

EXTERNAL REVIEW OF MONITORING REPORTS

September 15, 2021

POLICY: **2.4 FINANCIAL CONDITION AND ACTIVITIES**
POLICY CATEGORY: **OPERATING LIMITATIONS**
PERIOD MONITORED: **July 1, 2020 – June 30, 2021**

POLICY: **2.5 ASSET PROTECTION**
POLICY CATEGORY: **OPERATING LIMITATIONS**
PERIOD MONITORED: **July 1, 2019 - June 30, 2020**

POLICY: **2.6 EMPLOYMENT, COMPENSATION AND BENEFITS**
POLICY CATEGORY: **OPERATING LIMITATIONS**
PERIOD MONITORED: **September 2, 2020 – August 18, 2021**

POLICY: **4130 STAFF ETHICS/CONFLICTS OF INTEREST/NEPOTISM**
POLICY CATEGORY: **DISTRICT POLICY**
PERIOD MONITORED: **July 1, 2020 – June 30, 2022**

This external review of the above Board and District Policies were conducted by the Adams 12 Five Star Schools Finance and Audit Committee (FAC) to assist the Board in evaluating the results stated in the Internal Monitoring Reports from the Superintendent of the District for Sections 2.4.1, 2.4.5, 2.4.6, 2.4.7, 2.4.8, 2.4.13, 2.4.14, 2.4.15 and 2.4.17 of Policy 2.4, Sections 2.5.1, 2.5.2, 2.5.3, 2.5.4, 2.5.5, 2.5.7, 2.5.8 and 2.5.10 of Policy 2.5, Sections 2.6.1, 2.6.2, 2.6.3 of Policy 2.6 and Section 5.0 Employee Certification and Monitoring of District Policy 4130. The FAC's review included unaudited reports of the District as of June 30, 2021 prior to finalization of fiscal year 2020-21. Detailed information provided by the District's accounting and human resource management systems and inquiries of District staff.

The External Monitoring Review is designed to determine whether the Superintendent and the organization have achieved a reasonable interpretation of and compliance with the Board of Education's and District policies. The FAC has provided their review of information and any findings as follows:

2.4 FINANCIAL CONDITION AND ACTIVITIES

2.4.1 POLICY PROHIBITION: *Shall not at any time: (a) Use any reserves other than as intended and permitted by law; or (b) allow discretionary reserves at the conclusion of a fiscal year to be less than 3% of general fund revenue except as provided in section 2.4.2*

INTERPRETATION (2.4.1 a.):

I interpret “(a) *shall not use any reserves other than as intended and permitted by law*” to mean:

The District (including charter schools) only expends restricted funds, as shown in the table below, for purposes permitted by law throughout the identified monitoring period. Reserves are maintained as budgeted items not yet spent.

TABOR	An amount equal to 3% of the annual District revenues must be held in reserve unless the Board adopts a resolution permitting expenditure of the funds and provides security for these funds by means of a letter of credit or by using District assets as collateral. (TABOR reserves are not required for federal and enterprise funds).
Contract Reserves	District: Reserves held for future year payments of certified and classified employee longevity stipend for employees who have separated from employment. Charter Schools: Reserves held per contract language for Special Education.

INTERPRETATION (2.4.1 b.):

I interpret “(b) *shall not allow discretionary reserves at the conclusion of a fiscal year to be less than 3% of general fund revenues except as provided in section 2.4.2*” to mean:

- A. A sum equal to 3% of General Fund Revenue in funds 10 and 19, excluding charter school transfers and voter approved mill levy, will be held as discretionary reserve (Board of Education Reserve) and shall not include funds designated as Committed, Reserved or Assigned.

FAC MONITORING INFORMATION:

- a. Inquire of key finance personnel to determine if they are aware of any long term or other reserves that have been used other than as required by law. Also inquire as to whether key personnel are aware of any other long-term or other reserves that apply to the District that are not included on the unaudited monthly reports.
- b. Determine that the District's TABOR reserve was sufficient per observation of fiscal year 2019-20 unaudited monthly reports.

FAC FINDINGS:

Reviewed the District's TABOR reserve per the unaudited monthly reports and the District is in compliance with the policy. Per inquiry of key finance personnel staff no long term or other reserves have been used other than required by law and reserves that apply to the District are included on the unaudited monthly reports.

2.4.5 POLICY PROHIBITION: *Shall not allow the organization to incur penalties in material amounts for tax payments, other government ordered payments, or other payments, or allow any filings that are overdue or inaccurately filed.*

INTERPRETATION:

I interpret this to mean:

All payments are made without incurring late payment fees in excess of the aggregate amount of \$1,000 for any fiscal year; further, reports and other required documents are submitted and accepted in accordance with Colorado Department of Education and Federal timelines. This is reasonable as it represents compliance with external requirements, and the \$1,000 amount has minimal impact on operations of the District.

FAC MONITORING INFORMATION:

- a. Inquire with key finance personnel to determine if any penalties for tax payments, other government ordered payments, or other payments were incurred during the fiscal year.
- b. Inspect general ledger detail for expenditure accounts labeled penalties or judgments.
- c. Determine through inquiry of key finance personnel and observation of applicable reports that there were not any overdue or inaccurate filings during the year, including property tax mill levies.

