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September 29, 2015

Ms. Ellen Grieco, Chair
Wayland School Committee
Wayland Public Schools
41 Cochituate Rd.
Wayland, MA 01778

Re: Allegations concerning METCO Program Director Mabel Reid-Wallace

Dear Ms. Grieco:

In 2014, the Wayland School Committee requested that the Office of the Inspector General (OIG) review allegations that the Wayland Metropolitan Council for Educational Opportunity (METCO) Program Director Mabel Reid-Wallace misappropriated METCO program funds, in part, by using METCO funds to make payments to her personal credit card.

The OIG review found no conclusive evidence to support these allegations. However, the OIG identified internal control and oversight lapses that led to the appearance of fund misappropriation and that created significant opportunities for individuals to commit fraud, waste, and abuse with METCO funds. Wayland Public Schools has since made significant improvements to its control environment. This letter outlines the OIG findings and recommendations to further enhance those controls.

Background

Ms. Reid-Wallace has been the Wayland METCO Director since September 2000. The METCO Program, funded in large part by the Commonwealth of Massachusetts, is intended to expand educational opportunities, increase diversity, and reduce racial isolation by permitting students in certain cities, such as Boston, to attend public schools in other communities that have agreed to participate.¹ Approximately 130 students from Boston currently attend Wayland Public Schools (WPS) through the METCO Program.

Prior to the 2011 arrival of Superintendent Paul Stein, WPS school principals and certain program directors maintained direct control of certain funds outside the standard WPS and Town of Wayland financial control process. This included maintaining separate bank accounts under the discretionary control of whoever opened these accounts. Between 2011 and 2013 the Town

¹ Source: Massachusetts Department of Elementary and Secondary Education website.

of Wayland and WPS requested reports from the consulting firm The Abrahams Group and the audit firm Powers & Sullivan, LLC (Powers) that documented the existence of these accounts and reviewed the uses of these accounts. During this time, Superintendent Stein ordered these bank accounts closed and any remaining funds placed under the control of the WPS business office and/or the Town of Wayland. The Powers report identified specific issues with the METCO accounts including:

- Payments made directly to Ms. Reid-Wallace's personal credit card,
- High numbers of cash withdrawals from the bank account,
- Checks written to "Cash,"
- Significantly higher levels of spending for the METCO account than for other "discretionary accounts,"
- Program donations deposited into the "discretionary account" rather than the WPS controlled METCO Revolving Account, and
- A lack of supporting documentation for program expenses.

Based on these findings, the School Committee referred the matter to various oversight agencies including the OIG.

Findings

The OIG found no conclusive evidence of fund misappropriation by Ms. Reid-Wallace. However, prior to 2012, the lack of financial controls, oversight, and accountability at WPS fostered an environment highly vulnerable to fraud, waste, and abuse. Program directors like Ms. Reid-Wallace had unilateral decision-making authority for expenditures without meaningful oversight, without school committee or superintendent approval, without consideration of WPS policies, and without concern for accountability or transparency. Misappropriation of funds could have occurred easily under these circumstances.

Regarding the METCO program expenditures, the OIG found:

1) Ms. Reid-Wallace maintained a METCO bank account with no WPS oversight.

For approximately ten years, Ms. Reid-Wallace maintained a METCO Program checking account without WPS control or oversight. Former Superintendent Gary Burton approved the opening and use of this account as well as other WPS discretionary accounts referenced in the aforementioned Abrahams Group and Powers & Sullivan reports. According to Mr. Burton, he orally encouraged the account holders to use discretion when spending these funds. This appears to be the only policy that had been in place for these funds.

In effect, this account became an off-the-books account under the sole control of Ms. Reid-Wallace. Ms. Reid-Wallace used this account for depositing funds from METCO fundraising (for example, the annual Martin Luther King, Jr. dinner and the Florence Adler Walk/Run) and voluntary family dues collected from METCO parents and students. Between June 2006 and January 2012, Ms. Reid-Wallace deposited more than \$162,000 into this account. When WPS had the account closed in 2012, the account had a remaining balance of approximately \$9,000.

