

Board Special Meeting

Oversight Work Sessions: Nutrition Services; Internal Audit; Legal

Wednesday, May 10, 2017, 4:30-7:30pm

Auditorium, John Stanford Center

2445 – 3rd Avenue South, Seattle WA 98134



Minutes

Call to Order

Director Peters called the meeting to order at 4:32pm. Directors Rick Burke, Jill Geary, Leslie Harris, Betty Patu, and Sue Peters were in attendance. Deputy Superintendent Stephen Nielsen staffed the session.

Oversight Work Session: Nutrition Services

Director Peters turned the meeting over to Pegi McEvoy, Assistant Superintendent for Operations, who introduced Teresa Fields, Director of Nutrition Services. Pegi noted that Teresa has completed the state certification necessary to become director on a permanent basis; she had been serving as interim director for a few months.

Teresa reviewed the programs that support the goal of providing nutritious and appealing meals so that no student is hungry and can focus on instruction. They include School Breakfast, Lunch and Afterschool Snack Program, breakfast, lunch and afternoon snacks to early learning sites on a contractual basis, and the City of Seattle Summer Food Service Program. She said they hope to start a supper program pilot next year. They serve nine Head Start and 2 private daycares, work with United Way programs. They operate the Stanford Center deli, maintain the approved snack and vending list, and provide catered beverage and meal services.

In a review of the SWOT analysis, Teresa said that the \$15/hr wage provides some workforce stability for the program. BTA funds are earmarked for equipment replacement. With the bell times changes, there has been a slight increase for breakfast at high school, elementary participation is slightly down, and middle schools are the same. They have developed culturally diverse menus and vegan/vegetarian options, looking at costs to stay within budget. Nutrition Services is considering a change in the delivery model, chefs in the kitchen, and will be expanding professional development for presentation and preparation. Instead of typical mess hall service, they are considering food court options model in high schools to help increase participation. The United States Department of Agriculture (USDA) is looking at changes so there may be more coming. There are five schools on Community Eligibility Provision (CEP) program. Staff is vigilant about the safety of the food supply chain and has done so through five food recalls during this school year.

Director Blanford asked about the food service delivery model and its purpose. Teresa said it does not go as far as looking like a fast food place and gave the example of the Lincoln High School remodel, where there will be different stations in a hot line tray, salads to go, opening up the lunchroom more so that it is not a line-based and more appealing. The goal is to provide more options and get through lines faster. When asked about student participation in gathering information, she described these changes as being in response to student concerns as they participated in the policy task force. Pegi also said there are pilot programs to explore some vegan options (i.e., potato bars) and that students are continuing to participate in the development of superintendent procedures.

In response to questions from Director Harris, Teresa said:

- she would send the list of five schools in the CEP program;
- \$1.3 million is earmarked for Nutrition Services equipment in BTA.
- She would provide an update about whether the district is billing the pre-schools for food
- Nutrition Services is interested in a supper program pilot, whether an enhanced snack program or a hot meal. Factor to consider will be the size of the after-school programs, other incentives, and reimbursements. Teresa hopes for five pilots, because that may make the program more sustainable.

During discussion of how much lunch time is being put into policy, Pegi said that 20 minutes of seated time is in policy. There were several members from the Lunch and Recess Matters group on the task force that were interested in clarifying rules so schools know what they are. Stephen Nielsen said that in operationalizing the policy and considering the number of people in buildings and length of lines, there is some question on who owns the 5-minute passing period. Pegi said that the sequence of recess before lunch is in the wellness policy. She said mandatory processes have backfired in those districts who have tried them, and the district is more inclined to provide flexibility and allow successful schools work with schools who are still in process. Board members said they wanted the executive directors of schools to be part of this implementation.

Director Geary asked about the implementation of recommendations in the Prismatic Report. Pegi said that district has accepted some and will give an update in a Friday Memo. The recommendation on providing more management capacity to do operational evaluation is underway, with a fourth supervisor (currently paid for by United Way), an assistant director position, and a business manager included in a re-organization. Board members expressed interest in surveying customers (students, staff, community) about whether they have used the department services.

In reviewing benchmarking, Stephen Nielsen pointed out that all Nutrition Services positions are part of the central office budget, even though some work in schools. There is not an apples to apples comparison with Council of Great City Schools (CGCS) due to budgeting methodology, which CGCS has not yet ironed out. There are different funding systems in other states. The closest we get is just the percent of food and labor costs to total revenues.

Ms. Fields noted the several laws and policies guiding the highly regulated department. She also said the department continues to explore different models, like use of a district food truck, which board members expressed support for as a good way to expose kids to different kinds of food.

