



# OAK GROVE

SCHOOL DISTRICT

6578 Santa Teresa Boulevard, San Jose, CA 95119 408-227-8300 Fax 408-227-2719

**FILED**

SEP 17 2009

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

September 8, 2009

Honorable Jaime Jacobs-May  
Santa Clara County Superior Court  
191 North First Street  
San Jose, Ca. 95113

Re: Oak Grove School District

Dear Judge Jacobs-May,

Pursuant to the Grand Jury's request dated June 9, 2009 regarding the Final Report entitled "Santa Clara County Schools, Inventory Practices - \$300M + Taxpayer Investment – But Who's Counting" please find attached Oak Grove School District's response.

Sincerely,

Tony Garcia  
District Superintendent

Tony Garcia, Superintendent

Board of Trustees: Mary Noel, Yvonne Cook, Dennis Hawkins, Dianne Lemke, Jeremy Nishihara  
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## Response to Grand Jury Final Report Santa Clara County Schools, Inventory Practices - \$300M+ Taxpayer Investment – But Who’s Counting?

### Finding 1

*Community colleges and K-12 board of trustees are responsible for inventory control. However, after interviewing ALL board of trustees presidents, it was evident they were unaware of their obligations under the law.*

**Response:** OGSD agrees with this finding, that Boards are responsible for inventory control. However, OGSD is not in the position of knowing 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.*

**Response:** This recommendation will be implemented. A copy of Education Code 35168 will be added to the next communication with the Board of Trustees.

### 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:** OGSD agrees, training on inventory control is not mandated by the State for Superintendents/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 Code 35168 and Board Policy 3400 for their review and understanding.

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*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/fixed asset module of the Quintessential Software Systems in Fiscal Year 2009-10 and will offer training for interested districts.

### **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. OGSD has not seen the data and are not in the position to determine which boards have a lack of knowledge about the value and size of their inventory.

### **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. The results of the value of the inventory are included in the Annual Financial reports which are presented to the Board each year. In addition, data regarding the results of the inventory variances will be submitted to the Board for their review. The recommendation for this full level of 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 a 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.*

**Response:** We disagree with this finding. OGSD has no knowledge whether or not other districts fail to understand the need to reconcile inventories, etc.

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## 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 recommendation 1 and 3.

## Finding 5

*Many K-12 Districts are not following requirements for inventory control as stated in Education 35168, and/or their own policies:*

**Response:** Please see responses to Recommendations 1 and 3.

## Recommendation 5

*See categories (A)(B)(C)(D):*

**Response:** Please see responses to Recommendations 1 and 3.

## 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

**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

**Response:** OGSD agrees, its advisable for the Superintendent to submit monthly credit card statements directly to the Board of Trustees for approval.

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**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 because it is unreasonable. Given that the Board only meets once or twice each month, it would not be practical to require advance approval for all purchases.

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

**Response:** This 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 then discussed further.

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

**Response:** This recommendation will be partially implemented. Credit card statements will be submitted monthly to the Board President for approval.

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