

## **EXTERNAL REVIEW OF MONITORING REPORTS**

September 16, 2020

POLICY: **2.4 FINANCIAL CONDITION AND ACTIVITIES**  
POLICY CATEGORY: **OPERATING LIMITATIONS**  
PERIOD MONITORED: **July 1, 2019 – June 30, 2020**

POLICY: **2.5 ASSET PROTECTION**  
POLICY CATEGORY: **OPERATING LIMITATIONS**  
PERIOD MONITORED: **July 1, 2018 – June 30, 2019**

POLICY: **2.6 EMPLOYMENT, COMPENSATION AND BENEFITS**  
POLICY CATEGORY: **OPERATING LIMITATIONS**  
PERIOD MONITORED: **August 18, 2019 – August 16, 2020**

POLICY: **4130 STAFF ETHICS/CONFLICTS OF INTEREST/NEPOTISM**  
POLICY CATEGORY: **DISTRICT POLICY**  
PERIOD MONITORED: **July 1, 2019 – June 30, 2020**

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, 2020 prior to finalization of fiscal year 2019-20. Detail 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.

<b>TABOR</b>	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).
<b>Contract Reserves</b>	<b>District:</b> Reserves held for future year payments of certified and classified employee longevity stipend for employees who have separated from employment.  <b>Charter Schools:</b> 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 19/20 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:**

The district was deficient in the collection of receivables for the last quarter of the monitoring period. A large portion of their late receivables are student fee obligations. As of June 30, 2020 due to COVID-19 closure restrictions and the state of economic uncertainty for our community and families, pursuing past due student fees was suspended. Because of this, the District has reported non-compliance with this policy requirement.

**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). **(This interpretation has been updated to align to IRS Regulations.)**
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:**

As is stated in part A., the Bond Committee takes its direction from voter approved projects and uses that as a guide for their work. They also use input from the LRPAC to determine project priorities across the district, and no projects that are not voter approved are considered for construction. They secure multiple bids from contractors and to assure a fair market price for labor and materials, and include a 10% contingency fee as well as an adjustment for inflation to keep the budget on track. Despite some uncertainty due to the pandemic, the Future Forward Technical Education Center was completed prior to the start of the 2020-21 school year. We believe that the Bond Committee is in compliance with policy 2.4.7.a.

**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:**

Adams 12 key employees were interviewed regarding budgeting and accounting policies and procedures. It was evident that Adams 12 has internal control to ensure override funds are spent according to the ballot language. Additionally, I read the ballot language regarding each mill levy to understand what the voters approved. Lastly, I did a sampling of expenditures to ensure the expenditure follows the related mill levy and funds were spent efficiently. The District is compliant with this policy.

**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 and review of the unaudited Preliminary Quarterly Financial Report dated 06/30/2020 it appears that the district is in compliance with this standard. The District currently has only one multi-year obligation. This multi-year obligation is 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 either both or one of the following clauses to limit contracts that span more than one year. These clauses are either a 1 year agreement with the option to extend the contract for additional 1 year contracts over a set period of time, or a non-appropriations clause (the longstanding, legally accepted clause that conforms to TABOR standards).

With regards to the multi-year obligation (5 year stipend payment), 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 approximately 50 retirees per year and a budget of \$10.9 million to cover the stipend payment to these 50 employees over years 2-5. The unaudited Preliminary Quarterly Financial Report dated 06/30/2020 shows a reserve of \$10.9 million for this obligation. The one risk to this reserve fund is if the District had more retirees than the 50 budgeted. Per discussion with Suzi DeYoung, this 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:**

I reviewed the audit proposals and related items and found that the district undertook a full scale competitive process for the selection of the independent auditors pursuant to GFOA recommendations.

**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:**

We have reviewed RISC document controls and interviewed district staff on their processes. In addition, pulled information available from the most recent CAFR. The current internal controls provide separation of duty, fraud protection and adequate authorization process. CliftonLarsonAllen (independent auditors) "considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion." In the CAFR, the auditors' report on any material weaknesses or significant deficiencies discovered during the audit with regards to internal control. It was reported that there were no material weaknesses or significant deficiencies. The district does not have internal auditors reviewing internal controls, they rely solely on the independent auditor's review. The Independent auditors include in their Management Letter any areas for improvement with regards to internal control. When the management letter contains such recommendations, the district has historically engaged independent auditors to evaluate and give recommendations on improvements for internal controls. No such recommendations were given this year, therefore, it appears the district is in compliance with District Policy 2.4.14.

