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,

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.

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

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 cor id

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

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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

TABLE OF CONTENTS

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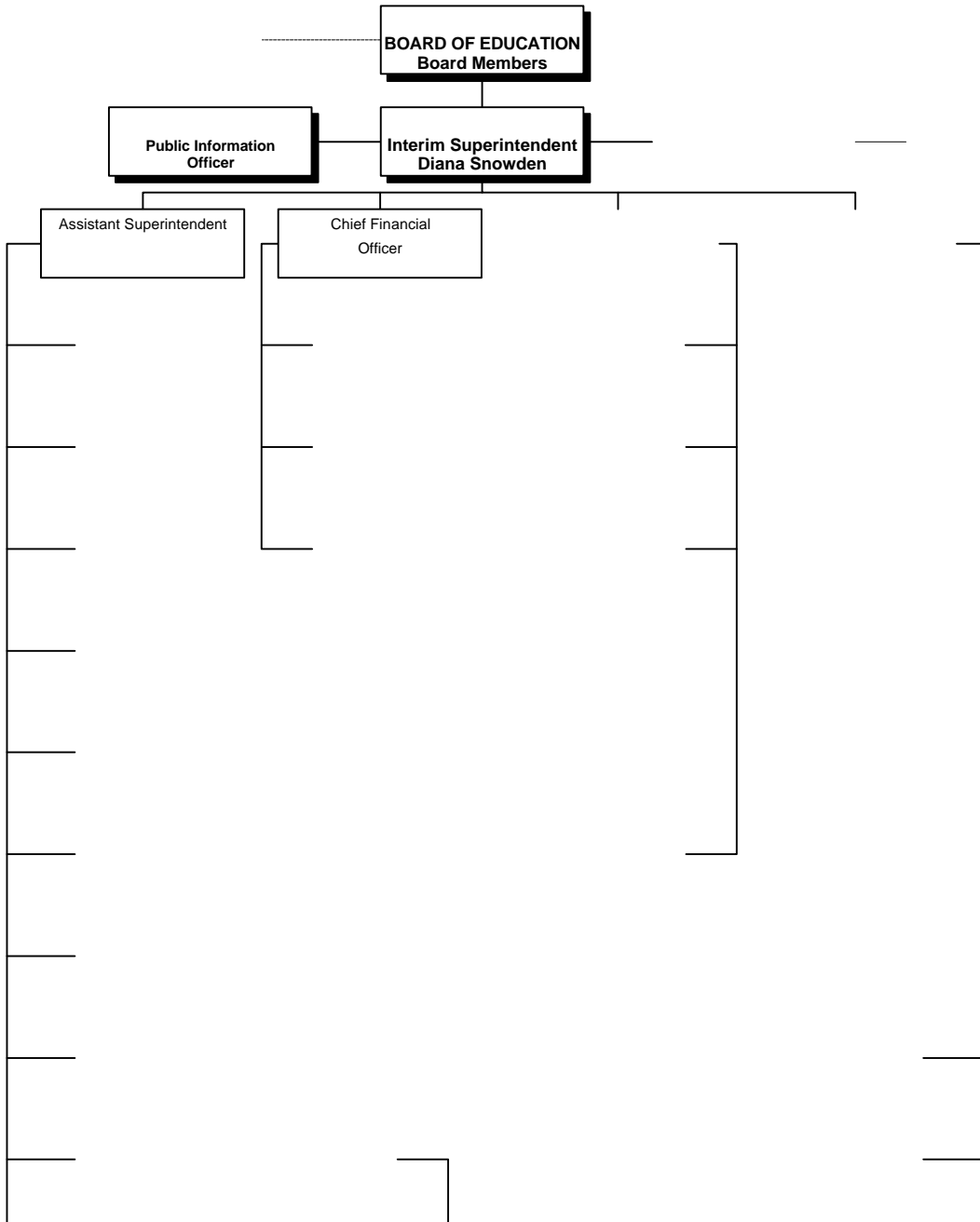
PPS' Board of Education consists of seven board members who serve four-year terms. The Superintendent is responsible to the Board of Education for the administration of the school system, including personnel, finance, instruction, student services, and all other aspects of PPS' educational and business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

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                    ┌─────────────────────┐
  - - - - - - - - - │ BOARD OF EDUCATION  │
                    │   Board Members     │
                    └─────────────────────┘
                              │
  ┌────────────────────┐   ┌─────────────────────┐
  │ Public Information │   │ Interim Superintendent│
  │      Officer       │   │   Diana Snowden       │
  └────────────────────┘   └─────────────────────┘
          │                         │
  ┌───────────────────┐   ┌──────────────────┐
  │ Assistant         │   │ Chief Financial  │
  │ Superintendent    │   │     Officer      │
  └───────────────────┘   └──────────────────┘
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Source: Portland Public School PPS Organizational Chart, January 9, 1998.
*Note: Dr. Ben Canada assumed duties of Superintendent in August 1998.

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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
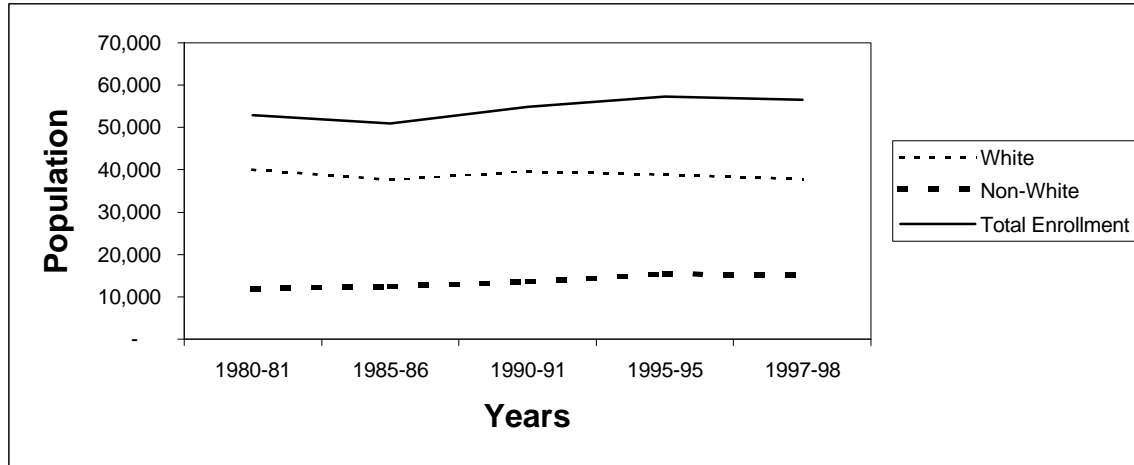

