

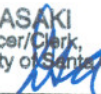


# MORGAN HILL UNIFIED SCHOOL DISTRICT

15600 CONCORD CIRCLE • MORGAN HILL, CA 95037 • (408) 201-6023

# FILED

SEP 15 2009

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

August 31, 2009

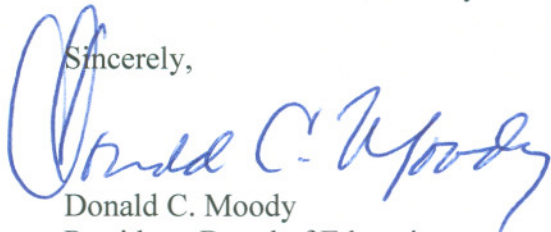
The Honorable Jamie Jacobs-May  
Presiding Judge  
Santa Clara County Superior Court  
191 North First Street  
San Jose, CA 95113

Dear Judge Jacobs-May:

The Morgan Hill Unified School District's response to the Grand Jury's Report, "Inventory Practices" is attached.

Please do not hesitate to call if you have questions.

Sincerely,

A handwritten signature in blue ink that reads "Donald C. Moody". The signature is written in a cursive style with a large initial "D".

Donald C. Moody  
President, Board of Education

cc: Mr. Don Kawashima, Foreperson, 2008-09 Civil Grand Jury  
Dr. Alan K. Nishino, Superintendent, MHUSD

Morgan Hill Unified School District  
Response to Grand Jury Report, "Inventory Practices"  
September 2009

**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 law.*

- (1) Agree with 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.*

- (2) This recommendation will be implemented. A copy of Education Code §35168 will be provided to all board members on September 8, 2009.

\* \* \* \* \*

**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.*

- (1) Agree partially with finding. We agree that training on inventory control is not mandated by the state for superintendents/chancellors or the Board; however, we have no familiarity of the application of inventory requirements of other districts.

**Recommendation 2**

*All Santa Clara County school board trustees and superintendents/chancellors should be required to review and understand Education Codes §35168 and §81600 and BAM requirements for inventory control.*

- (2) This recommendation will be implemented. The Board of Trustees will be given a copy of Education Code §35168 on September 8, 2009.

*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.*

- (2) If this recommendation is implemented by the Santa Clara County Office of Education, the Morgan Hill Unified School District will send appropriate personnel to the training.

\* \* \* \* \*

**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.*

- (2) Disagree with finding. We have not seen the data and are not in the position to comment on the knowledge of Board members.

**Recommendation 3**

*All Board 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.*

- (2) This recommendation has not yet been implemented, but will be partially implemented in the future. Annual financial reports presented to the Board of Trustees contain the value of inventory. With the current fiscal outlook, it is doubtful that there are funds to commit the personnel or resources required to perform this work as recommended. However, Morgan Hill Unified is currently beginning its biennial sampling of inventory throughout the District.

This level of full inventory as recommended 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)*

\*\*\*\*\*

**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.*

- (1) Agree with finding.

**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.*

- (2) This recommendation is in the process of being implemented. Morgan Hill Unified is currently in the process of conducting a physical inventory.

\* \* \* \* \*

**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.*

- (1) Disagree with finding

**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 Education Code §35168. These districts should provide training for staff responsible for inventory.*

- (2) This recommendation has not yet been implemented, but will be implemented in the future. The District has an independent inventory system that is maintained. We are currently in the process of conducting a physical inventory. If the Santa Clara County Office of Education provides an integrated inventory tracking system, Morgan Hill Unified will use the new system and send appropriate personnel for the training.

\* \* \* \* \*

**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.*

- (1) The District agrees 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.*

- (2) This recommendation will be partially implemented as described. Given that the Board only meets once or twice a month, it would be difficult to ask the Board of Trustees to approve Superintendent expenditures ahead of time. Superintendent expenditures will be provided to the Board President for review on a monthly basis.

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

- (4) The recommendation will not be implemented because it is not warranted. Superintendent credit card expenditures will be provided to the Board President for review on a monthly basis.

*Credit card statements and a listing of disbursements should be provided to the Board for approval.*

- (4) The recommendation will not be implemented because it is not warranted. Superintendent credit card expenditures will be provided to the Board President for review on a monthly basis.

\* \* \* \* \*