



Jackson College Board of Trustees

Monitoring Report: EL – 05 Asset Protection

[COMPLIANCE]

Note: Board Policy is indicated in bold typeface throughout the report.

I present this monitoring report to the Jackson College Board of Trustees which addresses the Board’s Executive Limitations Policy: Asset Protection – EL-05. I certify that the information contained in herein is true and represents compliance, within a reasonable interpretation of the established policy

Please note that all of my interpretations of the policy remain unchanged from the previous report, unless otherwise noted.

05.09.22

Daniel J. Phelan, Ph.D.
President and CEO

Date

POLICY STATEMENT:

The President shall not allow assets to be unprotected, inadequately maintained, or unnecessarily risked. Further, without limiting the scope of the preceding statement by the following list, the President shall not:

- 1. Permit the organization to have inadequate insurance against property and casualty losses.**

I have interpreted “inadequate insurance” in policy items #1.1 (including 1.1.1 and 1.1.2) to 1.4. Compliance with these items below constitutes compliance with this policy.

- 1.1. Permit the organization to insure its property and operations with inadequate valuation and limits due to an insufficient scope of perils.**

INTERPRETATION:

I have partially interpreted “insufficient scope of perils” in policy items 1.1.1 and 1.1.2 below. I am further interpreting the scope of perils to include disruption of College operations, due to unpredictable events or ‘Acts of God’.

Compliance will be demonstrated by compliance with 1.1.1 and 1.1.2, as well as when Umbrella Insurance, for disruption of college operations, is consistent with coverage limits standard to an institution our size and industry standard.

This interpretation is reasonable because it is consistent with the recommendations of the College’s insurance consultant, and the Michigan Community College Risk Management Authority (MCCRMA) standards of coverage.

EVIDENCE:

Review of the umbrella insurance policy on 06.18.21 by the insurance consultant confirmed that the policy provided coverage for a total limit of \$11MM per each occurrence.

There are two lines of coverage that have lower liability limits: The health services medical malpractice is a \$4MM limit, which is adequate for the medical instruction program and health clinic exposure; and The Employee Benefits Errors and Omissions policy has a \$1MM limit. This level of insurance is the industry standard limit of liability for this coverage.

1.1.1. Permit insurance of all buildings and contents to be at less than 90% of the cost to replace, with a blanket limit of all buildings and contents.

INTERPRETATION:

I have interpreted compliance to be demonstrated when a schedule property of values is updated and signed each year computing the blanket limit of coverage for buildings and contents.

This interpretation is reasonable because it is based on insurance industry standards for replacement blanket insurance on building and contents.

EVIDENCE:

Review of the insurance policy on 04.21.22 confirms that the blanket building limit is \$187,849,726 and the content blanket limit is

\$25,733,573 which provides for 90% of blanket limit coverage of the replacement value of building and contents.

1.1.2. Permit the College to have inadequate insurance for theft, disappearance or destruction of money, and securities inside or outside the premises.

INTERPRETATION:

I have interpreted compliance to be demonstrated when:

- a) The related insurance policy provides for coverage for theft, disappearance or destruction of money and securities at the College, or at financial institutions holding College assets.
- b) The levels/type of insurance coverage is consistent with the range recommended by the insurance industry consultant.

<u>Insuring Agreement</u>	<u>Limits of Liability</u>	<u>Deductibles</u>
Employee Theft	\$ 1,000,000	\$ 10,000
ERIDA Fidelity	\$ 1,000,000	\$ -
Forgery or Alteration	\$ 1,000,000	\$ 10,000
Premise Coverage	\$ 1,000,000	\$ 10,000
Transit Coverage	\$ 1,000,000	\$ 10,000
Computer Fraud	\$ 1,000,000	\$ 10,000
Restoration Expense	\$ 50,000	\$ 1,000
Funds Transfer Fraud	\$ 1,000,000	\$ 10,000
Credit, Debit or Charge Card Fraud	\$ 1,000,000	\$ 10,000
Money Orders and Counterfeit Money	\$ 1,000,000	\$ 10,000
Investigative Expense	\$ 50,000	\$ -

This interpretation is reasonable because the assessment of adequate insurance is provided by a third-party independent insurance consultant is an accepted industry standard.

EVIDENCE:

The Review of insurance policy on 04.22.22 confirmed that it is consistent with the coverages recommended by the insurance consultant on 06.18.21 the amount of insurance matches what was recommended by the insurance company.

1.2. Permit the organization to have inadequate privacy/cyber insurance.

INTERPRETATION:

I have interpreted compliance to be demonstrated when:

- a) The threat of Cyber Security is mitigated using preventative controls consistent with what was identified in the annual cyber security audit; and
- b) Insurance levels are consistent with the Michigan Community College Risk Management Authority (MCCRMA) standards of coverage for Cyber Liability.

