

JeffcoNet

I believe that Jeffco schools staff committed organizational fraud by transferring the funding for the JeffcoNet project from Capital Reserve Fund into the Capital Improvement Program. I do not disagree that Jeffco can do that, but in the absence of a specific Board vote or District policy allowing this movement, this transfer appears to be fraudulent and needs to be addressed.

In October 2019 the Board of Education specifically voted for JeffcoNet project costs to come from the Capital Reserve Fund, not the Capital Improvement Program. Yet, more than \$21M in costs are now included in the CIP.

At the October 10, 2019 meeting the Board passed Agenda item (7.11) awarding a \$36M contract for the construction of a district fiber network. This agenda item stated that 60% (or \$21.6M) of the funding for this contract would come from the **'Building Fund Capital Reserve'**.

4. Approximately 60 percent of the funding is provided through the Building Fund Capital Reserve while the remaining 40 percent will come from the Information Technology budget and grant funded (Colorado Department of Local Affairs (DOLA) and Building Excellent Schools Today (BEST).

The funding source for this project was distinctly different from 2 other capital projects at Green Mountain HS and Wilmot ES (items 7.13 and 7.14) that appeared on the agenda that evening. These agenda items specifically stated that their funding would come from the **2018 Capital Improvement Program**.

9. Funding for the work is the 2018 Capital Improvement Program. This is a one-time capital investment without ongoing costs. MOA Architecture is a Denver based company.

There was a very clear differentiation in funding sources.

Two years later, in a presentation on October 20, 2021, Executive Director of Facilities Tim Reed showed the Board a list of potential projects for the use of the remaining bond program premium. JeffcoNet, or IT Fiber Project, was included on this list at a cost of \$14.6M.

2018 CAPITAL IMPROVEMENT PROGRAM – FINANCIAL STATUS 9/30/2021

Unallocated Reserve Projects Overview

FNS Central Kitchen	\$	40,000,000
Fletcher Miller Replacement	\$	25,000,000
South Area Athletic Complex	\$	25,000,000
IT Fiber Project	\$	14,600,000

It was interesting to note this project on the list of unfunded projects since the expectation should have been that there was sufficient funding in the Capital Reserve Fund when the Board approved the project in October 2019.

Then, at the February 9, 2022 Board Study Session, the amount needed for the IT Fiber Project had been reduced to \$5.4M.

2018 CAPITAL IMPROVEMENT PROGRAM – FINANCIAL STATUS 12/31/2021

Unallocated Contingency Projects Overview*

FNS Central Kitchen	\$	40,000,000
Fletcher Miller Replacement	\$	25,000,000
South Area Athletic Complex	\$	25,000,000
Building Additions	\$	12,000,000
District Wide IAQ Project	\$	8,500,000
Conifer HS Auditorium	\$	6,000,000
IT Fiber Project	\$	5,400,000

What happened in the meantime?

At the January 2022 CAAC meeting the financial report suddenly showed a \$14.6M Network Upgrade project with an Original Budget of \$0. This means that it wasn't originally included in the list of bond projects. This project line item had not previously appeared on the report.

G DW Network Upgrades 2022 75-ES 13-MS 12-HS 18-Other	Construction	20%	\$0	\$14,600,000	\$14,600,000	\$0	BD
--	--------------	-----	-----	--------------	--------------	-----	----

And, upon closer examination, the CAAC's financial report had been showing a similar, but funded, Network Upgrade project with a cost of \$7M.

H DW Network Upgrades 75-ES 13-MS 12-HS 18-Other	Construction	100%	\$7,000,000	\$7,000,000	\$0	\$0
---	--------------	------	-------------	-------------	-----	-----

The total cost of these two projects totaled \$21.6M. This is the exact same amount for JeffcoNet that should have been funded from the Capital Reserve Fund when the Board initially approved it. It appears that it is now being fully funded by the CIP.

To recap, the Board voted on an agenda item which stated the funding for this project should come from the Capital Reserve Fund, yet somehow, without public Board discussion or authorization, the complete \$21.6M made its way into the Capital Improvement Program.

To make matters worse, the line from the CAAC report above shows a note of 'BD' implying to the CAAC that the addition of this project to the program was 'Board Directed'. That does not appear to be the case and is deceptive.

Again, while I do not disagree that Jeffco has the ability to add and delete projects from the Capital Improvement Program, I do believe that it is fraudulent to move the funding for a project that the Board explicitly directed to come from the Capital Reserve Fund into the CIP without Board approval. The Association of Certified Fraud Examiners would call this 'Internal Organizational Fraud' or 'Occupational Fraud'.

What this does is destroys trust. The Board can no longer trust District leadership to carry out their directions and instructions and the public can no longer trust anything the Board says or directs.

I am requesting that the Financial Oversight Committee initiate an independent external investigation of the the transfer of this project from Capital Reserve to the Capital Improvement Program which clearly violated the Board's vote.

Robert Greenawalt
303-335-9806