

New Business

Approval of First Reading of Board Policy – 8:90

Good evening Board! Regarding SCO's and a path forward, at the August 2022 BOE meeting, the full BOE at an open meeting directed me to investigate a plan to move this topic forward. After a close read of BOE Policy, we shared a proposed recommendation with legal counsel and Mack and Associates, our year-end auditor. Legal counsel replied that *"I am in agreement with most of it but I somewhat queasy allowing an SCO to use the District's FEIN. Perhaps there may be no choice if they do not have the capacity to operate independently, which your language encompasses, If so, make sure that the procedures and processes that you would put in place lock them down as much as possible to prevent any misuse of funds and I would suggest a requirement that the board give prior approval for its use. Perhaps language could also be added that if an SCO is using our FEIN, that the board would also review the matter bi-annually to determine a/ if it is still necessary and b) regardless, whether the board would want to allow continuation of its use."* Scott

This echoes what was written by another partner at KTJ, Mallory Milluzzi, in her November 8, 2021, email, *"The scope of an SCO is laid out in the policy pretty well- they are an independent group that works with the district. We would provide a liaison and we could provide permission to use the District's logo and name. We can also serve as a partner to them to help keep them involved and discuss issues within the district. As to your specific questions, I do think we can assist them with their by-laws- at a minimum we could review them to make sure they comply with our Policy. There are several templates online that they could utilize (from similar organizations or other SCO's) to make the process easier. I don't think we can manage their accounts or give them our FEIN number under the Policy. They need to independently maintain their accounts. They would need to have their own email address (versus district email addresses). You will also need to check as to whether the Board has already passed rules/restrictions on donations from the SCO or other organizations as the SCO should be aware of those."* Mallory Milluzzi.

In speaking to Mack and Associate's twice, in person, in the District Office; their finding is an indication of potential risk. The finding could be satisfied by either discontinuing the allowance of the SCO's to use the District's FEIN or pull in the checkbooks and layer in appropriate procedures/internal controls. Both would work for the auditor and in removing the finding.

Which leads us to a discussion/decision today.

1. If there is sufficient interest by the BOE to make changes to BOE Policy, I have attorney-vetted language ready to be considered, along with supporting documents in the resource section of your BOE book as to the language being proposed.
2. If there is insufficient interest in altering BOE policy, the SCO's would need to be independent organizations and discontinue the use of the District's FEIN number.

Procedurally speaking, we have attached activity account procedures as well as notes from Stacey's document, which can be used in part. These are also included in the reference section of the Board book.

- (Policy 4:90) We would propose a first and second reading at the next BOE meeting of Policy 4:90, with the following one-word change.
 - Beneath Student Activity Accounts, 2nd paragraph, second line, change shall to **may**. It would read, "...inactive for 12 consecutive months may be closed..."

- Policy 8:90 We would propose the following language changes this evening:
 - Line 7, "...granted if the organization or club has by-laws, **approved by the Board of Education bi-annually**, contained the following."
 - After #6. **"In the event an SCO does not have the financial capacity or the volunteer base to maintain their own FEIN number, 501(3)c status, or file their own tax returns; they may be permitted to use the District's FEIN number, with Board approval, and subject to the procedures and processes established by the Superintendent or designee to ensure appropriate controls are in place. (See Activity Account Procedures Document for additional information). At least bi-annually, the Board shall review the need for the SCO to continue to utilize the District's FEIN number and subsequently approve its use if needed. Further, funds raised during a school calendar year need to be used efficiently and during that school term (less start-up money for the following year) or unless an agreed upon larger project is identified and approved by the Superintendent or designee."**
 - **In the event the procedures and processes established are not followed, the District's FEIN number may no longer be used. Discontinuance of the FEIN number will occur by the next regularly scheduled Board Meeting.**

It comes down to the Policy decision by the BOE that will determine next steps.

Clarification before the vote below:

If you vote Yes it means we add to the existing Policy and allow the SCO's to use the District FEIN.

If you vote No it means we leave the Policy as is and SCO's will become independent organizations.

Recommended Motion:

I move that the Board of Education approve the proposed Policy 8:90 changes in a first reading this evening, as presented. This will enable the SCO's to use the FEIN of the District, if needed, with procedures sufficient to remove the audit finding put in place by the administrative team.