



DON IGLESIAS  
SUPERINTENDENT OF SCHOOLS

F I L E D

SEP 21 2009

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

September 8, 2009

Don Kawashima, Foreperson  
2008-2009 Santa Clara County  
Civil Grand Jury  
191 North First Street  
San Jose, CA 95113

Re: Response to Grand Jury Report

Dear Mr. Kawashima:

Attached are the following documents which concludes San Jose Unified School District's response to the 2008-2009 Santa Clara County Civil Grand Jury's report Inventory Practices \$300M+ Taxpayer Investment dated April 20, 2009:

- Response to Grand Jury Report
- SJUSD Fixed Asset Control
- SJUSD Administrative Regulation 3440, Inventories
- Procedure 410-Conducting a Physical Inventory

If you have any further questions feel free to contact Ann Jones, Chief Business Officer at (408) 535-6053.

Sincerely,

Don Iglesias  
Superintendent of Schools

Cc: Leslie B. Reynolds-President, Board of Education  
Ann Jones-Chief Business Officer  
Florence Eng-Director, Internal Audit

Response to 2008-09 Santa Clara County Civil Grand Jury Report  
 Inventory Practices \$300M+ Taxpayer Investment  
 (San Jose Unified School District is required to response Finding 1 - 4, and 7 only)

FINDING	RECOMMENDATION	SJUSD RESPONSE
<p>1. Community colleges and K-12 boards of trustees are responsible for inventory control. However, after interviewing <i>ALL</i> board of trustee presidents it was evident they were unaware of their obligations under the law.</p> <ul style="list-style-type: none"> <li>• All K-8 and K12 and Community College Districts</li> </ul>	<p>Trustees should review and be knowledgeable of Education Code section 35168 for K-12 and Education Code section 81600 for community colleges to ensure complete implementation.</p> <ul style="list-style-type: none"> <li>• All K-8 and K-12 and Community College District Boards of Trustees</li> </ul>	<p>Agree. The recommendation has been implemented.</p> <p>During the summer retreat of 2009, SJUSD board members received information on inventory control. Members also discussed what roles board members, top management, and employees play in the inventory management system.</p> <p>Information include:</p> <ul style="list-style-type: none"> <li>• <u><a href="#">California Education Code 35168</a></u>          "The governing board of each school district, shall establish and maintain a historical inventory, or an audit trace inventory system, or any other inventory system authorized by the State Board of Education, which shall contain the description, name, identification numbers, and original cost of all items of equipment acquired by it whose current market value exceeds five hundred dollars (\$500) per item, the date of acquisition, the location of use, and the time and mode of disposal. A reasonable estimate of the original cost may be used if the actual original cost is unknown."</li> <li>• <u><a href="#">California School Accounting Manual – Section 410</a></u>          "The purpose of taking a physical inventory is to verify the physical existence of the property and equipment that appear in the LEA's records and to check the accuracy of the inventory control system. For a good internal control system, CDE recommends that a physical inventory of the LEA's property and equipment be taken at least annually."</li> <li>• <u><a href="#">Administrative Regulation 3440 Inventories</a></u>  <i>(Board approved date: September 20, 2001)</i></li> </ul>

			<ul style="list-style-type: none"> <li>• <u>Asset Control Procedures</u> SJUSD has established guidelines and procedures that clearly assign responsibility for inventory control and describe how operation function should be performed. SJUSD capitalizes asset with value of \$25,000 or above, and maintains an inventory of equipment that meet the following criteria:           <ul style="list-style-type: none"> <li>○ All items currently valued in excess of \$500 (Education Code 35168) with an expected useful life of at least one year, and</li> <li>○ All items purchased with federal funds that have a useful life of more than one year with an acquisition cost per unit of \$5,000 or more (34CFR 80.3).</li> </ul> </li> </ul>
2.	<p>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.</p> <ul style="list-style-type: none"> <li>• All K-8 and K-12 and community college districts</li> </ul>	<p>All Santa Clara County school board trustees and superintendents/chancellors should be required to review and understand Education Code Section 35168 and Section 81600 and California Community College Budget and Accounting Manual (BAM) requirements for inventory control.</p> <p>For K-12 districts, the California Department of Education (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.</p> <p>For community colleges, the CC Board should investigate additional training in the area of inventory control offered through organizations such as the American Association of Community Colleges and the Community College League of California.</p> <ul style="list-style-type: none"> <li>• All K-8 and K-12 and Community College District Boards of Trustees</li> <li>• COE Board of Trustees</li> </ul>	<p>Agree. The recommendation has been implemented.</p> <p>SJUSD has written procedures in place for inventory control. The written procedures, which identify the processes and responsibilities of the different inventory-related functions, were presented to board members and superintendent during the 2009 summer retreat. Please refer to response (1) above.</p> <p>In 2006, SJUSD implemented a new integrated financial system called MUNIS. The inventory module of the system allows an asset to be classified as inventory and keeps track of those items that do not meet the capitalization threshold of \$25,000, but need to be tracked for insurance purposes. The inventory module links to purchase orders which are reviewed and approved by school principals/department heads. All inventory items are bar coded.</p>
3.	All district superintendents, chancellors and district staff report incomplete inventory information to their boards. This results in lack of	All Boards of Trustees should require a presentation on the results of their districts' biennial inventory, including total value, variances resulting from	<p>Agree. The recommendation has been implemented.</p> <p>The Chief Business Officer reports the results of property</p>

