

## MONITORING REPORT: Policy OE-7 (Asset Protection)

**PHASE ONE:** Interpretation and Monitoring Indicators

**DATE:** August 2018

### Policy

**The Superintendent will assure that all District assets are adequately protected, properly maintained, appropriately used, and not placed at undue risk.**

### Interpretation

In general, we understand this policy expresses a reminder from the Board that (1) the School District belongs to the citizens of Ferndale; (2) the citizens have elected the Board to serve as their trustees; and (3) the Board has hired us to manage and care for the District's resources. As such, the Board expects us to be diligent in safeguarding the interests, properties, and investments of the District's owners not only by strictly adhering to all relevant laws, policies, and procedures, but also by establishing and meeting high standards of responsible and ethical stewardship. We need to be good custodians of the public resources entrusted to us in a way that is clear, consistent, transparent, and systemic so as to be worthy of the confidence and trust of the community/owners.

We understand the Board expects us to ensure all District assets are:

- **Adequately protected**, which refers to taking measures to guarantee the District will be able to continue to function in the event of a major disruptive occurrence or significant loss;
- **Properly maintained**, which refers to ensuring all real and intellectual property is cared for and secured in a manner that allows the District to benefit from its full useful lifespan;
- **Appropriately used**, which refers to upholding quality standards for the way District resources are allocated, managed, and expended; and
- **Not placed at undue risk**, which refers to avoiding activities and situations with levels of identifiable danger that are likely to result in significant loss for the District.

### Monitoring Indicator(s)

Provided below for each component part of OE-7.

**The Superintendent will:**

- 1. Maintain property and casualty insurance coverage on District property with limits equal to 100 percent of replacement value.**

### Interpretation

We understand this component requires us to exercise effective control against the possibility that a specific event or set of circumstances will adversely affect the ability of our organization to achieve its mission. In other words, the Board expects us to purchase quality insurance contracts that will replace, repair, or provide financial remuneration for loss of or damage to District assets such that the District is restored to an equal or similar position as prior to the loss or damage, less the amount of the insurance deductible. Such quality insurance must provide protection for all real estate, facilities, fixtures, furniture, equipment, and consumable assets (textbooks, computer components, food, etc.) owned or leased by the District with value greater than the amount of the deductible.

### Monitoring Indicator(s)

We will know we are in compliance with this component when we can show:

- An up-to-date inventory list of all District property – including land, buildings, vehicles, furniture, technology, equipment, supplies, food stuff, and curricular materials – and proof that the list has been used to obtain insurance coverage to protect the items recorded on it against loss from crime, casualty, and/or liability;
- Participation in the Washington Schools Risk Management Pool (WSRMP), a cooperative formed for the purpose of providing insurance coverage to members, along with a risk management program designed to limit liability exposure; and
- Evidence of adherence to WSRMP guidance regarding risk.

## **2. Maintain both Errors and Omissions and Comprehensive General Liability insurance coverage protecting Board members, staff, and the District itself in an amount that is reasonable for school districts of comparable size and character.**

### Interpretation

We understand this component requires us to provide insurance protection against potential demands that allege wrongdoing by the District, the Board, or individuals employed by the District when these authorized persons are acting legally within the course and scope of their duty. Furthermore, we understand that this insurance coverage needs to be equal to that maintained by districts similar in size to our own.

### Monitoring Indicator(s)

We will know we are in compliance with this component when we can show

- Evidence of personal liability insurance for Board members, staff volunteers, District staff, and the District itself; and
- Evidence of up-to-date participation in Washington State's Workman's Compensation Program, whereby the District purchases coverage through the Department of Labor & Industries (L&I), and L&I in turn manages all claims

stemming from job-related accidents and injuries and pays benefits out of an insurance pool.

**3. Adequately protect the District against theft or misappropriation of funds by any personnel who have access to material amounts of District and school funds.**

**Interpretation**

We understand this component requires us to maintain a system of financial controls that tightly limits direct access to cash and securities by anyone in the District and clearly defines accounting procedures for those who are granted access. The Board expects us to (1) conduct business in an orderly and efficient manner, (2) deter and detect errors, fraud, and theft; (3) ensure the accuracy and completeness of our accounting data; and (4) produce reliable and timely financial reports.

**Monitoring Indicator(s)**

We will know we are in compliance with this component when we can show:

- Evidence that generally accepted accounting principles are being followed throughout the district;
- Evidence that a centralized purchasing “department” has been established and maintains up-to-date administrative procedures, guidelines, and forms to facilitate and monitor the efficient and cost-effective purchase of goods and services;
- Evidence that vouchers have been internally audited each pay period; and
- Regularly published financial reports that are clear and accurate.

**4. Protect intellectual property, information, files, records, and fixed assets from loss or significant damage.**

**Interpretation**

We understand this component requires us to put in place industry standard measures and controls to ensure all District data – including financial records, student files, legal correspondence, and assessment material -- are securely monitored and stored, whether on-premise or in the cloud (internet), in a manner that will prevent misplacement, theft, or any kind of permanent and irreplaceable loss. We further understand the Board expects us to safeguard the physical property owned by the District in a similarly stringent fashion.

