



# Milpitas Unified School District

1331 E. Calaveras Boulevard, Milpitas, CA 95035  
Phone (408) 635-2600 Fax (408) 635-2620

**FILED**

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

## Milpitas Unified School District Response to Grand Jury Findings and Recommendations

**Date:** September 2, 2009

**Subject:** 2008-09 Santa Clara County Civil Grand Jury Report, filed June 3, 2009  
Title: "Santa Clara County Schools, Inventory Practices - \$300M+ Taxpayer Investment – But Who's Counting"

### Following is our District responses:

**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:** We agree with this finding, that Boards are responsible for inventory control. However, it is not known whether or not Community College Boards and other 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 K-12 and Education Code 81600 for Community Colleges to ensure complete implementation.*

**Response:** 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 in 1984. The amount of \$500 has not been changed since 1984 and is out-of-date.

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**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:** We disagree. We have no knowledge whether or not chancellors or other superintendents have been trained in inventory control. However, we agree that training on inventory control is not mandated by the state for superintendent/chancellor 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, 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:** 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:** 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.

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**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:** We disagree with this finding. We have not seen the data and are not in the position to comment on the knowledge of Board members.

**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. Annual financial reports contain the value of inventory.

However, with our current fiscal outlook it is doubtful that there are funds to commit personnel or contractor funds required to perform this work.

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)*

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***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:** We disagree. We have no knowledge whether or not other districts fail to understand the need to reconcile inventories, etc.

***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.

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***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:** We agree, it is advisable for the Superintendent to submit monthly credit card statements directly to the Board of Trustees for approval.

***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.*

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

**Response:** 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.

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

**Response:** The recommendation will not be implemented because it is not warranted. 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 should be provided to the Board for approval.*

**Response:** This recommendation is implemented.