

**Hutchinson Public Schools
Operational Expectations Monitoring Report
OE 7 – Asset Protection
April 10, 2017**

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: _____
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

Hutchinson Public Schools
Board Monitoring Report

Re: Monitoring Report on OE-7: Asset Protection
 From: Dr. Shelly Kiblinger, Superintendent
 Julie Stucky, Exec. Director of Fiscal Management & Business Operations

Monitoring of operational expectations policies is part of the ongoing process of superintendent evaluation. This operational expectation policy addresses several aspects of the superintendent’s responsibility for district assets.

| 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 with Exceptions | 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 with Exceptions | 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*

Compliance:

| | |
|---|------------------|
| Indicator 1: 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. | Compliant |
| Evidence: The district was insured to the fullest extent possible so that replacement or repair of lost, stolen, or damaged property does not compromise the district's budget and ability to operate. | |
| Indicator 2: We know we are compliant when the District has general liability coverage to the fullest extent required. | Compliant |
| Evidence: For the fiscal year ended June 30, 2016, the CPA firm found no evidence of insufficient insurance coverage. | |
| Indicator 3: We know we are compliant when the District has garage coverage to the fullest extent required. | Compliant |
| Evidence: The district had garage coverage to the fullest extent required. | |
| Indicator 4: We know we are compliant when the District has terrorism coverage. | Compliant |
| Evidence: The district was covered under a terrorism policy. | |
| Indicator 5: We know we are compliant when the District has boiler and machinery coverage to the fullest extent required. | Compliant |
| Evidence: The district had boiler and machinery coverage to the fullest extent required. | |
| Indicator 6: We know we are complaint when the District has underground storage tank coverage to the fullest extent. | Compliant |
| Evidence: The district had underground storage tank coverage to the fullest extent. | |

| 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 with Exceptions | 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 district*
- *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*

Compliance:

| | |
|--|------------------|
| Indicator 1: 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. | Compliant |
| Evidence: The district has a policy in place for errors and omissions and comprehensive general liability insurance coverage (See Appendix) | |

| 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 with Exceptions | 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*

Compliance:

| | |
|---|------------------|
| <ul style="list-style-type: none"> • Indicator 1: We know we are compliant when the District has specified high-exposure employees to be bonded | Compliant |
| <p>Evidence: For fiscal year ended June 30, 2016, the CPA firm found no evidence of insufficient insurance coverage. (See Appendix)</p> | |

| 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 with Exceptions | 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*

Compliance:

| | |
|--|------------------|
| Indicator 1: 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. | Compliant |
| Evidence: There have been no reported violations of K.S.A. 72-5369 or related policies to the public information officer. | |
| Indicator 2: We know we are compliant when the District maintains all electronic data and hard copy data in a safe and secure manner. | Compliant |
| Evidence: The district had no reported breaches of electronic and hard copy data according to state statute and administration policies. | |
| Indicator 3: We know we are compliant when the District houses electronic information so it can be recovered when needed. | Compliant |
| Evidence: The district maintains in-house cloud backup of administrative desktop data and off-site backup of all critical information systems at the ISG datacenter in Wichita. The current configuration has been in place since January 2014. | |
| Indicator 4: We know we are compliant when the District protects electronic data from hacking, intrusion or damage. | Compliant |
| Evidence: The district had no reported breaches of electronic and hard copy data. | |
| Indicator 5: We know we are compliant when the District performs an annual audit of all capital assets over \$500. | Compliant |

| | |
|--|------------------|
| Evidence: The district performed an annual physical inventory of the capital assets. (October 2016 – March 2017). | |
| Indicator 6: We know we are compliant when the District has sufficient insurance coverage on capital assets and loss of digital data. | Compliant |
| Evidence: For fiscal year ended June 30, 2016, the CPA firm found no evidence of insufficient insurance coverage.(See Appendix) | |

| 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 with Exceptions | 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*

Compliance:

| | |
|--|------------------|
| Indicator 1: We know we are compliant when the District manages worker’s compensation as required by law. | Compliant |
| Evidence: The district is insured to the extent possible for worker’s compensations and liability coverage. | |

| 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 with Exceptions | 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*

Compliance:

| | |
|--|------------------|
| Indicator 1: We know we are compliant when the District has planned sufficient resources for repair and maintenance of district facilities and equipment. | Compliant |
| Evidence: The district has allocated repair and equipment lines in the budget for repair and maintenance of facilities and equipment. | |
| Indicator 2: The District has policies related to misuse of facilities and equipment. | Compliant |
| Evidence: For the fiscal year ended June 30, 2016, the CPA firm found no evidence of misuse of facilities and equipment. | |

| 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 with Exceptions | 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*

Compliance:

| | |
|--|------------------|
| Indicator 1: We know we are compliant when the District has completed the Code of Conduct requirements under the Uniform Administrative Requirements. | Compliant |
| Evidence: The district communicated and secured signatures from staff on the Code of Conduct. | |

| 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 with Exceptions | 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.*

Compliance:

| | |
|--|------------------|
| Indicator 1: We know we are compliant when the District reviews and monitors monthly the pledged security reports from the banks. | Compliant |
| Evidence: For fiscal year ended June 30, 2016, the CPA firm found no evidence of insufficient pledged securities. | |
| Indicator 2: We know we are compliant when the District has all idle funds invested according to Kansas Statue. | Compliant |
| Evidence: For fiscal year ended June 30, 2016, the CPA firm found no evidence of improperly invested funds. | |

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

Compliance:

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|--|------------------|
| Indicator 1: We know we are compliant with all real estate including land and building sales and purchases go to the board for approval. | Compliant |
| Evidence: For the fiscal year ended June 30, 2016, the CPA firm found no evidence or condition where the district purchased real estate without board approval. | |

| 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 with Exceptions | 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*

Compliance:

| | |
|--|------------------|
| Indicator 1: 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. | Compliant |
| Evidence: There were no incidences of poor judgment that damaged the district as reflected through the media, community, and staff surveys. | |

APPENDIX

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 (115 vehicles & trailers, 3/2017)

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 - \$1,117,449. 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

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

CyberRisk

Network & Information Security \$1,000,000

Regulatory Defense Expense \$500,000

Security Breach Remediation & Notification \$250,000

Computer Program & Electronic Data Restoration Expenses \$250,000

Computer Fraud \$250,000

Funds Transfer Fraud \$250,000

E-Commerce Extortion \$250,000