

Internal Monitoring Report
April 10, 2018

Policy Title: Asset Protection
Policy Type: Executive Limitation
Policy No.: EL 2.6
Period Monitored: March 2017 – March 2018

This report monitors the Board of Education's Executive Limitations Policy.

The Superintendent shall neither cause nor allow District assets to be unprotected, inadequately maintained or unnecessarily risked.

Among other things, the Superintendent shall not:

1. *Allow employees to have material amounts of District funds in their custody without being sufficiently covered by a surety bond or insurance.*
2. *Allow facilities and equipment to be subject to improper wear and tear or insufficient maintenance.*
3. *Unnecessarily expose the District, its Board or staff to claims of liability.*
4. *Make a purchase: (a) without exercising reasonable precaution against conflict of interest; (b) without having considered comparative prices based on items of similar quality; and (c) without considering an appropriate balance between long-term quality and cost.*
5. *Receive, process or disburse funds under controls that are insufficient to meet the standards established by the Governmental Accounting Standards Board (GASB) in the form of Generally Accepted Accounting Principles (GAAP).*
6. *Invest or hold operating capital in insecure instruments, accounts with ineligible institutions and/or prohibited investments according to state law, or in non-interest bearing accounts except where necessary to facilitate ease in operational transactions.*
7. *Endanger the District's public image or credibility, particularly in ways that would hinder its accomplishment of District Ends.*
8. *Fail to insure against theft and casualty losses to at least 80% replacement value and against liability losses to Board members, staff and the District itself in an amount greater than the average for comparable organizations.*

9. *Fail to protect intellectual property, personal property and fixed assets owned by the District from loss or significant damage.*
10. *Make or authorize any District purchase, contract or other financial obligation of \$250,000 or more without prior Board approval.*
11. *Fail to protect records, data and other information the District is required to maintain from destruction, theft, loss and corruption.*
12. *Fail to ensure the confidentiality of District records, data and other information in accordance with governing law.*

This report is presented in accordance with the Board's monitoring schedule. I certify that the information is true and complete.

Sandra Smyser, Ph.D.
Superintendent of Schools

April 10, 2018

Executive Summary

This report monitors Executive Limitation 2.6 – Asset Protection related to the District’s ability to protect physical, financial and intellectual property of the District. This is measured by assessing the District’s performance relative to maintaining adequate insurance, the maintenance of physical assets, limiting exposure to claims of liability, safety of electronic data, and internal controls designed to safe guard financial assets.

The evidence included in this monitoring report indicates that:

- The District purchases a Commercial Crime Policy that insures losses of “money,” “securities,” and “property other than money and securities” due to employee theft, so that no loss of material amounts of District funds would be uninsured.
- The District takes measures through training and operations to mitigate exposure to unnecessary claims of liability and insures against claims of liability with limits comparable to similar size districts. In addition, the District maintains a Property policy that covers property losses at replacement cost.
- District purchases of goods and services do not always follow policies designed to facilitate efficient, cost effective and competitive selection of vendors. While there has been great improvement on correcting this deficiency, the District continues to be made aware of multiple situations where proper procurement was not followed. This report details some of the issues and the steps the District is taking to bring the District back into compliance with expectations under the executive limitation.
- During the last completed financial audit (the fiscal year ended June 30, 2017), the District’s external auditors reported no findings.
- Investments of funds are made in accordance with governing law and District policy, ensuring safety, availability, and a competitive market rate, subject to the District’s investment risk constraints and cash flow needs.
- The solvent financial condition of the District helps support a positive reputation and supports the District in meeting its desired outcomes.
- The District practices industry standards in reference to network, computer and records security with an infrastructure in place to provide backup, disaster recovery, and protection for ‘core’ systems and electronic data. In addition, physical records for past students and business purposes are securely maintained and monitored.

This monitoring report contains evidence indicating the District has met all executive limitations under EL2.6 with the exception of EL2.6.4 related to the District procurement and EL2.6.12.

Policy Wording:

Among other things, the Superintendent shall not:

Allow employees to have material amounts of District funds in their custody without being sufficiently covered by a surety bond or insurance.

Interpretation:

The District interprets this to mean that individuals employed by Poudre School District that have the ability to use significant sums of money belonging to the District and those that are held directly at the school sites shall be covered under a Commercial Crime Policy and/or a Public Officials Bond.

