

**Hutchinson Public Schools  
Operational Expectations Monitoring Report  
OE 7 – Asset Protection  
March 14, 2016**

**SUPERINTENDENT CERTIFICATION:**

With respect to OE-7 Asset Protection, the Superintendent certifies that proceeding information is accurate and complete, and that the District is:

**In Compliance**

**In Compliance, with noted exception(s):**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Not in Compliance**

Signed: \_\_\_\_\_ Date: 3-14-16  
Superintendent of Schools

**BOARD ACTION**

With respect to OE-7 Asset Protection, the Board finds that the District and the Superintendent:

**Are fully compliant**

**Are compliant with noted exception(s)**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Are non-compliant**

Comments and findings:

Date for re-monitoring: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
Board President

OE 7: Asset Protection	Superintendent		Board		
<i>The Superintendent will assure that all organizational assets are adequately protected, properly maintained, appropriately used and not placed at undue risk.</i>	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:**

*The board has an expectation that the administration will take the necessary actions to assure the safekeeping of all district finances and property.*

- *assure – develop, implement, and monitor appropriate policies and processes*
- *organizational assets – district monetary funds, district facilities, equipment, materials, supplies, and information*
- *adequately protected – insured for sufficient value and guarded against loss through misuse, misappropriation, theft, or unreasonable waste or wear*
- *properly maintained - routinely service to optimize useful life*
- *appropriately used – managed according to district policies and regulations*
- *undue risk – potential loss or theft through actions that the common man would find reckless*

OE 7: Asset Protection	Superintendent		Board		
1. The Superintendent will: Maintain property and casualty insurance coverage on district property with limits equal to 100% of replacement value, except for vehicles.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The Board has an expectation that district assets be insured to the fullest extent possible (100%), so that replacement or repair of lost or damaged property does not compromise the district's budget and ability to operate. Deductibles may apply.*

- *Property insurance coverage – policy for loss to buildings, their contents, and vehicles*
- *Casualty insurance coverage – policy for loss due to acts of liable*
- *District Property - district facilities, equipment, materials, supplies, and information*
- *Replacement Value – The cost to purchase similar item*

**Indicators of Compliance:**

- We know we are compliant when the District has property and casualty insurance coverage to the fullest extent for assets of the District including vehicles.
- We know we are compliant when the District has general liability coverage to the fullest extent required.
- We know we are compliant when the District has garage coverage to the fullest extent required.
- We know we are compliant when the District has terrorism coverage.
- We know we are compliant when the District has boiler and machinery coverage to the fullest extent required.
- We know we are complaint when the District has underground storage tank coverage to the fullest extent

**Evidence of Compliance:**

- The District was insured to the fullest extent possible so that replacement or repair of lost, stolen or damaged property (Insurance Evidence Listed Below)
- For the fiscal year ended June 30, 2015, the CPA firm found no evidence of insufficient insurance coverage.

**Property**

Building & contents \$157,181,971

Property off Premises \$25,000

Property in Transit \$25,000

Blanket Business Expense \$500,000

Property Deductible \$10,000

Wind and Hail Deductible of \$500,000 annual aggregate with the Deductible buy-back of \$25,000 deductible not to exceed \$475,000.

Blanket Business Deductible le \$5,000

**Vehicle Coverage (105 vehicles & trailers, 2/2016)**

Liability 1,000,000/Medical 5,000/Uninsured Vehicle 1,000,000, Deductible is \$500 per vehicle.

**InLand Marine**

Audio Visual/Music/Fine Arts equipment - \$1,066,825. Deductible - \$250

EDP(computers) - \$3,356,574. Deductible - \$500

Misc. Tools - \$100,000. Deductible - \$250

Transportation - \$75,000. Deductible - \$1,000

**Builders Risk**

Currently none

**Earthquake Coverage**

Earthquake Sublimit - \$10,000,000, Policy Limits, Deductible 5%

**General & Umbrella Liability**

Each occurrence \$1,000,000

General Aggregate Limit \$3,000,000

Excess Liability for general, auto and employers' \$1,000,000

Deductible \$1,000

**Garage**

Liability \$60,000

Per automobile deductible \$500

Maximum per occurrence deductible \$2,500

**Umbrella**

Terrorism \$117,000,000

**Boiler & Machinery** \$5,000,000, Deductible \$1,000

**Underground Storage Tank**

\$500,000 Per Environmental Incident

\$1,000,000 Aggregate – \$10,000 Deductible

**Summary of changes from prior report:**

Superintendent's interpretation has been updated to reflect new format.

