



GREGORY W. SULLIVAN  
INSPECTOR GENERAL

The Commonwealth of Massachusetts  
Office of the Inspector General

JOHN W. McCORMACK  
STATE OFFICE BUILDING  
ONE ASHBURTON PLACE  
ROOM 1311  
BOSTON, MA 02108  
TEL: (617) 727-9140  
FAX: (617) 723-2334

October 3, 2011

Commissioner Mitchell Chester  
Massachusetts Department of Elementary and Secondary Education  
75 Pleasant Street  
Malden, MA 02148

**Revised and Corrected version**

DESE Oversight Responsibilities – Charter Schools and Collaboratives

Dear Commissioner Chester:

As you know, I have had a continuing interest in the Department of Elementary and Secondary Education's (DESE) matters pertaining to charter schools. During the course of our recent review of the Gloucester Community Arts Charter School (GCACS), I learned that neither its written procurement policy nor the practical application of its policy reflected DESE's *Recommended Fiscal Policy and Procedures Guide*. GCACS, like other charter schools, is required by the DESE to adopt fiscal policies and procedures as a condition of receiving a charter from the Board of Elementary and Secondary Education.

GCACS does in fact have a fiscal policy and procedures manual, however, its procurement section does not reflect the rigor of DESE's recommended policy. In practice, GCACS was content to make purchases using public money without any process or consideration of best value procurement practices.

In an interview with a GCACS official, we learned that GCACS had consulted with other established charter schools and had, in essence, inserted their procurement procedures into GCACS' manual. In practice, GCACS and potentially other charter schools have replaced DESE's recommended language with weak policy provisions that permit their discretion to forego any procurement process when expending taxpayer money. This is true in the case of GCACS. If GCACS was, as it explained to this office, merely following the lead of the established charter schools, the taxpayers are

vulnerable to gross and widespread procurement abuse at MA charter schools. I am bringing this to your attention at this time for DESE's concerted action.

The Massachusetts Legislature did not intend that MA charter schools be exempted from safeguards of procurement practice when it authorized the creation of MA charter schools. In fact, the approval process for the formation and authorization of charter schools grants charters on several conditions. One condition of receiving and holding a charter is that the entity have in place and in practice a meaningful policy for the expenditure of public money in accordance with DESE's policy guidance.

GCACS' policy manual has a section in it on compliance with MA construction bidding laws, yet GCACS ignored that policy and was cited by the Office of the Attorney General when it entered into illegal, no-bid construction contracts. Moreover, GCACS ignored sound policy when it entered into no bid supplies and services contracts to outfit the new charter school entity in 2010.

**Lack of DESE oversight of charter school fiscal affairs is contributing to potential fraud, waste and abuse of taxpayer money**

DESE has not conducted any oversight of GCACS' compliance with its fiscal policy and procedures. DESE informed this office that it "does not collect information on charter schools' procurement processes for furniture or other items and we do not have information on GCACS's process."

DESE's recommended policy for charter school procurement states that procurements should be subjected to a formal bid process. Specifically, DESE's *Massachusetts Charter School Recommended Fiscal Policies & Procedures Guide* states in relevant part at section 701 that:

. . . the school will use a formal bid process for items greater than \$5000, in which three bids will be received and evaluated using a formal evaluation process."

However, the policy that GCACS's Board adopted states that it will conduct sound business practices "when necessary" and a formal bid process "if required." These are meaningless provisions able to be manipulated and rationalized to do nothing at all. In fact, from school information and an interview my office learned that GCACS never conducted sound business practices or a formal bid process for any of its early purchases.

In early Fall 2010, the listing of no-bid goods and services that GCACS had purchased included but is not limited to:

Sidelin Foods	\$ 67,984
Keystone Financial Consulting	\$ 25,000
Harpers Payroll	\$ 1, 534

R.V. Leonard	approx	\$ 23,024	Desks, chairs, bookshelves, whiteboard, & corkboard
Staples	approx	\$ 4,000	Supplies
School Specialty		\$ 1,126	Educational essentials
STI (Sterling Corp)		\$ 178	Storage
The Clean Team		\$ 1,405	Cleaning services
Foley Hoag	approx	\$ 22,408	Legal services
Foxhall Consulting	approx	\$ 6,500	Grant writing services
Jane O'Connor	approx	\$ 5,719	Consultant
Ljuba March	approx	\$ 1,775	Educational consultant
Matthew Gallup	approx	\$ 43,500	Consultant (includes approx \$400.00 reimbursement for cookies, candy, fruit at Stop & Shop)
Susan M. Jamback	approx	\$ 10,000	Consultant
Blackburn Center LLC		\$ 6,000	Rent from June – Sept. (\$1,500 month)
Destino's Subs & Catering		\$ 1,021	Food
Heidemarie O'Shea	approx	\$ 3,000	Temporary office help
Paulina Villarroel	approx	\$ 2,000	Administrative help
Total		\$226,174	

As you know, this office has not received full cooperation from GCACS during its charter probation period. The school has been recalcitrant in the face of our numerous requests for specific information about methods used for individual purchases of goods and services and the identification of individuals who conducted the purchases.

### **Recommendations**

**DESE should establish specific mandatory procurement rules for charter schools.**

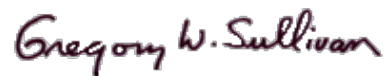
Rules should be clear, concise, and unambiguous. The rules should be written to ensure fairness and competition. They should include a clear dollar threshold with definitions for procurement terminology. This office recommends that GCACS permit use of sound business practices only for lower dollar purchases and that sound business practices be defined as: Periodically soliciting price lists or quotes to ensure the charter school is receiving favorable rates and prices. (Responses to these inquiries by the school should be kept in a procurement file and are a public record.) DESE should require that a formal bid process consist of the development of a written purchase description or scope of services. Advertisement in relevant publications

should be required and responses formally evaluated. If the lowest bid is not chosen, a written justification must be posted in the *Central Register*.

An annual audit requirement should be imposed to ensure that charter schools expend public money in accordance with the fiscal policies and procedures and as required by DESE. In addition, DESE should review each charter school's fiscal policy and procedure manual when submitted to ensure the provision for procurement is compliant with its rule.

Please do not hesitate to contact me with questions that you may have.

Sincerely,

A handwritten signature in black ink that reads "Gregory W. Sullivan". The signature is written in a cursive, slightly slanted style.

Gregory W. Sullivan  
Inspector General

cc: Jay Gonzales, Secretary  
William Cowan, Chief of Staff  
Jeff Wulfson, Associate Commissioner  
Rhoda Schneider, Esq.  
Ms. Ruth Hersh, Charter School Office  
Colin Zick, Esq., Foley Hoag, LLC  
Mr. Tony Blackman, GCACS, Executive Director  
Ms. Amy Ballin, GCACS, Board of Trustees