Evidence:

The District purchases a Commercial Crime Policy providing coverage for loss of, and loss from damage to, Covered Property resulting directly from the Covered Cause of Loss.

The policy defines Covered Property as “money,” “securities,” and “property other than money and securities” and *Covered Cause of Loss* as “employee dishonesty.”

Furthermore, the policy defines an *Employee* as:

- 1. Any natural person who is:
 - in service of the District (and for 90 days after termination of service) or a trustee, an officer, employee, administrator or a manager, except an administrator or a manager who is an independent contractor of any Employee Welfare or Pension Benefit Plan (hereafter called Plan) insured under this insurance, and
 - the director or trustee while that person is handling funds or other property of a Plan insured under this insurance.
- 2. Any non-compensated natural person:
 - other than one who is a fund solicitor, while performing services for the District that are usual to the duties of an “employee”; or
 - while acting as a fund solicitor during fund raising campaigns.
- 3. Non-Compensated Officers (Board of Education)

In addition to the Commercial Crime Policy, the District holds a Public Officials Bond that covers the board secretary (\$5,000), assistant secretary (\$5,000) and treasurer (\$20,000) .

Based on the evidence, the District has met the expectations outlined in EL2.6.1.

Policy Wording:

Among other things, the Superintendent shall not:

Allow facilities and equipment to be subject to improper wear and tear or insufficient maintenance.

Interpretation:

The District interprets *facilities* to be inclusive of buildings and grounds owned or leased by the District.

The District interprets *equipment* to mean significant physical plant systems within these facilities, and tangible property with a value exceeding \$5,000, and a useful life greater than one year.

The District interprets *improper wear and tear* as failure to sustain the integrity of the facility or equipment in a timely manner or protect the normal life of the facility or equipment within the funding capabilities provided.

The District interprets *insufficient maintenance* as not providing the students, staff, and the community with schools and support sites that are maintained at a functional, comfortable level. This includes failure to perform: preventative maintenance as required by jurisdictional agencies and manufacturers' recommendations for safety and liability; proper grounds keeping best practices to ensure safe, playable surfaces; and custodial practices that may compromise the health and welfare of building occupants.

Evidence:

All departments responsible for maintenance are staffed by employees who are properly trained in their field. In compliance with rules and regulations determined by governing authorities, these employees adhere to strict maintenance schedules, operating through permits, inspections, and approvals. As a result of this assurance, the District meets expectations for Executive Limitation 2.6.2.

Policy Wording:

Among other things, the Superintendent shall not:

Unnecessarily expose the District, its Board or staff to claims of liability.

Interpretation:

The District interprets this to mean that the District shall not knowingly fail to put into place protections against potential demands that allege wrongdoing against the District, the Board of Education as it functions in its legal capacity, or individuals employed by the District.

Evidence:

Liability claims can arise from any District activity. While any third party can make a claim of liability against the District demanding payment for losses incurred, a measure of the District's compliance with EL2.6.3 is how much is paid out in claims and how many claims become liability lawsuits. It is reasonable that the District have no more than one liability suit filed for every 10,000 students per year. Between July 1, 2016 and June 30, 2016⁷ one liability lawsuit was filed against the District.

During this time period, the District received one Notice of Claim under the Colorado Governmental Immunity Act. However, the Notice of Claim was for a slip and fall accident on a City sidewalk near Global Village Academy and the District would not have liability if a suit were filed. A Notice of Claim is not a lawsuit, but rather a notice that must be given before a lawsuit can be filed under the Colorado Governmental Immunity Act (CGIA). In addition, the District received one complaint of alleged discrimination filed with the Colorado Civil Right Division by a former employee. The complaint alleged that the District discriminatorily discharged the employee based on race/color and/or national origin/ancestry. This claim was settled for \$2,885.60 and the District received a letter from the EEOC stating it would take no further action on this charge.

Student Activities

Considering the number of students and types of programs and activities students are involved in it can reasonably be expected that injuries will occur during school hours and during school-sponsored events. In 2016-2017, 500 student injuries/incidents were reported by the schools to the risk management department. With approximately 27,300 enrolled students (pre- K through 12th grade), there was approximately one accident per every 55 students. While no benchmarks are available, the District believes this to be a reasonable number of accidents/incidents and represents a 6.8% decrease from the previous year.

Of the 500 reported accidents/incidents, only four resulted in claims filed with the District's insurance provider. None of these four claims resulted in payments to the claimants.