**Capacity Building OE 7.1:**

None

OE 7: Asset Protection	Superintendent		Board		
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.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The Board expects that administration will maintain sufficient financial protection against loss through mistakes or oversights by district employees and protection against actions of all persons associated with the district.*

- *Errors and Omissions Insurance-protection from loss for failure to perform professional duties*
- *Comprehensive General Liability Insurance – protection from loss against claims of bodily injury or property damage brought against the district as a whole or individuals associated with the*
- *Reasonable – equal to the amount of loss that might be predicted by the common man*
- *Comparable size and character – having similar enrollment and operating budgets*

**Indicators of Compliance:**

- We know we are compliant when the District has errors and omissions and comprehensive general liability insurance coverage protecting board members, staff and the District.

**Evidence of Compliance:**

- The district has a policy in place for errors and omissions and comprehensive general liability insurance coverage (Insurance Evidence Listed Below)
- We know we are compliant when the District has crime coverage.
- For fiscal year ended June 30, 2015, the CPA firm found no evidence of insufficient insurance coverage.

**Errors & Omissions \$1,000,000**

Deductible - \$10,000 each wrongful act; \$15,000 employment practices

**Crime**

Employee Theft \$100,000

Specified Employees have \$100,000 bond: Clerk of the Board, Deputy Clerk, Deputy Treasurer, Superintendent and Finance Director/Treasurer

Theft of funds (26 locations) \$10,000

Deductible for Employee Theft - \$500

**Summary of changes from prior report:**

Superintendent's interpretation has been updated to reflect new format.

**Capacity Building OE 7.2:**

None

OE 7: Asset Protection	Superintendent		Board		
3. The Superintendent will: Assure that all personnel who have access to material amounts of district and school funds are bonded.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The board has an expectation that the district will be insured against loss involving staff who controls district financial assets.*

- *Personnel – anyone employed by the district*
- *Material amounts - \$100,000 or more*
- *School funds – any financial assets or instruments*
- *Bonded – insured against loss*

**Indicators of Compliance:**

- We know we are compliant when the District has specified high-exposure employees to be bonded
- 

**Evidence of Compliance:**

- For fiscal year ended June 30, 2015, the CPA firm found no evidence of insufficient insurance coverage.
- (Insurance Evidence Listed in 7.2)

**Summary of changes from prior report:**

Superintendent’s interpretation has been updated to reflect new format.

**Board Compliance Notes:**

**Capacity Building OE 7.3:**

None

OE 7: Asset Protection	Superintendent		Board		
4. The Superintendent will: Protect intellectual property, information, files, records and capital assets from loss or significant damage.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The Board expects that financial and confidential personnel data will be maintained in a safe, secure manner; that digital files will be backed up or redundant off-site; that generator/backup systems protect from loss of data, and that digital files and information will be protected from hacking and electronic intrusion or damage. Additionally, the board expects that archival records will be maintained for the legally prescribed duration.*

- *Intellectual property- creations of the mind, such as inventions, patents, literary and artistic works, designs, symbols, names, and images used in business*
- *Information – data pertaining to students, personnel, or district finances*
- *Files – storage location of information, whether hardcopy or digital*
- *Records – official information maintained for historical or legal purposes*
- *Capital assets – equipment with a value over \$500*
- *Loss – theft or inability to recover for use*
- *Significant damage – destruction or inability to be recovered for use*

**Indicators of Compliance:**

- We know we are compliant when the District follows K.S.A. 72-5369 and administration operation policies approved on July 7, 2003 for record retention procedures and schedule.
- We know we are compliant when the District maintains all electronic data and hard copy data in a safe and secure manner.
- We know we are compliant when the District houses electronic information so it can be recovered when needed.
- We know we are compliant when the District protects electronic data from hacking, intrusion or damage.
- We know we are compliant when the District performs an annual audit of all capital assets over \$500.
- We know we are compliant when the District has sufficient insurance coverage on capital assets and loss of digital data.

