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

September 3, 2009

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

RE: Santa Clara County Schools – Inventory Practices

Dear Judge Jacobs-May:

In response to a letter dated June 9, 2009 from Don Kawashima, foreperson of the Santa Clara County 2008-2009 Civil Grand Jury, we are submitting the attached responses to the Grand Jury's findings and recommendations.

We will be happy to provide any additional information you may need.

Please feel free to call me at 650 940 4669 if you have any questions.

Sincerely,

Judy Hannemann  
President  
Board of Trustees

Encl.

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***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.*

**MVLA Response:** We agree with this finding, that Boards are responsible for inventory control. However, we believe our Board is generally aware of its 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.*

**MVLA Response:** This recommendation will be implemented. A copy of Education Code 35168 will be added to our September 14, 2009 Board Meeting Agenda and each year thereafter.

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 The amount of \$500 has not been changed since 1984 and is out-of-date.

***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

**MVLA Response:** 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 and 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.*

**MVLA Response:** This recommendation will be implemented. The Board of Trustees will be given a copy of Education 35168 at the September 14, 2009 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*

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*tracking module within Quintessential Software Systems spearheaded by the COE.*

**MVLA Response:** Upon SCCOE's launch of its new inventory tracking/fixed asset module, MVLA plans to implement this system and have two business office staff members trained in its operation. Our conversion to this system is anticipated to be completed in the 2009-2010 school year.

**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.*

**MVLA Response:** The district agrees with the finding.

**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.*

**MVLA 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 contractors required to perform 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)*

**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 measure, and obtain timely reimbursement may be lost.*

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**MVLA Response:** We disagree. We have no knowledge whether or not other districts fail to understand the need to reconcile inventories, etc. The district recognizes the need to reconcile inventories, but may not have the resources to perform inventories and reconciliations as frequently as the Grand Jury suggests.

**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.*

**MVLA Response:** Please see responses to Recommendations #1 and #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.*

**MVLA Response:** The district agrees with the finding as detailed below: (A), (B), and (C) are not applicable to MVLA UHSD. (D): please see responses for Recommendations #1 and #3.

**Recommendation #5:** *See categories (A) (B) (C) (D):*

**MVLA Response:** Same as the response to Finding #5.

**Finding #6:** *Some school districts observed by the Grand Jury had a demonstrated understanding of the need for inventory control. Best practices include documenting and following a process, conforming to the Education Code requirements, and performing reconciliation to prior inventories. The following districts are to be commended on their best practices:*

- *Fremont Union School District*
- *Los Gatos Elementary District*
- *Moreland School District*
- *Orchard School District*
- *Santa Clara Unified School District*

**MVLA Response:** No response required.

**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*

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**MVLA Response:** We agree with the finding.

**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*

**MVLA Response:** We agree with the recommendation and implemented the process in July 2009.

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

**MVLA 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.*

**MVLA Response:** A listing of disbursements has been included in our Board packets for many years. Effective with the September 14, 2009 Board meeting, we will include credit card statements for the Superintendent's office.