Work Session with a Consent Agenda
Tuesday, October 20, 2026 6:00 PM

Benson High School
546 NE 12th Ave.
Portland, OR 97232

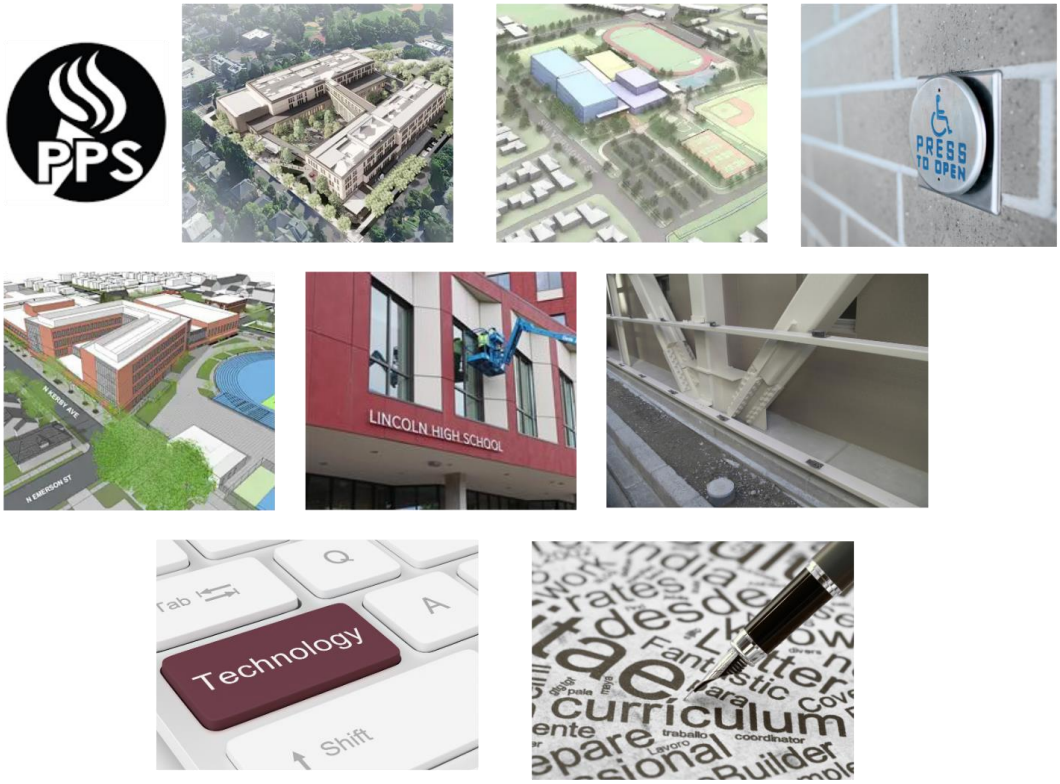
Agenda

1. 6:00 pm - Call to Order / Opening
2. 6:05 pm - Student and Public Comment
3. 6:35 pm - Comments from our Union Partners
4. 6:40 pm - Student Transportation to Cleveland at Marshall
5. 7:00 pm - Report: Bond Performance Audit - Year 7 & 8
6. 7:30 pm - Update: Rightsizing
7. 8:30 pm - Division 22 Annual Report
8. 9:00 pm - Consent Agenda: Resolutions 7388 through 7391 Vote- Public Comment Accepted
   - 8.(a) Resolution 7388 - Expenditure Contracts
   - 8.(b) Resolution 7389 - Revenue Contracts
   - 8.(c) Resolution 7390 - Seismic Construction Projects: Exemption from Competitive Bidding and Authorization for Use of Requests for Proposals Contracting Method
   - 8.(d) Resolution 7391 - Adoption of the Minutes
9. 9:05 pm - Other Business, Committee Referrals, and Future Agenda Items
10. 9:10 pm - Adjourn
11. Superintendent's Report

Portland Public Schools

Annual Bond Performance Audit
Covering Fiscal Years 2024/2025 and 2025/2026

PPS Has Met Bond Pledges Since 2012, But Structural Changes and Missed Oversight Affected Controls and Significantly Increased Financial Risks



October 6, 2026 – Final Report

SJOBERG EVASHENK CONSULTING, INC

455 Capitol Mall • Suite 700 • Sacramento, California • 95814 • Tel 916.443.1300 • www.secteam.com

October 6, 2026

Dr. Kimberly Armstrong, Superintendent
Portland Public Schools
510 N. Dixon Street
Portland, OR 97227

Dear Dr. Armstrong

Sjoberg Evashenk Consulting is pleased to submit our report for the Portland Public Schools (PPS) Annual Bond Performance Audit for a two-year cycle covering Fiscal Years 2024-25 and 2025-26.

We assessed performance of the 2017 Bond, 2020 Bond, and 2025 Bond programs with focus on the status bond projects, schedule and budget, project delivery, contingency practices, oversight, and risks associated with the bond program. We also assessed PPS progress made towards implementing recommendations from prior annual bond performance audits.

Our report concludes that PPS continued progress toward meeting its bond pledges and delivered many projects since the 2012 bond including completing more projects than planned. We found PPS made significant progress implementing prior audit recommendations. Although, this audit also revealed missing controls that caused unallowable bond expenditures, unsupported payroll charges, missed savings, noncompliance with contract terms, and additional fiscal impacts from practices.

Further, the audit highlights risks for PPS' bond program reorganization and related contracts that have not been mitigated. PPS lacked a clear business case for its outsourcing shift and accurate information available to the Board for contract approval in addition to adequate capital expertise to monitor the outsourced function. Some Board members asked for additional data and time to review, but the Board voted on the contracts before such information was made available. This revealed disconnects between the Board's view of its bond fiduciary responsibilities and best practices for effective governance. We also found early collaboration with PPS' program management consultant and discrepancies in the solicitation process to conclude that the competitive nature may have been compromised. The resulting contract PPS negotiated was at the high end of market and contained provisions that PPS failed to enforce leading to more than $762,000 being overpaid.

We appreciate the professionalism, cooperation, and dedication of PPS' Board, members of the Bond Accountability Committee, PPS leadership, former-OSM management and staff, and new RISE management and staff throughout the audit.

Respectfully Submitted,

CMBrady

Catherine Brady, Partner
Sjoberg Evashenk Consulting, Inc.

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List of Acronyms

BAC	Bond Accountability Committee
BCC	Bond Compensability Committee
CBSE	Center for Black Student Excellence (now Grice-Adair Center for Educational Excellence)
CD	Construction Documents
CHS	Cleveland High School
CM	Construction Manager
CMAA	Construction Management Association of America
CMGC	Construction Manager/General Contractor
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERP	Enterprise Resource Planning
FAM	Facilities and Maintenance
FIOC	Facilities Infrastructure Oversight Committee
GMP	Guaranteed Maximum Price
IBW	Ida B. Wells High School
JHS	Jefferson High School
OIPA	Office of Internal Performance Auditor
OSM	Office of School Modernization (now part of RISE)[1]
OTIS	Office of Technology & Information Services
OTL	Office of Teaching & Learning
PM	Project Manager
PMP	Program Management Plan
PMCM	Program Manager/Construction Manager
PPS	Portland Public Schools
RFP	Request for Proposal
RFQ	Request for Qualifications
RISE	Real Estate, Infrastructure, and School Enhancement[2]
SOP	Standard Operating Procedures

[1] OSM was responsible for delivery and implementation of the bond program and related projects from 2012 through January 2026.
[2] RISE is responsible for delivery and implementation of the bond program and related projects from February 2026 through current.

Executive Summary

As part of the required safeguards for transparency and accountability promised to voters in bond language, the Portland Public School District (PPS) hired Sjoberg Evashenk Consulting (SEC), Inc. in October 2018 to conduct annual performance audits of the school improvement bonds. For this performance audit cycle, our audit period covers a two-year period from July 1, 2024, through June 30, 2026.

What We Looked At

Audit objectives focused on:[3]

1. Delivery status for the bond program and projects including risks
2. Contingency practices for the bond program and projects
3. Implementation status of prior audit recommendations

What We Found

PPS capital delivery teams continue to deliver projects and generally meet obligations to the voters for the 2012, 2017, and 2020 Bonds with extra money made available through bond premiums allowing the completion of additional projects—more than pledged to the voters. This included six modernized high schools, one middle school, and one K-8 school in addition to hundreds of planned infrastructure improvements. Infrastructure projects related to water quality, lead, asbestos, radon, roof, accessibility, seismic retrofit, security, and fire systems in addition to curriculum and technology upgrades. Also, activity for the 2025 Bond is off to a good start. Even though it faced challenges over the last thirteen years, PPS has generally delivered within revised budgets and originally intended timeframes, apart from two important 2020 Bond projects at Jefferson High School and the Center for Black Student Excellence (CBSE).

While there are always opportunities for improvement that can be made to capital delivery processes and bond management practices, PPS' structure and approach employed since 2012 was effective in delivering the bond program and follow practices and policies that align with industry. Further, PPS made headway implementing prior annual bond performance audit recommendations with 16 out of 75 total audit recommendations made over the past six years remaining in progress. Eight of the 16 in-progress recommendations were only first reported in the annual bond performance audit finalized in June 2025.

Despite this progress, this audit revealed fiscal controls that need to be strengthened as we found unallowable bond expenditures that did not align with authoritative accounting treatment, payroll charges lacking supporting documentation, potential missed savings opportunities, contract overpayments that did not comply with contract terms, and additional fiscal impacts from practices as shown in Exhibit 1. After auditors brought these issues to management's attention, PPS began implementing corrective actions, controls, and processes.

[3] See Appendix A for Detailed Audit Scope and Methodology.

EXHIBIT 1. SUMMARY OF ESTIMATED FISCAL IMPACT TO BOND PROGRAM BASED ON AUDIT FINDINGS

Audit Finding	Fiscal Impact	Report Page
1. Unallowable Expenses	$193,000	26
2. Payroll Charges Lacking Support	Nearly $1M	29
3. Consultant Overpayments	$762,000	78
4. Unmet Staffing Incentive	$750,000	84
Audit Finding	**Missed Savings Opportunities**	**Report Page**
5. Construction Audit Savings	Up $3M on Jefferson, Cleveland, Ida B. Wells High Schools	32
6. Consultant Fee Negotiations	$4M to $14M Range	76
7. Unfavorable 90-Day Contract Term	$2.2M	84

Source: Financial records, payroll distribution, e-Builder files, invoices, external construction auditor reports, contracts, and contract negotiations.

Further, as the audit began, our risk assessment revealed higher risks, repeated claims, and significant press attention placed on management's reorganization of its bond program and related contracts. These risks and reports related to outsourcing, staff terminations, external collaborations, competitive solicitations, and contract awards. Given the concerns raised by internal PPS staff, external stakeholders, and the press, our audit standards require us to examine these matters.[4]

This audit revealed that PPS leadership took several actions that increased risks to the bond program without requisite controls or activities to mitigate those risks. For instance, PPS leadership made significant shifts in its bond delivery approach and terminated the employment of almost half of the internal positions that made up its capital delivery program, impacting institutional knowledge and expertise gained over the prior thirteen years of the bond and replacing the work performed by those positions with contracted services. PPS experienced significant leadership turnover in the bond program, including the terminated bond delivery staff whose responsibilities will now be largely performed by an external consultant hired to manage the bond program and provide construction support services. While management and the Board have the discretion to outsource

[4] Per General Accepted Government Auditing Standards Requirement §8.72, "when information comes to the auditor's attention indicating that fraud, significant within the context of the audit objectives, may have occurred, auditors should extend the audit steps and procedures, as necessary, to (1) determine whether fraud has likely occurred and (2) if so, determine its effect on the audit findings." Although we found conditions that indicate a heightened risk of fraud, we did not conclude fraud occurred.

operational activities, the manner in which PPS outsourced management of its capital bond program was, in our judgment, problematic for three primary reasons.

First, PPS lacked a clear and cohesive business case for the shift. There was no evidence provided that outsourcing the bond program was more cost-effective than keeping the activities in-house to support the need for change or that the change in approach would be more effective and significantly alter the positive results of the bond program that had achieved through past completion of modernized schools and hundreds of other capital improvement projects. According to PPS, they believed prior bond project challenges, including managing contacts, indicated that a different and more targeted management approach was appropriate.

Second, the decision to outsource was made without sufficient and reliable information available to the Board and the public. Management asserted that there were concerns with the bond program and Board leadership stated the bond program was a failure; yet over the past six years our audits have demonstrated that the bond program has delivered projects as approved by the voters. There was a lack of substantive and accurate information provided to the Board upon which to make decisions regarding the external consultant contract with both Board and PPS leadership making assertions about bond program performance, project status, and condition of bond program that contradicted previous independent audit results. Management conveyed a sense of urgency regarding the need for the Board to quickly approve contracts for interim bond leadership and program management. This urgency was predicated on assertions that the capital delivery team had failed to deliver on the bond program—which was not accurate. According to PPS, the urgency was also driven by a lack of leadership within OSM with two significant resignations and PPS had significant concerns about the ability to execute three modernization projects concurrently based on its reliance on OSM leadership's assertions.

Nonetheless, this sense of urgency led the Board to act quickly, without full due diligence to make an informed decision, such as a clear business case for the reorganization and decision to outsource, the cost-benefit to PPS, and the methods management would employ to ensure bond performance under the outsourced approach would exceed the performance of in-house staff. Some Board members asked for additional information and extra time to review this information, but the Board voted on the contracts before such information was made available. This, in turn, revealed disconnects between the Board's view of its bond oversight and fiduciary responsibilities, including internal controls for the bond program, and best practices for effective governance.

Third, PPS terminated a significant portion of its bond program personnel, resulting in a substantial loss of institutional knowledge, and did not incorporate personnel with capital expertise to oversee and monitor the performance and compliance of its consultant in the newly outsourced model.

Finally, this audit revealed PPS' early collaboration with the bond program management service provider and discrepancies identified in the competitive solicitation and award process that conflict with best practices and controls to protect fair and open competition and increased risk that the solicitation and award was compromised. The resulting contract PPS negotiated was overpriced at the high end of our market comparisons, permitted decisions that may financially benefit the consultant, and contained provisions that PPS failed to enforce resulting in overpayments of more than $762,000 to the consultant.

Current Bond Environment is at Heightened Risk of Fraud.[5]

Conditions that can indicate a heightened risk of fraud include a history of improper payments, evidence of false or misleading information, and evidence of unusual patterns in contracting and procurement.

-Generally Accepted Government Auditing Standards §8.75

With limited in-house expertise at the leadership level over bond capital delivery, PPS is heavily reliant on the external firm as it restructures staffing, reporting relationships, systems, and protocols. This dependency could limit future competition for bond program management and project delivery because switching to a competitor could be cost-prohibitive or technically impractical—known as vendor lock-in. After auditors discussed these issues with management, PPS advertised for an Executive Director of Capital and Planning position that will oversee the bond program management consultant once filled.

Recommendations are listed at the end of each report finding and summarized in Appendix B, with key highlights shown as follows. After discussing preliminary results with PPS, management and staff have taken certain corrective action and have started working on several changes that align with our recommendations as described throughout this report.

[5] Per General Accepted Government Auditing Standards, **fraud** involves obtaining something of value through willful misrepresentation. **Waste** is the act of using or expending resources carelessly, extravagantly, or to no purpose and relates primarily to mismanagement, inappropriate actions, and inadequate oversight. **Abuse** is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse includes misuse of authority or position for personal financial interests or those of an immediate or close family member or associate.

Highlights of What we Recommend

To improve fiscal controls and accountability, be reimbursed for unallowable funds, seek to renegotiate unfavorable contract terms, reinforce transparency and integrity, and provide stronger governance and oversight, we made 38 recommendations to the Board and PPS as described in each report section and highlighted here.

A complete list of recommendations are detailed in the Appendix B.

- ✓ **Correct Fiscal Control Weaknesses Over Bond Program:** Establish methodical processes for determining cost allowability, prioritization of contingency balances, and support for bond staff time charges in addition to reinstitute other fiscal controls related to cash flow and external construction audit services for project costs.
- ✓ **Return Unallowable Bond Funds and Report on Bond Expenditures**: Seek general fund reimbursement for the unallowable bond spending and prepare an annual public report itemizing the types of expenditures and projects paid by bond funds to be more transparent to voters, as independently verified by the Board's Office of Internal Performance Auditor.
- ✓ **Mitigate Risks to Long-Term Bond Program Success by Rebuilding Internal Bond Capacity:** Start rebuilding in-house capital bond expertise to supplement remaining PPS employees by hiring project management employees to ensure the longevity of the bond program in addition to hiring an executive-level position with capital expertise, while still receiving program management services from the external bond program management consultant.
- ✓ **Seek to renegotiate the Bond Program Management Contract:** Work with its consultant and seek to renegotiate the bond program management contract to correct math errors, change payment terms to require time reporting and status reports and remove conflicting features and incentives.
- ✓ **Adjust Bond Management Consultant Invoice**: Adjust the bond program management consultant's next invoice by the $762,000 overpayment to comply with contract provisions and ensure proper reductions are made to the May 2026 invoice and future consultant invoices from that point in adherence with the contract.
- ✓ **Modify Board Practices to Strengthen Oversight and Fiscal Responsibilities Over Bond Program**: Create protocols to clarify governing activities and tasks for fulfilling fiduciary duties over funding, capital projects, and bond oversight including how the Board's due diligence is best demonstrated related to Board member questions and data from PPS staff, if requested, for board deliberations.
- ✓ **Regularly Engage and Support the Office of Internal Auditor to Review Bond Program Activity**: Assign the Board's Office of Internal Performance Auditor function to regularly review bond program activity as an extension of board oversight and to enhance transparency and accountability to taxpayers, including hiring an in-house auditor with capital project delivery experience to review expenditures and general fund transfers, and other bond areas as an extension of board oversight.

Introduction and Background

As the largest K-12 public school district in Oregon with slightly more than 40,000 students and 81 schools, PPS has been working on modernizing its aging school facilities and upgrading student learning environments through funding provided by general obligations bonds.[6] To date, PPS voters in Multnomah and Washington County have passed four bond measures for school improvements in 2012, 2017, 2020, and 2025. [7] Combined, these bonds authorized $4.3 billion in funding through a property tax levy for modernizing school facilities. PPS received additional revenues through bond premiums, interest earnings, and grants increased the funding available across the bonds to nearly $4.7 billion, as shown in Exhibit 2.

School Capital Improvement Bond Program

In 2012, the bond centered on school improvement efforts at Grant, Franklin, and Roosevelt High Schools in addition to Faubion PK-8 School; while the 2017 bond largely focused on Lincoln, McDaniel, and Benson Polytechnic High Schools in addition to Kellogg Middle School as shown in Exhibit 2. Both bonds also set aside funds for a series of accessibility, seismic, and health and safety improvements at multiple schools within PPS.

With the passage of a third bond in 2020, PPS expanded planned areas to include not only traditional capital improvements at physical school buildings such as the modernization of Jefferson High School but also allowed funding for educational curriculum and information technology infrastructure improvements as well as the CBSE also known as the Grice-Adair Center for Student Excellence.

Additionally, the 2025 Bond included implementing the design and construction for the modernizations of Cleveland and Ida B. Wells High Schools, added funding to complete Jefferson High School, and authorized PPS to utilize cost savings to perform updates or repairs to elementary and middle schools. The bond also included funding for additional curriculum, technology, and infrastructure improvements to seismic, safety, athletic fields, and performing arts.

[6] General obligation bonds are issued by state and local governments as a form of long-term borrowing to fund public infrastructure projects like schools, parks, and roads and are repaid through general tax revenues. PPS' bonds are repaid based on property tax assessments.

[7] Voters passed Measure 26-144 in 2012 for $482 million in bonds; Measure 26-193 in 2017 authorizing $790 million in bonds; Measure 26-215 in 2020 authorizing $1.208 billion in bonds; Measure 26-259 in 2025 authorizing $1.83 billion. In total, voters passed $4.3 billion in bonds for school modernization, renovation, repair, improvement, curriculum, technology, center for black student excellence, and safety.

EXHIBIT 2. CAPITAL PROJECTS BY APPROVED BOND PROGRAM WITH AMOUNTS

2012, 2017, 2020, 2025 Bond Components	2012	2017	2020	2025	Total
	$482M	$790M	$1.208B	$1.827B	$4.3B
Modernizations	**$278M**	**$580M**	**$629M**	**$1.15B**	**$2.6B**
2017 Bond Balance			see Benson		
Benson Multiple Pathways to Graduation			$64M		**$64M**
Benson Polytechnic High School		$202M	$152M		**$354M**
Center for Black Student Excellence			$60M		**$60M**
Cleveland High School			$20M	$447.4M	**$467.4M**
Elementary & Middle Schools				$170.3M	**$170.5M**
Faubion PK-8 School	$28M				**$28M**
Franklin High School	$85M				**$85M**
Grant High School	$95M				**$95M**
Ida B. Wells High School			$20M	$429.4M	**$449.4M**
Jefferson High School			$311M	$100M	**$411M**
Kellogg Middle School		$45M			**$45M**
Lincoln High School		$187M			**$187M**
McDaniel High School		$146M			**$146M**
Roosevelt High School	$70M				**$70M**
Roosevelt High School Phase V			$2M		**$2M**
Health, Safety, Infrastructure	**$74.5M**	**$150M**	**$241M**	**$269M**	**$734.5M**
Athletics (West Sylvan, Roosevelt, Grant, Franklin, Jackson, Marshall)				$79M	**$79M**
Facility Improvements & Priority Scope (Seismic)				$190M	**$190M**
Facility Improvements	$5M				**$5M**
Health & Safety		$150M			**$150M**
Infrastructure			$241M		**$241M**
Seismic & Other Building Improvements	$69.5M				**$69.5M**
Curriculum, Technology, Phyiscal Education	**$0**	**$0**	**$181.6M**	**$242M**	**$423.6M**
Curriculum			$53.4M	$56M	**$109.4M**
Technology			$128.2M	$176M	**$304.2M**
Phyiscal Education				$10M	**$10M**
Program & Administration	**$129.5M**	**$60M**	**$156.4M**	**$166.1M**	**$512.1M**
Debt Repayment	$45M				**$45M**
Contingency		$20M	$93.3M	$83.05M	**$196.4M**
Administration / Program Costs	$84.5M	$40M	$63.1M	$83.05M	**$270.7M**

Source: Bond Components and amounts from Bond fact sheets, Board approved Bond planning memos, and prior annual bond performance audits.
Note: 2025 Bond—$100 million of the $190 million of "Facility Improvements & Priority Scope" is allocated to Seismic Improvements.

Bond Capital Projects Budget versus General Fund Budget

Bond capital programs are complex, challenging, and long-term involving changing conditions, heavy reliance on supply markets, exposure to inflationary pressures, and higher levels of public scrutiny and accountability, requiring the need for full transparency and clear, accurate financial communications.

Although the spending of bond money spans several years, PPS must budget annually for expected expenditure and debt service repayment against estimated bond proceeds.[8] This activity is included in PPS' capital projects fund (that also includes smaller non-bond capital projects) and PPS' debt service fund. Over the last six years, the capital projects fund budget averaged about half of PPS' entire budget, as shown in Exhibit 3. Conversely, the general fund budget averaged less than 38 percent over the same period. Bond funds must only be spent on capital improvements identified in the bond measures and cannot be used for general operations.

EXHIBIT 3. CAPITAL PROJECTS FUND AND GENERAL FUND PERCENT OF PPS BUDGET

Fund	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	6-Year Average
	Percent of District Budget						
Capital Projects Fund (includes debt service funding)[1]	49%	40%	50%	54%	45%	**60%**	**49.7%**
General Fund	36%	43%	38%	36%	43%	**31%**	**37.8%**

Source: PPS Adopted Budgets.

Note: [1]Debt service comprises approximately 11 percent, on average, of the combined amount shown in the exhibit. Although a small amount of debt service is for pension obligations that are unrelated to the bond, the amounts do not significantly impact overall percentages.

Bond Program Management and Individual Project Management

Capital improvements involve a multitude of tasks, stakeholders, and variables that challenge a project or program's ability to stay on schedule, within budget, and aligned with planned scope. To ensure bond projects are managed and implemented as pledged to voters, PPS employs both program management activities and project management activities. While bond ***program*** management—focuses on a macro, strategic level across a portfolio of several projects, ***project*** management and delivery focuses on the micro, day-to-day implementation of an individual project. This is illustrated in Exhibit 4.

These project delivery teams also involve construction managers or external construction management firms to perform site inspections, process submittals and requests for changes to the contract, review contractor payment applications, and monitor general contractor compliance with contract responsibilities. Together, this delivery team is critical for providing close oversight over a contractor's performance and adherence to the contract.

[8] Debt service is the amount of cash needed to pay back the bond debt (principal and interest) issued to raise money to fund the capital improvement expenditures. Most of the debt service relates to the general obligation bond program from 2012, 2017, 2020, and 2025, but also includes pension debt service to address unfunded pension liabilities.

EXHIBIT 4. HIGHLIGHTS OF DIFFERENCE BETWEEN PROGRAM MANAGEMENT AND PROJECT MANAGEMENT RESPONSIBILITIES

CAPITAL PROJECT ELEMENTS	PROGRAM MANAGEMENT	PROJECT MANAGEMENT
Scope	Oversee and coordinate portfolio of projects.	Individual direct, day-to-day project delivery.
Timeline	Spans lifecycle of bond, usually several years.	Shorter-term until individual project completed.
Policies & Procedures	Develop consistent and standard policies.	Follow policies.
Planning	Long-term planning.	Related to specific project being constructed.
Risk Management	High-level across bond projects.	Specific to individual capital project.
Contracting	Develop/negotiate contract terms.	Monitoring contractor compliance.
Financial	Manage program budget and cash flow.	Manage line-item construction costs.
Design	Enforce overarching district design standards.	Work with design team to produce drawings.
Construction	Assess overarching activies and progress.	Direct day-to-day project execution, including managing contractors and change orders.
Performance	Track bond capacity, compliance, resource allocation, and stakeholder satisfaction.	Keep project on budget, schedule, scope.
Communication	Handling global stakeholder communication.	Update and liasion with school and communinity impacted by specific project.
Reporting	Update and liasion with board and oversight bodies on overall bond progress and budget.	Daily/weekly/monthly updates on schedule, scope, budget, submittals, and work progress.

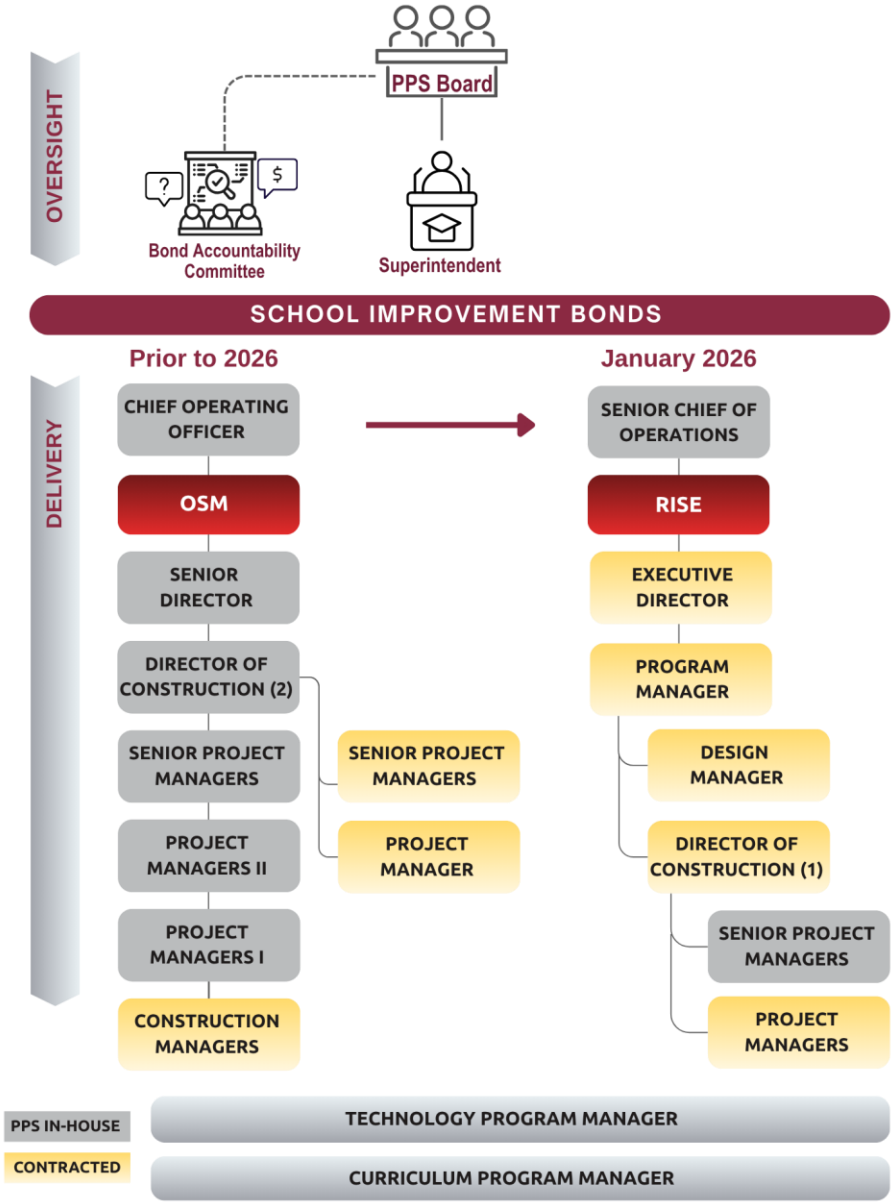
Source: CMAA Standards of Practice, Chapter 11 Program Management, 2021 Edition, Project Management Institute's Common Body of Knowledge (PMBOK), PMBOK-Construction Extension, National Association of Construction Auditors, and SEC audits and proprietary best practice resource library.

Bond Oversight and Organizational Structure

Modernizing aging school facilities involves a variety of PPS executives and staff, private sector consultants and contractors, external stakeholders, a community-led accountability committee, and an elected oversight board that work together on ensuring bond programs are delivered as planned as shown in Exhibit 5.

Overseeing and advising staff on the bond programs is a seven-member Board of Education (Board) and related board committees such as the Facilities Improvement Oversight (FIO) Committee and the Audit Committee, in addition to a community-led Bond Accountability Committee (BAC) with technical expertise on bond and capital delivery.[9] While ultimate accountability for the bond program rests with the Board, the Superintendent and Senior Chief of Operations are responsible at the executive level for the delivery of the bond program and projects.

EXHIBIT 5. OVERVIEW OF PPS BOND DELIVERY STRUCTURE, AS OF APRIL 2026

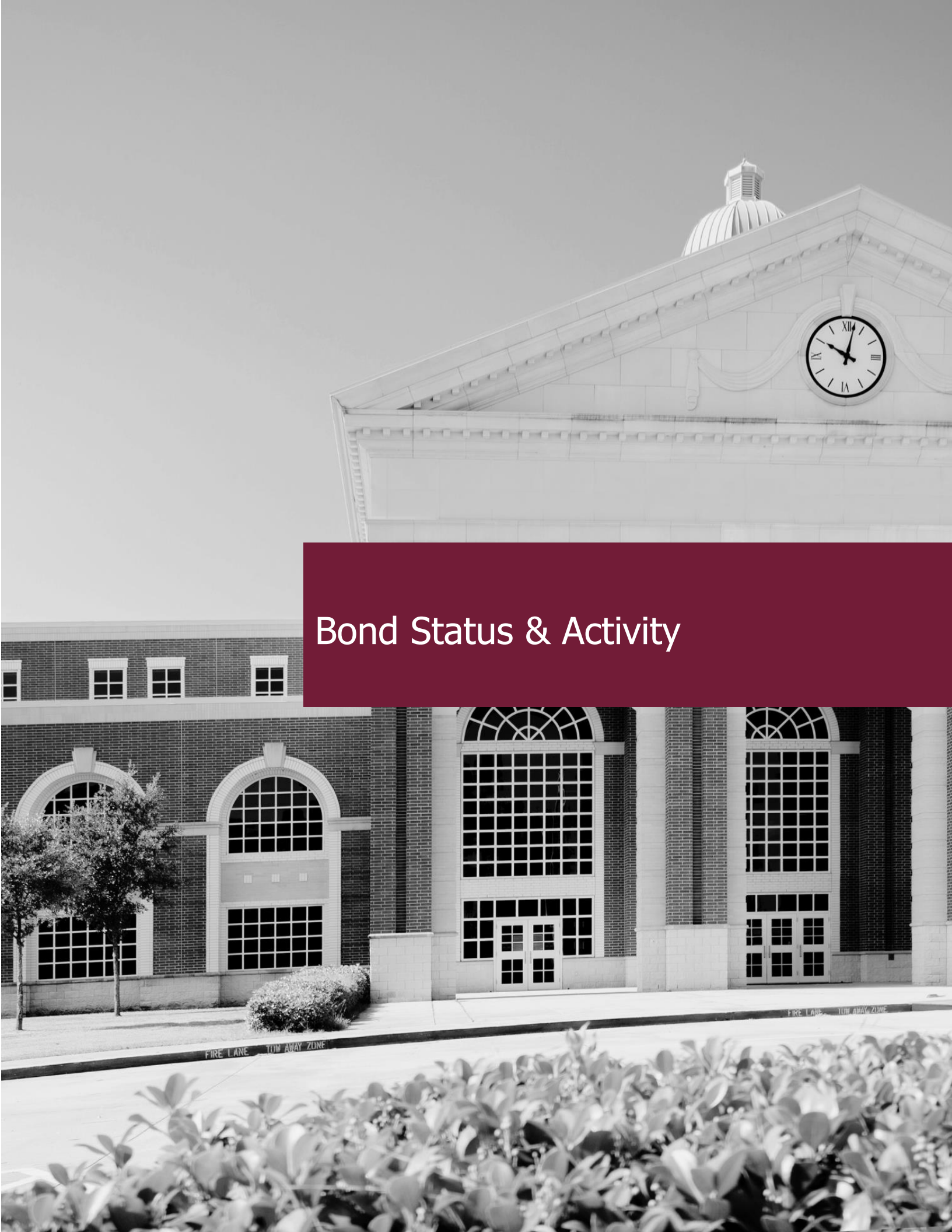


Source: PPS Leadership Staff Organizational Chart for 2025-2026 effective July 2025 and proposed 2026-2027 effective July 2026 as located on PPS website at https://www.pps.net/Page/12889 and PPS RISE organizational chart, version 20 as of April 14, 2026.

[9] The FIO Committee was previously known as the School Facilities Improvement Oversight Committee or the Facilities & Oversight Committee. The establishment of the BAC was a requirement of each bond measure and consists of private community members that advise the Board and PPS on bond matters as defined by its charter.

Since the first bond was approved in 2012, PPS assigned to the Office of School Modernization (OSM) the responsibility for administering, managing, and implementing capital improvement projects. This remained OSM's responsibility until December 2025. OSM executed the design and construction of the school modernizations and infrastructure projects in addition to coordinating program management functions, meetings of the Board's FIO committee and BAC, and status reporting to the Board. In early 2026, PPS reorganized the bond delivery structure into the new Real Estate, Infrastructure, and School Enhancement (RISE) department. Overseen by the PPS' Senior Chief of Operations, the Executive Director position for the RISE department was outsourced to an external firm that has assumed responsibility for bond program management and implementing the high school bond modernization projects and capital improvements related to CBSE. While RISE primarily focuses on the bond program, it is also responsible for real estate, space planning, and non-bond funded smaller capital projects. These other functions are managed by a PPS Senior Director. According to PPS, once a newly advertised position for Executive Director of Capital and Planning is filled, the RISE structure will look different.

Additional PPS departments became involved with the management and implementation of bond areas outside of typical capital construction projects. This includes the Office of Technology & Information Services (OTIS) for technology projects and the Office of Teaching & Learning (OTL) for curriculum projects. The bond program structure also includes various capital delivery support from assigned staff from Purchasing & Contracting procuring external firms to assist with bond-funded capital projects, Finance helping with bond financing and interpreting accounting principles for bond compensability, and Career and Technical Education (CTE) working on equity programs as part of capital projects.



Bond Status & Activity

Finding 1: PPS Generally Fulfilled Its Bond Pledges with Projects Completed On-Schedule and Within Revised Budgets

Since the 2012 Bond passed, OSM has delivered nearly $2.2 billion in capital projects to modernize six full high schools, one middle school, and one PK-8 modernization. Also, OSM has delivered hundreds of improvements related to accessibility, lead paint, water, asbestos, seismic, roof, security, mechanical, and technology infrastructure, as well as curriculum programs, as pledged to voters. Another $643 million remains available from bond premiums and interest earned which will allow additional projects to be delivered for the 2012, 2017, and 2020 Bond projects. With the passage of the 2025 Bond, an additional $1.8 billion in funding is available for projects that are starting up and off to a good start.[10] RISE continues to make progress and meet bond obligations to voters, as did its predecessor, OSM.

Prior annual bond performance audits issued between 2014 and 2025 reported that OSM employed delivery protocols over the bond program that aligned with best practices and industry standards—although auditors recommended improvements as is common in audits of large-scale capital programs.[11] OSM implemented many of these prior audit recommendations; in fact, of the 75 recommendations auditors made since 2019, only 16 audit recommendations remain to be implemented.[12]

Across Bond Years, PPS Delivered More Than Pledged to Voters Generally Within Schedule and Budgetary Commitments

When OSM set out to modernize its aged school buildings more than a decade ago, it planned to gradually improve all facilities over several years and continue updating schools and making capital improvements if bond funding was available. Since 2012, PPS' bond portfolio has grown nearly ten-fold. At the same time, OSM faced several budgetary challenges from inadequate 2017 bond budget estimates, claims on the Benson High School project, and significant cost escalation in the market. OSM encountered delays on two important 2020 Bond projects—due to factors largely outside OSM's control. These factors included board action directing OSM to redesign the Jefferson High School project more than once and PPS delays in defining program concepts related to CBSE that were needed before OSM could launch a capital project. Also, the Harrison Park Middle School conversion encountered substantial scope increases which were driven by community feedback and ultimately decided by the Board to balance student enrollment needs and programs available.[13] Despite these challenges, OSM delivered more to voters than planned at the time the bond passed, generally within budgets and originally intended timeframes.[14]

[10] Bond premiums occur when the bond is sold to investors for more than its face value when the bond's interest rate is higher than current market interest rates.

[11] Industry guidance is from, but not limited to, Construction Owners Association of America, Construction Management Association of America, National School Board Association, National Center on School Infrastructure, National Council on School Facilities, Oregon School Boards Association, California School Boards Association, Project Management Institute's Common Body of Knowledge (PMBOK) Construction Extension, and National Association of Construction Auditors.

[12] All prior annual bond performance audit reports are available on the PPS website at https://bond.pps.net/about/oversight-and-accountability.

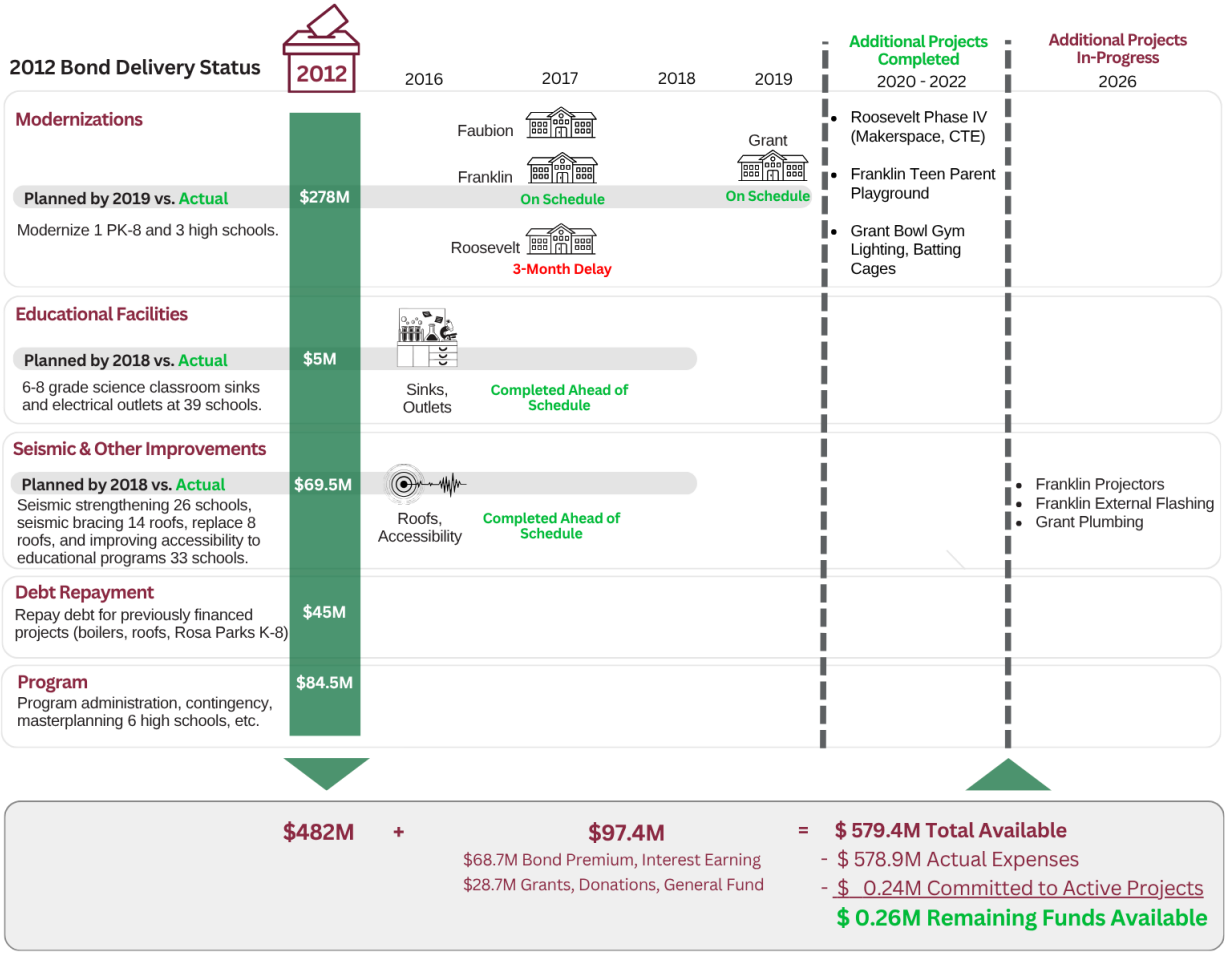
[13] Refer to the annual bond performance audit issued in 2024 for details on the Harrison Park project https://bond.pps.net/about/oversight-and-accountability.

[14] We considered a project to be delivered within budget if it met its estimated budget when the bond passed. We considered OSM met a planned bond pledge if a school was open for students or an infrastructure improvement project was completed or in use—including when curriculum textbooks or eBooks were purchased. It is not uncommon for large-scale capital improvements to have outstanding "punch list" items of repairs or work to be finished. These smaller items, in addition to potential claims or litigation affecting final costs, should not impact the use or function of the capital improvement.

2012 Bond Projects Pledged to Voters Were All Delivered by Summer 2019, with More Projects Than Promised Subsequently Completed Through Extra Funds Available from Premiums and Interest

As discussed in prior annual bond performance audits, projects envisioned by the $482 million 2012 Bond were mostly completed on schedule by summer 2019. Students returned to modernized learning environments at Faubion PK-8, Franklin High School, and Roosevelt High School in August 2017, followed by Grant High School in August 2019. Additionally, the pledged 2012 Bond seismic, roof, and accessibility projects were completed over four summers between 2013 and 2016 as planned. While final costs were higher at $579.4 million, this was primarily from the PPS Board expanding design requirements for capacity of a high school to accommodate 1,700 students rather than the 1,500 students anticipated at pre-bond planning. OSM covered the extra $97.4 million funding needed using available bond premium, interest earned, donations, and grants as shown in Exhibit 6. Because of this, we found the projects to be delivered as intended by the voters.

EXHIBIT 6: 2012 BOND COST & DELIVERY STATUS, AS OF MARCH 2026



Source: Prior annual bond performance audit reports, e-Builder project management system records, 2012 Bond measure.
Note: "Committed to Active Projects" includes project specific contingency that if unused is returned to program-wide contingency for other projects.
See Appendix C for a universe of projects funded by 2012, 2017, 2020, and 2025 Bonds.

With voter-pledged projects completed, OSM designated remaining funds available for smaller improvements at the original 2012 bond schools. Three of those additional projects were completed between 2020 and 2022 and included makerspace updates at Roosevelt High School, a teen parent playground at Franklin High School, and gym and batting cage improvements at Grant High School. With funds still remaining, OSM continued to spend down 2012 funds on smaller repair or enhancement projects at the 2012 schools such as bringing previously installed projectors at Franklin High School up to current electrical code which is expected to be completed by July 2026.[15] Thus, projects that show as "currently active" as of March 2026 do not represent original planned project scopes that remain in progress but are newer improvements that have been identified as eligible for funding under the 2012 Bond. OSM added new projects because original projects were generally completed on schedule and budget, and unspent contingency monies and interest earned allowed OSM to initiate new school improvements that exceeded commitments made to voters in 2012.

All Four School Modernizations Under the 2017 Bond Have Been Completed and More Health & Safety Improvements than Initially Envisioned Are Being Delivered

Likewise, as discussed in the annual bond performance audit report issued in June 2025, most 2017 Bond projects were completed—despite initial challenges with the development of the $790 million original bond cost estimates.[16] Claims surrounding the construction contract for Benson High School continue to be litigated, but that high school and the other three modernized schools envisioned by the 2017 Bond opened to students on schedule.

While the 2017 Bond set aside $150 million for health and safety improvements, additional funding from grants, bond premium, and interest earned allowed OSM to complete more projects than originally planned for including improvement related to accessibility, asbestos, radon, roofs, seismic, water quality, and other infrastructure. In fact, OSM completed health and safety improvements at more school sites than planned. For instance, security systems were updated at all 88 schools when initially only planned for 11 sites. Similarly, accessibility projects were completed at 16 sites compared to 9 originally planned sites. Using savings from completed projects and additional funds available, OSM completed additional projects such as replacing and seismically bracing existing roofs at additional schools and completing additional lead paint mitigation efforts throughout the district as shown in Exhibit 7 on the next page. Some of the additional sites continue to have activities in 2026 but those projects are beyond the original number of sites promised to voters.

Further, OSM completed the modernizations and school improvements promised to voters within the timeframe envisioned in December 2017. Even the Benson High School project, which faced funding and construction challenges, opened to students on schedule as planned in 2024. Like the 2012 Bond, OSM continues to use remaining 2017 Bond funds available to complete additional projects that were not part of the original bond. These projects include athletic field and track projects at Benson and Grant High Schools, both completed in 2024, in addition to remediation projects underway at Benson High School related to ongoing litigation.[17]

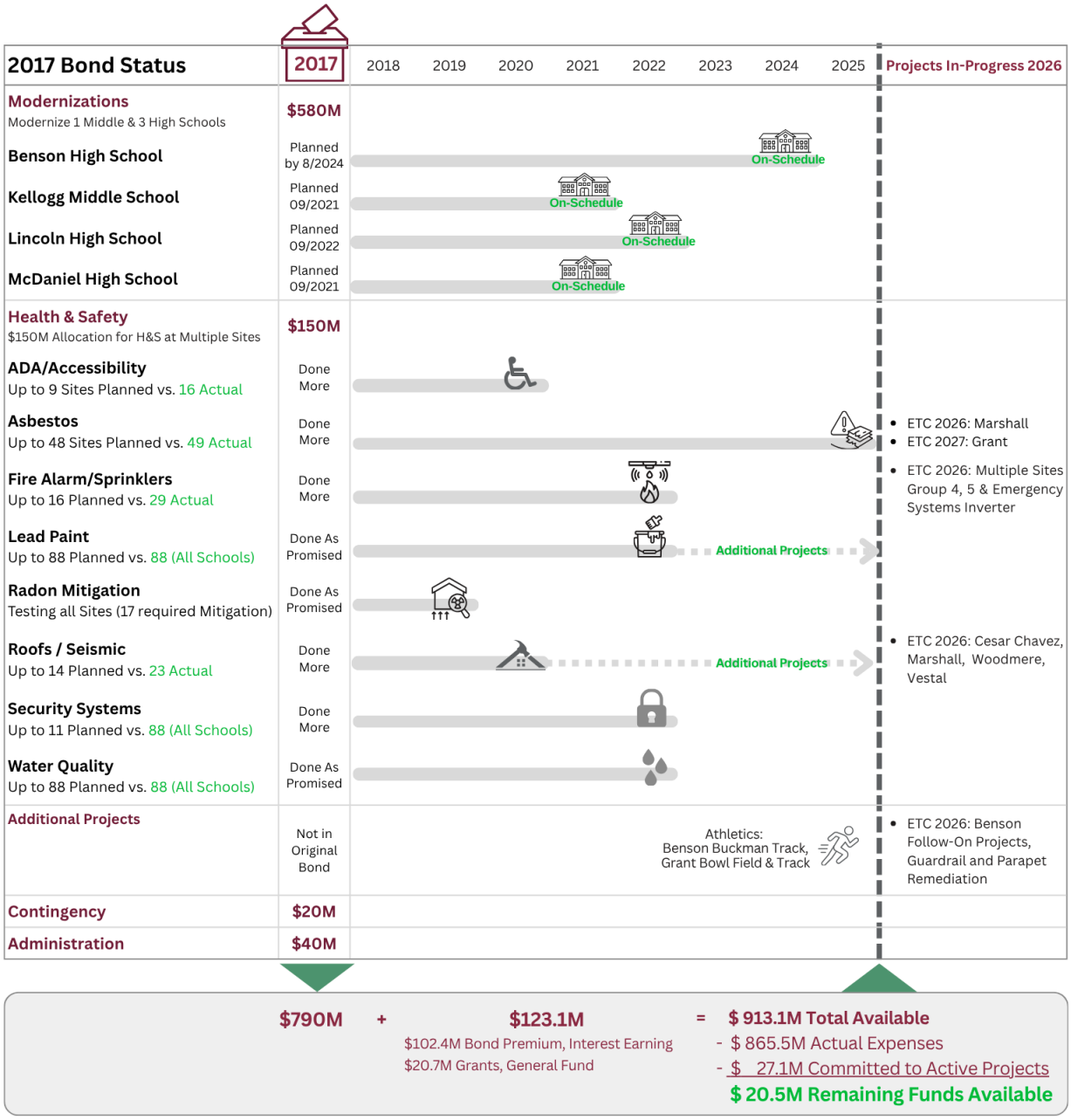
[15] According to PPS, the Franklin High School projectors installation project was completed in July 2026.

[16] As reported in prior annual bond performance audit reports, for the 2017 Bond projects, OSM's bond estimates did not include all components of project costs or accurate escalation factors; thus, we compared cost performance against the revised budgets once properly adjusted. All prior audit reports are available on the PPS website at https://bond.pps.net/about/oversight-and-accountability.

[17] According to the prior annual bond performance audit report issued in June 2025, when the Benson Polytechnic High School main building opened for student attendance in August 2024, certain areas of the building were not completed. Open work related to items such as gym floors (impacted by pump failure), training rooms, rework on the roof, various signage, and exterior punch list items to name a few. This work is expected to wrap up by the end of 2026.

As of March 2026, OSM spent $865 million of the $913 million available from 2017 Bond funds, bond premium and interest earned, as well as general fund and grants, completing the modernization and infrastructure projects pledged to voters. With another $20.5 million of available funds in contingency (most of which resulted from $16.3 million in savings on the Lincoln High School project) as of March 2026, the new RISE department can implement additional 2017 Bond-funded improvements. While there are ongoing claims and litigation with the Benson High School project, the amount of the claims and potential fiscal impact are still unknown, since no decisions have been made as to who will bear the cost of paying claims.

EXHIBIT 7: 2017 BOND DELIVERY STATUS, AS OF MARCH 2026

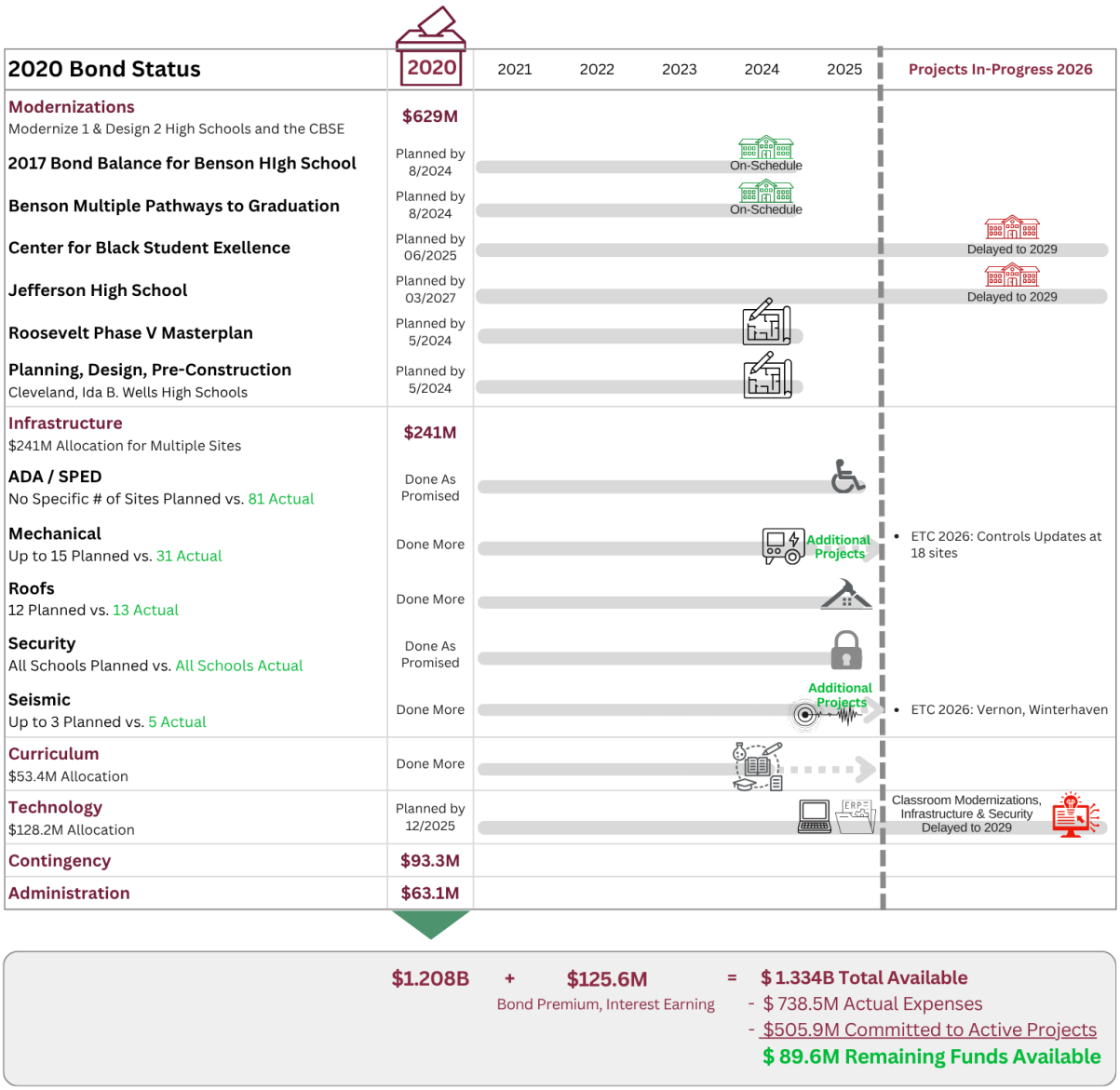


Source: Prior annual bond performance audit reports, e-Builder project management system records, 2017 Bond measure.
Note: "Committed to Active Projects" includes project specific contingency that if unused is returned to program-wide contingency for other projects.
See Appendix C for universe of projects funded by 2012, 2017, 2020, and 2025 Bonds.

2020 Infrastructure Bond Projects Were Mostly Complete but Board and Superintendent Decisions Jefferson High School Resulted in Delays and Higher Costs

Like previous bonds, the 2020 Bond continued similar modernization and infrastructure efforts but also introduced new improvements for technology and curriculum as well as the CBSE. Initially valued at $1.2 billion, additional bond premium and interest earned increased available funding to $1.3 billion. Of the original $1.2 billion, more than half was set aside for modernizations projects including amounts covering the 2017 Bond funding shortfall at Benson High School, modernizing Jefferson High School, and implementing the CBSE. The remaining allocations included $128 million for technology, $53 million for curriculum, and $241 million for infrastructure projects, as shown in Exhibit 8.

EXHIBIT 8. 2020 BOND COST & DELIVERY STATUS, AS OF MARCH 2026



Source: Prior annual bond performance audit reports, e-Builder project management system records, 2020 Bond measure.
Note: "Committed to Active Projects" includes project specific contingency that if unused is returned to program-wide contingency for other projects.
See Appendix C for a universe of projects funded by 2012, 2017, 2020, and 2025 Bonds.

Through March 2026, OSM has spent over $738 million on 2020 Bond projects, with most of the planned infrastructure investments completed on schedule and at more schools than promised. At that time, OSM had $89.6 million left and available to spend on additional infrastructure projects through additional funds from bond premiums and interest. For instance, additional seismic and mechanical projects are underway as of March 2026 and expected to be completed by the end of 2026. Because of this, OSM has been able to deliver more to voters than when the bond passed.

Also, as reported in the prior annual bond performance audit issued in June 2025, OSM continued to deliver 2020 Bond curriculum projects on schedule following Oregon Department of Education standards. With other funding sources supplementing bond funds, OSM has been able to leverage bond funds to provide more curriculum updates than planned.

Over the last year, PPS made significant progress moving the delayed $60 million CBSE project forward through the purchase of a $16 million building in December 2025 for programming associated with the project's vision. As of June 2026, PPS is currently in the design phase, determining the specific capital improvements that it will make to the purchased building with plans to complete construction by the 2029-2030 school year. With the 2020 Bond allocating funding up to $60 million for CBSE, PPS has a balance of approximately $44 million to complete its final vision for the center.[18]

Similarly, most 2020 Bond technology projects related to student device replacement and an enterprise resource planning (ERP) system have been generally completed on target, as revised. PPS also made progress towards its revised completion date in 2029 for the rest of the planned technology improvements that are still recovering from past delays and challenges surrounding OTIS' procurement method and COVID-19 pandemic challenges for its contractors. Improvements impacted include classroom modernizations for wireless access points, projectors, and infrastructure or security projects such as data center server refresh, phone updates, and switch replacements to name a few.

