



BUSINESS SERVICES  
201 Covington Road  
Los Altos, CA 94024  
(650) 947-1164  
Fax (650) 947-0118

**FILED**

SEP 17 2009

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

To: Office of the Honorable Jamie Jacobs-May  
From: Sandra Bush  
Date: September 10, 2009  
RE: Responses to 2008-09 Santa Clara County Civil Grand Jury Report

---

Enclosed are the Los Altos School District responses to the 2008-09 Santa Clara County Civil Grand Jury Report on Inventory Practices.

Per my conversation with Gloria Chacon from your office, I have sent an electronic copy of this letter via email to Ms. Chacon's attention and am now forwarding the original via U.S. Mail.

Feel free to contact me should you have any questions or concerns.

Thank you.

## Inventory Practices Inadequate in Santa Clara County School Districts

### 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.

#### **LASD Response**

*The district agrees with the finding that boards are responsible for inventory control. However, we believe our board is generally aware of its 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.

#### **LASD Response**

*The recommendation has not yet been implemented but will be implemented beginning in the 2009-10 fiscal year. A copy of EC35168 has been shared with our board. Additionally, the district business manager will review EC35168 with the board of trustees annually as part of the presentation of the unaudited actuals for the prior year. During that presentation the business manager will also provide an update on the value of district inventory as well as comment on any reconciliations done during the prior year. It bears noting that EC35168 was first enacted in 1976 and revised in 1984. The threshold of \$500 has not changed since 1984 and is out-of-date.*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.

#### **LASD Response**

*The district agrees with the finding that inventory control training is not mandated by the state. We are not familiar with application of inventory requirements in other districts; however, in our district the majority of board members have been trained in inventory control.*

### Recommendation 2

All Santa Clara County school board trustees and superintendents/chancellors should be required to review and understand EC35168.....requirements for inventory control. 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 QSS spearheaded by the COE.

#### **LASD Response**

*The recommendation has not yet been implemented but the district expects it to be implemented during the 2009–10 fiscal year. As stated above, the district board of trustees was given a copy of EC35168 at the August 31, 2009 board meeting. The Santa Clara County Office of Education plans to implement the inventory tracking/fixed assets module of the Quintessential Software Systems during the 2009–10 fiscal year and 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.

#### **LASD Response**

*The district agrees with the finding.*

### Recommendation 3

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

#### **LASD Response**

*See response to recommendation 1.*

*As stated in our response to the grand jury's report last year, the district's annual financial report contains the value of all capital assets. With our current financial outlook it is doubtful there will be funds to commit personnel or contractor funds*

required to perform a biennial inventory of all items valued at \$500 or more. 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 as the grand jury report seems to imply. The California State Accounting Manual states that the California Department of Education 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

.....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.

#### LASD Response

The district disagrees with the finding. The district recognizes the need to reconcile inventories, but may not have the resources to perform inventories and reconciliations as frequently as the grand jury suggests.

#### 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.

#### LASD Response

The recommendation has not yet been implemented but will be implemented during the 2009-10 fiscal year and biennially thereafter.

#### Finding 5

Many K–12 districts are not following requirements for inventory control as stated in EC35168, and/or their own policies and procedures.

- A) Not applicable to LASD.
- B) LASD lacks Board Policy or Administrative Regulations regarding inventory, and/or failed to delegate inventory responsibility.
- C) LASD is not tracking all items valued above \$500 as required by EC35168.
- D) LASD does not conduct inventory on a biennial basis as required by Education Code.

#### LASD Response

The district agrees with the finding.

#### Recommendation 5

- B) Board Policies/Administrative Regulations should be implemented, assigning inventory control responsibilities and training the superintendent, business manager, or appropriate designee. The district should ensure that policies remain current and in compliance. The district should provide training for staff responsible for inventory.
- C) LASD board should fully implement the tracking requirements for equipment with current market value above \$500 and provide training for staff responsible for inventory.
- D) LASD board should conduct inventory at least biennially and track all parameters as specified in EC35168. The district should provide training for staff responsible for inventory.

#### LASD Response

B) The recommendation has not yet been implemented, but will be implemented during the 2009–10 fiscal year. The district will update its policies and administrative regulations where appropriate, review them annually in order to stay current, and provide staff training as needed.

C) The recommendation has not yet been implemented, but will be implemented during the 2009-10 fiscal year including the training of staff as needed.

D) The recommendation has not yet been implemented, but will be implemented starting in the 2009-10 fiscal year. Thereafter, the district will perform biennial inventories for all items valued on or above \$500.

**Finding 6**

Not applicable.

**LASD Response**

Not applicable.

**Recommendation 6**

No recommendation.

**LASD Response**

No response.

**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.

**LASD Response**

The district agrees with the finding.

**Recommendation 7**

To strengthen internal controls and ensure fiscal accountability, purchases made by..... superintendents should be approved by the Board 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. Expenditures should be presented separately from the Board's consent calendar to ensure proper scrutiny. Credit card statements and a listing of disbursements should be provided to the Board for approval.

**LASD Response**

Currently all credit card purchases are reviewed carefully by the district business manager and one member of his staff. The district agrees that additional controls and procedures are needed. Given that the board of trustees meets only once or twice a month, it will be difficult to ask the board to approve superintendent expenditures ahead of time. The district will not implement the recommendation that superintendent expenditures be separate from the board's consent calendar, because if a board member wishes to discuss an item on the consent calendar it can be pulled and scrutinized. The recommendation to provide credit card statements and a listing of disbursements will be implemented during the 2009-10 fiscal year.

Responses prepared by the administration and governing board of Los Altos School District.

  
\_\_\_\_\_  
David Pefley, Board President

  
\_\_\_\_\_  
Tim Justus, District Superintendent

9-10-09  
\_\_\_\_\_  
(Date)