Board member questions included:

- How the emergency feeding program at Garfield is working – Pegi said there have been issues with getting accurate student lists and that 609 has been part of the initial conversations.
- Exploration of avenues to partner with culinary arts programs in schools – Pegi said staff has been looking at ways to establish pipelines for interns; the district's CTE program is just getting to the point for conversations, that Fare Start is working with Interagency already, and Nova had piloted student support during meal times.
- Nutrition Services participation in developing school educational specifications – Teresa said the department is part of the design process, and Pegi cited Lincoln as an example of how conversations are occurring about the cafeteria experience.

Director Burke encouraged staff to look at more food preparation out in the schools, and Pegi said staff is doing that as part of the Prismatic review work; if students smell the food and it smells good, they will come. He expressed concerns about 609 worker health and safety; Pegi noted that training is increasing,

particularly since there has been a major staff turnover. Faulty equipment has been shut down, and there are no open grievances. HW also noted Federal and State funding identified as a risk. Pegi said that there are many changes coming through the USDA, easing of some of the very stringent nutrition guidelines. Teresa noted that funding flows through the State and OSPI audits, and the district just passed those with flying colors.

Discussion at the end of the session focused on how building kitchens need to be part of the capital oversight discussion and planning, so that as building budgets are stretched, areas like kitchens and furniture tend to get modified; kitchen and cafeteria space that encourages participation rates needs to be emphasized early in the capital process. In response to questions, Pegi said that provision of services will likely be a blended model of some central kitchen preparation and some on-site cooking.

Director Harris circled back around to worker safety and faulty equipment, suggesting that Risk Management do a pro-active analysis of job safety.

This session recessed at 5:33pm.

Oversight Work Session: Internal Audit

This session started at 5:44pm

This session was staffed by Deputy Superintendent Stephen Nielson, Director of Internal Audit & Ethics Officer Andrew Medina, Capital Audit Program Manager Kimberly Fry, and Senior Internal Auditors Amita Mathur, and Elisa Kim.

Mr. Medina presented the agenda for the session. He discussed two separate Department Functions; Internal Audit and Ethics. Going forward centralized department audits will focus on high-risk areas, rather everything a department does, which should increase audit turnaround time. There will also be a change in the focus for school audits. With the point of sale system being implemented this year, Internal Audit will still conduct cash audits as necessary but the main focus of school audits will be on school governance.

Mr. Medina discussed the Ethics functions. He noted the office receives whistleblower investigations, but depending on the nature and complexity of the complaint, the investigation may be done by the Ethics Office or it may be referred to management to investigate. Complaints are never referred back to someone included in the allegations, and whistleblower complaints are reviewed with the Chair of Audit & Finance to ensure proper assignment. He highlighted that both Internal Audit and Ethics are included in the Strategic Plan, and Internal Audit is also recognized as an essential function of the District in Board policies.

Mr. Medina provided an overview of the department's SWOT Analysis. He noted strengths include the department's independence and objectivity, and strong data analytical skills. However, despite having strong data analytic skills, one of the weaknesses is access to data. The department has read-only access to the District's systems, and does not have access to run its own queries. Requests are made through DoTS, which can create delays in getting the necessary data. Mr. Medina noted he would like to work with DoTS on a solution where Internal Audit can access data directly. An opportunity available to Internal Audit is to increase the awareness of the department and its functions and services. Given the amount of turnover in the District, the department has not kept up on educating people on what Internal Audit does and how it can help. Mr. Medina mentioned this is also true for the Board. If a Board Director would like to request a formal audit, procedures are in place for that; however, Internal Audit is also available for smaller requests. If there are any requests from directors, the Chair of Audit &

Finance will be informed of the time commitment involved to complete the request. Mr. Medina highlighted the need for Internal Audit to remain independent and indicated that they cannot provide formal opinions without conducting a full audit, but stated that the department can research compliance requirements, validate data, or benchmark items against other school district. Mr. Medina noted the biggest threats are items that the department does not know about and the possibility of recurring findings.

Director Geary noted it would be nice to have a menu of the types of special requests Internal Audit can assist the board with. Director Blanford asked Mr. Medina to figure out what is an appropriate amount of time to spend on Board Director requests, considering there could be significant interest from the Board.