**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" in April 2020 the FAC finds that the district is in compliance with 2.4.15.

**2.4.17 POLICY PROHIBITION:** *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:

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

**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:**

Adams 12 key employees were interviewed regarding budgeting and accounting procedures and controls. It was evident that Adams 12 has internal control to ensure override funds are spent according to the ballot language, especially 5C. Additionally, I read the ballot language regarding 5C mill levy to understand what the voters approved. I did a sampling of expenditures to ensure the expenditure follows the approved mill levy and funds were spent efficiently. Lastly, I reviewed expenditures by project number. The District is compliant 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:*

**The following interpretation has changed since the last report.**

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.

**The following interpretation has changed since the last report.**

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:**

Commercial Liability Insurance Deductible - \$25,000 (Unchanged)  
Auto Liability Insurance Deductible - Changed from \$1000 to \$10,000  
Property Insurance Deductible - \$25,000 (Unchanged)  
Workers Compensation Deductible - \$500,000 per claim with \$1.5M aggregate changed from \$16,500 deductible

We conclude that the required insurance coverages have been met.

**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:**

Per review with Margi Ammon and Internal Monitoring report dated January 16, 2020, the district is in compliance with this standard. Total deferred maintenance estimated by CostLab is \$85.94 million for the reporting period. This represents 8.22% of the FY 2018-2019 projected replacement value (PRV) of \$1,044.82 million.

As of June 30, 2018 the accrued balance of the Plant Contingency Fund was \$1.38 million or approximately 0.14% of the PRV. No balance was transferred to the Plant Contingency Fund for the 18/19 FY. The district was in compliance with this standard.

#### **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.*

##### **The following interpretation has changed since the last report.**

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 Adams 12 Communication Center and maintenance records, there were zero facilities related school closures reported on scheduled student and staff days during the monitoring period. The maintenance department did spend all funds allocated for FY 2018-2019. Of the \$6.13 million allocated the district spent \$6,653,833. The overage \$(276,018) was funded from the general fund. They are aware of being over budget. Due to the fact that there were zero school closures, 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:**

Adams 12 key employees were interviewed regarding maintaining equipment that is necessary for student/staff and essential district operations. Adams 12 Key employees have policies and procedures to keep all equipment running and exceed the standard of 99% uptime of student contact days.

Specific to Transportation, the department is continuing to upgrade its fleet. It no longer has any buses that are 25+ years old and only has 6 buses left that are 20+ years old. Transportation does a 6-point inspection daily on all buses, additionally buses are serviced every 6 months. Transportation represents they have adequate funding for preventative maintenance. Based on all district and state requirements that the department continues to pass, the transportation has adequate funding. This year was the district's audit of annual inspections and it was delayed due to COVID-19. There have been no gaps in service or shortages. Based on this evidence, the transportation is compliant with this policy.

Regarding IT, the department has made upgrades to the infrastructure that reduce the possibility of downtime. With the Comcast contract expiring, the district has laid its own fiber to connect all schools. This fiber has self-healing rings which reduces the possibility of outages due to cut cables. IT has also upgraded Peoplesoft and Infinite Campus. Since more data will be stored in these systems, the district has continued to take measures to make sure systems are partitioned off to reduce the risk of a breach in network security. In addition, policies and procedures have been put in place to have a manual backup of critical information regarding students at their respective schools. This ensures students are given correct medication, attendance is properly taken, and no student is released to a person not on the authorized form should the system go out. Occasionally, cloud-based applications (i.e Google and Zoom) will have service outages which the IT department can't control; however, these interruptions in service are short and does not cause the uptime to drop below the policies. In regards to adequate funds for preventative maintenance, the IT department continues to make upgrades and maintain current systems. Based on all this information, the district is compliant with the policy.

**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 2019
  - 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 2019 and the FAC corroborated this by examining the policy (3310). The number of competitive bids still stood at 57 during fiscal year 2019 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 and he said no. 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. 19-005 Districtwide Building Automation Upgrade Project: Phase 2A, Building Controls Retrofit - Per observation of the bid files, an Invitation to Bid (ITB) was sent out for 3 contract packages and 4 responses were received. The responses were evaluated and a contract was awarded to DRA for package 1 for \$349,693 and CSI for packages 2 & 3 for \$340,690 and \$212,920, respectively.
2. 19-009 CMGC Services for Playgrounds & Concrete at 8 Sites - Per observation of the bid files, an RFP was sent out and 4 responses were received. The responses were evaluated and an equipment and service contract was awarded to Colorado Designsapes for \$220,654.
3. 19-023 CMGC Services for MEP & Crawlspace at 5 Sites - Per observation of the bid files, and RFP was sent out and 3 proposals were received and evaluated. A contract was awarded to Taylor Kohrs for a total proposed fee of \$418,329.
4. 19-024 Wrestling Mats, Northglenn High School - Per observation of the supporting documentation, there was only an informal bid process performed. Three responses were received for this lowest fixed price bid and a PO was awarded to Dollamur for \$7,925.

