



Cupertino Union School District

Superintendent Phil Quon
Board of Education Anjali Kausar
Ben Liao
Josephine Lucey
Gary McCue
Phyllis Vogel

10301 Vista Drive • Cupertino, California 95014-2091 • (408) 252-3000 • Fax (408) 253-7845

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

September 10, 2009

Don Kawashima, Foreperson
2008-2009 Santa Clara Civil Grand Jury
Superior Court Building
191 North First Street
San Jose, California 95113

Dear Mr. Kawashima:

Subject: Inventory Practices in Santa Clara County School Districts

This is in response to your letter dated June 9, 2009 to Board of Education President, Ben Liao.

As required by Penal Code section 933.05(a,b), the Cupertino Union School District responds to the Findings and Recommendations from the Civil Grand Jury's Final Report, "Santa Clara County Schools. Inventory Practices - \$300M+ Taxpayer Investment - But Who's Counting?" are enclosed for your reference.

Should you have questions, I may be reached at (408) 252-3000 extension 200.

Sincerely,

Phil Quon
Superintendent

PQ:lc

Enclosure

***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*

Cupertino Union School District Response: We agree 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 to ensure complete implementation.*

Cupertino Union School District Response: This recommendation will be implemented. A copy of Education Code 35168 will be added to the next regular communication with the Board of Education.

***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.*

Cupertino Union School District Response: We agree training on inventory control is not mandated by the state for superintendent/chancellor 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, 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.*

Cupertino Union School District Response: This recommendation will be implemented. The Board of Education will be provided a copy of Education Code 35168.

***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.*

Cupertino Union School District Response: We disagree with this finding because we have not seen the data and are not in the position to comment on the knowledge of all 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

Cupertino Union School District Response: This recommendation will be implemented. Annual financial reports contain the value of inventory.

It should be noted that 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)"

However, our district policies/regulations have been revised to reflect full inventories at least biennially. A full inventory is nearing completion and a comprehensive report will be provided to the Board by November 2009.

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 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.*

Cupertino Union School District Response: We disagree. We have no knowledge whether or not other districts fail to understand the need to reconcile inventories, etc.

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.*

Cupertino Union School District Response: This is in the process of being implemented and will be completed by November 2009.

Finding #5D: *Selected districts do not conduct Inventory on a biennial basis as required by Education Code 35168.*

Cupertino Union School District Response: We agree that an inventory is required biennially, but we have no knowledge about the practices of other districts listed.

Recommendation #5D: *The Board of Trustees for district listed in Finding 5D should conduct inventory at least biennially and track all parameters as specified in Education*

Code 35168. These districts should provide training for all staff responsible for inventory.

Cupertino Union School District Response: Our district policies/regulations have been revised to reflect full inventories at least biennially. A full inventory is nearing completion and a comprehensive report will be provided to the Board by November 2009. Refresher training has been provided for appropriate staff involved in inventory.

***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*

Cupertino Union School District Response: We agree. However, this potential is minimized by assigning an internal auditor to review transactions and purchase orders.

***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*

Cupertino Union School District Response: This recommendation will not be implemented as it is not warranted. Given that the Board only meets once or twice a month, it will be difficult to ask the Board of Education to approve Superintendent expenditures ahead of time.

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

Cupertino Union School District Response: The recommendation will not be implemented because it is not warranted. 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.

Cupertino Union School District Response: The Board receives and ratifies a list of disbursements monthly. Any Board member may ask for detailed information regarding any disbursement.