These indicators show the District's commitment to safety and adherence to District policies as well as federal and state laws. The District takes measures through training and operations to ensure that unnecessary claims of liability are not brought against the District. The evidence of compliance for the appropriate use and maintenance of the District's facilities and equipment for operation services are the same measures that keep the District, its Board and staff from being unnecessarily exposed to claims of liability as a result of operations of its facilities. In addition to these measures, the District provides many training opportunities to all employees. The professional development department provides principals with a list of "Required Trainings" each year to help ensure that employees stay current on required trainings and certifications. Employees who are properly trained are less likely to engage in activities or practices that could expose the District to claims of liability.

Based on the evidence, the District has met the expectations outlined in EL2.6.3.

Policy Wording:

Among other things, the Superintendent shall not:

Make a purchase: (a) without exercising reasonable precaution against conflict of interest; (b) without having considered comparative prices based on items of similar quality; and (c) without considering an appropriate balance between long-term quality and cost.

Interpretation:

The District interprets *make a purchase* to mean expend cash or create an obligation by contract or other means to pay for a product or service.

The District interprets *without reasonable precaution against conflict of interest* to mean procedures are in place to ensure no employee of the District shall have a direct or indirect personal financial interest or benefit in a cash transaction of the District.

The District interprets *without having considered comparative prices based on items of similar quality* to mean development of price quotes, bid, or request for proposal based on product specifications to ensure the level of product quality desired is met and at a competitive cost for the District.

The District interprets *without considering an appropriate balance between long-term quality and cost* to mean in addition to cost, consideration shall be given to the overall benefits to the District.

Evidence:

All purchases of goods and/or services for the District should be made in accordance with governing law as well as District policies, regulations, and administrative guidelines. A centralized Purchasing and Materials Management Department has been established to maintain administrative procedures, guidelines and forms to facilitate the efficient and cost-effective purchase of goods and services.

All purchases equal to or greater than \$5,000 must include a minimum of three price quotes from vendors. Additionally, purchases equal to or exceeding \$50,000 must be chosen based on a competitive bidding or competitive proposal process. Final vendor selection is made after considering cost, quality and absence of employee conflict of interest. Written documentation is maintained detailing the entire process including the rationale for selecting a specific vendor.

As discussed in the previous Monitoring Report EL2.6, the District has struggled to meet the expectation of this section but has made vast improvements in certain areas of the organization. Specific purchasing training was conducted in late 2017 with all Principals and Office Managers at a joint meeting. Overall, the last 18 months have demonstrated a reduction in purchasing violations however there are some procurement areas and district locations that remain problematic.

During the period monitored in the current report, the District was made aware that multiple departments and schools across the District are still not following proper procurement procedures. Typically, these violations stem from a lack of understanding as to how to properly engage procurement and/or a lack of enforcement amongst department leaders. In some cases however, there is an intentional and acknowledged disregard for such policies particularly surrounding athletics. Although the District has identified instances of departmental noncompliance with policies and procedures, they have been addressed through organizational changes that provide checks and balances designed to prevent their recurrence. When violations become known they are being sent to the appropriate Cabinet member for review and approval before Purchase Orders are issued. Additionally, there is a lack of communication at the site/department level regarding compliance with Purchasing Policies. Specifically, travel services and fundraising are two categories of services that remain extremely problematic for district departments.

There is no procedure to ensure that no employee of the District shall have a direct or indirect personal financial interest or benefit in a cash transaction of the District. The District is exploring options used in other public and private organizations to mitigate this risk which may include requiring employees with purchasing authority to annually self-disclose real or perceived conflicts of interest.

Overall the last fiscal year has seen great improvement in compliance to purchasing related policies however much work remains surrounding specific services and locations within the organization.

Based on the evidence provided above, the District has not met the expectations outlined in Executive Limitation (EL) 2.6.4. during the period monitored, but additional steps are still being taken to ensure that future reports show an increase in compliance with this Executive Limitation.

Policy Wording:

Among other things, the Superintendent shall not:

Receive, process or disburse funds under controls that are insufficient to meet the standards established by the Governmental Accounting Standards Board (GASB) in the form of Generally Accepted Accounting Principles (GAAP).

