

EXTERNAL REVIEW OF MONITORING REPORTS

September 19, 2018

| | |
|--------------------------|---|
| POLICY: | 2.4 FINANCIAL CONDITION AND ACTIVITIES |
| POLICY CATEGORY: | OPERATING LIMITATIONS |
| PERIOD MONITORED: | July 1, 2017 – June 30, 2018 |
| POLICY: | 2.5 ASSET PROTECTION |
| POLICY CATEGORY: | OPERATING LIMITATIONS |
| PERIOD MONITORED: | July 1, 2016 – June 30, 2017 |
| POLICY: | 2.6 EMPLOYMENT, COMPENSATION AND BENEFITS |
| POLICY CATEGORY: | OPERATING LIMITATIONS |
| PERIOD MONITORED: | August 18, 2017 – August 16, 2018 |
| POLICY: | 4130 STAFF ETHICS/CONFLICTS OF INTEREST/NEPOTISM |
| POLICY CATEGORY: | DISTRICT POLICY |
| PERIOD MONITORED: | July 1, 2017 – June 30, 2018 |

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 and 2.4.15 of Policy 2.4, Sections 2.5.1, 2.5.4, 2.5.6, 2.5.7 and 2.5.9 of Policy 2.5, Sections 2.6.1, 2.6.2, 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, 2018 prior to finalization of fiscal year 2017-18. 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.

| | |
|---------------------------------|---|
| <p>TABOR</p> | <p>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).</p> |
| <p>Contract Reserves</p> | <p>District: Reserves held for future year payments of certified and classified employee longevity stipend for employees who have separated from employment.</p> <p>Charter Schools: Reserves held per contract language for Special Education.</p> |

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 2017-18 unaudited monthly reports.

FAC FINDINGS:

The discretionary reserve may be utilized for achievement of Board Ends and compliance with Operating Limitations Policies with prior Board approval and a specific

The FAC inquired of district finance personnel present if they were aware of any uses of the reserve funds throughout the 2017-2018 fiscal year and they stated “no”. Norm Jennings of the Board of Education was also asked the same question since the Board is required to approve any use of reserve funds, and he also answered “no”.

The General Fund Revenue amount used to calculate the 3% reserve amount was calculated in the following manner:

| | | |
|---|----|--------------------|
| Total Revenue (unaudited General Fund financials as of 6/30/2018) | \$ | 336,453,075 |
| Voter Approved Mill Levy Taken Out | \$ | (35,400,000) |
| Total Transfers Taken Out | \$ | (34,423,453) |
| Transfer to Insurance Reserve Added Back In | \$ | <u>3,740,000</u> |
| Calculated GF Revenue for reserve calculation | \$ | 270,369,622 |

3% of \$270,369,622 is \$8,111,088 which is the minimum required reserve at the end of the fiscal year ending June 30, 2018 per policy prohibition. Per the unaudited financial statements as of June 30, 2018, the balance in the contingency reserve is \$8,136,798, which exceeds the minimum reserve required.

Based on inquiry of district finance personnel and a Board of Education representative as well as observation of the June 30, 2018 unaudited financial statements and calculation of the minimum required reserve, the district is in compliance with policy prohibition 2.4.1.

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:

I reviewed the chart of accounts and selected all accounts that looked as if they might have penalties, fees, etc. and found nothing that was a penalty or fee. I also spoke with district staff in the finance/accounting departments and inquired whether there were any such fees and all stated no. The district is in compliance.

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, 2018.
- b. Inquire of key finance personnel what actions have been performed to collect outstanding balances.

FAC FINDINGS:

Reviewed the chart of accounts and discussed the procedure for identifying and collecting past due accounts receivable amounts. Based on the outstanding fees report and interview on the action taken to collect outstanding balances adequate attempts were made to collect past due receivables after a reasonable grace period. The district is in compliance.

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 be less than or equal costs incurred in comparable Colorado school district or local government programs.
4. Projects shall be managed and completed so that the start date of the school year is not impacted by construction.

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 and 2008 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:

- a. Observe expenditures from the building fund to determine that the funds were spent efficiently.
- b. Inquire with key personnel on budget and accounting procedures regarding mill levy override funds.

FAC FINDINGS:

The expenditure reports were reviewed and we heard from the bond accountant about the review processes. Based on previous presentation by the investment advisors for the bond proceeds, we found that the proceeds have not been spent expeditiously due to a lack of internal and external resources such as sufficient construction companies available. There are still projects that have not started. The district is in compliance with the 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, 2018 unaudited monthly reports.

FAC FINDINGS:

Based on the preliminary June 30, 2018 unaudited financial statements the District's Multi-Year reserve is sufficient to fund multiple-year expenditures.

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:

RFP's, proposals, evaluations of proposals and contracts were reviewed. Based on the GFOA guidelines, it appears the District undertook a full-scale competitive process reviewing proposals from 5 qualified accounting firms. The District had multiple people review and score the proposal. Once the accounting firm was hired, the correct contract was used according to District policies.

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:

Reviewed the internal controls for the disbursement of funds process. The RISC documents provided reasonable assurance internal controls exist to ensure separation of duties, fraud protection and an adequate authorization process.

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 that 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:

Observe quarterly investment reports and determine that the District has maintained cash or investments per State Law.

FAC FINDINGS:

Per the review of the external resources, the current investments are in line with the requirements set forth in Interpretations A-C. The quarterly performance report indicates that the investment strategy is out performing or in line with the appropriate benchmarks. Other than having a separate attachment that clearly identifies the types of investment allowable under applicable CO Law and/or C.R.S. 24-75-601.1. I would not recommend any changes to this section.

