



June 3, 2015

TO: Santa Clara County Board of Education
FROM: Jon R. Gundry, County Superintendent of Schools
SUBJECT: Update on May 20, 2015 Consent Action Item 10J Regarding the Extension of Consulting Contract with School Business Service Consultants

Associated Goal

Improve organizational effectiveness and efficiency

Background

The Agenda for the May 20, 2014 Board Meeting included Consent Action Item 10J which requested approval to extend a contract with School Business Service Consultants. This package contained (1) the original November 2014 contract for \$50,000, (2) the January 2015 amendment to increase the contract by \$49,999, and (3) the current request to continue services through December 2015 and increase the contract by \$150,000.

Early in my tenure at the SCCOE I decided that it was important for me to hire an outside consultant to help to interpret the draft of the 2013 payroll audit report, to provide management responses, and to advise us on how to improve our internal controls and monitor our payroll reporting so that the auditor could produce a final report. The Federal tax reporting piece of the audit was particularly complex, so I needed someone with a strong business background who had no connection to this office. Mr. Mark Skvarna, the recently retired Superintendent/CBO of the Baldwin Park USD, was recommended to me by former Los Angeles COE superintendent, Dr. Darline Robles. I contacted Mr. Skvarna and discussed the scope of the work and decided that he had the experience and technical knowledge to do the job.

I then asked General Counsel to negotiate the contract with Mr. Skvarna. On November 6, 2014, I received an e-mail from General Council (attached) outlining two options for a contract. One was to enter into a professional services agreement and the other was to bring Mark on as Interim Deputy Superintendent. I decided that I did not want to hire him as a line administrator, so I chose the first option. Hiring him as deputy superintendent would also have required Mr. Skvarna to come out of retirement, which he preferred not to do.

At that time Mr. Skvarna did consulting work through two firms: *School Business Consulting Services* and *Education Support Services Group* which is a division of the *Atkinson, Andelson* law firm. Since that time, he has also joined *Capitol Advisors Group* as a "Superintendent in Residence." I did not

question the choice of the consulting firm that was given to me as one of the options. I had an expectation that any potential problems with the contract would be pointed out to me during the contract negotiation process.

The initial contract with Mr. Skvarna was for \$50,000, and I did not anticipate that he would exceed that amount before finishing the work on the payroll audit. Not long after Mark started his consulting work at the SCCOE, I expanded his role in part because I decided to suspend the search for a Deputy Superintendent and needed help with special projects that would otherwise assigned to the Deputy; and in part because the Federal tax reporting piece of the audit report was proving more problematic than I anticipated. Therefore, I amended the contract to increase the maximum amount by \$49,999 thinking that the contract maximum would not be reached before Mr. Skvarna finished his work.

When I became aware that the contract was going to run out before the audit responses were complete, I had to decide whether I wanted Mr. Skvarna to continue to provide consulting services. Because I wanted the continuity through the completion of the payroll audit report response and because I was still not sure I would hire a Deputy Superintendent, I brought forward the second amendment to the contract for Board approval on May 20, 2015.

Since that time a question has been raised about whether Mr. Skvarna's work at the SCCOE was in violation of PERS restrictions for retirees. If he had been hired directly by this office in the Deputy Superintendent position, he would have been subject to those restrictions, but since he was working as an independent consultant, he was not. This is a very common practice. Please see the attachment from Capitol Advisors Group which highlights three retired superintendents, including Mark Skvarna, who are doing consulting work for them. They were chosen by Capitol Advisors because they are widely respected as exemplary superintendents. All three retired at the same time last summer.

Finally, although I am still interested in continuing the consulting services provided by Mr. Skvarna, he has declined the offer. Mr. Skvarna has turned down several potential clients in order to complete the work he has started here, but with the uncertainty of approving a contract extension, he has accepted other contracts.