

*Review of*

# Cariboo-Chilcotin School District

June 2017



**INTERNAL AUDIT  
AND ADVISORY SERVICES**



**Ministry of  
Finance**



Project No.: 17-01-SDR

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**Review of Cariboo-Chilcotin School District**

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**Internal Audit & Advisory Services  
Ministry of Finance**

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## Abbreviations

BC	British Columbia
the Board	Cariboo-Chilcotin School District Board of Education
Cariboo-Chilcotin	Cariboo-Chilcotin School District
CPPM	Government's Core Policy and Procedures Manual
the District	Cariboo-Chilcotin School District
EA	Education Assistant
FTE	Full-Time Equivalent
IUOE	International Union of Operating Engineers Local 959
IT	Information Technology
LRFP	Long Range Facilities Plan
the Ministry	British Columbia Ministry of Education
Province or Government	Government of British Columbia
Provincial Average	Average of All Districts in the Province
SEP	School Enhancement Program
TTOC or Substitutes	Teachers Teaching on Call





## Executive Summary

Cariboo-Chilcotin School District (Cariboo-Chilcotin or the District) is one of 60 school districts in the province, each governed by an elected Board of Education. Boards represent the public interest and reflect local values in education while governing in accordance with provincial legislation. The District's Board of Education consists of seven trustees who meet monthly during the school year.

In 2015/16, Cariboo-Chilcotin employed over 550 staff to deliver educational services to approximately 4,550 students. Over the past five years, 74% of students in the District completed Grades 8 to 12 within six years, the same as comparable districts, while the provincial average was 86%.

In accordance with the Taxpayer Accountability Principles, the Ministry of Education is working with school districts to reduce the cost of administrative overhead and maximize classroom resources. As part of this, Internal Audit & Advisory Services was directed to conduct a review of the Cariboo-Chilcotin School District.

Working with a Deputy Ministers' Committee, Internal Audit & Advisory Services evaluated the District to identify opportunities for improvement, efficiencies and cost savings in overhead and non-instructional functions; and to examine planning, forecasting and financial performance.

In performing the review, the District was compared to a peer group of districts with similar characteristics such as student enrolment, geographic size and number of facilities.

Cariboo-Chilcotin is characterized by widely dispersed populations, long travel distances, and low enrolment numbers in rural and remote schools resulting in more multi-grade classrooms. Consolidation and re-structuring is more challenging in these remote communities due to the significant impacts school closures would have on students and communities.

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### Strategic Planning

While Cariboo-Chilcotin has a strategic plan that outlines its goals and objectives to be achieved, strategic planning is not integrated across the organization. There are opportunities to improve integration and alignment between the District's and departmental planning activities. In addition, aligning the District's budget to the strategic plan would help the District allocate its resources more effectively.

While Cariboo-Chilcotin has policies for risk events such as extreme weather, the District does not have a formal risk management process. The identification of significant risks, including information technology risks, and the development of mitigation strategies is an important component of strategic planning.

The District actively engages the public and other stakeholders for their input prior to making key decisions such as approving budgets and potential school closures.

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Staffing and  
Compensation

Recent enrolment declines within the District as well as the remote location of some schools increases the complexity in allocating staff and determining class sizes, which have historically been lower than peer and provincial averages.

Over the past five years, the total number of full-time equivalent employees decreased by 4.5%, while student enrolment decreased by 11%.

Salary and benefit costs in Cariboo-Chilcotin make up the majority of operating expenditures. Extended health and dental benefits available to employees are comparable to the BC public service. However, entitlements for service recognition, vacation, and sick time increase total compensation.

Financial service recognition benefits are available for Union of Operating Engineers members, support staff, as well as principals and vice-principals. The Union of Operating Engineers service recognition is comparable to that available in the BC public service. While the District funds the principals and vice-principals plan, the administrator's independent association determines the payment formula with the average payout being \$26,000 per employee. This arrangement prevents the District from demonstrating fair and transparent compensation practices.

In addition to their vacation entitlement, certain excluded employees may be granted up to an additional 21 days by the Superintendent in recognition of attending weekend and evening Board meetings.

Cariboo-Chilcotin does not currently have a formal attendance management system in place and instead relies on managers to manage staff absences. Therefore it is not able to monitor or analyze sick leave usage.

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Procurement

District managers are responsible for their department's procurement of supplies and services while the finance department oversees the process.

The District's procurement policy was last updated in 2009, and is currently being reviewed. While the District advised that it follows its policy, key documentation was not readily available for a number of the contracts sampled.

Following the spirit and intent of the provincial procurement policy would provide the District with more robust procurement practices and ensure compliance with relevant trade agreements.

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Information  
Technology

Cariboo-Chilcotin lacks documented policies and procedures for several key information technology processes and does not maintain an inventory of its hardware and software. In addition, the District does not prepare business cases for information technology projects, and documentation to support procurement was lacking. Additional opportunities exist for the District to strengthen their information security policy and information technology policies and practices.

There is a need for Cariboo-Chilcotin to develop a Business Continuity Plan and a Disaster Recovery Plan to minimize the impact of disruptions of key business areas and assist in the recovery of critical systems.

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Facilities

School districts are responsible for determining the number of facilities to own and maintain. Significant enrolment declines over the past ten years have resulted in school closures and a re-examination of District facilities.

Following public engagement, the District developed a Long Range Facilities Plan in 2013, which recommended closing four schools. These four schools and an additional two schools have subsequently been closed, reducing capacity by 1,500 available spaces. This reduction increased the District's overall capacity utilization index to 76%, which is above the 72% average of peer districts.

Within the District there are significant variances in capacity utilization between remote schools that average 24%, and the remaining district schools that average 81%.

Over the past five years, the District completed three major capital projects ranging in cost from \$0.5 million to \$1.9 million. However, Cariboo-Chilcotin has not taken full advantage of the Ministry of Education funded capital programs available.

The District recently listed six surplus properties for sale, and sold three for \$437,000. Minimum bids were not received on the remaining three. In addition to these unsold properties, the District owns other surplus properties for which the District is currently determining the best course of action.

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Operations and  
Maintenance

The District recently completed a maintenance plan that provides a long-term view of upcoming maintenance needs and cost estimates.

The District conducts most repairs and maintenance internally with some services being contracted out. A work order system facilitates the management of maintenance jobs and tracks hours and costs which enables performance monitoring and measurement.

The District contracted an energy management consultant to oversee implementation of energy projects. While the District has seen a reduction in utilities billing of \$152,000 (10%) since 2011/12, it was not able to demonstrate if the savings were the result of school closures, retrofits, or other energy reduction initiatives.

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Transportation  
Services

The District provides in-house transportation services to approximately 2,840 students at no charge. In addition, approximately 60 private school students are provided transportation and each is charged \$36 per month. Financial transportation assistance is offered by the District to families when bus transport is not feasible.

Average travel time per students is 55 minutes per day although it can be up to four hours per day. The District offers a boarding allowance to students whose grade or program requirements are not offered in their home communities.

The District owns and operates 68 buses including 13 spares, the lowest spare bus ratio among its peer districts. In 2015/16, the District spent \$3.8 million on student transportation services, of which 73% was for salaries and benefits.

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Financial  
Management

Over the past five years, Cariboo-Chilcotin's revenues have averaged \$59.9 million, the majority of which was the provincial operating grant. During this period, operating surpluses have ranged from \$48,000 to \$1.5 million, except in 2012/13, when a small deficit of \$268,000 was incurred.

School districts with declining enrolment are eligible for supplemental funding to assist in maintaining educational services while adapting to lower enrolment. While the District's enrolment decreased by 11% over the past five years, the operating grant decreased by only 4% due to funding protection.

In 2015/16, Cariboo-Chilcotin received approximately \$2 million in revenue from a number of other sources including First Nation Bands, facility rentals, tuition fees and interest on investments.