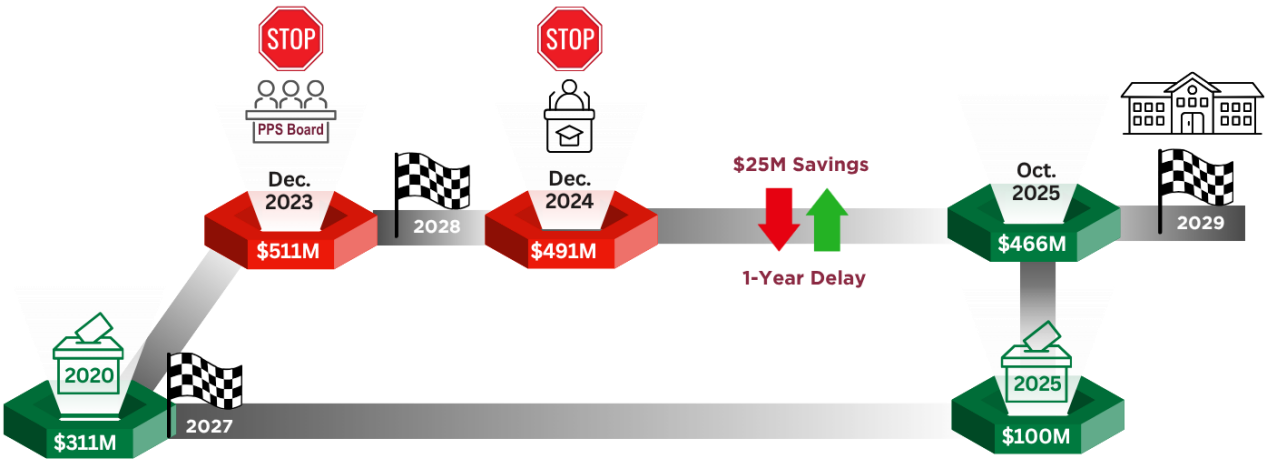
The largest remaining project underway for the 2020 Bond was the $466 million modernization of Jefferson High School which received $366 million from the 2020 Bond and required an additional $100 million in 2025 Bond funds. Additional funding was required to cover cost increases due to board-directed redesigns meant to accommodate school community design preferences and COVID-19 pandemic cost escalation.[19] In December 2024, the Superintendent paused design development on the project to conduct cost reduction exercises. At the conclusion of the prior annual bond performance audit issued in June 2025, OSM was in process of addressing the Superintendent and Board's direction to conduct cost-reduction exercises. Specifically, in December 2024, the project's design efforts were paused to reduce total project costs by approximately $100 million from the project's estimate ($491 million at that time) back to the initial $366 million budget when the bond passed. That effort, along with other cost analyses, did not result in the target project savings envisioned as discussed in more detail in Finding 3 of this report.

[18] 2020 Bond language set aside "up to" $60 million for CBSE.

[19] The Board required redesigns required an update to the original comprehensive plan from 2022. The revised comprehensive plan was approved in October 2025.

Since that time, OSM staff and project consultants completed a third redesign to save costs, and PPS engaged another external consultant firm to identify and provide alternative options for cost savings and accelerating construction. Those efforts did not result in the Board and Superintendent's desired $100 million saving goal—rather savings were more modest at $25 million as shown in Exhibit 9.

EXHIBIT 9. BOARD RE-DESIGN DECISIONS CAUSED DELAYS & INCREASED COST REQUIRING 2025 BOND FUNDING TO COMPLETE JEFFERSON HIGH SCHOOL



Source: Conceptual Schedules, Comprehensive Plans, PPS Board Meetings.

These attempts at cost savings and fast-tracking construction resulted in a year-long delay, less potential cost savings than desired, and the potential risk of higher future costs due to market inflation. Cost could potentially increase again since PPS and its general contractor are not yet at the stage of the modernization projects to negotiate construction contract budgets, known as a guaranteed maximum price.

2025 Bond Modernizations Proceeded with Final Designs After Year-Long Delay from Cost Reduction Studies and Progress is Being Made on Technology

On May 20, 2025, Multnomah County voters approved a $1.8 billion bond to continue improving school facilities at PPS. While the measure did not specifically allocate amounts to individual schools or projects, a pre-bond staff memo from January 2025 outlined more specific improvements to be funded by the 2025 Bond.[20] The amount of funds available increased as of March 2026 due to an influx of approximately $43 million from bond premium, as shown in Exhibit 10—and could continue to increase depending on premiums from future bond sales, additional grants received, and other funding made available.

Thus far, PPS has spent $32 million of the 2025 bond proceeds, including $19 million on new technology devices, $6.8 million on security software, and $5.7 million on program administration, bond issuance costs, and external bond program management consultant services—as shown in Exhibit 10.

Since the bond passed in May 2025, PPS has spent minimal 2025 Bond funds for Cleveland, Ida B. Wells, and Jefferson High Schools because 2017 Bond and 2020 Bond funds were used to pay for planning, early design, and related PPS staff costs. Like Jefferson High School, PPS' pause to cost-reduction studies on the

[20] PPS Board Meeting January 7, 2025 "Staff Memo – Bond Referral – Updated Version 01.09.2025."

modernization projects also caused a one-year delay in the completion schedule for the Ida B. Wells High School modernization as well. Instead of opening for the 2028-2029 school year as scheduled in the initial comprehensive plans approved by the Board in May 2024, both the Cleveland High School and Ida B. Wells High School projects are now expected for opening at the start of the 2029-2030 school year according to the revised comprehensive plans approved by the Board in October and November 2025, respectively.

EXHIBIT 10. 2025 BOND COST & DELIVERY STATUS, AS OF MARCH 2026

2025 Bond Status	2025	Planned Completion
Educational & Technology Improvements	**$242M**	
Curriculum	$56M	Annual until 2033
Physical Education (Cesar Chavez, da Vinci, George, Ockley Green, Metropolitan Learning Center, Winterhaven)	$10M	TBD - No schedule estimate.
Technology	$176M	• By 2029: ERP, HVAC & Energy Sustainability • By 2033: Phased Annual Device Refresh, Classroom Tech, Cybersecurity
Modernizations	**$1.15B**	
Cleveland High School	all included above	2029-30 School Year
Ida B. Wells High School		2029-30 School Year
Jefferson High School		2029-30 School Year
Elementary & Middle Schools		TBD - No estimate.
Phyiscal Facility Improvements	**$269M**	
Athletics (West Sylvan, Roosevelt, Grant, Franklin, Jackson, Marshall)	$79M	Phased until 2035
Facility Improvements & Priority Scope (Seismic)	$190M	TBD - No schedule estimate.
Administration	**$83.05M**	
Contingency	**$83.05M**	

$1.827B	+	$42.91M	=	$1.87B
Original Bond		Bond Premium		Total Available

Source: e-Builder project management system records, Bond Accountability Committee Meeting December 18, 2024, 2025 Bond measure.
Note: "Total Available" will likely increase with future bond premium and interest earnings, as well as other grants, and funding sources.
See Appendix C for a universe of projects funded by 2012, 2017, 2020, and 2025 Bonds.

While Building an Effective Capital Bond Program, PPS Has Recognized Opportunities for Improvement With Most Outstanding Prior Audit Recommendations Addressed

As part of fulfilling bond pledges to deliver capital improvements, each of the various bond measures requires independent audits of bond projects and expenditures. To meet this provision, PPS contracts with external independent firms to conduct annual bond performance audits. The scope of the audits includes current year activities, so recommendations can be shared and implemented as the bond program is in progress to best affect positive change.[21]

PPS has implemented many of these prior audit recommendations, making improvements in areas including contract language, cost estimation, progress and accomplishment reporting, and equity to name a few. In fact, of the 75 recommendations auditors made over the last six annual bond performance audits since 2019, only 16 audit recommendations remain to be implemented as detailed in Appendix D. This is commendable given that about half of those outstanding recommendations were first reported in the annual bond performance audit finalized in June 2025.

In years past, PPS more formally tracked its progress against prior recommendations through an internal audit implementation tracker that it used to present status to the BAC on an annual or semi-annual basis. Previously, OSM bond delivery staff and managers met together to discuss actions, progress, and recommendations that were considered complete which were memorialized in the implementation tracker. Participants consisted of the Senior Director of OSM, directors of construction, business manager, project managers, and representatives from contracting, finance, curriculum, and technology as needed.

Since the most recent annual bond performance audit was issued in June 2025, the RISE Executive Director has assumed responsibility for tracking and discussing audit recommendations status. RISE has changed previous practices of reporting implementation statuses. It currently only discusses those recommendations completed during the reporting period, rather than showing all outstanding recommendations in a single centralized document provided to the Board or the BAC. Highlighting and discussing individual audit recommendations that have been completed is good practice, although the oversight bodies should also have visibility into the status of all outstanding audit recommendations. This practice could also be enhanced by updating protocols to document the changed responsibilities, steps taken to discuss and address audit recommendations, and the people involved with discussing and confirming corrective actions have been taken prior to presentation to oversight bodies. After we communicated this recommendation to PPS, RISE implemented a new standard operating procedure on August 17, 2026, to address these elements. To continue enhancing transparency and accountability, the Board should employ its Office of Internal Performance Auditor (OIPA) to periodically review PPS' implementation of the bond performance audit recommendations as part of its assurance function to determine if corrective controls are implemented as needed.

[21] Prior annual bond performance audits found OSM employed solid project management, construction management, and delivery protocols over its bond program through an organizational structure that aligns with best practices recommended by leading industry guidance and standards. Industry guidance includes Construction Owners Association of America, Construction Management Association of America, National School Board Association, National Center on School Infrastructure, National Council on School Facilities, Oregon School Facilities Management Association, Oregon School Boards Association, California School Boards Association, California Association of Bond Oversight Committees, Project Management Institute's Common Body of Knowledge (PMBOK), PMBOK-Construction Extension, National Association of Construction Auditors, and National State Auditors Association.

Finding 1: PPS Recommendations

To strengthen practices for reporting on success in implementing the bond program pledges to taxpayers and prior audit recommendations for transparency, accountability, and oversight

1. Clearly define what success looks like for meeting bond pledges including definitions of project completion in terms of open for student use, outstanding punch list items, on-budget and schedule, or other factors considered.
2. Regularly measure and report on progress and completion against the established definitions for bond success so that it is clear to the public what the District and the Board consider in meeting bond pledges.
3. Provide a complete list of outstanding bond audit recommendations with implementation status, planned corrective actions or actions taken, and estimated dates for resolution to the relevant board committees and BAC on a quarterly basis for oversight and review.
4. Assign the Board's Office of Internal Performance Auditor responsibility to periodically review implementation as part of its assurance function to determine if corrective controls are implemented as needed.

Finding 1: Board Recommendation

To continue to demonstrate accountability to taxpayers, a commitment to continual improvement, and achieve the intended benefit from audit recommendations

Bond Delivery Practices

Finding 2: PPS Needs to Strengthen Certain Fiscal Controls and Practices to Correct Instances of Unallowable and Unsupported Bond Spending and Prevent Future Occurrences

Implementing capital improvements is a challenging endeavor with continual opportunities for efficiencies and course correction especially with large-scale capital delivery programs like PPS' bond program. Prior annual bond performance audits between 2014 and 2025 found PPS employed solid project management, construction management, and delivery protocols over its bond program through its organizational structure that generally aligned with best practices and leading industry standards.[22] While these audits reported that PPS had delivered projects largely within budget and on schedule, they also identified opportunities for improvement, as is common in audits of large-scale capital programs.

For this audit cycle, we found additional areas and controls that PPS needs to strengthen to better align with leading practices.[23] Our results revealed that PPS charged the bond program for approximately $193,400 in unallowable bond project costs and nearly $1 million in unsupported payroll charges. As described below, we identified a lack of methodological controls to evaluate the eligibility of project expenses before transfers occur or to track and monitor staff time and effort in relation to the bond program. Further, PPS does not have procedures in place to prioritize project improvements for funding with available contingency funds, nor has it re-engaged services for its external construction auditor which ensured construction contractors' costs are supported and compliant with contracts. Additionally, we found errors with PPS reporting of budget, cost, and schedule data for the bond program. After we discussed the audit findings with PPS, staff implemented or have begun implementing additional controls and corrective actions.

Procedures are Not Formalized for Allocating Unused Bond Contingencies of Nearly $854 Million

Contingencies for capital delivery programs are funds set-aside to cover uncertainties and risks associated with the unknown costs of these long-term projects. They are typically established at both a program level and project level. Program contingency is maintained at the macro bond level to cover global risk or economic shifts and balance budgets across projects. Project contingency is allocated to provide a buffer that absorbs unanticipated issues such as differing site conditions, supply delays, or design changes on individual projects. As shown in Exhibit 11, there is a total of nearly $854 million in bond contingency—both allocated to projects and unallocated in program contingency remaining as of May 2026. Approximately $214 million was already allocated to specific projects while most of the remaining $640 million represented unallocated funding from the recent 2025 Bond.

[22] Industry guidance includes Construction Owners Association of America, Construction Management Association of America, National School Board Association, National Center on School Infrastructure, National Council on School Facilities, Oregon School Facilities Management Association, Oregon School Boards Association, California School Boards Association, California Association of Bond Oversight Committees, Project Management Institute's Common Body of Knowledge (PMBOK), PMBOK-Construction Extension, National Association of Construction Auditors, and National State Auditors Association.

[23] As a recipient of federal funds, PPS is required by 2 CFR Part 200.303 to establish and maintain effective internal controls that should comply with the most widely recognized internal control framework from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control—Integrated Framework or the United States Government Accountability Office's Standard for Internal Control in the Federal Government (GAO-25-107721) known as the Green Book. COSO is governed by representatives from major accounting and financial organizations, as is widely recognized as the industry leader for internal control frameworks fraud deterrence, and governance. We compared PPS practices and controls against these frameworks throughout this report.

Although both OSM and RISE have guidance for establishing the amount or percent of project contingency based on industry thresholds, there are no specific procedures for allocating unused contingency.

EXHIBIT 11. PROGRAM CONTINGENCY & BALANCE REMAINING FOR ALL BONDS, AS OF MAY 2026

Contingency Balances	2012 Bond	2017 Bond	2020 Bond	Sub-Total 2012 - 2020	2025 Bond	Total All Bonds
Allocated to Projects	$254,209	$25,417,718	$104,364,003	$130,036,929	$84,109,127	**$214,146,057**
Unallocated Balance	$0	$42,039	$95,858,957	$95,858,957	$543,939,445	**639,839,442**
Total Available	**$254,209**	**$25,460,757**	**$200,222,960**	**$225,937,926**	**$628,047,572**	**$853,985,498**

Source: e-Builder Project Management System Contingency Ad Hoc Report as of May 20, 2026.
Note: The $543.9 million for the 2025 Bond represents unallocated funding for Physical Education, Physical Facility Improvements, Athletics, Seismic, and Elementary & Middle Schools.

The previous OSM Program Management Plan contained detailed instructions on how to establish contingency when a new project was set up. Specifically, budgets must include 15 percent for contingency on renovation projects and 10 percent for new construction—thresholds that align with industry. The formal guidance also required staff to move any remaining project funds upon close out to bond program contingency, which holds unallocated bond funds until assigned to specific projects. Since contingency amounts can be substantial on large capital projects (e.g. high school modernizations), having a formal plan to guide decisions on contingency reallocations once a project is complete is important to ensure available funds are used on other bond-eligible improvements.

Like OSM's previous guidance, RISE also has formal plans that stipulate any unused funds (after final project costs are identified) should go back to program contingency. For example, it establishes a contingency of 5 percent for construction projects greater than $200 million and 10 percent for construction projects less than $200 million. The plan also states that funds will be allocated to complete authorized bond program projects first, and only later fund other improvements from priority lists to meet subsequently identified needs. Additionally, RISE plans specify "strategies" surrounding contingency thresholds as embedded in its policy which defined standardized contingency budgets for various bond projects.

Yet, neither the new framework to manage the bond program nor the contingency strategies specify processes or controls for how RISE will reallocate and prioritize the unused program contingency for new project improvements in alignment with bond provisions. For instance, as highlighted in the prior annual bond performance audit issued in June 2025, the Lincoln High School modernization project completed as part of the 2017 Bond had nearly $17 million in unused budget. OSM intended to move those "savings" to program contingency for reallocation and use on other 2017 Bond projects. To date, those funds remain in the project's contingency budget with no action to move the amount to the program contingency budget. There are also no documented decisions on how projects or improvements will be prioritized or which improvements should be included.

With a total balance of over $25 million in 2017 bond contingency, RISE might be able to complete more projects if there were a methodical process in place. Without formal protocols or quantifiable prioritization criteria to aid project managers and RISE leadership when making end-of-project contingency reallocation decisions, millions of available bond contingency funds may not be utilized in the most effective manner to complete project improvements.

Projects Transfers to the Bond Program Did Not Follow a Methodical Process and Included $193,400 in Unallowable Costs

In addition to inherent responsibility to be accountable to the school community, PPS' general obligation bond funding places additional obligations to taxpayers for spending funds appropriately, judiciously, and with transparency.

As defined by the Oregon Constitution, general obligation bonds approved by voters must be used for capital costs defined as "land and other assets having a useful life of more than one year, including the costs associated with acquisitions, construction, improvement, remodeling, furnishing, equipping, maintenance or repair." Capital costs provide additional value and enhance asset functionality, and do not include routine maintenance that only retain value by keeping a facility or system operating by replacing parts or doing minor repairs allowing the asset to remain in use.[24] Additionally, accounting standards and pronouncements provide authoritative guidance to follow in determining bond allowability. Still, individual cost components allowed can be vague and defining what constitutes a capital cost can be challenging. Methodical processes and financial prudence are required to ensure spending aligns with legal provisions, bond covenants, and authoritative accounting guidance.

During our review, we became aware of several general fund costs transferred to the bond program that staff deemed eligible for bond funding. Most of the dollar value of expenditures transfers that we reviewed complied with legal and accounting criteria related to the bond program. However, in some instances, PPS took a broad interpretation of expenditure allowability for its bond program and transferred projects initially paid for by its general fund that did not always meet those bond capital requirements.[25] Furthermore, we did not conduct an exhaustive search of financial records to determine whether there could be additional transfers that we were not aware of, or other expenditures charged to the bond that were not compensable. Our conclusions are based solely on the known transfers we tested.

In terms of known transfers between July 2025 and November 2025, PPS made three transfers of general fund costs (consisting of multiple individual expenditures) to the bond program totaling $1.6 million that it deemed bond compensable—most expenditures we agree were allowable. For instance, the approximate $1 million of projects and expenditures in the first transfer met PPS' $25,000 capitalizable asset threshold and were for capital facility infrastructure improvements related to the bond with typical capital expenses for design, construction, permits, and hazardous materials abatement. Yet for another smaller transfer, we found multiple costs that did not meet the capital asset threshold, did not align with the bond category charged, and/or were

[24] Application of accounting requires interpretation of authoritative generally accepted accounting principles (GAAP) established through Governmental Accounting Standards Board (GASB) Statements, GASB Interpretations (through GASB Technical Bulletins and GASB Implementation Guides), and American Institute of Certified Public Accountants (AIPCA) literature cleared by GASB—in addition to nonauthoritative accounting literature in GASB Concepts Statements, pronouncements of the Financial Accounting Standards Board (FASB), Accounting Standards Board, International Accounting Standards Board, and the AICPA Audit and Accounting Manual Nonauthoritative Practice Aid.

[25] To determine allowability for the bond program, we assessed each expenditure against bond ballot language, the Oregon Constitution Article XI, Sections 11L and Oregon Revised Statues 328.205, Oregon Department of Administrative Servies rules, Oregon Administrative Rule 150-294-0420, the $25,000 capitalizable threshold set forth in PPS' Bond Counsel's Guidance Sheet for Capital Improvements-Bond Authorized, the $25,000 capitalization threshold in PPS' Annual Comprehensive Financial Reports (ACFR) Summary of Significant Accounting Policies Note G, and accounting authoritative guidance including GAAP (generally accepted accounting principles) established through Governmental Accounting Standards Board (GASB) Statements, GASB Interpretations (through GASB Technical Bulletins and GASB Implementation Guides), and AICPA literature and cleared by GASB—in addition to nonauthoritative accounting literature in GASB Concepts Statements, pronouncements of the Financial Accounting Standards Board (FASB), Accounting Standards Board, and the International Accounting Standards Board. This included detailed reviews of GASB 34 and 51, and GASB Accounting Codification Section 1400 Reporting Capital Assets.

for routine maintenance and repair activities rather than additional value or useful life totaling approximately $193,400 as shown in Exhibit 12.[26]

EXHIBIT 12. UNALLOWABLE GENERAL FUND TRANSFERS TO BOND FUND DID NOT MEET CAPITAL ASSET CRITERIA, WERE FOR MAINTENANCE RATHER THAN CAPITAL PURPOSES, AND/OR DID NOT ALIGN WITH BOND CATEGORY CHARGED

Transferred Expenditure	Date Expense Paid	Date Expense Transferred	Expenditure Amount (Rounded)
Unallowable Charged to 2020 Bond Infrastructure Categories (Expenditures must relate to accessibility, mechanical (HVAC), roof, security, and seismic)			
Vehicle lift gate	07/31/2024	09/19/2025	$10,300
Forest Park replace playground wood fiber material	08/13/2024	09/19/2025	$1,700
Manlift equipment rental	10/10/2024	09/19/2025	$14,000
Lawn mower equipment	10/23/2024	09/19/2025	$4,700
Landscaping tractor	10/23/2024	09/19/2025	$31,000
Grout School masonry caulking, coating, & pressure washing	10/31/2024	09/19/2025	$11,300
Equipment sheet metal shear to cut material	03/17/2025	09/19/2025	$28,800
Grout School pedestrian walkway coating	03/20/2025	09/19/2025	$4,500
Rental of grapple basket equipment	03/31/2025	09/19/2025	$2,600
Equipment for safe removal of propone from motor tanks	04/16/2025	09/19/2025	$9,400
Alameda playground wood border replacement	05/09/2025	09/19/2025	$18,500
Privacy furniture booths for headquarters	06/06/2025	09/19/2025	$25,000
Sacajawea catch basin drainage repair	06/30/2025	09/19/2025	$5,800
Equipment to record fuel transactions	06/30/2025	09/19/2025	$1,300
Part of data export of fuel mast equipment	06/30/2025	09/19/2025	$1,600
Part of data conversion for fuel mast equipment	06/30/2025	09/19/2025	$2,400
Wells chain link fence around baseball bleachers	06/30/2025	09/19/2025	$20,500
		Total Unallowable	**$193,400**

Source: Bond measures, general fund transfer journal entries, expenditure supporting invoices, and e-Builder project scope documents and activities.
Note: (1) Capital projects include construction of major school facilities and major renovations. Examples include large building purchases or extensive modernizations, improvements, enhancements, or replacement such as HVAC, updated electrical or plumbing, new roof, upgrading building security system, and replacing stairs or walkways to meet ADA standards, (2) Minor Repair include activities that fix a problem but do not significantly extend the useful life of an asset, and (3) Maintenance includes recurring activities necessary to maintain the operation, functionality, appearance, or safety of a piece of equipment, building, or structure. Examples include fixing a leaky pipe, patching a wall, replacing a floor section or ceiling titles, resetting exterior walkways, or brick mortar patching.

Specifically, while voters approved 2020 Bond infrastructure projects related to accessibility, roof, mechanical, safety, and seismic improvements, we found unallowable expenditures charged to the 2020 Bond. Expenditures related to furniture at PPS headquarters, lawn mowers and tractors, and maintenance to caulk

[26] RISE asserts that the capitalization threshold remained at $5,000 during our audit period with bond accountants tracking and reporting internal control documentation at the $5,000 level. However, audited annual comprehensive financial reports establish the capital asset threshold for PPS at $25,000 for buildings and site improvements and $5,000 for equipment and vehicles—however, costs still have to be bond allowable.

and pressure-wash masonry and refill wood fiber for a school playground. These costs did not align with the 2020 Bond infrastructure categories charged. Other expenditures related to maintenance or minor repair activity, such as walkway coating and masonry caulking, did not meet the definition of a capital improvement per bond or accounting provisions—or documentation available did not sufficiently describe how the expenditure related to an allowable bond category.

Additionally, there were several expenses charged to 2017 Bond health and safety categories for repairs to drains, installation of stairs, bird netting over a playground, and new cafeteria tables and benches. Although PPS' Bond Counsel stated PPS is legally permitted to use bond proceeds under the 2017 Bond for any capital cost with a useful life of more than one year, PPS may be at risk of not meeting voter expectations as the bond measure highlighted different types of projects related to areas such as accessibility, security, asbestos, and roof/seismic among other improvements.

While activities to maintain or repair facilities are needed, they retain value rather than add value. Activities and projects that keep a facility operating without increasing asset value or operating life, such as minor repairs, maintenance, and replacement of components are not capital projects and cannot be financed with bond proceeds. The unallowable expenditures we found may not be significant to the overall bond program, but there is risk that there may be other inappropriate charges that were not tested.

Bond funds are legally earmarked for capital projects only and cannot be used to address General Fund deficits.

Rather than applying a methodical approach to identify and prioritize eligible bond projects before spending or transferring bond funds, these transfers were driven by leadership or the Finance Department related to general fund deficits and not by the bond project managers before costs were expended. Although PPS faces difficult operational decisions to address its general fund issues, the bond funds are legally earmarked for capital projects only and cannot be used to address the general fund deficits.

Before 2026, OSM used an internal Bond Compensability Committee as a structured practice to discuss and evaluate the allowability for certain proposed bond expenditures.[27] Comprised of internal district staff from OSM, finance, purchasing and contracting, information technology, and curriculum, participants asked detailed questions, vetted proposed costs against accounting criteria, and documented detailed notes supporting resulting determination of compensability or non-compensable. While the first general fund transfer went through the Bond Compensability Committee, PPS did not vet the subsequent transfers through the committee—and we found unallowed costs.

Other school districts prepare annual or regular reports on bond expenditures to enhance transparency of spending.

In addition to employing stronger expenditure controls related to allowability to comply with bond provisions, PPS could enhance its transparency on how it spends bond funds more in line with other districts reviewed that provide annual reports on expenditures. For instance, San Francisco Public Schools publishes quarterly bond financial reports summarizing expenditures and investments for the preceding fiscal year in addition to providing detailed expenditures for certain projects. Likewise, Dallas Independent School District provides a list of line-item

[27] The last Bond Compensability Committee meeting was held on November 18, 2025.

expenditures showing bills and claims or every payee with description of cost and amount. Other districts that publish detailed expenditure reports include Compton Unified School District and the more than one-thousand California school districts that are required by law to have specific external financial audits of their bond funds reviewing the allowability of expenditures for each measure or bond issuance, among other areas. Other schools—such as Chicago Public Schools and Beaverton School District—have online portals where the public can drill down into expenditures by school and by category or transparently report on budget transfers through its bond financial reports showing dates, funds involved, projects and description, and transferred amounts.

Certain Payroll Costs Charged to Bond Were Unsupported

Overall, PPS staff payroll costs charged to the bond mostly related to positions supporting project management of capital improvements including OSM staff and others overseeing technology improvements and curriculum asset purchases. Yet, when we asked who determines if a position is eligible for bond funding, we received conflicting information on whether staff in Human Resources, Finance, OSM, Information Technology, or the former Facilities Asset Management department (FAM) determined the position's funding source. There are no formal protocols for identifying which PPS personnel the bond funds should pay for or ensuring work performed related to allowable bond activities that we were provided.

Thus, the informal and unclear practices for determining the allowability of charging staff time in compliance with bond provisions resulted in unsupported costs related to the percentage of time spent by certain staff on bond activities described as follows. Without supporting time and effort documentation, PPS cannot demonstrate that the labor costs charged directly to the bond program accurately reflect actual work performed. After we discussed preliminary findings with PPS, management stated that RISE implemented a process to certify time and effort that will request managers to certify the time partial-funded staff worked and the project assigned.

According to RISE, there were no partial-time staff charged for the bond programs. However, in our review of payroll records, we identified several-partially funded employees without protocols validating the percent of time charged to the bond (as we found in the prior annual bond performance audit issued in June 2025) or whether they performed any related bond tasks or activities as shown in Exhibit 13.[28] Those running the bond program may not be aware of the partially charged employees.

EXHIBIT 13. PPS STAFF POSITIONS PARTIALLY CHARGED TO BOND FUND WITHOUT TIME & EFFORT REPORTING

	Staff Position Charged to Bond	Percent Charged	Total Charged July 2024 to June 30, 2026
1	Senior Director, RISE (prior FAM Management in payroll documents)	50-100% [A]	$177,900
2	Senior Project Manager, Information Technology	80%	$309,000
3	Project Manager, RISE (prior FAM Management in payroll documents)	50%	$40,800
4	Project Manager, RISE (prior FAM Management in payroll documents)	75%	$58,000
5	Project Manager, RISE (prior FAM Management in payroll documents)	50%	$42,500

[28] Costs include, but are not limited to, miscellaneous school staff for teachers moving classrooms impacted by bond projects, translation services for bond program and project communications, and security services related to bond project open houses.

	Staff Position Charged to Bond	Percent Charged	Total Charged July 2024 to June 30, 2026
6	Senior Program Manager, RISE (prior FAM Management in payroll documents)	25%	$14,600
7	Vice Principal of Modernization, Cleveland High School	50% [B]	$68,700
8	Vice Principal of Modernization, Ida B. Wells High School	50% [B]	$56,800
9	Vice Principal of Modernization, Jefferson High School	50-100%	$245,200
	Total Unsupported Payroll Charges		**$998,900**

Source: Peoplesoft labor distribution reports for Fiscal Year (FY) 24, FY25, and FY26. Amounts rounded.
Note: [A] During our audit, we also became aware that, between November 2023 and June 2024, the employee was charged 100 percent to the bond program at a total cost of $135,000 although audit evidence shows they were only assigned to two smaller bond infrastructure projects. Then, from July 2025 through January 2026, no time was charged to the bond program. Beginning in February 2026, the employee is charged 50 percent to the bond program.
Note: [B] According to PPS, these positions are 100 percent funded by the bond, just filled with a 0.5 full-time equivalent employee.

As detailed in Exhibit 13, three RISE project managers, one senior program manager, one senior project manager, and a senior director all charge a portion of their time and salary to the bond program. These individuals also spend part of their time managing or overseeing non-bond funded capital projects—although we cannot determine if their partial salary allocations are accurate because there was no underlying time and effort documentation.

Without some type of time tracking, we cannot verify if payroll charges to the bond program are supported.

Additionally, there are currently no records to confirm that 50 percent (or more) of the three high school Vice Principals of Modernization's time is spent on bond-related activities. Without documentation of each employee's time and effort usage, we cannot determine if their salary allocations accurately reflect actual work performed and charged to the bond program.

This reveals a gap in controls which increases the risk of improper expenditures of bond funds—especially since there is confusion surrounding who is responsible for determining the funding source of staff positions.[29] Because PPS' capital program has higher levels of scrutiny and is funded by revenues restricted to capital bond purposes, stronger timesheet practices or effort reporting would strengthen controls and provide assurance that staff expenditures are appropriate.

When we made an audit recommendation in the prior annual bond performance audit report issued in 2025 to require timesheets like other school districts utilize for bond funded projects, OSM did not concur with the recommendation at that time. However, OSM agreed that regular time studies with documentation for those staff spending partial time on bond-compensable work would increase confidence that bond funds are being used effectively. Although implementation of a new protocol was not in progress as of August 2026, PPS informed us that it recently put these protocols in place.

[29] Controls and risks from COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and the AICPA Accounting and Audit Manual Nonauthoritative Practice Aid.

Using detailed timesheets to validate staff time and efforts spent on bond programs was a practice employed by other entities we reviewed. For instance, Los Angeles Unified School District employees who charge their time to bond programs must justify that activities performed were in support of bond funded projects. This was done either through a time tracking system to capture activities by project, other types of supported documentation for time and effort or a semi-annual certification. In another instance, the West Contra Costa Unified School District also requires bond staff to complete timesheets showing percentage of time spent on bond activities. Moreover, the State of Minnesota has a policy where the use of general obligation capital bonds to fund staff costs requires staff to track time by each project daily. The public agency must certify that time is properly capitalizable as a valid cost of the project in accordance with accounting principles.[30]

OSM agreed that regular time studies, like other school districts that use detailed timesheets for bond activities, would increase confidence that bond funds are used effectively.

Although PPS has Protocols to Regularly Monitor Bond Cash Flow, Process Broke Down During Fiscal Staff Turnover Causing a $1.2 Million Payment to the Federal Government

When school districts issue tax-exempt bonds, they must adhere to federal regulations on the investment of bond procedures through arbitrage rules. These arbitrage rules are designed to keep entities from issuing more bonds than needed for capital investments. This mitigates taking unfair advantage of higher-earning investment opportunities by requiring the return of any "excess revenue" made on investing school bonds to the federal government if bond proceeds are not spent timely.[31] Although OSM and the Finance Department had protocols to monitor cash flow and spending, these controls broke down and resulted in a $1.2 million payment to the federal government in June 2025 that could have been spent on bond project improvements. Staff turnover caused this one-time lapse when PPS did not monitor or spend the required 85 percent of a particular bond issue within three years as required to meet federal tax-exempt bond requirements.[32]

Since that time, OSM and RISE have reestablished controls to monitor spending and cash flow monthly and meet with the Finance Department at least quarterly to inform investment, bond issuance, and cash decisions at a bond fund level. PPS has also continued its use of an external arbitrage compliance specialist to calculate potential liabilities at least every five years, which is the minimum required by regulation. While RISE is responsible for the capital implementation side of the bond program, the Finance Department is ultimately responsible for tracking bond issuances against spending requirements and should monitor and own this control process given the expertise needed to interpret and comply with complex federal requirements. In fact, leading practices recommend assigning responsibility to a specific "bond compliance officer" individual to design and execute a comprehensive post-issuance compliance program with procedures for monitoring and

[30] According to the Portland Public Schools Annual Comprehensive Financial Report, Finding 2025-004, Schedule of Findings and Questioned Costs, for the Year Ended June 30, 2025, auditors reported a significant deficiency related to a lack of adequate controls over payroll because missing documentation for staff time and effort reporting could allow unallowable costs to be charged to District grants. Although this finding was related to a federal program, the same concept and reasoning apply to restricted general obligation bond use. Without some type of documentation or certification of the activity staff charge to the bond, PPS cannot ensure payroll costs are appropriate and benefit the bond.

[31] Federal Internal Revenue Service rules provide that "arbitrage must be rebated based on the difference between the amount earned on investment and the amount that would have been earned if those investments had a yield equal to the yield on the issue.

[32] In addition to internal control processes, PPS uses a well-known industry firm serving public sector entities including K-12 schools to provide financial advisory services in many areas including municipal bonds.

ensuring compliance with the legal and financial aspects of bond issuances.[33] For instance, at Albuquerque Public Schools, the chief financial officer is identified and designated as the district's compliance officer.

Prior Control Using External Construction Audits Is Not Yet in Place

In 2017, OSM a strong control when it implemented an industry leading practice to use an external construction auditor for conducting in-depth verifications of contractor costs and compliance with individual contract terms for the bond modernization projects.[34] This effort included reviewing construction contractor accounting records and underlying cost support for general contractor labor, materials, subcontractors, rental equipment, and direct costs. Additional review of construction general conditions and use of project contingencies and allowances gave assurance that construction expenditures were supported, appropriate, and compliant with contract provisions.[35]

These audits highlighted recurring contract compliance issues related to contractor overcharges for items such as labor and associated rates, rental equipment, insurance, subcontractors, and fees. Over the years, the construction auditor's efforts found more expenditures that PPS could recover from its bond project contractors than the cost of the audit services. Specifically, as of the end of December 2025, OSM paid the construction auditor a total of approximately $500,000 over an eight-year period compared with the nearly $2.9 million in potential recoveries identified by the auditor as shown in Exhibit 14—a control worth its price if those recoveries are actualized.[36] On average, construction audits can identify between 0.25 percent and 3 percent of project costs in savings. Irrespective of realized cost savings, the audit serves as a control to verify contract expenditures funded with bond money and a deterrent against contractor non-compliance.

EXHIBIT 14. USING CONSTRUCTION AUDITOR RESULTS CAN RESULT IN COST SAVINGS FOR THE BOND PROGRAM

Final Report Date	Project Audited	Unsupported and Questionable Costs to Recover (Rounded)
2019	Franklin High School	$10,100
2020	Roosevelt High School	$1,108,500
2020	Lincoln High School	$343,800
2021	Grant High School	$386,900
2022	McDaniel High School	$922,100
2023	Benson High School	$80,000
Total Audit Overcharges Found to Date		**$2,851,400**
Amounts Paid to Auditor Through December 31, 2025		**($499,000)**
Net Savings Benefit of Construction Auditor Cost		**$2,352,400**

Source: e-Builder, construction auditor contracts, and construction audit reports.
Note: The Benson High School report was only an interim report, as final cost recovery is part of ongoing litigation efforts.

[33] Government Finance Officers Association Materials Library, Post-Issuance Policies and Procedures for debt management.

[34] Controls and leading practices for contract compliance and contractor oversight from NACA guidance, COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and AICPA Accounting and Audit Manual Nonauthoritative Practice Aid.

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

[36] We did not research or validate how much of these identified costs were ultimately recovered by PPS, negotiated for a different amount, or ultimately supported by the general contractors locating additional documentation.

Other school districts and public entities conduct construction audits of their capital delivery programs. At least one urban school district, Seattle Public Schools, also makes these types of construction reports publicly available on its website. These independent audit reports are important documents to provide to the Board, BAC, and related board committees for additional insight as part of overseeing the bond program. Recognizing the value of the external construction audit as a control over bond spending, the prior annual bond performance audit issued in June 2025, recommended expanding the construction auditor's scope during construction cost negotiations to review contractors proposed guaranteed maximum price (GMP) and underlying documents to support proposed construction costs.

The RISE Executive Director informed the Board that PPS would involve the construction auditor at the 30 percent design stage for the upcoming three school modernizations before PPS starts negotiating the GMP. However, PPS has not yet solicited these audit services and there is no contract in place for an external construction auditor as of June 2026. With three modernization projects at the 50 percent construction document (CD) stage as of June 2026, it is critical that PPS bring on a construction contractor immediately before negotiations for the GMP amendment start during this CD stage—or are finalized—to identify and realize potential savings for the bond program.[37] According to RISE, they are in process of reviewing what tasks and activities the construction audit provides against the tasks and responsibilities of the bond program management consultant to avoid duplications. As PPS conducts its comparison, it should consider the added value of having an independent auditor looking at contract compliance and the level of testing and validation done by independent construction auditors who review the private general contractors' fiscal records, payroll, invoices, benefit policies, insurance policies, subcontractor agreements, and other supporting documentation for accuracy and compliance.

Status Reporting to Board and Bond Accountability Committee Was Not Accurate

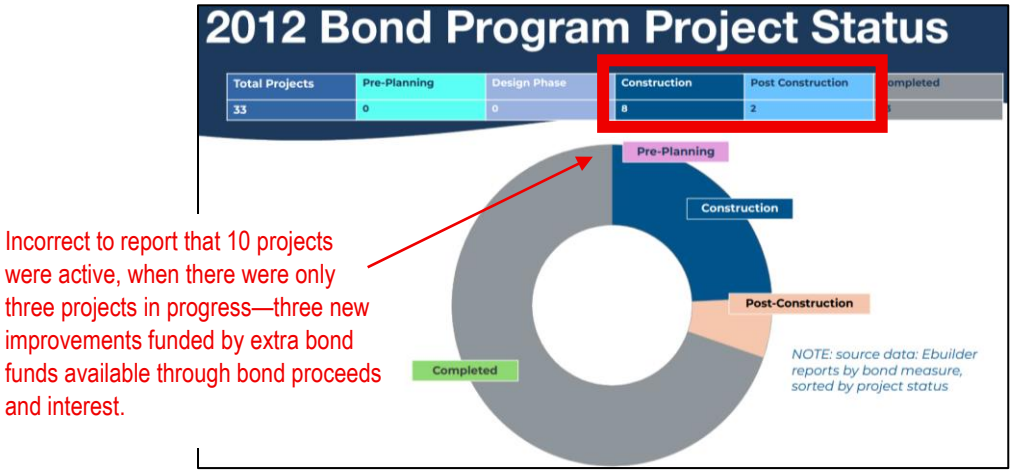
Providing regular bond updates to oversight bodies is a critical component in ensuring accountability and transparency over taxpayer investments. With over $4 billion across four PPS bond measures at stake, the Board and BAC must be able to rely on accurate information to perform required oversight and make informed bond-related decisions. While PPS' new RISE department continued past practice of presenting frequent bond status updates to the BAC and now to the Board as well, the reports contained incorrect status and cost information.

For instance, presentations for the 2012 Bond in January and February 2026 showed $695 million was spent and 10 of 33 projects were "lingering in construction or post-construction and required wrapping up." Yet, RISE did not correctly capture completion status, overstating the number of active projects and the total amount spent as shown in Exhibit 15 and Exhibit 16.[38] There are only three 2012 Bond projects that are active—all of which are new projects funded by remaining bond contingency funds.

[37] Construction documents (CD) are the detailed set of construction drawings and specifications that translate architect's design concepts into a tangible plan to guide the construction process from start to finish related to structural components, mechanical systems, electrical layouts and plumbing installations.

[38] February 10, 2026, Board Meeting: https://youtu.be/s2BtyvEqG-o?list=TLPQMTcwNDIwMjYU1AFKseYgNQ&t=10800

EXHIBIT 15. EXAMPLE OF INACCURATE BOND STATUS REPORTING TO THE BOARD, FEBRUARY 10, 2026



Source: Board of Education Meeting Packet, February 10, 2026

Additionally, at the January 28, 2026, BAC meeting, RISE presented inaccurate cost data for the Franklin High School modernization project, when it reported improvement costs of $225.3 million for the project when PPS only spent $112.3 million as shown in Exhibit 16.[39] This error resulted in RISE inaccurately informing the BAC that the 2012 Bond would cost nearly $695 million when all projects are completed, although the correct amount was $579 million—or $116 million less than reported.

EXHIBIT 16. EXAMPLE OF INACCURATE COST REPORTING TO THE BOND ACCOUNTABILITY COMMITTEE, JANUARY 28, 2026

2012 Program Financial Status 12/31/2025

Franklin High School costs $112M not $225M as reported to the BAC.

	BUDGET		FUNDING		PROGRESS		FORECAST	
2012 PROGRAM	Original Budget	Current Budget	Bond Funds	Other Funds	Actuals To Date (Bond + Non-Bond)	Additional Encumbered (Bond)	Estimate At Completion	Over/Under
Franklin HS Mod	81,585,655	**225,264,473**	110,950,414	114,314,060	225,264,473	-	**225,264,473**	-
Grant HS Mod	88,336,829	**158,520,962**	155,300,188	3,220,774	[illegible]	-	[illegible]	-
Roosevelt HS Mod	68,418,695	**101,631,162**	97,128,043	4,503,119	101,631,162	-	**101,631,162**	-
Faubion Replace	27,035,537	**50,028,171**	30,653,663	19,374,508	50,028,171.27	-	**50,028,171**	-
Grant Upper Field	-	**3,170,988**	3,170,988	-	3,170,988	-	**3,170,988**	-
RHS Phase IV	-	**6,157,969**	6,153,741	4,228	6,157,969	-	**6,157,969**	-
Other Projects	123,441,923	**118,276,503**	112,710,428	5,566,075	118,273,603	0.00	**118,276,503**	-
Grant & Franklin add ons (Active)	-	**224,140**	204,140	20,000	2,483	77,262	**224,140**	-
						2012 Project Subtotals		-
Administration	68,117,563	**31,487,500**	31,284,018	203,482	31,487,500	-	**31,487,500**	-
Contingency	25,063,798	**276,627**	276,627	-	-	-	-	(276,627)
						2012 Program Subtotals		*(276,627)*
Totals	*482,000,000*	***695,038,494***	*547,832,249*	*147,206,246*	*694,537,311*	*77,262*	***694,761,868***	*(276,627)*

Source: Bond Accountability Meeting Packet, January 28, 2026.
Note: The "Other Projects" line item includes $45 million debt repayment outlined in the 2012 Bond.

While we have noted similar inconsistencies in prior OSM bond status reports as well, past errors were primarily due to the time when data was pulled versus reported. This year's status reporting had greater errors synthesizing data for the presentation. Particularly as it relates to the 2012 Bond, PPS had completed all originally pledged projects with schools opened to students as reported in prior annual bond performance audits issued between 2014 and 2019. Projects that had not yet been administratively "closed out" in the

[39] The $225.3 million cost for Franklin High School was corrected to $111 million at the April 29, 2026 BAC Meeting. In total, PPS spent $579 million to complete 2012 bond projects including $28.7 million from grants, donations, and general fund contributions as shown in Exhibit 6.

e-Builder system appeared "active," but understanding the details behind the summary data before publicly reporting information would have shown those projects were complete.

Before presenting information to oversight bodies, RISE leadership should ensure data is accurate based on full knowledge and understanding of what has been accomplished and what is in progress for the bond program.[40] When we discussed these discrepancies with RISE, we were informed that efforts are currently in progress to close out completed projects in the bond management system and should be completed soon. Nonetheless, since the public presentations contained errors, RISE should clarify the inaccuracies in future presentations to minimize further confusion.

[40] Controls and leading practices for accuracy and reliability of data from NACA, COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and the AICPA & Chartered Institute of Management Accountants (CIMA)'s Accounting and Audit Manual Nonauthoritative Practice Aid.

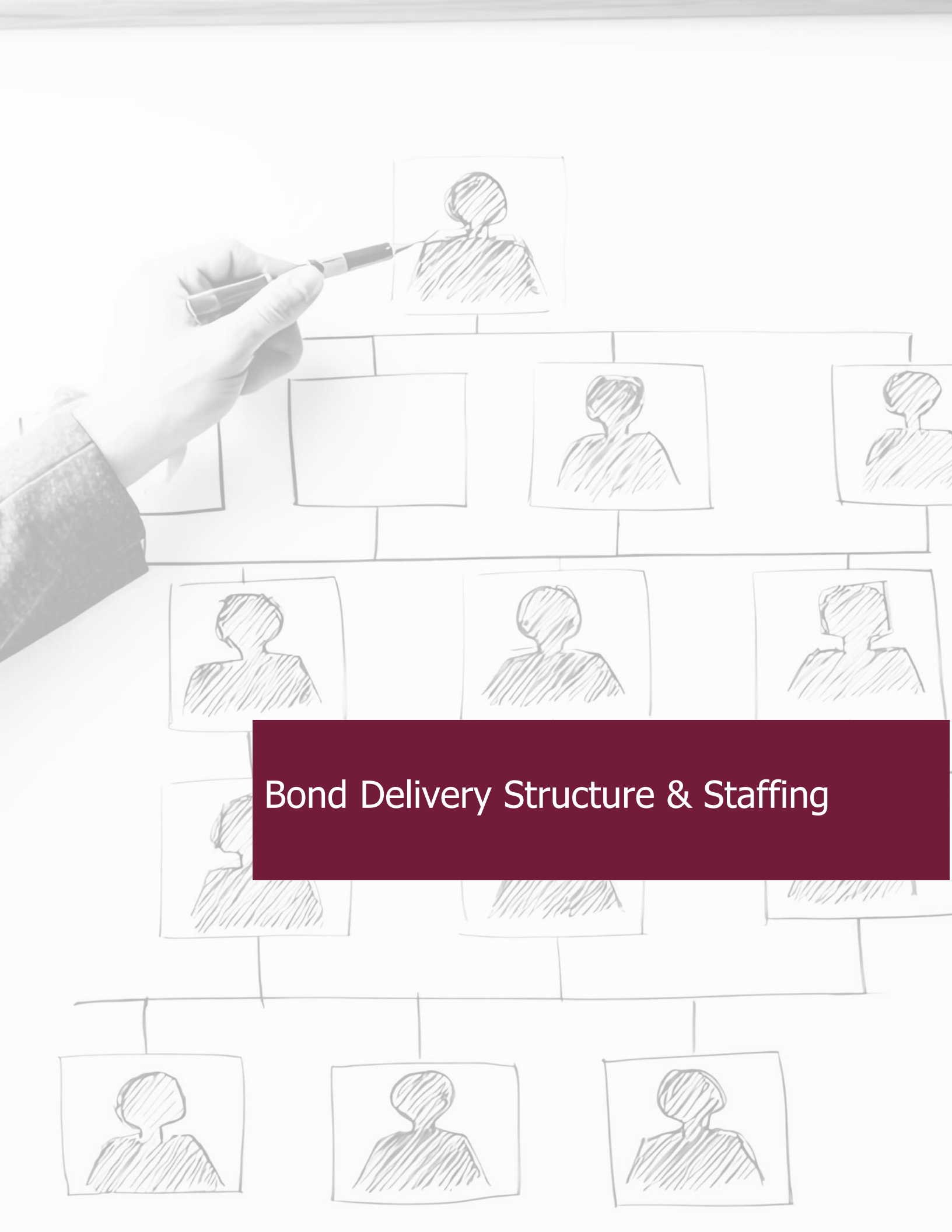
Finding 2: PPS Recommendations

To continue to demonstrate accountability to taxpayers, a commitment to continual improvement, and achieve the intended benefit from audit recommendations

5. Develop, document, and follow a methodical, transparent process for identifying, prioritizing, and vetting eligibility and appropriateness of expenditures and related bond infrastructure projects for capital improvements that could be funded by additional bond premiums or excess contingency funds as they become available and once bond pledged projects are completed. The process and procedures should align with accounting guidance and bond measures, in addition to address reallocations of contingency funds, include assumptions and factors used to arrive at priority recommendations, and ensure there is a clear and defendable protocol for selecting certain improvement projects over others prior to project start.
6. Prepare journal entries to correctly charge the approximate $193,400 of unallowable bond expenditures that auditors identified back to the general fund replenishing the bond program for those funds for use on eligible bond projects only.
7. Use PPS' existing bond spending reporting tools to prepare a more detailed annual public bond expenditure report itemizing the types and amounts of expenses and project improvements paid by bond funds (including, but not limited to, administrative costs, debt service, and infrastructure categories), and where the facility improvements were located (headquarters versus specific school) to aid in transparency. Provide the report to the relevant board committees and BAC, as well as make the report available on the PPS website.
8. Assign authority to a designated individual(s) and formalize a process, protocols, and/or steps to be taken before approval of funding one-time, partial, or full-time bond staff positions and related salaries and benefits, that includes an annual review and documented support for planned staff charges to the bond to ensure actual work performed aligns with the planned funding percentage (or needs to be modified).
9. Implement newly established process for staff salaries and benefits paid by the bond program to be supported by signed certifications attesting to time spent on bond program.
10. Identify a position within the Finance Department to be responsible for performing and monitoring bond fiscal compliance including developing and executing a comprehensive post-issuance compliance program with procedures for monitoring compliance with the legal and

financial aspects of bond issuance. Compliance would include requiring the Finance Department to conduct more active fund management by using its own cash flow tracker by fund and bond issuance to monitor proceeds, tracking that actual yields are not more than the bond yields, and working with RISE when necessary to troubleshoot issues if spend rates are not materializing as expected and required.

11. Expedite the hiring of an external construction auditor to conduct audits reviewing accounting and payroll records of the general contractors on the Cleveland, Ida B. Wells, and Jefferson High School modernization projects for identifying cost savings related to labor burden rates during guaranteed maximum price contract negotiations and throughout the project lifecycle—and ensure this level of general contractor testing and contract compliance is conducted and documented.



Bond Delivery Structure & Staffing

Finding 3: PPS Outsourced Bond Program Management Functions and Changed Delivery Approach, but Did Not Establish a Business Case for the Change and Needs to Strengthen Oversight Control for the Newly Outsourced Operations

Over the past 13 years, PPS established a solid system and experienced staffing structure to implement the bond program and related capital projects that provided assurance to the Board that it fulfilled voter mandates. This included plans for managing the bond program, project-centric project managers and staffing, responsibility matrices, and standard operating procedures with controls to manage project cost, schedule, and scope in alignment with industry practices and standards.[41] While prior annual bond performance audits recommended improvements to bond processes over the years, the structure and system of controls allowed OSM to deliver on bond pledges as discussed in Finding 1 of this report.

Given the complexities and intricacies of managing large-scale capital projects, project teams are consumed with hundreds of tasks associated with planning, design, and construction making it challenging to focus on overall bond program tasks. With a large bond program like PPS, employing bond program management services as part of its new delivery approach makes sense. These services help with the overall administration of a bond portfolio overseeing master scheduling, budgets, and standard protocols across all projects. Other responsibilities include stakeholder engagement, oversight reporting, and equity compliance to name a few.

Outsourcing Functions Requires Retaining Responsibility, and Responsibly Involves Expertise

As it has employed in the past, PPS' recent contracting with an external firm for bond program management services is a common practice in industry.[42] In part, effective outsourcing requires an organization to retain full responsibility for the function—in this case, capital bond program management. Governments can outsource functions, but not responsibility for public resources and accountability to the public. This requires retaining sufficient capital expertise at the executive leadership level to monitor consultant performance and employ different internal controls than would be expected if functions remained in-house.

In 2025, PPS' former Chief Operating Officer and Senior Director of OSM resigned, leaving PPS without executive level capital expertise and leadership over the bond program.[43] Districts like PPS with a $4 billion bond program need in-house capital expertise at the owner level for decision-making to protect PPS and taxpayers of the bond program. Between December 2025 and January 2026, PPS leadership made significant changes to its bond program delivery approach, terminating many of OSM's capital project delivery staff, and reorganizing the bond program through an outsourcing strategy and revised reporting structure. Through June 2026, evidence shows that this has resulted in additional cost for contracted services, loss of historic knowledge

[41] A control framework is a documented set of structured guidelines, procedures, principles, and protocols designed to maintain an effective internal control system to manage risk including fraud, ensure reliability of financial data, and promote compliance with laws and binding agreements such as the most widely recognized internal control framework from the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

[42] Construction Owners Association of America, Construction Management Association of America, and SEC proprietary resource library.

[43] The former Chief Operating Officer resigned in June 2025. The former Senior Director of OSM resigned in early September 2025.

and long-term project delivery capacity, and gaps in the ability to provide contractor oversight at the owner level.[44]

According to PPS, leadership conducted many meetings, bond planning, and other checks before changing its strategy.[45] Yet, by disassembling its in-house bond delivery infrastructure built over the last decade and without capital project experience at the leadership level, PPS is now heavily reliant upon an external consultant—who also oversees several PPS employees in RISE, makes staffing recommendations, and authorizes contracts—including conflicting activities, allowed by PPS' contract, posing additional risk as discussed in Finding 4. PPS' new approach and reliance on the external consultant, combined with the loss of in-house expertise, is likely to result in vendor lock-in. This is a situation in which an agency becomes over-reliant on an external service provider, and it may become difficult or expensive to transition the services back in-house or to switch service providers. While PPS' efforts to find ways to do things differently and not conduct business as usual for the bond program is reasonable, its approach was missing the needed controls to manage risks to the bond program and consequences of those actions.[46] After we discussed this issue with PPS, they posted a job opening for an Executive Director position over Capital and Planning to whom the outsourced bond program manager will report.

PPS Used External Bond Program Management Services in Past to Assist Staff

Bond program management is not a new concept for PPS as the former OSM contracted with external consultants for bond program management assistance from an external firm for eight years between 2012 and 2020 in some capacity. Past services included areas such as program management, bond scheduling and budgeting, cost estimating and cash flow analysis, project prioritization, bond communication and community engagement, and bond reporting at board and BAC meetings. The prior external consultant did not oversee or direct PPS staff on the bond program but rather supported and reported to the Senior Director of OSM for overall program management or to a PPS project manager for individual project delivery tasks. After 2020, the former Chief Operating Officer position and the former OSM Senior Director position brought these tasks back in-house and shared program management tasks and other coordination activities amongst the two positions.

Yet, with a growing portfolio, OSM management and staff indicated that it needed additional staff capacity to help manage the bond and fill vacancies in financial support positions for an e-builder administrator, invoicing specialist, and a general bond business operations analyst. The prior annual bond performance audit recommended a program/project management office function to help OSM coordinate responsibilities for areas related to technology, curriculum, and CBSE outside OSM authority in addition to relieving administrative burden allowing OSM to focus on implementing bond projects. In October 2024, OSM advertised an RFP for bond management services from an external firm to function as an essential advisor to OSM supporting the management and execution of bond projects. Ultimately, OSM cancelled the RFP in November 2024 based on

[44] Once PPS fills the advertised Executive Director over Capital and Planning position, the individual will have the ability to oversee the consultant.

[45] PPS provided an invite for a September 2025 OSM meeting, an agenda for an OSM listening session and RFP feedback on October 1, 2025, and a listing of bond planning meetings between July 2025 and February 2026 (although no agendas or minutes were provided for them).

[46] Controls and risks related to contracting based on COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and the AICPA Accounting and Audit Manual Nonauthoritative Practice Aid in addition to PPS Contracting Rules based on Oregon Revised Statutes, and Principles and Practices of Public Procurement from The Institute for Public Procurement in addition to SEC proprietary resource library and audits conducted.

a desire for proposals to focus on project team experience rather than overall firm experience and to change the process to add an interview portion. OSM never re-advertised that solicitation, until PPS advertised a new procurement for bond program management services in fall 2025 which helped fill some of the vacant positions.

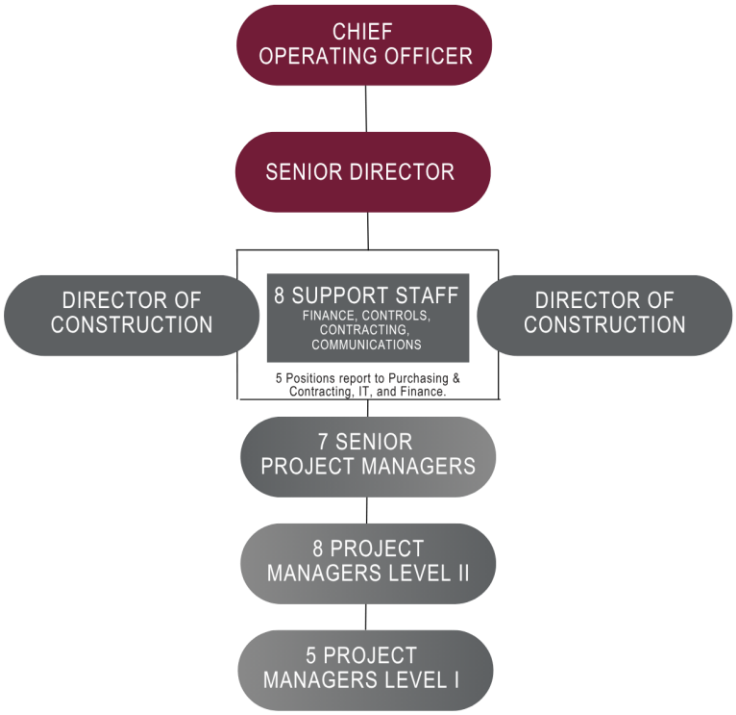
Prior Delivery Method and Controls were Effective Implementing Bond Projects as Pledged

Since 2012, auditors reported that OSM had built and employed a solid structure to deliver the bond program. This approach relied on a multitude of controls to ensure projects stayed on schedule, scope, and budget. Staffing utilized external consultants, formal policies, procedures, automated project management systems, and thorough financial accounting for tracking and reporting bond expenditures. Prior annual bond performance audits found that project management practices, contracting, and fiscal controls generally aligned with industry—although we have identified problems and made recommendations over the past six years to improve PPS' approach to managing bond-funded projects.