**Evidence of Compliance:**

- There have been no reported violations of K.S.A. 72-5369 or related policies [to the public information officer](#).
- The District had no reported breaches electronic and hard copy data according to state statute and administration policies.



- The district maintains off-site backup of all critical information systems and in-house cloud backup of administrative desktop data. (See evidence of compliance below)
- The District had no reported breaches electronic and hard copy data in a safe and secure manner through password protected information and locked cabinets/vaults.
- The District had no reported breaches electronic data off site.
- The District performed an annual physical inventory of the capital assets. (October 2015 – February 2016) (See evidence of compliance below)
- For fiscal year ended June 30, 2015, the CPA firm found no evidence of capital asset mis-use.

Backups of all essential district servers are performed nightly and then copied to a site in Wichita via our internet connection; essential servers include food services, human resources, library services and various others. In these backups, server files and system states are backed up to a Cisco UCS server running VMware vSphere by VEEAM backup software. Offsite disaster recovery and backup capabilities are hosted through the ISG Technology, Inc. datacenter, located at Weber & Associates in Wichita, KS. In the case of a server failure or data loss, information can be restored to USD 308 servers from these offsite backups. In the event of a disaster, ISG Technology can provide the internet resources for USD 308 to restore essential district applications and servers on site.

The district student and financial system is backed up throughout the day and at night. The data is pushed to a site in Milwaukee, Wisconsin, managed by Integrated Systems Corporation. In the case of server failure or data loss, information can be restored to USD 308. In the event of a disaster at the Administration Center, Integrated Systems Corporation can provide an offsite data center for restoration of the financial management system. Personnel files are maintained in the Human Resources Offices. All personnel files are password protected, and backed up electronically on a regular basis. Under Kansas Statute, these records are closed, except for specific information excluded, including contracts, dates of employment, salary, etc. Personnel evaluations, plans of improvement and other evaluation-related data are confidential. Student records are confidential and are not accessible to those not authorized to view them. The technology department maintains protections in the form of firewalls, passwords and other mechanisms to discourage or prevent unauthorized access to electronic files.

February 2016, the District had 11,466 capital assets. The District has 198 fewer assets than the previous year. Physical Inventory for FY 15.16 had 31 missing assets compared to 46 missing items for FY 14.15.

**Summary of changes from prior report:**

- Superintendent’s interpretation has been updated to reflect new format.
- Updated Fixed Asset Report FY 15.16 is attached.

**Board Compliance Notes:**

**Capacity Building OE 7.4:**

The District will provide on the District web page an on-line link labeled “Reporting of Fraud, Waste or Abuse”. Communicate annually the Code of Conduct and secure signatures from all staff.

Administration will work with building and food service secretaries to tighten up the cash internal controls in their areas through developing processes for cash handling processes in the buildings and food service departments.

OE 7: Asset Protection	Superintendent		Board		
5. The Superintendent will: Protect the district from liability for personnel who are injured on the job.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The Board expects the district to maintain adequate workmen’s compensation insurance and to take proactive steps to limit workplace injuries.*

- *Protect – limit financial loss through accident avoidance measures and adequate insurance protection*
- *Liability – maintain adequate liability insurance protection*
- *Personnel – employees of USD 308*
- *Injured – to suffer physical harm resulting in lost time or the need for medical treatment*
- *On the job – time when employees are performing their duties and when entering or exiting our facilities for work via our parking lots and sidewalks*

**Indicators of Compliance:**

- We know we are compliant when the District manages worker’s compensation as required by law.

