



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 9.3

Meeting Date: January 19, 2012

Subject: **Coherent Governance Policy Operational Expectations 7 (OE-7) -
Asset Protection - Monitoring Report**

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Superintendent's Office

Recommendation: Approve Coherent Governance Policy Operational Expectations 7 (OE-7) –
Asset Protection - Monitoring Report.

Background/Rationale: The Board has directed the Superintendent to provide Monitoring Reports on a regular schedule at open session Board meetings. Monitoring determines the degree to which Board policies are being met. This report is designed to share progress toward the results the Board expects to see for the school system, as well as the effectiveness of the system's operations. This report, therefore, is a review of the organization's performance as it relates to Operational Expectations 7 – Asset Protection.

The report includes the following information:

- The policy.
- The Superintendent's certification.
- Reasonable Interpretation of the policy.
- Evidence of compliance.

After the Board meets in open session to discuss the report, two additional sections of the report will be completed by the Board chair:

- Disposition of the Board. (The policy is found by the Board to be "in compliance," "in compliance with exceptions," or "not in compliance.")
- Comments.

The Board will discuss the data and conclusions from the Monitoring Report in open session. At the end of the discussion, the Board will vote as to whether it will accept the report, as presented, as evidence of reasonable interpretation and reasonable progress toward achieving the Board's policy. The Board will determine whether the policy is "in compliance," "in compliance with exceptions," or "not in compliance." If the policy is found to be "in compliance

with exceptions,” or “not in compliance,” the Board has the option to direct the Superintendent to correct the non-compliance indicators and report back to the Board at a time outside the regular monitoring schedule.

Financial Considerations: None.

Documents Attached:

1. OE-7 Monitoring Report

Estimated Time of Presentation: 5 minutes

Submitted by: Jonathan P. Raymond, Superintendent

Approved by: N/A

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
Operational Expectations: Asset Protection
January 12, 2012

PART I: THE POLICY

OE-7: Asset Protection

The Superintendent will assure that all organizational assets are adequately protected, properly maintained, appropriately used and not placed at undue risk.

PART II: SUPERINTENDENT'S CERTIFICATION

I certify that the information in this report is true for the period
beginning _____ and ending _____.

Based on this report, I believe the school system is

- In compliance
- In compliance with exceptions
- Not in compliance

Signed: _____ Date: _____
Jonathan P. Raymond, Superintendent

PART III: DISPOSITION OF THE BOARD

Based on this report and our discussion, the Board of trustees finds this OE policy to be

- In compliance
- In compliance with exceptions
- Not in compliance

Signed: _____ Date: _____
Diana Rodriguez, Board President

PART IV: COMMENTS

PART V: INTERPRETATION

I interpret this to mean that assets – physical, intellectual and financial – shall be protected from loss or damage through adequate security, controls and preventive maintenance. Additionally, sufficient indemnity protection will be maintained so that assets are protected in such a manner that the district's financial position, legal position and public image are not susceptible to damage.

OE-7.1: The Superintendent will maintain adequate property and casualty insurance coverage on district property consistent with industry standards.

Interpretation:

I interpret this to mean that the district will purchase insurance, or will have adequate resources and legal mechanisms in place to self-insure, to replace or repair insured buildings and their contents in the event they are damaged or destroyed. The coverage will provide for 100 percent of current replacement values, less deductibles, to minimize the financial impact to the district's operating budget.

Indicators for Compliance:

- Indemnity protection policies in place providing all-risk property coverage equal to 100 percent replacement value subject to a basic deductible of \$25,000 per covered occurrence; other deductibles apply to the specific perils and losses
- Boiler and machinery coverage is included to a \$25,000 per occurrence deductible except for designated losses and perils

EVIDENCE OF COMPLIANCE

- The district participates in the Schools Insurance Authority liability, property and workers' compensation pool, which provides coverage under current Memorandum of Coverage equal or better to compliance indicators above (Deductible varies dependent upon nature of occurrence, with maximum deductible set at \$25,000 per covered occurrence).

Compliance Status

In Compliance

OE 7.2: The Superintendent will maintain both Errors and Omissions and Comprehensive General Liability insurance coverage protecting Board members, staff and the district itself in an amount that is reasonable for school districts of comparable size and character.

