



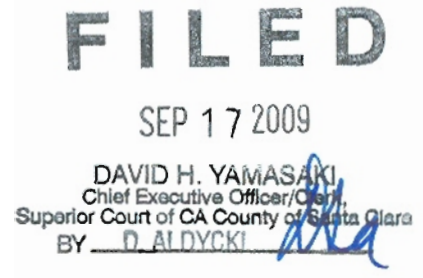
# UNION SCHOOL DISTRICT

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Jacqueline Horejs, Ed.D.  
Superintendent

September 9, 2009

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



Re: Responses to Grand Jury Findings and Recommendations on Inventory Practices

Dear Judge Jacobs-May:

Per instructions stated in Don Kawashima's June 9, 2009 letter, I am enclosing Union School District's responses to findings and recommendations detailed in the Civil Grand Jury's Final Report, Santa Clara County Schools, Inventory Practices - \$300M+ Taxpayer Investment - But Who's Counting?

If you have any questions do not hesitate to call me at 408/377-8010 Ext. 4201.

Very truly yours,

UNION SCHOOL DISTRICT

Jacqueline Horejs, Ed.D.  
Superintendent

Enclosure

## **Union School District Responses to Santa Clara County Grand Jury Finding and Recommendations Inventory Practices**

### **Finding 1**

Community colleges and K-12 board 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.

*Although we are unable to respond regarding the awareness of all board presidents, we agree that they are responsible for inventory control*

### **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

*The recommendation has been implemented with Union School District staff reporting at the December 8, 2008 meeting on asset inventory practices which included discussion on the findings and recommendations of the grand jury.*

### **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.

*We agree that training is not mandated by the State. We do not know if trustees or superintendents in other districts have been trained.*

### **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 requirements for inventory control.

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 tracing module within Quintessential Software Systems spearheaded by the COE.

*The recommendation has been implemented. The Union School District Board of Trustees discussed and approved the updated inventory policies at their December 8, 2008 and January 12, 2009 meetings. The updated policies are Board Policy 3270, Sale and Disposal of Books, Equipment and Supplies, and Board Policy 3440, Inventories, which are based on Education Code §35168.*

*Beginning with the 2002-2003 school year Union School District has used the firm of California Property Records System to perform physical inventories every other year. The inventory records have been available on hard copy and disk. A year ago the fixed asset inventory was migrated to a dedicated web-based asset management system which has additional features for tracking and report writing.*

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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 the inventory.

*Disagree. The Union School District Board of Trustees approves warrant lists for purchase of equipment and also approves the surplusing of equipment. Each year the Board approves the budgets, actual expenditures, and interim reports which include objects 4400, 6400 and 6500 defined as Non-capitalized Equipment, Equipment and Equipment Replacement. Two years of machinery and equipment capital asset totals are presented and compared in the annual District audit performed by an independent auditor.*

### **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.

*The recommendation will be completely implemented when the 2008-09 audit is finished and presented to the Board in January 2010. Under the Management's Discussion and Analysis section, staff will include in the fixed assets section under Financial Highlights the information as noted above.*

### **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.

*Disagree, since Union School District reconciles inventories from previous years to the latest inventory update.*

### **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.

*Union School District has reconciled the most current inventory with prior inventories*

### **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

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- 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 Unified School District
  - Los Altos Unified 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 High School District
  - Evergreen School District
  - Fremont Union High School District
  - Gilroy Unified School District
  - Los Altos Unified 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

*Not Applicable*

### **Recommendation 5**

- A) The Boards of Trustees for the districts listed in Finding A should conduct a full inventory or improve their existing inventory listing.

*Not Applicable*

- 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

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of Inventory control conforming to Education Code §35168. These districts should provide training for staff responsible for inventory.

*Not Applicable*

- 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.

*Not Applicable*

- 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.

*Not Applicable*

**Finding 6**

Some school districts observed by the GJ 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 High School District
- Los Gatos Unified School District
- Moreland School District
- Orchard School District
- Santa Clara Unified School District

**Recommendation 6**

No Recommendation.

**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.

*Disagree. In Union School District all credit card transactions and purchase order approvals must follow the same stringent internal controls overseen by the Chief Financial Officer (CFO). The CFO's position is not part of the management agreement but has a separate employment agreement directly with the Board of Trustees.*

## Union School District Responses to Santa Clara County Grand Jury Finding and Recommendations Inventory Practices

### 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 Board 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.

*This recommendation regarding pre-approval for purchases made by the superintendent will not be implemented since it is not warranted. Union School District has excellent internal controls in place. The business department is charged with ensuring that all expenditures including payroll, benefits, supplies, travel, services, equipment and construction, etc. follow stringent internal controls. The CFO has a separate contract with the Board. On a yearly basis, the external auditors test all areas of controls, examine in detail selected expenditures and review the credit card expenditures. The auditors report directly to the Board on the financial condition of the District and on any concerns they have with business procedures. The results of the annual audits indicate that the District's internal control processes are sufficiently rigorous to ensure against internal and external abuses.*

*The recommendation regarding credit card statements will be partially implemented. Union School District has sufficient internal controls on the use of its 1 credit card which has an account limit of \$5,900. One District office administrative assistant is custodian of the card and it is used judiciously for purchases that are difficult to make by purchase order. The credit card is used by all the departments; it is not the Superintendent's credit card. All charges must have an itemized bill/invoice with a required form which details information on the charge and 2 authorizing signatures. The CFO reviews all purchases and back-up documents for compliance and appropriateness. Beginning in September 2009, the Superintendent will review credit card purchases with the Board president on a monthly basis. Additionally, the Board of Trustees approves the credit card payments and individual purchase order payments on the warrant list each month.*