

INTERNAL MONITORING REPORT

January 18, 2023

Policy: **2.5 Asset Protection**
Policy Category: **Operating Limitations**
Period Monitored: **July 1, 2021 to June 30, 2022**

This is my monitoring report on the Board of Education's Executive Limitation policy "Asset Protection." This report is presented in accordance with the Board's monitoring schedule. I certify that the information is true and complete.

Christopher E. Gdowski, Superintendent
January 13, 2023

1. POLICY WORDING:

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:

I interpret the following language:

“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.

DATA REPORTED:

The District is a member of the Colorado School District Self Insurance Pool (CSDSIP) for General Liability and Property coverage. This package includes coverage for Employee Benefits Liability, School Auto (liability to third parties and physical damage to district vehicles), Equipment Breakdown, School Crisis Acts, Crime, Cyber Liability, School Leaders Wrongful Acts, Terrorism, and Employment Wrongful Acts. Policy limits, deductibles, and retention amounts are commensurate with insurance programs at similarly situated school districts.

Insurance contracts in place with CSDSIP:

Insurance Type	Limitations	Deductible
School Entity Liability	\$10,000,000	\$25,000
Auto Liability	\$10,000,000	\$10,000
Property	\$1,000,000,000	\$25,000

There is a separate Foreign Travel Policy to assist employees and students in the event of an adverse incident during school-sponsored, out-of-country travel.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“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.

DATA REPORTED:

General Liability coverage

Coverage Type	Limitations	Deductibles
Worker’s Compensation	Statutory Coverage	\$500,000 per claim with a \$1.5 million aggregate
School Leaders Wrongful Acts (E&O)	\$10,000,000	\$25,000

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.

The Colorado Governmental Immunity Act (CGIA) requires a public entity to pay for the cost of defense, judgments, and settlements where the claim against the public employee arises out of injuries sustained from an act or omission of such employee occurring during the performance of his duties and within the scope of his employment, except where such act or omission is willful and wanton. For purposes of the CGIA, “public employee” means Board of Education directors, employees, servants, or authorized volunteers of the public entity, whether or not compensated, elected, or appointed, but does not include an independent contractor or any person who is sentenced to participate in any type of useful public service.

Per District Policy 8600, which mirrors the CGIA, the district indemnifies BOE members, the Superintendent, and the Superintendent’s Senior Staff, together with their heirs, estates, and personal administrators, against any and all claims, judgments, costs, attorney fees, and other reasonable expenses to the extent permitted by the Constitution and laws of Colorado.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

2. POLICY WORDING:

Allow the projected cost of total deferred maintenance to exceed ten percent (10%) of the total value of the district facilities replacement cost. 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:

I interpret the following language:

“The projected cost of total deferred maintenance shall not exceed ten percent (10%) of the total value of the District facilities replacement cost”

to mean:

The cost to renew and replace major facility components that have exceeded their predicted useful life.

DATA REPORTED:

The total renewal and replacement costs estimated by CostLab for the reporting period is \$129.87 million or 12.17%, of the \$1,067.31 million projected cost to replace all District facilities. **The estimated renewal and replacement for FY 2021-22 does not reflect the summer of 2022 bond work.*

Several categories of facility components surpassed their predicted useful life. When this occurs the facility components are labeled as deferred maintenance. In addition to facility components lasting beyond their useful life, the district facilities team adjusted the value of several facility components to align with the Colorado Department of Education (CDE) and BEST replacement costs. The CDE and BEST values are a more accurate representation of replacement costs, which resulted in an increase of \$32,400,185 in our renewal and replacement costs from the last monitoring period.

**alignment of component’s end of life/replacement year with CDE and BEST in FY 2021-22 increased our deferred maintenance calculations for FY 2021-22*

COMPLIANCE STATEMENT:

The District's performance during the monitoring period did not comply with the standard.

INTERPRETATION:

I interpret the following language:

“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 district shall accrue and track funds specifically designated to maintain physical plants. The Plant Contingency fund will not exceed three percent (3%) of the total replacement value of the plant.

DATA REPORTED:

On June 30, 2022, the accrued balance of the Plant Contingency Fund was \$1.45 million or 0.14% of the total replacement cost of all district facilities. Funds within this plant contingency fund have not been spent for non-facilities purposes.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

3. POLICY WORDING:

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 instructional hours.

DATA REPORTED:

Zero facilities-related school closure(s) occurred on scheduled student/staff contact days during the monitoring period. The plant was operational for 100 percent of available instructional hours.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

4. POLICY WORDING:

Shall not fail to maintain equipment and information technology infrastructure 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:

I interpret the following language:

“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.

“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).

DATA REPORTED:

Annual Student Transportation Vehicle Inspections

CDE Annual Student Transport Vehicle Inspections: July 1, 2021 - June 30, 2022		
Completed on time	155	99%
Total Inspections	157	100%

All CDE required annual school transportation vehicle inspections were completed prior to the vehicles transporting students. The two late inspections were a result of the vehicle being at the dealer when their inspection was due. The inspections were completed as soon as the vehicles were returned and before transporting students.

Network availability as measured from the District Internet connection through the District regional network.