Interpretation:

I interpret this to mean that the district will purchase and maintain adequate indemnity protection coverage that will defend and indemnify all Board members, staff and the district itself against the risk of financial loss resulting from third-party legal action or challenge. Additionally, the district will maintain indemnity protection to protect the district from claims from employees. The district will also maintain appropriate Workers' Compensation coverage to satisfy state statutory requirements and address the fiscal liabilities arising from workplace injuries and illness. The amounts of coverage under these indemnity agreements will be consistent with and benchmarked against the limits of coverage held by similarly sized school districts located in California and other states throughout the nation. The limit of liability, and the extent of coverage, will also be compliant with California laws and regulations.

Indicators for Compliance:

- Liability and Workers' Compensation Indemnity protection in place which meets or exceeds California law and regulations
- Participation in Schools Insurance Authority Board to monitor loss control and rates

EVIDENCE OF COMPLIANCE	
<ul style="list-style-type: none"> The district participates in Schools Insurance Authority liability, property and workers' compensation pool, which provides coverage under current Memorandum of Coverage equal or better to compliance indicators (Deductible varies dependent upon nature of occurrence, with maximum deductible set at \$5,000 per covered occurrence). 	

Compliance Status	In Compliance
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OE 7.3: The Superintendent will assure that all personnel who have access to material amounts of district and school funds are bonded.

Interpretation:

I interpret this to mean that the district will protect itself by providing fidelity and crime coverage applicable to circumstances in which district employees or their agents handle cash or certain types of asset transactions in the performance of the district's operations.

Indicators for Compliance:

- Fidelity bond coverage in place with sufficient limits, subject to a \$5,000 deductible per covered loss

EVIDENCE OF COMPLIANCE	
<ul style="list-style-type: none"> The district participates in Schools Insurance Authority liability, property and workers' compensation pool, which provides coverage under current Memorandum of Coverage equal or better to compliance indicators. 	

Compliance Status	In Compliance
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OE 7.4: The Superintendent will protect district owned intellectual property, information, files, records and fixed assets from sale for personal profit, loss or significant damage.

Interpretation:

I interpret this to mean that data and all fixed assets owned by the district will be protected from loss or damage. This responsibility includes the security of personal information and data, and work product. The cost to provide this protection shall be reasonable in accordance with the risk. Intellectual property is defined as property rights created through intellectual and/or discovery efforts of a creator that is generally protectable under patent, trademark or copyright. Fixed assets are tangible property used for the operation of business, such as buildings, machinery, fixtures, furniture and equipment.

Indicators for Compliance:

- Procedures in place to protect paper files
 - All sites that hold employee and student data have card or key access limited to authorized employees.
 - A vault in Administrative Services holds all permanent property records.
 - Paper records are being replaced with electronic records as much as possible.
 - Contract for confidential document destruction is in place and utilized.
- Procedures are in place to protect fixed assets
 - Fire and security alarms are in place for all district buildings and are monitored at all times.
 - Inventory of capital assets is conducted once every two years.
- Procedures are in place to back up and protect electronic files
 - Conduct Information Technology Audits to verify that the security is being strictly followed per district policies and procedures.
 - Security certificates for district applications guarantee a secure computing environment.
 - All electronic intellectual property, information, files and records are stored on a secure internal network. Security to the network is through individual login and password. Any information accessed through our district web portal is accessed via a secure socket layer (encrypted) connection. Internal security levels within all of our systems screen access on a need-to-know basis. All staff who have access to private and confidential data are fully trained on the data practice laws.
 - All electronic records and data are backed up on a nightly basis.
- Reported losses through Information Technology, Police and Risk Management are evaluated and corrective actions taken.

EVIDENCE OF COMPLIANCE
<ul style="list-style-type: none">● The vault on the second floor of the Serna Center holds all permanent property records. Confidential file shredding takes place on a regular basis either by district staff or an outside firm. A contract for inventory of capital assets is in place with ½ of the capital assets inventoried each year.● All district buildings have functioning fire and intrusion alarms. These systems are monitored 24 hours a day. Fire alarm systems are monitored by the Sacramento Regional Fire/EMS Communications Center. Intrusion alarms are monitored by Astro Security Monitoring Co.● The district network engineer, in conjunction with Tech Services leadership, meets weekly to review operational security procedures and practices. Network engineers, as part of their daily routine, examine systems and security logs for breaches.● All district applications and websites accessible to public users outside of the district network are secured with SSL encryption security certificates purchased through the vendor, Thawte.● On the internal portion of our district network, all servers communicate securely through Microsoft’s internal certificate authority server.● Security for all users to the network is delivered through individual login and complex password using Microsoft’s Active Directory.● Microsoft’s Active Directory security services provide file level security permissions designated to appropriate users through individual and security groups.● Tech Services grants, monitors and audits secure and appropriate access to data by individual users and groups. Tech Services relies on district departments to provide training to their staff to

be current on data practice laws.

