

Central County
Occupational
Center/Program (CCOC/P)

Metropolitan Adult
Education Program (MAEP)

760 Hillsdale Avenue
San Jose, CA
95136-1190

ph: 408.723.6464
fax: 408.264.7266

www.metroed.net

Dan Gilbertson
Director of Human Resources

Paul R. Hay
Superintendent



MetroED

Metropolitan
Education District

August 20, 2009

Sent: Certified, Return Receipt Requested

Gloria Chacon, Court Manager
Santa Clara County Civil Grand Jury
Superior Court Building
191 North First Street
San Jose, CA 95113

Re: **"Santa Clara County Schools, Inventory Practices - \$300M+ Taxpayer Investment - But Who's Counting?" and "Who Really Benefits from Education Dollars? (Hint: It's Not the Students)"**

To Whom It May Concern:

On August 19, 2009, the Metropolitan Education District (MetroED) Governing Board reviewed and approved the attached responses to the Grand Jury final reports filed on June 9, 2009 and June 24, 2009 regarding the above referenced final reports.

Please contact me directly at 408-723-6464 if you have any questions or need additional follow-up.

Sincerely,

Paul Hay
Superintendent

Enclosures

cc: Rich Garcia, President, MetroED Governing Board
Daniel Gilbertson, Interim Chief Business Official

FILED

SEP 21 2009

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

Metropolitan Education District
Response to Grand Jury Findings and Recommendations
Final-Board Approved 8/19/09

Date: August 19, 2009

Subject: 2008-09 Santa Clara County Civil Grand Jury report, filed June 9, 2009
Title: "Santa Clara County Schools, Inventory Practices - \$300M+ Taxpayer Investment – But Who's Counting?"

On the above date, the Governing Board of the Metropolitan Education District ("MetroED") reviewed the aforementioned Grand Jury report ("Report") at a public meeting, and authorized the MetroED Superintendent to submit the following responses to the findings and recommendations in the Report.

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.

Response to Finding: We cannot respond to this finding as "agree" or "disagree." Equipment inventory policies were updated on the dates noted below, which included a review of the requirements of Ed Code Section 35168 with all MetroED Governing Board members.

- **Recommendation #1:** Trustees should review and be knowledgeable of Education Code S.35168 for K-12 and Education Code S.81600 for community colleges to ensure complete implementation.

Response to Recommendation: **Implemented.** The MetroED Governing Board reviewed the requirements of Education Code Section 35168 on June 25, 2008 and again on August 27, 2008 when updated board policies and administrative regulations were adopted. Education Code Section 35168 was also again reviewed by the MetroED Governing Board on August 19, 2009.

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.

Response to Finding: We cannot respond to this finding as "agree" or "disagree." We cannot judge the extent to which other district trustees and superintendents have been trained in inventory procedures. The MetroED Superintendent was trained in inventory control procedures as part of his participation in the ACSA-sponsored School Business Manager's Academy (1999-2000), and CASBO annual conference workshops.

Recommendation #2: All Santa Clara County school board trustees and superintendents/chancellors should be required to review and understand Education Code S. 35168 and S.81600 and BAM 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 tracing module within Quintessential Software Systems spearheaded by the COE.

*Response to Recommendation: **Requires Further Analysis.** The requirements of Education Code Section 35168 have been reviewed with MetroED Board Members on three occasions in the last 15 months. We are reviewing our inventory procedures and exploring the best way to maintain optimum inventory control to assure that we are in compliance with the ED Code. We expect this review to be completed within the next six months. We have a range of options:*

- *Reviewing and if necessary, upgrading our internal procedures*
- *Utilizing the SCCOE's inventory control program*
- *Taking inventory training offered by the SCCOE and CSBA*

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.

*Response to Finding: **We agree as it relates to MetroED.***

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

Response to Recommendation: MetroED staff is currently conducting a physical inventory of equipment. Once complete, reconciliation will be conducted. The results will be reported to the MetroED Governing Board in accordance with District policy.

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.

*Response to Finding: **We disagree as it relates to MetroED.** MetroED staff is fully cognizant of the necessity of reconciling changes in inventory from year to year as an important part of the District's internal control procedures.*

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 to Recommendation: MetroED staff is currently conducting a physical inventory of equipment. Once complete, reconciliation will be conducted. The results will be reported to the MetroED Governing Board in accordance with District policy.

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.

Response to Finding: We agree with this finding. The Superintendent's credit card purchases should be approved by someone other than a subordinate.

Recommendation #7: To strengthen internal controls and ensure fiscal accountability, purchase made by the K-8 and K-12 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.

Response to Recommendation: Not yet implemented. The Superintendent is recommending to the Governing Board a procedure that the Superintendent's credit card purchases be approved by the Board President.