

**Portage Public Schools
Monitoring Report**

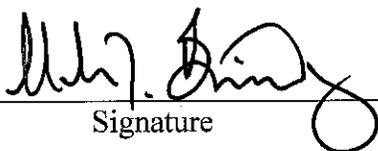
Policy Type: Executive Limitation
Policy Title: (2.6) Asset Protection

Global Board Policy

The Superintendent shall not allow corporate assets to be unprotected, inadequately maintained or unnecessarily risked.

Certification

I hereby present my monitoring report on Executive Limitation, 2.6, "Asset Protection" in accordance with the monitoring schedule established by the Board. I certify that the information provided in this report is true as of September 2, 2016.



Signature

9.7.16

Date

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2.6 GLOBAL POLICY LANGUAGE

The Superintendent shall not allow corporate assets to be unprotected, inadequately maintained or unnecessarily risked.

Interpretation

I submit that the Board's Policy is comprehensively interpreted in the succeeding sections. My interpretations of those sections, the report and conclusion statements are presented below. There have been no revisions to this Executive Limitation since the last report and my interpretations remain unchanged.

Conclusion Statement

The organization met expectations.

2.6.1 POLICY LANGUAGE

The Superintendent shall not assume property or casualty risk unnecessarily, including risk against liability losses to board members, staff and the organization.

Interpretation

I interpret this to mean that insurance contracts and policies are in place with the appropriate level of protection, and all loss claims against the policies, less deductibles, are recovered.

That insurance contracts are in place to replace, repair or provide remuneration for District assets exceeding \$1,000 and that the level of coverage restores the District to an equal or similar position prior to the loss or damage to the asset, less deductibles. The insurance replaces assets stolen, damaged or destroyed with a minimum value that meets or exceeds the deductible limitations of the coverage and includes the replacement of real estate, facilities, fixtures, furniture, vehicles, equipment, and consumable assets owned or leased by the District and valued greater than \$1,000.

That appropriate policies are in place and all claims against the policies are resolved and that such policies cover acts of litigation, settlements, judgments and staff inquiries resulting in financial remuneration by the District. These policies provide coverage for these acts to the extent available through insurance contracts. Also, there are certain acts that are not insurable.

As required by law, our annual audit is conducted by a qualified audit firm whose service fees are included in the board-approved budget.

That appropriate policies are in place to compensate the employees and providers of services for needs arising from the incident leading to submitted claims. (Workers Compensation coverage)

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The District has in place the following insurance contracts with SET/SEG:

Property

Property and Vehicles

Crime

Employee Dishonesty Blanket Bond

Equipment Breakdown (Boiler & Machinery)

Inland Marine

Cyber Liability/Data Breach

Safeguard Program (Terrorism & School Violent Acts)

Liability

Commercial General Liability

Excess Liability

Safeguard Program (Terrorism & School Violent Acts)

Fleet

Automobile Liability and Physical Damage

Garage Coverage

Educators Legal Liability Errors and Omissions

Workers Compensation

In addition, the District has a catastrophic student accident medical insurance policy with 1st Agency, Inc.

Coverage limits are reviewed annually with our insurance provider(s) to determine adequacy and/or appropriate levels of coverage.

Conclusion Statement

The organization met expectations.

2.6.2 POLICY LANGUAGE

The Superintendent shall not allow unbonded personnel access to material amounts of funds.

Interpretation

Only bonded personnel will be allowed access to District funds. "Material amounts" is that amount that would have a significant impact on achieving the Board's Ends.

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All employees, including the Superintendent and members of the Board, are covered by a blanket bond of up to \$1,000,000 per occurrence. Per SET/SEG, based on their experience with submitted claims, this level of coverage is considered adequate on a per occurrence basis.

Internal controls are in place to prevent a single individual from being able to complete an unauthorized transaction.

Conclusion Statement

The organization met expectations.

2.6.3 POLICY LANGUAGE

The Superintendent shall not subject facilities and equipment to improper wear and tear or insufficient maintenance.

Interpretation

I interpret this to mean that facilities and equipment, including busses and other vehicles owned or leased by the District, be used in a way that allows for sufficient and timely cleaning and that resources are allocated to ensure proper maintenance and replacement of equipment as necessary.

Report

The District has comprehensive facilities use policies and guidelines which govern facility scheduling and use. A facility use fee structure is in place to support maintenance, operation and cleaning of facilities.

The maintenance department utilizes a maintenance plan for mechanical systems in the District to ensure proper upkeep and replacement of parts. District custodians are on-site during times of facility use to ensure proper cleaning in a timely manner.

