



GILROY UNIFIED SCHOOL DISTRICT

Administrative Services

7810 Arroyo Circle Gilroy, California 95020

tel: 408-847-2700 fax: 408-842-1158

www.gusd.k12.ca.us

SUPERINTENDENT

Dr. Deborah A. Flores

BOARD OF EDUCATION

Javier Aguirre Denise Apuzzo Rhoda Bress Tom Bundros
Francisco Dominguez Mark Good Fred Tovar

FILED

SEP 09 2009

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

September 4, 2009

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

Dear Mr. Kawashima:

This letter is in response to the 2008-2009 Santa Clara County Civil Grand Jury report, **Santa Clara County Schools, Inventory Practices-\$300M+ Taxpayer Investment – But Who's Counting?**

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

GUSD Response 1

Agree

Trustees of the Gilroy Board of Education are knowledgeable of Education Code §35168.

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

GUSD Response 3

Agree

The Gilroy Board of Education has authorized contracting with Associated Valuation Services, a third party, to conduct a district-wide inventory to establish a base line for ongoing biennial inventory. Once an inventory and reconciliation are completed, staff will present the final inventory to the Board of Trustees.

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)

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)

GUSD Response 4

Agree

Please see Response 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 districts do not have an inventory listing or the inventory list that they do have is extremely deficient:

- Cambrian School District
- Lakeside 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 School District
- Los Altos School District
- Palo Alto Unified School District

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)*

- 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 districts listed in Finding 5A should conduct a full inventory or improve their existing inventory listing.
- B) Board Policies/Administrative Regulations should be implemented by the Boards of Trustees in all districts 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 good template for Board Policies in the area of Inventory Control conforming to Education Code §35168. These districts should provide training for staff responsible for inventory.
- C) The Boards of Trustees for districts listed in Finding 5C should fully implement the tracking requirements for equipment with current market value above \$500 for K-12. These districts should provide training for staff responsible for inventory.
- 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.

GUSD Response 5

Disagree

5B) The Gilroy Board of Education adopted Administrative Regulation, Inventories AR 3440, on November 25, 2008. Attached for your review is a copy of AR 3440.

5C) Gilroy Unified School District does track all items valued above \$500 as required by Education Code §35168. Attached for your review is an inventory sample report. The district administration has implemented new procedures integrating purchasing, warehousing, accounting, and inventory in the District's financial system QSS/QCC.

5D) Please see Response 3. Staff has been trained on the new procedures.

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

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

GUSD Response 7

Disagree

The Gilroy Board of Education receives disbursement/warrant report on all payments made on a regular basis.

If you need additional information, please contact me. Thank you.

Sincerely



Enrique Palacios
Deputy Superintendent

Inventories

In order to provide for the proper control and conservation of district property, the Superintendent or designee shall maintain an inventory of equipment in accordance with law for the following:

1. All items currently valued in excess of \$500 (Education Code 35168)
2. All items purchased with federal funds that have a useful life of more than one year with an acquisition cost per unit of \$5,000 or more (34 CFR 80.3)

(cf. 3270 - Sale and Disposal of Books, Equipment and Supplies)

(cf. 3290 - Gifts, Grants and Bequests)

(cf. 3512 - Equipment)

The Superintendent or designee shall maintain an inventory of all property. The following information must be recorded: (Education Code 35168)

1. Name and description of the property
2. Name of titleholder
3. Serial number or other identification number
4. Cost of the property (a reasonable estimate may be used if original cost is unknown)
5. Acquisition date
6. Location of use
7. Any ultimate disposition data including the date and method of disposal and sale price

The following information must also be recorded for items acquired with federal funds: (34 CFR 80.32)

1. Source of the property (funding source)
2. Use and condition of property
3. Percentage of federal participation in the cost of the property

At least once every two years, a physical inventory shall be conducted and the results reconciled with the property records. (34 CFR 80.32)

Each school shall maintain a copy of its inventory and provide a copy of this inventory to the district office. Copies of all district inventories shall be kept at the district office.

Legal Reference:

EDUCATION CODE

35168 Inventory of equipment

CODE OF REGULATIONS, TITLE 5

3946 Control, safeguards, disposal of equipment purchased with state and federal consolidated application funds

16023 Class 1 - Permanent records

16035 Historical inventory of equipment

UNITED STATES CODE, TITLE 20

2301-2471 Carl D. Perkins Vocational Education Act

CODE OF FEDERAL REGULATIONS, TITLE 34

80.1-80.52 Uniform administration requirements for grants to state and local governments

Management Resources:

OFFICE OF MANAGEMENT AND BUDGET

Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, May 17, 1995

Regulation GILROY UNIFIED SCHOOL DISTRICT

approved: November 20, 2008 Gilroy, California

Fixed Asset Report
 Depreciation Book: Federal
 For Assets Placed in Service - All Dates