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.*

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 contracts to replace, repair, or provide financial remuneration for the district’s assets exceeding \$1,000.00. 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

real estate, facilities, fixtures, furniture, equipment and consumable assets (i.e. textbooks, computer components, etc.) owned or leased by the district with a value greater than \$1,000.00.

FAC MONITORING INFORMATION:

- a. Inspect insurance summary and determine that the District has adequate insurance.

FAC FINDINGS:

Adequate insurance exists. The district is in compliance.

2.5.4 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 2018
 - 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:

District bid process (purchasing) personnel described the bidding process and the FAC observed the district's Procurement and Signature Authority policy and procedures. They stated that there were 61 competitive bids during fiscal year 2018 and the FAC corroborated this by looking at their competitive bid log. The FAC also inquired of the bid personnel if there were any protests during the fiscal year. They stated that there were 2, both of which were unsuccessful (as of the time of inquiry):

- A connectivity project in which a vendor with a lower, but losing, bid protested. However, the reason the bid was rejected was that the bid personnel did not believe the vendor had the qualifications to perform the project.
- A pipeline inspection project in which a losing vendor protested that the winning vendor did not have the correct technology to complete the project. Bid personnel checked with the organization that set the inspection standards and confirmed that the winning vendor's technology was sufficient.

Bid personnel responded to the protests with the denial and have not heard back from the protesting vendors.

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. 18-040 Portable ECG - Per observation of Bidnet screenshots, the bid was cancelled the day after it was published. No other documentation needed as the bid was not awarded.
2. 18-048 Learning and Management System - Per observation of the bid files, an RFP was sent out and 5 responses were received. The responses were evaluated and a service contract for no greater than \$30,000 was awarded.
3. 18-057 Plantronics Headsets and Cables - VoIP Project - Per observation of the bid files, three quotes were received on the same headset and cable products and the lowest bid was selected (and PO created) for \$9,853.
4. 18-064 Transportation Engine Remanufacture - Per observation of the Invitation to Bid and the supporting documentation, only two contractors attended the mandatory pre-bid conference and only one of them offered a bid. The contract was awarded to this contractor for \$78,059.
5. 18-066 Access Control System & Security Cameras @ Westlake MS - Per observation of the Invitation to Bid and supporting documentation, there was only one contractor that responded to the bid. They were awarded the contract for \$67,355. A confirmation from purchasing personnel by email confirmed this.

Based on the review performed as described above, the District appears to be in compliance with policy prohibition 2.5.4.

2.5.6 POLICY PROHIBITION: *Shall not fail to timely apprise the Board of any contemplated property (real or otherwise) asset acquisition of \$250,000 or disposition in excess of \$100,000.*

I interpret "shall not fail to timely apprise the Board of any contemplated property (real or otherwise) asset acquisition of \$250,000 or disposition in excess of \$100,000." 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 \$250,000 or a disposition of property (real or otherwise) in excess of \$100,000.

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 \$250,000 and dispositions in excess of \$100,000.

FAC FINDINGS:

The Superintendent has made timely notification of any potential asset acquisition or disposition. There have been a number of conversations around land where the board and Superintendent talked about the acquisition or disposal of land or other property that are mentioned in meeting minutes and contracts related to entering into proposed deals with specified other parties. The district is in compliance.

2.5.7 POLICY PROHIBITION: *Shall not fail to gain Board approval of property (real or otherwise) asset acquisition of \$250,000 or disposition of \$100,000.*

I interpret “*shall not fail to gain board approval of property (real or otherwise) asset acquisition of \$250,000 or disposition of \$100,000.*” to mean:

The district shall gain approval of the board through board action prior to acquisition of property (real or otherwise) of \$250,000 or a disposition of property (real or otherwise) in excess of \$100,000.

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 purposes the threshold is \$250,000 and dispositions in excess of \$100,000.

FAC FINDINGS:

There were no acquisitions or disposals of real property during the period. There was a lease agreement entered into with the approval of the board.

2.5.9 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 2018 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:

There were no disposals of real estate during the fiscal year.

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.

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.*

I interpret “*promise or imply permanent or guaranteed employment*” to mean:

- (a) 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.⁹ⁿ
- (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. Inspect Master Agreements and randomly select 5 contracts to verify that there is no language to promise or imply permanent employment.
- b. Inspect Master Agreements and randomly select 5 contracts to verify that there is no language that provides entitlement of employment beyond the current fiscal year.

FAC FINDINGS:

I have inspected 5 randomly selected contracts and the 3 related Master Agreements and found no language to promise or imply permanent employment or that provides entitlement of employment beyond the current fiscal year.

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 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
- 5.1** 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.
- 5.2** 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.
- 5.3** 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.
- 5.4** The annual review described in Sections 5.2 through 5.5 shall be completed by the District's Finance and Audit Committee.
- 5.5** 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 employees and:
 - i. Observe^[ML1] 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

FAC FINDINGS:

We selected at random 5 employees and have determined that the employees have received the required notification about policy 4130 and that the employees indicate compliance with the policy.

The Board acknowledged receipt of an external monitoring report from the Finance and Audit Committee as of September 19, 2018 for the period July 1, 2017 through June 30, 2018, of the Superintendent concerning Board Policies 2.4 Financial Condition and Activities, 2.5 Asset Protection, 2.6.1 Employment, Compensation and Benefits and District Policy 4130 Staff Ehtics/Conflicts of Interest/Nepotism and found the superintendent's interpretations were reasonable and supported by data that was relevant, justified and complete.