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Accumulated  
Surplus

As of June 30, 2016, Cariboo-Chilcotin's accumulated surplus was comprised of:

- \$3.7 million in operating surplus. The District's goal is to maintain an operating surplus of \$2 million, approximately 4% of operating expenses.
- \$19.6 million in capital surplus. At June 30, 2016, this surplus consisted of \$17.9 million in tangible capital assets and \$1.7 million in local capital, which is an internally restricted fund for capital purchases.

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Budgeting and  
Forecasting

School districts can apply their accumulated operating surplus against a budgeted deficit for the year. In each of the last five years, the District has applied accumulated operating surplus against a budgeted operating deficit.

The District does not allocate its current year's operating surplus when developing the upcoming year's preliminary budget in March, as the year is not complete at that time. Rather, funds from the accumulated operating surplus are allocated the following February when the amended budget is prepared, resulting in funds not being fully utilized in the short time remaining in the year.

For more certainty in developing the preliminary budget, the District should allocate the prior year's known surplus which would allow a full year to utilize the funds.

Cariboo-Chilcotin does not have written policies or procedures on budget monitoring. However, starting in February 2017, the District began formalizing its budget monitoring process by requesting written explanations for budget variances. Every two months, the Secretary-Treasurer presents to the Board major budget issues identified, but does not include a detailed budget variance analysis.

Cariboo-Chilcotin does not align the budget, including program spending, with its strategic goals. In addition, the District has not created long-term financial forecasts.

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We would like to thank the management and staff of Cariboo-Chilcotin School District, as well as the other stakeholders who participated in and contributed to this review, for their cooperation and assistance.



Chris D. Brown, CPA, CA, CIA  
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## Introduction

Cariboo-Chilcotin School District (Cariboo-Chilcotin or the District) is one of 60 school districts in the province, each governed by an elected Board of Education. Boards represent the public interest and reflect local values in education while governing in accordance with provincial legislation.

The British Columbia School Trustees Association, the representative for all school boards in British Columbia (BC), and the Ministry of Education (the Ministry) entered into a Memorandum of Understanding in December 2014. This memorandum recognizes the individual and shared responsibilities of a board and the Ministry:

- to effectively and efficiently manage public resources in a fiscally sustainable manner; and
- to support a strong and successful public Kindergarten to Grade 12 education system.

School district funding comes primarily from provincial government grants. The total of all provincial grants distributed to school districts within BC for the 2015/16 school year was \$4.8 billion, with Cariboo-Chilcotin receiving \$50.6 million in operating grants, as well as \$3.3 million in other provincial grants.

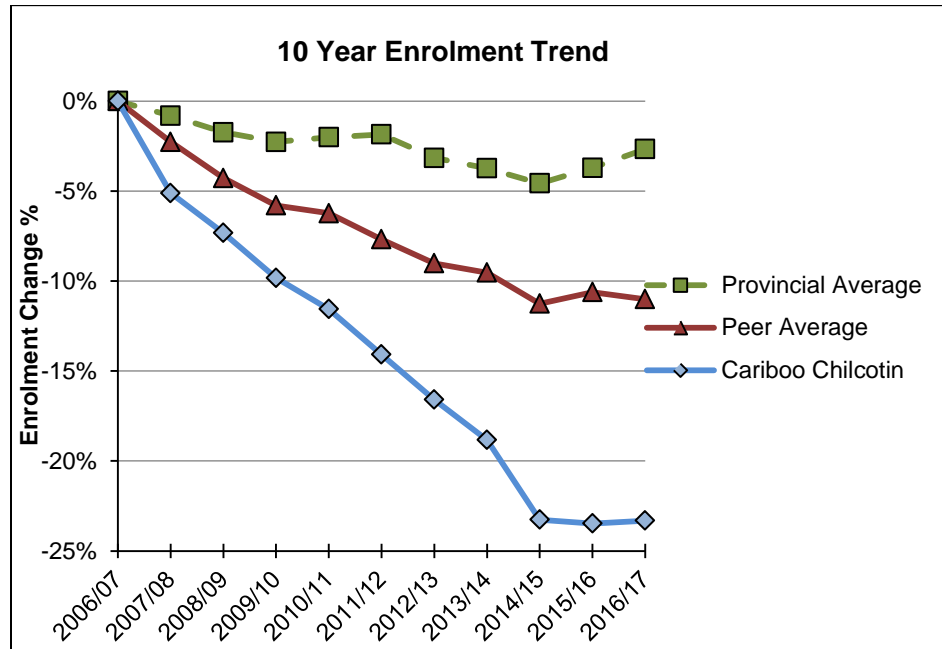
As of September 2016, Cariboo-Chilcotin employed approximately 550 full-time equivalent (FTE) staff to deliver educational services to approximately:

- 2,310 students in Kindergarten to Grade 7 at 13 elementary schools;
- 175 students in Kindergarten to Grade 10 at six elementary-junior secondary schools;
- 1,850 students in Grade 7 to Grade 12 at two secondary schools; and
- 220 online and alternative school students.

The Cariboo-Chilcotin School District is located in the interior of BC, and covers an area of 61,000 km<sup>2</sup>. Williams Lake and 100 Mile House are the two primary urban centers while a number of smaller communities are located throughout the District.

The District is characterized by widely dispersed populations, long travel distances, and low enrolment numbers in rural and remote schools that result in more multi-grade classrooms. Consolidation and re-structuring is more challenging in these remote communities due to the significant impacts school closures would have on students and communities.

As illustrated in the following chart, District-wide student enrolment has declined by 23% over the past ten years, which is more than twice the peer average decline of 11%.



Source: Ministry of Education data

Since provincial funding is associated with student enrolment, this decline has brought about many changes within the District including funding reductions offset by funding protection, school closures and reduction of staffing levels.



As shown in the following table, District enrollment includes a higher percentage of English language learners and Aboriginal students than their peer districts but fewer special needs students.

	<b>English Language Learners</b>	<b>Aboriginal</b>	<b>Special Needs</b>
Cariboo-Chilcotin	6.8%	29.2%	4.3%
Peer Average	3.2%	25.4%	6.0%
Provincial Average	11.4%	10.8%	5.1%

Source: Ministry of Education data

## Purpose, Scope and Objectives

The purpose of reviewing school districts is to identify opportunities for improvement, efficiencies and cost savings in overhead and non-instructional functions and to examine planning, forecasting and financial performance within the school districts selected for review.

Cariboo-Chilcotin is the third District selected as part of a number of planned reviews. The review evaluated and, as appropriate, made recommendations relating to the following:

1. Non-instructional functions, including:
  - a) staffing levels, to identify opportunities to redirect savings to benefit students; and
  - b) administration, operations and maintenance, transportation and information technology.
2. Financial performance in non-instructional functions including:
  - a) operating costs, administrative costs and employee compensation;
  - b) forecasts, to help plan, budget and manage costs;
  - c) cost mitigation and shared services strategies, including the identification of potential non-instructional efficiencies and economies of scale; and
  - d) short and long-term planning including utilization of capital and related resources.
3. Other matters that arose over the course of the review as deemed appropriate by the review team.

The findings, including best practices, identified in this and other reports may be relevant and useful to inform other school districts and aid in making any necessary changes or improvements in their district practices.

School district governance structure and processes were excluded from this review as an independent review was completed in 2013, with recommendations for enhancement.

## Approach

Working with an Executive Steering Committee, Internal Audit & Advisory Services conducted a broad review of the Cariboo-Chilcotin School District. The approach included:

- conducting interviews with key management and staff across the District and related stakeholders;
- reviewing and analyzing legislation and policies;
- researching comparable information from other relevant organizations and other jurisdictions;
- reviewing and analyzing financial reports and variance reports; and
- reviewing and analyzing key operations, processes and information technology (IT) systems.

For the purpose of evaluating performance, the review compared Cariboo-Chilcotin to other BC school districts using an average of all districts in the province (provincial average). The provincial average includes districts with broad range of population densities and distinct geographic and climate differences. These factors can significantly affect the various ratios used in comparison.