**Evidence of Compliance:**

- The District is insured to the extent possible for worker’s compensation and liability coverage.
- For the fiscal year ended June 30, 2015, the CPA firm found no evidence of insufficient worker’s compensation coverage.

**Summary of changes from prior report:**

Superintendent’s interpretation has been updated to reflect new format.

**Board Compliance Notes:**

**Capacity Building OE 7.5:**

None

OE 7: Asset Protection	Superintendent		Board		
6. The Superintendent may not: Allow facilities and equipment to be subject to improper use or insufficient maintenance.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The Board expects that its property will be maintained on a schedule that maximizes longevity, and that district property will not be subjected to use or wear that is excessive or shortens their useful life.*

- *Facilities – buildings, athletic fields, and playgrounds*
- *Equipment – mechanic equipment necessary for building function (such as HVAC units)*
- *Improper use – any utilization for purposes not directly related to the work of 308 or as allowed for private use through administrative regulation*
- *Insufficient maintenance – failure to follow manufacture’s schedules for equipment service and/or failure to conduct inspections as required by law*

**Indicators of Compliance:**

- We know we are compliant when the District has planned sufficient resources for repair and maintenance of district facilities and equipment.
- The District has policies related to misuse of facilities and equipment.

**Evidence of Compliance:**

- For the fiscal year ended June 30, 2015, the CPA firm found no evidence of misuse of facilities and equipment.
- The District has allocated repair and equipment lines in the budget for repair and maintenance of facilities and equipment.

**Summary of changes from prior report:**

Superintendent’s interpretation has been updated to reflect new format.

**Capacity Building OE 7.6:**

In the future the District will know we are compliant with fraud, waste or abuse through an on-line reporting link located on the District web-site. Any information submitted on this link will be reported to the Public Information Officer and Clerk of the Board of Education.

OE 7: Asset Protection	Superintendent		Board		
7. The Superintendent may not: Recklessly expose the district, the Board or staff to legal liability.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The board expects the superintendent to be aware of potential situations which would put the district at risk of financial loss and to act promptly to prevent such loss and to avoid purposefully putting the district’s assets at risk.*

- *Recklessly expose - knowingly or purposefully participating in or allowing other staff with his/her knowledge to act in ways or allow conditions that place the district at risk of financial loss of assets*
- *Legal liability – financial loss caused by action or negligence of the district or its personnel*

**Indicators of Compliance:**

- We know we are compliant when the District has completed the Code of Conduct requirements under the Uniform Administrative Requirements.

**Evidence of Compliance:**

- For the fiscal year ended June 30, 2015, the CPA firm found no evidence or conditions where the District might be at risk of liability.
- The District CPA firm and the Board of Education received the Internal Control Oversight Committee Report on March 14, 2016. (See Attached Report)

**Summary of changes from prior report:**

- Superintendent’s interpretation has been updated to reflect new format.
- The District established a self-assessment survey for internal controls. There is an internal control oversight committee that reviews the data and prepares a report each year for the board. This committee reviews the district risk and liability in the areas of environment control, finance reporting, budget reporting, cash receipts, accounts receivable/fee management, purchasing, accounts payable, human resources, inventory, capital assets, computer security, investment, debt, payroll compliance and federal compliance.

**Capacity Building OE 7.7:**

- The District will provide on the District web page an on-line link labeled “Reporting of Fraud, Waste or Abuse”.
- Communicate annually the Code of Conduct and secure signatures from all staff.
- Administration will work with building and food service secretaries to tighten up the cash internal controls in their areas.

OE 7: Asset Protection	Superintendent		Board		
8. The Superintendent may not: Invest funds in investments that are not secured or that are not authorized by law.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The board expects that all district funds will be safely invested in the manner prescribed by law.*

- *Invest/Investments– to deposit funds for any period of time, regardless of the nature of the financial instrument used (checking accounts, savings accounts, certificates of deposit, treasury bills, etc.)*
- *District funds – all finances belonging to USD 308 or its beneficiaries (such as activity funds and health insurance pool funds)*
- *Secured – protected by FDIC insurance or bank qualified securities equal to 100 percent of the deposit in excess of the FDIC coverage*
- *Authorized by law – the district will follow all Kansas statutes that regulate the investing and securing of public funds.*

**Indicators of Compliance:**

- We know we are compliant when the District reviews and monitors monthly the pledged security reports from the banks.
- We know we are compliant when the District has all idle funds invested according to Kansas Statue.

