process. This may include establishing committees, conducting surveys, focus groups and the like.
- Recommendation II-1.4:** **Report on plan achievements.** Plans should set out responsibility for implementing goals and objectives and scheduled timeframe for achievement. The Superintendent and subordinate management should report regularly to the Board on the status of implementation efforts. Summary achievement reports should be published for stakeholder consideration.

Finding II-2:	The Strategic Plan for Student Achievement (SPSA) does not have the support and acceptance of PPS' stakeholders.
----------------------	---

The SPSA was developed by management and staff within PPS. While an important effort, it lacked input by key stakeholder groups, or policy direction for PPS's leadership. The SPSA includes strategies to enable students to meet/exceed CIM/CAM/PASS academic standards. It has outlined five major tasks for the upcoming academic year. These include:

1. Establishing standards-based education in English, Math, and Science
2. Identifying and addressing diverse needs of PPS student population
3. Designing five-year professional development plan, including areas such as technology, curriculum development, and instructional strategies
4. Establishing comprehensive school improvement planning
5. Publishing content standards in certain subject areas.

Sound strategic planning processes involve critical constituents, including policy makers, parents, students, teachers, community members, business representatives, Board Members, and Superintendents. Without the input of these groups, the basis of the strategy will be questioned. As such, the SPSA has not been adopted by PPS.

- Recommendation II-2.1:** **Develop a new tactical level strategic plan for PPS operations that is consistent with the recommended planning process.** Tactical level plans should be consistent with the overall strategic framework set out by the Board.



Finding II-3: School Improvement Plans need to be linked to PPS' vision, mission, and objectives.

Ideally, School Improvement Plans should articulate how the strategic direction of PPS will be implemented at the school site level. Developed in the absence of PPS' overall vision, mission and objectives, they only serve as site specific action plans. However, when each school develops its own separate plan, it is possible, if not likely, that PPS will be pursuing different objectives at different schools. This fragmented approach to planning can contribute to confusion, inconsistency, and the potential to misuse valuable resources. It can also result in difficulties for students to articulate (i.e. transfer between) schools in PPS, and could lead to inequitable educational standards and practices.

While it is important, in the era of site based decision making, for schools to have some autonomy in making decisions, this autonomy should be exercised in the framework of an overall strategic direction. School based managers and staff need to be in the business of delivering learning. Policy and direction is the purview of PPS' leadership and should be the result of a comprehensive planning process. Site based planning in absence of this direction, will only contribute to fragmentation.

Recommendation II-3.1: Develop School Improvement Plans that are consistent with PPS' strategic direction. The lack of consistency between PPS' strategic direction and the School Improvement Plans will make it difficult for the Board's vision to be carried out. School Improvement Plans should be developed in context of the Board's overall strategic framework.

Finding II-4: The lack of a clear communication plan has contributed to inadequate coordination of PIO activities.

The Department of Public Information and Communication (PIC) existed prior to 1991. The PIC, which is now the PIO, maintained a formal communication plan prior to 1991. The plan identified PPS' media relations, publications, communication and community relations activities, school communication plans and communication/professional contacts.

In 1992, PPS' Superintendent, created the Public Information Office. While the PIO attempts to "provide a single point for information about the district, in both crisis and routine situations," does not maintain a communication plan, or any plan, to communicate with the public.

The PIO does not market itself well, either to the Portland community or PPS personnel. For example, there is a lack of pamphlets, brochures, or any other type of literature that summarizes and promotes the PIO as a service agency for its constituents. In comparison with other PPS "service" departments, the lack of documentation and promotional material is striking.

Recommendation II-4.1: PIO should work in concert with the Board of Education, its newly appointed communication committee, and the Superintendent to develop a communication plan. This



plan should set out a 3-5 year communications vision (including activities, goals) for PIO that is consistent with PPS' strategic direction and plan. In addition, the plan should include methods for both internal and external communication responsibilities and protocols.

Recommendation II-4.2:

Develop materials to communicate the mission, capabilities, and accomplishments of PPS. PPS needs to enhance the type and quality of printed and other materials to help position PPS for the future.

Recommendation II-4.3:

Develop a systematic plan and technology for internal communication, including methods for transmitting information. Consider using available technology, either electronic mail or the PPS web page, to consistently communicate District information to staff, managers, and administrators on a regular basis.

Finding II-5:	PPS' Strategic Plan needs to be linked to its budget.
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Strategic plans specify vision, mission, goals, and objectives. However, without a linkage to resources, it is difficult to effectively execute and measure the value of activities. Strategies need to be developed to consider the relative priorities for allocating precious fiscal resources. In absence of this linkage, plans stand only as lofty wish-lists. Strategic planning that considers resource availability forces the making of tough decisions and choices as to which programs or initiatives will be funded and which ones will not.

Recommendation II-5.1:

PPS should develop a financial plan that is linked with its new strategic plan. The strategic plan and financial plan need to be consistent to ensure that resources are available to carry out key initiatives. These plans must also take into consideration the level of resources available to PPS.

Recommendation II-5.2:

Establish measurable goals and objectives that are linked to budget decisions. Goals and objectives should be established at each level, and should be tangible and measurable. These goals and objectives should be linked to the overall financial plan of the district to ensure that critical resource allocation decisions are made with respect to strategic direction.



INFORMATION TECHNOLOGY PLANNING

Finding II-6: Information technology planning efforts have not involved appropriate stakeholder participation nor are they developed in context of the overall PPS strategic direction.

PPS' Information Services Strategic Plan may not reflect the needs and desires of key application users or managers. The Information Services Strategic Plan was developed by Information Services staff, without the input of other PPS personnel. It is commendable that Information Services staff has considered the strategic information management needs for PPS' future. However, a key element to strategic planning is gaining an understanding of the business requirements of the organization. This is imperative in information technology, where it is important to pursue innovations based on the strategic needs of the organization. User input is also important in that it brings those impacted by the system closer to its design and function. This partnering is critical to setting out a strategic systems direction that will work for PPS, but also one that system users will accept. The system replacement project 's success depends on appropriate coordination and linkage to the overall IT strategic plan that is linked to the district-wide strategic plan.

- Recommendation II-6.1: PPS should pursue an information technology strategic planning process that involves key users and managers.** User participation is critical to ensure that systems are designed to support the performance of each program area. Users must be involved in the development of information technology system plans to ensure that the plans meet their needs and can be implemented.
- Recommendation II-6.2: The information technology strategic plan should be based on the overall direction and priorities of PPS as stated in its own district-wide strategic plan.** In addition to addressing user needs, technology systems should be developed to support the overall function and future objectives of the organization. The information technology strategic planning document should include a section linking overall PPS goals and objectives to the specific action items for the technology plan. The plan should be a "living" document, updated annually to reflect changing conditions, project status, technology, fiscal or other factors.



ENROLLMENT PLANNING

BACKGROUND

There are two units that deal with PPS student enrollment, the Budget Office and the Enrollment Department.

The Budget Office calculates PPS' enrollment on a monthly basis and reports average daily membership (ADM) for all students the Oregon Department of Education. The Budget Office transmits quarterly and year-end ADM data to the Oregon Department of Education. The State of Oregon distributes funds based on Average Daily Membership (ADM), with some additional adjustments, not on ADA.

The Enrollment Department in School and Business Services Performance is responsible for administering problem enrollments or exceptions to standard enrollment procedures. There are six types of special enrollments: Inter-District Transfers, Non-Resident, Residential Contingency (enrolls kids new to area who are awaiting proof of residency), Hardship, Foreign Exchange, and Tuition Students. The unit has two employees who process requests from over 1,600 students annually. Staff members work with students and parents who wish to transfer out of PPS to find a school within PPS that meets their needs.

ACCOMPLISHMENTS

The performance audit revealed that budget personnel possess considerable institutional knowledge regarding enrollment planning. Currently, the Enrollment Department reviews each release-request for proper reason/proper cause. Implementing this oversight has reduced transfers by 50%. The implementation of the Residential Contingency Program has allowed students without proof of address to enroll for up to 45 days. Previously, these students would have been turned away until their address could be confirmed. The unit implemented a database system to track special enrollment students, correspondence, and status.

Finding II-7: **PPS' enrollment planning and budgeting function does not support accurate projections requiring significant shifting around of students and staff at school sites after the school year starts (referred to as "shakedown").**

In the Blue Ribbon Report, the committee recommended that "the district should work to improve enrollment forecasting. The Panel recommends the district assume continuing reductions in enrollment. Regular enrollment has decreased an average of 615 students per year since 1993, while alternative (such as magnet schools and community programs) and non-regular school special education programs have increased by 500 students per year over the same period. The Panel recommends that the district develop a clear understanding of its enrollment trends. The district should also work to keep students in the school system and to improve attendance."

School principals bear primary responsibility for estimating the enrollment population for an upcoming school year. These estimates provide the basis for determining the necessary number or type of teaching and support staff. PPS central administration has hired consultants to prepare demographic projections to support enrollment planning, however, the projections are on a district-wide basis and are not able to be applied to individual schools.



Projecting enrollment can be a complex process that is impacted by numerous factors. It appears that PPS' approach is not effective, since considerable staff and student movement occurs subsequent to the start of the school year. This interrupts student learning and morale, and likely misuses valuable staff and classroom resources. Some classrooms are overcrowded while others have few students. Teachers must play "catch-up" with student learning after class populations are shifted about.

Inaccurate forecasts also result in funding and budget allocation problems, which the PPS' Budget Office discovered in 1997. The Blue Ribbon Report found that a lack of attention to enrollment forecasting trends resulted in administrative instability, such as the \$7.7 million emergency expense reduction in January 1997.

Clearly, PPS requires a more comprehensive and accurate approach to estimating student enrollment. Projections that are more accurate will provide a better basis on which to estimate staffing and resource needs. More importantly, students will not be shifted from class to class, teacher to teacher, interrupting their instruction and impacting their ability to achieve.

Recommendation II-7: **PPS should improve its enrollment forecasting approach.** PPS should establish a population forecasting position to monitor school enrollment and trends impacting enrollment. PPS should implement procedures to verify with parents their plans to enroll children for the upcoming school year. Staff planning mechanisms should be improved to provide realistic staffing by school site and support principals in these critical decisions.

Finding II-8: District staff members should become more knowledgeable regarding the State funding formula.
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The State's formula for determining the level of state funding is complicated. The funding formula impacts the level of funding delivered to PPS as a whole, which in turn affects funding to each individual school site. Therefore, it is critical for school site managers to have an understanding of their funding levels. This becomes most important when planning for staffing needs for upcoming school years. If school site and other PPS managers are more knowledgeable regarding the formula, it might be easier for them to plan for enrollment and related staffing needs more accurately.

Recommendation II-8.1: **Conduct additional training to ensure that PPS managers and key staff, specifically budget personnel, develop a better understanding of the State's funding formula.** This will enable PPS to become more sophisticated in budgeting and result in less disruption in the educational program arising from financial difficulties.



Finding II-9: PPS may wish to advocate for changes to the State Funding formula to adjust for cost of living differentials in Portland.

In spring of 1997, the firm Runzheimer International presented a cost of living analysis to the Confederation of Oregon School Administrators. This analysis found significant differentials among 25 Oregon regions, but more importantly, found that the cost of doing business in an Oregon urban or suburban area to be 4% to 8% higher than in other regions of the state.

According to information provided by PPS' staff, Runzheimer's analysis compares the cost of goods and services, housing, transportation, and taxes for a family of three with an income of \$43,380. They examine the cost of specific market basket items such as food clothing, home market and rental values, recreation, transportation, medical care and real estate taxes.

PPS' analysis of the Runzheimer study identifies that Portland has the highest cost of living factor among the regions surveyed, with 8.5% regional cost of living differential. This staff report states: "The theory is that if regional cost of living differentials exist, they will be reflected in higher salary and benefit costs for teachers and school support staff." This report further estimates that applying the 8.5% factor to Portland would generate an additional \$20.2 million in revenues. However, districts that are favorably impacted by the present calculation will likely oppose implementing legislation to adjust the state funding formula to adjust for cost of living differentials. The PPS staff report suggests that the best chance for an adjustment would be if state revenues improved, and this factor could be included in a comprehensive plan in which no district lost money.

Recommendation II-9.1: PPS should advocate to the State Department of Education and the Legislature to adopt an altered funding formula that considers cost of living differentials. If Portland Public Schools were funded considering its greater cost of doing business, it could receive additional substantial revenues annually.

Finding II-10 Tracking of Residential Contingency students by the central Enrollment Services unit is time consuming, difficult, and results in delays.

The Enrollment Department in School and Business Services Performance is responsible for administering problem enrollments or exceptions to standard enrollment procedures. Currently, the unit is staffed with two employees who processes requests from over 1,600 students yearly. There are six types of special enrollments:

- **Interdistrict Transfers** – students who wish to transfer from surrounding district into PPS or who wish to transfer out of PPS. During the 1996/97 school year, PPS' Board of Education adopted the Interdistrict Release Policy.
- **Non-Resident Students** -- roughly 150 students move into or out of PPS during the school year. Enrollment Services must process transfer agreements and facilitate clearances to ensure continuous enrollment for these students.



- **Tuition Students** – some parents wish to transfer their students to PPS without receiving a waiver from their local District.
- **Hardship Students** – roughly 350 students per year enroll in Portland Schools who do not live with their legal guardian.
- **Foreign Exchange Students** – these students require the highest degree of coordination. Enrollment Services must correspond with numerous entities regarding the admission of foreign exchange students.
- **Residential Contingency** – allows students who have recently moved into PPS and have no proof of address to enroll in school.

Although the central tracking of Residential Contingency Students allows for consistent action regarding these students, it is less efficient than tracking of students at the school level. Enrollment Services is not able to request documents from the students/parents on a daily, personal basis, instead the unit must rely on written correspondence and telephone calls. This may result in the loss of some students due to the expiration of their contingency status, although it is unclear whether any students are actually lost due to the current system. However, the additional workload from Residential Contingency reduces the time Enrollment Services staff spend on other types of special enrollments. It is possible that this results in the loss of 5 –10 students yearly, or \$22,500 to \$45,000 annually.

Recommendation II-10.1: PPS should transfer the tracking of Residential Contingency Students to the school level where interaction with the students occurs on a day-to-day basis. Greater interaction may ensure that the correct paperwork is received prior to the expiration of the contingent enrollment. Such an action may increase the retention of these types of students. Although the schools should handle the tracking of these students, Enrollment Services should still determine whether to grant the contingency status. This would result in additional revenues of between \$22,500 and \$45,000 annually.

Finding II-11: Enrollment Services needs to search more aggressively for non-enrolled students.

Enrollment Services is responsible for processing all PPS students who request a transfer as well as non-standard students wishing to enroll in Portland schools. During the 1997-98 school year, the two staff assigned to Enrollment Services processed requests from over 1,500 students. The special circumstances surrounding each student who contacts Enrollment Services requires a high level of communication between the students/parents and Enrollment personnel. Given the high caseload, staff indicated that they do not have the time to actively seek out information regarding new students in the area or attempt to find students who have slipped through the cracks.

In addition, there does not appear to be a high level of communication between the Student Police and Enrollment Services. Personnel in the Enrollment Services office were not aware of any efforts to seek out non-enrolled students by any operation at PPS.



Each student who remains out of school represents two deficiencies in the enrollment operation. Most importantly, the student is not in school. Additionally, PPS is not receiving the revenue for this student. This is why many state school-funding systems are based on average daily membership, a funding mechanism that provides a financial incentive for schools to ensure students are in class.

In addition to the failure to search for non-enrolled students, staff members may not have the time necessary to devote to each case. While Enrollment Services has been able to reduce the number of out-of-district transfers by half in the last few years by enacting the Interdistrict Release Policy, some students who could remain in PPS, or be brought in from other Districts, may be lost due to insufficient support from Enrollment Services.

Bring in a minimum of 10 to 20 more students per year could generate between \$45,000 and \$90,000 in increased revenues. By funding an additional position (estimated salary and benefits cost of \$45,000) to focus on identifying students for enrollment, PPS could realize a net revenue gain of \$45,000.

Recommendation II-11.1:

PPS should add a staff member within Enrollment Services to aggressively seek out and attract additional students.

The staff member (cost of approximately \$45,000, including salaries and benefits) should have pre-established performance measures for attracting at least 10 to 20 new students each year. This would result in additional revenues of between \$45,000 to \$90,000, for a net revenue increase of \$45,000.



FACILITIES PLANNING

BACKGROUND

The facilities planning function at PPS is performed by the Architecture, Planning, and Engineering (Physical Plant) section of Physical Plant. This unit, which employs 22 staff, is responsible for providing professional consultation to building users regarding capital improvement and maintenance projects. Physical Plant is responsible for all construction and engineering projects that occur on PPS' 90 schools and 30 support facilities.

In recent years, Physical Plant has undertaken a number of District-wide projects. These projects include: retrofitting of schools to make them comply with the Americans with Disabilities Act (ADA), instituting an energy management system to track utility spending by school, and coordinating the closure of the Child Service Center and the transfer of staff from that building to the Blanchard Education Service Center.

The recent decline in General Fund budgets has had an effect on Physical Plant. As of June 1998, roughly 80% off all work performed by Physical Plant was funded through the School District's Bond.

PPS operates virtually the same number of schools it did during the 1960s and 1970s when enrollment peaked at over 79,000 students. The decline in enrollment over the past couple of decades has resulted in the under-utilization of schools throughout PPS. The average elementary school is operating at 81% of capacity, while middle schools and high schools are operating at 84% and 86% of capacity respectively. In addition, roughly 50% of all school buildings were built prior to 1940. The large number of square feet maintained by PPS combined with the decline in maintenance and custodial staffing has resulted in declines in school upkeep and cleanliness.

ACCOMPLISHMENTS

The Physical Plant has experienced some meaningful accomplishments. These include:

- Compliance with ADA requirements is scheduled to be achieved by 2000/2001.
- Computerized Energy Management Systems have been installed in 70% of PPS' schools to monitor the climate controls and reduce utility costs saving PPS approximately \$1 million annually since 1990.

Finding II-12:	PPS is maintaining a large number of old and underused facilities.
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KPMG analyzed the current utilization of PPS facilities to determine whether there was the potential to close schools and shift students elsewhere. To initiate this analysis, KPMG examined current facility use and explored potential options to reduce the costs related to the underutilized facilities.

Exhibit II-2 below, summarizes the total and average capacity of all schools, the current enrollment.



Exhibit II-2: School Utilization

Type of School	Current Number of Schools	Average Total Capacity	Average Current Capacity	Schools Needed to House All Students	Potential Number of School Closures
Elementary	63	515	427	52	11
Middle	17	775	650	16	1
High	10	1,576	1,357	9	1
Total	90			77	13

Source: 1997-98 Facility Inventory Information Guide, 1/28/98, PPS Facility Information, May 19, 1998, and Performance Audit Analysis.

Based on the analysis above, it appears that thirteen schools are underutilized. There are three potential options for addressing this under-utilization.

- 1) Close underutilized schools and move displaced students to other schools
- 2) Cooperate with other governmental agencies to share space in underutilized sites
- 3) Decentralize administrative functions to the school sites and close a large portion or all of the BESC.

An analysis of each of these options follows.

Option One -- Close underutilized school sites: Exhibit II-2 suggests that 11 elementary, one middle, and one high school could be closed. Based on student capacity, the remaining PPS schools should be able to accommodate the displaced students.

Closing schools will result in disruptions for parents and students, however, significant operating cost savings and additional revenues could be realized. In addition, with fewer schools, PPS management can concentrate leveraging its resources.

Option 2 – Co-Locate activities of other governmental agencies in the schools: PPS may be able to address the under-utilization of school facilities in another way. Instead of closing schools, PPS should consider co-locating functions performed by Multnomah County and/or the City of Portland.

PPS should work with County and City officials to determine if either entity would be willing to make use of available space at PPS facilities. In exchange for the use of facilities, PPS could charge the County/City a monthly lease rate that includes operating and overhead costs.

Option 3 – Decentralize administration and close part or all of the BESC - With the large amount of unused space at schools and non-school facilities, PPS may wish to consider decentralizing its administration. In recent years, large school Districts, including the Chicago Public Schools, have begun closing their large central administration buildings and moving administrative functions to the school level. PPS may wish to consider this option.

Although it would take some time to identify suitable locations for each administrative department, there is the potential to close all or part of the BESC and move staff to smaller facilities. This would allow PPS to keep all school facilities open while reducing the amount of maintained space. The BESC could then be leased to local users or sold.



By closing the BESC, PPS would not only reduce the amount of space maintained by staff, it would also send a message that PPS intends to implement positive changes. The closure of the administrative building would send a message that PPS intends to improve the education environment and its financial operations.

According to PPS management, however, this option may not be feasible. Recently the PPS Surplus Building Committee studied the highest and best use of the BESC facility, and considered options for leasing it out. This committee found that the attributes of the BESC do not lend themselves to being an attractive property for development because the property is fully built out and leaves little room for modification. This committee has concluded that it would not be cost-beneficial to converting BESC to another use.

Fiscal Impact Option 1 – School closure: Considerable. To determine the potential savings by closing schools, KPMG determined the school administration (personnel only), nutrition services (personnel only), utilities, and maintenance and custodial costs associated with 13 of PPS’ oldest, biggest, and least utilized school facilities (this does not include teachers and other classroom staff). It is important to note that multiple facilities could be run out of one building, thereby reinforcing a more neighborhood-central structure. Initial analysis suggests PPS could save between \$9.5 and \$12.0 million annually by closing these schools. In addition, PPS could earn substantial revenue through leasing or selling these facilities. If PPS were able to lease 12%-25% of the freed space, PPS could earn between \$1,850,000 to \$3,700,000 annually (based on the current average square foot lease rate for other PPS facilities).

Fiscal Impact Option 2 – Co-location: By co-locating facilities, PPS may avoid additional expenditures, or receive additional revenues. Although it is difficult to quantify the actual amount that would be received, if PPS were to fill 50% of the space currently under-utilized at the school locations with co-located County or City functions, it could avoid roughly \$1.1 million to \$2.1 million per year in operating costs.

Fiscal Impact Option 3 – Decentralize and close BESC: Finally, by moving all administrative functions to the schools and other small facilities, PPS could close the BESC. The BESC has more than 380,000 square feet, and incurs roughly \$1.6 million in operating costs per year. This includes the salaries of the staff who operate the Dixon Street Diner, custodial staff assigned to the BESC, utility costs, and actual maintenance costs incurred. In addition to potential operating cost savings, if PPS were able to rent out at least half of the space at the BESC at a rate of \$8 to \$12 per square foot per year, PPS could earn between \$1.5 million to \$2.3 million annually.

It should be noted that Board policy currently states that all surplus real property must be offered to government agencies prior to putting the property out to bid in the private sector. This means that any surplus property generated by closing schools or the BESC must be offered to government agencies prior to being offered to the public sector. Historically, the City of Portland has “traded” land for PPS surplus property then sold the property to developers for considerable revenues. If PPS decides to close and sell schools or the BESC, it would be beneficial to change Board policy to allow PPS to receive bids from both government agencies and private investors at the same time, which would allow PPS to make the most lucrative choice.



Recommendation II-12.1:

PPS should address the costs of operating excess facility capacity and explore options for either funding these operations or cutting costs, potentially through the closure of schools or multiple use consolidation of facilities. The costs to continue to operate all 90 schools are considerable. If additional state funding cannot be found, then PPS is faced with either closing schools or finding additional funding sources. After weighing the costs and benefits of each option and considering the needs of the Portland community, the Board should select the option that best fits the needs of the PPS community. While the savings that would result from closing 13 schools is by far the greatest of the three options, the disruption it may cause to students may far outweigh these savings.



III – SCHOOL OVERSIGHT AND ADMINISTRATION

This section of the performance audit report contains KPMG’s findings and recommendations pertaining to:

- Board of Education
- Public Information Office
- Legal Office

Each area is discussed relative to pertinent background information, key accomplishments made by PPS, and specific findings and recommendations for operational improvement.

BOARD OF EDUCATION

BACKGROUND

PPS’ Board of Education has existed since 1851, when the District first elected three board members as the chief governing body of the District. Today, with its seven members, Board of Education members are elected to zones by all voters living within the Portland School District boundaries (including most of the City of Portland and portions of unincorporated Multnomah, Clackamas and Washington counties). Board members serve four-year terms without compensation and may be re-elected. Exhibit III-1 identifies the zone, territory, and name of the current board members.

Exhibit III-1: Portland Public Schools Board of Education Membership

ZONE	TERRITORY	MEMBER	TERM Expires June 30th of:
Zone 1	Far Southwest Portland	Donna Jordan	1999
Zone 2	Inner Southeast & Southwest Portland	Sue Hagmeier	1999
Zone 3	Lower part of inner Northeast & Northwest Portland	Marc Abrams	1999
Zone 4	Upper part of inner North & Northeast, & the North peninsula of Portland	Lucious Hicks	2001
Zone 5	Outer Northeast Portland	Douglas Capps	2001
Zone 6	Northern part of outer Southeast Portland	Ronald Saxton	2001
Zone 7	Southern part of outer Southeast Portland	Joseph Tam	1999

Source: Portland Public Schools, Board of Education, 1997-98

Board members establish guidelines and regulations concerning organization, general policies and major plans and procedures for the school district. The school board is legally responsible for the education of all children residing within the 152-square-mile school district.



Board members oversee the superintendent of schools who is responsible for managing a General Fund budget in the fiscal year 1997/98 of approximately \$332 million, to direct nearly 6,300 full-time equivalent staff and supervise 56,583 students. In addition, the Board requires that the Superintendent make recommendations on the operations of the 63 elementary, 17 middle and 10 secondary schools, as well as a number of alternative programs. The superintendent oversees six senior staff: one public information officer, three assistant superintendents, the chief financial officer and the assistant to the Superintendent.

ACCOMPLISHMENTS

Each school year the Board sets goals for PPS. In October 1997, the Board approved the following goals for 1997-2000:

1. Secure stable and adequate long-term funding for the Districts' operating budget through state aid and local funding sources.
2. Provide and promote a safe and disciplined alcohol and drug-free environment where the message that education is important is reinforced by conduct, speech, dress and attendance policies and practices.
3. Implement appropriate strategies to prepare all students to meet CIM/CAM/PASS proficiencies. Design approaches to help students attain those proficiencies and reach their highest academic potential.
4. Involve all of the staff, parents and students in crafting and realizing the vision of the school district through the development of regular two-way communication systems.
5. Improve the connection of the school district with the community through timely, accurate and regular two-way communication, using media and personal interaction.
6. Aggressively pursue strategies to keep all school-age students in Portland in formal public education programs.

FINDINGS AND RECOMMENDATIONS

Finding III-1:	The Board needs to enhance its policy direction and establish a mechanism to maintain accountability for its performance.
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For the Board to be successful in maintaining accountability and achieving its goals, it requires a policy and procedure infrastructure to support its primary policy-making role. Roles and responsibilities should be clarified to emphasize the policy-making role of the Board, the executive role of the Superintendent's office, and the administrative role of management. This hierarchy of roles and responsibilities should be documented, endorsed, and communicated by the Board to PPS' internal and external stakeholders.

Policies and procedures should establish specific protocols for Board and Superintendent dialogue, communication, and decision-making responsibilities. Specific attention should be given to the



nature of appropriate oversight of the Board and Superintendent with respect to educational policy, major projects, key transactions, contractual obligations, budget resource allocations, grant projects, bond projects and obligations, and the like. Policies and procedures should be documented and communicated to PPS' internal and external stakeholders.

Guiding these roles, responsibilities and procedures should be an overall strategic direction. Section II of this report provides recommendations for establishing a strategic planning framework within PPS. The Board has the leadership responsibility in this effort. Strategic planning will provide the mechanism for defining the Board's policy direction.

The Board's goals represent initial efforts to define the policy direction and purpose for PPS. This effort needs to be expanded, but more importantly, the Board needs to be able to measure its achievements in a tangible way. For goals to be meaningful, they must have some method for determining whether they are achieved. This requires developing specific action plans that are designed to achieve the goals and contain activities that can be measured. Action plans are valuable in that they provide the Board with a means of communicating its performance and achievements to stakeholders. Furthermore, it provides management with a clear directive as to its expectations for performance.

- Recommendation III-1.1:** **Roles and responsibilities should be clarified to emphasize the policy making role of the Board of Education, the executive role of the Superintendent, and the administrative role of management.** This decision-making hierarchy should be documented and communicated to PPS' internal and external stakeholders and consistent with the overall PPS Strategic Plan.
- Recommendation III-1.2:** **Clarify policies and procedures to establish protocols for Board and Superintendent interactions, and governance and oversight responsibilities.** Ensure appropriate oversight for major projects, funding, spending, and obligations.
- Recommendation III-1.3:** **The Board should develop performance measures for its adopted goals and communicate its achievement of these goals.** Goals should be developed or refined through the strategic planning process. Assign deadlines and organizational responsibility for the development and tracking of performance measures. Develop formal and regular reporting mechanisms to report to PPS' internal and external stakeholders on the status of goal achievement.

Finding III-2:	The Board needs to provide a formal orientation and member development process.
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New members generally receive a binder that includes PPS' mission statement, organization chart, general information regarding topics of operation, a booklet on "Boardsmanship" and an eight page booklet on conducting school board meetings. However, some members in prior years did not receive a formal orientation to learn about PPS' history, current environment, curriculum, budget, issues and other relevant district information. In addition, while the Board has previously held annual retreats, the current Board has not established a process to facilitate Board development, protocols and consensus building.



- Recommendation III-2.1:** **PPS should formalize the Board of Education orientation process.** Require all new board members to participate in a formal orientation process to include informational interviews with Assistant Superintendents, Chief Financial Officer and Public Information Officer.
- Recommendation III-2.2:** **Institute a program to have incumbent Board members provide newly elected members an overview of major issues from prior years.** This process would serve to facilitate collegiality amongst PPS Board members.

Finding III-3: Opportunities exist to improve the organization and functions performed by the Board's committee structure.

PPS has numerous committees that serve to solicit input, hear issues, or advise the Board on issues relative to education, operations, finance, budget, human resources, bond projects and other matters. Committees are valuable resource for soliciting input and for discussing issues. They can also be a valuable tool for Board members to become knowledgeable regarding specific topics or areas of district operations.

Recognizing that PPS has many functions, it is useful for Board members to disband and individually become "experts" in specific aspects of education. At present, the Board has four standing committees. The majority of these committees lack formal charters that outline their roles and responsibilities and authority. This creates a disconnect between the Board, management and stakeholders regarding the purpose and use of results from committee efforts.

More importantly, the Committees need to be formulated to support the Board's policy-making role. Committees should be established to consider actions or issues in detail, actions or issues that would otherwise monopolize the Board agenda. Committees also provide the opportunity to obtain both internal and external stakeholder input. They also provide an opportunity to establish specific methodologies or protocols for addressing or evaluating specific types of issues.

- Recommendation III-3.1:** **Establish the policy advisory role of Board committees.** Board committees should be established to consider issues or actions in detail and provide policy advice for the Board's action or consideration.
- Recommendation III-3.2:** **Adopt a limited number of standing committees to the Board, such as Curriculum and Instruction, Personnel and Communication, Finance, Operations, Audit, and Legislative Relations.** Revise committees' composition and roles with respect to the following:
- Establish committee charters to clearly define the roles and function of each committee, their reporting relationships and communication with PPS Board management, and staff. Identify the term or sunset point of the committee, the membership qualifications or makeup, its meeting schedule, and responsibilities of PPS staff to support the committee. Identify methods for



communicating results of the committee's action to PPS stakeholders and the Board.

- Consider splitting Finance and Facilities to two committees, given the workload of each area.
- Establish a Legislative Relations Committee to link policy direction with advocacy initiatives.
- Committees should be established to consider or explore issues in detail and formulate recommendations for Board action or consideration.
- Each Board member should serve as committee chair. This provides the opportunity for each board member to develop some expertise in a particular area of PPS' operation or issues.
- Ensure that committees have appropriate participation of community representatives or stakeholders.
- Selected PPS employees should serve as non-voting staff to the committees.
- Eliminate and/or consolidate other committees and make sub-and/or advisory committees to the four Board standing committees.
- Establish sunset provisions for all special committees.

Finding III-4:	The Board does not have sufficient staff assigned to gather information and perform analysis.
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The Board office is currently staffed with one full-time secretary and one part-time administrative assistant. In addition to providing administrative services to board members, staff respond to information requests from various member constituents, the media and other individuals of PPS' community. In addition to these activities, the Board office needs a component that provides analysis to Board members prior to their voting or taking action.

Recommendation III-4.1: **Add an analyst position to Board staff to assist Board in making, tracking, and analyzing information requests at a cost of approximately \$42,000 plus benefits.** The Board should define and document the purpose, roles, and responsibilities of this position. This position is needed to meet the extensive workload requirements of the part-time Board members. This results in adding 1 FTE at a cost of \$42,000 annually.



PUBLIC INFORMATION OFFICE

BACKGROUND

The Public Information Office (PIO) has a budget of \$171,000 and is staffed with one director and one secretary. The PIO Director reports directly to the Superintendent. Recently, PPS hired a new Executive Director of Public Affairs, to provide oversight to the Public Information Officer and support legislative advocacy. The Executive Director of Public Affairs position was not in place at the time of the audit field work.

The PIO's responsibilities include: fielding "boundary calls" and general information requests from public; providing District overview to interested staff, media; facilitating internal communication; responding with public relations strategy for "crisis" situations; hosting Board meetings; screening outside vendors for school access; serving as media translator, media trainer, ombudsman, alumni contact, community liaison, and PPS ambassador. Portland is the largest media market in Oregon and PPS receives considerable media/television exposure.

ACCOMPLISHMENTS

The PIO has initiated several activities that have enhanced PPS' public image. For example, the PIO (1) instituted the "Friday Five": a weekly quintet of story ideas distributed to local media; (2) developed and maintained contacts in the public relations community; and (3) conducted regular visits to school sites and with administrators.

FINDINGS AND RECOMMENDATIONS

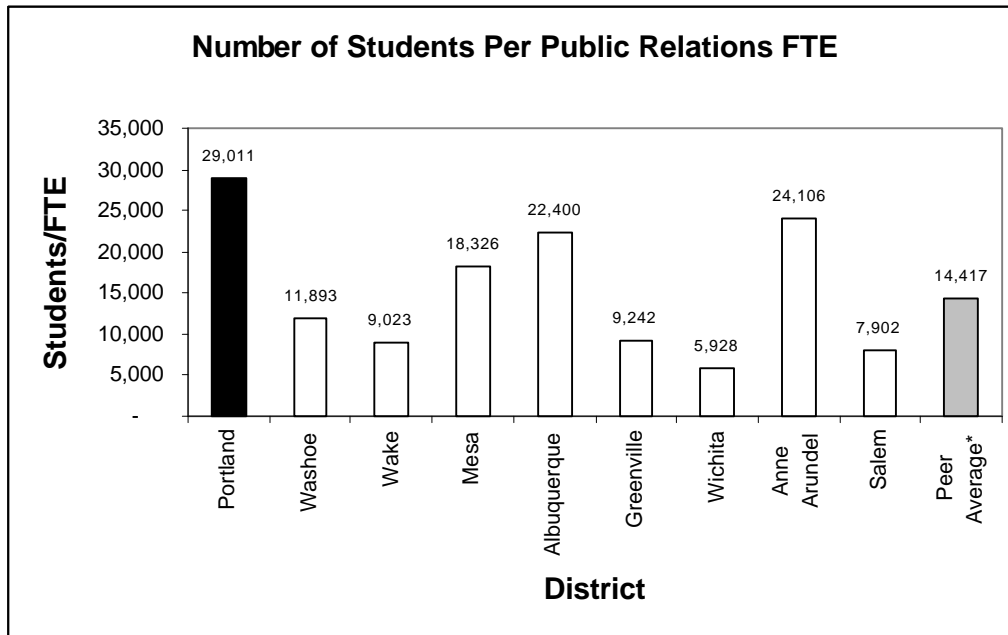
Finding III-5:	The PIO resources have been reduced significantly over time.
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The staffing and available resources of the PIO need to be evaluated commensurate with its mission, roles, and responsibilities.

As previously noted, Portland is the largest media market in Oregon, and the only significant television market in the state. PPS also receives increasing attention from the print media, with *Oregonian* reporters dedicated to covering the District. The PPS PIO is staffed disproportionately low, compared to other Oregon districts, especially considering its position as the primary market in the state. PPS' Public Information Office budget comprises .05% of the General Fund. The Salem Public Schools equivalent, the Public Information Services, comprises .27% of its General Fund budget—with a much smaller media market.

In 1990, the office had ten staff, including two writers. Over the years, the office was reduced to four staff. During 1997, the office was further reduced from four staff to two staff. Only recently has PPS added the Executive Director of Public Affairs (to a total of three staff members). However, this Executive Director also serves as General Counsel to the District. Compared to peer school districts, PPS' PIO staff to student ratio is the highest. Exhibit III-2 compares the current level of public relations staffing for PPS and other school districts.

Exhibit III-2: Comparison of Public Relations Staffing as a Ratio of Total Students



Source: KPMG Benchmarking data, 1996/1997.

Note: FTE denotes full-time equivalent position.

*The peer average does not include the Salem School District. These smaller Oregon districts are shown for information purposes only.

Exhibit III-2 shows that PPS' PIO has one FTE staff position for each 29,011 students versus a peer average of one FTE staff position for each 14,417 students.

Staff within the PIO maintain that the office receives between 100-200 "boundary calls" daily. These are calls to request information concerning neighborhood schools. With current staffing levels, many requests or initiatives are not handled in a responsive manner.

It is extremely important for PIO to appear responsive, and poised to react to stakeholder requests or crisis situations.

Recommendation III-5.1: **Add one analyst position to the PIO to provide staff resources necessary to carry out the newly revised roles and responsibilities of the PIO.** One of these positions may be assigned to work with the Board and/or Board committees. Investment associated with this position is \$36,000 which includes salaries and benefits.

Finding III-6: **The roles and responsibilities of the Public Information Officer are unclear.**

The PIO performs many duties. Many of these roles are absolutely essential, while others seem incidental or unnecessary. Moreover, many of the roles are unrelated, and thereby have detracted from the intended mission of the Public Information Office.



Internal communication between administrators and staff has diminished over the past few years. Currently, there is no coordinated internal communication—a contributing factor to increased disillusionment and low staff morale within PPS. However, the condition of communication, especially internal, has gotten progressively worse over the past few years. By their own admission, the PIO management state that they “do a poor job” in coordinating internal communication.

Along with a reduced staff and budget, there is also a lack of a presiding framework to govern core functions.

Recommendation III-6.1: **In conjunction with the Superintendent, clearly document the roles and responsibilities and evaluate the performance of the Public Information Office.** Update job descriptions to reflect agreed-upon duties and responsibilities, including prioritizing focus on internal vs. external communication. The Superintendent should develop, with input from the Board, a plan and schedule for evaluating the Public Information Officer.

Finding III-7: **The interaction and communication between the Board, Superintendent, and PIO needs to be improved to enhance PPS’ image.**

The communication between the PIO and Board of Education has deteriorated over the last 3 years. While the two offices are in close proximity, the interaction between the two is limited. The two entities operate separately on many activities, creating an inconsistency in the (1) processes practiced to disseminate information to District stakeholders and (2) type of information that is communicated.

One of the PIO’s roles includes providing “general information about programs, recent decisions by the Board, potential involvement in schools by the community and businesses...and initial interpretation of school district policy.” In order to achieve this, the PIO must not only interact with schools, the community and business, but with the Superintendent, the Board of Education, and its staff.

Based on the current organizational structure, the PIO reports directly to the Superintendent. Currently, there is limited communication between the Superintendent and PIO to ensure that the District’s messages to the public are consistently communicated. Further, the PIO and Board members and staff do not regularly communicate to ensure that consistent information flows between all parties.

Often times, PIO does not review Board agenda items until the evening of the board meeting. After board meetings, PIO and board member staff do not discuss the information that will be distributed to schools and other PPS community members. Information is not consistently communicated to PPS community (schools, teachers, students, etc.) The Board, PIO and Superintendent do not meet routinely to coordinate communication efforts. As a result of these disorganized activities, PPS has lost some of its credibility.

A coordinated internal plan would facilitate the communication between the Superintendent, PIO, and Board of Education. This would create an environment where consistent communication is provided



to all stakeholders. Finally, a coordinated planning effort would be the start of a new district-wide relationship towards confidence and assurance.

Recommendation III-7.1: **Create protocol/procedures for Board information delivery to public.** The Board, Superintendent and PIO should develop this plan and report back to PPS' Board on a routine basis.

Recommendation III-7.2: **Create detailed procedures for making information requests of managers and school staff, involving PIO in this process.** The PIO should collaborate with the Board and Superintendent to ensure that these policies are followed by PPS staff members.



LEGAL OFFICE

BACKGROUND

The Legal Unit, which reports to the Assistant Superintendent for School and Business Service Performance, employs one full-time secretary and a part-time attorney. The Legal Unit is charged with providing immediate information to staff, especially school principals and their staff, regarding PPS practices, policies and regulations and state and federal law. The Legal Unit helps staff members analyze how rules, practices and laws apply to their situation. The Legal Unit also responds to questions and information requests from staff, parents, students, citizens, and public and private investigators. It contracts with one outside legal firm for issues such as serious special education concerns that it cannot support internally.

In addition to the Legal Unit, the Risk Management Unit provides legal services in the areas of workers compensation, liability, property and general fund related issues. The Risk Management Unit contracts with six outside firms for these services.

It should be noted that subsequent to the audit field work, PPS hired a General Counsel and Executive Director of Public Affairs (one position) and that some of the recommendations contained in this section are already in the process of being implemented by the District.

ACCOMPLISHMENTS

The Legal Unit has operated on a limited budget and with limited responsibility. However, it provides legal services to PPS at a lesser cost than outside counsel.

With the addition of the General Counsel, the Legal Unit has commenced with centralizing legal services.

FINDINGS AND RECOMMENDATIONS

Finding III-8:	Opportunities exist for PPS to better coordinate legal resources.
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As noted above, legal services are provided by the Legal Unit and Risk Management Unit. Each unit contracts with outside legal firms for specialized services. This business approach hampers the facilitation of maintaining coordinated services and centralized control of legal expertise and control over outside legal costs.

Rather than PPS managing their legal services from two separate locations, a more cost-effective approach would be to provide internal centralized services. This business approach would grant PPS with various benefits.

The benefits of a coordinated approach to managing and using outside legal services are many. The coordination of legal activities would:

- Support a gatekeeper approach restricting the unit to manage all legal requests;
- Require the approval of the gatekeeper for any outside legal activities;
- Provide for all legal services to be supervised in a central location;



- Encourage knowledge and expertise regarding all PPS legal matters to be housed in one unit; and
- Support one-stop shopping consequently requiring individuals who need legal services to visit one location for advice.

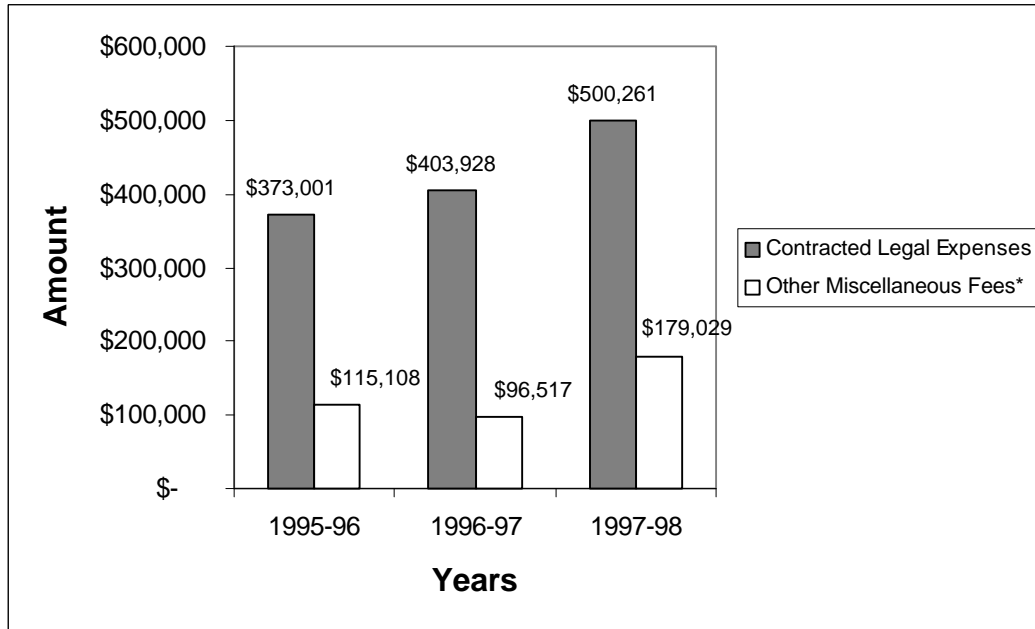
Recommendation III-8.1: Continue with efforts to centralize all legal service, including Risk Management legal activities, to the Legal Unit. This reorganization will allow for a coordinated approach to identifying and managing these expenditures.

Finding III-9: Opportunities exist to reduce PPS' costs of outside legal counsel.

Over the past 3 years, PPS' need to contract with outside legal firms has increased by approximately 34%. In 1995/96, PPS spent \$373,001 on outside legal fees and in 1997/98 it spent \$500,261. The Risk Management Unit incurs the majority of these legal fees. These figures are depicted below in Exhibit III-3.



Exhibit III-3: Portland Public Schools Legal Fees Over the Past Three Years



Source: Risk Management Unit and Legal Unit.

*Other Legal Expenses include other miscellaneous fees including part-time attorney fees and special education related hearings.

PPS currently spends approximately \$679,000 for all legal related services. It is estimated that improved coordination and management could reduce annual legal spending by an estimated 39% or approximately \$265,000. With the addition of a full-time legal counsel and a full-time paralegal, this would result in a net savings of approximately \$97,000 annually, or approximately 14.3% of current costs. (Total costs equal \$168,000 and total savings result in \$265,000.)

- Recommendation III-9.1:** **Hire a full-time general counsel for PPS.** Hire a full-time general counsel specializing in labor law, education and personnel matters to handle legal cases and manage outside counsel. The in-house counsel (Legal Unit) would manage cases sent to outside counsel as well as monitor cases and costs associated with outside legal firms. This results in a cost of approximately \$130,000 annually.
- Recommendation III-9.2:** **Hire a full-time paralegal.** The paralegal would support the general counsel in managing and coordinating PPS' legal caseload. This requires an investment of \$38,000 annually.

Finding III-10: PPS' Policies and Regulations manual needs to be disseminated on a regular basis.

The secretary of the Legal Unit is charged with collecting, consolidating and distributing updates to the Policies and Regulations book. (The Budget Office maintains a five-volume Resource Manual.) While updates to the Policies and Regulations book are made as changes occur, they are not



necessarily distributed to stakeholders. The secretary of the Legal Unit updates 2 books, both of which are kept in the Legal Unit.

While it may be burdensome for the Legal Unit to distribute changes to the Policies and Regulations book, it is important for PPS stakeholders to be informed of changes as they occur. Many organizations have implemented on-line policies and procedures, making these voluminous doctrines available through the network. With the recently implemented network capability, it would be an ideal time to convert to such a process to ensure that policies and procedures are kept up-to-date without burden-some distribution and update procedures. When sections of the regulations or policies are updated, then an enterprise wide electronic mail message can be sent to all personnel, indicating the nature of the change. By maintaining the documentation in electronic form, all personnel would have access to up-to-date information.

The Legal Office, Budget Office and Public Information Office should explore methods for implementing on-line documentation and communicating changes to PPS management and staff.

Recommendation III-10.1: **The Legal Unit, Budget Unit and PIO should work together to establish and communicate electronic versions of PPS Policies and Regulations.** The PIO should then create and update the PPS' web page to reflect these changes.

Recommendation III-10.2: **PPS should establish methods for communicating regulation and policy changes via enterprise electronic mail or other appropriate media.**



IV – ORGANIZATION AND MANAGEMENT ANALYSIS

This section of the performance audit report presents KPMG's findings and recommendations regarding overall organization of PPS and its management practices.

BACKGROUND

Since the passage of Measure 5 in 1990, PPS has eliminated hundreds position. These cuts have had a significant impact on how PPS delivers its educational program and conducts its administrative and management activities. In addition, PPS had two major operational reorganizations during the 1997/98 school year.

ACCOMPLISHMENTS

PPS has taken several positive steps in the past year to improve its overall organization and management. These efforts include:

- Hiring a new permanent Superintendent who began work in early August 1998.
- Filling the Controller position that had been vacant for an extended period of time.
- Establishing an organization and management structure that has an overall span of control of managers to staff positions of 1:21.8.

GENERAL ORGANIZATION AND MANAGEMENT

FINDINGS AND RECOMMENDATIONS

Finding IV-1:	Opportunities exist to consolidate and streamline operations and clarify the roles and responsibilities of upper level management.
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The review of PPS' organization and management structure indicated that the two major organizational changes that have occurred in the 1997/98 school year generated some confusion regarding existing roles and responsibilities. These roles need to be clarified. For example, three Assistant Superintendents have curriculum-related responsibilities that overlap and/or make it difficult to understand their respective authority and responsibility.

While the reorganizations enabled PPS to address some of its immediate management and organizational needs, it also divided certain functions. These functions could be more efficiently performed if like-activities were grouped under a single manager's responsibility. This would include consolidating certain responsibilities for school operations, curriculum, finance and accounting, and information technology.

In particular, the current organization structure does not recognize and fully empower two major aspects of PPS' operations that are increasingly important to carrying out the educational mission: namely, Information Technology and Human Resources. PPS' Information Technology function requires considerable attention within the next decade to ensure the development of a sound

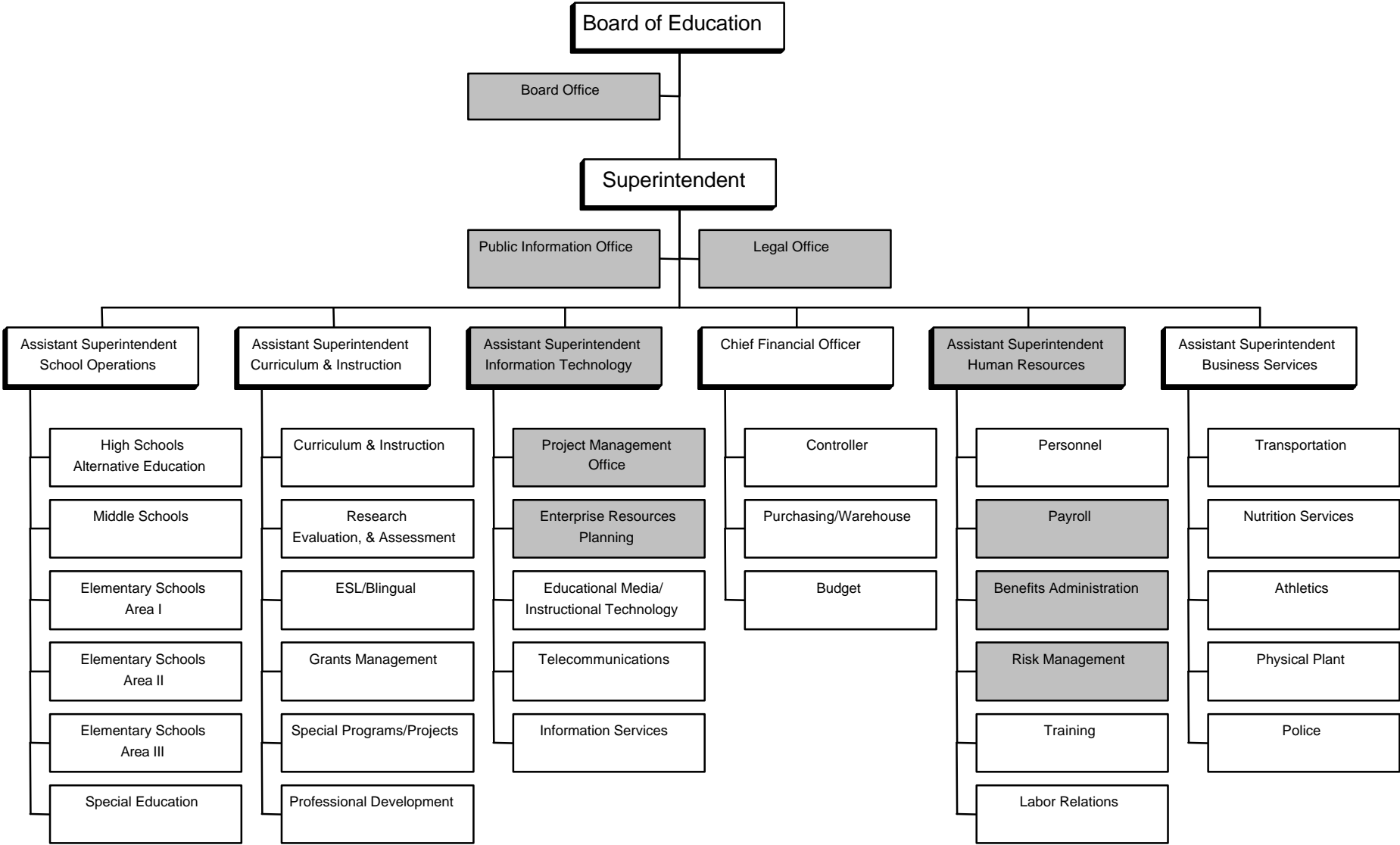


technology infrastructure that will support efficient administration and effective learning. The Human Resources function is crucial as it supports the lifeblood of PPS: its people.

KPMG is recommending that PPS adopt a new organizational structure. This proposed structure is shown in Exhibit IV-1. New and/or significantly realigned units are shaded on the proposed organization chart.



Exhibit IV-1: Proposed Organization Structure for the Portland Public Schools





- Recommendation IV-1.1:** **Eliminate the Assistant to the Superintendent position.** This position appears to straddle many core PPS functions. Fundraising and grants management should be realigned under curriculum and instruction. Federal/State Liaison could be reassigned to the expanded Public Information Office. This represents a savings of approximately \$140,000 in salary and benefit costs.
- Recommendation IV-1.2:** **Distinguish the roles and responsibilities of the Academic Assistant Superintendents.** Numerous school administrators expressed confusion about the roles and responsibilities of the two Assistant Superintendents and the Assistant to the Superintendent. The current structure does not clearly delineate the responsibilities for planning and oversight of the delivery of academic functions. Educational delivery and academic accountability should be the responsibility of the Assistant Superintendent of School Operations. Because of its role in supporting academic performance and learning, responsibility for curriculum design should lie with the Assistant Superintendent of Curriculum and Instruction.
- Recommendation IV-1.3:** **Consolidate technology responsibilities under an Assistant Superintendent of Information Technology.** Public sector agencies are unifying their information technology (IT) functions to ensure proper oversight and consistent IT planning and operations. PPS currently has various units involved in technology-related academic and operational functions. These responsibilities should be centralized under one Assistant Superintendent position devoted entirely to enhancing and maintaining IT infrastructure for PPS. This position should have extensive experience in strategic technology planning and management with demonstrated experience in determining how to orchestrate technology initiatives that support the mission of the organization and efficient operations. Within this unit, PPS should establish a project management office to report to the Assistant Superintendent, with the responsibilities for monitoring and controlling its systems replacement project efforts. This requires an investment of approximately \$140,000 in salaries and benefits costs.



Recommendation IV-1.4:

Organize functions under a new divisional configuration by adding a Human Resources Assistant Superintendent to the organization. Human resource functions such as payroll and personnel should be aligned in one division. The Assistant Superintendent of Human Resources should have extensive experience in managing a human resources program for a similarly sized organization with demonstrated experience and education in human resources management, labor relations, hiring and selection, payroll and benefits administration, and staff development. Costs associated with this position are \$140,000 in salaries and benefits.



MANAGEMENT SPAN OF CONTROL

Finding IV-2:	PPS has an opportunity to streamline its organization by leveraging its management to staff span of control in selected areas.
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KPMG conducted a comprehensive assessment of the management and organizational structure of PPS, applying accepted best practices and management standards. This assessment examined several key aspects of the organization, namely:

- Ratio of Managers to Non-Managers
- Narrow Reporting Relationships
- Layers of Management

The detailed methodology describing this analysis can be found in Appendix A.

Exhibit IV-2, presented on the next page, summarizes the analysis of PPS' organizational structure.



Exhibit IV-2: Analysis of the Portland Public Schools Management Structure

Unit	Total Staff	Manager to Non-Manager Ratio	Percent Admin. Support	Narrow Reporting Relationships					Layers of Management
				1:1	1:2	1:3	1:4	Total	
School Board Staff	2	-	50%	-	-	-	-	-	-
Superintendent's Office	4	1.0	50%	1	-	-	-	1	2
Assistant to the Superintendent	10	4.0	40%	2	-	-	-	2	3
Finance	124	7.9	33%	1	-	1	-	2	5
Budget/Deputy Clerk Services	4	3.0	0%	-	-	1	-	1	3
Payroll	12	11.0	67%	-	-	-	-	-	3
Controller's Office	20	5.7	65%	1	-	-	-	1	-
Purchasing	48	8.6	35%	-	-	-	-	-	-
Information Services	38	11.7	5%	-	-	-	-	-	-
School & Business Service Performance	1,220	19.0	5%	6	5	7	6	24	6
Legal Unit	2	-	50%	-	-	-	-	-	2
Athletics	7	2.5	29%	-	1	-	4	5	4
Enrollment/Civic Use of Buildings	4	3.0	75%	-	-	1	-	1	3
Police	28	4.6	7%	-	1	1	-	2	5
Human Resources	32	2.6	59%	3	1	3	-	7	4
Nutrition Services	297	11.9	1%	1	1	-	2	4	6
Student Transportation	121	29.3	4%	-	-	-	-	-	4
Physical Plant	727	44.4	4%	2	1	2	-	5	6
Architecture, Planning, and Engineering	22	3.4	14%	2	1	1	-	4	6
Environmental Health and Safety	6	5.0	17%	-	-	-	-	-	4
Maintenance Services	293	96.7	4%	-	-	-	-	-	6
Plant Operations (Custodial)	395	78.0	1%	-	-	-	-	-	5
Telecommunications	4	3.0	75%	-	-	1	-	1	4
Academic Standards and Reform	206	6.6	23%	5	2	2	2	11	5
Assistant Superintendents Office	3	2.0	67%	-	-	-	-	-	2
Research, Evaluation, and Assessment	21	9.5	24%	-	1	-	-	1	4
ESL/Bilingual	6	1.0	0%	2	-	1	-	3	4
Curriculum & Instructional Support	37	5.2	22%	2	-	-	-	2	5
Library and Instructional Technology	6	5.0	0%	-	-	-	-	-	3
Title I/Head Start	87	13.5	23%	-	-	-	1	1	5
KBPS Radio	10	9.0	40%	-	-	-	-	-	3
Educational Media	18	3.5	33%	1	-	-	1	2	4
Multicultural/Multiethnic Education	3	2.0	33%	-	1	-	-	1	3
Indian Education Project	11	10.0	9%	-	-	-	-	-	3
Talented & Gifted	4	3.0	25%	-	-	1	-	1	3
Academic Accountability	4,681	26.9	7%	3	4	1	2	10	6
Assistant Superintendents Office	6	5.0	50%	-	-	-	-	-	2
High School Student Achievement*	1,221	26.8	11%	2	4	-	1	7	6
Middle School Student Achievement	896	23.2	6%	-	-	1	-	1	5
Elementary School Student Achievement Area I	707	25.2	7%	-	-	-	-	-	5
Elementary School Student Achievement Area II	680	29.9	6%	-	-	-	1	1	4
Elementary School Student Achievement Area III	819	33.1	4%	-	-	-	-	-	5
Special Education Student Achievement	352	26.1	5%	1	-	-	-	1	4
TOTAL DISTRICT	6,247	21.8	8%	18	11	11	10	50	6
TOTAL DISTRICT EXCLUDING SCHOOLS	1,566	13.8	10%	15	7	10	8	40	6

Source: KPMG analysis of Portland Public Schools Organization Charts dated June 1, 1998.

Note: * Although Summer School staff report through Alternative Education in High School Student Achievement during summer months, these positions are only counted under the school to which they are assigned.



Ratio of Managers to Non-Managers

As shown in Exhibit IV-2, the overall manager to non-manager ratio for PPS is 1:21.8. This statistic means that there is a supervisor or manager for approximately every 22 non-supervisory employees. While the overall ratio is good, it should be noted that this ratio ranged from a low level of one manager to one non-manager to a high of one manager to every 96.7 non-managers.

This manager to non-manager ratio provides a method for examining overall organizational efficiency. Since management resources are typically more expensive than subordinate staff, organizations are striving to leverage management resources by broadening the span of control. These measures are important because they indicate the extent to which an organization leverages its costly management resources in overseeing and monitoring the performance of the organization.

At PPS, the manager to non-manager ratio appears to be significantly above best practice standards (as discussed above in the methodology section). This suggests that PPS has done a good job of leveraging its management resources. Despite this large overall manager to non-manager ratio, a few departments, specifically Physical Plant, Student Transportation, and the Division of Academic Accountability, have very high manager to non-manager ratios that may skew the average. When these staff are excluded, PPS' manager to non-manager ratio is 1:7.4, a level slightly below best practice standards. When only schools are excluded (the Division of Academic Accountability), PPS' manager to non-manager ratio is 1:13.8, a level comparable to best practice standards.

The extensive use of "lead" positions in PPS organization should be noted. (As stated previously, these positions were counted as non-supervisors in this analysis). Currently, PPS uses various lead positions to compliment the supervisory duties of full supervisors and managers in a number of units. Although the duties of such positions vary by organizational unit, lead workers generally fulfill a leadership role in operation settings. For example, the Maintenance Services Foreman assigns daily work tasks, monitors task status, orders supplies, and checks the completed work product. To compensate for these added duties, lead positions are often paid salaries 5-10% higher than non-lead positions. Although PPS should be commended for its use of lead employees, it should consider examining the use of these positions. When lead positions are counted as supervisors, the PPS-wide manager to non-manager ratio falls from 1:21.8 to 1:10.1. Exhibit IV-3 compares the manager to non-manager ratio when leads are counted as non-managers versus the ratio when they are counted as managers.



