

# GAVILAN COLLEGE

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Steven M. Kinsella, DBA, CPA, Superintendent/President

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**FILED**

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

Don Kawashima  
Foreperson  
Santa Clara County 2008-2009 Civil Grand Jury  
Superior Court Building  
191 North First Street  
San Jose, CA 95113

Dear Mr. Kawashima:

Attached are the responses from the Gavilan Joint Community College District to the following grant jury reports:

Who Really Benefits from Education Dollars? (Hint: It's Not the Students)

**Grand Jury Findings and Recommendations Concerning Inventory Practices and Superintendent/President Purchases**

If you have any questions you can contact me at 408-848-4712.

Respectfully,



Steven M. Kinsella, D.B.A., C.P.A.  
Superintendent/President



Board of Trustees: Tom Breen

Elvira Zaragoza Robinson, Esq.

Kent Child

Debra Smith

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Laura A. Perry, Esq.

Andrew Williams, Student Trustee

## **District Response to Grand Jury Findings and Recommendations Concerning Inventory Practices and Superintendent/President Purchases**

### **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.

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

### **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 Boards of Trustees

### **Districts Response 1**

The District disagrees for the following reasons:

1. The governing board members are aware of the fact that they are responsible for the fiscal management and control of all operations of the district to include inventory and fixed assets acquired to operate the district. The district believes the jury questioning methodology may have resulted in a misunderstanding of the knowledge trustees have about their responsibilities as board members. The governing board members are not likely to have a detail level of knowledge of all of the provisions of the Education Code that would allow any member to quote a specific section of the Education Code. Additionally, board members are not expected to know detailed level practices of the district. The governing board delegates responsibility for the day to day management of the district to the Superintendent/President. However, even though a significant amount of authority is delegated to the Superintendent/President, the board retains complete responsibility for all aspects of the district's operations.
2. The provision of the Education Code related to the Board's responsibility for inventory in Section 81600 states in full: "The governing board of a community college district shall manage and control school property within its district." There are similar provisions to other aspects of the district's operations that also state the governing board is responsible for various segments of the district's operations. It is not fair to state that the governing board is unaware of its broad responsibilities for inventory or for any other part of the district's operations. The district disagrees with the jury's findings as the board members are fully aware of their overarching obligations for all aspects of the district's operations. The general nature of the Education Code regarding inventory is not substantially different than the obligations of board members identified in other sections of the Education Code. Generally, the board is responsible for all operations of the college and relies on the superintendent/president to ensure college operations comply with these provisions. That is in fact what occurs at Gavilan College.

3. Gavilan Joint Community College Board Policy (BP) 6520 approved on April 9, 2002 states: "The President of the College shall establish procedures necessary to manage, control and protect the assets of the District, including but not limited to ensuring sufficient security to protect property, equipment and information from theft, loss, or significant damage." BP 6520 charges the president with establishment of procedures and practices that will ensure inventory is protected from loss for any combination of reasons.

BP 6520 charges the President with responsibility for ensuring the district's assets including its inventory of property from all forms of loss including theft. The district complies with Education Code Section 81600 and Board of Trustee policies to ensure the district's operations comply with Education Code Section 81600.

### **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.

### **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 County Office of Education (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 and Community College District Boards of Trustees
- COE Board of Trustees

### **Districts Response 2**

The District agrees.

The recommendation has been implemented with the District's Board of Trustees review of California Education Code Sections 81600, 84030, and The California Community Colleges Budget and Accounting Manual (BAM) requirements for inventory control as noted below.

California Education Code Section 81600 states: "The governing board of a community college district shall manage and control school property within its district."

California Education Code Section 84030 states in part:

"The accounting system including the uniform fund structure used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges Budget and Accounting Manual as approved by the Board of Governors and furnished by the Board of Governors."

The California Community Colleges Budget and Accounting Manual (BAM), Chapter 4, pages 4.64 and 4.65 states in part: "Districts shall maintain an historical inventory, audit trace inventory system, or any other acceptable inventory system that contains the description, name, identification numbers, original cost, date of acquisition, location, and time and mode of disposal for all items of equipment that cost or had a market value at time of acquisition in excess of one thousand dollars (\$1,000)."

### **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

### **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

### **Districts Response 3**

This recommendation will not be implemented because the recommendations are not reasonable and are not warranted.

This recommendation will not be implemented because it is not required by existing regulations governing California community colleges. Important at this point in time is the fact the all public schools and community colleges have experienced significant reductions in revenues. It is inappropriate to take resources out of instructional activities for non-instructional and non-mandated activities.