Given that the cost of cyber liability insurance is prohibitive unless preventative controls are implemented, this interpretation is reasonable because the insurer is a third-party expert and an independent assessment of what adequate insurance is in the current environment.

EVIDENCE:

- a) A comparison of the recommended and actual controls on 10.01.21 confirmed that controls are in place.
- b) A review of the cyber insurance on 05.03.22 confirm that the amounts for the required insurances are consistent with the recommendations of the insurance consultant except for business interruption due to a cyber-attack. A review of the cyber policy confirms a maximum of \$3MM of broad coverage, and \$1MM for computer/funds fraud. These are maximum levels currently available. The College has to put a business continuity plan in place before this coverage can be purchased.

2. Permit the Board members, staff, and other individuals engaged in activities on behalf of the organization, or the organization itself, to have inadequate liability insurance.

INTERPRETATION:

I interpret the level of adequate insurance (i.e., E & O for the board, as well, as other liability insurances for staff and related parties) to be determined by an industry expert, in this case, the Michigan Community College Risk Management Authority (MCCRMA) and their standards of coverage determinations.

This interpretation is reasonable because the insurer is a third-party expert and an independent assessment of what adequate insurance is.

EVIDENCE:

A review of the College's insurance levels by the third-party insurance consultant (i.e., the Michigan Community College Risk Management Authority) on 04.22.22 confirms our coverages are standard with MCCRMA.

3. Permit individuals traveling out of the United States, on behalf of the College, to have inadequate travel accident insurance.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) The College has a professional activity form (i.e., pre-approval documentation) on file, granting approval to travel on behalf of the College.
- b) Employees are provided access to information about applicable travel insurance coverages prior to their approved travel.
- c) Coverages are consistent with 3rd party consultants' recommendations based on industry standards.

This interpretation is reasonable because prior approval to travel is a standard practice among higher education institutions.

EVIDENCE:

- a) A statistical review done by the College's internal auditor on 4/28/2022 documented that 100% of employees completed a professional activity form ahead of travel.
- b) Employees are provided access to information on travel insurance coverages on the College's employee intranet site.
- c) These evidences are consistent with the recommendations of the 3rd party insurance consultant made on 06.17.21.

4. Allow the College to have insurance for theft and crime coverage that is less than industry standards.

INTEPRETATION:

I have interpreted that compliance will be demonstrated when the College is ensuring its theft and crime at a level the 3rd party insurance consultant has identified as standard for an institution our size and scope.

EVIDENCE:

A review of the College's insurance policies on 06.17.21 by the 3rd party insurance consultant confirms the coverages in the policy are consistent with their staff recommendation.

5. Unnecessarily expose the organization, its Board members or staff to claims of liability.

INTERPRETATION:

I have partially interpreted "unnecessary exposure to claims of liability" in policy item 5.1. Compliance with this, and the following, will constitute compliance.

- a) All receive required training on Title IX and Sexual Harassment Prevention and Jackson College Code of Ethics. This is reasonable because the training is required by the U.S. Department of Education.

EVIDENCE:

All training is provided at the time of hire. Additionally, the Human Resources/Talent Department tracks the completion of training. Additionally, the College provides refresher training on both topic every few years.

5.1. Allow any material contracts or material internal human resource documents to be executed with inadequate review by qualified legal counsel.

INTERPRETATION:

I am interpreting the phrase "material contracts or material internal human resource documents" to include all Labor Agreements and all contracts with vendors and organizations, to have a direct or indirect financial liability of \$100,000 or more. Compliance will be demonstrated when:

- a) A random statistical sampling of contracts is reviewed by the College's Internal Auditor to confirm all associated contracts greater than \$100,000 are reviewed by legal counsel prior to contract signing.
- b) A random statistical sampling of contract documents reveal that performance bonds for contracts or \$100,000 contracts or greater are on file in the College's Business Office.

This is reasonable because all labor agreements and all contracts with vendors are reviewed by the College's legal counsel, and additionally reviewed and signed by the President. All union labor agreements are executed by the Board of Trustees. Further, performance bonds for \$100,000 projects and higher, include liability protections for the College, ensuring that work is performed of a nature and timeline consistent with the contract.

EVIDENCE:

- a) The College's Internal Auditor on 4/28/2022 has provided confirmation that a statistical sample of contracts met this requirement.
- b) The College's Internal Auditor on 4/28/2022 has provided confirmation that a statistical sample of performance bonds met this requirement.

6. Receive, process, or disburse funds under controls which are insufficient to meet audit standards or insufficient to detect and prevent fraud.

INTERPRETATION:

I am interpreting fraud protection, involving the receipt, process, or distribution of funds to be achieved when adequate crime (i.e., fraud) insurance is filed and current, as well as when both internal and external auditors confirm adequate internal controls are in place.

