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BUSINESS SERVICES

**PALO ALTO UNIFIED SCHOOL DISTRICT**  
**Response to Grand Jury Report on Santa Clara County Schools**  
**Inventory Practices Findings and Recommendations,**  
**Letters of June 3 and 9, 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.*

**Palo Alto Unified School District Response:** We agree with the finding that the Board is responsible for inventory control. However, we cannot comment as to whether or not Community College Boards and other K-12 Boards of Trustees are aware of that responsibility.

***Recommendation 1***

*Trustees should review and be knowledgeable of EC Section 35168 for K-12 to ensure complete implementation.*

**Palo Alto Unified School District Response:** This recommendation will be implemented. Staff will provide the Board with a copy of EC Section 35168.

***Finding 2***

*No trustees or superintendents 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.*

**Palo Alto Unified School District Response:** While we do not agree that the Board needs training in all the nuances of inventory control, we do agree that Boards need to understand the theory of inventory control.

***Recommendation 2***

*Santa Clara County school board trustees and superintendents should be required to review and understand EC Sections 35168 and 81600 requirements.*

**Palo Alto Unified School District Response:** This recommendation will be implemented. Staff will provide the Board with a copy of EC Section 35168.

*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 with Quintessential Software Systems (QSS) spearheaded by the COE*

**Palo Alto Unified School District Response:** This district owns a reliable fixed asset system which is used for assets costing more than \$5,000. This system can also accommodate equipment costing between \$500 and \$5,000. Replacing our fixed asset system with QSS's, which would provide the same data, would be an unnecessary expenditure, as we believe the COE will charge for use of the fixed asset module. We plan to enter equipment costing between \$500 and \$5,000 into our fixed asset system.

### ***Finding 3***

*All district superintendents and district staff report incomplete inventory information to their Boards. This results in lack of knowledge about the value and size of their inventory.*

**Palo Alto Unified School District Response:** Although no report is presented to the Board on equipment costing between \$500 and \$5,000, the district complies with GASB 34, which applies to assets and equipment costing over \$5,000, and reports on them in the district's annual financial statements.

### ***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.*

**Palo Alto Unified School District Response:** We understand this recommendation and expect that staff will make reports on inventory as required by law and prudent business practices.

### ***Finding 4***

*With the exception of Santa Clara Unified and Los Gatos 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.*

**Palo Alto Unified School District Response:** We do not agree with this finding. We are uncertain if other districts fail to understand the need to reconcile inventories.

### ***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.*

**Palo Alto Unified School District Response:** We concur and will take steps to implement this recommendation. Current fiscal outlook will present great challenge as

it is doubtful that there are funds to commit extra personnel or vendor to perform this work.

**Findings 5B, 5C, 5D**

*Many K-12 Districts are not following requirements for inventory control as stated in EC Section 35168, and/or their own policies and procedures.*

- B) Palo Alto Unified School District lacks Board Policy or Administrative Regulations regarding inventory, and/or failed to delegate inventory responsibility.*
- C) Palo Alto Unified School District is not tracking all items valued above \$500 as required by EC Section 35168.*
- D) Palo Alto Unified School District does not conduct inventory on a biennial basis as required by the Education Code.*

**Palo Alto Unified School District Response:**

B) We are in the process of rewriting Board Policy. Once that is complete we will develop Administrative Regulations and Procedures to address inventory control per EC Section 35168.

C) We currently do have records of equipment costing between \$500 and \$5,000. We will enter the information into our fixed asset system.

D) We plan to correct this. Current fiscal outlook will present great challenge as it is doubtful that there are funds to commit extra personnel or vendor to perform this work.

**Recommendations 5B, 5C, 5D**

*5B) Board Policies/Administrative Regulations should be implemented by the Boards of Trustees, assigning inventory control responsibilities and training to the Superintendent, business manager, or appropriate designee. The district should ensure the policies remain current and in compliance. CSBA provides a good template for Board Policies in the area of Inventory Control conforming to EC Section 35168. The district should provide training for staff responsible for inventory.*

*5C) The Board of Trustees should fully implement the tracking requirements for equipment with current market value above \$500. The district should provide training for staff responsible for inventory.*

*5D) The Board of Trustees should conduct inventory at least biennially and track all parameters as specified in EC Section 35168. The district should provide training for staff responsible for inventory.*

**Palo Alto Unified School District Response:**

5B) We concur and will adopt and update Board policy and administrative regulations. Training will be provided to management and other staff as necessary to maintain control of these assets.

5C and 5D) We concur and will implement the tracking requirements as soon as possible, along with necessary training.

**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.*

**Palo Alto Unified School District Response:** We agree that problems can occur when the only approval required by a district is that of a subordinate.

**Recommendation 7**

*To strengthen internal controls and ensure fiscal accountability, purchases made by the Superintendent 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.*

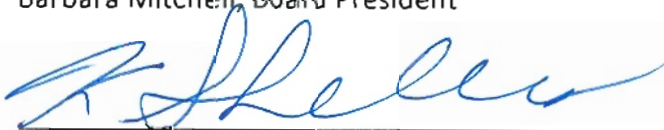
**Palo Alto Unified School District Response:** We agree that expenditures and purchases made by the Superintendent's office should ideally be approved in advance by the Board. The Superintendent makes regular reports to the Board on his activities, including travel plans, so the board is generally aware of expenditure requirements related to those activities. To allow his office to run smoothly, routine expenditures for office supplies, small equipment, etc., are approved post-purchase.

Please note that our superintendent does not have a district credit card.

Responses prepared by administration and governing board of Palo Alto Unified School District.



Barbara Mitchell, Board President



Kevin Skelly, District Superintendent



(Date)