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August 20, 2009

The Honorable Jamie Jacobs-May
Presiding Judge, Santa Clara County Superior Court
191 North First Street
San Jose, CA 95113

Dear Judge Jacobs-May:

The West Valley-Mission Community College District received the Santa Clara County Civil Grand Jury Report concerning Inventory Practices dated June 9, 2009. This letter is the response of the District to the findings and recommendations contained 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.

District Response to Finding 1

Agree. A Board presentation concerning inventory control is scheduled for October 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.

District Response to Finding 2

Agree. A Board presentation concerning inventory control is scheduled for October 2009.

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.

District Response to Finding 3

Agree. A complete inventory will be completed by December 2009, and the results reported to the Board.

Finding 9

Three of four community college districts failed to conduct inventory as is specified by CSAM 410 (California School Accounting Manual) Procedures and the California Community College Budget and Accounting Manual. Districts only included items at or above \$5000 in their inventory, where the requirements in CSAM and the BAM state that any items greater than \$1000 should be included.

FILED

SEP 15 2009

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

District Response to Finding 9

Disagree. The District's Board Policy was revised in February 2005 to require an inventory of items with a value of \$5,000 or more. This change was adopted by the district's Board after the State Accounting Manual changed its capitalization requirement for property that has a normal life of at least one year and a unit acquisition cost of at least \$5,000. The Budget and Accounting manual (BAM) has not been revised since 2000, and the State Chancellor's Office recognizes the need to revise this manual.

Finding 11

Chancellors' purchases (both credit card and purchase orders) are approved by subordinates, mainly direct reports. While the vast majority of these direct reports expressed that their chancellors are very conservative with regard to spending, there is a potential for abuse.

District Response to Finding 11

Agree. All purchases made by the chancellor will be approved by the Board President beginning August 1, 2009.

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.

District Response to Recommendation 1

The recommendation has been implemented. A Board Policy on Property Use and Transfer has been adopted.

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 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 Quintessential Software systems spearheaded by the COE.

For community colleges, the CC Board should investigate additional training in the area of inventory control offered through organizations such as the American Association of Community Colleges and the Community College League of California.

District Response to Recommendation 2

The recommendation has not yet been implemented, but training has been scheduled for October 2009.

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.

District Response to Recommendation 3

Community College Districts are not required to conduct a biennial inventory. A complete inventory will be completed by December 2009, and the results reported to the Board.

Recommendation 9

The Board of Trustees for Foothill/De Anza, Gavilan, and West Valley/Mission College Districts should ensure compliance with the CSAM 410 procedures and BAM guidelines by tracking inventory items greater than \$1000. These districts should provide training for staff responsible for inventory.

District Response to Recommendation 9

The recommendation will not be implemented. The District's current Board Policy adopted a change to the value of items requiring inventory control after the State Accounting Manual increased its requirement to property with a normal life of at least one year and a unit acquisition cost of at least \$5,000. The Budget and Accounting Manual requires revision to incorporate this change. The State Chancellor's Office recognizes the need to revise the BAM.

Recommendation 11

To strengthen internal controls and ensure fiscal accountability, purchases made by chancellors should be approved by the Board of Trustees. In the event an immediate purchase is required, post-approval by the Board would ensure no conflicts of interest or abuses occur.

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

District Response to Recommendation 11

The recommendation has been implemented. All purchases made by the chancellor are approved by the Board President beginning August 1, 2009.

The above responses were approved by the West Valley-Mission Community College District's Board of Trustees at its August 20, 2009, meeting and are respectfully submitted.

Sincerely,



John E. Hendrickson

/tj