	<p>knowledge about the value and size of their inventory.</p> <ul style="list-style-type: none"> <li>• All K-8 and K-12 and community college districts</li> </ul>	<p>reconciliation between past and current inventories and a proposed plan to resolve discrepancies.</p> <ul style="list-style-type: none"> <li>• All K-8 and K-12 &amp; Community College District Boards of Trustees</li> </ul>	<p>and equipment inventory to the Board through Management's discussion and analysis (MD&amp;A) on an annual basis. In addition, the Board will receive periodic report on missing district property. Any property that is missing, or stolen will be reported to the Board with an explanation of circumstance for the loss of the asset or further investigation regarding the circumstances of the loss.</p>
4.	<p>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.</p> <ul style="list-style-type: none"> <li>• All K-8 and K-12 Boards of Trustees (except Santa Clara Unified and Los Gatos Unified)</li> </ul>	<p>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.</p> <ul style="list-style-type: none"> <li>• All K-8 and K-12 Board of Trustees (except Santa Clara Unified and Los Gatos Unified)</li> </ul>	<p>Agree. The recommendation has been implemented.</p> <p>SJUSD has already taken an active role in inventory management and control. In June 2006 the SJUSD contracted MAXIMUS, an asset management company, to conduct a physical inventory of all the district's computers, equipment &amp; furniture, including reconciliation of new data to exist records, bar coding of all devices and creation of a new database. This information was loaded into the MUNIS system.</p> <p>SJUSD performs routine inventory reconciliation to show that new purchases were added and disposals were removed from the inventory listing.</p> <p>SJUSD also takes an annual inventory of computers, printers and other technological equipment at each of its locations and reconcile with the MUNIS inventory listing. Any discrepancies will be investigated and adjusted.</p>
7.	<p>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.</p> <ul style="list-style-type: none"> <li>• All-K-8 and K-12 School Districts</li> </ul>	<p>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.</p> <p>Expenditures should be presented separately from the Board's consent calendar to ensure proper scrutiny.</p>	<p>Agree. The recommendation has been implemented.</p> <p>The District issued credit cards based on administrative needs. The cards were mainly used for travel and other emergency district expenses. Cardholders are responsible for adhering to the established guidelines and following administrative procedures.</p> <p>Beginning fiscal year 09/10, the Board will be presented with monthly report on credit card charges. The report</p>

	<p>Credit card statements and a listing of disbursements should be provided to the Board for approval.</p> <ul style="list-style-type: none"> <li>• All K-8 and K-12 District Boards of Trustees</li> </ul>	<p>will show the list of charges for each cardholder with expenditure justification. For example, the purposes of spending, and if food was supplied at a meeting, indicate who was there.</p>
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SAN JOSE UNIFIED SCHOOL DISTRICT