These audits found that staff procured services from consultants and contractors in compliance with policy and statutes, employed cost management controls over invoicing and contract change orders, and tracked expenditures and transaction approvals. This overarching control framework allowed OSM to deliver the bond program and projects as pledged to the voters. As reported in Finding 1 of this report, OSM modernized schools, updated curriculum and technology in the classrooms. Management and staff improved the water quality, mechanical systems, seismic retrofits, roofs, security, and accessibility at district schools. All generally within schedule and revised budgets, except for Jefferson High School and CBSE.

Prior Approach Aligned with Industry and Provided Effective Project Delivery

OSM's structure for delivering the bond relied on a common hybrid structure used in industry comprised of permanent OSM employees, external consultants, curriculum and technology employees, and employees from PPS Finance, Communications, and Purchasing and Contracting departments. On most project teams, OSM relied on a mix of in-house project managers and external construction managers for implementation and completion of bond projects.



Initially, OSM relied heavily on external consultants to help implement the bond program since PPS did not have a dedicated capital construction office when the 2012 bond passed. In 2020, more than 40 percent of the bond program staff capacity was supported by external consultants. Over subsequent bonds, OSM made a concerted effort to hire internal project management staff to build internal capacity and reduce reliance on external consultants. By early 2025, OSM employed dozens of in-house

bond project staff with decades of bond planning, delivery, and construction expertise to help it meet bond pledges.[47] OSM continued to hire external bond program management and construction management firms, as needed, to provide additional capacity on certain projects during the construction phase for monitoring progress and plan conformance of construction work against contract provisions. The percent of contracted staff was less than 25 percent.

Designated with responsibility for the entire life cycle of a bond capital project, the OSM project managers were considered "professional experts in the building profession" for public works projects. They provided technical expertise over capital planning, and stakeholder communication and oversaw all facets of project implementation. This included planning, design, contracting, construction, and post-occupancy phases to assure on-time, on-budget, and quality scope of work through practices that aligned with industry practices.[48]

Following this common cradle-to-grave approach managing a capital project through its entire lifecycle, OSM's project managers were responsible for the controls over delivery from inception to commissioning during project completion. This was to keep projects on budget and schedule based on approved designs. Project manager levels were differentiated by project volume, scope of projects managed, project complexities, and unique challenges associated with implementation. Each position requires knowledge in architecture and civil engineering. Project managers needed a strong understanding of construction practices including equipment, materials, techniques, and inspection of public works. Additional expertise was required in public contracting and budgeting with project management principles, processes, and techniques.

Prior OSM approach used project managers with knowledge in architecture, engineering, and construction who were responsible for delivery controls to keep projects on budget and schedule from project inception through close-out.

OSM often used its project manager series to assign one staff member to smaller bond consolidated projects. For the larger high school modernization projects, they would assign more than one project manager to share workload and develop staff as part of succession planning for the long-term success of the bond program. Each project manager on the larger bond modernizations was also assisted by a contracted construction manager and overseen by a director of construction coordinating design, construction, commissioning, and occupancy across the bond program. For all bond modernizations and infrastructure improvements, OSM's Senior Director provided project and program leadership, direction and approvals, and support in implementing plans, schedules, and budgets. Importantly, PPS designated a chief level position—the Chief Operating Officer—filled by an individual with decades of bond capital delivery experience to provide program level guidance, management, and public accountability over bond activities.[49]

[47] PPS also had a Real Estate & Construction department that handled non-bond smaller capital construction projects, long-range facility planning and condition assessment, and real estate purchases, as well as a Facilities Asset Management department responsible for minor repair and maintenance projects. These staff primarily oversaw non-bond funded and much smaller scale capital projects.

[48] Industry practices from Construction Owners Association of America, Construction Management Association of America, Project Management Institute's Common Body of Knowledge (PMBOK)-Construction Extension, American Institute of Architects, and National Association of Construction Auditors guidance.

[49] In 2012, PPS utilized two chief positions—one Chief Operating Officer over finance, purchasing and planning and asset management and one Chief of School Modernization as an Executive Director of OSM.

Prior Structure Allowed OSM to Deliver Projects Even During Past Turnover of Leadership and Staff

Stable, long-tenured executive leadership that supports and oversees bond activities along with project delivery staff provides the best chance for positive outcomes. While turnover can negatively impact an agency's ability to fulfill long-term bond programs and commitments made to voters, it cannot be completely avoided.[50]

Prior annual bond performance audits found significant turnover in executive and upper-level management. Between 2017 and 2018, the Chief Operating Officer position and other chief-level positions in finance and technology (which oversee bond projects) turned over multiple times. When past OSM and executive level turnover occurred causing vacancies in bond program and project positions, OSM's delivery structure allowed remaining staff to keep momentum toward completing bond projects as planned while staff recruitment and replacement efforts were underway. Although recurring turnover, and the resulting loss of institutional knowledge or shifts in priorities, can be challenging, OSM's staffing approach, methods, and controls remained consistent. This helped to ensure bond projects were delivered as pledged to the voters.

As part of its structure, OSM used several standard tools for managing the bond program, assigning roles and responsibilities, and instructing how to implement the program. Specifically, OSM developed and formalized a program management plan (PMP) and project team management plans (PTMPs). The PMP provides guidance regarding how the bond program will be managed with details on organization structure and staffing, general roles, master budgeting and scheduling, reporting, and more. PMTPs provide guidance regarding the implementation of specific projects, with specific schedule, budget, scope, and quality controls in place, in addition to risk assessment and mitigation protocols.

Supplementing the PMP and PMTPs are responsibility matrices (known as RACI matrices) and standard operating procedures (SOPs).[51] SOPs are living procedural documents providing step-by-step instructions for process, execution, review, and approvals for specified project delivery for consistent and standard approaches. Additionally, the SOPs implemented communication plans, educational specifications, and design standards to lay the foundation for what tasks need to be done and who is responsible for the tasks to deliver bond projects. Even when OSM faced workload problems in the past that required remaining staff to assume additional roles and take on more responsibilities during times of turnover, OSM continued to deliver on the bond program following the plans and procedures under this framework.

OSM delivery structure used project management plans), responsibility matrices, and standard operating procedures common in the capital delivery industry.

As mentioned in both Findings 1 and 2 of the report, there were opportunities for improvement, as well as instances where challenges impacted OSM's ability to deliver projects on time and on budget. Such challenges are inherent in any capital project delivery program; yet evidence shows that OSM successfully built and improved schools under the bond program.

[50] "Turnover at the Top: Causes and Consequences of Leadership Change in Public Agencies", James C. Clinger, Department of Political Science and Sociology, Murray State University, Kentucky, USA. January 2016.

[51] A Responsible, Accountable, Consulted, Informed (RACI) matrix is a project management used in industry to clarify ownership roles and responsibilities for tasks and deliverable with the goals of reducing confusion of roles and stronger accountability. They assign individual project tasks to project team positions at each stage of a project lifecycle for who is responsible for executing a task, accountable for final authority or approval of a task, consulted before a decision is made or work finalized, and informed of status progress or milestones. OSM created and used RACI matrices for each project as part of project team management plans (PTMPs).

Recently, Leadership Outsourced Bond Program Management and Terminated Half of Existing Project Positions Resulting in a Loss of Institutional Knowledge

According to PPS, when new executive leadership took over in 2024, they began looking toward a new approach for delivering the delayed Jefferson High School and CBSE bond projects and tackling the next wave of modernization projects. Specifically, as described in Finding 1, leadership believed the delayed Jefferson High School project and general costs associated with the modernizations were problematic, so PPS started discussions with the Beaverton School District and general contractors in the market looking for ideas to forge a new plan for bond delivery.

In November 2024, PPS leadership also paused work on the three modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools to engage OSM project consultants and contractors in activities to determine if project costs could be reduced by $100 million on each project. PPS also hired a different consultant, Cornerstone Management Group, to compare planned and completed costs of four PPS high schools against a Beaverton Public Schools high school project to clarify differences in cost and identify potential areas for cost savings.[52] Neither effort resulted in the targeted $100 million cost savings for PPS' bond modernization projects. Along this same timeline, PPS leadership engaged another external consultant, Procedeo, to provide recommendations to reduce the costs of the Jefferson High School project and expedite project schedule as well as produce a dedicated staffing plan for Jefferson High School that could be adaptable to other high school modernization efforts. Ultimately, that third effort also did not produce the targeted cost savings or schedule acceleration for Jefferson High School.[53]

Although PPS made several attempts to find cost savings or accelerate the Jefferson High School project schedule, efforts did not produce the desired results.

At the end of June 2025, the Chief Operating Officer resigned from PPS which was closely followed by the resignation of the Senior Director of OSM in September 2025—positions with significant combined experience in capital program delivery, bond program management, and professional engineering. To fill that void, the Superintendent appointed a new Senior Chief of Operations and amended the existing contract with Procedeo to provide interim OSM leadership while PPS initiated a recruitment effort to fill the Senior Director of OSM vacancy. In September 2025, the Superintendent conveyed the intention to outsource the bond program as a "strategy bringing in a team that has national expertise executing a billion-dollar bond program with multiple builds going on at same time." The new Senior Chief of Operations also stated that a "rightsizing conversation would happen" as part of an outsourcing strategy and "Procedeo would be involved" with those staff rightsizing conversations. [54] Three months later in December 2025 after a competitive proposal, PPS brought forward a five-year contract with Procedeo to oversee the bond program and provide project management services in addition to delivering administrative oversight for OSM functions for Board approval.

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[52] The Cornerstone Management Group report cited differences between PPS and Beaverton Public Schools caused by board-approved project standards requiring larger PPS school square footage and capacity, mass timber design options, sustainability design standards and equity goals in addition to more complex site conditions in general for an urban school District like PPS.

[53] While the most recent attempt to find opportunities to expedite the Jefferson High School project and save costs did not result in the $100 million targeted cost savings or schedule acceleration, PPS' general contractor informed board members that, from a process standpoint, it was an example of a high-functioning team that will continue to share and think outside the box for different ways to accelerate schedule while maintaining safety. PPS FIO Committee meeting on March 17, 2026, at https://youtu.be/mtoPXt49YsU?t=1019.

[54] PPS Board of Education regular meeting on September 9, 2025, strategy at https://youtu.be/HGAs0lyZ6kw?si=jByv6PaWeIR1hn38 and rightsizing conversation at https://youtu.be/HGAs0lyZ6kw?t=18118.

As support for approval of the contract, executive leadership discussed having "internal staffing data which points to long-standing vacancies, turnover and capacity gaps in critical roles responsible for construction oversight in project delivery" and implied the bond program management consultant would help fill those vacancies and gaps. For instance, after the Board approved the contract, Procedeo assigned one of its leadership team members to fill the vacant Senior Director of OSM position and created a Deputy Director position filled with Procedeo staff. The consultant also brought on additional Procedeo employees to help with bond administrative and financial support including an outreach coordinator, website coordinator, procurement manager, project closeout staff, and construction/finance manager.

By January 2026, PPS executive leadership made other changes to the bond delivery structure by terminating half of the OSM staff without quantitative data or analysis supporting workload considerations. Out of 28 PPS bond employees, only 14 remained.[55] Of those remaining, half are capital project support staff over procurement, invoicing and cost controls, communication, and document management.

Fourteen of 28 PPS Bond-Funded Employees were Terminated in Jan 2026*

OSM Staffing	Before	After
Directors of Construction	2	0
Sr. PMs / PM III	7	5
PM II	8	2
PM I	3	0
Capital Support Staff	8	7
Total	**28**	**14**

*** Three Additional Sr. PMs resigned leaving 11 total and four project delivery staff.**

All Construction Management Contracts were cancelled except for Benson High School and a Technology Project.

As part of the reorganization, PPS eliminated two directors of construction and 11 project managers within OSM and did not fund nine contracted construction manager positions even though the on-call contract did not expire until July 2028. PPS retained three contracted positions working on the Benson High School project. Since that time, three additional Senior Project Managers have resigned, including the Senior Project Manager over the Cleveland High School modernization, leaving 11 former OSM employees. As a result, just four prior OSM project delivery employees with in-house expertise remained further widening the gap and eroding institutional knowledge.[56]

These employees manage individual bond modernization projects and infrastructure delivery and now report to the outsourced RISE Deputy Director, Senior Director, and Executive Director for modernization projects, and to an internal RISE Senior Director in addition to the outsourced RISE Executive Director for infrastructure projects. Although they retain historical bond knowledge and control over specific bond projects, they cannot oversee the program management consultant's activities managing the collective bond program who they report to under the new structure.

[55] Terminations included both directors of construction, two Project Manager III levels, six Project Manager II levels, and three Project Manager I levels. Another Project Manager III resigned in early February shortly after the terminations, two Sr. PM/PM IIIs retired (one in June 2026 and another in September 2026), and another PM II left leaving just three former OSM project delivery staff remaining.

[56] The new RISE reorganization includes a PPS employee from the former Real Estate and Construction department to oversee bond consolidated projects with experience in smaller capital project delivery, but no prior experience with larger-scale bond programs and projects.

PPS Lacked Evidence-Based Business Case for its Shift in Strategy

Best practices describe the importance of weighing the benefits against the costs or risks of outsourced project management versus an in-house or hybrid approach as PPS has used in the past to mitigate long-term reliance on external firms.[57] Understanding the business case for PPS' shift in strategy is important because prior annual bond performance audits over the past six years found that the structure employed at the time effectively delivered on the bond program. Thus, a change introduces potential risk.

When we asked for the basis behind the change, PPS described certain workload considerations and staffing assumptions it used to evaluate bond project needs that align with industry factors, but did not provide supporting evidence, data, or analyses that informed such considerations. PPS stated that some bond areas were "under-resourced requiring targeted augmentation" and other bond areas were "overstaffed or duplicative necessitating strategic reductions and realignment," but could not provide evidence demonstrating this assertion. Further, when asked about a cost-benefit analysis weighing options between the prior OSM structure and outsourcing, PPS leadership stated its cost-benefit analysis considered "structural differences in incentives" related to schedule adherence, cost control, and results. Management did not provide any quantitative cost data or analytics demonstrating the dollar impact or details of actual incentive performance between the two options of keeping staff in-house versus outsourcing.[58]

Without discrete data, cost analysis, or documented consideration of impacts and expected benefits, there is no supporting business case or data warranting the substantial change from a largely in-house bond program management team to a mostly outsourced team when the prior OSM method had effectively delivered the bond program in the past.[59] Additionally, there is no way to know if the district spent more than needed—or saved money—making its strategic changes without having that supporting data and analysis. PPS described that it considered that, upon program completion, in-house staff whose salaries are paid by the bond "would need to be reassigned, reduced, or absorbed into the General Fund, creating potential ongoing financial obligations beyond the life of the bond." However, this situation has not occurred since the 2012 bond program and seems unlikely since PPS will need future bond measures to raise funds for modernizing and addressing deferred maintenance on its aging schools. Because outsourcing can generate concerns with accountability and questions about whether outside contractors can effectively deliver services better or more efficiently and less costly than using public sector workers, entities like PPS should conduct objective cost-benefit calculations for validation of planned strategies.[60]

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[57] Best practices drawn from Institute for Public Procurement position paper "Outsourcing in the Public Sector," GFOA "Measuring the Full Cost of Government Service," Baker Tilly "Five Key Steps in Conducting a Cost-Benefit Analysis," IBM Center for The Business of Government "International Experience Using Outsourcing, Public-Private Partnerships, and Vouchers," Governing Magazine's "The Pros and Cons of Privatizing Government Functions" by Andy Kim, and EBSCO "Cost Benefit Analysis: Decision Making in the Public Sector."

[58] Prior annual bond performance audits issued in 2017 reported that PPS can control program overhead costs by reducing reliance on contracted project management personnel as external staff were costly and could be twice the fully burdened cost of comparable internal PPS staff. Although PPS' new analysis might have reached different results or conclusions, there was no quantitative data comparison or details of considerations as we would expect from a proper cost-benefit analysis to reach conclusions about the cost-effectiveness of using outsourced staff versus in-house PPS employees.

[59] As mentioned in Finding 1 of the report, there were instances where projects were not delivered as scheduled, but those delays related to the Jefferson High School modernization caused by board and district leadership actions and to the Center for Black Student Excellence because past district leadership had not formulated what type of capital improvements would be implemented by the bond—actions that were outside of OSM's bond delivery staff's purview and authority.

[60] IBM Center for The Business of Government "International Experience Using Outsourcing, Public-Private Partnerships, and Vouchers." Also, Governing Magazine's "The Pros and Cons of Privatizing Government Functions" by Andy Kim.

Organizational Restructure Was Missing Detailed Data and In-Depth Analysis

According to PPS leadership, its bond reorganization was informed by the Construction Management Association of America (CMAA) and Project Management Institute (PMI)—both nationally recognized industry leaders establishing standards and best practices for capital delivery and project management—and that its new approach separated program-level leadership and controls from project-level execution responsibilities through district roles for project managers and construction managers. We support the use of these guidelines, although we did not receive data or information on how the standards were applied to support the ultimate reorganization or need for the change. For instance, PPS leadership stated the prior structure had unclear roles and responsibilities, overlapping efforts, and inefficient use of staff time so the reorganization included "right sizing and realigning staff to eliminate duplication." Yet, PPS did not provide data identifying which positions were duplicative or which inefficient processes were right-sized and how they were realigned.

The only example PPS provided us regarding the reorganization was that multiple project managers were attending the same meetings without defined roles leading to inefficiency, and that remote work limited visibility into productivity.[61] There could be reasons why multiple project managers or contract staff, who possessed decades of knowledge of K-12 capital project delivery, might be in the same meeting, and there are ways to ensure visibility and accountability in remote work. Yet, PPS could not provide evidence of inefficiencies, nor could it point to corrective actions taken with its existing workforce when inefficiencies were identified.[62]

New Framework is Not Significantly Different Than Previous Bond Structure, but Missing In-House Executive Expertise and Oversight

According to PPS leadership, making changes to the bond program framework was a "great opportunity to have outside perspective actually come in and look at [PPS'] systems and processes to look for at any level of efficiency, what they are doing well, and any level of redundancy." As part of these changes, PPS contracted with an external bond program management consultant, Procedeo, to lead its RISE department and help PPS implement a new bond structure. While Procedeo has revised protocols and practices and continues to make organizational and process changes as it begins its contracted work with PPS, the current framework is similar as the previous structure employed to deliver the bond program with no fundamental changes in tasks for procurement and contracting practices, project management controls over cost and schedule, or bond communication and external reporting—although there are differences.

Under the reorganized model, Procedeo brought in approximately 13 new individuals under its contract to assist with bond project activities including project managers, design managers, a scheduler, and an estimator as part of the project delivery team—in addition to multiple other support staff to help with compliance, finance, procurement, outreach, website, and communication.[63] As of April 2026, many of the 13 Procedeo staff on the bond program and projects were similar in role and responsibility to the 14 OSM individuals terminated—although PPS did not have data available to compare the cost between the in-house and outsourced staff as

[61] Procedeo Report "Jefferson High School Modernization Project: Comprehensive Analysis, Options, and Proposed Management Approach", October 22, 2025.

[62] Two firms, AECOM and Turner & Townsend, were under contract with OSM during 2025 to augment project and construction management services, thus necessitating meeting attendance.

[63] According to RISE organizational chart, version 20 as of April 14, 2026.

discussed later in this section. The new structure employed similar project delivery staff positions as did the former OSM, just with different organization and modified roles and responsibilities.

For instance, OSM assigned staff roles and duties following a "project-centric" approach where project managers were assigned and accountable for all aspects of a singular project like modernizations or multiple projects like infrastructure projects. Alternately, RISE uses a "program-based" approach where staff such as project designers, project managers, construction managers, schedulers, and estimators are centralized and deployed across projects when and where needed during a particular project phase.

Program-Based:
Staff are centralized and deployed across projects by function as needed.

Project-Centric:
Staff are assigned and accountable to an individual project.

Both structures are used in industry, and both have benefits and trade-offs under each method. Project-centric staffing can allow for stronger accountability but less opportunities to transfer lessons learned to other projects; while program-based staffing can result in efficiencies and consistency across projects, but higher costs through project management office coordination and competing project priorities.

Like OSM's prior approach, RISE has created and implemented a PMP, PTMPs, RACI matrices, and SOPs to guide bond activities as part of plans to streamline and standardize processes across projects where needed that aligns with industry practices.[64] Although there are certain differences between OSM and RISE's documents, most delivery tasks and processes did not fundamentally change. For instance:

- ✓ **PMP**. When comparing the new PMP to the old PMP, we found that both PMPs were very similar in that they provided a general overview of the bond program, key stakeholders, performance metrics, processes during design and construction, and communication protocols as well as guidelines for status reporting to oversight bodies.
- ✓ **PTMP**s. When comparing OSM's old PTMPs to RISE's new PTMPs, we found they aligned with leading practice and contained similar components—although one prior OSM PTMP contained more details and processes for the Benson High School project. The main differences between the two approaches relate to team members and document format.
- ✓ **RACI matrices.** Our review of both OSM's and RISE's matrices found that bond tasks and activities under both formats were similar, although responsibilities were designated differently across staff. For instance, the new matrices centralize design management across projects rather than assigning those tasks to each project manager on individual projects. Likewise, for "boots-on-the-ground" construction management activities providing owner-level oversight of contractor activities, OSM assigned a construction manager to each project. Alternately, RISE's new matrices assign those functions to a single director of construction position across the program.

[64] Industry practices from Construction Owners Association of America, Construction Management Association of America, American Institute of Architects, Project Management Institute's Common Body of Knowledge (PMBOK)-Construction Extension, Association of California Construction Managers, Associated General Contractors of America, and National Association of Construction Auditors guidance.

- ✓ **SOPs.** As aligned with best practices in industry, both prior OSM and current RISE staff led by Procedeo supplement these plans and matrices with standard operating procedures. With just several months of its 5-year contract time elapsed, Procedeo continues to be in-progress of reviewing and revising existing SOPs as needed. As of June 2026, there have been four new SOPs related to the BAC, bond compensability, labor burden rates, and payroll and new construction closeout checklists—with more in development that are likely to be completed before the audit report is final.

While the new RISE approach emphasizes that external architects involved in construction and contractors have contractual responsibilities to be accountable to ensure milestones related to scope, schedule, and cost delivery are met, it is critical that public owners closely monitor and verify those activities. Monitoring is typically done by construction managers or directors of construction conducting site visits for conformance, performing site supervision, preparing daily logs, managing contract change requests, reviewing submittals, testing and inspections, and reviewing payment applications among other areas. In the past, OSM contracted out some of the construction manager tasks; but current RISE responsibility matrices assigned these tasks to a specific director of construction for all three high school modernization projects. Given the size and scale of the modernizations with completion schedules all on the same timeline, a single director of construction may not be able to adequately monitor or control the significant volume of construction activities at a sufficiently detailed level needed for strong controls. The primary construction phase will be starting soon for the modernization projects, so RISE leadership should have their bond program management consultant identify and bring in additional construction management support for these projects immediately to ensure proper controls are employed.

One Director of Construction may not be able to monitor the volume of construction activities expected for the three concurrent high school modernizations at the level needed for strong controls.

Loss of Executive Level Technical Expertise Impacts PPS' Ability to Properly Oversee New Approach, and Differs from Other School Districts We Reviewed

While there had been general consistency at the chief level position for several years in the bond program, that status was upended when the Chief Operating Officer who had worked on the bond program since 2012 resigned in June 2025. That resignation left PPS without cabinet-level expertise in capital delivery and without the benefit of the former Chief Operating Officer's institutional knowledge and insights into the bond program. Under normal circumstances it might be manageable without executives possessing capital delivery experience. Yet, the chief's resignation combined with the vacancy of the Senior Director of OSM and loss of half of the bond project delivery staff in OSM leave PPS vulnerable. Without sufficient capital in-house expertise to be responsible for sound and knowledgeable decisions for the bond program or to monitor consultant performance as is needed for public accountability at the owner level, the bond program is at risk.

Risk is heightened through heavy dependency on the external bond consultant.

As a result, PPS' new outsourced delivery approach relies heavily on its external consultant's expertise instead of continuing recruitment efforts to fill the Senior Director of OSM position or hire a bond-funded executive with capital construction experience. While PPS has a knowledgeable external consultant with Procedeo to provide structure and staffing recommendations for the bond program as part of its contract, it has not put in place an effective control given

the lack of expertise.[65] In reference to its controls, PPS provided a listing of multiple dates of bond planning meetings between July 2025 and May 2026 management asserted included the CFO, legal staff, RISE senior leaders (including Procedeo), and Facilities and Maintenance staff with a purpose to note progress on bond deliverables and the contract. PPS also provided a listing of weekly check-ins between the Senior Chief of Schools and the RISE Executive Director from Procedeo that PPS asserted was to note progress on bond deliverables, goals, KPI check-ins, and other deliverables as described in the program management plan.

However, without that technical expertise, PPS cannot adequately scrutinize or detect overall deficiencies related to technical aspects of bond program delivery in terms of scope, schedule, or budget. This also impacts management's ability to adequately monitor contractor performance or understand implications of any recommended actions from its bond program management consultant to make informed owner decisions about bond delivery, staffing, contracting, scope, schedule, or budget. Further, this heightens risk through increased dependency on the incumbent consultant—causing concerns about PPS leadership's ability to be accountable for the actions carried out on its behalf and for monitoring the consultant's contract.[66]

When compared to other school districts we reviewed—school districts with similarities in enrollment, number of school buildings, or bond size—many reported having in-house executive level capital delivery expertise to oversee bond program activities and consultants, as shown in Exhibit 17.

EXHIBIT 17. EXAMPLES OF OTHER DISTRICTS WITH IN-HOUSE CAPITAL DELIVERY EXECUTIVES [1]

District	Approx. Enrollment	Number of Schools	Size of Bond/Levy	In-House Executive Position Over Bond Planning & Construction
Albuquerque Public Schools	64,000	142	$350 million	Executive Director, Capital Construction
DC Public Schools [2]	52,000	117	$6.4 billion	Deputy Chief, Facilities Planning & Design
Denver Public Schools	89,000	198	$1.8 billion	Executive Director, Planning, Design, and Construction
Fort Worth Independent School District	70,000	137	$1.95 billion	Senior Officer, Capital Improvement
Oakland Unified School District	44,000	87	$1.3 billion	Executive Director, Facilities Construction Executive Director, Facilities Planning Director of Facilities, Construction
San Diego Unified School District	103,000	225	$4.9 billion	Sr. Executive Director, Facilities Planning & Construction
San Francisco Unified School District	50,000	122	$2.8 billon	Sr. Executive Director, Capital Planning Director, Bond Programs
Seattle Public Schools	49,000	104	$2.2 billion	Executive Director, Capital Projects & Planning

Source: Individual school websites, long range facility plans, school fast facts sheets, organizational charts, and other publicly available data.
Notes: [1] Data available publicly did not provide specific responsibilities, functions, or tasks; however, some provided background information on degrees, certifications, or previous positions. [2] DC Public Schools' bonds are approved by the Mayor and Council, rather than voter approved general obligation bonds.

[65] Controls and risks related to contract monitoring and project delivery from COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and the AICPA Accounting and Audit Manual Nonauthoritative Practice Aid in addition to Construction Owners Association of America, Construction Management Association of America, Project Management Institute's Common Body of Knowledge (PMBOK)-Construction Extension, American Institute of Architects, and National Association of Construction Auditors.

[66] McKinsey & Company, Public & Social Sector Practice, "How to create win-win public outsourcing contracts" April 2018.

These results are like other Portland public entities that have in-house executive level expertise and responsibility over their capital bond programs including Portland Community Colleges, Multnomah County, and City of Portland—some with smaller capital portfolios than PPS. Further, other public sector entities we have reviewed with billion-dollar capital programs also have in-house executive expertise even though they contract out for bond program management services. These entities include Bay Area Rapid Transit District, Orange County Transportation Authority, San Diego Association of Governments, San Francisco Public Utilities Commission, Santa Clara Valley Water District, and more. After we discussed the audit findings with PPS, leadership advertised for an Executive Director over Capital and Planning position that will provide expertise and exercise responsibility over the capital bond program once filled.

Outsourcing Approach Creates Heavy Reliance on Vendor, Which Increases Long-Term Risk of Sustainability of the Bond Program and Stifles Future Competition

It is common in industry to use external vendors like Procedeo for bond program management services to provide extra capacity, expertise, and assistance to achieve cost or scheduling benefits. PPS' outsourced delivery method, however, goes beyond what is typically seen in industry for larger capital programs with an established project delivery team. It gives authority and autonomy to the external consultant to develop plans and procedures for managing, overseeing, and leading the bond program including staffing incorporating the use of and oversight of PPS staff without owner level expertise needed for oversight and accountability of public funds.

As previously mentioned, PPS' outsourcing substantially changed the staffing mix for bond capital delivery teams with approximately 60 percent of staff from Procedeo and 40 percent PPS employees—compared to the previous approach relying on external consultants for less than 25 percent of its staffing.[67] The Procedeo outsourced positions have assumed management and decision-making roles such as executive director, senior director, deputy director, and director of construction overseeing the bond work of the remaining PPS employees. With limited in-house capacity to deliver the largest bond projects resting with the four remaining PPS project delivery team members, PPS is reliant upon external consultants now and likely for future bonds as outsourced functions seldom revert back to the public sector entity.[68]

Although Procedeo's PMP refers to recruiting strategically to build portfolio competency, there were no specifics for how or when that would occur and if recruiting referred to PPS staff or Procedeo staff. While the bond framework for implementing projects remained similar to the prior OSM approach, Procedeo revised reporting structures and recrafted processes as well as introduced new systems and tools to capture and manage program and project information. This differs from OSM's prior approach where its external bond program management firm previously reported to the Senior Director of OSM and worked alongside OSM employees developing program tools and systems maintained by OSM creating a lasting infrastructure for future bonds and building OSM internal bond delivery capacity. It was employed at a time when there were few OSM staff to deliver bond projects and limited policies, procedures, and infrastructure in place to manage the bond program. As OSM developed its internal experience and capacity, the external bond program consultant supplemented the OSM team but did not supplant their responsibilities. The prior OSM Senior Director and

[67] This staffing mix and percentages do not include bond support staff from project controls, procurement, finance, or communications.

[68] IBM Center for The Business of Government, International Experience Using Outsourcing, Public-Private Partnerships, and Vouchers, 2005.

PPS project managers were the public-facing district representatives with the Board and BAC as supported by the prior program management function.

The new processes and consultant-controlled systems combined with the termination of OSM employees and replacement with Procedeo staff create a situation where PPS is heavily dependent on Procedeo for bond program and project delivery. Thus, PPS should begin to rebuild its internal capacity for bond projects now while still maintaining, at a lesser level, support from the bond program management consultant to augment its project-level capacity as well as its executive level bond expertise toward the goal of decreasing the level of reliance on a consultant for project delivery the long-term viability of the bond program.

Further, PPS' design of its outsourcing approach may stifle competitiveness of other program management firms to participate in future bond programs if voters approve the next bond measure.[69] If different external firms want to compete for bond program management services when the existing contract expires, they may face technical or logistical challenges. Challenges include the need to unwind the existing reporting structure, protocols, and consultant systems used that may be prohibitively expensive and require another significant transformation and organizational shift as the bond program had just experienced.

Additionally, transferring Procedeo's bond management knowledge and data to a new consultant may be complicated—without oversight from PPS leadership with in-depth capital delivery experience. While it is not impossible to overcome, the current situation increases risks and obstacles for prospective competitors to successfully propose on future bond program management RFPs.[70] Once PPS fills its recently advertised position for an Executive Director over Capital and Planning, these risks may be mitigated.

[69] According to PPS, this was not their experience in 2025.

[70] Best practices compiled from a variety of sources including, but not limited to, COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, AICPA Accounting and Audit Manual Nonauthoritative Practice Aid, Uniform System of Financial Records for Arizona School Districts, Los Angeles School District Procurement Manual, California Community College Contracts and Grants Manual, State of Texas Procurement and Contract Management Guide Version 1.3, State of California FI$Cal Procurement Manual, California State Contracting Manual, New York Construction Consultant Manual, Georgia State Auditor Best Practices in Government Components of an Effective Contract Monitoring System, Judicial Council of California Financial Policies and Procedures Manual, and SEC proprietary resource library and audit reports.

Finding 3: PPS Recommendations

To better ensure the long-term success of the bond program, rebuild an internal infrastructure as part of succession planning that survives staff and leadership changes, provide stronger controls, and allow for sufficient monitoring

12. Develop a comprehensive roadmap plan with specific steps, activities, and timeline for decreasing reliance on external bond program management staff for project efforts and start rebuilding in-house capital expertise through hiring bond delivery staff. The plan should address supplementing the remaining PPS employees involved with the bond projects to build back capacity and ensure the longevity of the bond program—while still receiving support, guidance, and management from the external bond management program consultant.
13. Deploy additional construction management support and control over the modernization projects so that sufficient staffing is available to monitor scope, schedule, and cost through job-site presence and supervision for managing change requests, reviewing submittals, overseeing testing and inspections, and reviewing contractor payment applications among other areas.
14. Fill the newly advertised job opening for the Executive Director over Capital and Planning position with an individual possessing deep expertise over large-scale public-sector capital delivery programs and knowledgeable in bond funding to oversee RISE and make informed owner-level decisions, as needed, based on RISE recommendations and monitor the external bond program management consultant's contract and performance.

Bond Contract Development & Approvals

Finding 4: Certain Activities and Assertions Made Before and During the Development and Approval of the Bond Program Management Contract Hampered a Fair and Transparent Procurement and Increased the Risk that the Solicitation and Award Process Was Compromised

Due to the concerns raised during the course of our annual bond performance audit and as part of our assessment of risk, we reviewed the bond procurement of the outsourced service provider and bond program management. We found that PPS did not employ sufficient controls to ensure the solicitation and award process was not compromised.

PPS' outsourced bond delivery approach centered around two contracts with an external vendor, Procedeo. One contract's scope was for recommendations to accelerate the Jefferson High School project, suggestions for a staffing structure, and provision of interim leadership for OSM. The other contract was for bond program management services including project management, construction management, and adminstrative oversight of OSM functions. During fall 2025, when PPS presented contracts to the Board for approval, PPS leadership made statements surrounding the need and urgency of board decisions to approve the bond contracts that were inaccurate and urged the Board to rush approval of the contracts limiting the timeline available for Board due diligence. Discussions were supported by inaccurate messaging regarding the consultant's unique expertise, safeguards provided in contract language, and the bond program's past performance and status. These assertions contradicted prior audit results, and information presented in Finding 1 of this report. Relying on inaccurate information upon which to make decisions increases risk that those decisions might not be in the best interest of taxpayers. According to PPS, their assertions were based on management concerns about the future execution of the bond program and its assessment of concerns raised by OSM.

Prior to contract solicitation, review, award, and board approval, PPS communicated about its intent and plans with the consultant that was ultimately awarded the contracts. Communication included planning discussions related to proposed bond management services, potential reorganization of the bond delivery structure, and how the consultant could help PPS—which could have influenced PPS, giving the consultant an unfair advantage during the solicitation, evaluation, and award process. Although PPS asserted that it talked with other consultants on similar topics, PPS did not provide documentary evidence to support this assertion. Management's actions work against and diminish the effectiveness of internal controls and safeguards that should protect the integrity of the procurement process from improper influence.

Additionally, PPS' scoring of written proposals for the bond management services competitive solicitation did not capture the fact that one consultant did not fully address the "firm experience" evaluation criteria. When combined with discrepancies in PPS' approval of the consultant's invoice post-award as discussed later in Finding 5 of this report, these actions and events increase risk that the process was compromised and could have been influenced by favor or bias. These actions conflict with the purpose of Board Policy 5.10.066-P to perform district business without the perception of undue influence and its code of ethics to avoid the

appearance of impropriety. They also result in increased risks to PPS' ability to demonstrate objectivity with fair and open competition, best value, and accountability over taxpayer funds. Risks that PPS have not mitigated.[71]

According to PPS, leadership did not solely meet with Procedeo. Rather, they met with other similar consultants, architects and general contractors in the local Portland market, and other school districts. These meetings were part of gathering input and ideas for bond program management services and developing a new approach for bond delivery. PPS provided us with an email chain asking for references and contacts for PPS to reach out for independent cost estimating, but no other evidence of outreach or communication with those other firms to discuss bond program management and cost estimating practices.

District Sought Board Approval for Two Contracts Related to Delivery of the Bond Program in 2025

In June 2025, PPS leadership entered into a contract for $149,500 with Procedeo to provide recommendations for saving money and accelerating completion of the Jefferson High School Modernization project in addition to suggesting a staffing structure for the project team that could be adaptable to other modernization projects. Once the prior Senior Director of OSM resigned in the fall of 2025, PPS leadership requested board approval to amend its contract with Procedeo by approximately $488,000 for interim bond leadership services. Because the contract amendment exceeded the $150,000 threshold required for board approval, PPS leadership presented the amendment to the Board at its September 9, 2025, meeting for approval.[72] Subsequently, in December 2025 after a competitive proposal, PPS brought forth a second contract with Procedeo, for board discussion and approval, for $61.5 million to provide bond program management services over a five-year period.

PPS Implied an Immediate Urgency for Board Approval over Both Bond Contracts Impacting Board Due Diligence

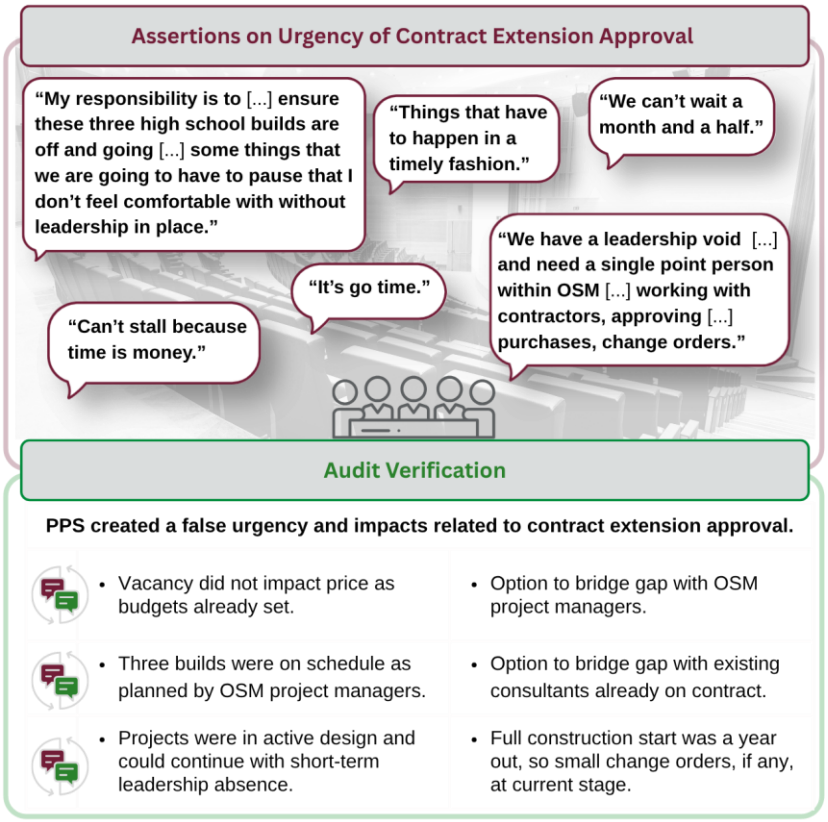
When the Senior Director of OSM resigned in September 2025, PPS looked to Procedeo for interim leadership services by amending their existing contract. As part of board questions related to the amendment at a September 9, 2025 meeting, PPS leadership created a sense of urgency for immediate contract approval. PPS Leadership stated they could not wait because "time is money" and critical bond work would have to be paused if OSM leadership was not immediately in place. Although the Senior Director of OSM position was critical for both program management and oversight of individual project delivery and PPS would reasonably want leadership in place to guide the bond program, PPS conflated the need to fill a leadership gap in the bond program with a belief that the short-term void in leadership would directly correlate to an increase in project costs of the bond modernization projects.[73]

[71] Controls and risks related to contracting and procurement based on COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and the AICPA Accounting and Audit Manual Nonauthoritative Practice Aid in addition to PPS Contracting Rules based on Oregon Revised Statutes, and Principles and Practices of Public Procurement from The Institute for Public Procurement.

[72] Given that the extended service scope had no relation to the scope of the initial $149,500 contract, PPS should have competitively bid the $488,000 contract as discussed in Finding 5 of this report.

[73] PPS Board of Education regular meeting on September 9, 2025, at several marks including https://youtu.be/HGAs0lyZ6kw?si=Ms-EigHZwBA2X63Z&t=21043 and https://youtu.be/HGAs0lyZ6kw?si=EQ80IDCHOM5zLxrt&t=21003 and https://youtu.be/HGAs0lyZ6kw?t=18006.

Yet, not having a Senior Director over OSM in place, for a temporary time, would not impact price on the modernization projects, as stated. The modernization projects were already in progress, and OSM had contracted with project designers and contractors with budgets set and approved. OSM project managers were moving projects along planned schedules in the design phase, and cost estimates were completed with amounts of expected project cost escalation considered in approved project budgets.

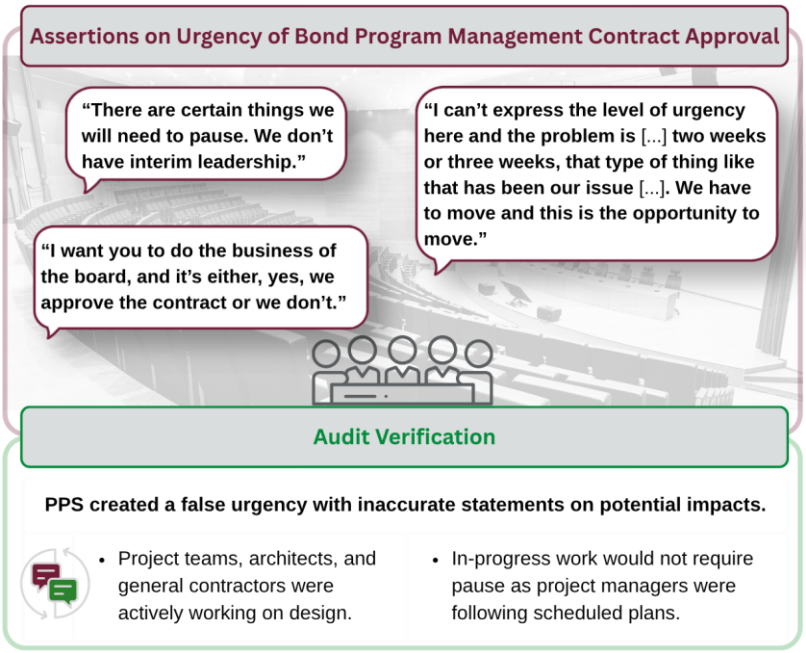


We agree there was a leadership void that ultimately needed to be filled, but evidence provided to support the critical or urgent need for immediate action by the Board to approve the contract at that September 2025 meeting was inaccurate.

As detailed in Finding 3, OSM had weathered turnover before at the Senior Director level. Leadership turnover and vacancies are not uncommon with capital delivery programs, and it can take time to fill the position. PPS had other options available—it could have temporarily relied on a different external consultant already under contract with PPS. The scope of that existing contract encompassed bond program management services and PPS could have used the existing consultant for a few weeks or months, without needing a contract amendment, until PPS hired a new Senior Director of OSM, whose recruitment was active at the time of the solicitation. Similar steps have occurred during past OSM leadership turnover. Alternately, PPS could have relied on its experienced OSM project delivery team to temporarily fill the void until a permanent solution was found or as a stop-gap measure to allow for further board scrutiny of the Procedeo contract as asked by Board members.

According to PPS, management had access to more information in real-time related to leadership needed in OSM during this transition, and they felt the approach taken by PPS with the public RFP had more visibility. While the Board has discretion to reach these conclusions, the sense of urgency created by management and the rush to obtain Board approval in a public meeting may have impacted the Board's ability to exercise due diligence in determining the legitimacy of the need, value, and vendor selection.

In December 2025, PPS leadership created a similar urgency when it asked for board approval to award Procedeo a $61.5 million bond program management contract as part of a competitive proposal.[74] This, again, impacted the time available for the Board to scrutinize costs and fully deliberate on contract provisions. Because Procedeo's initial extended contract was ending, PPS leadership asserted it would have to pause bond activities if the bond program management contract was not approved at that December 2, 2025, meeting.



However, the OSM project teams leading those bond activities were actively managing project activities through design keeping projects on the planned schedule. Although having leadership in place is ideal, the OSM team could have continued their project efforts with or without OSM leadership (as had been done in the past). Because those team members had technical knowledge of capital delivery methods and historical experience with PPS' bond program, a short pause to allow the Board more time to review the contract would not have significantly impacted the bond program schedule.

More importantly, PPS created a sense of urgency but had not yet developed or had not presented a business case supporting the outsource strategy. Although implementing new strategies may be the best course of action and bond program management services were needed, PPS did not provide data or analytics demonstrating a dollar impact or details supporting better outcomes that could be achieved through outsourcing as mentioned in Finding 3 of this report.

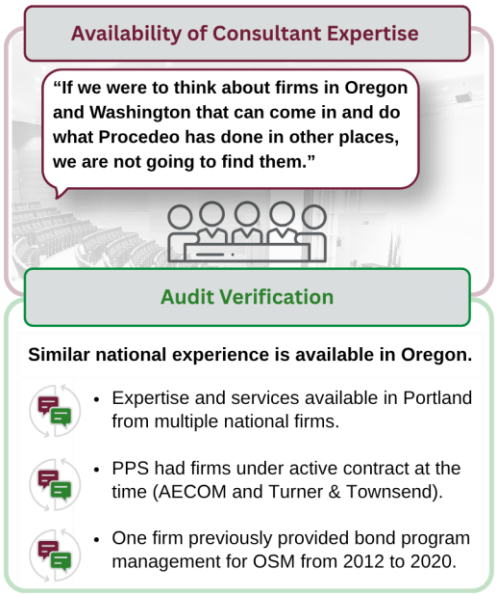
Inaccurate Information on Expertise and Contract Provisions was Provided to Board for Decision-Making

As part of presentations and related discussions of the bond program management contract to the Board and related discussions, PPS asserted that what Procedeo had done in other places was not available from firms in Oregon.[75] It also stated that the proposed contract costs aligned with prior services paid to multiple firms. Further, PPS stated the Procedeo contract terms provided stronger safeguards than other PPS contracts to allow for termination if PPS was not satisfied with services. Yet, those statements are not supported by our audit analysis.

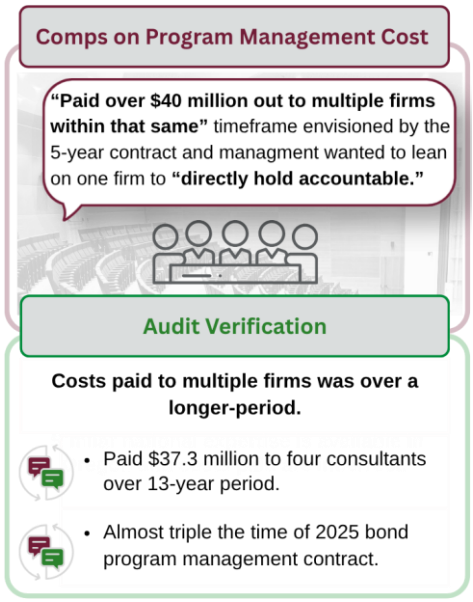
[74] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?si=KygRXKRTcwCWqYYT&t=7055 and https://youtu.be/F_TBjQYZTA8?t=7907.

[75] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/HGAs0IyZ6kw?t=18721.

For instance, as discussed in Finding 3, the type of expertise provided through the proposed bond program management services contract is common in industry. Multiple national firms possess the requisite expertise and ability to run multiple projects on concurrent schedules—many of which are located in Oregon, including two firms already under contract with PPS. Specifically, PPS had contracts with AECOM and Turner & Townsend, both national firms with local Oregon offices and expertise in K-12 program management and capital delivery. In fact, Turner & Townsend provided bond program management services for PPS between 2012 and 2020 managing the building of schools on similar timeframes.



Likewise, at the December 2, 2025, board meeting, PPS equated the proposed $61.5 million bond program management contract to bond management services contracts, already in place or that had been used in the past, and asserted that PPS had paid more than $40 million to these multiple consultants over a similar timeframe.[76] However, the comparison provided in the Board meeting was missing additional and critical information regarding cost and length of those contracts and included some inaccurate information. Specifically, PPS staff provided an internal board question-and-answer document that provided a breakdown of the $45.6 million paid to five different consultants under the 2017 and 2020 bonds.[77] This analysis incorrectly included costs for a moving company (Cummings Moving Systems) that had a similar name to the actual consultant working on the Benson High School project (Cumming) as well as other balances that we found to be unsupported. For instance, the question-and-answer document showed Shiels Obletz Johnsen was paid $111,000 when in fact they had not been assigned bond work or been paid with bond-funds at all. Similarly, for AECOM, the document showed $3.3 million paid; however, we found the actual amount to be less at $647,000.



According to our calculations, the amount PPS paid four bond program consultants was approximately $37.3 million. Although similar in amount, the comparison of the new $61.5 million contract for five years to the total $37.3 million paid to the other consultants is not a valid comparison because the time periods were drastically different as the consultants PPS referred to that provided program and construction management services over a 13-year timeframe.[78] The Procedeo contract averages $12.2 million a year, while the

[76] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?si=ElskmGxjLSlwdC9o&t=8547

[77] When the Board asks PPS management and staff questions as part of its due diligence outside of public meetings through email, PPS staff respond to questions in writing through a question-and-answer (Q&A) document provided back to the Board. Although PPS has posted this Q&A document to the Board's public website on at least one occasion in the past, it is not regular practice.

[78] While no two contract scopes of work are identical, the other contracts were similar in nature covering typical components of program management and project specific management and construction support.

combined contracts PPS referred to as comparable averaged $2.9 million a year. PPS may have wanted to move in a different direction, but the statements made to the Board in support of approval of the contract were not accurate.

Lastly, PPS asserted that the bond program management contract has a 30-day termination clause. It reasoned that Procedeo must be "confident in their work because that is not typically a term that most firms are willing to accept […] so even being able to get a firm to accept that is pretty remarkable."[79] While true that the 30-day termination clause existed in the Procedeo contract, we found that many PPS bond contracts contain a 30-day termination clause, or less, with provisions that PPS can terminate at any time. This includes other bond-related services for prior bond program management, construction management, general contractor construction, construction audits, bond arbitrage compliance specialists—and our own annual bond performance audit contract.

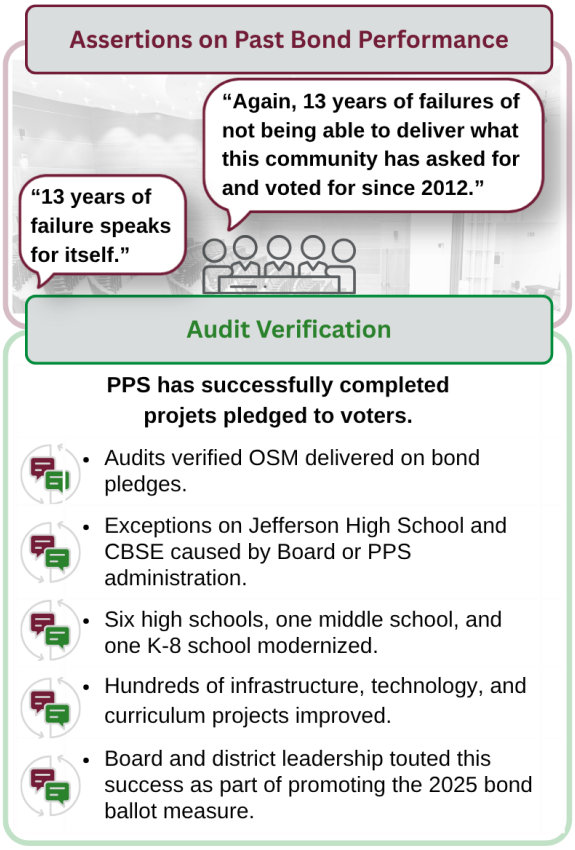
Inaccurate Messaging that Bond Program was a Failure and Board Needed to Act Immediately May Have Impacted Board Decisions

As part of discussions garnering support for contract approval of the Procedeo contracts, Board and PPS leadership attempted to establish the need to move quickly because the bond was a failure.

Additional comments made suggested that recent movement on schedules of the in-progress high school modernization projects occurred because of Procedeo's interim leadership—but there was no evidence to support that messaging.

For instance, assertions included that "13 years of failure speaks for itself" and "not being able to deliver what the community has asked for or voted for since 2012."[80] These assertions were not supported by ten years of independent annual bond performance audits that verified OSM has generally delivered on bond pledges as described in detail in Finding 1 of this report.[81]

Specifically, OSM modernized eight schools and delivered hundreds of planned improvements for water quality, lead, asbestos, radon, roof, accessibility, seismic retrofit, security, and fire alarms, as well as updated curriculum and upgraded classroom technology. Exceptions from planned schedule were primarily impacted by board redirection or PPS leadership.



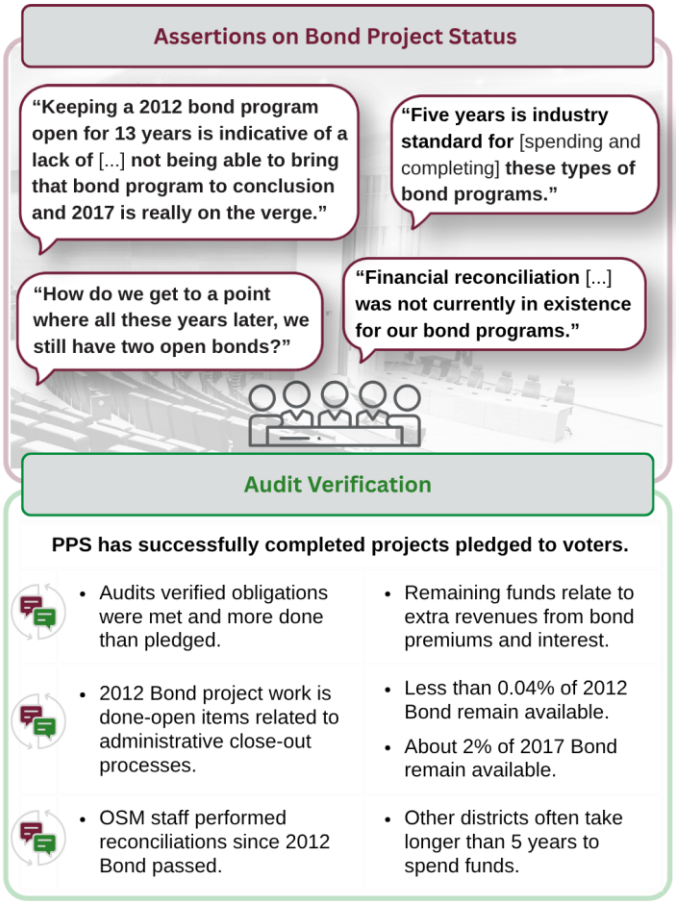
[79] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?si=ElskmGxjLSlwdC9o&t=8547.

[80] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?si=jmlwp2XOjAF7hh1h&t=7563.

[81] PPS modernized schools, improved facility infrastructure, implemented new curriculum, and upgraded technology. Modernized six high schools (Franklin, Grant, Roosevelt, McDaniel, Lincoln, Benson), one elementary/middle school (Faubion), and one middle school (Kellogg).

Also, in the 2025 bond ballot language, both the Board and Superintendent tout the work that had been done to fully modernize eight schools and make infrastructure improvements in every school as part of statements supporting the bond measure. Incorrect assertions and messaging, even if off-the-cuff and unintentional, can result in the collective Board relying on inaccurate information as a basis for decision-making in addition to eroding trust in the Board and PPS leadership.

Moreover, both leadership and Procedeo provided inaccurate information about bond projects being incomplete, implying a more dire picture than facts support and conflicting with prior annual bond performance audit results.[82] For instance, several statements implied that 2012 and 2017 Bond projects were still open and that "financial reconciliations" of all the bond programs were not currently being done." Yet, the "open" items related to an administrative process that OSM needed to close out, not incomplete bond capital improvements pledged to voters as discussed in Finding 1 of this report.



For instance, there was a small balance of approximately $260,000 available to spend on schools or improvement types designated in the 2012 Bond, but this was from extra revenue realized from bond sales and interest earned—not incomplete work pledged to voters. Less than 0.04 percent of the excess 2012 Bond funds and approximately 2 percent of the excess 2017 Bond funds remain available for additional bond improvements more than initially planned and pledged to voters.

Although general obligation bonds have spending requirements that owners strive to meet and quickly deliver projects, we found several other school districts also continued to spend down their bonds much longer than the five-year standard cited. Examples of these schools include Austin Independent School District in Texas, Beaverton Public Schools in Oregon, and Oakland School District in California.[83] There was one instance where PPS did not spend bond money timely to meet general obligation bond requirements as discussed in Finding 2 of this report. Other than that situation, PPS generally met legal spending requirements over the life of the various bonds.

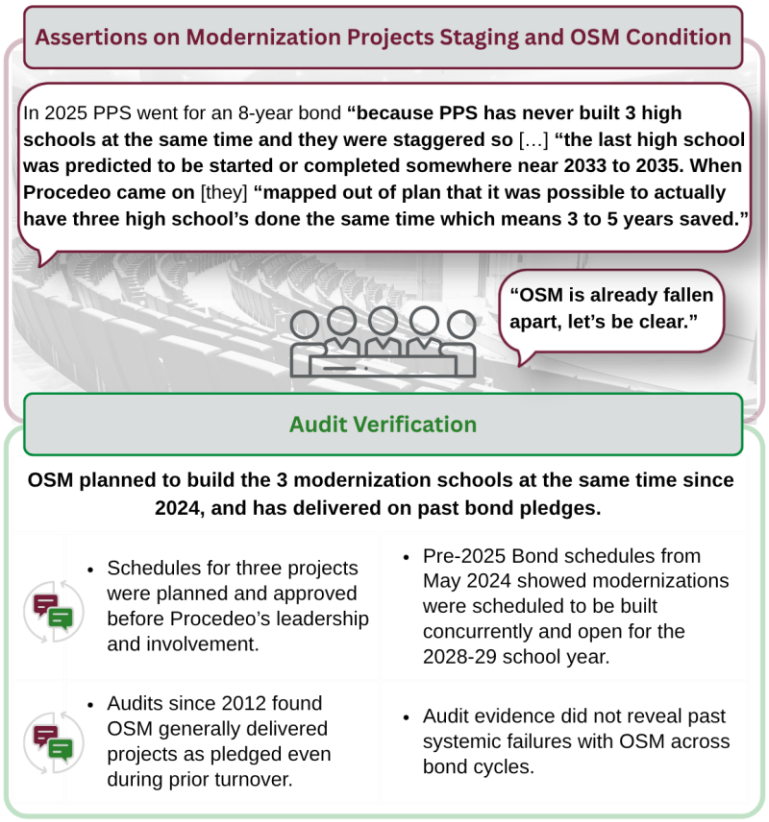
[82] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?t=2730; https://youtu.be/F_TBjQYZTA8?t=2821; https://youtu.be/F_TBjQYZTA8?t=2763; https://youtu.be/F_TBjQYZTA8?t=2833.