The maintenance department uses an annual plan for the maintenance of and/or replacement of windows, roofing, carpeting, drives, parking areas, etc., using the voter-approved Building and Site Sinking Fund. The maintenance staff reviews campus needs with building principals on an annual basis.

A system is in place for the periodic improvement and replacement of furnishings and other loose equipment. Funds for this mostly come from the General Operating Fund and vary depending on other demands on the budget.

An Energy Management System is in place to maintain the most efficient usage of energy resources to maximize cost avoidance. Since initiation of the system in 2009, we have avoided \$4.2 million (through August 2016) in energy costs.

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Our Transportation Department employs two certified mechanics to maintain the District's 64 busses and 9 vans used to transport students. The bus fleet also undergoes annual inspections by the Michigan State Police. The latest inspection, conducted during the 2015/16 school year, saw 97% of our busses receiving a "green tag" – the highest rating given. Two busses received lesser tags which were upgraded to green during the inspection.

Our busses are on a 10-year replacement cycle which results in about 10 percent of our fleet being replaced each year. Six busses were purchased this year through proceeds from the 2016 Bond sale. These six are the first of 30 to be purchased during the next four years.

The District routinely inspects and performs routine maintenance to District-owned technology. In those cases where there is unusual wear and tear, the Technology Department will engage the appropriate staff to determine the cause and correct it.

The District currently utilizes Grand Rapids Building Services, Inc. (GRBS) to provide the majority of custodial services. Our contract with GRBS was renewed for a one-year period (through June 2017). A satisfaction survey during the 2015/16 school year provided us with enough information to continue our contract with GRBS.

Additionally, the District added one full time quality control custodian to assist in monitoring and reporting out about any quality cleaning concerns during the second and third shifts. This person will also be responsible for implementing procedures to improve services.

Conclusion Statement

The organization met expectations.

2.6.4 POLICY LANGUAGE

The Superintendent shall not unnecessarily expose the organization, its board or staff to claims of liability.

Interpretation

I interpret this to mean that District administration provides clarity in terms of expectations and/or standards of conduct for its employees so that they act in a manner which is not likely to cause harm to persons, property or both.

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Report

Clear policies exist for the Board and Superintendent in terms of conduct and avoidance of conflict of interest.

Expectations for staff conduct exist in Operational Policies and Administrative Guidelines as well as in staff handbooks.

Staff members are asked to report any conditions or practices which could be considered a liability.

Supervisors review expectations on at least an annual basis.

The District had minor student injury liability claims that were paid by the District's insurance policy.

The District has an outstanding Educator's Legal Liability Errors and Omissions claim involving a student that is currently being evaluated and defended by SET/SEG.

Conclusion Statement

The organization met expectations.

2.6.5 POLICY LANGUAGE

The Superintendent shall not make any purchase: (a) wherein normally prudent protection has not been given against conflict of interest; and (b) where the amount exceeds 5 times the number of dollars over which the State of Michigan requires the letting of bids without following a stringent method of assuring the balance of long term quality and cost. Orders shall not be split to avoid these criteria.

Interpretation

I interpret this to mean that (a) a conscious effort is made by the Business Office staff and Executive Leadership Team (ELT) to determine if a conflict of interest exists for any purchase; and (b) purchases in excess of approximately \$100,000 will receive a substantial administrative review and justification with respect to its long term value. Purchases involving a like product from the same vendor will not be split to avoid scrutiny or the bidding process and require approval by the Board.

Report

Proposed purchases from any vendor that may have a connection/relationship with an employee or Board member of the District are reviewed by the ELT for undue favoritism and competitive pricing.

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Proposed purchases over approximately \$100,000 receive additional scrutiny from the ELT which may involve the use of pilot programs, consultation with outside consultants/specialists in the field (architects, construction managers, engineers, curriculum specialists, etc.).

The Business Office tracks and reviews all purchase orders directed to the same vendor to determine compliance with the splitting of orders, the bidding process, and required approval by the Board for such purchases.

No violations of this provision have occurred.

Conclusion Statement

The organization met expectations.

2.6.6 POLICY LANGUAGE

The Superintendent shall not allow intellectual property, information and files to be inadequately protected from piracy, loss, theft, electronic data breach or from suffering significant damage.