LESLIE B. REYNOLDS  
President, Board of Education

9/10/09

DATE

**San Jose Unified School District**  
**Fixed Asset Control**

	ASSET CATEGORIES	TECHNOLOGY	SCHOOL CONSTRUCTION FINANCE	PURCHASING/ WAREHOUSE	FISCAL SERVICES
1.	<b>Buildings &amp; Improvements</b>		Ada Poon		
2.	<b>Furniture</b> 2.1 <i>Construction related</i>		Ada Poon		
	2.2 <i>Other furniture</i>			Janice Unger	
3.	<b>Equipment</b> 3.1 <i>Computer and related equipment</i>	Chris Black			
	3.2 <i>Software systems</i>	Mitzi Macon			
	3.3 <i>Buses</i>				Pat Gzowski
	3.4 <i>Vehicles</i>				Pat Gzowski
	3.5 <i>Printers</i>	Chris Black			
	3.6 <i>Photocopiers</i>			Janice Unger	
	3.7 <i>Refrigerators</i>			Janice Unger	
	3.7 <i>Other equipment</i>			Hector Chavez	
4.	<b>Financial Statement Preparation</b>				Karen Stone

## *Board Policy*

The Board at its meeting on September 20, 2001, has resolved to adopt the Fixed Asset Policy that the Superintendent or designee shall maintain an inventory of equipment in accordance with law for the following:

1. All items currently valued in excess of \$500 (Education Code Section 35168)
2. All items purchased with federal funds that have a useful life of more than one year with an acquisition cost per unit of \$5,000 or more (34 CFR 80.3)
  - (cf. 3270 - Sale and Disposal of Books, Equipment and Supplies)
  - (cf. 3290 - Gifts, Grants and Bequests)
  - (cf. 3512 - Equipment)

The Superintendent or designee shall maintain an inventory of all property. The following information must be recorded: (Education Code 35168)

1. Name and description of the property
2. Name of titleholder
3. Serial number or other identification number
4. Cost of the property (a reasonable estimate may be used if original cost is unknown)
5. Acquisition date
6. Location of use
7. Any ultimate disposition data including the date and method of disposal and sale price

The following information must also be recorded for items acquired with federal funds: (34 CFR 80.32)

1. Source of the property (funding source)
2. Use and condition of property
3. Percentage of federal participation in the cost of the property

At least once every two years, a physical inventory shall be conducted and the results reconciled with the property records. (34 CFR 80.32)

## *General Guidelines*

A Fixed Asset is any tangible asset purchased for school/department in the day-to-day operation of the District from which an economic benefit will be derived over a period greater than one year and has a value of \$500 or more (Education Code 35168). The District capitalizes asset with value of \$25,000 or above, and tracks all assets valued in excess of \$500.

1. **Ordinary Repairs** - made to keep an asset in good working condition, regardless of cost, are ordinary repairs and shall not be recorded in the MUNIS Fixed Asset System. Ordinary repairs for equipment and vehicles include replacing small parts or other maintenance items.
2. **Major Repairs/Betterment** – made to modify an existing asset to make it more efficient or productive or extend its useful life beyond that originally estimated shall be recorded in the MUNIS Fixed Asset System.
3. **Items Purchased in a Bulk Quantity** – will be recorded according to the smallest useable unit, (e.g. ten chairs purchased for \$60 each. Although the invoice will be for \$600, these items will not be recorded in the MUNIS Fixed Asset System, since the unit value is less than \$500). However when practical, certain items purchased in quantity where the total cost of items is in excess of \$25,000 shall be recorded as a fixed asset. Decision to record the value of bulk purchased items shall be made by the Chief Business Officer.
4. **Software** – will be subject to the threshold of \$500 with the exception of software upgrades and maintenance costs. Upgrades and maintenance will not be recorded in the MUNIS Fixed Asset System. Software purchases greater than \$500 that result in a new license will be recorded in the Fixed Asset System and will be assigned a property tag, which must be maintained in a log in the school/department wherein it resides.
5. **Hardware** – Components that are stand-a-lone units, and will not be installed internally to an existing computer, will be subject to the existing threshold of \$25,000 when determining whether it is a fixed asset.

## **ADDITION**

The responsibility of record keeping begins with the decision to purchase an item. Purchase Requisitions created by school/department must provide certain basic information about requested items and must be identified that the unit needs to be tagged. Where several components are listed which are assembled into a single functional unit, the components must be listed in a way that allows the recognition of the cost and description of the assembled unit.

Currently. There is no central Receiving Department for goods. Therefore, with the exception of computer equipments (Gold Country will affix the tag), the school/department ordering the goods will be the responsible party to receive the items ordered, and ensures that item ordered was received in good condition and correct. Based on the receiving information from the system, the appropriate Fixed Asset Control person will assign tag and send to school/department for tagging the items purchased. This tag number (depending on the dollar limit) is tracked in the MUNIS

Fixed Asset System, whereby depreciation is calculated.