Source: 1997 Portland Public Schools Enrollment Report

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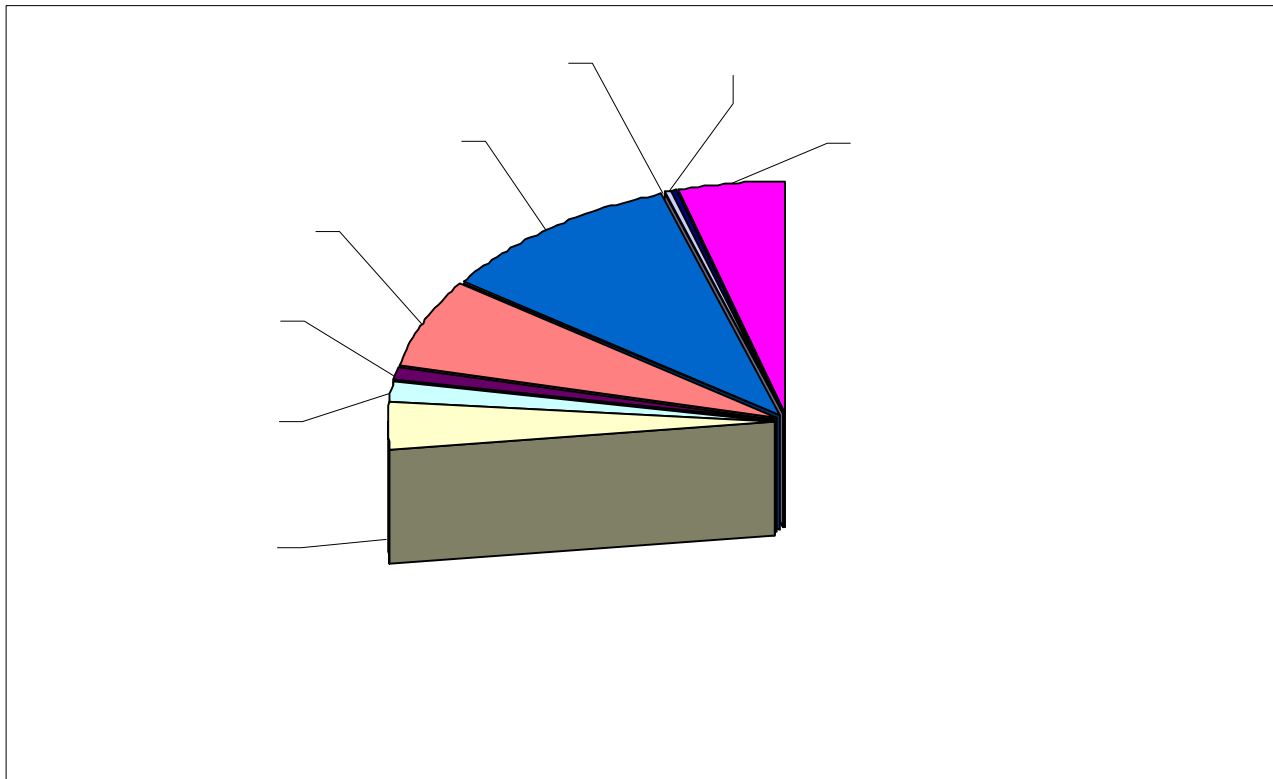
Sources: Portland Public Schools Annual Budget for 1997-98.
Portland Public Schools Grant Supplement for 1997-98.

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,

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

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 TD -0.052 Tc 01.927TD -0.007cm22.6