[83] Austin 2017 Bond Modernization projects in progress eight years after the bond as of June 30, 2025 (Community Bond Oversight Committee Report to the Board of Trustees, 2024-2025). Beaverton 2014 Bond Construction Program Summer 2022 Activity—eight years after the bond as of that date. Oakland 2006 bond was largely spent prior to 2020 which was 16 years after the bond and 2017 bonds in progress eight years after the bond as of June 30, 2025 (Measures B. J. and Y Independent Citizens' Bond Oversight Committee Annual Fiscal Year 2023/2024 Report and Fiscal Year 2024/2025 Progress Report).

Additionally, OSM had performed monthly financial reconciliations between the district's PeopleSoft accounting records and OSM's e-Builder project management software used to manage budgets and expenditures for the bond projects since the initial 2012 Bond. These reconcilations allowed the team to know how much money was left on each bond cycle.

Similarly, PPS leadership stated Procedeo made it possible to have three modernization projects—at Cleveland, Ida B. Wells, and Jefferson High Schools—scheduled for construction at the same time attributing the timeline to changes that occurred under Procedeo's leadership.[84]

Yet, as of May 2024, all three school modernizations had the same schedule showing open for the 2028-2029 school year. According to an October 2024 staff memo presented to the Board, the former COO discussed executing three high school modernization projects elevated risk and placed pressure on internal PPS capacity and the external contract market. The memo stated OSM expectations that delays and cost overruns from such a plan would be probable.



On another occasion during an April 8, 2025, board meeting, OSM reiterated those concerns related to the availability of construction labor that the market could bear. Other internal capacity concerns were raised such as the ability for OTIS to implement technology-commissioning at three schools if they opened on the same day.

Although OSM identified risks and constraints related to concurrent builds and stated a preference to stagger the projects, the OSM project team stated they were weaving the schedules together to mitigate risks. OSM plans still scheduled the modernization projects to be built on the same trajectory as set in project comprehensive plans approved by the Board.[85] By fall of 2025, after OSM staff completed board-directed cost reduction studies, all three projects remained to be concurrently built, just delayed school openings until the start of the 2029-2030 school year.[86]

[84] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?t=7749; https://youtu.be/F_TBjQYZTA8?si=2UpGEfaSV6-le8dv&t=7139.

[85] PPS Board of Education regular meeting on April 8, 2025, at https://youtu.be/R8Yy5sOGBQQ?si=Pbfwd940PTJgUuh5&t=10691 and https://youtu.be/R8Yy5sOGBQQ?si=RPCYHAsePX7F6Y3e&t=10705.

[86] As shown in Cleveland High School Revised Comprehensive Plan and Jefferson High School Revised Comprehensive Plan presented at the October 14, 2025, Board meeting and Ida B Wells High School Revised Comprehensive Plan presented at the November 4, 2025, Board meeting.

Further, another statement was made at the same December 2, 2025, board meeting that claimed OSM had fallen apart. Although there was a vacancy in bond leadership in OSM once the Senior Director resigned, there was no evidence provided to indicate that the OSM project delivery team was falling apart. Bond projects continued to be implemented as planned (even during periods of past turnover) as discussed in Finding 1 and Finding 3 of this report, and OSM's work continued to plan three simultaneous modernization projects on a concurrent schedule prior to Procedeo's involvement.

While PPS asserted to auditors that there were serious issues within OSM that had to be addressed surrounding processes and people, public comments that an entire department of more than 30 staff was falling apart without additional or explanatory context conflicted with past bond performance audit work that found OSM processes and bond delivery framework generally aligned with best practices (although improvements were recommended) and bond projects were being completed.[87]

PPS' Actions Working with Procedeo Discussing the Framework of the OSM Reorganization and the Structure of the Bond Program Management Contract Later Awarded to Procedeo Increases Risk of a Compromised Procurement Process

Government business must be conducted in a manner above reproach, and spending of public funds requires a high degree of taxpayer trust. As such, public contracting relies on controls and processes for fair and open competition to secure the best value for goods and services. Prior to awarding the bond program management services contract, PPS informed us that they met with several firms, industry contractors, and other school districts to craft options for changing the bond delivery approach.

According to PPS, this change was needed to address what they viewed as past bond failures and to ensure a successful outcome for delivering three high school modernizations on the same schedule given the risks expressed by the prior Chief Operating Officer and OSM leadership.[88] Yet, limited documentation was available establishing relevant or substantial interactions with multiple firms, apart from repeated dialogue with Procedeo. Evidence shows PPS met with the winning consultant to discuss the potential framework for reorganizing the bond program, as well as procurement methods, increasing the risk of hampering with fair and open competition and giving an advantage in the contract solicitation and award process which could lead to higher costs. Although the Board approved the bond program management services contract in December 2025, PPS executives were engaging with Procedeo beginning in October 2024. Exhibit 18 on the next page provides a timeline of events.

[87] PPS disagrees with our conclusions about the state of OSM. In addition to leadership transitions and other staff concerns noted by PPS, they cited the volume of prior annual bond performance audit recommendations as being a contributor to their conclusion on the serious state of OSM and that a former Board member called for more transparency and oversight from the Board and district leaders. Although PPS asserted that previous annual bond performance audits identified repeated weaknesses in certain areas, the district did not accurately understand the context or severity of prior findings and recommendations we made that PPS asserted as support for its disagreement of our past assessment of OSM's bond program and project delivery. There was no repeated weakness found by the auditors as asserted by PPS and most recommendations focused on "improvements" and "enhancements" that could be made by OSM rather than critical deficiencies or were related to areas outside of OSM purview including equity, CBSE, or Board oversight.

[88] PPS provided us with an email from a local office of a design and management firm of transportation, land development, water resources, and energy projects dated August 2024, with names of other firms in response to PPS' requests for referrals for firms that could provide independent cost estimation for the high school projects. Also, PPS provided an email from a Beaverton Public Schools representative suggesting possible cost drivers for PPS projects. The email also summarized general thoughts from one local contractor about working with PPS do not want to work for PPS. Neither document was focused on bond program management services or a new delivery approach.

EXHIBIT 18. KEY PPS AND PROCEDEO INTERACTIONS BETWEEN OCTOBER 2024 AND DECEMBER 2025

10.28.24 — **Procedeo Initial Email**

After a 2024 Council of Urban Boards of Education conference, Procedeo initiates contact with PPS "to explore potential collaboration opportunities."

03.11.25 04.09.25

Superintendent tells Procedeo that the firm's work aligns with current PPS needs around staffing and school modernizations. Sets meeting for 04.08.25. On 04.09.25, Superintendent asks to reconnect with Procedeo to "talk through possible next steps" and explore "what support could look like for our Jefferson project."

04.18.25 05.01.25

Procedeo sends proposal to Chief of Staff to accelerate construction and completion of Jefferson High School for $260,000 for 9-months. Other options included an extension through construction for $980,000 for 36-40 months, or a 4% fee contract if awarded the construction manager role including a staffing & process audit for 48-60 months.

05.27.25

OSM sends Procedeo a scope of work for an "initial scope of work" to (1) provide actionable recommendations to reduce costs/expedite project schedule on Jefferson High School & (2) help define/inform scope of future RFPs for ongoing consulting services to support the bond.

Staffing & process "audit" slated to evaluate gaps in communication, procurement, org chart, roles & responsibilities, staffing capacity, leadership, resources, expertise, and accountability.

05.30.25 06.13.25 — **Procedeo Awarded $149,500 Contract**

Procedeo responds to scope of work with proposal of $149,500. PPS executes the contract on 6.13.25 and work commences.

07.02.25

Procedeo provides PPS with a Jefferson High School Executive Summary Report that concludes OSM is "overstaffed," OSM "has no sense of ownership," and PPS needs to "hire an owner's rep firm and that efficient bond program management should pay for the majority of the firm's fee." Procedeo says it will send PPS a sample RFQ "to hire a firm by 9/2025."

07.03.25

Procedeo sends Superintendent and Chief of Staff an RFQ they won with similar scope of services as "we have been talking through regarding the 2020 and 2025 Bond programs…which provides PPS the option to forego a formal RFQ process."

July 2025

On at least three separate occasions, Superintendent, Chief of Staff, and Legal staff scheduled meetings with Procedeo. Topics discussed are unknown.

08.07.25 — **PPS & Procedeo Meetings**

Superintendent and Executive Team met with Procedeo to discuss Jefferson High School in addition to topics related to the firm's services and ability to help PPS. Subsequent dinner meeting was held with the Superintendent and Chief Legal Officer.

Meeting Agenda Included:

- **Who we Are**
- **Why we are Here**
- **How Procedeo can Help**
- **Proposal**
- **Scope of Work**
- **Pricing & Terms**
- **Hiring a Program Manager**
- **Why Procedeo & Why Now**

09.09.25 — **Procedeo Awarded $487,500 Contract Extension**

Board approves a $487,500 extension of Procedeo's initial contract for Jefferson High School services to additional provide interim leadership for OSM and supplemental staffing and resources as needed through 12.9.25.

Sept 2025

09.17.25 and 09.18.25: PPS attorneys meet with Procedeo and their attorneys
09.18.25: PPS provides Procedeo with "Turner Townsend-AECOM actuals to date"
09.19.25: PPS attorneys communicate with Procedeo about pause on modernizations.

12.02.25 — **Procedeo Awarded $61.5M Contract**

After competitive solicitation, the Board approves PPS' contract with Procedeo for $61 million to provide bond program management services for a 60-month period.

Note: According to PPS, the agenda related to an earilier meetiing with Procedeo on 08.07.25 with the Superintendent, Chief of Staff, Senior Chief of Schools, Chief Legal Officer, contracted legal staff, and Chief of Integrated Operatsions.PPS Chief Legal Officer asserted to auditors that dinner attendees had paid for their own respective meals and the agenda items were not discussed.

Communication started after a 2024 Council of Urban Boards of Education conference when Procedeo emailed PPS leadership. In that email, Procedeo stated that they "would be delighted to explore potential collaboration opportunities" and were "more than happy to help you with your audit at no cost to you." This could be perceived as attempting to seek favor for future procurements from PPS by providing services for free. Especially given that Procedeo ultimately received two contracts from PPS—an initial $149,500 contract (later amended to add another $488,000) and a $61.5 million contract for bond program management services. PPS leadership replied to Procedeo in the spring of 2025 stating their work aligned with leadership's need around staffing and school modernization, and that PPS wanted to talk through possible next steps with Procedeo.

Subsequently, Procedeo sent a proposal in April 2025 related to Jefferson High School and "what a longer-term partnership would look like from design completion through project completion." The Superintendent, Chief of Staff, and PPS legal staff along with representatives from Procedeo exchanged multiple emails and held in-person meetings. Several specific email exchanges occurred after PPS awarded the Jefferson High School contract to Procedeo and did not include OSM's Senior Director over the bond program, as would be expected, given the OSM Senior Director's technical subject matter, bond responsibilities in general, and oversight of bond projects—in addition to the fact that Procedeo reported to the OSM Senior Director as part of the contract related to Jefferson High School. According to PPS, the OSM Senior Director was involved in other communications about the outsourcing of bond program management.

These PPS actions conflict with public procurement best practices designed to protect the integrity of the process to ensure best value in using public funds and implement appropriate controls to fully ensure fair and open competition. We found:

- The initial contract PPS awarded for $149,500 was under the board-approval threshold, with a scope of work to reduce costs and expedite the schedule for the Jefferson High School project. The contract also contained deliverable requirements to provide a dedicated project staffing plan for the project that could be adaptable to other high school modernization projects. Contract language described PPS long-term plans "to expand its capacity in program management, project management, and construction management services" to support the multi-billion-dollar bond program. The contract also stated PPS' intent to issue future requests for proposals to procure support for these services over the next 5 to 10 years.
- PPS' initial contract with Procedeo called for the firm to "help define/inform the scope of the RFPs" mentioned in the scope of work to expand PPS long-term capacity in program management, project management, and construction management services through competitive processes for support."
- After PPS executed the initial contract on June 13, 2025, emails show Procedeo discussed providing bond program management services on several occasions. For instance, two weeks after the contract started, Procedeo provided a report stating that PPS needed to hire an owner's representative firm where the majority of the firm's fee could be paid for through efficient bond program management. The consultant also sent over a sample request for qualifications to hire a firm.[89]
- As shown in Exhibit 18, in August 2025, Procedeo emailed an agenda and Power Point deck for a meeting with the Superintendent and executive leadership. The topics in the Procedeo deck included

[89] The RFQ was to hire a firm by September 2025 per the Procedeo Jefferson High School Executive Summary Report dated July 2, 2025.

how Procedeo could help, a proposal and scope of work, pricing and terms, and opportunities for hiring a program manager Later that month, Procedeo also met with the Chief Financial Officer to discuss bond financial planning—although the firm was only contracted to focus on Jefferson High School at the time. While Procedeo reported to the Senior Director of OSM, Procedeo held multiple planning meetings with PPS executives not directly involved with the contract.

- In August 2025, two months before PPS issued its competitive procurement for bond program management services, Procedeo sent the Superintendent and Chief of Staff a sample RFQ the firm had won with a similar scope of services as "we have been talking through regarding the 2020 and 2025 Bond programs" that would "allow PPS to forgo a formal RFQ process."[90] Best practices strictly prohibit consultants from participating in the design and development of a prospective contract scope as it would give them an unfair advantage that would be contrary to public procurement laws. However, we did not find evidence that PPS adopted the sample RFQ sent.
- At the September 9, 2025, board meeting, the Superintendent brought forward a contract amendment for Procedeo to fill an unexpected vacancy at the Senior Director level in OSM. She stated intentions to have Procedeo to bring forth a plan—"not just a few months and we're done"—but for a long-term strategy for getting the three high school modernizations done. At that same meeting, the Superintendent conveyed her intention of outsourcing the bond program as a "strategy bringing in a team that has national expertise executing a billion-dollar bond program with multiple builds going on at same time." The Senior Chief of Operations stated that a "rightsizing conversation would happen" as part of that outsourcing strategy and "Procedeo would be involved" with staff rightsizing conversations.

PPS discussions and actions related to working with the consultant on a plan for bond management services and having Procedeo be part of staffing recommendations add another level of risk that the competitive nature of the solicitations would be compromised. Also, PPS' activities surrounding this contract are contrary to best procurement practices and controls designed to prevent unfair advantage to a vendor. The statements PPS made publicly prior to the solicitation may have also limited competition, when other competitors hear of PPS' intent to work with Procedeo, since only two other contractors submitted proposals once PPS advertised the solicitation. Ultimately, the Board awarded an approximate $61.5 million bond program management contract to Procedeo in December 2025.

Design of Competitive Procurement Experience Thresholds were Notably Lower Than Previous Solicitations

When PPS procured its first bond program management consultant for its $482 million 2012 Bond, it required proposers to demonstrate experience delivering capital projects and programs worth at least $250 million. In October 2024, in preparation for the 2025 Bond, OSM issued another RFP that required potential firms to have at least five years of company experience on capital construction programs of at least $500 million. While that RFP was eventually cancelled, that experience threshold better aligned with the total dollar value of the PPS' capital construction portfolio as

[90] When asked by board members, PPS executives and procurement staff vigorously asserted that Procedeo did not craft the scope of the bond program management. Further, we did not find any evidence that would contradict those statements.

shown in Exhibit 19.[91] However, for the 2025 solicitation, PPS only set the experience threshold at $150 million for projects as well as reduced the experience from more than 5 years to more than 3 years.

EXHIBIT 19. PPS BOND PROGRAM MANAGEMENT RFP EXPERIENCE THRESHOLDS

PPS 2025 Bond Program Management RFP	2025 RFP	2024 RFP	2012 RFP
Managed Bond Portfolio	**$1.4B**	**~$2.5M**	**$482M**
Experience **Projects** managed during the past 3 years with a final Construction Cost of **$150M or more**	>3 years >$150M	>5 years >$500M	>$250M

Source: PPS Bond Program Management RFP No. 2025-036, RFP No. 2024-030 (cancelled), RFP No. 2012-1569.
Note: The RFP in 2024 did not specifically identify a dollar amount of the bond portfolio to be managed; however, at the time of the RFP issuance, PPS was in the process of developing the $1.8 billion 2025 Bond which would be included in the program scope. We combined the $1.8 billion expected from the 2025 Bond with the $700 million remaining balance from the 2017 Bond and 2020 Bond to arrive at $2.5 million. In 2023, PPS advertised RFP No. 2023-014 for PMCM services as well but stated the primary focus of the contracted work was for construction management services in the construction phase, so we did not include the RFP.[92] The 2012 RFP required references for projects completed in last 5 years but did not the experience scoring criteria did not specify years of experience.

The lower $150 million threshold may have been an attempt to allow for more competition. However, given that the three 2025 Bond high school modernizations had construction budgets of at least $349 million each at the time the RFP was issued, reducing the experience threshold by 60 percent increases risks that a less experienced consultant proposing on the RFP may not be qualified to manage a multi-billion-dollar construction portfolio.

PPS Did Not Score Written Response to Bond Program Management RFP in Accordance with its Solicitation Criteria

As part of competitive solicitations, PPS formally instructs its evaluation committee members to "render a fair and impartial evaluation based exclusively upon the evaluation criteria contained in the RFP, and the contents of the offerors' proposals." Instructions also provide general guidance for how evaluators could score and assign points to individual RFP categories, but the instructions do not dictate how evaluators assign weight when one RFP category has multiple components to be evaluated but only one score.[93]

[91] PPS recalled the 2024 bond program management RFP in December 2024 because OSM leadership wanted to include interviews after proposals were received and the original RFP did not specifically state the requirement for interviews.

[92] Contracted bond program management services, that typically include construction management services, are referred to as Program Management Construction Management (PMCM) services.

[93] Per the PPS solicitation evaluation instructions—if an evaluator decides the offer is better than neutral, then points should be added "to the neutral score up to the maximum possible," and vice versa, points could be deducted from the neutral score if the offer has "detrimental aspects." A "neutral score" represents the median of the maximum points available. For example, assuming a score on a 0-10 scale, the neutral score would be a 5 on that scale.

The 2025 bond program management RFP required proposers to describe their firm's experience with both program and project management.[94] For project management, PPS required the proposer to identify three capital improvement projects "with a final construction cost of $150 million or more," among other provisions. We found that PPS instructions did not clearly define and most PPS evaluators did not properly score all proposals against that criterion.

B. Firm's Experience

The proposal must include the full corporate name of the entity that would enter into the contract and any trade or assumed business name(s) of the corporation, and the experience that the corporate entity has had in the last five years with managing construction bond programs similar in size and composition to that of the District.

Program Management

Preference will be given to Proposers who have provided substantive bond construction program management to (in decreasing order of priority) K-12, higher education, and public agencies. For each program, provide at a minimum information regarding the total construction value of the projects directly managed by the Proposer, the contract dates and total contract value of the program management contract, client contact information, and a description of pertinent similarities to the scope of services described in the Statement of Work.

Project Management

Provide at a minimum three capital improvement projects managed by Proposer during the past three years that demonstrate similar project management scope and services as described in the Statement of Work. Identified projects must collectively include all project phases from conceptual planning to closeout and turnover. Identify only projects with a final construction cost of $150 million or more. Preference will be given to Proposers who have managed high school modernizations or projects containing similar programmatic composition or complexity.

For each project, describe Proposer's scope of project management services, project phases managed, construction procurement method, initial and final construction contract values, baseline and final construction schedules, and

Specifically, while two of the three proposers met this provision providing three project examples with amounts meeting the dollar threshold, the Procedeo proposal did not provide three projects with cost information. Rather, only one project was highlighted in the proposal, but Procedeo did not provide a construction cost amount, as required in the RFP.[95] For this component of the solicitation, PPS evaluators of the written proposals should have reduced points awarded to reflect non-compliance with the requirement.

PROJECT HIGHLIGHT

Project Scope: This project included a new multi-story, 110,430-square-foot addition, creating a central plaza to the north of the existing building. The addition houses fine arts, visual arts, a media center, science classrooms, athletics, and the school's CTE and JROTC programs. The project also included 20,000 square feet of renovations to a historic campus building built in 1936, relocation of the baseball field, additional student parking, and removal of portable classrooms from the campus. PROCEDEO is responsible for managing all processes, from planning through close out, on the Amon Carter-Riverside High School project, while serving as an extension of the Fort Worth ISD CIP team to support their goals and interests.

PPS procurement records indicate that some evaluators gave Procedeo a higher score than the other two proposers who met the criteria by providing three examples of projects of at least $150 million. On average, PPS evaluators gave Procedeo 10 of 15 available points for that firm experience component, even though the proposal did not meet the project-level firm experience criteria since cost information was omitted and only one project was provided. Explanatory notes from the evaluators did not mention that the Procedeo proposal did not meet that part of the solicitation criteria.

Because PPS Contracting Rules require staff to evaluate competitive RFPs "only in accordance with criteria set forth in the RFP and applicable law," PPS could only evaluate and score proposals against criteria based on the information provided.[96] In this solicitation, since the RFP required a program management component and an individual project management component as part of scoring the "firm experience" section, we find that each component would count as half of the "firm experience" section.[97] Using this methodology to adjust and recalculate the firm experience score from each evaluator, we find that the lower total score on the written proposal combined with the existing scoring from the interview portion would have changed the outcome of this solicitation.

[94] See the "Introduction and Background" section of this audit report for details on differences between program management and project management.

[95] The highlighted project—Amon Carter-Riverside at Fort Worth ISD had a final budget of $52.7 million per the Fort Worth ISD Board meeting, January 21, 2025.

[96] 2024 Portland Public Schools Contracting Rules, PPS 47-0740 and PPS 49-0650.

[97] The 2025 bond program management RFP did not provide any information or clarity on how "firm experience" was valued between program management or individual project management experience and examples.

Because there was discretion in how evaluators could score proposal components, PPS should have provided clear instructions on scoring proposals with more defined structure for assessing against criteria and ensuring criteria was met. Nonetheless, not all PPS evaluation panel members properly scored the proposals received.

Evaluation Member was Part of Outreach Discussions That Could Be Viewed as Partial

PPS did not adequately ensure that panel members with potential bias were prohibited from participating in the evaluation of proposals on bond program management solicitation. Specifically, prior to the solicitation and evaluation for the bond program management contract, the Chief of Staff was part of multiple interactions with Procedeo about the role Procedeo would take on as part of bond program services before the firm was under contract. After PPS selected the Chief of Staff to be on the evaluation panel for the bond program management solicitation, the discussions with Procedeo could be viewed as introducing bias into the evaluation which increased the risks that the integrity of the contract award was jeopardized.[98] The Chief of Staff did not disclose those past meetings and discussions in PPS' conflict-of-interest forms required to be completed by all members of the RFP evaluation panel. PPS' conflict-of-interest statement for this RFP asked evaluators to certify that they "have not and will not participate in personal meetings, lunch, entertainment, or have any other direct contact with a respondent, or potential respondent, nor have I or will I discuss proposal strategy with any respondent or other outside party." Having a person or people who had been communicating with the bidder on bond planning and program management services for several months increases risk of bias and skepticism as to the fairness of the evaluation. Other evaluators had experience and communications with one or both bidders, although those interactions were mostly related to individual project delivery work and not related to bond program management or a new bond delivery approach.

Government entities need to take precautions to avoid situations where the public could view a public official's actions as giving an unfair advantage to one proposer over another, even if individuals act fairly and unbiased in their decision-making. Especially given the sensitivity surrounding bond funds and public scrutiny of district bond actions, PPS did not employ sufficient controls to protect the integrity of and mitigate risks related to the bond program management consultant selection process.

Post-Award Activities Raise Questions and Heighten Risks of Impaired Independence to Monitor Consultant Performance

During the audit, we were made aware of concerns related to activities after the award of the bond program management contract. These matters surrounded Procedeo's hiring of individuals to work on the bond program that had ties to PPS. Because these concerns related to the bond contracting and program delivery of the bond, we considered them as part of this audit. Specifically, after PPS awarded a contract to Procedeo, an individual related to the PPS Superintendent was hired into a position associated with the PPS bond program. According to press reports, the Superintendent disclosed the relationship and employment to Board Leadership—although we did not see any written disclosure. According to one board member, the full Board was not notified by the Superintendent or by Board leadership about the employment.

[98] In our experience, a competitive public sector procurement for PMCM services would typically use a technical team including an executive over the capital program, capital improvement director, and one or more project managers. Past procurements for PPS bond program management services only included the Senior Director of OSM, directors of construction, capital project managers, and facility managers, and contracting staff.

Additionally, Procedeo hired two former board members to help introduce the firm to the community as needed. The newly hired former board members were on the PPS Board when Procedeo was first hired in June 2025 but did not vote on the contract because it fell below the Board's delegated authority. We found both board members' terms with the PPS board expired on June 30, 2025, five months before the Board approved the bond program management contract. At its December 2, 2025, board meeting, one of the former board members testified to the current board in support of PPS hiring Procedeo as an external program management partner. Within six months, Procedeo hired the former board member.

We find that these facts alone do not suggest contracting rules were broken, nor does PPS exercise control over Procedeo's hiring practices. However, taken as a whole and in light of the missing controls, various communications before the RFP, and compromised competition observed in the evaluation and award of the Procedeo contract, as well as favorable contract provisions and overpayments to Procedeo (as described in Finding 5), the familial connection increases risk that the agency-contractor relationship has become insufficiently arm's-length to ensure objective scrutiny and oversight of contract provisions impairing its independence in monitoring Procedeo's performance and actions. To mitigate this risk, management's oversight of the contract should be reviewed as part of OIPA's responsibilities suggested in audit recommendations related to bond financial integrity and controls.

These facts together—PPS' early discussions with the consultant and discrepancies identified in the competitive solicitation and award process—increase risk that the competitive nature of the solicitation and award of this $61.5 million contract may have been compromised and the value received considering the competition may have been limited.

Finding 4: PPS Recommendations

To ensure data provided publicly is accurate and reliable for decision making, employ stronger controls, ensure best value is received from contracting dollars, mitigate risks of possible protests and litigation from compromised competitive proposals, and strengthen public trust to move the bond program forward in a transparent manner

15. Publicly clarify that remaining active projects from the 2012 and 2017 Bond programs relate to additional facility improvements that PPS was able to provide as funded by bond premiums and interest earnings, and not indicative of bond work not completed.
16. Establish, document, and follow protocols for market outreach or collaboration with potential bond consultants and contractors in the industry that prevent situations that could compromise competition, mitigate potential risk of conflicts of interest, protect the integrity of the contract process and related scope of work, and are transparent.
17. Strengthen solicitation processes to (1) modify protocols for selection of evaluation panel members to guard against conflicts (2) ensure instructions for evaluating proposals exclusively against criteria contained in solicitation materials are clear, and (3) clarify instructions surrounding completion of required conflict of interest disclosures and review disclosures for solicitations to ensure instances of actual, potential, or perceived conflicts are mitigated. These procedures should be included in pre-RFP training of staff before evaluating proposals to provide procedures and tips to help accurately evaluate and score proposals.
18. Develop or procure training focused on practical examples of ethics, conflicts, and fraud, waste, and abuse situations geared to the bond program that also identify red flags that heighten risks of compromised solicitation and require annual training for the Board, PPS leadership and staff, and contractors involved with the bond program. This training is meant to supplement legal training provided to the Board on public meeting rules and ethics for public officials.

Bond Program Management & Related Contracts

Finding 5: External Bond Program Management is Common, but PPS' Contract Contained Financial Terms That Disproportionally Benefit the Consultant and PPS Overpaid More than $762,000 Among Other Risks Noted

Given concerns raised and risks identified, we also reviewed the bond program management contract and related contracts as they directly impact project delivery and processes. We found the financial terms of PPS' contract with Procedeo are not structured in alignment with best practice or comparable industry contracts increasing financial risks to the bond program by overpaying for services or not receiving paid services as intended.[99] Further, we found PPS did not exercise control over the contract that aligned with industry best practices. These lax controls included missing invoice review resulting in more than $762,000 being overpaid to the consultant and contract terms that required limited deliverables or written status reports, insufficient support of work conducted as part of monthly invoicing, and missing limits for qualifying for incentive fees.[100] Additionally, the structure of PPS' contract provisions allowed Procedeo to make internal staffing recommendations and external competitor contract recommendations that resulted in a financial gain through increased monthly payments as part of contract terms.

Negotiations for Bond Program Management Contract Fees and Calculations Resulted in a Higher Price That Could be Millions Lower

After advertising and competitively soliciting for bond program management services, PPS ultimately awarded Procedeo a contract for $61.5 million in December 2025. PPS contracted with Procedeo to provide "comprehensive professional program and project management services in capital development and construction to lead and oversee the delivery of bond-funded District construction projects and provide administrative oversight to the Office of School Modernization functions." The contract was for a 5-year term from December 10, 2025, through December 9, 2030.

PPS negotiated the $61.5 million compensation for program management services by applying a 4 percent fee against the "remaining budget" of projects to be managed by the consultant, cited as industry standard. [101] This resulted in a base compensation of $55 million and $6.5 million in incentive compensation.[102] The specific project budgets used in the compensation calculation included the modernization projects at Cleveland, Ida B. Wells, and Jefferson High Schools in addition to CBSE using data from OSM's project management system (e-builder). However, PPS used an inaccurate basis as part of its calculation methodology and its 4 percent fee

[99] Controls and risks related to contracting based on COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and the AICPA Accounting and Audit Manual Nonauthoritative Practice Aid in addition to PPS Contracting Rules based on Oregon Revised Statutes, and Principles and Practices of Public Procurement from The Institute for Public Procurement.

[100] When informed by the bond performance auditors of the overpayment, PPS processed an adjustment of $347,304 with Procedeo's August 2026 invoice. We disagree with that amount since it did not include costs for March 10-31, 2026, and bond-funded positions in curriculum, information technology, RISE support services (such as accounting, purchasing and contracting) and other external consultants' costs as detailed in this Finding 5.

[101] PPS Board of Education regular meeting on December 2, 2025, at https://www.youtube.com/watch?t=7634&v=F_TBjQYZTA8.

[102] In September 2026, PPS informed auditors that it had revised the total base fee from $55 million to $50.3 million which equates to a new fee of 3.65 percent.

percentage was at the higher end of industry standards based on programs or projects substantially smaller-sized than those at PPS. This resulted in a higher priced, negotiated contract.

Base Contract Budget Calculations were Incorrect by over $500,000

Although applying a fee based on "total remaining budget" of projects to be managed is one accepted industry method of compensation, there are other pricing models available for program management services including determining compensation based on hourly rates plus direct costs, lump sum fee, cost plus fixed fee, or estimated construction budget.[103] As is typical in industry, pricing terms can be negotiated and adjusted for a variety of reasons such as, but not limited to, program or project specific circumstances and requirements, complexities, scale, experience, and availability of owner staff and other consultants. Thus, program management compensation can vary widely depending on the model used and the needs of the owner.

One week after PPS issued the "Notice of Intent to Award" for the bond program management contract and one week prior to board contract approval, PPS used e-Builder data from November 25, 2025, to calculate the $55 million base compensation for Procedeo. However, this remaining budget data was not accurate as it did not deduct payroll costs incurred for in-house PPS project management staff totaling more than $3.3 million since the start of those projects.[104] Once correctly adjusted, the base compensation should have been $54.5 million—$549,000 less than what PPS negotiated for the contract as shown in Exhibit 20. According to PPS, in-house project management staff costs were not deducted since those costs are captured outside of the individual modernization budgets. Yet, because the starting budgets for these projects from their comprehensive plans used for the contract basis were inclusive of in-house project management staff, the calculation should have been reduced by those amounts to avoid overstating the fee basis.

EXHIBIT 20. PROCEDEO BASE CONTRACT MATHEMATICAL ERRORS

Procedeo Fee Basis	"Remaining Budget" per Procedeo Contract	"Remaining Budget" per Audit
Cleveland (Marshall Swing Site)	$137,500	Incl. with Cleveland HS
Cleveland HS Modernization	$464,540,023	$461,486,903
Ida B Wells Modernization	$446,024,796	$437,737,897
Jefferson HS Modernization	$442,344,190	$440,097,761
Center for Black Student Excellence	$23,000,000	$23,000,000
Fee Basis Total for Calculation	**$1,376,046,510**	**$1,362,322,560**
Negotiated Fee Percentage	x 4%	x 4%
Base Compensation	**$55,041,860 A**	**$54,492,902**
Contract Incentive Compensation	$6,500,000	$6,500,000
Total Compensation	**$61,541,860**	**$60,992,902**

[103] Industry Guidance from 2024 Construction Management Association of America (CMAA) Construction Management & Program Management Fee Survey, 2011 CMAA An Owner's Guide to Construction and Program Management, Other comparable program management contracts, and SEC Capital Delivery Audit Library.

[104] According to the Chief Legal Officer, remaining budget is the unspent budget. PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?t=6494.

Procedeo Fee Basis	"Remaining Budget" per Procedeo Contract	"Remaining Budget" per Audit
PPS Should Reduce Procedeo Base Contract By		$548,958

Source: Revised Comprehensive Plans for Cleveland, Ida B. Wells, and Jefferson High School modernization projects approved by the Board between October 14, 2025, and November 4, 2025, and e-Builder files.
Note: [A] Contracted Base Compensation = $1,376,046,510 x 4% = $55,041,860.

Negotiated Fee for Procedeo Contract was on the Higher End of Industry Range

When PPS leadership presented the Procedeo bond program management contract to the Board for approval, management described how they negotiated a 4 percent "industry standard" fee percentage to apply against total remaining bond project budgets and arrive at the $55 million in base compensation. While the 4 percent fee is from a Construction Management Association of America (CMAA) publication—guidance that is widely accepted as industry leading practice—there were flaws in PPS' interpretation and use of that data to determine Procedeo's fee as shown in Exhibit 21. According to PPS, the negotiated fee reflected a premium for the complexity surrounding the three modernizations that are all being built concurrently and scheduled to open at the start of the same 2029-2030 school year.

Although these schools represent the largest trio of PPS high school modernizations with current plans to open simultaneously, OSM also delivered three modernizations along the same time under the 2012 Bond.[105] Likewise, OSM delivered three 2017 Bond modernizations on similar schedules, despite challenges with the COVID pandemic, along with hundreds of other health and safety and infrastructure improvements as discussed in Finding 1.[106] Moreover, while Cleveland, Ida B. Wells, and Jefferson High Schools are all scheduled to open for the start of 2029-2030 school year, their construction phases are staggered with new building construction scheduled to start at the same time only for Cleveland and Ida B. Wells (December 2026). Construction for Jefferson High School will start six months later during summer 2027.

EXHIBIT 21. FEE USED FOR BOND PROGRAM MANAGEMENT CONTRACT WAS HIGHER THAN BEST PRACTICE CITED

PPS Negotiated 4% Bond Program Management Fee Based on CMAA Industry Survey
At the December 2, 2025, board meeting, PPS leadership discussed the genesis behind the bond program management fee stating, "the 4% is well withing industry standard […] The Construction Management Association of America sent out a survey to multiple districts across the nation—the percentages range from 3 to 6% and 4 to 7%, so we employed this piece in negotiations or at the low end around at 4%."
Bond Program Management Fee Does Not Align with CMAA Industry Survey
✓ CMAA survey was not only sent to multiple school districts. Only 21% of survey respondents were public sector owner organizations, while 51% of the respondents were private sector PMCM consultants. ✓ Survey respondents in Education included both K-12 districts and higher education, not only K-12 districts like PPS ✓ The median fee for education programs and projects was 3.5% and ranged between 2.5% and 5%. Based on that data, the 4% negotiated by PPS is on the higher end.

[105] 2012 Bond Modernizations—Faubion PK-8, Franklin High School, and Roosevelt High School opened in August 2017.
[106] Three 2017 Bond Modernizations—Kellogg Middle School and McDaniel High School opened in September. Lincoln High School opened in August 2022.

Additional Relevant Data PPS Should Have Considered
✓ Survey results were based on projects substantially smaller than those at PPS—the typical project and program cost was $32 million with only 10% of survey respondents reporting projects and programs valued at over $200 million.
✓ Most survey respondents reported projects and programs were delivered using a design-bid-build method whereas all PPS high school modernizations use the CMGC delivery method.
✓ CMGC projects typically negotiate a lower median fee of 3.4% than design-bid-build projects where the median fee is 6.5%. Because a CMGC approach is more collaborative between owner, architect, and contractor during design and construction compared to design-bid-build where contractors are not involved during the design phase at all, PMCM fees are generally less for CMGC.
✓ Education programs and projects used "percentage of construction contract value" as basis for estimating the fee, unlike PPS who used percentage on "remaining total budget." The main difference is that the construction contract value is part of the total project budget—thus, any fee percentage applied to the construction contract value will be inherently lower than when applied to the total project budget. The response rate for this fee type, "percentage of construction contract value," for CMGC contracts has doubled over the last 10 years.

Source: PPS Leadership Assertions from PPS Board Meeting December 2, 2025: https://www.youtube.com/watch?v=F_TBjQYZTA8&t=7634s. CMAA 2024 Construction Management & Program Management Fee Survey.

While PPS has discretion over amounts paid as compensation for its program management consultant, we asked for details behind the price negotiations. In September 2026, PPS provided several email exchanges and draft contract documents showing negotiations with Procedeo for their bond program management fee, which were not available to the audit during fieldwork. Those records show evidence of PPS negotiating a lower total amount than initially proposed and achieved by reducing the contract scope from having responsibility for all bond program activity since 2012 to more narrowly being responsible for the management of Jefferson, Cleveland, and Ida B. Wells High School modernizations along with CBSE. PPS asserted that while Procedeo had proposed a fee of 5 percent of project construction costs, they negotiated a lower 4 percent fee on total remaining project budgets. Yet, both calculations result in the same amount. Specifically, 5 percent of the $1.105 billion **construction budget** total for the modernization projects and CBSE calculates to $55.3 million and 4 percent of the $1.376 billion **remaining budget** (for the same modernization projects and CBSE) is $55.04M—nearly identical with no material effect on the contract base compensation—and no significant cost savings achieved.

PPS' Negotiated Fee Percentage Was Higher Than Other School Districts Reviewed

When we compared PPS' negotiated fee to other PMCM consultants paid by school districts with large capital improvement programs, we found that the fee PPS used for the Procedeo contract was similar to the fee negotiated at the Fort Worth Independent School District (also with Procedeo)—but was higher than other school districts reviewed and higher than prior PMCM contracts PPS negotiated.[107] For perspective, as shown in Exhibit 22, the prior PMCM fee PPS negotiated in 2012 for similar program management services, although for a smaller bond amount, was only 0.9 percent. Likewise, the San Diego Unified School District recently negotiated a 1 percent fee for its recent $3.2 billion bond. None of the comparison school district contracts for PMCM services we reviewed contained any incentive provisions.

[107] Fort Forth ISD entered into a contract with "Procedeo Group", which was a Joint Venture between CORE Construction Services, Inc., Foster CM Group, Inc., Orcutt Winslow, LLLP, and McKissack & McKissack of Washington, Inc. Procedeo was not the sole contract holder.

While these other school districts with lower PMCM consultant fee percentages may not face the exact same unique challenges PPS is tasked with delivering three large modifications on the same schedule, they are likely to face other distinct circumstances creating obstacles relative to their environment. Thus, we question whether the higher than industry fee along with incentive payments proportionally correlates to the risks identified by PPS leadership.

EXHIBIT 22. COMPARISON OF PMCM CONSULTANT FEES, IN ORDER OF MOST RECENT CONTRACT AWARD YEAR[108]

Owner Organization	PMCM Consultant	Year Awarded	Program or Project Value [1]	PMCM Fee Amount [2]	PMCM Fee % [3]
PPS	**Procedeo**	**2025**	**$1.4B**	**$55M**	**4%**
San Diego Unified School District	AECOM	2025	$3.2B	$33M	1%
Charlotte-Mecklenburg Board of Education	LeChase Construction Services with R.J. Leeper Construction, Jacobs Project Management Company	2024	$1.6B	$58.1M	3.65%
Dallas Independent School District	5 Individual Firms: AECOM, CBRE/Vanir, Dikita, Jacobs Project Management, McKissack & McKissack	2021	$3.5B	$114.5M	3.27%
Fort Worth Independent School District	Procedeo Joint Venture with Core Construction, Foster CM Group, Orcutt Winslow, McKissack & McKissack	2021	$1.21B	$50M	4.1%
PPS	CBRE/Heery	2012	$482M	$4.2M	0.9%

Source: Publicly available executed PMCM contracts, board reports, and board meeting minutes.
Note [1]: Program / Project Value represents the value of services the PMCM is contracted to provide to the District.
Note [2]: For PPS, the fee is based on a portfolio value of approximately $1.4 billion for the projects under the bond program management contract.
Note [3]: PMCM Fee % = Fee Amount/Program Value.

Additionally, our experience auditing PMCM contracts for other billion-dollar public capital delivery programs for education, transportation, water resources, and public works improvements found that there is typically opportunity for a public owner to negotiate lower fees due to economies of scale. Thus, having a larger or more complex program does not necessarily equate to more effort for the PMCM—rather, it is a matter of managing risks, projects, and resources efficiently.

Negotiating A Fee Percentage Lower than 4 Percent May Have Saved PPS $3.95 Million or More

If PPS leadership had negotiated a fee percentage more closely aligned with capital bond program management services at other districts in industry, it may have saved millions of dollars. For example, using a conservative slightly lower fee reduced by 0.25 percent or 0.50 percent could have saved PPS between an approximate $4 million and $7.4 million in fees as shown in Exhibit 23. Savings could have been double or triple that amount up to $14 million if PPS negotiated a better rate between 3 percent and 3.25 percent. Moreover, when comparing the negotiated $55 million base compensation for Procedeo to past bond program

[108] PPS disagreed that the San Diego Unified School District and the 2012 PPS contract are accurate comparators. It also noted that it could not assess information on the Dallas Independent School District because auditors did not provide the executed contract. While no two contracts are identical, based on our review of publicly available executed contracts, related request for proposals, and board meeting materials approving these contracts, these contracts fairly represent services like those PPS contracted for with Procedeo.

management firms that PPS paid, the amount is notably higher. The $55 million base compensation negotiated for five years is 45 percent more than the approximate $37 million paid in total to the other program management firms over a longer 13-year period providing similar, although not fully identical services.[109]

EXHIBIT 23. ESTIMATED IMPACT ON PMCM CONTRACT PRICE IF PPS USED CONSERVATIVE INDUSTRY ALIGNED FEES

Impact if Percentage is Reduced	Procedeo Contract	Fee Reduced 0.25%	Fee Reduced 0.5%	Fee Reduced 0.75%	Fee Reduced 1%
Fee Percentage	4%	3.75%	3.5%	3.25%	3%
Savings from Base Fee Reduction Amount		**($3,954,764)**	**($7,360,571)**	**($10,766,377)**	**($14,172,184)**
Base Compensation before Incentives	**$55,041,860**	**$51,087,096**	**$47,681,290**	**$44,275,483**	**$40,869,677**

Source: Related Services Contract No. RS 97329 and auditor-calculations using fee percentages lower than 4 percent.

After we discussed this issue with management, they asserted the effective new fee would be 3.65 percent once it employs methodology changes to correct contract overpayments (discussed later in this finding). PPS provided us with a calculation showing that over time PPS will have reduced Procedeo's total base compensation from the existing approximate $55 million to approximately $50 million by the time the contract ends in December 2030. According to PPS, this reduction would equate to an effective new fee of 3.65 percent that is lower than was initially negotiated for the existing contract.

While the newly stated fee percentage more closely aligns with industry, PPS is conflating two separate issues. The fee percentage sets the maximum base compensation for the contract but is unrelated to the percentage of project costs paid to the consultant through monthly invoices for service after required contract deductions are made for PPS staff providing bond program and project management work. Those actions are two distinct contract activities with one negotiating the contract price and the other related to paying invoices in accordance with contract provisions.

If PPS wants to seek to renegotiate a 3.65 percent fee, then that fee should be applied to the remaining total program budget to arrive at a new base fee and contract maximum value.[110] Using that recalculated contract base fee, PPS should then deduct the actual cost for in-house and contracted staff from Procedeo's monthly invoices as required by contract.[111]

PPS Did Not Monitor the Bond Program Management Contract Invoices and Overpaid Procedeo by at Least $762,000

Since contract execution in December 2025, PPS has not properly monitored or applied payment controls over the invoicing for Procedeo's services. Specifically, PPS approved incorrect amounts for Procedeo invoices when it did not reduce Procedeo's monthly invoice for in-house PPS and other PMCM consultant costs as required. These actions are

[109] PPS PMCM and separate CM on-call contracts were awarded to a total of seven firms; of which four firms were assigned work based on e-Builder files pulled as of February 2026, related contracts and requests for proposals.

[110] For example: 3.65% x $1.376 billion = $50.2 million base fee. The $1.376 billion is the total remaining budget the contract identified for the 3 modernizations and CBSE as shown in Exhibit 20.

[111] For example: $50.2 million over 60 months = $837K minus PPS cost = adjusted Procedeo invoice.

non-compliant with contract terms and PPS assertions to the Board at its December 2, 2025, meeting that "it is virtually a mathematically impossibility" for Procedeo to bill for the entire $61.5 million because their fee must be reduced by in-house PPS staff or other consultants.[112]

The contract requires Procedeo to "invoice monthly for a pro rata share of the Base Compensation minus the actual costs of District personnel or contractors principally dedicated to the Program or Projects during the preceding month." Although the contract does not define district personnel "principally dedicated," it defines the "program" as four capital projects (Jefferson, Cleveland, and Ida B. Wells high school modernizations and CBSE) but also describes multiple overarching bond program management services outside of those capital projects including design, communications, accounting, reporting, and community engagement. The contract also states that Procedeo is to, without limitation, provide professional program and project management services, leadership, and active support of OSM.

During the period of our audit, the Procedeo team was also involved with the Benson High School litigation, provided project management support for remaining 2012 bond projects, 2017 health and safety, and 2020 infrastructure projects including seismic, roofs, fire, security, mechanical including related procurement and contracting. Program services provided also included implementing corrective actions on prior audit recommendations, presentations to the Board and Bond Accountability Committee, and coordination with curriculum and technology implementation.

As such, for our calculations of district costs to be deducted from monthly invoice, we identified labor costs related to full-time program and project delivery employees including former OSM staff and new RISE staff providing program and project services, as well as technology bond staff, curriculum bond staff, and vice principals involved with modernizations. Additionally, this provision applies to payments made for contracted positions working as project managers and construction managers directly on bond projects.

According to the contract, the first deduction was not required until 90 days after contract execution—which was March 10, 2026. As such, Procedeo complied with its contract terms and billed $917,364 each month for both the first and second month of service.[113] However, for the subsequent invoices, PPS did not correctly reduce Procedeo's invoice by the actual costs of staff or contractors as required by the contract. As a result, PPS overpaid Procedeo nearly $762,000 for services rendered in March and April 2026, as shown in Exhibit 24. Subsequent invoices for May and June 2026 were also $917,364 each without the required deduction for district costs. As such, the amount PPS overpaid Procedeo continues to grow and will be greater than the approximate $762,000 calculated at the time of our audit work, until PPS puts in a control process to comply with its contract terms and properly pays its vendor.[114]

[112] PPS Board Meeting December 2, 2025: https://youtu.be/F_TBjQYZTA8?t=6494.

[113] Amount billed each month was $917,364.33 which is the total $55,041,860 base contract ÷ by the 60-month contract term.

[114] Controls and risks related to contract management and expenditure approvals from COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and the AICPA Accounting and Audit Manual Nonauthoritative Practice Aid.

EXHIBIT 24. PPS OVERPAYMENTS TO PROCEDEO, DECEMBER 2025 – APRIL 2026

Invoice #	Dates of Service	Amount Billed & Paid	Less District Staff Costs	Less District Contracted Bond PMCM Costs	Amount Allowed per Auditors	PPS Overpaid
01	12.10.25 to 01.09.26	$917,364.33	No reduction required per contract.		$917,364.33	-
02	01.10.26 to 02.28.26	$917,364.33	No reduction required per contract.		$917,364.33	-
03	03.01.26 to 03.31.26	$917,364.33	($273,920)	($73,277)	$570,167.33	$347,197
04	04.01.26 to 04.30.26	$917,364.33	($313,969)	($100,756)	$502,639.33	$414,725
Totals		**$3,669,457.32**	**($587,889)**	**($174,033)**	**$2,907,535.32**	**$761,922**

Source: Procedeo invoices for service periods shown and district staff costs from PPS labor distribution reports.
Note: Auditor pro-rated District and consultant costs to cover the working days between March 10, 2026, and March 31, 2026, to align with contract terms.

After we discussed the audit finding with PPS, leadership agreed that they had overpaid its consultant and took corrective action. In September 2026, PPS processed an adjustment of $347,304 to Procedeo's August 2026 invoice to correct the overpayments between April and July 2026. That amount does not agree with our calculations as it did not include adjustments for the March 10, 2026, through March 31, 2026, period, and did not include payroll costs related to bond curriculum, bond technology, and RISE support staff providing accounting, purchasing, and contracting in addition to other external consultants' costs providing bond funded project services. PPS' calculations only deducted costs for four RISE staff and three school vice principals.[115] As part of PPS' reconciliation of the overpayments, they provided a new calculation methodology that uses the in-house cost PPS identified for July 2026 as a baseline and proposes future invoice reductions through the end of 2026 at an amount less than $100,000 per month. According to PPS, that amount will be reviewed and adjusted to actuals each month to account for any changes to staffing and it will reduce Procedeo's base compensation by approximately $4.7 million by the time the contract ends. We recognize that PPS has implemented a mechanism to deduct costs from future invoices submitted but disagree with PPS' reduction amounts for in-house staff and contracted consultant costs.

Further, the August 2026 invoice submitted by Procedeo in the e-Builder system underwent a first level review by a Procedeo employee before being processed by a PPS manager for final approval. Even though that review does not trigger payment as the PPS manager approval is required, internal control best practices dictate proper segregation of duties so that a person cannot review their own invoices. Thus, the consultant staff should be recused from any accounts payable review that involves their own company's invoices.

Lack of Support for Work Provided in Monthly Invoices Does Not Align with Best Practices and Does Not Allow PPS to Assess Whether it Received Expected Time and Effort as Contracted

For its contract with Procedeo, PPS established a lump-sum payment mechanism that allows a consultant to bill an equal portion of the total fee each month over the life of the contract. Because lump sum invoices do not require supporting back-up, the method is easier for a contract owner to administer as there is no documentation to verify before payment. Typically, this method is "best suited for goods and products, and for services that have a predictable duration for delivery, that result in a well-defined work product and that have a

[115] Reductions were for Cleveland and Jefferson High School, Vice Principals for Cleveland, Jefferson, and Ida B. Wells High Schools, and RISE Design and Planning staff.

low potential for scope variations" since this mechanism does not provide the owner with any insight into what type of tasks or specific services were provided or how many staff worked on their program.[116] When the method is used for consultant services or construction contracts, there should be an initial breakdown of tasks with line-item cost so owners can expect what they will receive for the overall lump-sum price.

Because the Procedeo contract did not contain this line-item cost or time detail, PPS did not have evidence of detailed pricing components for the level of planned service and tasks it would receive and did not require Procedeo to provide any additional information detailing actual work performed such as timesheets or a breakdown of the cost by the scope of work or task areas (e.g., XX hours on Ida B. Wells design reviews, XX hours on construction management, or XX hours on overall program management) for any of the Procedeo staff working on the bond program. Procedeo's one-page invoice lists the scope of work as "base compensation" with a pro-rata invoice amount of $917,364 for the invoices available at time of our review as shown in Exhibit 25. Without any documented details of what services it received or how much consultant staff worked on the bond program, PPS has been paying nearly $1 million a month and does not know if it received services that represent the best value or use of bond funds on behalf of the taxpayer.

EXHIBIT 25. PROCEDEO MAY 2026 INVOICE, APPROVED BY PPS

Program Management Services

PROCEDEO

Payable to:
Procedeo LLC
1450 Hughes Rd. Suite 215
Grapevine TX 76051

TO: Portland Public Schools
Re: Bond Program Management Services - RS 97329
PPS Contract # RS 97329

Services rendered thru: 5/31/2026
Invoice # 5
Invoice Date 6/1/2026

BASE COMPENSATION

Scope of Work	Contractural Value	This Period Invoice (Pro Rata share of base compensation)	Compensation Previously Invoiced	Total Invoiced to Date	Balance of Compensation
Base Compensation	$55,041,860.00	$917,364.33	$3,669,457.32	$4,586,821.65	$50,455,038.35

INCENTIVE COMPENSATION

Scope of Work	Contractural Value	This Period Invoice (Milestone Completion only if 100%)	Compensation Previously Invoiced	Total Invoiced to Date	Balance of Compensation
Jefferson HS	$1,000,000.00	$0.00	$0.00	$0.00	$1,000,000.00
Ida B. Wells HS	$1,000,000.00	$0.00	$0.00	$0.00	$1,000,000.00
Cleveland HS	$1,000,000.00	$0.00	$0.00	$0.00	$1,000,000.00
All 3 Modernizations	$2,000,000.00	$0.00	$0.00	$0.00	$2,000,000.00
Center for Black Student Excellence	$750,000.00	$0.00	$0.00	$0.00	$750,000.00
Key Personnel Retention thru 6/30/28	$350,000.00	$0.00	$0.00	$0.00	$350,000.00
Key Personnel Retention thru 12/9/30	$400,000.00	$0.00	$0.00	$0.00	$400,000.00
Totals	$6,500,000.00	$0.00	$0.00	$0.00	$6,500,000.00

Recap of Contract

Original Contract amount	$61,541,860.00
Amendments to date	$0.00
Current Contract Value	$61,541,860.00
Less: Amt. Previously Billed	$3,669,457.32
Less: Amt. this Invoice	$917,364.33
Total billed to date	$4,586,821.65
Balance Remaining	$56,955,038.35

7% Current Completion

Source: Actual Procedeo PMCM Invoice.

[116] Industry Guidance from 2024 CMAA (Construction Management Association of America) Construction Management & Program Management Fee Survey, 2011 CMAA Owner's Guide to Construction and Program Management, Other Comparable PMCM Contracts, and SEC Capital Delivery Audit Library.

In contrast, we found that other PMCM consultants on the PPS bond program and on multi-million-dollar capital programs we reviewed provide timesheets for consultant personnel assigned on each monthly invoice and supporting hours worked by individual project and task, at a minimum. Likewise, on smaller programs we have reviewed where the PMCM staff is co-located with owner staff and assigned 100 percent to the program, consultants still submit time records with monthly hours, staff names and positions, projects they worked on, or overall program activities performed.

For billion-dollar programs like PPS' bond program with larger valued contracts, there should be greater visibility into tasks performed through monthly invoices or status reports where the PMCM should list key activities performed under the scope contracted at a minimum. For example, as shown in Exhibit 26, invoice details from a different PMCM consultant at another entity provided a listing of key activities performed under the overall "Program Management & Administration" scope that included items such as "reconciliation of expenditures for [project] closeout", or "providing technical advisor support for implementing the [program]." Without any information on activities performed and personnel assigned, PPS cannot demonstrate that it received all services for the price invoiced on a monthly basis.

EXHIBIT 26. EXAMPLE OF REDACTED INVOICE DETAIL FROM A PMCM CONSULTANT AT ANOTHER ENTITY

Program Management Consultant Services — Contract
Monthly Progress Report - July

Task : Program Management & Administration

Project Manager: **Task Order Manager:**

Status Summary:	NTP	SCOPE	BUDGET	Rev
				0

Scope:
- Provide management and supervision of personnel, as well as administrative support to the PMA, Program Administrator and the entire PMC team
- Track, manage and report on the administration of the
- Monitor the program costs at multiple levels
- Publish a Monthly Progress Report, reporting progress of Phase 1 projects
- Provide technical advisor and technical support required for the implementation of the
- Provide services to implement Phase 2 Design Guidelines strategic effort
- Provide Document Control Support, Labor Compliance Support and QA/QC for the

Comments: None.

Key Activities:

July
- Implemented new consolidated task order and coding structure for
- Initiated closeout of over 40 active task orders and transition of work activities to 11 new consolidated task orders
- Developed new invoicing templates, and modified weekly / monthly reporting to reflect new
- Modified subcontracts and vendor agreements to
- Implemented new Budget & Expenditures monitoring process for new

August
- Launch standard invoicing templates modify weekly / monthly reporting
- Reconciliation of expenditures on for closeout
-

Source: SEC proprietary capital delivery resource Library and actual PMCM invoices from other entities.

Contract Provisions Related to Staffing Recommendations Create a Conflict Incentive that Could Financially Benefit External Consultant

Since early fall 2025, PPS leadership publicly discussed plans to have Procedeo be part of staffing decisions and right-sizing discussions as discussed in Findings 3 and 4 of this report.[117] Given that executive leadership has limited experience with capital delivery, it makes sense that its bond program consultant provided industry knowledge and expertise to shape a new organizational structure and delivery approach. Yet, having Procedeo make bond staffing and right-sizing recommendations creates an inherent conflict and incentive that could benefit the consultant, if PPS accepts those recommendations. Because the contract requires Procedeo to reduce invoice amounts based on PPS personnel and contractor costs working on the bond program and projects, eliminating those costs and related positions increases compensation paid to Procedeo. By making Procedeo responsible for making staffing recommendations, PPS has introduced an inherent conflict. Although PPS can exercise its independent judgment and does not have to accept staffing recommendations, the district hired Procedeo as an expert to provide its professional judgment and expertise over all bond program management services, including staffing, since PPS leadership did not have capital delivery expertise.

The contract allows an inherent financial conflict by giving Procedeo responsibility for staffing and contracting recommendations that impact and benefit their monthly payments from PPS.