Asset Number	Description	Date Acquired	Status	Bus Use %	Life	Type	Meth	%	Conv	Cost	Section 179	Previous Depreciation	FYE 06/30/08 Depreciation	Net Book Value
012197	DELL DIMENSION 4600 MODEL DMC PO #: 421379	4/20/2004		100	5.0	GENL	SL		Y	1,336.88	0.00	601.60	267.38	467.90
012190	DELL COMPUTER MODEL DHM PO #: 421210	4/27/2004		100	5.0	GENL	SL		Y	1,237.00	0.00	556.65	247.40	432.95
012191	DELL COMPUTER MODEL DHM PO #: 421211	5/03/2004		100	5.0	GENL	SL		Y	1,081.00	0.00	468.44	216.20	396.36
012192	DELL COMPUTER MODEL DHM PO #: 421211	5/03/2004		100	5.0	GENL	SL		Y	1,081.00	0.00	468.44	216.20	396.36
012195	DELL DIMENSION 4600 C MODEL DMC PO #: 421379	5/11/2004		100		GENL	SL		Y	1,336.88	0.00	0.00	0.00	1,336.88
UN7148	HP PROCURVE GIGABIT PO #: PO 711813	5/21/2004		100	5.0	GENL	SL		Y	4,677.25	0.00	935.45	935.45	2,806.35
012203	DELL LATITUDE D505 PE PROCESSOR MODEL PP10L PO #: 421507	6/22/2004		100		GENL	SL		Y	1,536.52	0.00	0.00	0.00	1,536.52
012205	DELL OPTIPLEX GX270 MODEL DHM PO #: 421507	6/22/2004		100	5.0	GENL	SL		Y	1,343.11	0.00	559.62	268.62	514.87
012206	DELL OPTIPLEX GX270 MODEL DHM PO #: 421507	6/22/2004		100		GENL	SL		Y	1,343.11	0.00	0.00	0.00	1,343.11
012207	DELL OPTIPLEX GX270 MODEL DHM PO #: 421507	6/22/2004		100	5.0	GENL	SL		Y	1,343.11	0.00	559.62	268.62	514.87
012208	DELL OPTIPLEX GX270 MODEL DHM PO #: 421507	6/22/2004		100		GENL	SL		Y	1,094.67	0.00	0.00	0.00	1,094.67
012204	DELL OPTIPLEX GX270 MODEL DHM PO #: 421507	6/22/2004		100	5.0	GENL	SL		Y	1,343.11	0.00	559.62	268.62	514.87
012209	HP LASER JET 2300N B/ GHS PO #: 520058	8/05/2004		100		GENL	SL		Y	1,113.29	0.00	0.00	0.00	1,113.29
	Subtotal									1,125,879.95	0.00	849,236.81	220,516.87	56,126.27
	Less Disposed									(38,084.00)	0.00	(29,383.87)	(4,446.80)	(4,253.33)
	Division COMPUTER									1,087,795.95	0.00	819,852.94	216,070.07	51,872.94
012211	DELL PP08L LAPTOP FOOD SERVICE PO #: 520156	9/03/2004		100	5.0	GENL	SL		Y	1,731.07	0.00	634.71	346.21	750.15
	Subtotal									1,731.07	0.00	634.71	346.21	750.15
	Less Disposed									0.00	0.00	0.00	0.00	0.00
	Division Computer									1,731.07	0.00	634.71	346.21	750.15
012717	JTX SCANPORT V9S19" Note TIGERDIRECT PO #: 520332	9/16/2004		100	5.0	GENL	SL		Y	535.83	0.00	196.47	107.17	232.19
012589	HP30P ABA PRINTER PO #: 520370	9/29/2004		100	5.0	GENL	SL		Y	1,849.00	0.00	677.95	369.80	801.25
012218	AREA 51 PERFORMANC PO #: 520310	10/14/2004		100	5.0	GENL	SL		Y	2,255.00	0.00	789.25	451.00	1,014.75
012219	DELL OPTIPLEX GX60 PO #: 520414	10/20/2004		100	5.0	GENL	SL		Y	1,217.65	0.00	426.18	243.53	547.94
012220	DELL OPTIPLEX GX60 PO #: 520414	10/20/2004		100	5.0	GENL	SL		Y	1,217.65	0.00	426.18	243.53	547.94
012221	DELL OPTIPLEX GX60 PO #: 520414	10/20/2004		100	5.0	GENL	SL		Y	1,217.65	0.00	426.18	243.53	547.94
012222	DELL OPTIPLEX GX60 PO #: 520414	10/20/2004		100	5.0	GENL	SL		Y	1,217.65	0.00	426.18	243.53	547.94