**Monitoring Indicator(s)**

We will know we are in compliance with this component when we can show:

- Evidence that we have employed firewalls, backup systems, virus protection, encryption, and other generally accepted best practices for protection of electronic information;
- Evidence that security privileges have been assigned based on an employee’s role and location within the District;
- Evidence that staff have been made aware that we expect them to take an active role in identifying potential risks to District information assets within their areas,

protecting against risks where that can reasonably be expected, and upward reporting risks that they cannot remediate; and

- Safety/security plans outlining measures for securing and protecting the District's fixed assets.

**The Superintendent may not:**

**5. Allow facilities and equipment to be subject to improper use or insufficient maintenance.**

**Interpretation**

We understand that this component requires us to utilize, monitor, maintain, and repair our properties, buildings, building systems, vehicles, technology, and other tangible resources in a manner that maintains the integrity of the asset for its normal lifespan. We further understand that, to do so, the Board expects us to allocate and expend adequate financial and human resources for implementing a program of proactive preventative maintenance which includes regular inspections to identify needs and timely attention to those needs. Finally, we understand that insufficient maintenance means failing to provide students, staff, and community with schools and support sites that are functional, safe, and comfortable.

**Monitoring Indicator(s)**

We will know we are in compliance with this component when we can show:

- An up-to-date assessment of the needs of each of our facilities;
- A dedicated budget for the regular maintenance of District assets;
- Adequate financial reserves for unforeseen contingencies;
- Evidence that preventative maintenance work orders are included in the District's online work order system;
- Evidence that safety checks have been conducted on such systems as fire alarms, fire extinguishers, smoke detectors, emergency lighting and generators;
- Evidence of annual inspections and preventative maintenance on all school buses;
- Evidence of regular energy assessments resulting in modifications aimed at energy savings; and
- Evidence that preventative maintenance, minor repair, and unscheduled maintenance have been performed in such a way that all District facilities and equipment are operational and functioning in their necessary capacity for 99% of students' annual instructional time.

**6. Recklessly expose the District, the Board, or staff to legal liability.**

**Interpretation**

We understand this component requires us to (1) follow all laws; (2) maintain tight financial controls; (3) conduct background checks when hiring; (3) investigate and respond appropriately to all reports of staff or volunteer conduct that represent inappropriate risk; (4) maintain facilities in a manner that limits liability exposure; (5) provide risk management training to staff to limit liability exposure; (6) comply with all

Federal and State mandates related to employment, including those outlined in the Americans with Disabilities Act (ADA), Family and Medical Leave Act (FMLA), Fair Labor Standards Act (FLSA), Equal Employment Opportunity Commission (EEOC), the Civil Rights Act (Title VII); and (7) adhere to the guidelines of the Washington Risk Management Pool when it comes to assessing the risk level of various activities for the purpose of approving or disallowing them.

### **Monitoring Indicator(s)**

We will know we are in compliance with this component when we can show:

- Evidence that the Human Resources Department is employing effective hiring practices, including fingerprinting and review by Washington State Patrol for criminal history;
- Evidence of a District-wide safety and prevention focus aimed at reducing risk of student and/or staff injury, including active safety committees at all sites, clear protocols for reporting potential hazards, and timely response to all such reports;
- Evidence that effective and timely investigative practices have been followed in all cases related to alleged employee misconduct;
- Evidence of effective use of The Washington Risk Management Pool's pre-loss program offered through Clear Solutions;
- Evidence that District staff have received trainings to reduce the likelihood they will engage in practices that could expose the District to claims of liability by ensuring they stay current on such topics as concussion protocols and response to life-threatening allergies; and
- Evidence of an "acceptable" number of accidents, injuries, claims, and/or lawsuits filed against the District. (While any third party can make a claim of liability against the District demanding payment for losses incurred, we believe a measure of our compliance with this component should be that the number of dollars paid out in claims and the number of claims that become lawsuits are equal to or less than districts similar in size to our own. Likewise, the number of accidents and injuries that occur within the District are equal to or less than similar districts.)

## **7. Invest funds in investments that are not secured or that are not authorized by law.**

### **Interpretation**

We understand this component refers to committing District money or other assets in order to gain financial return. The Board expects us to make all such investments in accordance with governing law and District policy, ensuring safety, availability, and competitive market rate, subject to the District's investment risk constraints and cash flow needs.

### **Monitoring Indicator(s)**

We will know we are in compliance with this component when we can show

- A clean financial audit conducted by Washington State Auditors' Office, the independent agency created by Washington State Constitution to audit municipalities including school districts;

- Evidence that adequate funds have been available at all times to meet the financial obligations of the District when due; and
- Evidence the District has earned a competitive market rate of return on legally permitted investment of available funds.

**8. Purchase or sell real estate, including land and buildings.**

**Interpretation**

We understand this component requires us to seek and obtain approval of the Board through resolution, following legal counsel, before we acquire, encumber, or dispose of real property.

**Monitoring Indicator(s)**

We will know we are in compliance with this component when we can show

- No deletions or additions of real property have taken place without appropriate Board action.

**9. Take any action that damages the District's public image or credibility.**

**Interpretation**

We understand this component requires us to support a positive reputation for the District and public trust in the District's ability to meet its desired results by demonstrating (1) sound resource management; (2) a favorable financial condition; and (3) overall staff conduct that is legal, ethical, and prudent as related to job performance.

**Monitoring Indicator(s)**

We will know we are in compliance with this component when we can show

- Evidence that the District maintains a positive image in the community; and
- Evidence that corrective action has been taken to address errors, omissions, and/or violations of any of the standards addressed by this policy.