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

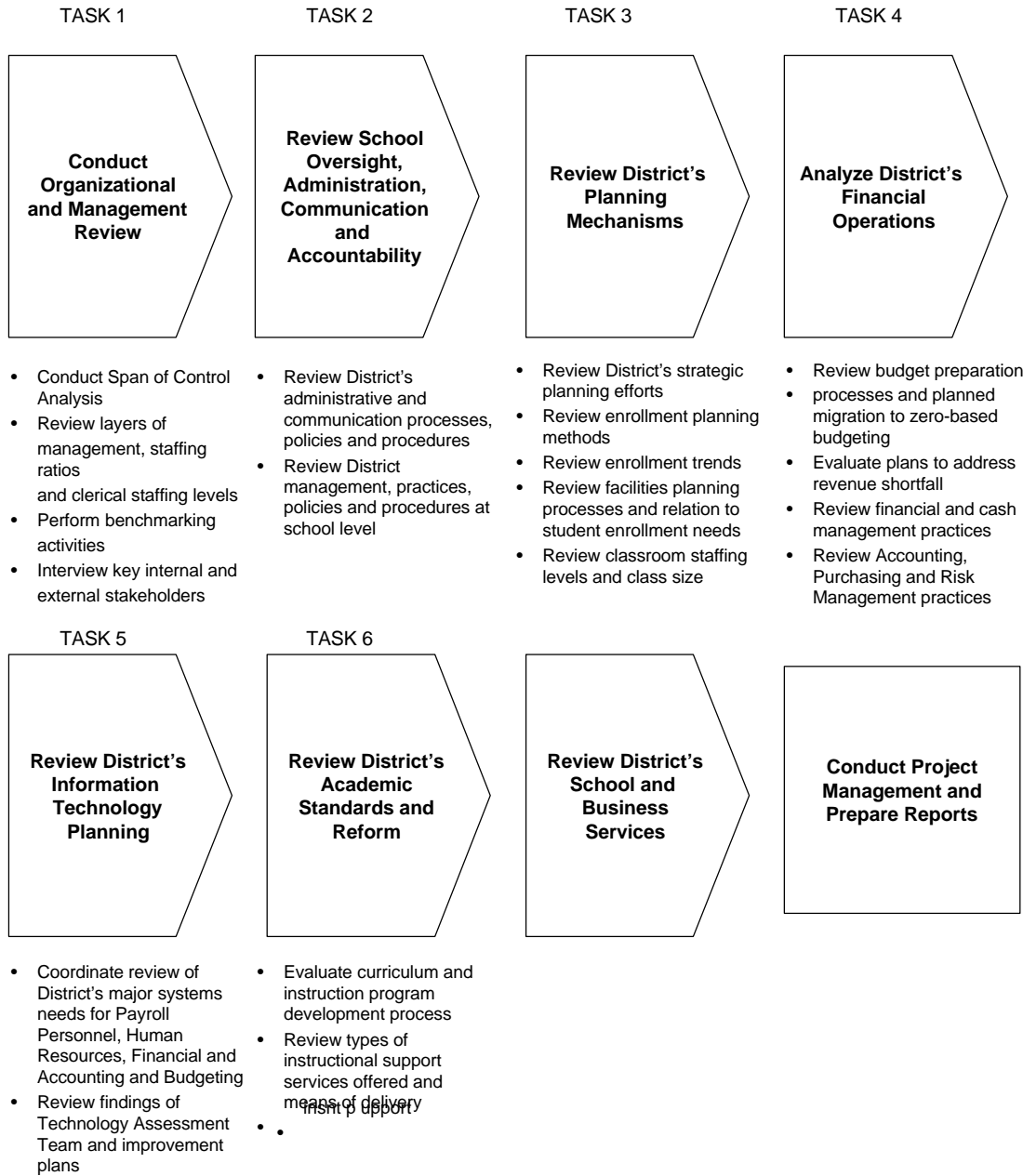| Description by Dimension	General Fund Amount	Percentage of Total General Fund Budget
Instruction and Instructional Support	$213,583,821	64
School Administration	27,365,631	8.2
Operations/Maintenance of Plant	39,475,884	11.9
Transportation	13,418,626	4
Other Support Services	13,002,032	3.9
Contingency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

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,

Exhibit I-10: PPS Performance Audit Project Scope

TASK 1	TASK 2	TASK 3	TASK 4

Conduct Organizational and Management Review

Review School Oversight, Administration, Communication and Accountability

Review District's Planning Mechanisms

Analyze District's Financial Operations

- Conduct Span of Control Analysis
- Review layers of management, staffing ratios and clerical staffing levels
- Perform benchmarking activities
- Interview key internal and external stakeholders

- Review District's administrative and communication processes, policies and procedures
- Review District management, practices, policies and procedures at school level

- Review District's strategic planning efforts
- Review enrollment planning methods
- Review enrollment trends
- Review facilities planning processes and relation to student enrollment needs
- Review classroom staffing levels and class size

- Review budget preparation
- processes and planned migration to zero-based budgeting
- Evaluate plans to address revenue shortfall
- Review financial and cash management practices
- Review Accounting, Purchasing and Risk Management practices

TASK 5	TASK 6		

Review District's Information Technology Planning

Review District's Academic Standards and Reform

Review District's School and Business Services

Conduct Project Management and Prepare Reports

- Coordinate review of District's major systems needs for Payroll Personnel, Human Resources, Financial and Accounting and Budgeting
- Review findings of Technology Assessment Team and improvement plans

- Evaluate curriculum and instruction program development process
- Review types of instructional support services offered and means of delivery
- Instnt p upport
-

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 constrains 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

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 Services78 Tw ( ) Tj 1315age

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

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.

Finding II-3:

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.**

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.

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.

| **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.**

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

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, nut

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

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-fee 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.**

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.**

New members generally receive a binder that includes PPS' mission statement, organization chart,

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

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.**

The staffing and available resources of the PIO need to be evaluated commensurate with its

Number of Students Per Public Relations FTE
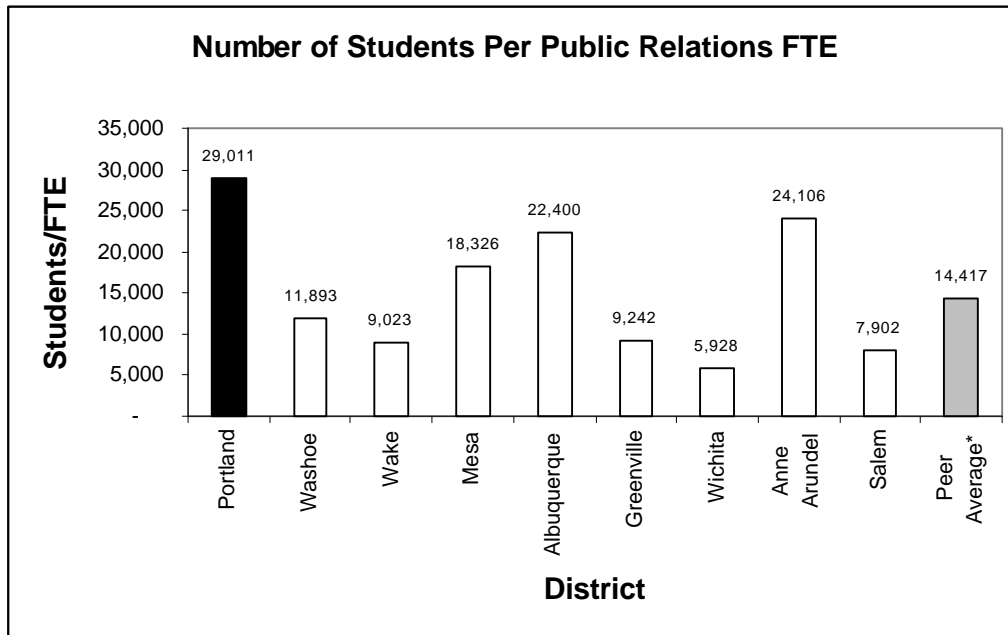
Source: KPMG Benchmarking data, 1996/1997.

