



ALUM ROCK

UNION ELEMENTARY SCHOOL DISTRICT

2930 Gay Avenue

San José, CA 95127

Phone: 408•928•6800

Fax: 408•928•6416

**FILED**

OCT 27 2010

DAVID H. YAMASAKI  
Chief Executive Officer/Clerk,  
Superior Court of CA County of Santa Clara  
BY D. ALDYCKI *[Signature]*

October 14, 2010

Honorable Jamie Jacobs-May  
Presiding Judge  
Santa Clara County Superior Court  
191 North First Street  
San Jose, CA 95113

Dear Honorable Judge:

As required by California Penal Code Section 933.05 (a,b), the following is Alum Rock Union Elementary School District's response to the findings and recommendations from the 2008-2009 Santa Clara County Civil Grand Jury Final Report, "Santa Clara County Schools Inventory Practices \$300M + Taxpayer Investment – But Who's Counting?"

Should you have questions, I may be reached at (408) 928-6821.

Sincerely,

*[Signature of José L. Manzo]*

José L. Manzo  
Superintendent

JM:mm  
Enclosure

José L. Manzo, Superintendent

Board of Trustees: • Patricia Potter, President • Gustavo González, Vice-President  
• Dolores Márquez, Clerk • Esau Ruiz Herrera, Member • Frank Chávez, Member



**ALUM ROCK  
UNION ELEMENTARY SCHOOL DISTRICT**

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**ALUM ROCK UNION ELEMENTARY SCHOOL DISTRICT RESPONSE TO  
6/10/09 Grand Jury Report: Santa Clara County Schools, Inventory Practices –  
\$300M+ Taxpayer Investment – But Who’s Counting?**

***Finding #1:** Community colleges and K-12 boards of trustees are responsible for inventory control. However, after interviewing ALL board of Trustee presidents, it was evident they were unaware of their obligations under the law.*

**Alum Rock Union Elementary School District (ARUESD) Response:**

We agree with this finding, that Boards are responsible for inventory control. However, it is not known whether or not Community College Boards and other K-12 Boards of Trustees are aware of their obligations under the law.

***Recommendation #1:** Trustees should review and be knowledgeable of Education Code 35168 for K-12 and Education Code 81600 for Community Colleges.*

**ARUESD Response:** This recommendation will be implemented. A copy of Education Code 35168 will be added to the next regular communication with the Board of Trustees.

It bears noting that the California Education Code 35168 was first enacted in 1976 and revised in 1984. The amount of \$500 has not been changed since 1984 and is out-of-date.

***Finding #2:** No trustees or superintendents/chancellors have been trained in inventory control. Inventory control training for board members and superintendents is not mandated by the State, resulting in a lack of familiarity and inconsistent application of inventory requirements by many districts.*

- All K-8, K-12 and community college districts

**ARUESD Response:** We agree, training on inventory control is not mandated by the state for superintendent or the board. We have no familiarity of the application of inventory requirements of other districts.

***Recommendation #2:** All Santa Clara County School Board Trustees and Superintendents/Chancellors should be required to review and understand Education Code 35168 and 81600 and BAM (Community College Budget and Accounting Manual) requirements for inventory control.*

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**ARUESD Response:** This recommendation will be implemented. The Board of Trustees will be given a copy of Education Code 35168 before the next board meeting.

*For K-12 Districts, the COE should take the lead in providing comprehensive training on inventory control, in conjunction with the release of the new inventory tracking module within Quintessential Software Systems spearheaded by the COE.*

**ARUESD Response:** Alum Rock will be implementing a new fixed asset/inventory control system as part of the implementation of the E-Finance System in Fiscal Year 2009-2010. The training that SCCOE will be providing will be related to its plans to implement the inventory tracking/fixed asset module of the Quintessential Software Systems in Fiscal Year 2009-2010, a system which is not used by Alum Rock.

**Finding #3:** *All district superintendents, chancellors and district staff report incomplete inventory information to their boards. This results in lack of knowledge about the value and size of their inventory.*

**ARUESD Response:** We disagree with this finding. We have not seen the data and are not in the position to comment on the knowledge of all districts' Board Members.