Ms. Reid-Wallace used these discretionary funds to support a variety of METCO expenditures including student events and trips, the purchase Massachusetts Bay Transportation Authority (MBTA) student passes, food, snacks, candy, coffee, paper goods, college and summer camp scholarships, clothing, student gifts and “prizes” such as iPads, cameras, and photo albums. Ms. Reid-Wallace also routinely made cash withdrawals to pay for METCO-related purchases, METCO staff expense reimbursements, and to pay METCO students for serving as bus monitors on the METCO student buses during the commute between Wayland and Boston.

Ms. Reid-Wallace made her spending decisions in a vacuum, without school committee or superintendent approval and without the benefit of any WPS policies or guidelines. Ms. Reid-Wallace’s poor-recordkeeping practices make it impossible to rule out that every METCO dollar was spent appropriately. However, the OIG investigation did not find evidence to support the allegations made against her.

Ms. Reid-Wallace fundraised to accumulate these funds for the support of the METCO program. The dollar amounts used to purchase food, clothing, and MBTA passes for METCO students identified as being in financial need and paying METCO students to be bus monitors might seem trivial. In some cases, Ms. Reid-Wallace’s actions might be considered laudable, but they nevertheless raised issues of fairness (why some students get benefits but not others), created potential liability for WPS (possibly making student bus monitors WPS employees), and raised issues of accountability (fundraising in the name of WPS but without WPS involvement). The OIG suggests that because the METCO Program is part of WPS and Ms. Reid-Wallace is a WPS employee, WPS should have input into how best to use these funds regardless of the source.

The OIG also points out that in addition to the risk of fraud, waste, and abuse posed by these discretionary accounts, maintaining these accounts may have violated Municipal Finance Law.

- 2) Ms. Reid-Wallace reimbursed herself for METCO-related purchases by writing checks to herself, writing checks for “cash,” and making payments to her personal credit card.

In addition to using the discretionary account to directly pay for METCO purchases, Ms. Reid-Wallace also purchased items using her own financial resources for which she later sought METCO reimbursement. Ms. Reid-Wallace reimbursed herself by making cash withdrawals from the METCO account, writing METCO checks payable to herself or to cash, and by writing METCO checks payable to her personal credit card account. She took these reimbursements without any review or approval by WPS personnel, with little documentation, and apparently

with little regard to how this could appear. Ms. Reid-Wallace viewed this account as a METCO rather than a WPS account and vested in herself complete authority, control, and ownership of these funds.

Before she stopped using her credit card in August 2009, Ms. Reid-Wallace used her personal credit card to make thousands of dollars in METCO purchases. Ms. Reid-Wallace regularly self-identified the METCO-related charges from her monthly credit card statements then paid all or a portion of this amount directly with METCO funds. Since she used this credit card for personal purchases as well, it is impossible to tell from simply looking at a credit card statement which charges to attribute to the METCO program. Due to the lack of documentation, the OIG could not reconcile all credit card payments to METCO reimbursements. Between 2006 and 2009, she made \$20,495 in payments to her credit card directly from the METCO account. As noted earlier, she also reimbursed herself by cash and check.

Many documented purchases appear to be for gifts or awards for METCO students, including photo albums, movie passes, electronic devices, and commemorative coins. While Ms. Reid-Wallace maintained receipts for these purchases, the documentation did not provide an explanation of the purpose for these purchases or to whom she distributed these items. However, there is anecdotal evidence to support that students did receive these items.

As with other METCO spending, Ms. Reid-Wallace had total authority to make purchases with or spend her discretionary funds devoid of any WPS guidelines or restrictions. Ms. Reid-Wallace unilaterally determined the necessity, propriety, and educational efficacy of these expenditures.

As stated earlier, there is no conclusive evidence that Ms. Reid-Wallace inappropriately reimbursed herself for METCO-related purchases. The OIG could not verify the appropriateness of every reimbursement because of Ms. Reid-Wallace's poor-recordkeeping and lack of adequate documentation.