As described in Finding 3, PPS terminated half of its OSM project delivery staff in January 2026, informed by Procedeo's staffing recommendations, and cancelled funding for most contracts with external consultants providing support in project construction manager and project manager roles even though the contracts did not expire until July 2028.[118] Immediately after the bond program management contract became effective on December 10, 2025, PPS cancelled all but three contracted staff funding those contracts through June 30, 2026.[119] PPS' actions to cancel the external consultant contracts (along with PPS' termination of staff) lowered district costs which financially benefiting the consultant.

Likewise, the bond program management plan also assigns Procedeo responsibility to "determine the need for maintaining program managers […] and assist PPS in reviewing qualifications and selection program managers." Thus, if Procedeo makes recommendations to PPS leadership against hiring new PPS bond staff or for terminating PPS bond staff in the future as part of providing its professional expertise that are acted upon by PPS, the contract allows Procedeo to continue benefitting through increased contractual monthly payments from PPS.[120] Because the consultant oversees the bond program's district spending and staffing, this conflict will remain over the life of the contract—unless it is amended.

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[117] Procedeo's proposed streamlined staffing plan provided with its October 2025 Jefferson High School report was similar to the restructured RISE organization chart PPS established in early February 2026 after the OSM terminations.

[118] PPS extended contracts for three external staff—two related to Benson High School legal actions and one related to PPS' ERP system project until June 2026.

[119] As discussed in Finding 3 of this report, one of these external firms had previously provided nine staff positions for PPS and was a competitor for the bond program consultant contract.

[120] Procedeo can only make staffing recommendations; the PPS Senior Chief of Operations must approve personnel actions.

PPS' contract provision for reducing the monthly payments for the cost of district staff and contractors only began 90 days after the effective date of the contract (December 10, 2025).[121] Actions by PPS to terminate many internal bond staff and most of OSM's contracted construction managers occurred within the 90-day window—resulting in significantly less district costs. Had there been no 90-day provision in the contract, Procedeo's invoices could have been adjusted by more than $2.2 million for district costs. With our experience and research finding no other bond program management contracts with a similar 90-day waiting period and both PPS and the consultant knowing there would be downsizing and outsourcing of staff, we find the vendor-favorable contract provision to be irregular.

Incentive Provisions in the Bond Program Management Contract Are Missing Appropriate Limits

In addition to the amount for the base compensation, PPS' bond program management contract calls for incentives up to $6.5 million. Yet, the contract incentive provisions were missing contract limits needed and were unlike other PMCM contracts we have audited.[122] Specifically, we found:

1. **CBSE Incentive Fee was Undefined with Targets Controlled by the Consultant**

   The current bond program management contract provides an incentive fee of up to $750,000 if the CBSE opens on time—a time "to be determined by District in its reasonable discretion and defined in a subsequent amendment" to the contract.[123] Because the bond management consultant is responsible for proposing the CBSE schedule including the completion date, the provision allows opportunity for the contractor to set, or propose, the on-time criteria to earn its own incentive. Although it can be challenging to set a timeline before design is fully complete, given the potential money at risk, PPS should have set a target prior to contract execution in December 2025 or not include the incentive in the contract. Rather, it allowed the consultant to set the target schedule and timeline to deliver CBSE, as was presented in June 2026 to the FIO Committee, after the contract was signed. According to PPS, it faced significant pressure and incentive to open the building as quickly as possible.

2. **Staff Retention Incentives Cannot be Met**

   The contract has another provision for the consultant to earn an additional $750,000 for retaining key personnel on the program and applicable projects. While these types of clauses are meant to minimize turnover in competitive markets, most contracts require the retention of key personnel as a general provision for providing service not as a financial incentive benefit.[124] The contract defines key personnel as those identified by Procedeo in its proposal as the key personnel on their project leadership team. At this point, the provision is moot since one of the key personnel identified in the proposal has been

[121] PPS did not provide any documentation or details of negotiations regarding the 90-day waiting period.

[122] Controls and leading practices for contracting based on NACA guidance, COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, and AICPA Accounting and Audit Manual Nonauthoritative Practice Aid in addition to PPS Contracting Rules based on Oregon Revised Statutes, and Principles and Practices of Public Procurement from The Institute for Public Procurement.

[123] Related Services Contract RS 97329, Exhibit B, Compensation and Payment, Section A.4.b.3.

[124] Other contracts and guidance reviewed include those at local entities including the City of Portland, Portland Public Colleges, and Multnomah County; California entities including the Los Angeles Unified School District, San Franciso Public Utilities Commission, and San Diego Association of Governments; Georgia State Auditor Best Practices in Government An Effective Contract Monitoring System Report; and federal capital delivery contract guidance in the transportation, transit, and aviation industry that apply across other specific sectors including education.

replaced with a different design manager—precluding Procedeo from meeting that incentive provision and prohibiting PPS from paying the amount.

3. **Incentives Provided to Meet Schedules Do Not Have Appropriate Control Limits**

   Another incentive provides up to $5 million if students and staff move into Cleveland, Ida B. Wells, or Jefferson High Schools "on or before the first day of work for staff and first day of school for students" for the 2029-2030 school calendar. That is $1 million for each school if Procedeo meets the target (potential total of $3 million) and another $2 million if all three schools open on schedule.

   According to PPS, this incentive was built in "because of past practice, we know those things have cost us millions and millions of dollars." However, as discussed in Findings 1 and 4 of this report, OSM delivered other concurrent modernizations on-schedule. Also, these types of incentives are typically reserved for motivating contractors to exceed expectations by delivering ahead of schedule or drastically reducing costs, rather than just an award for meeting on-time delivery.[125] Thus, the bar in the PPS contract required to meet the incentive is not remarkable.

   Further, the incentive provision related to completing the modernizations on schedule does not have needed controls to mitigate risks of setting schedule goals without also applying cost limits. For instance, since the consultant oversees the project schedules and budgets, controls are needed to ensure the consultant does not accelerate construction through costly activities such as increasing shifts or approving night work to meet scheduled dates (and, consequently, earn the incentive) without regard to how those actions could impact ultimate project costs.

Given that bond program management incentives increase risk through certain missing contract limits, PPS should seek to negotiate a contract amendment to mitigate risk and remove the incentives or, at a minimum, seek to negotiate an amendment to the incentive language to address the audit concerns. Although incentives are used in industry, they are more common with construction contracts where the contractors do not set the goal schedules for themselves. None of the other comparable bond program management contracts we reviewed used this type of bonus incentive structure, and none of the PPS architect/engineering firms or general contractors on the modernization projects have contractual financial incentives for completion.[126]

PPS' Initial Procedeo Contract Did Not Follow Procurement Best Practices and Controls Hindering its Ability to Adequately Monitor the Consultant Contract

Entities procuring services should operate under a framework that helps ensure purchases are made as economically as possible through a competitive process, where practical, and that contracts are developed through strong administrative practices and controls balancing quality, price, and accountability. Best practices call for procurement and contracting to have competitive processes or prices negotiated, clear and specific contract scope development, detailed invoices to support,

[125] The Multnomah County Library Bond Construction Program provides for optional performance incentives for its general contractors on its bond projects but caps its incentive amount match at one percent of the project's target Guaranteed Maximum Price although individual project values are smaller than PPS contracts. Actual incentive payments have been less than one percent at $50,000.

[126] Other entities' program management contracts reviewed included Dallas Independent School District, Fort Worth Independent School District, San Diego Unified School District, and San Francisco Unified School District.

clear and measurable deliverables, and contractor evaluations.[127] Yet, for the initial Procedeo contract prior to its bond program management contract, PPS contract development and monitoring did not follow best practices to have controls in place to develop contract terms and price that could allow PPS to monitor contract performance, hold contractor accountable for deliverables, and pay for supported services rendered. We found the following:

- **No data supporting the pricing for the initial $149,500 contract to assist with the Jefferson High School modernization project**—When initially discussing possible services for the Jeferson High School project, Procedeo provided an informal quote to PPS for $260,000. When PPS asked Procedeo for a formal proposal, the revised quote was $110,000 less at $149,500. Yet, there was no data breakdown behind the various proposed amounts in terms of staff costs and hours to arrive at the contract amount agreed-upon by PPS. PPS' initial contract with Procedeo was one of just 29 contracts for services from private entities valued between $149,000 and $150,000 executed over a nearly three-year period between July 2023 and May 2026—and the only one that PPS amended the contact to add a material change in scope at a cost of more than 326 percent. The Board voted on the contract amendment in a public meeting.

Source: PPS Contract Tracking System (Cobblestone) query of contracts valued between $149,000 and $150,000 during 7/1/2023 to 5/29/2026

Most of the other contracts in that range were specific in nature for academics, facilities maintenance, and student-centric support, nutrition, health, transportation, or special education—not capital project services. Thus, PPS' initial contract with Procedeo stood out from the other contracts awarded in our comparison in terms of type of contracted services and ultimate price.

- **Amended scope of work was broader than the initial contract and should have been procured separately**—The scope of work specified in PPS' initial contract was for Procedeo to provide recommendations to reduce overall costs and expedite the schedule for the Jefferson High School modernization project and help define/inform RFPs. The amendment was for largely unrelated services from the same consultant to provide interim leadership over OSM and its bond staffing, functions, program, and projects. Oregon Department of Justice Model Rules for Consultant Selection and PPS

[127] Best practices compiled from a variety of sources including, but not limited to, COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, AICPA Accounting and Audit Manual Nonauthoritative Practice Aid, Uniform System of Financial Records for Arizona School Districts, Los Angeles School District Procurement Manual, California Community College Contracts and Grants Manual, State of Texas Procurement and Contract Management Guide Version 1.3, State of California FI$Cal Procurement Manual, California State Contracting Manual, New York Construction Consultant Manual, Georgia State Auditor Best Practices in Government Components of an Effective Contract Monitoring System, Judicial Council of California Financial Policies and Procedures Manual, and SEC proprietary resource library and audit reports.

Public Contracting Policy 48-0320 allows PPS to make a determination, in its sole discretion, whether an amendment is within scope and would not materially impact competition.[128]

The cooperative procurement that PPS' initial contract with Procedeo was based on was a competitive tool related to **project** management services in categories such as pre-construction, procurement support, project management, and contract development and management. While PPS believes the amended scope aligns with that competitive tool and an argument could be made that those types of project management tasks were performed by OSM, the cooperative procurement itself does not include provision of **program** management services or interim leadership for a bond-funded public sector department.

Although the statement of services in PPS' initial contract listed program management, project management, and construction management services, providing interim leadership over OSM is different from the scope of PPS' contract description or the services listed in the cooperative procurement. Leading OSM also included directing day-to-day staff operations, implementing equity policies, supervising performance and disciplining departmental staff, and coordinating plans with curriculum and information technology staff to implement bond pledges.

We appreciate and understand PPS' need for short-term interim leadership services, but it should have employed stronger controls and mitigated risks that actions could circumvent competitive rules and used a different competitive process or procurement vehicle rather than issuing an amendment for services outside of the scope of this contract. Alternatively, as discussed in Finding 4, PPS could have continued bond work with existing OSM staff resources while it worked to recruit and fill the in-house OSM leadership position.

× **Scope for contract amendment to provide interim OSM leadership services was limited and vague, prohibiting PPS from adequately monitoring performance and deliverables**—PPS amended the contract to have Procedeo "provide interim OSM Leadership reporting to the Senior Chief of Operations" and "provide supplemental staffing and resources as needed." While that short description might suffice as a high-level description of service, it does not provide sufficient or precise details to discern what types of tasks or services are required or what deliverables and performance requirements PPS can use to monitor contract compliance.

At the September 9, 2025, board meeting discussing the contract extension, the Senior Chief of Operations stated there would be very specific key performance indicators that they "will map out for this next three months" giving examples such as "ongoing things with BAC reports and quarterly reports" among other items.[129] However, none of those items were included in the contract. As such, PPS' amended contract did not have deliverables, performance indicators, or mechanisms to hold the consultant responsible and accountable, or for PPS to use as a basis for payment of performance, as would be aligned with best practice.

[128] Oregon Administrative Rules 137-048-0320 Contract Amendments. Oregon Department of Justice Finding 137, Division 48 Model Rules Consultant Selection: Architectural, Engineering and Land Surveying Services and Related Services Contracts.

[129] PPS Board of Education regular meeting on September 9, 2025, at https://youtu.be/HGAs0lyZ6kw?si=HhBtlt9r3vBxA_ck&t=21158.

- **No data supported the $488,000 contract amendment amount**—Although PPS amended the contract, adding $488,000 for interim OSM leadership services, there was no high-level estimated breakdown by staff, hours, and general tasks to arrive at the amendment amount. There was no quantitative evidence of PPS discussion or negotiation of a price proposal, comparison between the amended amount and the resigned Senior Director of OSM's salary, or a determination of whether the amount was reasonable and PPS received a fair price for the interim services. When lump-sum pricing is used, best practices require a competitive process to determine whether price is appropriate. There was no comparative pricing sought for the amendment.

  After auditors discussed this finding with management, PPS provided a narrative explanation on September 12, 2026, describing the negotiations behind the contract amendment that was not previously made available to us. According to PPS, they agreed that interim leadership would entail responsibilities such as maintaining decision-making, project and contractor oversight, controls, and Board and bond reporting among others—yet those responsibilities or deliverables were not formalized in the contract amendment. Additionally, PPS asserted that a total of eleven Procedeo employees were brought in to provide interim leadership services and that PPS analyzed the proposed fee against the fully loaded labor costs for comparable PPS positions based on the scope, level of expertise, and leadership responsibilities required.[130] Auditors were not provided data behind PPS' analysis to review.

- **No requirement for detailed invoices supporting what services were provided to ensure PPS received contracted services**—Like invoices for bond program management services contract, neither PPS' initial contract with Procedeo nor the amendment contained provisions for detailed invoices. Thus, there was no requirement to document what services were provided, which staff provided services, and how much time was spent providing service.

  Best practices require invoices to provide the names of staff that worked on projects including subconsultants, descriptions of work done, and payment rates to document work provided and work progress. Without supporting detail showing which staff provided interim leadership services, when the services were provided, and the extent of those services, PPS practices increase risk that they are paying for services not received.

- **PPS did not adequately monitor contract requirements**—While the lack of detail in the contract made monitoring more challenging, PPS did not demonstrate that it held its contractor responsible for minimum contact requirements. Specifically,
  - Initial contract, as amended, called for submitting monthly invoices; yet only one invoice was provided at the end of the contract for $637,000 for the entire six-month contract period.
  - Contract called for preparing and submitting a monthly schedule in the form of a progress chart with service and review dates, but we saw only one schedule was provided during the six-month term of the contract before PPS awarded a new bond program management contract.

[130] Based on our interviews with OSM project managers and contracted project managers between October and November 2025, less than half of eleven employees were known to be working on the bond program. While they may have been operating remotely in a support capacity, without requiring detailed invoices to know who is working on a contract and what level of effort is being received, PPS cannot be assured it received those contracted services at the level it paid.

Finding 5 : PPS Recommendations

To correct contract deficiencies, mitigate contract and financial risks, employ stronger controls and contract monitoring, ensure proper spending, and contract compliance, and exercise better fiscal stewardship over taxpayer money

19. Correct math errors PPS used to calculate bond program management contract compensation by lowering the overall contract value by $549,000 and seek to amend the Procedeo bond program management contract to reflect that change.
20. Renegotiate the Procedeo bond program management contract compensation using a more reasonable fee percentage aligned with industry and seek to amend the contract to reflect the change.
21. Adjust the next Procedeo bond program management invoice by the remaining overpayment identified by auditors as of the April 2026 invoice to comply with the bond program management contract.
22. Formalize the newly created methodology to calculate district costs required to be deducted from Procedeo's monthly bond program management invoices and ensure amounts payable are properly reconciled and adjusted each month on a go-forward basis.
23. Require Procedeo to provide a detailed staffing plan for bond program management services showing how much effort is needed to provide contracted services by estimating hours and cost per staff and by function or service provided.
24. Seek to amend the Procedeo bond program management contract to add provisions requiring details behind the number of staff hours worked and rates staff on monthly invoices in addition to progress reporting of tasks completed during the monthly invoice period.
25. Seek to amend the Procedeo bond program management contract to remove the $6.5 million in vague and self-serving incentive provisions that do not align with best practices. If PPS will not remove the incentives, at a minimum: (1) amend the contract to define and set the "on time" milestone date for CBSE in writing, (2) remove the $750,000 staff retention incentive, and (3) recraft the $5 million schedule incentive to link staying on budget as well as on schedule to earn the incentive.
26. Develop, document, and implement procedures for reviewing bond contract scope of work provisions prior to executing a contract to verify that the scope of work is clear, deliverables are well-defined, proposed contract cost estimate is supported, contract requires invoicing to show details of services provided,

and content does not contain conflicting scope of work statements or other provisions.

27. Develop, document, and implement procedures for bond contract monitoring that clearly identify responsibilities, monitoring activities to be performed, how to document monitoring and reviews, and escalation procedures for any contract performance non-compliance.

Finding 5 : Board Recommendation

To exercise better fiscal stewardship and accountability over taxpayer money and bond expenditure

28. Assign the Office of Internal Performance Auditor responsibility for providing assurance that (1) the methodology for reducing district costs from monthly Procedeo bond program management invoices complies with contract provisions and (2) controls in place are functioning as intended.

Board Governance & Oversight

Finding 6: Board Did Not Adequately Scrutinize its Contract for Bond Program Management Services and Has a Narrow View of its Fiscal Responsibility to Oversee Management Controls and Bond Activities

On behalf of the public, the Board has full authority over the district and total accountability for the district including the bond program.[131] Although the Board relies on the Superintendent to implement policies and day-to-day operations, the Board is still responsible for how the district works, its internal control framework, and for overseeing whether PPS is meeting its goals and obligations to the public through an effective control structure. The prior annual bond performance audit found PPS employed a typical oversight framework with the Board holding work sessions that discussed modernization projects and bond planning as well as engaged in discussions surrounding other bond topics related to construction, costs, schedule, contracting, equity, and more. Past audit recommendations were made to improve governance, and board members have actively led changes to committee charters and policies strengthening oversight to address the audit recommendations.

However, that framework broke down during fall 2025 when we found instances where the Board did not fully exercise its bond oversight and fiscal responsibility over the bond program management services contract impacting accountability to the public it serves. Specifically, the Board did not allow its members to obtain critical information requested as part of due diligence related to the bond program management contract.[132] Additionally, the Board's view of its bond fiduciary responsibilities, oversight, and governance related to its role, the role of management, and the role of internal audit do not align with best practices.

Given that the bond capital projects comprise an average 50 percent of the district budget over the past six fiscal years, it is critical that the Board strengthens fiscal oversight over spending taxpayer bond funding on significant contracts, PPS' capital budget, and the bond program overall. During the first half of 2026, the Board has been actively working on governance through a series of externally led retreats and self-evaluations as part of its current strategic planning efforts. Additionally, the Board has changed its practices related to member inquiries, improving its process related to exercising due diligence.

Effective Governance Involves Oversight of Internal Controls and Fiscal Due Diligence

Effective board governance entails financial stewardship and oversight of controls. Governance includes the oversight processes by which an informed board steers an entity in an ethical manner shaped by accountability, information flow, and culture. In fact, key principles of good governance include "managing risks and performance through robust

[131] According to the GAO, the concept of accountability itself has been around for ages with the specific concept of accountability between taxpayers and elected officials being vital in play for over 100 years. The GAO guidance that accountability encompasses three elements are fiscal accountability referring to the appropriate spending of public funds, process accountability requiring the procedures and their operation and management of programs to be examined, and program accountability referring to the outcomes and results. Black's Law Dictionary expands the definition of public accountability to the obligations of agencies to be answerable to the fiscal and social responsibilities assigned to them, as does the federal government's guidance that public officials have an obligation to explain their decisions and actions. COSO defines accountability as an "obligation to be answerable for decisions, actions, and outcomes, including transparent reporting and timely remediation when expectations [that are set and monitored] are not met."

[132] For purposes of the bond performance audit, we define due diligence as the inquiry and analysis of matters before the Board that help the members make informed decisions. This includes considering potential risks before making decisions such as those related to approving contracts.

internal control and strong public financial management" in addition to "implementing good practices in transparency and reporting to delivery effective accountability."[133]

To do this, a widely recognized industry expert—the Committee of Sponsoring Organizations of the Treadway Commission (COSO)—strongly suggests that effective boards establish expectations of how members should provide oversight of its entity's control environment.[134] Strong boards do this by framing what oversight looks like through approvals, practices, controls, information flow, and reporting as well as what a breach of responsibilities looks like. This would also include activities and actions surrounding the bond program and making sure that the right controls are in place, and that they are performing as intended.

As such, effective boards actively oversee internal controls to ensure the reliability and integrity of information, compliance with policy and laws, and efficient use of resources—including preventing conflicts of interest and providing transparency and accountability. Because weak or fragmented control environments can contribute to financial loss, misuse of public funds, fraud or abuse, misconduct, or reputational damage, stakeholders increasingly expect boards to demonstrate a structured approach to risk oversight. When control deficiencies arise, a Board should take swift action or monitor management's actions to address issues to prevent recurrence and uphold the public's trust.

PPS Board policy 1.10.010-P states that to discharge its legal and fiduciary responsibilities, the Board shall have charge and control of all activities and programs of the district, including its property, personnel, and finances. It delegates executive and supervisory functions to the Superintendent but retains full legislative authority. Thus, while the PPS Board can empower staff to be innovative in implementing bond activities and has the authority to give the Superintendent authority in administering the bond program and executing controls, the Board is still responsible for fiscal prudence, accountability over bond obligations, and performance through exercising its financial due diligence.[135]

Board Did not Exercise Adequate Due Diligence Over Bond Program Management Contract

While the Board's oversight responsibilities are a continual, on-going process, it must also exercise due diligence on individual matters that come before the Board for discussion or approval. Because of inherent risks that staff could modify or present information to a governing board in a way that influences or supports their preferred decision, it is critical for boards to have reliable information upon which to exercise due diligence—as determined through inquiry, requests for additional data, or audit.[136] COSO's integrated internal control framework states a board "should challenge management and ask the tough questions, as necessary,

[133] "Good Governance in the Public Sector-Consultation Draft for an International Framework," jointly issued by The Chartered Institute of Public Finance & Accountancy and the International Federation of Accountants in June 2013.

[134] COSO Corporate Governance: Guiding Principles for Board Oversight.

[135] Oversight is a continual process applied through ongoing monitoring of risks and controls to make sure they are operating as intended. Due diligence applies to specific events or transactions where active questioning, research, and evaluation are applied to make an informed decision. Controls and risks from COSO Internal Control—Integrated Framework and COSO Corporate Governance: Guiding Principles for Board Oversight.

[136] The Board's responsibility for due diligence relates to the process or care a reasonable person would exercise to avoid harm by carefully examining a particular matter or action to identify risks, verify information, and minimize or prevent financial or legal issues. Drawn from COSO Internal Control—Integrated Framework, United States Government Accountability Office's Standard for Internal Control in the Federal Government, COSO Corporate Governance: Guiding Principles for Board Oversight, West Virginia School Board Association School Board Members Role and Fiduciary Responsibilities, State Charter Schools Commission of Georgia Board Overview, Building Capacity, and Due Diligence report, and Washington Administrative Code 192-100-010 reasonable prudent person definition, among other sources.

and seek input and support from internal auditors, external auditors, and others."[137] This includes allowing members to openly question district actions and request clarifying data to give assurance controls are functioning as intended.

However, during a December 2, 2025, board meeting where the Board approved the $61.5 million Procedeo contract, the Board did not exercise sufficient due diligence. Specifically, because of bond leadership turnover, shift in delivery method, and supporting assertions that did not align with past audit work, in our judgment, this contract warranted heightened scrutiny from the Board. While we are sympathetic to the volume of items that boards review and vote on, this contract was a unique situation where the Board should have done more to exercise its oversight role by allowing members to ask questions and receive answers before approving contracts.

Specifically, at the December 2, 2025, board meeting, some board members, in exercising their oversight and responsibilities, asked probing and reasonable questions about price, staffing, cost analysis, and more time to conduct due diligence before approving the contract. Board leadership did not facilitate an environment in which information could be shared in a manner that addressed the questions and concerns of the other board members. Specifically:

- When two board members asked for additional time to review the contract before taking a vote because their questions were not answered, the Board Vice Chair stated, "Thirteen years of failure of not being able to deliver what this community has asked for and voted for since 2012; thirteen years and I don't know what two weeks is going to do."[138] In our view, any prior issues that the Board believed happened should not prevent the Board from taking adequate time to assess and provide oversight over a contract where significant concerns were raised both during the meeting and prior to the meeting.
- In another instance, an OSM project manager involved with the bond capital delivery program provided public testimony on staff concerns regarding the cost for bond program management services and that PPS leadership never engaged with their OSM internal experts to hear their insights. When board members heard the testimony, some board members verbally expressed concern—but did not conduct any additional inquiry or request testimony from additional PPS capital delivery staff at that meeting to vet the conflicting information received and gather additional insight before taking the vote.[139] However, we were informed that some board members spoke to the OSM project manager prior to the December board meeting regarding staff concerns, in addition to meeting with another OSM project team member for additional insight prior to the vote on the bond program management contract.

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[137] Both the COSO Internal Control—Integrated Framework or the United States Government Accountability Office's Standard for Internal Control in the Federal Government (GAO-25-107721) known as the Green Book) require leadership and boards to provide oversight. GAO-25-107721Section 2.08 says that members of an oversight body scrutinize and question management activities., COSO Corporate Governance: Guiding Principles for Board Oversight, applicable to all entity types including public, private, and not-for-profit. COSO Principle 5 states an organization should hold "individuals accountable for their internal control responsibilities in the pursuit of objectives." COSO also states the board of directors and executives establish the tone at the top and set expected standards of conduct. Also, GAO-14-704G Principle 1.09 says management should use established standards of conduct as the basis for its ethical values and Appendix I Principle 5 says that management should hold individuals accountable for their internal control responsibilities.

[138] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?si=jmlwp2XOjAF7hh1h&t=7563. As discussed in Finding 1 of this report, that statement is inaccurate and conflicts with audited data.

[139] Board responsibilities, controls, and risks from COSO Internal Control—Integrated Framework, United States Government Accountability Office Standard for Internal Control in the Federal Government, COSO Corporate Governance: Guiding Principles for Board Oversight, National School Boards Association's The Keywork of School Boards Guidebook, West Virginia School Board Association School Board Members Role and Fiduciary Responsibilities, and the International Federation of Accountant Governance in the Public Sector: A Governing Body Perspective 2001, among other sources.

- One board member mentioned concerns regarding transparency around the contract process, requesting information about cost data to assess whether the contract was a good deal for taxpayers and wanted extra time to get answers. The Superintendent responded that the Board "charged her with leading boldly and what makes that difficult is when she is in a place where her process is questioned," further indicating that the job of the Board is to either approve the contract or not approve the contract.[140]
- Before the final vote was held, one Board member stated that she had asked questions by email to staff during the short period between when she received the contract and the public meeting and stated she had not received responses to the questions she had asked.[141] The board member then attempted to ask questions during the meeting.
    - She asked a series of questions including inquiries about whether a cost benefit analysis was done and how many staff would be let go under the newly structured program.
    - The board member brought up case law and statutes that talk about outsourcing government jobs and wanted to know how many employees were going to be terminated, as the board member believed the District would be at risk of litigation.
    - The member also highlighted an incentive in the contract to not have OSM jobs since the bond consultant would be paid more—a conflict we discuss in Finding 5 of this report. Despite making comments about the legality of the contract, legal counsel did not address this comment to the entire Board in that meeting.[142] The Board Chair asked the board member how many more questions she had left and said she had to limit her questions to those that would affect her vote on the contracts.[143]
    - Another board member asked if there was any circumstance where the inquiring board member would vote "yes" asserting that questions had already been answered and the Board needed to vote. When the inquiring board member corrected the record and said her questions had not been answered, the Board Chair asked why she needed to know the information and noted that he was uncomfortable with the questions about staffing and personnel because "that's not our purview" and "[the Board] should not know the answer to that" question.[144]
    - In our judgment, the staffing levels in district departments are within the purview of the Board because the Board sets staffing levels by approving the budget for the District.
    - Further, PPS staff who were present did not respond to any of the questions or comment on whether they had responded to the previously emailed inquiries from the board member.

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[140] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?si=KygRXKRTcwCWqYYT&t=7055.

[141] On Wednesday, November 26, 2025, PPS sent an email to Board members providing answers to Board questions received to date regarding the Procedeo RFP and Procedeo proposal regarding Jefferson High School. The Board member stated she had asked additional questions via email that were bounced back as staff were out of office until Monday, December 1, 2025, and continued to ask for answers to questions two hours before the Tuesday, December 2, 2025, Board meeting. https://youtu.be/F_TBjQYZTA8?t=8927.

[142] According to PPS legal counsel, "they did, in real time and during the meeting, confirm that the issue raised by the Board member was not germane because the cases involved a different section of the statute, not the statute involved with the Procedeo contract, and relayed that to the individual Board member verbally during the meeting." We could not confirm this assertion or whether it occurred before the Board vote based on our observation of the video recording of the PPS Board meeting for December 2, 2025.

[143] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?si=mp5ujzkBWhWmbZth&t=8820.

[144] PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?si=nZaxNuHiZ-qxu4ye&t=9180.

Immediately after these questions were not answered, the Board Chair called for a vote preventing board members from further discussing the action or asking for additional information. The board member who had raised questions indicated that she voted "no" because she had been blocked from receiving information. Ultimately, the Board approved the contract with a vote of 5-2.

Boards require information to make informed decisions, and the December 2, 2025, board meeting effectively served to prevent the flow of information from management to board members seeking answers.[145]

View of Some Fiduciary Responsibilities Does Not Align with Policy and Industry Guidance

Board members are "stewards of public trust" and are "expected to exercise reasonable care in all decision-making" and are education's "watchdog, ensuring that taxpayers get the most for their tax dollars."[146] Yet, the PPS Board Chair questioned the scope and scale of oversight responsibilities related to their purview over bond activities in relation to the Superintendent's management role and authority—even though the Board retains an inherent duty to oversee PPS operations as part of its responsibilities for internal controls over bond activity given its legislative authority over the district and charge and control of all activities. This narrow view of board fiscal and fiduciary responsibilities does not align with statutes or industry best practices and increases risk to the bond program.[147]

For instance, at the December 2, 2025, board meeting, the Board Chair stated the board charter gives them three responsibilities—(1) setting vision for the district including policy, (2) hiring and supervising the Superintendent, and (3) approving the budget.[148] While these are certainly important duties and responsibilities of the Board, Oregon Revised Statutes §332.072 give the Board much broader authority over all business transacted by the district. This role is reiterated in Board Policy 1.10.010-P that lays out the Board's legal and fiduciary responsibilities as elected representatives to have "charge and control of all activities and programs of the District, including its property, personnel and finances." While the Board can delegate some of its authority for tasks and decision-making power to the Superintendent, it cannot delegate its responsibility as the ultimate fiduciary duty belongs to the Board.

Board policy establishes board control of all activities and programs including property, personnel, and finances.

At that same meeting, the Board Chair asserted that if the Superintendent wanted to make staffing changes and structure a department "the way that she feels is the best way," then "we are working outside our wheelhouse" as volunteers."[149] Although day-to-day personnel items would fall under the Superintendent's role, changes in staffing affect PPS' budget and the spending of resources. For instance, if restructuring shifts funds through personnel hires or cuts, the Board should be informed and determine if

[145] COSO Corporate Governance: Guiding Principles for Board Oversight discusses that boards can request scenario analyses so that major recommendations "reflect both opportunity and downside risk." Also, two school board associations state that the most effective boards have "rich dialogue that takes into consideration a wide variety of points of view" including setting responsibilities of the board to seek "divergent and diverse perspectives in its decision-making process" as discussed in a report by California Schools Boards Association's Governance Consulting Services in January 2018 and the Washington State School Directors' Association's "Serving on your local Schol Board: A foundation for success."

[146] According to the National School Boards Association and Board Source, a nationally recognized leader in nonprofit board research and tools.

[147] Board responsibilities, controls, and risks from COSO Internal Control—Integrated Framework, United States Government Accountability Office Standard for Internal Control in the Federal Government, COSO Corporate Governance: Guiding Principles for Board Oversight, National School Boards Association's The Keywork of School Boards Guidebook, West Virginia School Board Association School Board Members Role and Fiduciary Responsibilities, among other sources.

[148] PPS Board of Education regular meeting on December 2, 2025, at https://www.youtube.com/watch?v=F_TBjQYZTA8.

[149] Board members are elected officials, not volunteers. PPS Board of Education regular meeting on December 2, 2025, at https://youtu.be/F_TBjQYZTA8?t=7436.

anything needs board approval. Thus, the Board could better distinguish its oversight and governance role with the role of the Superintendent and management to execute board policies, directions, goals, and strategies, given board policy explicitly establishes the Board's "charge and control" over personnel.

This responsibility is reiterated in Oregon Revised Statutes §332.505 giving the Board authority to employ personnel, in addition to the Superintendent, and "fix the duties, terms and conditions of employment, and the compensation." Moreover, while board members volunteer their time, they are elected officials with fiduciary responsibilities and liabilities and need to understand and define how to appropriately oversee the business of the school district and bond program. Specifically, the Board is the entity responsible for setting the budget, and staffing expenses, that are a large component of the budget, would be within the oversight of the Board.

At a Board Facilities Improvement Oversight Committee meeting on September 16, 2025, the Board Chair discussed one of the Board jobs is to "oversee the budget to make sure there is no corruption or ethics violations" as part of oversight. He commented that the Board getting involved with contracts was "potentially dipping into…managerial decisions," citing that "the Board is not well-suited to do so" because they do not know all the intricacies and "past meddling in contracts and approval" "was very ineffective."[150] An additional comment included "what kind of boss are we if our employee [the Superintendent] is constantly feeling second guessed" highlighting disconnects.[151] Yet, Oregon Revised Statutes §332.075 speaks to board authority to approve contracts as they are expenditures of budget appropriations. As such, the Board should exercise core fiduciary duties to review financial terms with reasonable diligence and ensure the contracts are a prudent use of funds.

The Board needs systems and protocols to help it meet its fiduciary responsibilities as fiscal stewards of bond funds.

Boards may exercise these duties by asking staff questions during public board meetings or postponing items for a subsequent meeting if they need additional time to understand the intricacies. Although it is important not to get involved with day-to-day operations running schools, PPS board policy specifically speaks to board control over finances which would include bond expenditures for contracts and purchases.[152] The Board's responsibilities for voter-approved bond funds should be centered on spending taxpayer monies wisely and legally to build and maintain functional and safe schools that meet educational needs.

PPS board policy and statutes, combined with inherent responsibilities for assuring PPS internal controls are functioning properly, gives the Board more responsibility than just the three areas mentioned by the Board. Because the Board is the fiscal steward of voter-approved public bond funds and has legal fiscal responsibilities, systems and practices should be developed to help the Board meet those requirements.

View of Fiduciary Responsibilities Conflicts with Industry Guidance

The Board Chair's view of its fiscal oversight responsibilities also conflicts with industry guidance and other school districts or school board associations we reviewed, as shown in the bullets that follow.

[150] PPS FIO committee meeting on September 16, 2025, at https://youtu.be/ad4QXrU0m7w?t=6696.

[151] PPS Board of Education regular meeting on September 9, 2025, at https://www.youtube.com/watch?v=HGAs0lyZ6kw .

[152] Board Policy 1.10.010-P Paragraph (2).

- Washington State School Directors' Association's Guide for Effective School Board Members notes that board directors are responsible for overseeing financial decisions and regularly "ensuring that financial resources are being used efficiently."
- California Schools Boards Association cites that board members are responsible for "overseeing facilities issues" and "monitoring and adjusting district finances" to ensure fiscal accountability. As such, boards should establish "systems and process to ensure accountability to the community including fiscal accountability, accountabilities for programs and student outcomes, and staff accountability."[153]
- According to the National School Boards Association, because the public has the "right to know what it is getting for its money," boards must be able to answer whether a district meets public expectations for the "means and methods employed in pursuit" of outcomes to fulfill its fiscal accountability responsibilities.[154]
- Washoe County School District in Nevada describes in its Board Policy 9405 Capital Funding/Bond Oversight how its fiscal oversight of capital bond expenditures includes establishing committee responsibilities for preparing an annual report on expenditures, recommendations for construction management, and capital improvement planning.
- The West Virginia School Board Association School Board Member's Role and Fiduciary Responsibilities document quotes case law about fiduciary duty of board members, specifically that members of a board have a duty to make detailed inquiry into any matter which appears wrong and failure to do so is negligence and could violate state law. Further, as part of a board's duty of care, it cannot move forward without first obtaining an informed basis for the decision.

Because it can be difficult to balance and distinguish policy-setting and oversight responsibilities of the Board from the Superintendent's management of the District, the Board should establish specific expectations and protocols as it moves forward describing the steps they will use to monitor bond activities and hold themselves accountable for the bond program on an ongoing basis.

Although Missed Opportunities Impacted the Bond Program, PPS Board is Working on Redefining Governance

As described earlier in Finding 6 and in Finding 4 of this report, the Board did not fully seize opportunities to exercise its oversight related to district controls and risks surrounding bond contracting and the accuracy of information presented to the Board last fall 2025. These missed opportunities to exercise fiscal oversight have affected the bond program through an overpriced binding contract at the high end of market comparisons with provisions that create a conflict by allowing the consultant to make recommendations for staffing changes that, if accepted by PPS, result in additional compensation to the consultant. The board-approved bond management contract reduces future competitiveness and increases reliance on an external firm given PPS' termination of project delivery staff as discussed in Findings 3 and 5 of the report.

[153] The Role of the Board by California Schools Boards Association's Governance Consulting Services in January 2018.

[154] National School Board Association "Four 'Big ideas' of Board Governance: Juggling board responsibilities requires balance and support," by Rick Maloney, June 2020.

Yet, starting in early 2026, the PPS Board began working on improving its board governance. It participated in several governance retreats led by external experts and worked on self-evaluations facilitated by representatives of the Oregon School Board Association in public meetings. Since that time, the Board has been asking more targeted questions and allowing for more diverse discussions and scrutiny during meetings regarding bond activities since this work has begun.[155]

Board Does Not Use its Internal Auditor to Review Bond Activities As Part of Board Oversight Like Some Other Districts Reviewed

Board members need information to make informed decisions. While management provides most of this information to the Board, the Board must also have reasonable assurance that information is accurate, reliable, timely, and sufficient. It is the job of internal auditors to provide such assurances as directed by the Board.[156]

To help support accountability and ensure taxpayer dollars are spent effectively, the PPS Board created the OIPA to conduct independent assessments giving the auditor authority to audit any district school, office, or program as captured in Board Policy 1.60.040-P which aligned with best practice. To date, OIPA has primarily focused on audits of non-bond operations and academic areas, rather than conducting reviews or audits of bond expenditures or activities. Given the inherent risks associated with the bond program, the Board should engage its OIPA to conduct risk assessments and regularly test controls, assure compliance, and identify potential efficiencies over bond activity to enhance transparency and demonstrate the Board is accountable to taxpayers.

Some other school districts use their internal audit function to audit capital projects and bond areas including construction contract audits, construction management practices, alternative project delivery methods, and close-out audits to name a few as shown in Exhibit 27.[157]

EXHIBIT 27. EXAMPLES OF INTERNAL AUDIT FOCUS AREAS AT SELECTED SCHOOL DISTRICTS

District	Approximate Student Enrollment	Size of Bond Program	Bond Audits	Capital Projects	Capital Contracts	Change Order Audits	Follow-Up on Audit Recs
Portland Public Schools	43,000	$4 billion	Audits do not focus on bond or capital delivery				
East Side Union High School District	20,000	$572 million	✓				✓
Los Angeles Unified School District [A]	549,000	$16 billion	✓	✓	✓	✓	✓
Seattle Public Schools	49,000	$4 billion		✓	✓	✓	✓
Tacoma Public Schools	28,000	$65 million	✓	✓	✓		

Source: Public websites for school districts listed.
Note: [A] The Internal Audit function resides within its Office of Inspector General.

To illustrate this in practice, the Seattle Public Schools conducts internal capital project audits focused on areas such as aspects of CMGC delivery and follow-up on capital audit recommendations as well as coordinating

[155] Governance and evaluation discussion took place at PPS Board of Education meetings on January 30, March 8, and March 31, 2026.

[156] Institute of Internal Auditors (IIA) The Role of Auditing in Public Sector Guidance and Supplemental Guidance.

[157] Capital project audits focused on a variety of topics such as construction audits for cost savings, construction management practices, alternative CMGC subcontractor selection, and CMGC contract close-out audits to name a few.

external construction audits, CMGC contractor close-out audits, and more. All of which are publicly available on their website. Tacoma Public Schools in Washington also has their internal auditor review capital projects and, likewise, the Los Angeles Unified School District in California—while significantly larger than PPS—uses its internal audit function to review bond-funded contracts, capital costs, and change orders.

Best practices from the Government Financial Officers Association recommend that regular monitoring of capital project financial activities should include, at a minimum, a review of financial transactions to support auditing and capital asset management that includes sources and uses of bond proceeds. Although PPS capital bonds require an annual external performance audit of the bond program, the scope is focused on project delivery and performance rather than detailed testing of bond expenditures. Even PPS' annual financial statement audit does not specifically focus on reviewing the allowability of bond expenditures as a financial audit is focused on the fairness of financial statement presentation and federal program compliance—rather than allowability of bond specific expenditures.

Because PPS' bond program is half of the District's budget and considered high-risk due to its elevated profile and increased public scrutiny, the Board could enhance practices by having its internal auditor conduct regular bond expenditure audits—which may require an additional dedicated bond-funded audit position. This would also give additional assurance to the public and BAC who must report on "whether the bond revenues are expended only for the purposes for which the bonds were approved."[158]

Board Could More Strongly Embrace the Role of its Internal Performance Auditor Function

As part of the Board's responsibilities to ensure funds are managed properly and taxpayer dollars are being protected through strong internal controls, the Board's OIPA functions as an independent extension of the oversight function providing objective advice with respect to how well internal controls are functioning as intended, whether key risks are being managed, and whether information presented to the Board for decision-making is reliable.[159] The audit function serves as a critical part of district accountability and provides assurance to parents, taxpayers, and the public that the tax dollars are spent effectively on the bond program or whether improvements are needed.

Yet, the Board's June 23, 2026 meeting illustrated the limited value it placed on the internal audit function by some board members. Although some members spoke of the critical oversight and transparency that OIPA brings, there were statements made by other members that suggested a lack of understanding correlations between audit effort, audit assurances provided, and resulting audit reports, as well as a proposal to reduce OIPA staff.[160] Board policy affirms that the internal audit function is a tool and resource of the Board.

[158] According to the Institute of Internal Auditors' "Supplemental Guidance: The Role of Auditing in Public Sector Governance, 2nd Edition; Release Date January 2012" internal auditors "assist decision makers in exercising oversight by evaluating whether public sector entities are doing what they are supposed to do" including "spending funds for the intended purposes." They can focus on questions of whether "policies have been implemented as intended" and whether staff "implement effective controls to minimize risks."

[159] COSO's Corporate Guidance: Guiding Principles for Board Oversight, Guiding Principle #12 Risk Management and Internal Control and IIA's Tone at the Top "Internal Audit's Role in Assuring Accurate Board Information," Issue 84, October 2017.

[160] PPS Board of Education Meeting regular meeting on June 23, 2026, at https://youtu.be/yinJ7KK-Bqc?list=PLk0IYRijyKDW0JUTJkac8fRVNyBSthyp9&t=10218, https://youtu.be/yinJ7KK-Bqc?list=PLk0IYRijyKDW0JUTJkac8fRVNyBSthyp9&t=10314 for proposal to reduce staff, and https://youtu.be/yinJ7KK-Bqc?list=PLk0IYRijyKDW0JUTJkac8fRVNyBSthyp9&t=10363 for lack of understanding.

Specifically, Board Policy 1.60.040-P states that the OIPA shall be staffed by a board-approved district performance auditor and "such other employees or contractors as the Board" funds.

Further, the policy delegates authority to the District performance auditor to appoint, employ, and remove other employees of the OIPA as "deemed necessary for the efficient and effective administration of the duties of the office." As such, the audit activities of all staff of OIPA are part of the Board's audit and oversight function.[161]

The Board needs to better understand how governance, management, and assurance work together to inform decisions. While there are external bond audits conducted providing assurance to taxpayers, OIPA provides internal assurance for the Board to provide confidence over the structures, controls and processes management has put in place for continuous improvement.[162] Full-time auditors "have an advantage of witnessing the entire fiscal year with an ongoing view of revenue and expense cycles."[163] To help the Board understand the internal auditor role, the Board Audit Committee, through discussions with OIPA, can better recognize the strengths and weaknesses of district controls and ensure board members realize OIPA's value.

Board Provides Oversight of General Fund, but Should Also Review Annual Bond Capital Budget as is Best Practice

Guidance as far back as the 1970s, from the Oregon Board of Education, notes the complexities of school construction and the influence of facility environments on student development. More recent reports from the San Diego Unified School District cite studies linking modernized schools with improved lighting, air quality, temperature, safety, and more to better attendance, improved test scores, and drop-out rates—results that align with the Urban Institute's Center on Education Data and Policy.[164]

However, at PPS, annual budget presentations to the Board and the Board's review focus on the general fund with no board review or questions on the capital budget that encompasses the bond program. Over the last two years, there were no public discussions on the capital budget even though the capital budget comprised a larger percent of the overall district budget averaging 50 percent compared to the general fund's 38 percent average of the budget.[165] As such, as part of its fiduciary responsibilities, the Board should also review and vet the PPS annual budget for its capital projects fund. Specifically, the Government Finance Officers Association suggests several best practices that should be part of a presentation of the capital budget to a Board including:[166]

- ✓ **Capital planning policies**, that include clear definition of capital projects, stakeholder roles, and monitoring oversight.
- ✓ **Master plans and capital improvement planning**, with linkages of how capital improvement decisions relate to master plans.

[161] Institute of Internal Auditors (IIA) The Role of Auditing in Public Sector Guidance and Supplemental Guidance.

[162] IIA's Three Lines Model, 2022.

[163] IIA's The Audit Committee: Internal Audit Oversight.

[164] San Diego Unified School District Facilities and Construction webpage and the Urban Institute Research Report "Assessing the National Landscape of Capital Expenditures for Public School Districts", January 2023 by Kristin Blagg, Fanny Terrones, and Victoria Nelson.

[165] In addition to the general fund and capital projects fund, the remaining District budget consists of special revenue and internal service funds averaging 12 percent over the same six-year period.

[166] GFOA Materials Library Capital Budget Presentation.

- ✓ **Multi-year capital planning**, linking the one-year capital budget to the multi-year capital improvement plan with needs, financial impacts, and prioritizations.
- ✓ **Capital asset management**, with facility condition assessment ratings.
- ✓ **Individual capital project details,** with description, schedules, and expenditure estimates or links outside the capital budget where the details can be accessed.

Providing and reviewing this information is a critical component of the Board's oversight to understand spending and prioritization as it relates to the bond and any other capital expenditures. Although PPS staff possess some of this data such as a capital improvement plan and facility condition assessments, staff have not regularly updated or provided these documents to the Board during the annual budget cycle. Having more information to better understand how the annual capital budget aligns with PPS' longer-term capital improvement plan and the bond program and projects allows the Board to better fulfill its duties.

Finding 6: Board Recommendations

To promote integrity, better fulfill fiduciary duties to oversee bond program, ensure controls are functioning, enhance transparency, and be more fiscally accountable to taxpayers

29. Incorporate elements of fiscal responsibilities and accountability into the Board's upcoming 2027 strategic plan and vision to memorialize board fiscal responsibilities for internal controls in general and over the bond program. This should include an explicit definition of the differences between operational direction and exercising fiscal oversight as part of district controls and accountability.
30. Revise the Board's "Expectations and Operating Protocols" document or authoritative documents to guide members on the specific responsibilities and activities they should employ to oversee capital funding, capital projects, and the bond program. This could include expanding expectations in the "understand our fiduciary responsibilities" section of the document.
31. Memorialize expectations and new protocols to guide how board members are afforded the opportunity to ask questions and scrutinize bond activity as part of deliberations and due diligence either in the Board's "Expectations and Operating Protocols" document or in Board Policy 1.70.011-P Board Meetings and Protocols.
32. Reiterate and follow the Board's "Expectation and Operating Protocols" document Section V.A.3 where if district staff is unable to answer a question that comes up in board meeting discussion, the Board office will note the question and provide follow-up to the Board. These protocols could include supporting analysis, when relevant, in subsequent board meetings to address board inquiries.
33. Track unanswered board member questions raised during public board meetings to record district responses in the Board-District Q&A document and post to the BoardBook public meeting platform to enhance transparency and give the public insight into the veracity of board due diligence and oversight.
34. Instruct the Office of Internal Performance Auditor to hire an additional audit employee with capital delivery and bond program audit expertise (paid for with bond funds) to provide objective review over the bond program as an extension of the Board's oversight and ensure audit staff receive regular capital project delivery training.
35. Assign the Board's Office of Internal Performance Auditor responsibility to conduct annual reviews of bond expenditures

Finding 6: PPS Recommendations

To assist the Board in providing needed oversight of controls, fulfill its fiduciary responsibilities, and increase transparency

and provide assurance to taxpayers that bond funds are spent only for their intended and allowable purposes.

36. Have the Office of Internal Performance Auditor, or a public industry member from the Board Audit Committee, develop and provide training to the Board regarding the internal audit assurance function including roles and responsibilities of the Board Audit Committee.

37. Develop and provide training and education to the Board about bond capital project delivery, lifecycle phases, and expected activities in a written document or manual available to the Board and stakeholders.

38. Present and discuss the annual capital budget with supporting details to the Board so it can have requisite information to properly review, understand linkages between capital planning and bond spending, and make informed decisions.

Appendices

Appendix A: Scope and Methodology

School improvement bonds passed by voters require annual audits of bond projects and expenditures. To fulfill that requirement, PPS engaged Sjoberg Evashenk Consulting, Inc. in October 2018 to conduct annual performance audits of the school improvement bonds. For the current performance audit cycle, our audit period covers a two-year period from July 1, 2024, through June 30, 2026.

Our objectives were as follows:

1. **Bond Budget, Schedule, and Scope Status**
   Identify the delivery status of the Bond projects in terms of cost, schedule, and high-level scope against bond pledges, in addition to assessing risks and challenges with the bond program and projects.
2. **Bond Program Contingency Management and Usage**
   Assess whether PPS has a clear, documented process in place to manage, control, and use contingency for the bond program.
3. **Implementation Status of Prior Audit Recommendations**
   Determine whether PPS has sufficiently addressed prior audit recommendations related to bond activities and implemented satisfactory corrective action through verification of actions taken.

To identify and assess risk as well as inform audit procedures, we conducted multiple interviews with more than 50 individuals meeting on multiple occasions as follows:

- Oversight: PPS Board members and BAC members
- Executive Leadership: Senior Chief of Operations, Chief Financial Officer, Chief of Staff, and Contracted Senior Legal Advisor
- Office of Internal Performance Audit: Senior Internal Performance Auditor
- Former OSM: Senior Director, Directors of Construction, Senior Project Managers, Manager of Financial Services, Project Managers, and contracted Construction Managers
- Former Real Estate & Construction: Senior Director and Director Project Management & Construction
- RISE: Executive Director, Senior Director, Deputy Director, Senior Construction Manager, Senior Design Manager
- OTIS: Chief Technology Officer, Senior Director of Technology Operations, and Communications and Change Manager
- OTL: Senior Director of Instructional Excellence & Improvement and Manager of Instructional Resources Adoption
- CSE: Senior Director of Family & Community Engagement
- Other management and staff including the Chief of Integrated Operations, Director of Purchasing and Contracting, Senior Contracts Analyst, Senior Accountant Bond Accountant in Finance, Budget Director in Finance, and Senior Director of Human Resources Operations.
- External contractors involved in 2017 Bond and 2020 Bond projects and other external bond stakeholders.

We completed work to assess internal controls significant to our audit, including controls over project delivery, program management, staffing, expenditures, payroll, contracting and procurement, data reporting, and oversight and governance. We reported our conclusions throughout the report in Findings 1 through 6.

To assess the overall bond status, progress, and performance of the 2012 Bond, 2017 Bond, 2020 Bond, and 2025 Bond projects in terms of cost, schedule, and high-level scope for adherence with the bond pledges and planning documents, we:

- Analyzed the schedule delivery status and budget status by reviewing underlying cost and schedule estimate at completion from the e-Builder system project files in addition to materials and reports presented to oversight groups.
- Compared the type and quantity of projects OSM planned as described in bond documents or internal facility plans against those projects OSM completed for each "category type" of improvement for each bond cycle and assessed high-level delivery progress.
- Reviewed baseline schedules and budgets to compare delivery status and costs to initial plans.
- Compared actual costs and schedules against planned budgets and schedules from internal OSM planning documents at the time the bond ballot measure was put before the voters.
- Conducted high-level review of significant variances in budget and schedule using project file data such as Owner-Architect-Contractor meeting minutes, project status reports, schedule reports, requests for information, change orders, and other project files. Investigated significant variances in cost or schedule to determine PPS steps to minimize risk.

To evaluate fiscal controls over bond expenditures and contingency practices, we:

- Assessed fiscal controls in place to ensure project eligibility, allowability of costs, expenditure reviews and approvals, and audits of expenditures aligned with the bond measure and best practice.
- Evaluated contingency policies and practices for managing, controlling, and using contingency for the bond program, including identifying and confirming the amount of funds in bond contingency.
- Identified project prioritization and selection protocols to determine if OSM had selected and executed projects according to criteria outlined by PPS and bond language.
- Reviewed processes at a high-level for tracking expenditures and the timing of bond spending and cash flow for impact on contingency usage.
- Tested project, payroll, and contract expenditures for allowability and approval, against underlying supporting invoices, bond language, and legal and accounting guidance.
- Considered authoritative legal and accounting principles including the Oregon constitution, IRS regulations, general obligation bond language, and industry guidance to define capital assets and test bond compensability.
- Reviewed and interpreted relevant accounting principles and statements including Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) Statements,

GASB Interpretations (through GASB Technical Bulletins and GASB Implementation Guides), and GASB Accounting Codification Section 1400 "Reporting Capital Assets."

- Reviewed and interpreted AICPA literature, cleared by GASB, in addition to nonauthoritative accounting literature in GASB Concepts Statements, pronouncements of the Financial Accounting Standards Board (FASB), Accounting Standards Board, and the International Accounting Standards Board.
- Compared PPS practices, processes, and interpretations against other school districts and public entities delivering capital programs or managing general obligation bonds.

To evaluate program management and project delivery practices as well as assess risks for the bond program and related projects, we:

- Reviewed PMPs, PTMPs, RACI matrices and SOPs as well as organizational charts, staffing, and reporting structures in place with OSM as well as with RISE.
- Assessed reorganization and outsourcing strategies against available underlying data, documents, and analysis including communications and discussions.
- Examined documents provided surrounding interactions with other school districts, industry, and other consultants to craft reorganization and outsourcing strategies.
- Identified and reviewed relevant contracts approved by the Board significant to the bond program considering past audit work conducted on contracts and overall risk to the bond program.
- Tested related procurement solicitation practices and reviewed contract terms, conditions, pricing, and invoicing against best practices and Oregon Revised Statutes, including evaluating contract monitoring practices.
- Compared delivery, outsourcing, and contract practices against other school districts and capital construction programs as well as industry leading practices.

To assess fiduciary responsibilities and oversight exercised by the Board, board committees, and the BAC to oversee risk and ensure transparency and accountability as well as determine how those actions compared with best practices in industry, other districts reviewed, and bond measure accountability, we:

- Observed, reviewed, and assessed meeting packages oversight of the Board, Audit Committee, Facilities Improvement Oversight Committee, and the Bond Accountability Committee between July 2024 and June 2026.
- Evaluated the accuracy and transparency of bond information provided to oversight bodies.
- Assessed oversight demonstrated for the bond program and related contracts in agendas, meeting minutes, supporting materials provided, discussions, and question-and-answers documents.
- Reviewed oversight demonstrated over the capital projects budget.
- Considered the function and use of the Office of Internal Performance Auditor as an extension of board oversight into the bond program.

- Compared fiscal oversight governance policies and protocols against board policy and procedures, Oregon Revised Statutes, other school districts, and capital construction programs as well as oversight and control industry leading practices.

To compare PPS bond protocols against control practices, industry guidance, and other school districts, we considered guidance from organizations including, but not limited to, the following:

- Controls: The Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s Internal Control-Integrated Framework, Enterprise Risk Management Framework; COSO Corporate Governance: Guiding Principles for Board Oversight; and Comptroller General of the United States' Government Accountability Office Standards for Internal Control in the Federal Government.
- Industry: Construction Owners Association of America, Construction Management Association of America, National School Board Association, National Center on School Infrastructure, National Council on School Facilities, Oregon School Facilities Management Association, Oregon School Boards Association, California School Boards Association, California Association of Bond Oversight Committees, Project Management Institute's Common Body of Knowledge (PMBOK), PMBOK Construction Extension, National Association of Construction Auditors, and National State Auditors Association.
- School Districts: Albuquerque, Arlington, Austin, Beaverton, Boulder, Chicago, Columbus, Compton, Corvallis, Cypress-Fairbanks, Dallas, Denver, District of Columbia, Fort Worth, Fresno, Long Beach, Los Angeles, North Clackamas, Oakland, Omaha, Sacramento, Salem-Keizer, San Diego, San Francisco, Seattle, Tacoma, Tucson, Tulsa, and Wichita.

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

- Verified auditee implemented actions for recommendations noted as closed during our audit period by confirming against relevant documents and fieldwork analyses.
- For recommendations noted as still open and not yet addressed during our audit period, we assessed status and progress toward implementation. Where applicable, we considered the rationale and challenges faced with not implementing recommendations.

In performing this audit, we relied on electronic data files obtained from the district for testing program status (e-Builder system), contracts (Contract Management System, or CMS), and expenditures (PeopleSoft financial system). Prior audits validated information from the e-Builder system against source documents, and external auditors test the reliability of financial data from the PeopleSoft system as part of annual Single Audits. The CMS system was used to gather statistics and is not considered significant to our audit objectives. Thus, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.

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

Appendix B: Summary of Audit Recommendations with Priorities

Below, we summarize the 38 audit recommendations discussed throughout the report. Auditors used professional judgment and rated the audit recommendations based on the degree of risk or impact to the bond program goals and pledges, PPS' ability to effectively administer the bond program, and accountability as shown in Exhibit 28 starting on the next page. Priority categories are as follows:

HIGH PRIORITY	MEDIUM PRIORITY	LOW PRIORITY
27 of 38 Recommendations	11 of 38 Recommendations	0 of 38 Recommendations

HIGH PRIORITY	Significant risk to achievement of bond goals and pledges, could substantially affect PPS' ability to effectively administer the bond program and its long-term success, or is critical for transparency and accountability. Prompt action is warranted to address concerns and reduce risk.
MEDIUM PRIORITY	Moderate risk to achievement of bond goals and pledges, could importantly affect PPS' ability to effectively administer the bond program and its long-term success, or would help strengthen transparency and accountability. Action is needed to address concerns and reduce risk.
LOW PRIORITY	Does not present notable risk or affect PPS' ability to effectively administer the bond program and its long-term success. Represents opportunity for improvement but is not vital to the bond's success or program activities. Routine attention is warranted.