**Evidence of Compliance:**

- For fiscal year ended June 30, 2015, the CPA firm found no evidence of insufficient pledged securities or improperly invests funds.

**Summary of changes from prior report:**

Superintendent’s interpretation has been updated to reflect new format.

**Capacity Building 7.8:**

None

OE 7: Asset Protection	Superintendent		Board		
9. The Superintendent may not: Purchase or sell real estate including land and buildings	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The board expects that any real estate transactions will be placed on the agenda for board discussion and action. The superintendent will prepare recommendations for sale or purchase of real property, but may not execute any such transactions.*

- *Purchase – to expend any district funds, regardless of amount of transaction*
- *Sell – to exchange for money or other in-kind asset, regardless of amount*
- *Land – real estate owned by the district, to include CTEA home lots*
- *Buildings – any permanent structure within the district*

**Indicators of Compliance:**

- We know we are compliant with all real estate including land and building sales and purchases go to the board for approval.

**Evidence of Compliance:**

- For the fiscal year ended June 30, 2015, the CPA firm found no evidence or conditions where the District purchased real estate without board approval.

**Summary of changes from prior report:**

Superintendent’s interpretation has been updated to reflect new format.

**Capacity Building 7.9:**

None

OE 7: Asset Protection	Superintendent		Board		
10. The Superintendent may not: Take any action that damages the district’s public image or credibility.	Compliant	Not Compliant	Compliant	Not Compliant	Compliant with Exceptions
	X		X		

**Superintendent Interpretation:** *The board expects that the superintendent will conduct himself/herself according to the highest of professional, moral, and ethical standards at all times, keeping in mind that all his/her actions are a reflection upon the district and the educational professionals in our community.*

- *Action - a decision, behavior, or statement made by traditional or electronic means, especially those involving any illegal activity other than minor traffic violations.*
- *Damages – causes significant harm*
- *Public image – perception of the district held by its patrons*
- *Credibility – ability to be believed or trusted*

**Indicators of Compliance:**

- We know we are compliant when there have been no incidences where the superintendent used poor judgment where it damaged the image or credibility of the District.

**Evidence of Compliance:**

- There were no incidences of poor judgment that damaged the District as reflected through the media, community and staff surveys.

**Summary of changes from prior report:**

Superintendent’s interpretation has been updated to reflect new format.

**Board Compliance Notes:**

**Capacity Building 7.10:**

The on-line link for “Reporting, Fraud, Waste or Abuse” will be another evidence of compliance once implemented.