Interpretation:

The District interprets *receive, process or distribute funds under controls* to mean collect, manage or use moneys in accordance with systematic measures (such as reviews, checks and balances, methods and procedures) instituted by the District to:

(1) conduct business in an orderly and efficient manner, (2) safeguard the District's assets and resources, (3) deter and detect errors, fraud and theft, (4) ensure accuracy and completeness of its accounting data, (5) produce reliable and timely financial and management information, and (6) ensure adherence to the District's policies and procedures.

The District interprets *that are insufficient to meet the standards established by the Governmental Accounting Standards Board (GASB) in the form of Generally Accepted Accounting Principles (GAAP)* to mean that the recording and reporting of financial information for the District will be presented in accordance with the common set of accounting principles, standards and procedures that school districts are required to use to compile their annual financial statements.

Evidence:

The District's Board-appointed external audit firm, CliftonLarsonAllen LLP, conducted their audit for the 2017 fiscal year in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The results of the audit were published in the District's 2017 fiscal year Comprehensive Annual Financial Report (CAFR) and Single Audit Report. These documents were presented to the Board at a meeting held December 12, 2017. Included in the CAFR and Single Audit Report are the external auditors' required communications and reports based on the standards followed. During the last completed audit (for the fiscal year ended June 30, 2017), no findings were reported in either internal control over financial reporting or internal control and compliance for major programs. Accordingly, the District received unmodified (clean) opinions related to the financial statements as well as compliance for major programs.

The Poudre School District Audit Committee, established in accordance with Board Policy DIEA, assists the Board of Education in its financial oversight responsibilities. This committee oversees independent, external audits of the District's financial statements, providing an open avenue of communication between the external auditor, the BOE and the Superintendent; reviews District practices and procedures; recommends auditor selection; presents annually to the BOE; and performs many other duties and responsibilities as described in the PSD Audit Committee Charter.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.6.5.

Policy Wording:

Among other things, the Superintendent shall not:

Invest or hold operating capital in insecure instruments, accounts with ineligible institutions and/or prohibited investments according to state law, or in non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.

Interpretation:

The District interprets *invest or hold operating capital* to mean to commit money or other assets in order to gain a financial return or maintain resources which are available to support the operations of the District.

The District interprets *in insecure instruments, accounts with ineligible institutions and/or prohibited investments according to state law*, to mean in disallowed establishments and/or disallowed options for generating income or appreciating in value in the future according to Colorado statutes.

The District interprets *in non-interest-bearing accounts except where necessary to facilitate ease in operational transactions* to mean checking accounts which do not earn interest on the money in the account should only be used for essential daily operations.

Evidence:

Poudre School District has developed an investment policy, DFA/DFAA Revenues from Investments/Use of Surplus Funds, which provides specific guidance related to E.L. 2.6.6 and the District's related interpretations. In summary, the District's policy is to invest all District funds not currently needed. These investments are made in accordance with state law in a manner designed to accomplish the following objectives:

1. To ensure that the funds are deposited and invested in accordance with governing law and the Board's direction as set forth in this policy.
2. To ensure the safety of the District's financial assets.
3. To ensure that adequate funds are available at all times to meet the financial obligations of the District when due.
4. To earn a competitive market rate of return from legally permitted investments on funds available for investment throughout the budget cycle, subject to the District's investment risk constraints and cash flow needs.

The District combines cash and investments of unrestricted funds and maintains accountability for each fund's equity in the pooled cash and investments. All funds of the District are eligible for investment and may be combined in an investment instrument except for the Bond Redemption Fund account, which is maintained separately for the annual payment of principal and interest payments on general obligation bonds, and the Building Fund, which is maintained separately for tracking purposes.

During the time period covered in this Monitoring Report, temporarily idle cash was invested in a governmental investment pool, a money market fund, or specific securities acquired through Chandler Asset Management, the District's investment advisory firm. These secure investments were managed to allow the District to meet cash flow needs for payroll and vendor payments on a timely basis. The District also utilized a sweep account for its daily operations. At the end of each business day, excess funds were transferred or swept into an interest-bearing investment account.

Additionally, the District included required investment disclosure information in its Comprehensive Annual Financial Report.

Based on the evidence discussed the District has met the expectations outlined in Executive Limitation (EL) 2.6.6.

Policy Wording:

Among other things, the Superintendent shall not:

Endanger the District's public image or credibility, particularly in ways that would hinder its accomplishment of District Ends.

Interpretation:

The District interprets *endanger the District's public image or credibility* to mean jeopardizing the positive reputation, positive public opinion, and community trust of the District by protecting District assets.

