

INTERNAL MONITORING REPORT

January 20, 2021

Policy: **2.5 Asset Protection**
Policy Category: **Operating Limitations**
Period Monitored: **July 1, 2019 to June 30, 2020**

This is my monitoring report on the Board of Education's Executive Limitation policy "Asset Protection." I certify that the information contained in this report is true and complete and presented in accordance with the routine monitoring report schedule. This report will monitor the policy starting at its more detailed provisions and end with the global provision.

Christopher E. Gdowski
Superintendent

Date: January 13, 2021

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 not 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.

Data Reported: The district is a member of the Colorado School District Self Insurance Pool (CSDSIP), for General Liability, Auto, Property and Errors and Omissions. Policy limits, deductibles and retention amounts are commensurate with insurance programs at similarly situated school districts.

Other coverages include Employee Dishonesty, Cyber Crime, Acts of Terrorism, School Crisis Act and Pollution and Remediation. Again, these coverages depend on the loss event. The district also has a Foreign Travel Policy to assist employees and students in the event of an adverse incident during out of country travel.

Insurance contracts in place with CSDSIP:

	Limitations	Deductible
Commercial General Liability	\$10,000,000	\$25,000
Auto Liability	\$10,000,000	\$10,000
Property	\$1,000,000,000	\$25,000

Compliance Statement: The district's performance complied with the standard.

Interpretation: The following interpretation has not 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.

Data Reported: The district is insured by Pinnacol Assurance for Workers' Compensation and CSDSIP for Errors & Omissions insurance, which is covered under the General Liability policy. Policy limits are consistent with industry standards and deductibles and retention amounts are commensurate with insurance programs at similarly situated school districts.

In addition to the General Liability coverage, policies in place include:

	Limitations	Deductibles
Worker's Compensation	Statutory Coverage	\$500,000 per claim with a \$1.5 million aggregate
Errors & Omissions Insurance (E&O)	\$10,000,000	\$25,000

Compliance Statement: The district's performance complied with the standard.

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.*

Interpretation: The following interpretation *has not changed* since the last report:

I interpret: *"The projected cost of total deferred maintenance shall not exceed ten percent (10%) of the projected replacement value" (PRV) 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.

Data Reported: The total deferred maintenance estimated by CostLab for the reporting period is \$95.32 million or 9.12% of the FY 2019-20 PRV of \$1,045.00 million. This represents an increase in deferred maintenance of \$9.38 million from FY 2018-19 to FY 2019-20. *The estimated deferred maintenance for FY 2019-20 does not reflect summer of 2020 Bond work that may eliminate select existing deferred maintenance items.*

Compliance Statement: The district's performance complied with the standard.

Interpretation: The following interpretation *has not changed* since the last report:

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.

Data Reported: On June 30, 2020 the accrued balance of the Plant Contingency Fund was \$1.38 million or 0.14% of the PRV. This does not exceed the stipulated maximum of 3.0% of PRV in the Plant Contingency Fund.

Compliance Statement: The district's performance complied with the standard.

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.*

Interpretation: The following interpretation *has not* 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.

Data Reported: The Facilities Maintenance budget was allocated \$6.51 million in the 2019-20 FY budget. A net total of \$6.64 million was expended for direct labor, indirect labor, employee benefits, supplies, contractors, management and office support for the performance of:

Facilities Maintenance Budget Allocated \$6.51 million	
Planned and scheduled (preventive maintenance)	\$1.53 million
Corrective (Unforeseen maintenance)	\$2.32 million
Other (i.e. contracted, indirect and benefit expenses)	\$2.79 million
Net Total	\$6.64 million

Labor Breakdown Based on Work order Counts	
<ul style="list-style-type: none">• 4,359 were preventative and minor work orders• 8,264 were for unscheduled maintenance work orders• 1,872 were for construction/project related work orders• 2,718 were other work orders (including jobs such as snow removal, graffiti removal, vandalism, etc.)	<ul style="list-style-type: none">• 92.98% of all work orders were performed at schools• 7.02% were performed at support facilities.
Total 17,213 work orders completed during the monitoring period.	Total 100%

Labor distribution based on percentage labor hours	
<ul style="list-style-type: none"> • 27% labor was spent on preventative and minor work orders • 39% labor was spent on unscheduled maintenance work orders • 10% labor was spent on construction/project related work orders • 24% labor was spent on other work orders including snow removal, graffiti removal, vandalism, etc. 	<ul style="list-style-type: none"> • 95.36% of all labor was performed at schools • 4.64% of all labor was spent at support facilities
Total 100%	Total 100%

Count of work orders shows a decline due to COVID 19 stay at home orders. Maintenance staff was part of the initial stay at home order except for limited essential tasks and emergency on-call. Maintenance also shifted to helping in other areas such as handing out grab and go lunches in lieu of normal business of completing regular maintenance work orders.