### ASSET FIGURES FOR FY 2015-16

USD 308 2015-16 MISSING/UNACCOUNTED FOR DISTRICT ASSETS AS OF 02-2016

BUILDING	TOTAL ASSETS	MISSING ASSETS	PERCENTAGE FOUND	QTY OF EACH MISSING ASSET	TYPE OF ASSET	ORIGINAL VALUE TOTAL OF MISSING ASSETS
AD CENTER	311	0	100.00%	NA	NA	NA
ALLEN	481	1	99.80%	1	DOCUMENT CAMERA	\$ 629.00
AVE A	458	0	100.00%	NA	NA	NA
FARIS	501	0	100.00%	NA	NA	NA
GRABER	557	2	99.70%	1	TEACHER AMPLIFIER	\$ 1,121.00
				1	PROJECTOR	\$ 974.00
LINCOLN	455	0	100.00%	NA	NA	NA
MCCANDLESS	599	0	100.00%	NA	NA	NA
MORGAN	626	1	99.90%	1	LAPTOP	\$ 1,489.00
WILEY	577	1	99.80%	1	PROJECTOR	\$ 1,040.00
HMS-7	596	1	99.83%	1	PROJECTOR	\$ 1,486.00
HMS-8	550	1	99.82%	1	PROOFING CABINET	\$ 1,584.36
HHS/CTEA/VTECH/ BLDG TRADES/DMF/STRG	3534	12	99.66%	1	SEWING MACHINE	\$ 625.00
				1	DVD/MINIDVD RECORDER	\$ 500.00
				1	PROJECTOR	\$ 1,384.00
				1	LAPTOP-MACBOOK HP	\$ 2,099.00
				1	DESKTOP COMPUTER HP	\$ 1,168.00
				1	WYSE LAPTOP	\$ 649.00
				1	WYSE LAPTOP	\$ 649.00
				1	SONCRETE SAW	\$ 1,579.95
				1	SONY CAMCORDER	\$ 529.00
				1	HP NOTEBOOK LAPTOP	\$ 813.50
				1	IPAD 32GB	\$ 579.00
1	SMART CLICKER SYSTEM	\$ 1,549.00				
EARLY ED CENTER	28	0	100.00%	NA	NA	NA
SJH-PAT	241	0	100.00%	NA	NA	NA
EHDST	101	0	100.00%	NA	NA	NA
GRANDVIEW	37	0	100.00%	NA	NA	NA
OUTLYING HDST/PERKINS LOCATIONS	71	0	100.00%	NA	NA	NA
ESC	142	1	99.30%	1	LAPTOP	\$ 1,287.00
DAVIS WHSE	89	1	98.80%	1	PROJECTOR	\$ 3,995.00
GOWANS	6	0	100.00%	NA	NA	NA
23RD COMPLEX	57	0	100.00%	NA	NA	NA



### ASSET FIGURES FOR FY 2015-16

USD 308 2015-16 MISSING/UNACCOUNTED FOR DISTRICT ASSETS AS OF 02-2016

BUILDING	TOTAL ASSETS	MISSING ASSETS	PERCENTAGE FOUND	QTY OF EACH MISSING ASSET	TYPE OF ASSET	ORIGINAL VALUE TOTAL OF MISSING ASSETS
RCYS	66	0	100.00%	NA	NA	NA
SSC-FDS	381	0	100.00%	NA	NA	NA
TSC/GARAGE	980	10	98.90%	1	PROJECTOR	\$ 793.00
				1	MONITOR	\$ 563.00
				1	DOCUMENT SCANNER	\$ 906.55
				7	LAPTOPS	\$ 6,765.26
HHS DAYCARE	15	0	100.00%	NA	NA	NA
ART BUILDING	7	0	100.00%	NA	NA	NA
<b>DISTRICT TOTAL</b>	<b>11466</b>	<b>31</b>	<b>99.83%</b>	<b>31</b>		<b>\$ 34,757.62</b>

**MISCELLANEOUS INFORMATION**
14 OF THE 31 MISSING ASSETS ARE LAPTOPS/COMPUTERS = 45% OF ALL ITEMS MISSING (19 OF 46 IN 2014-15 WERE LAPTOPS OR COMPUTERS = 41%)
93 VEHICLES
21 TRAILERS
198 FEWER ASSETS THAN 2014-15 DUE TO THE NUMBER OF ELECTRONICS SOLD TO THE RECYCLER, AND NOT HAVING AS MANY ASSETS PURCHASED THAT NEEDED TO BE TAGGED.
85 ASSETS WERE MISSING IN 2013-14 46 ASSETS WERE MISSING IN 2014-15 31 ASSETS ARE MISSING THIS YEAR 2015-16

