



FRANKLIN-MCKINLEY SCHOOL DISTRICT

645 Wool Creek Drive, San Jose, CA 95112
408-283-6020 Fax 408-283-6024

Dr. John R. Porter, Jr.
Superintendent

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

Ms. Angie M. Cardoza, Foreperson
2009-10 Civil Grand Jury
Superior Court Building
191 North First Street
San Jose, CA 95113

Dear Ms. Cardoza and Members of the Civil Grand Jury:

We have reviewed your Final report of June 9, 2009, "Santa Clara County Schools, Inventory Practices - \$300M+ Taxpayer Investment – But Who's Counting?" The following is our response to the findings and recommendations that apply to the Franklin-McKinley School District:

Finding 1

Community colleges and K-12 boards of trustees are responsible for inventory control.

However, after reviewing ALL board of trustee presidents it was evident they were unaware of their obligations under the law.

- *All K-8 and K-12 and Community College Districts*

Response

The Franklin-McKinley School District agrees with the finding.

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.

- *All K-8 and K-12 and Community College District Board of Trustees*

Response

The School Board will be provided with copies of the cited Education Code as well as related Board Policy 3400 and Administrative Regulations 3400 and 3440.

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.

- *All K-8 and K-12 and community college districts*

Board of Education

Dustin DeRollo • John Lindner • Keith Nguyen • George Sanchez • Buu Thai

Response:

The Franklin-McKinley School District agrees with the finding that Boards and Superintendents are not required to be trained in inventory control. We do not agree that Board Members should receive detailed training in this area since the Boards' role is to set policy. It is the Superintendents' role to insure compliance of policies approved by the Board.

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.

- All K-8 and K-12 Community College District Boards of Trustees
- COE Board of Trustees

Response

The Franklin-McKinley School District agrees with this recommendation. The Santa Clara County Office of Education (COE) is the current provider of the financial application software that the District uses to process all accounting, payroll and personnel transactions. We will discuss with the COE the availability of the new integrated inventory tracking module, which is a component of the financial application software we currently use, to determine if using this application would provide greater operating efficiencies and integration.

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

- *All K-8 and K-12 and community college districts*

Response

The Franklin-McKinley School District does not agree with this overly generalized finding that District staff report incomplete inventory information to their Boards. The reporting of specific inventory information is not a requirement of the Education Code, Board Policy/Administrative Regulations or the California Schools Accounting Manual (CSAM).

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.

- All K-8 and K-12 & Community College District Boards of Trustees

Response

The Franklin-McKinley School District agrees, in concept, with this recommendation. District staff will propose amendments to Administrative Regulation 3440, Inventories, requiring a report of this nature for the Board consideration. The Districts' current Administrative Regulation does not require the submission of a report to the Board at the conclusion of our biennial inventories.

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.

- *All K-8 and K-12 Boards of Trustees (except Santa Clara Unified and Los Gatos Unified)*

Response

The Franklin-McKinley School District does not agree with this overly generalized finding that districts fail to understand the need to reconcile inventories. The Franklin-McKinley School District already performs this function and it is a requirement in the Districts' Administrative Regulation 3440.

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.

- All K-8 and K-12 Boards of Trustees (except Santa Clara Unified and Los Gatos Unified)

Response

The Franklin-McKinley School District agrees with this recommendation.

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.

- *All K-8 and K-12 School Districts*

Response

The Franklin-McKinley School District accepts the conclusion regarding "potential abuse" expressed in this finding.

Recommendation 7

To strengthen internal controls and ensure fiscal accountability, purchases made by the K-8 and K-12 Superintendents should be approved by the Boards 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 listing of disbursements should be provided to the Board for approval.

- *All K-8 and K-12 District Boards of Trustees*

Response

The Franklin-McKinley School District Board of Education will review this recommendation at a future Board meeting for potential action. The Deputy Superintendent, Business Services currently reviews travel and expense reimbursement claims submitted by all members of the Districts' management team, including the Superintendent, and reviews all District credit card statements. The review of travel and expense reimbursement claims and credit card statements is based on the Districts' Board Policy 3300, Expenditures and Purchases and Board Policy 3350, Travel Expenses.

Sincerely,



Dustin DeRollo
President, Board of Education

cc: Board Members
John R. Porter, Jr., Superintendent
Timothy W. McClary, Deputy Superintendent