To enable a more relevant comparison, the review also used a peer group made up of districts with characteristics similar to Cariboo-Chilcotin in areas such as student enrolment, geographic size and number of facilities. The peer group used for comparison in this report is comprised of the following school districts:

- SD5 Southeast Kootenay
- SD8 Kootenay Lake
- SD59 Peace River South
- SD60 Peace River North
- SD82 Coast Mountains
- SD91 Nechako Lakes

The Ministry requires school districts to submit cost and FTE data by functional area. Although this information is not audited, the Ministry provides sufficient guidance such that the data remains useful for district comparisons.

In some cases, comparisons amongst school districts were limited, as the financial reporting required by the Ministry does not provide enough detail to permit analysis of certain types of costs. For example, IT costs are included in total maintenance and operations, making detailed comparisons difficult.

## Overall Conclusion

The Cariboo-Chilcotin School District is one of 60 school districts in the Province of British Columbia, delivering K-12 education to approximately 4,550 students in 21 schools in the interior of British Columbia. Over the past five years, students in the District had a 74% completion rate, the same as its peer districts, while the provincial average was 86%. The District consists of a widely dispersed population which results in low enrolment numbers and more multi-grade classrooms in rural and remote schools.

The District has experienced a 23% decline in student enrollment over the past ten years. Since 2011/12, six schools were closed and two were consolidated, reducing capacity by 1,500 available spaces. Their capacity utilization has increased to 76%, which is higher than their peer average of 72%. The District has several surplus properties which should be addressed to free up resources that can then be used to support the education of students and maintain facilities.

While the District released its first three-year strategic plan, there remain opportunities to enhance its planning by integrating strategic initiatives throughout the organization and developing risk management plans. Budgeting could be more effective by including the prior year's known operating surplus in the preliminary budget and developing long-term financial forecasts.

The review also identified opportunities for strengthening procurement and improving information technology policies and practices to better manage and safeguard assets while supporting the District.

## 1.0 Administration

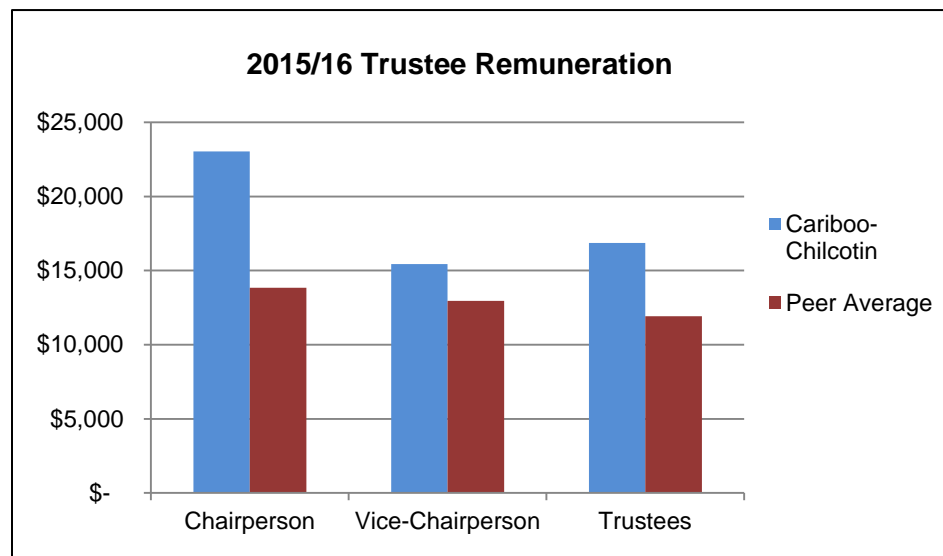
Each school district is led by a locally elected Board of Education that provides strategic direction to senior executives who are responsible for the administration of the District and its schools. Administration includes all programs related to the governance and management of educational, business and human resource activities.

### 1.1 Board of Trustees

The Cariboo-Chilcotin School Board (the Board) consists of seven trustees, including a Chairperson and a Vice-Chairperson. Trustees are elected to represent the public interest and local values in education and govern school districts in accordance with the *School Act*. During the school year, the Board and standing committees meet monthly.

The District has a comprehensive suite of board policies and has recently implemented a four-year review cycle to help ensure policies remain current and relevant.

Prior to February 2017, trustees received a base stipend for regularly scheduled meetings, whether attended or not. They also received additional remuneration for travel and attending special purpose meetings. As shown in the following graph, total remuneration has been higher when compared to the peer average.



Source: School District Statement of Financial Information 2015/16

Note: Cariboo-Chilcotin Vice-Chairperson remuneration less than average "other trustees" due to meeting absences.

As attendance at regular meetings had been an issue for some trustees, the Board revised its remuneration policy in February 2017 to:

- reduce the base stipend;
- compensate for all meetings attended; and
- deduct from the base for missed regularly scheduled meetings.

The District does not expect these changes to affect the overall Board remuneration budget.

Trustees receive professional development funding, and attend conferences and training sessions both within and outside the District. Total Board expenses for 2014/15 and 2015/16 were approximately \$37,500 per year. Based on samples reviewed, the Board expenses were reasonable and in line with District policies.

## **1.2 Strategic Planning**

Effective strategic planning provides a roadmap for an organization to ensure long-term goals are achieved and helps to focus and prioritize departmental activities. In the fall of 2016, the District released its first three-year strategic plan which was developed by the Board with input from key stakeholders. The plan includes 12 objectives and 45 action items intended to support achieving four key goals, which are:

- Excellence in Education, Choice and Opportunity;
- Clear and Transparent Communication;
- Sound and Efficient Fiscal Management; and
- Embracing our District's Unique Factors.

The District has begun work to meet the strategic plan objectives. For example, the District has established and implemented policies to guide engagement with internal and external stakeholders, with the goal of providing clear and transparent communication.

In preparing to make key decisions, such as approving budgets and potential school closures, the District actively engages the public and other stakeholders. The engagement includes facilitating web-based data collection, soliciting written feedback, holding public forums, and increasing opportunities for public participation at board meetings.

There remain opportunities to further enhance the District's strategic planning by incorporating the following best practices:

- ranking or prioritizing initiatives;
- promoting integration of strategic initiatives throughout the organization; and
- promoting accountability by implementing time-bound deadlines, including measurable outcomes, and assigning responsibility for task completion.

While Cariboo-Chilcotin has policies for risk events, such as extreme weather and threats of violence, the District does not formally prepare or maintain a risk register. The identification of significant risks, including IT risks, and the development of mitigation strategies is an important component of strategic planning. Maintaining a risk register is key to this process as it provides a summary of organizational risks and mitigation strategies. An executive-level committee should direct and monitor the risk management process.

Beginning in the 2016/17 school year, the Ministry expects each school district to develop a plan to address how it will enhance student learning along three goals: intellectual, human and social, and career development. An intended outcome of this plan is that it will complement the District's strategic planning process. Cariboo-Chilcotin has not yet developed their plan and the Ministry is not yet monitoring whether school districts have them in place.

### **Recommendations:**

- (1) **Cariboo-Chilcotin School District should ensure that integrated strategic planning is implemented across the organization.**
- (2) **Cariboo-Chilcotin School District should implement a formal risk management plan.**



### 1.3 District and School Administration Costs

In 2015/16, Cariboo-Chilcotin spent approximately \$5.6 million on district and school administration. District administration includes activities related to educational leadership and management of business and financial operations. School administration includes supporting the delivery of instructional services and other business operations within schools and non-teaching time for school administrators (principals and vice-principals).

Of the total administration costs, the District spent approximately \$5.1 million (91%) on salaries and benefits and the remainder on services and supplies. Total administration costs are comparable to peer districts despite Cariboo-Chilcotin having four more schools than the peer average in 2015/16.

District	Student FTEs	Total Administration Costs	Cost per Student	% of Total Operating Costs	Number of Schools	Cost per School
Cariboo-Chilcotin	4,553	\$5.6 million	\$1,230	11%	22	\$255,000
Peer Average	4,584	\$5.5 million	\$1,200	11%	18	\$306,000

Source: Ministry of Education data & Class Size Summary Reports

Note: Subsequent to the 2015/16 year, an additional school was closed. Therefore the total number of schools for 2016/17 is 21.