EXHIBIT 28. COMPREHENSIVE AUDIT RECOMMENDATION MATRIX WITH PRIORITY RANKINGS

	Audit Recommendation	Owner	Priority
Finding 1: PPS Generally Fulfilled its Bond Pledges with Projects Completed On-Schedule and Within Revised Budgets			
1.	Clearly define what success looks like for meeting bond pledges including definitions of project completion in terms of open for student use, outstanding punch list items, on-budget and schedule, or other factors considered.	PPS	Medium
2.	Regularly measure and report on progress and completion against the established definitions for bond success so that it is clear to the public what the District and the Board consider in meeting bond pledges.	PPS	Medium
3.	Provide a complete list of outstanding bond audit recommendations with implementation status, planned corrective actions or actions taken, and estimated dates for resolution to the relevant board committees and BAC on a quarterly basis for oversight and review.	PPS	Medium
4.	Assign the Board's Office of Internal Performance Auditor responsibility to periodically review implementation as part of its assurance function to determine if corrective controls are implemented as needed.	Board	Medium
Finding 2: PPS Needs to Strengthen Certain Fiscal Controls and Practices to Correct Instances of Unallowable and Unsupported Bond Spending and Prevent Future Occurrences			
5.	Develop, document, and follow a methodical, transparent process for identifying, prioritizing, and vetting eligibility and appropriateness of expenditures and related bond infrastructure projects for capital improvements that could be funded by additional bond premiums or excess contingency funds as they become available and once bond pledged projects are completed. The process and procedures should align with accounting guidance and bond measures in addition to address reallocations of contingency funds, include assumptions and factors used to arrive at priority recommendations, and ensure there is a clear and defendable protocol for selecting certain improvement projects over others prior to project start.	PPS	High
6.	Prepare journal entries to correctly charge the approximate $193,400 of unallowable bond expenditures that auditors identified back to the general fund replenishing the bond program for those funds for use on eligible bond projects only.	PPS	High
7.	Use PPS' existing bond spending reporting tools to prepare a more detailed annual public bond expenditure report itemizing the types and amounts of expenses and project improvements paid by bond funds (including, but not limited to, administrative costs, debt service, and infrastructure categories) and where the facility improvements were located (headquarters versus specific school) to aid in transparency. Provide the report to the relevant board committees and BAC, as well as make the report available on the PPS website.	PPS	Medium
8.	Assign authority to a designated individual(s) and formalize a process, protocols, and/or steps to be taken before approval of funding one-time, partial, or full-time bond staff positions and related salaries and benefits, that includes an annual review and documented support for planned staff charges to the bond and to ensure actual work performed aligns with the planned funding percentage (or needs to be modified).	PPS	Medium
9.	Implement newly established process for staff salaries and benefits paid by the bond program to be supported by signed certifications attesting to time spent on bond program.	PPS	High
10.	Identify a position within the Finance Department to be responsible for performing and monitoring bond fiscal compliance including developing and executing a comprehensive post-issuance compliance program with procedures for monitoring compliance with the legal and financial aspects of bond issuance. Compliance would include requiring the Finance Department to conduct more active fund management by using its own cash flow tracker by fund and bond issuance to monitor proceeds,	PPS	Medium

Audit Recommendation		Owner	Priority
	tracking that actual yields are not more than the bond yields, and working with RISE when necessary to troubleshoot issues if spend rates are not materializing as expected and required.		
11.	Expedite the hiring of an external construction auditor to conduct audits reviewing accounting and payroll records of the general contractors on the Cleveland, Ida B. Wells, and Jefferson High School modernization projects for identifying cost savings related to labor burden rates during guaranteed maximum price contract negotiations and throughout the project lifecycle-—and ensure this level of general contractor testing and contract compliance is conducted and documented.	**PPS**	**High**
Finding 3: PPS Outsourced Bond Program Management Functions and Changed Delivery Approach, but Did not Establish a Business Case for the Change and Needs to Strengthen Oversight Control for the Newly Outsourced Operations			
12.	Develop a comprehensive roadmap plan with specific steps, activities, and timeline for decreasing reliance on external bond program management staff for project efforts and start rebuilding in-house capital expertise through hiring bond delivery staff. The plan should address supplementing the remaining PPS employees involved with the bond projects to build back capacity and ensure the longevity of the bond program—while still receiving support, guidance, and management from the external bond management program consultant.	**PPS**	**High**
13.	Deploy additional construction management support and control over the modernization projects so that sufficient staffing is available to monitor scope, schedule, and cost through job-site presence and supervision for managing change requests, reviewing submittals, overseeing testing and inspections, and reviewing contractor payment applications among other areas.	**PPS**	**High**
14.	Fill the newly advertised job opening for the Executive Director over Capital and Planning position with an individual possessing deep expertise over large-scale public-sector capital delivery programs and knowledgeable in bond funding to oversee RISE and make informed owner-level decisions, as needed, based on RISE recommendations and monitor the external bond program management consultant's contract and performance.	**PPS**	**High**
Finding 4: Certain Activities and Assertions Made Before and During the Development and Approval of Bond Program Management Contract Hampered a Fair and Transparent Procurement and Increased the Risk that the Solicitation and Award Process was Compromised			
15.	Publicly clarify that remaining active projects from the 2012 and 2017 Bond programs relate to additional facility improvements that PPS was able to provide as funded by bond premiums and interest earnings, and not indicative of bond work not completed.	**PPS**	**High**
16.	Establish, document, and follow protocols for market outreach or collaboration with potential bond consultants and contractors in the industry that prevent situations that could compromise competition, mitigate risk of potential conflicts of interest, protect the integrity of the contract process and related scope of work, and are transparent.	**PPS**	**High**
17.	Strengthen solicitation processes to (1) modify protocols for selection of evaluation panel members to guard against conflicts, (2) ensure instructions for evaluating proposals exclusively against criteria contained in solicitation materials are clear, and (3) clarify instructions surrounding completion of required conflict of interest disclosures and review disclosures for solicitations to ensure instances of actual, potential, or perceived conflicts are mitigated. These procedures should be included in pre-RFP training of staff before evaluating proposals to provide procedures and tips to help accurately evaluate and score proposals.	**PPS**	**High**
18.	Develop or procure training focused on practical examples of ethics, conflicts, and fraud, waste, and abuse situations geared to the bond program that also identify red flags that heighten risks of compromised solicitation and require annual training for the Board, PPS leadership and staff, and contractors involved with the bond program. This training is meant to supplement legal training provided to the Board on public meeting rules and ethics for public officials.	**PPS**	**High**

	Audit Recommendation	Owner	Priority
Finding 5: External Bond Program Management is Common, but PPS' Contract Contained Financial Terms That Disproportionally Benefit the Consultant and PPS Overpaid More than $762,000 Among Other Risks Noted			
19.	Correct math errors PPS used to calculate bond program management contract compensation by lowering the overall contract value by $549,000 and seek to amend the Procedeo bond program management contract to reflect that change.	**PPS**	**High**
20.	Renegotiate the Procedeo bond program management contract compensation using a more reasonable fee percentage aligned with industry and seek to amend the contract to reflect the change.	**PPS**	**High**
21.	Adjust the next Procedeo bond program management invoice by the remaining overpayment identified by auditors as of the April 2026 invoice to comply with the bond program management contract and calculate the adjustment to reduce subsequent invoices.	**PPS**	**High**
22.	Formalize the newly created methodology to calculate district costs required to be deducted from Procedeo's monthly bond program management invoices and ensure amounts payable are properly adjusted each month on a go-forward basis.	**PPS**	**High**
23.	Require Procedeo to provide a detailed staffing plan for bond program management services showing how much effort is needed to provide contracted services by estimating hours and cost per staff and by function or service provided.	**PPS**	**High**
24.	Seek to amend the Procedeo bond program management contract to add provisions requiring details behind the number of staff hours worked and rates staff on monthly invoices in addition to progress reporting of tasks completed during the monthly invoice period.	**PPS**	**High**
25.	Seek to amend the Procedeo bond program management contract to remove the $6.5 million in vague and self-serving incentive provisions that do not align with best practices. If PPS will not remove the incentives, at a minimum: (1) amend the contract to define and set the "on time" milestone date for CBSE in writing, (2) remove the $750,000 staff retention incentive, and (3) recraft the $5 million schedule incentive to link staying on budget as well as on schedule to earn the incentive.	**PPS**	**High**
26.	Develop, document, and implement procedures for reviewing bond contract scope of work provisions prior to executing a contract to verify that the scope of work is clear, deliverables are well-defined, proposed contract cost estimate is supported, contract requires invoicing to show details of services provided, and content does not contain conflicting scope of work statements or other provisions.	**PPS**	**Medium**
27.	Develop, document, and implement procedures for bond contract monitoring that clearly identify responsibilities, monitoring activities to be performed, how to document monitoring and reviews, and escalation procedures for any contract performance non-compliance.	**PPS**	**High**
28.	Assign the Office of Internal Performance Auditor responsibility for providing assurance that (1) the methodology for reducing district costs from monthly Procedeo bond program management invoices complies with contract provisions and (2) controls in place are functioning as intended.	**Board**	**High**
Finding 6: Board Did not Adequately Scrutinize its Contract for Bond Program Management Services and Has a Narrow View of its Fiscal Responsibility to Oversee Management Controls and Bond Activities			
29.	Incorporate elements of fiscal responsibilities and accountability into the Board's upcoming 2027 strategic plan and vision to memorialize board fiscal responsibilities for internal controls in general and over the bond program. This should include an explicit definition of the differences between operational direction and exercising fiscal oversight as part of district controls and accountability.	**Board**	**High**
30.	Revise the Board's "Expectations and Operating Protocols" document or authoritative documents to guide members on the specific responsibilities and activities they should employ to oversee capital funding, capital projects, and the bond program. This could include expanding expectations in the "understand our fiduciary responsibilities" section of the document.	**Board**	**High**

Audit Recommendation		Owner	Priority
31.	Memorialize expectations and new protocols to guide how board members are afforded the opportunity to ask questions and scrutinize bond activity as part of deliberations and due diligence either in the Board's "Expectations and Operating Protocols" document or in Board Policy 1.70.011-P Board Meetings and Protocols.	**Board**	**High**
32.	Reiterate and follow the Board's "Expectation and Operating Protocols" document Section V.A.3 where if district staff is unable to answer a question that comes up in board meeting discussion, the Board office will note the question and provide follow-up to the Board. These protocols could include supporting analysis, when relevant, in subsequent board meetings to address board inquiries.	**Board**	**High**
33.	Track unanswered board member questions raised during public board meetings to record district responses in the Board-District Q&A document and post to the BoardBook public meeting platform to enhance transparency and give the public insight into the veracity of board due diligence and oversight.	**Board**	**High**
34.	Instruct the Office of Internal Performance Auditor to hire an additional audit employee with capital delivery and bond program audit expertise (paid for with bond funds) to provide objective review over the bond program as an extension of the Board's oversight and ensure audit staff receive regular capital project delivery training.	**Board**	**High**
35.	Assign the Board's Office of Internal Performance Auditor responsibility to conduct annual reviews of bond expenditures and provide assurance to taxpayers that bond funds are spent only for their intended and allowable purposes.	**Board**	**High**
36.	Have the Office of Internal Performance Auditor, or a public industry member from the Board Audit Committee, develop and provide training to the Board regarding the internal audit assurance function including roles and responsibilities of the Board Audit Committee.	**Board**	**Medium**
37.	Develop and provide training and education to the Board about bond capital project delivery, lifecycle phases, and expected activities in a written document or manual available to the Board and stakeholders.	**PPS**	**Medium**
38.	Present and discuss the annual capital budget with supporting details to the Board so it can have requisite information to properly review, understand linkages between capital planning and bond spending, and make informed decisions.	**PPS**	**Medium**

Appendix C: Status of Bond Programs 2012, 2017, 2020, 2025

Exhibits 29 through 33 that follow show the 2012, 2017, 2020, and 2025 Bond project status comparing projects planned as part of ballot language and supporting district budgets against projects completed and funds spent.

Bond Cost Status, as of March 2026

EXHIBIT 29: 2012 BOND COST STATUS, AS OF MARCH 2026

2012 Bond Categories	Original Bond	Current Budget	Expenses	Outstanding Encumbrances	Est. Cost at Completion	Remaining Available to Spend
Faubion PK-8 School	$ 28,000,000	$ 49,907,210	$ 49,907,210	$ -	$ 49,907,210	$ -
Franklin High School	$ 85,000,000	$112,332,404	$ 112,332,404	$ -	$112,332,404	$ -
Grant High School	$ 95,000,000	$158,438,053	$ 158,438,053	$ -	$158,438,053	$ -
Roosevelt High School.	$ 70,000,000	$100,490,733	$ 100,490,733	$ -	$100,490,733	$ -
Educational Facility Improvements	$ 5,000,000	$ 71,650,845	$ 71,647,945	$ -	$ 71,647,945	$ 2,901
Seismic & Other Building Improvements	$ 69,500,000					
Debt Repayment	$ 45,000,000	$ 45,000,000	$ 45,000,000	$ -	$ 45,000,000	$ -
Program Costs	$ 84,500,000	$ 31,741,604	$ 31,486,598	$ -	$ 31,487,500	$ 254,104
Additional 2012 Bond Funded Projects						
Franklin Projectors	$ -	$ 72,951	$ 25,260	$ 20,485	$ 72,951	$ -
Franklin External Flashing		$ 120,000	$ 3,495	$ 6,004	$ 120,000	$ -
Franklin Teen Parent Playground		$ 160,130	$ 160,130	$ -	$ 160,130	$ -
Grant Aux Gym Batting Cages		$ 34,113	$ 34,113	$ -	$ 34,113	$ -
Grant Bowl		$ 3,170,988	$ 3,170,988	$ -	$ 3,170,988	$ -
Grant Gym Lighting		$ 48,796	$ 48,796	$ -	$ 48,796	$ -
Grant Plumbing		$ 31,189	$ -	$ 24,500	$ 31,189	$ -
Roosevelt Phase IV		$ 6,157,969	$ 6,157,969	$ -	$ 6,157,969	$ -
Sub-Total Bond Proceeds	**$482,000,000**	**$579,356,984**	**$578,903,692**	**$50,989**	**$579,099,980**	**$257,004**
Bond Premium & Interest	$ 68,660,714					
Concordia Grant for Faubion	$ 15,593,712					
Other (Grant, Federal, General Fund)	$ 13,102,558					
Total 2012 Bond Funds	**$579,356,984**	**$579,356,984**	**$578,903,692**	**$50,989**	**$579,099,980**	**$257,004**

Source: Original Bond Budget per 2012 Bond Fact Sheet. March 2026 Budget, Expenses, Estimate at Completion from e-Builder Bond Program Budget Summary report, with an initial report run date of June 19, 2019, and updated March 23, 2026.

EXHIBIT 30: 2017 BOND COST STATUS, AS OF MARCH 2026

2017 Bond Categories	Original Bond	Current Budget	Expenses	Outstanding Encumbrances	Est. Cost at Completion	Remaining Available to Spend
Benson Polytechnic High School	$ 202,000,000	$ 172,902,807	$ 172,159,363	$ 3,105,923	$ 172,902,807	$ -
Lincoln High School	$ 187,000,000	$ 240,956,006	$ 224,216,138	$ 5,976,292	$ 224,609,921	$ 16,346,085
Kellogg Middle School	$ 45,000,000	$ 57,892,617	$ 57,892,617	$ -	$ 57,892,617	$ -
McDaniel High School	$ 146,000,000	$ 200,687,872	$ 200,498,421	$ 16,714	$ 200,735,064	$ (47,193)

2017 Bond Categories	Original Bond	Current Budget	Expenses	Outstanding Encumbrances	Est. Cost at Completion	Remaining Available to Spend
Health & Safety	$ 150,000,000	$ 184,934,153	$ 146,452,458	$ 10,742,112	$ 190,096,707	$ (5,162,554)
Administration	$ 40,000,000	$ 66,794,643	$ 62,342,802	$ 496,595	$ 62,821,305	$ 3,973,338
Contingency	$ 20,000,000					
Additional 2017 Bond Funded Projects						
Athletics: Benson Buckman Track	$ -	$ 615,815	$ 455,003	$ -	$ 455,003	$ 160,812
Athletics: Grant Bowl Field & Track		$ 1,532,050	$ 1,486,482	$ 8,599	$ 1,495,081	$ 36,969
Benson Follow-On Projects		$ 1,115,020	$ -	$ 178,350	$ 1,115,020	$ -
Benson Guardrail Remediation		$ 250,000	$ 250	$ 90,272	$ 125,000	$ 125,000
Benson Parapet Remediation		$ 1,500,000	$ 20,389	$ 1,159,602	$ 1,300,000	$ 200,000
Sub-Total Bond Proceeds	**$ 790,000,000**	**$ 929,180,982**	**$ 865,523,923**	**$ 21,774,459**	**$ 913,548,525**	**$ 15,632,457**
Bond Premium & Interest	$ 102,445,285					
Other (Grant, General Fund)	$ 20,675,150					
Total 2017 Bond Funds	**$ 913,120,435**	**$ 929,180,982**	**$ 865,523,923**	**$21,774,459**	**$ 913,548,525**	**$ 15,632,457**

Source: Original Bond Budget per 2017 Bond Fact Sheet. March 2026 Budget, Expenses, Estimate at Completion from e-Builder Bond Program Budget Summary report, with an initial report run date of June 19, 2019, and updated March 23, 2026. Remaining Available to Spend shown in Exhibit is less than Finding 1 Exhibit 7 because it represents a calculated amount over/(under) the Estimated Cost at Completion minus Current Budget—it does not account for unused funds remaining in project contingency not yet moved back to program contingency for additional projects.

EXHIBIT 31: 2020 BOND COST STATUS, AS OF MARCH 2026

2020 Bond Categories	Original Bond	Current Budget	Expenses	Outstanding Encumbrances	Est. Cost at Completion	Remaining Available to Spend
Benson Multiple Pathways to Graduation (MPG)	$ 64,000,000	$ 80,515,523	$ 78,016,041	$ -	$ 78,018,881	$ 2,496,642
Cleveland High School	$ 20,000,000	$ 23,685,241	$ 14,423,597	$ 9,255,919	$ 26,115,722	$ (2,430,480)
Ida B. Wells High School	$ 20,000,000	$ 20,000,000	$ 17,299,079	$ 2,405,551	$ 25,579,428	$ (5,579,428)
Jefferson High School	$ 311,000,000	$ 366,007,500	$ 28,208,577	$ 36,345,792	$ 384,348,772	$ (18,341,272)
2017 Bond Balance	$ 152,000,000	$ 164,903,890	$160,440,954	$ 2,100,457	$ 164,903,890	$ -
Center for Black Student Excellence (CBSE)	$ 60,000,000	$ 60,000,000	$ 16,222,680	$ 1,700	$ 60,000,000	$ -
Roosevelt Phase V	$ 2,000,000	$ 2,000,000	$ 97,625	$ 1,035	$ 2,000,000	$ -
Infrastructure	$ 241,000,000	$ 266,439,857	$234,617,276	$ 26,824,442	$ 261,441,718	$ 4,998,139
Curriculum	$ 53,444,000	$ 65,882,964	$ 56,991,203	$ 1,031,773	$ 61,318,132	$ 4,564,832
Technology	$ 128,200,000	$ 150,342,921	$ 99,509,485	$ 22,456,798	$ 132,766,049	$ 17,576,872
Administration	$ 63,098,640	$ 153,379,170	$ 32,650,998	$ 1,647,776	$ 67,043,916	$ 86,335,254
Contingency	$ 93,257,360					
Sub-Total Bond Proceeds	**$1,208,000,000**	**$ 1,353,157,066**	**$738,477,514**	**$ 102,071,243**	**$1,263,536,508**	**$89,620,558**
Bond Premium & Interest	$ 125,638,085					
Total 2020 Bond Funds	**$1,333,638,085**	**$1,353,157,066**	**$738,477,514**	**$ 102,071,243**	**$1,263,536,508**	**$89,620,558**

Source: Original Bond Budget per 2020 Bond Fact Sheet. March 2026 Budget, Expenses, Estimate at Completion from e-Builder Bond Program Budget Summary report, with an initial report run date of June 19, 2019, and updated March 23, 2026.

Note: Cleveland, Ida B. Wells, and Jefferson High School amounts shown are 2020 Bond funds only. The 2025 Bond pays for Cleveland and Ida B. Wells construction as well as another $100M to complete Jefferson. 2017 Bond Balance category was for completing Benson High School.

EXHIBIT 32: 2025 BOND COST STATUS, AS OF MARCH 2026

2025 Bond Categories	Original Bond	Current Budget	Expenses	Outstanding Encumbrances	Est. Cost at Completion	Remaining Available to Spend
I. Physical Facility Improvements	$ 269,000,000	$ 269,000,000	$ 43,936	$ 4,314,112	$ 265,467,882	$ 3, 532,118
A. Facility Improvements & Priority Scope (Seismic)	$ 190,000,000	$ 190,000,000	$ 24,326	$ 3,325,838	$ 188,857,331	$ 1,142,669
B. Athletics (West Sylvan, Roosevelt, Grant, Franklin, Jackson, Marshall)	$ 79,000,000	$ 79,000,000	$ 19,610	$ 988,273	$ 76,610,551	$ 2,389,449
II. Educational & Technology Improvements	$ 242,000,000	$ 242,000,000	$ 26,106,074	$ 3,916,460	$ 242,300,000	$ 300,000
A. Technology	$ 176,000,000	$ 176,000,000	$26,106,074	$ 3,916,460	$ 176,000,000	$ -
C. Physical Education (Unallocated)	$ 10,000,000	$ 10,000,000	$ -	$ -	$ 10,000,000	$ -
B. Curriculum	$ 56,000,000	$ 56,000,000	$ -	$ -	$ 56,300,000	$ 300,000
III. Modernizations	$1,150,000,000	$ 1,149,706,151	$ 336,761	$ 40,211,526	$1,172,198,456	$ (22,492,305)
Cleveland High School	incl. above	$ 447,368,519	$ 193,028	$ 10,833,612	$ 455,360,940	$ (7,992,421)
Cleveland High School Marshall Swing	$ -	$ 2,512,500	$ -	$ -	$ 2,512,500	$ -
Ida B Wells High School	incl. above	$ 429,350,000	$ -	$ 29,359,062	$ 443,849,884	$ (14,499,884)
Jefferson High School	incl. above	$ 100,000,000	$ -	$ -	$ 100,000,000	$ -
Elementary & Middle Schools Meeks	$ -	$ 175,000	$ 143,733	$ 18,853	$ 175,000	$ -
Elementary & Middle Schools (Unallocated)	incl. above	$ 170,300,132	$ -	$ -	$ 170,300,132	$ -
IV. Administration	$ 83,050,000	$ 83,050,000	$ 5,691,791	$ 60,802,000	$ 83,050,000	$ -
V. Contingency	$ 83,050,000	$ 125,956,806	$ -	$ -	$ 125,956,806	$ -
Sub-Total Bond Proceeds	**$ 1,827,100,000**	**$1,869,712,957**	**$32,178,568**	**$109,244,098**	**$1,888,973,144**	**$ (18,660,187)**
Bond Premium	$ 42,906,806					
Total 2025 Bond Funds	**$1,870,006,806**	**$1,869,712,957**	**$32,178,568**	**$109,244,098**	**$1,888,973,144**	**$ (18,660,187)**

Source: Original Bond per PPS Board Staff Memo, January 7, 2025. March 2026 Budget, Expenses, Estimate at Completion from e-Builder Bond Program Budget Summary report, with an initial report run date of June 19, 2019, and updated March 23, 2026.
Note: Cleveland, Ida B. Wells, and Jefferson High School amounts shown are 2025 Bond funds only. The 2020 Bond pays for Cleveland High School, Marshall Swing, and Ida B. Wells planning, as well as design and Jefferson construction.

Bond Schedule Status, as of March 2026

Most school modernizations projects opened to students on schedule as planned in pre-bond schedules or revised masterplans except for Jefferson High School, Cleveland High School, and Ida B. Wells High School.

EXHIBIT 33: 2012, 2017, 2020, 2025 BOND DELIVERY STATUS, AS OF MARCH 2026

Bond Categories	Planned	Actual	Variance
2012 Bond Categories			
Faubion PK-8 School	08/2017	08/2017	On Schedule
Franklin High School	08/2017	08/2017	On Schedule
Grant High School	08/2019	08/2019	On Schedule
Roosevelt High School	05/2017	08/2017	3-Month Delay
Educational Facility Improvements	Summer 2013 – 2018	Summer 2016	2 Years Early
Seismic & Other Building Improvements	Summer 2013 – 2018	Summer 2016	2 Years Early
2017 Bond Categories			

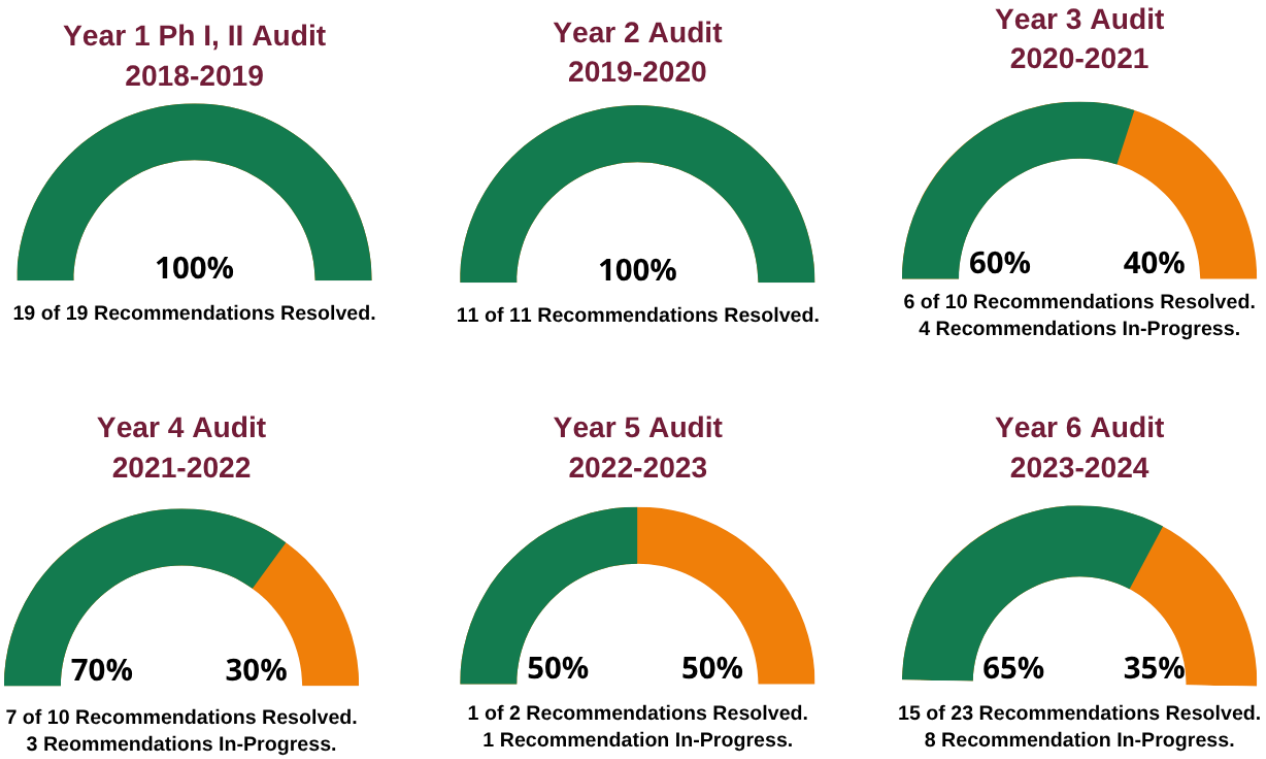
Bond Categories	Planned	Actual	Variance
Benson Polytechnic High School	08/2024	08/2024	On Schedule
Lincoln High School	09/2022	08/2022	1-Month Early
Kellogg Middle School	09/2021	09/2021	On Schedule
McDaniel High School	09/2021	09/2021	On Schedule
Health & Safety (ADA, Asbestos, Fire Alarm / Sprinklers, Lead Paint, Radon Mitigation, Roofs/Seismic, Security Systems, Water Quality)	Summer 2017 – 2023 (Phased, Mostly Summer Implementation)	Summer 2022 except Asbestos (ETC 2027), Lead Paint (2025 extra sites), and Roofs / Seismic (ETC 2026 extra sites).	
Athletics (Benson Buckman Track, Grant Bow Field & Track	n/a – additional project	12/2024	n/a
Follow-On Projects Benson Guardrail, Parapet Remediation	n/a – additional project	ETC 2026	n/a
2020 Bond Categories			
Benson Multiple Pathways to Graduation (MPG)	See 2017 Bond: Benson Polytechnic High School.		
Center for Black Student Excellence (CBSE)	06/2025	Actual Open TBD – Est. 2029	
Jefferson High School	Original: 03/2027 Revised 1: 08/2026 Revised 2: 08/2029	Actual Open TBD – Est. 08/2029	
Roosevelt Phase V Masterplan	05/2024	06/2024	1-Month Delay
Planning, Design, Pre-Construction Cleveland & Ida B. Wells	11/2024 (100% Design Development)	01/2026	14-Month Delay due to Re-Designs
Infrastructure ADA / SPED Mechanical Roof Security Seismic	November 2024 Summer 2022 – 2025 Summer 2022 – 2025 November 2024 Summer 2022 – 2024	All planned infrastructure projects were completed by the end of 2025. Additional Mechanical Controls Upgrades at 18 sites and Seismic Work at Vernon and Winterhaven are expected to be completed by summer and fall 2026.	
Curriculum	06/2024	All Curriculum updates were completed on schedule. Additional curriculum ETC 06/2026.	
Technology	12/2025	All Technology updates were completed on schedule except for classroom infrastructure/ modernization, and security—delayed to 2029.	
2025 Bond Categories			
Cleveland High School	Original: 2028-29 School Year Revised 1: 2028-29 School Year Revised 2: 08/2029	Actual Open TBD – Est. 08/2029	
Ida B. Wells High School	Original: 2028-29 School Year Revised 1: 08/2029	Actual Open TBD – Est. 08/2029	
Elementary & Middle Schools	No Schedule Estimate – Phased Actual Completion TBD.		
Athletics (West Sylvan, Roosevelt, Grant, Franklin, Jackson, Marshall)	By 2035	TBD	
Curriculum	Annual until 2033	TBD	
Facility Improvements & Priority Scope (Seismic) Seismic Kenton, Fernwood, Richmond, Priority Facilities (Vestal)	No Schedule Estimate – Phased Actual Completion TBD.		
Physical Education (Unallocated)	No Schedule Estimate – Phased Actual Completion TBD.		
Technology Business Modernization/ ERP Staff & Student Device Refresh Data Center, Classroom Tech, Infrastructure, Cybersecurity, HVAC	Phased until 2033	TBD	

Source: 2012 Bond Planned Dates per Internal OSM Master Bond Program Budget & Schedule as of August 28, 2012. 2017 Bond Original Planned Completion per Internal OSM Execution Plan as of November 8, 2017. 2020 Bond Original Planned Completion per "GO Bond Conceptual Schedule" as of December 7, 2020. 2025 Bond Planned Dates for Modernizations per Comprehensive Plans, as of May 7, 2024. All others per Bond Accountability Pre-Bond Plans, December 18, 2024. Note: "Planned" for Modernizations represents the date students return class. Jefferson Revised Schedules per (1) 2022 Comprehensive Plan (2) 2025 Revised Comprehensive Plan. Cleveland and Ida B. Wells Revised Schedule 1 per 2025 Comprehensive Plans and Revised Schedule 2 per Board of Education Meeting February 10, 2026.

Appendix D: Outstanding Prior Audit Recommendations

Over the last six annual bond performance audits since 2019, auditors made 75 recommendations in a variety of areas. As of June 2026, only 16 audit recommendations—or 21 percent—remain to be implemented as shown in Exhibit 34, with more than half of those outstanding from the most recent prior audit.

EXHIBIT 34: BOND PERFORMANCE AUDIT RECOMMENDATIONS REMAINING OUTSTANDING, AS OF JUNE 2026



Source: Prior audit reports available on the PPS website at https://www.pps.net/board/board-of-education/pps-audit-reports/external-bond-performance-audits and underlying supporting documentation, including but not limited to, committee charters, policies and directives, reports, and contracts.

Given that not a lot of time for implementation has passed since 2025 when the prior annual bond performance audit report was issued, it is not unexpected that half of the outstanding recommendations are from the most recent bond audit issued. Remaining items mostly relate to equity, CMGC contracting, construction management, and staffing.[167] Exhibit 35 provides a summary of all outstanding audit recommendations as of June 2026.

[167] In prior years, auditors reviewed three equity programs—business, workforce, and career learning equity. Business equity provides purchasing and contracting opportunities to businesses that have been historically underutilized. Workforce equity promotes apprenticeship and construction employment opportunities for people of color and women. Career learning equity provides opportunities for students.

EXHIBIT 35. SUMMARY OF OUTSTANDING AUDIT RECOMMENDATIONS, AS OF JUNE 2026

	Rec #	Category	Summary	Auditor Comments
Year 3 Audit: 2020-2021 (4 recommendations outstanding)				
1	Rec #1	Business Equity	Revisit the Equity in Public Purchasing and Contracting (EPPC) Policy to clarify and define vision, goals, and commitment to business equity.	Draft revisions to EPPC policy do not address recommended areas.
2	Rec #2	Business Equity	Further develop the Board's overarching vision of the EPPC policy into measurable subgoals, support new goal setting defendable data, and define qualitative and quantitative metrics to measure against new goals.	Draft revisions to EPPC policy do not address recommended areas.
3	Rec #4	Business Equity	Develop tools and protocols to capture outcomes of chosen business equity strategies and validate outcome data accuracy.	Documents and EPPC report provided do not address recommended areas.
4	Rec #5	Business Equity	Create protocols to expand on existing business equity annual reporting and assess whether outcomes met the intent of the EPPC and goals of the Administrative Directive.	Documents and EPPC report provided do not address recommended areas.
Year 4 Audit: 2021-2022 (3 recommendations outstanding)				
5	Rec #2	Workforce Equity	Develop protocols for regularly identifying, reviewing and assessing workforce equity strategies on designated timeline.	Documents and EPPC report provided do not address recommended areas.
6	Rec #4	Workforce Equity	Conduct a review of workforce equity program specifications and analyze whether existing rules could be enhanced to benefit intended target audiences.	Identification of objectives and strategies to use is still in development.
7	Rec #5	Performance Metrics	Continue in-process efforts to revisit the types of key performance indicators to track and report.	Recommendation is focused on project delivery performance. New Procedeo PMP will address some suggested metrics, but performance has not yet been reported.
Year 5 Audit: 2022-2023 (1 recommendation outstanding)				
8	Rec #1	Career Equity	Research and assign resources to implement a structured Career Equity Learning Equity Program with clear responsibilities, protocols for coordination, contactor and consultant management, data management and reports, and targets to track outcomes.	New PMP identifies opportunities, but PPS does not have protocols, data management, reporting or targets to track outcomes.
Year 6 Audit: 2023-2024 (8 recommendations outstanding)				
9	Rec #1	Construction Management	Perform a post-mortem on the Benson Polytechnic High School project before the remaining high school modernization projects go through the GMP process and start construction. Memorialize discussion and action plans to mitigate future similar issues.	Pending results of ongoing litigation, although auditors believe some efforts could be made regardless of litigation to inform the next modernization projects.
10	Rec #2	CMGC	Clarify and memorialize contract expectations, terms, and conditions in the CMGC agreement and GMP amendment based on the Benson Polytechnic High School post-mortem and ensure that vague or missing contract terms are clearly defined, including legal remedies for contract non-compliance, what constitutes non-compliance, and how non-compliance will be measured.	PPS has a CMGC template, but does not address what constitutes non-compliance, how measured, and legal remedies. Recommended items may be in upcoming GMP amendments on the CHS, IBW, and JHS modernization projects—but those have not yet been executed.

	Rec #	Category	Summary	Auditor Comments
11	Rec #3	CMGC	Set expectations early with future CMGC contractors before construction starts to ensure a shared understanding and interpretation of key contract provisions. This could include holding a meeting(s) with PPS, architect, and CMGC contractor to walk-through construction phase contract requirements and documenting assumptions that are incorporated as part of the GMP amendment process.	Document provided does not discuss expectations or shared understanding of contract provisions, but these may be covered in upcoming GMP amendments on the CHS, IBW, and JHS school modernizations—although those amendments have not yet been executed.
12	Rec #4	Construction Management	Establish and complete formal contractor evaluations based on project performance and contract compliance that are discussed with the contractor being evaluated.	PPS has vendor questions in its closeout process, but needs to define responsibility for preparing the evaluation, when given, and how it will be used—as well as complete the evaluations for recent completions.
13	Rec #5	Contingency	Develop and formalize a written plan or methodology for allocating bond contingency funds including identifying how project savings will be assigned to other bond projects.	PPS has threshold guidance, but no procedures or plans for prioritization and reallocations.
14	Rec #8	Construction Management	Use external project-specific construction auditor to conduct detailed testing of accuracy and reasonableness of the CMGC and subcontractor proposed labor burden rate calculations in addition to general conditions/general requirements costs to identify potential savings prior to PPS' acceptance of GMP and contract amendment execution for CHS, IBW, and JHS.	PPS has drafted an RFP for external construction audit services, but it has not yet been advertised. Given the design stage of the three school modernizations, PPS should have a contract in place for these services.
15	Rec #12	Staffing	Require bond-funded staff to use time sheets tracking time against the proposed predetermined task category levels. At a minimum, require timesheets for staff paid for with bond funds that spend less than 100 percent of their time on bond work or conduct regular time studies with documentation to ensure the allocation of bond and non-bond effort is appropriately supported.	Not implemented as discussed in Finding 3 of this report.
16	Rec #13	Staffing	Compare staffing capacity with estimated bond workload to identify gaps and determine whether staff are under-utilized or over-utilized and not able to complete the bond work.	Not implemented. See discussion of Finding 3 of this report.
	Total	**16 Prior Audit Recommendations Remain Outstanding**		

Source: Prior Bond Performance Audit reports, Bond Performance Audit Recommendation Tracker as of January 2026, and various supporting documents and files provided by RISE staff related to actions taken to address audit recommendations.

Note: In the Year 6 audit, auditors recommended that OSM "develop an approach to formally estimate and document bond workload that would involve identifying task categories to be used as part of workload (perhaps using OSM's existing responsibility matrix as a baseline) and assigning durations of time expected to complete tasks." Although OSM responded to the recommendation with a "nonconcur" response because its responsibility matrix had nearly 200 different tasks and responsibilities. Nonetheless, OSM staff agreed that a methodology should be developed to estimate bond project workload and staff would work to develop that methodology. As discussed in Finding 4 of this report, no methodology has been developed as of the completion of our audit fieldwork.

We Disagreed with PPS' Assessment in a Few Instances

For the most part when validating efforts to address prior audit recommendations, we agreed with and verified PPS' assessment of actions taken to implement and close an audit recommendation. However, there were several instances where we did not agree that PPS-implemented activities sufficiently addressed a recommendation as follows.

- ✗ **Year 4, Rec #2: Develop Protocols for Reviewing and Assessing Workforce Equity Strategies**
  PPS stated it had integrated an annual review of workforce equity strategies into its broader annual report developed. Although the annual equity report reported outcomes, it did not discuss protocols for reviewing the strategies on a designated timeline as recommended.
- ✗ **Year 4, Rec #5**: **Revisit and Report on Key Performance Indicators**
  PPS closed the recommendation stating it had been "overcome by events" as "PPS outsourced bond program management to Procedeo." Yet, the recommendation focused on project specific indicators such as days between planned substantial completion to actual (for schedule), number and amount of change order compared to contract value, and percent of projects on budget at completion (for budget). While the Procedeo PMP states it will track schedule variance, budget variance, contingency burn rate, and stakeholder satisfaction among others, those metrics are not yet in place or reported.
- ✗ **Year 6, Rec # 4**: **Establish and Complete Contactor Evaluations**
  Although PPS has partially addressed this recommendation and established a contractor evaluation template with questions to consider, it still needs to establish the surrounding procedure for who is responsible for completing the evaluation, when it is given, and how it will be used in future procurements—in addition to completing the evaluations for the most recent completed contracts.
- ✗ **Year 6, Recs #12 and 13**: **Staff Time Tracking, and Workload and Staff Capacity Analysis**
  Former OSM staff agreed that regular time studies for staff spending less than 100 percent of time on the bond was reasonable, but RISE staff indicated "all bond funded employees spend 100 percent of the time on bond work" so PPS closed the recommendation. Yet, as shown in Finding 6 of this report, we found several staff partially charged to the bond. Likewise, PPS indicated a different recommendation to conduct a staffing analysis had been "overcome by events" as "PPS outsourced bond program management to Procedeo." Yet, there was no staff analysis done; thus, the item remains open along with new related recommendations as discussed in Finding 4 of this report.

We Closed Out One Recommendation Because Prior Documents are Unlikely to be Found

For a final recommendation related to post-project analysis, we considered it complete because documents are lost due to staff turnover and it does not seem practical to conduct a project analysis when some staff and leadership on the past projects are no longer working at PPS—and a similar recommendation (Year 6, Rec #1) remains open.

- ✓ **Year 2, Rec #7: Post Project Analysis on Madison and Lincoln High Schools**
  PPS reported it made progress on this recommendation by developing evaluation templates, conducting analysis, and preparing a report for Lincoln High School. However, since PPS terminated staff involved with the school modernizations in January 2026, the new RISE team cannot locate the documentation. Conducting post-mortems on the large-scale modernizations is critical for lessons learned to be incorporated on subsequent projects. Thus, we will continue to track a similar outstanding recommendation (Year 6, Rec #1) calling for a post-mortem on the Benson High School project—although PPS should have completed that effort before starting the Cleveland, Ida B. Wells, and Jefferson High School modernizations to maximize value. Nonetheless, we considered this recommendation completed.

Appendix E: Auditee Response

PORTLAND PUBLIC SCHOOLS
OFFICE OF OPERATIONS
501 North Dixon Street / Portland, OR 97227
Telephone: (503) 916-2430
Mailing Address: P. O. Box 3107 / 97208-3107

October 1 2026

Dear SEC Audit Team,

Portland Public Schools appreciates your work reflected in the Draft Bond Audit report dated September 14, 2026. PPS takes seriously its responsibility to spend taxpayer-funded bond dollars responsibly to deliver exceptional capital projects for our students and community. Audits help us do that, and we consider carefully each and every audit recommendation with that responsibility at the forefront.

In this two-year audit, SEC found that PPS continues to deliver capital projects that meet and exceed obligations promised to voters under multiple bond programs dating back to 2012 and also found that the 2025 bond program is off to a good start. Meeting our promises to voters remains the north star of our bond program. We also appreciate the audit's identification of opportunities to improve.

PPS's Board and management respective responses are attached for inclusion in the final report. Together, the responses address the report's 38 recommendations as follows:

- Concurred with 24 recommendations; five of which are already completed
- Partially concurred with eight recommendations
- Did not concur with six recommendations (management only)

On the few occasions when management partially concurs or declines, the response explains the basis for that position after carefully reviewing the findings underlying the recommendation, assessing the clarity of the auditing standard being applied, and supplying you with additional information. At all times, we agree with and are committed to the principles of fiscal responsibility and accountability, informed decision making, transparency with the PPS Board and community, highest ethical standards, and compliance with laws and PPS policies. We also recognize that concurring in whole or in part, or declining, audit recommendations is a standard part of any external or internal audit.

1 We also note that two-thirds of the audit report is dedicated to the external bond program management contract. The audit report raised significant concerns about the District's decision to outsource parts of that program, as well as the associated procurement, contracting, and

governance processes. The addition of this scope to the audit plan was raised because you identified a risk of fraud. As the report expressly notes, however, no fraud was found.

While PPS takes all of the audit's observations, findings, and recommendations seriously, it does not agree with the tenor of the report's narrative and frequent implication of impropriety. To date, PPS has not been provided any evidence of impropriety and believes state-required and District procurement processes were followed. Nonetheless, as noted in several responses to the audit recommendations, PPS will work with the Bond Accountability Committee to review several of the existing processes and implement any refinements identified.

We also appreciate the many conversations you have had across PPS and your consideration of additional evidence the management team supplied as you developed your draft report. We note that you have incorporated some of that input.[1]

Finally, the management team believes certain parts of the report do not adequately reflect PPS's input or a sufficiently defined auditing standard that is being applied; and we have agreed to disagree in those instances.

We look forward to your presentation to the PPS Board on October 20, 2026, and, again, thank you for your work to support PPS's bond program.

Sincerely,

Jon Franco (Oct 1, 2026 18:05:03 CDT)

Dr. Jon Franco
Senior Chief of Operations

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[1] SEC has declined PPS's request to present your findings in line with your firm's contract with PPS which requires preparation of a report in compliance with Generally Accepted Government Auditing Standards, including identification of audit objective, criteria, cause, effect, recommendation, and benefit for each finding. You asserted that the report sufficiently meets the requirements and/or is in the format used in prior PPS bond audits. While PPS does not agree that the format meets the contractual requirements or, in part, certain accounting standards, it has endeavored to respond fully to the recommendations.

Responses to the Recommendations in the Draft Bond Performance Audit for Fiscal Years 2024-2025 and 2025-2026

Recommendation 1: Clearly define what success looks like for meeting bond pledges including definitions of project completion in terms of open for student use, outstanding punch list items, on-budget and schedule, or other factors considered.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	February 26, 2027	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 1:

PPS has documented definitions related to bond program success in place and utilizes multiple tools to measure and report on success. For example, PPS defines bond program success as delivering state-of-the-art learning environments for our students, staff and faculty, on-time, and on-budget. On-Time means the contractor achieves substantial completion and certificate of occupancy in accordance with the mutually agreed upon schedule set forth in the contract. On-Budget means the project is delivered within the total budget approved by the PPS District, with no unauthorized cost overruns.

PPS will review its definitions and measurement tools with the Bond Accountability Committee and incorporate feedback for refinement.

Recommendation 2: Regularly measure and report on progress and completion against the established definitions for bond success so that it is clear to the public what the District and the Board consider in meeting bond pledges.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	February 26, 2027	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 2:

PPS agrees that measures of success should be explicitly defined and presented in updates to the Facilities Improvement & Oversight Committee, Bond Accountability Committee, and Board of Education. PPS has documented definitions in place, and its

current reporting and Project Management Plan address project status, schedule, and budget. PPS will review its definitions and reporting with the Bond Accountability Committee and incorporate feedback for refinement.

Recommendation 3: Provide a complete list of outstanding bond audit recommendations with implementation status, planned corrective actions or actions taken, and estimated dates for resolution to the relevant board committees and BAC on a quarterly basis for oversight and review.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	March 31, 2027	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 3:

PPS agrees that quarterly reporting to the Bond Accountability Committee and Facilities Improvement & Oversight Committee on outstanding audit recommendations and status is needed. Reviewing bond audit recommendation progress will be a consistent agenda item at quarterly Bond Accountability Committee meetings. PPS will update the Facilities Improvement & Oversight Committee on bond audit progress no less than quarterly to mirror BAC presentations.

Recommendation 4: Assign the Board's Office of Internal Performance Auditor responsibility to periodically review implementation as part of its assurance function to determine if corrective controls are implemented as needed.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	January 2027	Janise Hansen, CIA PPS Internal Auditor (503) 916-3200

Narrative for Recommendation 4:

PPS Board of Education agrees that the Office of Internal Performance Audit (OIPA) should continue to periodically review the implementation of bond audit recommendations as part of its assurance function. The Board will discuss the frequency and timing of any review and formalize a process that includes feedback to the whole Board.

Recommendation 5: Develop, document, and follow a methodical, transparent process for identifying, prioritizing, and vetting eligibility and appropriateness of expenditures and related bond infrastructure projects for capital improvements that could be funded by additional bond premiums or excess contingency funds as they become available and once bond pledged projects are completed. The process and procedures should align with accounting guidance and bond measures in addition to address reallocations of contingency funds, include assumptions and factors used to arrive at priority recommendations, and ensure there is a clear and defendable protocol for selecting certain improvement projects over others prior to project start.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	October 31, 2026	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 5:

PPS has recently implemented key elements of this recommendation through its existing budget controls and project selection practices. PPS's Standardized Contingency Thresholds for Construction Budget Planning guide establishes distinct program, project, and contract contingency categories and calls for adjustments based on project scope, site conditions, and risk. PPS will bring the existing criteria and decision steps together in a single written protocol so that future recommendations also show the funding source, competing needs considered, prioritization factors, applicable bond measure, and approval before a project begins.

Recommendation 6: Prepare journal entries to correctly charge the approximate $193,400 of unallowable bond expenditures that auditors identified back to the general fund replenishing the bond program for those funds for use on eligible bond projects only.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur	December 31, 2026	Michelle Morrison, Chief Financial Officer (503) 916-3214

Narrative for Recommendation 6:

PPS will complete the recommended journal entries.

Recommendation 7: Use PPS's bond spending reporting tools to prepare a more detailed annual public bond expenditure report itemizing the types and amounts of expenses and project improvements paid by bond funds (including, but not limited to, administrative costs, debt service, and infrastructure categories) and where the facility improvements were located (headquarters versus specific school) to aid in transparency. Provide the report to the relevant board committees and BAC, as well as make the report available on the PPS website.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	March 31, 2027	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 7:

PPS already reports on budget, expenses, and encumbrances to the Bond Accountability Committee and Board of Education. PPS will develop more detailed annual reporting by spending category and location, provide the report to the relevant Board committees and Bond Accountability Committee, and make the report available on the PPS website.

Recommendation 8: Assign authority to a designated individual(s) and formalize a process, protocols, and/or steps to be taken before approval of funding one-time, partial, or full-time bond staff positions and related salaries and benefits, which includes an annual review and documented support for planned staff charges to the bond and to ensure actual work performed aligns with the planned funding percentage (or needs to be modified).		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur/ fully implemented	Completed August 2025	Michelle Morrison, Chief Financial Officer (503) 916-3214

Narrative for Recommendation 8:

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PPS's process establishes clear authority and a consistent protocol for approving, funding, monitoring, and annually reviewing one-time, partial-time, and full-time staff positions whose salaries and benefits are charged in whole, or in part to PPS bond funds. The process is intended to ensure that bond-funded staffing is necessary,

reasonable, appropriately allocated, documented, and directly connected to approved bond program work.

Recommendation 9: Implement newly established process for staff salaries and benefits paid by the bond program to be supported by signed certifications attesting to time spent on bond program.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur/ fully implemented	Completed August 2026	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 9:

PPS has implemented a process to certify time and effort for partially bond-funded staff.

Recommendation 10: Identify a position within the Finance Department to be responsible for performing and monitoring bond fiscal compliance including developing and executing a comprehensive post-issuance compliance program with procedures for monitoring compliance with the legal and financial aspects of bond issuance. Compliance would include requiring the Finance Department to conduct more active fund management by using its own cash flow tracker by fund and bond issuance to monitor proceeds, tracking that actual yields are not more than the bond yields, and working with RISE when necessary to troubleshoot issues if spend rates are not materializing as expected and required.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur/ fully implemented	Completed July 2025	Michelle Morrison, Chief Financial Officer (503) 916-3214

Narrative for Recommendation 10:

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The Sr. Director of Finance (hired in March 2025) meets regularly with the OSM/RISE team for reconciliation of project spending to cash flow needs. The Budget Director (hired in February 2025) develops the annual budget based on projects planned by the RISE team. The Budget Director monitors progress and periodic "budget to actual" reports are produced and shared with the RISE team over the course of the year. Material differences will be elevated to the Chief Financial Officer for review and required action.

Recommendation 11: Expedite the hiring of an external construction auditor to conduct audits reviewing accounting and payroll records of the general contractors on the Cleveland, Ida B. Wells, and Jefferson High School modernization projects for identifying cost savings related to labor burden rates during guaranteed maximum price contract negotiations and throughout the project lifecycle—and ensure this level of general contractor testing and contract compliance is conducted and documented.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Partially concur	June 30, 2027	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 11:

PPS agrees that construction project audits in designated areas are important at relevant junctures in PPS capital construction projects. PPS will review multiple internal and external bond auditing resources to determine the most efficient and effective approach to conducting construction project audits and will review the recommended approach with the Bond Accountability Committee.

Recommendation 12: Develop a comprehensive roadmap plan with specific steps, activities, and timeline for decreasing reliance on external bond program management staff for project efforts and start rebuilding in-house capital expertise through hiring bond delivery staff. The plan should address supplementing the remaining PPS employees involved with the bond projects to build back capacity and ensure the longevity of the bond program while still receiving support, guidance, and management from the external bond management program consultant.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Partially concur	December 31, 2026	Deborah Kafoury, Chief of Staff, (503) 916-3499

Narrative for Recommendation 12:

The hiring process for the new Executive Director of Real Estate, Infrastructure and School Enhancement is underway. That position will significantly embed in-house knowledge and have direct oversight of external bond program management consultants/contractors. PPS takes this recommendation seriously but declines to commit to a particular capacity plan.

Recommendation 13: Deploy additional construction management support and controls over the modernization projects so that sufficient staffing is available to monitor scope, schedule, and cost through job-site presence and supervision for managing change requests, reviewing submittals, overseeing testing and inspections, and reviewing contractor payment applications among other areas.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Nonconcur	N/A	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 13:

PPS agrees that the modernization projects require consistent job-site presence and effective controls over scope, schedule, cost, and quality. The PPS's integrated program management model assigns owner oversight to project managers, construction managers, and specialized design, cost, and program controls staff. This team is responsible for monitoring performance, identifying risks, reviewing change requests and payment applications, and escalating issues for PPS decisions.

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PPS will assess staffing and field coverage on each modernization project against the work required at its current phase. The assessment will also verify that architects, testing and inspection providers, and contractors are performing the submittal review, testing, inspection, site supervision, and other services assigned under their contracts. Where coverage or performance gaps are identified, PPS will define corrective actions and determine whether additional owner construction management support is needed. This approach is intended to provide the oversight called for in the audit while keeping responsibility for contracted services with the firms retained to perform them.

Recommendation 14: Fill the newly advertised job opening for the Executive Director over Capital and Planning position with an individual possessing deep expertise over large-scale public-sector capital delivery programs and knowledgeable in bond funding to oversee RISE and make informed owner-level decisions, as needed, based on RISE recommendations and monitor the external bond program management con contract and performance.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**

Concur	December 31, 2026	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 14:

The hiring process for the new Executive Director of Real Estate, Infrastructure and School Enhancement is underway.

Recommendation 15: Publicly clarify that remaining active projects from the 2012 and 2017 Bond programs relate to additional facility improvements that PPS was able to provide as funded by bond premiums and interest earnings, and not indicative of bond work not completed.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Partially concur	December 31, 2026	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 15:

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PPS agrees that it should publicly identify the projects still active under the 2012 and 2017 bond programs and explain their status. PPS does not agree that all remaining work resulted from bond premiums and interest earnings. The program records indicate that available funds also reflected incomplete project financial reconciliation, including savings and unencumbered funds that had not been fully recognized, as well as originally planned work that remained to be completed. PPS will distinguish these circumstances in its public reporting so that active projects are described accurately and are not attributed to a single funding source.

Recommendation 16: Establish, document, and follow protocols for market outreach or collaboration with potential bond consultants and contractors in the industry that prevent situations that could compromise competition, mitigate risk of potential conflicts of interest, protect the integrity of the contract process and related scope of work, and are transparent.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Partially concur	February 26, 2027	Deborah Kafoury, Chief of Staff, (503) 916-3499

Narrative for Recommendation 16:

PPS agrees that its contracting process needs to have a high degree of integrity. PPS disagrees that it should document protocols for future market outreach for PPS needs not yet clearly defined and procurements not yet planned. PPS will review procurement guidelines with the Bond Accountability Committee and incorporate input for refinement.

Recommendation 17: Strengthen solicitation processes to (1) modify protocols for selection of evaluation panel members to guard against conflicts (2) ensure instructions for evaluating proposals exclusively against criteria contained in solicitation materials are clear, and (3) clarify instructions surrounding completion of required conflict of interest disclosures and review disclosures for solicitations to ensure instances of actual, potential, or perceived conflicts are mitigated. These procedures should be included in pre-RFP training of staff before evaluating proposals to provide procedures and tips to help accurately evaluate and score proposals.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Nonconcur	N/A	Michelle Morrison, Chief Financial Officer (503) 916-3214

Narrative for Recommendation 17:

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PPS agrees that procurement integrity and clear instructions to evaluators are important. However, this recommendation appears to be based in part on a misunderstanding of the meaning of a "conflict of interest" applicable to public procurements in Oregon. Under Oregon ethics law governing public officials, an actual or apparent conflict of interest arises when a public official takes an action or makes a recommendation that would give rise to a pecuniary (financial) benefit or detriment to the official, to the official's relative, or to any business associated with the official or the official's relative. See ORS 244.020. This definition is also reflected in PPS Public Contracting Rule 45-0305 (Ethics in the Solicitation and Award of District Contracts), which requires that any district official participating in a district procurement must disclose actual or potential conflicts of interest and defines conflict of interest in accordance with ORS 244.020 (requiring a private pecuniary benefit or detriment to the official or the official's relative). The Conflict of Interest Statement that all Request for Proposal evaluators are required to sign before being allowed to participate in an evaluation process similarly defines a conflict of interest in accordance with Oregon ethics law: "A Conflict of Interest exists whenever there is a situation in which an Evaluation Committee Member may have financial or familial interest or prejudice

through current or past association or relationship with" any proposer. The form further clearly defines what constitutes a financial or familial relationship.

Under Oregon ethics law and applicable public procurement rules, having prior discussions with or even prolonged previously dealings with a proposer is not a basis for dismissal from the evaluation committee and does not require disclosure. (If it were, then disqualification of evaluators would be rampant, particularly where a proposer had previously worked with PPS.)

On careful review of the bond program management procurement process, PPS has determined that all state and PPS procurement laws and practices were followed, that evaluators were appropriately instructed on evaluation processes, that there were no actual or apparent conflicts of interest among the evaluators, and that evaluators properly reviewed and signed evaluation instructions and conflicts forms before participating in the evaluation.