Director Blanford asked whether Mr. Medina thought about how the department can get access to queries and noted the timeliness of audit reports is important and he supports anything he can do to have this. Director Burke agreed building queries would help the department be more efficient. Mr. Medina noted he has discussed data access with DoTS; however, he has learned that the individual he was working with is leaving the District. The Internal Audit Department has been working on a list of data analytics it would like to have going forward, and will work with DoTS on securing access. Director Harris asked if one of Internal Audit's weaknesses is timeliness of audit completion. She stated some of the audits have been open a long time. Mr. Medina said their timeliness is actually in line with other audit shops, noting that other audit shops he has talked with will take 12 months or longer to complete an audit with a staff of three auditors working on the audit. Mr. Medina reiterated the change to risk-based audits to increase audit timeliness going forward.

Mr. Medina presented the departments Accomplishments. He pointed out that the Ethics website has been updated to clarify which investigations are actually conducted by the Ethics Office. The website has also been updated to include an FAQ document that may be useful for people to reference, which includes a list of common questions related to gifts, outside employment, and use of District resources.

Mr. Medina presented the department's Organizational Chart. He noted Internal Audit reports to the Board through the Audit & Finance Committee. The Chair of the Committee is his direct supervisor. He introduced the Internal Audit staff to the Board.

Mr. Medina discussed the Departments Objectives and Key Performance Indicators (KPIs). Two ways he measures the value of the department to the District is by how many of the audit recommendations are accepted management and how many are actually implemented by management. He also noted these two KPIs were adopted by the Council of the Great City Schools as a best practice for measuring internal audit effectiveness. Director Harris asked which audit recommendations comprise the 8% that have not yet been implemented by management. She asked Mr. Medina to follow-up on this.

Mr. Medina discussed Budget & Staffing information for the department. He noted that the numbers in the slide include funds associated with the Capital Audit Program Manager position, which is actually funded out of the Capital Projects Fund. He noted non-staff expenses are rather minimal and are for items such as supplies, printing, memberships, and training. In addition, non-staff budget for ethics represents the amount available for hiring independent investigators. Director Harris asked if the non-staff budget rolls forward each year. Mr. Medina confirmed these funds roll forward each year.

Mr. Medina provided an overview of Benchmarking with member Districts of the Council of the Great City Schools. He noted that compared to nine other districts that are closest to Seattle in terms of enrollment, Seattle is second to last in investment for Internal Audit and number of auditors. Seattle is behind Atlanta, which has a new audit function and is expecting to expand the department in the next

year. He noted Seattle's data also includes the Capital Auditor position, which is actually funded from the Capital Projects Fund. None of the comparable districts have a similar position, and he noted that if the Capital Auditor position were excluded on this slide, Seattle would actually be at the bottom of the list as far as investment in the Internal Audit function. Mr. Medina reviewed additional benchmarking data comparing the District to 38 other school district.

Director Harris noted she was told other districts do not have an internal audit function. Mr. Nielson noted that the internal audit function in Washington State school districts is very rare. Director Harris mentioned it could be due to the size of the districts in Washington State, and Director Geary mentioned it may also be due to the uniqueness of the state's funding. Mr. Medina noted many states have a requirement that schools be audited annually, but he did not know if those states automatically funded the internal audit function. Mr. Medina stated he can share detailed information regarding school audits if the Board would like, but that there seems to be some inconsistencies in the scope of school audits from district to district and he did not include the data because he did not believe it was an apples to apples comparison. Director Geary asked if other Districts have a capital auditor. Mr. Medina noted other districts conduct capital audits as necessary, but most do not have a dedicated construction auditor. Mr. Medina added that most urban districts are facing declining enrollment, rather than increasing enrollment like Seattle.

Director Peters asked if having volunteers from the community serve as voting members of the Audit and Finance Committee is a recommended model for our district. Mr. Medina noted that it is recognized as a best practice because these individuals would be truly independent. Director Harris was interested in how this would look, and would be interested to see if there are subject matter experts to sit on the committee. She stated she would like to get more input on this at an Audit and Finance Committee meeting. Director Burke asked about our current policies and whether there is criteria if community volunteers are voting members. Mr. Medina indicated that the District's current policy allows for community volunteers, but that the policy specifically states that they are non-voting members of the Committee. Director Harris asked Noel Treat, General Counsel, to look at statutes and whether the District can have volunteers as voting members.

Director Burke noted it is important to make things relevant, and for internal audit findings to have the highest value. He asked whether Internal Audit would identify risk management as a weakness if there is no way to identify district-wide risks. Mr. Medina noted that the next benchmarking slide is related to enterprise risk management (ERM). He stated the ERM is included as an opportunity on the Internal Audit Department's SWOT analysis, but that it is only fair to highlight that only 6% of districts surveyed have an ERM function. He noted if there was ERM function, Internal Audit could piggyback on this and make the annual risk assessment process more efficient. Mr. Nielson agreed that an ERM process would add value to the District.