Exhibit IV-3: Lead Worker Manager to Non-Manager Ratio Comparison

Unit	Total Staff	Manager to Non-Manager Ratios	
		"Leads" as Line Staff	"Leads" as Supervisors
School Board Staff	2	-	-
Superintendent's Office	4	1.0	1.0
Assistant to the Superintendent	10	4.0	1.5
Finance	124	7.9	5.9
Budget/Deputy Clerk Services	4	3.0	3.0
Payroll	12	11.0	11.0
Controller's Office	20	5.7	4.0
Purchasing	48	8.6	5.0
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School & Business Service Performance	1,220	19.0	3.1
Legal Unit	2	-	-
Athletics	7	2.5	2.5
Enrollment/Civic Use of Buildings	4	3.0	3.0
Police	28	4.6	4.6
Human Resources	32	2.6	2.6
Nutrition Services	297	11.9	1.4
Student Transportation	121	29.3	29.3
<i>Physical Plant</i>	<i>727</i>	<i>44.4</i>	<i>3.8</i>
Architecture, Planning, and Engineering	22	3.4	3.4
Environmental Health and Safety	6	5.0	5.0
Maintenance Services	293	96.7	13.7
Plant Operations (Custodial)	395	78.0	2.2
Telecommunications	4	3.0	3.0
Academic Standards and Reform	206	6.6	3.4
Assistant Superintendents Office	3	2.0	2.0
Research, Evaluation, and Assessment	21	9.5	9.5
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Curriculum & Instructional Support	37	5.2	5.2
Library and Instructional Technology	6	5.0	5.0
Title I/Head Start	87	13.5	2.5
KBPS Radio	10	9.0	9.0
Educational Media	18	3.5	2.6
Multicultural/Multiethnic Education	3	2.0	2.0
Indian Education Project	11	10.0	10.0
Talented & Gifted	4	3.0	3.0
Academic Accountability	4,681	26.9	23.0
Assistant Superintendents Office	6	5.0	5.0
High School Student Achievement*	1,221	26.8	26.8
Middle School Student Achievement	896	23.2	23.2
Elementary School Student Achievement Area I	707	25.2	25.2
Elementary School Student Achievement Area II	680	29.9	29.9
Elementary School Student Achievement Area III	819	33.1	30.5
Special Education Student Achievement	352	26.1	8.3
TOTAL DISTRICT	6,247	21.8	10.1
TOTAL DISTRICT EXCLUDING SCHOOLS	1,566	13.8	3.2

Source: KPMG analysis of Portland Public Schools Organization Charts dated June 1, 1998.

Note: * Although Summer School staff report through Alternative Education in High School Student Achievement during summer months, these positions are only counted under the school to which they are assigned.



As shown in Exhibit IV-3, the manager to non-manager ratio for Physical Plant is only 1:3.8 when leads are counted as supervisory positions. The low manager to non-manager ratio shown for Physical Plant, coupled with the overall PPS ratio, may indicate opportunities to reduce the level of front-line supervision to bring the ratio closer to the best practice standards outlined above. Although there are opportunities to reduce the number of lead positions, such an action must consider the value each of the positions lends to the organization. Lead positions allow PPS to maintain leadership at each individual work site without using more expensive supervisory positions, as well as serve as mentors to other workers. These and other considerations should be kept in mind prior to any change in staffing is made.

Narrow Reporting Relationships

Further extending the average management reporting span of control analysis, it is important to analyze units with particularly narrow reporting relationships. Opportunities to flatten layers of management tend to be found in units with especially narrow managerial span of control ratios. For example, units having managerial span of control ratios of 1:1.0 to 1:4.0 may indicate excessive reporting structures that limit accountability and slow workflow. These units should be considered for consolidation with other units to broaden span of control.

By eliminating narrow reporting relationships and unnecessary layers of management, PPS can potentially increase accountability through the delegation of authority, speed the decision-making process, and reallocate resources to areas of greater need.

As depicted in Exhibit IV-2, KPMG identified 50 narrow reporting relationships (1:4.0 or less) in PPS' organization. This means that 18% of the Agency's 274 managers and supervisors have four or fewer people reporting directly to them.

Two special circumstances may justifiably contribute to narrow reporting relationships.

- First, some high schools have libraries staffed with librarians and library assistants. Given the special nature of library operations, it may be necessary for librarians to supervise the activities of library assistants.
- Second, internal controls over financial or similarly sensitive work areas may merit separate supervision of discrete functions (e.g. accounts payable, which issues checks to vendors, is separately supervised from purchasing, which orders goods from vendors). Therefore, small units may be necessary to maintain a separation of duties for internal control purposes.

However, the occurrence of low manager to non-manager ratios, especially on a PPS district-wide basis, can be an indicator of opportunities for organizational improvement.

Layers of Management

By examining the number of layers of management *above the lowest level staff member*, the complexity of reporting structures is revealed. For example, an organization with a president, vice president, and nine line staff has two layers of management. In PPS, the first layer of management is the Superintendent.



Organizations with too many layers of management often experience delays in decision making, reduced accountability, and a diffusion of work within an organization.

Although Exhibit IV-2 shows the number of layers of management in PPS' organization to be in-line with best practice standards, there may be opportunities to eliminate layers of management in individual units.

Wherever possible, PPS should remove management layers and increase the number of subordinates per supervisor. Even in departments where the overall manager-to-non-manager ratios are within best practice standards, opportunities may exist to improve reporting structures.

The organizational assessment measures reveal that PPS may have some opportunities to improve organizational efficiency. Taken together, these measures indicate opportunities in the areas with six layers of management:

- School and Business Services, particularly in Physical Plant, Nutrition Services reporting relationships.
- Academic Accountability, particularly in Middle School reporting relationships.

Manager to non-manager ratio and management span of control – On average, PPS has one manager for every twenty-two non-management staff. Although this compares favorably to best practice standards, a number of departments have manager to non-manager ratios of 1:8.0 or smaller. Further, PPS has 50 reporting relationships with a management span of control of 1:4.0 or less. PPS should take a close look at those units with manager to non-manager ratios of 1:8.0 or smaller, and those with a large number of narrow reporting relationships, to determine whether reductions in supervisory staffing is possible. Specifically, PPS could reduce the number of supervisors and layers of management in the following units:

- Assistant to the Superintendent's Office
- School Police
- Human Resources
- Architecture, Planning, and Engineering
- ESL/Bilingual Education
- Curriculum and Instructional Support
- Educational Media

A reduction in supervisory or management staffing makes it possible to leverage valuable management resources, and delegate authority to empower employees. By increasing the manager to non-manager ratios in the eight units listed above to an average of 1:8.0, PPS can eliminate or reclassify up to 10 supervisory positions. If PPS were to eliminate these positions, it could save an estimated \$600,000 annually in salary and benefits costs (assuming an average salary of \$50,000 and a benefits ratio of 20%).

PPS may also wish to examine its use of lead positions to determine whether this classification is over-used.



Layers of management -- Although PPS already meets the industry standards relating to layers of management, upper management should analyze their structures on a unit-by-unit basis and eliminate any unnecessary layers of management.

- Recommendation IV-2.1:** **Re-examine narrow reporting relationships for the opportunity to consolidate functions and programs.** PPS should review the 50 reporting relationships that have a management span of control of 1:4.0 or less. This could result in eliminating 10 positions for a savings of up to \$600,000 annually.
- Recommendation IV-2.2:** **Implement procedures to regularly analyze span of control and narrow reporting relationships to leverage management resources.**
- Recommendation IV-2.3:** **Continue to explore the number of and use of lead worker positions to ensure the appropriate management span of control over the Physical Plant operations.**



V –INFORMATION TECHNOLOGY

BACKGROUND

The Information Services unit is currently contained within the Finance area. The unit has a staff of 38, including a Data Center and Operations with a staff of 12. Most computer system applications within PPS are custom developed and operate on Honeywell Bull mainframe systems. Applications stem across nine areas including: Finance, Student Administration, Business and Administration, Instructional Support, Data Administration, Site Technical Support, Data Communications, Data Center Operations, and Management Information Systems.

Recently, PPS has undertaken a major effort to replace its older applications. To oversee this effort, PPS has established a project management office and has hired a full time project manager with responsibility for coordinating potential vendor and PPS staff efforts, and managing the system replacement project schedule and budget. PPS has also retained a consultant to address Year 2000 Remediation systems issues, and another firm to inventory its non-mainframe applications and provide quality assurance oversight to the Year 2000 project.

ACCOMPLISHMENTS

PPS has made important strides in both instructional and administrative information technology endeavors.

- Initiating a comprehensive project to replace its cumbersome batch process, custom-developed legacy financial and human resources systems, with current package software solutions that will provide on-line processing capability (the Systems Replacement Project).
- Hiring a full time project manager and establishing the project management office to oversee and monitor the Systems Replacement Project.
- Placing a high priority to place computers into the classroom and network wiring planned for nearly all school sites.
- As part of the Year 2000 remediation, PPS has funded a plan to install 1 new computer and printer and related software in each school to support school fund accounting.
- Implemented a significant client server network to support communications and system access throughout PPS.
- While many applications are dated, Information Services has made considerable effort to keep applications up and running to support PPS operations and educational service delivery.
- An Internet WEB site has been established for public access and information.
- Staff and user technology training is provided through private technology training providers.

FINDINGS AND RECOMMENDATIONS

Finding V-1:	PPS' aging system infrastructure limits effective management analysis and decision making and requires excessive manual processing and support.
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PPS suffers from the same problems encountered by many older “legacy” system technology shops. Fiscal constraints and the burdens of maintaining older systems, make it difficult plan for, evaluate or consider the benefits of emerging technologies. Examples of aging systems include:

- Many of PPS core business systems operate on an increasingly isolated mainframe that has limited support.
- Core business applications are old legacy, hard-coded systems with limited flexibility and functionality.
- Old business applications do not support efficient work process and likely require excess staff to conduct basic business processes.
- Antiquated applications and isolated proprietary equipment may require excess staff support to maintain and operate these systems.

PPS cannot afford to continue to rely on this aging infrastructure. Information technology and media will be at the forefront of educational resources. They also enable efficient management processes and decision-making.

- Recommendation V-1.1:** **Continue with plans to replace aging systems.** New systems should provide enhanced management information to support effective management decision-making, and minimize manual processing.
- Recommendation V-1.2:** **In implementing new systems PPS should design its practices and processes around the capabilities of the system, rather than excessively customizing off-the-shelf software.** In addition to using valuable staff resources, customizing software often voids warranties and prevents the use of vendor provided technical support.
- Recommendation V-1.3:** **Develop a strategy to convert information from existing systems to new applications.** To ensure a smooth transition between systems, all information should be converted, and tested, prior to the implementation of a new system. This will help prevent any reductions in productivity that could be caused through the loss of historical information.

Finding V-2: **Information Services operations do not utilize accepted system development methodologies and operations standards or project management approaches and are not currently structured to provide sufficient user support.**

Information Services has not applied standard project management and system development methodologies and operations standards to manage their projects and activities. It also has no dedicated user support help desk to provide assistance to users on equipment or application problems or questions. Information Services staff indicate that methodologies have not been considered necessary, since it has not undertaken any major systems development or related projects in a number of years.



Project management and systems development methodologies and standards are important to manage and control both large and small projects and ongoing systems operations activities. They become imperative in major information systems implementations. In smaller projects, or ongoing maintenance and support activities, the methodologies can be adopted in a modified or summary form, appropriate for the level of work effort.

However, PPS is currently pursuing the replacement of major enterprise-wide applications. This will require a major investment of PPS resources. By applying sound project management and development methodologies, it will have the tools to more effectively manage the investment, risk, and accomplishment related to these efforts.

PPS is already making inroads in this area, through hiring a full time project manager. As a part of the System Replacement Project efforts, vendors proposing to provide system solutions will be required to describe their project management approaches and methodologies. The Systems Replacement Project will incorporate a combination of American Management Association Project Management Methodology, and IEEE Standards for Software Project Management Plans.

User support is another aspect of an effective information management infrastructure. Studies show that as users become more sophisticated in the use of personal computers and major system applications, they actually require a higher level of technical support and training, than in an environment of novice users. As PPS progresses with its information systems projects, it will be important to enable users with sufficient support.

- Recommendation V-2.1:** **PPS should continue its plan to utilize project management systems and methodologies to support its major System Replacement Project effort.** These methodologies help control the budget and schedule of implementation efforts and manage risk associated with these major investments.
- Recommendation V.2.2:** **Information Services staff should adopt its systems development, operations, and project management methodologies and standards, and train its managers and key staff members on the application and utilization of these methodologies.** Although established methodologies help control project budgets and risk, staff must be trained in these areas to ensure consistent and proper project management.
- Recommendation V-2.3:** **Information Services should reexamine its organizational structure and allocate resources to critical oversight and support functions.** These functions should include: project management for all major efforts utilizing established project management methodologies and tools, and user support for training and help desk functions.

Finding V-3:	Although PPS is on target with its training classes for teachers, the schools lack the support that is necessary to address day-to-day information technology issues encountered.
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As noted in the above finding, PPS lacks a general user support “help-desk” function. This becomes more problematic at the school sites. Given the investment made in technology, it will be important



for users to know how to use and troubleshoot basic problems with applications or hardware. Many organizations assign technology coordinators within user organizations, or in this case, at each school site. These coordinators are knowledgeable of the basic system functions, and can work in coordination with central technical support staff to resolve more complex issues. They are also helpful in supporting ongoing staff training.

PPS should establish itinerant technology coordinators to serve elementary and middle schools on a rotational basis and dedicate one to each high school setting. This adds approximately 26 positions, at a cost of \$42,000 per position in salaries and benefits (\$35,000 salary and 20% benefits), for a total of \$1,092,000 annual costs.

Recommendation V-3.1: Consider establishing technology coordinators to provide the necessary assistance to schools. Such positions could be created at the individual school level or on a regional basis. Funding for these positions could be derived from school donations, fund-raising efforts, or the support of local industry, which would not result in additional cost to PPS. This would require an investment in 26 new positions, at an annual cost of \$1,092,000.

Finding V-4:	PPS's successful efforts to partner with local community and businesses to support technology initiatives should be expanded.
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PPS' systems investment has already been considerable. Like other districts, PPS has been successful in developing partnerships or seeking sponsors for information technology development, particularly in instructional areas.

The IS Department has for more than six years actively pursued partnerships with many local and national businesses. Among the many partners are Cisco Systems, U. S. West, Pacific Gas & Electric, Digital Network Associates, and Apple computer. Many of the partnership efforts were directed at creating the digital infrastructure upon which PPS can now place its new instructional and administrative systems.

Moreover, PPS has actively pursued partnerships with other governmental agencies, including Multnomah County, The City of Portland, The Mt. Hood Cable Regulatory Commission, and other quasi-governmental agencies such as Healthy Communities. Those efforts at sharing technology resources have saved tens of thousands of dollars. Additionally, PPS has teamed with these other agencies in obtaining grant funds from federal, state, and private sources.

Recommendation V-4.1: PPS should continue its efforts to team with industry in technology development initiatives. Local companies have demonstrated a willingness to donate services and equipment and provide technical training for both students and PPS staff. This allows PPS to significantly improve its use of technology, with little to no additional cost to the District.

Recommendation V-4.2: PPS should continue its current relationships and explore options with other governmental agencies to share or partner in technology investments, training or technical support.



Through cooperation with other agencies, PPS may be able to reduce future technology costs and leverage valuable resources.

Finding V-5: **PPS’ accounting systems do not support accurate and timely reporting, requiring significant manual effort to reconcile accounts and provide appropriate financial reports.**

PPS finance staff have expressed considerable concerns regarding the adequacy of its current financial system. The system does not appropriately, and automatically, balance assets, liabilities and fund balances. Further, if adjustments are made in error through clearing account transactions, funds may be misallocated to incorrect accounts. Since there is limited reporting on clearing account balances, staff must go through significant work to balance accounts. In essence, the present financial system closely resembles a database of accounts and transactions and lacks the internal balancing and tracking of the overall PPS financial condition typical of an accounting system.

Recommendation V-5.1: **Continue with the System Replacement Project and select appropriate state-of-the-art accounting software.**

Finding V-6: **The lack of integration between the current financial system and the instructional technology system requires substantial manual effort to track instructional technology activity.**

In order for departments, or site-based decision-makers to make informed decisions regarding budget and expenditures, they must have information. School districts frequently segregate administrative and financial applications from the instructional technology environment. This practice leaves school administrators with sometimes little or no direct access to current budget and accounting information. Therefore, it is difficult for them to make informed decisions on how to allocate resources, make purchasing decisions, or authorize expenditures.

Recommendation V-6.1: **Update PPS financial systems to allow for on-line availability of information for departments in need of financial data and information.** The on-line availability of financial information will allow departments to make informed decisions regarding their budget and expenditures.

Finding V-7: **The current payroll and personnel information systems and processes are complex, antiquated, and highly manual in nature and require cumbersome and time-consuming dual entry and batch processing.**

Payroll currently uses two separate systems: 1) the Cyborg system which was purchased a number of years ago as the new payroll system, but full implementation failed due to the system’s inability to handle the numerous salary modifications made. This system is used primarily to track teacher licensure and prints blank time documents. 2) The Genesis system is used as the data entry system and to verify information against the employee file. Because the two systems are not compatible, much of the same employee information must be entered into both systems.



Time sheet reporting is done by “exception” for salaried employees, whereby only non-normal activity (i.e., sick day, vacation) is recorded. Hourly employees report all hours on a positive reporting basis. Skilled laborers are paid on a weekly basis while all other personnel are paid monthly. This results in processing of 15,000-18,000 time documents on a monthly basis. As a result of the volume of time sheets submitted, a significant portion of Payroll’s time is spent merely sorting and editing the time documents submitted. When Payroll has completed its sorting and processing, the time sheets are sent to data entry for input into the mainframe, and then back to payroll for editing and correction. Based on our analysis, payroll sorting, processing, editing procedures currently cost PPS approximately \$114,000 annually. This does not include the cost of data entry associated with payroll processing.

A number of other factors also affect the efficiency of the payroll function including:

- Payroll may process 15-20 time reports for one individual in a pay cycle due to the required weekly time reporting for substitute teachers and temporary employees.
- The significant number of changes in employee elections by employees (e.g., some people have 3-5 changes in elections per year) requiring significant processing time.
- The budgeting for full time equivalent employees (FTE’s) results in a significant payroll processing time incurred in the months of September and October (known as the “Shakedown”). During this period, a number of changes are made to various budget strings due to the predetermination of the number of teachers allowed for budget purposes and the reallocation of teacher salaries.
- Most employees are covered by a wide variety of collective bargaining agreements. This results in numerous salary levels for teachers and other classified employees.
- PPS uses at least four different types of time reporting sheets.

Payroll and personnel applications are not integrated, requiring duplicate data entry, and minimizing the ability to track and analyze personnel costs, allocations, and utilization. Human Resources operates three stand-alone systems to schedule substitute teachers, track tuition reimbursements, and track grievances. Mainframe systems track teacher applicants and produce affirmative action/ equal employment opportunity reports.

Recommendation V-7.1:

In conjunction with PPS efforts to explore new financial systems, PPS should also consider interface requirements to an integrated payroll/personnel system. New systems would allow for efficiency gains in the Human Resources operation. A new on-line and integrated time reporting system should be included in this system to provide for the efficient processing of time sheets. Implementation of an on-line system would require an initial investment but would provide long-term savings to PPS. We estimate that at a minimum, the implementation of such a system would allow for a reduction of approximately four to five FTE’s in the Payroll department, with anticipated annual savings of \$147,300 (excluding savings from the cost of data entry). The on-line system would also allow individuals in other departments to access payroll and time reporting information as necessary, such as grants, physical plant, instructional technology, etc.



Finding V-8: The current purchasing system and processes are highly manual in nature and require a significant level of duplicative data entry input.

Processing a purchase requisition requires involvement from the purchasing, finance, and warehousing departments. A typical purchase requisition takes approximately four to seven days to process in-house prior to mailing the purchase order to the vendor. Approximately eighty percent of all purchase requests processed by the purchasing department are under \$2,000. Approximately 11,000 purchase orders were manually processed in the 1997/98 school year. Each requisition must be manually processed and input into the finance system by data entry and purchasing, however the two systems do not allow for purchasing or data entry viewing access to each other's system. As a result, purchase requisitions from each school must be processed separately by the purchasing, data entry, warehouse and accounts payable departments, which is time consuming and inefficient. Furthermore, each requisition that is manually processed by the warehouse must be batched and sent to the Finance Department for approval of budget allocation prior to the release of inventory, even if the items have to be shipped by the warehouse.

PPS lacks a local area network computer system that provides an on-line connection from the warehouse to the purchasing and finance departments, which results in multiple manual processes performed in each department. The current purchasing system lacks a number of standard applications that would provide management with the necessary information for decision-making purposes and purchasing and product analysis, such as:

- The total number of PO's processed
- The dollar amount of PO's processed
- Categorization of items purchased by product code
- Volume of each type of products purchased
- Pre-numbered purchase orders (the data entry department currently generates the purchase order number)

The requirement to manually process purchasing requisitions through multiple departments creates unnecessary work and inefficient use of PPS employees' time. This results in an excessive number of administration staff and a large data entry workload.

Recommendation V-8.1: Implement a new integrated on-line purchasing system as a part of a larger system replacement of PPS' finance and accounting systems. By investing in an automated purchasing system, the administrative staff required to perform manual data entry process could be reduced or potentially eliminated, which would result in significant savings to PPS in the operation of these departments. Furthermore, a system which produces more detailed and customized data extraction would provide enhanced analytical support capabilities for purchasing department staff to examine the nature, types, quantity, and price of each product class by code and by individual items. This would allow the purchasing department to ascertain whether it is



utilizing its purchasing power as effectively and efficiently as possible.

Finding V-9: PPS needs to improve its system for maintaining position control.

Over 80% of PPS' expenditures are for employee related costs. The current system used to monitor position control is very loose and does not provide accurate counts for vacant positions, nor is it integrated with the overall financial and accounting systems of PPS. PPS' human resource management system does not have the ability to identify position control at any given time. It is pertinent that the Budget Office personnel have the ability to analyze position control in preparing budget forecasts. To compensate for the lack of Human Resource management tools, the Budget Office has worked with the Information Services Department to develop a report, the EBVL, that lists all full time regular employees. While this has been an accomplishment for the Budget Office, the system still does not have the capability to track vacant, part-time, or temporary positions.

Full time equivalent employee (FTE) allocations are tracked by a budget unit designation. All secretaries and clerks are counted as 1/2 FTE. Under the current system, PPS maintains a current FTE count of 6,300, while the actual employee headcount stands at approximately 8,000 (including temporary and part time employees).

Because vacant, part time and temporary positions do not have an assigned position or budget code, they are not recognized in the current EBVL system.

Recommendation V-9.1: Implement a financial management and payroll/personnel systems that allow for the accurate tracking of current position control. Due to the limitations of the current system, the Budget Office is not able to accurately project employee- related costs based on actual prior year performance. Given the declining revenue base, it is critical that PPS utilize all available management tools for controlling costs and budgeting for future periods. Considering that personnel costs constitute the greatest portion of PPS' expenditures, the inability to track positions runs the risk that PPS will not efficiently or effectively allocate its financial resources.

PPS should implement a new human resource management system that allows for the accurate tracking of current position control. The system should allow the reporting of all positions, including part-time, temporary, and vacant positions. PPS should also investigate the possibility of adopting a more standardized approach to account for its FTEs.

Finding V-10: The accounts payable system is highly manual, time consuming, and not directly linked to PPS' General Ledger system.



Accounts Payable, comprised of five individuals, issues an average of 900 warrants and 25 manual checks per week. Purchase orders (PO's) are initiated and forwarded to the accounts payable department where they are filed numerically. When the purchaser receives the ordered items, the receiving documentation (Receiver) is signed and forwarded to the accounts payable department indicating approval to pay.

Accounts Payable manually matches the PO's and the Receivers. Invoices are received through the mail and usually referenced to PO numbers. The invoices are manually filed with the corresponding PO's and Receivers. If the invoices have a corresponding PO/Receiver packet, then they are entered into the system for payment. If the PO/Receiver packet is incomplete (i.e. the Receiver has not been forwarded to the accounts payable department), then the invoice is entered into the system and coded in a manner that will not allow for the check to be written. When the packets are finally complete, the accounts payable clerk will re-code the entry to allow a check to be printed.

The system used in the accounts payable process is very time consuming and does not interface directly with purchasing or the general ledger system. PPS does not have an automated system for tracking terms applicable to accounts payable. The accounts payable system operates on a first in/first out system, without regard to purchase discounts or penalties. As a result, it is unclear whether PPS is taking advantage of all applicable discounts or if PPS may in fact be paying excessive late fees.

Currently, PPS does not have the ability to generate an accounts payable listing that supports the general ledger or balance sheet amounts. The accounts payable system is not directly linked to PPS' general ledger system. Accounts payable is processed on the mainframe system using batch processing. Because there is no subledger for accounts payable, it is not possible to know what invoices are outstanding at any point in time. Additionally, no open invoice file is maintained.

The current accounts payable system has the capability to pay an amount in excess of the original purchase order amount. In addition, PPS does not cancel invoices and supporting documents when they are paid. This process allows for the potential for duplicate or excessive payments; however, this risk is partially mitigated because a purchase order is "closed out" when it is paid.

The Risk Management Department has begun processing payments for all self-insured PPS claims. The system used in the payment of these claims is not integrated with PPS' accounts payable system and controls over checks processed through the Risk Management Department do not support a strong system of internal controls.

An automated system would generate reports that allow analysis of vendor activity, purchasing levels and available purchase discounts. When interfaced with the Purchasing system, this information can be used as a bargaining tool when negotiating purchase contracts and purchase discounts. In the interim, a listing of all vendors offering purchase discounts should be maintained and utilized when prioritizing workloads and payment batches.

Additionally, an automated system can summarize payables in a manner consistent with financial reporting and documentation requirements. A report of balance sheet accounts payable components will increase the ability of the accounting department to more effectively analyze financial data. Other capabilities of an automated system would include the ability to establish limits for variances between purchase orders and actual payments processed and on-line supervisory review before warrants are printed.



By implementing an automated system, the time required to process each payment will decrease substantially. For example, orders received can be logged into the system on-line upon receipt, thus eliminating an entire step required by the accounts payable clerks. PPS would benefit from integrating the payment of self-insurance claims with the normal purchasing/payment process. This would increase the controls surrounding the payment of claims and add efficiency in batch processing of payments. In addition, PPS should implement policies that ensure that persons receiving purchases process the necessary paperwork and forward it on to the accounts payable department in a timely manner.

Recommendation V-10.1: **Implement a new accounts payable system and modify the process flows.** As a part of its system replacement effort for PPS finance and accounting systems, PPS should procure an accounts payable module that integrates with purchasing, warehousing and accounting functions. Through this implementation, PPS would have the opportunity to rearrange job responsibilities to increase controls and segregation of duties, and free up to staff positions for reallocation.

Finding V-11: Grant Accounting and Grants Management needs to be supported by an automated system.
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PPS handles grants accounting and management in a highly manual and time-consuming fashion. PPS has maximized the grant administration staff to accommodate the existing grant administration workload, leaving little room for growth.

The Grants Management and Grant Accounting Divisions process in excess of 575 individual federal, state and local awards annually, the majority of which are on a reimbursement basis. The Grants Management unit is responsible for ensuring that the grant application and program comply with PPS and regulatory requirements from a program perspective. Grants Accounting is responsible for providing for the appropriate revenue management and financial reporting relative to the Grant. PPS has developed strong relationships with its grantors and currently experiences a 60%-70% grant renewal rate.

On a monthly basis, the grant accountants prepare account reconciliations for each grant, which are reviewed by the Lead Grant Accountant and Controller. Also, each project manager receives a report from grant accounting on various items: reports regarding grant funds allocated and spent, payroll costs, and detail of all transactions.

This Grants Management division has developed a strong relationship with the PPS Foundation (the "Foundation"). The Foundation solicits funds from the public. If a donor designates funds for a specific school, 2/3 of the amount goes to the school and 1/3 is retained for equity. The funds are received by PPS in the form of a grant from the Foundation. Typically, schools in more prominent



areas receive higher levels of designated donations. This practice creates equity issues among the schools.

As a result of the existing workload and staffing levels, a large time lag usually occurs between the time that a grant is awarded and when the grant accountants are forwarded the grant information.

In order to manage a grant portfolio of this size, it is pertinent to have strong systems in place to ensure that reporting requirements are met. The Grants Management and Grants Accounting Departments must obtain specialized knowledge regarding grant compliance and government regulations. PPS does not have a manual or training policy in place to ensure that employees are updated on compliance requirements, laws, and regulations. In prior years, PPS' independent auditors have identified findings regarding late reporting. Such practices risk the termination of grant awards.

With additional resources and time, Grants Management personnel could increase its focus on enhancing the grant portfolio and ultimately grant revenue. In addition, as the majority of the grants are on the reimbursement basis, PPS experiences a time lag between the point at which expenditures are incurred and when reimbursement is requested. If requests are not made in a timely manner, PPS' cash flow is affected, especially if electronic funds transfer is not utilized for reimbursement.

Recommendation V-11.1: **PPS needs to implement an automated grants accounting and management system.** As a part of its system financial system replacement, PPS should obtain a reporting module to support grant accounting. Once an automated system is implemented, PPS should consider reallocating existing staff to better manage its grants portfolio. For instance, PPS may benefit from having the grant program managers more involved in meeting individual grant reporting requirements and have the grant accountant provide oversight. This would increase the accountability of the program managers for their programs, decrease the risk of noncompliance with reporting requirements, and allow PPS to reallocate time to seek new grant opportunities. Regardless of which position is responsible for ensuring reporting requirements are met, it is imperative to have strong systems in place to ensure that reporting requirements are met for all grants.

Finding V-12: **The claims system currently utilized by Risk Management is antiquated, is not integrated with PPS' mainframe financial system and does not have adequate software support.**

Risk Management currently maintains a stand-alone claims management system (SIMS), purchased in the 1970's, to track claims activity and loss reserves, as well as to print claim check payments. Because this system is not integrated and does not interface with PPS' mainframe system, department personnel are required to enter summary information into the mainframe on a daily basis which is then downloaded into PPS' financial system. To ensure the accuracy of the SIMS data, the department is required to perform daily reconciliations to ensure the consistency and accuracy of



data contained in both systems. The dual entry system requires additional and unnecessary effort to be expended to not only record but also reconcile claims information.

There are currently no strategic partnerships with outside system vendors for the Risk Management systems used by PPS.

Recommendation V-12.1: **Implement an integrated risk management system.** Best practices provide for a fully integrated risk management and financial system to ensure the accuracy of information reflected in general ledger, and supported by the detail of activity in the risk management system. A new integrated risk management system should be implemented to allow efficient, timely and effective processing of claims and provide for a direct download into PPS' financial system.

Finding V-13: **The financial information generated by Nutrition Services and provided by PPS mainframe financial system is not sufficient to manage food service operations effectively and efficiently.**

With the exception of utilizing departmental personnel for performing meal counts for reimbursement under federal programs, no data support is maintained within Nutrition Services. Accounting is performed by central accounting, and reported to Nutrition Services on a monthly basis. As a result, PPS does not know, until well after month's end and sometimes up to three months, the amount of revenue generated from cash food sales and reimbursements or expenditures incurred (i.e., salaries, payables, and inventory). As a result, most food service operations separately track their revenues and expenses weekly, if not daily.

In addition, Nutrition Services unit does not capture any usage-based financial information such as food ingredient costs, labor costs, or expense items such as paper goods, supplies for packaging, and so on, based on the rotating menu system utilized. Best practices would track the entire food service operation on a usage basis, as well as on an individual facility basis.

The current systems utilized in Nutrition Services are 1) "Mealtime" tracks data regarding student eligibility and account balance. 2) "Comptrition" is used to pre-cost recipes and menus and also provides a nutrient analysis of each.

Lacking an adequate financial system, Nutrition Services is unable to track physical inventory of foods and supplies on a timely or accurate basis. A "glitch" in the Department's inventory system resulted in an overstatement of inventory in the 1995-96 fiscal year, which was corrected in 1996-97.

Further, the current ordering system does not allow for timely delivery, storage and distribution of required ingredients for planned menu items. The current system is highly manual in nature and requires an approximate four-week lead-time in order to properly request, prepare and return menu items to the individual schools. In addition, the forms currently utilized are limited to the number of items that can be requested. In addition, application processing for free and reduced meal participation for students is time-consuming and inefficient due to the inability to download student information reliably.



Experience clearly demonstrates that having proper financial information will enable cost savings of 4-11% in payroll, food, and packaging. Based on 1995 actual expenditures, a conservative estimate of 5% savings due to better financial information would yield an approximate annual savings of \$578,000 from better management of food and packaging (estimate \$300,000 savings) and payroll (estimate \$278,000 savings).

Recommendation V-13.1: **The Nutrition Services Department should continue to consider a nutrition management system that integrates with the financial management system, such as School Nutrition Accountability Program (SNAP) or an alternative system.** Such systems have the capacity to track ingredient and materials usage, personnel costs, and free and reduced meal participation for reimbursement purposes. In addition, these systems also have modules for inventory control, menu planning, and financial controls. This improvement will enable PPS to create adequate ingredients, materials, and personnel cost controls, potentially saving \$578,000 annually. The system will allow the Department to provide an accounting of food service operations on a usage basis by facility. By automating the process, the system will make hiring additional accountants to oversee Nutrition Services unnecessary.

Finding V-14: PPS' high schools lack a point of sale system for food services operations.

Even though middle and elementary schools have “point-of-sale” systems to monitor food consumption under the free/reduced meal programs, the high schools within PPS currently utilize a “meal ticket” system. This eliminates the possibility of gathering important information, but also is not in keeping with Federal requirements that specify participation in the free/reduced meal programs be “transparent” to all students. The meal ticket system allows the students to differentiate between free/reduced meal participants and full paying students and does not provide a “transparent” environment, as required under federal regulations.

Additionally, we noted that many high and middle school sites utilize a cash box system to collect payments for lunch from paying students. Internal controls over these cash payments consisted of a manual counter mechanism and the number of plates issued. Although the amount of cash food sales is not material to the overall Nutrition Services revenue sources, the lack of adequate controls compromises the security over PPS assets and the integrity of the recording of cash sales.

Preliminary estimates suggest that the purchase of point-of-sale equipment for all middle and high school locations could result in a one-time investment of \$75,000 to \$150,000.

Recommendation V-14.1: **Install point-of-sale systems at all food services locations in the schools.** We recommend that a point-of-sale system be implemented at all high schools to ensure compliance with federal regulations under the free/reduced meal programs. In addition, this will enhance the reporting and internal controls over cash sales and reduce the potential for misappropriation of PPS assets. The implementation of this recommendation would necessitate an investment of between \$75,000 and \$150,000.



Finding V-15: **The Maintenance Job accounting system currently used by Physical Plant is outdated and cumbersome. The system does not automatically interface with PPS' current financial system, is not flexible, and cannot generate on-demand reports.**

The job accounting system currently used by Physical Plant provides considerable information to managers, foremen, and trade staff on the types of work performed and future needs. Physical Plant staff should be commended for their work in tracking past preventive and routine maintenance and their development of standards for these areas. The system does not, however, track employee time spent on each activity. Instead, a separate time system tracks all employee activity. Staff has done a good job of using information supplied by the current work order and time systems to develop information and reports. However, a complete job accounting system should be integrated with other PPS systems to track financial and inventory information in addition to general work order tracking and forecasting.

A new, comprehensive facility management information system would allow PPS to track capital projects, operations, staffing, maintenance trends, scheduled preventive maintenance, monitor staff productivity, and generate on-demand reports by type of work, location, and staff member. While the current system does allow for some of these capabilities, it has only been possible through modifications to the software and extensive data modifications.

It should be noted that Physical Plant has initiated the bidding process for a new facility management information system and is in the process of selecting a vendor.

Best practices suggest that the use of a flexible, detailed facility management information system can reduce costs, establish and track performance measures, and provide detailed financial information. However, the Maintenance and Operations unit has lacked funding for such a system.

The initial outlay for the new facility management information system software would cost the District roughly \$80,000, with the full cost over \$400,000. Ongoing costs for systems maintenance should be similar to those paid for the current job accounting system. In recent years, many school districts have implemented these types of proactive management systems. School districts have historically saved 3-5% from the implementation of these types of systems. If such a system were fully implemented by PPS, the District could potentially save between \$380,000 and \$640,000 annually. This level of savings will not be attained, however, without establishing aggressive performance measures based on industry practices (see Finding V-22).

Recommendation V-15.1: **Physical Plant should continue the procurement process and select a new facility management information system to be integrated with the soon-to-be-implemented financial system.** Before implementing the system, however, the unit should reengineer its maintenance and management processes to most efficiently make use of the information made available by this new system. The implementation of this recommendation will result in a one-time cost of roughly \$80,000 for software and about \$400,000 total system cost. However this capability should produce an annual savings of between \$380,000 to \$640,000.



Finding V-16: Transportation information systems are outdated and do not interface with the new financial system.

Previously, Student Transportation did not make extensive use of computer technology. Instead, Transportation staff tracked a majority of the ridership statistics, route times, complaints, and training by hand in paper files. With recent leadership transitions, Student Transportation has undertaken an effort to transfer much of their information to Access databases and update their computer knowledge.

Currently, the unit is making use of an outdated EDGULOG system to track route and run information. The EDGULOG system is used to determine the most efficient number of routes, runs and stop locations for the entire district. The system is also used to evaluate requests for new stops and route adjustments. EDGULOG is a widely accepted route planning software program and helped PPS develop the staggered bell schedule mentioned above. Despite the benefits of the EDGULOG system, the version currently in use by PPS is an older version with fewer options than the current version. The more recent version may facilitate easier route and run estimation and save staff time.

The lack of computer technology in Student Transportation, makes it necessary for principals and teachers to complete manual forms to request field trips, new stops, and route changes. Once completed, these forms are forwarded to Student Transportation via the Pony mail, then processed and either granted or denied. Transportation currently employs five staff to process these forms. If requests were done on-line, data entry needs would be greatly reduced. With an on-line system, principals and teachers could enter their requests at the schools and have the requests automatically transferred to Student Transportation. Automatic downloads could receive the information and eliminate duplicate data entry. Real-time requests would also speed up the request-authorization process and facilitate increased communication.

Like the entire Transportation organization, the bus garage has not implemented up-to-date computer tracking systems. Although the unit recently installed a new File Maker Pro system, the software only tracks routine and preventive maintenance performed on the buses. General repairs, usage, and age are not tracked by the automated system, but are contained in manual files for each vehicle. While the File Maker Pro system helps to reduce the number of missed preventive Physical Plant, it does not allow the garage to track the types of services performed on the vehicles. This can, in the long run, lead to the inadvertent retention of high cost vehicles and higher than necessary operating costs.

A comprehensive automated job accounting system can highlight problem equipment, parts, and track mechanic performance. This would allow Student Transportation to ensure mechanics are working productively, repairs are completed correctly, and reduce the potential for the retention of high cost vehicles.

The use of up-to-date technology can facilitate faster communication, eliminate duplicate data entry, and ease data processing. Best practices indicate that the use of comprehensive fleet management software can greatly reduce the costs to maintain a vehicle fleet. However, a lack of both funding or transportation management support has made the purchase of new systems difficult. Further, since



PPS does not use a Wide-Area-Network (WAN) for data communication, transfer of electronic documents is difficult.

The implementation of new software systems would require an initial financial outlay. While most information will be converted to Access at relatively no cost, an automated fleet management system may decrease vehicle operating costs substantially by helping to design more efficient routing structures that can minimize the fleet size and staffing costs. The increased analysis of vehicle trends and costs will allow Student Transportation staff to identify problem parts, high cost vehicles, and unproductive mechanic staff. The resulting savings should offset the cost to purchase and maintain the automated fleet management software.

Recommendation V-16.1: **Transportation Services should continue the implementation of updated systems to improve efficiency and allow for compatibility with the new financial system.** By updating the EDGULOG system, PPS will be able to more effectively schedule routes and runs and potentially save transportation time. Also, the bus garage should purchase and implement an automated job accounting system that is compatible with the new financial system. This will allow Transportation Services to track its repair costs and mechanic productivity while also allowing Finance direct access to the costs to provide bus services. Finally, PPS should install a Wide-Area-Network (WAN) throughout PPS to speed communication and eliminate duplicate data entry. This will not only improve communication between Student Transportation and the individual schools, but will also facilitate correspondence among other PPS areas. This will require an investment of approximately \$10,000.



VI – FINANCIAL OPERATIONS

This section of the performance audit report presents KPMG's findings and recommendations related to the following areas of:

- Budget
- Accounting and Finance
- Payroll and Benefits
- Purchasing and Warehouse
- Risk Management
- Publication Services
- Word Processing
- Records Management

BUDGET

BACKGROUND

As required under Oregon Revised Statutes 294.305 through 294.520, PPS adopts an annual budget for all funds subject to the requirements of "Local Budget Law". The budgeting system generates the budget and serves as the primary means by which PPS' financial, acquisition, spending, and service delivery activities are planned.

PPS' budget development process attempts to incorporate the interests and opinions of the citizens of Portland. Several public meetings are held during the budget process in an attempt to identify and appropriately fund the communities' educational goals and objectives. The Board of Education (Board) then approves and submits the budget to the Multnomah County Tax Supervising and Conservation Commission for certification. As provided by the State statute and Board policy, the budget may be revised periodically through specific procedures.

PPS' fiscal year runs between July 1 and June 30. During the 1997-98 school year, PPS estimated a budget of \$635 million (includes \$160.9 million of beginning fund balance), including \$332 million in general fund and \$303 million in other funds. For the 1998/99 school year, PPS is projecting an enrollment of 55,833, a 1.3% decrease from 1997-98, and has planned for various program enhancements, educational reform, and Year 2000 Remediation. Accordingly, PPS has planned for reductions in physical plant, administrative expenditures, staff costs, and new lease revenues. In order to accomplish these alterations, PPS received additional funding of \$12 million from local governments.

ACCOMPLISHMENTS

PPS' budget process for the 1998/99 school year was well received by the Portland community. Among the major achievements of PPS in the budget area are the following:

- PPS maintains a budget whose process, content, and timetable comply with State law.



- PPS has an established Citizen's Budget Review Committee that is involved with budget planning and priorities.
- The Budget Office has developed and maintains a stand-alone position control system to track the number and placement of filled and unfilled staff positions within PPS.
- City/County/Metro are providing an estimated \$12 million of additional funding for 1998/99 budget.

FINDINGS AND RECOMMENDATIONS

Finding VI-1: PPS' funding reserves are at dangerously low levels, sufficient to cover only two days of operating costs.

Currently, reserves are not adequate to safeguard PPS from the effects of revenue shortfalls or expenditure overages. General Fund unreserved fund-balance as of June 30, 1997 was \$1.3 million while annual General Fund revenues approximate \$331.6 million.

PPS budgets for operating contingency as a vehicle in order to ensure funds are available in the event of revenue shortfalls or expenditure overages. As this line item is a part of the approved budget, PPS has been granted the authority to spend it. The 1996/97 operating contingency budgeted in the General Fund was \$1,041,774.

The unreserved fund balance in the General Fund at June 30, 1997 and the budgeted operating contingency both represent less than two days of General Fund spending activity.

Adequate reserves allow the flexibility to react and modify financial plans if necessary. Generally, unreserved fund balances below 3% of the general-fund operating budget are considered at risk and can result in being placed on a watch list with state and federal agencies. Many school districts consider a 5% unreserved fund balance as the "best practice." In devising a plan, PPS may want to consider selling idle property, enhancing public relations in order to buoy public support and donations specifically earmarked for classroom instruction, and other key program improvements. For PPS to establish its fund balance at between 3% to 5% of its general fund operating budget, it would need to set aside between \$10 million to \$16 million.

Recommendation VI-1.1: Ensure that PPS adheres to a plan that will increase unreserved/undesignated fund balance. With decreasing revenues and increased public concern about PPS' financial accountability, PPS is at risk of experiencing severe financial shortfalls. This represents a re-investment between \$10 million to \$16 million.

Finding VI-2: PPS has relied on contingency measures to stem the gap between expenditures and declining revenues, rather than developing budgets that are within available revenue limits.

While PPS may wish to continue to explore other funding sources or a revision to the state funding formula, sound business practices dictate that budgets should be set within known and secured available



funding. A continued reliance on using fund balances and self-insurance fund balances is inappropriate to ensure the sound financial condition of PPS.

PPS experienced a dramatic change in funding with the passage of Measure 5 in 1990/91 from local to state sources. As a result, funding from local sources has declined from \$236.7 million in 1990/91 to \$117.9 million in 1997/98. Throughout the 1990's PPS also experienced a significant decline in fund balance, from \$19.9 million in 1990/91 to \$1.3 million in 1996/97. As a result of the significant budget cuts, PPS has been in a reactive mode and has not allocated sufficient resources towards planning ahead for the financial future of PPS.

In prior years, PPS' revenue shortfalls have been supplemented through funding from local governments and draws on the reserves. This "draw down" of fund balance was chosen as a means of sustaining quality classroom instruction. For the 1998/99 fiscal year, governments are projected to provide an estimated \$12 million in funding and the taxpayers have approved a Business Income Tax in 1998 amounting to approximately \$9.4 million. PPS has been counting on one-time revenue sources such as these to bail them out of financial uncertainty. PPS does not appear to have adequate reserves or operating contingencies, and in the event of continuous budget shortfalls, could be in serious financial difficulty.

In addition, the current state formula for computing PPS revenue is cumbersome and does not accurately reflect additional costs associated with educating students from low income households, special education or regional cost differences.

- Recommendation VI-2.1:** **The PPS Board should ensure its budgeted expenditures do not exceed available revenues.** PPS should develop budgets that allocate resources to programs according to funding availability. The Board should also continue to devise a plan that ensures building the operating reserves to appropriate levels and take a conservative approach to budgeting for one-time revenue streams.
- Recommendation VI-2.2:** **The PPS Board should establish a 3 to 5 year budget planning horizon to examine the impacts of changing financial, operational and funding conditions on district-wide and individual program budgets.** Examining the long-term horizon will help PPS to discern budgeting priorities for programs and plan for alternative approaches to delivering educational services or seeking alternative funding.
- Recommendation VI.2.3:** **The Board should develop short and long-term strategies for addressing declining revenues.** Funding situations should be reviewed annually for both long and short-term impacts to PPS budgets.
- Recommendation VI.2.4:** **PPS should establish and pursue appropriate advocacy to inform the legislature and public officials on the funding needs of PPS.** PPS should maintain a line of communication with the legislature and increase lobbying activities and focus groups to develop alternative formulas for determining funding for school districts.



Finding VI-3: PPS has followed applicable State budgeting regulations and holds public budget meetings, but community participation in the budget process needs to be expanded.

Oregon State law (294.555) requires school districts to file a copy of the budget and certain other documents with the County Assessor and Department of Revenue by July 15 of each year. Prior to July 15, PPS holds weekly Citizen Budget Committee meetings and formal and informal public hearings to review proposed budgets. Budgets for schools and departments are developed based primarily on prior year budgets modified to reflect expenditure and program changes. This process allows input from staff, parents, and other stakeholders.

The Central Services departments use a budget packet for documenting and communicating budget needs for the upcoming year. These departments also provide input on potential effects of budget cuts on their respective departments. The schools are given a specific budget based on the number of full-time equivalent staff (FTE) and students per school. However, this FTE is a calculation of teacher equivalent costs, not actual positions. Therefore, one FTE represents one teacher. A school clerk, whose pay is roughly half of the average teacher's, is counted as one half of an FTE. This position count is only used at the school site level.

Over 80% of the schools' budgets are for employee related costs. The remaining 20% is distributed on a line item basis as the school's administrator sees fit.

The Budget Office combines all of the schools' and departmental budgets and presents the overall budget at informal public meetings for public input during the month of April. Formal public hearings are held through mid-May, at which time the Board approves the budget for all funds. The Board generally adopts the budget by late June, in time to file with the County Assessor and State Department of Revenue by July 15th.

In previous years, a budget liaison operated between the community and PPS. However, due to recent budget cuts, this position was eliminated. Consequently, public involvement has decreased significantly.

Although PPS invites community involvement in the budget process by holding formal and informal public meetings, participation has been low. In addition, increased attendance at these meetings does not guarantee to be a productive vehicle for obtaining constructive input. As such, PPS and the Citizen's Budget Review Committee should use other means to obtain community participation in the budget process. For example, community input on budget issues may be solicited through surveys, focus groups, or "open mike" budget meetings moderated by a representative of the local press.

Recommendation VI-3.1: Consider alternative means to increase community participation in the budget process. PPS has a significant need to educate the public on how public funds are spent in educating children. With significant declines in revenue since the passage of Measure 5, PPS greatly needs the support of the population it serves. The community has exhibited concerns regarding waste, inequities, and lack of accountability within PPS' administration and Board. Through improved public relations and increased participation with



Recommendation VI-3.2:

PPS' stakeholders, PPS could benefit from additional input on the budget. This could also enhance participation and support in services or funds donated through the PPS Foundation.

Improve the budget document as a communication device.

PPS could make its budgets more user-friendly for the community by including a glossary of terms; listing timetables and roles of key participants; and summarizing the overall budget at a high-level for key functions of particular concern to the public. Additional uses of the budget document could be to:

- Improve the budget as a policy document to track financial data over a longer period of time reflecting budget to actual comparisons, actual comparisons prior years by major function or program area
- In the budgeting process, link program expenditures to the strategic directives as defined in the strategic plan and reflect this linkage in the budget document
- Improve the document as an operations guide by discussing prior budget results and accomplishments
- Include a section discussing personnel information such as position counts, organizational charts, and past history
- Improve the document as a financial plan to provide a consolidated summary of revenues and expenditures for all funds, including analysis of historical data, trends, and future strategic plans.

Finding VI-4:	PPS needs to leverage budget management oversight responsibilities and accountability.
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In recent years, PPS has experienced significant budget cuts, resulting in staff reductions and a substantial decrease in fund balance. This may result in individual programs jockeying budgets to cover their expenditures. To accommodate this, the accounting system allows for program administrators to exceed individual budgeted line item amounts, but if a program budget goes over by year-end this amount is deducted from the next year's budget. This process tends to be retroactive, rather than proactive.

Without formal oversight, the school principals and department managers have substantial control over spending, yet they seldom receive proper training or are held accountable for significant budget variances. Further, financial reports are not provided in a sufficient time frame to maintain an accurate accounting of individual budgets. Due to the activities that surround "shakedown" and the related effects on the budget, it is often not until January of the fiscal year before current year variances to the budget are reviewed and/or corrected. This process often allows errors to go undetected and does not provide ample time to react before the end of the school year in May. In many cases, the secretary of the school is responsible for the bookkeeping, in addition to many other



areas of responsibility. As a result, the skill level and attention given towards financial analysis of budget to actual information is minimal.

Instituting a culture that encourages budgetary accountability requires a performance management framework that holds individual managers accountable for ensuring their program expenditures stay within budgeted limitations. Budgetary performance should be a criteria for evaluating management accountability and effectiveness.

- Recommendation VI-4.1:** **Improve the level of oversight and accountability over PPS' established budget.** The impact of the lack of an accountable budget system is a significant concern. The public's perception of PPS as a whole is tied closely with their perception of its financial accountability and can impact their willingness to donate to the PPS Foundation. PPS does not have the opportunity to react to financial shortfalls in a timely manner. With limited staff and financial resources, the effects of "shakedown" are time consuming and do not allow sufficient time to analyze current financial standing.
- Recommendation VI-4.2:** **PPS should consider linking financial accountability to performance evaluations for administrators and central service operations and provide for regular briefing to the Board on budget status.** The Board should provide oversight and require PPS management to provide the Board with budget to actual reports on a periodic and timely basis.



ACCOUNTING AND FINANCE

BACKGROUND

PPS' Finance Department handles the functional areas of budgeting, fiscal and grant accounting and reporting, accounts payable, accounts receivable, payroll, fixed assets and property control, banking and investments.

PPS utilizes the standard chart of accounts mandated by the U.S. Department of Education, National Center for Education Statistics, and by the Oregon Department of Education. This chart of accounts allows PPS to generate reports on educational cost information so that it is comparable to other school districts across the country. This accounting system approach lists revenues and expenditures in standardized categories to uniquely identify funding sources (local, state, or federal funds) and identify the applicable program, function, object, and responsibility center.

PPS follows the cash management policy outlined in the Oregon Revised Statute (ORS) 294. PPS invests excess cash in short-term instruments such as collateralized time deposits, bankers' acceptances, commercial paper and U. S. Treasury bills. In addition, PPS places cash with the State of Oregon Local Government Investment Pool and transfers all idle cash to a sweep account on a nightly basis.

The accounting systems currently in use were programmed in COBOL74 and are not Year 2000 compliant. In addition, several "legacy" financial systems are utilized to support the general ledger, accounts payable, accounts receivable, and other systems.

ACCOMPLISHMENTS

PPS has initiated several measures to improve its accounting and finance operations. These improvements include:

- PPS has a Controller and is in the process of addressing restructuring its accounting operation and supporting systems.
- Initiating the replacement of the aging financial and accounting system through the Systems Conversion Project.
- PPS practices conservative cash management techniques and invests temporary excess cash in short-term investments.
- The Government Finance Officer Association and the Association of School Business Officials awarded Certificates of Excellence in Financial Reporting to PPS for its comprehensive annual financial report for the past ten fiscal years.
- Approximately 75% of PPS employees are on direct payroll deposit compared to an average of 77.3% reported by the benchmarked districts.
- Use of zero-balance banking account sweeps funds nightly into an interest-bearing money market account.



FINDINGS AND RECOMMENDATIONS

Finding VI-5: Opportunities exist to improve the business systems, policies, procedures, and practices.

The Accounting and Finance Unit's business systems, policies, procedures, and practices need to be modernized and enhanced to meet the financial management needs of PPS. Staff utilization could be enhanced. While the majority of the accounting staff is familiar with their own responsibilities, it appears that some staff lack general understanding of basic accounting concepts, controls and procedures.

Some examples of staff over utilization are as follows:

- The budget department is also in charge of employee manuals.
- The Lead Grant Accountant has assumed the responsibilities of the cash manager position in addition to his grant accounting responsibilities.
- School secretaries are overburdened with bookkeeping responsibilities of managing the student body activity funds.
- PPS does not have a system in place for tracking banking and brokerage fees
- Due to the recent turnover in staff, a recent reorganization of the department and excessive workloads, a majority of the bank reconciliations have not been prepared since December 1997.

Due to the lack of available personnel at the school level, an inadequate level of segregation of duties exists over the student body activity funds. Usually, the same person logs in receipts, prepares the bank deposit, makes the deposit, prepares a bank- reconciliation, and investigates all variances. PPS has a function in place to audit at least all of the high schools and middle schools every two years; however, instances of fraud have been detected. The risk of asset misappropriation is increased as well as lack of accountability. In addition, the level of oversight by the Finance Department has declined significantly due to turnover and reorganization in the department. This is exacerbated by a lack of timely and accurate financial reporting.

Recommendation VI-5.1: Consider reassigning certain duties within the Finance Department to improve financial management and oversight capacity. While PPS is already in the process of reassigning some duties within the Department, it is important to ensure that proper segregation of duties is achieved and that standard business practices are observed.

Recommendation VI-5.2: Perform timely bank reconciliations on a monthly basis. Preparation of bank reconciliations is an essential control of safeguarding cash and providing accurate monthly financial data. KPMG recommends that workloads be assigned to ensure that all bank reconciliations are prepared on a monthly basis and are reviewed and approved by the appropriate supervisor. All bank reconciliation variances and manual



checks should be corrected in the month detected. Adherence to these procedures will ensure that cash accounts are properly stated and will result in more accurate monthly financial reporting.

Recommendation VI-5.3:

Implement a process that requires the Controller or other qualified employee to initiate the investment transactions utilizing a confidential code system. This procedure would mitigate the risk of asset misappropriation and provide appropriate segregation of duties. PPS would also benefit from maintaining a system of written internal controls which is reviewed by the Board on an annual basis for validity.

Recommendation VI-5.4:

Implement a system to monitor bank fees and interest earned on its various cash and investment accounts. In addition, the bank and broker agreements should be kept in a central location and reviewed on an annual basis for compliance. Frequently, fees increase without the customer being notified. PPS should ensure that the investment policy is being followed and should conduct an open bidding process to qualified vendors at least every five years. PPS should implement a system to track related fees and interest earned on the various cash and investment accounts.

Recommendation VI-5.5:

Conduct training on accounting basics for accounting staff. Accounting staff should be trained in accounting basics so as to build fundamental knowledge of processes and operations. In addition, PPS should structure the accounting department in a manner that allows proper overlap and cross training of positions to safeguard against downtime. This requires an investment of approximately \$40,000 annually in training costs.

Finding VI-6:

PPS needs to restructure its approach to tracking assets and capitalizing assets within its Fixed Asset Management Policy.

PPS' fixed assets management department accounts for all computer, high-tech, audio and video equipment, with the exception of fax machines and smaller office equipment (such as adding machines, etc). PPS' policy is to capitalize all furniture fixtures, and equipment purchases over \$2,500. PPS tracks and tags all equipment, furniture, fixtures and equipment with an identification number, location (school or PPS offices), description, serial number and original cost. Equipment is typically delivered and received at PPS administrative offices at which time the assets are tagged and entered into the fixed asset system. However, certain equipment is sometimes delivered directly to the schools, depending on the urgency of the items being requested. As a result, such equipment is not appropriately tagged.

PPS attempts to take an annual physical inventory of its fixed assets, both at PPS offices and schools. However, not all schools are performing the annual physical counts properly or in accordance with the instructions provided to them by the Finance department. Therefore, accounting of PPS' fixed assets may not be accurate and/or complete.



Asset tracking is important not only for capitalization purposes. Some items may be below the capitalization level (such as computers) but should still be tracked for security purposes. For information management purposes, technology equipment should be tracked to monitor the versions of equipment and software in use and provide user support.

Bar-coded tagging systems provide an ideal and cost effective approach to tagging and tracking assets and specialized equipment. Assets could be tagged at each school site, and data input to the system for tracking purposes, eliminating the need for a central delivery location. Costs per system of \$5,000 would require an investment of \$450,000 to furnish equipment to each school site.

Therefore, capitalization policies should not drive asset-tagging practices. PPS may wish to raise its capitalization level for fixed assets to one used by the Federal government for grant funded asset accounting purposes, of \$5,000.

Recommendation VI-6.1: Implement a policy whereby all fixed assets must be tagged and recorded on the fixed assets system prior to being assigned and delivered to the schools and PPS offices.

Fixed asset management policies and procedures are implemented to ensure that fixed assets are properly accounted for and safeguarded. An inadequate fixed asset management system can result in inaccurate accounting and reporting of fixed asset values. It can also result in undetected lost and misplaced fixed assets.

Recommendation VI-6.2: Consider obtaining bar-coded tagging equipment that will integrate with the selected financial management information system to support fixed asset accounting. This improvement would require an investment of approximately \$450,000 to procure systems for each school site.

Finding VI-7: PPS needs to expand its formal internal audit activities and develop a comprehensive audit plan.

PPS' Finance Department has generally established policies and procedures to provide reasonable assurance that compliance with legal requirements and generally accepted accounting principles are achieved, that the proper recording of financial transactions are made, and that assets will be safeguarded in the public interest. However, aside from the Division's internal control structure, no separate Internal Audit Department is maintained. While the student funds manager and an external CPA perform student activity fund audits biannually for each school, no formal internal audit program exists to address other areas and activities of PPS.

PPS' Internal Audit Department should be authorized to review all areas of PPS with full, free, and unrestricted access to all activities, records, property, and personnel as may be required. The Internal Audit Department should perform financial, compliance and operational audits and interface with PPS' external financial auditor.

PPS should ensure sufficient audit coverage for areas such as nutrition services, benefit reserve program, cash receipts/receivables, risk management, accounts payable, athletic programs and purchasing. The Board's Audit Committee needs to ensure that the annual audit work program provides adequate coverage of these and other high priority audit issues.



If not feasible to establish in-house, PPS should consider contracting out the entire Internal Audit function as some school districts throughout the nation are doing. This alternative could provide the staff technical expertise currently not available to PPS.

Alternatively, PPS should consider hiring student interns from local universities for student account compliance audits, thereby freeing up the Student Funds manager to conduct more audits of medium to high-risk areas or performance audits of specific education programs within PPS.

Hiring of an internal auditor would require an investment of approximately \$72,000 in salaries and benefits.

Recommendation VI-7.1: Establish internal audit function and related long-term audit plans to test various aspects of PPS administration compliance and operations. A strong internal auditing function can benefit public sector management by reviewing and appraising the: 1) reliability and integrity of financial and operating information; 2) the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations; and 3) the extent to which resources are employed effectively, efficiently and economically. Hiring an internal auditor would cost approximately \$72,000 in salaries and benefits.



PAYROLL AND BENEFITS

BACKGROUND

The Payroll department is comprised of 12 FTE's who are primarily responsible for processing monthly payroll and related edits for over 6,300 employees, as well as weekly payroll for approximately 200-300 skilled laborers. Payroll also handles garnishments, levies, check assignments, leaves of absences (computations & compliance), Family Medical Leave Act (FMLA) determinations, notice of separation for Public Employees Retirement System (PERS), transfers of sick leave to other state agencies.

Payroll has one accountant who balances dues withholding for payment to unions, processing of manual checks, quarterly and annual reporting of W-2's, workers compensation assessments, etc. The policy regarding salary advances states that such advances will be provided for new employees. Currently, there are less than 20 salary advances processed monthly which are collected in the month following the advance. No emergency checks are given for economic hardship.

Payroll also sets up eligibility and accruals under health & welfare plans (medical and dental care), including open enrollment and union dues. PPS' employee medical benefit plans and related disability claims are overseen by a Health and Welfare Trust whose board consists of certain PPS employees and members of the various unions. The Trust utilizes a third party consultant to negotiate insurance premiums, a third party company to administer all claims and an attorney to ensure the legality of agreements and contracts.

Employee information (including determination of bargaining unit, salary placement, effective date, 10 or 12 month pay election) is initially set up by Human Resources through the use of a standard form and forwarded to Payroll to compute salary level, withholdings, and other payroll information.

With the exception of administrative personnel, all employees are covered by collective bargaining agreements. This results in numerous salary levels for teachers, depending on the education level and years of experience of teacher.

Payroll processing takes approximately 11 working days. Payroll uses a delivery service, ACS to deliver payroll stubs three days prior to payday. Based on this schedule, payroll utilizes an approximate mid-month cut-off date to ensure the timely review, data entry, and sorting of information.

Payroll's 1997/98 budget totaled \$637,801, of which salaries and benefits comprised \$593,525.

ACCOMPLISHMENTS

While operating under severely difficult conditions, the Payroll Department has been successful in keeping employee advances at minimal levels and has experienced no write-offs of such amounts. In addition, Payroll utilizes personnel who are cognizant of all filing requirements and payroll records maintenance.



FINDINGS AND RECOMMENDATIONS

Finding VI-8: The lack of timely submission of time documents and personnel changes contribute to the inefficiency of the Payroll system and result in unnecessary overtime pay.