Interpretation

I interpret this wording to mean that:

1. All data is stored on fault tolerant storage systems located on at least two sites. Data backups are completed daily with 98% automated and 100% manual success rates. The district maintains state of the art security systems, including but not limited to firewalls and filters, to prevent inappropriate access to, or corruption of, sensitive and/or private information. This measure is reasonable because it is necessary to meet Federal Regulations, it aligns with industry best practice, and prevents rework due to loss of data.
2. The district has systems in place to detect and prevent attempts to gain access to district systems that would corrupt, damage, or provide access to proprietary, confidential, or sensitive information. Proprietary, confidential, or sensitive information is defined as the programs and data systems used to support district operations. Examples include student data, employee data, payroll data, security systems, and general business operations data. This interpretation is reasonable because the information protected is sensitive, private, and/or critical to the mission of the district, which if accessed inappropriately, lost, or damaged could potentially harm the district or individuals.
3. Other non-electronic data will be stored in a manner which provides maximum protection.

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1. All data is initially stored on a high-fault tolerant array of disk drives located in our secure data center. Should one or more of these drives fail; the data can be recreated using RAID based calculations from data located on other drives. At least nightly, all data is replicated to another high-fault tolerant array of disk drives located at our secondary data center. These two data centers are located on different physical sites to mitigate against damage caused by fire or acts of god. Depending on the nature of the data, routine snapshots are also made, allowing us to restore data to a previous time when required. Industry standard security systems, hardware and software based, are used to monitor, secure, and maintain the district's data.
2. The district security includes firewall protection and security systems which scan for malware (including, but not limited to, adware, spyware, trojans, viruses, worms and rootkits). The systems are updated on a regular basis via automated and manual process as a part of standard district operations.
3. This District has a fireproof vault room which includes a safe to maintain critical non-electronic data. Locked, fireproof filing cabinets are available for storage of documents. The District also has a safety deposit box at one of the local banks. Procedures are in place to restrict access to non-electronic data information.

Conclusion Statement

The organization met expectations.

2.6.7 POLICY LANGUAGE

The Superintendent 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 that procedures are in place to provide sufficient safeguards over the receipt, processing, and disbursement of District funds. The internal control procedures in place are audited annually by the Board-appointed auditing firm, in accordance with generally accepted auditing standards.

Report

The most recently completed fiscal year audit (FY 2015) by the Board-appointed auditing firm - Rehman Robson – verified the reasonableness of the District's qualitative aspects of the internal controls used in its accounting practices. The report did not identify any material weaknesses with respect to the fair representation of the District's financial statements and the federal programs administered by the District.

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Conclusion Statement

The organization met expectations.

2.6.8 POLICY LANGUAGE

The Superintendent shall not invest or hold operating capital in insecure instruments, including uninsured checking accounts and bonds of less than AA rating at any time, or in non-interest-bearing accounts except where necessary to facilitate ease in operational transactions, within reason.

Interpretation

I interpret this to mean that regulations and procedures are in place to insure that the Business Office will not invest in or hold operating capital in insecure or non-insured financial instruments, except for ease of operations, within reason.

Report

Cash management and investment regulations and procedures are in place which maximize return on investments through quality certificates of deposit, pooled investment accounts, money market accounts, and prime commercial paper rated one or two by more than one rating service.

A specific "Investments" Operational Policy is in place which the Business Office utilizes in its cash management and investment procedures. As a result, the FY15 District Audit and Comprehensive Annual Financial Report verified that the total District interest income was \$27,881, with an average yield of .4% for all funds as of June 30, 2015.

The Business Office utilizes Umbaugh & Associates as its Investment Advisor to ensure that the investment rating information is current on the financial institutions with which it conducts business in order to minimize risk if an institution is in a declining state.

Conclusion Statement

The organization met expectations.

2.6.9 POLICY LANGUAGE

The Superintendent shall not endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of Ends.

Interpretation

I interpret this to mean that actions or behaviors shall not be permitted to occur which would reflect poor fiscal management in the operation of the District, commit to expenditures without reliable funding sources, jeopardize operational integrity or detract from the Boards stated Ends.

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Report

Financial procedures are in place to ensure adequate financial operations of the District. Budgetary and accounting controls are in place to assure that errors or irregularities that could be material to the financial statements are prevented or would be detected in a timely manner. Information contained in the most recent District financial audit supports this claim.

Conclusion Statement

The organization met expectations.

2.6.10 POLICY LANGUAGE

The Superintendent shall not change the organization's name, logo or substantially alter its identity in the community.

Interpretation

I interpret this to mean that the organization continues to be referred to as Portage Public Schools and that tag lines and other visual depictions of the District are in line with the Mission, Vision and Ends, as adopted by the Board.

Report

The District continues to be referred to as Portage Public Schools, with the tag line of "The Future Learns Here."

Conclusion Statement

The organization met expectations.