Mr. Medina noted the Policies & Procedures that govern Internal Audit and the Ethics Officer functions. This includes Board Policies 6550, 5250, 5251, Board Procedures 6550BP, and Superintendent Procedure 5250SP.

Mr. Medina noted the department's Internal and External Controls. Internal controls include work guided by an annual risk assessment and audit plan, independent reporting structure to the Board, monthly meeting with the Chair of Audit & Finance Committee, quarterly updates to Audit & Finance, annual report to the Board, and guidance from Generally Accepted Government Auditing Standards. External controls include coordination with State Auditor's Office and benchmarking with the Council of the Great City Schools.

Mr. Medina discussed Major Outside Service Contracts. He mentioned that the department only has contracts for independent investigators hired by the Ethics Officer.

Mr. Medina noted the only Key Information Technology System is SAP, with the exception of Microsoft Word and Excel. Director Harris asked about the perception of silos with departments, and asked if there is some overlap with departments and how often there is communication with Human Resources. Mr. Medina noted he works with other departments to share information and to avoid a duplication of efforts. He also noted that he checks in with Human Resources regularly to ensure that complaints assigned to the department are being investigated.

Mr. Medina noted the Next Steps for the department. He noted the Annual Audit Plan is available on the department's website, in addition to all completed audit reports. He noted the department is looking into some technology solutions to make it more efficient and effective. He noted that audit planning is in progress for next year and he would like to get input from the Board. The Board should expect to hear from Mr. Medina in June requesting input on next year's internal audit plan.

Director Blanford asked about a conversation that was repeated with a citizen regarding the use/allocation of funds. Mr. Medina noted there was a public records request by the citizen that triggered an additional conversation, but that Mr. Medina reaffirmed his original position and provided the citizen with the State Auditor's Office as an additional resource if they wished to pursue the matter further.

Director Burke asked how oversight methods work related to schools such as program evaluations, work related to Ed directors, certain school based programs. Mr. Medina stated that the school audit program still needs to be developed during the summer to figure out what the scope and objectives will be. Director Burke noted there needs to be a clear integration of Internal Audit and the rest of the District's systems in terms of informing schools and implementing corrective actions. He wants to make sure there is a partnership with other departments and no duplication of efforts.

This session ended at 6:26 pm

Oversight Work Session: Legal

This session started at 6:32am

This session was staffed by General Counsel Noel Treat, Deputy General Counsel John Cerqui, Deputy Superintendent Stephen Nielsen, Sr. Assistant General Counsel Andrea Schiers, Sr. Assistant General Counsel Ronald Boy, and Sr. Assistant General Counsel Nazik Youssef.

Mr. Treat opened the work session by outlining the Office of General Counsel ("G.C. Office") department functions, which is to provide comprehensive legal services to the Board, Superintendent, central office departments, and schools. This also includes executive and administrative support to the District. For example, the G.C. Office receives and processes all Public Records Act requests and tort claims. Staff also reviews contracts, policies, and board actions reports.

Mr. Treat then detailed the G.C. Office "Vision" of providing tools and removing obstacles so that students and staff realize their full potential. The main "Mission" to provide, manage, and coordinate all legal services for Seattle Public Schools ("SPS" or "District"), in a solutions focused manner with high quality customer service, to reduce liability and reduce conflicts, was discussed. He then provided an overview of the Department's organizational structure, stating that he provides legal advice to the Board, Superintendent, Cabinet, Ethics Officer, and advises on construction issues. He informed the Board that John Cerqui is the primary employment attorney, and has the primary role of assigning litigation to

outside counsel. He then introduced other staff present, Ronald Boy, who handles Student Issues and Discipline, C & I, and Public Records; Andrea Schiers, the lead on Special Education issues and Legal issues related to Title IX; and Nazik Youssef, who handles Employment and Labor and Special Education issues. Mr. Treat added that all of the Department's staff are well experienced, build strong relationships with staff, and have longevity with SPS.