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

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

- 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:

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,

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 Polices 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

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

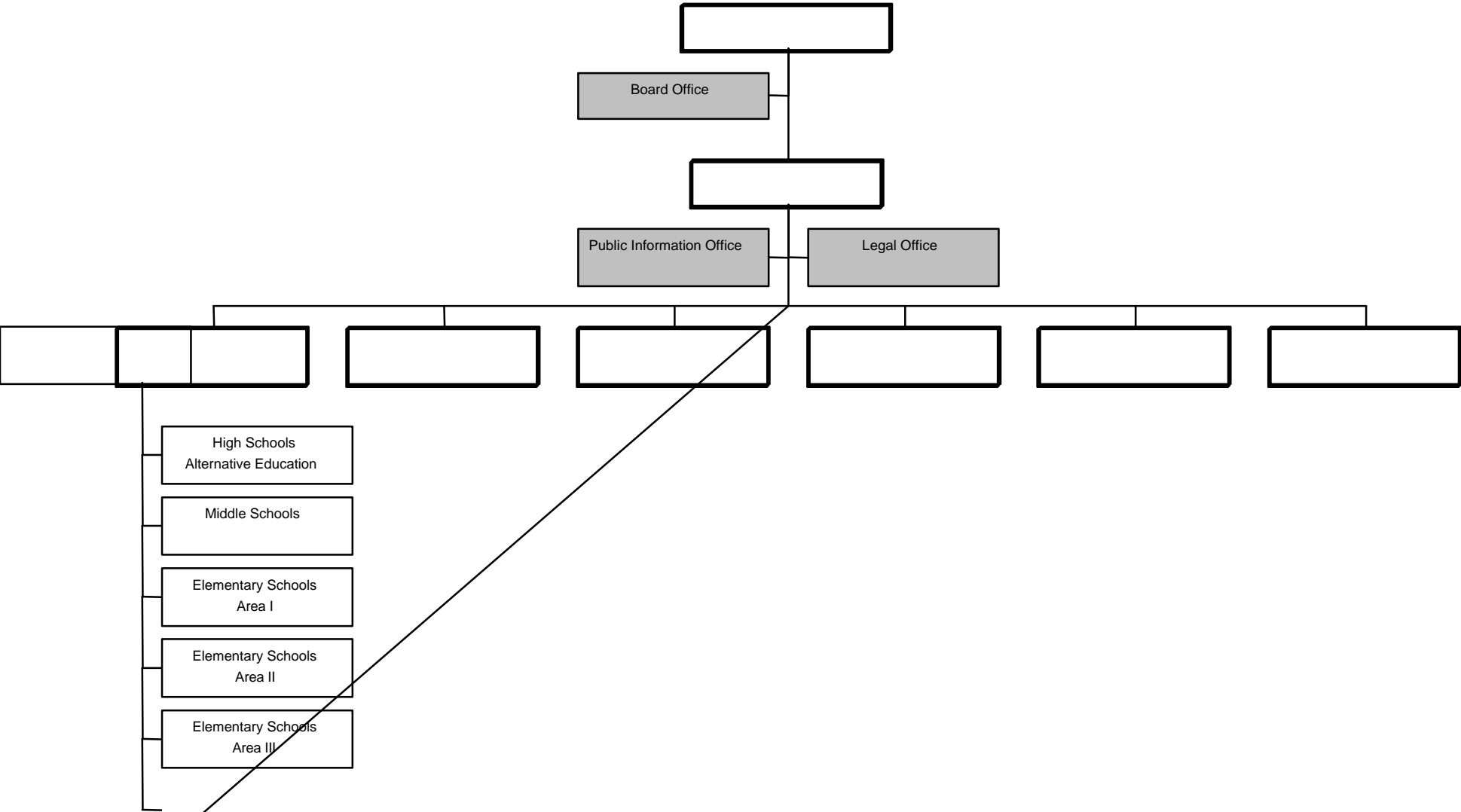**Finding IV-1:** **Opportunities exist to consolidate and streamline operations and clarify**

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

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     │ Public Information    │─┼─│ Legal Office │
     │ Office                │ │ └──────────────┘
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High Schools
Alternative Education

Middle Schools

Elementary Schools
Area I

Elementary Schools
Area II

Elementary Schools
Area III

KPMG

Recommendation IV-1.1: Eliminate the Assistant to the Superintendent position.

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.**

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

	Total Staff	Manager to Non-Manager Ratio	Percent Admin. Support	1:1	1:2	1:3	1:4	Total	Layers of Management
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									

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

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
Information Services	38	11.7	11.7
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
Physical Plant	*727*	*44.4*	*3.8*
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
ESL/Bilingual	6	1.0	1.0
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,

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.**

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

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

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

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

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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

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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 polices 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.**

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, statent efxca7pl4andth th8 posibstaten276a.

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**

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

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

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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 that 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 though 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

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.

Recommendation VI-3.2:

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:

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 conservativng the replacemO Unra18cation.jec6,4 TD rj -emshe rep.03

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:

■

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

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.

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:

KPMG

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

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

KPMG

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:

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FINDINGS AND RECOMMENDATIONS

Finding VI-12:	**Although PPS has implemented a procurement card system, it is currently underutilized.**

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 a TD 0 tvr 10., 2PgGto /unt cards h 65.04 612.248ii8RT0 TD -0.Nomah and Clackamas Countien7e ned. PPS' goal

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:

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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