## Hutchinson Public Schools

### Internal Control Oversight Committee Report

March 2016

#### Internal Control Oversight Membership

Dr. Shelly Kiblinger, Superintendent

Ronn Roehm, High School Principal

D.T. Patterson, Middle School Principal

Kelley McCall, Elementary Principal Representative

Greg Meredith, Board Member Representative

Lori Blakesley, Ex. Director Fiscal Management & Business Operations, Advisory

Cindy Hughes, District Accountant, Advisory

#### Internal Control Compliance Process

- The Executive Director of Business Operations is assigned the primary responsibility for conducting an internal control evaluation and reporting the results of the evaluation to the District auditor and Board of Education on an annual basis (OE7-March).
- The tool used for this evaluation is an annual self-assessment of internal controls given to fiscal secretaries, business office staff, department directors, and all district administration.
- The results of the self-assessment survey are reviewed by the internal control oversight committee. The internal control oversight committee assigns a severity and priority ranking to each noted area of weakness.
  - Severity rankings include the following: 1 – minimal/2 – moderate/3 – severe
  - Priority rankings include the following: 1 –low/2 – medium/3 - high
- The review is performed because it is required, but also because it provides a mechanism for staff, department directors and district administration to assess awareness of requirements contained in fiscal policies and procedures. This process and review can enable implementation of any internal control improvement plans, training or communication that may need to be done.

Areas of noted weakness based on the summary of responses on the

Self-Assessment of Internal Controls.

January 18, 2016

***Internal Control Oversight Committee Ranking***

***Severity Level = 1 minimal/2 moderate/3 severe***

***Priority Level = 1 low/2 medium/3 high***

1. Many staff members marked N/A. We believe a lot of it was because they didn't think it was related to their area and they only provided answers in their areas. They marked N/A because they don't fully understand their fiscal responsibilities.
  - a. *Plan for improvement:*
    - i. *Second year of implementation we suggest more detailed instructions about the marking of the N/A option.*
    - ii. *Training on compliance with business practices and policy as well as fiscal responsibility for those working in any business related area. Training could be through an agenda item at the District Secretary and ALT Meetings.*

***Committee Ranking for #1: Severity 2/Priority 3***

***The business office will break down the self-assessment survey further by job type so staff will not need to complete the entire survey. Training on fiscal responsibilities, policy and processes will be held at ALT and the Secretarial meetings.***

2. District doesn't have a mechanism for staff and community to report potential fraud, waste or abuse.
  - a. *Plan for improvement:*
    - i. *Implement an on-line reporting of potential fraud, waste or abuse that runs through someone that is independent. (See page that is designed off another entity found on the internet.)*
    - ii. *Communication on the whistleblower policy and the on-line reporting of potential fraud, waste or abuse.*

***Committee Ranking for #2: Severity 1/Priority 3***

***The District will provide on the District web page an on-line link labeled "Reporting of Fraud, Waste or Abuse". The Business office will work with the webmaster to put this on the web page.***

3. There needs to be better communication on what are the Conduct Standards. Do we need staff to sign off on the conduct standards each year or at time of hire?
  - a. *Plan for improvement:*
    - i. *Communication on the Conduct Standards and where they can be found.*
    - ii. *Make sure a process is in place for securing signatures of all staff members showing that they know what the conduct standards are. Will work with HR on how best to accomplish this.*

***Committee Ranking for #3: Severity 2/Priority 3***

***The District will put in a process for securing signatures each year of all staff members showing they have received, read and know what their responsibilities are in the conduct standards for the District. The Business Office will work with HR to accomplish this.***

4. Cash receipt issue at the building level with one secretary having access to the entire process of when revenue is received, deposited and posted in the system.
  - a. *Plan for improvement:*
    - i. *Work with the principals and the food service director on having both the building secretaries and the food service secretaries have a piece of the internal control in each of their cash areas. The objective is not having each secretary have complete control in each of their areas. It would be shared. The departments that don't have two secretaries working in the office would need to work with the director or administer in that building to share duties. Possible process design could be addressed through the building secretary meeting for secretary input on best way to achieve this.*
    - ii. *The District accountant position makes the deposit and posts the revenue. We will have another position in the business office write-up the deposits.*

***Committee Ranking for #4: Severity 2/Priority 3***

***The business office will meet with the food service director and building administration on implementation of two staff positions involved in the cash processes at the buildings/departments as well as the food service program. Process design will be addressed through the building secretary meeting for their input on improving the cash internal controls. The District Account position will no longer write up deposits. Another position in the business office will be responsible for preparing the deposits.***