FAC FINDINGS:

The chart of accounts was reviewed and there were no accounts that looked as if they might have penalties, fees, etc. and found nothing that was a penalty or fee. Per inquiry of district staff in the finance/accounting departments, there were no such fees that were incurred during the 20/21 fiscal year.

2.4.6 POLICY PROHIBITION: *Shall not fail to aggressively pursue receivables after a reasonable grace period.*

INTERPRETATION:

I interpret this to mean:

A monthly attempt is made to collect accounts receivable that are past due by more than thirty days.

FAC MONITORING INFORMATION:

- a. Determine through observation the amount of accounts receivable past due by more than thirty days by reviewing the outstanding fees report from IC as of June 30, 2020.
- b. Inquire of key finance personnel what actions have been performed to collect outstanding balances.

FAC FINDINGS:

A: Accounts receivable currently has no past due balances. Student fees have been waived since COVID restrictions went into effect.

B: If there are student fees that need to be collected an email is sent out notifying the parent/guardian of the outstanding balance. Fees are also attempted to be collected when the student transitions into a new school level. ie elementary to middle school. No hard collections processes are used.

If non student fee payments are past due accounts receivable will escalate the collections to a higher manager to collect and/or renegotiate the bill.

2.4.7 POLICY PROHIBITION: *Shall not allow (a) bond funds and funding from certificates of participation to be spent inefficiently or in any way other than intended, or (b) override funds to be commingled with other funds or spent other than to directly achieve Ends.*

INTERPRETATION (2.4.7 a):

I interpret “(a) *Shall not allow bond funds and funding from certificates of participation to be spent inefficiently or in any way other than intended*” to mean:

- A. Bond funds shall be spent in a manner consistent with plans and commitments presented to District voters.
- B. Certificates of participation (COP) shall be spent in a manner consistent with plans and commitments approved by the Board of Education.
- C. Bond and certificate of participation proceeds are spent efficiently when they meet the following criteria:
 1. District construction shall comply with the District Educational Specifications and Technical Guidelines in place at the time of construction.

2. District construction costs shall be controlled through a competitive process that will be utilized to bring the best value to the District and ensure alignment with market pricing.
3. Cost of services provided by District staff shall not exceed 5 percent of the sale of proceeds of an issue as required under IRS Regulation 1.148-6(d)(3)(ii)(5).
4. Projects shall be managed and completed so that the start date of the school year is not impacted by construction.

FAC MONITORING INFORMATION:

- a. Inquire with key personnel from Bond Committee if expenditures from the building fund have been spent efficiently per plan.

FAC FINDINGS:

The district has several safeguards in place to ensure that bond funds are spent efficiently and according to the intention. Adams 12 has a dedicated Bond Accountant, who tracks all bond spending. Staff reports monthly to the Long Range Planning Advisory Committee about all project schedules and budgets to ensure spending is according to plan. Additionally, the IRS has a check on spending so that the district maintains its tax exempt status - the district cannot earn interest greater than the amount offered on their bonds. The list of projects for the bond and the budget for all projects were created prior to 2016 voter approval. The district asked for approval of \$350 million, while the budget for the projects was more in the range of \$427 million. Through the use of premiums, the district has been able to fund all proposed projects, with completion expected in summer of 2022. I believe the district is in compliance with its spending on bond projects and is spending the funds efficiently and according to intention.

After reviewing district processes, trackers and presentations, it is clear that bond-related projects are itemized and budgeted by individual project numbers on an annual basis. The district then works with the Long Range Planning Advisory Committee (LRPAC) to track progress on these projects and reviews overall progress and spend-to-date on a monthly basis. Once projects are complete, they are closed out and any excess funds are moved to a future planning fund where the LRPAC employs an approval process for use. Based on these findings, the district appears to be in compliance.

INTERPRETATION (2.4.7 b):

I interpret “(b) *Shall not allow override funds to be commingled with other funds or spent other than to directly achieve Ends*” to mean:

Additional operating funds received annually by the District per voter approval in November 1991, 2000, 2004, 2008 and 2018 shall be accounted for in the District's General Fund. All override funds shall be spent for the purposes described in the voter-approved ballot question to achieve the Ends established by Board policy.

FAC MONITORING INFORMATION:

- b. Inquire with key personnel on budget and accounting procedures regarding mill levy override funds. Additionally, review expenditures by project number.

FAC FINDINGS:

After reviewing district processes, trackers and presentations, it is clear that mill levy-related projects are itemized and budgeted by individual project numbers on an annual basis. The district then reviews with the Finance and Audit Committee (FAC) to track progress on these projects and reviews overall progress and spend-to-date on a quarterly basis. Based on these findings, the district appears to be in compliance.

2.4.8 POLICY PROHIBITION: *Shall not achieve compliance with these provisions by endangering future capacity to accomplish Ends.*

INTERPRETATION:

I interpret this to mean:

Endangering future capacity means committing to multiple-year expenditures without a reliable funding source.