Additionally, the district sees no value in increasing controls over property though installation of a costly and time consuming process that would require substantial resources to be reallocated to non-instructional activities. Also, the district is audited annually by a licensed Certified Public Accountant. Internal controls to safeguard assets from loss are reviewed as a routine part of the annual audit. The governing board has

determined that implementing this recommendation will cause the district to incur additional costs yet provide no additional benefit. Since there is no legal or regulatory requirement to conduct a biennial inventory, the district does not see that this is the time to implement any practice that is not required under existing law. Accordingly, the Board of Trustees will not implement this recommendation as it is unwarranted and unreasonable.

### **Finding 8**

All community college districts delegated the responsibilities for Inventory Control to the Chancellor, Vice-Chancellor or the College Presidents. Gavilan Joint Community College District does not have a Board Policy or Administrative Regulation addressing Inventory Control.

- Gavilan Joint Community College District

### **Recommendation 8**

The Board of Trustees for Gavilan Joint Community College District should ensure development and implementation of Board Policy and Administrative Procedure addressing inventory control. Foothill/De Anza College has a Board Policy and Administrative Procedures that could be utilized as a template by Gavilan if they so choose. This district should ensure that their policies remain current and in compliance and provide training for staff responsible for inventory.

- Gavilan Joint Community College District Board of Trustees

### **Districts Response 8**

The District disagrees.

This recommendation will not be implemented because it is not warranted and is not reasonable. As explained below the proposed policies already exist at Gavilan College and are therefore unnecessary.

The recommendation will not be implemented because Gavilan Joint Community College BP 6520 satisfies this requirement. BP 6520 states in full: "The President of the College shall establish procedures necessary to manage, control and protect the assets of the District, including but not limited to ensuring sufficient security to protect property, equipment and information from theft, loss, or significant damage."

Additionally, BP 6100 is a broad delegation of authority that states in full: "The Board delegates to the President of the College the authority to supervise the general business procedures of the District to assure the proper administration of property and contracts; the budget, audit and accounting of funds; the acquisition of supplies, equipment and property; and the protection of assets and persons. All transactions shall comply with applicable laws and regulations, and with the California Community Colleges Budget and Accounting Manual."

No contract shall constitute an enforceable obligation against the District until it has been approved or ratified by the Board (See BP 6340).

The President of the College shall make appropriate periodic reports to the Board and shall keep the Board fully advised regarding the financial status of the District. "

BP 6520 and BP 6100 fully describe the policies of Gavilan College related to inventory control. These policies are complete and when followed by the College will satisfy the requirements of Education Code Section 81600 stipulating the governing board's responsibility to control its inventory.

### **Finding 9**

Three (3) of four (4) 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 (BAM). 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.

- Foothill/De Anza Community College District
- Gavilan Joint Community College District
- West Valley/Mission Community College District

### **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 \$1,000. These districts should provide training for staff responsible for inventory.

- Foothill/De Anza Community College District Board of Trustees
- Gavilan Joint Community College District Board of Trustees
- West Valley/Mission Community College District Board of Trustees

### **Districts Response 9**

The District agrees.

The recommendation to comply with the California Community Colleges Budget and Accounting Manual (BAM) concerning inventory control will be implemented within the next few months. Gavilan College intends to assign managers with the responsibility of accounting for property used within their departments. Regular inventories will be conducted by the manager and the warehouse specialist to validate inventory is physically on hand and in the designated location. Adjustments will be made as necessary.

**Finding 10**

The following community college districts are not conducting inventories annually or reconciling to verify the existence, current utilization, and continued need for the equipment on a biennial basis, according to procedures specified in CSAM 410 (California School Accounting Manual).

- Foothill/De Anza Community College District
- Gavilan Joint Community College District

**Recommendation 10**

The Boards of Trustees for Foothill/De Anza and Gavilan Joint Community College Districts should ensure inventories are conducted as specified in CSAM 410.

- Foothill/De Anza Community College Board of Trustees
- Gavilan Joint Community College Board of Trustees

**Districts Response 10**

The District agrees.

The California School Accounting Manual (CSAM) applies to K-12 districts and not community colleges. However, the recommendation is appropriate and will strengthen controls at Gavilan College. This recommendation will be implemented as described in the previous recommendation.

**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.

- Foothill/De Anza Community College District
- Gavilan Joint Community College District
- San Jose/Evergreen Community College District
- West Valley/Mission Community College District

**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 for approval.

Expenditures should be presented separately from the Board's consent calendar to ensure proper scrutiny.

- Foothill/De Anza Community College District Board of Trustees
- Gavilan Joint Community College District Board of Trustees
- San Jose/Evergreen Community College District Board of Trustees
- West Valley/Mission Community College District Board of Trustees

**Districts Response 11**

The District agrees.

The recommendation will be implemented.