The labor hours percentage distribution shows that not all work orders require a consistent amount of time and effort; some work orders may take one hour while others take 40. The two sets of data combined show a more complete and transparent picture of how and where the maintenance budget is being spent. Both data sets show a reactive environment, with unscheduled maintenance having both more work orders and more labor towards those work orders. Ideally more time should be spent on preventive activities vs. unscheduled.

Accounting for all funds in the **2019-20FY** Facilities Maintenance budget:

2019-20 Budget	
2019-20 Budget Allocation	\$6,505,283
Revenue from billable projects performed by maintenance staff (revenue)	\$49,281
2019-20 Total Maintenance Expenditures	\$(6,638,741)
Funds Over/(Under) Budget in Fund 10	\$(84,177)

The maintenance department expended all funds allocated for FY 2019-20 and performed billable projects in the amount of \$49,281. Total expenditures exceeded the maintenance department's General Fund budget allocation by \$(84,177). The overage was funded from general fund savings in other district operations.

The district's Communication Center and maintenance records indicate **zero facilities-related school closure(s)** on scheduled student/staff contact days during the monitoring period.

Compliance Statement: The district's performance complied with the standard.

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.*

Interpretation: The following interpretation *has not* changed since the last report.

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, 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

Data Reported: (A1) CDE Annual Student Transport Vehicle Inspections. CDE regulations require all vehicles used for student transportation to receive a comprehensive safety inspection every 365 days. The measure of compliance for annual inspections is 100 percent.

CDE Annual Student Transport Vehicle Inspections: July 1, 2019 - June 30, 2020		
Completed on time	154	100%
Completed late	0	0%
Total Inspections	154	100%

All CDE required annual school transportation vehicle inspections were completed within the extended deadlines approved by the Colorado Department of Education (CDE) due to COVID closures.

Compliance Statement: The district's performance complied with the standard.

Data Reported: (A2) The measure of compliance for preventative maintenance of student transport vehicles is ninety percent (90%) of all vehicles will have preventive maintenance completed within 6 months after the annual CDE inspection. Preventative maintenance schedules are evaluated and adjusted to align with CDE guidelines and manufacturer's recommendations.

Completion of Preventative Maintenance: July 1, 2019 - June 30, 2020		
Completed within 6 months after CDE inspection	94	67%
Completed late	46	33%
Total preventative maintenance Performed	140	100%

Preventative maintenance inspections were canceled following the district closure in March 2020. The cancellation was due to vehicles not being in-service and therefore not accumulating any miles or equipment wear.

Compliance Statement: The district's performance **did not comply** with the standard due to the COVID-19 pandemic.

Data Reported: (B) 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.

This year all core services have met or exceeded the standard of 99% uptime during instructional time. The majority of service interruptions have been moved to planned service windows on weekends and evenings.

Services Category	% Availability During Instructional Hours
Student Information System	99.931%
Human Resources Systems	99.920%
Financial Systems	99.897%
Internet Availability*	100.000%
Phone System	99.980%
Cloud Email and Office Productivity Applications	99.931%
Average	99.974%

* The category "Internet Availability" tracks network availability (including internal network stability) as measured from the District Internet connection through the District regional network.

Compliance Statement: The district performance complied with the standard.

- 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.*

Interpretation: The following interpretation has not changed since the last report.

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) \$3,000 (grant funded purchases/fund 22) and \$15,000 (capital construction) are subject to a competitive procurement process. The competitive process includes the development of product/service specifications to ensure the level of quality required. The purchasing process sets forth different types of competitive processes (an Invitation to Bid, a Request for Proposal (RFP), phone quote, competitive negotiation, email quote or fax quote,) based upon the amount of and type of goods/services planned to purchase. A Procurement Deviation Justification Form (PDJ) must be completed and approved for sole source, single source and emergency purchases which typically are service related and for specialized products such as proprietary software.