- Any losses and thefts to Information Technology are reported and evaluated and corrective action is taken up to and including reporting to Police and Risk Management authorities.
- Using Microsoft's Data Protection Management System (DPM), data backups of electronic records and data are performed on a nightly basis.
- Using Microsoft's Data Protection Management System (DPM) and industry standard best practices, data backups of electronic records and data are performed on a nightly basis.
- The district files crime reports with the appropriate law enforcement agencies when there is evidence of theft. Nine Reports were filed during 2011.
- The Legal Services Department contains confidential employee and student data in hard-copy and in electronic form. The Legal Services Department has locking offices and file cabinets that only Legal staff and Superintendent staff have access to. All electronic files are kept on a separate computer server (P: drive) that only Legal staff and selected Technology Services staff have access to.
- Servers containing information that belongs to the Legal Services Department is accessible to appropriate personnel through the use of key cards. Electronic information and files are protected through the use of Microsoft's Active Directory security services, which provide file level security permissions designated to appropriate users through individual and security groups.
- The Legal Services Department is currently retrieving archived hard-copy files from our off-site storage company (Iron Mountain) to reduce costs for storage. Records falling outside the retention period of 10 years are put into locked shred bins that are picked-up and destroyed by Iron Mountain. Pertinent records falling inside the retention period are being scanned to electronic files.
- The Legal Services Department has a separate computer server (P: drive) that only Legal staff and selected Technology Services staff have access to. Legal staff has access through individual login and password. Legal staff is informed of the confidential nature of the records and files contained in the Legal Services Department and are provided training and legal updates as to the most up-to-date laws regarding access to records. The P: drive is backed-up nightly by the Technology Services staff, along with all district data housed on district servers, using Microsoft's Data Protection Management System (DPM). All software and files are on the P: drive.

Compliance Status

In Compliance

OE 7.5: The Superintendent will not allow facilities and equipment to be subjected to improper use or insufficient maintenance.
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Interpretation:

I interpret this to mean that the district must ensure that all facilities and equipment of the district (such as buildings, computers, vehicles, boilers and air handling units) are used in a manner for which they were intended by the district and maintained with an appropriate service cycle so that their full life and value are optimized. The district will ensure that sufficient protection and supervision of all facilities and equipment is in place.

Indicators for Compliance:

- Facilities and equipment such as computers, vehicles, boilers, air handling units and portable buildings routinely exceed their expected useful life.
- Maintenance staff, technology staff, Nutrition Services staff and school bus mechanics keep detailed records for maintenance schedules for all equipment.
- Safety and Facilities inspections are completed; deficiencies are identified and corrected.
- Annual Williams Settlement and School Accountability Report Card (SARC) facility inspections reflect “good” or higher ratings.
- Preventative maintenance programs are in place and executed.

EVIDENCE OF COMPLIANCE

- Boilers, air handling units (AHU) and modular buildings routinely exceed their useful life.
 - The average useful life of a typical boiler is 40 years.
 - The Fremont School boiler is 90 years old
 - The A. Warren McClaskey School boiler is 90 years old
 - The Sacramento High School boiler is 87 years old
 - The average useful life of a typical air handling unit is 30 years
 - California Middle School has AHUs that are 36 years old
 - McClatchy High School has AHUs that are 75 years old
 - Kit Carson Middle School has AHUs that are 35 years old
 - The average useful life of the typical modular building is 20 years.
 - Oak Ridge Elementary School’s Room 12 is 53 years old
 - California Middle School’s Room B1 is 25 years old
 - Sacramento High School’s Room P20 is 57 years old
- The above examples have exceeded their life expectancy because annual preventive maintenance service is performed to ensure the systems are operating at peak efficiency and within manufacturer specifications and Title 24 (California Energy Code).
- Maintenance staff keeps detailed equipment records for backflow testing equipment, underground storage tank monitoring, air compressors, backup generators and boiler maintenance.
- Transportation Vehicle Maintenance Supervisor performs monthly inspections on underground storage tanks. Yearly inspections are done by BZ Service Company. Busses are inspected daily by the driver, every 3,000 miles or 45 days by shop personnel and annually by California Highway Patrol. Detailed records are stored at the Transportation Facility, 3101 Redding Avenue.
- Technology Services engineers maintain and review various detailed electronic systems logs monitoring the performance, security and incident events on servers, storage devices, switches, firewalls and other District data center systems.
- Nutrition Services staffs a dedicated equipment maintenance employee that keeps equipment records and repair requests for kitchen cooler/compression, ovens, stoves and kitchen repair requests/work orders, equipment warranty records and specifications as well as records for maintenance for Nutrition Services transportation fleet.
- Safety and Facility inspections are completed on an annual basis. Any deficiencies noted during the inspections are reported and corrected via the work order process.
 - 159 work orders were submitted
 - 103 completed
 - 56 in-progress