A significant number of schools do not submit the positive reporting time sheets weekly, but rather wait until the monthly submission deadline to submit all time sheets. This practice results in approximately 80% of all time sheets being received by Payroll at or near the monthly submission deadline, rather than receiving a consistent flow of time sheets throughout the month. In addition, typically 50% of personnel changes are received after the monthly submission date. As a result, Payroll accumulates a backlog and requires a significant amount of monthly overtime to accommodate the untimely submissions. In addition, this requires a number of manual checks to be processed.

There are various reasons for the late submission of time documents including:

- In general, school office personnel do not have the time to prepare and submit time documents on a weekly basis.
- Due to federal reporting requirements, many time sheets pass through grants administration, which typically results in delays of up to six days past the submission deadline due to the extensive approval process required for grant expenditures.

The untimely submission of time sheets results in a significant amount of monthly overtime in the Payroll department ranging from 100-400 hours. This translates into a budgeted overtime cost of \$55,000 per year, above and beyond the normal salaries in the Payroll department.

Recommendation VI-8.1: Enforce PPS policy regarding time sheet submission deadlines. The implementation of an on-line time reporting system, as previously described, would alleviate this issue. This could reduce overtime costs of \$55,000. Until such a system is implemented, the following should occur:

- PPS should enforce its policy regarding timely submission of time sheets and hold violators accountable for their actions.
- The time reporting and submission responsibility should be that of the employee and not of the school administrators, although appropriate approval signatures should be obtained.
- Grants administration should be provided either copies of time sheets or summary documentation of time charged to various grants. This modification would still allow for appropriate verification of grant expenditure activity while not delaying the payroll process. Any corrections to budget strings could be made through accounting procedures.



Finding VI-9: The current system used by payroll lacks appropriate access controls and allows certain users to override the system.

Frequently, Payroll receives time sheets for individuals who have not yet been set up by Human Resources. The lack of effective policies and procedures governing the hiring process often permits individuals to start work prior to submitting all required documentation. Despite the lack of proper documentation, Payroll has the ability to override its payroll system and set up the employee in order to process the payroll for that pay period.

Because of the lack of timely procedures to submit new employee information to Payroll, Payroll does what it can to assist the employee in receiving timely payment. In addition, the inadequate current payroll system utilized by PPS does not provide the necessary access controls to prevent the set up of the individual in the system.

Recommendation VI-9.1: Ensure proper hiring policies and procedures are followed.

While this situation is indicative of a lack of effective standard policies and procedures over the Human Resource process, the ability to override the payroll system presents an indication of a lack of adequate controls over the system. In addition, by allowing new employees to work who are not formally set-up could result in an unnecessary risk of liability to PPS. To address this issue, KPMG recommends:

- PPS should establish a clear set of policies, procedures and guidelines which should be distributed to all schools to ensure that proper hiring practices are being followed.
- PPS should implement a new system to ensure the validity of employees entered into the system and not allow individuals to override the system.

Finding VI-10: The recent change in the Public Employee Retirement System (PERS) qualification requirements requires improved time tracking and may result in a potential liability to PPS.

PPS is required to withhold amounts from employees for contributions to PERS for all employees who work in excess of 600 hours in a twelve-month period. Previously, the twelve-month period coincided with PPS' fiscal year. However, due to a recent change in legislation, the 600 hour limit is now based on a rolling twelve-month period. PPS has experienced difficulty in determining whether withholding should be made for substitute teachers and other part-time employees who may work less than 600 hours. This becomes most difficult if the employee also works in other school districts in the state and may, work sufficient overall time to qualify for PERS benefits. If amounts are not properly withheld by PPS for qualified participants, PPS may be held liable for amounts due under the PERS program.

Currently, PPS utilizes a payroll senior clerk who spends approximately 85% of his/her time in determining and tracking eligibility for PERS membership and PERS disability, and preparing related reports.



Recommendation VI-10.1: **Implement employment disclosure requirements for substitute and part-time employees.** This responsibility should be leveraged to the employee, who has the most to gain by ensuring that all work time is captured. PPS should examine implementing a policy that requires new substitute teachers and miscellaneous employees to provide a detailed listing of previous positions held and hours worked at any public agency within the previous twelve-month period. This agreement should also indicate their intention to remain an employee within the public sector.

Finding VI-11: **PPS funds 100% of employee premiums under the Health and Welfare Benefit Trust program resulting in significant expense.**

Upon hiring, employees have 30 days to make their benefit elections. Benefit programs include: health and welfare programs, flexible spending plans (health/medical reimbursement), tax-sheltered annuities, (the 403(b) plans), and Portland's PERS. Contributions under 403(b) plans are held for five days and submitted to an investment company. Benefit packages are based on the negotiated union contract terms. During the open enrollment period of each fiscal year, employees have the option of changing plan elections.

In determining the annual benefit cost under the plan, benefit levels are negotiated in conjunction with the union contracts. A composite rate is established for all three of the health and welfare plan selections available, and is based on premium costs negotiated with the insurance carrier and costs associated with operating the Trust. The 1998/99 composite rate will be approximately \$5,360 per year per FTE. PPS funds the entire cost of coverage for full time employees and one-half of the cost for part-time employees. Based on an annual FTE count of 6,000, the annual cost to PPS under the current benefit structure amounts to approximately \$32.2 million annually. Cutting the benefits cost by 20% would produce cost savings of over \$6 million annually.

Cafeteria benefit plans may provide a solution for PPS to reduce its benefits costs. Cafeteria plans set a baseline spending level, allowing the employee to select among various cost options pay for additional coverages that exceed the baseline. This provides the employee with the option to obtain lesser cost coverages, or pay for higher cost options.

Recommendation VI-11.1: **PPS should explore strategies to reduce its overall benefits burden through the introduction of cafeteria benefit plans or other flexible benefits approaches.** Given PPS' financial constraints, the current structure of the benefit packages may not be the most cost-effective for PPS. PPS should consider negotiating with the unions to attain a cost-sharing benefit plan to reduce the level of coverage provided by PPS. For example, a change in benefits coverage in which PPS would provide 80% of the funding would result in annual savings to PPS of in excess of \$6 million.



PURCHASING AND WAREHOUSE

BACKGROUND

PPS' purchasing department is responsible for all purchases, including purchases for schools, maintenance, food services, and warehousing. The department employs 9 staff members, including a purchasing director, two procurement specialists, MRO (maintenance, repair, and operations) specialist, one office manager, and four purchasing clerks.

Purchasing

In 1996/97, the department processed a total of 10,585 purchase orders and had a total budget of \$605,493, and in 1997/98, a total of 11,061 purchase orders were processed with a budget of \$606,839. According to purchasing management, this includes \$100,000 to pay for direct support of services and maintenance of schools.

The department processes manual purchase requests and orders, as well as bids and request for proposals (RFP's), including service contracts. Bids and RFP's greater than \$25,000 must be publicly advertised and three formal bids must be submitted prior to awarding a contract. Any purchases greater than \$2,500 require PPS to obtain three verbal quotes before a vendor is selected. The department expects to increase the threshold to \$50,000 for RFP's and \$5,000 for verbal quotes in the 1998/99 fiscal year.

During the first few months of the school year, warehousing submits approximately 15 bid requests to purchasing in order to replenish the warehouse for the remainder of the school year. Each bid is identified with certain criteria and specifications. Upon submission of all bids, the department along with field specialists will determine if the bids meet the specifications. The lowest bidder meeting the contract requirements is generally awarded the contract. This process, along with the RFP's and normal purchase orders are manually processed and involve the finance, purchasing, and warehousing departments, as well as the schools.

PPS is a member of the Tri-County Intergovernmental Cooperative Purchasing Association with Multnomah, Clackamas and Washington Counties and other governmental agencies. This agreement allows PPS to purchase products on existing contracts as if the contracts were written solely with PPS. This agreement also includes contracts for construction materials, furniture, software and various products, while enabling PPS to purchase a wide variety of items at pre-negotiated prices. As a result, PPS receives very competitive prices without having to spend additional time and effort in negotiating contracts. The department also utilizes blanket purchase orders when possible to ensure that the most economic prices and quantities are received.

The department has begun implementation of a procurement card system whereby certain authorized individuals are assigned a procurement card that facilitates direct purchases with vendors. The purchasing department encourages the use of these cards for small dollar purchases as it would eliminate the need for manual processing. However, usage of these cards has been limited to date; therefore, traditional purchase requests are still the preferred method by most individuals.

Warehousing



The warehouse is responsible for storing and delivering inventory and supplies for all 96 schools, 30 special programs, and PPS' maintenance crew. The warehouse has an overall capacity of 154,000 square feet, consisting of 110,000 in the general warehouse, 40,000 in maintenance storage, and 4,000 in freezer space used for Nutrition Services food commodities.

At any given time, the warehouse maintains approximately \$3.5 - \$5 million dollars of inventory on hand while shipping an average of \$5.2 million annually. It is staffed with a total of 18.5 FTEs in the warehousing department, including a warehouse manager, four licensed truck drivers, two mail delivery FTEs (for Pony Express, PPS' internal mail service), a secretary, and the remainder are warehousemen.

Warehouse duties include: receiving direct purchase maintenance items, fixed asset marking, kitted materials for maintenance, assembly and issuance of kitted materials, inventory control, assembly and disposal of surplus, schedule distribution and deployment of educational items, and receipt of small packages delivered to the BESC. The warehouse also submits supplemental orders and/or bids for various bid groups in support of schools and other departments.

Total departmental expenditures for 1997/98 are budgeted at \$1,078,000, of which \$693,000 is for salaries, \$221,000 is for benefits, and \$164,000 is for supplies and other warehousing costs.

The warehouse has two trucks and four certified drivers. One truck is used exclusively for moving and hauling furniture from school to school and the other is used to make deliveries of supplies and materials to schools and maintenance sites. Deliveries are made to each school every two weeks. Based on this schedule, the turnaround time for a warehouse requisition can range from 1 - 14 days, depending on when the requisition is received by warehouse. Hauling of furniture and equipment to and from school to school is performed daily per individual school request. Hauls for the past three years are identified in Exhibit VI-1:

Exhibit VI-1: Portland Public Schools Hauls for the Past Three Years

Fiscal Year	1995/96	1996/97	1997/98
Number of Hauls	1,838	1,966	1,800*

Source: Portland Public School Purchasing Unit

*Annual estimate—based on 1,500 hauls from July 1997-April 1998. Numbers do not include school moves.

As of April 1998, Warehousing stored a total of \$3,660,364 in inventory on hand. A substantial number of these items consisted of maintenance materials and parts, which accounted for \$1,215,787 of total inventory. Other large value inventory groups include food supplies (\$728,846), general office supplies (\$406,778), custodian supplies (\$398,283), and paper products (\$328,076). Other warehoused items include furniture, athletic and physical education equipment, art, industrial art and photography supplies, and other school items. These moves did not include "school moves". However, PPS could consider outsourcing special moving needs that occur on a one-time or peak basis.



Return of unused surplus items to the warehouse from schools is credited to the schools budget. The average returns in the past three years have amounted to approximately \$120,000.

ACCOMPLISHMENTS

The Purchasing Unit has a number of accomplishments that are noteworthy. These achievements include:

- PPS uses cooperative purchasing agreements administered by PPS and other jurisdictions to procure many goods and services.
- PPS procures vehicles using the state's negotiated contract and rate, and participates in a Tri-County cooperative.
- PPS utilizes specialists to make special purchases, such as science and maintenance materials.
- All PPS buyers are certified.
- A procurement card system is utilized to encourage greater efficiency in the purchasing process.
- A formal bid process is utilized and the lowest bid meeting the pre-determined specifications is selected and recommended to the Board for approval.



FINDINGS AND RECOMMENDATIONS

Finding VI-12:	Although PPS has implemented a procurement card system, it is currently underutilized.
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PPS entered into a contract along with ten other governmental agencies, including the City of Portland, Multnomah and Clackamas Counties, to allow certain PPS employees to have procurement cards. Currently, 85 procurement cards have been issued, primarily to school principals, secretaries, purchasing agents, other departmental supervisors, as well as other authorized users.

This purchasing approach was piloted in June 1997, and rolled out in broader fashion in March of 1998. Of the 85 cards issued, only 65 cards are currently activated and are being used. PPS' goal is to issue and utilize approximately 500-600 cards by the 1998/99 school year. The agreement is with Bank of America, who issues a Master Card to those individuals PPS deems with proper authority.

The procurement cards are issued through Bank of America and funds are automatically transferred from PPS' checking account for payment. Each card has a single transaction limit of \$1,000 and an overall limit of \$14,000. In 1997/98, total purchases using the procurement cards amounted to \$223,530 (Sept. 1997 through mid-June 1998). Most purchases have been for amounts well below \$1,000 and have been for items such as school and office supplies, food for meetings, software, and other minor purchases.

Optimal utilization of PPS' procurement card could potentially reduce warehouse inventory since items are purchased and delivered directly from third party vendors to the ultimate users. In addition, the use of procurement cards would significantly reduce the number of small purchase requisitions processed by purchasing.

Reducing warehoused inventory and eliminating 80% of the purchasing department's workload could result in tremendous savings to PPS. We estimate potential annual payroll savings to PPS of approximately \$195,000, which equates to the payroll for four FTEs. This recommendation would reduce total salaries and benefits from \$449,958 to \$255,284 and total POs processed from 11,061 (1997/98) to only approximately 2,200, in the purchasing department.

If all school paper and related materials were to be purchased by use of procurement cards, the new estimated value for these warehoused items would be approximately \$735,000 which would reflect a savings of \$538,000 based on an average of \$0.294 per dollar of stored inventory. Furthermore, by reducing the number of requisitions processed, purchasing could concentrate more time to explore and negotiate purchase contracts that would be beneficial to PPS. In addition, approximately 4 and 9 individuals could reduce the number of FTE required to operate the purchasing and warehouse departments, respectively.

PPS should also continue to explore and negotiate contracts that would be beneficial to PPS in savings through purchases with procurement cards. This should be coupled with the appropriate planning of supplies and equipment purchasing needs to leverage buying power and obtain discounts where appropriate and cost effective. Through analyzing purchasing patterns, Purchasing



staff can anticipate and negotiate appropriate agreements for high volume purchase items and commensurate discounts, but provide for the direct vendor delivery to school sites or user locations. In this way, PPS can provide a mechanism to comply with State statutes and procurement rules adopted by the School District to preclude numerous purchases of like items to circumvent public bidding laws.

Recommendation VI-12.1: **Implement a policy requiring current and future cardholders to use procurement cards whenever possible.** Procurement cards should be utilized whenever possible to make purchases between \$1 - \$1,000 in order to reduce the amount of purchase orders processed by the purchasing department. In addition, PPS should conduct seminars for cardholders to explain how the process works, the advantages and disadvantages of the procurement card system, and to answer any questions. By conducting such seminars, potential cardholders will become more comfortable in using the cards with an understanding that it is both easy and beneficial to PPS. This would result in a savings of \$195,000 by reducing 4 FTEs and inventory reduction savings of \$538,000.

Finding VI-13: PPS' warehouse maintains excessive inventory.

PPS' policy is to maintain an inventory supply that is 1.5 times of the past three years' average usage for each item stored. This practice results in a fully stocked warehouse at the beginning of each school year that holds enough inventory on-hand to supply to schools for the next year and a half, creating an inherent excess inventory of 33% of the items stored. Based on annual shipments of \$5.2 million and an inventory range of \$3.5-\$5 million, the inventory turnover ratio is approximately 1.15 times a year or once every 316 days.

Historically, at the beginning of each school year, PPS has made bulk purchases of inventory items to maintain a PPS-mandated supply of 1.5 times of the past three year average usage. No consideration is given to the time required to replenish each item. By making these large purchases at bulk prices through the bid process, the purchasing department believes that it is more cost-effective as the savings on the overall purchases are greater than multiple smaller quantities purchases throughout the school year or on a just-in-time inventory method. As a result, additional storage costs are incurred throughout the remainder of the school year for those items.

A significant number of items stored in the warehouse, especially in the maintenance area, have little or no activity in the past three years. No value is currently assigned to inventory items that have had no turnover in the last three years. The space and expenditures allocated to warehousing these items may be unnecessary since there are minimal usage of these items.

PPS should determine the optimal inventory level for each item or group of items based on the time required to place and receive an order and the usage of those items during the ordering period (considering the seasonal effects of the usage and delivery of such items).



In addition, items that are easily obtained from third party vendors such as paper and other highly utilized items should be contracted with vendors to be delivered directly to the schools. This recommendation would reduce the storage space required and related costs to handle, store, receive and deliver the items.

PPS should perform an examination of the inventory listing to determine and identify items that have had little or no activity in the past three years, no assigned value, and/or are deemed obsolete. These items should be disposed of either through a sale to other interested parties, sold for scrap, or donated.

Large inventory purchases at the beginning of the school year should be replaced with smaller timely purchases throughout the year to maintain sufficient inventory supplies. By implementing a “just-in-time” methodology, overall inventory supplies could be reduced, thereby decreasing related storage costs.

PPS should also examine opportunities with its co-ops (i.e. Tri-County Co-op) to expand contracts for such items as school and office supplies to be purchased at discounted rates and delivered directly to the schools by the vendor. This would reduce the amount of inventory stored and shipped from the warehouse to the schools, and would result in potential savings on warehousing expenditures directly attributed to the decrease in the inventory warehoused.

Excess storage of inventory items that are not deemed necessary creates additional overall expenditures to operate the warehouse including the following:

- Excess personnel costs to maintain and handle the inventory (i.e. salaries and benefits);
- Inappropriate utilization of PPS’ warehouse space; and
- Additional overhead and warehousing costs related to the inappropriate utilization of space (i.e. electricity, heating, and refrigeration).

If inventory were reduced to the optimal level, the costs of warehousing such items would also be reduced. Based on total inventory of \$3,660,364 as of April 1998, a potential saving of \$448,233 in total warehousing expenditures would be feasible if inventory was reduced by 50%. Warehouse space could also be reduced by 50%, thereby freeing up an estimated 77,000 square feet of the warehouse facility.

The inventory reduction savings contemplates a reduction in approximately 9 FTEs at an average salary and benefits cost of \$39,636 each, for a total of \$356,724, as well as an estimated savings of \$91,509 for supplies and other warehousing costs. In addition, the funds used to make the large purchases could be invested to earn additional interest, thereby enhancing cash management practices.

Additionally, capital improvement plans include a project to build a parking and storage facility across from the BESC. In light of this audit’s recommendations to reduce overall warehouse space, the need for this facility should be reexamined.

Recommendation VI-13.1: Drastically reduce the inventory in the Warehouse. PPS should determine the optimal amount of inventory needed



to enable a more effective and efficient operation of the warehouse department. Ideally, PPS should consider turning its inventory at least 6 to 7 times per year. Reducing the warehouse by 50% of its current capacity and operating inventory would free up 77,000 square feet of warehouse space, and reduce inventory. This would result in \$448,000 inventory reduction savings, \$91,000 in supplies reduction savings, and \$357,000 in staff reduction savings with the elimination of 9 FTEs.

- Recommendation VI-13.2:** **Implement a just-in-time inventory methodology wherever practical.** A just-in-time methodology for inventory management should be examined to determine the cost-benefit of a reduced inventory supply, which would result in an overall reduction of warehousing expenditures to PPS.
- Recommendation VI-13.3** **Reconsider the need for constructing additional storage space across from the BESC.** The need for a parking and storage facility across from the BESC should be reexamined.

Finding VI-14:	Lack of a warehouse return (credit) policy results in excess inventory storage and handling costs to the warehouse department.
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PPS' current practice is to accept as returned goods any item that the warehouse carries as long as it has not been used and is not damaged. While the returned items may be available for reissue to others, it creates additional work and cost for the warehouse. Sometimes the products that are several years old and still be returned for credit. The amount of credit given is based on the most current price of the item, even if the item was purchased for a lesser amount. There is no limit on the type or amount of items returned. In the past three years, returns received by the warehouse from schools have averaged \$123,023.

Each return starts with the completion of a warehouse requisition (specifically marked return for credit), which is then sent to the warehouse. Warehouse will then pick-up the item during its normal routes and the item will be verified and restocked. Although returns generally may occur throughout the school year, the majority of returns are received during the end of the school year, when items are deemed unneeded. The value assigned to the returned goods is credited to the school's budget.

The lack of a return (credit) policy results in excess costs in handling and restocking of surplus inventory ordered by the schools, thus increasing overall warehouse expenditures. Based on the amount of overall value of inventory activity in the past three years, each dollar of inventory moving in and out of the warehouse costs approximately \$0.202. Therefore, based on the average of the past three years' returns of \$123,023, a total of \$49,700 a year is spent on excess handling costs. This reflects the cost of moving the items from the warehouse to the school of \$24,850, and back from the warehouse from the school of \$24,850). This amount equates to the annual salaries and benefits for 1.25 warehouseman FTE.

By implementing such a policy, PPS would encourage better inventory management by each school, thereby reducing the overall amount of inventory stored on-hand at the warehouse. This would also



reduce the workload of the warehouse department in picking up, restocking and processing the returned inventories. This recommendation would result in an annual savings of \$49,700.

PPS may consider the following limits for not accepting returned items:

- Returns under \$250
- Returns over one year old
- Items that will be used within the remainder of the school year
- Returns must be accompanied by the original purchase request
- Items must be reusable (not obsolete)

Recommendation VI-14.1: Implement a return (credit) policy for returned inventory from schools. PPS should implement a return (credit) policy for returned items, which should set guidelines and criteria to limit the amount of inventory returned to the warehouse. This recommendation would result in approximately \$50,000 in savings.

Finding V-15: Inadequate access to school site warehouse facility.

KPMG toured PPS' storage facilities located at Madison and Marshall high schools. The storage facilities were found to be clean and orderly, with access restricted to custodians and authorized personnel only. The storage facilities consisted primarily of the following items:

- Student desk-chairs (a few hundreds to a couple of thousand)
- Surplus pianos
- Obsolete computers (20-40)
- Wood and metal shop equipment
- Obsolete switchboards (3-5)
- Lathes and knitting machines
- File cabinets (10-20 cabinets)
- Obsolete small tools, including circular saws, and other tools
- Old donated desks and chairs (reserved for school police)
- Old typewriters (5-15 pieces)
- Art supplies (donated from a local art shop that went out of business), at the request of art teachers.
- Lumber and metal beams (materials remaining from old replaced bleachers)
- Obsolete sinks and toilets, which do not meet the 'low-flush' federal requirements.
- Other obsolete items

Based on discussion with PPS personnel, most of the machines, typewriters, and pianos will ultimately be sent to the state for public sale. Because not all items can be shipped to the state at



one time, there are surplus items at both the storage facilities. Most of the desks and chairs are still considered functional. However, the surplus is attributed to a combination of new chairs replacing older ones, and a decline in student enrollment. These chairs generally serve as replacements for other broken and unusable chairs. Purchasing has explored opportunities to sell these chairs to other school districts; however, the majority of chairs are ultimately sent to outlet distribution centers where they are sold.

PPS uses the Oregon Department of Administrative Services and the Surplus Property Management of Oregon State University to sell these items. Items sent to these outlet centers by PPS warehouse generally range from shop machines to cabinets to desk-chair combinations. Upon sale of these goods, PPS receives a percentage of the proceeds (typically 40-50% of the total proceeds). Approximately once a month, the Warehouse Manager contacts and requests to deliver desired equipment to the outlet centers. The outlet center then indicates which items are targeted for delivery for the public sale. PPS attempts to send as much of its surplus property to the state for public sale as possible. Other items such as obsolete computers, switchboards, and other non-remunerative items are occasionally disposed of by donating to Goodwill, selling for scrap, and/or dumping in the landfills.

In previous years, PPS held annual public sales to generate proceeds for excess, unusable and unnecessary items. However, PPS made a decision to cease this practice as it was found to be more cost beneficial to dispose of surplus under the current method.

Based on discussion with PPS personnel, transporting these items, both to and from the facilities is very cumbersome and labor intensive. This is especially true for the Marshall facility, where access (space, distance and physical access) to the storage room is difficult, cumbersome and requires much maneuvering. As a result, even when items are donated to the school, the cost of moving such property sometimes outweighs the value of the items received. In addition, the Marshall facility is considered a safety hazard due to the high levels of asbestos in and around the storage area.

Recommendation VI-15.1: PPS should consolidate off site storage and make it available for use by the school sites. Many of the items found at the Marshall site may be needed by the schools. PPS should cease utilization of the Marshall facility for storage, provide for the necessary clean up of asbestos and consider alternative uses for the site, such as additional offices, teaching facility, labs, etc.

Finding V-16: Benchmarking data suggest that the purchasing staff could be more efficiently utilized.

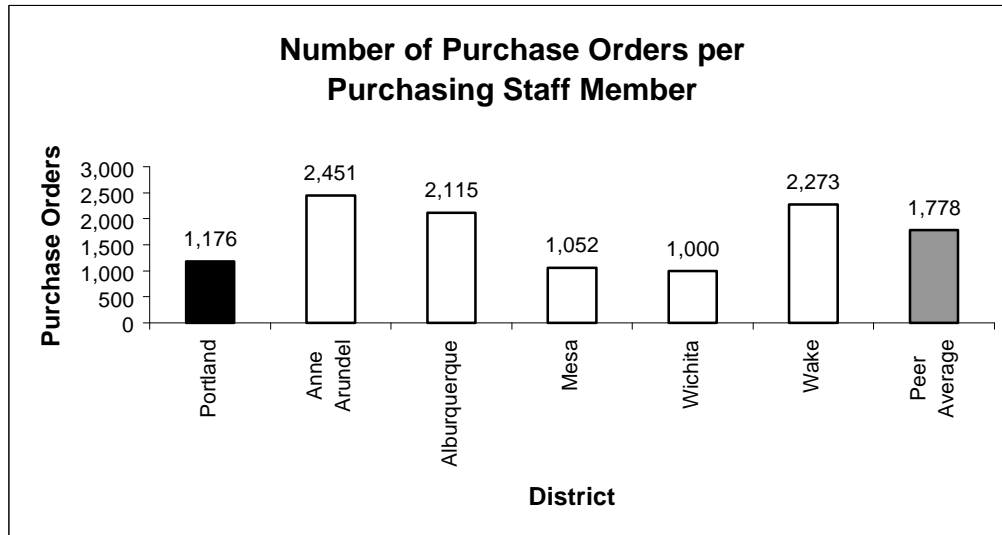
PPS procures goods through the use of purchase orders. In 1996-97, the Purchasing Department processed nearly 10,600 purchase orders, and between July 1997 and the end of April 1998, it has processed 11,061 purchase orders.

Compared to its peer districts, PPS' purchasing staff processes 33.8% fewer purchase orders per person than the peer average. Exhibit VI-2 below demonstrates this statistic.

Exhibit VI-2: Comparison of the Number of Purchase Orders per Person with Peer



Districts



Source: KPMG Benchmarking Survey.

The Purchasing unit currently utilizes 7 of its 9 staff for purchase order processing. Based on peer district information, PPS staffs 2.5 positions more than it needs.

Purchasing management notes that two of the three benchmarked districts have electronic purchasing systems and another district has a partially automated system. This illustrates the staffing efficiencies that can be realized with an automated approach.

Recommendation VI-16.1: Enhance the efficiency of purchasing staff utilization. We estimate that PPS could eliminate up to 2.5 positions and save up to an estimate \$72,000 per year by utilizing alternative means of purchasing (i.e. PPS credit card rather than processing numerous small value purchase orders).



RISK MANAGEMENT

BACKGROUND

PPS' Risk Management Division is responsible for the administration of its self-insurance programs including workers' compensation, general liability, fire, automobile, and property damage. Although Risk Management staff administers these claims completely in-house, PPS utilizes Sedgwick of Oregon, Inc. (Sedgwick) as their insurance broker/advisor for excess coverage. Excess coverage is maintained for property, boiler & machinery, and liability for individual claims in excess of amounts ranging from \$500,000 to \$1 million. These administration claims services are provided by five staff including a liability claims administrator, a workers' compensation claims administrator and three clerical and support staff, plus a risk manager (who doubles as purchasing manager). In addition, Risk Management uses outside attorneys and investigators for special or unusual claims. PPS has been self-insured since 1978.

In addition, Risk Management utilizes two FTE's from PPS' environmental health and safety division to provide various hazardous material assessments, loss control and safety services and programs.

The 1997-98 self-insurance budget was \$5,320,141. The 1997-98 environmental health and safety budget was \$333,750. Unemployment insurance coverage is provided by a third party insurer under a bonded service program, in which PPS pays an annual fixed service fee which covers the administration of the unemployment claims and the payment of claims themselves.

ACCOMPLISHMENTS

The Risk Management Division has made several noteworthy accomplishments. These achievements include:

- PPS was successful in reducing its 1997/98 excess insurance premiums by approximately \$173,000 from the prior year levels, while increasing its overall coverage, and may realize a premium refund of \$29,000 in 1998/99.
- Based on an analysis performed, PPS is saving approximately \$220,000 (excluding interest savings) per year by being self-insured for workers' compensation.
- PPS' Workers' Compensation division was subject to a compliance audit by the State of Oregon Department of Consumer and Business Services, Workers' Comp Division in September 1997 that resulted in minimal findings and fines.
- A claims review by PPS' excess insurance carrier performed in August 1996 indicated that PPS' policies and practices for claims management and administration were adequate.
- PPS has successfully implemented a number of safety-related programs to help minimize its insurance risk such as 1) programs with ergonomics experts to assess and modify worksites and to eliminate potential problems in the work-place and 2) the state-sponsored "Early Return to Work Program".
- Individuals in the environmental health and safety department are certified in their areas of specialty (hazardous materials, lead-based paint, asbestos, etc.).



FINDINGS AND RECOMMENDATIONS

Finding VI-17: The depletion of the self-insurance fund balance since 1990/91 has resulted in lack of adequate reserves to fund current and future claims.

The self-insurance fund balance has decreased from \$8.2 million in 1990/91 to \$409,000 at June 30, 1997, and it is anticipating a zero fund balance at June 30, 1998. This level of available funding is inadequate to cover a single incident at the coverage level of \$500,000 for fire and flood incidents. Over the last three years fund balance has decreased by 52%, 44% and 60% respectively as a result of a decision by PPS to draw down on these reserves to fund operations.

Annual workers' compensation claims alone have averaged \$2.1 million over the last seven years, and the estimated liability for the 291 outstanding workers' compensation claims is \$1.5 million. In addition, there are approximately 240 outstanding property and liability claims with an estimated liability of \$877,000.

The lack of adequate reserve levels stems from the reduction in funding levels on a PPS-wide basis coupled with a steady level of annual claims. Revenues have averaged \$2.8 million over the last seven fiscal years, while total expenditures have averaged \$3.9 million in the same period. The total number of claims has ranged from 948 to 1,048 and total expenditures per claim have averaged \$3,913 over the last seven-year period.

Evidently, PPS has been unable to fund annual claims on a pay-as-you-go basis. Therefore, PPS is facing a critical situation with respect to adequate funding of claims in the coming and subsequent fiscal years.

Recommendation VI-17.1: Self-insurance reserve level must be rebuilt to adequate levels. PPS should implement a plan to rebuild the self-insurance fund balance to a level adequate to cover its annual claims. This requires an investment of between \$4 million to \$8 million in order to cover reserves for one to two-years of claims liability experience.

Recommendation VI-17.2: Assess the adequacy of current excess coverage limits. Additionally, PPS should perform an assessment of its current excess coverage limits and consider possibly reducing its deductible (SIR) levels on such policies until such reserves can be reestablished to adequate levels.

Finding VI-18: The claims system currently utilized provides estimated liabilities for known outstanding claims, but does not provide an estimated liability for potential claims incurred but not yet reported (IBNR claims).

During the year, PPS records its claims settlements and payments on a cash basis. At year's end, PPS' independent auditors prepare a computation of the estimated claims expense for additional potential claims that may have been incurred in the current year but may not be reported until the following fiscal year. This activity is performed to account for the estimated liability for all known and



potential claims, a process required under fundamental accounting principles. The computation is based on historical recording and payment patterns for PPS' claims.

Because PPS does not provide for an estimated liability of IBNR claims other than at year end, an assessment of the estimated obligation for claims at any other point during the year may not reflect the true liability to PPS at that point in time.

In addition, Risk Management has encountered instances in which certain litigation claims which are received by the Superintendent's office have not been reported to Risk Management on a timely basis. In those situations, Risk Management becomes aware of such claims only after the receipt of an invoice for legal services provided.

Recommendation VI-18.1: **Develop a system for recording an estimated liability for all claims throughout the year.** PPS should consult with an actuary to develop a system to estimate the potential liability for IBNR claims as well as known claims when presenting interim information to management on such issues. Despite the nature of claims, all claims which could result in a liability to PPS should be reported to Risk Management as soon as the claim is made known to any PPS personnel in order to assess and account for the potential liability on a timely basis.

Finding VI-19:	Based on the current cost of providing in-house administration of self-insurance programs, PPS may benefit from outsourcing some or all of these services.
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Risk Management currently performs all functions associated with the administration of claims. This includes the initial recording of claims, the investigative responsibility, the estimating and tracking of claims activity, file maintenance and the final payout and closing of claims. In previous audits performed by the State and PPS' excess insurance carriers of its claims management policies and practices, PPS was found to have an adequate system in place for effectively performing its claim administration function and for estimating reserves for known outstanding claims. However, no analysis has ever been performed by management to ascertain the cost effectiveness of obtaining similar services on a contract basis.

The lack of a risk manager, the consistency of annual claims expense along with the longevity of senior personnel in Risk Management have caused PPS to ignore the potential for savings in third-party administration of self-insurance claims.

PPS' current cost for providing claims administration services consist of salaries and benefits of approximately \$500,000 (based on eight FTE's), contracted investigative and other services of approximately \$80,000, and supplies and equipment of approximately \$80,000. Other costs associated with the self-insurance programs would likely be required whether performed in-house or by a third party. Based on an average of 1,000 annual claims, comprised of 650 workers compensation and 350 general liability claims, the approximate administrative cost per claim equates to \$660. Of the 650 workers compensation claims, approximately 32-34% related to time loss claims while 66-68% related to medical only.



KPMG contacted a third party administrator (on a no name basis) to obtain a range of potential fees for providing claims administration services for the types and levels of self insurance programs maintained by PPS. Based on approximately 650 annual workers' compensation claims, the third party administrator stated that such services could be provided for fees in the range of \$125,000 to \$150,000.

With the third party administrator providing such services, the level of FTE's could be reduced from three and one-half to no more than half to one, the level of investigative services and supplies and equipment would likely be reduced to one-half of current levels. Based on the related cost for these expenditures of approximately \$176,000, and the estimated cost of third party administration of \$125,000, the preliminary projected savings to PPS amounts to \$51,000 annually.

Risk management staff indicate that PPS' broker of record has examined the cost effectiveness of this in-house operation, and found that outsourcing claims administration would not be cost effective. Further and more detailed assessment may be merited.

Recommendation VI-19.1: **PPS should consider outsourcing the workers' compensation claims administration.** Many public entities that maintain self-insurance programs often perform in-house claims administration for general liability due to the varying nature of claims involved. However, administration of workers' compensation claims is typically outsourced to a third party administrator due to the highly regulated nature of such claims and related file maintenance requirements. Specialists in this area often have the capacity to realize significant efficiencies in file maintenance and adherence to related requirements. PPS currently utilizes three full-time individuals plus one-half of an employee to perform claims administration and file maintenance services for workers' compensation.

Finding VI-20: **The use of the bonded service program by PPS in maintaining its unemployment insurance has resulted in significant fees to PPS.**

Unemployment insurance coverage is provided by a third party company under a bonded service program, in which PPS pays an annual fixed service fee which covers the administration of the unemployment claims and the payment of claims themselves. Payments under this program have averaged approximately \$757,000 over the last four years while actual unemployment benefits experience has averaged approximately \$535,000 over the same period, resulting in a difference of \$222,000 which is attributed to the administration of claims. The number of claims during that period decreased from 863 in 1993 to 426 in 1997.

In 1997, PPS received information from a competing firm for providing such services indicating that the bonded service program was not the most effective program for PPS and that level of fees paid compared to the actual unemployment experience was excessive and could be performed at a substantially lower rate.



The significant turnover in the finance department coupled with increased workloads has not allowed a financial analysis of fees paid under this program to be performed. In addition, because this program does not fall under the current purview of Risk Management, it has been an area that has lacked focus.

Risk management staff indicate that this competitive offer did not include protection against unemployment cost that would be associated with a significant reduction in force. Therefore, PPS management chose to not consider the offer, since existing budget constraints could subject PPS to considerable risk. Further analysis of competitive offerings may be beneficial to discern the potential for providing appropriate coverage at minimal risk to PPS.

Recommendation VI-20.1: **Develop a system for recording an estimated liability for all claims throughout the year.** PPS should issue an RFP for competitive bid pertaining to the administration of its unemployment insurance program in an effort to ensure the most cost-effective coverage strategy and related fees.

Finding VI-21: **The 1998-99 budget reductions in the environmental health and safety division have resulted in staff layoffs and will likely increase PPS' exposure to safety issues and Occupational Safety and Health Administration (OSHA) activity.**

PPS' environmental health and safety division has historically been comprised of a supervisor, an asbestos specialist, a lead specialist, and two safety inspectors. The division has been successful in implementing a number of training and other programs to improve PPS-wide safety and ensure compliance with various regulatory agencies including OSHA, the Department of Environmental Quality, Oregon Health Division and others. Based on discussion with the supervisor, this has resulted in significant reduction in the level of OSHA activity over the last five years. Since the implementation of a formal environmental health and safety division, PPS has experienced the following with respect to OSHA activity. Exhibit VI-3 illustrates this activity.

Exhibit VI-3: Portland Public Schools Experience with OSHA

Year	Number of Visits	Number of Citations Issued
1994	6	6
1995	10	9
1996	10	6
1997	3	2
1998	1	0

Source: Oregon Occupational Safety & Health Division activity printout

In addition, each school is required to establish a Working School Safety Committee, which is comprised of custodial employees, the school principal, science teacher and other individuals. However, in general, the committees have depended heavily on PPS' environmental health and



safety employees to assist in most safety matters and have not taken a very proactive role in this area. In addition, all fines resulting from non-compliance matters are borne by the environmental health and safety division budget.

During fiscal 1996/97 and 1997/98, the division has also seen a significant increase in activity from the construction work relating to the bond measure.

Due to budget reductions for the 1998/99 fiscal year, the Division has been required to lay off its two safety inspectors. The impact from these layoffs is twofold:

- 1) The division will likely spend the majority of its time in conducting hazardous materials testing and removal relating to the bond project.
- 2) The division may not have the capacity to perform the necessary level of accident investigation, training, and oversight at the individual school sites.

A reduction in PPS' environmental health and safety budget, coupled with an increase in hazardous materials testing and removal will impact the ability of PPS to maintain its current level of training programs.

Recommendation VI-21.1: **Consider adequacy of staffing levels for the Environmental Health and Safety Division.** Although not currently quantifiable, the lack of appropriate training and safety initiatives will likely result in an increased level of safety complaints and exposure to fines imposed against PPS for related non-compliance. PPS should consider the current workload of the environmental health and safety division to determine whether staffing levels are appropriate given the current situation. Add two safety inspectors at an annual investment of \$72,000 which includes salaries and benefits.

Recommendation VI-21.2: **Increase responsibility of Working School Safety Committees.** The Working School Safety Committee for each school should take a more proactive role and responsibility for school-level safety issues. In addition, the individual schools should be required to absorb the costs of any fines resulting from safety non-compliance. This would provide an incentive for schools to become more proactive and maintain compliance with safety matters.



PUBLICATION SERVICES

BACKGROUND

Publication services is responsible for printing and binding the majority of PPS' and schools' publications, including report cards, schools syllabus, board minutes, PPS budgets, news letters, warehouse catalog, purchase orders, and many others. Jobs such as special binding requests, perforations, glossy paper and tabs are sent to external printers, since it is more cost effective than doing the job in-house and the related costs are charged to the department requesting the job. In 1997/98, \$115,625 of publication jobs were sent to external printshops to complete, which represents approximately 15% of overall publication job costs.

The majority of publication services are rendered to PPS' administration (i.e. PPS building and offices), which account for approximately 62% of total jobs (based on cost). Remaining services are provided to the elementary schools, which account for approximately 22%, high schools 14%, and the remainder 2% is for all region jobs.

Due to the downsizing of the Publication Services department between 1990/91 to 1997/98, overall budget and staff have decreased significantly. The department's budget for 1997/98 is \$847,370.

ACCOMPLISHMENTS

Publication Services has worked to improve its operation and efficiency. Some of its accomplishments include:

- Investment in more productive and efficient digital equipment,
- The current cost per impression is \$.024982,
- Increase in number of impressions per FTE despite budget and staff (FTEs) decreases,
- Using external printing services when necessary due to costs savings or incompatible equipment, and
- Department performs analysis of internal versus third party cost for jobs.

FINDINGS AND RECOMMENDATIONS

Finding VI-22:	PPS efficiently uses staff in producing printing impressions.
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The number of publication service FTE's has declined considerably over the last several years, from 23 FTEs in 1990/91 to 7 FTE's in 1997/98. As a result, the budget during this period has also declined from \$1,229,570 in 1990/91 to \$847,370 in 1997/98, a reduction of \$382,200 or 31%. During this period, the total impressions have also declined, from 57 million in 90/91 to 27 million in 97/98, a decrease of 30 million or 53%. Despite the reductions in number of staff, budget, and impressions, the number of impressions per staff (FTE) increased from 2.5 million to 3 million, an increase of 20%.

In the past year, publication services invested in leasing new state of the art digital printing/publication machines from Xerox. All maintenance and upkeep costs on the machines are



included in the lease contract, which enable more time of the staff for printing and publication. Monthly lease payments are \$10,773, based on a monthly volume of 1.3 million impressions. The current cost per impression is \$0.024982, which includes the Xerox lease, labor, paper, and all other costs. However, publication services is expecting to increase the monthly impression volume from 1.3 million to 1.6 or 1.8 million, which would reduce the cost per copy \$0.022239 and \$0.020919 cents, respectively. Publication services has performed an analysis of the internal cost per impression as compared to what the outsourced cost would be and has found internal costs to be competitive and slightly lower than external costs.

Despite the downsizing of the Publication Services department between 1990/91 to 1997/98, and reduction in departmental budget and staff, the efficiency of the staff has increased. The increase in efficiency is mainly attributed to the investment in new digital printing equipment and the utilization of the equipment.

The number of impression produced per FTE is higher than the average of PPS' peers.

Recommendation VI-22.1: Maximize the volume of impressions produced in-house. Publication services should continue to explore opportunities to operate more efficiently by operating at the maximum volume, thus further decreasing the cost per impression.



WORD PROCESSING

BACKGROUND

Word Processing is responsible for supporting PPS and schools in numerous tasks, including preparing documents, newsletters, brochures, maps, certificates, graphic design, photo scanning and other related processes. Word Processing also performs the maintenance and repair of its equipment, which include nine Macintosh machines, one IBM and six Wang personal computers, although it no longer uses the IBM or Wang computers.

ACCOMPLISHMENTS

Word Processing has continued to downsize and do more with less in recent years. Its achievements include:

- Downsizing accomplished due to reduced requests for support
- Demonstrated knowledge and utilization of new, more efficient hardware and software
- Internal maintenance and repair of its own equipment
- Word Processing is merging with publication services to achieve increased efficiency

FINDINGS AND RECOMMENDATIONS

Finding VI-23:	Opportunities exist to sell or donate obsolete IBM and Wang computers that are consuming unnecessary space in Word Processing.
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Word Processing has nine Macintoshes, four of which are not being used currently, one IBM and six Wang computers. Due to new and better technology in the Macintoshes, the older IBM and Wang computers have been deemed unusable, and therefore are obsolete. However, they are still located on the desks and floor of the department, taking up unnecessary space. Typically, obsolete equipment is brought to Purchasing where it can be disposed of properly. Purchasing attempts to sell and/or donate the equipment based on whichever option is more cost-beneficial to PPS.

Recommendation VI-23.1:	Dispose of obsolete equipment as soon as possible to maximize the amount of proceeds that may be obtained. The longer amount of time that non-usable computer equipment is retained, the lower the proceeds from the sale of this equipment might demand. By holding obsolete equipment, PPS may potentially reduce the amount of proceeds generated by the sale of the equipment. To receive better value for this equipment, the department should immediately explore potential methods of its disposition. This would generate a one-time revenue of about \$2,000.
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Finding VI-24:	Opportunities exist to reallocate centralized Word Processing resources.
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The total Word Processing budget for 1997/98 is \$212,747, the majority of which is for salaries and benefits for four FTEs, which account for \$187,082 or 88% of the total budget. The department has experienced a dramatic reduction in FTEs since 1991/92, when there were 17, to only four in the



1997/98 school year. This decrease is mainly attributed to a decline in the number of requests for support, which were 15,000 in 1991/92 and only 1,500 in 1997/98.

As a result, the department decreased the number of shifts worked from three to one. In the past year, the department had 1,478 requests from schools, special education, central offices, programs/services, and regional offices. These requests are processed by three senior word processors, all employed as one FTE each, and the supervisor. The staff use software including MS Excel, Word and Works, Photoshop, Filemaker Pro, Quark Express, and others to prepare, and integrate information into a finished document to be sent to publication services to be printed and bound.

Since most of the work produced by the department is ultimately used as originals for publication services, PPS has approved the plan of merging word processing and publication services into one department by the end of the 1998/99 fiscal year. The merging of these two departments would assist in the production of finished publications, since each department is complementary and similarly focused.

Although Word Processing has been significantly downsized, the opportunity exists to further reallocate these staff resources. Requests to Word Processing have declined markedly, now at 1/10th the level they were in 1991/92. With the advent of user-friendly word processing and desktop publishing applications, as well as a broader use of computers among staff, many organizations have dissolved centralized word processing functions.

Recommendation VI-24.1: Consider further staff reductions in the former Word Processing department. Elimination of the four positions in Word Processing would result in an annual savings of \$187,082 that could be reallocated to other functions.



RECORDS MANAGEMENT

BACKGROUND

Records Management is responsible for storing, managing, and accounting for all of PPS' records, which are currently maintained in 6,000 one and one-half square foot boxes. Approximately 2,000 boxes are stored in-house, which contain usually more recent and frequently requested data, while the remaining 4,000 boxes are stored off-site. The department receives approximately 800-900 new boxes of records each year, while destroying approximately 600 boxes annually. Records are normally retained for five years, except for student information such as transcripts and other personnel information, which is retained permanently. Records dating back to the 1920's are still retained by the department.

The department also archives information on microfiche, which is done for records that require permanent storage. Beginning in 1992, other records have been stored in a computer system and microfiche, which enables a more efficient method in retrieving the information. In 1996/97, the department received 18,557 requests for information and processed 254 boxes into 113 rolls of microfilm. The department has only one microfilming machine and uses two part-time employees to perform this task. On average, approximately 250 boxes of records are transferred to microfiche annually.

The department has remained consistent with 3 FTEs and 4 total staff over the past ten years. The department budget is \$189,283, of which 83% or \$157,904 is for salaries and benefits.

ACCOMPLISHMENTS

PPS' Records Management function has ensured that:

- Records are kept only the required time period
- Documents are destroyed properly and timely



FINDINGS AND RECOMMENDATIONS

Finding VI-25:	PPS' cost of managing records appears relatively high when compared to services provided externally.
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PPS' cost of managing its records, including logging, retrieving and other expenses is approximately \$31.55 per box/year, based on the department's budget of \$189,283. Based on a quotation received telephonically from an external records management company, the company stated that it could provide the same amount of records and retrieval requests for approximately \$120,492, or \$20.08 per box/year.

However, Records staff indicate that further cost comparisons may be merited to examine the special processing requirements for student records, which make up the majority of these stored records. Student records require special treatment to purge extraneous materials prior to filming. Further a detailed cost comparison may be necessary to discern between records retrieval work activities and actual archiving activities. Special consideration will need to be given to ensuring the confidential nature of student records, regardless of the selected option.

New technologies may present opportunities for ongoing student records management. Integrated information systems and imaging technologies have been adapted to many environments dealing with historical records of a sensitive nature that have continued access needs.

Recommendation VI-25.1: **PPS should perform an analysis to determine the possibilities of either outsourcing records management archiving activities or acquiring a facility to store and manage PPS' records.**



VII – ACADEMIC STANDARDS AND REFORM

This section of the performance audit presents KPMG's findings and recommendations related to the following areas:

- Academic Accountability
- Curriculum
- Research, Evaluation, and Assessment
- Library/Instructional Technology and Educational Media
- Special Instructional Programs

ACADEMIC ACCOUNTABILITY

BACKGROUND

The Interim Superintendent directs the administration of PPS' activities. A new superintendent, who will take responsibility for these duties, has been hired and began work in August 1998. The present administrative structure is relatively new, having been created in January 1998.

Six Directors of Student Achievement (DOSA) positions that were established in January 1998 report directly to the Assistant Superintendent for Academic Accountability. Formerly, region/cluster directors under a feeder system model held corresponding positions. DOSA staffing (except Special Education) includes 2-3 secretaries, along with one to three area specialists. The DOSAs typically supervise 20-22 principals. The roles/responsibilities of the DOSAs include: supervising/managing principals; overseeing school security; administering control activities and staffing location among schools; encouraging compatibility between instructional programs and state mandates/district goals; making recommendations on hires, transfers, discipline, and terminations; serving as Level II Hearing Officers; meeting monthly with their respective set of principals; coordinating and identifying staff development services; and serving as most immediate communication liaisons between central office and staff.

The Academic Standards and Reform Unit oversees numerous special programs with key educational/staff development functions. PPS eliminated its Curriculum Department. In addition, the District created K-3 Literacy initiative (Reading Recovery) and currently participates in the 21st Century Schools program, in which 10 schools were selected.

ACCOMPLISHMENTS

In recent years, PPS has experienced several major accomplishments in its efforts to improve academic accountability. Some key accomplishments directed from the Department of Academic Standards and Reform include:

- Issuing the *School Improvement Planning Guidelines* to all schools which clearly documents the School Improvement Planning (SIP) process. The document outlines the major roles and



responsibilities of the various constituencies involved in the SIP process, such as site councils, principals, staff, parents, students, DOSAs, central office, and the Superintendent/Board.

- Initiating the Pre K-2 Literacy Initiative process in 1996 to prepare students for Grade 3 reading benchmarks. In association with teachers, principals, instructional specialists, administrators, and special program directors, PPS formed preliminary reading benchmarks. Subcommittees then developed appropriate reading benchmarks for their respective grade levels. Their primary goal is to achieve 90% fluency and independence for 3rd graders by 2001—prepared to meet state benchmarks.
- Initiating the 21st Century Schools program to give schools an opportunity to receive additional resources, training, and consideration as their students attempt to meet the state standards. The selected ten schools will receive more focused direction relating to curriculum development, school organization, community engagement, and various other methodologies to improve overall school quality.
- Initiating the production of *Best Practices K-12*, intended to assist teachers and parents identify strategies to help students meet state standards.

These efforts demonstrate PPS' commitment to meet the educational needs of its students and respond to the public's desire for improved academic accountability.

FINDINGS AND RECOMMENDATIONS

Finding VII-1: The roles and responsibilities of the *Directors of Student Achievement* should be more clearly defined, communicated, and monitored.

The Directors of Student Achievement (DOSAs) assume tremendous responsibility for the overall performance of school administration and student achievement in their respective areas. They are responsible for a wide variety of daily school indicators, functions, and issues. More importantly, DOSAs embody the critical link between the central office and site administrators/staff, students, and parents.

The DOSA positions are relatively new within the governance structure of PPS. Their positions were created in January 1998 to serve as general managers of PPS schools and principals. Under a previous organizational structure, region/cluster directors held some of their corresponding responsibilities. Such assignments were geographically based, and coincided with the feeder school model. Region directors were based in their respective geographic areas.

The six DOSAs are assigned over High School; Middle School; Elementary School (Area I, II, III); Special Education as described below:

- High School DOSA supervises 10 high schools, 1 vocational education school, and 1 night high school, along with 25 private high schools.
- Middle School DOSA supervises 17 middle schools and 2 alternative schools.
- 3 Elementary School DOSAs supervise 20-22 elementary schools each.
- Special Education DOSA supervises Special Education personnel/administrative staff in all PPS facilities.



The staffing in each of the 5 school level DOSA offices includes 2-3 secretaries, along with 1-3 specialists.

Due to the newness of the DOSA positions and the lack of a formally definition of duties, there is some confusion regarding the roles and responsibilities of the DOSAs. In addition, no management systems or mechanisms have been established to formally monitor and track the DOSAs performance in relation to program performance and student achievement.

- Recommendation VII-1.1:** **Develop an accountability system that clearly defines Board, executive, and management and DOSA responsibilities throughout PPS for attaining student achievement goals.** Once these roles and responsibilities are defined, PPS needs to establish methods to track, monitor and report student achievement within all grade levels at all school sites.
- Recommendation VII-1.2:** **Clearly define management level accountability to track program accomplishments and student performance.** Integrate performance management approaches that will link budget accountability with program performance. Presently, program budgets are not related to program performance. Define performance measures to track program outcomes and examine program cost relative to the program achievements.

Finding VII-2: PPS should consider a matrix model for school management.

PPS established its DOSA positions in the 1997/98 school year, thereby eliminating the feeder system model that had previously existed. Some site and central office administrators believe that the shift away from the feeder system arrangement removed a key educational component. As a result, they believe that effective Pre K-12 curriculum articulation and a more holistic approach to child development could be compromised.

Generally, there is ambivalence, confusion, and some resistance to the current reorganization along the DOSA model. Many site administrators, along with a handful of central office personnel, maintain the effectiveness and uniqueness of the feeder system pattern, contending that community/geographic and K-12 articulation needs can be addressed more sensitively. Many individuals interviewed expressed concern that “the whole child” was being ignored in the focus on standardized testing and academic accountability by grade level.

While the feeder system model addresses area needs within the K-12 system, it does not fully address the unique needs of students at different grade levels, for example, elementary, middle and high schools. Thus, there are inherent shortcomings in the feeder school and grade level models. Some school districts are moving to matrix style of school management to address the students needs within both geographic areas and at different educational levels. For example, some districts have established management and communication structures by both levels and areas. These districts have managers meet in different groups throughout the school year. Under such a model, managers and staff may meet on a monthly basis by educational level (elementary, middle and secondary) and on a quarterly basis by geographic area. In this way, the needs of students in different grade levels and in different geographical areas can be addressed.



- Recommendation VII-2.1:** **Explore options to develop a matrix organization structure that meets both the grade level and feeder system needs.** PPS should explore ways to combine the benefits of both a grade level and feeder system approach in managing schools.
- Recommendation VII-2.2:** **Consider setting up regular meetings for feeder schools and grade levels to address common community concerns and to facilitate Pre K-12 curriculum awareness.**
- Recommendation VII-2.3** **PPS should also consider expanding the use of matrix organization and management techniques to other major school activities.** For example, a matrix management system also applies for special instructional programs, such as special education, alternative education, talented and gifted, and English as a second language to provide coordination across the program as a whole, within each feeder school system, or among grade levels – elementary, middle and secondary. Matrix systems could also be established in administrative areas, to provide coordination among feeder systems, or between central office groups and schools. Such coordination could be applied to human resources, financial reporting, grants programs, or similar areas. Another matrix organizational approach could be applied to Instructional Media and Technology, to coordinate the delivery of these resources across school grades and within individual feeder systems.

Finding VII-3: DOSAs spend an inordinate amount of time addressing discipline situations, rather than working to improve student achievement.

The DOSAs fulfill a crucial function within PPS that requires a wide range of capabilities and skills. According to interviews performed with DOSAs, a disproportionate amount of their time is spent on disciplinary issues, instead of working with principals to improve student achievement. The potential exists to free the DOSAs up from certain disciplinary responsibilities to enable them to focus their efforts to improve overall student achievement.

- Recommendation VII-3-1:** **Consider establishing a Hearing and Appeals Group to deal exclusively with disciplinary issues.** This adjunct group could help reduce a major time-consuming activity for DOSAs. Membership may include teachers, parents, community members, or other management staff.
- Recommendation VII-3-2:** **Reevaluate/define DOSAs roles more clearly.** Since DOSAs have extensive responsibilities, PPS needs to strategically assign their duties in order to ensure that DOSAs' resources are used effectively.



Finding VII-4: PPS needs to leverage its academic resources better to enhance student achievement.

The various departments and programs under the Assistant Superintendent for Academic Standards and Reform function more as educational silos than as an interconnected network of professionals with specialized expertise. Many departments and/or educational programs could benefit PPS' students and staff more effectively if they leveraged their collective resources. The entities that could mutually benefit from more strategic collaboration include:

- Educational Media/Distance Learning
- Library & Instructional Technology
- Allied Services
- Curriculum & Instructional Support
- Research, Evaluation, & Assessment
- ESL/Bilingual
- Alternative/Vocational Education
- Student Services
- Title I Head Start

Due to a lack of a common vision, and limited interdepartmental cooperation, the various academic-related departments have not coalesced in an effective way. The scramble for already-scarce resources has further served to create somewhat of a bunker mentality amongst various departments. PPS needs to reemphasize the significance of interdepartmental collaboration for making the best use of resources and generating innovative ideas. Because administrators' responsibilities have increased as a result of staff reductions, many departments, instead of reaching out to other units, have instead become more parochial in their outlooks.

Using a more integrated service delivery approach can enhance the breadth and quality of the material being delivered. In this case, curriculum, internal communication, professional development, student service, and public responsiveness could be improved via a more holistic view of the administrative/education function.

PPS' academic-related areas need to both function more seamlessly and foster better internal communication, collaboration, and enhanced resource sharing across various departments.

Recommendation VII-4.1: Formulate an instructional strategic plan that is consistent with PPS' Strategic direction and plan and provides a framework for school improvement planning processes. Such a plan should that foster departmental collaboration and leverage available resources for the "academic-related" departments.

Recommendation VII-4.2: Develop working groups to incorporate Educational Media/Instructional Technology (mass communication) departments into staff development, classroom instruction, and community outreach activities. The potential to use



these resources on a collaborative basis should be encouraged to ensure that the benefits of these activities are fully realized. It is important to develop strategies and approaches that will apply these deliver these resources to the broadest possible range of students, thereby leveraging the valuable investment in technology and supporting student achievement. These working groups may work in a matrix reporting structure, to coordinate across instructional levels and within individual feeder systems.

Recommendation VII-4.3:

Develop an “academic” loop communication network that keeps administrators informed of the various projects underway in other departments. Project progress communications should be developed that report on project progress, achievements, and related costs. Project administrators should be held accountable to ensure projects are consistent with PPS strategic direction and plan and to communicate project progress to internal and external constituents.



CURRICULUM

BACKGROUND

Historically, educational curriculum for PPS was developed or adapted by staff within the Curriculum Department. However, in the past year, this department was eliminated along with the official departmental chair positions coordinated curriculum development.

A reconstituted department was established to oversee curriculum development, professional development, and professional/technical component. This unit operates in close interaction with Language Arts Administrator to facilitate Reading Recovery and other literacy initiatives. The unit has played a major role in coordinating recent staff development in-service as a method for delivering new educational tools and approaches. PPS has worked with the PEW Charitable Trust to publish common curriculum standards and benchmarks for grades 3,5,8,10 (for math, science, social studies, English) which are roughly aligned with Oregon benchmarks.

ACCOMPLISHMENTS

The Curriculum Department has had various noteworthy accomplishments in recent years. These include:

- Accommodating 600 more special education students from 1996/97 to 1998/99.
- Investing \$4.9 Million in 1998/99 budget for Education Reform Initiatives.
- Expanding language immersion/International Baccalaureate Programs in 1998/99 by \$463,000.
- Making five teachers available to assist Directors of Student Achievement.
- Comprehensive, research-based efforts in prevention programs (alcohol, drugs, tobacco, violence) and School-to-Work programs, especially in partnership and grant solicitation.
- One-half of high schools meet four science benchmark strands.
- Standard math high school program covers 95% of benchmarks
- Beginning/completion of initial curriculum mapping



FINDINGS AND RECOMMENDATIONS

Finding VII-5: K-12 Curriculum documents are outdated and are not aligned with Oregon's content standards. The recently developed PEW standards are an attempt to reconcile missing curriculum alignment component. However, a large percentage of PPS students are not on track to meet state benchmarks.

The Curriculum Department has been significantly reduced over the past three years. In fact, the duties associated with the development and implementation of curriculum initiatives are fused with a position that also oversees professional development. The once-large Curriculum Department staffed with dozens of Teachers on Special Assignment (TOSAs) who served as liaisons between central office administrators and school sites, no longer exists. The former Curriculum Department served as a main resource for many teachers who consulted subject area specialists on teaching methods and classroom source material. Also, discontinuing department chair advisers has further diminished formal curriculum resources for teachers.

Finally, the requirements imposed by CIM/CAM PASS benchmarks have exerted a significant challenge for the downsized department charged with aligning, developing, and coordinating a diverse, yet consistent curriculum across PPS. This reorganization has created the Curriculum & Instructional Support Department under the Assistant Superintendent for Academic Standards and Reform. In conjunction with certain subject area teachers and various administrators, PPS, with assistance from PEW Charitable Trusts, published common curriculum standards and benchmarks for grades 3, 5, 8, and 10.

Several key factors should be considered in understanding the importance of the curriculum function and its relevance to academic standards. First is that curriculum alignment with benchmarks will be crucial to PPS' academic success. Second, while traditional curriculum resources faced removal, new state curriculum mandates are forcing PPS to meet the state benchmarks with diminishing resources. Given that a good portion of PPS' students will not meet Oregon benchmarks, it will be important for PPS to develop strategies for bringing students up to standards.

The following recommendations are initiatives that have been suggested by the Curriculum office, and are contained within the Strategic Plan for Student Achievement. These initiatives should continue to be pursued.

- Recommendation VII-5.1:** Prepare a master schedule and timeline for the planning, development, implementation, and evaluation of K-12 Curriculum Frameworks. This master schedule and timeline must be developed for all content areas and align with Oregon's content standards.
- Recommendation VII-5.2:** Create curriculum cabinets in each building to oversee a more grassroots approach to curriculum development and provide teachers with the opportunity to develop curriculum specialties. Representative faculty members who serve on the curriculum cabinets could also be selected



- for district level design team task force groups who are charged with the responsibility to develop standards based curriculum frameworks. These faculty members can also serve as mentor teachers to others in their schools to instruct on new curriculum developments or innovations. Class work schedules can be adjusted to accommodate mentoring among teachers. Mentoring activities can be rotated among teaching staff, providing all with the opportunity to develop instructional specialties and support their associate teachers.
- Recommendation VII-5.3:** **Continue the Curriculum Design Team efforts at the district level.** Also, initiate broad stakeholder involvement in each design team and provide content expertise Higher Education faculty. This practice would help to ensure that a more thoughtful and useful product is developed. Coordinate these efforts with the grassroots curriculum development efforts (see Recommendation VII-5.2 above).
- Recommendation VII-5.4:** **Continue the curriculum mapping process that was initiated at the high school level.** Consider using the process developed by Heidi Jacobs (Jacobs, 1997) for the middle and elementary levels.
- Recommendation VII-5.5:** **Develop a strategy to implement these initiatives with existing resources where reasonable (by cross utilizing teachers), and seek additional funding for both grass-root and district design team curriculum development.** The PEW grant has provided the seed money for important work that should proliferate.