Districts

Number of Purchase Orders per
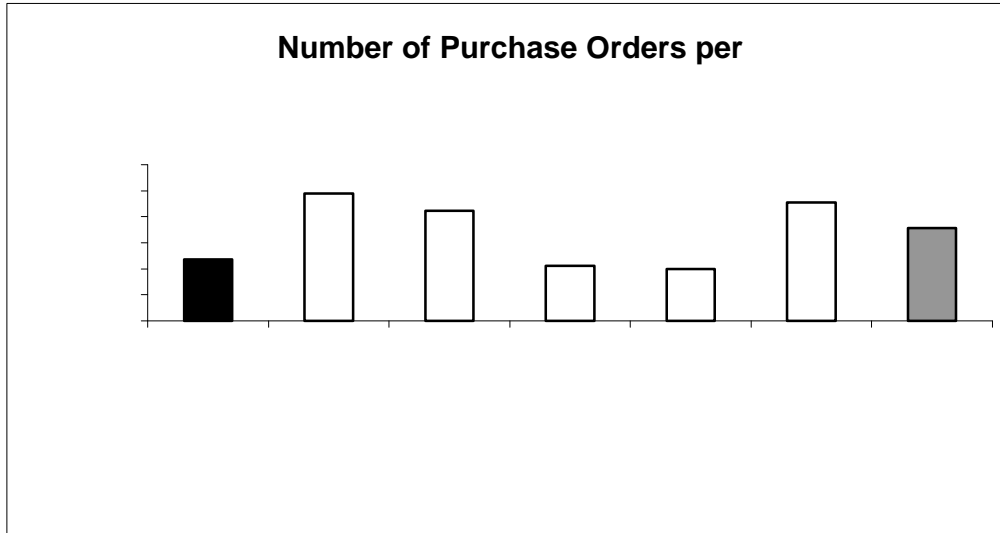
Source: KPMG Benchmarking Survey.

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).

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-**

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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 officer, 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

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

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

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

VII – ACADEMIC STANDARDS AND REFORM

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

- Academic Accountability

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**

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

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.**

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 |

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.**

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 Tf 0xni3-essiona

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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

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.

KPMG

Exhibit VII-1: Proportion of Students in the Talented and Gifted Program
Source: KPMG Benchmarking Data, 1997/1998
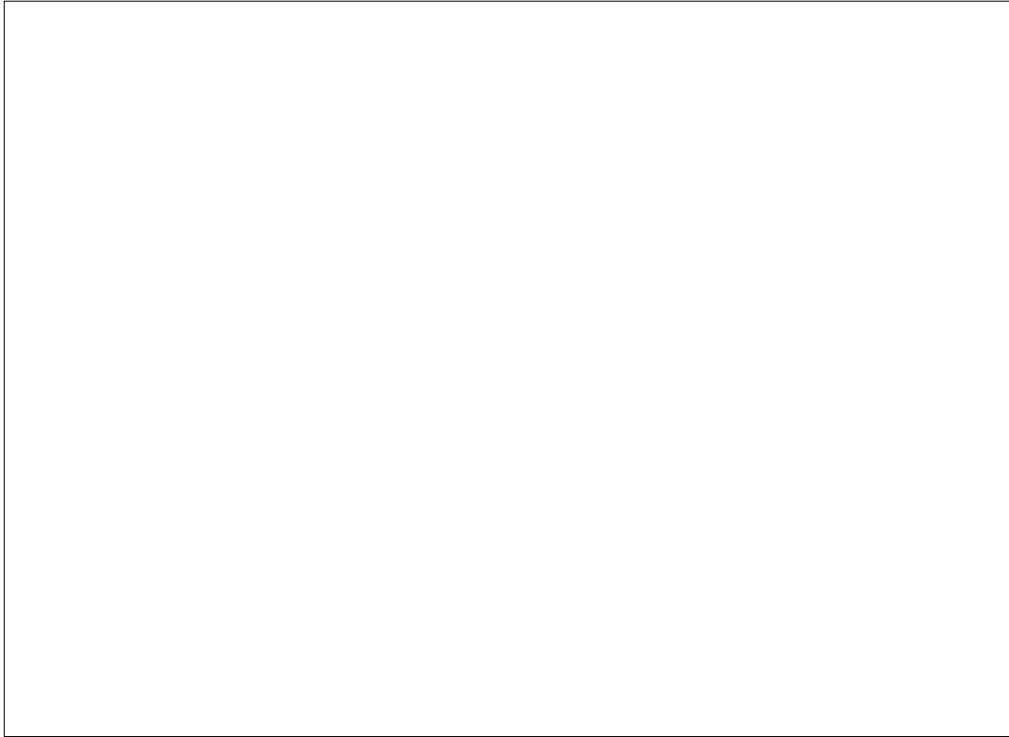
*The peer average does not include he Salem or Eugene school districts. These smaller Oregon districts are shown for information purposes only.

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

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.

TAG Program Challenges

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.

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:

PPS' polices 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.

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, Chines, 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.**

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.

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

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**

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

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**

**Percentage of Total Student Population
that Attends Summer School**
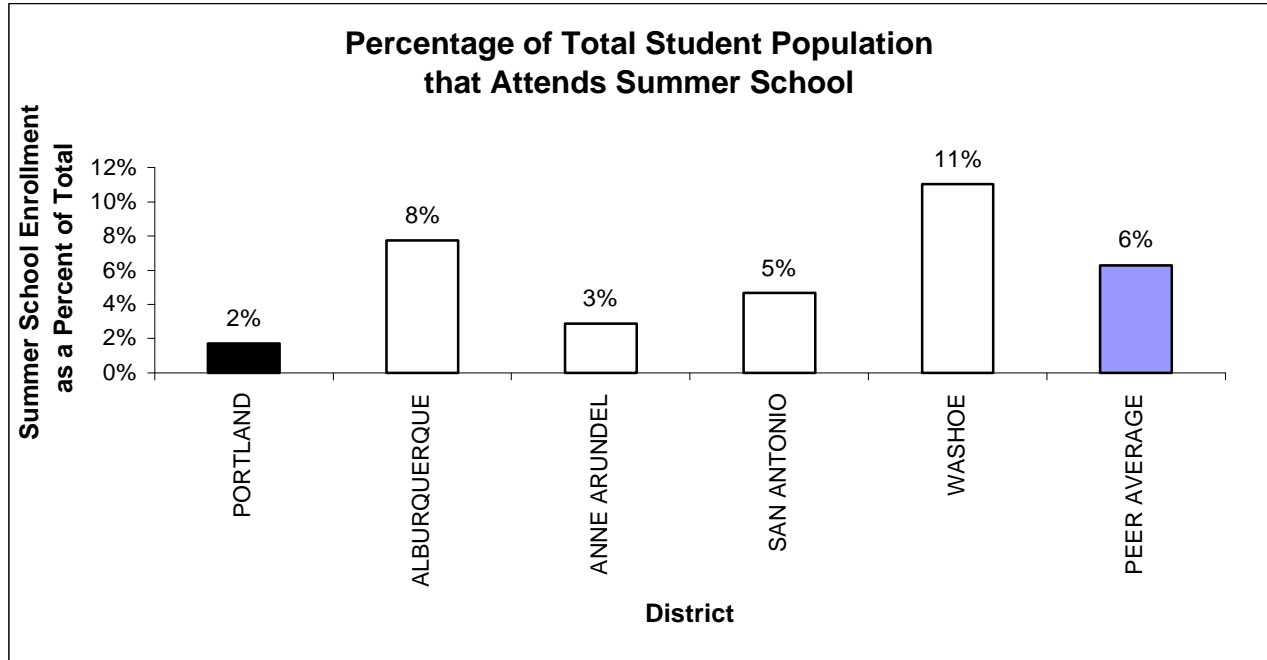
Source: KPMG Benchmarking Data 1997/98