From 2011/12 to 2015/16, the number of schools in the District decreased with five school closures and the consolidation of two secondary schools. While the District's staffing level decreased slightly, an increase in salaries and benefits resulted in total administration costs remaining stable. Since the number of schools has decreased, Cariboo-Chilcotin's administration costs per school have increased by 27% but remain lower than both the peer and provincial averages.

### 1.4 Staffing

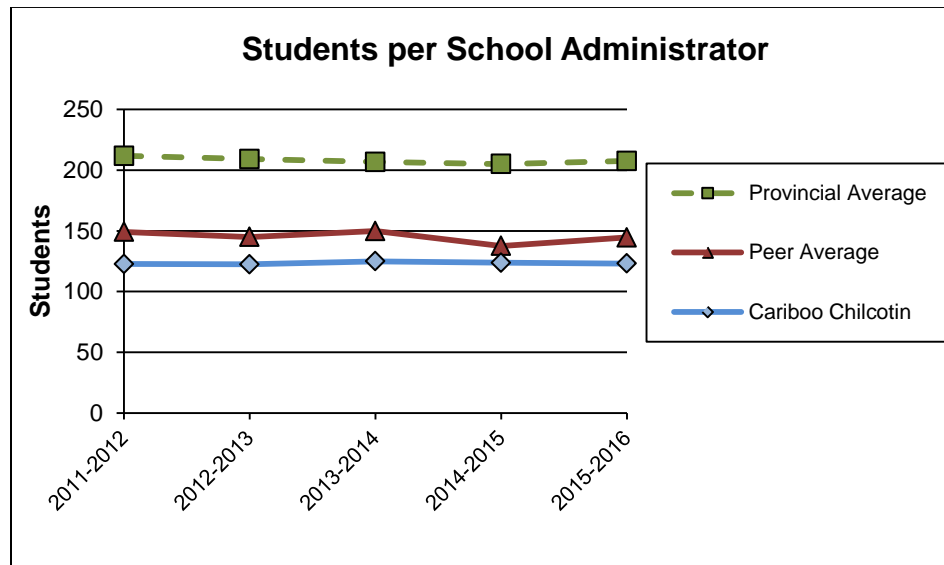
School districts consider many factors when allocating teachers, school administrators, education assistants (EA) and support staff to their schools and facilities. These factors can include employee attrition and enrolment projections.

Recent enrolment declines within the District as well as the remote location of some schools further increases the complexity in allocating staff and determining class sizes, which have historically been lower than peer and provincial averages.

Over the past five years, the total FTE complement decreased by 4.5% while student enrolment decreased by 11% over the same period. While teacher and principal staffing levels generally mirrored changes in enrolment, EAs and support staff were more stable.

School Administrators

Cariboo-Chilcotin's student-to-school administrator (principal and/or vice-principal) ratio is lower than peer and provincial averages. Each school is allocated one principal, resulting in fewer students per principal at remote schools (22 students per principal), whereas the ratio at the remaining schools is higher (169 students per principal).

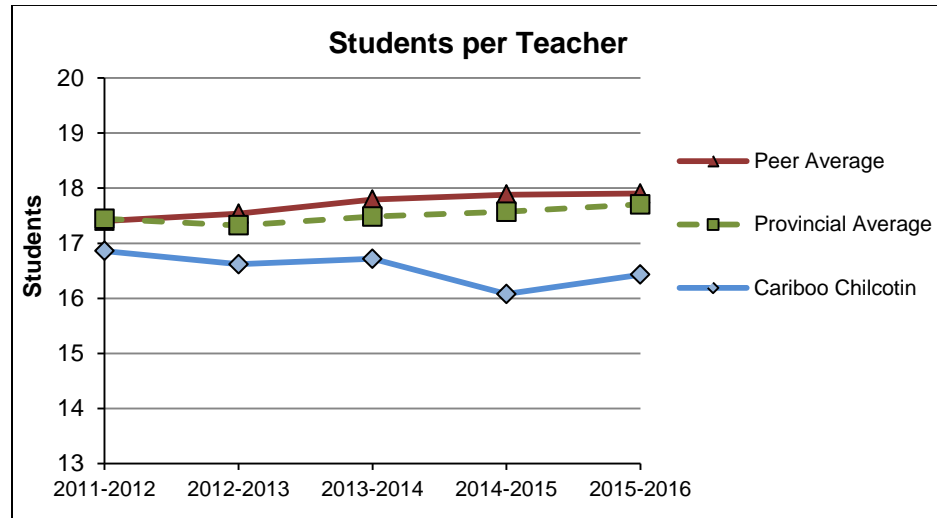


Source: Ministry of Education data

Administrative and instructional time for principals and vice-principals vary, depending on the number of students at each school. For example, in remote schools with low enrolment, instructional duties can make up 90% of a principal's time, with 10% reserved for administrative duties.

## Teachers

In September 2016, half of the District's approximately 550 FTEs were teachers. Student enrolment has declined by 11% since 2011/12, and while Cariboo-Chilcotin has reduced the number of teachers by 8.6% over the same period, the District still has fewer students per teacher than peer and provincial averages.



Source: Ministry of Education data

Remote schools have lower enrolment and smaller class sizes, averaging nine students per teacher. Class sizes in the District's remaining schools are higher, increasing the overall students per teacher ratio.

Recruiting full-time teachers and qualified substitute teachers (Teachers Teaching on Call or TTOC) is noted as the primary human resource challenge facing the District. Currently the District recruits teachers initially from its pool of qualified TTOC. The recent Supreme Court of Canada decision overturning class size limitations is expected to increase demand for teachers across the province, which will intensify recruiting challenges.

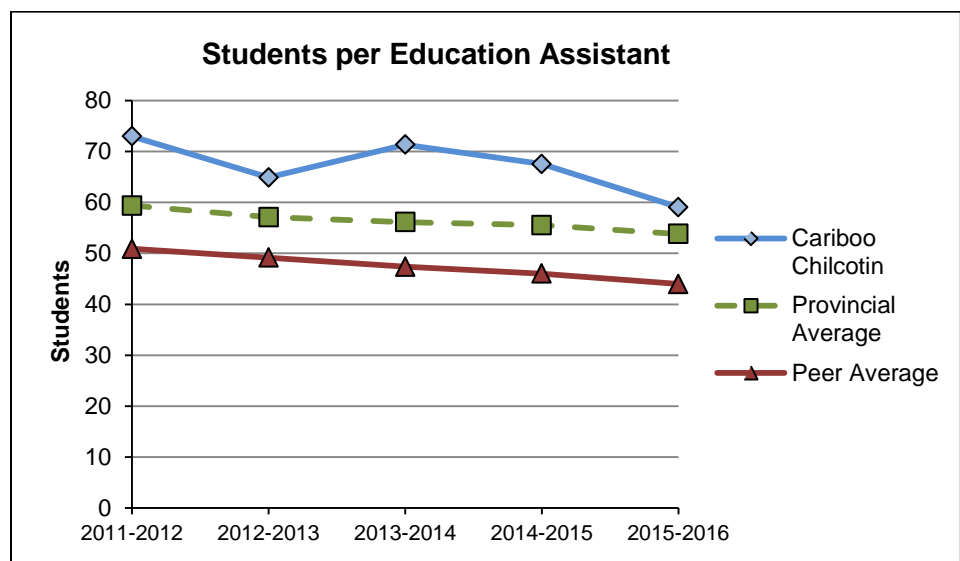
The impact of recruiting challenges is most evident at remote schools where the availability of qualified substitutes is limited. As illustrated in the following table, qualified TTOCs, retired teachers and EAs were only available to cover 65% of the teacher absences in these schools.