School/department are also asked to affix this tag to the item when it arrives. This must be done in order to insure that the item will be properly identifiable at the time the inventory is done. The tag for items, such as certain software, small camera etc. which will be given a tag number, but which cannot be physically tagged, must be maintained in the school/department in a log which references the item. These items are considered property of the District and must be accounted for and the tags must be available and will reviewed at the time inventory is taken.

## **DISPOSITION**

Often it is necessary for school/department to move fixed assets from one location to another. Movement of the asset will only be done after obtaining proper authorization. Items (which have a tag number) must be tracked through their useful life until disposition. School/department must insure that as these items leave their school/department is reported to Purchasing/Warehouse department. A form called "Asset Information Form" is available in Edtek Conference and must be used when these items are removed from individual school/department. Staff of the Operation Department will not remove items from any school/department without an "Asset Information Form".

## **FOCAL POINT OF DATA ENTRY**

1. **Technology Department** - will be responsible to advise school/department and approve requests for data processing related purchases including all hardware and software. Record of all such items will be maintained by Technology Department after delivery/installation.

### **1.1. Hardware**

- **Purchase** – school/department requesting new hardware systems or hardware upgrades must report their intentions to the Technology Department, who will advise and coordinate the purchase with the respective school/department. The requisition will be created by the requesting school/department and endorsed by the Director of Technology or designee before submitting to the Purchasing Department for issuance of Purchase Order.
- **Receipt** - when the ordered hardware is received, the Technology Department will arrange to affix the property record tag on the device (thru Gold County). If there is no convenient place for the property record tag, the Technology Department shall place it on their log for future reference.
- **Disposition** – when a hardware item has to be moved from a school/department, the procedure noted at "**DISPOSITION**" paragraph shall be followed.

### **1.2 Software**

- **Purchase** – school/department requesting new software systems or software upgrade

with a cost in excess of \$500 must report their intentions to the Technology Department. The requisition will be created by the requesting school/department and endorsed by the Director of Technology or designee before submitting to the Purchasing Department for process.

- ***Receipt*** – when the ordered software is received, the Technology Department will install the software in the respective school/department. The assigned tag number will be recorded in the Technology Department log.
- ***Disposition*** – in keeping with applicable copyright laws and contractual obligations, software shall be destroyed when no longer useful. At the time that software is determined to be taken out of service, the Technology Department shall assist in the disposition by completing the “Asset Information Form” and remove the asset from the system.

### 1.3 Exceptions

- ***Upgrade*** – there will be certain purchases of hardware or software that are acquired to upgrade a particular existing software system or hardware item or replace software and due to its value, must be recorded. In those cases, the cost of the item will be added to the value of the existing asset and receive the existing property record number with no separate tag.
  - ***Gift*** – on occasion, the District receives at no cost, gifts of computer equipment or software. School/department is responsible to indicate this to the Technology Department who must then create an asset record and tag and return same to the school/department. At that time, the Technology Department must make a value determination using the best available data from vendor or trade publications and record it into the MUNIS Fixed Asset System accordingly.
  - ***Loan*** – on occasion, the Technology Department may loan an asset to a school/department. The Technology Department shall record the transfer on a “Asset Information Form” and exchange the location for all such items in the system and maintain the value thereof.
2. **Fiscal Services** - is responsible to insure that all items (except computer & related equipment, and software) are properly classified, assigned to a tag number, and provide tags to department upon payment of an invoice.
- ***Purchase*** – School/department requesting a new asset item must provide certain basic information about requested asset items and must be structured in a way that identifies the unit to be tagged. Upon the receipt of a properly prepared requisition, the Purchasing department reviews all aspects of the requisition and issues a Purchase Order.
  - ***Receipt*** - when the good is received, the school/department ordering the goods will record receipt in the MUNIS system. Upon payment, Fiscal Services will assign tag and enter the property asset tag number into the MUNIS Fixed Asset System. A notification together with the property asset tag will then be sent to the school/department for tagging

the items purchased. Periodically, Fiscal Services shall review a report of payments made against the 4410 and 6610 accounts to insure that tags have been issued to all items. Fixed Asset Control person shall coordinate with the Fiscal Services to issue tag for any item not assigned a property record number.