Finding VII-6:	The Pre K-3 Literacy Initiative acknowledges the absence of a clear and coherent vision for early reading instruction in PPS.
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English/Reading Skills became a pet project of the Instruction Department (now Academic Standards and Reform). The Pre K-3 Literacy Initiative represents a comprehensive new beginning for the improvement of literacy instruction for all students. PPS appears to have recognized the need for improved language arts education, in order to help students meet and exceed state benchmarks.

- Recommendation VII-6.1:** **Train all appropriate language arts teachers in the research based early reading strategies to ensure that all students have the benefit of this teacher expertise.** This instruction should initially include a cross-section of PPS' language arts teachers and be extended to all language arts teachers over time as a part of PPS' professional development program.
- Recommendation VII-6.2:** **PPS should expand the literacy project as a Pre K-12 initiative (Pre K-3, 4-8, 9-12) and develop a comprehensive implementation and training plan to ensure that quality and continuity in literacy programs is maintained across all levels.** This logical expansion would both increase academic



accountability and provide a more seamless approach to reading across PPS.

Finding VII-7: The offerings of the educational programs are inconsistent across PPS.

Many schools do not have core offerings that other schools have in their curriculum. For example, some middle schools have no foreign language offerings and some schools lack diversity within its curricular offerings. The curriculum mapping completed at the high school level revealed disparities in PPS' capacity to equip students for CIM/CAM PASS standards.

The proposed revisions to the high school curriculum would result in an additional full credit (each) in mathematics and science. Also, PASS requirements would result in a new requirement of two years of a foreign language. In the physical sciences and social sciences, the status quo will be insufficient to help students meet benchmarks. Curriculum revision and investment (in staff and extra coursework) will be necessary to help students meet PASS requirements. In 10th grade, many social science benchmarks are not addressed. The continuity and sequencing of benchmark coverage is suspect for social science in high school.

Middle schools have a wide range of math program structures, program content, and staffing. Yet, many middle school students will not be on track to meet state standards. 1998 program recommendations include implementing:

- Algebra in all middle schools
- Second languages in all middle schools
- Reduced electives
- Additional periods of language arts/math instruction
- Additional science instruction

Middle school reading programs were still in the process of review as of late June.

A common program should be developed at the middle level that will ensure a balanced focus on cognitive development, social, emotional and physical well being. Equitable access to foreign language, elective courses, advanced math should be ensured if it all possible. A well-rounded curriculum prepares students for global marketplace. Lack of diverse curriculum may leave PPS open for criticism and challenges from ethnic minority groups, parents, and students.

Recommendation VII-7.1: **Continue to conduct the High School and Middle School Studies.** These analyses are crucial in formulating a strategic direction to effective classroom instruction and curriculum delivery. Such examinations should occur on a regular basis in order to ensure consistency and quality of the academic experience across PPS.

Recommendation VII-7.2: **Develop and adopt specific recommendations to ensure continuity and equitable access for all students.** The ongoing curriculum mapping process should help to ensure an accurate reading of both the particular as well as general



academic experience of the PPS student. PPS should use this process along with other techniques to uncover obstacles to curriculum equity.



RESEARCH, EVALUATION, AND ASSESSMENT

BACKGROUND

The Research, Evaluation, and Assessment unit is currently administered by an interim director. The unit is responsible for developing and administering the Portland Achievement Levels Test (PALT), in addition to assessing student achievement. The PALT examination is currently administered in grades three through eight. However, new Oregon State standards have been implemented to require that PPS students take state tests in grades three, five, eight, and ten.

PALT is a “criterion-referenced test”, i.e. a test that measures student learning of specific knowledge. It does not, however, measure student performance against that of other students. Norm referenced tests measure student learning compared to other students. The new state standards tests (CIM/CAM/PASS) are also criterion reference test approaches.

In order to support test development and results and analysis, PPS has previously retained a “psychometric specialist.” However, this position is currently vacant, constraining the ability of PPS to support work to implement the new State tests and standards.

Given the nature of the testing and analysis work conducted by the unit, it has a considerable demand for information. It coordinates this work with Information Services unit. However, it is exploring options for an integrated student achievement database to be used by authorized site administrations.

Because of the inherent structure of department, various specialists are unusually active during certain periods during the academic and non-academic year. The department attempts to make necessary adjustments, shifting personnel to assist more engaged areas. Also, the department is utilizing the resources of the Multnomah Education Service District (MESD). The MESD is creating a regional database for student assessment, which can be accessed by the general public--with the appropriate security measures.

ACCOMPLISHMENTS:

Research, Evaluation, and Assessment is in the process of several key initiatives:

- Collaborating with the MESD to establish SCOREBOOK, a web-based system that would allow secured users access to individual student progress, as well as District-wide data. Creating a regional student achievement database with the MESD.
- Providing outreach services to schools in training school site staff, answering test administration queries, and dissemination of test materials.

In addition, Research, Evaluation, and Assessment has been efficient in producing and returning testing results, normally within a ten-day timeframe and to ensuring the reliable and secure process of test delivery and administration.

FINDINGS AND RECOMMENDATIONS



Finding VII-8: PPS currently maintains a spring testing cycle, which does not effectively support midyear efforts.

Currently, PPS conducts its testing in the spring. While this could be helpful for teachers to support individual student educational planning efforts at the beginning of the school year it does not support assessment for School Improvement Plans.

A fall testing cycle would provide a midyear program evaluation checkpoint for Pre K-3, Pre K-5, and Pre K-8 programs. However, if testing were done in the fall, it could be integrated into Student Improvement plans and provide a mid-year checkpoint for student assessment. Since School Improvement Plans continue to be due in June, then an effective analysis of most recent scores makes more logistical sense.

Recommendation VII-8.1: Explore the possibility of shifting to a fall testing cycle in order to better integrate student achievement data into School Improvement Plans and to provide a midyear checkpoint for student assessment.

Finding VII-9: With new state benchmarks, PALT administration and development is absorbing staff resources, yet its assessment utility is becoming obsolete with CIM/CAM PASS standards.

PALT is currently administered in grades three through eight. The CIM/CAM/PASS standards will provide for testing in grades three, five, eight, and ten. However, PPS has obtained agreement with the State Department of Education to administer PALT, not CIM/CAM and PASS, in grades three, five and eight. This would appear to mean that CIM/CAM and PASS will not be taken by PPS students until grade ten. This approach has been taken to avoid duplicate work in testing for those overlapping years.

Some PPS administrators have indicated a preference for the PALT testing instrument as it provides an opportunity to develop longitudinal data comparisons of student progress, comparisons that are important to proving a federal student performance standard of “adequate yearly progress”. These administrators believe that the state does not have a good formula to prove “adequate yearly progress” and that PPS’ PALT test results can leverage 26 years of data to track this progress.

Recommendation VII-9.1 PPS should explore the possibility of either phasing out PALT administration altogether, or at least reducing its usage to 4th, 6th, and 7th grade levels to alternate with state tests (at 3,5,8). With CIM/CAM and PASS standards, PALT administration and development may eventually become obsolete. In addition, a clear focus upon state standards would enhance student achievement, and better prepare PPS students to meet and/or exceed benchmarks in relevant subject areas.



Finding VII-10: PPS does not use norm-reference tests to assess students in elementary and middle schools. This testing approach limits PPS' ability to reliably compare student performance to other districts.

National benchmarking and comparisons (the result of norm-referenced tests) can aid in better and more accurate ranking and/or recognition of Portland student achievement. However, PPS develops, administers, and scores its own standardized test, the Portland Achievement Levels Tests (PALT), which is a criterion-referenced test. PPS does not currently administer a norm reference test, other than the SAT/ACT, normally administered as college-entrance exams.

Many administrators and teachers are accustomed to the PALT, and appreciate that the test is tailored to the curriculum, and not vice versa. PALT administration/scoring/development absorbs considerable time and resources that could possibly be used elsewhere. PALT has been developed by the Research Evaluation unit in conjunction with PPS teachers, develops questions for relevant grade level. It is tailored to PPS' curriculum goals and standards. Most importantly, further efforts will be necessary to ensure that PALT tests are aligned with state benchmarks, and ensure that PALT does not run the risk of becoming an obsolete testing tool for 1998-'99 academic year.

Some PPS administrators have indicated that while the PALT is not norm referenced, PPS conducted joint tests to link PALT to other norm referenced test results two years ago.

Recommendation VII-10.1: Depending upon PALT testing frequency, PPS should examine utility of administering a standardized achievement test at the 4th, 6th, and 9th grade levels. PPS should ensure its compatibility with designed curriculum frameworks.

Recommendation VII-10.2: PPS should continue to explore and use methods to link its testing instruments with norm referenced tests in order to provide a benchmark comparison of student performance relative to other districts.

Finding VII-11: PPS lacks a comprehensive assessment for tracking student achievement.

PPS method for tracking students entering the Pre-K system and throughout PPS institutions is inadequate, making it difficult to ascertain the level of learning and achievement relative to specific areas of curriculum. Currently, PPS lacks a District-wide assessment of students prior to the third grade.

The Research, Evaluation, and Assessment Department staff conducts a variety of student performance measurements and evaluations. However, no presiding framework governs these measurements, i.e. integrating critical longitudinal studies with state benchmark requirements and a District-wide curriculum mapping process. The department provides some measurement information to school site administrators to support School Improvement Planning. Such measurements include: performance on PALT; academic performance on specific coursework; cumulative GPA; graduation standards progress reports.



The current role that the department is intended to play with regard to professional development (data analysis and interpretation) has yet to be clearly defined. Professional development with regard to data analysis and interpretation should be explored as a possible function of department. Its current role is as yet undefined. Despite these multiple efforts to measure student achievement, these efforts represent a hodgepodge approach towards student assessment.

PPS personnel can receive reliable data from Research, Evaluation, and Assessment, but many administrators question the overall utility of available information. It does not appear that the department's approach towards student assessment is part of a systematic effort to track student performance.

The new statewide assessment system and the legislative mandates regarding CIM/CAM/PASS provide PPS with an opportunity to enhance and augment the locally developed criterion referenced system. The challenges brought on by Oregon academic requirements will mandate improved service delivery, enhanced departmental collaboration (with Information Services, Curriculum & Instructional Support [especially Professional Development component]). The newly formed Instructional Council (of which Research, Evaluation, and Assessment is a sitting member) should facilitate in coordinating curriculum and assessment functions across departments.

A comprehensive assessment system is crucial to "painting the whole picture" with regard to student achievement. A revision of the comprehensive assessment system will provide an opportunity for community/stakeholder dialogue regarding assessment issues, program evaluation, and accountability/reporting protocols. PPS should be able to articulate to general public the value of a PPS education. More sophisticated longitudinal analyses and exit tracking will help to increase academic accountability and trust among the general public.

PALT assessments provide over 20 years of data in which to evaluate student performance for grades three through eight. However, it does not make assessments of student performance for Pre-K through grade three or grade eight and above.

- Recommendation VII-11.1:** **PPS should explore reliable methods to track the progress of students entering the Pre-K system.**
- Recommendation VII-11.2:** **Develop a comprehensive system integrating state benchmarks and curriculum goals.** With leadership from Academic Standards and Reform, PPS should develop a viable framework to streamline common curriculum and testing efforts. The PEW Network Design team has completed this task for English, Math and Science. Teams are currently at work on Social Science, Fine and Performing Arts, Second Languages, Health and Physical Education.
- Recommendation VII-11.3:** **PPS should leverage its PALT and other assessment data and expand it to examine performance at other grade levels to develop a comprehensive longitudinal analysis capability.** Explore methods to more actively evaluate student performance across the pre-K through 12 educational continuum for longitudinal evaluation of student achievement.



Recommendation VII-11.4:

Explore methods to use existing testing instruments to examine the effectiveness of specific curriculum initiatives and instructional approaches. Assessment studies can be a valuable tool in measuring the effectiveness of past and current pedagogical methods. PPS would then be better equipped to describe which programs deserve further expansion and/or revision.



- Recommendation VII-11.5:** **Explore strategies for testing and tracking PPS graduates and students who prematurely exit from the system.** Student success after they leave PPS' instructional program is a measure of educational achievement. PPS should leverage existing testing structures to examine the performance issues relative to post-graduates, dropouts, or student transfers. Furthermore, it should track these students to obtain additional information regarding their progress.
- Recommendation VII-11.6:** **Develop strategies to ensure the utility and input to the post-secondary database to track student achievements in higher education and high school graduate success in college/university endeavors.** In conjunction with mentioned longitudinal studies, PPS should fully ascertain the quality of its curriculum delivery in measuring its graduates into undergraduate and graduate education. Such reports would provide PPS with a better picture of its products—students.
- Recommendation VII-11.7:** **In concert with K-3 literacy initiative, identify a developmentally appropriate reading test for all second grade students in the spring.** PPS should begin the discussion as to the utility of administering reading assessments in earlier grades. Educational research suggests that age six and seven are crucial years for language acquisition and development. PPS should charge the K-3 literacy initiative with developing an appropriate reading measurement for second graders.



LIBRARY AND INSTRUCTIONAL MEDIA

BACKGROUND

Library and Instructional Technology

Library and instructional Technology supports providing important educational materials to students through traditional library and emerging technology media. Instructional Technology duties include: developing/delivering classes for teachers; developing of framework of student technology experiences; archiving/registration of staff development data; developing/maintaining web page of teacher resources; assisting school principals and teachers on as-needed basis. School library support duties include: adding/editing records for central database (for all schools); producing buying list of reviewed materials (for all schools); assisting schools without library staffing; providing support for library technology.

LIT began a full-scale implementation of an instructional technology plan in January 1996. The unit recently asked schools to develop individual school technology plan of which 81 schools have responded. This request would help in allocating technology funds to schools for related professional development training along with classroom instruction. LIT has recognized the importance of making instructional technology relevant to standards-based educational requirements. LIT has a structure in place to become an integral part of five-year Professional Development plan.

LIT partners with Multnomah Educational Service District (MESD) for classroom instruction, presentations, facilities, and miscellaneous inquiries. Reductions in school site library staffing have occurred over past five years across PPS. Overall, the level of administrative support to libraries is less than years past. Many elementary and middle schools do not have certified librarians on staff.

Educational Media

Educational Media includes Television Services, Audiovisual Services, and the Professional Library. The Professional Library maintains collection of approximately 20,000 materials. The Professional Library processes staff requests via telephone, PONY, and e-mail. The entire collection is on-line. Professional Library has been reduced from \$24,000 in 1993/94 to \$8,000 in 1997/98. Further, the Professional Library no longer retains a certified professional librarian.

Television Services operates Distance Learning and Paragon Channel 53, producing "School Talk," televising Board meetings, and a variety of PPS informational videos. It also supports Distance Learning in 14-16 classes/semester at six high school sites (mostly ethnic studies and advanced foreign language instruction).

ACCOMPLISHMENTS

Library and Instructional Technology

The Department offers a number of classes on a weekly basis that attempt to fulfill professional development needs across PPS. Of the 66 classes offered, 19 were related to the new academic standards. Registration for these classes can take place online as Instructional Technology has constructed a website that promotes course offerings, as well as a professional development database which tracks staff progress with regard to completed courses. Online registration eliminates the need for hand entry of individual registrations.



Sample course offerings include:

- “Early Childhood Classroom: A Digital Snapshot”
- “A Piece of the Pie: Charts and Graphs”
- “Educational Research: Sites of Distinction”
- “Technology in the Early Childhood Classroom”

Other details about course offerings:

- 910 individual staff members filled over 3,000 classroom spaces
- 8 classes specifically designed for administrators

Infrastructure for Instructional Technology and professional development includes:

- Utilized 28 instructors for staff development
- Constructed recommended software list with identified selection criteria
- Organized two software fairs for software preview and vendor demonstration
- Coordinated relevant software research and instruction in order to meet standards and literacy initiatives.
- Acquired \$225,000 from Oregon Department of Education to provide laptops and professional development for school principals.

Library & Instructional Technology offers several classes weekly on a variety of software packages, including a technology troubleshooting series.

- Library & Instructional Technology has constructed its staff training function as a mini-university with registration dependent upon the successful completion of certain prerequisites.
- Offers wide variety of introductory and mid-level classes and workshops on numerous software/hardware applications.

Educational Media

Educational Media has experienced several accomplishments. These accomplishments include:

- Television Services has established an exemplary Distance Learning program.
- Each school to be completely wired for inter-facility communication for I-NET, Oregon ED NET, and PPS internal communication messages.
- Television Services produces and broadcast diverse and educationally useful programs on Channel 53.
- Moshi Moshi is an innovative, functional, and well-received program; currently, broadcasts to 700 students, with plans for expansion.
- Through outside grants (especially the City of Portland), Television Services' equipment has been significantly upgraded.
- Educational Media has successfully solicited grant funding for its operations
- \$40,000 Oregon Department of Education
- \$2,500 PPS Title I funding obtained



- The Library has received numerous donations, including volunteer personnel, reference materials, and books from both PPS and non-PPS sources.

FINDINGS AND RECOMMENDATIONS

Finding VII-12: Interdepartmental collaboration is currently in the beginning stages and could benefit from enhanced joint programming and strategic planning.

Library and Instructional Technology has created a multi-faceted and interactive approach to conducting professional development instruction to PPS administrators and teachers. The department offers a wide variety of introductory and mid-level classes and workshops on numerous software and hardware applications.

In the past two years, Library and Instructional Technology (LIT) has recognized the significance of integrating information technology goals with standards-based educational requirements. In order to improve overall levels of technology and information research capabilities in school sites, asked individual schools to develop school technology plan. As of June 1998, 81 schools had responded. Based upon submitted blueprints, LIT allocated funds to schools for classroom instruction and professional development need areas. Although the Director departed recently (June 30), the structure is in place to become an integral part of incipient five-year Professional Development plan.

The Board has supported the technology improvements by setting aside \$44 million bond measure monies, earmarked for instructional technology improvements. Past superintendents have also made technology a priority for educational purposes. Hundreds of teachers and administrators are more computer literate, thereby making them more effective classroom instructors, and more productive and efficient managers. These skills trickle down to an improved classroom experience for the individual child, as teachers are able to provide more interactive and diverse pedagogical methods.

Recommendation VII-12.1: Continue and expand relationship with Curriculum & Instructional Support personnel, as well as Educational Media for more advanced collaboration. PPS would benefit from a more strategic and consistent working relationship between these similar departments. A more integrated approach would aid in reducing duplicative efforts.

Finding VII-13: The status of libraries (acquisitions, circulation, and physical infrastructure) is drastically unequal from site to site across PPS.

Many school libraries have difficulty acquiring new materials, updating volume/serial collections (e.g. encyclopedias), and replacing lost/stolen/damaged material. Some PPS managers express, that with site based decision-making, there is an inconsistent approach at the school site level in budgeting for and delivering library services. Many middle and high schools do not have qualified and/or licensed personnel for instructional technology.



Across-the-board budget cuts have complicated the decision-making process with regard to library funding, and therefore impaired the ability of school site staff to purchase materials. Virtually all of the elementary and middle schools do not retain a certified librarian. Most schools have witnessed a 30-50% reduction in school site library staffing and resources over the past five years. In addition, overall central office administrative response to libraries has deteriorated over that timeframe, largely due to 75% reduction in central office library administration staffing. Most responsibilities and decisions occur at individual schools.

The importance and need of library resources needs to be reassessed, particularly with the advent of standards-based education. The library becomes the academic touchstone of the school experience, as students begin to explore their burgeoning interests in more and more depth. With access to the Internet, word processing software, and various research databases, the library is often the student's window to higher learning.

The move towards site-based decision-making has largely removed school library funding/staffing from the purview of the central office. Dependent upon the priorities of the building principal, libraries can vary accordingly. If the library were to assume a major role in the school improvement process, then library quality would be enhanced. If not, library facilities would lag behind, as many currently do. Alternatives may be explored to provide resources to support this important resource need.

Recommendation VII-13.1: **Reevaluate site-based decision-making with regard to library funding.** Explore option of establishing a PPS-wide Library Improvement Plan to address inequities and deficiencies in the library system.

Finding VII-14: **Professional development technology awareness coursework is primarily targeted towards the beginning/intermediate technology user.**

Library and Instructional Technology has effectively leveraged both PPS and non-PPS personnel and resources in order to provide quality services to school-site and administrative staff. Most of the focus of the department is geared towards facilitating better information technology for staff and students, as 80% of time and resources are reserved for that purpose, while only 20% of available resources are spent on library improvement and oversight.

Recommendation VII-14.1: **Continue and expand course offerings to focus more on middle and advanced users.** By expanding and upgrading its course menu, PPS would then be able to maintain and build further interest in Instructional Technology courses.

Recommendation VII-14.2: **Continue to aggressively pursue outside sources of funding for technology projects and staffing if necessary.** PPS' Instructional Technology department should continue to seek available funding in the educational and information technology sectors.

Finding VII-15: **Professional teacher development resources have been reduced as a result of budget cuts.**



The Professional Library, operated by Educational Media, adequately services the professional development needs of teachers and administrators. Its ability to continue to do so, however, is imperiled by inadequate resources for acquisitions and collections maintenance.

The Professional Library is currently located at the BESC, but its future location is in doubt. The library, with a collection of approximately 20,000 materials, serves as a reference center and search department for PPS teachers and administrators. Recently, the Professional Library absorbed the collections of the Career and Equity Resource Center. The full integration, i.e. transferring materials to Library database is expected to be complete by mid-July. Also, the Professional Library staff also assists school librarians and assistants with their professional needs. The school librarians help to update and inform the Professional Library of teachers/site personnel of their main research and professional needs.

The Professional Library is open normal business hours (M-F: 8-5:30). With teacher schedules, many search requests and questions occur through telephone, PONY, and via e-mail. The Library collection is on-line, so that teachers/administrators can search database prior to submitting a request.

Because of new state academic standards (CIM/CAM PASS), 9% of the library's most recent acquisitions assist teachers in adjusting to new state benchmarks. However, the decline in funding for Educational Media as a whole, and for the Professional Library in particular, may compromise its role as a service provider to PPS teachers/administrators and as the information touchstone for professional development. In 1993-94, book/periodical budget was \$24,000. In '97-98, book/periodical budget is \$8,000. Staffing has also been reduced.

Recommendation VII-15.1: **Work with the City of Portland Library or local universities to develop a cooperative arrangement. PPS' staff would benefit from these additional professional development opportunities.** PPS could provide staff with more expanded opportunities (i.e. longer hours, more availability, improved collections) by forging such a partnership.

Finding VII-16: **The capabilities of the Television Services unit are underutilized by PPS administrators and central office.**

Educational Media operates a very efficient, innovative teaching tool through Television Services. In addition to educational and public service programs produced on PPS' Channel 53, Educational Media also coordinates several classes through designated distance learning classroom sites as well as a number of other classrooms wired for cable service. The most successful Distance Learning program is "Moshi-Moshi," a weekly production of PPS that engages elementary students in elementary Japanese.

Four full-time staff members operate both Distance Learning production/coordination and Television Services production/studio (w/ Cable Channel 53): Production Manager, Producer/Videographer, Videographer, and TV Programmer/Production Assistant. Also a part-time engineer assists with various duties.



Currently, Distance Learning offers 14-16 classes in 6 different high schools (Note: Various middle schools are under review for distance learning expansion). The course offerings include: *African-American History*; advanced-level foreign languages (French, German, Japanese, Russian, Spanish); *Latinos in the U.S.* Distance Learning classrooms can also receive programs through I-Net Cable, Paragon Cable Channel 53, and Oregon ED NET.

Educational Media sets out to solely dedicate classroom for distance learning as expensive video equipment precludes other activities from being conducted in distance learning classrooms. Distance Learning is a teaching tool that allows the instructor to visualize and interact with the “distant” students during the instructional period. Through Commercial video data service (CVDS), distance learning classrooms can be assured of a confidential video interaction between authorized distance learning sites.

Distance Learning also serves to facilitate staff development, albeit on a limited basis. Certain Instructional Technology programs and efforts to assist teachers with new requirements imposed by CIM/CAM, PASS benchmarks.

Moshi-Moshi

- Moshi-Moshi received grant funding in September 1996 to develop an interactive Japanese distance learning program for elementary students. Educational Media Television Services produces the program in conduction with Moshi-Moshi project coordinators. The coordinators also provide training to staff and teachers involved with the program. Moshi-Moshi, a full-immersion program (minimal English), integrates Japanese culture with language. The program, including both *beginning* level and *intermediate* level programs, is broadcast live on Cable Channel 53 three days per week to 700 elementary students in various classrooms throughout PPS. In the 1997/98 academic year, six elementary schools were participants in the Japanese distance learning program. Moshi-Moshi continues to be solely dependent on outside funding.
- Moshi-Moshi curriculum dovetails with Oregon second language standards and requirements. Although program is currently directed towards K-2 segment, universal praise has led to plans for expansion through 5th grade.

Although not as a substitute for traditional classroom instruction, distance learning can be a valuable adjunct to curriculum delivery. The interactive component of distance learning is crucial to its success. Distance learning can adequately compensate for insufficient resources, as it virtually extends PPS teaching corps—allowing one teacher to instruct hundreds of students simultaneously. In addition, distance learning benefits students who are interested in highly specialized and advanced subject areas to cultivate their interests. These classes, which would normally be not considered due to budgetary constraints or small class size, can be offered throughout PPS—maximizing efficiency and improving curriculum diversity and quality.

Educational Media utilized and leveraged available external resources to maintain funding levels, through effective grant solicitation. External funding enabled Television Services to procure latest visual technology. The department’s strategic vision of media as both a communication device and educational tool allowed Distance Learning to flourish and gain acceptance from teachers and students.



Moshi-Moshi's effectiveness is based upon research-based practices. The program emphasizes the elementary school age, as research shows optimal learning stage for language instruction is prior to age of ten. Also, a widespread foreign language curriculum can reap wider benefits for academic success. Students who are proficient in foreign languages tend to perform at higher levels throughout their academic career; they also tend to possess better first language/reading skills. Finally, Moshi-Moshi, in a distance learning mode, performs a double task as the curriculum fully engages the teachers in the educational function. This factor is also essential in producing academic success, along with professional development initiatives.

The passage of Oregon second language standards motivated educators on the need to address second-language proficiency at earlier ages. Also, with tightening budgets, distance learning is a relatively inexpensive method to provide quality instruction. Television Services and Cable Channel 53 were fully operative and able to accommodate the pilot program.

Central Office administrators are under utilizing Television Services. Additional responsibilities to this department could yield numerous positive effects in a variety of areas: curriculum/instructional support, public information/relations, professional development, athletics, internal communication, standards-based reform, and parental involvement. Also, an expanded distance learning component would both broaden and equalize student experiences across PPS.

- Recommendation VII-16.1:** **Make Television Services an integral component of professional development plan, curriculum efforts, internal/external communication strategy network, any information technology blueprint, and PPS strategic direction.** PPS should continue and expand the dissemination of its vision and innovative programs throughout the region.
- Recommendation VII-16.2:** **PPS should explore possibilities for various modes of internal communication that take full advantage of Television Services infrastructure.** These opportunities include:
- Central office messages to administrators, teachers, and staff
 - Curriculum workshops
 - Statewide opportunities (telecommunications workshops)
 - Inter-school teachers' meetings; information sharing between schools; buildup of relationships, enhanced internal communication across PPS.



SPECIAL INSTRUCTIONAL PROGRAMS – TALENTED AND GIFTED

BACKGROUND

The Talented and Gifted Program (TAG) serves approximately 4,900 K-12th graders across PPS. In 1987, the Oregon State Legislature passed *Oregon Talented and Gifted Education Act* to assure identification and program and services for talented and gifted children by 1991-92 academic year. In 1995, the legislature revised the Act and administrative rules were rewritten. PPS has established policies and procedures for implementing these rules.

At the beginning of 1998, the Oregon Department of Education cited PPS' TAG program for non-compliance in four major areas:

1. Not identifying TAG students at all grade levels
2. Not respecting the rights of TAG parents (e.g. not informing parents of right to withdrawal)
3. Not informing parents of right to file complaint
4. Not assessing or addressing (i.e. teaching to) students' advanced level of learning and accelerated rate of learning.

The TAG program has until July 1, 1998 to meet compliance measures, including: the provision of in-service training for teachers to assess rate and level of learning; more effective parental notification; provide evidence of a process for identifying students in K-12 who are intellectually gifted. The TAG program must submit to Department documentation that all teachers have completed selected in-service training. Parents have established District Tag Advisory Committee (DTAC). The TAG program budget is expected to increase by \$100,000. The program expects to add 2-3 positions, and expand a .5 FTE to .75 FTE.

ACCOMPLISHMENTS

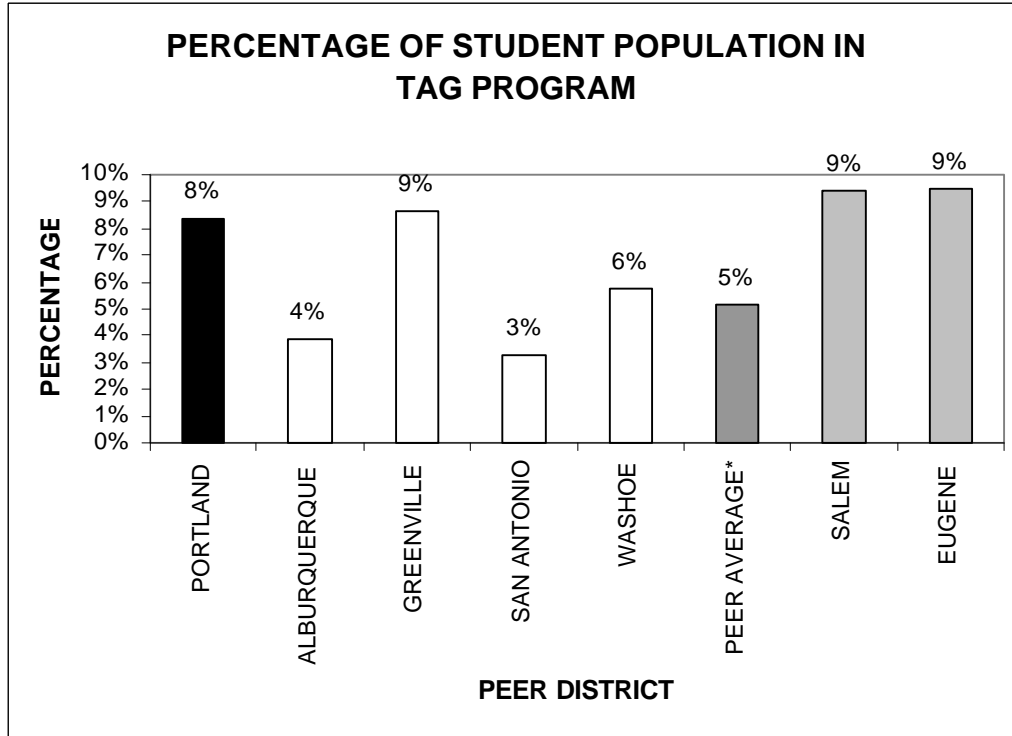
TAG has had several noteworthy accomplishments in PPS. For example, TAG has constructed a Website for parents and students to learn more about TAG. In addition, TAG published the "TAG Parent Handbook" to assist parents in identifying TAG children at an early age and includes advice on unique traits of TAG children. Finally, TAG published literature to inform teachers on tips to assess level and rate of learning.

TAG enrollment fares well compared to peer districts. While PPS has been found to be out of compliance in identifying TAG students at all grade levels and must now develop a plan address the above tasks, it should be noted that PPS has done a good job with regard to overall TAG enrollment. Exhibit VII-1 below identifies PPS percentage of student enrollment in TAG program as compared to its peer averages.



Exhibit VII-1: Proportion of Students in the Talented and Gifted Program

Source: KPMG Benchmarking Data, 1997/1998



*The peer average does not include the Salem or Eugene school districts. These smaller Oregon districts are shown for information purposes only.

PPS currently enrolls 8% of its total student population in the TAG program, 3% higher than the peer average. Compared to Salem and Eugene School Districts which enroll 9% of its student population in TAG, PPS fares slightly lower.

FINDINGS AND RECOMMENDATIONS

Finding VII-17: Latino and African-American groups are disproportionately under-represented in TAG Program.

The TAG program is an educational program that recognizes the unique value, needs and talents of certain students. TAG students are those children who require unique programs or services, or both, beyond those normally provided by the regular school program. TAG students are those who realize their contribution to self and society and who demonstrate outstanding ability or potential in the areas of intellectual ability or unusual academic ability in reading or mathematics.

PPS operates the TAG program with a budget of approximately \$980,000. To gain entry, a student can be nominated by a parent, teacher, principal, TAG coordinator, self, or other individual. A profile on the student is developed to discern traits, aptitudes, and behaviors. The profile identifies ten areas of the student’s intellectual/academic ability:



1. Interests
2. Motivation
3. Inquiry
4. Insight
5. Humor
6. Communication
7. Memory
8. Reasoning
9. Problem-solving
10. Imagination/creativity

Once nominated, the student's parents are informed. The TAG coordinator requests two rated work samples from the teacher and testing follows. The TAG coordinator reviews all material since no single test, measure or score will be the sole criteria for inclusion. The TAG coordinator facilitates the review with the TAG Leadership team (including teachers, principals, and the TAG coordinator). The team assesses whether the student would or would not benefit from the talented and gifted program.

The team notifies parents and teachers within 10 days of its decision. If the student is identified as talented and gifted then the parents receive the TAG Parent Handbook. The parents then choose if they want their child in the program. If the student is not identified as talented and gifted then the parent has the right to appeal the decision, by notifying the principal, in writing, who then notifies the TAG office for a case review. If the student is a "could be" talented and gifted student then the student is reviewed again after a designated period of time.

The following measures and criteria for identifying the intellectually gifted and the academically talented are used by the team:

- Intellectually gifted students shall score at or above the 97th percentile on a nationally standardized test of mental ability; or
- Academically talented students shall score at or above the 97th percentile on a test of total reading or at test of total mathematics from a nationally standardized test battery or a nationally standardized test of reading or mathematics.

Oregon Administrative Rules indicate that "Districts shall make efforts to identify students from ethnic minorities, students with disabilities, and students who are culturally different or economically disadvantaged." While PPS' TAG program staff actively works to identify and enroll students from various minority groups, including African-American and Latinos, these groups are disproportionately under-represented in the TAG program. As Exhibit VII-2 below indicates, European-Americans make up 69% of the total student enrollment and 82% of the total TAG population. However, African-Americans make up 15% of the total student body and only 8% of the TAG program population. Further, Latinos make up 6% of the total student population and only 2% of the total TAG population.

While European-Americans make-up a larger percentage of the total student population, they make up a far greater percentage of the total TAG population. All other groups make up a disproportionately smaller percentage of the total TAG population compared to their representation in the total student body. Exhibit VII-2 below identifies the total student population compared to the total TAG population.



Exhibit VII-2: 1997/98 Portland Public Schools Talented and Gifted Program Enrollment

Ethnicity	Total Enrollment	% of Total Enrollment	TAG Enrollment	% TAG Enrollment
EUROPEAN-AMERICAN	37,766	67	3,970	82
AFRICAN-AMERICAN	8,991	16	407	8
LATINO	3,660	6	97	2
ASIAN/PACIFIC ISLANDER	4,870	8.6	340	7
AMERICAN INDIAN	1,296	2	44	1
TOTAL	56,583	100%	4,858	100%

Source: Portland Public Schools – Note: numbers may not add due to rounding.

As shown, minority students are underrepresented in the TAG population.

Recommendation VII-17.1: **Develop a plan to aggressively identify, track, and enroll minority students in TAG.** The identification and enrollment of a proportional number of African-American and Latinos would create diversified TAG population representative of PPS’ student population.

Recommendation VII-17.2: **Conduct informational workshops for parents in underrepresented groups and expand outreach efforts to increase enrollment in TAG by under-represented groups.** In creating such workshops, PPS would make community and parental input a vital component of the TAG program.

Finding VII-18: **The TAG program objectives should be clarified to ensure compliance and appropriate administration.**

While the Directors of Student Achievement (DOSAs) are currently in charge of the TAG Program, it is likely that the program management will shift to the Administrator. The Program is expected to shift to a more centralized approach. Due to various management changes over the years, the TAG program has not consistently:

- Kept parents informed
- Identified students at all grade levels in both academic and intellectual areas
- Worked with students who drop-out of program
- Evaluated program based on outcomes.



TAG Program Challenges

In March 1998, a parent of a PPS student and 7 cosigners filed a complaint against the TAG Program. Of the allegations that were filed, the following were accepted by the Department of Education:

- 1. PPS is not identifying talented and gifted students at all grade levels in both academic and intellectual areas OAR581-022-1310.*
- 2. PPS is not: (a) informing parents at the time of identification of the programs and services available; (b) providing an opportunity for parents to provide input to and discuss with PPS the programs and services to be received by their child; (c) notifying parents of their right to request the withdrawal of their child from the TAG program; and not (d) informing parents of their right to file a complaint under OAR 581-022-1940.*
- 3. PPS is not assessing each student's advanced level of learning and accelerated rate of learning in the curricular areas; and is not providing instruction to identified TAG students that addresses the student's assessed level of learning and their accelerated rates of learning OAR 581-022-1330.*

PPS is currently working to rectify the above issue by completing a plan that will:

- (a) Provide evidence of a process for identifying students in grades K through 12 who are intellectually gifted;*
- (b) Inform parents of their right to file a complaint under OAR 581-022-1940;*
- (c) Provide in-service training for teachers of identified academically talented and intellectually gifted students on the provision of instruction at students' assessed level and rate of learning;*
- (d) Provide in-service training for teachers of identified academically talented and intellectually gifted student on the provision of instruction at students' assessed level and rate of learning;*
- (e) Adopt District-wide procedure for informing all teachers within 30 days of the beginning of each school year, or class change, or the names of identified TAG students in their class(es) and for verifying that teachers are aware of the TAG students in their classes.*
- (f) Submit to the Department by July 1, 1998 documentation that all teachers have participated in PPS' in-service training including date(s), time(s), agenda(s), and handouts of meetings and list(s) of attendance;*
- (g) Notify the Department that the TAG students have current assessments of their individual rate and level of learning and instructional plans for all applicable subject areas and that instruction at students' assessed rate and level of learning is occurring by July 1, 1998; and*
- (h) Notify the Department that the TAG records of all newly identified TAG students include the information used by the team for identification purposes;*
- (i) Notify the department by July 1, 1998 that all parents of previously identified TAG students have been informed of their rights under 581-022-1320, sections (1) through (4).*



Over the past 5 years, the TAG program has experienced various shifts in management and direction. Initially, services were independently located in various schools across PPS. This independent status changed to a more centralized environment where services became concentrated and available to students in 4 TAG centers. The 4 centers managed funds and services provided to students. The centers eventually closed and services returned to the schools. Today, the program is currently run at the school level where the DOSAs currently manage the program and the Administrator who coordinates TAG activities.

Given the various shifts in the program and the lack of a centrally coordinated administrative approach, the program has operated in a disorganized process. This disorganization has resulted in the program neglecting to keep parents informed; identifying students at all grade levels in both academic and intellectual areas; work with students who drop out of the program; and evaluate the program based on outcomes.

A centralized approach would organize the program providing consistent communication to teachers, students, parents and program administrators. In addition, centralization would facilitate the process to keep parents informed, identify students at all grade levels, and work with students who drop out of program and evaluate the program.

A long-term strategic plan would organize and formalize the TAG program. The planning process would foster a sense of ownership among the TAG community. The process would facilitate a long-term plan that would set the direction of the TAG program.

- Recommendation VII-18.1:** **Institute a centralized approach to the TAG program, with the Administrator having primary responsibility for managing the program.**
- Recommendation VII-18.2:** **The TAG Administrator, Directors of Student Achievement, teachers and parents should form a committee to develop a long-term strategic plan for the program, including specific roles and responsibilities of various stakeholders.** The plan should include the following elements:
- Policies and procedures to keep parents informed.
 - Processes to identify children of younger ages.
 - Procedures to work with students who dropout of program.
 - Procedures to evaluate program.



SPECIAL INSTRUCTIONAL PROGRAMS – SPECIAL EDUCATION

BACKGROUND:

The Special Education Program was created in the mid-1970s with the landmark passage of Public Law 94-142, now widely known as the Individuals with Disabilities Act, or IDEA. This federal legislation created in law the right of students with disabilities to a free and appropriate public education. In June 1997, IDEA was reauthorized with significant changes for both special education and general education.

PPS' Special Education Program provides services to approximately 5,800 students in PPS. The 1996/97 Special Education general fund budget was \$33.5 million. The program employs approximately 588 staff to primarily focus on providing the following services to the special education student population:

- Free and appropriate education, specially designed instruction, and related services in the least restrictive environment for students 5 years of age to 21;
- Educational programs in both general education and special education / related services, to students who will be out of school eight weeks or more and need home instruction;
- Educational services to students who reside at Providence Child Nursing Center and Adventist Rehabilitation Extended Care.

In addition, Portland Public Schools is the contractor for the following state operated programs:

1. Regional Programs which provides support to 24 school districts in Multnomah, Clackamas, Hood River and Wasco Counties for children who are deaf / hard of hearing, vision impaired, autistic, and / or severely orthopedically impaired.
2. Early Intervention / Early Childhood Special Education serves children from birth to five in Multnomah, Clackamas, Hood River, and Wasco Counties who are identified as disabled and needing specially designed instruction / related services.
3. Contract Programs provides the educational component (both general education and special education and related services) to students placed in day treatment and residential treatment programs. Typically, students are placed by state agencies such as the State Office for Services to Children and Families.
4. Hospital programs provide the education program (general and special education) for students who are admitted to private or state operated hospitals. In Portland, the sites are located at Shriners, OHSU, Oregon State Hospital at Portland and Emanuel Hospital.

ACCOMPLISHMENTS:

PPS provides special education services for 11.5% of its enrolled students.

FINDINGS AND RECOMMENDATIONS

Finding VII-19:	PPS inconsistently tracks budget and enrollment data for its special education program.
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Given the various services the program provides and the number of Special Education staff employed by PPS, it often becomes burdensome trying to track and maintain consistent budget, enrollment and other administrative data. While program budget staff are a pleasure to work with and very responsive to data requests, it is apparent that PPS does not maintain a central repository of consistently maintained data. During our analysis, KPMG noted inconsistent enrollment and budget numbers reported by budget staff to KPMG. It became increasingly difficult to review and analyze the data given these inconsistencies.

Consistently maintained data would reduce staff time and stress trying to track appropriate information in an effort to report to requesting entities such as the federal government, state Department of Education or other internal or external stakeholders. This activity would keep information updated in one central location, resulting in reduced staff time trying to track, validate, and create budget and enrollment numbers: It would facilitate required reporting activities on behalf of PPS.

Recommendation VII-19.1: **Budgeting and expenditure control for special education functions should be maintained and consistently updated in the special education department.** The Special Education Budget Department should communicate with PPS' budget office to report expenditures. Both offices should consistently communicate to ensure that the same data is consistently maintained. Budgeting and expenditure control should be consistently monitored and updated.

Finding VII-20: **The Director of Special Education has a broad span of control.**

Based on the 1997/98 Special Education Organizational chart, 14 people report directly to the Director of Special Education, including:

1. Budget Coordinator
2. Student Learning Center (SLC)-B Program Assistant Supervisor
3. Jefferson Region Supervisor
4. Grant/Madison Region Supervisor
5. Franklin/Marshall Region Supervisor
6. Cleveland/Wilson Region Supervisor
7. Lincoln/Roosevelt Supervisor
8. Deaf/Hearing Impaired Supervisor
9. Vision Impaired/Autism Supervisor
10. Portland Early Education Program Supervisor
11. Orthopedic Services Supervisor
12. Life Skills/Nursing Supervisor
13. Early Intervention/Early Childhood Supervisor
14. Contract Program Supervisor



The Director of Special Education is simultaneously responsible for (1) PPS' special education programs, (2) early intervention and early childhood special education programs, (3) regional special education programs, (4) contract program, and (5) hospital programs.

While this may create short-term expenditures, there should be an increase in financial efficiency as well as organizational efficiency and accountability.

Recommendation VII-20.1: **Restructure programs and staff responsibilities to focus some staff on overall special programs and others on program administration.** Organize management responsibilities around four areas, at a cost of approximately \$156,000 in salaries and benefits. (\$84,000 in salaries and benefits for an Assistant Director and \$72,000 in salaries and benefits for a ¾ full-time equivalent Legal Specialist.)

Finding VII-21: **PPS' Special Education program identifies and serves a relatively high number of students in the areas of mental retardation, emotional disturbance, and speech and language disabilities.**

Approximately 9.3% of PPS' special education population is defined as mentally retarded compared to a statewide average of 6.4%. Approximately 27.1% of the special education population have been distinguished as having speech and language disabilities compared to a statewide average of 24.3%. Finally, approximately 10.9% of the special education population is defined as emotionally disturbed compared to a statewide average of 6.1%.

During 1996/97, PPS identified a higher rate of mentally retarded, emotionally disturbed and speech and language disability students than five other districts in Portland and the statewide average. Exhibit VII-3 illustrates this comparison.

Exhibit VII-3: 1996/97 Comparison of Portland Public Schools Special Education Program Enrollment

District	Mentally Retarded	Speech and Language Disability	Emotional Disturbance
PPS	9.3%	27.1%	10.9%
Salem	6.3%	18.6%	8.4%
Beaverton	5.6%	25.3%	8.1%
Eugene	6.2%	20.6%	5.4%
North Clackamas	5.8%	39.5%	3.4%
Statewide	6.4%	24.3%	6.1%

Source: Portland Public Schools Program and Fiscal Review of Special Education, 1996/97 Comparison of Disabilities Across Five Districts.



PPS' policies and procedures on identifying students with emotional disturbances and mental retardation may be a contributor to increased special education costs to PPS and in the area of specific learning disabilities.

For PPS to receive additional funding, a change in the state funding formula would have to occur. Either the percentage of students eligible to receive double weighting in the existing formula must be allowed to rise or special consideration would need to be given to PPS. However, an alternative funding formula for the funding of actual costs could be pursued.

Recommendation VII-21.1: **PPS should consider reviewing its eligibility criteria and evaluation procedures in the disability categories of mental retardation, emotional disturbance, and speech and language disabilities.** This improvement would ensure proper identification and service delivery to special education students.



Recommendation VII-21.2: PPS should seek additional funding from the State Legislature to pay for the disproportionately high level of special education services it must provide. Opportunities exist for PPS to potentially receive \$1.75 million to \$2.5 million in additional state funding for serving these students. This figure takes into consideration students who are being underidentified.

Finding VII-22: The Special Education program population grew by 8% between 1994/95 and 1997/98.

While the Special Education population grew by 8% since 1994/95, the Student Learning Center program population for academic and behavior programs grew by 22%. Exhibit VII-4 identifies the growth rates for Student Learning Centers.

Exhibit VII-4: 1994/95 and 1997/98 Growth Rates for the Academic and Behavior Programs of the Student Learning Centers

	1994/95	1997/98	% Increase
Student Learning Centers – Academic	337	414	22.8%
Student Learning Centers – Behavior	295	359	21.6%

Source: Portland Public Schools Special Education Program, Special Education School Age Enrollment by Primary Placement, June 9, 1998.

Given the continued growth in Student Learning Centers, PPS should consider forecasting enrollment numbers in order to help plan for future special education program demands. On average, special education programs grew by 3.6% annually. Proactive thinking regarding enrollment trends and budgets may help to avoid potential shortfalls in services that are provided to students.

Recommendation VII-22.1: Review current Student Learning Centers’ program delivery model. The emphasis should be on locating self-contained classrooms as close to where students reside as possible. Such revision could allow increased flexibility of service delivery to students, increased service delivery to neighborhood schools, and more effective use of resources to meet the growing needs of individuals.

Recommendation VII-22.2: Improve efforts to efficiently utilize resources to meet the demands of the increased number of students in the special education program.



SPECIAL INSTRUCTIONAL PROGRAMS – ENGLISH AS A SECOND LANGUAGE

BACKGROUND

For over 20 years, PPS has offered a program of English as a second language (ESL) with bilingual support to limited English proficient (LEP) enrolled students. PPS' ESL/Bilingual program is designed to provide learning opportunities that meet the needs of LEP students. These students are enrolled in 46 school buildings throughout the 152 square mile district with approximately 50 language groups represented. Spanish, Russian, Vietnamese, Chinese, LAO, Hmong, Mien are the major languages.

ACCOMPLISHMENTS

PPS' ESL/Bilingual program has some significant achievements. These include:

- 90% of teachers are properly certified to teach ESL programs.
- ESL has been provided to 50 different language groups in PPS.

FINDINGS AND RECOMMENDATIONS

Finding VII-23:	Since 1995/96, PPS has experienced a 22% increase in the students who speak Spanish and require ESL/Bilingual Education services. However, the program has historically experienced difficulties with hiring a sufficient number of Spanish speaking staff.
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Students who speak Spanish represent the fastest growing population in the ESL/Bilingual Education program: Inability to hire Spanish speaking staff creates difficult challenges for the ESL/Bilingual Education program.

The three largest groups that require ESL/Bilingual Education services are students who speak Vietnamese, Russian and Spanish. PPS' Vietnamese population, the third largest in PPS, has decreased since 1995/96. The Russian population has remained relatively stable since 1995/96 and the Spanish speaking population has increased 8% from 1995/96 to 1996/97 and 12% from 1996/97 to 1997/98. Exhibit VII-5 reflects these figures.

Exhibit VII-5: Enrollment in ESL/Bilingual Programs



	1995/96	Increase (Decrease)	1996/97	Increase (Decrease)	1997/98
SPANISH	871	12%	979	8.1%	1059
RUSSIAN	766	(3.9%)	736	2.3%	753
VIETNAMESE	763	(13.1%)	663	(8.8%)	604

Source: Portland Public Schools 1998

While the demand for Vietnamese staff will likely decrease and the necessity for Russian staff will remain relatively stable, the need for Spanish speaking staff will increase. Historically, PPS has experienced difficulties in identifying and hiring Spanish speaking staff for the ESL/Bilingual Education program.

PPS' Spanish speaking population will continue to increase. The 183% increase in the Latino student population over the past 7 years and the forecasts indicating that Latinos are the fastest growing group nationally and statewide is a clear indication of this predication.

A recruitment plan would not only establish strategies to identify and hire Spanish speaking staff, but would avoid any potential risks in not addressing the needs of Spanish speaking students.

Recommendation VII-23.1: **PPS should develop a recruitment plan to identify and hire staff to meet the increasing demands of the Spanish speaking ESL/Bilingual Education population.** Working closely with community Hispanic groups to try to identify and hire staff could help meet staffing needs.

Finding VII-24: **Of those students in ESL/Bilingual Education, less than 1% are enrolled in the TAG program.**

There are 4,400 ESL/Bilingual Education students, 27 of these students are enrolled in the TAG program. The opportunity might exist to increase the population served by this program and draw upon the resources already in place.

Recommendation VII-24.1: **ESL/Bilingual program administrators should work with TAG program administrators to develop a plan that aggressively identifies students within the ESL/Bilingual Education program who could potentially be eligible to enroll in the TAG program.** This collaboration would encourage PPS to develop better equity with regard to TAG identification.



SPECIAL INSTRUCTIONAL PROGRAMS – ALTERNATIVE EDUCATION

BACKGROUND

The Alternative Education Program (AEP) provides services to those students who are at-risk of dropping out of school. The AEP has an annual budget of approximately \$10 million. AEPs are designed to help student learn in a separate school or class group that meets their individual needs and learning styles. An AEP can be (1) a school within a school, (2) shared facilities, administration, and support services of another school, or (3) an autonomous unit.

The AEP has its own organizational structure, teaching staff, budget and specific curriculum separate from other schools. The AEP includes a service delivery model that is student-centered and supported by teachers, parents, and community-based programs and services. PPS' alternative education program supports the following type of learning environment:

A student may be recommended for the AEP by their school principal if they have serious attendance or discipline problems. Teachers, counselors, parents, and the students themselves may also make recommendations for the student to attend the AEP.

PPS offers two types of AEPs, the In-District AEP and the Community Based AEP. Both programs provide similar services, but the community-based programs are non-for-profit organizations that function independently from the school. PPS contracts with the community based programs to provide services to the students. There are 25 in-District AEPs and 23 Community Based AEPs.

ACCOMPLISHMENTS

PPS' AEP has had some major accomplishments. These include:

- PPS was awarded \$500,000 in 1996/97 and \$500,000 in 1997/98 in grant funds from the United Stated Department of Education for the Truancy Diversion Project.
- PPS has been successful in reducing European-American and African-American dropout rates. From 1987 to 1997, the European-American population increased by 3% while dropout rates for this group decreased by 36%. During this same time period, the African-American population increased by 7% while dropout rates for this group decreased by 43%.

FINDINGS AND RECOMMENDATIONS

Finding VII-25:	PPS lacks a District-wide enrollment tracking capability for in-District Alternative Education programs.
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PPS' AEP lacks a centralized enrollment tracking for its student population. This has led to an inability to determine average cost per in-District Alternative Education program. While PPS requires that all community-based programs report the number of student enrolled in the program, it does not track the In-District student enrollment numbers. This creates the inability to determine PPS-wide population, growth rates, population type, population age range, effectiveness, cost per student and ultimately, program effectiveness.



- Recommendation VII-25.1:** Create a standardized tracking tool that requires all 25 in-District AEPs to report enrollment, staffing, and attendance data. Specifically, the tool should track the following information:
- Enrollment numbers by age and ethnicity at the beginning and end of the year.
 - Teachers per classroom.
 - Student attendance, including data on number of tardy students.

Finding VII-26: Evaluation of Alternative Education programs should be conducted more consistently.

Some AEPs have reported that student data is maintained. Other programs, such as the Jefferson Transition program, have not reported on the type of student data they track. While some programs maintain student data, follow-up efforts to evaluate the available data do not occur. The opportunity exists to put in place a District-wide effort to evaluate data to measure the effectiveness of an AEP and student progress within the AEP. Community-based AEP evaluations are not consistent among the AEPs. There appears to be no follow-up on available data to evaluate the effectiveness of programs. PPS does not have a plan in place to set out strategies for meeting the needs of these reluctant learners.

Data would facilitate the evaluation process. Consistent evaluations of the program would allow administrators to be proactive and make decisions on program effectiveness. Student achievement would likely increase given the proactive monitoring.

- Recommendation VII-26.1:** Develop a documented District-wide methodology to evaluate AEPs. PPS could then use these evaluations to hold managers accountable for student achievement.

Finding VII-27: PPS has been proactive in tracking Community Alternative Education program enrollment numbers.

PPS collects and systematically tracks enrollment data for all community-based programs. The AEP Coordinator has developed a system to track Community Based Alternative Education Programs, student enrollment by age, ethnicity, gender, grade level and living situation. This provides the ability to determine the out-of-District population, growth rates, population types, population age ranges and costs per student. While PPS proactively collects this data, it does not necessarily analyze the data to determine the effectiveness of the community-based programs

The community based program data collection facilitates PPS' ability to track student enrollment. This provides PPS with the ability to evaluate a community based program's effectiveness and needs. PPS could use this data to forecast and plan future demands of the program.



Recommendation VII-27.1: PPS should analyze community based alternative education program data to determine the effectiveness of 23 programs. Current data collection should be continued. The data should be used to determine program demands and future planning.

Finding VII-28: The Alternative Education Program has not been effective in reducing dropout rates for the Latino population. From 1987 to 1997, PPS' total Latino population has increased by 186% while dropout rates have increased by 283%.

The AEP is charged with providing services to reduce dropout rates. Specifically, AEP staff are responsible for keeping all school-age students in Portland in formal public education programs. However, dropout rates, particularly for minorities, might be of concern.

Exhibit IV-6 identifies the total student population compared to the total dropout population.

Exhibit VII-6: 1996/97 Dropout and Enrollment Rates by Ethnicity

Ethnicity	Enrollment	Percent of Total Enrollment	Dropout Population	Percent of Total Dropout Population
European-American	39,930	69	543	61
African-American	8,747	15	101	11
Latino	3,299	6	115	13
Asian/Pacific Islander	4,703	8	84	10
American Indian	1,343	2	40	5
Total	58,022	100%	883	100%

Source: Portland Public Schools 1998

Over the past ten years, the overall dropout rate for the entire population has decreased by 24%. Dropout rates have decreased for all groups except for the Latino and Asian-American groups. Exhibit VII-7 identifies the dropout rates over the past 10 years.

Exhibit VII-7: Dropout Rates by Ethnicity

Ethnicity	1987-88 Dropout Population	1996/97 Dropout Population	Increase (Decrease) in Dropout Population	Percent Increase (Decrease) in Dropout Population
European-American	849	543	(306)	(36)
African-American	178	101	(77)	(43)

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Latino	30	115	85	283
Asian/Pacific Islander	79	84	5	6
American Indian	32	40	8	25
Total	1168	883	285	(24%)

Source: Portland Public Schools 1998

Given that the Latino population is the fastest growing in PPS, neglecting to address the dropout rates for this group could be tremendously damaging not only to the Latino community, but also to the Portland community as a whole. While Latinos make up 6% of the total student population, they constitute 13% of the total dropout population. Further, Latino enrollment rates have increased by 186% while dropout rates have increased by 283% over the past 10 years.

Studies indicate that students who drop out of school are more likely to receive government assistance and commit crimes than those students who graduate from school. If the Latino dropout rates continue to increase at the current rate, the Portland community could experience increased spending on government assistance and public safety.

- Recommendation VII-28.1:** **Develop a plan, in coordination with community groups such as the Hispanic Parent Association, to aggressively keep Latino students enrolled in school.** Plan implementation should be assigned to staff responsible for reducing Latino dropout rates.
- Recommendation VII-28.2:** **Utilize ESL/Bilingual Education resources to provide bilingual services to parents and increase community involvement.** Conduct informational workshops for Latino parents. Establish an all-inclusive Latino community group, including internal and external stakeholders, to meet a common goal: reduction of the Latino dropout rates.



SPECIAL INSTRUCTIONAL PROGRAMS – SUMMER SCHOOL

BACKGROUND

PPS provides summer school classes to students in K-12 to augment learning or provide specialized instruction. However, Measure 5 budget difficulties required PPS to change the summer school program to a fee-based program.

Summer school is taught for ninth to twelfth grade students at Benson High School. Benson High School offers two three-week summer semesters at a cost of \$100 per semester. Most students enroll in both semesters.

The Kindergarten through eight grade summer school programs is aimed toward improving skills in reading, writing, and math. This four-week session is limited to 300 students per summer school site and costs \$200 per student.

When PPS provided free summer school approximately half of the student population was on a free or reduced price lunch status. PPS estimates that it will maintain summer school fee revenues which will exceed actual costs by approximately \$9,000.

ACCOMPLISHMENTS

The summer school program has experienced some accomplishments. Some of these achievements include the ability to generate revenue from the summer school program. For example, PPS estimates that it will generate a total income of \$275,000 from fees students must pay to attend summer school while maintaining a contingency of approximately \$9,036.

FINDINGS AND RECOMMENDATIONS

Finding VII-29:	PPS currently charges students a fee to attend the summer school program. This creates potential difficulties for students who could significantly benefit from attending summer school, but may not be able to afford to enroll.
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Students in 9-12 grades enroll in summer school for three primary reasons: To make up a class, to accelerate and graduate early, or to enrich their learning.

The K-8th grade summer school programs are aimed toward improving skills in reading, writing and math. There are four locations where students attend the summer school program:

- Harvey Scott (K-5)
- Mary Rieke (K-5)
- Gregory Heights (6-8)
- Robert Gray (6-8)



While some students may be able to financially afford the summer school program, it is often difficult for students from disadvantaged families to pay. Consequently, the fee to attend summer school makes it difficult for students from lower socio-economic backgrounds to enroll. These students tend to be the ones who benefit most from such programs.

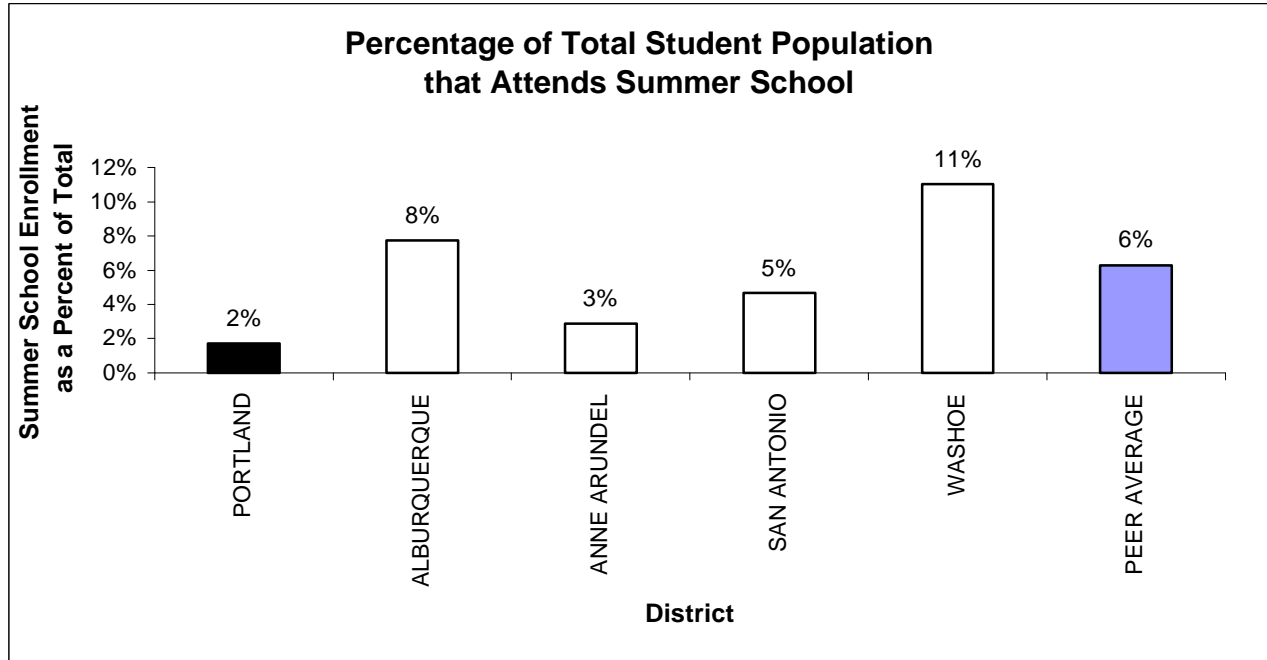
Historically, approximately 50% of summer school students have been from lower-socio-economic backgrounds (e.g. students who receive free and reduced lunch). Given their backgrounds, the summer school program fee creates obstacles and potential hardships for these students to attend. Providing scholarships to 1% of the student population would cost roughly \$55,000 per year.

