

To: School Board, Ferndale School District (WA)
From: Linda Quinn, Superintendent
Date: August 18, 2019
Subject: 2019 Monitoring Report
Operational Expectations Policy 7 (OE-7)
Asset Protection

School Board's Monitoring Notes

(To be completed by each member individually prior to discussion by the whole Board)

Board Member: _____

Total Number of Monitoring Indicators = 33

Number Compliant= _____ Number Partially Compliant= _____ Number Non-Compliant= _____

Commendations

Recommendations

Other Notes

Overall Rating: _____ Compliant _____ Non-Compliant

Superintendent's Introduction

Through Policy OE-7, the School Board has provided guidance about how they expect us to care for the public resources entrusted to us. This policy is directly related to the Board's third Strategic Commitment, which speaks to managing resources responsibly and productively. In Commitment 3, the Board says:

We believe the way we allocate [and manage] resources significantly impacts our ability to serve the growth and learning needs of children. Therefore, we are dedicated to the careful use of all resources -- people, time, facilities, and money, along with other less tangible but essential resources like trust, vision, ideas, energy, and hope.

We feel confident reporting to the Board that we have achieved substantial compliance with the expectations set forth in Policy OE-7. As indicated in the report that follows, we have met 27 of 33 monitoring indicators. Regarding the other six indicators, we are partially compliant with four of them, not compliant with one of them, and in progress with meeting one of them.

Since nearly all of the evidence to support our compliance with Policy OE-7 is readily available on the District's website or elsewhere, we have chosen not to repeat the substance of that evidence in this report. Rather, we have asserted that it exists and stand ready to provide it upon request.

Finally, before launching into the content of this report, we want to share a few notes about its format and organization:

- First, we have included the interpretations and monitoring indicators you approved a year ago (August 2018) in our Phase One Report for Policy OE-7, so that you don't have to look back and forth between two documents. The language from the Phase One Report is written in blue.
- Second, Policy OE-7 contains nine components, each with its own monitoring indicators. The components are written in bolded black. (This language is from your adopted policy.) The interpretation of each components is written in blue. (These are the interpretations we wrote and you approved last year in our Phase One Report.) The monitoring indicators are written in bolded blue. (These are the measures of success we wrote and you approved last year in our Phase One Report.) Our response to each indicator, which follows that indicator directly, is written in black and marked with a black arrow. (This is the new work we are presenting to you as part of this year's Policy OE-7 Monitoring Report.)

Example:

1. **Component 1 of Policy OE-7**

Interpretation of Component 1

- **Monitoring Indicator for Component 1**
→ Our response to the Monitoring Indicator

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) are provided below for each component part of OE-5.

Component One

- 1. The Superintendent will 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:

- **We have an up-to-date inventory list of all District property – including land, buildings, vehicles, furniture, technology, equipment, 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.**
→ In compliance. We are covered against loss from crime, casualty and liability through the Washington Schools Risk Management Pool (WSRMP). Our policy includes an inventory of all district property. We employ a variety of tools and lists to account for all food, furniture and technology in our possession.
- **We are participants 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.**
→ In compliance. We are currently members in good standing.
- **We have adhered to WSRMP guidance regarding risk.**
→ In compliance. Our annual renewal review and application provide evidence that we are in adherence with the pool's guidelines.

Component Two

- 2. The Superintendent will 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:

- **We have personal liability insurance for Board members, staff volunteers, District staff, and the District itself.**
→ In compliance. We have a current liability policy in place.
- **We are up-to-date in our 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.

→ In compliance. We file quarterly reports to the state and pay the bills

Component Three

- 3. The superintendent will 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:

- **We are following good accounting practices throughout the district.**
→ In compliance. The clean audit we received from the State Auditor's Office is evidence that we have followed good accounting practices.
- **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.**
→ In compliance. Procedures for purchasing are current and have been shared with all staff who have purchasing authority. All purchases are approved by an administrator and reviewed by the Accounts Payable Department prior to their being processed.
- **Vouchers have been internally audited each pay period.**
→ In compliance. Business office personnel audit all vouchers each pay period.
- **Clear, accurate financial reports are regularly published.**
→ In compliance. Financial reports are published to Board Docs every month in two formats.

Component Four

- 4. The Superintendent will 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:

- **We have employed firewalls, backup systems, virus protection, encryption, and other generally accepted best practices for protection of electronic information.**
→ In compliance. We have purchase orders and work orders that demonstrate we have these systems in place and that they are functioning.
- **Security privileges have been assigned based on an employee's role and location within the District.**
→ In compliance. We maintain a report within the Skyward Information System that shows the security and access level assigned to each job category. Access is differentiated based on the employee's role in the organization.
- **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.**
→ In compliance. We provide annual training to staff on FERPA and confidentiality. We also require staff to maintain passwords compliant with password complexity standards and change their passwords on an annual basis.
- **We have in place safety/security plans outlining measures for securing and protecting the District's fixed assets.**
→ In compliance. Custodial procedures outline the method by which buildings must be secured each night and the process which must be used for inspecting buildings and onsite equipment. The Director of Maintenance and Facilities ensures that these procedures are followed.