- ***Disposition/Transfer*** – the Purchasing/Warehouse will record all property transfers (with the exception of computer and related equipments). Upon receipt of the “Asset Information Form” Purchasing/Warehouse will:
  1. Record the new location of the item to the MUNIS Fixed Assets System.
  2. If the item has been transferred to another school/department, the form must be signed (or confirmed via email) by both parties and the record will be amended showing the new location for the item.
  3. At the annual surplus sale, or at any other time when a recorded item is sold or otherwise disposed, the Purchasing/Warehouse will receive the property disposition form (same as the Asset Information Form) from the school/department disposing the item. Purchasing/Warehouse will then record the final disposition of the item and remove its value from the MUNIS Fixed Asset System.

Prepared Date 7.24.06

## San Jose USD | 3000 | AR 3440 Business and Noninstructional Operations

### Inventories

In order to provide for the proper control and conservation of district property, the Superintendent or designee shall maintain an inventory of equipment in accordance with law for the following:

1. All items currently valued in excess of \$500 (Education Code 35168)
2. All items purchased with federal funds that have a useful life of more than one year with an acquisition cost per unit of \$5,000 or more (34 CFR 80.3)

(cf. 3270 - Sale and Disposal of Books, Equipment and Supplies)

(cf. 3290 - Gifts, Grants and Bequests)

(cf. 3512 - Equipment)

The Superintendent or designee shall maintain an inventory of all property. The following information must be recorded: (Education Code 35168)

1. Name and description of the property
2. Name of titleholder
3. Serial number or other identification number
4. Cost of the property (a reasonable estimate may be used if original cost is unknown)
5. Acquisition date
6. Location of use
7. Any ultimate disposition data including the date and method of disposal and sale price

The following information must also be recorded for items acquired with federal funds: (34 CFR 80.32)

1. Source of the property (funding source)
2. Use and condition of property
3. Percentage of federal participation in the cost of the property

At least once every two years, a physical inventory shall be conducted and the results reconciled with the property records. (34 CFR 80.32)

Legal Reference:

EDUCATION CODE

35168 Inventory of equipment

**CODE OF REGULATIONS, TITLE 5**

3946 Control, safeguards, disposal of equipment purchased with state and federal consolidated application funds

16023 Class 1 - Permanent records

16035 Historical inventory of equipment

**UNITED STATES CODE, TITLE 20**

2301-2471 Carl D. Perkins Vocational Education Act

**CODE OF FEDERAL REGULATIONS, TITLE 34**

80.1-80.52 Uniform administration requirements for grants to state and local governments

Management Resources:

**OFFICE OF MANAGEMENT AND BUDGET**

Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, May 17, 1995

Regulation SAN JOSE UNIFIED SCHOOL DISTRICT

approved: September 20, 2001 San Jose, California

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## Procedure 410     Conducting a Physical Inventory

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The purpose of taking a physical inventory is to verify the physical existence of the property and equipment that appear in the LEA's records and to check the accuracy of the inventory control system. For a good internal control system, CDE recommends that a physical inventory of the LEA's property and equipment be taken at least annually. The *Federal Register* states 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. Any differences between quantities determined by the physical inspection and those shown in the accounting records should be investigated to determine the causes of the differences. The results of the physical inventory can be used as a basis for writing off items that have been lost, stolen, or discarded and also for adding unrecorded items.

The suggested procedures that follow can be used in the initial inventory or retaking of inventory because they are basic and can be modified to fit the needs of the LEA. Adequate planning is critical to the physical inventory process, which should include the following:

1. Designation of the person responsible for coordinating the LEA's inventory
2. Determination of the duties and responsibilities of persons and/or departments involved in the inventory (e.g., Centralized Data Processing, Purchasing, and Warehouse)
3. Determination of the inventory procedures to be used
4. Provision for materials needed for the count
5. Schedule for taking the inventory, including cutoff dates
6. Design of final inventory reports

There are three major stages in taking the physical inventory: the *precourt*, the *actual count*, and the *recount*.