We do note, however, the use of her credit card could raise issues of concern for the State Ethics Commission under M.G.L. c.268A – the Conflict of Interest Law. The OIG understands that WPS has forwarded this matter to the Commission for its review and determination of any Chapter 268A violations.

3) Ms. Reid-Wallace may have ignored a WPS directive and circumvented WPS policy by transferring funds to a private group.

As noted earlier, in response to audit reports, Superintendent Stein directed that all discretionary accounts be closed and placed under WPS control. In December 2011, the superintendent directed Ms. Reid-Wallace to close her "METCO Discretionary Account." On January 6, 2012, Ms. Reid-Wallace presented the Town of Wayland with a check from the METCO account for its then-remaining balance of \$1,029.07. However, on December 13, 2011, Ms. Reid-Wallace wrote a \$5,000 check from the METCO account to the Boston Parent Council (BPC) for "Parent Dues."

The BPC is the conceptual equivalent of the Parent Teacher Organization (PTO) for the Wayland METCO program. Ms. Reid-Wallace apparently collected family or parent “dues” from Wayland METCO students to help support METCO spending. WPS staff informed the OIG that Ms. Reid-Wallace claimed in 2012 that these “dues” belonged to the BPC and had simply been co-mingled with METCO funds.

The BPC deposited this \$5,000 check into an account titled “Giselle R. Kouka d/b/a Wayland METCO Program Boston Parent Council.” Ms. Kouka is a WPS employee who reports directly to Ms. Reid-Wallace. Ms. Kouka also serves as the BPC treasurer. Ms. Kouka’s two children attended and graduated from WPS through the METCO program.

According to WPS, BPC may have been entitled to these funds and WPS does not object to the METCO Program having a parent organization that raises and expends funds on behalf of the program. However, WPS needs to make an official determination on the matter. In doing so, WPS should be aware of the following:

- BPC is not registered or incorporated as a charitable 501(c)(3) organization, does not have a tax identification number, does not issue financial statements, and has never been audited or reviewed. If BPC is raising or holding funds for use by WPS or any WPS program such as the METCO program, then WPS has oversight responsibility. Moreover, WPS should determine whether BPC accounts should be considered private funds or constitute student activity funds subject to M.G.L. c.71, §47. If WPS considers these funds private, then WPS should insist that BPC take all necessary and appropriate steps to become a legal charitable organization compliant with all applicable federal, state, and local policies and regulations. Otherwise WPS should sever its BPC relationship. If WPS concludes that M.G.L. c.71, §47 applies, then BPC funds should immediately fall under the control and oversight of the school committee, the school business administrator, and town finance officials.
- Having Ms. Kouka, Ms. Reid-Wallace’s subordinate and a WPS employee, in control of the funds is an insufficient segregation of duties and a conflict of interest.
- Shortly after Ms. Reid-Wallace closed the “METCO Discretionary Account,” BPC checking account activity grew from an average of 17 transactions per year to an average of more than 70 transactions per year. The BPC account may have taken the place of the now-closed METCO discretionary account.
- Prior to January 2012 (when Ms. Reid-Wallace closed the METCO account), BPC used its account to reimburse parents for various incidental METCO-related expenses. Since January 2012, the BPC account has been used in the manner that Ms. Reid-Wallace previously used the METCO account. For example, fundraising revenue from the Martin Luther King, Jr. dinner and the Florence Adler Walk/Run are now deposited into the BPC account. The BPC account is now used to fund book awards, to purchase METCO supplies, and to reimburse

parents and METCO staff, including Ms. Reid-Wallace, for more substantial METCO-related expenses. In short, many of the transactions that formerly went through Ms. Reid-Wallace's discretionary account now go through the BPC account.