The District interprets *particularly in ways that would hinder its accomplishment of District Ends* to mean the District's utilization of its assets should enhance and not impede the achievement of the board's desired outcomes.

Evidence:

The District maintains reserves for unforeseen contingencies and appropriately classifies the reserves in order to understand what resources are restricted, committed, assigned or unassigned at the end of the fiscal year. The unassigned reserve as of June 30, 2017 contains a 2.0% contingency reserve established by the Board and an additional 1.6% in residual unassigned reserve. As of the January 2018 Revised Budget, unassigned reserves are budgeted and anticipated to be approximately 3.8%, which is now in the compliance with policy DBAA – General Fund Balances.

The District also maintains restricted TABOR reserves in the amount of 3% of governmental spending. The current budgeted TABOR reserve is \$8.6m (3% of all governmental expenditures plus a reserve for multi-year obligations). Use of TABOR is not voluntarily available and any spending during the fiscal year, but must be replenished by the end of the same fiscal year. If TABOR is included in funds available for contingencies, the District currently maintains ~\$16.7m in reserve (6.4%) for contingencies.

Committed reserves include reserves sufficient to cover July compensation that has been earned but not yet paid. Assigned reserves include various reserves such as reserves for carryover budgets.

As required by law, the District is subject to an annual financial statement audit performed by licensed certified public accountants appointed by the Board. During the last completed audit (the fiscal year ended June 30, 2017), the District received an unmodified (clean) opinion.

As evidenced in other sections of this report, the District has taken adequate measures to enhance its public image and credibility related to assets by ensuring facilities and equipment are not subjected to improper wear and tear or insufficient maintenance. In November 2016, PSD voters approved a bond issue that provides financial resources for continued

infrastructure improvements and new school facilities.

Also evidenced in other sections of the report, Poudre School District's Audit Committee assists the Board of Education in its financial oversight responsibilities.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.6.7.

Policy Wording:

Among other things, the Superintendent shall not:

Fail to insure against theft and casualty losses to at least 80% replacement value and against liability losses to Board members, staff and the District itself in an amount greater than the average for comparable organizations.

Interpretation:

The District interprets this to mean it will purchase an insurance policy or policies to cover at least 80% of the cost to replace property losses due to theft or casualty and liability losses to Board members, staff and the District in an amount greater than the average for Colorado school districts of similar size.

Evidence:

The District is insured through the Colorado School Districts Self Insurance Pool (CSDSIP) for property, school entity liability and automobile liability. Since CSDSIP's Book of Business covers approximately 85% of Colorado school districts (157 school districts, 17 BOCES, and 18 charter schools) including Boulder Valley, Cherry Creek, Thompson, St. Vrain Valley, Pueblo, Denver, and Douglas County, they offer a reasonable benchmark of comparable organizations.

Property Insurance

CSDSIP's property coverage form provides for 100% replacement value of its members' property with a combined per occurrence limit for all of its members of \$1 billion. CSDSIP utilizes E2Value to determine the replacement value of its members' property. CSDSIP has determined that a reasonable estimate of the contents within a school site is 15% of the building value. Since much of the equipment at the administration offices would be covered under the Inland Marine policy, the content value of these buildings under the property coverage is estimated at 10%. The District believes this to be a fair representation of the content value of these facilities. Based on these estimates, the District's per occurrence limit on the 2016-2017 property policy was \$802,900,316 with a deductible of \$100,000 per occurrence.