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.**

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.

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 and18 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

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

■ 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.

■

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 ($)	Increase in revenue ($)
	224,000	1.9100	$427,840
	39,000	1.5100	58,890
	131,000	0.2000	26,200

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

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.
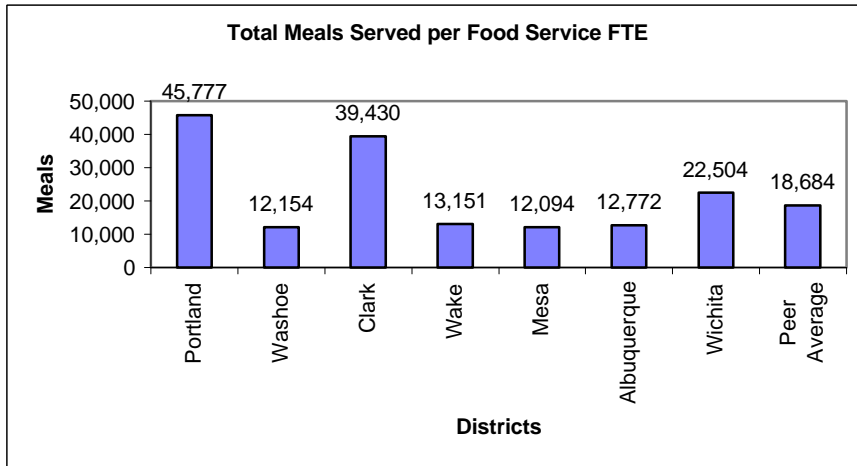
Recommendation VIII-4.1: **Conduct a thorough assessment of the extent to which there are potential dangers of poor equipment usage.** The assessment should consider the need to purchase the proper equipment necessary to ensure the health and well-being of PPS students.

Finding VIII-5: **School kitchen productivity rates are in line with national averages, and significantly above the peer average.**

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

Total Meals Served per Food Service FTE

Portland	45,777
Washoe	12,154
Clark	39,430
Wake	13,151
Mesa	12,094
Albuquerque	12,772
Wichita	22,504
Peer Average	18,684

Districts

Source: KPMG Benchmarking Survey (Portland reflects 1996/97 information).

Exhibit VIII-5.2: Additional Nutrition Services Efficiency Measures
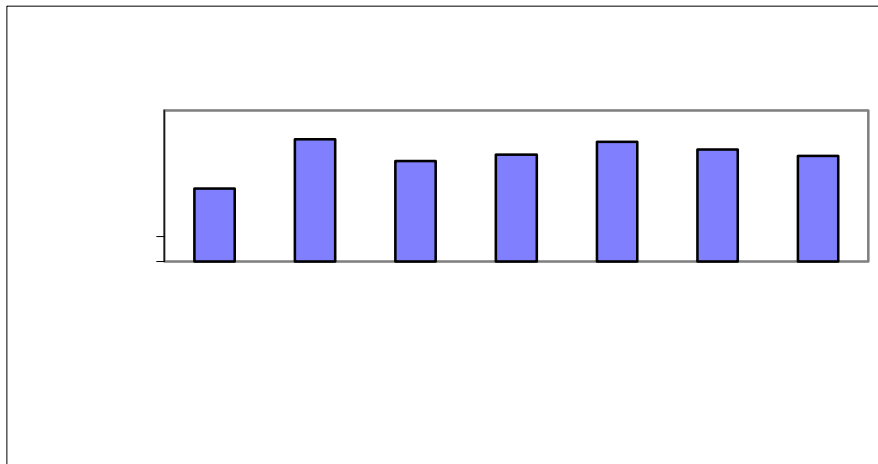
Source: KPMG Benchmarking Survey (Portland reflects 1996/97 information).

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

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.**

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.

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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.

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

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

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

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

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
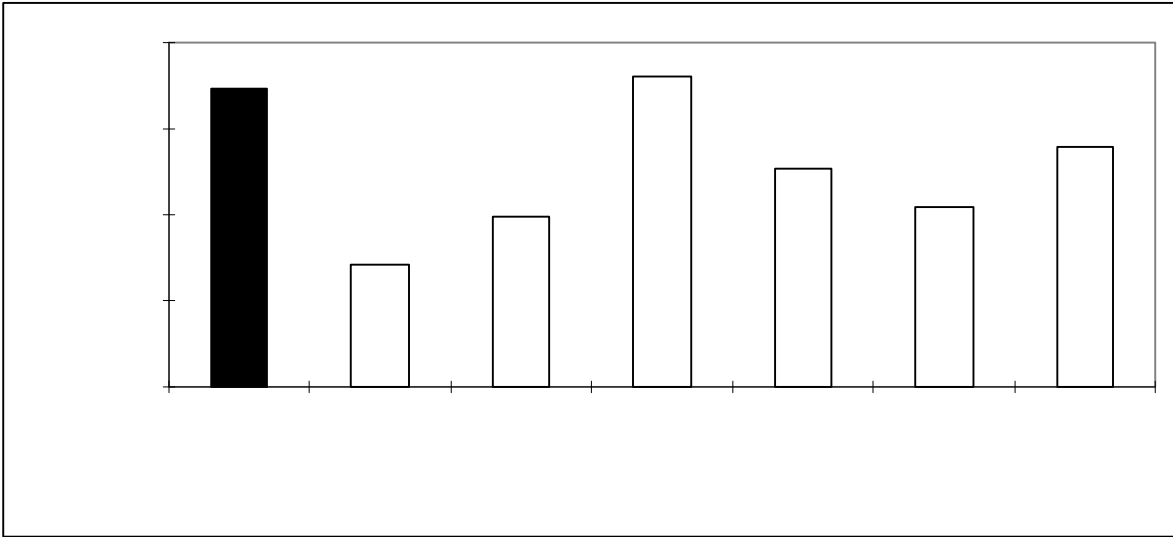
Source: KPMG Benchmarking Survey, June 1998.
Note: Head Custodians are included in the analysis.