Services Category	% Availability During Instructional Hours
Student Information System	99.467%
Human Resources Systems	99.746%
Financial Systems	99.857%
Internet Availability	100.000%
Phone System	99.498%

Cloud Email and Office Productivity Applications	100.000%
Identity and Access Management System	99.885%
Average	99.779%

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.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

5. POLICY WORDING:

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:

I interpret the following language:

“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:

District policies are in place to ensure competitive procurement processes. For non-grant funded purchases \$10,000 and capital construction costs exceeding \$50,000.

DATA REPORTED:

District Policies (3300 – 3340) are consistent with the National Institute of Governmental Purchasing (NIGP) code of ethics and procurement standards for governmental purchasing. Policies are available through the District website, the Purchasing Webpage, and employee training.

Policy 3320 establishes the following procurement procedures. **(District Policy 3320 Changed April 21, 2022)**

For non-grant-funded purchases

- Purchases exceeding **\$10,000** but **\$100,000** or less may use an informal bid process allowing two (2) or more proposals to be submitted via email or written means.
- Purchases exceeding **\$100,000** require a minimum of three (3) written or electronically submitted proposals that may be solicited by formal bids, multi-step formal bids, life-cycle cost bids, requests for proposal, and competitive negotiations. Policy 3320

For Capital Construction/Facilities Maintenance

- Purchases with a total amount of **\$50,000** or less is at the discretion of the purchaser to determine the best and appropriate method for purchase unless a District contract has been established for the good or services.
- Procurement of all capital construction, capital projects, bond-related construction, as well as facilities maintenance-related purchases, with a total amount greater than **\$50,000** but less than **\$250,000** requires three (3) proposals. Proposals may be received via email or other written means.
- Procurement of all capital construction, capital projects, bond-related construction, as well as, facilities maintenance-related purchases, with a total amount of **\$250,000** or more requires a minimum of three (3) written or electronically submitted proposals that may be solicited by formal bids, multi-step formal bids, life-cycle cost bids, request for proposals, and competitive negotiations.

During the monitoring period between July 1, 2021, and June 30, 2022, there were 1,300 transactions that met or exceeded the bid thresholds and thus required a bid or other competitive process under Policy 3320. There were no known policy or process violations reported during this time period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

6. POLICY WORDING:

Shall not fail to protect intellectual property, information and files from loss or significant damage.

DATA REPORTED:

No loss or damage with regard to the District's intellectual property, information, or files has been reported in this period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

7. POLICY WORDING:

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:

I interpret the following language:

“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 communication from the Superintendent or a designee 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 or more.

DATA REPORTED:

The District had twelve (12) purchases of property (real or otherwise) in excess of \$500,000 during the monitoring period. All of the purchases involved bond implementation or were otherwise approved by the board in a bond, override plan, or general budget. The District had no asset dispositions in excess of \$500,000 during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

8. POLICY WORDING:

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:

I interpret that the Board intends 2.5.8 to be consistent with 2.5.7, which does not require the Board to be apprised of asset acquisition “for bond implementation, otherwise approved by the board in a bond, override plan, or general budget.” I interpret 2.5.8 to require Board approval of property (real or otherwise) asset acquisition or disposition in excess of \$500,000 based on net book value and sales price only when the acquisition or disposition occurs outside of bond implementation or is not otherwise approved by the board in a bond, override plan, or general budget.

DATA REPORTED:

The District had twelve (12) purchases of property (real or otherwise) in excess of \$500,000. None of the purchases were outside of bond implementation or otherwise approved by the board in a bond, override plan, or general budget. The District had no asset dispositions in excess of \$500,000 during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

9. POLICY WORDING:

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:

I interpret the following language:

“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, unless these exceptions are disclosed to and approved by the Board of Education.

DATA REPORTED:

The District did not acquire property during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“(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 and/or long-range academic and facilities plans. 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.

DATA REPORTED:

The District did not acquire property during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“(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.

DATA REPORTED:

The District did not acquire any property during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“(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 during the monitoring period complied with the standard.

10. POLICY WORDING:

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 10(b)-10(e) above are not observed; (iii) or if any remaining District property and operations become financially infeasible, unsafe, inaccessible or dysfunctional thereafter

INTERPRETATION:

I interpret the following language:

“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.

DATA REPORTED:

The District did not dispose of any property during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period complied with the standard.

INTERPRETATION:

I interpret the following language:

“(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.

DATA REPORTED:

The District did not dispose of any property during the monitoring period.

COMPLIANCE STATEMENT:

The District's performance during the monitoring period 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: (1-10 above)

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

COMPLIANCE STATEMENT:

The District's performance during the monitoring period has complied with all but one standard. Two factors drive the non-compliance in Sec. 2.

The first factor is the number of facility components that surpassed their predicted lifecycle and now are included in our renewal and replacement costs.

The second factor is due to how renewal and replacement values are determined. During this reporting period, we aligned many of our facility component's end-of-life/replacement costs with the CDE and BEST. The alignment resulted in increased costs to renew and replace aging facility components.

The number of facility components needing renewal and replacement and aligning our total costs for renewal and replacement to CDE and BEST resulted in an increase of \$32,400,185 from the last monitoring period.

The district will not be able to comply with Sec. 2 without a significant investment in all district facilities.

All other sections of the monitoring report comply with the standards established by the Board of Education.

The Board acknowledged receipt of a monitoring report as of January 18, 2023, for the period July 1, 2021 through June 30, 2022, 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 was relevant, justified and complete.