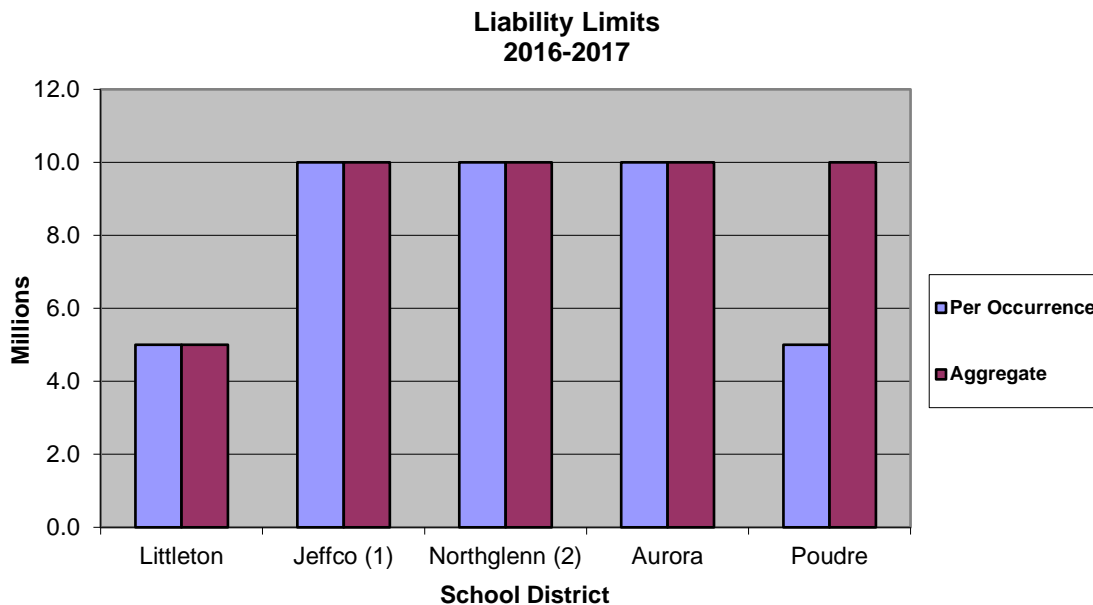
School Entity Liability Insurance

The CGIA provides immunity for governmental entities in Colorado, including school districts. While there are waivers to immunity, the limits of liability in 2016-2017 were \$350,000 per

individual per occurrence with a cap of \$990,000 per occurrence. These limits adjust every four years and increased to \$387,000 per individual with a cap of \$1,093,000 per occurrence effective January 1, 2018. In addition, the CGIA does not provide protection for claims made outside Colorado, including those made in federal court such as claims of discrimination, sexual harassment, and Title IX claims. For these reasons, the District carried a \$5 million per occurrence limit and a \$10 million aggregate limit on the 2016-2017 school entity liability policy, a combined form that provides general liability, employment practices liability, and errors & omissions coverage. The deductible on this policy was \$100,000 per occurrence, which applies to liability coverage only. The policy provides first dollar coverage for defense.

In 2016-2017, two other CSDSIP member school districts carried the same limits of \$5 million per occurrence/\$10 million aggregate and two districts carried limits of \$10 million per occurrence/\$10 million aggregate. All other CSDSIP members carried lower limits.

Furthermore, a comparison to other school districts we typically use for benchmarking purposes that are not members of CSDSIP indicates that the coverage levels were in line with several peer districts as shown in the following chart



(1)Jeffco also has a \$10 million excess umbrella policy that sits on top of their policy limits.

(2)Northglenn/Thornton (Adams 12 Five Star Schools) is part of a BOCES that pools insurance for five districts.

Automobile Liability Insurance

Many District groups travel in vehicles owned or leased by the District in other states where it is uncertain whether governmental immunity would apply. Therefore, the District's automobile liability limit is \$5 million per accident with a \$10,000 deductible. In 2016-2017, six other CSDSIP members carried a limit of \$5 million with the majority of members carrying limits between \$1 million and \$2 million.

Cyber Insurance

The 2017 per capita cost of a data breach in the U.S. is was \$216 and in the education sector specifically, it was \$260 (source: Ponemon Institute, 2017 Cost of Data Breach Study: United States). In 2016-2017 the District's Network Security & Privacy Liability limits was \$1 million i and coverage included:

- Network Security Liability: coverage due to unauthorized access, theft of or destruction of data, and ID theft.
- Privacy 3rd Party Liability: coverage for theft, loss or unauthorized disclosure of personally identifiable information or other 3rd party confidential information.
- Privacy 1st Party Protections: coverage for costs to comply with notification requirements of data breach laws, credit monitoring for affected parties, computer forensics, and public relations/crisis management

In addition, CSDSIP provides coverage at no additional cost. This policy is excess to the policy described above, which also has a \$1 million limit.

Risk Management is exploring a higher limit for the 2017-2018 policy year.

Other Liability Insurance

The District insures against other liability losses. In addition to the Crime coverage described in in response to EL2.6.1, the District purchases fiduciary and foreign liability policies. The fiduciary liability policy provides coverage for claims arising from a breach of the responsibilities or duties imposed on a benefits administrator, or a negligent act, error, or omission of the administrator. The limits on the District's fiduciary liability policy are \$2 million per occurrence with a \$2 million annual aggregate. The CSDSIP school entity liability policy only provides coverage in the U.S., its territories and possessions, Puerto Rico and Canada. Because the District sponsors many international student field trips it purchases a foreign liability policy that provides general liability coverage outside the U.S. The limits on this policy are \$1 million per occurrence with a \$2 million annual aggregate.

