

Above all, education.

LOMA PRIETA

• JOINT • UNION • SCHOOL • DISTRICT •

23800 SUMMIT ROAD, Los Gatos California 95033
(408) 353-1101 FAX: (408) 353-8051
Henry Castaniada, Superintendent Corey Kidwell, Principal/CIO

FILED

SEP 25 2009

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

September 18, 2009

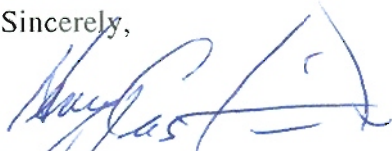
Don Kawashima
Foreperson
2008-2009 Civil Grand Jury
Superior Court Building
191 North First Street
Sant Jose, CA 95113

Re: Inventory Practices Inadequate in Santa Clara School Districts

Dear Mr. Kawashima;

We have reviewed the recommendations made by the Civil Grand Jury and we have embraced some of these recommendations in order for our district to operate in a more efficient manner in the area of inventory. Please see the attached findings, recommendations and responses from the Loma Prieta Joint Union School District. Please do not hesitate to contact me with any questions you may have.

Sincerely,



Henry Castaniada
Superintendent

Encl.

Board of Trustees:
Diane Matlock, President Rachel Lopp, Vice-President
Paula Lacey, Member Mario Montana, Member Tricia Rasmussen, Member

Loma Prieta Joint Union Elementary School District
Response to Grand Jury Report: Santa Clara County Schools, Inventory Practices
9/18/2009

***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.*

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

Response: This recommendation will be implemented. We will be incorporating CSBA language into the Board of Education's policies and procedures and will incorporate a review of Education Code 35168 within the 2009-10 fiscal year.

***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

***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.*

Response: This recommendation will be implemented in the 2009-10 fiscal year when the Board addresses the Board policy update.

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.

Response: This recommendation will be implemented. The SCCOE plans to launch the inventory tracking/fixed asset module of the Quintessential Software Systems in fiscal year 2009-10 and will offer training for interested districts.

***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.*

***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.*

Loma Prieta Joint Union Elementary School District
Response to Grand Jury Report: Santa Clara County Schools, Inventory Practices
9/18/2009

Response: This recommendation will be partially implemented. The results of the annual inventory are contained in the Combined Annual Financial Reports which are presented to the Board each year.

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)

***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.*

***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.*

Response: this will be implemented in 09-10.

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

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

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

Loma Prieta Joint Union Elementary School District
Response to Grand Jury Report: Santa Clara County Schools, Inventory Practices
9/18/2009

- *Moreland School District*
- *Orchard School District*
- *Santa Clara Unified School District*

Response: not required.

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*

Response: not required.

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*

Response #7: The recommendation will be implemented by October 30, 2009. Inventory purchases will be approved by the Board of Trustees prior to purchase. In the event an immediate purchase is required, post-approval by the Board will occur.

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

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, he/she can and will request that the consent item in question be pulled and scrutinized.

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

Response: This recommendation will be implemented by October 30, 2009. The Superintendent will provide credit card statement on a monthly basis.