

# BOARD OF EDUCATION MONITORING REPORT

January 11, 2017

Greg Holmes, Chief Financial Officer

**POLICY NUMBER: BP205**

**POLICY TYPE: EXECUTIVE DIRECTIONS**

**POLICY TITLE: ASSET PROTECTION**

ADOPTED: November 9, 1998

REVISED: April 12, 2000

REVISED: December 13, 2000

REVISED: September 10, 2003

REVISED: January 14, 2004

REVISED: July 19, 2006

REVIEWED: May 12, 2010

REVIEWED: June 12, 2013

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The president shall assure that assets are protected, adequately maintained, and not placed at risk.

Accordingly, the president shall:

- 1. Insure against theft and casualty losses and against liability losses to board members, staff, and the organization itself in an amount similar to the average for comparable organizations.**

The Annual Insurance Summary from the college's Agent of Record is on file in the College Operations Office. The coverage in force is equal to or exceeds industry standards.

- 2. Prevent uninsured personnel from access to material amounts of funds.**

The college's insurance Agent of Record insures the college under a public employee dishonesty policy. The college is the principal in the policy and the insurance company covers the losses. Under the college's insurance policy, all employees are covered.

- 3. Assure that plant and equipment are not subjected to improper wear and tear or insufficient maintenance.**

The highest priorities for scheduling major maintenance projects are correcting safety/health hazards, protecting the public's investment in the physical plant, and projects that reduce costs.

- 4. Assure that the organization, its board, or staff, are not unnecessarily exposed to claims of liability.**

Most exposure to liability resides in three areas: purchasing and contract operations, human resources practices, and workplace safety.

- A. With regard to purchasing and contracts, in formal solicitations the following provisions are typically part of the contract:

- 1. "Performance under this contract is at Contractor's sole risk. Contractor shall indemnify the College's Board of Education, agents, officers and employees, from any and all liability for*

*damages, costs, losses and expenses resulting from, arising out of, or in any way connected with the Contractor's failure to perform fully hereunder and shall carry appropriate insurance for this purpose."*

*"In any event such action or claim is brought against College, Contractor shall, upon notice of the expense, promptly satisfy any judgment adverse to College and shall reimburse College for any loss, cost, damage or expense (including legal fees) suffered or incurred by College."*

*"The Contractor agrees to protect the College against all claims, suits, or proceedings for patent, trademark, copyright, or franchise infringement arising from the purchase, installation or use of the goods and materials purchased herein. The Contractor further agrees to assume all expenses and damages arising from such claims, suits, or proceedings."*

2. a) *"The contract resulting from this solicitation may be terminated at any time by the College for good cause. Good cause may be such items as breach of contract by Contractor, failure of Contractor to fulfill requirements for insurance, workers compensation, professional registration, bonding or licensing, failure of Contractor to perform in accordance with any requirements of the contract including the meeting of delivery dates, invoicing, filings, etcetera."*
- b) *"This contract may also be terminated for convenience of the College without warning or advance notice. If the contract is terminated for convenience of the College any monies owing to either party shall be paid within thirty (30) days of contract termination."*
3. *"In the event of litigation involving the terms and conditions of this contract or the performance hereunder, the prevailing party shall be entitled to recover reasonable attorney fees, costs and expenses from the losing party, including all such fees, costs and expenses of appeal."*

- B. The major exposure to risk from human resources practices is in the area of gender and race discrimination or harassment. The college's policies and practices in these areas have been described in the monitoring reports on *Treatment of Staff*.
- C. The college continues to focus effort on increasing workplace safety measures and awareness, thereby reducing SAIF claims.
- D. The college continues to work with SAIF to reduce claims costs, time loss days and other related costs. The Safety Committee is working proactively to ensure that employees receive ongoing workplace safety information and appropriate training.

**5. Assure that every purchase (A) includes normally prudent protection against conflict of interest; and (B) of over \$100,000 includes a stringent method of assuring the balance of long-term quality and cost.**

No purchases have been made without due consideration for the possibility of conflict of interest. The Purchasing Services Department abides by the COPPS policy entitled "Purchases: Conflict of Interest".

Additionally, the following wording is included in every formal bid and request for proposal form, just above the signature of the Bidder/Proposer:

Conflict Of Interest

*The undersigned Bidder/Proposer and each person signing on behalf of the Bidder/Proposer certifies, and in the case of a sole proprietorship, partnership or corporation, each party thereto certifies as to its own organization, under penalty of perjury, that to the best of their knowledge and belief, no member of the Lane Community College Board of Education or college officer, employee, or person, whose salary is payable in whole or in part by Lane Community College, has a direct or indirect financial interest in the award of this Bid/Project, or in the services to which this Bid/Project relates, or in any of the profits, real or potential, thereof."*

Finally, the Purchasing Services Department reviews every purchase order for potential conflict, and, as an added safeguard, Banner prevents allowing a Vendor with the same Social Security Number as that of any current college employee.