Data Reported: District Policies (3300 – 3340) regarding conflicts of interest and competitive bidding/acquisition are in place, available through the district website, the Purchasing Webpage, the Purchasing SharePoint Page, and employee training. Training occurs at Support Staff/Office Manager meetings, as well as other departmental training. Policies are consistent with the National Institute of Governmental Purchasing (NIGP) code of ethics and procurement standards for governmental purchasing. The district’s Purchasing and Finance Departments maintain records regarding district purchases using purchasing cards, requisitions and purchase orders. Purchasing staff review transactions greater than \$5,000 (non-grant funded purchases) or \$3,000 (grant funded purchases/fund 22) for compliance with the policy requirements. The performance standard is that ninety-nine percent (99%) of all transactions meet the purchasing policy requirements. Between July 1, 2019 and June 30, 2020, there were 14,112 transactions either by Purchase Card, Declining Balance Card, Purchase Order or contract that met or exceeded the bid thresholds and thus required bid or other competitive process. There were five (5) known policy or process violations or less than one percent of transactions reported during this time period.

Policy or Process Violations for this Monitoring Period	
Violation	Financial Impact
P-Card Entry Missing Receipt, August 2019	\$0
Declined P-Card due to Spending Limit, November 2019	\$0
P-Card Entry Missing Receipt, November 2019	\$0
P-Card Entry Missing Reason for Purchase, February 2020	\$0
Failure to View Transactions, April 2020	\$0

Compliance Statement: The district’s performance complied with the standard.

6. POLICY PROHIBITION: *Shall not fail to protect intellectual property, information and files from loss or significant damage.*

Interpretation: The following interpretation *has not* changed since the last report.

I interpret “*not fail to protect intellectual property, information and files from loss or significant damage*” to mean: The district shall employ industry-standard measures to protect district data and other information assets both on-premises as well as in the cloud (Internet). This includes not only data sitting on drives, but also data that is in transmission on the district network, and on the Internet. The measures include firewalls, backup systems, virus protection, content filtering, encryption, and other generally accepted best practices for Information Assurance such as security audits and penetration testing.

Data Reported: No loss or damage with regard to the district's intellectual property, information or files has been reported in this period. The district has continued to devote significant resources to enhancing controls to our security posture, given the significant increase in threats in this space.

Compliance Statement: The district's performance complied with the standard.

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.*

Interpretation: The following interpretation *has not* 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.

Data Reported: The Board of Education was apprised of two unbudgeted acquisitions exceeding \$500,000. On October 16, 2019 the board was informed of the district's interest in replacing the front parking lot at the Educational Support Center and repairing the existing detention pond located near 128th and Claude Ct. On December 18, 2019 the board received an update on the CTE expansion. During that update the board was apprised of the need to purchase twelve (12) additional buses to meet CTE expansion needs and to modernize the bus fleet.

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.*

Interpretation: The following interpretation *has not* changed since the last report.

Data Reported: The Board of Education approved the purchase of twelve (12) buses to meet CTE expansion and fleet modernization needs at its regular scheduled board meeting on January 15, 2020. The Board of Education approved replacing the front parking lot at the Educational Support Center and repairing the existing detention pond located near 128th and Claude Ct. at the regular scheduled meeting on May 6, 2020.

Compliance Statement: The district's performance complied with the standard.

- 9. POLICY PROHIBITION:** *Shall not acquire—including acceptance of any gift, purchase or lease of, or improvement to—real estate, or act as surety for any of the foregoing: (a) in excess of the market value of the property; (b) in violation of a comprehensive, current build-out plan; (c) without appropriately considering the needs and preferences of local school communities, cities, counties, fire districts and related entities; (d) without prior professional due diligence of the highest quality similar to that of organizations engaged in commercial real estate activities; (e) that, after that level of due diligence, subjects the district to any unanticipated or unintended on-site, off-site, operating, or other costs; (f) if the transaction is financially infeasible; or (g) that is not safe, accessible or functional thereafter.*

Interpretation: The following interpretation *has not* changed since the last report.