FAC MONITORING INFORMATION:

- a. Determine that the District's Multi-Year reserve was sufficient per observation of June 30, 2020 unaudited monthly reports.

FAC FINDINGS:

Per interview with Suzi DeYoung (March 17, 2020) and review 6/30/2021 preliminary annual financial report, it appears that the district is in compliance with this standard. The District currently has only one multi-year obligation related to a grandfathered program that offered certified and classified district employees a stipend payment. Outside of this outstanding obligation, the District has measures in place to avoid multi-year contracts with vendors and employees. All vendor contracts have the following types of clauses to limit contracts that span more than one year:

1. Contract is structured as a one year agreement with the option to extend the contract for additional one year over a set period of time.
2. Non appropriations clause (the longstanding, legally accepted clause that conforms to TABOR standards).

With regards to this specific obligation, the District budgets for the 1st year of payments from current income and years 2-5 are covered by the reserve for multi-year obligations. The District assumes 50 retirees per year and budgets accordingly for the year 2-5 obligation. The 12/31/2020 quarterly financial report shows a reserve of \$10,975,952 for this obligation. The one risk to this reserve fund is if the District had more retirees than the 50 employee estimate. In this event, the shortfall would result in cuts to other programs to fund the stipend obligation.

2.4.13 POLICY PROHIBITION: *Shall not fail to undertake a full-scale competitive process for the selection of independent auditors pursuant to the most current Government Finance Officers Association recommendations regarding the selection of auditing services.*

INTERPRETATION:

The policy language is clear as written and requires no further interpretation.

FAC MONITORING INFORMATION:

- a. Determine through inspection of RFP and contract whether the District undertook a full-scale competitive process for the selection of independent auditors pursuant to the most current Government Finance Officers Association recommendations regarding the selection of auditing services.

FAC FINDINGS:

For the RFP process that took place in March/April 2021 for selection of independent auditors, I reviewed the RFP document and all proposals as well as participated in the selection process first hand as a member of the FAC. The district appeared to follow all guidelines for selection of independent auditors pursuant to GFOA recommendations (<https://www.gfoa.org/materials/audit-procurement>).

2.4.14 POLICY PROHIBITION: *Shall not receive, process or disburse funds under controls which are insufficient to meet the Board-appointed auditor's standards.*

INTERPRETATION:

I interpret this to mean:

The District manages money and money-related transactions using a system of internal controls which provide for separation of duties, fraud protection, and an authorization process providing reasonable assurance that appropriate controls exist. This is reasonable because independent auditors review these controls on an annual basis and report their findings to the District administration and the Board of Education.

FAC MONITORING INFORMATION:

- a. Review RISC documents to ensure controls for disbursing, receiving or processing funds were sufficient.

FAC FINDINGS:

Review of district documentation revealed clear financial controls processes and segregation of duties (matrix) by specific accounting / financial sub-functions (e.g., AP, revenue, etc.). The auditor did not have any major findings, only recommendations related to reconciling student activity fees between PeopleSoft and Infinite Campus and establishing a discretionary minimum unassigned fund balance for its General Fund. The district appears to be in compliance through its financial controls.

2.4.15 POLICY PROHIBITION: *Shall not invest or hold operating, capital, bond and reserve funds without following the “prudent investor” standard and complying with the legal investment of public funds requirements under C.R.S. 24-75-601.1 and other applicable law.*

INTERPRETATION:

I interpret this to mean:

All funds are invested in compliance with C.R.S. 24-75-601.1 and other applicable law as follows:

- A. Cash is deposited in eligible depository banks subject to FDIC insurance or which pledge collateral in accordance with the Colorado Public Deposit Protection Act (“CPDPA”), or
- B. Cash is deposited in money market funds or local government investment pools with the highest credit rating assigned by a nationally recognized credit rating agency, or
- C. Investments in securities comply with applicable Colorado law and the credit rating, diversification and maturity restrictions as specified by the District’s investment policy, and
- D. Cash and other funds are not invested in instruments other than those permitted by Interpretations A-C.

FAC MONITORING INFORMATION:

- a. Observe and engage in quarterly investment meetings with Investment Advisor and review reports to determine that the District has maintained cash or investments per State Law.

FAC FINDINGS:

Based on the materials presented by “Public Trust Advisor” (the District’s external financial management firm) in the February 17, 2021 and August 18, 2021 FAC meeting (slide 17) the district is in compliance with 2.4.15

2.4.17 POLICY PROHIBITION: 1. *Shall not fail to ensure that mill levy override revenues are used and distributed according to the plan established by the Board.*

INTERPRETATION:

I interpret this to mean:

Mill levy override revenues shall only be spent/ invested according to the language in the plan approved by voters and the Board.

FAC MONITORING INFORMATION:

- a. Inquire with key personnel on budget and accounting procedures regarding 5C mill levy override funds. Additionally, review expenditures by project number.