Component Five

5. The Superintendent may not 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:

- **We have an up-to-date assessment of the needs of each of our facilities.**
→ Partially compliant. While we have an assessment of all of our facilities, not all parts of that assessment are as up-to-date as we would like. For instance, while our roofing and flooring assessments are current, some of our other schedules are not. We are continuing to work on this deficiency, and we plan to have all of our replacement schedules updated shortly.
- **We have a dedicated budget for the regular maintenance of District assets.**
→ In compliance. BRC 1364 is our maintenance budget, which is under the control of the Director of Maintenance and Facilities.
- **We have adequate financial reserves for unforeseen contingencies.**
→ In compliance. As shown in our monthly financial reports and the District's Annual Adopted Budget, we have a fund balance exceeding that which is required by Board policy.
- **Preventative maintenance work orders are included in the District's online work order system.**
→ Not compliant. Preventative maintenance work orders are not currently being logged into our work order system, called Hippo. They will be added to the Hippo work order system beginning this school year (2019-2020).
- **Safety checks have been conducted on such systems as fire alarms, fire extinguishers, smoke detectors, emergency lighting and generators.**
→ In compliance. We have up-to-date tags on all of our fire extinguishers, elevators, and generators. We also have paid invoices from the third party testers who conducted the compliance checks.
- **We have conducted annual inspections and done preventative maintenance on all school buses.**
→ In compliance. We have certified Washington State Patrol inspection reports that demonstrate compliance.
- **We conduct regular energy assessments, which result in modifications aimed at energy savings.**

→ In compliance. We have inspection reports from our Energy Manager and numerous PSE energy-savings grants that have resulted from the analysis his data.

- **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.**

→ Partially compliant. While the buildings were operational and functioning for 100% of the students' instructional time, the same cannot be said of all of our equipment. For example, one of the air handlers at Central failed and, because the manufacturer had gone out of business and the equipment is decades old, a replacement part could not be found. It took us several weeks to have a new one manufactured. Through careful use of bond funds allocated for critical maintenance needs and other funds made available by the bond to address second-tier maintenance needs, we hope to be more fully compliant with this indicator by next year.

Component Six

- 6. The Superintendent may not 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:

- **The Human Resources Department is employing effective hiring practices, including fingerprinting and review by Washington State Patrol for criminal history.**

→ In compliance. The Human Resources Department improved/amended the hiring process and held a training for all administrators and administrative assistants to inform them of changes in the process. Additionally, we mandated they attend a training on safe hiring practices put on by our third party insurer, Clear Risk. We completed both a Washington State Patrol background check and an FBI check on every employee we hired during the past year..

- **We have established 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.**

→ In compliance. Each building has a Safety Committee and keeps minutes of its meetings. Personnel at each building have been trained to enter safety-related work orders into the Hippo work order system. The custodians perform regular inspections of their facilities to check for and address any potential safety hazards -- including weekly playground inspections.
- **Effective and timely investigative practices have been followed in all cases related to alleged employee misconduct.**

→ In compliance. During the 2018-2019 school year, eight investigations rose to the level of requiring independent investigations, conducted by Clear Risk Solutions. Following each of these eight investigations, a report was issued to the Executive Director of Human Resources and summaries were provided to the Superintendent as well as the parties who brought forward the concern and the person against whom the allegation of misconduct was brought. In all cases where it was warranted, corrective action was taken.
- **We have made effective use of The Washington Risk Management Pool's pre-loss program offered through Clear Solutions.**

→ In compliance. The district contacted the Pre-Litigation Program on 27 issues between July 1, 2018 and June 30, 2019 for a total added value of \$51,892.96. These pre-litigation services are provided to our District as part of our insurance policy at no additional cost.
- **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.**

→ Partially compliant. All employees are required to complete training annually in relation to concussion protocols and life threatening allergies if they are in a position where this information is applicable. All training is due on October 1 of each year, and we are diligent in following up to ensure compliance. However, we have not given this level of attention to the employees we have hired after October 1. In 2019-2020, a protocol will be adopted to ensure this gap is closed.
- **The number of accidents, injuries, claims, and/or lawsuits filed against the District falls within an "acceptable" range. (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.)

→Partially compliant. Ferndale has made about half the average number of claims of other districts in our insurance pool, but our claims in the aggregate have been twice the average of other districts in terms of severity. Our “exceptional” status on the severity measure is due to one claim related to the four Windward students who were struck by a vehicle during the school day. If that one claim were taken out of the equation, Ferndale would be 50% below the average of the rest of the members of the risk pool. When the Windward student accident claim is left in the equation, we are above average in claim costs, but still below average in frequency of claims.

Component Seven

- 7. The Superintendent may not 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:

- **We have earned a clean financial audit conducted by Washington State Auditors’ Office, the independent agency created by Washington State Constitution to audit municipalities including school districts.**
→In compliance. The Board was provided the exit documents from State Auditor’s Office upon completion of the districts’ annual audit showing no adverse opinions.
- **Adequate funds have been available at all times to meet the financial obligations of the District when due.**
→In compliance. The monthly financial reports shared with the board via Board Docs demonstrate that adequate funds were available to meet all of our financial obligations.
- **The District has earned a competitive market rate of return on legally permitted investment of available funds.**
→In compliance. All district funds are invested with the Whatcom County Investment Pool (WCIP).

Component Eight

- 8. The Superintendent may not 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.**
→ In compliance. The district did not acquire or dispose of any real property

Component Nine

9. The Superintendent may not 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:

- **The District has maintained a positive image in the community.**
→ In compliance. While perceptions of the District on a micro level fluctuate weekly, several macro-level data points support our claim of compliance on this indicator. Namely, the votes approved our most recent bond proposition and Moody's Investment Services increased our credit score and bond rating.
- **Corrective action has been taken to address errors, omissions, and/or violations of any of the standards addressed by this policy.**
→ In progress. As noted under each individual monitoring indicator, every noted deficiency is accompanied by corrective action steps aimed at bringing it into compliance.

Superintendent's Final Remarks

In summary, we feel confident asserting to the School Board that the we are committed to taking excellent care of the assets entrusted to us and that we are continuously acting upon that commitment.