Mr. Treat then described the upcoming 2017-2018 Budget for the G.C. Office, which is approximately 3.8 million. The budget includes Staffing (partly funded by Capital re: Construction); Judgments/Settlements (covering matters that insurance does not cover, i.e., judgments and settlements below Washington State Risk Management Pool ("WSRMP") coverage limits for SPS, currently at \$250,000 per incident); and Legal Contracts (outside law firms hired for their specialty areas and litigation services). Director Geary asked about outside law firm contracts for Special Education services and whether it would be helpful to bring an additional attorney in-house with Special Education experience. She thought an in-house lawyer doing litigation would understand the student culture better, be less adversarial at times, and build strong relationships to determine where internal fixes could be made. The response from Mr. Treat was that, we must have all our outside firms be good ambassadors for the District and he supported the idea of doing a cost-benefit analysis of adding additional staff to perform litigation, rather than outsourcing. He mentioned that with insurance premiums low, we would need to work through some of these issues with WSRMP, who have a say in legal counsel that is hired.

In describing the "New Matters" slide (matters opened per fiscal year), Mr. Treat stated it included Personal Injury, Employment, Sexual Assault, and Special Education matters. This slide shows number of new claims per year (33 in 2016-17 and 198 over the last five years). Director Peters asked what the difference was between "Opened" and "Managed" cases, to which Mr. Treat answered that "Opened" means new and "Managed" means they are ongoing, as some claims or lawsuits carryover for multiple fiscal years. Director Harris wanted to know whether data is kept on the number of cases that were negotiated in early dispute resolution and, and if not, could that be tracked in the future? Mr. Treat agreed that was a good idea, and affirmed that many issues are resolved early before they get to formal litigation. Director Blanford asked for clarification on "Matters," does it mean an incident, a formal complaint/claim, or an actual lawsuit? Mr. Treat responded that "matters" are formal claims, a lawsuit, or a formal administrative hearing that needs legal services.

Mr. Treat then outlined three key areas of risk for the District: Employment Lawsuits; Adult-to-Student Sexual Assaults; and Student-to-Student Sexual Assaults. He explained that the District is taking measures to reduce exposure in these matters. Some of these cases can become known many years after the fact, and may have occurred in time periods for which we do not have insurance coverage or less coverage than we have now.

The next topic Mr. Treat addressed was the presentation slide showing "Major Outside Service Contracts, 2016-2017." The bulk of the services is for employment, personal injury, and special education litigation. He said the Department uses law firms with special expertise to handle different types of cases. Most of the firms are on the list as they are one of a limited number of firms approved by the WSRMP. Mr. Treat also added that the contract amounts encumbered are often not spent, and the WSRMP coverage applies after \$250,000 in SPS funds are spent. Director Blanford asked how much WSRMP coverage costs per year? Mr. Cerqui said it was approximately two million dollars. Deputy Superintendent Nielsen confirmed this amount. Director Harris asked about legal invoices/bills from the law firms and does the G.C. Office carefully review bills and push back when needed. Mr. Cerqui responded that all bills are reviewed by an in-house attorney and that we have asked that invoices be corrected or reduced, if appropriate. Director Burke asked what budget does the two million for the WSRMP come out of, and Mr. Nielsen said that it comes out of the General Fund, that the Risk Pool includes school districts from across the state, and we get credit from getting less claims.

Mr. Treat then went on to explain about “Key Performance Indicators” as shown in the presentation, stating that KPIs are not easy to establish for in-house Legal Departments as they play an advisory and support role, and the primary performance indicator is client satisfaction and value added. He indicated he plans to conduct a client satisfaction survey later this year.

Next, the “Major Department Initiatives” slide was addressed by Mr. Treat, covering three areas: 1) Conflict Resolution; 2) Cost Reduction; and 3) Improving Employment Issue Outcomes. He addressed the work underway in each of these categories.

The “Technology Systems” necessary for the department’s functions were detailed by Mr. Treat: 1) Rationale Governance (he noted this is a new system) and Barracuda for Public Records. Westlaw for Legal Research, and PowerSchool, are the main systems utilized.

The next topic on the agenda was “Key Internal/External Controls, which Mr. Treat said were: Internal: 1) Regular Updates to Superintendent and the Board; 2) Case Overview Budgets; and 3) Claim and Case Tracking. External: 1) State Auditor’s Office Annual Letter; 2) WSRMP (Risk Pool) Claims Review; and 3) Second Opinion on Litigation Management.

The last discussion point focused on the “S.W.O.T.” (Strengths, Weaknesses, Opportunities and Threats/Risks) Analysis. He said that the office’s strengths are mainly: 1) Qualified staff with extensive institutional knowledge; 2) Weakness is sufficient staffing; and 3) Opportunities would be reviewing approaches to outside counsel fee/cost reduction; and working on conflict resolution.

Mr. Treat then summarized the focus areas for the Department going forward and took several questions from the Board.

Adjourn

The meeting adjourned at 7:32 p.m.