Compliance will be demonstrated when:

- a) The external auditors do not find any deficiency in the internal controls process as part of their annual audit; and
- b) Any deficiency noted in internal controls is corrected within 90 days.

EVIDENCE:

- a) The results of the audit report with fiscal year end 06.30.21 contained a significant deficiency in internal controls over major programs in the Federal award audit. There was also a self-discovered deficiency related to ACH payments and cash handling which included an independent review and report done by Plante Moran recommending additional internal controls.
- b) Both the audit finding and the additional cash controls were corrected and shared with the Board of Trustees at the Spring planning session.

7. Make any purchases that do not result in appropriate level of quality, after-purchase service and value for dollar, or do not provide opportunity for fair competition.

7.1 Make any purchase wherein normally prudent protection has not been given against conflict of interest.

INTERPRETATION:

Compliance will be demonstrated when:

- a) All administrators annually submit documentation, and Trustees declare any conflict of interest that may exist in their decision-making at the College, and for Trustees, such declaration occurs prior to the commencement of any board meeting, as provided on the College's Board agenda;

- b) The external auditor notes there is no conflict of interest in transactions in the past fiscal year; and
- c) Material conflicts are disclosed in the annual audited financial report.

EVIDENCE:

- a) Based on a review of the required conflict of interest forms submitted by administrators, department chairs and the Board of Trustees, 100% of the individuals completed a conflict of interest declaration, in this reporting period. Human Resources/Talent documents and tracks all Administrators and Department Chairs have completed the annual conflict of interest form. All Trustees, during the course of the Board Meetings (as noted in meeting minutes) declare any conflict of interest with Board Agenda items for each meeting;
- b) The annual audit report for 06.30.21 did not note any disclosure of conflicts of interest; and
- c) For the fiscal year 06.30.21 no conflicts needed to be disclosed.

7.2 Make any purchase of over \$100,000 without having obtained comparative prices and quality from at least three competitive bids. Orders shall not be split to avoid these criteria.

INTERPRETATION:

I have interpreted the policy requirement to be compliant when departments have the authority to initiate purchase order requisitions. The approval of these is centralized in the Business Office. I have concluded that compliance will be demonstrated when:

- a) The College's Internal Auditor conducts a review of a statistically valid sample of purchase order requisitions for policy compliance and confirms that all orders approved by the College's Comptroller are compliant with the required bid documentation if the purchase price is greater than \$100,000; and
- b) The administrative purchasing policy is consistent with Board Policy.

EVIDENCE:

- a) The College's Internal Auditor conducted a review on 04.27.22 and confirmed all selected approved transactions were compliant with this policy; and
- b) A review of the administrative policy on 04.29.22 by the CFO shows it aligns with the requirements of the board policy.

7.3 Make any purchase without a stringent method of assuring: 1) Long-term quality 2) Reasonable Cost; 3) Consideration of the financial support provided to the College by a bidder, and 4) Local vendor preference.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) All College departments with purchasing authority are provided the criteria of this policy;
- b) All College Administrators annually receive, and review, the College's purchasing policy in the Administrative Council Meeting annually;
and
- c) The members of Leadership Council confirm the policy is being applied in their area of responsibility.

EVIDENCE:

- a) A review of purchasing departments on 04.29.22 confirmed that 100% had received this policy.
- b) The College's Leadership Council reviewed the policy on 04.20.22 noted in meeting minutes.

7.4 Allow minority, women, and veteran vendors to be without information critical to their receiving equitable consideration in competitive bidding.

INTERPRETATION:

I have determined that compliance will be demonstrated when:

- a) Purchasing departments have been provided this policy to make purchases consistent with this criterion; and
- b) The members of the College's Leadership Council confirm the policy is being followed in the area of responsibility.

EVIDENCE:

- a) A review of purchasing departments on 04.29.22 confirmed that 100% had received this policy.
- b) On 04.20.22 100% of Leadership Counsel members confirmed that policy is being applied.

8. Allow College intellectual assets, to be unprotected or exposed to loss or significant damage.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when all College logos, names and characters of proprietary nature have registered trademarks or copyrights.

This is reasonable because registration provides legal basis for protecting assets against improper or fraudulent use.

EVIDENCE:

On 08.19.21 it was confirmed by the Senior Vice President/Chief Operating Officer that the Men of Merit program has been copyrighted and trademarked. An examination of other areas are being evaluated as to their need for protection.

9. Endanger the organization's public image, credibility, or its ability to accomplish Ends.

INTERPRETATION:

I have interpreted this policy statement in policy items 9.1 to 9.4, and that compliance with these policy items constitute compliance with this policy.

9.1 Allow non-adherence to guidelines required for required institutional and desired supplemental program accreditations.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) Program/Secondary accreditation agencies confirm that all required data and documentation has been provided by required submission dates; and
- b) No Jackson College programs with supplemental accreditation standing are on warning or conditional accreditation status.