It is not unusual for WPS staff to be reimbursed for expenses by outside organizations, such as the PTO. However, the relationship between Ms. Reid-Wallace and the BPC is troubling because the sole signatory for the BPC checking account is a METCO staff member who reports to Ms. Reid-Wallace. This relationship and the transfer of activity from the discretionary account to the METCO account raises questions about the BPC's independence from Ms. Reid-Wallace and whether Ms. Reid-Wallace is using the BPC to divert funds from WPS and to circumvent the superintendent's directive and the spending and oversight controls instituted in 2012.

- 4) Reid-Wallace used METCO funds to provide awards and scholarships to students without any selection process or award criteria.

Each year, the Wayland METCO program grants awards and scholarships such as "Book Awards," the "Florence Adler Scholarship," a laptop computer, and various other cash and non-cash awards. Ms. Reid-Wallace determined the amounts and the recipients of these awards and scholarships with limited METCO staff input and without guidelines or WPS oversight. As a result, the granting of awards may be arbitrary and unfair. For example, one of Ms. Kouka's children received more than \$12,000 worth of scholarships and awards, including awards after graduating from WPS, and a scholarship to attend a private summer camp while other students received significantly less. While the OIG does not question the student's worthiness, the lack of policies governing awards and scholarships calls into question the fairness of this award to other METCO students and the basis for awarding one student a large sum when METCO fundraising is presumed to be for the benefit of all METCO students. This is particularly concerning where Ms. Kouka is a BPC officer who issues BPC reimbursement checks to Ms. Reid-Wallace. This could raise issues of unwarranted privilege, nepotism, and other conflict of interest concerns for the State Ethics Commission under M.G.L. c.268A—the Conflict of Interest Law. The OIG understands that WPS has forwarded this matter to the Commission for their review.

Conclusion and Recommendations

To prevent fraud, waste, and abuse, WPS should maintain controls for and have oversight of all funds collected by WPS staff. The OIG investigation concluded that the available evidence failed to support the allegations made against Ms. Reid-Wallace. However, the relaxed WPS control environment could easily have led to the theft and abuse of funds such as the 2010 Wayland police investigation into the possible theft of funds by a WPS employee from a now closed discretionary account. No one person should have the sole authority to expend public funds without there being adequate approval and oversight controls. Moreover, these financial practices may have violated Municipal Finance Law and the Conflict of Interest Law. The OIG understands that under Dr. Stein, WPS has made significant changes to its financial controls by implementing the recommendations made by The Abrahams Group and Powers & Sullivan. As

WPS continues to implement stronger internal controls, the OIG makes the following recommendations:

1. WPS should review Ms. Reid-Wallace's \$5,000 transfer to the BPC to ensure that these funds did not belong to WPS. These funds had been in a Wayland METCO account and so, barring evidence to the contrary, should have been considered WPS funds. Based on available evidence, the OIG believes these to be WPS funds.
2. WPS should review Ms. Reid-Wallace's continuing use of the BPC account for METCO expenditures to ensure that this account is not being used to circumvent WPS controls and policies.
3. WPS should introduce written policies that define how fundraised money should be handled including what approval process must be used to expend these funds. While employees at individual schools must have their purchases approved by the school principal, program directors such as Ms. Reid-Wallace have much less financial oversight. WPS should consider implementing a dollar value threshold above which all purchases must be approved by the Superintendent or School Business Administrator.
4. WPS should ensure that fundraising proceeds are collected and deposited appropriately with WPS or Town officials.
5. WPS should review its relationship with the BPC, PTOs, and other outside organizations to ensure that any financial relationships with these groups do not violate Municipal Finance Law, the Uniform Procurement Act, and the Conflict of Interest Law.
6. WPS should establish written guidelines for a fair and accountable process for granting student awards and scholarships.

This office appreciates the assistance and cooperation of WPS staff during this review. Please do not hesitate to contact this office with any questions or concerns or if you require additional assistance with this or any other matter.

Sincerely,



Glenn A. Cunha
Inspector General

cc: Wayland School Committee
Superintendent Paul Stein
Mark Lanza, WPS legal counsel