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, is saving money asic

Finding VIII-16:   **Custodial**

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

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 to10% 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 inter-changeably 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.

- 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 Punity

- 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.**

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.

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

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

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**

- – Executive Sponsor
- – Deputy or other authorized signatory
- – Member controller's office
- – PPS Risk Manager
- –

decisions that materially affect the Facility Improvement Program.

Finding VIII-25: **Decisions have been made that affect scope and cost of projects in the**

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. generally been satis

Citizen Bond Advisory Committee due to unclear e Tw e wfd CBAC. This has caused some confusion as to CBACS

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 a 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/GCand 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

Exhibit VIII-12: Typical Work Breakdown Structure Development

PROGRAM
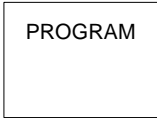
however, mean that it is appropriate for managing larger project efforts that require more sophisticated cost analysis and management. (Cost management is a topic of a separate finding and will be addressed separately.)

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
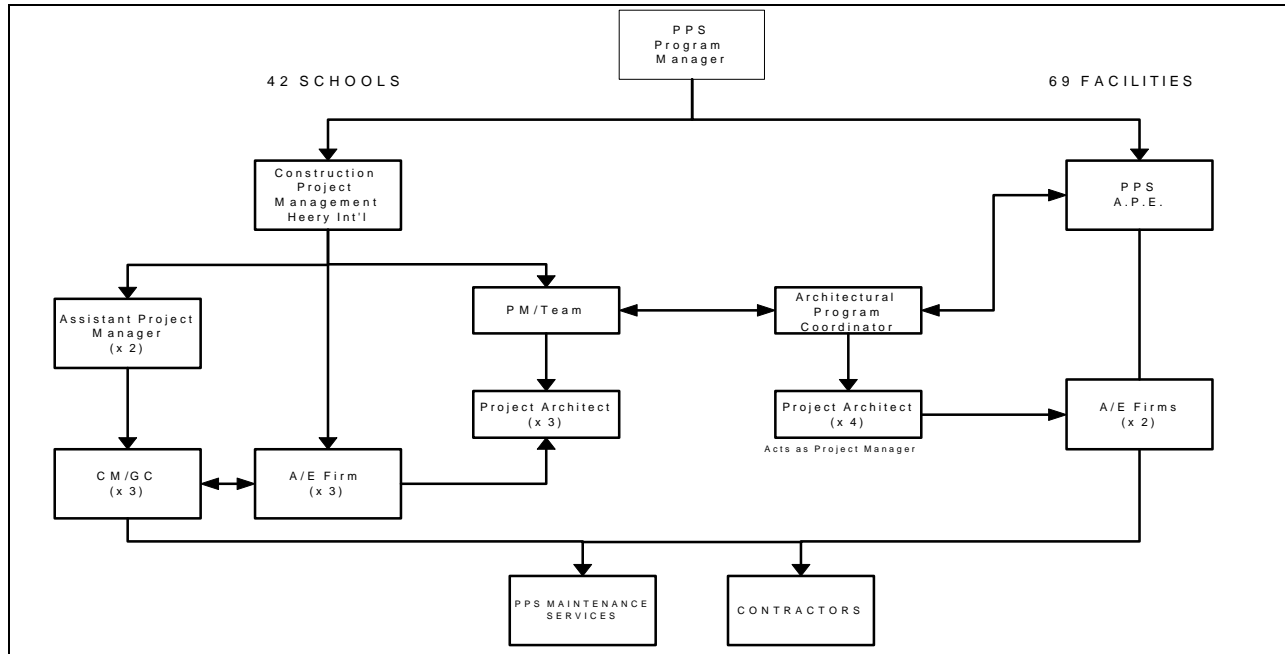
Source: Portland Public Schools, 1998

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

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

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 pper comw (Instrui1ters, an aveers, f PPS and Heer1s fufi2h w personnelsc0346 Tc -0of $1,4C

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

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

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 constructre Bwhi84 13.ela.l.08d 2s Ma9cessibilnsrow Th1r0ai mesirnationa* 0.04ee valuesessed te B.ioM,C6rgu4 .020.04 -0al on these 0ai mesirnationa* 0.04ee 7,1,

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 anther 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

- 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.**

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.

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**

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

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
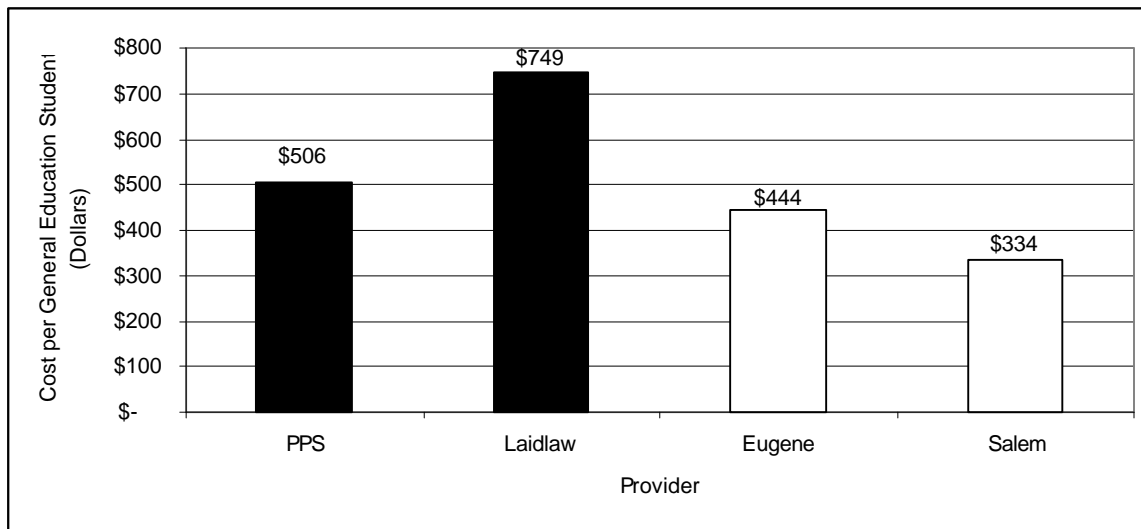
Source: PPS Ridership Report 5/15/98, Student Transportation Budget documents, the State Reimbursement Report 1996/97 and KPMG Benchmarking Survey, June 1998.