Recommendation 18: Develop or procure training focused on practical examples of ethics, conflicts, and fraud, waste, and abuse situations geared to the bond program that also identify red flags that heighten risks of compromised solicitation and require annual training for the Board, PPS leadership and staff, and contractors involved with the bond program. This training is meant to supplement legal training provided to the Board on public meeting rules and ethics for public officials.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Partially concur	June 30, 2027	Michelle Morrison, Chief Financial Officer (503) 916-3214

Narrative for Recommendation 18:

Partially concur. The scope of training recommended and the standard applied is not clear to PPS. Further, PPS carefully reviewed the bond program management procurement process and determined that all state and PPS procurement laws and practices were followed and that there were no actual or apparent conflicts of interest among the evaluators. Nonetheless, PPS will work with counsel to develop additional ethics training content with specific bond-program content that may be included in the annual Board/leadership training, and PPS will use applicable content for staff training.

Recommendation 19: Correct math errors PPS used to calculate bond program management contract compensation by lowering the overall contract value by

$549,000 and seek to amend the Procedeo bond program management contract to reflect that change.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur	December 31, 2026	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 19:

PPS will seek adjustment to the Procedeo contract.

Recommendation 20: Renegotiate the Procedeo bond program management contract compensation using a more reasonable fee percentage aligned with industry and seek to amend the contract to reflect the change.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Nonconcur	N/A	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 20:

8

PPS negotiated a 4% base program management fee with Procedeo for program management and owner-representative services associated with the three high school modernizations and the Grice Adair/Center for Student Excellence project. Because the fee is reduced by costs of PPS or other contracted staffing, the net fee charged is less than 4%. The currently charged fee is 3.65%. (Using that fee percentage against the applicable portfolio of approximately $1.376 billion, the resulting base fee would be approximately $55.0 million.)

A review of comparable K–12 capital programs, including those provided by the auditors, indicates that a 3.65 to 4% base fee is within the documented range for comprehensive program management services.

Recommendation 21: Adjust the next Procedeo bond program management invoice by the remaining overpayment identified by auditors as of the April 2026 invoice to comply with the bond program management contract and calculate the adjustment to reduce subsequent invoices.

Concur or Nonconcur with Recommendation	Target date to complete implementation activities *(Generally expected within 6 months)*	Name and phone number of specific point of contact for implementation
Concur/ fully implemented	Completed September 25, 2026	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 21:

9

Procedeo invoices have been corrected and a credit issued to account for the overpayment. PPS has implemented a methodology for ensuring appropriate deductions moving forward.

Recommendation 22: Formalize the newly created methodology to calculate district costs required to be deducted from Procedeo's monthly bond program management invoices and ensure amounts payable are properly adjusted each month on a go-forward basis.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur/ fully implemented	Completed September 10, 2026	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 22:

PPS has developed and implemented a methodology for ensuring appropriate deductions moving forward. PPS will review and adjust the actual costs deducted based on payroll and contractor data each month.

Recommendation 23: Require Procedeo to provide a detailed staffing plan for bond program management services showing how much effort is needed to provide contracted services by estimating hours and cost per staff and by function or service provided.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Nonconcur	N/A	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 23:

10

PPS does not agree that it should require Procedeo to produce an estimate of hours and cost for each staff member and function. PPS's contract with Procedeo is a lump-sum contract with a detailed scope of work and clear deliverables. PPS will evaluate whether Procedeo has sufficient staff coverage for its contracted responsibilities and whether the appropriate services and deliverables are being provided. Where PPS identifies a gap, it will work with Procedeo to address the specific need to ensure contract compliance.

Recommendation 24: Seek to amend the Procedeo bond program management contract to add provisions requiring details behind the number of staff hours worked and rates staff on monthly invoices in addition to progress reporting of tasks completed during the monthly invoice period.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Nonconcur	N/A	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 24:

PPS does not agree that the Procedeo contract should be amended to require staff hours and hourly rates on monthly invoices. PPS's contract with Procedeo is a lump-sum contract with a detailed scope of work and clear deliverables. The contract establishes base compensation capped at 4% of the program cost budget, billed monthly on a pro-rata basis and reduced by the applicable costs of PPS personnel or contractors principally dedicated to the program or projects. The contract states that Procedeo's compensation includes its personnel costs, travel, and overhead. Staff hours multiplied by billing rates therefore do not determine the monthly amount owed to Procedeo.

PPS agrees that it must be able to verify services and monitor progress toward contract deliverables. The contract already requires monthly invoices on a PPS-approved form for services rendered, and the contract provides PPS access to service records and audit rights. PPS will use those provisions, together with the contract's program reporting requirements, to review performance and support invoice approval. Requiring a task-by-task accounting on invoices would not affect the calculation of the contractual fee nor improve measurement of success under the contract.

Recommendation 25: Seek to amend the Procedeo bond program management contract to remove the $6.5 million in vague and self-serving incentive provisions that do not align with best practices. If PPS will not remove the incentives, at a minimum: (1) amend the contract to define and set the "on time" milestone date for CBSE in writing, (2) remove the $750,000 staff retention incentive, and (3) recraft the $5 million schedule incentive to link staying on budget as well as on schedule to earn the incentive.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Partially concur	December 31, 2026	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 25:

11 PPS will set milestone dates for the Grice-Adair Center for Educational Excellence when design is complete. (It is not feasible to do so before completion of the design.) PPS will also seek to refine the contract terms related to schedule incentives to protect against Procedeo-caused budget overruns. PPS disagrees that the contract provisions are vague or self-serving.

Recommendation 26: Develop, document, and implement procedures for reviewing bond contract scope of work provisions prior to executing a contract to verify that the scope of work is clear, deliverables are well-defined, proposed contract cost estimate is supported, contract requires invoicing to show details of services provided, and content does not contain conflicting scope of work statements or other provisions.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Nonconcur	N/A	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 26:

12 PPS does not concur with the underlying assessment of the Procedeo contract, which includes a detailed and robust scope of work and defined deliverables, among other provisions. PPS will review its contract initiation, negotiation, review, and approval processes with the Bond Accountability Committee and may incorporate suggested revisions. PPS will continue to require all contract managers to complete annual training on contract development and management.

Recommendation 27: Develop, document, and implement procedures for bond contract monitoring that clearly identify responsibilities, monitoring activities to be performed, how to document monitoring and reviews, and escalation procedures for any contract performance non-compliance.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Partially concur	February 26, 2027	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 27:

This recommendation aligns with PPS's current practice and expectations for management of all PPS contracts. PPS's annual mandatory contract management training identifies best practices in contract monitoring, review, documentation, and escalation. PPS will review current practices with the Bond Accountability Committee for refinements related to bond-funded contracts.

Recommendation 28: Assign the Office of Internal Performance Auditor responsibility for providing assurance that (1) the methodology for reducing district costs from monthly Procedeo bond program management invoices complies with contract provisions and (2) controls in place are functioning as intended.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur	June 2027	Janise Hansen, CIA PPS Internal Auditor (503) 916-3200

Narrative for Recommendation 28:

The PPS Board agrees the OIPA should provide assurance that (1) the methodology for reducing district costs from monthly Procedeo bond program management invoices and (2) controls in place are functioning as intended. We will direct the OIPA to immediately begin this work and develop a two-phased implementation plan.

Phase 1: Develop a short-term implementation plan to immediately begin a review of (1) the methodology for reducing district costs from monthly Procedeo bond program management invoices comply with contract provisions and (2) controls in place are

functioning as intended. The Board expects Phase 1 implementation to be in place by January 2027.

Phase 2: Develop a long-term implementation plan for this recommendation that includes the hiring of an additional auditor with capital delivery and bond program audit expertise (to be funded with bond funds).

The assigning of this responsibility to OIPA is effective immediately, however the full implementation of this recommendation will depend on the hiring process. As a result, we have identified June 2027 as the target implementation date.

Recommendation 29: Incorporate elements of fiscal responsibilities and accountability into the Board's upcoming 2027 strategic plan and vision to memorialize Board fiscal responsibilities for internal controls in general and over the bond program. This should include an explicit definition of the differences between operational direction and exercising fiscal oversight as part of district controls and accountability.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	June 2027	Board of Education (503) 916-3200

Narrative for Recommendation 29:

The Board agrees that more clarity is required regarding best practices around the Board's fiscal responsibilities, especially on the difference between operational direction and fiscal oversight. However, we disagree that this needs to be memorialized in a strategic plan, which historically has been the work of administrative leadership with guidance from the Board.

To address this recommendation, the Board will engage the Oregon School Board Association, the Council of Great City Schools, and other urban districts to advise on best practices regarding fiscal responsibilities for internal controls in general and over bond programs. The Board will schedule a future work session or retreat to share findings and discuss how the recommendations will be incorporated in the Board's "Expectations and Operating Protocols," onboarding training, and other pathways as identified through consultation, by June of 2027.

Recommendation 30: Revise the Board's "Expectations and Operating Protocols" document or authoritative documents to guide members on the specific responsibilities and activities they should employ to oversee capital funding, capital

projects, and the bond program. This could include expanding expectations in the "understand our fiduciary responsibilities" section of the document.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	June 2027	Board of Education (503) 916-3200

Narrative for Recommendation 30:

The Board will update the Board's "Expectations and Operating Protocols" document to guide members on the specific responsibilities and activities they should employ to oversee capital funding, capital projects, and the bond program. This will include expanding expectations in the "understand our fiduciary responsibilities" section of the document.

The Board will seek advice from the Oregon School Board Association, Council of Great City Schools, and other urban districts to determine best practices as it relates to the oversight of capital funding, capital projects, and the bond program. The Board will present the findings in a Board or Committee meeting, with possible recommendations to be presented and deliberated on by the Board. This will happen before June 2027.

Recommendation 31: Memorialize expectations and new protocols to guide how Board members are afforded the opportunity to ask questions and scrutinize bond activity as part of deliberations and due diligence either in the Board's "Expectations and Operating Protocols" document or in Board Policy 1.70.011-P Board Meetings and Protocols.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur	June 2027	Board of Education (503) 916-3200

Narrative for Recommendation 31:

The PPS Board agrees it should memorialize expectations and new protocols to guide how board members are afforded the opportunity to ask questions and scrutinize bond activity as part of deliberations and due diligence the Board's "Expectations and Operating Protocols" document.

The Board will meet within 30 days to assign the updating of the Board's "Expectations and Operating Protocols" to an existing Board committee or will schedule a full Board Retreat where this work will begin.

Recommendation 32: Reiterate and follow the Board's "Expectation and Operating Protocols" document Section V.A.3 where if district staff is unable to answer a question that comes up in board meeting discussion, the Board office will note the question and provide follow-up to the Board. These protocols could include supporting analysis, when relevant, in subsequent board meetings to address board inquiries.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur	June 2027	Board of Education (503) 916-3200

Narrative for Recommendation 32:

To implement recommendation 30 and 31, the PPS Board is committed to updating the Board's "Expectation and Operating Protocols" document. The Board will ensure the updated protocols clearly communicate expectations for follow up and transparency regarding Board member questions the Board that staff are unable to answer during the Board meeting.

The Board will meet within 30 days to assign the updating of the Board's "Expectations and Operating Protocols" to an existing Board committee or will schedule a full Board Retreat where this work will begin.

Recommendation 33: Track unanswered Board member questions raised during public Board meetings to record district responses in the Board-District Q&A document and post to the BoardBook public meeting platform to enhance transparency and give the public insight into the veracity of Board due diligence and oversight.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur	June 2027	Dr. Kimberlee Armstrong, Superintendent (503) 916-3200

Narrative for Recommendation 33:

The Board agrees with this recommendation and will direct the Superintendent to implement it, subject to applicable legal or privacy constraints and any other refinements the Board may define in the "Expectations and Operating Protocols" document.

Recommendation 34: Instruct the Office of Internal Performance Auditor to hire an additional audit employee with capital delivery and bond program audit expertise (paid for with bond funds) to provide objective review over the bond program as an extension of the Board's oversight and ensure audit staff receive regular capital project delivery training.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur	June 2027	Janise Hansen, CIA PPS Internal Auditor (503) 916-3200

Narrative for Recommendation 34:

The Board agrees with the recommendation and will direct the Internal Auditor to begin the process of hiring an additional audit employee with capital delivery and bond program audit expertise (paid for with bond funds). The hiring of the additional auditor will support the OIPA's ability to provide objective review over the bond program as an extension of the Board's oversight.

The Board will also direct the Internal Auditor to identify and obtain regular capital project delivery training for audit staff.

The direction from the Board to OIPA to implement this recommendation is effective immediately, however the full implementation of this recommendation will depend on budget availability and the hiring process. As a result, we have identified June 2027 as the target implementation date.

Recommendation 35: Assign the Board's Office of Internal Performance Auditor responsibility to conduct annual reviews of bond expenditures and provide assurance to taxpayers that bond funds are spent only for their intended and allowable purposes.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**

Concur with comment	June 2027	Janise Hansen, CIA PPS Internal Auditor (503) 916-3200

Narrative for Recommendation 35:

The PPS Board agrees with this recommendation and will direct the Internal Auditor to include an annual review of bond expenditures in the Office of Internal Performance Audit's 2026-2027 Audit Plan. OIPA may oversee the efficient use of external audit resources to fulfil this assignment.

The results of the annual review of bond expenditures will be presented to the Audit Committee, as well as the Bond Accountability Committee.

Recommendation 36: Have the Office of Internal Performance Auditor, or a public industry member from the Board Audit Committee, develop and provide training to the Board regarding the internal audit assurance function including roles and responsibilities of the Board Audit Committee.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Concur with comment	June 2027	Janise Hansen, CIA PPS Internal Auditor (503) 916-3200

Narrative for Recommendation 36:

13

The PPS Board wants to emphasize that all Board members have been trained by our internal auditor regarding the internal audit assurance function including roles and responsibilities of the Board Audit Committee, based on a training plan developed by our internal auditor. While it makes sense to formalize and memorialize these practices, the inference that Board members have not been trained should be corrected. The Board will discuss how best to move forward with ensuring these trainings are built into our workplan going forward and determine a process for training this year with June 2027 as the implementation date for this year to allow for adequate time to identify and deliver training to the full Board.

Recommendation 37: Develop and provide training and education to the Board about bond capital project delivery, lifecycle phases, and expected activities in a written document or manual available to the Board and stakeholders.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities**	**Name and phone number of specific point of**

	(Generally expected within 6 months)	**contact for implementation**
Concur with comment	March 31, 2027	Jon Franco, Senior Chief of Operations (503) 916-3101

Narrative for Recommendation 37:

PPS agrees that Board members would benefit from guidance on bond project delivery, including project lifecycle phases, procurement methods, contracting requirements, major decision points, and the information the Board should expect in program reports. PPS will develop a written guide available to Board members and stakeholders and provide training to the Board.

Recommendation 38: Present and discuss the annual capital budget with supporting details to the Board so it can have requisite information to properly review, understand linkages between capital planning and bond spending, and make informed decisions.		
Concur or Nonconcur with Recommendation	**Target date to complete implementation activities** *(Generally expected within 6 months)*	**Name and phone number of specific point of contact for implementation**
Partially concur	May 11, 2027	Michelle Morrison, Chief Financial Officer (503) 916-3214

Narrative for Recommendation 38:

PPS agrees to enhance capital budget visibility as part of PPS annual budget planning, presentation, and implementation. As part of the annual budget development process, the Board (and the PPS community) receives a budget plan for the upcoming fiscal year. The budget includes details regarding the 400 Capital Project funds, including historical information as well as where to find real-time project updates.

Appendix F: Auditor Comments to PPS Response

To provide clarity and perspective, we are commenting on PPS' response to our audit report. The circled numbers below correspond with those we have placed in the margin of PPS' response in Appendix E.

1 Page 123	To clarify, the scope approved by PPS in our bond performance audit workplan included steps to consider subsequent events that impact bond status and to identify and assess any potential risks. Thus, the identification of risks was part of the initial scope. A contract amendment was initiated and approved to cover an additional year of bond activities (through FY 25-26) to assess the changes to the bond program that occurred after the initial audit period and the risks identified during that timeframe as auditors needed to conduct more audit work and data analysis than initially envisioned.
2 Page 124	We recognize that current PPS management has not been involved with these annual bond performance audits, which we have delivered annually since 2019, and are unfamiliar with our audit contract, the audit process, and Generally Accepted Government Auditing Standards (GAGAS). As we have communicated with PPS management on multiple occasions, this year's audit report format follows the same format as previous reports submitted to and accepted by PPS since 2019. This format was established and agreed to by the previous PPS contract managers and members of the Bond Accountability Committee's Audit Subcommittee (that included a City of Portland audit manager) to meet the contract requirement and in adherence with GAGAS requirement paragraphs 9.10 to 9.14. Specifically, our contract states that "each performance audit report will be well-written and **include** the following for findings needing attention: criteria, cause, effect, recommendation, and benefit." It does not dictate the format of the audit report or how those elements are to be included, only that the report includes those provisions—which our report contains. Neither the contract, nor GAGAS, requires auditors to discretely label or identify each element of a finding as requested by PPS management. Because we followed GAGAS report requirements and delivered a report following the same format as agreed to with prior PPS management and accepted by PPS for the prior seven audits, we respectfully declined PPS' requests to rewrite the 100+ page audit report due to the significant time and resources it would require and that the report conformed with the contract, PPS precedent and conduct accepting prior reports, and GAGAS requirements. Additionally, PPS' response confuses audit standards (GAGAS) with accounting standards (GAAP, or generally accepted accounting principles) when it states that the audit report format does not meet accounting standards. For this performance audit, the only standards that apply are GAGAS. We have fully complied with those generally accepted government auditing standards in the performance of this audit and delivery of the audit report as certified with our compliance statement in Appendix A (p.109).

	As required by GAGAS, our work undergoes an external peer review every three years to determine that our work complies with audit standards—Sjoberg Evashenk has received a clean peer review opinion on our work, reports, and compliance with standards for each peer review.
3 Page 128	As described in Finding 2 on page 29, auditors did not see evidence that PPS had a process or protocol in place for approving, funding, monitoring, or reviewing one-time, partial-time, and full-time staff positions charged to the bond as described in their narrative response for Recommendation 8. Rather, we found informal and unclear practices for determining the allowability of charging staff time in compliance with bond provisions resulted in unsupported costs related to the percentage of time spent by certain staff on bond activities. Subsequent PPS input and documents provided by PPS to the auditors after their review of the draft report did not include any procedures for the auditors to consider.
4 Page 129	Recommendation 10 relates to identifying a position to be responsible for financial bond compliance that would include more than a reconciliation of project spending to cash flow needs and budget to actual reporting as described in PPS narrative response to Recommendation 9. It calls for developing procedures for monitoring compliance with all legal and financial aspects of the bond issue including tracking yield rates. Auditors did not see evidence that such procedures were in place.
5 Page 131	As described in Finding 3 on page 49, RISE had one named Senior Construction Manager and an unfilled construction manager position assigned to the three modernizations as of an April 2026 organization chart. We concluded that one construction manager alone may not be able to adequately monitor concurrent construction activities for all three builds and disagree with RISE that the onus of construction phase oversight should be primarily placed on architects, other third-party inspectors, and owner project managers and controls staff—especially when each project is valued at over $350 million. As of August 2026, a new RISE organization chart shows two Senior Construction Managers—but one individual works remotely (and would likely not be available to provide consistent job-site presence as needed and agreed to in PPS narrative response to Recommendation 13) and the other individual was previously a project manager over smaller facility improvements and consolidated projects.
6 Page 132	As described in Finding 1 on pages 13 through 16 and in Appendix C on pages 115 and 116, audit evidence shows that OSM delivered the 2012 and 2017 originally promised bond projects—and for several health and safety project improvement areas, delivered improvements at more than the original number of sites promised to voters. Audit evidence does not align with PPS' narrative response to Recommendation 15 that there is originally planned work that remains to be completed for the 2012 and 2017 Bond programs. Recommendation 15 relates to clarifying inaccurate public statements that 2012 and 2017 promised projects remain open and not delivered. Projects that show as "currently active" do not represent original planned project scopes that remain in progress but are newer improvements that have been identified as eligible for funding. Using PPS' definition of on-time delivery for

	bond projects shown in its response to Recommendation 1 on page 125, projects that meet substantial completion and certificate of occupancy are considered delivered. The 2012 and 2017 Bond projects completed met that definition. Even the Benson High School project opened on schedule, although there were funding challenges as a result from the 2017 Bond original cost estimation issues discussed in prior bond audits. While new projects are active under the 2012 and 2017 Bond program, they are in addition to the originally promised bond projects and achievable because of additional funds resulting from bond premium, interest earnings, and other monies available from savings and unencumbered funds. Remaining amounts and percentages are relatively small at $260,000 and 0.04% for the 2012 Bond program, and low for the 2017 Bond program with $20 million available that equates to just 2% for the 2017 Bond program.
7 Page 133	There is no misunderstanding on part of the auditors of the meaning of a "conflict of interest." PPS' narrative response to Recommendation 17 focuses on actual and potential conflict of interest definitions as established in Oregon ethics law and its own Public Contracting Rules but does not address **perceived** conflicts of interest. For this performance audit, auditors assessed risks related to procurement and contracting, including perceived conflicts of interest, in addition to relevant internal controls to mitigate those risks. Perceived conflicts of interest differ from actual or potential conflicts and happen when a reasonable person may view a particular set of circumstances or events and question whether bias influenced an outcome—regardless of whether there was actual bias or conflict. They can undermine trust and public confidence—often just as much as if a real conflict existed. As described in Finding 4 on page 69, government entities need to take precautions to avoid situations where the public could view a public official's actions as giving an unfair advantage to one proposer over another, even if individuals act fairly and unbiased in their decision-making and an entity followed laws and its internal policies. PPS' narrative response to Recommendation 17 states that prior discussions or prolonged previous dealings is not a basis for dismissal from an evaluation committee and does not require disclosure. However, given the sensitivity surrounding bond funds and public scrutiny of district bond actions, PPS did not employ sufficient controls to protect the integrity of and mitigate risks related to the bond program management consultant selection process as described in Finding 4 on pages 63 through 69. While PPS may disagree with our findings and conclusions, Recommendation 17 relates to strengthening processes and tightening accountability to reduce risks of perceived conflicts in future competitive solicitations, ensuring evaluation instructions are clear, and clarifying instructions surrounding actual, potential, or perceived conflicts. All elements of strong procurement control and best practices, especially given the audit found (1) unclear evaluation instructions for how evaluators assign weight when one RFP category has multiple components to be evaluated but only one score and (2) circumstances that increase risk of the perception of conflicts of interest.

8 Page 135	As described in Finding 5 on page 78, PPS' narrative response to Recommendation 20 continues to conflate the program management fee percentage used to establish the maximum base compensation for the contract and the unrelated ultimate percentage of project costs that will be paid out to the consultant for monthly services after required deductions. Additionally, the math shown in PPS' narrative response is inaccurate. Using PPS' stated "currently charged fee" of 3.65% against the portfolio of approximately $1.376 billion, the correct math should be $50 million—not the $55 million cited in the PPS audit response. Finally, while PPS' narrative response asserts that the auditors' comparable review indicates that a 3.65% to 4% fee is within the documented range for program management services, auditors concluded that PPS' negotiated fee percentage was higher than most school districts reviewed. As discussed on page 76 and shown in Exhibit 22 on page 77, other fee percentages ranged from 0.9% to 3.65%—with the exception of another Procedeo contract with Fort Worth Independent School District that was higher at 4.1%.
9 Page 136	PPS adjusted the August 2026 Procedeo invoice by $347,304 to account for its calculation of overpayments between April and July 2026. However, as described in Finding 5 on page 80, that amount does not agree with our calculations as it did not include adjustments for the March 10, 2026, through March 31, 2026, period, and did not include payroll costs related to bond curriculum, bond technology, and RISE support staff providing accounting, purchasing, and contracting in addition to other external consultants' costs providing bond funded project services as covered by the contract. PPS' calculations only deducted costs for four RISE staff and three school vice principals.
10 Page 137	As described in PPS' narrative response to Recommendations 23 and 24, auditors understand that PPS' contract with Procedeo is a lump-sum contract and that staff hours multiplied by billing rates do not determine the monthly amount owed to the consultant. However, as described in Finding 5 on pages 80 through 82, this does not align with best practice and does not allow PPS to assess whether it received expected contracted time and effort. PPS did not receive an initial breakdown of tasks with line-item cost so owners can expect what they will receive for the overall lump-sum price nor did it require any information detailing actual work performed such as timesheets or a breakdown of the cost by the high-level scope of work or task areas. Without any documented details of what services it received or how many consultant staff worked on the bond program, PPS does not know if it received services that represent the best value or use of bond funds on behalf of the taxpayer. PPS' narrative response to Recommendation 24 states that requiring this type of detail on invoices would not affect the contractual fee or improve their measurement of success under the contract. However, this type of information would provide greater visibility into tasks performed and better demonstrate that PPS received expected services for the price invoiced monthly.

11 Page 138	Although PPS does not fully concur with Recommendation 25, at a minimum, PPS should remove the $750,000 staff retention incentive as the consultant did not meet the requirement since one of the key personnel identified in the proposal was not retained and was replaced by a different design manager, as described in Finding 5 on pages 84 and 85.
12 Page 138	While we support PPS' action described in its narrative response to Recommendation 26 to review contract initiation, negotiation, review, and approval processes with the Bond Accountability Committee, this recommendation related more specifically to the defined content and language in the contract document itself as identified from the auditors' assessment of the initial Procedeo contract and the need to tighten controls for future contracts. Although PPS disagrees with the auditors' assessment of the Procedeo contract and asserts it includes a detailed and robust scope of work and defined deliverables, the staff augmentation amendment to Procedeo's initial contract to "provide interim OSM Leadership reporting to the Senior Chief of Operations" and "provide supplemental staffing and resources as needed" was neither detailed nor a robust scope of work as described in Finding 5 on page 87. Further, as described on pages 85 through 88, PPS did not follow best procurement practices or have controls in place over the initial contract to best ensure it contained contract terms and a competitive price negotiated that could allow PPS to monitor contract performance, hold contractor accountable for deliverables, and pay for supported services rendered.
13 Page 144	PPS' narrative response to Recommendation 36 emphasizes that all Board members have been trained regarding the internal audit assurance function and notes that "the inference that Board members have not been trained should be corrected." Our audit results and related recommendation **does not infer** that Board members have not been trained. As we discuss in Finding 6 on pages 100 and 101, at the Board's June 23, 2026, meeting, there were statements made by some board members suggesting a lack of understanding of the role of internal audit, audit assurances provided by internal auditors, and audit activities, as well as a proposal to reduce OIPA staff. This meeting illustrated the limited value some of the Board members placed on the internal audit function. Thus, we recommend specialized training to assist the Board to better understand how governance, management, and assurance work together. The Board's unclear understanding of the audit function was again demonstrated at a special Board session on September 29, 2026, where members discussed our draft annual bond performance audit recommendations. During that meeting, several Board members were uncertain about the audit function as they questioned the independence of internal auditors compared to external auditors and the different roles and functions between various PPS internal and external auditors. Additional training could help board members receive answers to these questions and additional knowledge on the audit function.

RIGHTSIZE. RIGHT SUPPORT.
RIGHT *for* STUDENTS.

October 20, 2026 Board Meeting

Purpose

Examine the scenarios using key performance indicators and the equity analysis.

Today we will:

a Connect the KPIs and Equity Impact to the Scenarios

b Examine the scenarios using the KPIs

c Answer questions

KPIs

Key performance indicators (KPIs) co-developed with the Board and directly informed by community input and engagement.

Physical Environment & Pathways

1. Utilization
Percent of efficiently utilized schools

2. Proximity
Percent of students living within 1.0 and 1.5 miles of school

3. Split Feeders
Number of schools with split feeders

4. High School Pathways
Percent of middle school feeders moving to the same high school

Balance & Impact (Scenarios)

1. Student Impact
Percent of focal students who will experience the change

2. Title I
Number of Title I schools impacted by the change

3. Student Mobility
Number of students moving to a new school or site

Opportunity & Stability Indicators

1. Enrollment Thresholds
Percent of schools at a grade level with enrollment above threshold

2. Focal Students
Percent of focal students enrolled in schools above the threshold

3. Enrollment Balance
Range of enrollment (largest - smallest) by grade level

Equity Impact Analysis

Rightsizing

Equity is Part of the Analysis - not a Final Check

Stage	Equity checkpoint	What it produces
Workgroups and Criteria	Who benefits, who carries burden, and what could our criteria miss?	Disaggregated benefit and burden analysis
Scenarios and Clusters	What does this mean for these students, in this community, with this history?	An equity analysis review attached to every scenario
Readiness and Decision	Is this equitable and ready, and what must be true before it advances?	Required mitigation and an Equity Impact Statement
Implementation	Are our intended outcomes happening?	Disaggregated monitoring and course correction

Every checkpoint works through the same five sections

People	Opportunity	Voice	Systems	Action

SPRING 2026

Building the KPIs and Equity Lens – What we heard, and what we changed

WHAT WE HEARD	WHAT WE CHANGED
Pathway continuity and feeder patterns matter more than anything else.	**Built feeder continuity into the KPIs**, and used it to guide middle school and DLI consolidation.
Keep **schools close to home and safe to walk** to.	**Named neighborhood schools as the foundation** of the system and added walkability to the Guiding Principles
Our students move together from elementary to middle school and middle to high school..	**Added an assessment of cohort cohesion to the work plan,** and capped receiving schools at two per closing school.
Center the students most affected, not the loudest voices.	**Revised the Equity Lens principle to name the most impacted focal students** based upon our data, and reported every indicator by focal group.
Protect dual language and the focus programs/schools.	**All five DLI languages are sustained. Kindergarten DLI seats, ACCESS, Benson, Winterhaven and da Vinci stay the same.**

Building the KPIs and Equity Lens – Families of color ranked factors differently

All respondents

Last of six

Right Mix of Students (student body demographics) was the least important factor of the six options.

Respondents were 75% White. PPS is 53% White.

Communities of color

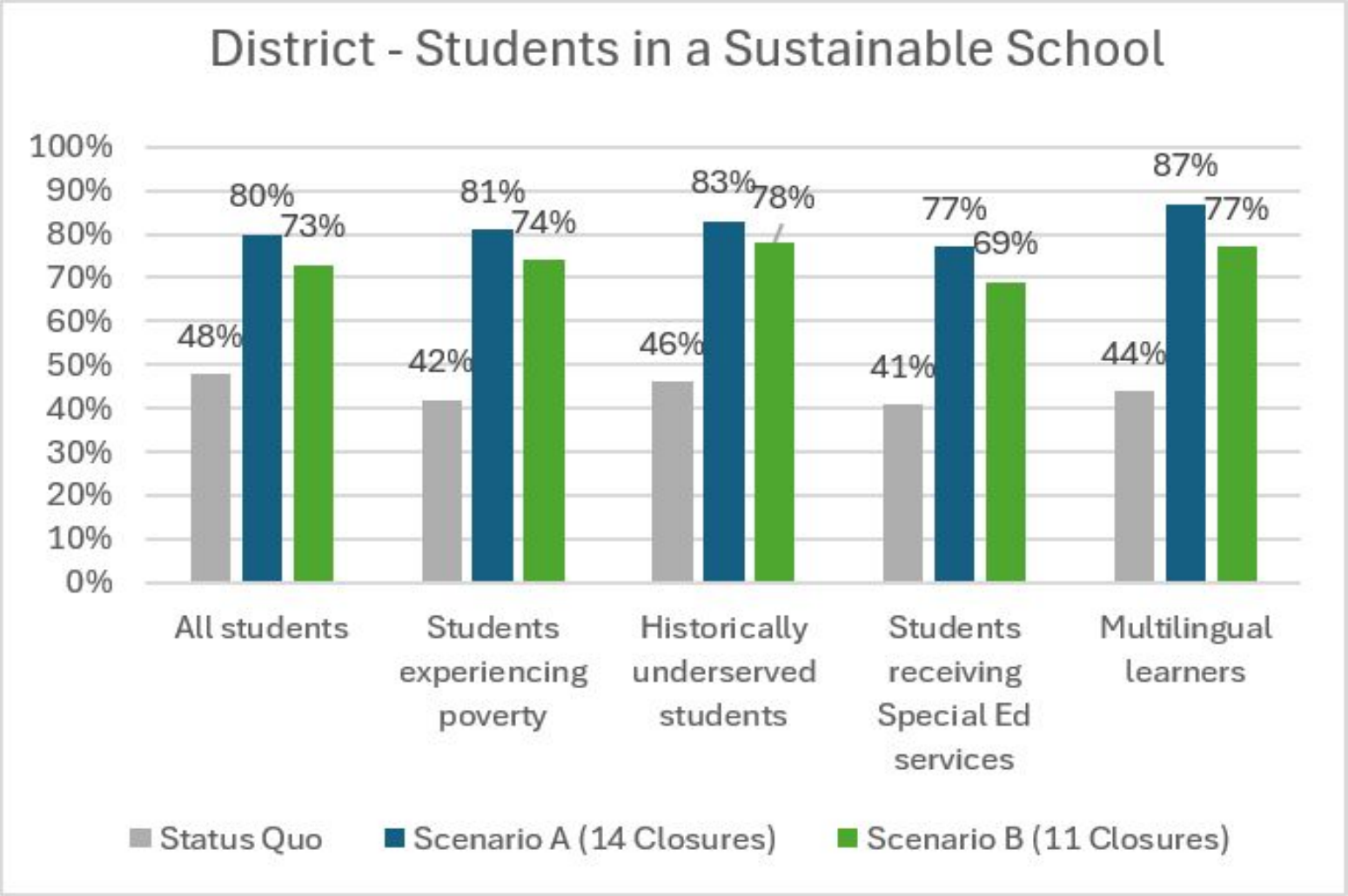
First

Right Mix of Students was rated the most important factor.

This is why the scenarios measure who is in each school. We are not setting community feedback aside. We are following what the families most affected told us matters most.

EQUITY SNAPSHOT

Districtwide



Share of each group in a sustainable school.

Scenario A closes 14 schools, B closes 11

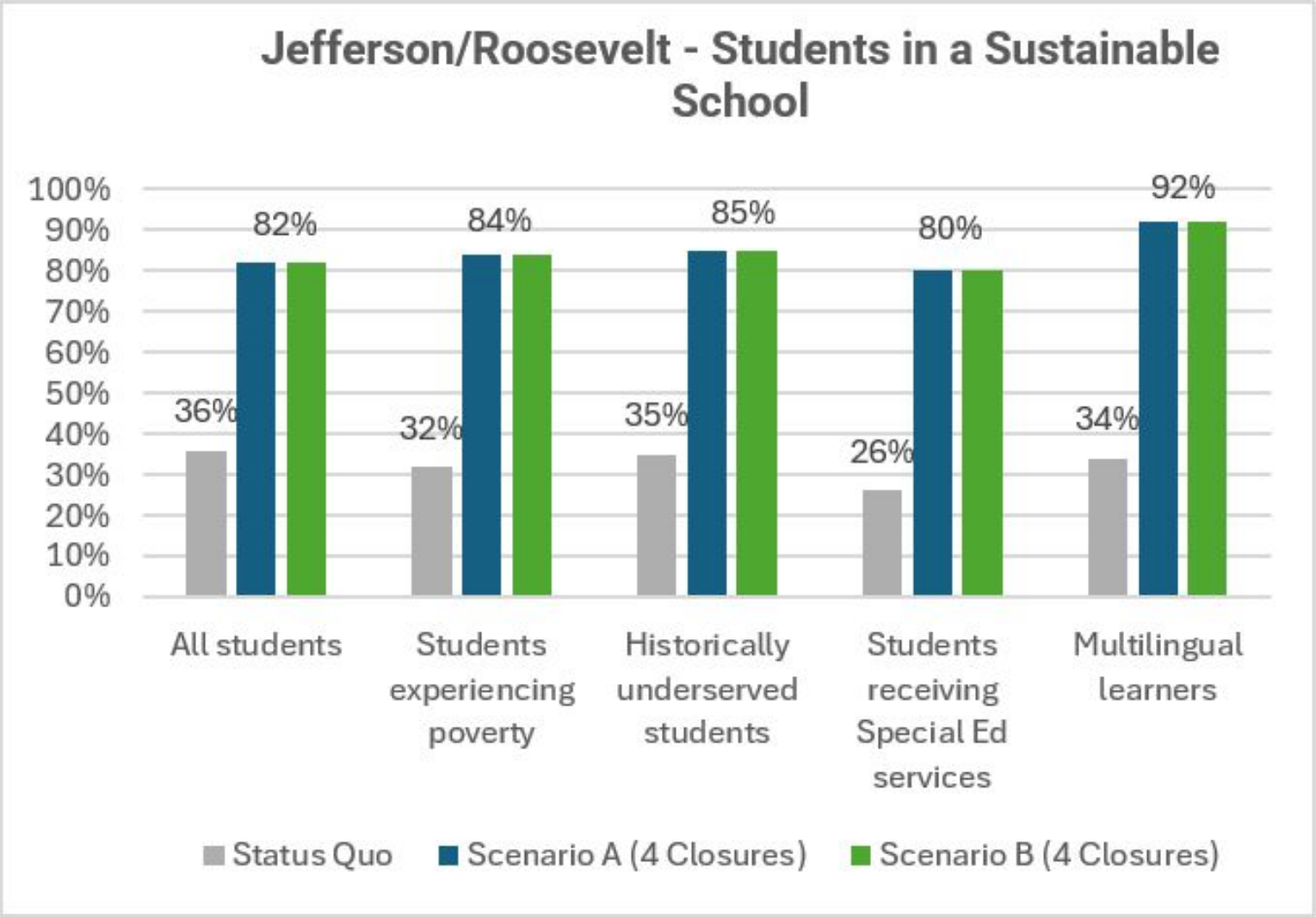
Students in a sustainable school

- about half with no changes
- 8 in 10 under Scenario A
- 7 in 10 under Scenario B

Every focal group gains more than all students combined

EQUITY SNAPSHOT

Jefferson/Roosevelt

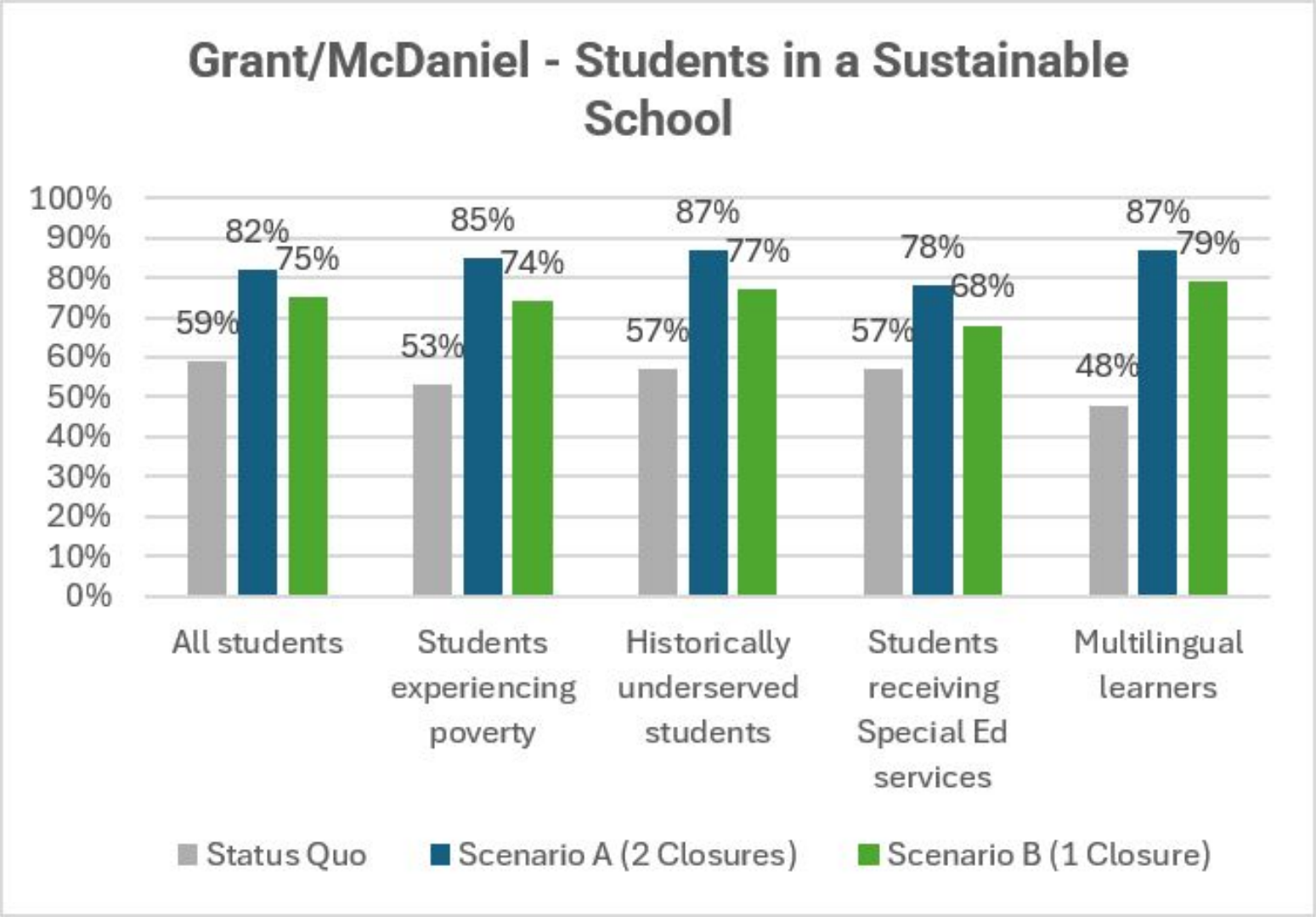


- Both scenarios close the same 4 schools
- It will have the lowest percentage of students in sustainable schools and sees the largest gains in the district
- Every focal group gains more than students overall

Share of each group in a sustainable school.

EQUITY SNAPSHOT

Grant/McDaniel



Share of each group in a sustainable school.

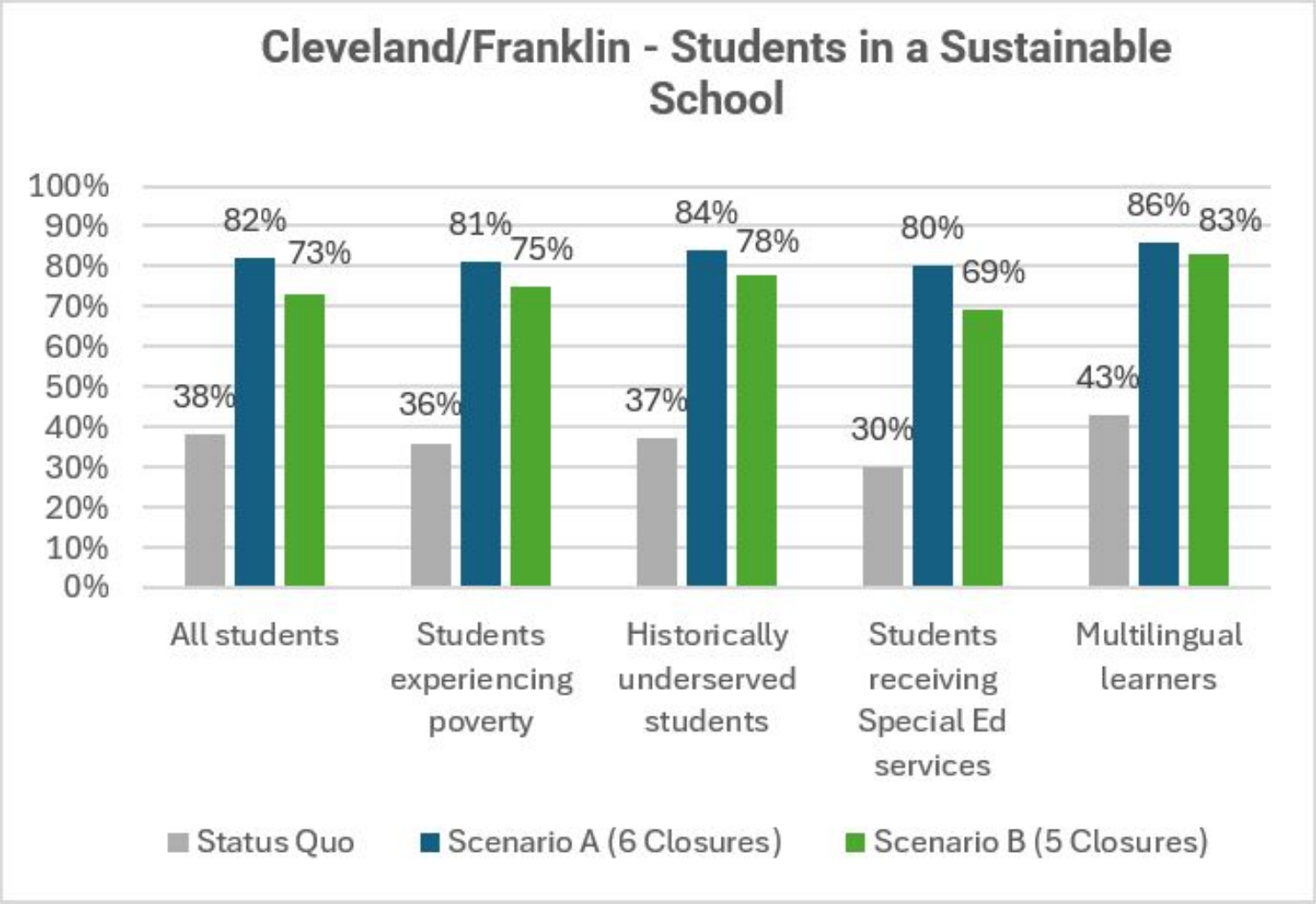
Scenario A closes 2 schools, B closes 1

Rose City Park is the key difference between the scenarios

Every focal group gains; most gain more than students overall

EQUITY SNAPSHOT

Cleveland/Franklin

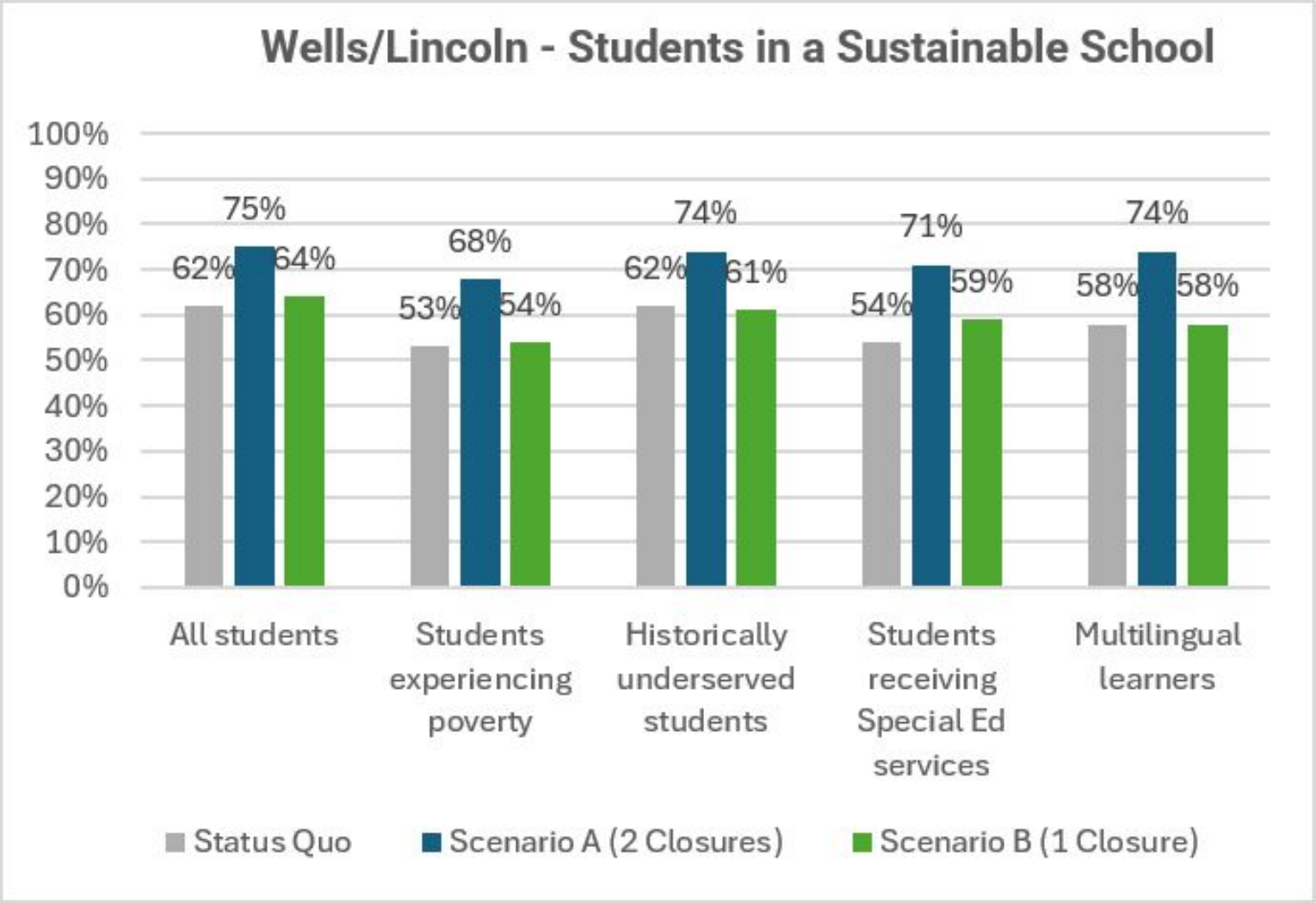


- Scenario A closes 6 schools, B closes 5
- Most closures and most boundary changes in the district
- Every focal group gains; most gain more than students overall

Share of each group in a sustainable school.

EQUITY SNAPSHOT

Well/Lincoln

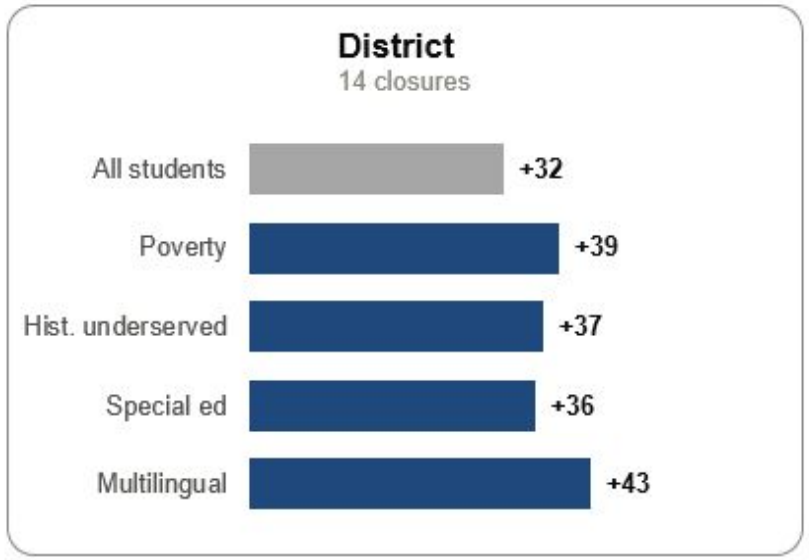


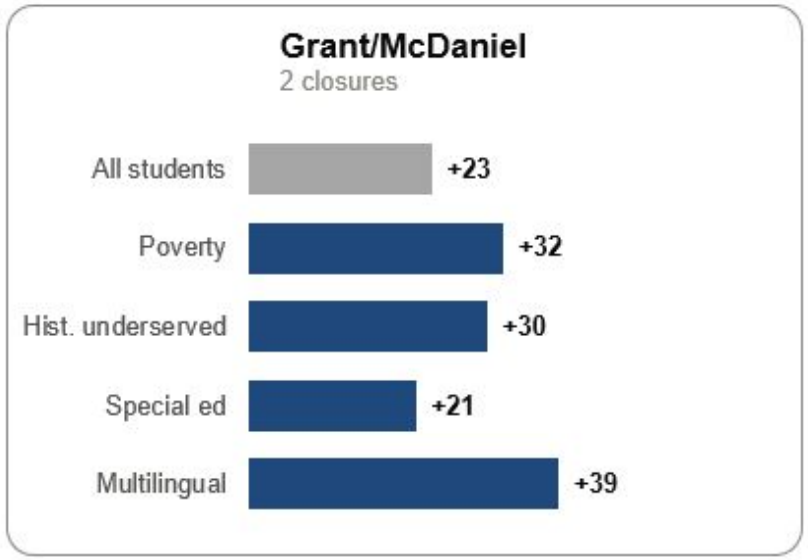
Share of each group in a sustainable school.

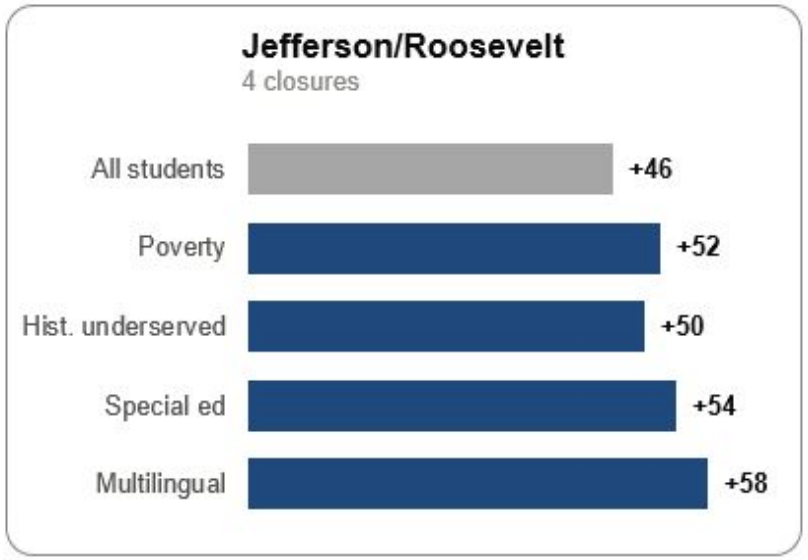
- Scenario A closes 2 schools, B closes 1
- Highest share of students in sustainable schools of any region
- Every focal group gains more under Scenario A than B

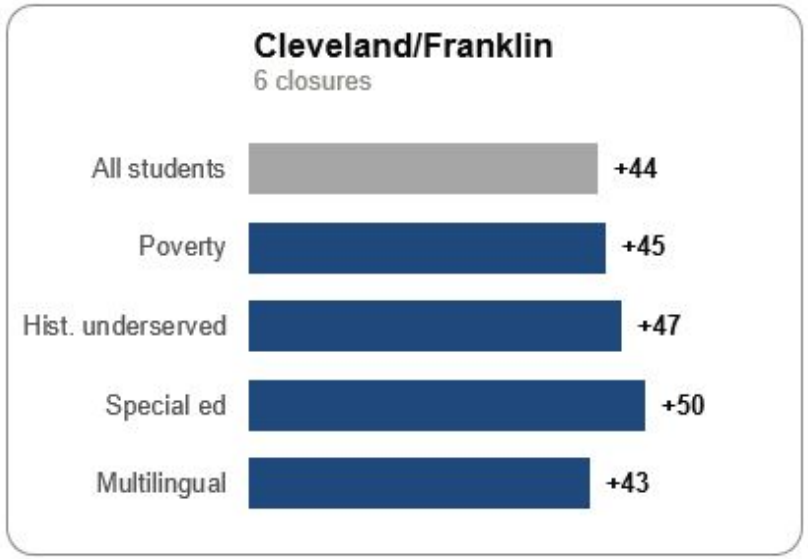
Status Quo to Scenario A: Percentage-point Gain in Sustainable Schools

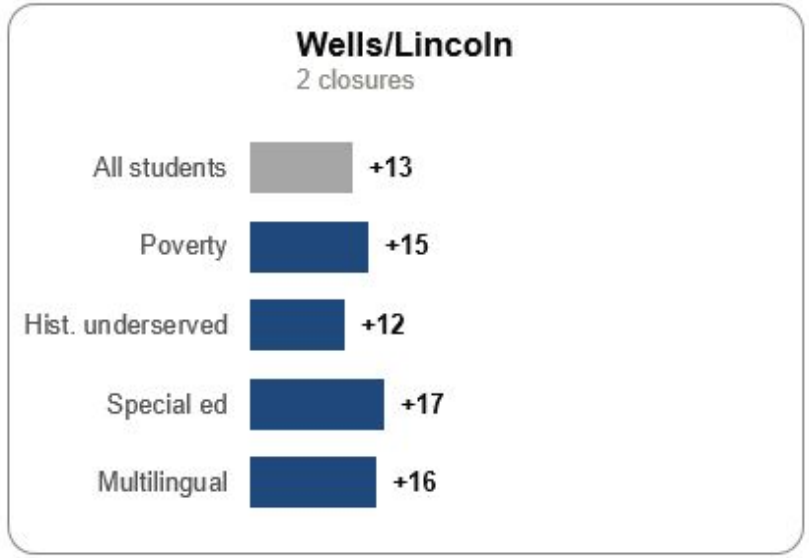
Change in each group in a sustainable school.











Status Quo to Scenario B: Percentage-point Gain in Sustainable Schools

Change in each group in a sustainable school.