Recommendation VII-29.1: **Explore expanded opportunities to provide scholarships to students who cannot afford to attend summer school, such as students in the free or reduced lunch programs.** These opportunities could include corporate or public agency sponsorship or fundraisers. Providing summer school scholarships to approximately one percent of the student population would cost roughly \$55,000 per year.

Finding VII-30: **PPS falls below other peer districts in Summer School program enrollment.**

Two percent of the total PPS student population attends summer school; the lowest compared to other peer districts. Based on data from peer districts, PPS fares low in enrolling students in the program. Summer school student enrollment in peer school districts ranges from 3% at Anne Arundel to 11% at Washoe County. The peer average is 6%. Exhibit VII-8 illustrates this comparison.

Exhibit VII-8: Comparison of Summer School Enrollments



Source: KPMG Benchmarking Data 1997/98

Recommendation VII-30.1:

PPS should develop a comprehensive plan to expand its summer school enrollment. The plan should include:

- Goals for the summer school program
- Types of students program will enroll
- Potential scholarships, including types of students eligible to receive scholarships
- Summer school locations, including the number of classrooms, teachers, aides, etc.
- Enrollment projections



SPECIAL INSTRUCTIONAL PROGRAMS – HEAD START

BACKGROUND

Head Start is a federally financed comprehensive child and family developmental program designed to prepare low-income students for success in elementary school as well as in later schooling. PPS' Head Start program first opened as a summer school in 1964.

Daily preschool sessions are supplemented with home visits, health screenings, social service referrals, and extensive parental involvement. Head Start mainly serves 4-year olds, along with some 3-year olds. Participating families must live at or below the poverty line; a family of four, for example, must earn \$16,450 or less a year. Children with disabilities also are included regardless of family income.

The United States Department of Health and Human Service and the Oregon Department of Education allocates from \$6,100 to \$7,200 per child per year. Most programs supplement the allocation with donations, volunteer hours and other contributions. Portland schools, for example, give their Head Start programs free space, utilities and janitorial services.

PPS' Head Start program first opened as a summer school program in 1964. Over the years, Head Start transitioned from a summer program to the traditional school year program. PPS currently provides services to students in over ten different languages.

ACCOMPLISHMENTS:

The Head Start program readily provides information to the public and is very responsive to its stakeholders.

FINDINGS AND RECOMMENDATIONS

Finding VII-31:	PPS has an opportunity to conduct a longitudinal assessment of the Head Start program to examine delivery and schedule options.
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Adjusted program hours and curriculum for 34 students during 1998/99 school year creates an opportunity for PPS to conduct a longitudinal study providing an ability to assess the long-term structure (regarding whole day versus half day) of the Head Start program.

Over the last six months Head Start program administrators have made various considerations to alter specific aspects of the program. For example, a change in the hours from 3 ½ per day to approximately 10 hours per day was considered during the 1998/99 budget hearings. Many Head Start staff members, parents and other stakeholders were active in voicing their concerns with the proposed changes to the program.

During the 1998-99 budget hearings, PPS considered relinquishing the program to the Albina Program. PPS' administration initially proposed to provide the Federal Grant to private providers who would provide a full day program for each child for approximately the same cost as PPS



provides a half-day program. The shift would have created expanded hours to 150 needy preschoolers and savings of \$346,000 from the rental of two of the Head Start sites (Sacajawea and Creston Annex). If these sites were sold, there would have been a one-time savings of \$1.5 million.

Exhibit VII-9 provides an overview of the major differences between the two programs.

Exhibit VII-9: Comparison of Head Start and Albina Early Childhood Education Programs

Item	District Head Start Program	Nonprofit Albina Program
Hours/Day	3 ½	Up to 10
Adults / Classroom	1 Teacher, 1 Full-time Assistant, 1 Part-time assistant, 1 Part-time Language Resource Assistant	1 Teacher, 2 Full-time Assistants
Lead Teacher's Credentials	Certification to teach	Early Childhood Certification
Teacher Pay	Same salary scale as all other teachers and aides in PPS	Less than in District Program
Students / Classroom	17	20

Source: Portland Public Schools, KPMG analysis 1998

After various lobbying efforts on behalf of advocates of the Head Start Program, the board, for the time being, decided to retain the 150 slots instead of trying to move children into private, full-day programs. Further, 34 slots for 2 full-day classes of 17 students in the regular Head Start program were granted for the 1998-99 school year.

PPS has yet to resolve its long-term Head Start plan. At a time of welfare reform, there is a common concern that many low-income families need full-day care for their children. Based on the various discussions and concerns regarding ½ day and full day sessions, many Board members, during final budget negotiations, called for a yearlong study of how to best reform Head Start offerings in Portland in fall 1999. A committee is currently being formed to achieve this task.

Given the current uncertainty with the future structure of the Head Start program, the committee's review will likely have a major impact on the future direction of the program. PPS should take advantage of this opportunity to examine if full-day sessions or other changes are effective. The examination should provide data on the effectiveness of the 2 full-day classes of 17 students compared to 2 half-day classes of 17 similar students.

A longitudinal study would provide PPS with quantifiable data to determine if all-day programs are more effective than half-day programs. PPS could use this data to determine the long-term future structure and direction of its Head Start program. Specifically, with this information, PPS Administrators could forecast, plan and resolve potential long-term program and budgetary issues.

Further, PPS has an opportunity to influence increased funding for the Oregon Pre-Kindergarten Program stipulated in HB2991. According to PPS management, the legislature has already established full funding for this program as a goal.



PPS estimates that the cost to conduct a longitudinal study would be approximately \$50,000 (1 FTE). While the costs for a part-time grant writer would be approximately \$20,000 (1/2 FTE), the Grants Management unit already has a fund to support grant writers and is prepared to assist in any needed grant writing. Thus, Head Start and Grants Management should work together to identify additional funding sources.

Recommendation VII-31.1: Conduct a longitudinal study to compare the quality and cost of Head Start program delivery capabilities.

Comparing children who attend the all day Head Start programs against similar children who attend the half-day Head Start program. PPS could then utilize the study results to determine the costs and benefits to full-day programs versus half-day programs. This requires an investment of approximately \$50,000.

Recommendation VII-31.2: Work with Grants Management to develop applications for additional funding sources to the Head Start program.

Many public school districts have retained grant writers in order to target potential sources of Head Start funding. Existing resources in Grants Management may be leveraged to support this need.



Finding VII-32: The direction and future of the Head Start program are not clear.

Over the last six-months, there has been a lack of communication between PPS Administrators and Head Start staff. This lack of communication has created great stress and uncertainty among Head Start staff about the future of the program. Communications have broken down in administration, budgeting, and consideration of privatization potential for the program. This has had an adverse impact on staff morale.

An all-inclusive strategic planning process that brings people together in an effort to achieve a common goal would be the first step in revitalizing the Head Start community. The development of a strategic plan for the Head Start program could foster communication between all stakeholders.

“Head Start believes that the gains made by the child in Head Start must be understood and built upon by the family and community...Many of the benefits of Head Start are rooted in change. These changes must take place in the family itself, in the community, and in the attitudes of people and institutions that have an impact on both.”

- Head Start Policy Manual 70.2.

Recommendation VII-32.1: Form an independent committee of administrators, teachers, parents, and community agents to develop a five year plan for the Head Start program that is consistent with the overall strategic direction of PPS.
This committee would be important for a variety of reasons, especially in being able to solicit community input.



VIII – SCHOOL AND BUSINESS SERVICES

This section of the report includes assessments of PPS' Nutrition Services, Physical Plant Division, Bond Project Management, Transportation, School Police, Athletics, and Human Resources management functions.

NUTRITION SERVICES

BACKGROUND

The Nutrition Services Department is responsible for providing nutritious breakfasts and lunches to all elementary, middle and high schools in accordance with federal Child Nutrition Program regulations. In addition, it is responsible for educating students on healthful food choices and the components of a nutritious diet.

The Department provides lunch service to 92 sites and breakfast service to 90 locations. In addition, the Department provides food service on a contracted basis to several alternative schools, independent day care centers and 18 private Head Start centers. In 1996/97, approximately 1,766,000 breakfasts and 5,723,194 lunches were served, including 1.8 million meal equivalents from a la carte and contracted meal services. The Department provides bulk pre-prepared meals from a central kitchen for all elementary schools, on-site meals at the schools, and a variety of a la carte programs at various schools. The Department employs nearly 187 lead and assistant servers and 59 leads and production workers in the central kitchen and 30 central office and managerial staff to conduct its operations.

The Department employs six administrative staff, four clerical staff, 20 managers and coordinators, 246 food production and service staff, one custodian, eight drivers and warehouse workers, for a total of 185 staff.

Food for the elementary, middle and high schools is produced at a central kitchen. The central kitchen was built to enable the Department to meet projected meal production requirements for the next decade and possibly beyond. According to the Department, the central kitchen currently produces 98% of all meals served by PPS. The Central Kitchen was originally designed to produce 40,000 meals per day. Currently they are producing approximately 45,000 meals per day, including 22,000 lunches, 13,000 breakfasts, and 10,000-12,000 a la carte meal equivalents.

Food Service revenues are generated from on-site sales, state and federal sources. On-site revenue includes sales of food products for student and adult breakfasts, student and adult lunches, and a la carte or snack purchases. The Department also provides catering services for school and community functions as requested.

PPS' state revenue is based on a mandated allocation of state-disbursed support that passes from the general fund to the Nutrition Services Department. These funds represent state matching requirements as determined by the US Department of Agriculture.

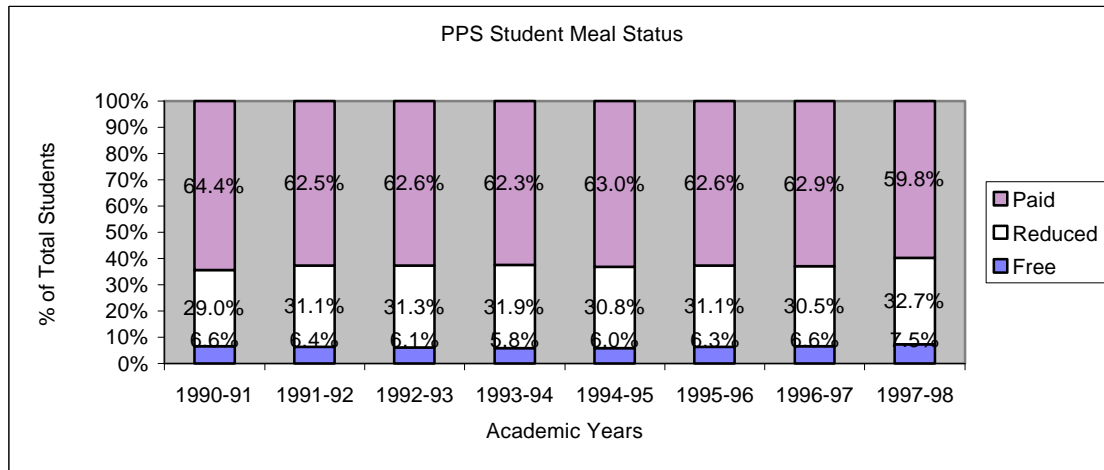
PPS receives two kinds of federal revenues: in-kind and direct reimbursement. In-kind revenue involves the US Department of Agriculture donated commodity foods to PPS. Direct reimbursement



is provided for meals served through the Child Nutrition Breakfast Program and the Child Nutrition Lunch Program. The federal reimbursements vary depending on whether students qualify for free or reduced priced meals or if they pay for their meals.

Based on family income, students may qualify for PPS' free and/or reduced priced meal program. In order to qualify, families must complete an application form detailing family size and household income. At the beginning of each school year, PPS gives each student an application and offers instruction and assistance in filling out the application. Students of families deemed eligible may receive breakfast and/or lunches at either free or reduced rates. Exhibit VIII-1 illustrates the number of PPS students receiving free or reduced priced meals.

Exhibit VIII-1: Approximately 40% of PPS Students Receive Free or Reduced Priced Meals



Source: PPS Nutrition Services Department, Student Lunch Status Report.

Between 1991 and 1997, PPS' total student enrollment qualifying for free or reduced priced meals has been fairly constant at about 37%, although the percentage increased to 40.2% in 1997/98.

On a monthly basis, the Department submits a reimbursement claim to the Oregon Department of Education itemizing the total number of meals served meeting federal meal component regulations. Using an established reimbursement rate, PPS requests a monthly total reimbursement for providing student breakfasts (regular and severe need) and lunches. As Exhibit VIII-2 indicates, in 1996/97, for example, the Department received in excess of \$6.9 million.

Exhibit VIII-2: PPS was Reimbursed Nearly \$7 million for Meals Served in Fiscal 1996/97

Lunches Served	Meal Quantity	1996/97 Federal Reimbursement Rate	Reimbursement	TOTAL
Free	2,247,581	\$1.8575/lunch	\$4,174,881	
Reduced	389,969	\$1.4575/lunch	\$568,380	



Paid	1,316,094	\$0.1975/lunch	\$259,929	\$5,003,190
Breakfasts Served	Meal Quantity	1996/97 Federal Reimbursement Rate	Reimbursement	TOTAL
Free	50,474	\$1.0175/breakfast	\$51,357	\$67,024
Reduced	5,599	\$0.7175/breakfast	\$4,017	
Paid	58,986	\$0.1975/breakfast	\$11,650	
Non-Severe Need Breakfasts Served	Meal Quantities	1996/97 Federal Reimbursement Rate	Reimbursement	TOTAL
Free	1,407,299	\$1.2125	\$1,706,350	\$1,833,925
Reduced	103,553	\$0.9125	\$94,492	
Paid	167,506	\$0.1975	\$33,083	
TOTAL 1996/97 REIMBURSEMENT				\$6,904,139

Source: PPS Nutrition Services Department, Meal Reimbursement Revenue Analysis - 1996/97 School Year

With federal reimbursement and excluding capital equipment purchases, the Department operates at an approximate break-even margin. In 1996/97, the Department incurred a deficit of approximately \$250,000 on operating expenses of approximately \$11.56 million and an ending fund balance of \$232,000. This deficit was attributed primarily to a correction of an overstatement of inventory in the 1995/96 fiscal year.

In addition to the school-provided meals, Nutrition Services also operates the Dixon Street Diner, an enterprise fund of PPS located at the Blanchard Education Service Center. Other revenue sources in this enterprise fund include a limited amount of catering services and contract food sales to other non-profit foodservice providers. Total revenues from the enterprise fund totaled approximately \$362,000 for the fiscal year 1996/97.

ACCOMPLISHMENTS

Nutrition Services has numerous accomplishments that it is proud to acknowledge. These include:

- Nutrition Services has been nationally recognized for its strong emphasis on nutritional value of foods served to children since 1980. The department is already in compliance with new federal nutrition standards that became effective July 1, 1998.
- The Director of Nutrition Services was selected by the IFMA as The Food Service Operator Of The Year and awarded the distinguished "Gold Plate" award in 1994.



- Nutrition Services provides extensive initial and on-going training programs to its employees, and encourages its employees to become “Certified Members of the American School Food Association.”
- Nutrition Services has created its own Web Site which provides substantial information regarding nutritional values of foods and which teachers are encouraged to use in nutrition education.
- Communications on nutrition is provided to all students and parents through a variety of sources, including the distribution of a school lunch calendar, monthly menus, weekly and monthly newsletters and various news radio spots.
- Through the use of federal funding under the Provision 2 programs, the school has been successful in implementing the “Breakfast for the Brain Campaign” which provides a free breakfast to eligible students. The Claim for Reimbursement is based on the level of participation of eligible students in the free/reduced breakfast and lunch programs. This has resulted in record levels of breakfast participation over the last four years.
- Nutrition Services has set productivity standards for its employees and properly monitors the actual production on a weekly basis.
- Given the declining and limited amount of resources available to Nutrition Services, management should be commended for maintaining an exemplary level of service to its customers, while providing a very good working environment for its employees.
- The Department has developed a first-rate operations manual that serves as a comprehensive guideline for its staff. The manual addresses food service operations and sanitation, and food cost record keeping requirements

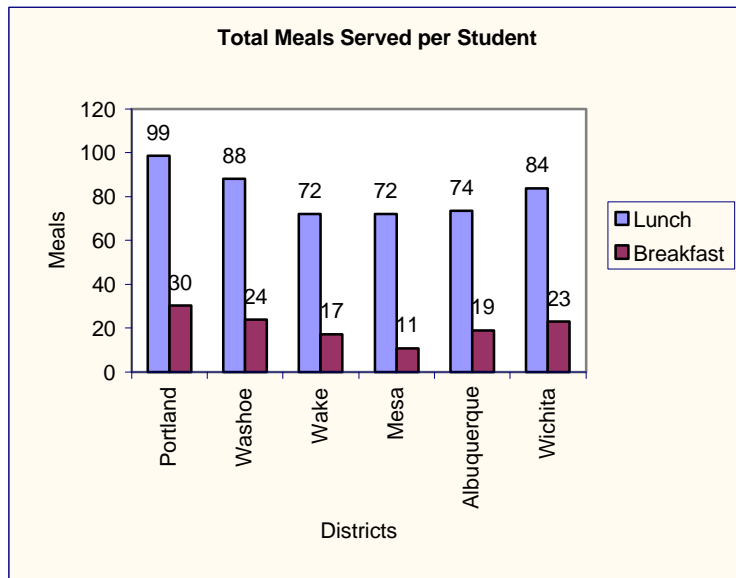
FINDINGS AND RECOMMENDATIONS

Finding VIII-1:	PPS could increase participation through enhanced merchandising.
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The high level of participation in the breakfast program can be attributed to a number of strategies implemented by Nutrition Services to increase participation in its breakfast. This includes: the use of in-class breakfast to elementary students, the Provision 2 Breakfast, short nutrition breaks, stationary food booth set-ups, partnerships with other organizations and radio campaigns. This has resulted in an increase in average daily participation from 7,337 in 1995/96 to 9,977 in 1996/97 to 12,503 in 1997/98 (through April 1998).

Correspondence received by one elementary school teacher indicated his belief that there is a correlation between academic growth and the nutrition break, as reflected by an increase in overall reading and math test scores. While the letter indicated that there is a downside due to reduced instructional time, it was also stated that the “positives outweigh the negatives” with the nutrition break.

Exhibit VIII-3: Breakfasts and Lunches Served



Source: KPMG 1995/96 Survey (PPS is based on 1996/97 information).

PPS could expand participation further through better food merchandising. On-site tours of PPS' high schools revealed, for the most part, traditional cafeteria settings with hand-lettered menus and signs.

The Department has begun to improve its merchandising. PPS has an outside vendor of fast food that provides PPS with professional signage to merchandise its products. PPS is also adding kiosk/food court settings where possible, but this process is incomplete and very dependent on funding. It costs several thousand dollars per campus to improve signage and install food courts.

Experience in the food service industry has shown that new food court and merchandising initiatives typically increase participation by 10%. Exhibit VIII-4 projects the increase in lunchtime participation that may be anticipated if PPS permits Nutrition Services to more aggressively market its menus.

Exhibit VIII-4: Annual Expected Increase in Revenue at a 10% Increase in Participation

Lunch	Participation Increase	Reimbursement Rate (\$)	Increase in revenue (\$)
Free	224,000	1.9100	\$427,840
Reduced	39,000	1.5100	58,890
Paid	131,000	0.2000	26,200
TOTAL increase in revenues			\$512,930

Source: PPS Nutrition Services Department and KPMG Analysis using 1997/8 reimbursement rates.

This very conservative estimate projects that PPS should realize \$513,000 in increased revenues and approximately \$51,000 profit (assuming a 10% gross margin) by improving the selection and presentation of lunch products. By improving marketing and closing high school campuses, the Nutrition Services Department could reasonably expect at least an additional \$50,000 in revenue.



Recommendation VIII-1.1:

Improve merchandising of Nutrition Services at the middle schools and high schools. PPS should aggressively assist Nutrition Services to appeal to high school students in a manner that befits their tastes and interests. Improving merchandising and adding a food court concept typically has dramatic impacts on middle and high school participation. This is the case more so in districts where there are traditional, sterile, visually unappealing food service lines. PPS could merchandise its own food products better by using more kiosks, flags, and professionally developed signage. This could increase revenues by approximately \$513,000 and profits by approximately \$51,000 (assuming a 10% gross margin).

Finding VIII-2:

Food sales not administered by Nutrition Services occur at school sites and impact the efficiency and effectiveness of the Department.

The Director of the Nutrition Services Department and staff reported that competitive food sales occur in a majority of the high schools and middle schools on a regular basis. During visits of PPS high schools, KPMG confirmed this by observing numerous vending machines in operation during the breakfast and lunch hours. A survey conducted in May 1997 by the Nutrition Services department showed that there were 79 non-PPS vending machines at PPS elementary schools, 52 at middle schools and 101 at high schools. While it is impossible to accurately calculate the total impact of competitive vending sales, the Department did report significant increases in sales on a day in which there were no vending machines at a high school during a change in vending machine vendors. On that day the Department reported a 33% increase in the number of regular paid lunch count, a 26% increase in the deli line, a 65% increase in a la carte orders, and a 25% increase in bento sales.

Using a conservative estimate of 5% of 1996/97 meal and snack bar revenues would yield \$177,799 and \$18,000 in profit (assuming a 10% profit margin on gross revenues) that could be gained by the Department if these practices were discontinued.

In addition to introducing less nutritious food onto campus and reducing PPS' Nutrition Services Department revenues, these competitive food sales may jeopardize PPS' federal reimbursement. Federal reimbursements are based on the number of meals offered by PPS' Nutrition Services program. If the federal government conducted an audit of PPS' schools and found illegal food sales occurring in competition with PPS' regular food service, reimbursement funding could potentially be suspended in part or in whole.

Recommendation VIII-2.1:

Disallow or strictly limit competitive food sales on school grounds. These sales siphon potentially significant revenues from the Nutrition Services Department. The regulations governing competitive food sales should be distributed to all principals and/or teachers to ensure their understanding of the regulations and the consequences of non-compliance.



Additionally, the operation and use of external vending machines should be minimized to 1) eliminate the need to monitor such activity and 2) increase participation in the breakfast and lunch programs to increase the level of federal funding. Also, PPS should consider the implementation of an in-house centralized vendor service. An increase of 5% in meal and snack revenues would be equal to increased revenues of \$177,799 and \$18,000 in profit (assuming a 10% profit margin on gross revenues).

Finding VIII-3: High School students are allowed to go off-campus to eat lunch, creating significant safety concerns.

The majority of the high schools provide for an “open campus” policy that allows students to go off-campus during the lunch period, creating significant safety concerns of students. This is partially attributed to a reduce number of lunch periods established to ensure compliance with mandated in-class learning periods and the inability to provide lunch to the entire student body in the shortened period. Longer duration, but fewer periods provides students with sufficient time to go off campus for lunch. However, this limits the amount of participation in the lunch program and poses an unnecessary risk to the students who rush to and from school. This policy also provides an opportunity for students to go off campus for inappropriate and non-lunch-related activities. Surveys conducted by Food Services staff indicate that students’ preference for off-campus lunch periods are driven less by food selection, and more by the lack of supervision and opportunity for other activity.

Shifting to a closed campus operation would require campus staff to rearrange class schedules and stagger lunch periods to have more lunch periods of shorter duration, in order to accommodate the total student population in a food service operation. The benefits of this would be to enhance supervision over students, and minimize the risk to student well-being when off-campus during lunch periods.

Recommendation VIII-3.1:

PPS should investigate the feasibility of closing campuses at lunch. This would eliminate the potential liability associated with permitting students to continue the unsafe practice of coming and going from school during lunch. However, in order to close campuses, the Department must be able to manage the increased lunchtime volume at the high schools and address students’ disappointment concerning limited lunch choices.

Finding VIII-4: Some schools lack proper food warming and other equipment.

KPMG observed in a majority of the schools visited that the equipment used to warm foods while participants passed through the breakfast/lunch lines was inadequate and inappropriate resulting in cold food being served in some cases.



In addition, we noted a substantial amount of out-dated, and often times dysfunctional equipment within the kitchens and surrounding areas. This gives rise to potential safety hazard issues, but also increased utility costs associated with the use of this equipment. Preliminary estimates suggest that the District may need to invest between \$100,000 and \$200,000 in new food warming equipment.

Recommendation VIII-4.1:

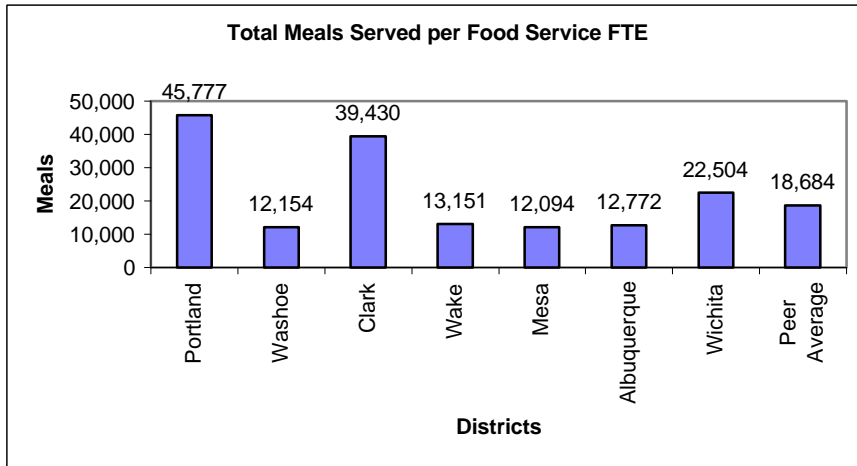
Conduct a thorough assessment of the extent to which there are potential dangers of poor equipment usage. The assessment should consider the need to purchase the proper equipment necessary to ensure the health and well-being of PPS students.

Finding VIII-5:	School kitchen productivity rates are in line with national averages, and significantly above the peer average.
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Benchmarking analysis indicates that the performance efficiency of PPS' Nutrition Services workers is slightly above that of peer districts. Exhibit VIII-5.1 and VIII-5.2 highlight this comparison.

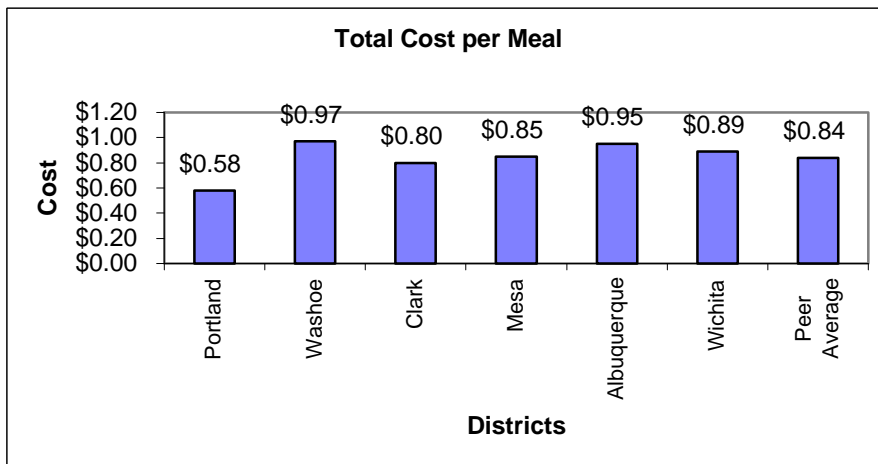


Exhibit VIII-5.1: Nutrition Services Efficiency Measures



Source: KPMG Benchmarking Survey (Portland reflects 1996/97 information).

Exhibit VIII-5.2: Additional Nutrition Services Efficiency Measures



Source: KPMG Benchmarking Survey (Portland reflects 1996/97 information).

The two charts shown in Exhibits VIII-5.1 and VIII-5.2 indicate that PPS total meals served per Nutrition Services full time equivalent employee significantly above the peer district average, and the total cost per meal significantly below the peer district average.

Recommendation VIII-5.1:

Continue practices to leverage staff productivity. PPS' management practices to maintain high levels of productivity and low levels of food costs should be continued to leverage valuable resources to providing the food value to PPS' students.



Finding VIII-6: The potential exists to expand capacity at PPS central kitchen operation.

According to PPS' statistics, the central kitchen is currently operating above its originally planned capacity. The central kitchen and refrigeration unit was planned and constructed to accommodate anticipated PPS production of approximately 40,000 meals per day, based on a single shift of production. Although it is currently generating approximately 45,000 meals per day, the central kitchen is estimated to be operating at only 50-70% of its true capacity. As a result, the central kitchen is being underutilized. For instance, opportunities exist for improving how central kitchen staff use the cook/chill facilities. The cook/chill system allows products having a normal shelf life of a few hours to be prepared, packaged, and stored for as long as weeks and months.

Recommendation VIII-6.1: Consider hiring an industrial psychologist to determine the best use of the central kitchen. Specifically, PPS should request a review of central kitchen operations to determine the optimum usage of the space and its equipment, given the current demand at the schools. This study also could assist in identifying new and different ways to enhance revenue by using the central kitchen's capacity. The industrial psychologist could, for example, help plan production scheduling in PPS' central kitchen to prepare meals for the County jail. Investments associated with this recommendation include \$55,000 (this amount includes salaries and benefits).

Recommendation VIII-6.2: Identify potential outside customers to expand the utilization of central kitchen resources. These customers could include nearby colleges and other public facilities, that could purchase meals prepared in the central kitchen.



PHYSICAL PLANT

BACKGROUND

PPS' Physical Plant Division is responsible for planning and designing capital projects, monitoring utility usage, managing PPS switchboard, addressing environmental, health, and safety issues, and repairing, maintaining, and cleaning all PPS facilities. These functions have been separated into Architecture, Planning and Engineering (APE); Plant Operations; Maintenance Services; Occupational Health and Safety; and Telecommunications.

Physical Plant is responsible for performing all repairs on PPS' schools and facilities. To perform this task, the unit employs roughly 155 employees in twenty-three different trades (as of May 1998). In addition to these General Fund positions, the unit is currently performing a large amount of work supported by a bond passed in 1995. As of May 1998, 125 staff performed tasks related to the bond and had their salaries paid through the bond.

Plant Operations performs the custodial operations of PPS. The unit, which had a budget of over \$17 million in 1997/98, is responsible for cleaning more than 9 million square feet of space with roughly 350 employees.

These two units, and in fact all of Physical Plant Division, have experienced a significant decrease in budget and staffing over the past eight years. This reduction has occurred while total enrollment has remained relatively stable and the amount of space requiring maintenance and cleaning has remained unchanged. Exhibit VIII-6 shows the changes in staffing for Maintenance Services and Physical Plant, the total number of square feet maintained, and the number of students enrolled in the Portland Public School District.

Exhibit VIII-6: Comparison of Changes in Staffing, Square Feet Maintained, and Student Enrollment

	1991-92	1997/98	Percent Change
Maintenance Services Staff (General Fund Only)	199.3	155.4	-28%
Plant Operations Staff	465.5	353.1	-32%
Square Feet Maintained	9,384,456	9,384,456	0%
Student Enrollment	56,282	56,583	1%

Source: PPS budget documents 1991-92 through 1997/98, Maintenance Services Documents, Facilities Utilization Report generated by Plant Operations, and Portland Public Schools Enrollment Projections: 1998/2002

Exhibit VIII-6 shows that while the number of square feet maintained has remained unchanged Maintenance Services staffing has declined by 28% and Plant Operations staff have been reduced by 32%. Despite the budget cuts, PPS still spends roughly \$90 more per student on maintenance, custodial, and utility costs than other regional districts. A recent survey by *American School & University* magazine found that, on average, school districts in the Northwest spend roughly \$559 per student on maintenance and operations costs. Portland, however, averages \$649 per students. This may be due, in part, to the size of PPS. When the cost per square foot for PPS is compared to



the survey results, PPS appears to maintain their space efficiently. With a cost of \$3.92 per square foot, PPS spends \$0.16 less than the average Northwest school.

Prior to the budget cuts, Physical Plant had an excellent reputation in providing safe, clean, and educationally enabled facilities to the students of the Portland Public Schools. The recent budget constraints, however, have made it difficult for this unit to provide the level of services previously experienced.

ACCOMPLISHMENTS

Physical Plant has had several major accomplishments in recent years. These include the following:

- The decision to charge for the use of its buildings has resulted in increased revenues to PPS.
- Maintenance appears to have an effective approach for managing preventative maintenance, routine maintenance, and inspection.
- The recycling program saved over \$70,000 in 1996/97.
- Physical Plant annually compares their cost to perform maintenance services to those of private sector labor rates.
- Physical Plant Division is currently sending composite crews (crews that combine members from multiple trades) to perform the necessary work. This practice reduces repair time in instances where multiple trades are needed, or when maintenance needs have been misdiagnosed.

Finding VIII-7:	The rates charged for the civic use of PPS buildings are inconsistent. While some groups are charged hourly fees, others are charged low rates for extensive use, and others are charged no fees.
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Historically, the Portland Public School District has allowed community groups access to school buildings. These groups, which make use of classrooms for meetings, gymnasiums for basketball or volleyball, and auditoriums for play performances, had been allowed to use school facilities at no charge. During times of financial prosperity, this policy provided an additional benefit to the local community and appeared to be a valuable activity. With the decline in funding, however, PPS was forced to evaluate its programs and find areas that could generate additional revenue. In the early-1990s, PPS decided that community users should no longer be given free access to school facilities.

During the 1996/97 school year, the Civic Use of Buildings unit (CUB) processed over 5,000 requests for after school building use. Uses ranged from school sanctioned events to Boy Scout meetings, to evening classes taught by Portland Community College. CUB was responsible for processing all requests, receiving fees, and notifying custodial staff of the community users.

To facilitate the collection of fees, rental rates were established based on the type of facility used (classroom, gymnasium, auditorium, etc.), whether the group operated for-profit or not-for-profit, and custodial overtime costs. Despite the established rental rates, rental fees were paid only 12% of the time.

The low percentage of collections is due, in part to the school use of buildings. Any principal who has need for the facility after school hours must submit a permit with CUB offices. Although no fees



are charged, this allows CUB to schedule usage and notify any community groups of a conflict. Further, PPS and the Parks Department have a joint use agreement that allows free access to each other's facilities.

Some organizations are not charged fees for facility use, due to historical practices of allowing some groups access to school buildings. Scouting organizations, day care, Parent Teacher Association and other student related programs are allowed to use school facilities at no charge. The relatively new policy of charging rental fees to users has not become an accepted practice among PPS staff. Some feel that school facilities should be available at no charge to public groups.

In recent months, some improvements have been made to CUB's rental rates and policies, including: charging daycare providers for the use of buildings, and charging non-profit and for-profit groups an equal rate. Although these changes should increase revenues received through the rental of buildings, the potential exists to increase revenues by charging all users for the use of buildings.

Although some information regarding civic use of buildings procedures can be found in PPS' Policies and Regulations manual, they have not been updated since 1996. The recent rate changes, and philosophical shifts in rate charging policies are not included in this manual. Without a single document that outlines rental procedures and rental rates, there may be discrepancies in the way each school handles the civic use of buildings. Further, without a manual, it is difficult for PPS to notify potential users of whom to contact and how much to pay.

The civic use of buildings is a potential to recover costs related to operating these facilities. PPS should use CUB to receive the highest possible return on investment for the use of its facilities.

Sound management practices suggest that all users should be charged an equal rate for their use of PPS owned buildings. To ensure compliance and fair treatment, the policies regarding the civic use of buildings should be clearly stated in a manual available to both PPS staff and the public.

Inconsistent charges are the result of outdated policies and procedures, the lack of a clear updated manual that reflects current policies and procedures, and historical practices of allowing some groups free access.

The variable and inconsistent charging structure resulted in decreased revenues to PPS. Based on CUB documents, KPMG estimates that the failure to charge users for the services provided resulted in lost revenues of between \$3.5 and \$7.0 million in 1996/97.

Recommendation VIII-7.1:

Update Board policy to definitively state the process for renting facilities, establish charging policies and rates that are equitable and consistent, and require all parties to submit filing proper liability waivers.

In addition, PPS should produce a policies and procedures manual for CUB to be used by principals, CUB staff, and the general public.

Finding VIII-8:

PPS does not advertise the availability of its schools for third party use. This results in reduced use of buildings and idle facilities.



The majority of agencies that use PPS facilities under a “civic use of buildings” arrangement have had long-term relationships with PPS. Groups like the Boy and Girl Scouts, Portland State University, and the City Parks have all used PPS facilities for many years. In addition, the PTA and YMCA will use PPS facilities occasionally. While these groups occupied PPS facilities for over 530,000 hours in 1996/97, PPS could increase the after-hour use of its facilities through advertising.

Currently, PPS is not advertising the availability of space to the community. There are numerous groups in the Portland area that would likely be willing to use school classrooms, gymnasiums, or auditoriums for meetings or other activities. These groups, however, may not know of the availability of this service. If PPS were to develop an agreement with the *Oregonian* to run periodic advertisements of the availability of PPS facilities, PPS could likely increase revenues generated by the rental of facilities.

The lack of advertising is due, in part, to the culture of PPS. The rental of facilities is a relatively new procedure, and is not yet accepted by all PPS staff. As such, the after hours rental of PPS facilities is not a high priority to school principal, teachers, or PPS’ administrators. While the civic use of buildings should not be a high priority for educators, PPS may need to convey the need for such usage to line staff to ensure compliance with all regulations and to gain acceptance of this type of use. Without school level support, any attempt at an advertising campaign may not be worthwhile.

In addition to communicating the need for civic use, it is important for PPS to determine the actual costs to operate the facility and set reasonable rental rates prior to advertising the availability of rental space. Once rental rates are established, and a comprehensive policy, procedures, and rate schedule manual is completed, PPS facilities could become an attractive alternative for local users.

It should be noted that some PPS sites may be impacted by local community ordinances that could restricted building use restrictions at individual school sites. This could impact the potential for expanded rental income at some sites.

By not advertising the availability of its facilities, PPS is losing considerable revenues. While exact figures cannot be calculated, PPS could likely increase the use of its facilities by 10-20% by actively advertising the availability of school buildings. This could result in additional revenues of \$350,000 to \$700,000 annually.

Recommendation VIII-8.1:

PPS should begin aggressively advertising the availability of its schools for rental purposes. This marketing process should not occur, however, until policies and procedures are established and clearly stated, and rental rates are established based on the true cost of doing business. Increase usage by 10-20% could result in additional revenues of \$350,000 to \$700,000 annually.

Finding VIII-9:	Custodial staff is paid overtime to monitor school facilities during civic rental usage.
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Public entities may use PPS facilities by submitting requests for building use no less than three days prior to the scheduled use. This allows PPS staff to verify the availability of the location and notify principals and custodians of the upcoming activities. Custodial staff are notified of the users so they can adjust their cleaning pattern (if necessary) and because they must be present for any after-hours use of school facilities.

Many community groups make use of facilities after the custodial staff has closed the buildings in the evenings or on weekends. Because custodial staff are present during civic activities, PPS incurs overtime costs when custodians keep schools open or reopen the schools on weekends. Although most renters pay fees to cover the overtime of custodial staff, inconsistent collection practices result in increased personnel costs to PPS. In 1996/97, the Civic Use of Buildings unit identified over \$60,000 in custodial overtime charged to PPS due to the use of buildings by third parties.

While some overtime costs may be unavoidable, PPS could use the advanced time prior to building use to assign temporary, or non-standard custodians to monitor the function. This would allow PPS to avoid overtime costs, while still staffing all functions.

In instances where users do pay for custodial time, PPS may wish to continue the use of overtime custodians. This would allow PPS to provide additional benefits to full-time custodians with no extra charges to the General Fund.

If PPS were to use regular time staff instead of overtime staff to monitor civic use of buildings functions, \$20,000 in costs could likely be avoided. On the larger scale, if charge policies were standardized and all users were charged for the custodial time, PPS would incur no custodial costs, estimated at roughly \$60,000 last year.

Recommendation VIII-9.1:

In addition to improving collection procedures so that all custodial charges are consistent, PPS should hire custodial staff to work after hours and weekends to monitor rental usage. These staff could be hired as temporary employees, allowing PPS to avoid both overtime costs and additional benefits costs. This could result in savings of between \$20,000 and \$60,000 annually.

Finding VIII-10: PPS agreement with the Parks Department results in increased costs to PPS that may not be recouped through PPS' use of Parks facilities.

The Joint Use Agreement between PPS and the Portland Parks Department allows for each agency to use the other's facilities without charge. The Parks Department makes use of PPS facilities for both youth and adult programs and activities while PPS uses Parks facilities for youth activities only. In addition to the usage discrepancy, the Parks department charges users a fee for the programs which take place on PPS property but does not share the proceeds with PPS. For example, a Parks Department sponsored basketball program may charge users \$10 for participation. Although the activities take place at PPS facilities, and PPS custodians must staff and clean the facility after use, no portion of the fee is distributed to PPS.



Along with Parks programs, the Parks Department charges non-Parks programs which use School facilities a usage fee, again without providing any revenue to the school district. An adult volleyball group, for example, may contact the Parks Department seeking gym availability in their area. The Parks Department may notify them of the availability of a PPS facility and submit the permit request to PPS. Because the Parks Department submits the request, PPS does not bill for the use. Parks, however, may charge the users a fee for processing or overhead, again with no financial compensation to PPS. PPS, however, must perform all maintenance and cleanup of the facilities.

The Joint Use Agreement does allow the Parks Department to “initiate (or increase the amount of) “user permit fees” with prior written agreement of the parties.” Although Parks must communicate the intent to charge for the use of PPS facilities, CUB staff does not know of any such communication.

Sound business practices suggests that a third party user should not receive fees for the use of the first parties facilities or services without consent by the first party. The initial agreement came into affect due to the mutually beneficial nature of the agreement. However, no conditions were set to require the sharing of proceeds or to adjust for usage discrepancies.

The current policy results in increased custodial, maintenance, and utility costs to PPS. In addition, PPS could be earning additional revenue through shared revenues from the Parks Department. The actual value is unknown. However, if PPS were to receive \$1.00 for each hour of Parks use, PPS could increase revenues by roughly \$130,000 annually.

Recommendation VIII-10.1:

PPS should develop methodology and policies to determine the equitable use of PPS facilities by other public agencies and groups. This should include language requiring the sharing of revenues generated by user fees and a plan to equalize the costs due to the mutual use of facilities. Increasing revenues by \$1.00 per hour of use would bring in \$130,000 of additional revenue annually.

Finding VIII-11: Leasing policies and rates are inconsistently applied to renters. The rates charged to some renters do not take into consideration the actual costs to maintain the facility.

As of April 1998, 27 groups were making use of PPS facilities through lease agreements. Of these 27 agreements, only ten paid any lease fees to PPS. On an annual basis, these ten facilities generate over \$485,000 in revenues. The remaining fourteen groups (with a total of 17 lease agreements) have long-term agreements for the use of PPS facilities at no charge. These groups make use of over 24,000 square feet of space on a daily basis. Given PPS’ suggested lease rate of \$8.50 per sq. to \$12.00 foot per year for 1997/98, this space is worth almost \$204,000 to \$288,000 annually.

Many of the groups using PPS facilities at no cost are non-profit groups involved in the education or support of children and families. PPS staff have indicated that these groups are allowed to use facilities for free because of the work they do with PPS students. While this may be a valid reason



for not charging for rental space, PPS *does* charge lease fees for the use of facilities by two non-profit groups involved in the education and support of PPS students. In addition to losing potential revenues, this action is unfair to those groups who must pay for the use of school buildings.

Further, three years ago PPS set their lease rate at \$8.50 per square foot per year for all leased facilities. PPS records show, however, that the average price per square foot currently paid by renters (excluding those who pay nothing) is only \$7.74. This average is skewed by the current lease agreement with US West Wireless. US West pays PPS \$40.00 per square foot per year for space at Stephenson Elementary. When the US West agreement is removed, the average lease rate falls to \$4.56 per square foot per year, almost \$4.00 less than the established rate. While US West pays the high of \$40.00 per square foot, Parent and Child Services pays a low \$1.46 per square foot.

These inconsistent rates and charging policies send a mixed message to potential users. Non-profit users are given substantial rental subsidies while private companies are charged rates more than five times the established rate. Finally, PPS is planning on increasing their established lease rate to \$12.00 per square foot for 1998-99. If this rate is actually applied to users, it will result in substantial increases to the rents paid by virtually every user. Such a large increase may result in budgetary difficulties for some of the user groups if they are not notified of the lease increases prior to their budget process.

Currently, PPS performs all maintenance, upkeep, and cleaning duties at these leased facilities. While PPS receives lease payments from these users, maintenance and custodial costs are not factor into the rates charged. Physical Plant performs all preventive maintenance and structural repairs to the facilities. PPS staff indicated, however, that damage due to renter negligence, although repaired by PPS, is charged to the renter in additional fees. It should be noted that the \$8.50 and \$12.00 per square foot rates mentioned above are not based on prevailing real estate rates.

Physical Plant Division spends roughly \$420,000 annually on the maintenance, custodial, food service, and utilities operations for the paid leased areas (this is a percentage of total costs based on the percent of the facility leased by the renter). Thus, excluding depreciation, PPS earns \$65,000 in profits each year for the leasing of these ten facilities. However, the free use of buildings by the remaining fourteen groups, results in maintenance, custodial, and utilities costs of more than \$100,000 per year. Therefore, PPS is currently losing no less than \$100,000 annually by allowing the free use of its facilities. In addition, by not charging the "established" lease rates to all users PPS is forgoing over \$500,000 in revenues.

Recommendation VIII-11.1:

PPS should study the true costs to provide services to the renters of its facilities. Rates should be recalculated to recoup all maintenance and overhead costs in addition to providing a sound profit to PPS. Further, the Board should adopt and update clear policies for the leasing of PPS facilities. These policies should clearly establish rental rates, who (if anyone) is exempt from payment, and identify the types of maintenance covered in the rental rates and the types that require additional payment. Such an action should eliminate any potential for favoritism in



the setting of rental rates and create a fair and impartial way of dealing with renters. Such a policy should not exclude, however, the ability of the Board to enter into contractual agreements with third parties at a rate below or above the established rental rates for that year. This could result in savings/increased revenues of \$100,000 to \$500,000 annually.

Finding VIII-12: Performance measures have been established but are not routinely checked against industry standards.

Physical Plant is currently tracking the time each staff member spends on particular tasks. This is facilitated through the use of a bar-coding system and a time management system. Staff is instructed to scan the object on which maintenance is performed, then scan their badges. Once the work is completed, each object is scanned again, and the time spent on each activity is logged in the time system.

After compiling enough information, Physical Plant used data stored in the time management system to establish performance measures for various maintenance tasks. These measures provide management with a tool to evaluate the time employees are spending against norms for individual activities. Although the unit should be commended for establishing and using these criteria, it should be noted that the measures established have not been compared to industry standards.

The measures are based on the performance of prior PPS staff, with no comparison to the private sector or industry standards. Without comparing their estimated times to the industry standards, PPS cannot be certain its measures are set at a reasonable level. In addition, performance measures have not been updated since they were originally established. As conditions change, new equipment is purchased, or new tools are created to facilitate repairs, performance statistics need to be updated to ensure that they are set appropriately.

Although staff may be meeting the established performance measures, without verifying these numbers with industry standards, or checking them for accuracy with the performance of PPS group as a whole, the established members may be set incorrectly.

Best practices and sound management practices suggest that performance measures be used to review the quality of work performed by staff. Further, these measures should be established on industry best practices to set realistic and meet-able goals for staff. However, the current work order system does not allow for quick manipulation of performance measures. Also, Physical Plant staff believe their measures are adequate.

The consistent tracking of performance measures would help the District attain the savings noted in Finding VIII-21.

Recommendation VIII-12.1:

As part of the new Facility Management Information System, implement policies and practices to increase the use of performance measures. In addition, performance measures should be tracked and compared to best practices on a routine basis. Measures should be changed as needed to accurately

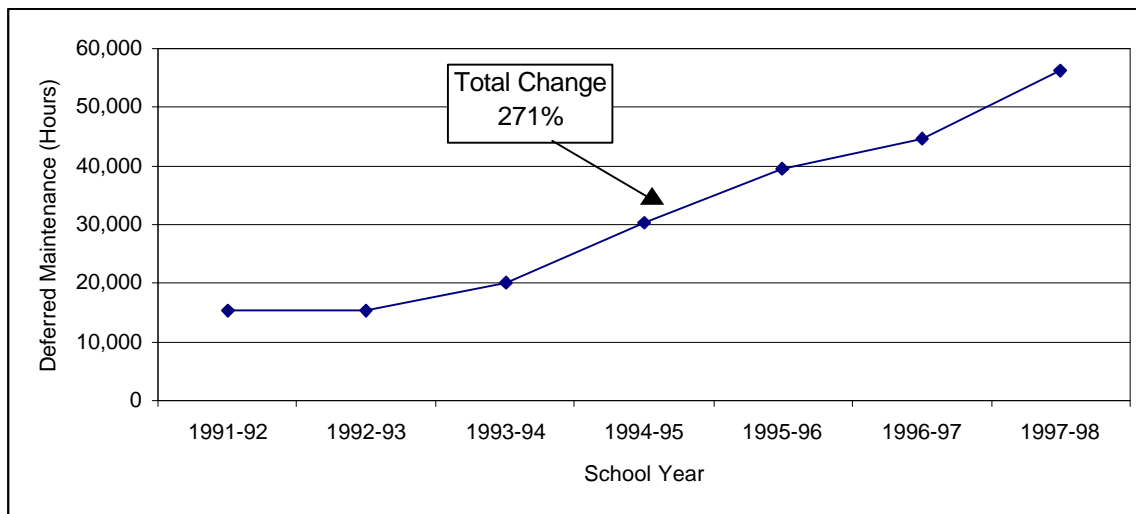


reflect the true situation. By adapting and tracking measures, management can more accurately project personnel needs and assignments and improve its assessment of employee performance.

Finding VIII-13: By September 1998, the maintenance backlog will be one year for all non-emergency requests.

Since the passage of Measure 5, the Physical Plant Division budget has been cut by \$15 million. The budget reduction, and associated staffing decrease, has made it necessary for Physical Plant to defer much preventive and routine maintenance and callout work. In fact, according to Physical Plant records, deferred maintenance has risen from roughly 15,000 hours in 1991-92 to over 56,000 hours in 1997/98. By September 1998, Physical Plant estimates suggest that non-emergency work order requests will not be completed for over one year. Exhibit VIII-7, below, shows the change in deferred maintenance between 1991-92 and 1997/98.

Exhibit VIII-7: Portland Public Schools Deferred Maintenance



Source: "Maintenance Workforce Production History – General Fund," 5/18/98.

Exhibit VIII-7 shows that deferred maintenance has increased by 271% since 1991. Although deferring maintenance today results in savings for PPS this fiscal year, it will result in increased maintenance expenditures in the future. The decrease in budgets has made it necessary to reduce staffing, making it difficult for necessary repairs to be completed, thereby creating the large maintenance backlog. Physical Plant estimates suggest that there will not be funding to perform roughly 31% of the necessary preventive maintenance in 1998-99. Although this will save PPS roughly \$566,000 this year, the reduction in preventive maintenance could result in a long-term increase in repair costs of approximately \$2.5 million.

The high maintenance backlog raises concern. Sound maintenance practices require that preventive maintenance be conducted on a routine basis to prolong the life of equipment and facilities. When preventive maintenance is not completed, future costs can increase substantially, as



indicated by the future cost estimate provided above. Finally, federal, state, and local regulations require all school facilities to be clean and safe. With a nearly one year backlog of non-emergency requests, the safety of school facilities could be compromised, placing PPS students and undo risk.

Physical Plant estimates suggest that there will not be funding to perform roughly 31% of the necessary preventive maintenance in 1998-99. Although this will save PPS roughly \$566,000 this year, the reduction in preventive maintenance could result in a long-term increase in repair costs of approximately \$2.5 million.

Recommendation VIII-13.1:

PPS needs to reconsider its allocation of resources to ensure that the safety and cleanliness of its facilities are not compromised. This may require shifting resources from other areas to Maintenance Service to perform routine and preventive maintenance functions. This recommendation will create additional costs of \$566,000 in 1998/99, but avoid roughly \$2.5 million in future costs.

Finding VIII-14: Physical Plant is attempting to provide the same level of expanded services it provided prior to the budget and staffing reductions.

During periods of financial stability, Physical Plant expanded its operations to include services many districts do not perform. These programs included P.E and musical instrument equipment repair, office and cafeteria equipment repair, and custom cabinetmaking and extensive carpentry work. Although Physical Plant has experienced large reductions in their general fund staffing over the past few years, they still perform these services. By continuing to perform specialty work, Physical Plant is reducing the resources available to perform standard maintenance duties. Each hour devoted to the repair of PE equipment is one less hour that could be spent repairing a broken window, or replacing a door at a school building. The time spent on these specialty services is substantial.

Maintenance staff indicated, however, that many users still expect the same level of service from Physical Plant despite the decrease in funding. These expectations make it difficult to eliminate specialty services from the functions performed in-house.

In 1997/98, Physical Plant spent 2,060 hours on cabinetmaking, 16,107 on general carpentry, 6,277 on musical instrument repair, 10,087 on physical education equipment repair, and 25,495 on machinist duties (all figures are calculated using actual numbers through 5/18/98 and estimates to complete the fiscal year). By eliminating specialty services, Physical Plant could reduce its labor hours by 25,000 (all of cabinetmaking, physical education equipment and musical instrument repair, 25% of general carpentry, and 10% of machinist) per year.

While eliminating these services will result in reduced costs to Physical Plant, however, they will likely reappear in other forms. For example, costs of cabinet making may be replaced with costs for purchasing cabinets. Musical instrument repair may need to be outsourced. Physical equipment repair, may be supported by the schools, but will likely have some cost associated with them. It is difficult to discern what the relative costs will be if Physical Plant were to discontinue all or part of these services. However, given the fiscal constraints, it may be advisable for Physical Plant to suspend some of these services, particularly cabinet making and machinist duties.



Recommendation VIII-14.1:

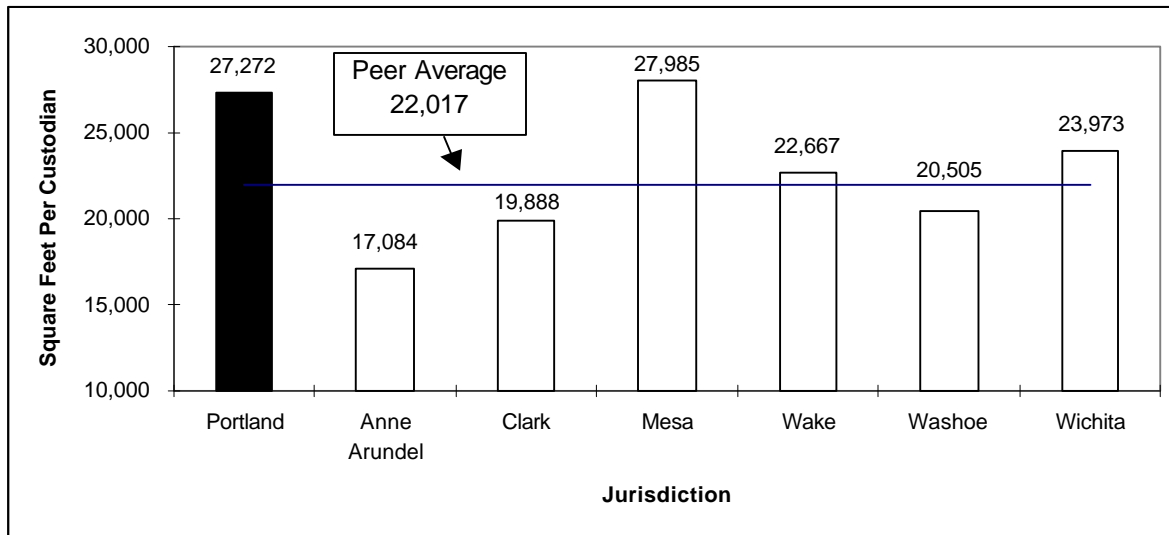
Until the issue of inadequate financial resources is solved, Physical Plant should prioritize the types of services to be provided by in-house maintenance staff. In conjunction with the prioritization of work, the Maintenance unit should conduct a comprehensive outsourcing study to determine which types of work should be performed by outside labor. By prioritizing service needs, Physical Plant will be able to provide the highest quality of service in those areas deemed the highest priority.

Finding VIII-15:

Reductions in budget and staffing have reduced the ability of custodial staff to keep schools clean. While the reductions have occurred, modifications to teaching styles have placed increased burdens on custodial staff.

Plant Operations (Custodial), like many other PPS departments, has been hit hard by the recent budget reductions. Since 1994, the budget allocated to custodial operations has declined by over \$6 million, or by roughly 26%. This reduction has made it necessary to reduce the number of custodial staff at each school and limits the amount of time available for cleaning duties. In turn this has increased the number of square feet cleaned by each custodian. The number of square feet cleaned per custodian is a generally accepted indicator of custodial efficiency. KPMG benchmarked the average number of square feet cleaned by each PPS custodian against a peer group and the industry average. The results of this analysis are provided in Exhibit VIII-8.

Exhibit VIII-8: Benchmarking Comparison of Square Feet Cleaned per Custodian



Source: KPMG Benchmarking Survey, June 1998.
Note: Head Custodians are included in the analysis.



Exhibit VIII-8 shows that PPS custodians are maintaining over 5,000 more square feet per person than custodians in the benchmarked jurisdictions. Only the custodians employed by the Mesa School District are cleaning more square feet per custodian. While this analysis suggests that Portland custodians are doing a very efficient job of cleaning PPS facilities, it does not indicate whether this activity is being performed effectively.

In previous years, custodial staff cleaned classrooms each day. Due to the recent cuts, custodial staff are now instructed to clean classrooms once every other day. Daily cleaning does occur for all rooms used by daycare providers. The high number of square feet assigned to each custodial staff member has necessitated every other day cleaning.

In addition to these budget cuts, new teaching styles are stressing the use of small work areas to allow small groups to work together. This has resulted in the conversion of custodial closets, storage areas, and other previously unused spaces to educationally enabled locations. This has increased the amount of space that needs cleaning attention by the custodial staff. Although the new teaching style should be commended, PPS administrators have not realized the affect these styles have had on custodial staff.

While existing custodial staff has done their best to maintain clean facilities, school buildings are no longer clean. KPMG visited approximately 15 schools during mid-May. Of these 15 schools, none met cleanliness standards. Although PPS' decision to reduce custodial staff is understandable, the 32% reduction in staff has resulted in an unclean and potentially unhealthy environment.

PPS is saving money by reducing the number of custodial staff. However, by reducing the number of custodians, PPS is now teaching children in an unclean and potentially unhealthy environment. If PPS were to move towards the midpoint between the current number of square feet per custodian and the peer average, 18 to 37 additional custodians would be required. With an average salary and benefits cost of \$36,000 per custodian, this would cost PPS an additional \$650,000 to \$1.3 million per year.

Recommendation VIII-15.1:

PPS needs to review its allocation of resources to provide additional funding to custodial services so school cleanliness can be improved. To reduce the number of custodial staff necessary, PPS should consider requiring teachers to perform some basic cleaning duties within their own classrooms. These duties could include, trash pick-up, sweeping, and minor dusting. Teachers should not, however, be asked to perform extensive cleaning of classrooms or common areas. The implementation of this recommendation would result in additional costs to the District of \$650,000 to \$1.3 million annually.



Finding VIII-16: Custodial staff are not trained annually on basic cleaning techniques.

Prior to the start of school each year, custodial staff are required to attend eight hours of PPS provided training. In 1997/98, this training included issues regarding asbestos, child abuse, sexual harassment, racial discrimination, and a discussion of the budget and staffing issues throughout PPS. While these are important issues that should be conveyed to staff, Plant Operations spent no time training their staff on how to clean or how to organize their cleaning duties. This lack of training has not been a standard practice of the Plant Operations department, but is a new phenomenon that has resulted from budget reductions.

In 1989-90, Plant Operations had a full-time trainer responsible for training custodians on cleaning techniques and workflow management. A detailed training manual was developed that contained course plans, goals and objectives, tests, and course evaluations. The training manual stated the proper ways of performing the standard types of cleaning duties for all custodial staff, outlined the efficient and effective ways of dusting, cleaning classrooms, bathrooms, etc, and established standard times in which custodial staff should perform these types of work. In addition, one class outlined the best ways for a supervisor to initiate a performance evaluation and discuss the evaluation with the employee. This training program was eliminated, however, when budget cuts made it necessary to reduce staffing levels.

Currently, only new hires receive any type of cleaning training. This one-week training covers much of the same material used in the 1989-90 training program. In addition, a manual is provided to all new staff that includes some performance measures and describes the various types of performance evaluations. No ongoing or subsequent training is provided, however, to returning staff.

Further, no training is available for supervisors or custodians in leadership positions. While this practice does not necessarily disrupt the workflow, it may reduce the ability of new supervisors and lead positions to effectively evaluate the staff below them.

While the training of custodians in cleaning techniques may not appear to be extremely important, training ensures that all activities are performed in an efficient and effective manner. Coupled with performance evaluations, custodial training can help prevent bad cleaning habits from developing and save considerable time.



Recommendation VIII-16.1:

Reinitiate the training program used in 1989/90. The program could be staffed with a specialist level position rather than the original supervisory position used as a trainer. The new cleaning training program should convey performance goals and objectives and standardized cleaning times (see Inadequate Performance Measures – Custodial). This will require an additional staff member which could cost PPS \$27,000 to \$37,000 annually. This amount should be recouped through improved efficiencies in custodial operations. These improvements should also offset the additional time each custodian spends in training.

Finding VIII-17: Standard cleaning times are not used by Plant Operations to track the efficiency of their custodial staff. Further, Plant Operations does not maintain a computer-based system to track custodial duties or performance.

In 1989-90, Plant Operations informed custodial staff of standard times allowed for completing certain routine tasks. While this was a positive start to performance tracking and evaluations, budget cuts discontinued this program.