- Eighty-one annual Williams Settlement and SARC facility inspections were completed this year. The ratings are as follows:
 - Exemplary -- 4
 - Good -- 73
 - Fair -- 3
 - Poor -- 1
 - The sites rated *Fair* and *Poor* have had the deficiencies repaired and have been re-inspected.
 - The noted deficiencies included loose cabinet doors and ballasts.
 - The three sites receiving a *Fair* rating were re-inspected and now rate *Good*.
 - The site receiving a *Poor* rating was due to defective cabinet hinges. Hinges are scheduled to be replaced by Wednesday, January 18, 2012, allowing for a rating of *Good*.
- Facilities Maintenance maintains a preventive maintenance program that consists of annual inspections for the following building systems: HVAC, boilers, fire extinguishers, alarm devices, hazardous materials and plumbing systems. All inspection reports are maintained and available for review at the Facilities Maintenance Department.

Compliance Status	In Compliance
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OE 7.6: The Superintendent will not recklessly expose the district, the Board or staff to legal liability.

Interpretation:

I interpret this to mean that the Superintendent will not knowingly take actions or require others to take actions that are “reckless,” or careless to the point of being heedless of the consequences, and would expose the district, Board members or staff to legal liability. Appropriate steps will be taken to pre-empt unnecessary exposure or liability on behalf of the district, Board members and staff. The district will maintain a system of guidance and processes to protect against legal missteps.

This provision does not mean that when legal challenges arise during the normal course of business that the district is necessarily out of compliance.

Indicators for Compliance:

- Contracts are in place with outside law firms which specialize in particular areas of education law. Firms are consulted as necessary.
- The Superintendent routinely seeks advice from legal counsel in a proactive and intentional manner in order to pre-empt unnecessary legal exposure. In the event of a legal challenge or exposure, the Superintendent seeks advice from legal counsel to appropriately bring resolution to the challenge.
- Any significant legal challenges are discussed with all Cabinet and Board members.
- District procedures such as criminal background checks, harassment training, Right-to-Know training (infectious disease, hazardous wastes and products), Fair Labor Standards Act Training, and Fair and Respectful hiring practices are in place to protect employees, students and the district from harm and legal liability.

- Support staff is in place and routinely consulted (Legal, Risk Management and Human Resources).

EVIDENCE OF COMPLIANCE

- The District contracts with the Lozano Smith law firm for outside legal services. The firm employs attorneys in all areas of law pertinent to school districts and government agencies. The attorneys are available to the Board, Superintendent, Cabinet members and Legal Services Department staff at any time as needed for advice guidance, and support. Examples are:
 - Planning and Construction – Review bids and construction contracts and Memorandums of Understanding.
 - Energy Management and Resource Conservation – Represent district in terminating contract for reduction in energy usage services.
 - Facilities/Maintenance – Review/revise district’s Use of Facilities/Civic Center Permit policies.
 - Contracts- Draft, review and revise contracts and Memorandums of Understanding with vendors for services to the District and partnerships with the District.
- The Superintendent provides information regarding litigation and other significant legal matters to the Board during Closed Session of the Board meetings. The Superintendent and Cabinet discuss legal matters during their weekly Cabinet meetings. Pending litigation cases include:
 - *Energy Education, Inc. v. SCUSD, et al.* (Capital Asset Management)
 - *PLANS v. SCUSD* (Schools/instruction)
 - *Elmore v. SCUSD* (Personnel-related)
- Lozano Smith attorneys provide guidance and training to district staff regarding employment/hiring practices, discrimination prevention (staff and student), required parent and staff notices, student expulsions, access to public records and student records, facility matters, Charter schools, and other pertinent matters, as needed, to assist in keeping the district from exposure to legal liability. Examples are:
 - October 6, 2011 Board meeting, Expulsions #1, #2, #3, and #4 2011/2011
 - 2011 Back to School Legal Update training on September 20, 2011
 - “Advertising, Sponsorships and Other Ways of Partnering With Your Business Community” webinar on October 20, 2011
 - “Play Ball! Hiring and Supervising Athletic Coaches and Other Activity Supervisors” webinar on October 27, 2011
 - “The Kindergarten Readiness Act: Program Changes and Implementation” webinar on November 14, 2011
- The Legal Analyst III in the Legal Services Department is also a support person to the Board, Superintendent, Cabinet members and other district administrators and staff and is consulted as needed. Some examples are:
 - September 26, 2011 assisted with preparing and filing a petition for a Temporary Restraining Order against a community member who was disruptive and displayed threatening behavior on the John Bidwell Elementary School campus.
 - September 29, 2011 assisted principal at Nicholas Elementary interpreting child custody orders.
 - October 6, 2011 attended Board meeting to assist and support Chief of Staff and Board Administrative Assistant.
 - October 21, 2011 assisted with preparing for and attended Disciplinary Hearing for classified employee.
 - November 4, 2011 investigated Department of Fair Employment and Housing complaint

- filed by an employee; prepared response and evidence; and submitted response.
- November 7, 2011 scheduled and facilitated an Action Plan Team meeting regarding certificated employee with performance and discipline issues.
- November 10, 2011 attended Child Development Committee meeting to advise committee on pending litigation.
- November 29, 2011 prepared Board agenda items regarding labor relations matters.

Compliance Status	In Compliance
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OE 7.7: The Superintendent will not invest funds in investments that are not secured or that are not authorized by law.

Interpretation:

I interpret this to mean that the Superintendent will not invest district funds into investment vehicles that are deemed to be risky or illegal.

Indicators for Compliance:

- Compliance with Annual Statement of Investment Policy
- Quarterly Report to the Board regarding disclosure of district investments

EVIDENCE OF COMPLIANCE
<ul style="list-style-type: none"> • The Annual Statement of Investment Policy will be presented to the Board in June for the following fiscal year. In addition, the annual external financial audit discloses cash investment information. • Quarterly investment reports were provided to the Board on February 17, 2011, May 19, 2011, August 4, 2011 and November 3, 2011.

Compliance Status	In Compliance
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OE 7.8: The Superintendent will not purchase or sell real estate, including land and buildings.

Interpretation:

I interpret this to mean that all real estate transactions must have Board approval before being executed.

Indicators for Compliance:

- Approved Board actions are provided to support all real estate transactions

EVIDENCE OF COMPLIANCE

- The Superintendent did not purchase or sell real estate, including land and buildings; therefore, no Board actions are provided.

Compliance Status	In Compliance
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OE 7.9: The Superintendent will not take any action that damages the district’s public image or credibility.

Interpretation:

I interpret this to mean that the Superintendent will not conduct business in a manner that jeopardizes the district’s public image through dishonest, illegal, unethical or imprudent practices.

This provision does not mean that in the normal course of doing business, when employees or community members are in disagreement with district actions or decisions that the district is necessarily out of compliance with this provision.

Indicators for Compliance:

- Implementation of timely and honest communications through recurring communications with parent and community stakeholder groups
- Annual external audit; staff complies with any findings

EVIDENCE OF COMPLIANCE
<ul style="list-style-type: none"> • Monthly stakeholder group meetings allow for timely and honest communication. Please see attached schedule. • Weekly eConnection newsletters keep our parents and community stakeholder groups up to date with the latest district events and news. Past eConnection newsletters can be found at http://www.scusd.edu/econnection. • The annual external audit was performed by Crowe Horwath. The report was on the January 12, 2012, Board agenda for information. Staff from Crowe Horwath made the presentation and responded to questions. Staff responses to findings are included in the audit report.

Compliance Status	In Compliance
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Sacramento City Unified School District

JAN 2011 – DEC 2011 PARENT MEETING SCHEDULE

District Advisory Council (DAC) Executive Board	District Advisory Council (DAC)	Community Advisory Council (CAC)	Parent Teacher Association (PTA) Executive Board	Parent Teacher Association (PTA)
September 6, 2011	January 11, 2011	September 20, 2011	January 19, 2011	January 12, 2011
October 4, 2011	February 8, 2011	October 18, 2011	February 16, 2011	February 24, 2011
November 1, 2011	March 8, 2011	November 15, 2011	March 16, 2011	May 26, 2011
December 6, 2011	April 12, 2011		April 14, 2011	June 22, 2011
	May 10, 2011		May 18, 2011	August 6, 2011
	June 14, 2011		June 6, 2011	September 29, 2011
	September 13, 2011		August 3, 2011	October 13, 2011
	October 11, 2011		September 8, 2011	November 10, 2011
	November 8, 2011		October 5, 2011	December 1, 2011
	December 13, 2011		November 2, 2011	December 6, 2011
			December 7, 2011	