Key Performance Indicators

Opportunity and Stability Indicators

1. Percent of schools at a grade level with enrollment above threshold
2. Percent of focal students enrolled in schools above the threshold
3. Range of enrollment (largest - smallest) by grade level

Enrollment Range By Grade Level

Enrollment Range	Actual 2025-26	Projected 2031-32	Scenario A and B
K5	560 -160 =400	557 -168 = 389	557 - 235 = 322
K8	610 -207 =403	602 -177 = 425	431 - 177 = 254
Middle Schools	689 - 358 =331	620 -350 = 270	636 - 405 = 231
High Schools	2074 -391 =1683	1492 -1117 =375	1491 - 1190 = 301

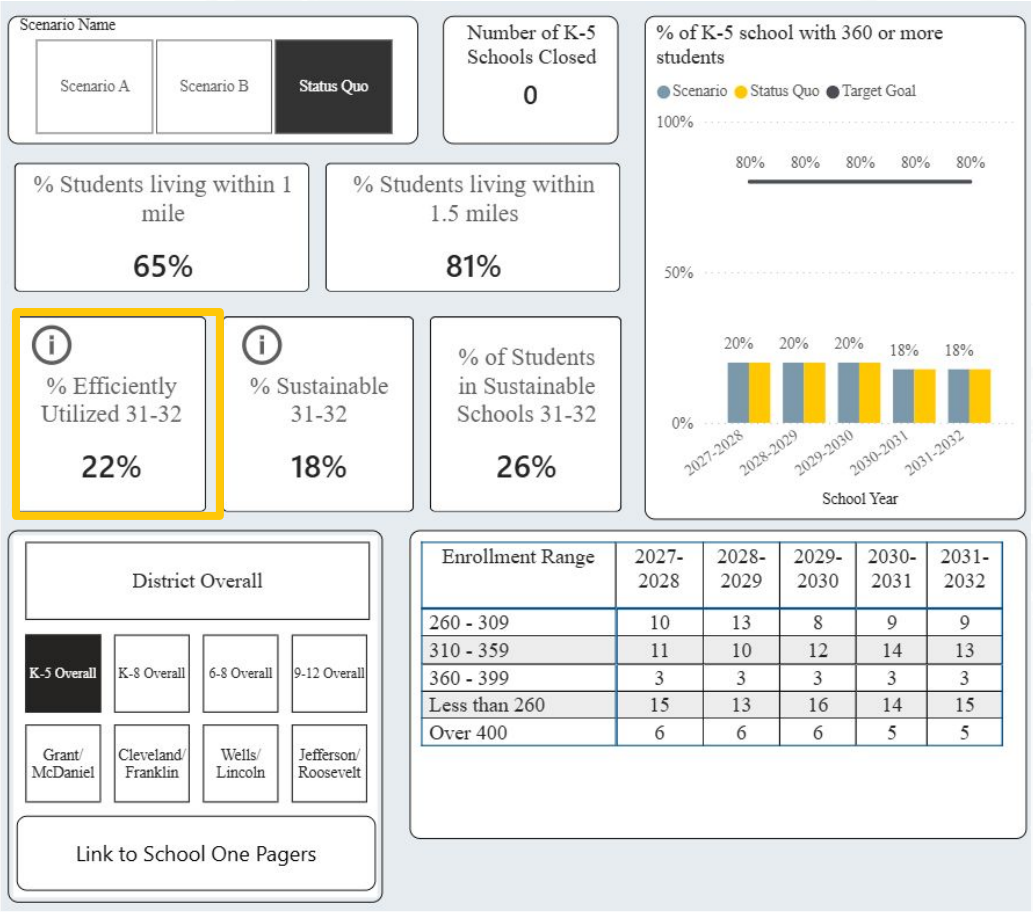
Key Performance Indicators

Physical Environment and Pathway Indicators

1. Percent of efficiently utilized schools
2. Percent of students living within 1.0 and 1.5 miles of school
3. Number of schools with split feeders
4. Percent of middle school feeders moving to the same high school

Efficiently Used Schools

Grade Band	Status Quo	Scenario A	Scenario B
Elementary K5	22%	51%	38%
K8	54%	40%	40%
Middle School	0%	43%	43%
High School	89%	78%	78%

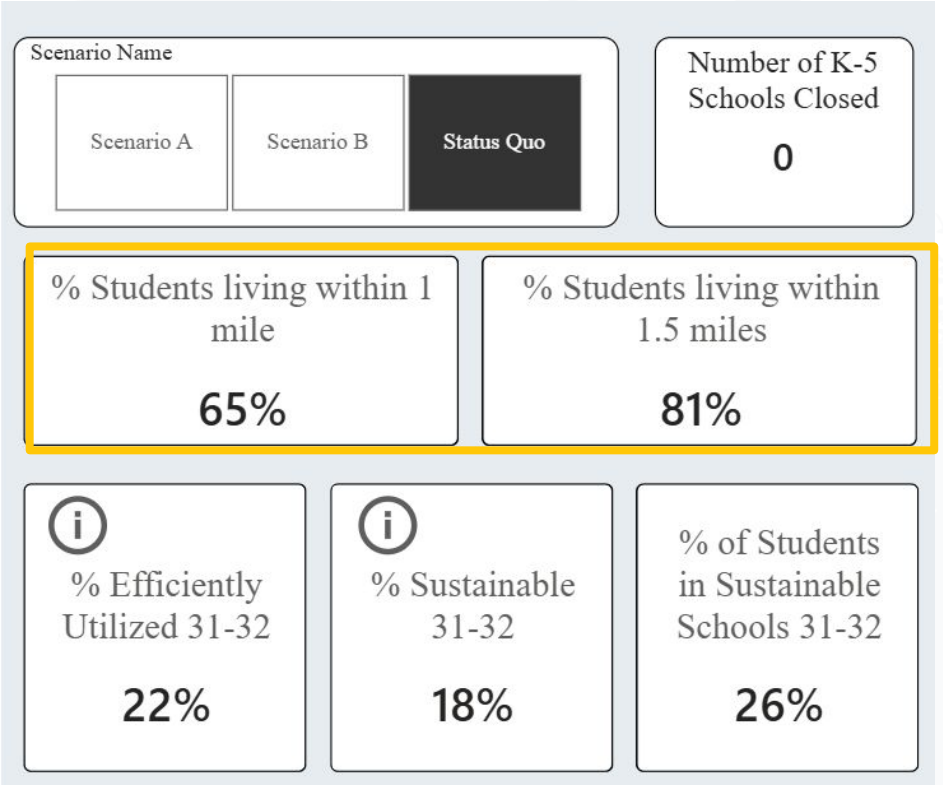


Enrollment Range	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032
260 - 309	10	13	8	9	9
310 - 359	11	10	12	14	13
360 - 399	3	3	3	3	3
Less than 260	15	13	16	14	15
Over 400	6	6	6	5	5

Students Living Within 1.0 and 1.5 Miles

Grade Band	Status Quo	Scenario A	Scenario B
Elementary K5	65% / 81%	55% / 78%	58% / 79%
K8	78% / 84%	71% / 82%	71% / 82%
Middle School	30% / 50%	28% / 50%	28% / 50%
High School	Did not analyze	Did not analyze	Did not analyze

Rightsizing Dashboard



Schools with Split Feeders

Split Feeder	Next level: Current State		Scenario A
Bridlemile K5	Robert Gray MS	West Sylvan MS	No Change
Bridger Creative Science K8	Franklin HS if they live in the attendance area	Focus option students return to their neighborhood HS	Now K5 Focus/Neighborhood → to Harrison Park or return to neighborhood MS
Sunnyside Environmental K8	Franklin HS if they live in the attendance area	Focus option students return to their neighborhood HS	Now K5 Neighborhood→ Hosford→ Cleveland
Atkinson	Kellogg (Spanish DLI)	Harrison Park (Non-DLI)	All students go to Kellogg MS
Woodstock	Harrison Park (Mandarin DLI)	Brentwood (Non-DLI)	No Change

Schools with Split Feeders

Split Feeder	Next level: Current State	Scenario A	Scenario A
Vestal K5	All students continue to Harrison Park MS	Vietnamese DLI continues to Roseway Heights	Neighborhood to Harrison Park MS
Kelly K5	All students move to Brentwood MS	Russian DLI continues to Brentwood	Neighborhood students move to Harrison Park MS

At the transition from elementary to middle school, there is no net change in the overall number of split feeders. We reduce at Sunnyside and Atkinson and increase at Vestal and Kelly.

Schools With Split Feeders (6 fewer overall)

Split Feeder	Next level Current State			Scenarios A and B
Beaumont MS	Grant HS	McDaniel (Spanish DLI)		Grant HS: No split
Harriet Tubman MS	Grant HS	Jefferson HS		Jefferson HS: No split
Harrison Park MS	Franklin HS	McDaniel HS	Cleveland HS (Chinese DLI)	No Change: Split to three high schools
Hosford MS	Cleveland HS	Franklin HS		Cleveland HS
Brentwood MS	Cleveland HS	Franklin HS		No Change: Split to two high schools
Mt. Tabor MS	Grant HS (Japanese DLI)	Franklin HS		No Change: Split to two high schools
Ockley Green MS	Jefferson HS	Roosevelt (Spanish DLI)		Jefferson HS: No split

Key Performance Indicators

Balance and Impact Indicators for Scenarios

1. Percent of focal students who will experience the change
2. Number of Title I schools impacted by the change
3. Number of students moving to a new school or site

Balance and Impact Indicators - Scenario A

Indicator % and N	Scenario A	North: JHS/RHS	Northeast: GHS/MHS	Southeast: CHS/FHS	West: LHS/WHS
Students who experience move	7981 (27%)	33%	26%	30%	18%
Students who are experiencing poverty who move	2648 (27%)	32%	22%	32%	16%
Students on IEPs who experience a move	1545 (27%)	31%	21%	34%	20%
Multilingual Learner Students who experience a move	1006 (31%)	39%	32%	29%	14%
Historically Underserved Students	2888 (28%)	34%	21%	32%	14%
Number of Title I schools students will move from	19/32 T1 24/50 Non T1	10/14 T1 2/6 Non T1	3/7 T1 6/8 Non T1	6/9 T1 10/18 Non T1	0/2 T1 6/15 Non T1
Number of Title I schools students will move to	19/32 T1 21/50 Non T1	8/14 T1 3/6 Non T1	5/7 T1 2/8 Non T1	5/9 T1 12/18 Non T1	1/2 T1 4/15 Non T1

Balance and Impact Indicators - Scenario B

Indicator % and N	Scenario B	North: JHS/RHS	Northeast: GHS/MHS	Southeast: CHS/FHS	West: LHS/WHS
Students who experience move	6988 (24%)	33%	19%	27%	13%
Students who are experiencing poverty who move	2450 (25%)	32%	15%	31%	13%
Students on IEPs who experience a move	1379 (24%)	31%	16%	30%	15%
Multilingual Learner Students who experience a move	909 (28%)	39%	22%	29%	10%
Historically Underserved Students	2731 (26%)	34%	18%	31%	11%
Number of Title I schools students will move from	20/32 T1 20/50 Non T1	10/14 T1 2/6 Non T1	3/7 T1 5/8 Non T1	7/9 T1 8/18 Non T1	0/2 T1 5/15 Non T1
Number of Title I schools students will move to	16/32 T1 21/50 Non T1	8/14 T1 3/6 Non T1	3/7 T1 2/8 Non T1	5/9 T1 13/18 Non T1	0/2 T1 3/15 Non T1

Sustainable Schools by Grade Level & Title I Status

Percent of Schools	Actual 2025-26	Projected 2031-32	District	North: JHS/RHS	NE: GHS/MHS	SE: CHS/FHS	West: LHS/WHS
			In Scenario A				
K5 Title I	18%	9%	13 out of 18 72%	6 out of 7 86%	3 out of 5 60%	4 out of 5 80%	0 out of 1 0%
K5 Not Title I	35%	26%	15 out of 21 71%	1 out of 2 50%	2 out of 3 67%	6 out of 9 67%	6 out of 7 86%
K8 Title I	50%	50%	N/A	N/A	N/A	N/A	N/A
K8 Not Title I	18%	9%	0 out of 6 0%	0 out of 2 0%	N/A	0 out of 1 0%	0 out of 2 0%
MS Title I	29%	0%	5 out of 6 83%	2 out of 3 67%	2 out of 2 100%	1 out of 1 100%	N/A
MS Not Title I	50%	25%	3 out of 8 38%	N/A	0 out of 1 0%	2 out of 3 67%	1 out of 3 33%

Sustainable Schools by Grade Level & Title I Status

Percent of Schools	Actual 2025-26	Projected 2031-32	District	North: JHS/RHS	NE: GHS/MHS	SE: CHS/FHS	West: LHS/WHS
			In Scenario B				
K5 Title I	18%	9%	11 out of 19 58%	6 out of 7 86%	1 out of 5 20%	4 out of 5 80%	0 out of 2 0%
K5 Not Title I	35%	26%	12 out of 23 52%	1 out of 2 50%	3 out of 4 75%	4 out of 10 40%	4 out of 7 57%
K8 Title I	50%	50%	N/A	N/A	N/A	N/A	N/A
K8 Not Title I	18%	9%	0 out of 6 0%	0 out of 2 0%	N/A	0 out of 1 0%	0 out of 2 0%
MS Title I	29%	0%	5 out of 6 83%	2 out of 3 67%	2 out of 2 100%	1 out of 1 100%	N/A
MS Not Title I	50%	25%	4 out of 8 50%	N/A	0 out of 1 0%	3 out of 3 100%	1 out of 3 33%

Resources, Engagements and FAQs

Rightsizing

Resources and Information Updates & Reminders

PPS Rightsizing Website

Superintendent Video Series

How Your School Could Be Impacted

Key Performance Indicators (KPIs)

Frequently Asked Questions (FAQs)

Community Engagement Calendar

NEW School Boundary Proposal Dashboard

NEW Feeder Pattern Visuals (including DLI)

Search "PPS Rightsizing" or access from www.pps.net)

Released Materials & Focused Sessions

Well-resourced School Focus
Teaching, Learning & Enrollment, Sept 8

Scenario Release (Board Meeting, Oct. 6)
Maps, regional overviews & presentation

DLI & Middle Grades Focus
Teaching, Learning & Enrollment Committee, Oct. 13

Upcoming Schedule

Facilities Focus (Nov 9)
Facilities Improvement & Oversight Committee

Community Engagements
Timeline & locations on next slide

NOTE: We continue to add engagements and tailor meeting events to respond to community questions and requests.

Rightsize. Right Support. Right for Students.
Fall 2026 Engagement Timeline - Phase III: Making Meaning Together (By Date)

Engagement	Location	Date	Time	Stakeholder
Superintendent Round Table: PTA Presidents	Prophet Education Center	**Oct 21**	11:00a	PTA Presidents of 14 Schools
Community Voice: Black Families	McDaniel HS	**Oct 22**	6:00p	Black/African Am Families, Partners
School Impact Conversation: Southeast Region	Cleveland @ Marshall HS	**Oct 24**	9:00a	Families in SE Region
School Impact Conversation: North Region	Jefferson HS	**Oct 24**	1:00p	Families in North Region
School Impact Conversation: West Region	Ida B. Wells HS	**Oct 24**	4:00p	Families in West Region
Community Voice: Native Families	Barbie's Village	**Oct 26**	6:00p	Native/Indigenous Families, Partners
District Student Council	PEC	**Oct 27**	5:00p	High School Students
Board of Education Community Connection	Lincoln HS	**Oct 27**	6:00p	All
Board of Education Community Connection	Virtual via Zoom	**Oct 28**	6:00p	All
PPS Educator Town Hall	Cleveland @ Marshall	**Oct 29**	6:00p	All PPS Educators
The Village Table	Roosevelt HS	**Nov 5**	6:00p	Village Table Representatives
Board of Education Community Connection	Ida B. Wells HS	**Nov 14**	2:00p	All

Next Steps

October	November	December
10/05: Scenario Release Collect Feedback & Synthesize	**Mid-November:** **Publish Superintendent's Recommendation**	**Board Consideration & Vote**
10/06 Board Meeting: Scenarios **10/13 TLE Committee:** Dual Language Immersion and Middle Grades **10/20 Board Meeting:** Scenarios	**11/04 Board Meeting** Feedback Summary **11/09 FIO Committee** Rightsizing **11/10 TLE Committee** Rightsizing **11/17 Board Meeting:** Superintendent's Recommendation	**12/15 Board Meeting:** Rightsizing Vote

Resources and Where to Learn More

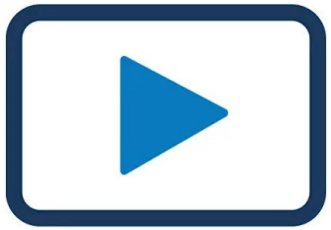
View Board Presentations

Ask a Question and Read Answers to FAQs

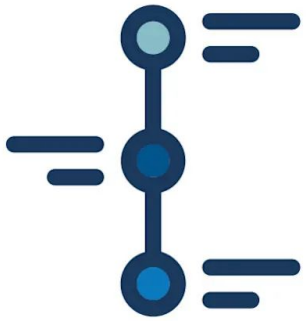
pps.net/rightsizing

Join Us at an Engagement Event

Watch Informational Videos



Follow the Timeline



RIGHTSIZE. RIGHT SUPPORT.
RIGHT for STUDENTS.

Questions and Discussion

TOGETHER, WE RISE

WITH **EXCELLENCE.** WITH **PURPOSE.**

2025-26 Division 22 Assurances

Division 22 Assurances 2025-26 Presentation

What's Required? And, what is on the horizon?

What are the Division 22 Standards?

Where are we meeting and exceeding these standards?

Where are we currently in partial compliance, working toward full compliance, and where do we have corrective action plans?

What’s Required?

Districts must report compliance for the preceding school year:

- To the community on or before November 1st
- By presenting the report to the PPS School Board
- In an oral presentation at an open public meeting, allowing for public comment
- And by posting the report on the district’s webpage
- Districts must use the report form provided by the Department

OAR 581-022-2305 District Assurances of Compliance with Public Schools Standards

Rules and Revisions for 2025-26

Statewide Division 22 Waivers for 2025-26

- 581-022-2115(3) Assessment of Essential Skills:
  - **Essential Skills Graduation Requirements** are waived for students graduating through the end of the 2027-28 school year.
  - Note: Local Performance Assessment requirement in Section (2) remains in effect.
- OAR 581-022-2120 Essential Skill Assessments for English Language Learners
  - This related policy requirement has also been waived through the end of the 2027-28 SY.

Rule Revision in Effect for the 2025-26 SY

Administration of State Assessments

- Added SEED Survey as a required OSAS component
- Added mention of the ELPA Screener as a required OSAS component (this is not a new requirement)
- Added clarification that districts must abide by ODE decisions regarding student test records

New TAG Requirements for the 2025-26 SY (OAR 581-022-2325)

- Any person may recommend a student to be screened for TAG identification during the school year
- A definition of “screen” was added to the rule:

  “Screen” means to use district policies and procedures that have the purpose of identifying which students are eligible to receive talented and gifted services, supports, or programs.

Preserving Student Instructional Time (OAR 581-022-2323 and Executive Order 26-06)

- Districts that reduced student instructional time levels during the 2025-26 or 2026-27 school years must submit to ODE either:
  - a plan to restore student instructional time by the 2027-2028 school year, or
  - evidence of the district school board approving the decision to not restore student instructional time and a public posting of the justification for that decision
- A district may not reduce student instructional time during the 2026-2027 school year.

Report for 2025-26

Areas of Strength

- Currently Meeting in all but 4 areas
- Implementing changes for areas out of compliance during the 2025-26 school-year in 2026-27
- On track to meet new requirements for the 2026-27 school-year
- All areas of corrective action are being remedied and corrective action plans are being implemented
- Teams monitoring and implementing corrective action meet regularly
- We will provide progress updates throughout the year as requested

Physical Education Requirements

(OAR 581-022-2263)

Now in Compliance

Overview:

- 6-8 requirement: 150 minutes/week, averaged over the course of the entire school year (4 day week =120 minutes average). Must be taught by a licensed PE teacher. During the 2024-25 school year identified and corrected for out of license teaching at three schools.

Implementation:

- HR and Health & PE staff partnered with teachers and administrators at Cesar Chavez, da Vinci, George, Ockley Green, MLC, and WInterhaven to support enrollment in appropriate licensure/credential programs; or alternative placement within the school while recruiting fully licensed and endorsed PE Teachers.
- PPS Facilities and Health & PE staff conducted site visits at all six schools to develop short-term implementation plans and identify and document longer-term facility upgrades needed to sustain compliance.

District Curriculum

(OAR 581-022-2030)

Now in Compliance

Overview:

- Outlines all required components of a district's planned instructional program. *New requirements for 2024-25: a planned K-12 instructional program for Social and Emotional Learning; a planned 9-12 instructional program which includes the Personal Financial Education and Higher Education and Career Path Skills content standards.

Implementation:

- All high schools have selected a PPS adopted social emotional learning curriculum. All students in every high school are receiving two semesters of this curriculum during a designated, required course (health, ELA, AVID) during the required SEL minutes. Additionally, the K-12 school climate/attendance Tier I goals require that all schools align their climate/attendance goal with one of the Oregon Transformational Social Emotional Learning standards and monitor this through the Successful Schools Survey as well as other relevant data.

Programs and Services of Talented and Gifted Students

(OARs 581-022-2500, 581-022-2325 and 581-022-2330)

Now in Compliance

Overview:

- PPS was in corrective action related to these OARs covering programs and services, rights of parents and identification of TAG students.

Implementation:

PPS is now fully in compliance, including with the terms of our corrective action. Significant changes include:

- New TAG administrative directive
- Annual family survey
- Compliant identification system and family notifications
- Personalized Education Plans (PEPs) required for all newly identified students
- Higher TAG training completion
- PEP training for teachers

Required Instructional Time

(OAR 581-022-2320)

Out of Compliance

Overview:

- Each school shall ensure that at least 92% of all students in the district and at least 80% of all students at each school operated by the district are scheduled to receive annually the following minimum hours of instructional time:
  (A) K-12: Grade 12 — 966 hours;
  (B) Grades 9–11 — 990 hours;
  (C) Grades K–8 — 900 hours.

Implementation:

- We have submitted a plan to the ODE to restore lost instructional time.

Veteran’s Diploma

(OAR 581-022-2005)

Out of Compliance

Overview:

- Requires districts, upon request, to award a diploma to veterans of the Armed Forces of the United States, alive or deceased, that meet stated requirements.Requests are made by the veteran or, if deceased, a representative of the veteran.

Implementation:

- We will implement corrective action during 2026-27 to become fully compliant.
- We are updating our website to include information on how eligible veterans can request being awarded a high school diploma.

Media Programs (Updated 10/20/26)

Partial Compliance

(OAR 581-022-2340)

Overview:

- Provides guidelines for a cohesive K-12 media program, including expectations around facilities and materials, staffing, program development, instructional goals, and program maintenance.

Implementation:

- PPS partially meets the Media Programs standard through certificated library staffing, instructional access, library collections, equipment, and resources.
- PPS has not fully established districtwide Media Program goals, consistent K–12 instructional activities, or a process for evaluating district and school media programs.
- During 2026–27, PPS will develop a corrective action plan to address identified program gaps, clarify district wide expectations, and establish a process for monitoring implementation.

Instructional Materials Adoption

Implementing Corrective Action

(OAR 581-022-2355)

Overview:

- Districts must follow the adoption cycle established by the State Board of Education and provide free and appropriate instructional materials that meet the National Instructional Materials Accessibility Standard (NIMAS) guidelines

Implementation:

- PPS has an open corrective action plan, initiated in fall 2025 to become compliant. This plan is scheduled for completion in fall 2027.

This concludes our Division 22 Assurances report for the 2025-26 school year. Thank you.

Instructional Materials Postponement of Purchase of State-Adopted Instructional Materials

(OAR 581-022-2360 and OAR 581-022-2360)

In Compliance

Overview:

- Postponement of instructional materials adoption, based on the state adoption cycle, requires an application to the State.
- Districts must follow the adoption cycle established by the State Board of Education and provide free and appropriate instructional materials that meet the NIMAS guidelines.

Implementation:

- Our district received a two-year postponement waiver from ODE for the adoption of Science (9-12th grades specifically) instructional materials. We completed the adoption Spring of 2024 and are implementing the newly adopted materials this year.
- We are extending the of the **Health curriculum adoption** until **Spring 2026**. This revised timeline for the **2025-26 school year** will allow for extended **field testing** and more thorough **community engagement**.
- We also are scheduled to complete the Social Studies adoption for 6-12th this year and ask for Board approval to **postpone K-5th to Social Studies** adoption by one year to adopt Spring 2027 and implement Fall of 2027, in alignment with our planned adoption schedule.

To: Board of Directors
From: Dr. Kimberlee Armstrong, Superintendent
RE: Required Instructional Time and Exemption Board Report
Date: October 19, 2026

Background: Annually, this report is provided to the Board to review status on meeting the Division 22 Required Instructional Minutes (581-022-2320) for the prior school year. The requirements for instructional time in grades K-12 are: Grade 12 — 966 hours; Grades 9–11 — 990 hours; and Grades K–8 — 900 hours, with allowable exemptions.

The state-provided exemptions include:

(6) Upon approval by the local school board, a district may include in its calculation of instructional time required by subsection (1) of this rule the following:

(a) For kindergarten programs offering 900 hours or more of instructional time, up to 60 hours of recess;
(b) For kindergarten programs offering less than 900 hours of instructional time, up to 30 hours of recess;
(c) For grades 1–3, up to 60 hours of recess;
(d) Up to 30 hours for staff professional development;
(e) Up to 30 hours for parent teacher conferences; and
(f) For the 2015–16 school year, up to 14 hours for emergency school closures due to adverse weather conditions and facilities failure.

There are essentially two key components to calculating the Required Instructional Time with the additional consideration of state-provided exemptions.

1. Each school district shall ensure that at least 92% of all students in the district and at least 80% of all students (who are not exempted from the calculation) at each school operated by the district **are scheduled to receive annually the following hours of instructional time**. This part of the rule primarily applies to the scheduling of high school students.
   (A) Grade 12 — 966 hours;
   (B) Grades 9–11 — 990 hours; and
   (C) Grades K–8 — 900 hours.
2. Review of **actual instructional time** achieved during the school year **per grade level**.
3. Review of and determination of exemptions.

2025-26 Instructional Hours: All grade bands successfully met the required instructional minutes for the 2025–2026 school year.

Grade Level(s)	State Required Instructional Time	24-25 Actuals (3 hours lost due to inclement weather)	25-26 PPS Planned	25-26 PPS Actuals	26-27 Planned
Kindergarten	900	928.5	931.5	918	931.5
1st - 5th Grades	900	945	948	934.5	948
6th - 8th Grades	900	981.8	984.8	970.1	984.8
9th - 11th Grades	990	1033.4	1036.4	1020.6	1036.4
12th Grade	966	979	982	973.5	982

One notable exception for the 2025–26 school year was Executive Order 26-06. While Portland Public Schools (PPS) remains in compliance with standard Division 22 instructional hour requirements, budget-related furlough days caused us to fall out of compliance with the Governor's executive order.

Consequently, PPS has self-identified as being in corrective action. We submitted a recovery plan to restore required instructional time by the 2027–28 school year, which the Oregon Department of Education (ODE) has approved. [Link to Plan]

Key Plan Highlights:

- **2024–25 Baseline:** The chart above displays 2024–25 instructional hours as the benchmark target PPS must meet by 2027–28, independent of baseline Division 22 standards.
- **2026–27 Projections:** Planned hours for 2026–27 match the initial 2024–25 targets and exceed actual 2024–25 totals, accounting for inclement weather contingency days.
- **2027–28 Target:** PPS plans to maintain these expanded hours into 2027–28 to achieve full compliance with the Executive Order.

Regarding the scheduling of students with a full course load (*i.e.*, meeting the state-required instructional hours), our overall percentage meets the standard with an average of 83%. Each school meets the minimum requirement of 80% of students having a full schedule.

School	Overall	9	10	11	12
Alliance	4%	0%	0%	7%	4%
Benson	89%	100%	100%	99%	40%
Cleveland	86%	100%	100%	99%	44%
Franklin	85%	100%	100%	98%	40%
Grant	83%	100%	100%	99%	34%
Ida B. Wells	81%	100%	99%	95%	32%
Jefferson	88%	100%	100%	100%	51%
Lincoln	85%	100%	100%	97%	47%
McDaniel	81%	99%	98%	89%	38%
MLC	87%	95%	100%	71%	70%
Roosevelt	82%	100%	99%	99%	27%
District	83%	100%	99%	96%	37%

Clarification on Senior Schedules and Board Approval

A senior's schedule that includes less than a full school day does not, by itself, require individual Board approval. Under OAR 581-022-2320(2)(a), Board approval is required when the district requests an instructional time exemption for eligible students. These exemptions allow students to be excluded from the calculations used to determine whether the district meets state instructional time requirements. The exemption process requires annual Board approval following a public hearing.

Under PPS's current practice, seniors who are not fully scheduled are reported to the Oregon Department of Education as "not fully scheduled." These students remain included in the district's instructional time calculations. Because no exemption is being requested for these students, the approval and public hearing requirements under this provision do not apply.

This distinction concerns when formal Board action is required. The Board retains its oversight role in reviewing senior scheduling practices, students' access to instruction, and compliance with state

requirements. Any request to exclude eligible students from instructional time calculations through this exemption process would require Board approval following a public hearing.

Portland Public Schools
Report on Compliance with Public School Standards
2025-26 School Year

By November 1 of each year, school district superintendents are required by OAR 581-022-2305: District Assurances of Compliance with Public School Standards to report to their community on the district's status with respect to all of the Standards for Public Elementary and Secondary Schools. The Standards are adopted by the State Board of Education and set out in Oregon Administrative Rules Chapter 581, Division 22.

The table below contains a summary of **Portland Public School's** School District's compliance with each of the requirements of Oregon's administrative rules found in DIVISION 22 - STANDARDS FOR PUBLIC ELEMENTARY AND SECONDARY SCHOOLS during the 2025-26 school year. For each rule reported as out of compliance, **the Portland Public** School District has provided an explanation of why the school district was out of compliance and the school district's proposed corrective action plan to come into compliance. The corrective action must be approved by ODE and completed by the district by the beginning of the 2027-28 school year.

What are the requirements of the standards? For a general overview of what each rule/standard requires, consult this high-level Rules at a Glance summary. For specific, comprehensive requirements, use the links below for each individual rule.

Category: High-Quality Learning Experiences for All Students

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2000 Diploma Requirements	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2010 Modified Diploma	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2015 Extended Diploma	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2020 Certificate of Attendance	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2050 Human Sexuality Education	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2055 Career Education	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2263 Physical Education Requirements *Elementary Grades	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2263 Physical Education Requirements *Middle Grades	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2340 Media Programs	**Partial Compliance**	We are meeting staffing guidelines. Programmatic goals will need to be set as part of the corrective action.	For the 26-27 school year, we will develop programmatic goals and a scope and sequence for each grade level.
581-022-2350 Independent Adoptions of Instructional Materials	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2355 Instructional Materials Adoption	**In Corrective Action**	This district is in corrective action at this time.	PPS has an open corrective action plan, initiated in the fall of 2025 to become compliant. This plan is scheduled for completion in the fall of 2027.

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2360 Postponement of Purchase of State-Adopted Instructional Materials	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2440 Teacher Training Related to Dyslexia	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2500 Programs and Services for TAG Students- **Sections (1) and (2) TAG Plan Requirements**	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2500 Programs and Services for TAG Students – **Sections (3) and (4): Instruction Requirements**	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2505 Alternative Education Programs	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Category: Aligned and Focused Educational Systems

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2025 Credit Options	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2030 District Curriculum	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2060 Comprehensive School Counseling	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2100 Administration of State Assessments	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2110 Exception of Students with Disabilities from State Assessments	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2115 Assessment of Essential Skills: Diploma Requirements	**Waived through the end of 2027-28 school year**	Not applicable	Not applicable
581-022-2115(2) Assessment of Essential Skills: Local Performance Assessment Requirement	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2120 Essential Skill Assessments for English Language Learners	**Waived through the end of 2027-28 school year**	Not applicable	Not applicable
581-022-2250 District Improvement Plan	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2260 Records and Reports	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2265 Report on PE Data	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2300 Standardization	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2305 District Assurances of Compliance with Public School Standards	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2315 Special Education for Children with Disabilities	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2320 Required Instructional Time	**In Corrective Action**	Due to the Governors' executive order and the furlough days, PPS was out of compliance due to change in rules in the middle of the year.	We have submitted a plan to the ODE to restore lost instructional time. This plan has been approved.
581-022-2323 Preserving Student Instructional Time	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2325 Identification of Academically Talented and Intellectually Gifted Students	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2335 Daily Class Size	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2400 Personnel	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2445 Universal Screenings for Risk Factors of Dyslexia	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Category: Engaged Partners and Communities

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2005 Veterans Diploma	**Out of Compliance**	We currently do not have this posted.	We will implement corrective action during 2026-27 to become fully compliant. We are updating our website to include information on how eligible veterans can request being awarded a high school diploma.
581-022-2255 School and District Performance Report Criteria	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2270 Individual Student Assessment, Recordkeeping and Reporting	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2307 Educational Equity Advisory Committees	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2330 Rights of Parents of TAG Students	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2370 Complaint Procedures	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Category: Safe & Inclusive Schools

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2045 Substance Use Prevention and Intervention Plan	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2205 Policies on Reporting of Child Abuse	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2210 Anabolic Steroids and Performance Enhancing Substances	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2215 Safety of School Sports – Concussions	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2220 Health Services	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2223 Healthy and Safe Schools Plan	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2225 Emergency Plans and Safety Programs	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2230 Asbestos Management Plans	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2267 Annual Report on Restraint and Seclusion	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2308 Agreements Entered Into with Voluntary Organizations	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2310 Equal Education Opportunities	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2312 Every Student Belongs	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2345 Auxiliary Services	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2430 Fingerprinting of Subject Individuals in Positions Not Requiring Licensure as Teachers, Administrators, Personnel Specialists, School Nurses	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2510 Suicide Prevention Plan	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2515 Menstrual Dignity for Students	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

Category: Committed and Supportive Staff

Rule # and Title	Status	Explanation/Evidence	Corrective Action Plan & Timeline
581-022-2405 Personnel Policies	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2410 Teacher and Administrator Evaluation and Support	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2415 Core Teaching Standards	**In compliance**	The district has met all of the requirements for this rule.	Not applicable
581-022-2420 Educational Leadership - Administrator Standards	**In compliance**	The district has met all of the requirements for this rule.	Not applicable

RESOLUTION No. 7388

Expenditure Contracts that Exceed $150,000 for Delegation of Authority

RECITAL

Portland Public Schools ("District") Public Contracting Rules PPS-45-0200 ("Authority to Approve District Contracts; Delegation of Authority to Superintendent") requires the Board of Education ("Board") enter into contracts and approve payment for products, materials, supplies, capital outlay, equipment, and services whenever the total amount exceeds $150,000 per contract, excepting settlement or real property agreements. Contracts meeting this criterion are listed below.

RESOLUTION

The Superintendent recommends that the Board approve these contracts. The Board accepts this recommendation and by this resolution authorizes the authorized signer per the Purchasing and Contracting Delegation of Authority Administrative Directive (8.50.105-AD) to enter into the following agreements.

NEW CONTRACTS

Contractor	Contract Term	Contract Type	Description of Services	Contract Amount	Responsible Admin, Funding Source	Certified Business
Serendipity Center	10/21/2026 Through 6/30/2027	Personal Services PS 98419	Special education therapeutic services to PPS Students. Direct Negotiation – Unique Knowledge and/or Expertise PPS 46-0525(4)	$399,602.82	J. Buno Fund: General Dept: 5414	No
Rosemary Anderson Prep / Portland Opportunities Industrialization Center, Inc. (POIC)	10/21/2026 Through 8/30/2027 Option to renew for four additional one-year terms through 8/30/2031	Personal Services PS 98450	Contracted Alternative School Request for Proposals #2025-040	$543,310	I. Cardona Fund: General, Grant Dept: 6986, 5485	No
Mt. Scott Park Center for Learning	10/21/2026 Through 8/30/2027 Option to renew for four additional one-year terms through 8/30/2031	Personal Services PS 98453	Contracted Alternative School Request for Proposals #2025-040	$282,941	I. Cardona Fund: General, Grant Dept: 6986, 5485	No
I3-MPN dba SchoolPay	10/21/2026 Through 6/30/2027	Digital Resource DR 98461	SchoolPay online web payment system to process, track, and report credit card charges on payments for fees and activities. Special Procurement – Software and Hardware Maintenance, Licenses, Subscriptions, and Upgrades PPS 47-0288(11)	$250,000	M. Morrison Fund: General Dept: 5520	No
N&G Inc. Art of Maintenance	10/21/2026 Through 6/30/2027	Purchase Order PO 270289	Vehicle repair services and ODE Annual Bus Inspections performed by Certified Technicians Equipment Repair/Overhaul PPS 47-0288 (2)(a), (b), and (c)	$175,000	J. Franco Fund: General Dept: 5560	No

*A Certified Business is a for-profit business certified as a Minority-Owned Businesses (MBE), Women-Owned Businesses (WBE), Emerging Small Businesses (ESB), and/or Service-Disabled Veteran Businesses (SDV) by the State of Oregon Certification Office for Business Inclusion and Diversity.

NEW COOPERATIVE PURCHASING AGREEMENTS

Contractor	Contract Term, Renewal Options	Administering Contracting Agency	Description of Goods or Services	Estimated Spend During Contract Term	Responsible Administrator, Funding Source
Amazon Business	10/21/2026 Through 5/5/2030	State of Utah Cooperative Agreement COA 98213	Online marketplace	$10,000,000	M. Morrison Funding Source Varies

NEW INTERGOVERNMENTAL AGREEMENTS (“IGAs”)

Contractor	Contract Term	Contract Type	Description of Services	Contract Amount	Responsible Administrator, Funding Source
City of Portland	7/1/2026 Through 6/30/2031	Intergovernmental Agreement IGA 98439	Maintenance Fleet Management; the city will service District vehicles.	$3,000,000	J. Franco Fund: General, Grant Dept: 3115, 5553, 5581, 5595, 5593, 5619, 5554, 5592, 5570, 5530

AMENDMENTS TO EXISTING CONTRACTS

Contractor	Amendment Term	Contract Type	Description of Services	Amendment Amount; New Contract Amount	Responsible Administrator, Funding Source	Certified Business
Office of General Counsel Network	10/21/2026 Through 6/30/2027	Legal Services LS 97579 Amendment 1	Continuity of legal services. Amendment 1 adds funds to contract. Direct Negotiation – Legal Services PPS 46-0525(13)	$180,000 $360,000	K. Armstrong Fund: General Dept: 5460	WBE
Tarlow Naito & Summers	10/21/2026 Through 12/31/2027	Legal Services LS 97143 Amendment 1	Continuity of legal services. Amendment 1 adds funds to and extends contract. Direct Negotiation – Legal Services PPS 46-0525(13)	$400,000 $800,000	L. Large Fund: Bond Dept: 5511	No

RESOLUTION No. 7389

Revenue Contracts that Exceed $150,000 for Delegation of Authority

RECITAL

Portland Public Schools ("District") Public Contracting Rules PPS-45-0200 ("Authority to Approve District Contracts; Delegation of Authority to Superintendent") requires the Board of Education ("Board") enter into contracts, except as otherwise expressly authorized. Contracts exceeding $150,000 per contractor are listed below.

RESOLUTION

The Superintendent recommends that the Board approve these contracts. The Board accepts this recommendation and by this resolution authorizes the authorized signer per the Purchasing and Contracting Delegation of Authority Administrative Directive (8.50.105-AD) to enter into the following agreements.

NEW REVENUE CONTRACTS

No new Revenue Contracts

NEW INTERGOVERNMENTAL AGREEMENTS ("IGAs")

Contractor	Contract Term	Contract Type	Description of Services	Contract Amount	Responsible Admin, Funding Source
Northwest Regional Education Service District	9/1/2026 Through 8/30/2027	Intergovernmental Agreement / Revenue IGA/R 98470	Blind/Visually Impaired Program Reimbursements	$216,623.80	J. Buno

AMENDMENTS TO EXISTING CONTRACTS

Contractor	Amendment Term	Contract Type	Description of Services	Amendment Amount; New Contract Amount	Responsible Admin, Funding Source
State of Oregon	10/1/2026 Through 9/30/2027	Intergovernmental Agreement / Revenue IGA/R 97095 Amendment 1	Oregon Department of Human Services revenue agreement to deliver Pre-Employment Transition Services to eligible students. Amendment 1 adds funds to extend the contract for one year.	$489,751.60 $979,502	J. Buno

RESOLUTION NO. 7390

Seismic Construction Projects: Exemption from Competitive Bidding and Authorization for Use of Requests for Proposals Contracting Method

RECITALS

A. The Board of Directors of Portland Public Schools ("District") is the Local Public Contract Review Board ("Board") pursuant to ORS 279A.060.

B. ORS 279C.335(2) authorizes the Board to exempt certain public contracts or classes of contracts from the standard competitive bidding process otherwise required by the Public Contracting Code and Rules upon certain findings.

C. In a duly and legally held election on May 20, 2025, general obligation bonds were approved by a majority of the qualified voters of Portland Public Schools voting at the election ("2025 Capital Improvement Bonds").

D. The District intends to perform seismic upgrades at five schools: Beverly Cleary – Fernwood, Richmond, Capitol Hill, Ainsworth, and Kelly as part of the 2025 Capital Improvement Bond work. Capitol Hill and Richmond Roofs also include funding from the 2017 approved bond.

E. Staff has determined that use of the Request for Proposal ("RFP") alternative contracting method is the preferred method of delivery for these critical seismic projects. This determination is supported by draft Findings of Fact ("Draft Findings") presented to the Board pursuant to ORS 279C.335.

F. These Draft Findings specify the advantages gained through use of the RFP contracting method.

G. On September 18, 2026, the District issued a public notice in the Daily Journal of Commerce announcing the District's intent to utilize the RFP alternative contracting method for the specified seismic projects. The notice was issued in compliance with ORS 279C.335 and the PPS Public Contracting Rules. The Draft Findings were made available for public review on the date of publication. The notice included instructions for requesting a public hearing on the request for exemption from competitive bidding.

H. The District received no requests for a public hearing.

I. The Superintendent recommends approval of the exemption from Competitive Bidding and approval of the RFP alternative contracting method for solicitation and completion of the five seismic projects named above.

‘RESOLUTION

1. The Board hereby adopts the Draft Findings in support of use of the RFP alternative contracting method for the specified seismic projects (“Findings”).

2. The Board hereby exempts the specified seismic projects from competitive bidding requirements as provided in ORS 279C.335 and PPS Public Contracting Rules -49-0600 through PPS-49-0690. The exemption is based upon the Findings pursuant to ORS 279C.335(2).

3. Pursuant to these Findings and decision, the Superintendent or her designee is hereby authorized to conduct a RFP alternative contracting process for the specified seismic projects.

Board of Education

Staff Report to the Board

To: Board of Education
From: Dr. Kimberlee Armstrong, Superintendent
Michelle Morrison, Chief Financial Officer
Paul Williams, Director, Purchasing and Contracting
Date: October 20, 2026

2027 Seismic Construction Projects (Beverly Cleary – Fernwood, Richmond, Capitol Hill, Ainsworth, and Kelly): Exemption from Competitive Bidding and Authorization for Use of Request for Proposals Contracting Method

BACKGROUND
ORS 279C.335(2) authorizes the Board to exempt certain public improvement contracts or classes of contracts from the traditional design/bid/build competitive bidding (i.e., low bid) procurement process. Staff requests that the Contract Review Board approve an exemption from low bid competitive bidding for the 2027 Seismic Construction Projects ("2027 Seismic Projects") and authorize staff to utilize a fully competitive Request for Proposals ("RFP") process as an alternate procurement method. The RFP method was previously approved and utilized for the Phase IV of the Roosevelt Modernization Project, and the Harrison Park Conversion Project.

Per Oregon law, an exemption request and approval to use an alternative contracting method must be supported by the following findings: (1) The exemption is unlikely to encourage favoritism in awarding public improvement contracts or substantially diminish competition for public improvement contracts, *and* (2) Awarding a public improvement contract under the exemption will likely result in substantial cost savings and other substantial benefits to the contracting agency or the public. See ORS 279C.335(2).

A detailed description of the 2027 Seismic Projects and draft Findings of Fact ("Draft Findings") supporting the exemption Resolution, as required by ORS 279C.335(2), are set forth in the attached Real Estate, Infrastructure & School Enhancements (RISE) staff memo.

RELATED POLICIES / BOARD GOALS AND PRIORITIES
District Policy 8.50.090-P designates the Board as the local government contract review board with authority to exempt certain public contracts or classes of contracts from the standard competitive bidding process otherwise required by the Public Contracting Rules, as per ORS 279C.335(2).

PROCESS / COMMUNITY ENGAGEMENT
Oregon law requires that the District conduct a public hearing, providing interested parties an opportunity to appear and present comment, prior to adoption of a Resolution exempting a public improvement project from competitive bidding. See ORS 279C.335(5). Notification of the public hearing must be published in a trade newspaper of general statewide circulation at least 14 days before the hearing. At the time of the Notice, copies of the Draft Findings must be made available to the public.

Purchasing & Contracting published a Notice of Public Hearing concerning the 2027 Seismic Projects exemption request on September 16, 2026 in the Daily Journal of Commerce, the same Journal in which Purchasing & Contracting posts all required construction solicitation notices. Instructions for requesting copies of the Draft Findings or requesting a Public Hearing were included in the Notice of Public Hearing.

ALIGNMENT WITH EQUITY POLICY IMPLEMENTATION PLAN
The RFP alternative contracting method is in alignment with the District's Equity in Public Purchasing & Contracting Policy and implementation plan. A benefit of the RFP method, as opposed to the standard design/bid/build low-bid contracting method, is the District's ability to include evaluation criteria in the RFP to help ensure selection of a prime contractor with strong commitment to use and demonstrated success in using Certified minority owned, women owned, service-disabled veteran owned, and emerging small businesses ("Certified Businesses") subcontractors or partners. The District will award points for demonstration of a history of Certified Business utilization and a substantive plan of outreach to, partnership with, and/or inclusion of Certified subcontractors.

The Request for Proposals will be open and publicly advertised. Purchasing & Contracting and RISE will notify minority contracting communities about the solicitation and encourage Certified Business participation. The selected contractor will be required to comply with the District's Workforce Equity and Career Learning requirements, as well as report on Certified Business subcontractor utilization, during the course of the contract.

BUDGET / RESOURCE IMPLICATIONS
The RFP method allows the District to carefully screen firms to assure that the contractor chosen to work on the project has the necessary experience and qualifications to successfully work on a project of this scope and size. Thus, the risk of changes to the final contract amount due to incomplete or inaccurate bid estimates is greatly diminished. Further, the ability to select a highly qualified and experienced contractor will improve scheduling, planning, and coordination of the Project, thereby reducing financial, schedule, and safety risks.

NEXT STEPS / TIMELINE / COMMUNICATION PLAN

If this Resolution is adopted, staff in Purchasing & Contracting and RISE will prepare solicitation documents and issue a Request for Proposals for the 2027 Seismic Projects.

ATTACHMENTS

A. **Resolution to Authorize Alternative Contracting Method**
B. **RISE Staff Memo with Draft Findings**

Board of Education

To: Board of Education
From: Dr. Kimberlee Armstrong, Superintendent
Joanna Evenson, Senior Director, Real Estate, Infrastructure & School Enhancements
Date: October 20, 2026

Draft Findings in Support of Alternative Contracting Method and Use of Request for Proposals Solicitation for 2027 Seismic Construction Projects- specifically Beverly Cleary Fernwood, Richmond, Capitol Hill, Ainsworth, & Kelly

REQUEST: Staff requests that the Board of Education ("Board"), acting as the Local Contract Review Authority for the Portland Public School District ("District"), grant an exemption from the traditional Design-Bid-Build low-bid procurement process and approve the use of an Alternative Contracting Method for the seismic construction upgrades at the following sites, scheduled for summer 2027 start: Beverly Cleary Fernwood, Richmond, Capitol Hill, Ainsworth, and Kelly (the "Projects"). Specifically, staff seeks to use a Request for Proposal (RFP) solicitation process. Staff will issue an RFP that will include both qualifications criteria and a lump sum cost proposal to select the contractor ("Proposer") for the Project.

PROJECT DESCRIPTION: The May 2025 Bond, as approved by voters, prioritizes seismic improvements at 8 to 10 schools that pose the greatest risk in a significant seismic event. On May 6, 2025, the Board passed Resolution 7109 - Urgent Need for Seismic Retrofitting of High-Risk School Buildings, and Resolution 7110 - Resolution to Affirm the Board of Education's Commitment to Track and Report Findings, Public Engagement and Recommendation of Seismic Upgrades through the School Facilities Improvement and Operations Committee.
On September 9, 2025, the Office of School Modernization (OSM) presented three options to the Board of Education for moving forward with select seismic rehabilitation utilizing one of three criteria set forth below:
Option A would be complete seismic retrofits to bring several buildings up to current Oregon Structural Specialty Code and Fire and Life Safety Code (OSSC) standards. This option allows the district to maximize construction efficiencies, ensures seismic compliance for the entire campus, and allows the district to take advantage of the Seismic Retrofit Grant Program offered by the state of Oregon. This is the option currently chosen for this project.

Option B would designate several buildings to receive partial rehabilitation. These partial retrofits achieve the greatest district-wide risk reduction by addressing the most dangerous conditions first. There are no SRGP grants available for partial retrofits.
Option C uses a hybrid of options A & B, which will combine full seismic rehabilitations at a few schools and partial seismic rehabilitations at more schools.
RISE has implemented Option C, completing partial seismic upgrades at Ainsworth & Kelly, partial seismic upgrades combined with partial roof replacements at Richmond & Capitol Hill; each of these are separate construction packages. A full seismic upgrade will occur at Beverly Cleary Fernwood. The seismic upgrade at Ainsworth has been awarded a grant of $1.5M from the Oregon Seismic Rehabilitation Grant Program.
This work at each school may include some or all the following work: structural improvements to bring the building or more hazardous parts of the building to risk category III standards, roof replacements , hazardous material abatement, mechanical/electrical/plumbing upgrades, information technology installations, new interior partitions, architectural finishes, and/or landscaping.
The construction cost varies by site; Beverly Cleary Fernwood has a construction rough order of magnitude (ROM) of $18.7M, Richmond ROM (including partial roof replacement) is $6.5M, Capitol Hill ROM (including partial roof replacement) is $12.4M, Ainsworth ROM is $2.3M, and Kelly ROM is $1.6. Funding for all seismic work will come from the 2025 Bond funds set aside by Board Resolutions 7109 & 7110; the roof replacements at Richmond and Capitol Hill will be funded by the 2017 Bond. Each of these project's schedules has targeted June 2027 for the start of project-related construction.

These projects will address many challenges and require careful planning and coordination during the design and construction phases to complete these scopes effectively and efficiently. Detailed budget and schedule controls are essential to the project's success. It will be important to utilize a construction firm with the following specific traits:

- **Company and staff skills and experience with projects of this size, scope and complexity** – relevant project experience lowers the risk of cost and schedule overruns due to better understanding of project needs, availability of appropriate company resources for size and complexity;
- **Experience with phasing, staging, and construction means and methods that are sensitive to possibly-occupied facilities and surrounding residential neighborhoods** – construction work will be occurring within tight urban constraints and may be in occupied facilities;
- **An exemplary history of on-time delivery with an aggressive timeline** – the facilities to be developed by the project must be delivered in a timely manner due to program and enrollment needs;
- **Ability and commitment to in-depth engagement of the local subcontracting community in support of the District's Equity in Public Purchasing and Contracting programs**;
- **Flexibility and creativity in addressing unique opportunities and unforeseen condition**s – existing infrastructure often provides unexpected challenges with a short timeline for resolution; and
- **An understanding of the importance of a collaborative and tightly integrated project team.**

ALTERNATIVE CONTRACTING METHOD: The conventional design-bid-build contracting methodology (DBB) that is considered competitive bidding under Oregon Revised Statute (ORS) 279C, and therefore represents the basis of public improvement contracting in the State of Oregon, would expose the District to a significant amount of risk based on the parameters of this project. DBB, which only considers the lowest priced bid that conforms to the bidding requirements, does not allow the District to consider any of the above qualities when selecting the most appropriate contractor. An alternative contracting process is authorized for procurement of construction services under ORS 279C.335, provided that the Board of Education, acting as the local contract review board, approves an exemption from competitive bidding. To appropriately manage the critical needs within this project, PPS staff recommend using an open and competitive Request for Proposals methodology. Under this Request for Proposals contracting method:

- Contractors will be solicited with a competitive Request for Proposals (RFP) process that utilizes both qualitative and cost criteria for selecting a qualified contractor.
- Qualitative criteria may include prior successful experience with similar project issues; adequacy of equipment and labor; sources of supply; availability of key personnel; financial capacity; past performance; safety records; project understanding and approach; proposed methods of construction; proposed milestone dates; references; commitment to and successful history of engaging Certified Business subcontractors and a diverse workforce; and other matters that affect cost, quality, schedule or other District needs.
- Cost criteria will be addressed by submission of a lump sum cost proposal as part of the RFP response.
- The RFP process will be a publicly noticed, competitive process allowing all interested contractors to submit proposals. A contractor will be selected based on the scored evaluation of their qualifications and cost proposal.

The Request for Proposals utilizing both qualification criteria and a lump sum cost proposal has been successfully used by the District on prior large, complex projects, including the bond-funded Kellogg Middle School replacement project and the Harrison Park Middle School Conversion project.

FINDINGS: Following are the factors for consideration under ORS 279C.335 (2), in **bold**, followed by staff's findings.

"(a) The exemption is unlikely to encourage favoritism in awarding public improvement contracts or substantially diminish competition for public improvement contracts."

The requested exemption will not encourage favoritism or substantially diminish competition. The District will utilize a competitive Request for Proposal ("RFP") process. That procurement is formally advertised with public notice and disclosure of the planned Alternative Contracting Method. Full competition will be encouraged, and this competitive process will include significant staff outreach to and solicitation of certified minority owned, women owned, service & disabled veteran owned, and emerging small business contractors ("Certified Businesses") in

accordance with the District's values and policies. The general contracting market is familiar with the RFP process and accepts it as a standard, and often preferred, delivery method. The award will be based upon review and scoring of submitted proposals through identified selection criteria, by a diverse District review committee representing a broad range of experience and qualifications. The lump sum cost proposal component will encourage the same vigorous competition of a design-bid-build procurement methodology and provide opportunity for all interested contractors to participate in bidding for the project, while recognizing that quality is a critical component of cost.

"(b) Awarding a public improvement contract under the exemption will likely result in substantial cost savings and other substantial benefits to the contracting agency or the state agency that seeks the exemption or, if the contract is for a public improvement described in ORS 279A.050 (3)(b), to the contracting agency or the public."

Through the use of the RFP process to ensure successful Proposers are experienced with the scope, scale and unique qualities of the Project, the District limits its risk of changes to the final contract amount due to incomplete or inaccurate bid estimates.

"In approving a finding under this paragraph, the Director of the Oregon Department of Administrative Services, the Director of Transportation or the local contract review board shall consider the type, cost and amount of the contract and, to the extent applicable to the particular public improvement contract or class of public improvement contracts, the following:"

"(A) How many persons are available to bid;"

Based on previous District RFP construction procurements, it is reasonable to anticipate between four to six firms will propose on each of these seismic projects. PPS staff and partners have performed outreach to local general contractors, who have expressed a preference for a qualifications-based approach to bidding these types of projects.

"(B) The construction budget and the projected operating costs for the completed public improvements;"

The estimated construction cost is set forth above in the project description. The District has not yet conducted a detailed analysis of the operating costs, but operating costs are not expected to change significantly in either direction once construction is complete. Given the invasive nature and unpredictability of the proposed large-scale infrastructure improvements, having an experienced contractor on the Project will help minimize unexpected increases in construction costs.

"(C) Public benefits that may result from granting the exemption;"

An RFP process allows the District to review the resumes and references of the Proposer's project team, ensuring the selected Proposers have the necessary experience, expertise, and stakeholder-centric approach to address the Project's unique needs. In a traditional design-bid-build procurement, the District awards to the lowest responsible bidder regardless of the above factors. This process would increase risk for the Project, the District, and the community by potentially awarding the bid to a contractor who does not have the qualifications, knowledge or experience to successfully complete the Project.

"(D) Whether value engineering techniques may decrease the cost of the public improvement;"

Value engineering is a routine practice in public improvement projects regardless of procurement method. The selection of an experienced contractor through the RFP process will provide additional opportunities to decrease costs with the contractor's knowledgeable implementation of material submittals, phasing plans, labor allocation and other means and methods.

"(E) The cost and availability of specialized expertise that is necessary for the public improvement;"

The RFP process allows for review of contractor expertise not afforded in traditional procurement. These seismic upgrade projects will require extensive renovations and invasive infrastructure improvements on a tight schedule, including periods where the site may be occupied. Through the RFP process, a contractor can be selected that demonstrates expertise in managing, scheduling and performing successfully in these types of conditions.

"(F) Any likely increases in public safety;"

The existing sites are located in established residential areas and may be partially occupied for periods of the construction. The use of the RFP process allows the District to request a contractor's safety protocols and history as part of the selection criteria. Selection of a contractor with strong protocols and history for the Project will help improve public safety during demolition, hazardous material abatement, construction in occupied areas, and routing of pedestrian, bicycle, and vehicle traffic around construction site access.

"(G) Whether granting the exemption may reduce risks to the contracting agency, the state agency or the public that are related to the public improvement;"

The RFP process will reduce risks to the District and the public through selecting a qualified and experienced contractor. It will improve scheduling, planning and coordination of the Project, thereby reducing financial, schedule, and safety risks.

"(H) Whether granting the exemption will affect the sources of funding for the public improvement;"

There will be no impact on the funding of the Project if the exemption is granted.

"(I) Whether granting the exemption will better enable the contracting agency to control the impact that market conditions may have on the cost of and time necessary to complete the public improvement;"

The exemption will not change the District's ability to control cost and schedule impacts of current market conditions.

"(J) Whether granting the exemption will better enable the contracting agency to address the size and technical complexity of the public improvement;"

Granting the exemption will help successful seismic (full or partial) rehabilitations at five schools. Due to the technical complexity of the Project, careful coordination, staging and scheduling will be essential to project success. The RFP process will allow the District to choose contractors who demonstrate successful performance history with these types of project challenges and better enable the District to address the technical complexity.

"(K) Whether the public improvements involve new construction or renovate or remodel an existing structure;"

The Project will involve renovation of an existing structure. Procuring a contractor with experience in complex renovations of occupied structures involving facility infrastructure is critical.

"(L) Whether the public improvements will be occupied or unoccupied during construction;"

The full seismic rehabilitation at Beverly Cleary Fernwood will require the site to be unoccupied during the 12-14 months construction is happening. The other four sites may be partially occupied by staff and/or students; however, phasing plans have yet to be finalized for all four sites. Using the RFP process allows the district to choose a contractor who has experience with complex phasing and scheduling.

"(M) Whether the public improvements will require a single phase of construction work or multiple phases of construction work to address specific project conditions;"

The seismic rehabilitation at Beverly Cleary Fernwood will be completed in one phase while students attend classes at a swing site. The partial seismic improvements at Ainsworth, Kelly and Richmond are anticipated to be completed in one summer; while the partial seismic improvements at Capitol are anticipated to be completed in two summers. The exemption will allow the District to evaluate the contractor's qualifications in successfully delivering projects with complex and/or compressed schedules, and/or multiple phases.

"(N) Whether the contracting agency or state agency has, or has retained under contract, and will use contracting agency or state agency personnel, consultants and legal counsel that have necessary expertise and substantial experience in alternative contracting methods to assist in developing the alternative contracting method that the contracting agency or state agency will use to award the public improvement contract and to help negotiate, administer and enforce the terms of the public improvement contract;"

RISE and PPS Purchasing & Contracting department have department staff that have the necessary expertise with the proposed alternative contracting method to develop and effectively utilize the RFP method for these construction packages at five schools in need of seismic rehabilitation.

CONCLUSION: For the reasons stated above, the draft findings support an exemption from competitive bidding under ORS 279C.335 to utilize the proposed RFP contracting method for the 2027 Seismic Construction Projects- specifically Beverly Cleary Fernwood, Richmond, Capitol Hill, Ainsworth, & Kelly.

Resolution No. 7391

Adoption of the Minutes

The Following Minutes are offered for Adoption:

- October 6, 2026