Since the District insures against theft and casualty losses at 100%, and along with two other districts, liability losses in amounts greater than all other CSDSIP member school districts, except one, the District has met the expectations outlined in EL2.6.8. NOTE: the District increased the per occurrence limit on the school entity liability policy to \$10 million for the 2017-2018 policy year.

Policy Wording:

Among other things, the Superintendent shall not:

Fail to protect intellectual property, personal property and fixed assets owned by the District from loss or significant damage.

Interpretation:

The district interprets *protect* to mean providing safeguards against loss, damage or

theft.

The district interprets *intellectual property* to mean the original documents, software, or products created by PSD staff and stored on PSD core systems.

The district interprets *personal property owned by the district* to mean movable assets with a value over \$5,000.

The district interprets *fixed assets* to mean physical property owned by the district with a value over \$5,000.

The district interprets *loss or significant damage* to mean the need for repair to or replacement of an asset that is beyond usual maintenance of that asset.

Evidence:

The Information Technology Department exercises a continuous improvement model for the process and procedures related to backup and protection of records, data and other information developed, stored and archived by PSD employees on PSD core systems.

While the District's disaster recovery and business continuity strategy continues to mature, the key is strict adherence to rigorous backup schedules for core systems (financial, employee, student data and storage), cloud storage of those backups for increased access and restoration ability, and redundant virtualized server platforms designed for rapid recovery of both data and services. In turn, this ensures minimal loss of data and/or services. Core system data is being replicated to our secondary data center, located across town in a District owned facility, following well-defined daily, weekly and annual backups routine. This secondary data center site's moveable and fixed assets are located in a secure environment with access controlled by PSD's security card access system. Backups for school file servers are kept and maintained at each individual school site.

The district practices industry standard network and computer security, intrusion detection, virus protection, and system monitoring on all technology infrastructure components, servers, storage, mobile and desktop computers. The district security includes firewall protection, web filtering, and security systems which include malware scanning (including, but not limited to, adware, spyware, viruses, worms and rootkits). All technology systems are updated on a regular basis via combined automated and manual processes as part of a series of standard district IT operational functions. Systems are routinely checked for security hardness, configuration, and monitored for malicious attacks around-the-clock.

The IT team has substantially improved the device management environment, which includes security and software updates of 34,000+ desktop and laptop devices distributed across the district, so that each device receives the highest level of security components, access rights and software in an efficient and timely manner. This effort continues to improve the consistency, performance and sustainability in providing a 21st century learning environment while reducing vulnerabilities that originate from the presence of aging, non-standard and non-

supported equipment. In addition, all technology assets are inventoried and tracked annually – regardless of asset value – to minimize unnoticed physical loss or damage. Key systems and services, such as the primary and secondary data centers, are maintained in secure, monitored locations – as are the primary IT staff work areas. Failover, redundant, and resilient architecture is utilized at all levels where deemed appropriate and feasible to implement to ensure minimal interruption of service and system availability throughout the calendar year.

The IT administrative team, in collaboration with the Superintendent and Cabinet, continues to define, facilitate and manage role-based security in a wide variety of applications and software services so that staff, students and other PSD stakeholders are limited to strict, but appropriate, levels of information and data access. The continual escalation of need to ensure data privacy and information security in today’s world – in accordance with Federal, State and local regulations – drives the requirement for a dynamic review and adjustment to access permissions, guidelines, and protocols.

Based on the evidence discussed, the district has met the expectations outlined in Executive Limitation (EL) 2.6.9.

Policy Wording:

Among other things, the Superintendent shall not:

Make or authorize any District purchase, contract or other financial obligation of \$250,000 or more without prior Board approval.

Interpretation:

The District interprets *make or authorize any District purchase, contract or other financial obligation* to mean create and/or approve any agreement, renewal of an existing agreement or single procurement of goods or services.

The District interprets *of \$250,000 or more without prior Board approval* to mean the board must pre-approve any commitment and/or expenditure of funds of \$250,000 or more.