Although measures have been established, and are conveyed to new hires, it does not appear that these measures are used to determine the effectiveness of individual custodians. Field Supervisors and the Plant Operations Manager do perform spot checks to ensure that cleaning is being done, however they do not monitor the activities of the custodian to determine how quickly work is completed. If a supervisor inspects a facility that is below cleaning standards, the custodian can receive a written reprimand. Repeated reprimands can result in dismissal.

Although this process allows for some evaluation of performance, it does not provide supervisors with detailed information for use during the employee's standard annual review. If performance measures were correctly established, communicated to staff, and tracked on a continual basis, custodial operations could likely improve the level of service they provide.

Further, the established performance measures are not based on industry standards. Instead they are established based on the budgeted levels of staffing. Plant Operations supervisors know what types of activities must be completed. After analyzing the number of staff available, and the mandated activities, performance measures for each type of work are established.

Because these measures are based solely on funding, they may not be set at reasonable levels. In years of high funding, the measures may be set too high, allowing for unnecessary custodial downtime. In years of tight budgets, custodial supervisors may be setting unrealistic goals that could lead to employee dissatisfaction.

Finally, current systems will not allow for detailed tracking of performance. Plant Operations does not maintain a work order system to monitor the duties performed by staff or the time spent on each staff. Instead each custodian is given an area of the school to clean and instructed to complete the cleaning within their eight-hour day. No further tracking of performance, other than that stated above, or work performed is conducted.



Best practices suggest that organizations maintain performance standards and evaluate their employees based on these established norms. Sound management practices dictate that supervisors evaluate the performance of employees at least once yearly. Such an action ensures that all employees are evaluated using the same criteria and provides management with the tools necessary to identify efficient and inefficient staff.

By establishing performance measures and using these measures to track performance, other school districts have realized savings of 5 to 10% of their initial budgets. Preliminary calculations suggest that Plant Operations could save between \$850,000 to \$1.7 million annually through the increased use and tracking of performance measures. There will be an initial cost of \$60,000 to \$80,000 to purchase a system that will allow Plant Operations supervisors to monitor performance. It may be possible, however, to piggyback off of the new work order system that Physical Plant plans to implement. If this is possible, the cost to implement the system will be significantly reduced.

Recommendation VIII-17.1:

Plant Operations management should begin tracking the time each custodian takes to complete various jobs. Once historical data is compiled, management can calculate a benchmark for performance. This benchmark should not only incorporate historical PPS statistics, but should also correspond to industry standards. Once the performance measures are established, custodial staff should be notified through training and other written materials, and management should track the performance of each staff member. Increased productivity could generate a reallocation of between \$850,000 and \$1.7 million in custodial resources. The cost to purchase a system designed to track performance and needs could range from \$60,000 to \$80,000.



BOND PROJECT MANAGEMENT

BACKGROUND

PPS has identified numerous needs to enhance and improve its facilities. These needs have been consolidated under a Facility Improvement Program to be funded by public capital improvement bonds. (Note, the terms “Facility Improvement Program” and “Bond Program” are used interchangeably throughout PPS to refer to this overall program effort.)

In 1995, PPS received voter approval to fund the Facility Improvement Program with the issuance of approximately \$196.7 million in bonds over seven years. These funds will be used for structural upgrades and instructional technology purposes. The bond proceeds were originally budgeted for allocation in the following manner per the Master Program Budget, dated 9/17/96. Information source is Heery International Program Plan, Section 3, Table 1, last page.

- \$68 million for project construction performed by outside contractors relating to the structural upgrades to various high schools (including large seismic upgrades, capital renewal, fire/life safety code compliance, energy projects, etc.)
- \$8.4 million for professional and miscellaneous fees
- \$61.7 million for in-house construction performed by PPS work force for much of the same projects listed above but on a smaller scale
- \$43.9 million for instructional technology (IT) infrastructure (\$18.3 million) for technology implementation and IT equipment and training (\$25.6 million)
- \$32 million for administrative costs (\$10.5 million), bond costs (\$1.5 million), transitional housing (\$1 million), contingencies (\$11.5 million), and minor improvements and capital equipment (\$7.6 million)

The total program cost was originally estimated at \$214 million, consisting of bond proceeds of approximately \$197 million and earned interest of approximately \$17 million. Total program costs include \$11.5 million in contingencies for unanticipated capital, instructional technology and owner expenses.

In connection with the bond issuance, PPS selected Heery International, an architectural, engineering and construction management firm with a large presence in the Northwest, to assist in the development and refinement of a detailed structural construction plan and to provide construction management and oversight of the project. Heery represents PPS in dealings with some design consultants and contractors.

For the larger, more complex aspects of the project, PPS is utilizing a contracting method known as Construction Management/General Contracting (CM/GC). CM/GC was selected as the best method due to complexity of the projects that required expertise in different disciplines to complete the work in the most efficient manner. PPS contracts with three construction companies to provide CM/GC services. All three companies are managed by Heery International. These three companies are responsible for the work in 42 facilities.

The Facility Improvement Plan includes smaller and less complicated components that **are not** being performed under the CM/GC method. Instead, these are either being performed in-house or are being contracted out by PPS on a design/bid/build basis using competitive bidding. This work



has been broken out into five phases, and has been put out in bid packages to be performed geographically between east and west. PPS has hired Dull, Olson, Weeks Architects to determine the scope of the work on these smaller projects at the remaining 64 schools targeted for completion with this Bond and to inspect work upon completion. PPS has also recently hired another architectural firm, AMAA, to assist in Phase II of the project.

While the Program has an overall seven-year plan, Heery International's contract is for only four and one-half years. The 42 facilities under Heery's scope of work are all scheduled for completion within the four and a half year period. Comparing the Heery scope of work to PPS' Facility Improvement Program documents is difficult, since Heery's contractually defined phases (developed by Heery) do not coincide with PPS' schedule where phases are based on fiscal year.

PPS' Architectural, Planning, and Engineering (APE) division has hired eight individuals for the bond project including one architectural program coordinator, two architects, two inspectors, one clerk and two drafters. Additionally, seven existing employee positions from the department, previously funded by general funds, have been transferred to full time funding by the bond fund.

Heery has prepared a Final Report, documenting the completion of Phase 1 in June 1998. It actually only reports on the completion of Heery's portion of Phase 1 activities. Phase II design is underway and construction is scheduled to start in the summer of 1998, and Phase III design contracting started in April 1998.

In prior years, the general fund budget provided for some major maintenance and capital projects. In 1998-99, however, the Bond Program is being used to fund these improvements. The 1998-99 general fund budget therefore reflects only funds to be used for normal repairs and preventive maintenance, as all major maintenance and capital projects are funded by the bond and included in that budget.

Instructional Technology

The Instructional Technology Group in Central Library operations handles the technology hardware and software aspects of the Bond Program.

In connection with the bond issuance, approximately \$44 million was set aside for instructional technology. Of this amount, approximately \$18 million was earmarked for the necessary infrastructure, while the remainder was to be used for the purchase of computers, printers, software, other peripheral equipment and staff development at the individual schools. PPS has allocated \$8.8 million to the elementary and K-5 alternative schools, and \$9.1 million to the middle and high schools. PPS has also allocated \$1.45 million for hardware and software computer training labs for central staff development.

The preliminary technology plan was rather loosely constructed and was based on meetings with various community stakeholders. The plan called for approximately four computers and two printers per classroom, including network connections.

To ensure an effective transition and successful implementation of the technology plan, PPS formed three Technology Committees.



- The Technology Review Committee was formed to support school staff efforts and monitor the appropriate use of bond funds. The Review Committee is comprised of teachers, principals, administrators, region directors, information services, parents, physical plant and community members
- The Interdepartmental Committee was formed to develop acquisition and delivery processes for hardware and software, and identify and assist-in support needs. This committee is comprised of individuals from PPS support services, instructional support, information services, finance, purchasing, and physical plant
- The Advisory Committee was established to identify needs and plan for staff development, recommend guidelines for software selection, develop list of PPS supported software and recommend strategies for parent and community involvement. This committee is comprised of teachers, principals, administrators, region directors, information services, parents, physical plant and community members.

In addition, each school was required to form an on-site committee and develop a site-based budget for technology. Each committee was required to formulate a plan based on the school budgets. The technology planning process is intended to support the School Improvement Plan (SIP) process to focus on learner outcomes. In the early phases of this process, there was a significant variation in the types and levels of detail provided in each plan component. This resulted in a large number of plans needing further revision upon review by the Review Committee.

To resolve these planning issues, Instructional Support Services created an Instructional Technology Manual to provide schools with a consistent model for the technology plans component. In addition to providing examples of acceptable plan goals and plan materials, the manual provided periodical mailings and newsletters from Instructional Support Services, budget information, ordering information, equipment listings, vendor support information, staff development information, recommended visitation sites, and other relevant information.

Upon completion of each school's plan, a budget in spreadsheet format, was provided to the school listing the number of computers and printers to be purchased (but not budget amounts), and the budgets for miscellaneous equipment, software and staff development. In addition, pre-established work order numbers were reflected on the budget spreadsheet to be allocated to the proper budget string when ordering equipment. Instructional Support Services has created a database to track purchase activity by each school in quantity and dollar amount. Computer purchases are tracked by dollar amount in total.

Included in the Bond Program is technology training. PPS has prepared training modules and training brochures in connection with the Professional Development/Computer Training effort to advertise and cover the training aspect of the Bond Program.

ACCOMPLISHMENTS

PPS has had several major accomplishments related to its Capital Improvement Bonds. These include:

- Bond approval rating of 57.8% obtained.
- CM/GC contracting provides for a "Guaranteed Maximum Price" (GMP) which lowers the risk of excessive change orders from the use of external contractors.



- As part of the bond project, PPS established minimum requirements to subcontract work to historically under-utilized enterprises (HUE) contractors (MBE/WBE). The original HUE target was \$1.95 million for Phase I while the actual commitment amounted to \$3.38 million. In general 10% was the target for HUE work for Phase I, which is expected to increase to 20% in Phase II.
- The Chief Financial Officer and Controller meet monthly with the Director of Physical Plant to review projected cash flows needs of the bond project to determine investment strategies for PPS.
- The Professional Development/Computer Training aspect of the project has proven to be very successful. According to management, 850 individuals have signed up for 1,900 seats for various training courses.
- According to management, on-line registration increased from 17% for the previous training session to 32% for the spring training session.



FINDINGS AND RECOMMENDATIONS

Finding VIII-18: PPS' approach to managing its bond projects for the Facility Improvement Program has not fully incorporated important industry accepted best practices.

As noted previously, the Bond Program's working title is the Facility Improvement Program. Most PPS employees call it "the Bond" but the contractors tend to call the program by its given name, "Facility Improvement Program" or simply "the Program".

The Facility Improvement Program (Program) is not following some of the industry's best practices relative to project/program management as established by the Project Management Institute (PMI). PMI is a not-for-profit professional organization with the purpose of promoting project management as a profession. It provides educational resources for project management areas, and promulgates standards and best practices for project management. PMI's Board of Directors and officers constitute some of the nation's foremost authorities in project management. The PMI guidelines were used to evaluate the Program. There are other organizations that also certify personnel in management fields, such as the Construction Management Association of America (CMAA), however, no one on the Program team holds either a PMI or any other professional certification for project management.

PMI has developed and publishes a *Project Management Book of Knowledge* (PMBok) that sets forth many of the best practices found in the project management profession. PMI also provides a national certification program akin to a professional engineering certification offered by many states. Out of the over thirty-seven thousand members, only slightly over twelve thousand have achieved the PMI certification; this is a testament to the rigorous certification process. According to the PMBoK there are nine (9) fundamental areas of any program/project. These areas include:

- Scope Management
- Time (schedule) Management
- Cost (budget) Management
- Risk Management
- Quality Management
- Human Resource Management
- Contract & Procurement Management
- Communication Management
- Project Integration Management

KPMG evaluated the Facility Improvement Program by reviewing documentation provided by PPS project management personnel and the construction management firm, Heery International, as well as by interviewing stakeholders and Program personnel. In evaluating the documentation provided, KPMG found deficiencies in several key areas. These deficiencies are discussed more thoroughly throughout this findings and analysis area.

Based on KPMG's assessment of the Facility Improvement Program documentation, as well as information provided in interviews with PPS' project management staff, we found that generally, the



Program does not appear to be managed to the specific areas as defined by PMI. This includes, but is not limited to, the way the Program was established, and the way budget-to-actuals are developed, recorded and reported.

Overall, deficiencies were found in several key structural areas:

- Insufficient formalized procedures for control and oversight
- Program staff lack PMI, CMAA or other professional certification in project management
- Lack of an established Program-wide Project Management Oversight office (PMO)

Recommendation VIII-18.1: **Establish procedures and processes that adhere to the PMI's methodology and that will provide for better control and oversight of the Program.**

Recommendation VIII-18.2: **Establish training to introduce PMI best practices into PPS' management.** This educational program may include, but should not be limited to, formal classroom training for potential and current project and program managers, on-the-job mentoring and coaching of project managers. The cost of this training varies depending upon the provider and depth of the subject matter; however, formalized classroom training can range between \$3,000 to \$5,000 per person.

Recommendation VIII-18.3: **Establish Project Management Oversight (PMO) office to provide oversight for all programs and projects within PPS' purview.** This office would be the "home base" for PPS' project management resources, training, program documentation and facilitation.

Finding VIII-19: It appears that PPS has not put in place, or is not actively using, a comprehensive program management plan to manage and control activities, expenditures, and resources associated with the Facility Improvement Program.
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KPMG repeatedly requested a copy of a PPS' version of a comprehensive Program Management Plan for the Facility Improvement Program. However, in all requests, no such documentation was provided. While Heery International has prepared a plan, there is no such plan at PPS level.

The purpose of a Program Management Plan is to inform all members of the Program Team, and PPS executive level staff, the way the Program will be managed. PPS Program staff contended that such a plan existed, but were unable to produce it. If the document exists then the Program Manager, and his program staff, are clearly not using it. This creates significant concern since the result of not having or not using such a document is ambiguity and confusion as to how the program is to be managed as well as not clearly defining and managing expectations of all participants in the Program.



It is important to distinguish between a PPS plan and Heery International's Project Management Plan. Heery's plan focuses only on those aspects of the program for which they are responsible, except that it includes the Master Program Budget. Properly developed, the Heery plan would augment PPS' plan by defining how Heery would carry out procedures and processes established in PPS plan. Further, since there is no PPS-level plan, this leaves the majority of the work without a written management plan. Sixty-four facilities fall under PPS staff's responsibility. While each section or department may have written standard procedures, it is PPS Program Manager's responsibility to ensure a PPS-level plan is developed that includes all participants. The lack of a PPS level plan means there are no written guidance or established methodologies for PPS staff to follow.

Project management best practices as proffered by the Project Management Institute suggests that a project/program plan be developed and used. This Plan would prescribe the methods to be used to ensure all nine program/project areas are properly addressed. A properly constructed Plan would define roles and responsibilities, define scope, schedule work activities. Such a plan will also clearly define processes and procedures to ensure timely review of program/project issues.

Recommendation VIII-19.1:

A PPS level Program Management Plan should be developed to standardize the management of all aspects of the program. The PPS Plan should include addressing all sections as prescribed by PMI specifically tailored to each participant. Standard procedures developed for PPS organizations working with general funds, and where said standards are fully applicable to the Program, can be incorporated by reference if all participants are provided copies.

Finding VIII-20:

PPS does not have a formal Program Management Office for monitoring its own activities.

PPS has not designated a single office to be responsible for administering the project controls or tools for this program. While Heery is the Construction Project Manager for part of the work under the purview of this Program, the rest of the work falls under PPS' A.P.E. section. An in-house counterpart that handles project controls and management for PPS would be appropriate. Yet, two separate program management offices is not the best answer.

The most appropriate arrangement is to provide for a Program Management Office for the entire program. Segmentation does not permit the Program Manager, or any oversight committee, to effectively manage the overall scope of the program. The Program Management Office can be the central repository for budget-to-actual information, detailed schedule information, Work Breakdown Structure (WBS) task lists, document control, change control and a multitude of other Program data. The value of this central point is that all Program data can be correlated, verified, and analyzed to get a complete picture of the overall status of the Program. Management of the Program becomes more efficient when all available information is used to make informed decisions.

Recommendation VIII-20.1:

Establish a Program Management Office, the charter of which would be to ensure all project management tools and techniques are used uniformly across the



Program. It will also serve as a consolidation point for all information relative to the Program.

Finding VIII-21: A Delegation of Authority is not on file for the Director, Physical Plant to authorize change orders.

Section 8.80.051 of Portland Public School Policies and Procedures state that the Superintendent or designee may approve any change order for a contract that does not change the contract by more than 5%. It also states that the total value of such change orders shall not exceed \$10,000 or 10% of the total contract sum, whichever is less.

Board Action item 4278, June 10, 1993 designated two individuals to be the Superintendent's representatives to sign legal contracts. Subsequent to Action 4278, Board Action item 8744, November 27, 1997 designated two other individuals to be the Superintendent's representatives to sign legal contracts.

Change orders have a place where the authorized PPS agent must sign, thus committing funds to the change order. Many of the change orders reviewed by this audit did not have a signature on this line. The only PPS signature on these change orders was that of the PPS Physical Plant Director.

PPS has no Delegation of Authority letter or School Board Action assigning the Director, Physical Plant as the Facility Improvement Program's Program Manager or granting him the authority to enter into contracts, obligate funds or sign change orders. Records indicate that the Director, Physical Plant has performed this on a routine basis without the change orders being counter-signed by one of the individuals with said authority. Change orders signed by Director, Physical Plant obligates PPS to expenditure of additional funds.

- Recommendations VIII-21.1:** **If it is in the scope of the Director, Physical Plant's responsibility to sign change orders on behalf of PPS, thereby obligating PPS' funds, then it is necessary to ensure that a proper Delegation of Authority letter be prepared and signed by the Superintendent.** Alternatively, a Board action citing this responsibility can be passed and ratified which would accomplish the same result.
- Recommendation VIII-21.2:** **If it is not within the Director, Physical Plant's responsibility to sign change orders on behalf of PPS, then a committee should be established to review all change orders signed to date.**
- Recommendation VIII-21.3:** **Freeze further change orders until this issue is resolved.** The School Board should determine the role, responsibility, and authority of the Facility Improvement Program's Program Manager (i.e., Director, Physical Plant).



Finding VIII-22: Some change order values surpass PPS Policy and State Law Limits.

Aside from the signatory issue stated above, there is an issue of the value of change orders. As previously stated, Section 8.80.051 of PPS Policy and Procedure limits change orders to 5% but the cumulative amount of the total change orders cannot be more than \$10,000 or 10% of the contract value.

Oregon state contracting law 125-310-010, (Statutes Implemented 279.015 & 279.019) states that change orders cannot exceed 20% in changes to the initial contract price unless the contract is for either renovation or remodeling then the aggregate amendments cannot exceed 33%. An exemption to these percentages are given for two reasons:

- (1) a contract let under declaration of emergency;
- (2) changes are required by federal, state or local agencies dealing with the prevention of environmental pollution and the preservation of natural resources that affect performance of the original contract and such regulations or ordinances were not cited in the original contract or were enacted or amended after submission of the successful bid or proposal

Further there is typically language relative to carnal changes to a contract. A “carnal change” is one that is considered out of the original scope of the contract. Division 310 indicates that additional work must be “...reasonably related to the scope of work under the original contract...”

KPMG reviewed PPS’ Facility Improvement Program Contract Reconciliation Report, dated June 16, 1998. This evaluation was conducted with the understanding that contracts let under this program are generally for renovation and remodeling work. As noted above, change orders under renovation and remodeling work are restricted to a 33% maximum **in aggregate**. The June 1998 Master Program Budget, however, assigns over \$10 Million for new construction projects, which are restricted to a 20% change order level, **in aggregate**.

Spreadsheets illustrating the results of the evaluation are attached. In reviewing the Contract Reconciliation Report, it can be seen that in at least 2 cases the total change orders exceeded the initial contract price by 33% **in aggregate** and in one case the total change orders presently total 33% **in aggregate**. Exhibit VIII-9 presents an analysis of the three contractors with the highest change order percentages.



Exhibit VIII-9: Selected Contract Change Order Activity

Contractor	Contract Number	Initial Contract	Change Order Total	Percent Change
Boor/a Architects	95929	\$1,900,426.46	\$1,138,856.00	59.9%
Christenson Electric	95629	\$499,683.00	\$164,894.00	33.0%
IRS Environmental	96346	\$200,000.00	\$280,000.00	140.0%

Source: KPMG analysis of PPS Bond Contract Activity, 1998

A line-by-line review of the individual change orders revealed that six change orders exceeded PPS' policy and two change orders exceed the State's legal limits relative to percent of change from the initial contract for renovation and remodeling contracts. Further, based on the value of each change-order, 33 change orders violate PPS' policy of not exceeding \$10,000. Exhibits VIII-10A and VIII-10B depict these statistics.

Exhibit VIII-10A: Portland Public Schools Change Orders by Percent

Change Orders by Percent of Change from Initial Contract	
Percent Change from Initial Contract	Number of Change Orders
Total Change Orders:	53
Change Orders < 5%:	37
Change Orders 5 - 9.9%:	10
Change Orders 10 - 32.9%:	3
Change Orders ≥ 33%:	3

Source: KPMG analysis of PPS' Facility Improvement Program Contract Reconciliation Report, dated June 1998.

Exhibit VIII-10B: Portland Public Schools Change Orders by Dollar Amount

Change Order by Value of Change from Initial Contract	
Total Change from Initial Contract	Number of Change Orders
Total Change Orders:	53
Change Orders < \$10,000:	20
Change Orders \$10,000 - \$50,000:	18
Change Orders \$50,000 - \$100,000:	5
Change Orders > \$100,000:	10

Source: KPMG analysis of PPS' Facility Improvement Program Contract Reconciliation Report, dated June 1998.

Recommendations VIII-22.1:

Establish a Change Control Board to provide the oversight necessary to ensure compliance with PPS policy and State laws. A properly chartered Change Control Board would ensure no change orders are authorized until approved by the Change Control Board.



- Recommendations VIII-22.2:** Review the contracts that exceed the established limits. It may be necessary to develop new contracts.
- Recommendations VIII-22.3:** Review PPS' School Board policy on change orders. Evaluate the established limits for signature authorization. If the limits are considered unreasonable, then new limits should be established. If, however, the established limits are considered appropriate for most programs/projects but, due to its magnitude, are considered inadequate for the Facility Improvement Program, it may be necessary to have the School Board authorize an Exception To Policy statement for the Facility Improvement Program.

Finding VIII-23: Multiple change orders are issued on the same date, providing the appearance of "splitting work" to keep the value under a stipulated dollar value.

Several instances were noted where multiple change orders for the same Contractor have the same transaction date. This can be an indication of splitting the change orders. Splitting change orders is a practice in construction projects use to avoid having to receive special approvals. Exhibits VI-11A and VI-11B identify the change orders percent and the change order value from the initial contract.

Exhibit VIII-11A: PPS Change Orders by Percent

Change Orders by Percent of Change from Initial Contract	
Percentage Change from Initial Contract	Number of Change Orders
Total Change Orders:	33
Change Orders < 5%:	22
Change Orders 5 - 9.9%:	3
Change Orders 10-32.9%:	4
Change Orders ≥ 33%:	4

Source: KPMG analysis of PPS' Facility Improvement Program Contract Reconciliation Report, dated June 1998.

Exhibit VIII-11B: PPS Change Orders by Dollar Amount

Change Order by Value of Change from Initial Contract	
Percentage Change from Initial Contract	Number of Change Orders
Total Change Orders:	33
Change Orders < \$10,000:	10
Change Orders \$10,000 - \$50,000:	9
Change Orders \$50,000 - \$100,000:	6
Change Orders \$100,000 - \$200,000:	4
Change Orders \$200,000 - \$500,000:	2
Change Orders > \$500,000:	2

Source: KPMG analysis of PPS' Facility Improvement Program Contract Reconciliation Report, dated June 1998.



Recommendation VIII-23.1:

Establish a Change Control Board chartered to provide the oversight needed to monitor and prevent inappropriate change-order “splitting”.

Finding VIII-24: Policy level oversight and control on the Facility Improvement Program oversight is unstructured and informal.

PPS lacks a formal oversight board structure to properly monitor and decide on the overall project performance, expenditures, scope and schedule of the Program. Lacking from the oversight structure are the following:

- A formal Configuration Control Board to oversee instructional technology (IT) issues.
- A formal Change Control Board to review, analyze, and approve, construction changes that affect scope, budget, or schedule of projects under the Program’s purview.
- A formal Risk Review Board to identify, analyze and plan mitigation measures for program risk issues. This is an extremely important Board the goal of which is to circumvent risk issues before becoming risk events.
- A PPS level Fire and Life Safety (F/LS) Committee to decide on related issues and provide for the proper participation of personnel responsible for F/LS in PPS. This would help to address issues such as the shortfall in funds which has eliminated the F/LS project for Vernon School from the fiscal year 98-99 work.

Issues arising in the above-mentioned areas are presently decided by the Program Management Team, which does not include individuals from the Fire Services, Police Department or PPS’ department/individual responsible for such issues, executive level (assistant superintendent) management, controller’s office or the Deputy Clerk.

Augmenting this committee structure is critical executive level participation. It appears that participation to date has been relatively moderate, as a result of significant management turnover and competing management priorities. Lack of participation, however, should not be viewed as a lack of concern. It may be seen as confidence in the managers. Yet lack of participation allows key decisions to be made by lower echelon (director-level) personnel and may result in decisions that could be inconsistent with executive policy or direction.

Recommendation VIII-24.1:

As a part of the Program Management Plan it is recommended that individual charters for the following committees be developed to include Executive level participation.

Implement a committee structure appropriate for projects that expend significant public funds to monitor progress, expenditures, and policy.

- Establish a Risk Review Board, composed of the following individuals:
 - PPS Program Manager--Chair



- Executive Sponsor
- Deputy or other authorized signatory
- Member controller's office
- PPS Risk Manager
- Contractor Project Manager(s)
- Project Management Office Manager
- Construction Project Manager
- Maintenance Services Manager
- Establish a Change Control Board composed of the following individuals:
 - Assistant Superintendent ICFO--Chair
 - Executive Sponsor
 - Director, Information Systems
 - Project Management Office Manager
 - Deputy Clerk or authorized signatory
 - PPS Program Manager
 - Member, CBAC
- Establish a configuration management board, composed of the following individuals:
 - Assistant Superintendent for Academic Standards – Chair
 - Director, Information Systems
 - PPS Instructional Technology System Architect/Administrator
 - Program Management Office Manager
- Establish a Fire/Life Safety Committee composed of the following individuals:
 - PPS Fire/Life Safety Manager—Chair
 - PPS Risk Manager
 - Police Department representative
 - Representatives from the local Fire Services (or two elected Battalion Chiefs to act on their behalf)
 - Contractor's F/LS specialist
 - Program Manager

Recommendation VIII-24.2:

The School Board should assign an Executive Sponsor to focus on providing executive level representation to various meetings.

Recommendation VIII-24.3:

Establish an Executive Steering Committee composed of the following individuals.

- Executive Sponsor-Chair
- Superintendent-Chief Financial Officer
- Citizen Bond Advisory Board Member

This committee should review all significant project priority, scope, budget, change order, contract amendments, summary of budget to actual comparisons, and other key transactions and



decisions that materially affect the Facility Improvement Program.

Finding VIII-25: Decisions have been made that affect scope and cost of projects in the Bond Program without input from an oversight committee.

Without a comprehensive Program Oversight function, it appears that decisions have been made unilaterally with respect to the scope of projects under the Program. Decisions regarding whether or which projects will be deferred from the original bond program authorization are made without Board or executive level approval. As a result, projects included in the original bond agreements will not be conducted, will not be completed, or have had original scope reduced. Further, decisions regarding project scope, budget, and change orders have been made without the consent and advice of School Board or other executive level oversight. Therefore, specific projects have cost more than originally planned with a reduced scope. This siphons bond resources away from other projects, and results in a lack of funding to complete bond approved projects.

Discussions with members of the Management Team indicate that the pace at which the Program progresses is a primary factor for making the decisions quickly. One such decision was the increase of funds to upgrade the BESC. In the September 17, 1996 Master Program Budget, \$2,167,607 was allocated for BESC improvements to be performed by PPS personnel. Conversely, in the June 26, 1998 Master Program Budget, \$5,945,645 was allocated for BESC improvements, and only \$163,233 to be performed by PPS personnel. This decision was not addressed to the School Board or Citizen Bond Advisory Committee (CBAC) for input.

Recommendations VIII-25.1:

Re-evaluate the CM/GC goal. The Construction Management/General Contractor (CM/GC) goal is to finish their participation in the 7-year program. PPS personnel will complete the remaining 2.5 years. The CM/GC goal must be re-evaluated if the pace of the Program is too great to allow for proper discussion and oversight of the Program. The schedule should be amended to accommodate such activities.

Recommendations VIII-25.2:

Establish an Executive Steering Committee, created as a component of the School Board. This Committee would interface with the Board to provide valuable oversight to the scope and funding of projects under the purview of the Program.

Finding VIII-26: The Citizen Bond Advisory Committee (CBAC) has not been consistently involved in providing input on key issues

The Citizen Bond Advisory Committee (CBAC) is comprised of prominent members of the community. Their time is valuable and experience vast. The Citizen Bond Advisory Committee (CBAC) is given basic information. Some Committee members indicated that they believed they were told of decisions instead of participating in the decision-making process. For example, the Committee was not included in decision-making on the deferring of certain projects or the reducing



of scope of other projects. Further, CBAC is provided with no detailed budgets or comparisons of budget to actual expenditures on a project basis.

The Committee has been involved in promoting citizen awareness about the bond. A public relations campaign was performed at the outset of the project. Each school received a worksheet indicating the work that would be performed at the school. In addition, the Committee worked on a television program called "Lets Talk Schools" to inform the public about the bond project.

A copy of the CBAC charter was requested from PPS Program Manager and various other individuals. All personnel interviewed agree that the outgoing Superintendent with a general verbal, but unwritten, directive established CBAC. This has caused some confusion as to CBAC's role and responsibilities. This may also have caused polarization between the Management Team and the Citizen Bond Advisory Committee due to unclear roles and responsibilities.

The Chairperson stated that the Committee has generally been satisfied and impressed with Heery's and PPS management's desire to keep the Committee informed of the current status of projects. PPS and Heery have adequately responded to questions or issues raised by the Committee. The Chairperson stated that management has been very forthcoming with requested information and that it was her impression that the project was on schedule. In addition, the Committee Chairperson also stated that her perception of the CM/GC contracting method has been positive in terms of the level of cooperation between parties. Chairperson stated the following with respect to concerns of Committee members and the general public.

- A general fear exists that the general fund budget cuts will affect bond fund availability.
- A fear exists that money will be used for purposes other than originally intended.
- A fear exists that the bond is supporting the general fund budget.
- The perception exists that there is very poor communication with the general public by PPS.
- Concerns regarding the design and construction of the new school have been raised.
- Concern exists over the potential use of contracted custodians as opposed to in-house custodians
- Certain committee members would like to see improvement in the HUE program.

Recommendation VIII-26.1:

Define, document and ratify the roles and responsibilities of CBAC to create an advisory body to the School Board. In this capacity the CBAC will have the endorsement and the authority of the Board and their participation will be of greater value to PPS.



Finding VIII-27: The Program's work management is cumbersome and paper intensive.

Three areas of the Program work management approach are of concern: Work Order Management, Contract Management, and Work Breakdown Structure tracking.

Antiquated Work-Order Management System

The work conducted in the Facility Improvement Program is based on a variety of work management mechanisms such as work orders, change orders and Notification of Program Modification. Aside from being paper-intensive, the procedures do not follow the prescribed practices proffered by the PMI.

The present work order system is essentially used to assign work to a group or individual and to collect accounting data, i.e. actuals and purchases. When a job is identified, a series of work orders is established for each specific step for completing the work. The effort expended to track this detail is extensive, unnecessary and is not cost-effective. In addition, the system does not provide for an analysis or grouping of work on a site basis. Approximately 25-30% of the accountant's time is spent ensuring that all expenditures have an associated work order. In addition, a substantial amount of time is spent reconciling the work order system to PPS' financial system. For all this work, actuals cannot be mapped back to the Master Program Budget.

In order to obtain management information, a great amount of effort is put forth to manually compile such information that is obtained from various sources. In addition, the work-order system does not provide timely or accurate reporting on the status of outstanding work orders. In some cases, contractors have been found to delay billings by as long as 4-5 months. The system does not support an adequate cost accounting system.

Recognizing the limitations of the current work order system, a committee was developed internally to assess the needs of various users of the work order system and to develop a Request for Proposal (RFP) for a new work order system. The RFP was issued and a vendor was selected. However, the purchase of the system did not come to fruition, as PPS Board determined that the funds were needed for more immediate purposes.

Change orders are used for two reasons on this Program. First as task work orders and second to change scope, budget or schedule of a contractor on the Program. Once a contract is awarded, a notice to proceed is issued. This notice informs the Contractor that work can commence; however, for contracts that entail several projects like the CM/GC contracts, change orders are issued to allow the contractor to start to encumber funds against a given project. This is the incorrect use of change orders. Changing a contract's scope, budget and/or schedule are all proper reasons for using a change order.

Notifications of Program Modification (NPM) are essentially Program change orders. There have been hundreds of NPM's in Phase I of the Bond Project alone. KPMG scanned the NPM's noting that the changes resulted primarily from 1) transferring certain work from Heery's scope to PPS' Maintenance Services division, 2) transferring the level of work at one school to another, 3) additions to scope of work and 4) the use of contingency funds. Heery maintains a log of all NPM's along with individual schedules describing the changes to be made and approval signatures. Although many of the NPM's did not contain the authorized PPS signature, it was noted that the change in work was performed as stated in the NPM in order to keep the project on schedule. NPM's may be



initiated by Heery or by PPS personnel. When Heery completes an NPM, it sends the NPM to the manager of Maintenance Services for approval. A significant delay has occurred in getting the appropriate signatures and forwarding the NPM to the Director of Physical Plant for ultimate approval.

It should be noted that PPS' work management is complex. CM/GC and Heery International manages a portion of the Program. Three teams are established; each assigned a geographical area. Heery manages all three CM/GC teams. Contracts are let based on an overall value. Once a project is targeted to begin, the CM/GC contractors solicit bids from pre-qualified vendors. Negotiations are conducted and a Guaranteed Maximum Price (GMP) is established. The Contractor is obligated to provide the contracted services within the GMP. Once a contract is signed, work starts via issuing work orders. Another portion of the work is performed and managed by PPS resources. Work performed by PPS resources, i.e. Maintenance Services or Plant Operations, is all conducted via work orders.

The CM/GC method of construction management is not unique. It is a method that is frequently used on large construction projects. Of concern is not that the CM/GC methodology is incorrect for this Program, rather it is the concern that more than one methodology is in place to manage and control the entire program. Work managed under Heery International is conducted one way and work conducted under A.P.E. is conducted another. The methods are not compatible, reconciliation of budget-to-actuals for the Program overall is not accomplished and quality is not baselined. The Facility Improvement Program should have been established with a baseline methodology and detailed in the Program Management Plan. With PPS' methodology in place and understood, then the CM/GC methodology could have been tailored to meet PPS' management requirements.

CM/GC Contracting Issues

The majority of project staff interviewed expressed overall satisfaction with current bond management practices and the CM/GC method, yet some areas of concern have been raised.

- Although the scope of work is laid out in advance during the design phase, the CM/GC is driving the cost estimates in the GMP which are most likely in the best interest of CM/GC and not PPS.
- In addition to the contingency provided, the cost estimates laid out in the GMP may be overstated to protect the CM/GC against risk of loss. As such, the contingency provides no monetary pressure on the CM/GC. Because of this, contract change orders made by subcontractors might not be subject to sufficient scrutiny by the CM/GC.
- One cannot analyze the reasonableness of prices after the GMP has been set.
- There should be more intense coordination among team members during the design phase, by including line-level employees as well as management-level team members.
- The architects under the CM/GC are overly cautious due to the complexity and the level of unknown issues for certain projects.
- Using the CM/GC method as opposed to the traditional project level design/bid/build, PPS may not have resulted in obtaining the best price on the various projects.

The use of the GMP provides the general contractor with the responsibility and flexibility to negotiate change orders with subcontractors. Although the architects do review change orders for reasonableness, no formal PPS approval is required. The primary concern is that the total payments to the general contractor do not exceed the GMP. An audit of each of the general contractors, which



is to be performed during July and August, is expected to verify the amounts charged by general and subcontractors. No analysis is performed by PPS or Heery to determine the reasonableness of significant variations in individual budget to actual line items.

In reviewing the Phase I year-to-date budget and actual information for the CM/GC, it was noted that a majority of overages incurred to date resulted from architect fees (\$1.9 million actual vs. \$800,000 budget). Based on discussions with management, this overage resulted from a number of unanticipated issues that arose during the course of Phase I of the project which are summarized as follows:

- When preparing the original budget, it was assumed that PPS APE division would have a greater knowledge of in-depth issues for the various schools.
- Significant City-mandated changes occurred with respect to fire and life safety requirements (known as Standard Q).
- It was anticipated that a learning curve would be realized over the course of the various projects; however, this has not been the case since different project issues arise from school to school.
- Budget was based on a 12% fee structure; however a fee structure of 17% - 18% was realized. According to management, the higher fees are a result of the complexity of the Program.
- Lacking closure of on-going issues, the contracts were converted from lump sum to time and materials contracts, which resulted in significant fees.

Phase I resulted in two of the three CM/GC vendors refunding \$200,000 and \$1 million in unused contingency to PPS. The refund will go into the overall bond "master contingency" budget. The refunding of these amounts supports the criticism that the submission of the GMP did not result in a transfer of significant risk from PPS to the CM/GC.

Although the majority of the senior team members have remained throughout Phase I, there has been some turnover at lower levels due to promotion, burnout and other factors. The majority of turnover has occurred within one of the architectural firms.

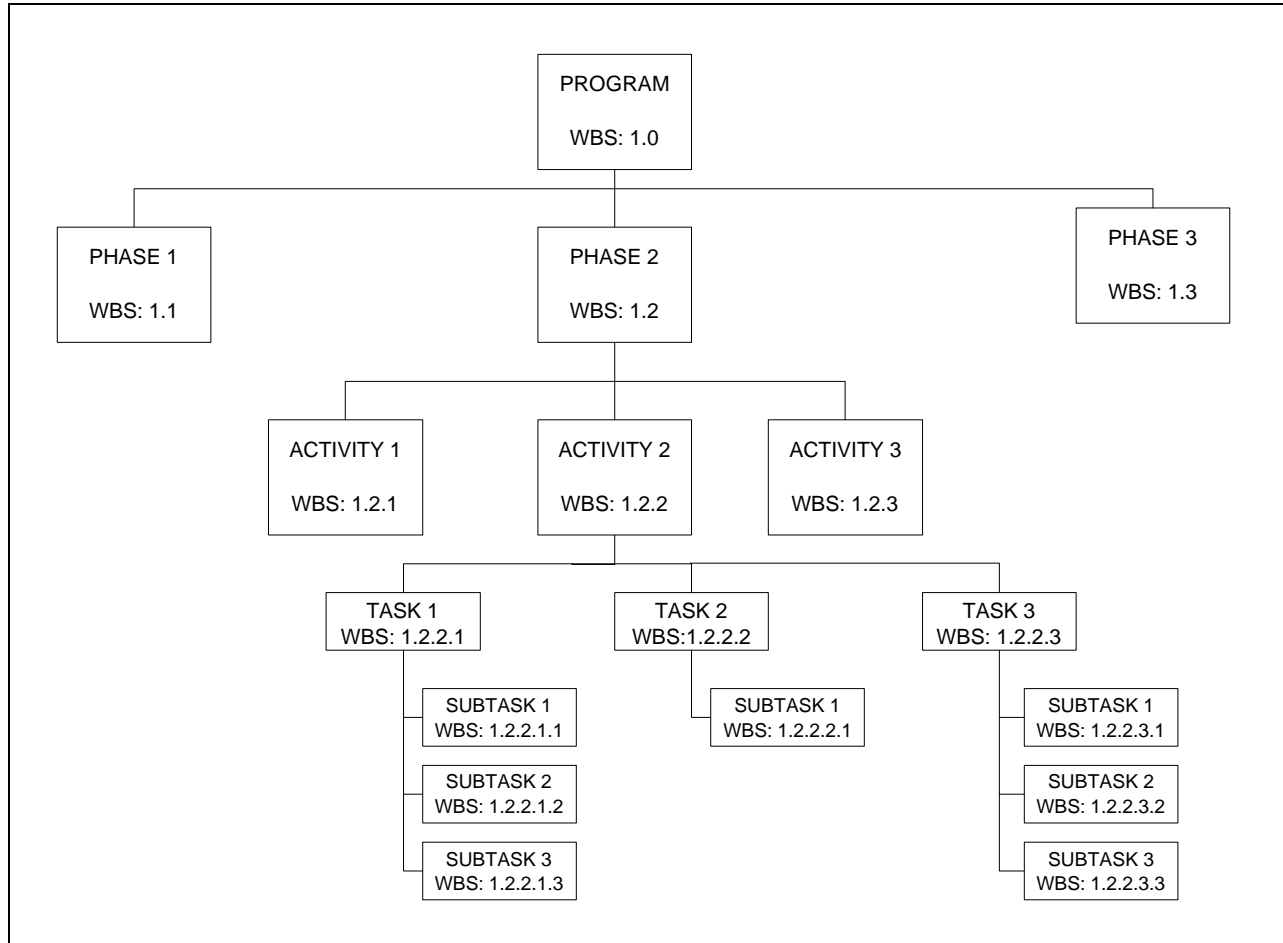
In reviewing the monthly billing performed by the CM/GCs, KPMG noted that the contractors used a variety of methods and formats in their submission of monthly billings to Heery for payment. Heery has recognized this issue and is attempting to obtain uniformity in the on-going billing process by the general contractors.

Lack of Work Breakdown Structure

In the PMI standard, a project is broken down into manageable parts. All work is assigned a work breakdown structure (WBS) code. A typical WBS has several layers to it and includes such things as phase, activity, and task. These names have taken on various terms over the years but the idea of a work structure is still present. The WBS code is developed by planning the work down to an individual or group of individuals with the same goal. Once a WBS is assigned, the next step is to develop a scope of work for each task. A budget can then be estimated for the task. A typical WBS skeleton chart is shown in Exhibit VIII-12.



Exhibit VIII-12: Typical Work Breakdown Structure Development



Source: KPMG Project Management Methodologies, as based on Project Management Institute guidelines.

On large or complex programs such as the Facility Improvement Program, documents are issued to allow certain work to be accomplished. These documents are known as "Limited Notice to Proceed" documents. Even in instances where funds are fully-allocated, Limited Notices to Proceed are used to ensure control. Typically the contract documents include language to ensure no work is performed without an issuance of a Limited Notice to Proceed document. The cost of time and materials are documented against each task and are rolled up to provide Phase and Program statistics.

Work orders should be retained for PPS maintenance work. Change orders should be relegated to only changing contract documents. It is not considered a change to allow work, already scoped, to be started. A change is only used for adding to, or deleting from a previously established and contracted scope.

This issue also entails the way actual expenses are currently documented. The work order system is currently being used to track actual expenses via completed work orders. It is a method that has been used by PPS for some time to managed general facility improvement requests. This does not,



however, mean that it is appropriate for managing larger project efforts that require more sophisticated cost analysis and management. (Cost management is a topic of a separate finding and will be addressed separately.)

Recommendation VIII-27.1:

Establish a Work Breakdown Structure (WBS) and institute a Limited Notice to Proceed process. This will eliminate confusion, and bring the program in line with industry practices and improve scope management, cost management, time management, and human resource management. A properly constructed WBS would allow the accomplishment of several goals.

- Provides scope management by identifying the scope of each task.
- Provides cost management by estimating the cost of each task. This cost estimate can then be rolled up so that budgets can be properly determined for each activity, phase, and so forth.
- Provides time management since each task will be assigned a specific duration to be accomplished.
- Provides human resource management since each task will be assigned specific resources to accomplish the work.

Recommendation VIII-27.2:

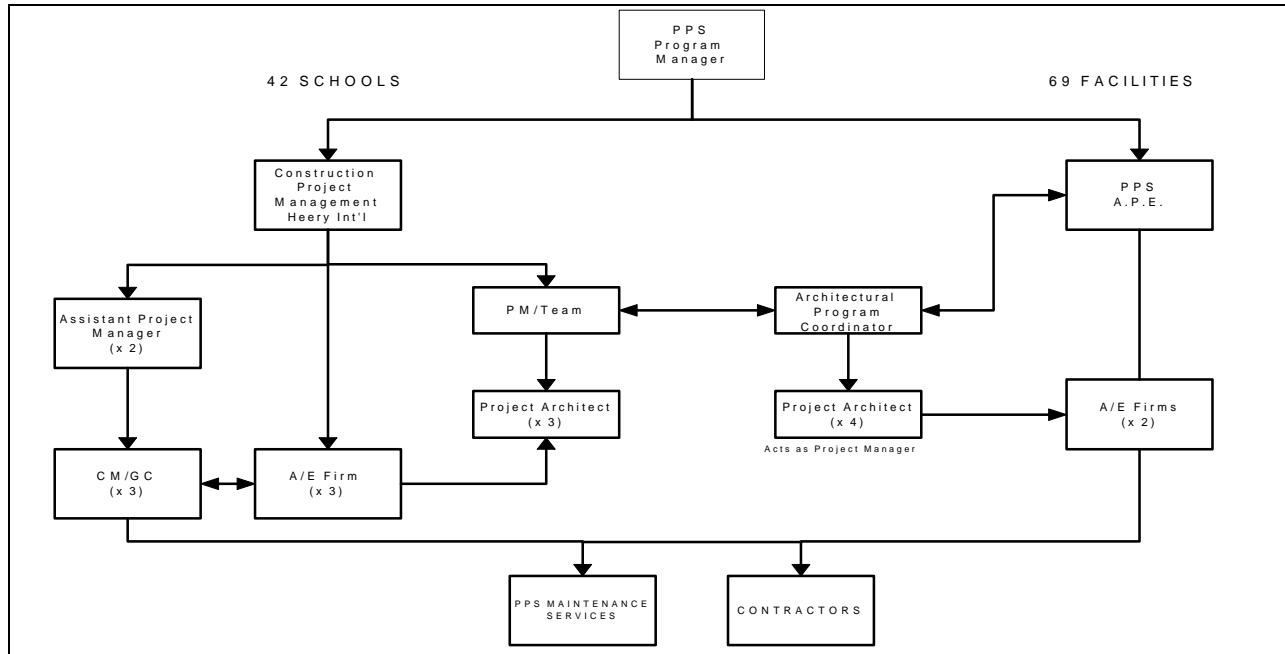
Proceed with the FMIS system purchase and installation. Current work order systems provide management with the ability to generate accurate decision-useful information on a timely basis. The current work order system was designed approximately 20 years ago and was not designed to produce the type of necessary management information. The work order system requires a significant amount of data entry and is not directly linked to the financial system. As such the level of duplication of effort is inefficient and costly. PPS should reconsider its decision to not move forward with the FMIS system and make the purchase as originally intended. This will provide not only increased efficiency in the tracking of work orders but also provide management with better information for decision-making purposes.

Finding VIII-28: Program organization can be improved.

The separation of work coupled with the lack of organized oversight makes for an unbalanced flow of information and accounting. The current organization of the Program is shown in the Exhibit VIII-13.



Exhibit VIII-13: Current PPS Bond Program Organization



Source: Portland Public Schools, 1998

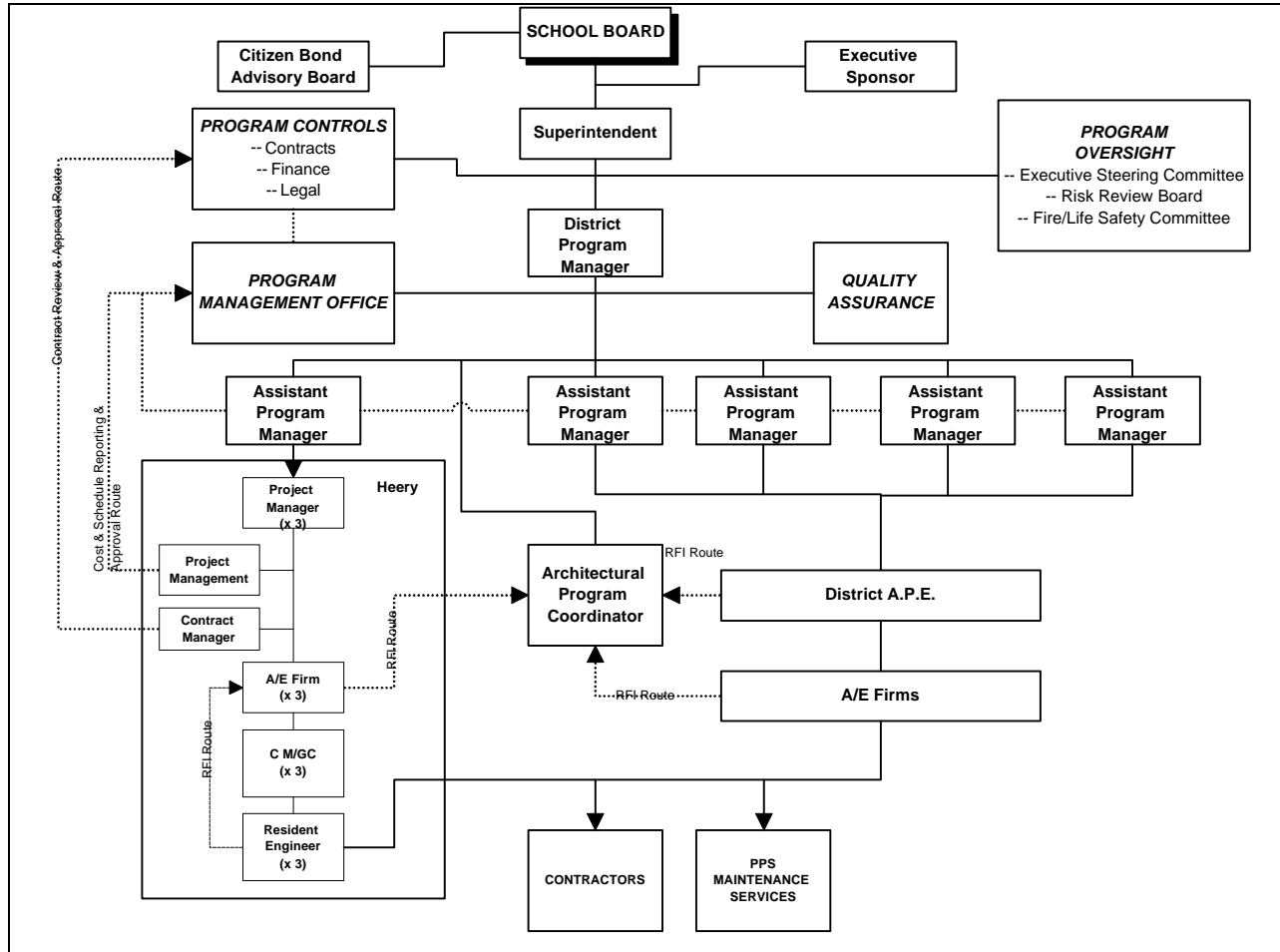
Recommendation VIII-28.1:

Program should be reorganized as illustrated in Exhibit VIII-14. The major changes are as follows:

- Attaching the CBAC to the School Board
- Establishing Program Oversight Committees
- Establishing a formal relationship with Program Control Offices
- Establishing a PMO
- Assigning Assistant Program Managers to specific areas of the program
- Reporting of Program Management items will be directly to the PMO
- Having a separate Quality Control section



Exhibit VIII-14: Recommended PPS Bond Program Organization



Source: KPMG Analysis of PPS Bond Project Management organizational needs, 1998

Finding VIII-29: Formal quality control procedures and processes are not used.

One of the areas of consideration per PMI standards is that of quality management. Quality control is presently left to the contractor that provides the construction services. Neither the CM/GC nor Heery International provides quality control inspectors. Further, PPS foremen are used to check the quality PPS personnel's work of a particular trade. This is not necessarily a cause for concern since most work requires inspections by the Portland City Building Inspectors.

Typically, and in major projects specifically, a disinterested organization is established to provide quality control inspectors. This organization may consist of engineers or trades representatives that are familiar with the local building codes. Quality management's value is time and cost savings. By ensuring work is accomplished correctly the first time, inspections from the Building Inspectors will go smoother thus less rework and a savings of rework time and cost is realized.



A properly constructed Quality Management Plan would include the matrices used for inspection and the method discrepancies are documented and corrected. A Quality Management Plan could be an integral part of a Program Management Plan.

Recommendation VIII-29.1:

The School Board may wish to consider establishing a quality management office. At a minimum, the Board should draft some written quality matrices used to guarantee quality work from both contractors and PPS personnel alike.

Finding VIII-30: Several areas of cost management can be improved

Cost management at PPS is difficult since there is no standard methodology in place. The Master Program Budget establishes a budgetary baseline, however, the accounting of actual expenditures to budget is not clear. The accounting of actual expenditures becomes more complex since both PPS and Heery manage the Program work. Findings relative to this area are addressed below.

Program Costs Are Inconsistently Defined Throughout Program Documents and Budgets

The initial discrepancy in the Program Budget issues seems to stem back to the beginning of the Facility Improvement Program. Various documents value the overall program cost at different levels:

- The Master Program Budget, as contained in Heery International's Project Plan, Section 3 dated September 17, 1996, cites two different costs for the Program. One states, "this local funding, coupled with the Bond money and anticipated interest earnings, brings the total budget to approximately \$215 Million". Table 1 of Section 3 shows the total to be \$218.3 Million. This is a \$3 million discrepancy in the same document written at the same time.
- The Master Program Budget, dated 6/26/98 shows a total budget of \$221.5 Million. This is an increase of \$2.8 million from the previous budget and an increase of approximately \$6 million from the original \$214 million Bond estimate.
- Heery's Final Report does not coincide with either or the two master budgets.

Master Program Budget Does Not Have A Corresponding Document for Actual Expenses.

The Master Program Budget is a matrix. It identifies schools that will be affected by the Bond Initiative categorized and summarized into five budget categories, as shown in the background part of this section. Two Master Program Budgets were developed; one dated September 17, 1997, and one dated June 26, 1998. The June 26, 1998 document was presented to the auditors as being the current budget. When asked, PPS was not able to provide a document comparing the budget-to-actual expenditures. This is not to say that actual expenses are not being tracked, they simply are not tracked so as to be mapped back to the Master Program Budget. Sound project management practices would provide a method so that such a comparison could be readily provided.

It would appear that from information provided by PPS, that documents for tracking actual expenses are not based on a project basis (as the Master Program Budget was developed) but rather, are based on a work orders (in the 272 report) or on a budget object codes basis (in the 988 report). A budget-string object code is a seventeen numeric code used on work orders identifying where actual



expenditures and obligated funds need to be assigned. Actual expenditures are tracked using these budget string object codes and separated by bond type. There are two bond types that are involved; Series 1 Bond and Series 2 Bond.

Exhibit VIII-15 illustrates the actual expenditure information provided on the 272 report, dated July 8, 1998.

Exhibit VIII-15A: PPS Facility Improvement Program Actuals Summary Dated August 26, 1998

	95-96 Expenditures	96-97 Expenditures	97-98 Expenditures	Bond Series Total
Series 1 Bond	\$ 10,701,586.83	\$ 20,945,368.01	\$ 23,074,745.48	\$ 54,721,700.32
Series 2 Bond	\$ 2,618.53	\$ 8,678,503.06	\$ 44,575,386.20	\$ 53,256,507.79
Total	\$ 10,704,205.36	\$ 29,623,871.07	\$ 67,650,131.68	\$ 107,978,208.11

source: PPS 988 Report, August 26, 1998

Exhibit VIII-15 shows that the total expenditures and obligations, according to the computer report received, is 48.75% of the total Master Program Budget, dated June 26, 1998, of \$221,507,329. This indicates that nearly one-half of the anticipated project budget has been spent in the first three years of an overall seven year program.

While budgets are shown in the 272 and 988 reports, this budgetary information has no relation to the budgets shown in the Master Program Budget. Further, PPS has not produced any evidence document that maps the budgets back to the Master Program Budget.

PPS Does Not Record The Liability Associated With Contractor Retainages.

The inability of PPS to obtain timely permits from the Portland Bureau of Buildings has resulted in project inefficiencies and additional costs.

Due to the sheer size and complexity of the bond project, PPS is continuously required to obtain the necessary permits to complete the different phases of the project. However, PPS has experienced significant delays in obtaining such permits due to the lack of adequate staffing at the Portland Bureau of Buildings (PBB) necessary to process PPS' applications. This practice has resulted in the City issuing numerous Conditional Permits that prevents completion and occupying of buildings until plan reviews are performed and final permits are issued.

The high volume of construction being performed in the Portland market has caused a significant backlog of building permit issuance at the PBB. The delay in the issuance of final permits contributed to the overages incurred in architectural/engineering costs to PPS.

Heery's Phase 1 Final Report Budget For A Given Project Does Not Match The Master Program Budget

Heery International produced the Master Program Budget. Heery also provided a comparison of budget-to-actual expenditures, for their work, in their Phase 1 Final Report.



Heery's budget report, as provided in their Phase 1 Final Report, provides details in the following columnar categories: September, 17, 1996 Budget, Current Budget, Encumbered Costs, Expended to Date, and Variances. Each school is separately identified. Each school has a detail sheet and a summary sheet of budget and actual expenditures.

KPMG reviewed Heery's budget and actual expenditures report. Appendix C includes this analysis that compares both Master Project Budgets to the reported budget for each school in Heery's Phase 1 Final Report.

Bond Estimates Need To Be Updated

The original budget, established in connection with the bond issuance, included a number of assumptions and estimates pertaining to the level and scope of work that would be accomplished. In many cases, the original estimates were based on a comprehensive assessment performed on schools approximately five years ago. As a result, in efforts to align the scope of work and related budget, PPS and Heery have found that actual or updated estimates exceeded the original budgeted amount. As a result, some of the work was de-scoped and added back to the deferred maintenance backlog of PPS. PPS has also been required to reallocate resources based on the priority of projects.

In other cases, the CM/GC contractor has provided capital renewal cost estimates for portions of work that did not come reasonably close to PPS' original cost estimate, despite holdings meetings to ensure the same understanding of the scope of work. In those cases, the determination was made by the Program Management Team that such work will either be performed by in-house personnel or will be contracted out at a later date. Management Team has not yet decided which of this work will be performed in-house rather than being contracted out. To date, approximately \$8 million in bond projects have been transferred out of the CM/GC.

Instructional Technology Was Underestimated

With respect to the instructional technology portion of the bond, PPS originally anticipated that each classroom would be equipped with four computers and two printers. Based on amounts expended to date on hardware and training, it does not appear likely that the remaining bond proceeds will fund the project to the originally desired levels, without a reduction in the overall price of computers and/or peripheral equipment, applying contingencies or reallocating budgeted construction funds to the IT portion of the bond.

The total allocation for elementary and alternatives schools computers was \$5.8 million to purchase 5,290 computers, for a budgeted cost of approximately \$1,100 per computer. As of 4/1/98, approximately \$4 million has been spent to purchase 2,733 computers, an average cost of \$1,467 per computer. The remaining budget for computers is only \$1.8 million to purchase 2,557 computers, requiring an average cost per computer of \$711. The total allocation for middle and high schools computers was \$6 million to purchase 5,472 computers, for a budgeted cost of approximately \$1,100 per computer. As of April 1, 1998, approximately \$5.1 million has been spent to purchase 3,518 computers, an average cost of \$1,457 per computer. The remaining budget for computers is only \$894,000 to purchase 1,953 computers, requiring an average cost per computer of \$458. Based on these amounts, it is not realistic for PPS to purchase the remaining allocation of computers with remaining IT budgeted funds available.



The instructional technology plan provides options to schools as to the type of computers available for purchase. Although some computers are less costly than others, the schools feel that they may be compromising the quality of equipment if they purchase the lower priced machines. Management stated that the number of failures associated with the lower priced machines have, in fact, resulted, although there is currently no tracking mechanism to support this contention.

Based on KPMG's analysis, it appears that the budget reported on the Heery Phase 1 Final Report for the facilities (for which they are responsible) does not match the any of the derived figures. Therefore, it was impossible to map budget information to actual expenditures.

Sound project management practices suggest mapping of budgets and expenditures. When a budget is reported for one project, mapping back to the Master Program Budget should be possible. This is not the case in the Heery Phase 1 Final Report.

Contingency Funds Are Not Tracked

One of the shortcomings of the 272 and 988 reports is that contingency funds are not traceable. Exhibit VIII-16 identifies several contingency funds within the Master Program Budget contingency funds.

Exhibit VIII-16: PPS Master Program Budget Identified Contingency Funds

Fund	September 17, 1996 Master Program Budget	June 26, 1998 Master Program Budget	Difference
Capital Expense Contingency	\$5,000,000.00	\$5,000,000.00	\$0.00
Owner M/S Contingency	\$1,094,210.00	\$0.00	(\$1,094,210.00)
Owner IT Contingency	\$871,466.00	\$0.00	(\$871,466.00)
Owner Contingency	\$4,594,912.00	\$4,386,294.00	(\$208,618.00)
TOTAL	\$11,560,588.01	\$9,386,294.00	(\$2,174,294.00)

Source: PPS Master Program Budget, 1998

The lack of an ability to map a contingency fund use is illustrated in the Heery Phase 1 Final Report. For example, in the Heery report the Boise Elliot school has both a detail and summary budget-to-actual spreadsheet contained a line item entitled "Contingency". However, this has three sub-line items: In-Progress, IPC to Central Team and Estimated GMP [Guaranteed Maximum Price] Savings. It is noted on the spreadsheet that \$20,826 was sent to the Central Team's IPC. Yet in reviewing the IPC (in-progress contingency) lines for the Central Team no adjustments have been made to reflect the team's receiving the Boise-Elliot IPC funds. Further, each of the North Team's budget-to-actual reflect movement of funds from their projects' IPC to Central Team. Nowhere is it shown on the Central Team's spreadsheet that this movement identified. Further, in reading the Budget section of the Heery Report, the report fails to identify why the movement took place and to where the funds went. Exhibit VIII-17 provides a consolidation of this data.