Teacher Substitutes	%	
Teachers/TTOC's	65%	32%
Retired Teachers		9%
EA		24%
First Nations Liaison Worker	35%	2%
Non-Certified TTOC		16%
Custodians/Bus Drivers		7%
Parents		10%
<b>Total</b>	<b>100%</b>	

Source: Based on a four-year sample of remote schools provided by Cariboo-Chilcotin

### Educational Assistants

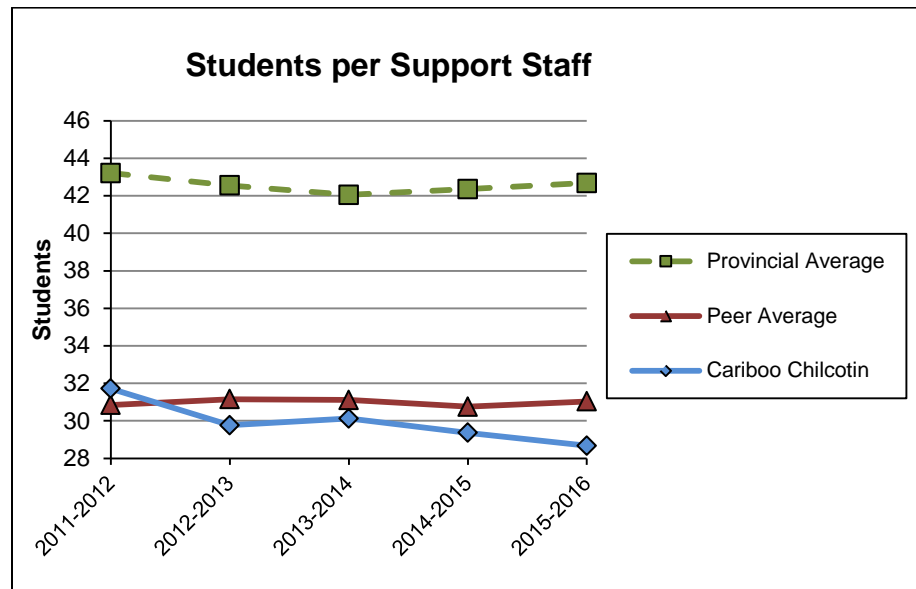
Education assistants work directly with special needs students as well as support teachers in the classrooms. The District allocates EAs based on the level of support needed and the overall number of special needs students. Over the past five years, the District has added seven EAs, bringing the total to 77 in 2015/16. Increasing the total number of EAs lowered the District's students per educational assistant ratio. However, the ratio remains higher than peer and provincial averages.



Source: Ministry of Education data

## Support Staff

Support staff includes maintenance and technology staff, library technicians, clerical assistants and other professionals. In 2009/10 and 2010/11 support staff FTEs were reduced by 14. Since then, these FTEs have remained relatively stable. Due to the continued decline in student enrolment, the students to support staff ratio is now marginally lower than the peer average as illustrated below. These are both lower than the provincial average of 43.



Source: Ministry of Education data

## 1.5 Compensation

The District spent approximately \$45.5 million on salaries and benefits in 2015/16, a decline of 3.8% since 2011/12. This represents 88% of total operating expenditures.

Cariboo-Chilcotin has three employee groups:

1. Excluded management (includes Superintendent, Secretary-Treasurer, directors, managers and school administrators);
2. Teachers; and
3. Support staff represented by the International Union of Operating Engineers (IUOE) Collective Agreement.

Conditions of employment for excluded employees are included in each employee's personal service contract as there is no compensation policy for this employee group. Although the sample of personal service contracts reviewed was in accordance with BC Public School Employers' Association guidelines, implementing an overarching excluded compensation policy would enhance comparability, accountability and transparency.

Teacher compensation is determined by the Provincial Collective Agreement and support staff compensation is prescribed in the IUOE Collective Agreement. The Board determines the Superintendent's base salary, which has not changed in the last five years, and is lower than the peer average.

Extended health and dental benefits available to the District's employees are comparable to the BC public service. However, entitlements for service recognition, vacation, and sick leave increase total compensation.

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Service  
Recognition

Financial service recognition benefit plans are available for IUOE members as well as principals and vice-principals. Total payments to each group over the past five years were \$503,000 and \$475,000, respectively.

After ten years of continuous service, IUOE employees who resign, retire, or are terminated are entitled to two days' pay for each year of service, to a maximum of 50 days. The average payout over the past five years is approximately \$5,600. By comparison, BC public service employees are eligible for a retirement allowance after age 55, ranging from 21.75 days for 20 years of service, to 65.25 days for 30 or more years of service.

Principals and vice-principals are the only excluded employees who receive retirement allowances, with the average payout over the past five years being approximately \$26,000 per person. The Cariboo-Chilcotin Administrator's Association oversees the benefit calculations and disbursements of this plan. While the District funds this plan through an \$80,000 annual contribution, it has no role in determining amounts paid to retiring employees.

The Cariboo-Chilcotin Administrator's Association does not share its payment formula with the District. While the District is accountable for these retiring allowances, the current arrangement prevents them from demonstrating fair and transparent compensation practices.

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Vacation  
Entitlement

Vacation entitlements vary between employee groups and unused vacation time is paid to employees at the end of each year. Total vacation payouts to support staff and excluded employees over the past five years amounted to \$1.1 million.

Excluded employee vacation entitlements vary depending on position, and are described in each personal service contract. On appointment employees at the director level or above receive 30 days of annual vacation. This increases by five days for each three years of service to a maximum of 45 days per year.

In addition to their vacation entitlement, employees at this level may be granted up to an additional 21 days by the Superintendent in recognition of attending weekend and evening Board meetings. These additional days are not paid out if unused, but can be used before regular vacation days which can be paid out if unused.

**Recommendations:**

- (3) **Cariboo-Chilcotin School District should develop and implement an excluded compensation and benefits policy.**
- (4) **Cariboo-Chilcotin School District should address the lack of oversight and transparency over the service recognition program for principals and vice-principals.**

## 1.6 Human Resource Management

Cariboo-Chilcotin does not currently have a formal attendance management system in place. Although the District relies on principals and managers to monitor and manage staff absences, it is not able to provide sick leave usage data to facilitate any analysis. However, software has recently been acquired that allows for attendance management and more in-depth analysis.

IUOE employees who were hired under the previous collective agreement are paid unused sick leave, on a pro-rated basis depending on tenure, at the end of their employment with the District. Over the past five years, these payments totaled \$488,000. This clause has been removed from the current IUOE Collective Agreement.

While there are variances in sick leave eligibility and accumulation rates, there is no limit on total accumulation. Unused sick leave for the District's other employee groups has no cash value. Each group may carry over, accumulate and draw from unused sick leave; however, teachers are able to draw up to 120 days in a school year for the same illness.

The District does not conduct employee performance evaluations, doing so would provide a communication channel for managers and employees to discuss strengths and weaknesses, and encourage improved performance.

### **Recommendations:**

- (5) Cariboo-Chilcotin School District should ensure it has a formal attendance management program.**
- (6) Cariboo-Chilcotin School District should conduct regular employee performance evaluations.**

## **1.7 Procurement**

In 2015/16, Cariboo-Chilcotin purchased \$8.6 million in supplies and services for its schools, trades and capital construction. This included \$2.4 million in procurement through special purpose funds (for example, school generated and learning improvement funds). District managers are responsible for their department's procurement of supplies and services while the finance department oversees the process.

The District's procurement policy was last updated in 2009 and is currently being reviewed. The District advised that it follows its policy however; key documentation was not readily available for a number of the contracts sampled. Missing documentation included evidence of planning, evidence of a competitive process and appropriate justification for directly awarded contracts.

In addition, the District does not have a clearly documented procurement process that includes guidelines for planning, tendering, and awarding contracts. Adequate planning includes an appropriate business case with an assessment of needs and alternatives. Issue resolution and modifying contracts should also be included as part of contract management guidelines. A clearly documented process on awarding and managing contracts should demonstrate fair and transparent procurement practices as well as value for money.



Government's Core Policy and Procedures Manual (CPPM) provides comprehensive procurement guidelines. Following the spirit and intent of the CPPM would provide school districts with a more robust procurement policy and ensure compliance with relevant trade agreements.