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**
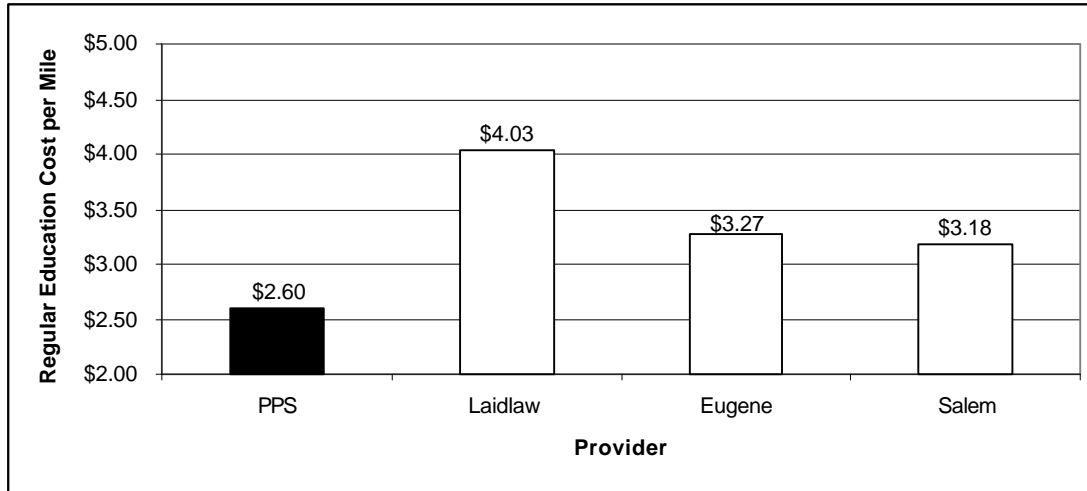
Source: PPS Student Transportation documents and KPMG Benchmarking Survey, June 1998.

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.

SCHOOL POLICE OPERATIONS

BACKGROUND

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 part 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.**

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.

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

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:

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.**

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.**

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.

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 facilitlTj T* 0.0223 Tc 0.0555nts.		

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:

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**

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:

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
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

#	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		

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: Short = by Dec. 1998 Medium = by June 1999 Long = by July 1999

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: **Short = by Dec. 1998** **Medium = by June 1999** **Long = by July 1999-**
121			

#	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 w.3c Tj -13i		

#	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	Shortthe special 1.1013 Tc 0.0757 Tw (

#	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 **Responsible for**		

#	Recommendation	Department Responsible for Implementation	Implementation Timeframe: **Short = by Dec. 1998** **Medium = by June 1999** **Long = by July 1999-**
158			

#	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

#	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		

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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.individuals (see report).see w (indiS6 500.16.079 T/240y8 52.56 re f 143.76 4

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-

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	

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

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
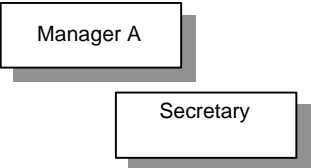
"well-performing organizations should operate in a range of 25 to 75 workers for every one supervisor."

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:

- n   Student population
- n   Number of schools
- n   Number of employees
- n   Total budget
- n   Percent of student on free or reduced lunch
- n   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	9,827,294	5,337,320	(4,489,974)
Other			
Administrative Costs	10,540,318	13,540,318	3,000,000
Previous Bldg Improvements	-	4,600,000	4,600,000
Minor Building Imporvement	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**

	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

Boise Elliot*	135,680	263,034	398,714	840,357	305,884	(534,473)	(92,830)	170,204
Jefferson High*	3,835,689	1,107,479	4,943,168	6,005,878	4,540,789	(1,465,089)	(402,379)	705,100
Monroe*	**1,727,396**	182,000	1,909,396	2,189,230	2,257,696	68,466	348,300	530,300
Whitaker Middle*	2,797,093	256,205	3,053,298	3,847,037	3,578,218	(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

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

Construction Co

$	29,279	$	0	$	29,279	$	5,595,179
$	(106,954)	$	(0)	$	(77,675)	$	5,488,225
$	101,610	$	0				

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				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	01/22/ -190.8 -11.04g (6.76%) Tj3 222 2258 n Tc 0.1c53.04326190. $	25,05		

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
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Multicultural/Multiethnic Education in Portland Public Schools, PPS, 1988
Enrollment Report, October 1997, PPS Information Services

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Rick Miller,*1997-98 Physical Plant Budget Comparison Dept. Totals as of April 30, 1998*
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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*
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Athletic Department, *Portland Interscholastic League GPA Fall 1998*
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Darrell Tucker, *Athletic Eligibility*
Physical Plant, *Vehicles & Equipment Schedule*, March 1998
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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*
PPS, *Portland School District Teacher Evaluation Process*
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
PPS, *Lau Compliance Plan,* 1995
U.S. Department of Education, *PPS and Partners Multimodal Truancy Diversion Project*
PPS*, Report to the Superintendent: Alternative Education Programs*, 1996/97
PPS, *TAG Parent Handbook,* 1996/97
PPS, *TAG Appeals and Complaints,* February 18, 1998