FAC FINDINGS:

Regarding the mill levy override revenues, we discussed with key Adams 12 employees the budgeting and accounting procedures and controls. In addition, we heard the staff presentation on this issue in both a spring FAC meeting and the May 5, 2021 Board of Education meeting. It was evident that Adams 12 has internal control to ensure override funds are spent according to the ballot language, focusing all spending on the Investment Priority Focus Areas identified in the Elevate plan: 21st Century Learners, Diverse Learning, Outside the Classroom, Safe Schools, Social Emotional Learning, and World Class Staff. This is in accordance with what voters approved. It is our determination that the District is in compliance with this policy.

2.5 ASSET PROTECTION

2.5.1 POLICY PROHIBITION: *Shall not fail to insure against theft and casualty losses of property owned or used by the district, and to insure and indemnify, in a board-approved manner, against liability losses to board members, staff and the organization itself. Interpretation:*

I interpret “shall not fail to insure against theft and casualty losses of property owned or used by the district” to mean: The district has in place insurance policies to replace, repair, or provide financial remuneration for damage to district buildings and their contents exceeding \$25,000 and damage to district vehicles exceeding \$2,500. The level of coverage restores the district to an equal or similar position prior to the loss or damage to the asset, less the deductible. The insurance replaces assets stolen, damaged or destroyed with a minimum value that meets or exceeds the deductible limitations of the insurance coverage, and includes the replacement of facilities, fixtures, furniture, equipment and consumable assets (i.e. textbooks, computer components, etc.) owned or leased by the district.

I interpret “shall not fail...to insure and indemnify, in a board-approved manner, against liability losses to board members, staff and the organization itself” to mean: Appropriate policies are in place to cover acts of litigation, settlements, judgments and staff injuries resulting in financial remuneration by the district. The policies provide coverage for these acts to the extent available through insurance policies and provide coverage in amounts consistent with industry standards. There are certain acts that are not insurable.

FAC MONITORING INFORMATION:

- a. Inquiry with key personnel and Inspect insurance summary and determine that the District has adequate insurance.

FAC FINDINGS:

The insurance coverages are in line with the requirements set by the District, Board and Industry standards. No coverages or deductible amounts were changed in the contract from the previous

reporting period. School Entity Liability (General Coverage) meets the Industry Standard which is based on "Standard Liability + Workers Comp Coverage" and then the entity determines what coverage amounts meet their specific needs based on these numbers.

2.5.2 POLICY PROHIBITION: *The projected cost of total deferred maintenance shall not exceed ten percent (10%) of the projected replacement value. Furthermore, funds allocated for the purpose of maintaining the plant shall accrue year to year to a maximum of three percent (3%) of the projected replacement value of the plant; these funds shall be deemed a plant contingency fund and shall not be transferred, spent, or reallocated for any other purpose without prior approval of the board of education.*

I interpret: "The projected cost of total deferred maintenance shall not exceed ten percent (10%) of the projected replacement value" to mean: 10% of deferred maintenance is the cost of major repair and replacement tasks not performed according to their prescribed lifecycle frequency, resulting from maintenance that was unable to be completed due to the lack of human or financial resources.

I interpret: "funds allocated for the purpose of maintaining the plant shall accrue year to year to a maximum of three percent (3%) of the projected replacement value of the plant; these funds shall be deemed a plant contingency fund and shall not be transferred, spent, or reallocated for any other purpose without prior approval of the board of education" to mean: The remaining balance of funds allocated annually for Facilities Maintenance in any fiscal year and all prior fiscal years shall be transferred to a Plant Contingency Fund to be used for maintaining the plant with due care, facility program changes, and replacement of capital equipment.

FAC MONITORING INFORMATION:

- a. Inquiry with key personnel, Inspect Maintenance Budget and cost lab analysis to determine that the District has adequately funded for preventative maintenance, minor repairs, and unscheduled maintenance.

FAC FINDINGS:

The data reviewed was related to the prior year and found that no transfer was completed to fund preventative maintenance needs.

2.5.3 POLICY PROHIBITION: *Shall not fail to maintain the plant with due care in a manner that ensures facilities are open ninety-nine percent (99%) of the available instruction hours.*

I interpret: "Shall not fail to maintain the plant with due care in a manner that ensures facilities are open ninety-nine percent (99%) of the available instruction hours" to mean: Financial resources allocated to Facilities Maintenance are expended for preventative maintenance, minor repair, and unscheduled maintenance in a manner that best maintains the plant, such that the plant is operational and functioning in the capacity necessary at a rate of ninety-nine

percent (99%) of the 1,080 hours and 990 hours of annual instructional time for a secondary and elementary school, respectively.

FAC MONITORING INFORMATION:

- b. Inquiry with key personnel, Inspect Maintenance Budget and cost lab analysis to determine that the District has adequately funded for preventative maintenance, minor repairs, and unscheduled maintenance.

FAC FINDINGS:

Per the interview with key personnel and maintenance records, there were zero facilities related school closures reported on scheduled student and staff days during the monitoring period. Therefore, facilities are open ninety-nine percent (99%) of the available instruction hours. The maintenance department did have adequate funds allocated for preventative maintenance, minor repairs, and unscheduled maintenance for the monitoring period. Due to the fact that there were zero facility related school closures and the maintenance department was adequately funded, the district is in compliance with this standard.

2.5.4 POLICY PROHIBITION: *Shall not fail to maintain equipment with due care to provide necessary services for student/staff contact days and essential district operations or to fund said maintenance with adequate resources on an annual basis.*

I interpret: “*Shall not fail to maintain equipment with due care*” to mean: Financial and human resources for the maintenance and upkeep of equipment are expended for personnel, materials, and contract services necessary to maintain, monitor, and repair equipment in a manner consistent with manufacturer requirements.

“*equipment*” to mean: The following capital assets; (A) student transport vehicles, (B) Information technology infrastructure (computer network switches, routers, servers, storage systems, communication systems (email, telephone, website), software (such as PeopleSoft Finance, PeopleSoft HR, IEP System, Early Warning System, Educator Resource Center, and Infinite Campus), and cloud-based Internet applications (such as Google, Educator Effectiveness, SchoolDude, Schoology).

“*to provide necessary services*” to mean: Equipment is operational for the support of student/staff contact days and essential district operations.

“*student/staff contact days*” to mean: Ninety-nine percent (99%) of the 1,080 hours and 990 hours of annual instructional time for a secondary and elementary school, respectively.

“*essential district operations*” to mean: The district is able to perform its legal and fiduciary duties. i.e. (transport students safely, meet payroll requirements, meet financial and human resource obligations, CDE reporting, communicate critical information to parents, students and staff, and provide fire and intrusion monitoring).

“*or to fund said maintenance with adequate resources on an annual basis*” to mean: Sufficient financial and human resources are allocated yearly to ensure equipment is operational in the manner necessary to provide services to students/staff without unnecessary interruption.

(A) Student Transport Vehicle Inspections

(B) Information technology infrastructure (computer network switches, routers, servers, storage systems, communication systems (email, telephone, website), software (such as PeopleSoft Finance, PeopleSoft HR, IEP System, Early Warning System, Educator Resource Center, and Infinite Campus), and cloud-based Internet applications (such as Google, Educator Effectiveness, SchoolDude, Schoology).

FAC MONITORING INFORMATION:

- a. Inquiry with key Transportation personnel, to determine that the District has adequately funded for preventative maintenance, and to determine if they are aware of any outages of service that have impacted students or staff.
- b. Inquiry with key IT personnel, to determine that the District has adequately funded for preventative maintenance, and to determine if they are aware of any outages of service that have impacted students or staff.

FAC FINDINGS:

- a. Interviewed Igor Petrovich, Ryan Texer and Oz Flores from Transportation and Operations. Colorado Dept of Education requires annual and 6 month inspections of all buses. Due to COVID 19, the state granted a delay in inspections. Adams 12 met the deadline for inspections. Also due to COVID 19, there was no busing during remote learning, and the six month inspections were not all done per usual, since they were not necessary. Usually the department does 15-20 inspections a month and a six point pre-trip daily inspection for every bus in service. Buses are replaced at the 20 year mark; currently 11 buses need to be replaced. Adams 12 has applied for a grant from the EPA to replace diesel buses with propane buses, which could bring a 35% savings to the district per propane bus. The department paid off a loan on 5 buses. The department is currently adequately staffed. District buses have not missed any service dates and there are enough buses for all routes even in the event of an unexpected breakdown. There have been no interruptions of service. I believe the department to be in compliance with both maintenance and service to students.
- b. Interviewed Ash Mahajan, Chief Information Officer; Greg Mortimer, Data Services Executive Director; Erik Moore, Academic Computing Services Executive Director. The role of IT is to ensure the district can operate without internet outages and to prevent cyber-crime. Currently the department is working on new infrastructure - fiber cable to connect 55+ locations in the district. This is more cost effective than leasing, as the cost of leasing has risen dramatically and leaves the district at the mercy of the internet company. This is a large project that is coming in under budget and on time, and will save the district money in the long term. The district has funds for one time investments, but ongoing expenses in the department are more difficult to fund. Cybersecurity is the number one issue for the department. Attacks come in the form of denial of service, fishing attacks, and crypto ransomware. Cybersecurity is a 24 hour operation and requires response in real time. Due to COVID the district is at an increased risk for cyber attacks due to students and district staff accessing data from personal networks. Much of the district's data has been moved off servers and onto the cloud that is maintained by various vendors. Protecting access to this data is extremely important and 2 step verification is in the works, in addition to constant network monitoring by IT staff. Technological demands in the classroom are increasing, and there are new systems being used to teach through remote learning. The demands COVID put on this department were huge, and they rose to the challenge. This "new normal" will continue due to more kids learning online and teachers using blended technology to teach. There was one system breach in 2019 that resulted in no downtime. The system has provided good service to students and staff during COVID. While funding for this year has

been adequate, we should consider that the growing technological demands of education will likely take more money to maintain and keep secure. The demand on the IT department personnel has increased while the staffing has not. Most of the staff is contract employed. It is recommended to increase the staffing budget for this department. IT is a field that is highly competitive and it will be in the districts best interest to hire additional and permanent staff that can gain institutional knowledge, keep work load manageable and continue to serve the districts growing technology needs.

2.5.5 POLICY PROHIBITION: Shall not make any purchase: (a) wherein normally prudent protection has not been given against conflict of interest; (b) of any material amount without having obtained comparative prices and quality; or without a stringent method of assuring the balance of long term quality and cost.

I interpret “Shall not make any purchase: (a) wherein normally prudent protection has not been given against conflict of interest; (b) of any material amount without having obtained comparative prices and quality; or without a stringent method of assuring the balance of long term quality and cost” to mean: The district has district policies and procedures that expenditures meeting or exceeding \$5,000 (non-grant funded purchases) or \$3,000 (grant funded purchases/fund 22) for any transaction are subject to a competitive bid process. The competitive process includes the development of product/service specifications to ensure the level of quality required. The purchasing process incorporates the appropriate competitive process, an Invitation to Bid, a Request for Proposal (RFP), phone quote, competitive negotiation, email quote or fax quote, provided that at least (3) responses are obtained. A Procurement Deviation Justification Form (PDJ) must be completed and approved for sole source, single source and emergency purchases which typically are service related or specialized products such as proprietary software. For capital construction, bid limits were raised in FY16-17. Projects up to \$15,000 require no bid, \$15,000 - \$50,000 prices may be solicited via email or other written means provided there are at least three (3) proposals obtained.

FAC MONITORING INFORMATION:

- a. Inquire of key personnel as to the purchasing process and performance/ documentation of steps a - b of the Policy Prohibition.
- b. Inquire of key personnel as to:
 - i. the number of competitive bids during fiscal year 2020
 - ii. whether the District has received any protests
- c. From the list of bids, randomly select 5 for testing. Inspect the bid files and determine that there was a competitive bid (if applicable). Assure that the file meets the interpretation.

FAC FINDINGS:

The District Purchasing Manager confirmed that purchasing policy and procedure had not changed since the process was last tested in the summer of 2020 and the FAC corroborated this by

examining the policy (3320). The number of competitive bids was 53 during fiscal year 2020 and the FAC corroborated this by looking at their competitive bid log. The FAC also inquired of the bid personnel if there were any new protests relating to the fiscal year 19/20. There was one protest in July 2020 for an IT bid (20-019), but the protester ultimately did not follow up.

The competitive bid list was then pulled up and 5 random numbers were generated to randomly select 5 bids to examine their support files to determine if they met the requirements of the competitive bid process. The 5 selected bids and their test results are as follows:

1. 20-023 Future Forward - Per observation of the bid file, an RFP was sent out and 11 proposals were received and considered. The responses were evaluated and the bidder with the highest evaluation score was awarded the contract for \$200,017.
2. 20-047 Greenworks Brand Outdoor Rechargeable Grounds Equipment - Per observation of the bid file, an invitation to bid was sent out and 2 bids were submitted and considered. The bid with the lowest price was awarded a purchase order for \$37,566.
3. 20-027 Customer Expressions Corporation - i-Sight Software and Implementation - Per observation of the bid file, an RFP was sent out to one company (Customer Expressions) as this was intended to be a sole source procurement. A contract with this company was executed for \$62,600 for 3 years.
4. 20-019 Wireless Access Points -
5. 20-034 AWP 30S Lift for Future Forward -

2.5.7 POLICY PROHIBITION: *Shall not fail to timely apprise the Board of any contemplated property (real or otherwise) asset acquisition in excess of \$500,000 based on net book value and sales price outside of bond implementation or otherwise approved by the board in a bond, override plan, or general budget*

I interpret “shall not fail to timely apprise the Board of any contemplated property (real or otherwise) asset acquisition in excess of \$500,000 based on net book value and sales price outside of bond implementation or otherwise approved by the board in a bond, override plan, or general budget” to mean: The district shall provide notification to the board through regular correspondence from the Superintendent at the time when district staff engages in the due diligence process in the event of a potential acquisition of property (real or otherwise) of \$500,000.

FAC MONITORING INFORMATION:

- a. Inspect the board minutes for notification to the Board of Education from the Superintendent when the District engages in the due diligence process in the event of a potential acquisition or disposition of property. For all assets acquired over \$500,000.

FAC FINDINGS:

6 different Board Meeting minutes indicated special proceedings, legal discussions, ratified contract amendments and sidebars regarding real estate proceedings with appropriate board members throughout the review period. These minutes included updates regarding the sidebar conversations and discussed the real estate proceedings reviewed with the district staff as well. While no acquisitions occurred, it is the finding of the committee that the district is in compliance with keeping the board informed of relevant land acquisition progress.

2.5.8 POLICY PROHIBITION: *Shall not fail to gain Board approval of property (real or otherwise) asset acquisition or disposition in excess of \$500,000 based on net book value and sales price. .*

I interpret “*shall not fail to gain board approval of property (real or otherwise) asset acquisition or disposition of \$500,000.*” to mean: The district shall gain approval of the board through board action prior to acquisition of property (real or otherwise) or a disposition of property (real or otherwise) in excess of \$500,000.

FAC MONITORING INFORMATION:

- a. Inspect the board minutes for approval from the Board of Education for the acquisition and/or disposal of an asset. For acquisitions and dispositions in excess of \$500,000.

FAC FINDINGS:

While no major purchases were completed during the review period and dollar values were not detailed in the minutes; several real estate dealings did occur, all of which the board was well informed. 6 different Board Meeting minutes indicated special proceedings, legal discussions, ratified contract amendments and sidebars regarding real estate proceedings with appropriate board members throughout the review period. These minutes discussed the real estate proceedings reviewed with the district staff as well. It is the finding of the committee that the district is in compliance.

2.5.10 POLICY PROHIBITION: *Shall not dispose of—including any gift of encumbrance of or granting of title exceptions to-any real estate owned, leased, or used by the district, or for which the district acts as surety; (i) for compensation less than the sum of the market value of the property interest disposed plus any reduction in the market value of property or operations retained; (ii) if items 8(b)-8(e) above are not observed; (iii) or if any remaining district property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter.*

I interpret “*Shall not dispose of—including any gift of encumbrance of or granting of title exceptions to-any real estate owned, leased, or used by the district, or for which the district acts as surety; (i) for compensation less than the sum of the market value of the property interest disposed plus any reduction in the market value of property or operations retained*” to mean:

The district does not relinquish property ownership without assurance that the value received is considered to be at market value unless a proposed purchase in excess of market value is disclosed to and approved by the Board of Education. Market value is defined as being consistent with appraised value provided by a State of Colorado certified appraiser or through negotiations using real estate and legal professionals who primarily practice or specialize in the area of real estate brokerage, sales, development, planning, or law. In addition, the disposal of said property must not reduce the market value of any remaining district property retained.

FAC MONITORING INFORMATION:

- a. Inspect disposals of real estate during fiscal year 2019 and determine if the compensation received was less than the sum of the market value of the property interest

of the property disposed plus any reduction in the market value of the property or operations retained.

FAC FINDINGS:

No disposals of real estate occurred in 2019, the district is in compliance.

2.6 EMPLOYMENT, COMPENSATION AND BENEFITS

2.6.1 POLICY PROHIBITION: *The Superintendent shall not change his or her own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.*

I interpret “*change his or her compensation and benefits, except as his or her benefits are consistent with a package for all other employees*” to mean: The Board of Education determines the annual compensation and benefits package for the Superintendent. The financial enhancements, in addition to base salary, do not exceed those received by other employees except as outlined in the Superintendent’s employment contract executed by the Board of Education.

FAC MONITORING INFORMATION:

- a. Inspect Superintendent’s contract and any subsequent Addenda, inspect the District’s payroll records to determine that the Superintendent’s compensation is within the guidelines set forth by the Board of Education.

FAC FINDINGS:

The Superintendent’s compensation and benefits as paid are in line with the signed contract with the Board of Education through June 30, 2021. There was a pay raise of 1.7% added onto his base pay this past year which was approved by the Board. Therefore there was an increase in his monthly salary as per the raise amount. There was no COLA increase this past year. All other benefits were paid monthly in accordance with the contract and in line with other Admin.

******Something to be aware of for next year’s review is that due to COVID, at the ADMIN level, individuals who still had 80hrs of unpaid vacation as of January 1, 2021 were able to roll that into this year’s vacation. This may show an anomaly (greater than the 160hrs in the contract) in the next year’s report depending upon the number of hours rolled and used or paid out.

2.6.2 POLICY PROHIBITION: *The Superintendent shall not (a) promise or imply permanent or guaranteed employment, (b) use illegal recruitment, hiring, evaluations, promotion, termination or other employment practices.*

(a) I interpret “*promise or imply permanent or guaranteed employment*” to mean: Superintendent Policies, Master Agreements (union contracts) and other employment contracts do not contain language that indicates entitlement to employment beyond the current fiscal year, and provide for staff reductions as may be required.

(b) I interpret “*use illegal recruitment, hiring, evaluation, promotion, termination, or other employment practices*” to mean that certified, administrative, classified and substitute teachers are not discriminated against based upon their predominant ethnic background, gender, sexual orientation, age, or their religious or political affiliation during the selection process for

employment, assessment of performance, or separation from employment. Compliance shall be reported in absence of any decision or judgment by final agency action, or by an appellate court with final appellate authority for the issue presented, concluding that the district acted or failed to act in a manner which is contrary to law.

This interpretation is reasonable because the courts and administrative agencies are the ultimate arbiters of the lawfulness of district action.

FAC MONITORING INFORMATION:

- a. Interview key personnel, Inspect Master Agreements and randomly select 5 contracts to verify that there is no language to promise or imply permanent employment.
- b. Interview with key personnel and inquire on any judgements or other personnel issues that would not comply with this standard.

FAC FINDINGS:

Two members of the Finance and Audit Committee interviewed members of Adams 12 staff, inspected Master Agreements and read 5 randomly selected contracts to be certain that there is no language that promises or implies permanent employment. The 5 selected contracts did not contain any language that could be considered a promise of permanent employment or a promise of perks or extra compensation outside of the stated salary. The Master Agreement that covers the majority of contracts with the district does not contain any promise of permanent employment. Based on the contracts and Master Agreement read, and the interview with district staff, Adam 12 is in compliance with policy 2.6.2.

2.6.3 POLICY PROHIBITION: *The superintendent shall not establish current compensation and benefits which materially exceed the geographic or professional market for the skills employed.*

I interpret “*Materially exceed the geographic or professional market*” to mean: Salary plans and other financial enhancements, as part of total compensation, will not exceed or be below the market by 10% as summarized for each of the employee groups. The target of a 10% spread for the summarized industry salary and benefits survey data is reasonable because of our organizational value of neither being at the top nor at the bottom of the geographic market.

FAC MONITORING INFORMATION:

- a. Inspect third-party salary and benefits survey of the Denver-Metro area for school districts to determine that the District’s compensation and benefits package is reasonable.

FAC FINDINGS:

We interviewed Myla Shepherd and Darin Everett in HR Regarding the Oehms salary and benefits survey. They presented the January 2021 OEHM Consulting Services Annual Salary and Benefits survey of Denver Metro Area School Districts.

The review by the FAC did not show any indications that the district is out of compliance with this policy.

DISTRICT POLICY 4130 STAFF ETHICS/CONFLICTS OF INTEREST/NEPOTISM

This should be 5.0 counting down 5.1-5.4 (numbering issue in this file)

5.1 Employee Certification and Monitoring. All District employees shall comply with the terms of the Staff Ethics/Conflicts of Interest/Nepotism policy and this administrative procedure. Because employees serving in supervisory, management, administrative, and purchasing positions have decision-making responsibilities which pose a greater risk of engaging in conflicted conduct, individuals holding the following positions within the District shall be provided an annual notice regarding their obligation to review and comply with this policy:

- Superintendent
- Chief academic officer, chief operating officer, chief Information Technology Officer, Chief Human Resource Officer, Chief Financial Officer, and General Counsel, Executive Directors
- Senior Executive Assistants to the Superintendent and Board of Education
- All District staff with a title of director, assistant director, manager, or project manager
- All employees in the Business Services Operations Department
- All principals, assistant principals, and deans
- All classified employees with the title of supervisor or with supervisory responsibilities

5.2 The Chief Human Resource Officer or her/his designee shall be responsible for providing these annual notices. The notice may be incorporated into an employee's employment contract.

5.3 An annual review shall be completed to determine whether required notices have been provided and whether employees have engaged in conduct prohibited by this policy.

5.4 The annual review shall also examine whether contracts and agreements between the District and third parties conform with this policy, constitute reasonable investment or payment for goods and services, and do not result in impermissible private benefit to District employees.

5.5 The annual review described in Sections 5.2 through 5.5 shall be completed by the District's Finance and Audit Committee.

5.6 The Finance and Audit Committee shall report the findings of its annual review to the Superintendent and to General Counsel on or before July 1 of each year.

FAC MONITORING INFORMATION:

- a. From a list of employees serving in supervisory, management, administrative, and purchasing positions for the year ended June 30, 2018, randomly select 5-10 employees and:
 - iii. Observe that the employee received the required notification regarding staff ethics, conflicts of interest and nepotism
 - iv. Inquire of the employee if he or she has not engaged in conduct prohibited by policy 4130
- b. Perform vendor, employee and address matches to observe any conflicts and compliance with policy 4130.

FAC FINDINGS:

- a. - iii. Of the 11 randomly selected employees the answers were as follows:
- ***Did you receive the annual HR notification email regarding District Policy 4130?*** 8 employees indicated that they received the annual HR notification email, 3 indicated that they were unaware of it in email form and unable to find it
 - ***Are you aware of this policy being included in your employment contract?*** 9 were aware, 2 were not aware
 - ***If you have/had any questions regarding the policy, do/did you know who to ask? If you have asked a question, did you receive an appropriate response? If not, do you know what steps to take next?*** 9 were aware, 2 were not aware
- a. - iv. Of the 11 randomly selected employees the answers were as follows:
- ***Have you knowingly engaged in conduct prohibited by Policy 4130?*** 11 indicated that they had not knowingly engaged in any prohibited conduct
 - ***Are you aware of any employees or other staff within the District engaging in behavior or conduct prohibited by Policy 4130?*** If yes, have you taken any action to report this? 10 indicated that they had no knowledge of any misconduct under the policy, 1 indicated that she has reported on and there is current potential policy violation investigation being conducted

The Board acknowledged receipt of an external monitoring report from the Finance and Audit Committee (FAC) as of September 15, 2021 for the period July 1, 2020 through June 30, 2021, for the purpose of monitoring Superintendent performance concerning Board Policies 2.4 Financial Condition and Activities, 2.5 Asset Protection, 2.6 Employment, Compensation and Benefits, and District Policy 4130 Staff Ethics/Conflicts of Interest/Nepotism and found the FAC's findings and conclusions were reasonable and supported by data that was relevant, justified and complete.