School districts have access to group purchasing pricing for goods and services such as school supplies, learning resources, and school buses. While Cariboo-Chilcotin has not established procurement policies in this area, the District takes advantage of group purchasing prices when practical.

The District does not use a purchase order system which could prevent duplicate orders and provide a record of agreed upon prices.

A review of payment timing was conducted on a sample of invoices and concluded that Cariboo-Chilcotin pays its vendors in a timely manner, averaging 22 days from the invoice date.

### **Recommendation:**

- (7) Cariboo-Chilcotin School District should develop procurement policies, procedures and practices which align with the spirit and intent of Government procurement policy.**

## **1.8 Information Technology**

The IT department is responsible for supporting business applications and infrastructure. IT expenses have accounted for an average of approximately \$1.3 million (2% of operating expenses) over the past five years.

Each year, the IT department develops a set of priorities and projects to be undertaken. Although the process to develop these priorities and projects is not fully integrated with overall strategic planning or budgeting, the IT department was recently included as part of the District's monthly budget review process in an effort to ensure sufficient funding for projects. Integrating the IT planning process with strategic objectives, including a structured and documented analysis of technological needs, opportunities and associated risks, would better demonstrate how IT priorities and projects support the District's Strategic Plan.

Business cases are not currently required to support IT projects. A business case should document expected project costs, benefits, and risks to be managed. Requiring business cases is consistent with good procurement practices and the CPPM.

The IT department informally manages technological risks during weekly department meetings. To better manage the IT risks or threats facing the District, management should develop an IT risk register to help them identify, assess and develop strategies to mitigate these risks.

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#### IT Security

While the District has developed some policies on IT security, these are incomplete. Comprehensive IT security policies would outline security standards for users, management and technical staff that access IT resources and confidential data.

There is no structured IT security training program available. Ad-hoc initiatives, such as presentations and consent forms that promote the importance of IT security, are made available to some users. A structured IT security program would help users prevent, detect, and report attacks and issues in an appropriate and timely manner.

Other opportunities to strengthen IT security and management include:

- improving user account management;
- enhancing monitoring and protection of the IT network; and
- improving incident management for tracking IT security incidents, their impact and resolution.

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#### IT General Controls

Cariboo-Chilcotin lacks policies and procedures for several key IT processes, such as change management and data classification. In addition, the District does not maintain a complete inventory of its IT assets or comprehensive system documentation. These policies and documents would improve system security, reliability and asset management practices.

A business continuity plan and disaster recovery plan provides an organization with a roadmap to restart its critical business functions following an emergency or disaster. The District would benefit from developing business continuity and disaster recovery plans to minimize the impact of disruptions on key business areas and to recover key systems.

**Recommendations:**

- (8) Cariboo-Chilcotin School District should ensure business cases are developed to inform key investment decisions and initiatives.**
- (9) Cariboo-Chilcotin School District should ensure that it has comprehensive information technology policies, procedures and practices.**
- (10) Cariboo-Chilcotin School District should develop, implement and periodically test Business Continuity and Disaster Recovery Plans.**

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## 2.0 Facilities

The Facilities Department is responsible for facility planning, maintenance and upkeep of District buildings and grounds, health and safety programs, energy management, and transportation. Operating costs in 2015/16 were \$7.7 million, of which nearly 60% was attributed to salaries and benefits. Over the past five years, departmental expenditures increased by 2.6%, despite a decrease in the number of schools.

Cariboo-Chilcotin school facilities include:

- thirteen elementary schools;
- six elementary-junior secondary schools located in remote communities; and
- two secondary schools.

Other District properties include:

- support services and alternative education centres;
- teacher accommodation in remote areas;
- the administrative and facilities offices;
- six closed schools; and
- additional surplus properties.

School districts are responsible for determining the number of facilities to own and maintain. Each district needs to strike a balance between meeting current and future student needs, minimizing unnecessary costs and ensuring adequate resources while considering community input. Schools in remote, isolated communities become an important element of the community, making closure decisions even more difficult. The significant enrolment declines over the past ten years have resulted in school closures and a re-examination of District facilities.

## 2.1 Facilities Planning

The Ministry's 2016/17 Capital Plan Instructions describe a Long Range Facilities Plan (LRFP) as a comprehensive plan outlining how a district will manage its school facilities to deliver its educational programs.

Following public engagement, and in keeping with Ministry direction, the District developed its LRFP in 2013, which discussed its current state, enrolment projections and challenges for the future. Specifically, the LRFP noted that "only major economic changes in the region would bring about an increase in the school aged population" and recommended closing four schools. These four schools were closed the following year, which according to the District resulted in one-time and ongoing savings of \$1.2 and \$1.1 million, respectively. Subsequently, the District has closed two additional schools.

By closing schools, the District reduced capacity by 1,500 available spaces. This reduction increased the District's overall capacity utilization index to 76%, which is above the 72% average of peer districts.

Within the District there are significant variances in capacity utilization between remote schools that average 24%, and the remaining district schools that average 81%. Despite having smaller facilities, remote schools also have much lower enrolment resulting in these variances.

In 2016, following public engagement, the District published a Rural Plan. The plan recognized low enrolment at rural and remote schools while also acknowledging local concerns. Recommendations included maintaining existing programming and configurations at rural schools, as well as developing mentoring supports and learning communities for teachers and transition support for students.

While the District has successfully implemented recommendations from both plans, it could benefit from reassessing current and long-term facility requirements and updating its LRFP.

## 2.2 Capital Projects and Funding

Capital projects include the purchase of land, construction of new schools, and additions or renovations of existing facilities. These projects begin after approval by the Board and, if necessary, the Ministry depending on the source of funding.

Each year, school districts are required to submit five-year capital plans detailing high priority projects within their districts. Major Ministry funding programs, for which the District is most likely eligible, include:

- School Enhancement Program (SEP). This program is designed to improve the safety and function of schools and extend their useful life. Eligible projects must cost between \$100,000 and \$3 million and may include: electrical and energy, health and safety, mechanical (including heating venting and air conditioning) and roofing upgrades. Funds must be utilized by March 31 of the following school year.
- Carbon Neutral Capital Program. This program is a \$5 million per year province-wide program to provide specific funding to energy-efficient projects that lower a district's carbon emissions.
- Expansion, Replacement, and Renovation projects. These projects must be supported by enrolment projections or facility condition reports.

Since the SEP was created in 2015, all districts in the peer group have received funding for their projects though Cariboo-Chilcotin has not taken advantage of this program as much as it could have. In one of the three years the District did not submit a funding request as it did not identify any projects that could be completed within the required timeline. Having a range of projects, which vary in cost and type, will increase the likelihood that the District could maximize its funding opportunities through the SEP.

In addition to provincial funding, the District can use funds from its local and restricted capital accounts to support capital projects. The total balance of these accounts is \$3.8 million which is \$2.9 million greater than the peer average. These accounts have grown over the past five years primarily due to operating surplus allocations and the sale of surplus school properties. While both accounts have been earmarked for specific projects, the projects are unlikely to progress due to changing cost estimates and lack of additional ministry funding.

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Surplus  
Properties

The District recently listed six surplus properties for sale and sold three for \$437,000. Minimum bids were not received for the remaining three. In addition to the three unsold properties, the District owns other surplus properties. According to the District, these properties have an uncertain market value; however, it is in the process of determining the best course of action.

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Completed  
Capital Projects

Over the past five years, the District completed three major capital projects:

- Peter Skene Ogden Secondary School Additions Project which cost \$1.9 million, funded by Restricted Capital;
- Cataline Elementary Boiler Building Project which cost \$541,000, funded by the Carbon Neutral Capital Program, SEP, and the Annual Facilities Grant; and
- 100 Mile Bus Facility Addition Project which cost \$491,000, funded by the Annual Facilities Grant.

Each project, supported by an engineering report and signed contract, was generally managed in accordance with Ministry capital procurement guidelines.

The process could be improved by conducting post-completion reviews and requiring conflict of interest declarations. Post-completion reviews are recommended best practices as they help identify project goals achieved or missed, and establish lessons learned. Conflict of interest declarations are key to identifying and managing potential conflicts.

### **Recommendations:**

- (11) Cariboo-Chilcotin School District should take advantage of funding opportunities under the School Enhancement Program.**
- (12) Cariboo-Chilcotin School District should develop a plan to address their surplus properties.**
- (13) Cariboo-Chilcotin School District should incorporate conflict of interest declarations and post-completion reviews for capital projects.**

## **2.3 Operations and Maintenance**

The Facilities Department provides operations and maintenance services to school district facilities that include trade and custodial services, health and safety, and energy management.

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### Trade Services

A recently completed long range maintenance plan was developed using consultant reports, Ministry facility condition assessments, and local knowledge. This plan provides the District with a long-term view of upcoming maintenance needs and costs.

A work order system facilitates the management of maintenance jobs, in addition to tracking hours and costs which enable performance monitoring and measurement. In most years, the District processes between 4,000 and 5,000 maintenance work orders.

Formal quality control inspections are not conducted on work orders completed by internal trades. Instead, the District relies on trade certified staff performing their work to applicable standards.



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Custodial  
Services

Custodians are allocated to schools on a square footage basis. Although casual custodians are available to cover absences, there are scheduling challenges due to insufficient numbers of casual workers and from late reporting of absences. Recently the District trialed a "custodial spareboard" whereby two full-time employees are available to cover absences on short notice. Timely reporting of absences has yet to be fully addressed.

The District does not conduct formal quality control inspections of work performed by its custodial staff. Instead, it is incumbent on school staff to report any sub-standard work.

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Energy  
Management

The District's energy usage does not qualify it for BC Hydro and FortisBC funding towards energy specialist salaries. Instead, the District contracts an energy management consultant to:

- establish energy and greenhouse gas reduction targets;
- identify improvement opportunities;
- oversee implementation phases of energy projects;
- apply for energy rebates and other third party funding; and
- manage provincial greenhouse gas and carbon neutral reporting.

While the District has seen a reduction in utilities billing of \$152,000 (10%) since 2011/12, it was not able to demonstrate if the savings were the result of school closures, retrofits or other energy savings initiatives.

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Health and  
Safety

In 2016, the District updated its Health and Safety Plan, which is currently being implemented across the District. The plan requires the District to maintain a Joint Occupational Health and Safety Committee as well as joint committees at schools to communicate health and safety issues to the Joint Occupational Health and Safety Committee. In addition to having third party reviews and inspections, the District conducts various monthly or annual inspections and tests equipment and water quality.

**Recommendation:**

- (14) Cariboo-Chilcotin School District should demonstrate value for money from their energy savings program.**

## 2.4 Transportation Services

The Ministry allocates funding to school districts based on enrolment and unique geographic factors including community size and climate, and residential distances to schools. In 2015/16, Cariboo-Chilcotin received \$4.2 million based on its unique factors. In 2015/16, the District spent \$3.8 million of this funding on student transportation services, of which 73% was for salaries and benefits.

The District provides in-house transportation services to approximately 2,840 students at no charge. In addition, approximately 60 private school students are provided transportation, with each one charged \$36 per month. Cariboo-Chilcotin provides transportation for all students with special needs and students residing more than:

- 4.2 km from their school for Grades K-3; and
- 4.8 km from their school for Grades 4-12.

Average travel time for students is 55 minutes per day; although, it can be up to four hours per day.

Remote schools do not have as wide a range of course offerings due to their low enrolment numbers. To assist students in attending school in a larger center, the District offers a boarding allowance to students whose grade or program requirements are not offered in their home communities.

The District owns and operates 68 buses including 13 spares, the lowest spare bus ratio among its peer districts. Most bus maintenance is provided in-house according to a regular preventative maintenance schedule.

Cariboo-Chilcotin received a total of \$739,000 under the new Student Transportation Funding announced by the Ministry in 2016/17. With this new funding, the District plans to:

- conduct a comprehensive review of its current bus routes;
- add new routes to reduce ride times; and
- restore the budget for the mechanical department.

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## 3.0 Financial Management

Over the past five years, Cariboo-Chilcotin's revenues (consisting of operating, special purpose, and capital fund grants) have averaged \$59.9 million. During that period, operating surpluses have ranged from \$48,000 to \$1.5 million, except in 2012/13, when a small deficit of \$268,000 was incurred.

### 3.1 Operating Fund

The primary source of operating funds for the District is an operating grant from the Province. In 2015/16, the grant was \$50.6 million, which formed the majority of the \$53.9 million in provincial grants received for the year.

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#### Operating Grant

The Ministry determines the total operating funding available to all school districts and allocates this based on a formula driven primarily by student enrolment. The formula includes a basic amount for each student and additional funding for a number of specific circumstances, including each district's unique student needs (for example, students with special needs), salary differential and geographic factors.

Over the past five years, the provincial basic grant per student increased from \$6,784 to \$7,158 whereas the provincial grant supplement for students with unique needs has remained the same. In 2015/16, the District's operating grant included \$5.5 million for students with unique needs, ranging from \$1,195 to \$37,700 per student. The grant also included \$9.8 million for geographic factors and \$3.1 million in funding protection.

School districts with declining enrolment are eligible for funding protection and enrolment decline funding. These programs are in place to assist school districts in maintaining educational services while adapting to lower enrolment levels. For example, while enrolment decreased by 11% over the past five years, the District's operating grant decreased by only 4% due to funding protection.

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#### Other Revenue

In 2015/16, Cariboo-Chilcotin received approximately \$2 million in revenue from a number of other sources including First Nation Bands, facility rentals, tuition fees and interest on investments.

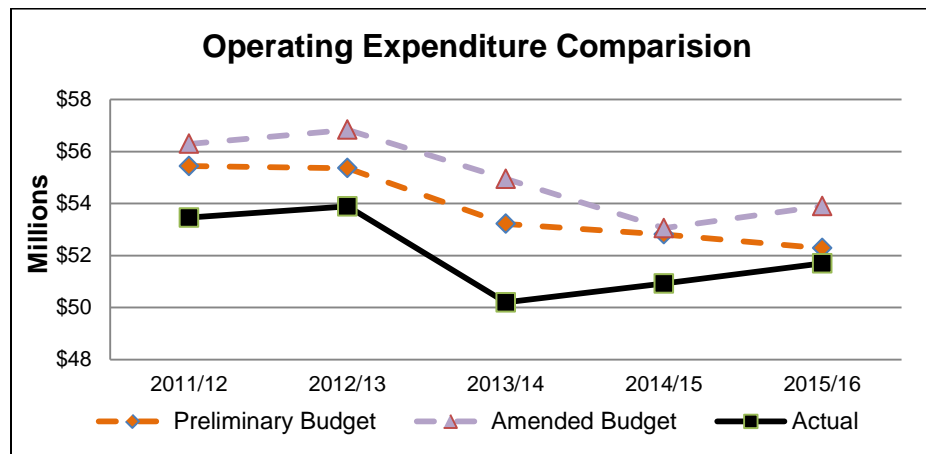
First Nations students who live on reserves and attend public schools are funded by the federal government. Over the past five years, Cariboo-Chilcotin's revenue from First Nation Bands has ranged from \$918,000 to \$1.7 million per year.

Revenue from facility rentals and leases have averaged \$122,000 per year over the past five years. The District also has a joint use agreement with local governments and a university to allow the parties priority use of available facilities. Annual investment income averages \$112,000.

### 3.2 Operating Expenditures

Approximately 88% of Cariboo-Chilcotin's operating expenditures consist of salaries and benefits, with the remaining expenditures including items such as supplies and services.

The graph below shows the trend of Cariboo-Chilcotin's operating expenditures over the last five years. During that period, operating expenditures were consistently lower than the preliminary and amended budgets by a variance of 3% and 5%, respectively.



Source: Ministry of Education data

Cariboo-Chilcotin has developed policies and procedures to incorporate best practices in their financial management activities. The District's travel policy is comparable to the BC public service's policy with minor exceptions. Travel, meetings and career development expenses reviewed were generally found to be supported, reasonable and in line with the District's policy.