EVIDENCE:

- a) The Higher Learning Commission has confirmed there are no outstanding documents.
- b) Review of program accreditation sites by the CFO on 04.29.22 confirmed no programs were on conditional status.

9.2 Accept gifts or grants which obligate the College to make future expenditures other than those provided for by the gift or grant.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when the agreement accepting a gift or grant specifies the period of time in which the College is required to expend funds that does not last longer than the life of gift or grant.

EVIDENCE:

There are no relevant gifts or grants requiring this evidence as of 06.30.21.

9.3 Publicly position the College in support of, or opposition to, any political party or candidate for public office.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) Review of public sources leading up to election dates do not reveal or report instances of the College supporting or opposing political parties or candidates for public office;
- b) All political parties are given equal opportunity to speak on campus;
- c) No signage supporting candidates appear on any college property; and
- d) No faculty promote candidates in the classroom, nor do faculty or other employees promote candidates by virtue of backgrounds on video communications, clothing, buttons, or other promotional materials while conducting college business.

EVIDENCE:

- a) Confirmation on 05.05.22 by the Chief Legal, Talent, Equity & Administrative Officer that the College did not host any political candidates on campus. No signed agreements (Facilities Rental or Request for Demonstration/Activity on Jackson College Grounds) on file.
- b) Confirmation on 05.05.22 by the Chief Legal, Talent, Equity & Administrative Officer that the College did not approve any political candidates/events on campus, therefore no need for an opposing party present.
- c) Confirmation on 05.05.22 by the Chief Legal, Talent, Equity & Administrative Officer that the Marketing department approves campus signage and no requests of this type were approved with the department.
- d) Confirmation on 05.05.22 by the Chief Legal, Talent, Equity & Administrative Officer that no complaints were reported to the HR Office, and would have been addressed if brought to the departments attention.

9.4 Develop or continue collaborative relationships with organizations whose principles or practices are incompatible with those of the College.

INTERPRETATION:

I have interpreted that compliance with this policy will be demonstrated when:

- a) All Leadership Council members and the President have confirmed that they have not engaged with any organization whose principles or practices are incompatible with those of the College, nor have they engaged with any organization unaligned with the College's mission, vision, values, and belief statements.
- b) If an incompatibility is discerned, it will be reviewed by the President, who will make the final determination as to the cessation of the relationship with the offending party, understanding that the contractual and legal nature of the relationship, if present, must be adhered to, relative to contract cessation requirements.

This is reasonable because only the Leadership Council members and the President are allowed to enter into contractual relationships.

EVIDENCE:

As of 05.06.22, inquiry with all Leadership Council members and the President has been conducted, confirming that none of them have engaged in contractual relationships with organizations whose principles or practices are incompatible with those of the College

9.5 Allow relationships with owners and stakeholders to be inconsistent with the productive cooperation necessary to the achievement of Ends.

INTERPRETATION:

I have determined that compliance will be demonstrated when:

- a) A review of tracking software confirms there is no outstanding, or unresolved issues with students with the College's Ombudsman or with the College's Judicial Committee; and
- b) There are no unresolved or public relations matters that have not been addressed.

EVIDENCE:

- a) On 04.22.22 the tracking system was reviewed by the College's Ombudsman and there were no outstanding issues aside from appeals require more documentation from the student and or current semester grades to post.
- b) Confirmation on 5/5/2022 by the Chief Legal, Talent, Equity & Administrative Officer that with the exception of student concerns and media coverage of how MLK Day was celebrated and a pending police report related to undelivered USPS mail and parcel packages, there is no other media coverage.

10. Change the organization's name or substantially alter its identity in the community.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) On those occasions wherein a name is changed, it is noted by action of the Board of Trustees, as approved and recorded in the minutes;
- b) Name changes are requested of and approved by Higher Learning Commission;
- c) Name changes are requested of and approved by the Michigan State Department Education; and
- d) Any change in the image, likeness or positioning of the College identity would be supported by a Board motion approved and recorded in the minutes.

This is reasonable interpretation because it is a requirement of these authorities to advance a name change.

EVIDENCE:

There has been no name change or identity alterations for this reporting period.

11. Create or purchase any subsidiary corporation.

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:

- a) The establishment or purchase of any subsidiary corporation is documented in the minutes of the Board meeting at which it was approved; and
- b) The Board's auditor confirms that there has been no purchase or creation of a subsidiary corporation

This is reasonable because the Board of Trustees has retained the authority of the decision and all Board decisions must report a duly recorded motion and the vote to approve such a decision.

EVIDENCE:

There has been no purchase or creation of a subsidiary corporation during this reporting period.

The Jackson College Board of Trustees accepted this monitoring report as fully compliant at the regular Jackson College Board Meeting on May 9, 2022.