Exhibit VIII-17: PPS Summary of Bond Project Budget Contingency Fund Movement

School	In-Progress	Moved To Central Team
Boise-Elliot	\$ 20,826.00	\$ 20,826.00
Jefferson High	\$ 148,447.00	\$ 148,447.00
Monroe	\$ 61,508.00	\$ 61,508.00
Whitaker Middle	\$ 88,451.00	\$ 88,451.00
TOTAL	\$ 319,232.00	\$ 319,232.00

Source: Heery International, Phase I Final Report, Appendix C, June 1998

At a minimum, the movement of funds should have been shown as an encumbrance of the funds on the North Team's spreadsheets. The movement should have then been documented as a gain to the Central Team's projects whether or not the entire total went to one school or was divided among the schools in some other manner. An explanation as to the contingency fund movement in the Budget section would have been appropriate.

It should be noted that the Program Manager indicates that contingencies are identified is on the Notification of Program Modification. The difficulty is that this information is not incorporated into the actuals report. Further, traceability of the movement of the contingency funds is very difficult in a summary form.

Earned Value Calculations Are Not Being Performed

Earned value is a method of tracking a program or project's progress based on budget and actual expenditures. It would provide clear indications as to the status of budget, expenditures and schedule of the program/project. Earned value methodology is typically used on construction-type contracts. However, accurate budget and expenditures accounting and actual expenditures against the same criteria or tasks is necessary. This cannot be accomplished under the present accounting system used by PPS.

- | | |
|----------------------------------|---|
| Recommendation VIII-30.1: | A method to provide sound cost management must be developed. Various avenues to accomplish this can be followed; however, uniformity in reporting must be developed. |
| Recommendation VIII-30.2: | Map budget expenditures to actual expenditures. |
| Recommendation VIII-30.3: | Establish systems to ensure accountability of contingency funds. |

Finding VIII-31: The Heery International Phase 1 Final Report was deficient in various aspects.

A copy of Heery International's Phase 1 Final Report was reviewed for adherence to project management best practices. Generally, the report lacks detailed explanations in narrative sections, does not address deferring some 'projects', and does not seem to include PPS' Maintenance Services and Plant Operations participation on their projects.



The Heery Phase I report on the Facility Improvement Program consisted of the following sections:

- Section 1: Executive Summary
- Section 2: Contract Relationship
- Section 3: Scope of Work
- Section 4: Budget and Expenditures
- Section 5: Schedule
- Section 6: Permitting Process
- Section 7: Construction Delivery
- Section 8: H.U.E.
- Appendix
- A: Contract Responsibility Matrix
- B: Completed Scope – Phase 1 Projects
- C: Project Budget Detail
- D: Project Directory

Contents of the narrative sections are cursory and lacking detail. While it is not expected that every section contain voluminous information, it is expected that the expenditure of approximately \$40 Million would produce a final report with a more information. Using the PMI standard for project management as a guide, KPMG rates the information in the Phase I Report in the PMI areas as follows:

- | | |
|-------------------------------------|----------------|
| ■ Scope Management | Poor |
| ■ Time (schedule) Management | Fair |
| ■ Cost (budget) Management | Fair |
| ■ Risk Management | Does not exist |
| ■ Quality Management | Does not exist |
| ■ Human Resource Management | Does not exist |
| ■ Contract & Procurement Management | Fair |
| ■ Communication Management | Poor |
| ■ Project Integration Management | Poor |

(Scale: Poor, Fair, Average, Good, Excellent)

SECTION 1: EXECUTIVE SUMMARY

Page 2, paragraph 2 reads, in part:

"All the Phase 1 projects have been completed within the budget established and all three general contractors will return funds to PPS from the unused portion of the Guaranteed Maximum Price."

The above statement is misleading. In interviews with key program staff it was admitted that several projects within the program have been placed on the "deferred maintenance" list. Therefore, some projects originally scheduled for Phase 1 were not accomplished. It would be more accurate to state that projects initiated in Phase 1 were accomplished within budget, if this were in fact the case.

The above statement seems to conflict with the statement in the first paragraph of the same page. It is acknowledged that "a series of change orders" were created due to unforeseen circumstances. It is acknowledged that change orders are a part of construction. The funding of these change orders came from the various contingency funds set aside for such events. While the base project may



have been completed within the established budget, it is certain that the use of contingency funds increased the overall cost of the project.

The narrative also fails to indicate that in order to keep the projects within budget that the scope of many of the projects had to be reduced.

Page 1, Paragraphs 5 & 6.

These paragraphs discuss the goal of seismic, fire and life safety, and accessibility upgrades to facilities. In discussing this issue with project staff it was recognized that there are insufficient funds to complete all projected of these upgrades. This issue is briefly addressed in Section 2, page 4, second full paragraph. Yet no discussion or list of affected projects is presented.

The discussion also fails to indicate that the “demand capacity ratio” (DCR) formula is used as a seismic/structural evaluation tool. Once the formula is used and a ratio is assessed to a facility, the number is used to prioritize the project. The DCR is an adequate method of prioritizing projects. It must be understood however, that the DCR is used to determine the cost of upgrade to the value of what is being received for said cost. Value is a subjective element that can cause great variances in the evaluation. The DCR was the basis of prioritizing and, in some cases, deferring certain projects such as the upgrades to Vernon and Wilcox Schools.

The DCR was also used to reassign some projects from the outside contractors to the in-house Maintenance Services staff. This may be seen as a cost-effective method of accomplishing some work; or it may be viewed as not being economically beneficial to the contractors to perform the work. Apparently, Heery contractors have the right of first refusal on these projects.

SECTION 2: CONTRACT RELATIONSHIP

Page 3, Paragraph 1.

The first sentence refers to the “...Management Plan for the bond program...” as a basis of analysis. As previously stated, a copy of the Bond Project Management Plan was requested several times, but was not produced. Most likely, this sentence refers to Heery International’s Management Plan which does not entail the entire Bond program, but concentrates on how Heery’s portion of the Bond program will be managed.

Page 3, Paragraph 1, Last Sentence...

This sentence reads: “The program was to be managed by the construction project manager, Heery International.” This is a correct statement. The original program concept was to be administered by Heery; however, the arrangement changed during Heery contract negotiations. The fact is that Heery does not manage the entire program but provides and maintains the Master Program Budget is not addressed. It is interesting to note that Heery’s participation was given all of one sentence in this section.

Page 4, Paragraph 2, 3 And 4.

The issues raised in these paragraphs are not part of the contractual relationships. These paragraphs should be in Section 1 or Section 3 or a new section (see below). An organizational chart for the program would have been helpful to understand the operational relationships of the entire Program team. This is especially true since the organizational responsibility changed from the original concept. “Before” and “after” charts would have clarified the situation.



SECTION 3: SCOPE OF WORK

This section should discuss the intended original scope for Phase 1, the actual work performed, and the reason for the difference. This section should describe the packaging and allocating of work to the various Contractors and PPS resources. This section would also be a good place for a discussion on how the DCR was used to prioritize work and defer certain projects to a future albeit uncertain date.

This section did not include a discussion on the reduction of scope of projects due to the size of the estimates. Nor did it include a discussion on the deferring of projects due to economic or prioritization, and no mention of any transfer of budget from one organization to another due to the NPMs implemented during Phase 1.

SECTION 4: BUDGET AND EXPENDITURES

Page 7, Second Paragraph.

The last sentence indicates the budget for the 42 schools contained in the three-team scope of work. This leaves the other 69 facilities, which are part of PPS' responsibility, unaccounted for in this section. At a minimum, reference should be made to PPS' responsibility to accomplish the remaining facility work.

Section 3, Page 6, Second Paragraph,

The use of the "Owner's Contingency account" was used to fund essential seismic and other mandated work. This fact is not traceable in the detail budgets provided. No explanation was given in the budget section.

Section 6, Permitting Process

This section indicates that delays in the permitting process had an effect on the construction cost, yet, these cost impacts are not defined in the budget and expenditure section.

- The Team budgets as shown raise some questions.
- The figures on the spreadsheet do not match between the detailed worksheets and the summary worksheets for the same school. This issue was brought to the attention of PPS Program Manager. He acknowledged that this needed to be corrected and indicated he would have the error corrected.
- The figures shown in the table on page 8 do not represent the true figures since the information in Appendix C is in error.
- Budgets shown in the Heery spreadsheets do not map back to the Master Program Budget.
- Use of contingency funds is not properly addressed.

SECTION 5: SCHEDULE

The schedule narrative lacks detail. The information provided is mostly general in nature and does not address specific issues. The Gantt chart is a basic bar chart and does not reflect a critical path, resource loading or percent complete. The Gantt chart indicates many instances where the Contractor's actual schedule significantly exceeds the GMP schedule, many by more than 100%. Each occurrence of a delay should be explained.

There is no discussion about how change orders extended a contractor's schedule; yet, change orders were implemented in Phase 1.



Additional Observations

In addition to the significant lack of detail presented in the Phase 1 Final Report's existing sections, the report fails to provide detail on several important program issues. The Project Management Institute's fundamental portions of a program/project are Scope Management, Time (schedule) Management, Cost (budget) Management, Risk Management, Quality Management, Human Resource Management, Contract & Procurement Management, Communication Management, and Project Integration Management. Clearly lacking in the Final Report are the following.

Risk Management. This may be due to the fact that Heery does not have a contractual responsibility to provide risk management. This fact notwithstanding, risk management is an integral part of any major program/project. If it is not Heery's responsibility to manage risk, the risk management team should have been identified. A table illustrating risks identified during Phase 1, the mitigation strategy and the cost of such mitigation should have been included.

Quality Management. This section should include the following items:

- Quality Management Goals and Achievements
- Inspector resources and availability
- Punch list issues
- Rework issues (reason for, how many, costs, etc)
- It is interesting to note that the CM/GC provides their own inspectors and not those of the construction management team

Human Resource Management. This section should include the following items:

- Union Issues
- Changes in key personnel
- Staffing issues

Project Integration Management. This topic is clearly absent from the report. The organization of the Program is such that it appears that there is little project integration between contract work and PPS-provided work on the Bond Program.

Recommendation VIII-31.1:

PPS should establish reporting expectations for Heery that address the specific concerns cited in this analysis, including: complete description of project scope, content, and Heery versus PPS responsibilities.

- Risk Management, Quality Management, Human Resources Management, and Project Integration Management section
- Descriptions of significant changes in scope including deletions and differences of projects must be reported.



- Budget to actual expenditure analysis by PPS and contractor
- Mapping of budget to actual expenditures
- Critical path schedule assessment

Recommendation VIII-31.2:

Written detailed requirements of what is expected in a Final Report must be delineated to the Contractor. A Phase 1 final report should include all work conducted. It is the Program Manager's responsibility to ensure a comprehensive report is prepared and submitted.

Recommendation VIII-31.3:

It is recommended that the statement, in the sixth paragraph, stating that "...the work was successfully achieved" be considered based on the final agreed upon scope and budget and not in relation to the initial scope of the Facility Improvement Program described projects.



TRANSPORTATION

BACKGROUND

Student Transportation is responsible for providing home-to-school and field trip transportation to the elementary and middle school students of PPS. To fulfill this duty, PPS uses 90 PPS owned buses and contracts with Laidlaw for an additional 167 buses. During the 1997-98 school year, Laidlaw and PPS transported over 10,300 students from home-to-school and transported students on an additional 2,800 field trips. In addition to the Laidlaw and PPS buses, its students are transported via Tri-Met (high school students) and by private cab companies.

Beginning in September 1997, PPS implemented a staggered bell schedule in an attempt to reduce the number of buses necessary for home-to-school transportation. PPS performed detailed studies of the effects of a variety of staggered bell schedules. This analysis resulted in the selection of a program that has two elementary school start times and one middle school start time. This new schedule reduced the Laidlaw contract by roughly \$1.8 million per year.

To operate their fleets, PPS operates two vehicle yards and one central maintenance shop, and Laidlaw operates one field and one garage for its buses. While the two PPS bus yards are located within a short drive of each other, the Laidlaw bus yard is some distance away. Despite the differing locations, PPS and Laidlaw have an agreement for joint fuel purchases. This allows both parties to purchase fuel at a lower cost than would be available through individual purchases.

Finding VIII-32:	Student Transportation performs all of its preventative maintenance activities and has not completed a comprehensive outsourcing study.
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The Transportation garage performs nearly all of the bus maintenance needs for PPS owned buses. This includes general oil changes, brake jobs, and transmission and engine work. In total, six staff are involved in the maintenance and fueling of the 100-vehicle fleet (90 active vehicles and 10 spare vehicles). While the garage staff appears to maintain PPS-owned vehicles in an efficient manner, no official outsourcing study has been conducted.

By comparing prices to the private sector, public organizations are able to determine whether they are providing a service at the lowest possible cost. This allows organizations to reveal areas where they are out-performing the private sector while also highlighting areas that need improvement. This comparison then provides PPS the opportunity to reduce internal costs, or begin outsourcing these functions to local vendors.

While PPS garage prices are probably lower than those of the private sector, an outsourcing study would allow Student Transportation to show PPS administration and the local community that they are receiving the highest value for their transportation dollar.

During the course of the audit, and based on recommendations of KPMG, PPS began to research local repair shop prices for preventative maintenance services. PPS Transportation management found, that with PPS' ability to obtain parts at discounted state bid prices, their costs are lower than private shop prices for these services.



Recommendation VIII-32.1:

Student Transportation should continue to compare overall maintenance costs to internal PPS costs.

Finding VIII-33: The Transportation Garage does not have vehicle lifts nor mechanic pits to facilitate safe and efficient work on PPS' buses.

PPS' Transportation Garage, located near the Columbia River, was built in 1994 and provides the mechanics with a large, clean working environment. The garage is able to accommodate up to six buses at a time with room to spare. In addition, there is a small office, break room, and parts room. While the garage has extensive space for mechanics, the mechanics may be at undue risk of injury.

During construction, budget cuts required the elimination of the installation of vehicle lifts in the new facility. Without vehicle lifts or maintenance pits, mechanic staff must crawl under the vehicles to perform all underside maintenance work. In addition to the added difficulty of performing work in cramped conditions, the areas are not well lighted which may lead to misdiagnosis or failure to spot problem areas. This can lead to increased costs and the potential for dangerous riding conditions. Well-lighted and open working conditions also facilitate faster mechanic performance.

Further, the close conditions could potentially lead to injuries. With no room to move, the mechanics must be careful in removing any large parts from the underside of the vehicle. While Student Transportation did not indicate a past problem with injuries, PPS may be subjecting itself to undo risk.

PPS transportation managers indicate that a conscious decision was made to use end-lift jacks and jack stands to stabilize buses for underbody maintenance work. They continue to believe that these provide a safe and efficient method for supporting buses during maintenance.

Recommendation VIII-33.1:

PPS may continue to consider the use of moveable vehicle lifts in the Transportation Garage. The purchase of vehicle lifts may allow for faster and more accurate diagnosis of problems and reduce the risk of mechanic injury. An investment in movable vehicle lift systems would be approximately \$10,000.

Finding VIII-34: Buses operated by both PPS and Laidlaw do not meet cleanliness standards for children.

Both Laidlaw and PPS require their drivers to clean the interior of their buses no less than once daily. In addition, both agencies contract with an outside vendor to wash the outside of their buses once a month.

KPMG spot-checked twelve buses operated by PPS and Laidlaw. All twelve vehicles violated cleanliness standards. While the majority had accumulated dust and dirt on the floors, two buses contained food crumbs and trash on the seats and floors. Although vehicles are difficult to keep clean all day, dirty buses can give the impression of misuse and could potentially lead to the spread of disease. It should be noted that after the initial KPMG inspection, PPS drivers were informed of the inspection results and instructed to improve their cleaning patterns.



While established policies related to cleanliness are important, and mandated by State and Federal regulations, without checking for compliance, the requirements may be useless. PPS staff indicated that random spot checks do occur. It may be beneficial for both PPS and Laidlaw to increase the inspection of vehicles for cleanliness for a short time. This may help improve cleanliness standards and reduce the risks placed on riders.

Transportation management has taken immediate action to inform drivers of these cleanliness standards.

Recommendation VIII-34.1:

PPS should implement higher cleaning standards for its buses. While drivers should be instructed to clean their buses every day, PPS may wish to consider hiring an additional staff member to clean the interior of the buses. By thoroughly cleaning each bus on a rotating basis, the buses should maintain a higher level of cleanliness. In addition, PPS supervisors should increase the number of inspections conducted and monitor driver performance. Drivers who repeatedly do not meet cleanliness standards should be reprimanded and informed of the consequences of non-compliance.

Finding VIII-35: Field supervision of both PPS and Laidlaw buses could be improved.

While random spot-check of buses do occur within the bus yards by PPS and Laidlaw supervisors, neither operation performs ride-along evaluations or field observations. Some districts, including Eugene and Salem, conduct annual behind-the-wheel reviews of driver performance. In addition to these established performance evaluations, Salem conducts random ride-along checks of drivers to ensure they are following applicable laws. No such check occurs on Portland buses.

During the course of the performance audit, KPMG observed PPS and Laidlaw buses that were not operating consistent with traffic laws. On two separate occasions KPMG witnessed buses fail to come to a complete stop at railroad crossings, fail to use turn signals, and fail to display safety signals while dropping off students. While these may have been isolated incidents, they may be indicative of an unsafe bus system. By not obeying traffic laws, drivers are putting the students of PPS at extreme risk.

Transportation management conducts biannual evaluations of drivers, and has procedures in place to counsel or retrain drivers if violations are found. Enhanced field monitoring may be merited. Hiring a ½ full-time equivalent field supervisor would cost approximately \$22,000 in salaries and benefits.



Recommendation VIII-35.1:

Increase the use of field supervisors to monitor the actions of bus drivers and increase supervision of the operations. PPS should implement random ride-along checks to ensure driver compliance with applicable laws and regulations. In addition, supervisors should perform “out-of-bus” monitoring as well. Strict penalties should be enforced for violation of traffic laws and district regulations. Hiring an additional field supervisor would cost approximately \$22,000 in salaries and benefits.

Finding VIII-36: PPS’ monitoring of Laidlaw contract and operations could be enhanced in several areas.

For the 1997-98 school year, PPS paid Laidlaw over \$8 million to provide student transportation to over 6,000 elementary and middle school students. This contract included a \$2.4 million increase over the 1996-97 school year. PPS staff indicated that the increase occurred because Laidlaw had been taking losses for a number of years under the old contract and PPS required that Laidlaw purchase new buses.

Despite this large contract, PPS only inspects Laidlaw’s buses twice yearly for compliance with their contract and Federal, State, and PPS’ regulations. In addition to the twice yearly checks, PPS meets with a Laidlaw representative twice a month to review driver turnover, vehicle accidents, and driver performance (percent of late buses). Further, PPS checks each Laidlaw bill for accuracy. This includes sampling driver reports and comparing them to the invoices. Finally, the State of Oregon checks Laidlaw drivers for accidents and moving violations and provides PPS with their findings.

Although these checks are useful, PPS should consider performing additional audits to ensure greater compliance and require greater communication between Laidlaw and PPS. On-going audits should look more extensively at Laidlaw’s reporting of mileage, time reporting, and billing to make sure they are accurate. Also, PPS does not perform any random checks of Laidlaw buses, operations, or drivers. Routine random checks could improve the quality of service provided by Laidlaw and ensure greater safety for the students of PPS.

It should be noted that Laidlaw recently conducted an internal audit of its driver records and found their drivers to be 91% compliant with State standards and Laidlaw practices. Although this received a favorable rating, PSS should monitor the Laidlaw internal audits to ensure that corrections are made in the deficient areas.

Although PPS staff indicated they have a good relationship with Laidlaw and believe the current auditing standards are nearly sufficient, Student Transportation staff did indicate that they could perform random checks of Laidlaw buses. Staff further noted, however, that budget constraints have thus far prevented such an action. Hiring a ½ full-time equivalent staff to randomly check Laidlaw boxes would cost approximately \$20,000 in salaries and benefits.



Recommendation VIII-36.1:

PPS should hire a ½ full-time equivalent staff and establish formal procedures for routine inspections of Laidlaw facilities and audits of their time reporting and billings. In addition to routine inspections, PPS should conduct random checks of Laidlaw buses and facilities to ensure compliance. Further, PPS should work with Laidlaw to eliminate any deficiencies found during these routine and random inspections and audits. Hiring an additional ½ full-time staff would cost approximately \$20,000 in salaries and benefits.

Finding VIII-37: Student Transportation costs appear to be higher than necessary.

Although PPS produces quarterly ridership reports, it does not track the cost per student of each of the four major transportation providers: PPS, Laidlaw, Tri-Met, and taxicabs. Without understanding the various costs, PPS is not able to make informed decisions on which services to use. This may lead to higher than necessary transportation costs.

KPMG analyzed data provided by PPS regarding current costs to transport students via PPS buses, Laidlaw, Tri-Met, and taxicabs. Exhibit VIII-18 shows the cost per student for each type of home-to-school transportation.

Exhibit VIII-18: Transportation Cost per Student by Type and Provider

Transport Provider	Type of Student	Number of Students	Cost per Student
PPS	General Education	3,702	\$ 506
Laidlaw	General Education	5,343	\$ 749
Tri-Met	General Education	1,148	\$ 113
Taxi	General Education	2	\$ 3,717
PPS	Special Education	452	\$ 1,983
Laidlaw	Special Education	861	\$ 4,296
Tri-Met	Special Education	820	\$ 245
Taxi	Special Education	228	\$ 3,717

Source: PPS Ridership Report 5/15/98, Student Transportation Budget documents, and the State Reimbursement Report 1996/97.

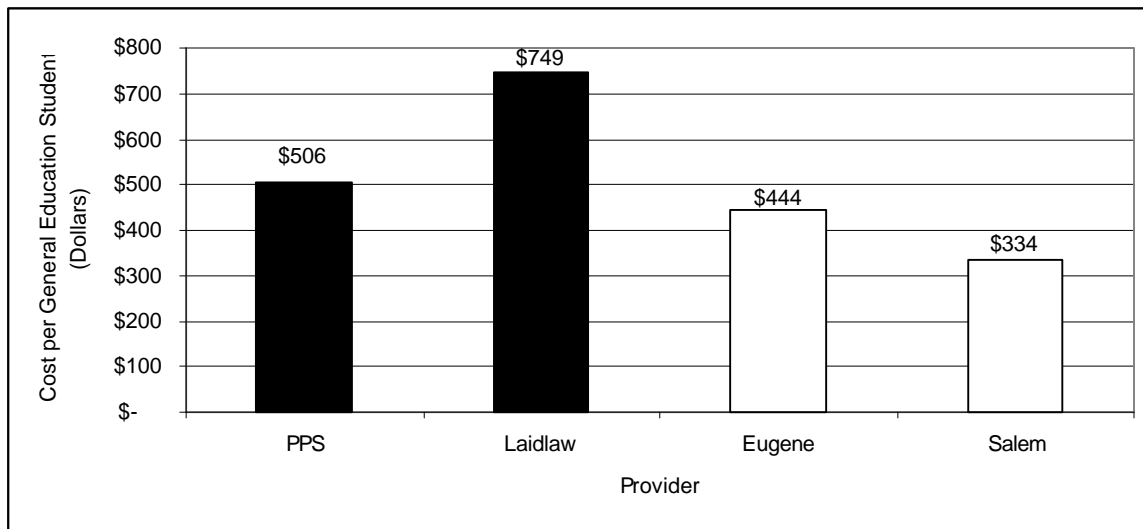
Exhibit VIII-18 shows that PPS pays \$506 per student to transport general education students via PPS owned buses versus a cost per student of \$749 for general education students transported by Laidlaw, a difference of almost \$250 per student. When this figure is multiplied by the 5,343 students transported via Laidlaw, PPS pays over \$1.3 million more to transport general education students on Laidlaw buses than would occur if these students were transported via PPS owned buses. Even more striking is a comparison of special education costs. While PPS can provide the



service for less than \$2,000 per student, Laidlaw charges almost \$4,300 per student. For all special education students, this equals a cost difference of almost \$2 million. This large difference indicates that PPS is significantly more efficient at providing home-to-school transportation than Laidlaw. It should be noted, however, that Laidlaw was forced to purchase new vehicles in 1998 to meet contract requirements. Thus some of the difference in costs can be attributed to higher depreciation costs.

KPMG further compared PPS costs to two of the larger school districts in Oregon. Exhibit VIII-19 compares the cost to transport regular education students between PPS and the benchmarked jurisdictions.

Exhibit VIII-19: Benchmarking Comparison of Regular Education Transportation Costs per Student Transported

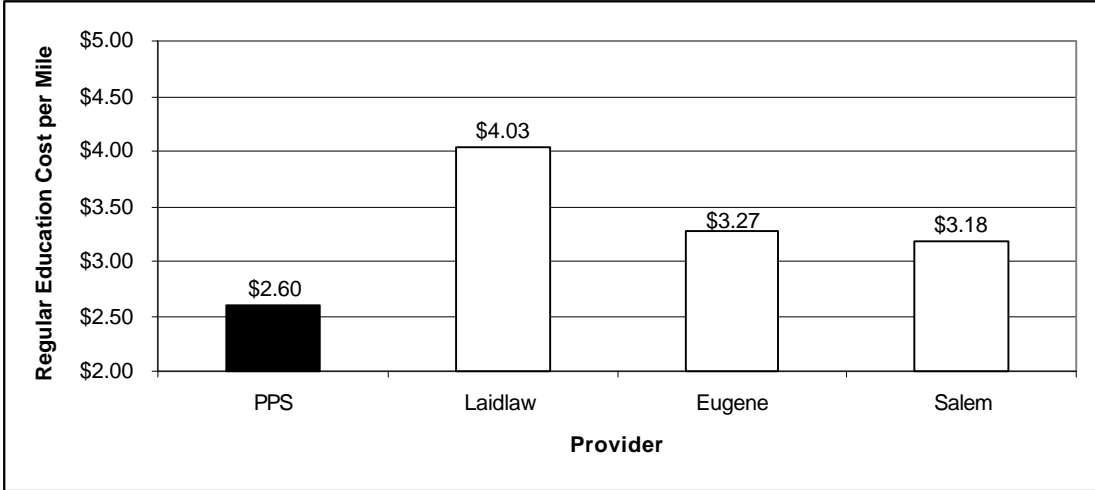


Source: PPS Ridership Report 5/15/98, Student Transportation Budget documents, the State Reimbursement Report 1996/97 and KPMG Benchmarking Survey, June 1998.

As shown in Exhibit VIII-19, both PPS and Laidlaw have higher costs than are experienced in both Salem and Eugene. To account for potential differences in geographic size, KPMG also compared the cost per mile between these jurisdictions. The results of this analysis are provided in Exhibit VIII-20, below.



Exhibit VIII-20: Benchmarking Comparison of Regular Education Transportation Costs per Mile



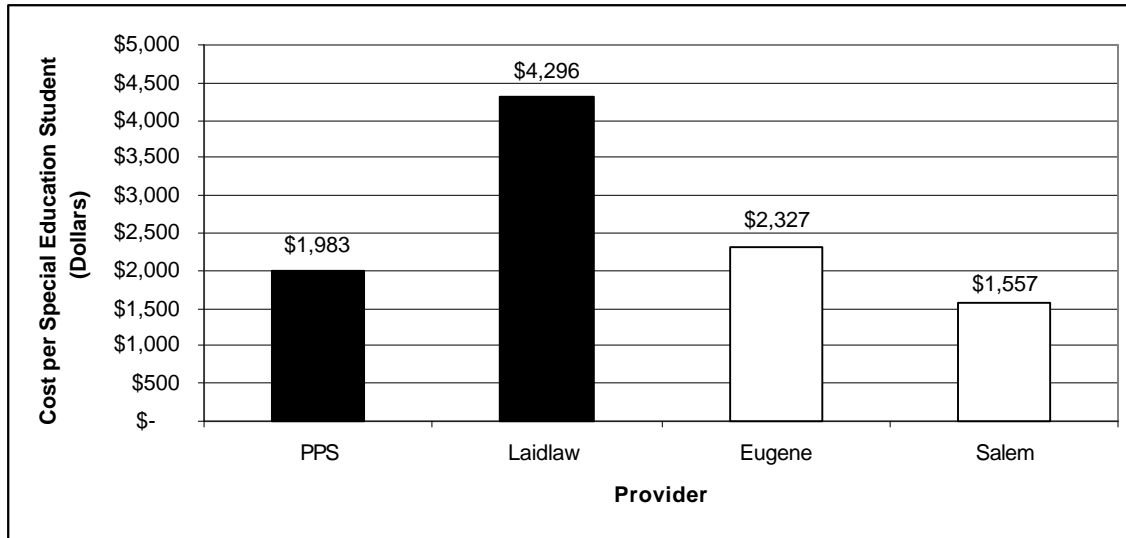
Source: PPS Student Transportation documents and KPMG Benchmarking Survey, June 1998.

Exhibit VIII-20 shows that PPS' cost per mile is less than is incurred by Laidlaw, Eugene, and Salem. Laidlaw, however, has the highest cost of the agencies compared. This analysis again suggests that PPS may be paying more than necessary for the Laidlaw contact.

KPMG further benchmarked the cost to provide special education transportation. Exhibit VIII-21 compares the home-to-school per student cost among the compared agencies.



Exhibit VIII-21: Benchmarking Comparison of Special Education Transportation per Student Transported

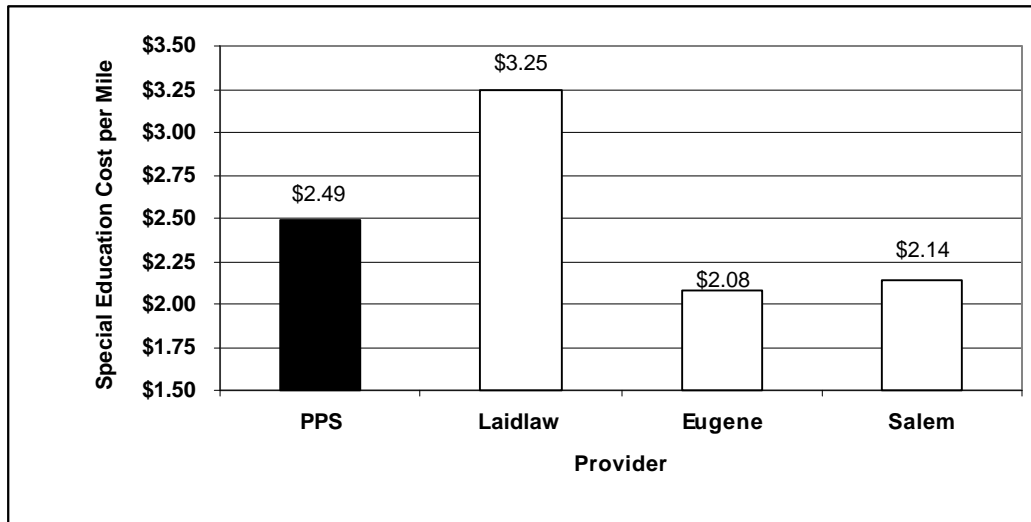


Source: PPS Ridership Report 5/15/98, Student Transportation Budget documents, the State Reimbursement Report 1996/97 and KPMG Benchmarking Survey, June 1998.

Exhibit VIII-21 shows Salem to have the lowest cost per special education student transported, while Laidlaw's costs to transport Portland students is more than double the closest agencies costs. PPS' costs appear to be somewhat higher than Salem's but slightly below those in Eugene. To correct for geographical size, KPMG again compared the cost per mile for special education transportation. The results of this analysis are provided in Exhibit VIII-22.



Exhibit VIII-22: Benchmarking Comparison of Special Education Transportation Costs per Mile



Source: PPS Student Transportation documents and KPMG Benchmarking Survey, June 1998.

Exhibit VIII-22 shows PPS' special education transportation costs to be somewhat above those of the other jurisdictions but substantially less than Laidlaw's. These five exhibits above all show Laidlaw's costs to transport students from home-to-school to be substantially higher than both Portland Schools and the other Oregon districts surveyed.

In addition to the use of regular buses, PPS makes use of taxicabs for home to school transport. The use of taxicabs has increased extensively over the last four years. Since 1994/95 the number of students transported via taxi has increased from 82 to 230, or 177%. To match this increase in ridership, the payments made to taxi companies have risen from \$400,000 to \$855,000 over the same period. In total, it costs over \$3,700 per student per year to transport students on taxicabs. PPS staff indicated that taxicabs are used to transport special education students who are difficult to control.

On the other extreme, the use of Tri-Met, the local public transportation provider, can transport students at a cost of only \$245 per student.

Given the large discrepancies between PPS and Laidlaw shown above, it appears that PPS may be spending more than is necessary for outsourced home-to-school transportation. Further, the benchmarking comparison indicates that there may be opportunities for PPS to reduce its special education transportation costs.

The lack of a detailed financial system, inadequate tracking of the Laidlaw contract, and a failure to compare costs annually may have resulted in these higher per student costs.

PPS indicates that the higher Laidlaw costs are driven in part by the need to purchase new propane powered buses for the contract. Since no manufacturer makes a propane bus, a gasoline bus is purchased and converted to propane, at a higher cost than diesel buses. This capital purchase is included in the rates charged to PPS. Also, Laidlaw was the only provider who proposed to provide both general transportation and special education transportation.



Bringing PPS transportation costs in line with peers would result in savings of between \$1.5 to \$3.0 million annually (depending on the added depreciation costs resulting from newer vehicles) to use Laidlaw's services.

Recommendation VIII-37.1:

Conduct a cost benefit analysis in conjunction with the current costing analysis that PPS produces to determine the savings associated with transferring transportation responsibilities to an alternative contractor. The study should consider the costs for additional staff and increased storage facilities when comparing the potential for PPS to perform all transportation in-house to current Laidlaw costs. This will allow PPS to determine which providers are able to perform the service for the cheapest cost. The implementation of this recommendation could result in savings of \$1.5 to \$3.0 million annually.

Recommendation VIII-37.2:

Explore restructuring the provision of transportation service and consider the potential to maintain title to the Laidlaw buses. If PPS holds title to the buses it has paid for in contract rates, these could be converted to internal use or use by another provider.



SCHOOL POLICE OPERATIONS

BACKGROUND

In 1954, the Portland Public School District created the school police program. This program responds to calls for service that occur at school facilities or other PPS property, supervises the drivers' education program and the Family and Children's Services program, and monitors the school safety patrol.

By the 1997/98 school year, the school police function was staffed with a total of 28.8 FTEs, including 20 sworn officers and had a budget of \$1.7 million, plus \$200,000 for drivers' education. According to the 1998/99 budget, one staff position will be eliminated in the coming year. Finally, the program, which maintains its own fleet of police vehicles, plans to replace three vehicles in the 1998/99 budget-year.

ACCOMPLISHMENTS

- School Police operations are patterned after the City of Portland, which provides access to computer systems and dispatch support. Additionally, school police vehicles are equipped similarly to the City of Portland Police vehicles, and officers are trained through the City's academy.
- School Police management of driver's education has curtailed shortfalls in the program
- School Police obtained a grant to fund a position from the State Department of Family and Children's Services to work with child development specialists in the schools

FINDINGS AND RECOMMENDATIONS:

Finding VIII-38:	Operating an independent School Police function requires a core management and support infrastructure that contributes to the overall costs for this essential function. Management and support infrastructure include:
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The police function has a management oversight structure including a Chief, Lieutenant, three Sergeants, 15 officers, one full-time identification technician who takes and processes fingerprint cards for PPS employees, and four dispatch/support positions.

Many of these positions would not be necessary if the school police were part of the Portland Police. If PPS' police function were consolidated with the Portland Police, the Chief, Lieutenant, and three support staff could be eliminated, resulting in an annual savings of roughly \$238,000 annually (assuming a benefits percentage of 20%, and salaries of \$63,000 for the Chief, \$45,000 for the Lieutenant, and \$30,000 for the office support staff).



Recommendation VIII-38.1:

Examine what school police services and support functions may be assumed by and/or consolidated with the City of Portland Police. The transfer or consolidation of duties with the City of Portland, could result an annual salary and benefits savings of \$238,000. Further, PPS should consider service level requirements desired by PPS to sustain an effective school police function, and develop language to ensure the provision of this level of coverage.

Recommendation VIII-38.2:

Develop an agreement with City of Portland to provide school police functions, specifying level of service required and ensuring dedicated school police patrol support. Such an action could potentially reduce costs to PPS and the taxpayers.



ATHLETICS PROGRAM

BACKGROUND:

PPS' Athletics program is responsible for managing the high school athletics program in the District. This includes ensuring student compliance with athletic program requirements, overseeing the scheduling of events among PPS facilities, and arranging the necessary transportation for students and teams to events. In addition, Athletics oversees all permit requests for PPS athletic facilities to ensure there are no conflicts with scheduled athletic programs, and purchases the necessary safety equipment for all PPS sports (other non-safety equipment and uniforms are purchased by the individual school sites).

Athletics, which is one of several units in the School Support division, had a General Fund budget of \$1.53 million in 1997 and a total budget of \$2.45 million. A number of changes have occurred in the program during the past few years. First, the recent implementation of the staggered school schedule adversely affected athletic transportation costs, increasing costs by roughly 35%. Second, the Department recently revised its academic eligibility requirements. This revision places students with a low GPA on probation for one semester instead of disqualifying them immediately. Interestingly, Portland Interscholastic League (PIL) students possess a 2.92 cumulative GPA; non-PIL students possess a cumulative 2.18 GPA. Third, athletic participation rates have declined steadily for the past five years. Depending on the athletic season, participation has fallen 10-20% since the 1992/93 school year.

Finally, each student who participates in PPS athletics is required to pay a \$60-\$75 fee per season. In 1996/97, athletic fees totaled \$265,000. A waiver does exist for students in free/reduced lunch programs. In '96-'97, 836 students, approximately 10% of all athletic participants, were eligible for full waivers.

ACCOMPLISHMENTS:

- The Athletics Program has produced a comprehensive policy and practices manual, describing the program offerings and regulations.
- Efficient procurement and warehousing of athletic equipment for high schools.
- Efficient integration of game scheduling with transportation timetables.
- The Athletics program uses the consolidated facility scheduling computer system for scheduling athletic events.
- Annually academic status checks are conducted to ensure the eligibility of all athletes in organized sports.

FINDINGS AND RECOMMENDATIONS:

Finding VIII-39:	The Athletics Department does not consistently solicit grant funding nor establish partnerships with professional/collegiate sports organizations.
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The Athletic Department has not successfully leveraged its position in the community to attract additional revenue sources. The Department has largely been unable to forge lucrative partnerships with local professional sports teams or private enterprises. Neither has the Athletic Department been able to consistently solicit grants to improve the quality and diversity of athletic offerings to students.

- Regional teams and corporate sponsors have formerly supported PPS with cash and in-kind donations.
- PPS board policy prohibits paid advertising in and around school athletic functions.

Exhibit VIII-23 shows the relatively small amount of external donations that the Athletic Department successfully solicited.

Exhibit VIII-23: Total 1997 Athletic Budget

Source	Revenue
Income (gate receipts, participation fees)	\$374,000
General Fund	\$1,530,000
Grants/Donations (earmarked for golf, swimming, tennis)	\$158,000
Grants/Donations (PPS solicitation)	\$370,000
Grants/Donations (Athletic Department solicitation)	\$10,000
Total	\$2,442,000

Source: Portland Public Schools 1997 Budget

A school athletic department should take advantage of local support for athletics in order to attract financial support for its operations. A school district should attempt to establish sound and remunerative relationships with local professional sports franchises.

A major reason for low fundraising numbers can be directly traced to a PPS policy that prohibits corporate advertising in school-operated facilities. Also, all schools assume a large fundraising function for their respective athletic teams--siphoning potential funds from Athletic Department coffers.

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| Recommendation VIII-39.1: | Examine PPS policy against advertising. If it were possible to allow local or national companies to advertise at PPS athletic functions, PPS could earn additional revenues. |
| Recommendation VIII-39.2: | Establish quarterly/yearly goals for Athletic Department fundraising. By setting goals for fundraising, PPS staff will become more aware of the importance of fundraising for PPS athletic events. |
| Recommendation VIII-39.3: | Develop an aggressive plan to seek funding sources. |



Recommendation VIII-39.4:

Establish a strategy to form ongoing coalitions with local soccer, baseball, and basketball organizations. Cooperation with local organizations, both public and professional leagues, could help reduce costs and improve the services provided to participants.

Finding VIII-40: The lack of a middle school program further contributes to declining participation rates.

Although PPS has recently revised and standardized its academic eligibility requirement, the policy does not take seriously enough the consequences of substandard academic performance for student athletes. Also, the possibility remains that remedial/tutorial efforts directed towards probationary students may be inconsistently applied across PPS. At the time of passage, PPS had established no strategic way to ensure compliance, uniformity, or funding source for the new policy.

In May, the Board passed a resolution to strengthen and standardize their academic eligibility requirements for all student-athletes. The previous guidelines required students to have passed five grades in order to participate. The revised policy stipulates that a student must have at least a 2.0 GPA with no "F"s, or at least a 2.5 GPA with one "F." If the student fails to make the grade, he or she is put on academic probation for the following 9-week period. The student is still able to participate in athletics during the probationary period, during which the student must attend tutoring classes intended to assist the student pull grades up to the required standard. If the student then fails to meet the requirements during the probationary period, the student becomes ineligible for the next athletic season.

An effective academic requirement for athletic participation necessitates immediate consequences for low student achievement. Many states deny students the "right" to participate in athletics based upon an "F" in one class, regardless of GPA maintained during a particular grading period. In an increasing climate of academic accountability, many districts are maintaining a harder line on students themselves to achieve set standards.

As a result of both a "pay-to-play" policy and a limited athletic program, i.e. exclusively high schools, athletic participation has been declining steadily for the past five years. The fee mandate, coupled with the lack of a middle school athletic function, have combined to diminish enthusiasm for athletic participation.

Many athletic offerings suffered as a result of pay-to-play, as many underclass programs discontinued. As a whole, it appears that PPS is discouraging, rather than encouraging, athletic participation.

Currently, the Athletic Department requires each student to submit a \$60/\$75 (underclassmen/upperclassmen) fee for each sport for which the student participates. A waiver exists for students covered free/reduced lunch programs. The Athletic program collected \$265 K (15% of total Athletic General Fund budget) during the '96-'97 school year from such fees. 836 student-athletes received a full waiver from participation fees, which constitutes approximately 10% of all athletic participants.



Also, the Athletic Department only directs high school activities. Currently, there are no organized programs for elementary or middle schools. Portland is an exception in Oregon in that there is no middle school program.

School Athletics often serves as a mitigating factor for negative peer influences in a child's academic, social, and psychological development. It has been widely shown that high participation rates correlate with a better school environment for districts as a whole. Declining participation rates in PPS threaten the overall academic experience of students. For example, PIL students possess a cumulative 2.92 GPA, while non-athletes possess a 2.18 GPA.

PPS Athletic Manual concurs with this general idea, stating that athletics is a key component to student achievement and personal well-being:

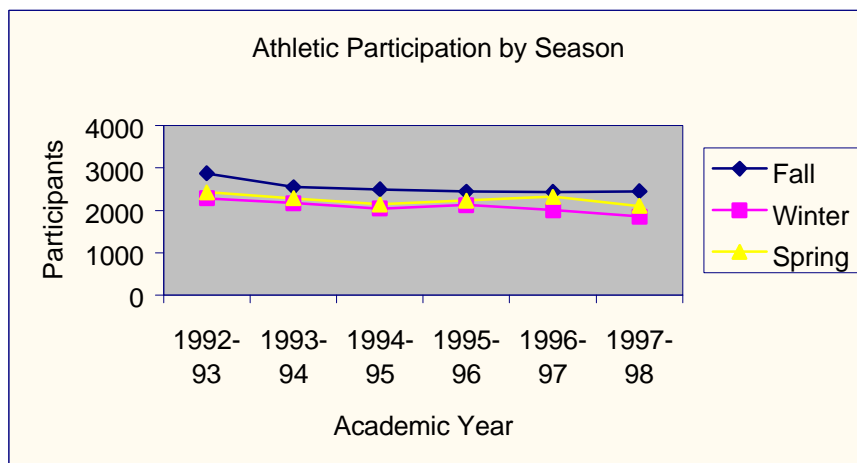
Athletics provide the means by which students in our secondary schools may gain valuable experience that contributes toward better physical growth and development, healthful habits of living and proper standards of conduct, citizenship traits and social behavior.

They afford many opportunities for exercising such desirable social and individual traits as cleanliness, alertness, happiness, courage, reliability, perseverance, leadership, following, cooperation, unselfishness, self-control, tolerance, loyalty, fair play and good sportmanship.

As for the lack of a middle school program, inadequate facilities and funding prohibit the implementation of such a program. Also, the Portland Parks & Recreation Department offers viable alternatives to athletically-inclined young adults.

Exhibit VIII-24 shows the declining participation rates since 1992-93. Overall turnout for PPS Athletic programs has decreased 16% since 1992-93.

Exhibit VIII-24: Yearly Athletic Participation Rates by Season



Source: PPS Athletic Department, 1998



KPMG estimates suggest that by restoring athletic participation to 1993-94 levels, PPS could realize an increase of \$130,000 to \$180,000 in athletic participation fees.

- Recommendation VIII-40.1:** **Conduct preliminary research into the cost-benefits of beginning a district-run middle school athletic program.** Prior to initiating a middle school program, PPS should determine whether participation fees will offset the increased costs to the program.
- Recommendation VIII-40.2:** **Initiate an aggressive campaign to recruit more freshmen and sophomores to athletic program.**
- Recommendation VIII-40.3:** **Evaluate the effectiveness of the new academic requirement policy on an ongoing basis.** Coaches, site councils, and students should be included in the evaluation to gauge the program's utility.
- Recommendation VIII-40.4:** **Ensure successful compliance with the revised academic requirement policy by increasing the oversight of teachers, coaches, and probationary and/or ineligible students.** School sites should be checked regularly to ensure compliance with the new policy.
- Recommendation VIII-40.5:** **Carefully monitor student attendance at tutoring sessions.** The use of tutoring sessions by probationary students should be monitored to ensure the students are using the service.
- Recommendation VIII-40.6:** **Explore the possibility of a "no pass, no play" provision which renders any student who fails a class automatically ineligible to participate.** Such a program has been used effectively throughout the country to increase the climate of academic accountability.

The implementation of the above recommendations could result in additional revenues of between \$130,000 and \$180,000 annually.



HUMAN RESOURCES OPERATIONS

BACKGROUND

The Human Resources unit, which includes a total of 28 staff and reports to the Office of General Administration, is divided into two separate programs, personnel administration (recruitment, hiring, salary administration, and certification) and labor relations (labor negotiations, grievances, disciplinary actions).

Personnel administration is responsible for maintaining employee records, coordinating candidate searches, transfers, and promotions, and managing the benefits program. To perform many of the key personnel transactions (hiring, classification changes, transfers, and promotions), the unit uses a Personnel Information Form or PIF. The PIF contains an employee's address, social security number, and job classification. Employee benefits are managed through a Health and Welfare Trust, with consulting provided by Mercer. PPS administrators, along with various union representatives, serve on a board that oversees the trust.

The labor relations unit is responsible for maintaining six collective bargaining agreements with its employee workforce. In June 1998, the contract with the Teachers' Union expired, requiring a new round of collective bargaining. Overall, employee associations or unions represent between 80% to 90% of PPS employees.

ACCOMPLISHMENTS:

- The top 50 PPS administrators are on contracts. SB 880 eliminated seniority for career administrators.
- Applicant tracking is supported with a custom mainframe application.
- Watson Wyatt conducted a recent analysis of PPS' administrative salary structure
- PPS anticipates a reduction in total teacher compensation expenditures due to savings resulting from teacher turnover. Initial estimates place savings at approximately \$1.0 Million.
- A thorough and standardized site administrator selection process is in place.
- Established criteria are relevant to academic and financial challenges of site management.
- \$331 annual investment/employee--low for industry standards.
- Staff have attended a wide variety of workshops and conferences relating to academic personnel management.

FINDINGS AND RECOMMENDATIONS:

Finding VIII-41:	Hispanic-Americans are underrepresented in key academic and administrative areas: principal/assistant principal positions, central office administrators/managers, and classroom teachers.
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Recommendation VIII-41.1:

Explore strategies to recruit, develop, and retain minorities to key academic and administrative



positions. With PPS' student ethnic minority population on the rise, it is imperative to employ a more diverse workforce in highly visible administrative positions.

Finding VIII-42: As a result of the budgetary timetable, staffing schedule becomes compressed, considerably increasing workload pace during the summer months.

According to a Watson Wyatt study, using Saratoga Institute data, PPS spends significantly less on human resources management than other employers do.

Recommendation VIII-42.1: Explore using teachers during summer session to support recruitment, selection, and staff planning processes. An increase in the number of people involved in the recruitment process could increase PPS' ability to attract high quality staff for all positions.

Finding VIII-43: The teacher evaluation manual and procedures are outdated.

Recommendation VIII-43.1: Examine methods to make the teacher evaluation process more meaningful and address key areas of teacher performance and accomplishment. This examination should consider expanding evaluation and counseling processes to include more proactive career and development planning.

Finding VIII-44: Various aspects of the personnel practices (classified hiring and classification and compensation planning) should be formalized and updated.

The informal nature of the classified personnel hiring processes may lead to the perception of inequity. Further, the last update to the classification and compensation schedule was performed by Touche Ross in 1983.

Recommendation VIII-44.1: Explore methods to create structured selection processes that provide for objective and equitable assessment of applicant qualifications. Such a process would help to increase accountability and overall performance for various classified positions.

Recommendation VIII-44.2: Update the classification and compensation schedule. An updated classification and compensation schedule will increase PPS' ability to attract qualified staff.



Finding VIII-45: Training and development programs may be enhanced to develop aspiring principals as well as classified staff.

Recommendation VIII-45.1: Explore the benefit of expanding training to include courses for aspiring principals. This modification would not only help develop staff to fill principal vacancies, but also serve to enhance the quality and experience of first-year site administrators.



IX – IMPLEMENTATION PLAN

This section summarizes the recommendations presented in the prior chapters of the report.

Exhibit IX-1, beginning on the following page, provides an implementation plan to the audit's recommendations. It also identifies the departments responsible for implementing specific recommendations and designates a time frame for implementation of each recommendation.



Exhibit IX-1: Summary of Recommendations and Implementation Approach

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
Section II: Planning Mechanisms			
1	Recommendation II-1.1: Implement a strategic planning hierarchy that establishes a Board level strategic framework, develops operational level tactical plans, and provides for specialized planning needs of PPS.	Board and Superintendent	Medium
2	Recommendation II-1.2: Conduct annual meetings between the Board, Superintendent, and Assistant Superintendents to review and discuss major issues and update strategies and tactical plan activities.	Board and Superintendent	Medium
3	Recommendation II-1.3: Ensure appropriate stakeholder participation in the strategic planning process.	Board and Superintendent	Short
4	Recommendation II-1.4: Report on plan achievements.	Office of the Superintendent	Short
5	Recommendation II-2.1: Develop a new tactical level strategic plan for PPS operations that is consistent with the recommended planning process.	Board and Superintendent	Medium
6	Recommendation II-3.1: Develop School Improvement Plans that are consistent with PPS' strategic direction.	Assistant Superintendent, Academic Standards & Reform	Medium
7	Recommendation II-4.1: PIO should work in concert with the Board of Education, its newly appointed communication committee, and the Superintendent to develop a communication plan.	PIO and Superintendent	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
8	Recommendation II-4.2: Develop materials to communicate the mission, capabilities, and accomplishments of PPS.	PIO	Short
9	Recommendation II-4.3: Develop a systematic plan and technology for internal communication, including methods for transmitting information.	PIO	Medium
10	Recommendation II-5.1: PPS should develop a financial plan that is consistent with its new strategic plan.	Finance and Superintendent	Medium
11	Recommendation II-5.2: Establish measurable goals and objectives that are linked to budget decisions.	Board and Superintendent	Short
12	Recommendation II-6.1: PPS should pursue an information technology strategic planning process that involves key users and managers.	Superintendent and Assistant Superintendents	Medium
13	Recommendation II-6.2: The information technology strategic plan should be based on the overall direction and priorities of PPS as stated in its own district-wide strategic plan.	Superintendent and Assistant Superintendents	Medium
14	Recommendation II-7.1: PPS should improve its enrollment forecasting approach.	Enrollment Services	Short
15	Recommendation II-8.1: Conduct additional training to ensure that PPS managers and key staff, specifically budget personnel, develop a better understanding of the State's funding formula.	Enrollment Services	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
16	Recommendation II-9.1: PPS should advocate to the State Department of Education and the Legislature to adopt an altered funding formula that considers cost of living differentials.	Budget and Enrollment Services	Medium
17	Recommendation II-10.1: PPS should transfer the tracking of Residential Contingency Students to the school level where interaction with the students occurs on a day-to-day basis.	Enrollment Services	Short
18	Recommendation II-11.1: PPS should add a staff member within Enrollment Services to aggressively seek out and attract additional students.	Enrollment Services	Short
19	Recommendation II-12.1: PPS should address the costs of operating excess facility capacity and explore options for either funding these operations or cutting costs, potentially through the closure of schools or multiple use consolidation of facilities.	Board and Superintendent	Long
Section III: School Oversight, Accountability, and Administration			
20	Recommendation III-1.1: Roles and responsibilities should be clarified to emphasize the policy making role of the Board of Education, the executive role of the Superintendent, and the administrative role of management.	Board and Superintendent	Short
21	Recommendation III-1.2: Clarify policies and procedures to establish protocols for Board and Superintendent interactions, and governance and oversight responsibilities.	Board and Superintendent	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
22	Recommendation III-1.3: The Board should develop performance measures for its adopted goals and communicate its achievement of these goals.	Board	Short
23	Recommendation III-2.1: PPS should formalize the Board of Education orientation process.	Board	Medium
24	Recommendation III-2.2: Institute a program to have incumbent Board members provide newly elected members an overview of major issues from prior years.	Board	Short
25	Recommendation III-3.1: Establish the policy advisory role of Board committees.	Board	Short
26	Recommendation III-3.2: Adopt a limited number of standing committees to the Board, such as Curriculum and Instruction, Personnel and Communication, Finance, Operations, Audit, and Legislative Relations.	Board	Short
27	Recommendation III-4.1: Add an analyst position to Board staff to assist Board in making, tracking, and analyzing information requests at a cost of approximately \$42,000 plus benefits.	Board	Short
28	Recommendation III-5.1: Add one analyst position to the PIO to provide staff resources necessary to carry out the newly revised roles and responsibilities of the PIO.	PIO	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
29	Recommendation III-6.1: In conjunction with the Superintendent, clearly document the roles and responsibilities and evaluate the performance of the Public Information Office.	PIO	Short
30	Recommendation III-7.1: Create protocol/procedures for Board information delivery to public.	Board and PIO	Short
31	Recommendation III-7.2: Create detailed procedures for making information requests of managers and school staff, involving PIO in this process.	PIO	Short
32	Recommendation III-8.1: Continue with efforts to centralize all legal service, including Risk Management legal activities, to the Legal Unit.	Legal Unit	Medium
33	Recommendation III-9.1: Hire a full-time general counsel for PPS.	Legal Unit	Short
34	Recommendation III-9.2: Hire a full-time paralegal.	Legal Unit	Short
35	Recommendation III-10.1: The Legal Unit, Budget Unit and PIO should work together to establish and communicate electronic versions of PPS Policies and Regulations.	Board and PIO	Short
36	Recommendation III-10.2: PPS should establish methods for communicating regulation and policy changes via enterprise electronic mail or other appropriate media.	Board and PIO	Medium



Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
Section IV: Organization and Management Analysis			
37	Recommendation IV-1.1: Eliminate the Assistant to the Superintendent position.	Board	Short
38	Recommendation IV-1.2: Distinguish the roles and responsibilities of the Academic Assistant Superintendents.	Superintendent	Short
39	Recommendation IV-1.3: Consolidate technology responsibilities under an Assistant Superintendent of Information Technology.	Superintendent	Medium
40	Recommendation IV-1.4: Organize functions under a new divisional configuration by adding a Human Resources Assistant Superintendent to the organization.	Superintendent	Medium
41	Recommendation IV-2.1: Re-examine narrow reporting relationships for the opportunity to consolidate functions and programs.	Superintendent	Medium
42	Recommendation IV-2.2: Implement procedures to regularly analyze span of control and narrow reporting relationships to leverage management resources.	Superintendent	Short
43	Recommendation IV-2.3: Continue to explore the number of and use of lead worker positions to ensure the appropriate management span of control over the Physical Plant operations.	Assistant Superintendent, School and Business Performance	Medium



Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
Section V: Information Technology			
44	Recommendation V-1.1: Continue with plans to replace aging systems.	Assistant Superintendent, Information Technology	Long
45	Recommendation V-1.2: In implementing new systems PPS should design its practices and processes around the capabilities of the system, rather than excessively customizing off-the-shelf software.	Assistant Superintendent, Information Technology	Long
46	Recommendation V-1.3: Develop a strategy to convert information from existing systems to new applications.	Assistant Superintendent, Information Technology	Medium
47	Recommendation V-2.1: PPS should continue its plan to utilize project management systems and methodologies to support its major System Replacement Project effort.	Assistant Superintendent, Information Technology	Long
48	Recommendation V.2.2: Information Services staff should adopt its systems development, operations, and project management methodologies and standards, and train its managers and key staff members on the application and utilization of these methodologies.	Information Services	Medium
49	Recommendation V-2.3: Information Services should reexamine its organizational structure and allocate resources to critical oversight and support functions.	Information Services	Short



Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
50	Recommendation V-3.1: Consider establishing technology coordinators to provide the necessary assistance to schools.	Assistant Superintendent, Information Technology	Medium
51	Recommendation V-4.1: PPS should continue its efforts to team with industry in technology development initiatives.	Assistant Superintendent, Information Technology	Long
52	Recommendation V-4.2: PPS should continue its current relationships and explore options with other governmental agencies to share or partner in technology investments, training or technical support.	Assistant Superintendent, Information Technology	Medium
53	Recommendation V-5.1: Continue with the System Replacement Project and select appropriate state-of-the-art accounting software.	Assistant Superintendent, Information Technology	Medium
54	Recommendation V-6.1: Update PPS financial systems to allow for on-line availability of information for departments in need of financial data and information.	Assistant Superintendent, Information Technology	Medium
55	Recommendation V-7.1: In conjunction with PPS efforts to explore new financial systems, PPS should also consider interface requirements to an integrated payroll/personnel system.	Assistant Superintendent, Information Technology	Medium
56	Recommendation V-8.1: Implement a new integrated on-line purchasing system as a part of a larger system replacement of PPS' finance and accounting systems.	Assistant Superintendent, Information Technology	Medium



Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
57	Recommendation V-9.1: Implement a financial management and payroll/personnel systems that allow for the accurate tracking of current position control.	Assistant Superintendent, Information Technology	Medium
58	Recommendation V-10.1: Implement a new accounts payable system and modify the process flows.	Assistant Superintendent, Information Technology	Medium
59	Recommendation V-11.1: PPS needs to implement an automated grants accounting and management system.	Assistant Superintendent, Information Technology	Medium
60	Recommendation V-12.1: Implement an integrated risk management system.	Assistant Superintendent, Information Technology	Medium
61	Recommendation V-13.1: The Nutrition Services Department should continue to consider a nutrition management system that integrates with the financial management system, such as School Nutrition Accountability Program (SNAP) or an alternative system.	Assistant Superintendent, Information Technology	Medium
62	Recommendation V-14.1: Install point-of-sale systems at all food services locations in the schools.	Assistant Superintendent, Information Technology and Nutrition Services	Medium



Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
63	Recommendation V-15.1: Physical Plant should continue the procurement process and select a new facility management information system to be integrated with the soon-to-be-implemented financial system.	Assistant Superintendent, Information Technology and Physical Plant	Medium
64	Recommendation V-16.1: Transportation Services should continue the implementation of updated systems to improve efficiency and allow for compatibility with the new financial system.	Assistant Superintendent, Information Technology and Transportation	Medium
Section VI: FINANCIAL OPERATIONS			
65	Recommendation VI-1.1: Ensure that PPS adheres to a plan that will increase unreserved/undesignated fund balance.	Board	Medium
66	Recommendation VI-2.1: The PPS Board should ensure its budgeted expenditures do not exceed available revenues.	Board	Short
67	Recommendation VI-2.2: The PPS Board should establish a 3 to 5 year budget planning horizon to examine the impacts of changing financial, operational and funding conditions on district-wide and individual program budgets.	Board	Medium
68	Recommendation VI-2.3: The Board should develop short and long-term strategies for addressing declining revenues.	Board	Short



Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
69	Recommendation VI-2.4: PPS should establish and pursue appropriate advocacy to inform the legislature and public officials on the funding needs of PPS.	Board and Superintendent	Short
70	Recommendation VI-3.1: Consider alternative means to increase community participation in the budget process.	Board	Short
71	Recommendation VI-3.2: Improve the budget document as a communication device.	Board	Short
72	Recommendation VI-4.1: Improve the level of oversight and accountability over PPS' established budget.	Board	Short
73	Recommendation VI-4.2: PPS should consider linking financial accountability to performance evaluations for administrators and central service operations and provide for regular briefing to the Board on budget status.	Board	Short
74	Recommendation VI-5.1: Consider reassigning certain duties within the Finance Department to improve financial management and oversight capacity.	Superintendent and Finance	Short
75	Recommendation VI-5.2: Perform timely bank reconciliations on a monthly basis.	Finance	Short
76	Recommendation VI-5.3: Implement a process that requires the Controller or other qualified employee to initiate the investment transactions utilizing a confidential code system.	Finance	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
77	Recommendation VI-5.4: Implement a system to monitor bank fees and interest earned on its various cash and investment accounts.	Finance	Short
78	Recommendation VI-5.5: Conduct training on accounting basics for accounting staff.	Finance	Short
79	Recommendation VI-6.1: Implement a policy whereby all fixed assets must be tagged and recorded on the fixed assets system prior to being assigned and delivered to the schools and PPS offices.	Finance	Short
80	Recommendation VI-6.2: Consider obtaining bar-coded tagging equipment that will integrate with the selected financial management information system to support fixed asset accounting.	Finance	Medium
81	Recommendation VI-7.1: Establish internal audit function and related long-term audit plans to test various aspects of PPS administration compliance and operations.	Finance	Short
82	Recommendation VI-8.1: Enforce PPS policy regarding time sheet submission deadlines.	Payroll	Short
83	Recommendation VI-9.1: Ensure proper hiring policies and procedures are followed.	Payroll	Short
84	Recommendation VI-10.1: Implement employment disclosure requirements for substitute and part-time employees.	Payroll	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
85	Recommendation VI-11.1: PPS should explore strategies to reduce its overall benefits burden through the introduction of cafeteria benefit plans or other flexible benefits approaches.	Payroll	Medium
86	Recommendation VI-12.1: Implement a policy requiring current and future cardholders to use procurement cards whenever possible.	Purchasing	Medium
87	Recommendation VI-13.1: Drastically reduce the inventory in the Warehouse. PPS should determine the optimal amount of inventory needed to enable a more effective and efficient operation of the warehouse department.	Warehouse	Short
88	Recommendation VI-13.2: Implement a just-in-time inventory methodology wherever practical.	Warehouse	Medium
89	Recommendation VI-13.3: Reconsider the need for constructing additional storage space across from the BESC.	Warehouse	Medium
90	Recommendation VI-14.1: Implement a return (credit) policy for returned inventory from schools.	Warehouse	Short
91	Recommendation VI-15.1: PPS should consolidate off site storage and make it available for use by the school sites.	Warehouse	Short
92	Recommendation VI-16.1: Enhance the efficiency of purchasing staff utilization.	Purchasing	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
93	Recommendation VI-17.1: Self-insurance reserve level must be rebuilt to adequate levels.	Risk Management	Medium
94	Recommendation VI-17.2: Assess the adequacy of current excess coverage limits.	Risk Management	Short
95	Recommendation VI-18.1: Develop a system for recording an estimated liability for all claims throughout the year.	Risk Management	Short
96	Recommendation VI-19.1: PPS should consider outsourcing the workers' compensation claims administration.	Risk Management	Short
97	Recommendation VI-20.1: Develop a system for recording an estimated liability for all claims throughout the year.	Risk Management	Short
98	Recommendation VI-21.1: Consider adequacy of staffing levels for the Environmental Health and Safety Division.	Risk Management	Short
99	Recommendation VI-21.2: Increase responsibility of Working School Safety Committees.	Risk Management	Short
100	Recommendation VI-22.1: Maximize the volume of impressions produced in-house.	Publication Services	Short
101	Recommendation VI-23.1: Dispose of obsolete equipment as soon as possible to maximize the amount of proceeds that may be obtained.	Word Processing	Short
102	Recommendation VI-24.1: Consider further staff reductions in the former Word Processing department.	Finance	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
103	Recommendation VI-25.1: PPS should perform an analysis to determine the possibilities of either outsourcing records management archiving activities or acquiring a facility to store and manage PPS' records.	Finance	Short
Section VII: Academic Standards and Reform			
104	Recommendation VII-1.1: Develop an accountability system that clearly defines Board, executive, and management and DOSA responsibilities throughout PPS for attaining student achievement goals.	Board and Superintendent	Short
105	Recommendation VII-1.2: Clearly define management level accountability to track program accomplishments and student performance.	Assistant Superintendent, Academic Accountability	Short
106	Recommendation VII-2.1: Explore options to develop a matrix organization structure that meets both the grade level and feeder system needs.	Assistant Superintendent, Academic Accountability	Medium
107	Recommendation VII-2.2: Consider setting up regular meetings for feeder schools and grade levels to address common community concerns and to facilitate Pre K-12 curriculum awareness.	Assistant Superintendent, Academic Accountability	Short
108	Recommendation VII-2.3: PPS should also consider expanding the use of matrix organization and management techniques to other major school activities.	Assistant Superintendent, Academic Accountability	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
109	Recommendation VII-3-1: Consider establishing a Hearing and Appeals Group to deal exclusively with disciplinary issues.	Assistant Superintendent, Academic Accountability	Short
110	Recommendation VII-3-2: Reevaluate/define DOSAs roles more clearly.	Assistant Superintendent, Academic Accountability	Short
111	Recommendation VII-4.1: Formulate an instructional strategic plan that is consistent with PPS' Strategic direction and plan and provides a framework for school improvement planning processes.	Superintendent and Assistant Superintendent, Academic Standards and Reform	Short
112	Recommendation VII-4.2: Develop working groups to incorporate Educational Media/Instructional Technology (mass communication) departments into staff development, classroom instruction, and community outreach activities.	Assistant Superintendent, Academic Standards and Reform	Short
113	Recommendation VII-4.3: Develop an "academic" loop communication network that keeps administrators informed of the various projects underway in other departments.	Assistant Superintendents(Academic Standards and Reform and Academic Accountability)	Short
114	Recommendation VII-5.1: Prepare a master schedule and timeline for the planning, development, implementation, and evaluation of K-12 Curriculum Frameworks.	Assistant Superintendent, Academic Standards and Reform and Curriculum & Instruction	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
115	Recommendation VII-5.2: Create curriculum cabinets in each building to oversee a more grassroots approach to curriculum development and provide teachers with the opportunity to develop curriculum specialties.	Assistant Superintendent, Academic Standards and Reform and Curriculum & Instruction	Short
116	Recommendation VII-5.3: Continue the Curriculum Design Team efforts at the district level.	Assistant Superintendent, Academic Standards and Reform and Curriculum & Instruction	Short
117	Recommendation VII-5.4: Continue the curriculum mapping process that was initiated at the high school level.	Curriculum and Instruction	Short
118	Recommendation VII-5.5: Develop a strategy to implement these initiatives with existing resources where reasonable (by cross utilizing teachers), and seek additional funding for both grass-root and district design team curriculum development.	Assistant Superintendent, Academic Standards and Reform and Curriculum and Instruction	Medium
119	Recommendation VII-6.1: Train all appropriate language arts teachers in the research based early reading strategies to ensure that all students have the benefit of this teacher expertise.	Assistant Superintendent, Academic Standards and Reform	Medium
120	Recommendation VII-6.2: PPS should expand the literacy project as a Pre K-12 initiative (Pre K-3, 4-8, 9-12) and develop a comprehensive implementation and training plan to ensure that quality and continuity in literacy programs is maintained across all levels.	Assistant Superintendent, Academic Standards and Reform	Medium

Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
121	Recommendation VII-7.1: Continue to conduct the High School and Middle School Studies.	Assistant Superintendent, Academic Standards and Reform	Short
122	Recommendation VII-7.2: Develop and adopt specific recommendations to ensure continuity and equitable access for all students.	Assistant Superintendent, Academic Standards and Reform	Medium
123	Recommendation VII-8.1: Explore the possibility of shifting to a fall testing cycle in order to better integrate student achievement data into School Improvement Plans and to provide a midyear checkpoint for student assessment.	Assistant Superintendent, Academic Standards and Reform and Research, Evaluation, and Assessment	Medium
124	Recommendation VII-9.1: PPS should explore the possibility of either phasing out PALT administration altogether, or at least reducing its usage to 4th, 6th, and 7th grade levels to alternate with state tests (at 3,5,8).	Assistant Superintendent, Academic Standards and Reform and Research, Evaluation, and Assessment	Medium
125	Recommendation VII-10.1: Depending upon PALT testing frequency, PPS should examine utility of administering a standardized achievement test at the 4th, 6th, and 9th grade levels.	Assistant Superintendent, Academic Standards and Reform and Research, Evaluation, and Assessment	Medium

Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
126	Recommendation VII-10.2: PPS should continue to explore and use methods to link its testing instruments with norm referenced tests in order to provide a benchmark comparison of student performance relative to other districts.	Research, Evaluation, and Assessment	Short
127	Recommendation VII-11.1: PPS should explore reliable methods to track the progress of students entering the Pre-K system.	Research, Evaluation, and Assessment	Short
128	Recommendation VII-11.2: Develop a comprehensive system integrating state benchmarks and curriculum goals.	Assistant Superintendent, Academic Standards and Reform	Short
129	Recommendation VII-11.3: PPS should leverage its PALT and other assessment data and expand it to examine performance at other grade levels to develop a comprehensive longitudinal analysis capability.	Research, Evaluation, and Assessment	Medium
130	Recommendation VII-11.4: Explore methods to use existing testing instruments to examine the effectiveness of specific curriculum initiatives and instructional approaches.	Research, Evaluation, and Assessment	Short
131	Recommendation VII-11.5: Explore strategies for testing and tracking PPS graduates and students who prematurely exit from the system.	Research, Evaluation, and Assessment	Short
132	Recommendation VII-11.6: Develop strategies to ensure the utility and input to the post-secondary database to track student achievements in higher education and high school graduate success in college/university endeavors.	Research, Evaluation, and Assessment	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
133	Recommendation VII-11.7: In concert with K-3 literacy initiative, identify a developmentally appropriate reading test for all second grade students in the spring.	Assistant Superintendent, Academic Standards and Reform and Research, Evaluation, and Assessment	Medium
134	Recommendation VII-12.1: Continue and expand relationship with Curriculum & Instructional Support personnel, as well as Educational Media for more advanced collaboration.	Research, Evaluation, and Assessment	Short
135	Recommendation VII-13.1: Reevaluate site-based decision-making with regard to library funding.	Assistant Superintendent, Academic Standards and Reform	Short
136	Recommendation VII-14.1: Continue and expand course offerings to focus more on middle and advanced users.	Assistant Superintendent, Academic Standards and Reform and Library and Instructional Technology	Medium
137	Recommendation VII-14.2: Continue to aggressively pursue outside sources of funding for technology projects and staffing if necessary.	Assistant Superintendent, Academic Standards and Reform and Library and Instructional Technology	Short



Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
138	Recommendation VII-15.1: Work with the City of Portland Library or local universities to develop a cooperative arrangement. PPS' staff would benefit from these additional professional development opportunities.	Assistant Superintendent, Academic Standards and Reform and Library and Instructional Technology	Medium
139	Recommendation VII-16.1: Make Television Services an integral component of professional development plan, curriculum efforts, internal/external communication strategy network, any information technology blueprint, and PPS strategic direction.	Assistant Superintendent, Academic Standards and Reform	Short
140	Recommendation VII-16.2: PPS should explore possibilities for various modes of internal communication that take full advantage of Television Services infrastructure.	Assistant Superintendent, Academic Standards and Reform	Short
141	Recommendation VII-17.1: Develop a plan to aggressively identify, track, and enroll minority students in TAG.	Talented and Gifted	Short
142	Recommendation VII-17.2: Conduct informational workshops for parents in underrepresented groups and expand outreach efforts to increase enrollment in TAG by under-represented groups.	Talented and Gifted	Short
143	Recommendation VII-18.1: Institute a centralized approach to the TAG program, with the Administrator having primary responsibility for managing the program.	Talented and Gifted	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
144	Recommendation VII-18.2: The TAG Administrator, Directors of Student Achievement, teachers and parents should form a committee to develop a long-term strategic plan for the program, including specific roles and responsibilities of various stakeholders.	Talented and Gifted	Short
145	Recommendation VII-19.1: Budgeting and expenditure control for special education functions should be maintained and consistently updated in the special education department.	Assistant Superintendent, Academic Accountability	Medium
146	Recommendation VII-20.1: Restructure programs and staff responsibilities to focus some staff on overall special programs and others on program administration.	DOSA, Special Education	Short
147	Recommendation VII-21.1: PPS should consider reviewing its eligibility criteria and evaluation procedures in the disability categories of mental retardation, emotional disturbance, and speech and language disabilities.	DOSA, Special Education	Short
148	Recommendation VII-21.2: PPS should seek additional funding from the State Legislature to pay for the disproportionately high level of special education services it must provide.	Assistant Superintendent, Academic Accountability	Short
149	Recommendation VII-22.1: Review current Student Learning Centers' program delivery model.	DOSA, Special Education	Short
150	Recommendation VII-22.2: Improve efforts to efficiently utilize resources to meet the demands of the increased number of students in the special education program.	DOSA, Special Education	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
151	Recommendation VII-23.1: PPS should develop a recruitment plan to identify and hire staff to meet the increasing demands of the Spanish speaking ESL/Bilingual Education population.	Director, English as a Second Language	Medium
152	Recommendation VII-24.1: ESL/Bilingual program administrators should work with TAG program administrators to develop a plan that aggressively identifies students within the ESL/Bilingual Education program who could potentially be eligible to enroll in the TAG program.	Director, English as a Second Language and Talented & Gifted	Medium
153	Recommendation VII-25.1: Create a standardized tracking tool that requires all 25 in-District AEPs to report enrollment, staffing, and attendance data.	DOSA, Alternative Education	Medium
154	Recommendation VII-26.1: Develop a documented District-wide methodology to evaluate AEPs.	DOSA, Alternative Education	Medium
155	Recommendation VII-27.1: PPS should analyze community based alternative education program data to determine the effectiveness of 23 programs.	DOSA, Alternative Education	Short
156	Recommendation VII-28.1: Develop a plan, in coordination with community groups such as the Hispanic Parent Association, to aggressively keep Latino students enrolled in school.	DOSA, Alternative Education	Medium
157	Recommendation VII-28.2: Utilize ESL/Bilingual Education resources to provide bilingual services to parents and increase community involvement.	DOSA, Alternative Education	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
158	Recommendation VII-29.1: Explore expanded opportunities to provide scholarships to students who cannot afford to attend summer school, such as students in the free or reduced lunch programs.	DOSA, Alternative Education	Medium
159	Recommendation VII-30.1: PPS should develop a comprehensive plan to expand its summer school enrollment.	DOSA, Alternative Education	Medium
160	Recommendation VII-31.1: Conduct a longitudinal study to compare the quality and cost of Head Start program delivery capabilities.	Assistant Superintendent, Academic Standards and Reform	Medium
161	Recommendation VII-31.2: Work with Grants Management to develop applications for additional funding sources to the Head Start program.	Assistant Superintendent, Academic Standards and Reform and Title I/Head Start	Medium
162	Recommendation VII-32.1: Form an independent committee of administrators, teachers, parents, and community agents to develop a five year plan for the Head Start program that is consistent with the overall strategic direction of PPS.	Title I/Head Start	Medium
Section VIII: School and Business Services			
163	Recommendation VIII-1.1: Improve merchandising of Nutrition Services at the middle schools and high schools.	Nutrition Services	Medium
164	Recommendation VIII-2.1: Disallow or strictly limit competitive food sales on school grounds.	Nutrition Services	Medium

Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
165	Recommendation VIII-3.1: PPS should investigate the feasibility of closing campuses at lunch.	Board, Superintendent, and Assistant Superintendent, School and Business Services	Medium
166	Recommendation VIII-4.1: Conduct a thorough assessment of the extent to which there are potential dangers of poor equipment usage.	Nutrition Services	Short
167	Recommendation VIII-5.1: Continue practices to leverage staff productivity.	Nutrition Services	Short
168	Recommendation VIII-6.1: Consider hiring an industrial psychologist to determine the best use of the central kitchen.	Nutrition Services	Medium
169	Recommendation VIII-6.2: Identify potential outside customers to expand the utilization of central kitchen resources.	Nutrition Services	Short
170	Recommendation VIII-7.1: Update Board policy to definitively state the process for renting facilities, establish charging policies and rates that are equitable and consistent, and require all parties to submit filing proper liability waivers.	Board	Short
171	Recommendation VIII-8.1: PPS should begin aggressively advertising the availability of its schools for rental purposes.	Board, Superintendent, PIO, and Civic Use of Buildings	Short
172	Recommendation VIII-9.1: In addition to improving collection procedures so that all custodial charges are consistent, PPS should hire custodial staff to work after hours and weekends to monitor rental usage.	Physical Plant and Civic Use of Buildings	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
173	Recommendation VIII-10.1: PPS should develop methodology and policies to determine the equitable use of PPS facilities by other public agencies and groups.	Board, Superintendent, and Civic Use of Buildings	Medium
174	Recommendation VIII-11.1: PPS should study the true costs to provide services to the renters of its facilities.	Civic Use of Buildings	Short
175	Recommendation VIII-12.1: As part of the new Facility Management Information System, implement policies and practices to increase the use of performance measures.	Physical Plant	Short
176	Recommendation VIII-13.1: PPS needs to reconsider its allocation of resources to ensure that the safety and cleanliness of its facilities are not compromised.	Physical Plant	Short
177	Recommendation VIII-14.1: Until the issue of inadequate financial resources is solved, Physical Plant should prioritize the types of services to be provided by in-house maintenance staff.	Physical Plant	Short
178	Recommendation VIII-15.1: PPS needs to review its allocation of resources to provide additional funding to custodial services so school cleanliness can be improved.	Physical Plant	Short
179	Recommendation VIII-16.1: Reinitiate the training program used in 1989/90.	Physical Plant	Medium
180	Recommendation VIII-17.1: Plant Operations management should begin tracking the time each custodian takes to complete various jobs.	Physical Plant	Short

Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)



#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
181	Recommendation VIII-18.1: Establish procedures and processes that adhere to the PMI's methodology and that will provide for better control and oversight of the Program.	Assistant Superintendent, School and Business	Medium
182	Recommendation VIII-18.2: Establish training to introduce PMI best practices into PPS' management.	Assistant Superintendent, School & Business Service	Medium
183	Recommendation VIII-18.3: Establish Project Management Oversight (PMO) office to provide oversight for all programs and projects within PPS' purview.	Assistant Superintendent, School & Business Service	Medium
184	Recommendation VIII-19.1: A PPS level Program Management Plan should be developed to standardize the management of all aspects of the program.	Superintendent, and Assistant Superintendent, School and Business Service	Medium
185	Recommendation VIII-20.1: Establish a Program Management Office, the charter of which would be to ensure all project management tools and techniques are used uniformly across the Program.	Superintendent and Assistant Superintendent, School and Business Service	Short
186	Recommendations VIII-21.1: If it is in the scope of the Director, Physical Plant's responsibility to sign change orders on behalf of PPS, thereby obligating PPS' funds, then it is necessary to ensure that a proper Delegation of Authority letter be prepared and signed by the Superintendent.	Superintendent	Short



Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
187	Recommendation VIII-21.2: If it is not within the Director, Physical Plant's responsibility to sign change orders on behalf of PPS, then a committee should be established to review all change orders signed to date.	Superintendent,	Short
188	Recommendation VIII-21.3: Freeze further change orders until this issue is resolved.	Board and Superintendent	Short
189	Recommendations VIII-22.1: Establish a Change Control Board to provide the oversight necessary to ensure compliance with PPS policy and State laws.	Board and Superintendent	Short
190	Recommendations VIII-22.2: Review the contracts that exceed the established limits.	Assistant Superintendent, School and Business Service	Short
191	Recommendations VIII-22.3: Review PPS' School Board policy on change orders.	Board and Superintendent	Short
192	Recommendation VIII-23.1: Establish a Change Control Board chartered to provide the oversight needed to monitor and prevent inappropriate change-order "splitting".	Board	Short
193	Recommendation VIII-24.1: As a part of the Program Management Plan it is recommended that individual charters for the following committees be developed to include Executive level participation.	Board and Superintendent	Short



Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
194	Recommendation VIII-24.2: The School Board should assign an Executive Sponsor to focus on providing executive level representation to various meetings.	Board	Short
195	Recommendation VIII-24.3: Establish an Executive Steering Committee composed of the following individuals (see report).	Board and Superintendent	Short
196	Recommendations VIII-25.1: Re-evaluate the CM/GC goal.	Superintendent	Short
197	Recommendations VIII-25.2: Establish an Executive Steering Committee, created as a component of the School Board.	Board	Medium
198	Recommendation VIII-26.1: Define, document and ratify the roles and responsibilities of CBAC to create an advisory body to the School Board.	Board	Medium
199	Recommendation VIII-27.1: Establish a Work Breakdown Structure (WBS) and institute a Limited Notice to Proceed process.	Board	Medium
200	Recommendation VIII-27.2: Proceed with the FMIS system purchase and installation.	Board and Superintendent	Short
201	Recommendation VIII-28.1: Program should be reorganized as illustrated in Exhibit VIII-14.	Board	Medium
202	Recommendation VIII-29.1: The School Board may wish to consider establishing a quality management office.	Board	Medium



Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
203	Recommendation VIII-30.1: A method to provide sound cost management must be developed.	Superintendent	Medium
204	Recommendation VIII-30.2: Map budget expenditures to actual expenditures.	Board	Short
205	Recommendation VIII-30.3: Establish systems to ensure accountability of contingency funds.	Superintendent	Short
206	Recommendation VIII-31.1: PPS should establish reporting expectations for Heery that address the specific concerns cited in this analysis, including: complete description of project scope, content, and Heery versus PPS responsibilities.	Assistant Superintendent, School and Business Service	Short
207	Recommendation VIII-31.2: Written detailed requirements of what is expected in a Final Report must be delineated to the Contractor.	Assistant Superintendent, School and Business Service	Short
208	Recommendation VIII-31.3: It is recommended that the statement, in the sixth paragraph, stating that "...the work was successfully achieved" be considered based on the final agreed upon scope and budget and not in relation to the initial scope of the Facility Improvement Program described projects.	Board	Short
209	Recommendation VIII-32.1: Student Transportation should continue to compare overall maintenance costs to internal PPS costs.	Transportation	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
210	Recommendation VIII-33.1: PPS may continue to consider the use of moveable vehicle lifts in the Transportation Garage.	Transportation	Medium
211	Recommendation VIII-34.1: PPS should implement higher cleaning standards for its buses.	Transportation	Short
212	Recommendation VIII-35.1: Increase the use of field supervisors to monitor the actions of bus drivers and increase supervision of the operations.	Transportation	Medium
213	Recommendation VIII-36.1: PPS should hire a ½ full-time equivalent staff and establish formal procedures for routine inspections of Laidlaw facilities and audits of their time reporting and billings.	Transportation	Short
214	Recommendation VIII-37.1: Conduct a cost benefit analysis in conjunction with the current costing analysis that PPS produces to determine the savings associated with transferring transportation responsibilities to an alternative contractor.	Transportation	Short
215	Recommendation VII-37.2: Explore restructuring the provision of transportation service and consider the potential to maintain title to the Laidlaw buses.	Transportation	Medium
216	Recommendation VIII-38.1: Examine what school police services and support functions to may be assumed by and/or consolidated with the City of Portland Police.	Board, Superintendent, and Chief of Police	Short


Exhibit IX-1: Summary of Recommendations and Implementation Approach (continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
217	Recommendation VIII-38.2: Develop an agreement with City of Portland to provide school police functions, specifying level of service required and ensuring dedicated school police patrol support.	Board, Superintendent, and Chief of Police	Medium
218	Recommendation VIII-39.1: Examine PPS policy against advertising.	Board, Superintendent, and Athletics	Short
219	Recommendation VIII-39.2: Establish quarterly/yearly goals for Athletic Department fundraising.	Athletics	Short
220	Recommendation VIII-39.3: Develop an aggressive plan to seek funding sources.	Athletics	Short
221	Recommendation VIII-39.4: Establish a strategy to form ongoing coalitions with local soccer, baseball, and basketball organizations.	Athletics	Medium
222	Recommendation VIII-40.1: Conduct preliminary research into the cost-benefits of beginning a district-run middle school athletic program.	Athletics	Short
223	Recommendation VIII-40.2: Initiate an aggressive campaign to recruit more freshmen and sophomores to athletic program.	Athletics	Medium
224	Recommendation VIII-40.3: Evaluate the effectiveness of the new academic requirement policy on an ongoing basis.	Athletics and DOSA, High School	Short



Exhibit IX-1: Summary of Recommendations and Implementation Approach (Continued)

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999-
225	Recommendation VIII-40.4: Ensure successful compliance with the revised academic requirement policy by increasing the oversight of teachers, coaches, and probationary and/or ineligible students.	Athletics and DOSA, High School	Short
226	Recommendation VIII-40.5: Carefully monitor student attendance at tutoring sessions.	Athletics and DOSA, High School	Short
227	Recommendation VIII-40.6: Explore possibility of a "no pass, no play" provision which renders any student who fails a class automatically ineligible to participate.	Athletics and DOSA, High School	Short
228	Recommendation VIII-41.1: Explore strategies to recruit, develop, and retain minorities to key academic and administrative positions.	Superintendent and Human Resources	Short
229	Recommendation VIII-42.1: Explore using teachers during summer session to support recruitment, selection, and staff planning processes.	Human Resources	Medium
230	Recommendation VIII-43.1: Examine methods to make the teacher evaluation process more meaningful and address key areas of teacher performance and accomplishment.	Human Resources	Short
231	Recommendation VIII-44.1: Explore methods to create structured selection processes that provide for objective and equitable assessment of applicant qualifications.	Human Resources	Short
232	Recommendation VIII-44.2: Update the classification and compensation schedule.	Human Resources	Short
233	Recommendation VIII-45.1: Explore the benefit of expanding training to include courses for aspiring principals.	Human Resources	Medium



APPENDIX A: SPAN OF CONTROL ANALYSIS METHODOLOGY

KPMG conducted a comprehensive assessment of the management and organizational structure of the Portland Public Schools, applying accepted best practices and management standards. This assessment examined several key aspects of the organization, namely:

- Ratio of Managers to Non-Managers
- Narrow Reporting Relationships
- Layers of Management

METHODOLOGY AND CONSTRAINTS

The organizational analysis was applied using the following:

Methodology

- **Manager to Non-Manager Ratio**—measures the proportion of management to non-management positions by *discrete organizational unit*. This calculation is done on a unit by unit basis. All managers and supervisors are considered “managers” for this calculation. The ratio is calculated by identifying all non-managerial employees in each unit, and dividing them by the total number of managerial staff in that unit. For example, a *unit* with one manager and 10 non-managers has a manager to non-manager ratio of 1:10.0.

Once the ratio is calculated at the smallest unit level for the entire District, the number of supervisory and non-supervisory figures are summed up for the department, division, and for the agency total. An overall manager to non-manager ratio for the agency as a whole is then calculated by dividing the number of non-supervisory positions by the number of supervisory positions.

Exhibit A-1 on the following page shows an organization with 18 total staff, including three managers and 15 non-managers. In this situation there are two identifiable units, Teams 1 and 2. However, because two positions do not fall under either of these units, a third, informal, unit is created for the analysis. This unit, normally defined as the administration unit, is established for calculation purposes only.

It should be noted that many managers may supervise other managers or supervisors who are actually located in subordinate organizational units. Examining the manager to non-manager ratio for a single unit may not reveal a total picture of management reporting. Therefore it is important to consider information more broadly, such as examining the total ratio of managers to non-managers for an entire organizational unit. While individual unit ratios are useful information, examining the ratios as they apply to the larger organization provides a more useful analysis.

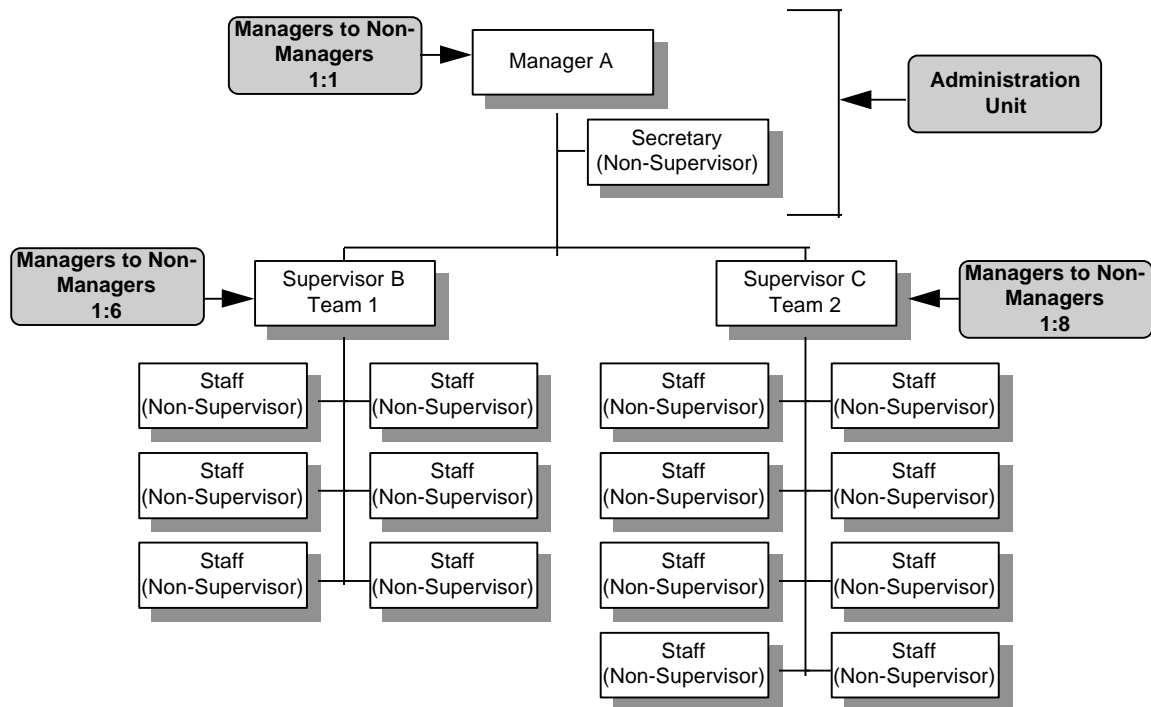
In the organization shown in Exhibit A-1, the administration unit (a non-formal unit created for calculation purposes only) has a manager to non-manager ratio of 1:1.0 (one secretary-non-



supervisor divided by one supervisor), while Teams 1 and 2 each have manager to non-manager ratios of 1:6.0 and 1:8.0 respectively (six and eight non-supervisors divided by one supervisor).

To find an organization's overall manager to non-manager ratio, the number of supervisory and non-supervisory positions are summed. The organization in Exhibit A-1 has three supervisory positions and 15 non-supervisory positions, for a manager to non-manager ratio of 1:5.0 (15 divided by three).

Exhibit A-1: Example Organization--Manager to Non-Manager Ratio



Source: KPMG Performance Audit Team, December 1997.

- **Layers of Management**—evaluating the number of layers of managers and supervisors throughout all PPS organizational units. All managerial and supervisory levels, including elected positions, are counted in this statistic. In the case of PPS, the first layer of management is the District Superintendent.

Standards

- **Manager to Non-Manager Ratio**—Although standards vary, KPMG's Organizational Model for Change, Organizational Assessment Criteria suggests a ratio of eight to twelve staff per manager.

Other organizations have established more aggressive criteria. In 1994, the National Performance Review recommended that the federal government move from an average ratio of 1:7.0 to an average of 1:14.0. Additionally, Tom Peters, author of *Thriving on Chaos*, states that



“well-performing organizations should operate in a range of 25 to 75 workers for every one supervisor.”

Further, the City of Portland, which had an average management reporting span of control of 1:6.5 in June 1994, established a more detailed scale. The report stated that middle managers are to have a span of control of no less than 1:5.0, administrative supervisors a span of control of 1:6.0 to 1:12.0, and operations and maintenance supervisors are to oversee between 10 and 20 staff. Edward Lawler, author of The Ultimate Advantage, believes an organization should have a span of control of 1:15.0 or greater.

- **Layers of Management**—Two organizational experts, Robert Tomasko and Tom Peters, believe that an organization should have a maximum of five management layers. KPMG best practice standards indicate that public sector organizations should have no more than six layers of management, except in unique circumstances or very large organizations.

Constraints

- **Part-Time and Temporary Employees**—Various PPS units may use part-time employees. To provide a consistent picture of supervisory duties, all span of control figures are based on headcount, not full-time equivalent positions (FTEs). This means that all part-time positions were counted as full positions. For example, a 0.7 FTE would be counted as one employee. In addition to showing the largest span of control experienced by each supervisor, using an organization’s headcount provides a more accurate portrayal of supervisory workload.

The District also makes use of a number of temporary employee positions. KPMG made an effort to include these positions in the analysis.

- **Accuracy of Data**—All staffing figures are based on information provided by PPS, and are assumed to be complete and accurate.
- **Date Specific**—Staffing changes are made on a continual basis in an organization as large as the Portland Public School District. This factor, and the need for an equitable comparison of departments, makes it necessary to take a snapshot of the organization at a specific point in time. In addition, performance audit practices require this type of snapshot analysis. Therefore, the organizational analysis is based on the District’s organization as it existed at the commencement of this review, specifically, as of June 1, 1998.
- **Definitions**—To perform the organizational analysis, KPMG identified management/supervisory, lead, clerical, and professional/technical positions.
 - **Managers/Supervisors**—Employees who supervise or direct the actions and duties of other staff are considered supervisors in this analysis. For this analysis, a position is determined to be a manager/supervisor if the position is responsible for evaluating the performance of subordinate staff. However, a number of PPS units make use of “lead” positions. Although some of these positions are involved in disciplinary action, all positions classified as “lead” were counted as non-supervisors for consistency.
 - **Clerical/Administrative Support**—All non-supervisory secretaries, clerks, and other office support positions were counted as clerical/administrative support.
 - **Professional/Technical**—All employees that are not supervisory, lead, or clerical are considered professional/technical. Professional/Technical positions are counted as non-supervisory staff in the manager to non-manager ratio.
- **Special Considerations**—Although the standards listed above can be applied both within and across organizations, units which perform certain types of functions may inherently have lower manager to non-manager and average management reporting span of control ratios. For



example, the need for internal controls in cash handling and other functions may necessitate low spans of control. While lower average management reporting span of control and manager to non-manager ratios are normally an indicator of organizational inefficiencies, the actual functions of a unit should be taken into consideration before conclusions are made regarding the need for organizational restructuring and position reductions.



APPENDIX B: SCHOOL DISTRICT BENCHMARKS

KPMG identified eight peer school districts to benchmark against. KPMG chose the peer districts based on similarities to PPS in the following areas:

- Student population
- Number of schools
- Number of employees
- Total budget
- Percent of student on free or reduced lunch
- Percent of white and non-white students.

In addition, KPMG contacted three additional school districts in Oregon and requested that they participate in the benchmarking efforts. Exhibit B-1 below identifies the peer districts and 2 Oregon districts KPMG benchmarked against:

Exhibit B-1: Portland Public Schools Benchmarks

District	Enrollment	Schools	Total Number of Employees	Total Budget 1996/97	% Free Lunch	% White
Albuquerque	89,600	130	11,006	\$380,344,349	33	33
Anne Arundel	72,318	113	7,700	\$424,320,800	29	77.1
Greenville	55,453	92	6,262	\$217,078,816	34	72.5
Mesa, AZ	70,318	71	7,641	\$283,158,673	31	74.1
San Antonio	55,879		8,858	341,437,256	34.1	
Wake, NC	81,203	104	10,079	\$538,051,078	21	N/A
Washoe	47,572	78	5,498	\$277,530,526	30	72.7
Wichita	47,423	104	5,386	\$257,432,575	49.4	58.9
Eugene	18,445	57	1,490	\$173,759,359	181	89
Salem	31,475	52	52	\$314,320,781	25	81

*data for 1996/97



APPENDIX C: MASTER BUDGET COMPARISON

FACILITY IMPROVEMENT PROGRAM

PROJECT	09/17/96	06/26/98	Difference
High Schools	\$48,130,372	\$52,566,918	\$4,436,546
Middle Schools	30,303,174	30,762,883	459,709
Elementary Schools	72,946,707	72,353,979	(592,728)
New Facilities	9,310,000	10,140,900	830,900
Other Facilities	15,593,575	13,614,036	(1,979,539)
Energy & Environmental Other	9,827,294	5,337,320	(4,489,974)
Administrative Costs	10,540,318	13,540,318	3,000,000
Previous Bldg Improvements	-	4,600,000	4,600,000
Minor Building Improvement	2,800,000	2,800,000	-
Minor Capital Equipment	4,800,000	4,800,000	-
Capital Expense Contingency	5,000,000	5,000,000	-
Bond Costs	1,529,000	1,529,000	-
Transitional Housing	1,000,000	75,000	(925,000)
Owner M/S Contingency	1,094,210	-	(1,094,210)
Owner IT Contingency	871,466	-	(871,466)
Owner Contingency	4,594,912	4,386,294	(208,618)
TOTALS	\$218,341,028	\$221,506,648	\$3,165,620

**Appendix C
Facility Improvement Program**



	FROM MASTER PROGRAM BUDGET DATED 9/17/96				Final Report Budget Info		DELTA	
	Col A+B	Col C	Col A+B+C	Total Budget	9/17/96 Budget Column	FRBC - MPBT	FRBC-Col A+B+C	FRBC-Col A+B
Franklin High	\$3,302,607	\$419,198	\$3,721,805	\$4,865,155	\$3,742,830	(\$1,122,325)	\$21,025	\$440,223
Hosford Middle	936,667	133,355	1,070,022	4,255,543	1,017,508	(3,238,035)	(52,514)	80,841
Marshal High	2,988,886	237,296	3,226,182	4,355,543	3,413,153	(942,390)	186,971	424,267
RoseCity Park	2,263,803	135,123	2,398,926	2,780,654	2,434,949	(345,705)	36,023	171,146
Sellwood Middle	696,430	290,808	987,238	1,651,338	988,071	(663,267)	833	291,641
Abernethy	402,942	463,779	866,721	1,116,089	543,151	(572,938)	(323,570)	140,209
Benson High	3,653,270	288,329	3,941,599	5,139,782	4,107,523	(1,032,259)	165,924	454,253
Buckman	2,708,179	152,863	2,861,042	3,315,680	2,906,253	(409,427)	45,211	198,074
Jackson Middle	936,839	391,681	1,328,520	1,938,093	1,169,924	(768,169)	(158,596)	233,085
Sunnyside	544,119	328,211	872,330	1,119,277	663,420	(455,857)	(208,910)	119,301
Boise Elliot	475,815	266,168	741,983	1,211,003	667,179	(543,824)	(74,804)	191,364
Jefferson High	5,391,636	303,720	5,695,356	6,837,830	5,888,173	(949,657)	192,817	496,537
Monroe	1,389,289	261,463	1,650,752	1,892,234	1,503,406	(388,828)	(147,346)	114,117
Whitaker Middle	2,797,093	276,266	3,073,359	3,867,098	3,095,960	(771,138)	22,601	298,867
TOTALS	\$28,487,575	\$3,948,260	\$32,435,835	\$44,345,319	\$32,141,500	(\$12,203,819)	(\$294,335)	\$3,653,925

	FROM MASTER PROGRAM BUDGET DATED 6/26/98				Current Budget Column	FRPC-MPB	FRBC-Col A+B+C	FRBC-Col A+B
	Col A+B	Col C	Col A+B+C	Total Budget				
Franklin High	\$3,236,280	\$408,257	\$3,644,537	\$4,787,886	\$4,117,808	(\$670,078)	\$473,271	\$881,528
Hosford Middle	399,819	185,397	585,216	1,436,210	994,386	(441,824)	409,170	594,567
Marshal High	3,059,763	1,162,402	4,222,165	5,383,882	3,801,889	(1,581,993)	(420,276)	742,126
RoseCity Park	2,217,194	255,144	2,472,338	3,022,738	2,745,655	(277,083)	273,317	528,461
Sellwood Middle	410,714	301,056	711,770	1,498,454	879,053	(619,401)	167,283	468,339
Abernethy	578,682	451,674	1,030,356	1,353,159	690,789	(662,370)	(339,567)	112,107
Benson High	4,566,834	876,626	5,443,460	6,434,728	5,082,343	(1,352,385)	(361,117)	515,509
Buckman	2,378,360	155,782	2,534,142	2,932,935	2,479,349	(453,586)	(54,793)	100,989
Jackson Middle*	1,210,571	682,516	1,893,087	2,481,814	1,769,057	(712,757)	(124,030)	558,486
Sunnyside	957,744	319,645	1,277,389	1,604,813	1,060,931	(543,882)	(216,458)	103,187

Appendix C
Facility Improvement Program



Boise Elliot*	135,680	263,034	398,714	840,357		(534,473)	(92,830)	170,204
					305,884			
Jefferson High*	3,835,689	1,107,479	4,943,168	6,005,878		(1,465,089)	(402,379)	705,100
					4,540,789			
Monroe*	1,727,396	182,000	1,909,396	2,189,230		68,466	348,300	530,300
					2,257,696			
Whitaker Middle*	2,797,093	256,205	3,053,298	3,847,037		(268,819)	524,920	781,125
TOTALS	\$27,511,819	\$6,607,217	\$34,119,036	\$43,819,121	\$34,303,847	(\$9,515,274)	\$184,811	\$6,792,028

NOTES:

1. MPB Column A = Project Construction Budget (Contractor Resources)
2. MPB Column B = Professional & Misc Fees (Contractor Resources)
3. MPB Column C = Work Force (District Resources)
4. MPB Column A+B = All work for Contractors



APPENDIX D: FACILITY IMPROVEMENT PROGRAM

CHANGE ORDER SUMMARY

Contract #	Contractor	Obligations	Change Orders	% Change from Base	Total	Complies w/PPS Policy 8.80.051
95327	Heery International	\$ 2,123,820.00	\$ 165,000.00	7.8%	\$ 2,288,820.00	Board Auth
95625	Mahlum & Nordfors	354,000.00	18,343.20	5.2%	372,343.20	No
95629	Christenson Electric Inc	499,683.00	164,894.00	33.0%	664,577.00	Board Auth
95929	Boor/a Architects	1,900,426.46	1,138,856.00	59.9%	3,039,282.46	No
95930	Sera Architects	1,950,000.00	804,970.00	41.3%	2,754,970.00	No
95931	Fletcher Farr Ayotte	1,985,000.00	350,862.00	17.7%	2,335,862.00	No
96158	Geotechnical Resources Inc.	192,547.00	4,146.00	2.2%	196,693.00	Yes
96344	Insulation Removal Corp	200,000.00	5,000.00	2.5%	205,000.00	Yes
96346	IRS Environmental Inc	200,000.00	280,000.00	140.0%	480,000.00	Board Auth
96405	Robinson Construction Co	5,565,900.00	74,569.34	1.3%	5,640,469.34	No
96410	M Stearns Construction Co Inc	744,944.00	50,335.16	6.8%	795,279.16	No
96452	New Tech Electric Inc & Data	1,242,191.00	42,488.10	3.4%	1,284,679.10	No
96453	New Tech Electric Inc & Data	1,038,298.00	23,428.43	2.3%	1,061,726.43	No
96479	S D Deacon Enterprises	835,000.00	11,653.00	1.4%	846,653.00	No
96863	Pro Landscape Inc	755,190	1,652	0.2%	756,842	Yes
CHANGE ORDER TOTAL			\$ 3,136,197.23			

Source: Portland Public Schools, Contract Reconciliation Report, 6/16/98



Evaluation of Change Orders

Contract #	Contractor	Obligations	Change Orders	% Change from Base	Cum Total of C.O.	Total Contract
95327	Heery International	\$ 2,123,820	\$ 165,000	\$ 0		\$ 2,288,820
	CO by Board Action 7343		\$ 165,000	\$ 0	\$ 165,000	
95625	Mahlum & Nordfors	\$ 354,000	\$ 18,343	\$ 0		\$ 372,343
			\$ 1,101	\$ 0	\$ 1,101	\$ 355,101
			\$ 17,242	\$ 0	\$ 18,343	\$ 372,343
			\$ 18,343	\$ 0		
95629	Christenson Electric Inc	\$ 499,683	\$ 164,894	\$ 0		\$ 664,577
	Board Act 7954		\$ 105,642	\$ 0	\$ 105,642	\$ 605,325
	Board Act 7973		\$ 35,774	\$ 0	\$ 141,416	\$ 641,099
	Board Act 7974		\$ 23,478	\$ 0	\$ 164,894	\$ 664,577
			\$ 164,894	\$ 0		
95929	Boor/a Architects	\$ 1,900,426	\$ 1,138,856	\$ 1		\$ 3,039,282
			\$ 52,773	\$ 0	\$ 52,773	\$ 1,953,199
			\$ 120,000	\$ 0	\$ 172,773	\$ 2,073,199
			\$ 100,000	\$ 0	\$ 272,773	\$ 2,173,199
			\$ 110,000	\$ 0	\$ 382,773	\$ 2,283,199
			\$ 756,083	\$ 0	\$ 1,138,856	\$ 3,039,282
			\$ 1,138,856	\$ 1		
95930	Sera Architects	\$ 1,950,000	\$ 804,970	\$ 0		\$ 2,754,970
			\$ 150,000	\$ 0	\$ 150,000	\$ 2,100,000
			\$ 26,555	\$ 0	\$ 176,555	\$ 2,126,555
			\$ 3,000	\$ 0	\$ 179,555	\$ 2,129,555
			\$ 8,475	\$ 0	\$ 188,030	\$ 2,138,030
			\$ 466,242	\$ 0	\$ 654,272	\$ 2,604,272
			\$ 100,000	\$ 0	\$ 754,272	\$ 2,704,272
			\$ 7,700	\$ 0	\$ 761,972	\$ 2,711,972
			\$ 24,998	\$ 0	\$ 786,970	\$ 2,736,970
			\$ 18,000	\$ 0	\$ 804,970	\$ 2,754,970
			\$ 804,970	\$ 0		
95931	Fletcher Farr Ayotte	\$ 1,985,000	\$ 350,862	\$ 0		\$ 2,335,862
			\$ 21,596	\$ 0	\$ 21,596	\$ 2,006,596
			\$ 8,318	\$ 0	\$ 29,914	\$ 2,014,914
			\$ 3,575	\$ 0	\$ 33,489	\$ 2,018,489
			\$ 26,373	\$ 0	\$ 59,862	\$ 2,044,862
			\$ 135,000	\$ 0	\$ 194,862	\$ 2,179,862
			\$ 156,000	\$ 0	\$ 350,862	\$ 2,335,862
			\$ 350,862	\$ 0		\$ 2,335,862
96158	Geotechnical Resources Inc.	\$ 192,547	\$ 4,146	\$ 0		\$ 196,693
96344	Insulation Removal Corp	\$ 200,000	\$ 5,000	\$ 0		\$ 205,000
96346	IRS Environmental Inc	\$ 200,000	\$ 280,000	\$ 1		\$ 480,000
			\$ 57,000	\$ 0	\$ 57,000	\$ 257,000
			\$ 20,000	\$ 0	\$ 77,000	\$ 277,000
			\$ 200,000	\$ 1	\$ 277,000	\$ 477,000
			\$ 3,000	\$ 0	\$ 280,000	\$ 480,000
			\$ 280,000	\$ 1		
96405	Robinson	\$ 5,565,900	\$ 74,569	\$ 0		\$ 5,640,469

Appendix D
Facility Improvement Program



	Construction Co									
			\$	29,279	\$	0	\$	29,279	\$	5,595,179
			\$	(106,954)	\$	(0)	\$	(77,675)	\$	5,488,225
			\$	101,610	\$	0	\$	23,935	\$	5,589,835
			\$	35,153	\$	0	\$	59,088	\$	5,624,988
			\$	15,481	\$	0	\$	74,569	\$	5,640,469
				<u>74,569</u>		<u>0</u>				
96410	M Stearns Construction Co Inc	\$ 744,944	\$	50,335	\$	0			\$	795,279
			\$	(18,647)	\$	(0)	\$	(18,647)	\$	726,297
			\$	43,704	\$	0	\$	25,057	\$	770,001
			\$	18,542	\$	0	\$	43,599	\$	788,543
			\$	6,963	\$	0	\$	50,562	\$	795,506
			\$	(227)	\$	(0)	\$	50,335	\$	795,279
				<u>50,335</u>		<u>0</u>				
96452	New Tech Electric Inc & Data	\$ 1,242,191	\$	42,488	\$	0			\$	1,284,679
			\$	9,183	\$	0	\$	9,183	\$	1,251,374
			\$	12,051	\$	0	\$	21,233	\$	1,263,424
			\$	21,255	\$	0	\$	42,488	\$	1,284,679
				<u>42,488</u>		<u>0</u>				
96453	New Tech Electric Inc & Data	\$ 1,038,298	\$	23,428	\$	0			\$	1,061,726
			\$	11,146	\$	0	\$	11,146	\$	1,049,444
			\$	12,282	\$	0	\$	23,428	\$	1,061,726
				<u>23,428</u>		<u>0</u>				
96479	S D Deacon Enterprises	\$ 835,000	\$	11,653	\$	0			\$	846,653
			\$	4,606	\$	0	\$	4,606	\$	839,606
			\$	(3,391)	\$	(0)	\$	1,215	\$	836,215
			\$	4,292	\$	0	\$	5,507	\$	840,507
			\$	2,448	\$	0	\$	7,955	\$	842,955
			\$	3,698	\$	0	\$	11,653	\$	846,653
				<u>11,653</u>		<u>0</u>				
96863	Pro Landscape Inc	\$ 755,190	\$	1,652	\$	0			\$	756,842



Evaluation of Change Orders by Date

Contract #	Contractor	Obligations	Transaction Date	Change Orders	Cum Total for Date	% Change from Base			
95327	Heery International CO by Board Action 7343	\$ 2,123,820		\$ 165,000		7.77%			
			11/07/96	\$ 165,000	\$ 165,000	7.77%			
95625	Mahlum & Nordfors	\$ 354,000		\$ 18,343		5.18%			
			09/16/96	\$ 1,101	\$ 1,101	0.31%			
			06/25/97	\$ 17,242	\$ 17,242	4.87%			
				\$ 18,343		5.18%			
95629	Christenson Electric Inc Board Act 7954 Board Act 7973 Board Act 7974	\$ 499,683		\$ 164,894		33.00%			
			03/14/98	\$ 105,642					
			03/14/98	\$ 35,774					
			03/14/98	\$ 23,478	\$ 164,894	33.00%			
				\$ 164,894		33.00%			
95929	Boor/a Architects	\$ 1,900,426		\$ 1,138,856		59.93%			
			06/26/97	\$ 52,773	\$ 52,773	2.78%			
			02/26/98	\$ 120,000					
			02/26/98	\$ 100,000					
			02/26/98	\$ 110,000	\$ 330,000	17.36%			
			03/27/98	\$ 756,083	\$ 756,083	39.78%			
				\$ 1,138,856		59.93%			
95930	Sera Architects	\$ 1,950,000		\$ 804,970		41.28%			
			03/16/98	\$ 150,000					
			03/16/98	\$ 26,555					
			03/16/98	\$ 3,000					
			03/16/98	\$ 8,475					
			03/16/98	\$ 466,242	\$ 654,272	33.55%			
			03/19/98	\$ 100,000					
			03/19/98	\$ 7,700					
			03/19/98	\$ 24,998					
			03/19/98	\$ 18,000	\$ 150,698	7.73%			
				\$ 804,970		41.28%			
95931	Fletcher Farr Ayotte	\$ 1,985,000		\$ 350,862		17.68%			
			03/09/98	\$ 21,596					
			03/09/98	\$ 8,318					
			03/09/98	\$ 3,575					
			03/09/98	\$ 26,373					
			03/09/98	\$ 135,000					
			03/09/98	\$ 156,000	\$ 350,862	17.68%			
				\$ 350,862		17.68%			
			96158	Geotechnical Resources Inc.	\$ 192,547	10/16/97	\$ 4,146	\$ 4,146	2.15%
			96344	Insulation Removal Corp	\$ 200,000	04/07/98	\$ 5,000	\$ 5,000	2.50%
			96346	IRS Environmental Inc	\$ 200,000		\$ 280,000		140.00%
12/01/97	\$ 57,000								
12/01/97	\$ 3,000	\$ 60,000				30.00%			

Appendix D
Facility Improvement Program



			02/26/98	\$ 20,000	\$ 20,000	10.00%
			04/16/98	\$ 200,000	\$ 200,000	100.00%
				\$ 280,000		140.00%
96405	Robinson Construction Co	\$ 5,565,900		\$ 74,569		1.34%
			08/25/97	\$ 29,279	\$ 29,279	0.53%
			01/13/98	\$ (106,954)	\$ (77,675)	-1.92%
			01/22/98	\$ 101,610	\$ 23,935	1.83%
			03/20/98	\$ 35,153	\$ 59,088	0.63%
			04/16/98	\$ 15,481	\$ 74,569	0.28%
				\$ 74,569		1.34%
96410	M Stearns Construction Co Inc	\$ 744,944		\$ 50,335		6.76%
			11/10/97	\$ (18,647)	\$ (18,647)	-2.50%
			01/22/98	\$ 43,704	\$ 25,057	5.87%
			02/10/98	\$ 18,542	\$ 43,599	2.49%
			02/27/98	\$ 6,963	\$ 50,562	0.93%
			03/19/98	\$ (227)	\$ 50,335	-0.03%
				\$ 50,335		6.76%
96452	New Tech Electric Inc & Data	\$ 1,242,191		\$ 42,488		3.42%
			02/26/98	\$ 9,183	\$ 9,183	0.74%
			03/11/98	\$ 12,051		
			03/11/98	\$ 21,255	\$ 33,305	2.68%
				\$ 42,488		3.42%
96453	New Tech Electric Inc & Data	\$ 1,038,298		\$ 23,428		2.26%
			02/21/98	\$ 11,146	\$ 11,146	1.07%
			02/27/98	\$ 12,282	\$ 23,428	1.18%
				\$ 23,428		2.26%
96479	S D Deacon Enterprises	\$ 835,000		\$ 11,653		1.40%
			10/02/97	\$ 4,606	\$ 4,606	0.55%
			10/06/97	\$ (3,391)		
			10/06/97	\$ 4,292	\$ 901	0.11%
			02/13/98	\$ 2,448		
			02/13/98	\$ 3,698	\$ 6,146	0.74%
				\$ 11,653		1.40%
96863	Pro Landscape Inc	\$ 755,190	05/14/98	\$ 1,652	\$ 1,652	0.22%



APPENDIX E: LIST OF DOCUMENTS REVIEWED

During the performance audit, KPMG reviewed various documents in order to complete the various identified tasks. The following list identifies the documents that were reviewed by KPMG:

KEY DOCUMENTS

PPS Board of Education, *Board Member Orientation*, May 29, 1997
PPS, *Portland Public Schools Policies and Regulations*, April 1996
PPS Middle School Profiles, 1996/97
PPS High School Profiles, 1996/97
PPS School Information Guide, 1997/98, PPS
Licensed & Classified Staffing, 1998/99
PPS Athletic Manual
Class ACTION Team Findings, Class ACTION Team, April 24, 1997
PPS Instructional Technology
Oregon Department of Human Resources, *1996 Oregon Public School Drug Use Survey: Key Findings Report*, October, 21, 1996
Local 140 Agreement Between School District No.1, Multnomah County, Oregon and School Employees Local Union 140, 1995 to 1999
Agreement between the District Council of Trade and Service Unions of School Employees and Portland Public Schools, 1995 to 1999
Best Practices For K-12 Instruction in Portland Public Schools
Integrating School to Work with High Academic Standards: Project Examples, Curriculum and Instructional Support
PPS Proposed General Fund 1998/99
PPS Proposed Other Funds, 1998/99
Risk and Business Impact Analysis for Portland Public Schools, October 14, 1994, Delta Systems
Maintenance Performed by PPS In-House Work Forces
Prevailing Wage Rates for Public Works Contracts in Oregon, 1998, Oregon Bureau of Labor and Industries
City of Portland Service Efforts & Accomplishments: 1996-97, Office of the City Auditor, April 1998
School Improvement Planning Guidelines, Academic Standards and Reform
Portland Public Schools School District No.1, Multnomah County, Oregon: Report to Administrative Management for the year ended June 30, 1997, Coopers & Lybrand
Comprehensive Annual Financial Report, for the year ended June 30, 1995, PPS Finance/Information Services
Comprehensive Annual Financial Report, for the year ended June 30, 1996, PPS Finance/Information Services
Comprehensive Annual Financial Report, for the year ended June 30, 1997, PPS Finance/Information Services
Common Curriculum Goals, Content Standards and Benchmarks for Science, Math, English, Social Studies, (Grades 3,5,8), PPS, January 1998
Multicultural/Multiethnic Education in Portland Public Schools, PPS, 1988
Enrollment Report, October 1997, PPS Information Services



*Head Start/Title I/Oregon Prekindergarten Programs Workplan, 1995-1996, PPS
Bud Dawson, 3 Year Usage (1994/95-1996/97)
Bud Dawson, Warehouse Inventory List as of April 27, 1998
Bud Dawson, 1995/96-1996/97 Warehouse charges and credits
Bud Dawson, 1997/98 Warehouse Catalog
Bud Dawson, 1998/99 Order Form
Management Information Services, Oct. '94, '97 and Feb. '93 Enrollment History
Heidi Franklin, PPS 1998/99 Budget Adjustments as of May 14, 1998
State of Oregon Legislative Revenue Office, Implementation of Measure 5
Matthew Prophet, Administrative Letter
PPS School Police, Monthly Report
PPS School Police, Year End Report
PPS School Police, Weapons Recovered
PPS School Police, Portland Police Bureau Patrol Districts & Precincts
PPS, Child Abuse Reporting Procedures & Resource Materials, 1996/97
PPS, Proposed General Fund, 1998/99
Intergovernmental Co-op Committee, Intergovernmental Co-op Purchasing Committee
ORS code, Chapter 29 1993 Edition
PPS, Purchasing Guide
PPS, Teacher Evaluation Process
Cash Manager, Weekly Cash Flow Projection, May 8, 1998
Finance, General Ledger of Account listing, March 1998
PPS, Property Tax Rev. Summary through June 30, 1998
EBVL (budget dept.), Sample of Position Control File, May 1998
Budget Dept., Proposed Calendar of Budgetary Process, February 1998
Budget Dept. Planning - Budgeting Process for Central Support, 1998/99
Finance Dept., Computation of May 1998 Fund Grant Est.
ORS Code, Chapter 294 1997 Edition County & Municipal Administration
Portland Federation of Teachers & Classified Employees (PFTCE), Agreement 1995-99 for Local
140, District Council & Service Unions, Substitute Teachers Local 223, and Portland
Association of Teachers
Arbitrage Compliance Specialist, Inc., Arbitrage Rebate Calculation for Series 1995
General Obligation Bonds, January 26, 1995
Arbitrage Compliance Specialist, Inc., Arbitrage Rebate Calculation for Series 1996
General Obligation Bonds, January 27, 1998
Sedgwick of Oregon, Inc., Annual Insurance & Risk Management Report, April 1998
Risk Management Expenditures since the Inception of the Self-Insured Worker's Compensation,
Liability, Fire Loss, Property Damage, and Vehicle Programs, February 1998
Oregon Department of Education, Computation of the May 15, 1998 State School Fund
Grant Estimate, (update 4)
Budget Department, Budget Transfer Report from the General Fund, June 1997
PPS A-1 Attendance Calendar, PPS A-1 Attendance Record 1997/98
Oregon State Legislative Webpage, Measure 50 Property Tax Rewrite, May 1998
Reg Martinson, Citizen Bond Advisory Committee, December 1995
Facility Management, Maintenance Work Force Production History - General Fund, May 1998
Facility Management, Deferred Maintenance, May 1998
Reg Martinson, Heery International, Inc. Phases I, II, and III
Reg Martinson, Excerpts from Facility Improvement Program Management Plan
Reg Martinson, Listing of Bond Related Personal Service Contracts, November 1997*



Reg Martinson, *Department Organization Charts*, January 1998
Reg Martinson, *1997-98 Shakedown*
Bond Management, *Bond Fund Expenditure*
Seattle-Northwest Securities Corporation, *1995 Series G.O.B. Official Statement*, December 1995
Rick Miller, *1997-98 Physical Plant Budget Comparison Dept. Totals as of April 30, 1998*
Rick Miller, *Various work order reports and related edit reports*
Bill Qutub, *Maintenance Services PPS #1 of Truck Drivers, parts and material pick-up/deliveries*, 1998/99
Department of Environmental Quality, *Safety DEQ Report*, February 1998
Oregon Health Division, *Safety Inspection Report*, May 1998
US Environmental Protection Agency Region 10, *Safety Ahera Report*, April 1994
PPS School Site Safety Inspection Dept., *Flowcharts of the department, various charts*
Meeting Minutes from the NW Elementary School Weekly Construction, *Minutes from Meeting #37 on May 19, 1998*
Bond Management, *Heery International, Inc. PPS Project*
Reg Martinson, *CM/GC Contracting*, May 1996
Citizen Bond Committee, *Citizen Bond Committee Member Listing (revised Sept. 1997)*
PPS Environmental Health & Safety, *Evaluation Methods for Assessing Indoor Air Quality Complaints*
A. Fridley, *PPS Asbestos Management Process*, March 1998
Environmental Services, *1997-98 Plant Budget Comparison for Environmental Services*
Author Unknown, *Agreement for Construction Program Management Services Between PPS and Heery International, Inc.*, February 1996
Author Unknown, *Amendment #1 to the Heery International and PPS Agreement*, May 1996
Heery International, Inc., *Southeast Team Phase One Budget through May 1998*
Sedgwick, *Document of Annual Refund*
Payroll Dept., *1997/98 Teachers Salary Schedule*
Payroll Dept., *Time Allocation*
Accounts Payable, *PPS Accounts Payable Source Document (April 1998)*
Merle Bradford, *Getting the Cart Before the Horse - Personnel Transactions / Professional Service Contract*, December 1997
Human Resources, *Health & Welfare Benefits Enrollment Sheet (current)*
Payroll Department, *Example reports*
Department of Consumer Business and Services, *What Happens if I'm Injured on the Job?*
Michael Hutchens, *Board Education Questions*, May 1998
Self-Insurance Department, *Expenditures Since the Inception of the Self-Insurance Worker's Compensation Program*, February 1998
Self-Insurance Department, *PPS Self-Insurance Fund*
Raylene Boettcher, *1996/97 & 95/96 State Reimbursement / Certification Report*
Author Unknown, *Transportation Information for School Year Ending June 30, 1995 Part II*
Athletic Department, *Portland Interscholastic League GPA Fall 1998*
Athletic Department, *1996/97 & 1997/98 Turnout*
Darrell Tucker, *Athletic Eligibility*
Physical Plant, *Vehicles & Equipment Schedule*, March 1998
Physical Plant 1994/95, 1995/96 & 1996/97, *Physical Plant Budget Comparison Department Totals as of June 30, 1997*
Physical Plant, *1997/98 Physical Plant Division PPS*



Physical Plant, *1997/98 Physical Plant Division Staff*
Author Unknown, *Maintenance Services Personnel General Fund Budget, Bond Funds and other Department General Funds*, May 1998
Physical Plant, *Maintenance Performed by PPS In-House Workforce*
Apple Computer, Inc., *Authorized Service Center*
Bureau of Labor and Industries, *Prevailing Wage Rates for Public Works Contracts in Oregon*, February 1998
Physical Plant, *Electronics*
Edith Wilson, *Strategic Plan for Student Achievement 1998*
Edith Wilson, *PreK-3 Literary Initiative - May 1998*
Oregon State System of Higher Education, *PASS Project 1998*
Office of Academic Affairs, *1998 Proficiency Standards*
Oregon Department of Education & Board of Education *Oregon University System*, March 1998
PPS, *Common Curriculum Goals, 1998*
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Edith Wilson, *21ST Century Schools Correspondence*
Multnomah County School District No.1 *Evaluation of Programs and Services for Limited English Proficient Students*
PPS, *1996/97 Evaluation of Programs and Services for Limited English Proficient Students*, July 1997
Oregon Department of Education, Office of Special Education, *PPS Program and Fiscal Review of Special Education*
PPS, *Plan for Provision of Services to Limited English Proficient Students*, LAU Plan, 1997 and 1995
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PPS, *TAG Parent Handbook*, 1996/97
PPS, *TAG Appeals and Complaints*, February 18, 1998