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Administrative  
Savings Plan

In February 2015, the provincial government directed school districts across the province to find \$54 million in annual administrative savings by June 2017. Cariboo-Chilcotin's portion amounted to \$571,000 (\$311,000 in 2015/16 and a further \$260,000 in 2016/17). The District is on track to meet its savings target over the two years.

In May 2016, the Ministry announced that the administrative savings of \$25 million for 2016/17 would not be deducted from the operating grants, allowing school districts to use the savings at their own discretion.

### 3.3 Accumulated Surplus

An accumulated surplus is the amount by which a school district's assets (financial and non-financial) exceed its liabilities and includes both operating and capital surpluses. School districts are able to carry unused funding from one year to the next in the form of accumulated surplus for use in the future to offset an operating shortfall (deficit).

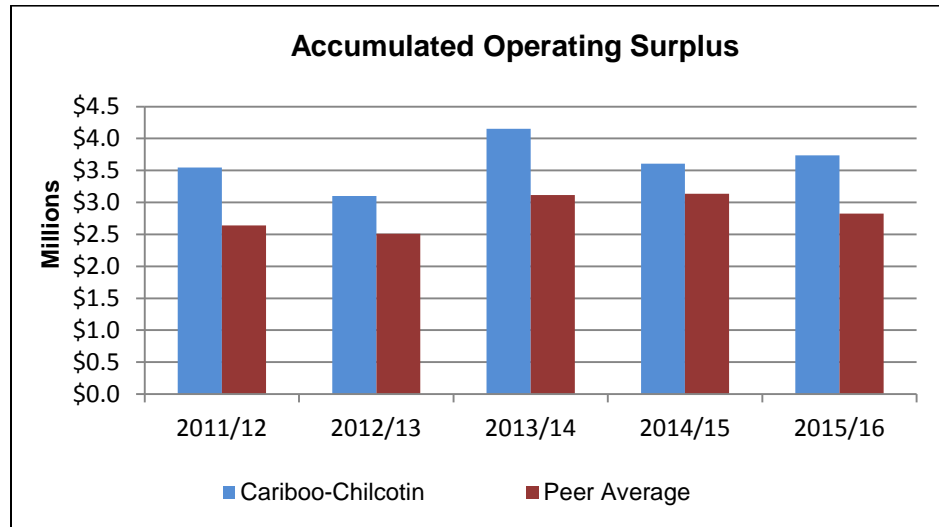
As of June 30, 2016, Cariboo-Chilcotin's accumulated surplus was \$23.3 million, comprised of \$3.7 million in operating surplus and \$19.6 million in capital surplus.

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Accumulated  
Operating  
Surplus

An operating surplus is the amount by which a district's revenue exceeds expenses in a given year. Historically, the District has transferred a portion of the operating surplus to its local capital, internally restricted operating and unrestricted operating funds.

Over the past five years, Cariboo-Chilcotin's accumulated operating surplus increased by 5% from \$3.5 million to \$3.7 million, while the peer average increased by 7%. The \$1.1 million increase in 2013/14, was primarily due to savings from the job action that occurred during that year. As shown in the graph below, the District's accumulated operating surplus has been consistently higher than the peer average.



Source: Cariboo-Chilcotin data

The Ministry currently does not set a specific percentage that each school district should maintain as an accumulated operating surplus. It is up to each school district to determine the amount that best meets its specific needs and circumstances. The District advised that its goal is to maintain an operating surplus of \$2 million (approximately 4% of operating expenses). At the end of 2015/16, the District's accumulated operating surplus was 7% of operating fund expenses, slightly higher than the peer average (5%).

Accumulated Capital Surplus

The District's capital surplus is made up of two categories: tangible capital assets (for example, land, buildings and vehicles) and local capital (funds that are internally restricted for future capital asset purchases). As of June 30, 2016, the District had \$17.9 million in tangible capital assets and \$1.7 million in local capital.

Cariboo-Chilcotin's local capital surplus has increased from \$0.1 million in 2011/12, to \$1.7 million in 2015/16.

### 3.4 Budgeting and Forecasting

The budget development process follows Ministry prescribed instructions and templates.

School districts can apply their accumulated operating surplus against a budgeted deficit for the year; however, they may not develop a budget resulting in an accumulated deficit without approval from the Minister of Education. In each of the last five years, the District has applied accumulated operating surplus against a budgeted operating deficit.

The budgeting cycle begins in February when each school district submits its estimated student enrolment for the following school year to the Ministry. Based on these estimates, each school district is advised in March of the projected funding it will receive. Preliminary budgets are approved by school district boards and submitted to the Ministry by June 30. The budget is amended once per year in February and approved by the Board.

Aside from the funding allotment and providing instruction manuals and templates, the Ministry's role in the budgeting process is limited. Support is available to ensure the templates are completed correctly, but it is up to each school district and board to develop, approve and monitor its own budget.

Cariboo-Chilcotin does not have written policies or procedures on budget monitoring. However, starting in February 2017, the District began to formalize its budget monitoring process by requesting written explanations for budget variances from department managers and administrators. As well, every two months, the Secretary-Treasurer presents the Board with major budget issues identified, such as cost pressures and savings. However, this reporting does not include a detailed budget variance analysis.

The District does not allocate its current year's operating surplus when developing the upcoming year's preliminary budget in March, as the year is not complete at that time. Rather, funds from the accumulated operating surplus are allocated the following February when the amended budget is prepared, resulting in funds not being fully utilized in the time remaining before the end of the year.

For more certainty in developing the preliminary budget, the District should allocate the prior year's known surplus, which would allow a full year to utilize the funds.

Cariboo-Chilcotin can also benefit from aligning the budget, including program spending, more directly with its strategic goals. Alignment with strategic goals would help ensure that the District prioritizes its resources effectively.

Historically the District has not created long-term financial forecasts but does develop a three-year forecast of student FTE enrolment on which revenue projections are based.

### **Recommendations:**

- (15) Cariboo-Chilcotin School District should strengthen its budget monitoring practices.**
- (16) Cariboo-Chilcotin School District should improve its budgeting practices to better utilize operating surpluses.**
- (17) Cariboo-Chilcotin School District should implement regular long range budgeting that aligns with its strategic plan.**



## Appendix 1 – Summary of Recommendations

1	Cariboo-Chilcotin School District should ensure that integrated strategic planning is implemented across the organization.
2	Cariboo-Chilcotin School District should implement a formal risk management plan.
3	Cariboo-Chilcotin School District should develop and implement an excluded compensation and benefits policy.
4	Cariboo-Chilcotin School District should address the lack of oversight and transparency over the service recognition program for principals and vice-principals.
5	Cariboo-Chilcotin School District should ensure it has a formal attendance management program.
6	Cariboo-Chilcotin School District should conduct regular employee performance evaluations.
7	Cariboo-Chilcotin School District should develop procurement policies, procedures and practices which align with the spirit and intent of Government procurement policy.
8	Cariboo-Chilcotin School District should ensure business cases are developed to inform key investment decisions and initiatives.
9	Cariboo-Chilcotin School District should ensure that it has comprehensive information technology policies, procedures and practices.
10	Cariboo-Chilcotin School District should develop, implement and periodically test Business Continuity and Disaster Recovery Plans.
11	Cariboo-Chilcotin School District should take advantage of funding opportunities under the School Enhancement Program.
12	Cariboo-Chilcotin School District should develop a plan to address their surplus properties.
13	Cariboo-Chilcotin School District should incorporate conflict of interest declarations and post-completion reviews for capital projects.
14	Cariboo-Chilcotin School District should demonstrate value for money from their energy savings program.
15	Cariboo-Chilcotin School District should strengthen its budget monitoring practices.

## Appendix 1 – Summary of Recommendations (continued)

16	Cariboo-Chilcotin School District should improve its budgeting practices to better utilize operating surpluses.
17	Cariboo-Chilcotin School District should implement regular long range budgeting that aligns with its strategic plan.