Evidence:

Approval by the Board of Education is required for the purchase of goods and/or services, including construction contracts, of \$250,000 or more. To ensure compliance with this requirement and other District policies and procedures related to significant procurement and disposal activities, the District staff in the central purchasing department monitors this policy.

The District reviewed all purchases in excess of \$250,000 made during the period monitored and all purchases were authorized by the Board. The Board authorized 36 transactions in excess of \$250,000 for the period monitored, which consisted of roof repairs, technology

purchases, major renovation projects, textbook adoption, modular buildings, vehicle purchases and more.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.6.10.

Policy Wording:

Among other things, the Superintendent shall not:

Fail to protect records, data and other information the District is required to maintain from destruction, theft, loss and corruption.

Interpretation:

The district interprets *protect* to mean providing safeguards against loss, damage or theft.

The district interprets *records, data or other information* to mean, but is not limited to, electronic records, paper documents, maps, diagrams, drawings, and other finished property or products created by PSD staff and maintained on PSD core systems.

The district interprets *destruction, theft, loss and corruption* to mean the permanent and irreplaceable loss of records, data and other information.

Evidence:

All physical forms of active student information records are stored at their current school of enrollment and controlled by the PSD office personnel there. All current business documents are stored within their respective PSD departments. All inactive physical student records and historical business records are retained at the Records Center per Poudre School District Policy EHB – Records Retention. Procedures are in place to restrict access to electronic and non-electronic data information and is limited to direct access by Records Center personnel only.

The Information Technology Department exercises a continuous improvement model for the process and procedures related to backup and protection of records, data and other information developed, stored and archived by PSD employees on PSD core systems.

While the District's disaster recovery and business continuity strategy continues to mature, the key is strict adherence to rigorous backup schedules for core systems (financial, employee, student data and storage), secure cloud storage, and redundant virtualized server platforms

designed for rapid recovery of both data and services. In turn, this ensures minimal loss of data and/or services. Core system data is being replicated to our secondary data center, located in a crosstown high school facility, following well-defined daily, weekly and annual backups routine. This secondary data center site's moveable and fixed assets are located in a secure environment with access controlled by PSD's security card access system. Backups for school file servers are kept and maintained at each individual school site.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.6.11.

Policy Wording:

Among other things, the Superintendent shall not:

Fail to ensure the confidentiality of District records, data and other information in accordance with governing law.

Interpretation:

The district interprets *ensure the confidentiality* to mean providing safeguards against loss, exposure or theft through the effective use of physical, virtual, regulatory, and process controls.

The district interprets *records, data and other information* to mean the original electronic records, documents, and databases maintained in core PSD systems, physical records, and other information provided by and/or related to PSD staff, students, parents, and other stakeholders

Evidence:

Outside of District policy "EHB – Records Retention," and compliance with EL 2.6.11, the district also practices industry standard network and computer security, intrusion detection, virus protection, and system monitoring of all technology infrastructure components of PSD's core systems - including servers, storage, mobile and desktop computers, and software applications. The district security efforts also include ongoing firewall protection, web filtering, and security systems which focus upon malware scanning (including, but not limited to, adware, spyware, viruses, worms and rootkits). All technology systems are updated on a regular basis within the standardized district IT operational functions. Finally, systems are routinely checked for security hardness, configuration, and monitored for malicious attacks around-the-clock.

The IT administrative team, in collaboration with the Superintendent and Cabinet, continues to define, facilitate and manage role-based security in a wide variety of applications and software services so that staff, students and other PSD stakeholders are limited to strict, but appropriate, levels of information and data access. Role-based security limits users to only that information that relates to a user's direct assignment, and prevents broad, unfettered access to

staff, student and financial information that is not required as a part of their PSD assignment. The continual escalation of need to ensure data privacy and information security in today's world – in accordance with Federal, State and local regulations – drives the requirement for a dynamic review and adjustment to access permissions, guidelines, and protocols. New for this year are a group of PSD IT Administrative Guidelines being developed for process guidance in determining specific access needed for specific roles, documenting approvals, and a periodic audit of those permissions (annual for most).

For school year 2018-19, the IT Department is also planning for an external security and vulnerability assessment.

The nature of information security is such that we have adopted the spirit and practice of continuous improvement to try to drive opportunities to improve, escalating critical data issues to be addressed immediately.

Based on the evidence, the District has met the expectations outlined in Executive Limitation (EL) 2.6.12 to the best of our ability.