

Financial Cost Management and Governance Review of the Calgary Board of Education

Pursuant to Section (70)(1) of the *Education Act and Public Inquiries Act*

Prepared for the Minister of Education
Government of Alberta

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Executive Summary

Alberta Education remains committed to ensuring school boards provide high-quality educational programming to their students and recognizes that many factors contribute to school board success. In order to ensure this commitment and pursuant to Sections 70(1) and 33(h) and (i) of the Education Act, Shane Troyer, Partner with Grant Thornton LLP and Grant Thornton LLP (“Grant Thornton”) was appointed to review the financial and administrative condition of the Calgary Board of Education (CBE).

The scope of our review included Governance and Financial Cost Management with a focus on:

- Board procedures, related governance practices and decision making
- Effectiveness of financial management and internal control processes
- Funding and allocation of resources including program delivery costing
- Control of public information
- Specific cost centres including head office lease options, plant operations and maintenance including student transportation costs, staffing levels and related compensation, procurement, and instructional program cost management.

Overall, the findings are indicative of an organization that has undergone turmoil at the governance level with a focus on process over function and a short-term view of financial sustainability. This said, at the operational level of financial management we found many examples of strong financial processes and controls along with some areas for which we have provided recommendations for improvement. Our recommendations are provided throughout our report to assist the CBE to further mature governance processes and address potential weakness in financial control. Key observations are as follows:

- The CBE has deployed a Policy Governance Model designed to clearly differentiate the roles of Management and the Board of Trustees with full delegation to the Chief Superintendent. The Board primarily asserts its oversight role over the financial management of the CBE through Operational Expectation Policies and holds the Chief Superintendent accountable for compliance with those policies through assessment indicators. In general, these assessment indicators currently lack key aspects of accountability for financial risk management and overall value for money of program expenditures and it is currently unclear how the future financial sustainability of program delivery is considered within policy or assessment indicators.
- Going into the 2019/20 budget year the CBE had \$9 million (or 0.7% of annual budget) in uncommitted operating reserves at a time of financial uncertainty following the election of a new government. Operating Reserves were being drawn down to supplement unfunded program delivery. Other Alberta School Districts averaged reserves of approximately 4% of annual budget at that time. While this level of operating reserves had been listed as a high risk to the CBE within annual Budget Assumption Reports prepared by Management, no actions were undertaken to ensure that reserves were re-instated to an appropriate level based on the size of the overall CBE Budget.
- At this time the CBE Board of Trustees does not have what would generally be considered a “financial expert” or anyone with significant financial or operational risk management experience or skill-sets serving on the Board. There is an opportunity to utilize the external members of the Audit Committee to supplement the need for those skill-sets in providing effective oversight over financial risk management. We note that the current compliment of external Audit Committee Members already includes members with financial risk management and control experience and training. These individuals, or others brought on to the Audit Committee, can provide significantly more value to the CBE than what is contemplated within the currently defined purpose of the Audit Committee.

- The function of any governance model relies on the ability of the Board to come together as an effective decision-making body with trusting relationships (or at least no distrust) developed between the individual Trustees. Where trust is not present, or is lost, a policy-based governance framework can be deployed in a manner which stifles communication and the sharing of information or other points of view. In our view this has resulted in the CBE Board of Trustees becoming excessively focused on internal process related matters and policy interpretation rather than the strategic matters at hand (form over substance). There are opportunities to address this going forward with additional maturity built into governance practices and the overall policy governance framework.
- In general, we note that CBE's custodial, maintenance, IMR, and planning and administration costs are not out of line with the other Metro School Boards in Alberta. We also note that improvements were made by CBE (i.e. costs have been reduced) from 2017 to 2019.
- The CBE entered into the Education Centre lease agreement in 2006 with an occupancy commencement date of March 2011. Currently, the CBE is in year nine of the 20-year lease and is paying \$47 per square foot (PSF) with rates increasing at 2.5% per year, while current average market rates for similar buildings in Calgary are approximately \$16 PSF to \$20 PSF or lower. Two options (status quo or building purchase) were put before the Board by Management. As made clear to the Board, the financial models and analysis used by Management to support their recommendation to purchase the Education Centre relied heavily on forecasting variables (interest rates and lease rates) that can vary significantly over the long-term. Future Board submissions and analysis in support of potential cost savings associated with the Education Centre lease should consider additional options such as the sub-let of portions of the Education Centre and the potential re-allocation of staff to existing CBE buildings as future market opportunities are identified, along with a fulsome analysis of risk and potential risk mitigation plans.
- CBE is currently on the higher end of efficiencies as compared to other school jurisdictions with respect to custodial staffing costs. CBE is ranked third out of 13 school jurisdictions included in comparative data provided by CBE, with 2,361 square metres covered per in-house FTE custodial worker.
- In 2016 recommendations relating to exempt salary ranges were made to the Board based on a market analysis conducted by the Hay Group. The recommendations were approved in 2016 for exempt staff and in 2017 for executives with the Board approving a reduction to the range maximums for all but the lowest pay band. Seven individuals whose salaries exceeded the maximum of the range were "red circled" at their existing salary until such time as any new salary range exceeded their salary or they were promoted. While salary ranges have been frozen since they were implemented, the economic climate has changed significantly since that time. CBE should engage an independent third party to perform an updated salary survey to ensure that salary ranges take the current economic climate into consideration.
- Procurement practices were in general found to be appropriate to address related risks. However, there are opportunities to ensure that appropriate documentation is maintained on file in case of legal challenge and that key policies are consistently followed.

We would like to thank the Trustees, Management and Staff of the CBE for their assistance in completion of our review.

About the Review

Background

Alberta Education remains committed to ensuring school boards provide high-quality educational programming to their students, and they recognize that many factors contribute to school board success. In order to ensure this commitment and pursuant to Sections 70(1) and 33(h) and (i) of the Education Act, Shane Troyer, Partner with Grant Thornton LLP, and Grant Thornton LLP (“Grant Thornton”) was appointed to review the financial and administrative condition of the Calgary Board of Education (CBE).

Overview of CBE

CBE is one school system educating more than 121,000 students in over 245 schools. More than 14,000 employees work together to provide learning as unique as every student. Their work is guided by a Three-Year Education Plan, which connects each CBE employee to student success.

Mission

Each student in keeping with their individual abilities and gifts, will complete high school with a foundation of learning necessary to thrive in life, work and continued learning.

Values

- Students come first – CBE believes that everyone can learn. Each student is unique and worthwhile. “We acknowledge, recognize and celebrate the diversity of our learners. Success for each and every student is the goal of our work.”
- Learning is the central purpose – CBE believes that learning empowers students to achieve their potential. Attention to continuous improvement, high expectations, innovation and relationships will enable all students to reach their potential. Student learning is at the heart of everyone’s work at the Calgary Board of Education.
- Public education serves the common good - Public education is essential for a vibrant democracy. The principles of democracy drive our accountability to the public and the public’s participation in our work. Our school system is owned by and accountable to Calgarians and therefore, the Calgary Board of Education is accountable to Calgary taxpayers for using resources wisely to meet students’ learning needs.

Community

Public education is a shared responsibility. With students, families, employees, partners and communities, the CBE works together every day to build positive learning and working environments because when students succeed, communities’ benefit. “Together, we all make a difference.” The CBE is fortunate to have relationships with many organizations and businesses in Calgary and Alberta. These relationships are varied in the ways that they help to support education and student success.

Leadership

The CBE is guided by an elected board of seven trustees. Trustees are elected every four years during the municipal election along with Calgary’s mayor and councilors. Day-to-day operations are led by a team of superintendents who are responsible for meeting the expectations of the Board of Trustees as set out in the Board’s Results policies and Operational Expectations.

Policies and Regulations

Governance Policies - The Board of Trustees has a set of policies called Policies and Operational Expectations that enables it to govern and monitor the outcomes and operations of the CBE. The Results are the Board’s expected outcomes for all students. Operational Expectations explain the responsibilities and work of the Chief Superintendent.

Administrative Regulations - The Chief Superintendent has policies called Administrative Regulations that guide every aspect of school and service unit operations. These include all aspects of our school system such as student registration, nutrition in schools and how much homework is appropriate for different grade levels.

Purpose, Scope and Objectives

The purpose of this review was to:

- Examine and inspect the financial management processes, internal controls, expenditure of funds and the organizational and governance structure including the overall administration and operations of CBE; and
- To provide an in-depth look at how decisions are being made within the Board of trustees, its governance and the level and quality of information that is being provided by administration to the Board to make decisions.

The scope of this review included:

Governance of CBE

- Effectiveness and independence of financial management and internal control processes;
- Effectiveness of the CBE organizational structure;
- Board procedures with respect to:
 - The use of Alberta Educational funding and allocation of resources
 - The delivery of the educational programs and cost to deliver such programs
 - The decision-making process of the Board of Trustees including information provided in support of decision making, as well as the timeliness, appropriateness, relevance, completeness and accuracy of such information;
- Interaction with the media, the control of all public information including financial and programming information, public relations and release of information to the media;

Financial Cost Management

- Effectiveness of the Board's oversight of financial cost management processes;
- Business operations and appropriate use of funding for related programs and whether there is evidence to indicate, based upon the financial review, that the Board or administration used Alberta Education grant money in the most effective manner;
- Options on the current lease agreement of the CBE central office building;
- Plant operations and maintenance and student transportation cost management process;
- The nature of the allocation model to schools and central departments and the use of grants for the purposes intended to determine if the Board is maximizing the benefits of the resources allocated to schools;
- Staffing levels and changes in staffing levels including compensation for all central departments;
- Cost management processes related to contracted services, focusing on fair market value and the volume of expenditures related to the normal course of business;
- Instructional programs focusing on types and location of programs, as well as cost management processes to deliver these programs; and other issues as deemed appropriate.

Period under Examination

Our review was focused on the 12-month period ending December 31, 2019 and related governance and financial management processes and procedures deployed during that time.

Restrictions and Limitations

This report was prepared for the Minister of Education in regard to the review the financial and administrative condition of the Calgary Board of Education.

This report is not to be used for any other purpose and we specifically disclaim any responsibility for losses or damages incurred through use of this report for a purpose other than as described herein. It should not be reproduced in whole or in part without our express written permission, other than as required by the Government of Alberta.

We reserve the right, but are under no obligation, to review and/or update information included in or referred to in this report and, if we consider it necessary, to revise our findings in light of any information that subsequently becomes known to us following the date of our report.

This report has been prepared by Shane Troyer, Partner, with the assistance of Grant Thornton professionals and other subject matter experts, acting independently and objectively. We certify that our compensation for the preparation of this report is not contingent on any action or event resulting from the use of this report.

