



School
District

4115 Jacksol Drive

San Jose, CA 95124

408.377.2103

Fax 408.377.5944

www.cambrian.k12.ca.us

September 8, 2009

FILED

SEP 21 2009

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

Mr. Don Kawashima, Foreperson
2008-09 Civil Grand Jury
Superior Court Building
191 North First Street
San Jose, CA 95113

RE: Cambrian School District
Response to Santa Clara County Schools, Inventory Practices - \$300M+
Taxpayer Investment – But Who's Counting?

Dear Mr. Kawashima and Members of the Civil Grand Jury:

Following are the requested responses regarding the noted Grand Jury 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 Finding 1 – We agree with this finding, that boards are responsible for inventory control. However, it is not known whether K-12 Boards of Trustees are aware of their obligations under the law.

Recommendation 1

Trustees should review and be knowledgeable of Education Code 35168 for K12

Response Recommendation 1--This recommendation will be implemented. A copy of Education Code 35168 will be added to the next regular communication with the Board of Trustees.

It bears noting that the California Education Code 35168 was first enacted in 1976 and revised last in 1984. The amount of \$500 has not been changed since 1984 and is out-of-date.

Creating Extraordinary Futures

Board of Trustees

Alan Baker

Gary D. Chronert

Karen Chung

Susan Pyne

Donald Rocha

Superintendent

Deborah L. Blow, Ed.D.

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 districts.

Response Finding 2 – We agree that training on inventory control is not mandated by the state for the superintendent or the board. We have no familiarity of the application of inventory requirements of other districts.

Recommendation 2

All Santa Clara County school board trustees and superintendents should be required to review and understand Education Code 35168 and BAM requirements for inventory control.

Response Recommendation 2a – This recommendation will be implemented. The Board of Trustees will be given a copy of Education 35168 before the next board meeting.

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 Recommendation 2b – The district will take part in comprehensive training on inventory control provided by the Santa Clara County Office of Education. The board members and superintendent will receive a report regarding any inventory control requirement training.

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.

Response Finding 3 – We disagree with this finding. The Cambrian School District Board of Trustees approves warrant lists for purchase of equipment and also approves the surplusing of equipment. Each year the Board approves the budgets, actual expenditures, and interim reports which include objects 4400, 6400, and 6500 defined as Non-capitalized Equipment, Equipment and Equipment replacement.

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.

Response Recommendation 3— This recommendation will be implemented. We are in the process of improving our existing inventory control system. This process includes annual financial reports that contain the value of our inventory.

Current fiscal challenges may impact the district's ability to commit funds, personnel, or contractor funds required to perform this work. We have had fairly low exposure to loss of inventory.

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 Finding 4 – We disagree. We do have knowledge of the importance of an inventory control system.

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 Recommendation 4— Please see response to recommendation 3.

Finding 5

Many K-12 districts are not following requirements for inventory control as stated in Education Code 35168 and/or their own policies and procedures.

- A. The following district do not have an inventory listing or the inventory lists that they do have is extremely deficient:
 - Cambrian School District
 - Lakeside School District
 - Morgan Hill School District
- B. The following districts lack Board Policy or Administrative Regulations regarding inventory, and/or they failed to delegate inventory responsibility:
 - East Side Union High School District
 - Gilroy Unified School District

- Los Altos Unified School District
 - Montebello School District
 - Mountain View Whisman School District
 - Palo Alto Unified School District
 - Saratoga Union School District
- C. The following districts are not tracking all items valued above \$500 as required by Education Code 35168:
- Cambrian School District
 - Gilroy Unified School District
 - Los Altos Unified School District
 - Palo Alto Unified School District
 -
- D. The following districts do not conduct inventory on a biennial basis as required by Education Code:
- Alum Rock School District
 - Cambrian School District
 - Cupertino Union School District
 - East Side Union School District
 - Evergreen School District
 - Fremont Union High School District
 - Gilroy School District
 - Los Altos School District
 - Los Gatos/Saratoga High School District
 - Morgan Hill Unified School District
 - Mountain View/Los Altos Union High School District
 - Palo Alto Unified School District

Recommendation 5

A) The boards of Trustees for the district listed in Finding 5A should conduct a full inventory or improve their existing inventory listing.

Response Recommendation 5A– Working with the Santa Clara Office of Education, we will improve our current inventory control system.

B) Board Policies/Administrative Regulations should be implemented by the Board of Trustees in all district listed in Finding 5B, assigning inventory control responsibilities and training to the superintendent, business manager, or appropriate designee. All districts should ensure that their policies remain current and in compliance. CSBA provides a food template for Board Policies in the area of inventory control conforming to Education Code 35168. These districts should provide for staff responsible for inventory.

Not Applicable

C) The following districts are not tracking all items valued above \$500 as required by Education Code 35168

Response Recommendation 5C– Working with the Santa Clara Office of Education, we will improve our current inventory control system which will include technology equipment and musical instruments valued above \$500 as per administrative regulation 3440.1

D) The following districts do not conduct inventory on a biennial basis as required by Education Code

Response Recommendation 5D– Working with the Santa Clara Office of Education, our current inventory system will improved and continue to be conducted on an annual basis.

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:

No response needed

Finding 7

There is a potential for abuse in K-8 districts when those who report to superintendents approve credit card transactions and purchase orders made by their superintendent.

Response Finding 7 – This recommendation will not be implemented as it is not warranted. Given that the Board only meets once or twice a month, it will be difficult to ask the Board of Trustees to approve Superintendent expenditures ahead of time.

Recommendation 7

To strengthen internal controls and ensure fiscal accountability, purchases made by the K-8 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 prior scrutiny.

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

Response Recommendation 7—This recommendation will be partially implemented. Cambrian School District has excellent internal controls in place. The business department is charged with ensuring that all expenditures including payroll, benefits, supplies, travel, services, equipment and construction, etc. follow stringent internal controls. Rigorous oversight is performed by the controller and CFO. On a yearly basis, external auditors test all areas of controls, examine in detail selected expenditures and review the credit card expenditures. The auditors report directly to the board on the financial condition of the district and on any concerns they have with business procedures.

The board approves the credit card payments on the warrant list each month. Additionally the board president will review the superintendent's credit card statement on a monthly basis.

Sincerely,



Gary Chronert
Board President
Cambrian School District



Deborah Blow, Ed.D.
Superintendent
Cambrian School District