No single purchase or commitment for Goods and Services in the amount of \$150,000, has been made without board approval. Those purchases which have been processed during fiscal year 2015-16 with board approval are as follows:

Project Name	Awarded To	Award Amount
President's Annual Authorizations	Multiple Contracts	*40,000,000
Central Plant Chiller Replacement	Chambers Construction	5,340,000
Building 3 Roofing	GBC Construction	394,000
CLASS Audio/Visual	Lease Crutcher Lewis	294,319
Architectural Services Building 18 Remodel	Robertson Sherwood	284,000
Marketing	Funk Levis	250,000
Multi-Axis Machining Equipment	Selway Machine Tool	105,771.85
Legal Services	Meg Kieran, LLC	135,300

*\* Figure is approximate*

Notes: Some purchases are pre-authorized by the board in its approval of the President's Annual Authorizations.

No purchases over \$100,000 have been made without due consideration for the balance of long-term quality and cost. Not only is this a guide in all purchasing endeavors, but it is mandated by state law; specifically, ORS 279A.015 which states, in part:

*It is the policy of the State of Oregon, in enacting the Public Contracting Code, that a sound and responsive public contracting system should:*

- 1) Simplify, clarify and modernize procurement practices so that they reflect the market place and industry standards.*

- 2) *Instill public confidence through ethical and fair dealing, honesty and good faith on the part of government officials and those who do business with the government.*
- 3) *Promote efficient use of state and local government resources, maximizing the economic investment in public contracting within this state.*
- 4) *Clearly identify rules and policies that implement each of the legislatively mandated socioeconomic programs that overlay public contracting and accompany the expenditure of public funds.*
- 5) *Allow impartial and open competition, protecting both the integrity of the public contracting process and the competitive nature of public procurement. In public procurement, as set out in ORS chapter 279B, meaningful competition may be obtained by evaluation of performance factors and other aspects of service and product quality, as well as pricing, in arriving at best value.*
- 6) *Provide a public contracting structure that can take full advantage of evolving procurement methods as they emerge within various industries, while preserving competitive bidding as the standard for public improvement contracts unless otherwise exempted.*

The college Purchasing Services Department observes this and other regulations to ensure that the best possible product or service is being purchased for the lowest reasonable price.

**6. Protect intellectual property, information, and files from loss or significant damage.**

The most common forms of intellectual property are trademarks, patents and administrative systems database. The President certifies that to the best of her knowledge, the college owns no trademarks or patents.

All critical information systems are backed up regularly and the backups are stored in an onsite fire- and water-retardant safe. Weekly and monthly total system backups are performed and stored in specially protected environments offsite.

Individual departments are responsible for storage of active electronic and paper files; these files are stored under the auspices of the department supervisor. Archives & Records Management is responsible for storage of inactive paper records

Critical financial records are stored in a fireproof vault in College Finance. Many of these are microfilmed and stored in special onsite locations.

The SCT Banner information system is capturing more transactions, such as purchase orders and invoices, as electronic documents that are routinely backed up and securely stored. Implementation of the Banner document imaging module is improving the efficiency and data integrity of storing and retrieving selected documents.

**7. Receive, process, or disburse funds under sufficient controls to meet the board-appointed auditor's standards.**

To certify compliance, please refer to the college's June 30, 2016, audit report presented to the Board in December 2016. Lane Community College received an unqualified (clean) audit opinion (Audit Report, pages 1 and 2). This is the best audit opinion that an organization can receive. More specifically, the auditors address this very issue in the Audit Report, on pages 71 and 72 titled "INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON THE INTERNAL CONTROL OVER

FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS". The auditors indicate in this report that they have considered and tested our system of internal controls in order to plan for their auditing procedures. Although this study was not to provide assurance on internal control, their testing noted no material weaknesses involving the internal control over financial reporting and its operation.

**8. Invest or hold operating capital in excess of daily requirements in accordance with ORS 294.035**

The college maintains its cash in secure interest-bearing accounts including the State of Oregon Local Government Investment Pool, US government and agency securities, banker's acceptances and commercial paper. Lane Community College is also in compliance with the Oregon Revised Statutes 294.035 and 295 as referenced by our auditors in the College's Audit Report for the year ending June 30, 2016, page 80-81, presented to the Board in December 2015. The following is an excerpt:

"IN CONNECTION WITH OUR AUDIT, NOTHING CAME TO OUR ATTENTION THAT CAUSED US TO BELIEVE THE COLLEGE WAS NOT SUBSTANTIALLY IN COMPLIANCE WITH:

- ORS 295 Deposit of public funds with financial institutions
- ORS 294 authorized investment of surplus public funds."

**9. Not endanger the organization's public image or credibility, particularly in ways that would hinder the accomplishment of its mission.**

Positive public opinion of Lane Community College is reflected in feedback in meetings with community groups, at Foundation events, and by word of mouth feedback.

**10. Not name a building, substantial parts of buildings, or significant landscape features of Lane Community College without prior approval of the board; and, when a building has substantial support from a donor, without prior involvement of the Foundation.**

No building, room, space or substantial parts of buildings of Lane Community College were named in fiscal year 2015-2016 without express permission of the board.