I interpret “*Shall not acquire—including acceptance of any gift of, purchase or lease of, or improvement to—real estate, or act as surety for any of the foregoing: (a) in excess of the market value of the property;*” to mean: The district does not acquire property without assurance that the value meets or exceeds fair-market value as determined by a 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. This is consistent with best practices used by professionals in the real estate industry. The district does not acquire property in excess of market value, or without using professionals who primarily practice or specialize in the area of real estate, unless these exceptions are disclosed to and approved by the Board of Education.

Data Reported: The district did not acquire any property during this reporting period.

Compliance Statement: The district’s performance complied with the standard.

Interpretation: The following interpretation *has not* changed since the last report.

I interpret “*(b) in violation of a comprehensive, current build-out plan; (c) without appropriately considering the needs and preferences of local school communities, cities, counties, fire districts and related entities*” to mean: The district does not acquire real estate that does not provide a current or future benefit to the district consistent with the district Bond plan. The build-out plan projects future needs for schools and facilities based upon growth in student enrollment. Furthermore, the district does not acquire or improve real estate without providing timely notice of such proposed acquisition/improvement to the appropriate city manager, planning commission, city council, fire chief, and/or chief executive of a special district and without making good faith efforts to address items of concern identified by such persons.

Data Reported: The district did not acquire property during the monitoring period.

Compliance Statement: The district’s performance complied with the standard.

Interpretation: The following interpretation *has not* changed since the last report.

I interpret “*(d) without prior professional due diligence of the highest quality similar to that of organizations engaged in commercial real estate activities; (e) that, after that level of due diligence, subjects the district to any unanticipated or unintended on-site, off-site, operating, or other costs;*” to mean: The district contracts with professionals licensed in the State of Colorado, if applicable, to provide professional due diligence including but not limited to ALTA surveys, geotechnical reports, title policies, property legal descriptions, zoning maps, environmental assessments, traffic reports, utility reports, investigation for the presence of wetlands, and other analyses as required by unique site conditions. The district maintains checklists to ensure a comprehensive due diligence process is followed.

Data Reported: The district did not acquire any property during the monitoring period.

Compliance Statement: The district's performance complied with the standard.

Interpretation: The following interpretation *has not* changed since the last report.

I interpret "(f) if the transaction is financially infeasible; or (g) that is not safe, accessible or functional thereafter;" to mean: (f) the cost to acquire property is not in the best economic interest of the district because the cost would outweigh the benefit of the acquisition and/or the district would not have sufficient financial resources for the acquisition. (g) The condition of the property would preclude the property from being developed in a manner consistent with all applicable safety and state building codes necessary for Certificate of Occupancy or other appropriate designations for the safe usage of property.

Data Reported: The district did not acquire property during the monitoring period.

Compliance Statement: The district's performance complied with the standard.

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.*

Interpretation: The following interpretation *has not* changed since the last report.

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 the 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 the law. In addition, the disposal of said property must not reduce the market value of any remaining district property retained.

Data Reported: The district did not dispose of any property during the monitoring period.

Compliance Statement: The district's performance complied with the standard.

Interpretation: The following interpretation *has not* changed since the last report.

I interpret "(iii) or if any remaining district property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter" to mean: The district does not relinquish property ownership if conditions cause remaining property to have an economic disadvantage to the district. The district does not relinquish property ownership if conditions cause remaining property conditions that pose hazards for the district's use of the property and are financially infeasible to remedy. Property disposed of by the district will provide an equal value or a net economic advantage.

Data Reported: The district did not dispose of any property during the monitoring period.

Compliance Statement: The district's performance complied with the standard.

Global Policy: *The Superintendent shall not allow assets to be unprotected, inadequately maintained or unnecessarily risked. Further, without limiting the scope of the foregoing by this enumeration, he or she shall not: (1-9 above)*

I submit that the board's policy is comprehensively interpreted in the preceding provisions.

Compliance Statement: The district's performance complied with the standard.

The Board acknowledged receipt of a monitoring report as of January 20, 2021, for the period July 1, 2019 through June 30, 2020, of the Superintendent concerning Board Policy 2.5 Asset Protection and found the superintendent's interpretations were reasonable and that his conclusions were reasonably supported by data that is relevant, justified and complete.