5. 19-031 Reroofing at Hillcrest Elementary School - Per observation of the supporting documentation, an ITB was sent out and there were 3 responses. The responses were evaluated and a contract was awarded to Superior Roofing for \$1,022,249.

Per this review, the district appears to be in compliance with policy prohibition 2.5.5.

**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*

**This interpretation has changed since the last report.**

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:**

The district has complied with this policy as determined by examining acquisition records and board meeting minutes.

**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. .*

**This interpretation has changed since the last report.**

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:**

The district has complied with this policy as determined by examining acquisition records and board meeting minutes.

**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:**

The district has complied with this policy as determined by examining acquisition records and board meeting minutes.

## **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.

**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:**

The FAC interviewed members of Adams 12 staff, inspected Master Agreements and read 5 randomly selected contracts to verify that there is no language to promise or imply permanent employment. The 5 selected contracts did not contain any language that could be considered any promise of permanent employment or any 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 2018-2019 Survey Results and actions taken. All salaries with a midpoint difference of 5% or higher had action taken and compensation levels adjusted.

The most recent survey report (June 2020) was also shared although no actions have been taken at the time of this report. The survey has a summary page that lists the district positions from least aligned to most align with market rates. We received and reviewed the spreadsheet summaries and noted the following positions were outside the +/-10% difference from market based on the mid-point pay rate for each position:

*Salaried (all were below market by more than 10.0%):*

Career & Technical Education Principal. (Note: This role was not on the previous report)

*No positions on the latest summary were above market by more than 10.0%.*

With the exception of the one position which was not previously reported, the district appears to be in compliance with the policy prohibition for these positions.

## **DISTRICT POLICY 4130 STAFF ETHICS/CONFLICTS OF INTEREST/NEPOTISM**

**5.0 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 Resources 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

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

5.2 An annual audit shall be completed by an internal or external auditor to determine whether required notices have been provided and whether employees have engaged in conduct prohibited by this policy.

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

5.4 The internal or external auditor shall report these findings to the Superintendent and to General Counsel on or before July 1 of each year. The District's independent external auditor shall also be tasked with completing such an audit every five (5) years or more frequently as directed by the Superintendent.

### **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:

I. Observe that the employee received the required notification regarding staff ethics, conflicts of interest and nepotism

II. 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. - I. Of the five randomly selected employees, four employees have stated that they have received the required notification while the other one indicated they could not recall specifically but assumed they have. All selected employees have stated that they are aware of the policy being included in their employment contracts.

a. - II. None of the randomly selected employees indicated they have engaged in the conduct prohibited by policy 4130.

b. The Audit committee reviewed Disbursements and Employees listed as Vendors. The disbursement list and vendor employee match lists were reviewed.

There were 25 matches of Vendor and Employee Addresses with payments being made to 9 vendors with matching addresses. Of those, only one was for an employee listed in the applicable positions categories listed in 5.1.

These three payments totaled less than \$300 and were for PTO reimbursements written to Tara Gover who has the same address of district employee, Phillip Gover, a Youth Advocate. Tara is the Vice Chair of the American Indian Parent Advisory Committee. As all of the purchases and donations appeared to be for the committee activities and the purchases were well supported and approved, we will pass on further inquiry.

One match however that resulted in a material amount of purchases for clothing and spirit wear/gear of 42 transactions totaling \$35,072 from JVH Marketing which shares the same address as the district employee Rebecca Vanhorn. FAC has raised this item, due to its total size, to the finance team and purchasing for review to ensure the vendor relationship meets district standards.

As there were no other matches and the one mentioned above did not appear to result in a benefit to district employees, the district and its employees appear to be in compliance with policy 4130.

**The Board acknowledged receipt of an external monitoring report from the Finance and Audit Committee as of September 16, 2020 for the period July 1, 2019 through June 30, 2020, of the Superintendent 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 superintendent's interpretations were reasonable and supported by data that was relevant, justified and complete.**