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## Procedure 410 Conducting a Physical Inventory

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### Precount Procedures

At this stage, the coordinator should clearly instruct the persons who will do the counting. The following steps are suggested:

1. Notify personnel of the schedule for starting and completing the inventory counts.
2. Anticipate problems that might interfere with the inventory count and take corrective action if necessary.
3. Return equipment that has been temporarily moved to its permanent location.
4. Arrange for the removal of or identify non-LEA property, such as teachers' personal belongings.
5. Distinguish and identify on-loan equipment and leased equipment (e.g., equipment on trial from a vendor or on loan from the maintenance department).
6. Note equipment that is moved out temporarily or is out for repair. This equipment should be included in the count at the site having permanent custody of the equipment.
7. Distribute count materials, including written procedures for counting and controlling count sheets. The count sheet should include (1) the inventory number; (2) the description of the items to be counted; (3) the prior inventory quantity; (4) the original count and the second count; and (5) the discrepancy as in the following sample:

Sample Count Sheet

Inventory number	Description	Prior inventory quantity	Count		Reason for discrepancy
			1	2	

### Counting Procedures

At this stage, the actual count is performed. This process involves matching the inventory number affixed to each piece of equipment with the inventory number listed on the count sheet. Ideally, the inventory count should be taken by a person who is not primarily responsible for the

## Procedure 410 Conducting a Physical Inventory

inventory's safekeeping; however, it should be taken by the person who is the most knowledgeable about the type of property and equipment being inventoried.

The following are *suggested procedures* for counting inventory, by room:

1. Limit the inventory count to individual rooms. If the equipment is in the room, include it in the count; if not, list it as missing.
2. Work from equipment in the room to a count sheet.
3. Put an identification mark on each item counted (by tag, paint, indelible ink, or some other means) to indicate that the item has been counted.
4. If a count sheet is used, the following procedure can be used for counting:
  - a. **Group Items** (tables, chairs, desks, and the like):
    - (1) Count the quantity of all similar types of equipment in the room.
    - (2) Determine whether the type of equipment is listed on the count sheet. If the equipment is listed and if the quantity is the same as that listed on the count sheet, circle the quantity listed. If the quantity is different from that listed, enter that quantity under "Count 1" and enter the difference in the "Discrepancy" column. Enter the reason for the discrepancy if it is known.
    - (3) If there are group items listed on the count sheet that are not in the room, enter a zero under "Count 1" and the difference in the "Discrepancy" column. Enter the reason for the discrepancy if known.
  - b. **Unit Items** (audiovisual equipment, typewriters, machines, and the like and all equipment for special projects):
    - (1) If the *inventory number* for the item is on the count sheet, circle the quantity.

## Procedure 410     Conducting a Physical Inventory

- (2) If the *inventory number* for the item is *not* on the count sheet, enter the inventory number, a description of the item, and the quantity.
- (3) If there are unit items listed on the count sheet that are not in the room, enter a zero under "Count 1" and the difference in the "Discrepancy" column. Enter the reason for the discrepancy if known.
- c. **Noninventoriable Items** (items not on the count sheet but that appear inventoriable to the person doing the count):
- (1) These items should be counted and listed by the person doing the counting.
- (2) The inventory coordinator should determine whether the item is inventoriable or noninventoriable.
5. Date, sign, and return the count sheets to the office of the site administrator when the count is completed.
6. After receiving the completed count sheets from the person who took the inventory, the administrator should verify that all of the pages have been completed, dated, signed, and returned and should send them to the inventory coordinator for a comparison of the count with the inventory records.

## Recount Procedures

For substantiation of the validity of the inventory, a recount (second count) should be taken. A recount is the process of verifying the differences between the actual count (first count) and the LEA's inventory record to correct differences or affirm discrepancies. Suggested procedures for the recount follow:

1. Explain the recount procedure to the person who will be doing the second count.
2. For lost items check repair requests, equipment transfers, and reports on lost or damaged equipment moved from the site. If an item is being repaired, it should be included in the count.
3. For *group items* verify existing quantities and indicate any corrections under "Count 2" on the recount sheet.

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## Procedure 410    Conducting a Physical Inventory

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4. For *unit items* attempt to locate the items listed on the count sheet. Check room closets, storage rooms, and other storage areas. If items are located, so indicate under "Count 2" on the count sheet.
5. When the recount is completed, it should be dated, signed, and submitted to the administrator for verification and approval.
6. The administrator should then send the count sheet to the inventory coordinator for summarization and preparation of a report.

When all the counting is complete and summarized, an equipment inventory report, like the following sample, is prepared to show the actual count to be used to adjust the Property and Equipment Ledger:

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Sample Equipment Inventory Report

(1) Inventory number	(2) Complete description	(3) Acquisition date	(4) Location of use	(5) Quantity	(6) Acquisition cost	(7) Replacement cost (optional)

The suggested procedure discussed previously is only one of many inventory procedures that can be applied in an LEA. The basic procedure can be used in either a manual or computerized inventory system.