



FREMONT UNION HIGH SCHOOL DISTRICT

Cupertino, Fremont, Homestead, Lynbrook, Monta Vista High Schools and Adult/Community Education

Polly M. Bove, *Superintendent of Schools*

September 3, 2009

FILED

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

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

RE: Response to Civil Grand Jury Final Report, Santa Clara County Schools, Inventory Practices - \$300M+ Taxpayer Investment – But Who's Counting?

Dear Judge Jacobs-May:

This letter is written in response to the 2008-2009 Santa Clara County Civil Grand Jury's Final Report regarding **Santa Clara County Schools, Inventory Practices - \$300M+ Taxpayer Investment – But Who's Counting?** This response is on behalf of the Fremont Union High School District.

Finding #1

Community Colleges and K-12 boards of trustees are responsible for inventory control. However, after interviewing ALL board of trustees' presidents it was evident they were unaware of their obligations under the law.

Response: FUHSD agrees with this finding, that the Board of Trustees is responsible for inventory control and the Board of Trustees should be aware of their obligations under the law.

Recommendation #1

Trustees should review and be knowledgeable of Education Code 35168 for K-12 and Education Code 81600 for Community Colleges.

Response: The recommendation has been implemented. The Board of Trustees has reviewed and is knowledgeable of Education Code 35168 and is aware of their obligations under the law.

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 The amount of \$500 has not been changed since 1984 and is out of date.

BOARD OF TRUSTEES: Nancy A. Newton, Barbara F. Nunes, Homer H.C. Tong, Hung Wei, Bill Wilson

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, K-12 and community college districts

Response: FUHSD agrees, training on inventory control is not mandated by the state for superintendents/chancellors or board members. It is important, however, that staff be well trained in inventory control.

Recommendation #2

All Santa Clara County school board trustees, superintendents/chancellors should be required to review and understand Education Code 35168 and 81600 and BAM (Community College Budget and Accounting Manual) requirements for inventory control.

Response: The recommendation has been implemented. The Board of Trustees/Superintendent has reviewed and is knowledgeable of Education Code 35168 and is aware of their obligations under the law.

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: SCCOE plans to implement the inventory tracking/asset module of the Quintessential Software Systems in Fiscal Year 2009-10 and will offer training for interested districts. FUHSD will send staff to these trainings when they are offered.

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: FUHSD disagrees with this finding due to the fact that the annual financial reports contain fixed asset information.

Recommendation #3

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

Response: This recommendation will be partially implemented. The annual financial reports contain the value of inventory and are presented to the Board each year.

With the current fiscal outlook it is doubtful that there are funds to commit personnel or contractor funds required to perform all of this work. This is not a high priority item, as we have had fairly low exposure to loss of inventory.

Additionally, this level of full inventory is not mandated by Education Code. The California State Accounting Manual states that the California Department recommends an annual inventory, but goes on to quote the Federal Register that:

A physical inventory of equipment shall be taken and the results reconciled with the property records at least once every 2 years to verify the existence, current utilization, and continued need for the equipment. A statistical sampling basis is acceptable. . . . (CSAM Procedure 410)

Over the summer FUHSD conducted a complete physical inventory and is planning to use a “statistical sampling basis” next year.

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 fiscal years to the latest inventory update. Without reconciliation, the opportunity to: identify lost, missing or stolen items, take preventative measures, and obtain timely reimbursement may be lost.

Response: FUHSD disagrees with this finding. FUHSD understands that inventory reconciliation can be helpful in identifying lost and stolen items and taking preventative measures and obtaining timely reimbursement.

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: Please see responses to recommendations 1 and 3.

Finding #5 (“D” only)

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

D) The following districts do not conduct Inventory on a biennial basis as required by Education Code (Note: A rolling inventory is not considered a physical inventory as defined by code)

Response: Please see responses to recommendations 1 and 3.

Recommendation #5(D)

The Boards of Trustees for districts listed in Finding 5D should conduct inventory at least biennially and track all parameters as specified in Education Code 35168. These districts should provide training for staff responsible for inventory.

Response: Please see responses to recommendations 1 and 3.

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: FUHSD agrees that there is potential for abuse when those who report to superintendents approve credit card transactions and purchase orders made by their superintendent.

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 a listing of disbursements should be provided to the Board for approval.

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

Response: The recommendation has been partially implemented. Purchase orders issued by the Superintendent are presented to the Board for approval. In the event an immediate purchase is required, the purchase order is presented to the Board for post-approval. Purchase orders issued by the Superintendent are approved by the Board of Trustees on the consent calendar. If a Board member wishes to discuss an item on the consent calendar, it can be pulled and scrutinized. Credit card statements and a listing of disbursements are approved by the Board President.

If you require additional information please feel free to call me.

Sincerely,



Christine Mallery
Chief Business Officer/Associate Superintendent

cm/nrm