**Recommendation #3:** *All Boards of Trustees should require a presentation on the results of their districts' biennial inventory, including total value, variances resulting from the reconciliation between past and current inventories and a proposed plan to resolve discrepancies.*

**ARUESD Response:** This recommendation will be partially implemented. Annual financial reports contain the value of inventory.

However, with our current fiscal outlook, it is doubtful that there are funds to commit personnel or contractor funds required to perform this work. This is not a high priority item, as we have had fairly low exposure to loss of inventory.

Additionally, this level of full inventory is not mandated by Education Code. The California State Accounting Manual states that the California Department recommends an annual inventory, but goes on to quote the Federal Register that:

*A physical inventory of equipment shall be taken and the results reconciled with the property records at least once every 2 years to verify the existence, current utilization, and continued need for the equipment. A statistical sampling basis is acceptable . . . (CSAM Procedure 410)*

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**Finding #4:** *With the exception of Santa Clara Unified and Los Gatos Unified School Districts, all K-12 districts fail to understand the need to reconcile inventories from the previous years to the latest inventory update. Without reconciliation, the opportunity to: identify lost, missing or stolen items, take preventive measures, and obtain timely reimbursement may be lost.*

**ARUESD Response:** We disagree. We have not knowledge whether or not other districts fail to understand the need to reconcile inventories, etc. Alum Rock has annually provided the inventory from the prior year to each site and department in order that the inventory taken can be compared to the previous inventory taken for reconciliation purposes.

**Recommendation #4:** *All K-12 school districts should reconcile the most current, full inventory with prior inventories, to identify missing items and potential losses/thefts. The results will enable the districts to implement safeguards to prevent future losses.*

**ARUESD Response:** Please see responses to recommendations 1 and 3.

**Finding#5:** *Many K-12 Districts are not following requirements for inventory control as stated in Education 35168, and/or their own policies:*

**ARUESD Response:** Please see responses to recommendations 1 and 3.

**Recommendation #5:** *See categories (A)(B)(C)(D):*

**ARUESD Response:** Please see responses to recommendations 1 and 3.

**Finding #6:** *Some school districts observed by the Grand Jury had a demonstrated understanding of the need for inventory control. Best practices include documenting and following a process, conforming to the Education Code requirements, and performing reconciliation to prior inventories. The following districts are to be commended on their best practices:*

- *Fremont Union School District*
- *Los Gatos Elementary District*
- *Moreland School District*
- *Orchard School District*
- *Santa Clara Unified School District*

**ARUESD Response #6:** No response required

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**Finding #7:** *There is a potential for abuse in K-8 and K-12 districts when those who report to superintendents approve credit card transactions and purchase orders made by their superintendent.*

- *All K-8 and K-12 School Districts*

**ARUESD Response:** We agree. It is advisable for the Superintendent to have monthly expenditures reviewed by the President of the Board for approval and this procedure is now in place in Alum Rock.

**Recommendation #7:** *To strengthen internal controls and ensure fiscal accountability, purchases made by the K-8 and K-12 Superintendents should be approved by the Boards of Trustees prior to purchase. In the event an immediate purchase is required, post-approval by the Board would ensure no conflicts of interest or abuses occur.*

- *All K-8 and K-12 District Boards of Trustees*

**ARUESD Response:** This recommendation will not be implemented as it is not warranted. Given that the Board only meets once a month, it will be difficult to ask the Board of Trustees to approve Superintendent expenditures ahead of time. Alum Rock is now having all Superintendent expenditures reviewed by the President of the Board of Trustees on a monthly basis.

*Expenditures should be presented separately from the Board's consent calendar to ensure proper scrutiny.*

**ARUESD Response:** The recommendation will not be implemented because it is not warranted. A monthly review by the Board President of the Superintendent's expenditures is currently occurring. If the Board wishes to include all Superintendent expenditures on the board agenda, it would be placed on the agenda of the routine consent calendar for the board. As with any consent calendar item, if a Board Member wishes to discuss an item on the consent calendar, it can be pulled and scrutinized.

*Credit card statements and a listing of disbursements should be provided to the Board for approval.*

**ARUESD Response:** This recommendation has been implemented as the Board President is now reviewing these documents regarding the Superintendent expenditures on a monthly basis. This should provide the independent oversight that has been identified as necessary by this Grand Jury Investigation.

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