Approach and Methodology

Our approach and overall methodology were delivered in four key phases:

- 1 Planning and information gathering**

Planning is the first and most important phase of our approach and is critical to successful project delivery. First, we organized a planning meeting and initial interviews with members of the Board of Trustees, key management, and other staff, to ensure a complete understanding of any concerns, challenges, or complexities, in addition to confirmation of inquiry scope, timing communications and deliverables. Please see Appendix A for a full listing of those interviewed as part of our review.
- 2 Control environment and risk assessment**

A strong control environment is key to ensure that employees are aware of the importance of risk management and internal controls. It reflects the tone set by Senior Management and the overall attitude, awareness, and actions of the Board of Trustees, management, and others concerning the importance of risk management and internal control, and the emphasis placed on control within policies, methods, and organizational structure. Our risk assessment process identified and/or validated specific areas of potential higher risk to the CBE. Following our risk assessment process, we were able to focus our analysis on higher risk areas of concern.
- 3 Analyse and Investigate**

At this stage, we analysed transactions and performed other review procedures. This included testing transactions using a sampling approach and judgementally reviewing supporting documentation. Our sample selection was based on the risk assessment performed in Phase 2 above, allowing us to focus more on areas that are identified as being higher risk.
- 4 Report and Recommendation**

Our deliverables included meetings with Alberta Education and the CBE to discuss preliminary findings and observations. A draft report, inclusive of a focussed executive summary and detailed analyses, were provided to the Minister for comment. A final report was provided to the Minister including recommendations for improvement within the CBE financial management processes, internal controls, expenditures, and overall governance framework.

As part of our review we sought input from two subject matter experts to gain insight into best practices with respect to governance and financial risk management at other School Districts.

Detailed Findings

As previously indicated our review was focused in two separate but interrelated areas; Governance and Financial Cost Management:

Given the interrelationships between these scope components we have further defined these areas of focus as follows:

1. Governance – The processes in place at the Board level to enable effective and efficient strategic decision making and appropriate due diligence by the Board of Trustees in fulfilling their oversight role.
2. Financial Cost Management – The processes, procedures and financial controls in place to ensure funds are appropriately expended and accurately reported in support of the strategic objectives and approved budget of the Board of Trustees.

1 Governance

Overview

The CBE has deployed a Policy Governance Model designed to clearly differentiate the roles of Management and the Board of Trustees. Inherent to this model is the delegation of everything that the Board is responsible for to the Chief Superintendent with the exception of the following that cannot be delegated under the Education Act:

- the power to make a bylaw under this Act,
- the power to close a school or school building under section 62,
- the power to requisition from a municipality that the board may have from time to time, or
- the power to hold a hearing under section 212.

As such the role of the Board of Trustees at the CBE is primarily that of oversight and due diligence in relation to that oversight. The Board defines that oversight role for the Chief Superintendent through the issuance of Operational Expectation (OE) Policies as follows:

- OE-1 Global Operational Expectation
- OE-2 Learning Environment/Treatment of Students
- OE-3 Instructional Program
- OE-4 Treatment of Employees
- OE-5 Financial Planning
- OE-6 Asset Protection
- OE-7 Communication With and Support for the Board
- OE-8 Communicating With the Public
- OE-9 Facilities

The Board primarily asserts its oversight role over the financial management of the CBE through OE-3 Instructional Program, OE-5 Financial Planning, OE-6 Asset Protection, and OE-9 Facilities. The Operational Expectations Policies identify that *“The Board of Trustees believes that prudent financial planning and management are essential for student success and public confidence”* and provides the following key directives to the Chief Superintendent:

“The Chief Superintendent shall:

- 3.1 Plan for and provide challenging, relevant and high-quality programming opportunities that consider the educational needs of students, the choices of families, and the fiscal and operational capacity of the organization.
- 3.4 Provide safe and reliable transportation services that consider the learning needs of students, the choices of families, and the fiscal and operational capacity of the organization.
- 5.2 Develop a budget that:
 - a. is in a summary format understandable to the Board and presented in a manner that allows the Board to understand the relationship between the budget and the Results priorities and any Operational Expectations goals for the year as set out in the Annual Summative Evaluation; and
 - b. avoids fiscal jeopardy.
- 5.3 Ensure prudent financial management that does not materially deviate from the budget.
- 5.4 Ensure that prior board approval is received for all expenditures from reserve funds and for all transfers between operating reserves, capital reserves or committed operating surplus.
- 6.5 Properly maintain, adequately protect and appropriately use all organizational assets.
- 9.3 Utilize Board-approved prioritization criteria to ensure the effective and efficient use of capital funding and demonstrate responsible stewardship of resources”.

Under OE-3 - the Chief Superintendent documents his interpretation of the fiscal and operational capacity aspects of the OE to mean:

- the amount of economic resources available to the organization considering the bounds of legislation and generally accepted accounting principles; and
- the ability of the CBE to provide adequate resources within the funding provided and revenue collected.

Our review of assessment criteria (or indicators) for OE-3 which were contemplated as part of the monitoring report issued to the Board on January 7, 2020 identified only one assessment criteria that could be linked back to financial management or value for program spend. This was assessment criteria #3 – “Transportation services provided by the CBE balance the cost of providing the service with the grants received from the province and revenue generated through fees through a balanced budget”. This assessment criteria were assessed as non-compliant as a result of a \$5.3 million program deficit.

OE-5 financial planning includes four key components; (1) budget is developed, (2) avoids fiscal jeopardy, (3) ensures prudent financial management that does not deviate from the budget, and (3) prior Board approval is received for all expenditures from reserve funds and for all transfers between operating reserves, capital reserves or committed operating surplus. Such assessments are included within annual monitoring reports reviewed by the Board on an annual basis and are the key points of focus for the Board in their oversight role. Key indicators of compliance used in the assessment of OE-5 are as follows:

- A Budget Assumptions Report that reflects the Board’s values and identifies the critical and relevant factors impacting the development and balancing of the budget
- A Budget Document that reflects this interpretation is presented to the Board.
- Quarterly variance reports will be presented reflecting the materiality interpretation
- All use of reserve funds will occur with the prior approval of the Board of Trustees

Within the interpretation document prepared by the Chief Superintendent for OE-5 the term “Avoid Fiscal Jeopardy” is defined as - “to take steps to mitigate the risks associate with the inability of the organization on an ongoing basis to continue to operate and meet statutory obligations”. It is notable that there are no assessment indicators present with respect to fiscal jeopardy or this interpretation definition. Our review of the annual monitoring for OE-5 issued to the Board on January 8, 2019 found that the Chief Superintendent was compliant with all aspects of OE-5 based on the indicators deployed.

It is currently unclear to us if this OE applies to only the current fiscal period and related budget or to future fiscal periods as well. What we do know is that there are no specific indicators within the monitoring conducted over OE-5 that relate to longer term fiscal jeopardy or overall financial risk management beyond consideration of the current budget year. The risks associated with continuing operations and meeting statutory obligations within any one fiscal period is much less challenging than trying to assess future risk events that could jeopardize program delivery while building contingencies into budget planning to address the potential impact and likelihood of those potential risk events. If the Board has delegated the budget process (other than receipt and approval) and only retains responsibility for the use of reserves, then perhaps the Board is providing oversight over potential fiscal jeopardy through oversight of reserve draws as there are no other assessment indicators linked to this objective. This is discussed in additional detail below under Appropriateness of Reserve Levels.

In general, assessment indicators currently lack key aspects of accountability for financial risk management and overall value for money of program expenditures and it is currently unclear how the future financial sustainability of program delivery is considered within policy or assessment indicators.

It is important that operational expectations be further defined to ensure that the scope of fiscal jeopardy and the related risks determined to be within the scope of Board oversight (and related assessment indicators) are clearly understood by the Board of Trustees, the Chief Superintendent and Alberta Education so that expectations in this regard are aligned.

Recommendations

- 1. Consider revisiting OE-3 and related indicators to include considerations for value received from investments in program spend to ensure continued investment is supported within the context of value for money and overall financial capacity.*
- 2. Expand the OE-5 interpretation document to clearly identify whether operational expectations include the need to mitigate risks to the future ability to sustain operations meeting statutory obligations or if this interpretation only contemplates each individual budget year.*
- 3. Update the indicators for OE-5 monitoring to include consideration of short and longer-term fiscal jeopardy and overall financial risk management.*

Financial Sustainability

Government funding models function on an annual (or fiscal) basis. Within this model all public sector entities including the CBE are challenged in balancing two competing objectives:

1. Ensuring that funding provided is used to maximum effect; and
2. Ensuring the sustainability of public sector program delivery.

In a situation where significant reserves are put aside to ensure longer term sustainability there will likely be questions from the public and Alberta Education as to why substantially all available funding has not been deployed for the benefit of students within any given year. Alternatively, where reserves are not maintained at a sufficient level the CBE may be unable to absorb short term fluctuations in funding as a means of providing sufficient time to scale program delivery to match the current budget allocation.

Our interviews with CBE management and with members of the Board identified in general the perspective that budgets should be expended to maximum effect in each year of allocation. It was also identified by CBE that the key financial risk to the CBE is the funding allocation from Alberta Education. This might indicate that it is the perception of the Board that it is up to Alberta Education to manage financial risks associated with sustainable program delivery rather than that of the CBE.

This view, in part, may have led to what could be described as the perfect storm for CBE in 2019/20 where a number of factors combined to require action by CBE in order to avoid what might be described as fiscal jeopardy.

1. At the end of fiscal 2018/19 the CBE had operating reserves of \$21 million with all but \$9 million already committed to ongoing projects (\$7 million) and in supplementary funding for programs in 2019/20 (\$5 million) beyond what was believed at the time would be a status quo budget similar to 2018/19.
2. Capital reserves had steadily eroded since 2015/16 as a result of the need to fund costs associated with making 20 new schools operational. Funding removed from capital reserves for new school infrastructure totaled \$19.8 million from 2015/16 to 2018/19 and was one of the key factors resulting in capital reserves being reduced from \$39.2 million in 2015/16 to \$15.9 million in 2018/19.
3. The budget for fiscal 2019/20 was not passed until October 2019 and was not consistent with budget assumptions made by the CBE that funding would be in line with 2018/19 funding.

As Capital reserves are generally not available to fund ongoing operations this left the CBE with only \$9 million in reserves available to address risks implicit within the budgeting model or other emergency funding needs.

While hindsight is always 20/20, some key questions emerge:

- Was it appropriate for the CBE from a financial risk management perspective to operate with such a small operational reserve given a total budget of approximately \$1.3 billion in 2018/19?
- Was it appropriate to maintain the existing level of program spending with available reserves depleted to this level (and some of that funding coming from reserves already)?
- Could the CBE have made some difficult decisions in the years leading up to 2019/20 that would have enabled a less difficult transition to a new funding reality?

Appropriateness of Reserve Levels

If the view is taken that the short and long-term sustainability of program delivery in accordance with statutory obligations is the CBE's risk to manage, then operating with a level of reserves totaling approximately 0.7% (1.5% without consideration for committed funds) of annual budget would seem to be risky. If the CBE believes that their primary financial risk is the funding allocation from Alberta Education, then in reality the risk of program delivery and sustainability lies with Alberta Education rather than the CBE. This does not appear to be a view held by other School Boards. If Alberta Education is to be entirely accountable for program sustainability, then operating with a relatively small amount of reserves may be seen as appropriate as all funds received would be expended every year. However, even under this model the risk associated with timing differences between budget planning and budget allocation still need to be managed with an appropriate level of reserves.

For context a selection of other School Districts retained the following level of operating reserves in 2018/19.

School District	Operating Reserves	% of Budget
Edmonton Public Schools	\$51.4M	4%
Edmonton Catholic Schools	\$24.4M	5%
Surrey School District	\$25.5M	3%
Vancouver School Board	\$19.9M	4%

It is important that the CBE clearly articulate the scope of financial risk management that will be expected and undertaken through the policy governance framework and the level of reserves appropriate to manage ongoing financial risks to the achievement of operational objectives on a go-forward basis. This is currently not defined within the policy governance framework.

Our review of budget related meetings of the Board did identify queries with respect to the level of operational reserves and related program spend in accordance with budget considerations as evidence of their oversight role. Ultimately though we did not see any direction provided by the Board that instructed management to rebuild reserves to a reasonable proportion of budget through cost reduction initiatives as a risk mitigation strategy.

Recommendation

- 4. The CBE should build clear policy guidance within their policy governance model as to an appropriate level of operational reserves to maintain on an ongoing basis to manage risks implicit within the funding model.*

Financial Risk Management Oversight

While it is not the role of the Board of Trustees to actively manage risk, the oversight of management's risk identification and control monitoring practices, as well as validation of the level of risk acceptable to the organization (risk tolerance) are key aspects of the oversight role of any Board.

Throughout our interviews with Trustees and Management we were informed that financial risk management is built into the policy governance framework. Our review of those framework documents and related board submissions do not appear to specifically address financial risk management within the context of understanding the likelihood and potential impact of risk events and strategies to mitigate such risks where possible.

At an organization of the size and complexity of CBE we would expect to see some formalized assessment of risk to the achievement of strategic and operational objectives (and in particular financial risk) conducted on an ongoing basis by management and validated by the Board or a committee of the Board. The deployment of such a tool, whether a simple risk register or a full Enterprise Risk Management (ERM) program, will also serve to provide the Board with evidence of its own due diligence over financial and operational risk management. Such a framework would also support decision making on the level of operational reserves to be retained by CBE and provide support for such decision making in response to such queries from the public or Alberta Education.

We understand that others within the CBE peer group of School Districts are also in various stages of evolution with respect to risk management programs of various scope and maturity and we continue to see additional School Districts working to develop such programs each year.

Recommendation

- 5. CBE should implement some level of risk identified, prioritization, assessment and reporting to ensure a clear understanding for both management and the Board of the level of financial and operational risk currently being accepted and managed by the CBE.*

Financial Risk Management Capabilities

As with all School Boards in Alberta the CBE Board of Trustees is publicly elected by their constituents. This creates unique governance challenges as compared with private sector or public company boards where Directors are appointed partly based on the representative skill-sets they bring to an organization (e.g. legal, finance, management, human resources, operational risk management, etc.). As such it is common for elected boards to supplement the existing skill-sets and experience of the elected board members with external professional advisors.

At this time the CBE Board of Trustees does not have what would generally be considered a “financial expert” or anyone with significant financial or operational risk management experience or skill- sets serving on the Board. In order to supplement the Boards’ oversight capabilities in this area there is an Audit Committee in place which includes external (not elected) members who have experience in areas such as financial reporting, auditing, finance and risk management.

The purpose of the Audit Committee is currently defined as:

- To recommend external auditors to the Board.
- To review annually the external auditors’ performance, reporting any issues.
- To serve as liaison to the external auditors and arrange a meeting with the Board of Trustees prior to public presentation of the annual audited statements.
- To review and recommend approval of the annual audit plan.
- To review and report on the annual financial statements and audit findings report.
- To review with the external auditors the auditing process, any significant difficulties encountered during the audit including any restrictions on scope of work or access to required information.
- To meet at least two times annually as a Committee and at least once annually with the external auditors.
- To receive and review internal audit reports.

Membership of the Audit Committee is to include a minimum of five individuals comprised of:

- two trustees; and
- not less than three individuals external to the Calgary Board of Education including:
 - A member of the business community; and
 - A member of the adult learning community.

The Audit Committee Chair is required to be one of the trustee members, appointed by the Board of Trustees.

Of particular note is the narrow scope of the Audit Committee Terms of Reference. In an organization of the size and complexity of CBE we would expect that the Audit Committee would take on a much broader role in support of the Board’s financial management oversight role.

Specifically, we note that the Audit Committee purpose as stated is primarily limited to that of the financial statements and the external audit of those financial statements with meetings twice annually in support of that role. At this time the only aspect of financial control (other than financial reporting) or financial risk management contemplated is “to receive and review internal audit reports”. No internal audit reports have been received by the Audit Committee since 2014.

Throughout the education sector in Canada the maturity of financial risk management oversight practices and the use of the Audit Committee (or other similarly named committees) in support of that role varies significantly. At one end of the spectrum we see Audit Committees with the role of financial risk management oversight clearly identified within their Terms of Reference supported by a risk-based internal audit function that is used by the committee to conduct due diligence over Management’s assertions with respect to risk management and related control effectiveness. In other (usually smaller) School Districts where it may be difficult to attract external Audit Committee members with the necessary skillsets, these responsibilities are more adhoc in nature and may be left to the broader Board of Trustees to oversee.

As one of the largest School District’s in Canada we would expect that CBE would have additional maturity with respect to financial risk management oversight formally built into their governance framework and as a supplement to the policy governance framework which appears to lack consideration of longer-term risk management. Specifically, we would expect see the following in addition to the currently defined role for the Audit Committee:

- Oversight of financial risk management and control programs and practices deployed by Management (in some organizations this is even broader and includes operational risk management as well if the Audit Committee includes such skillsets)
- Some form of an annual internal audit plan aligned with key organizational risks, approved by the Audit Committee on an annual basis with project reporting provided directly to the Audit Committee. Such a process provides the Audit Committee with the ability to obtain objective and ongoing due diligence over financial or operational risk management programs as they determine necessary.
- Input into budget deliberations with observations and recommendations provided to the broader Board of Trustees to ensure that an additional financial risk management perspective is brought to those deliberations.
- Approval by the Board of Trustees to enable access to the external members of the Audit Committee by Trustees where advice with respect to financial risk management or other matters within their areas of expertise can add value. Amended policy should also be clear that such access and related advice is obtained for the benefit and use of all Trustees and there is to be transparency built within this process to ensure that the Board is supported rather than divided as a result of such access.

Our recommendations in this regard should not require that significant levels of funding be re-allocated in support of these initiatives. The deployment of a simple risk reporting mechanism, the development of a simple internal audit planning process, and the delivery of one or two internal audit projects in areas of key focus of the Audit Committee on an annual basis can be deployed in a cost effective manner and within a reasonably small proportion of budgets currently allocated to professional services in place to support the Board of Trustees. We note that the current complement of external Audit Committee Members already includes members with significant financial risk management and control experience and training. These individuals, or others brought on to the Audit Committee, can provide additional value to the CBE than what is contemplated within the currently defined purpose of the Audit Committee.

Recommendations

6. *Consider providing additional oversight and advisory responsibilities within the Audit Committee Terms of Reference to enable the Board to further leverage the skills and experience of that committee for specific financial or broader risk management program oversight.*
7. *Consider including the Audit Committee and the external Audit Committee members within the budget deliberation process to ensure that a broader perspective of financial risk management is brought to those deliberations.*
8. *Review the existing complement of external Audit Committee members (as necessary) to ensure it aligns with any additional competencies required of a broader role for that Committee.*
9. *Provide blanket approval to enable any Trustee to have discussions with, and receive advice or coaching from, any of the external Audit Committee members as requested as long as such advice is also available to the Board as a whole.*

Trust in Governance

Other than previously noted, we find no fault in the overall design of the policy governance framework deployed by CBE. However, the function of that or any governance framework relies on the ability of the Board to come together as an effective decision-making body with trusting relationships (or at least no distrust) developed between the individual Trustees. Where trust is not present, or is lost, a policy-based governance framework can be deployed in a manner which stifles communication and the sharing of information or other points of view.

This in turn can result in a Board becoming excessively focused on internal process related matters and policy interpretation rather than the strategic matters at hand (form over substance). Such turmoil can also cause a shift in focus to a more protectionist mode of operations focused on protecting individuals or the broader Board of Trustees rather than the overall mission and objectives of the Board.

In our view the CBE Board has been subject to these challenges since the new Board was formed following the October 2017 election, with these challenges continuing to grow up to and following the announcement of our review in December 2019. The lack of trust and increasing focus on procedural aspects of governance at the Board level and in particular between the broader Board and Trustee Lisa Davis likely led in part to the resignation of Trustee Davis in February 2020. Some key indicators that the Board has shifted to a more protectionist form of governance are as follows:

- The Board has held a total of 153 meetings (including committee meetings) from January 2019 to February 2020 not including any informal meetings that may have been held outside of the Board calendar.
- There is a significant focus on ensuring the flow of information is highly controlled and access limited, even among Trustees. As an example, some briefing reports were shared at private Board meetings without advance distribution or any ability for Trustees to retain documents following such meetings. As another example, one Trustee's request for prior Board briefing materials was initially refused.
- A motion was passed by the Board of Trustees directing that CBE Legal Counsel be present at all interviews conducted by Grant Thornton in relation to the review despite one Trustee not wanting CBE Legal Counsel present.
- Strict interpretation of policy determining that the Chair of the Audit Committee cannot communicate directly with the external auditor without approval from the Board of Trustees. The purpose of the Audit Committee is defined in part as "*To serve as liaison to the external auditors....*". This limitation is very unusual and not consistent with best practice.
- The past creation of a Legal Response Committee (now disbanded) created to respond to perceived threats of litigation by a Trustee with all deliberations by the Committee subject to solicitor-client privilege.
- Active management of the agenda for public Board meetings by the Agenda Planning Committee
-

Current Board members indicate that such challenges and related focus on internal process has not hampered the overall function of the Board in its ability to effectively govern the CBE. That said, we believe it can be agreed that such challenges have at the very least not been helpful in ensuring effective governance.

Recommendations

10. *Provide blanket approval for direct discussions between the Audit Committee Chair and the External Auditor as well as any internal audit resources deployed in support of their role as Audit Committee Chair.*
11. Consider engaging a governance coach to observe all private and public Board meetings to ensure that the Board is achieving effective and efficient governance throughout those meetings, including tracking all meetings and linking such meetings to key strategic objectives for the CBE.

Strategic Decision Making

One of the key drivers of strategic oversight is the budget review process undertaken by management with submission to the Board of Trustees. While operational decision making is delegated to the Chief Superintendent with oversight by the Board of Trustees, responsibility for approval of the Budget lies with the Board.

As it would have been for all School Districts in Alberta, the 2019/20 budget planning process was challenging for CBE given that the Provincial Budget was not issued until October 24, 2019. Within that budget planning process two Budget Assumption Reports (BAR) were issued to the Board of Trustees; first issued on May 14, 2019 and the second (updated with new information following the passing of the Provincial Budget) on November 14, 2019.

Highlights from each BAR are as follows:

BAR #1 – May 14, 2019

- Alberta Education funding to remain at same absolute level as the 2018-19 fall budget
- Same programs and services to be delivered (including all day kindergarten and ELL access beyond 5 years)
- Continue to operate over 240 schools and buildings
- Excess of expenditures over planned revenue to total \$40 million (planning deficit)
- Modest balance of operating reserves (1.5% of budget) identified as a significant risk

Initial planning deficit reduction options proposed as follows:

- Schools and areas - \$22 million
- Service unit's reduction - \$3 million
- Operating Reserves - \$5 million
- Capital Reserves - \$5 million
- Unfunded (to be made up during year) - \$5 million

Within the May 14, 2019 Regular Meeting of the Board of Trustee questions were raised by the Trustees on matters relating to:

- assumption that the total revenue funding amount will be the same as last year;
- engagement with stakeholder groups regarding the budget assumptions; and
- budget assumptions and the role of the Trustees as advocates.

BAR#2 – November 14, 2019

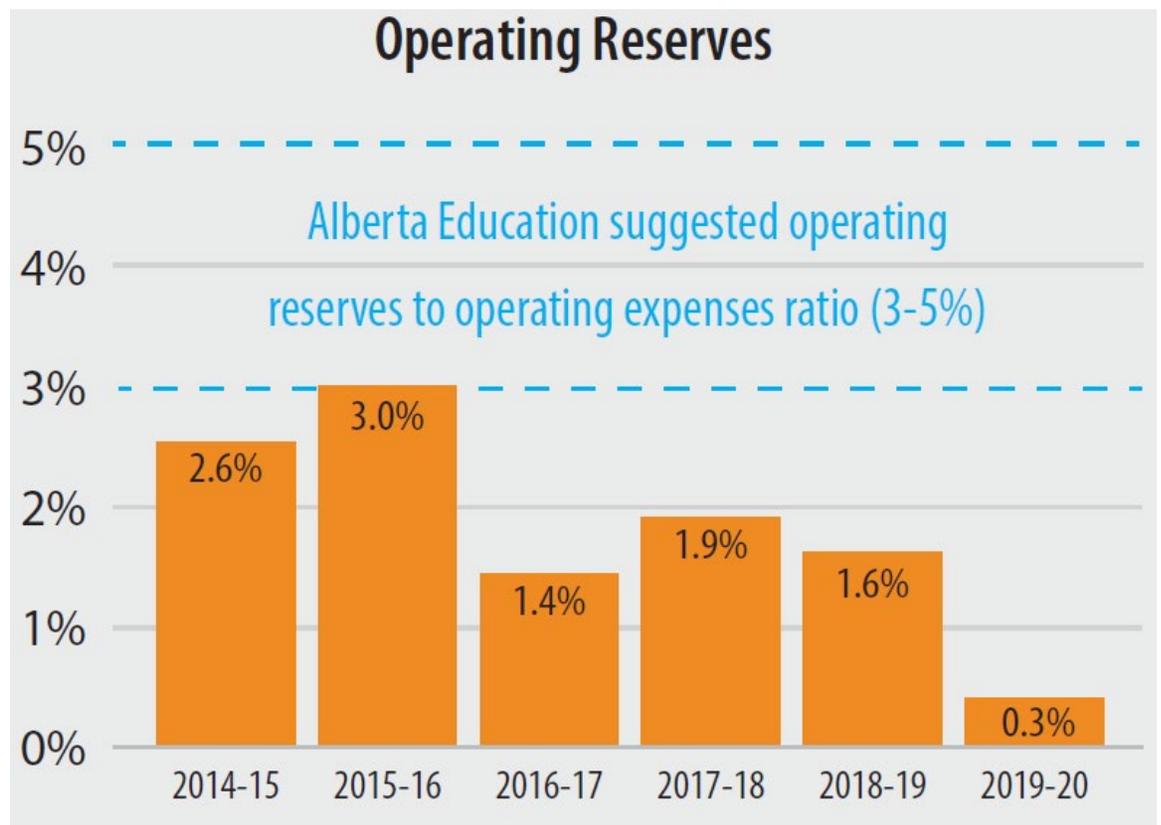
- \$85 million in grants eliminated with a one-time transition grant of \$24 million and \$29 million in enrolment growth funding added for a decrease of \$32 million from initial budget assumptions
- Budget adjustments of \$48 million necessary over remaining proportion of budget year as prior budget assumptions were applied during roughly the first half of the budget year.
- In addition to the planning deficit reduction options previously proposed to make up the \$40 million in planning deficit the following was proposed to the Board of Trustees:
 - Deploy central and area office staff to schools (\$0)
 - Reduction of funds directly allocated to schools including supplies and services and a portion of temporary positions (\$22 million)
 - Administrative reductions to service units (\$3 million)
 - Reduce capital spending (\$5 million)

- Increase in transportation fees (\$8 million)
- Use of additional reserves (up to \$9 million available)

At the November 14th Board meeting the Trustees posed questions relating to the following matters:

- The number of teachers affected by the elimination of provincial government grants
- When the Resource Allocation Model will be rolled out to Principals
- When full staffing impacts will be known
- Potential impacts of provincial bargaining
- School commissioning expenditures
- Use of CBE reserves to meet the educational needs of students

The following is a table prepared by CBE showing current and projected operating reserves to the end of 2019/20.



We reviewed the Budget Assumption Report and budget submissions for 2017/18 which also highlighted “lower available reserves to balance operations” as a significant business and financial risk. Throughout our review of Board minutes from the beginning of 2017/18 to January of 2020 we did identify some discussion on reserves and questions around investments in various programs, but we did not identify any specific questions or discussion relating to the need to address the depletion of reserves at the CBE through additional cost reduction. We also did not see any plan presented on how this will be addressed in the future.

In hindsight it would appear that difficult decisions could have been made earlier in order to reduce the significant risk (as identified in the BAR reports) associated with depleted operational reserves. Despite that situation the BAR report submitted in May of 2019 continued to highlight areas where investments were being made in various programs above and beyond what was being funded (all-day kindergarten, ELL and transportation). In addition, in one situation an opportunity to both save costs and potentially improve educational outcomes was presented to the Board by Management for approval given that it related to a potential school closure. In April of 2019 the Board decided to vote down Management's recommendation that the school be closed.

Communication Strategy

The CBE has deployed various policies and procedures with respect to the public dissemination of information which identifies who is to approve and submit such information. Our focus was on the communication strategy deployed with respect to the Provincial Budget that was finalized in October 2019.

Our interviews with Trustees and Management did not identify any discussions that had occurred amongst the Trustees or the broader CBE with respect to any strategy designed to cause embarrassment of Alberta Education in the media. Specific representations were obtained from each Trustee with respect to the leak of information to the media in relation to the number of temporary teacher contracts that would be terminated with all stating they had no knowledge of who may have leaked the information and did not leak such information themselves. Key dates are as follows:

- On November 14, 2019 the Chief Superintendent sent an email to all CBE staff regarding the 2019/20 budget update. That email mentioned that some temporary employee contracts would be eliminated. No specific figures in relation to number of temporary staff potentially impacted were mentioned in either the BAR or this communication.
- On November 14 and 15, 2019 media stories began to emerge discussing the strategies that the CBE was considering without any mention of the number of temporary staff under consideration.
- On November 19, 2019 the Chief Superintendent sent an email to all CBE employees advising that 300 teachers on temporary contract will receive notice verbally that their contracts will end as of January 3, 2020.
- On November 20, 2019 media stories begin to quote actual numbers of potential terminations of temporary staff

Within the November 14 and November 19 communication from the Chief Superintendent we note that there was no discussion of the need to keep such information confidential. In addition, following the sharing of this information with the media there was no investigation or related communication as to the importance of maintaining confidentiality with respect to CBE information. We were also surprised that during our interviews it was identified that the CBE anticipates that such information will be shared with the media despite such sharing of information being a potential violation of the CBE Employee Code of Conduct. This does not send a strong message to employees on the need for confidentiality and strict compliance with the Employee Code of Conduct.

Recommendation

12. *Management should be re-affirmed with CBE employees that all public dissemination of information must follow the policies and procedures of the CBE and that any breaches of confidential information could result in disciplinary action as a potential violation of the Employee Code of Conduct.*

2 Financial Cost Management

Plant Operations, Maintenance, Student Transportation Costs

Background and Related Policies

Through interviews and procedures performed as part of this review, we understand the following:

- There are currently 781 Full Time Equivalent (“FTE”) staff within Facilities and Environmental Services (“FES”) at CBE.
- The Facilities and Environmental Services group at CBE is split into five departments, as follows:
 - 1) Property, Planning & Transportation – approximately 20 employees (see further details below);
 - 2) Facility Projects – approximately 35 employees (see further details below);
 - 3) Corporate Risk & Security – 12 employees. This department includes the Security Monitoring Centre that monitors school intrusion and building alarms for 246 CBE schools, advising school principals on security issues, insurance and risk management. An analysis of this department is outside the scope of this report;
 - 4) Safety Advisory Services – 9 employees. This department manages the CBE safety management system, conducts school safety inspections and advises 246 school principals on safety related issues. An analysis of this department is outside the scope of this report; and
 - 5) Facility Operations – approximately 704 employees. This department is responsible for the day-to-day operation of facilities, minor maintenance and cleaning of the 246 CBE schools.
- These departments report to the Superintendent of Facilities & Environmental Services.
- CBE has informed us of the following in relation to the Property, Planning & Transportation, and Facility Projects teams:
 - 1) Three CBE employees are required to support the following workload on the Property team:
 - Managing over 100 childcare leases in operating CBE schools.
 - Property management for lease of 15 school facilities.
 - Negotiation and management of 7 leases for CBE use of third-party properties.
 - Oversight of 35+ License of Occupation agreements with the City of Calgary for Community Association structures located on CBE owned lands.
 - Track and update property data for over 500 CBE land parcels.
 - Tenant coordination duties for 600+ staff in CBE head office building.
 - Building management duties for 200,000 square foot (20,000 square meter) head office complex.
 - Parking coordination for over 200 vehicles in head office building.
 - Reception and visitor coordination for approximately 50 visitors daily in head office building.
 - 2) Six CBE employees are required to support the following workload on the Planning team:

- Long-term student accommodation planning of over 125,000 students in 246 schools.
 - Representing the CBE on the Joint Use Coordination Committee (CBE, City of Calgary and Calgary Catholic School District agreement to ensure school and community planning), demographic analysis and enrolment projections, development of the Student System Accommodation 3 Year Capital Plan, 10 Year Facilities Plan, including requirement for new schools and modular classrooms, distribution of programs and school closures.
- 3) Approximately 10 CBE employees are required to support the following workload on the Transportation team:
- Student transportation of over 23,000 students using yellow buses and coordination with Calgary Transit for an additional 19,000 students using public transportation. Of note, it was identified that staffing levels were reviewed by a 3rd party under a Transportation Study dated February 19, 2016 where it was recommended that staffing levels be increased to 17.5 FTE. Staffing levels have remained well below the recommended levels given the objective of making student transportation self-sufficient within government funding and reducing administrative costs. During the Province's Assurance and Funding Working Committee sessions in September and October 2019, the CBE proposed moving to a regional student transportation model to generate efficiencies of scale amongst school jurisdictions operating within the City of Calgary.
- 4) Facility Projects – according to CBE, the size and composition of this team reflects the staff levels required to support and execute annual work averaging approximately \$205M per year. Approximately five employees within this department are funded from the Plant, Operations & Maintenance budget. Salaries and benefits for the remaining employees are charged to projects for which they have responsibility (e.g. capital, school-funded, Infrastructure Maintenance and Renewal (“IMR”) projects, grants, etc.).

Student Transportation

- Public transportation is used as a mode of transportation for all CBE high schools and many middle/junior high schools. Discussions between CBE and the government regarding the necessity to fund student transportation in urban areas where service already exists were entered into during the Fall of 2019. CBE informed us that the previous government had clearly signaled their intent to increase school jurisdiction involvement in student transportation and, as a result, was not receptive to such discussions.
- We understand that legislated changes were made without prior consultation with school jurisdictions and subsequent requests by school jurisdictions to influence this legislation were rejected. As a result of various studies conducted during the 2015-2016 school year, the CBE had started to embark upon fee increases to contribute to making transportation self-sustaining.
- According to CBE, when the government announced Bill 1 “An Act to Reduce School Fees” in March 2016, the then government signaled its intent to enhance public responsibility for student transportation by introducing legislation requiring the provision of free transportation to students using yellow busing who lived greater than 2.4km away from their designated regular program school (the CBE had been charging these students a fee for this service), requiring a transit fee rebate for those students using public transit (the CBE did not provide a transit rebate previously), and limiting fee increases to no more than 5%.

- According to CBE, it was in August 2019 that the current government changed student transportation legislation in a way that reduces public responsibility for student transportation. The government then invited select school jurisdiction representatives to “Assurance and Funding Working Committees” held on September 11, 2019 and October 7, 2019. At these sessions, the CBE stated its position that for students that do not have specialized needs, and where public transit exists, transportation should be provided by public transit without school jurisdiction involvement or funding.
- CBE uses the term “congregated stops” to refer to busing “hubs”. Students attending alternative programs may access yellow bus transportation under a congregated stop model. Congregated stops are used when a small number of students from multiple communities congregate or gather at one stop to take a bus to their chosen school. The bus stop may be well beyond reasonable walking distance from a student’s home. Families may be required to arrange for transportation to and from the congregated stop. Families are responsible for the safety of their child to, from, and at the bus stop.
- By re-introducing congregated stops in the 2017-2018 school year for alternative programs, the CBE estimates that approximately \$2M was saved. Hubs or congregated stops are not relied on for eligible students (those not attending alternative programs). The Student Transport Regulation requires that CBE provide a bus stop within 2.4 km of their residence.
- The Board of Trustees reviews the audited CBE Financial Statements every Fall. Within this report the annual student transportation cost deficit is indicated (\$5.26M for 2018-2019). The Board also annually reviews Operational Expectation 3 - Instructional Program which specifically requires reporting to the Board on transportation funding, including the provision of services beyond those mandated.

CBE informed us that the projected (2019-20) gross cost of providing transportation to alternative programs is \$9.4M. Of this amount, student fees allow for the recovery of \$3.6M, meaning a net cost to the CBE of \$5.8M.

Findings & Observations

Based on our analysis the level of staffing within plant operations, maintenance, and student transportation appear reasonable and, in some cases, appear lower (e.g. operate with greater efficiency) than other comparable School Districts. We note the following findings and observations:

- As noted, there are currently 781 FTEs in the Facilities & Environmental Services group at CBE.
- Overall, CBE believes they have efficiently allocated resources to support facilities maintenance and the cleanliness of schools. CBE has requirements imposed by the Board and government regarding maintenance and cleanliness of their schools and they benchmark their allocations and efficiencies via comparisons to other jurisdictions.
- Based on comparative information compiled by CBE (including 12 other school jurisdictions), it appears that CBE is currently running on the higher end of efficiencies as compared to other school jurisdictions. Specifically, CBE is ranked third out of 13 school jurisdictions included in the comparative data, with 2,361 square metres covered per in-house FTE custodial worker. In comparison, on the low end, St. Thomas Aquinas RCSR No. 38 has 1,840 square metres covered per in-house FTE custodial worker and is therefore, based on this analysis alone, approximately 22% less efficient. In this analysis, the key metric is the number of square metres of space that are assigned, on average, to a cleaner/custodian.

- Based on 2017-2018 publicly available financial information regarding facility function areas (as defined in the provincial reporting criteria), it appears that CBE's custodial costs (as a percentage of total operations and maintenance spend) were higher than Edmonton Public School Board and provincial consolidated numbers but slightly lower than Calgary Catholic and Edmonton Catholic Schools Boards (i.e. the "Four Metro Boards" - CBE, Edmonton Public, Edmonton Catholic and Calgary Catholic). CBE's maintenance costs and infrastructure, maintenance and renewal ("IMR") were the lowest of the Four Metro Boards. We do however note that CBE had the highest cost related to planning and administration out of the Four Metro Boards.
- Based on 2018-2019 publicly available financial information regarding facility function areas (as defined in the provincial reporting criteria), it appears that CBE's custodial and maintenance costs (as a percentage of total operations and maintenance spend) were the lowest of the Four Metro Boards. CBE's IMR and planning and administration costs were the second lowest out of the Four Metro Boards.
- In general, we note that, while there are some variances between the percentage spend in each area, CBE's custodial, maintenance, IMR, and planning and administration costs are not out of line with the other metro boards (and the province in 2017-2018). We also note that improvements were made from 2017 to 2019.
- In relation to student transportation costs, in 2016 an external Transportation Study was performed by School Bus Consultants. One of the key findings in this report indicated that, based on the size and complexity of the transportation operation at CBE, the number of route scheduling positions and technical support personnel at CBE, is well below industry standards.
- Other comparable school boards offer equivalent time for teacher-only days with "no half days" as a means to further reduce transportation costs.
- According to CBE, transportation costs are not impacted by half days of instruction and moving to a "full days only" calendar would not result in any savings. CBE informed us that the only savings realized are by coordinating school bell times across the system, meaning that if all CBE schools enact half-days, then these half-days need to all be programmed on the same day of the week. The CBE aligned school bell times and half day instruction calendars in 2017-2018 and 2018-2019 for savings of approximately \$3.5M.
- CBE currently congregates stops, rather than providing "door to door" services. This initiative was implemented to reduce route times and the related costs.
- As previously reported by the Ministry in their April 4, 2018 CBE Report, CBE's transportation service model of providing an equal level of service at an equal cost for all students exceeds the requirements of the School Act (now replaced by the Education Act as of September 1, 2019). As noted, a board is only required to provide transportation for eligible students who attend their designated school for regular or special education programming and reside 2.4km or more from that school.
- It was also previously reported by the Ministry in their April 4, 2018 CBE Report, that the average number of students on each CBE route was lower than the provincial average, particularly for elementary school routes. Bus load utilization was about 60% for elementary students and about 75% for middle/junior high students. Since that time, CBE has implemented significant changes to student transportation services and has successfully increased average bus load utilization to 76% (25% for Complex Learning Needs and 110% for regular buses – for some routes they are able to now do three runs because of the move to align bell times) as of January 31, 2020. The average number of riders has increased from 39 to 78 students. CBE continues to work on improving utilization rates.
- Further comments regarding the procurement of student transportation services are provided below in the Procurement & Expenditures section of this report.

Recommendations

We make the following recommendations with respect to plant operations, maintenance and student transportation at CBE:

13. *Transportation service levels for CBE and most School Districts in Alberta likely need to be examined at a provincial level. We understand that Alberta Education is already reviewing the transportation formula.*
14. *Consider eliminating all half days of instruction to save significantly on transportation costs. About 10% of costs can be saved by moving to “full days” on 18 of 36 early dismissal Fridays. Other comparable boards offer equivalent time for teacher-only days with “no half days” to reduce transportation costs.*
15. *Consider revising the school year calendar to eliminate half days of instruction occurring on the same day. In these situations, it takes two days of bussing costs to equal one full day of instructional time which has a negative impact on the overall transportation costs for the system.*
16. *Provide bus service only where it is required (i.e. beyond the 2.4km eligible limit) and/or set fees to reflect actual costs. We understand that safety is a key concern here and, as such, along with this recommendation is the need to clarify that parents are to determine the need for an adult/other capable person to accompany some younger children to/from schools or bus stops, if the parent deems it necessary for a child’s safety.*

CBE Central Office Building (Education Centre)

Background

The CBE entered into the Education Centre lease agreement in 2006 with an occupancy commencement date of March 2011. At lease commencement, the lease cost was just over \$40 per square foot (“PSF”). The lease has a 20-year initial term with rates increasing at 2.5% per year. Currently, the CBE is in year nine of the lease and paying \$47 PSF, while current average market rates for similar buildings in Calgary are approximately \$16 PSF to \$20 PSF and are likely falling in the current environment.

Timeline

April 10, 2018 - Management submits a report to the Board recommending that the Board approve a preliminary information gathering in regard to a possible offer to purchase the Education Centre Building.

May 15, 2018 - Management submits a report to the Board recommending that Administration research the process and estimated costs for obtaining a third-party report on forecasting for future lease rates.

October 30, and December 4, 2018 - Management presents its findings from the information gathering phase regarding the potential purchase of the Education Centre building. The sessions incorporate information gathered with support from third party professionals including a realtor and leasing firms, real estate appraisers, and financial modeling firms. Three price appraisals of the Education Centre building were completed dating April 9, May 29, and December 8, 2018.

June 18, 2019 – Management submits a report to the Board recommending the option to purchase the Education Centre building.

Procedures Performed:

Grant Thornton reviewed the following documentation pertaining to CBE Central Office Building (Education Centre):

- Reports submitted to the Board by Management dating:
 - April 10, 2018
 - May 15, 2018
 - October 30, 2018

- December 4, 2018
- June 18, 2019
- Other reports presented during the above-mentioned private meetings. Reports were prepared by third party firms including:
 - Building price appraisal reports
 - Working sessions presentation slides
 - Purchase vs. Lease options analysis report

Additionally, we interviewed members of the Executive Management team and members of the Board of Trustees.

Findings & Observations:

Limited options considered

The two options that were put forth to the Board in regard to the Education Centre building were the lease (status-quo) or purchase of the building. Management excluded from their analysis a third option to sublet the Education Centre and relocate into existing CBE buildings due to the net loss differential between current market rents and the existing rental rates stipulated by the rental agreement. Other possible options were not considered, such as, a “hybrid” model that would have entailed moving some of the Education Centre employees to the area offices so that some space could be sub-leased, even at a “less than cost” rate, as some income is better than none. Closed schools that will become vacant spaces over the coming 10 years and beyond were also not taken into account when evaluating options. Whether these vacant spaces can be utilized to host CBE head office functions was not considered an option.

Analysis presented

The financial models and analysis used by Management to support their recommendation to the Board to purchase the Education Centre appeared to lack rigor for the following reasons:

- The financial models relied heavily on forecasting variables (interest rates and lease rates) that can have different values in real life than what was originally forecasted, especially over the long period of time (i.e. over 10 years period). For example, changing the assumed interest rate or lease rate by few points or dollars can result in a different financial model outcome that reverse the recommended course of action. It’s worth noting that this modeling sensitivity risk was presented clearly in Management’s information package to the Board.
- Other risks associated with the purchase option, recommended by Management, were not fully analyzed to explain how CBE would address these risks. For example, operational and building lifecycle maintenance risks are noted in the analysis, however there was no appropriate discussion or analysis to ensure that mitigation plans could be put in place to help CBE deal with these risks. Any option considered, including maintaining the status quo (i.e. continuing with the current lease for the next 11 years) has its own set of risks, however options will carry different risks that vary in significance, and while every meaningful risk needs to be considered by the analysis, the level of analysis and details should correspond to the level of risk present.

Recommendations

17. *CBE should consider evaluating alternative options to determine if they are able to reduce financial risk associated with the Education Centre building, and not limit the discussion to the two options currently presented by the Management.*
18. *The analysis and any subsequent recommendations made by Management on this matter should be further strengthened to properly address the key risks associated with presented options. The level of analysis should correspond to the level of risk associated with each option considered. For example, certain options carry additional risks, other than financial risk, that would need to be appropriately analyzed using methods other than those that rely on selective forecasted figures.*

Staffing Levels & Compensation

Background and Related Policies

Through interviews and procedures performed as part of this review, we understand the following:

- In 2018-2019, the CBE employed more than 14,000 people, which equated to 10,286 Full Time Equivalent (FTE) positions. CBE informed us that 7,683 staff are currently required to have a certificate to hold their position, in support of over 125,500 students (246 schools).
- According to CBE, in 2018-2019, school-based staff (including non-teachers) represented 92% of total CBE FTEs and the average number of CBE students per school-based FTE staff position was approximately 14. This number has decreased since 2014-2015; a lower ratio means that each school-based FTE is servicing a smaller group of students. We also understand that during the same period the average class sizes for CBE ranged between 20.4 at the K to 3 grades and 27.9 in grades 10 to 12. Class sizes for CBE are higher than the provincial average at all levels except K to 3 where it was equal to the provincial average. These figures appear to indicate that CBE has a significant number of school-based FTE positions that do not directly impact average classroom size.
- School-based staff does not include staff in service units that work directly in schools, such as facility operations staff, trades staff, centrally managed school supports including school technology support specialists, psychologists, speech-language pathologists and the range of other supporting professionals.
- CBE informed us that they have deliberately reduced the number of central administrative staff over the past several years to direct more funding to schools. They also informed us that over the past five years they have increased school-based staff by 7% while reducing Service Unit FTE's by 18%. As a result, CBE believes its central functions are lean from a staffing perspective.
- The salary ranges and benefits for the approximately 200 employees who are not covered by a collective agreement are approved by the Board of Trustees, with the exception of the Chief Superintendent of Schools, whose salary range was determined by regulation.
- Salaries and benefits for certificated teachers are negotiated with the Alberta Teachers' Association ("ATA"). The provincial agreement, which covers all public teachers in the province and contains most monetary items, is negotiated by the Teacher Employer Bargaining Association ("TEBA") which is staffed by government employees.
- The Board of Trustees, through a weighted vote of all boards across the province, votes on the final agreement. A majority of those votes approves the agreement. So, while the CBE Board vote may or may not be supportive of the agreement, if the majority approves, then the CBE is bound by it. The Board approves the mandate for the ATA local agreement, which is negotiated by the CBE and ratifies any settlement.
- The Board approves the mandates and ratifies the agreements for the other four unions. However, in recent years, the provincial government has provided guidance through the Provincial Bargaining Coordination Office on settlement parameters and, according to CBE, those parameters have been respected in all agreements.
- All collective bargaining is conducted reflective of settlements that have occurred for like groups within the market in which staff are recruited and retained, essentially the Calgary and Alberta markets. Since 2015/2016 there have been no increases in salary rates for the Staff Association, Professional Staff Association or CUPE. ATA and trades received increases in 2015/2016 with salaries frozen since then.
- From 2014 to 2016 the CBE retained the Hay Group (now Korn Ferry), an international compensation consulting firm, to review its exempt compensation structure and levels. The Hay Group examined market trends, best practices and market data along with internal and external equity. Job evaluations were also conducted of all exempt positions to ensure appropriate placement within the salary structure.

- We understand that recommendations were made to the Board based on the analysis conducted by the Hay Group. The recommendations were approved in 2016 for exempt staff and in 2017 for executives. The Board approved reducing the range maximums for all but the lowest pay band. The average reduction to the range maximums was approximately 7.5%.
- Individuals whose salaries exceeded the maximum of the range were “red circled” at that salary until such time as the range exceeded their salary or they were promoted to a higher salary range, or, in some cases, they left the organization. Seven middle managers at CBE are currently red-circled.
- The new salary ranges have been frozen since they were implemented. Further, executives have been frozen at the level they were placed at within the range upon implementation (i.e. they have not had any range movement).
- In 2018, the government amended the Superintendents of Schools regulation and introduced a new compensation framework which capped the salary at a level lower than the prior incumbents and set restrictions on other benefits and entitlements of school board superintendents. The Board of Trustees approved the salary of the new Chief Superintendent of Schools that was appointed in December 2018, at a level below the maximum of the range. We understand that approval was confirmed by the Minister of Education.
- In considering market data, we understand that CBE compares jobs to those in the market that require a similar level of knowledge and that have similar accountability and responsibility. They are not compared based solely on titles. For example, in the case of the CBE, which is the largest School Board in Alberta and one of the largest in the country, a position titled “Director” may be responsible for considerably more schools and students than a Superintendent of a school division in another district who may have a higher salary.
- Of the approximately 7,600 CBE certificated employees, approximately 1,720 receive some form of an “additional allowance,” beyond their grid placement. These allowances are negotiated with the Alberta Teachers’ Association (“ATA”) and are contained within the collective agreement.
- Individuals may be eligible for more than one type of allowance, including principals responsible for two schools who receive the principal allowance and the two-school allowance and principals of schools that have 3rd parties, for example: Children’s Village School, William Roper Hull School, Woods’ Home School and Louise Dean School. The specific schools are listed in Article 4.2.7 of the collective agreement and are negotiated locally with the ATA in the local bargaining process.
- There are a small number of positions that require certificates that are exempt from the collective agreement including the Superintendents of School Improvement, Education Directors and Coordinator of Staffing. They are paid within the exempt or executive pay grades (as discussed above).
- We understand that certificated staff external to the classroom provide services to support teachers in the effective planning, instruction, assessment, and programmatic implementation for students. For example, in the implementation of key math and literacy instructional skills, math and literacy strategists (26 total FTE serving 246 schools), work directly with teachers in the classroom to model instructional practices, co-plan and assess lessons to deepen and speed up implementation of key practices, and support the effective use of key resources. According to CBE, this is a well-researched and proven model to support professional learning and implementation of core priorities.
- Further, certificated staff external to the classroom also engage in leading critical resource development for teachers. According to CBE, an example would be the collaborative work led by specialists in developing CBE’s K – 9 Math and ELA Assessment & Reporting Guides. CBE informed us that these resources are central to support teachers in ensuring their instruction reflects the achievement of students to the mastery level of the programs of study.

- For context, according to the 2018-2019 Financial Statements, CBE has fewer non-school based certificated staff as a percentage of certificated staff than both Edmonton Public and Edmonton Catholic (Calgary Catholic does not provide a breakdown). The percentages are CBE 1.97%, EPSB 4.18% and Edmonton Catholic 3.08%.
- CBE informed us that the number of certificated teachers receiving allowances has increased 12.1% in the past 5 years. Non-school based support staff have decreased by 18%. Based on information from the Financial Statements, from 2014-2015 to 2018-2019 the number of certificated teachers increased by 12.9% (again we note that certificated teachers may not necessarily be actual classroom teachers), while support staff increased by 4.6%. Over the past 5 years enrollment has increased by 7%.
- With respect to CBE psychology staff, CBE informed us that they are assigned to conduct assessments related to the learning abilities and needs of CBE students. These assessments, which can only be performed by licensed and trained professional psychologists, support Individualized Program Plans ("IPP") and programming for students with identified needs.

Findings & Observations

We note the following findings and observations with respect to staffing levels at CBE:

- CBE currently does not have a long-term strategy to ensure salaries are in line with other boards, other public entities, and the private sector, as an update to external studies conducted in 2016.
- School-based staff represented 92% of the total FTEs at CBE in 2018-2019. Based on September 30, 2019 enrollment figures of 125,809 students, the average number of students per regular FTE classroom teacher at CBE was approximately 25.3 (24.6 as at September 30, 2018). With the inclusion of learning leaders which the CBE also defines primarily as classroom teachers this number decreases to approximately 20.8 (20.1 as at September 30, 2018). A higher ratio means that each school-based FTE is servicing a larger group of students.
- From February 2016 to February 2020 the total number of middle management staff has decreased from 65 to 61, a reduction of 6.2 %.
- Another factor to consider that effects both the accountabilities of individual positions in relation to other boards, other public employers and the private sector, along with the total cost of compensation for the group, is the number of staff that are employed to provide a service. CBE informed us that they have deliberately reduced the number of central administrative staff over the past several years to direct more funding to schools.
- CBE also informed us that over the past five years they have increased school-based staff by 7% while reducing Service Unit FTE's by 18%. As a result, CBE believes its central functions are lean. This means individual positions have a higher degree of complexity and accountability and the overall cost for the function is lower than comparable organizations.
- The ratio of "regular" classroom teachers to "extra allowance" teachers was approximately 3.34:1 in February 2016 and approximately 2.99:1 in February 2020 with an increase of 174 teachers receiving allowances as at February 2020. We understand that this increase is due to several factors including new schools, more teachers, and learning leaders associated with system priorities such as indigenous education, math and literacy. Currently there is wide variability between schools in this regard and CBE has identified the need for standardization and the possibility for savings.

- CBE informed us that the role of learning leaders in schools is important to supporting and leading system and school priorities related to student achievement for all students, and specific cohorts of students. Given the smaller centralized certificated staff in relation to the total size of the CBE, this role is key to supporting the development of capacity and shared leadership of teachers in the context of each school community. According to CBE, the learning leader role is also a role that develops leadership capacity and is part of succession planning for future formal leadership roles in the CBE. As at September 30, 2019 the CBE employed 1,085 (1,082 FTE) learning leaders.
- As noted above, CBE psychology staff are assigned to conduct assessments related to the learning abilities and needs of CBE students. These assessments, which can only be performed by licensed and trained professional psychologists, support IPP and programming for students with identified needs. According to CBE, out of 64.5 FTE psychologists as at September 30, 2019 the average workload and caseload is as follows:

Duties	Approximate FTE allocation and caseload
1. Psych Educational Assessments (per 2018-19 school year caseload averages)	<ul style="list-style-type: none"> • 41.0 FTE Assessment Psychologists • 80% of total work load is assessment • Average # of assessment work orders per psychologist is 28.4 for the 2018-19 year
2. Individual Student Counseling (per 2018-19 school year caseload averages)	<ul style="list-style-type: none"> • 23.5 FTE Counselling Psychologists • 80% of total work load is counselling • Average size of counselling psychologist caseload is 36 students for the 2018-19 year
3. Direct Support to Teachers	<ul style="list-style-type: none"> • 10% of work load for both Assessment & Counselling Psychologists
4. Sessions or Seminars for parents	<ul style="list-style-type: none"> • 5% of work load for both Assessment & Counselling Psychologists
5. Other – Teacher PD, consulting with external agencies, system supports such as program placement screenings	<ul style="list-style-type: none"> • 5% of work load for both Assessment & Counselling Psychologists

- Psychologists who provide counselling services do so using a short-term brief counselling model to provide as much support as possible to students. Given the significant mental health challenges identified by students, families, and/or teachers working with students, it is one of the ways in which the CBE provides services to support well-being and student academic success. While CBE acknowledges that 64.5 FTEs is a significant number of psychologists, they note that the reality is that it is only one psychologist per approximately 1,950 students.
- As compared to CBE's 64.5 FTE, Edmonton Public Schools (EPS) employed 12 full time psychologists and five part-time psychologists for a total FTE of 15.9 for the 2018-19 school year. In addition, EPS also utilizes psychologists on contract with funding of approximately \$2.2M expended within that school year. Utilizing an arbitrary cost of approximately \$100,000 per FTE this contracted component would total an additional 22 FTE of psychologists bring the total FTE at EPS to approximately 37.9. Based on this high-level analysis and annual enrollment figures for EPS for the 2018-19 school year (101,865 students), EPS operates with approximately 2,688 students per psychologist.

Recommendations

We make the following recommendations with respect to staffing levels at CBE:

19. *CBE should engage an independent third party to perform an updated salary survey (comparing to like positions in other public sector organizations and using this as a basis for evaluating relative pay levels) that takes the current economic climate into consideration. The prior survey was completed in 2016 and may no longer be applicable to current market conditions in Calgary.*
20. *Review the allocation of staff to achieve the balance that best supports students and their classroom experiences. The 7,722 FTE positions for certificated staff shows that 78% are “regular classroom teachers” while 22% are some form of “administration / leadership / support” (i.e. certificated teachers may not necessarily be actual classroom teachers).*
21. *As noted above, there is wide variety between schools with respect to “extra allowance” teachers. As such, it is recommended that CBE implement some standardization in this process which could result in cost savings.*

Procurement & Expenditures

Background and Related Policies

CBE's Administrative Regulation No. 7001 (“AR7001”) notes the following applicable principles:

- CBE seeks to ensure that maximum value is obtained for the money that is spent.
- Goods and services are obtained in a competitive manner following prudent business practices.
- Competition is fair, transparent and open; no special treatment is given to any supplier.
- Award decisions are made in an ethical manner.
- Practices comply with the appropriate legislation, regulations and trade agreements.

Further, specific Regulation Statements from AR7001 applicable to this review include the following:

- Strategic Sourcing facilitates the purchase of goods and services.
- All purchases and procurement processes must be transparent, fair, and well documented.
- All purchases must be approved by an appropriate expenditure authority.
- For purchase of goods and/or services less than \$10,000:
 - a. if a contract exists with a supplier who can supply the required goods and/or services, then these goods and/or services shall be ordered from the contracted supplier.
 - b. in the absence of any contract, goods and/or services may be ordered directly from any supplier but the purchases must align with the principles outlined in this regulation. If assistance is required, Strategic Sourcing should be contacted.
- Purchase of goods and/or services over \$10,000:
 - a. if a contract exists with pre-negotiated prices for specific goods and/or services (e.g., a Blanket Agreement) then these goods and services can be ordered directly under such Blanket Agreement without needing competitive quotes.
 - b. in the absence of such agreement:
 - i. with a cost between \$10,000 and \$75,000 requires a minimum of three competitive quotes. Documentation must be maintained.
 - ii. with a cost exceeding \$75,000 requires a formal competitive process such as a Request for Proposal (RFP) or a Request for Quote (RFQ), or an Invitation to Tender (IT).

- Strategic Sourcing must be contacted to initiate the Request for Proposal, Request for Quote or Invitation to Tender process.
- A formal CBE Purchase Order is required for all orders of more than \$10,000.
- Purchasing services or goods, including furniture, fixtures and equipment that are associated with changes to CBE buildings or facilities, requires the approval of Facilities and Environmental Services.
- Only specific employees have the authority to requisition the purchase of goods and services or purchase directly from a supplier or sign related contracts.
- Authority levels must not exceed the maximum values by position and situation as identified by the Expenditure Authority Matrix.
- Splitting or dividing the purchase of goods or services in order to avoid exceeding an individual's authorized limit is prohibited.
- Prior to authorizing an expenditure, the Expenditure authority shall confirm that:
 - sufficient funds remain within the relevant budget.
 - the purchase is necessary and appropriate.
 - the requirements of this Administrative Regulation have been followed.
- Sole or Single sourcing is approved by Strategic Sourcing under the following conditions:
 - an emergency condition exists.
 - a confidential situation exists.
 - goods and/or services are supplied by a sole source.
 - urgent purchases which preclude the normal business processes.
 - purchases when sole or single source would be in the best interest of CBE.
 - proprietary acquisition, warranty requirements, patent rights, license agreement or other obligations exist which may prevent the CBE from using normal competitive processes.
- Total committed and optional duration of a contract (initial term plus renewal terms) for the purchase of good and services exceeding \$75,000 in total cost may not exceed a maximum length of five years unless approved by the Director of Supply Chain Services.
- Sufficient funds must be in the approved budget of the appropriate school/service unit to which the expenditure authority is linked, before initiating a purchase.
- Purchase of goods or services on a multi-year payment plan requires prior approval of the Chief Financial Officer or designate.

A CBE Memo also exists that is relevant to this area of our review, entitled "Standard Operating Procedure Governing the Use of Calgary Board of Education Vehicles." This SOP notes that (amongst other things):

- Vehicles are for the sole use of qualified Facilities and Environmental Services employees to enable them to perform their daily duties as instructed by management.
- Vehicles are not to be used for personal use.
- A GPS unit is installed on all Facilities and Environmental Services vehicles. Management will:
 - Have real time and historical data access for the vehicles they manage.
 - Periodically conduct a review, (i.e.bi-weekly) of the vehicles detailed trip report and review with the operator as necessary.
 - Use the GPS data to assist in an investigation if required.

- Receive GPS notification for inordinate idle times, after-hours usage and vehicle usage outside of the City of Calgary limits.
- Allow the emergency call-out desk to use the GPS information for emergency dispatching.
- Allow the security monitoring centre access to the GPS information for asset monitoring.
- Utilize GPS information to manage various aspects of the vehicles, the work and activities related to the work.
- Assigned vehicles are to be driven directly to the worksite and directly home.
- All employees begin their shift at the first school or facility where they are working and end their shift at the last school or facility worked in.

Procedures Performed

Grant Thornton performed the following procedures pertaining to procurement and expenditures at CBE:

- We requested and were provided with a listing of contractors used by CBE, along with the dollar amount paid to them and the number of associated POs, for the current school year. This request was initially provided for all amounts greater than \$250,000 and included transactions to the end of November 2019.
- We subsequently requested and were provided with a listing of all vendor payments made by CBE from September to December 2019.
- From the listings we judgmentally selected a sample of five contractors for testing and requested supporting back-up documentation for review, including contracts and all related bidding information, such as RFPs, proposal responses, evaluation matrices, selection criteria, etc.
- We also requested and were provided with a detailed General Ledger (“GL”) for the period September to November 2019.
- From the GL detail, we judgmentally selected a sample of four expense batches to review in more detail and requested the breakdown of the batch, as well as supporting invoices for certain transactions (12 in total) within each batch.
- We also requested and were provided with documentation that assisted us in tracing the coding of the selected expenses to the accounting records, as well as mapping to CBE Financial Statements (i.e. the Long Code Structure and related hierarchy).
- Supporting documentation was obtained and reviewed in detail, including the coding in the accounting records.
- We also reviewed policy documentation and performed enquiry through interviews, relating to CBE’s financial cost management processes.
- As needed, we followed up with CBE to assist us in understanding the documentation provided and to obtain additional clarity.

Findings & Observations

We note the following findings and observations with respect to procurement and expenditures at CBE:

- For the sample of contractors selected, CBE informed us that all were publicly tendered on Alberta Purchasing Connection (“APC”) and the lowest compliant bid was awarded. CBE has also informed us that all public tenders are opened and announced in public.
- We were able to confirm for three out of five contractors selected that they were the lowest compliant bidder (Southland Transportation Services, Graham Construction and Maple Reinders Inc.).

- Of the remaining two, one did not go to RFP but should have (Alberta Fire & Flood), and one was sourced through a broker (Enmax Energy Corp). Further details for these contractors are discussed below.
- We note that, in general, documentation was maintained on file to support the business decision and awarding of contract, with the following exceptions:
 - The evaluation matrix for CBE's main student transportation vendor (Southland Transportation Services) was inadvertently misplaced by CBE. This particular vendor was paid in excess of \$12M by CBE during the September to December 2019 time period. As part of this review, CBE provided a "Letter to File" to Grant Thornton outlining the evaluation process used on this matter and the reasons for selecting the vendor, however, the original evaluation matrix could not be located. We note that, for all contracts greater than \$75,000, CBE policy requires a formal (and documented) RFP process. For a contract of this size, we would expect to see this key piece of documentation (i.e. the evaluation matrix) relating to the fair and appropriate awarding of this contract (as part of the formal RFP process) maintained on file.
 - For a selected vendor (Alberta Fire & Flood or "AFF") we were provided with a letter from the vendor that describes their remediation services and capabilities. No RFP process was used despite this being required per CBE policy for amounts greater than \$75,000. This vendor was paid more than \$400,000 by CBE between September and December 2019. As such, a formal RFP process should have been followed. CBE informed us of the reasons why AFF was being used by CBE (mainly alignment with CBE's insurance adjusters, other school boards and large public sector entities) and we agree that they all seem like legitimate reasons, however, this does not negate the fact that an RFP process was required and should have been followed.
 - For a selected vendor (Enmax Energy Corp) we were provided with the Services Agreement only. CBE informed us that CBE uses a broker for electricity supply so no formal RFP process is followed as the broker is responsible for finding the most cost effective solution on behalf of CBE. We note that the use of brokers is not discussed in CBE's AR7001 policy. CBE paid Enmax in excess of \$2.7M between September and December 2019.
- For the additional sample of expenses selected from CBE's accounting records (12 were selected in total), we note the following:
 - There was no evidence of approval noted on four credit card transactions selected for testing. These transactions range from \$335.80 to \$8,287.82 and relate to field trips, grad purchases, and a medical for a bus driver. CBE's AR7001 policy notes that all purchases must be approved by an appropriate expenditure authority. CBE informed us, however, that the approval is embedded within the BMO Spend Dynamics credit card system. There is an 'expenditure matrix' that automates the routing and approvals to the appropriate level of management (i.e. their direct supervisor). Supervisors then follow CBE P-Card Guidelines to review and approve the transactions in the system. As such, P-Card expenses are all approved in line with pre-determined automated thresholds.
 - In certain cases, coding was inconsistent between schools. For example, field trips were sometimes coded to "Supplies General" and sometimes coded to "Fieldtrip." We note that these sub-accounts both roll up into the same account for reporting purposes, "Other Supplies", however it would be more accurate to consistently track fieldtrip expenses in the appropriate sub-account (i.e. at level 8 or 9) to better monitor/track these types of expenditures. CBE has explained that the differences in coding are based on the level of detail needed for the reporting commitment at each school, depending on the school's level of operational complexity. With guidance and support from Finance, schools modify the level of detail they use within their accounting system in fulfilling their reporting and transparency to parents.

- In other cases, coding to sub-accounts could have been more accurate. For example, purchases were made for a grad ceremony but were not coded to the sub-account “Graduation Ceremony.” This sub-account also rolls up into the same account for reporting purposes, “Other Supplies,” however it would be more accurate to track grad expenses in the appropriate sub-account to better monitor/track these types of expenditures.
- POs were not available for two amounts selected for testing that were greater than \$10,000. According to CBE’s AR7001 policy, all purchases greater than \$10,000 require a PO. CBE has informed us that an Offsite Master Services Agreement (“MSA”) is in place for one of these transactions. There is no MSA in place for the second transaction; CBE has informed us that the relationship is owned by another Alberta school jurisdiction.
- In general, CBE’s per-student funding and expenses are comparable to the other Metro Boards in Alberta. The following table summarizes per-student expenses at CBE from 2014-2015 to current and illustrates that per-student expenses are about \$300 lower per student than they were 5 years ago:

	2014-2015 Actuals	2015-2016 Actuals	2016-2017 Actuals	2017-2018 Actuals	2018-2019 Actuals	2019-2020 Budget
Funded enrollment (i.e. number of students)	107,668	110,169	119,147	121,691	123,419	125,300
Expenditures per funded student	\$11,574	\$11,901	\$11,371	\$11,219	\$11,220	\$11,245

- With respect to the usage and tracking of CBE vehicles, we were informed by the CBE that they monitor drive times and vehicle usage through GPS systems installed within CBE vehicles. A Standard Operating Procedure (as noted above) is signed by each employee required to operate a CBE vehicle that includes detailed information on monitoring procedures.
- During our review, information was received from the public alleging that CBE vehicles were being used for excessive personal travel to commute outside the City of Calgary and CBE boundaries. These allegations noted that two specific CBE employees

use two separate CBE Facility Maintenance vans to commute to Calgary daily. CBE explained that CBE vehicles are utilized by CBE tradespersons to commute to and from their place of residence to allow for 24/7 emergency response. As the CBE has 246 schools spread throughout the City this practice also reduces commute times at the start and end of a tradesperson’s work day, maximizing productive time. Tradespersons begin their work shift at the first school where maintenance is required and remain at the last school performing maintenance until the end of their work day instead of travelling to-and-from a centralized depot.

- The decision as to who is assigned a vehicle is based on trade type (i.e. carpenter, electrician, plumber, locksmith, building maintenance technician, water treatment technician, creative playground inspector/tech, painters (graffiti removal) and the requirement of their specific position to respond to after-hours emergency situations) providing coverage over the seven Areas under which the 246 schools are grouped. Not all trades are assigned vehicles (i.e. glaziers, grounds labourer, mechanics, welders, sheet metal and millshop carpenters). As of January 3, 2020, CBE had 78 vehicles assigned to individual employees responsible for maintenance on 246 schools across the City.

Recommendations

We make the following recommendations to CBE with respect to procurement and expenditures:

22. *Evaluation matrices should be kept on file at CBE to support the business decision relating to awarding of contracts for vendors selected through a formal RFP process. This will ensure that clear documentation exists evidencing why a certain vendor was selected and demonstrating that public funding was used in the most effective manner and represent fair market value.*
23. *As required per CBE policy, all goods or services that are greater than \$75,000 should be procured through a formal RFP process to ensure that value for public funding is maximized and fair market value is obtained, unless specific exemptions are clearly identified within that Policy (e.g. use of brokers). We have been informed that this is CBE's intention moving forward with respect to these contracted services.*
24. *Coding of expenses in the GL should be accurate/specific and consistent between schools, where possible and where it makes sense (depending on the level of complexity of the schools).*

Instructional Programming

Background and Related Policies

Through interviews and procedures performed as part of this review, we understand the following:

- CBE operates a number of special education programs across various schools. These are somewhat unique to individual school jurisdictions based on what the needs of their students are. CBE is in a fortunate position in that they have large numbers of students in a relatively tight geographical area. This allows them to operate specialized programs and congregate students with similar needs in the programs.
- CBE uses special education coding criteria and codes students with disabilities for their internal funding allocation purposes. CBE has six categories of different types of student needs, identified by the CBE for resource allocation purposes, the needs range from mild student disabilities to severe. In the year 2018/2019 there were 6,111 students identified by CBE as students with severe disabilities at an additional average cost of \$10,500 per student, and 15,109 students identified as students with mild/moderate disabilities at an additional average cost of \$2,900 per student.
- CBE supports specific programs for students above the provincial resource allocation model. The programs and their associated costs are as follows:
 - Early Childhood Services: CBE funds 14 full day kindergarten programs in schools per year across the district. The annual cost to fund the 14 full day kindergarten programs is \$2M. Full-day kindergarten programs are not mandatory in Alberta, where most schools offer half-day kindergarten programs.
 - English Language Learning (ELL): CBE provides seven years of ELL support (two years more than the mandated five years that are funded by Alberta Education) across the system beginning in Grade 1. It costs CBE an average of \$1,600 per student for the 5,851 students taking advantage of the two additional years of ELL programming.

Findings & Observations

We note the following findings and observations with respect to instructional programs:

- While CBE advocates for supplementary programs to help students reach higher level achievement over the course of their schooling, it has been noted that limited measures exist to evaluate the effectiveness of the programs. Furthermore, we noted that CBE does not perform analysis to understand the impact of the supplementary program costs on the delivery of the mandated (funded) programs, and whether there are duplication of costs and services provided as part of their funding allocation model.

Recommendation

- 25. CBE should consider establishing additional performance measures to determine the quality of programs and the information needed to monitor the effectiveness of supplementary programs. The metrics used to measure the effectiveness of these programs should be clear metrics, including measurable outcomes for student learning (“before” and “after”) by which to assess the value of unfunded programs.*

Appendix 1 – Interviews Conducted

Name	Position
Althea Adams	Vice Chair, Board of Trustees, Wards 3 & 4
Brad Grundy	Superintendent, Finance/Technology Services, Chief Financial Officer, Corporate Treasurer
Christopher Usih	Chief Superintendent of Schools
Dany Breton	Superintendent of Facilities & Environmental Services
Dianne Yee	Acting Superintendent of School Improvement
Joanne Pitman	Superintendent of School Improvement
Julie Hrdlicka	Trustee, Wards 11 & 13
Kelly Ann Fenney	General Counsel
Lisa Davis	Former Trustee, Wards 6 & 7
Marilyn Dennis	Chair, Board of Trustees, Wards 5 & 10
Marla Martin-Esposito	Chief Communications Officer
Mike Bradshaw	Trustee, Wards 12 & 14
Richard Hehr	Trustee, Wards 8 & 9
Rob Armstrong	Superintendent, Human Resources
Trina Hurdman	Trustee, Wards 1 & 2
Trish Minor	Corporate Secretary



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