5. Some replies implied there could be some splitting of purchase orders.
  - a. *Plan for improvement:*
    - i. *Training at building secretary and ALT meetings.*

***Committee Ranking for #5: Severity 2/Priority 3***

***The business office visited with the building secretary's at their last meeting about what it means to split purchase orders and what to do if they feel it is happening in their building or department. This will also be covered at the next ALT meeting.***

6. Checks to the order of cash are for cash boxes at enrollment and gates for activities.
  - a. *Plan for improvement:*
    - i. *This practice will continue for the above items only.*

***Committee Ranking for #6: Severity 1/Priority 1***

***The need for cash boxes at activity events will require the District to continue this practice. Also, checks are written to staff for cash so they can pay for meals during activity events. The internal controls in place for these types of events will be monitored every year.***

7. Inventory Clerk has access to data base, physical inventory and investigates the missing items.
  - a. *Plan for improvement:*
    - i. *The Business office staff all has full time jobs and have taken on duties vacated when the administration secretary position was lost. Unless the physical inventory is moved to staff at the building level or additional staff is hired the current practice will need to continue.*

***Committee Ranking for #7: Severity 1/Priority 1***

***When items are received the warehouse puts the inventory tags on the items; otherwise the inventory clerk has access to the inventory data base, completes the physical inventory and investigates all missing assets. This position also manages the surplus of District equipment. The Skyward software has the ability to track changes that are made in the software and any equipment item(s) removed over \$5,000 from the data base would show up in the depreciation numbers that are handled by the district accountant.***

8. Not for sure there is cross-training in all staff positions that involve the critical software and hardware applications for the District. (Positions include student data and IT functions with Skyward)
  - a. *Plan for improvement:*
    - i. *Work with those departments to ensure there is a staff member that is cross-trained in these critical areas.*
    - ii.

***Committee Ranking for #8: Severity 1/Priority 1***

***The business office will double check with management that the above positions are cross trained in the critical software and hardware applications for the District.***

## Reporting Various Potential Fraud, Waste or Abuse

People have two major expectations of the government when it comes to their taxpayer dollars: that their money is kept safe and used wisely and appropriately.

Hutchinson Public Schools feels the same way and we do everything we can through our audits, procedures and good business practices to meet these expectations and ensure that proper controls are in place.

Throughout the District, administration, department directors, secretaries, business office staff and many other employees work constantly to prevent fraud and the abuse of tax dollars. However, despite these efforts, fraud does occur.

It is important for all of us to be aware of the various kinds of fraud that can be committed, and how to prevent them – especially within the District. We need to educate administration and employees about fraud detection, and offer support when they suspect and report irregular activities.

To help in these efforts, we are pleased to provide a direct telephone number for reporting of fraud situations. If you suspect financial fraud, abuse or corruption in the District, please contact Ray Hemman, District's Public Information Officer, at 620-615-4029 or Molly Carson, Clerk of the Board of Education, at 620-615-4009.

You can also use the on-line form located below. We welcome anonymous reports, but those made by individuals who identify themselves make it possible to have a discussion if the facts warrant. If you do identify yourself but are concerned about possible retaliation, your identity can be protected. Anonymous reports may be made by filling in only the boxes with red asterisks. If you would like to receive a response to your report, you must include a valid email address. If you do not receive an "acknowledgement of receipt" email, please call 620-615-4029 or 620-615-4009.

Sincerely,

Lori Blakesley, Ex. Director Fiscal Management and Business Operations

First Name

Last Name

Email Address

Phone Number

Street Address

City

St

*Type –	Misuse of District credit card	Misuse of District vehicle
	Misuse of cash received (fund raisers, activities, fees)	Misuse of District facilities
	Misuse of District equipment and supplies	Vendor favoritism
	Mishandling of gate receipts and/or activity tickets	Misuse of staff time worked
	Misuse of District travel policy	Other

\*Description of potential fraud, waste or abuse: