



Office of the
Inspector General
Commonwealth of Massachusetts

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Inspector General

A Review of Certain Assabet
Valley Regional Technical
School District Matters

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The Office of the Inspector General has conducted a review of certain financial transactions and reporting practices of the Assabet Valley Regional Technical School District (Assabet). We bring the following findings to the attention of the Assabet school committee, school administrators, member community administrators, the Massachusetts Department of Education and the Massachusetts Department of Revenue (DOR) in accordance with the provisions of 945 CMR 1.09(3)(c).

Findings

Finding 1: Assabet administrators have not accounted properly to DOR for millions of dollars in surplus funds held in Assabet-owned investment accounts, a substantial portion of which should be used to reduce assessments of member communities in accordance with the provisions of M.G.L c.71, §16B ½.

Discussion: As of June 30, 2006, Assabet had a balance of \$8.9 million in liquid assets in 12 banking accounts. Nearly \$6 million of this total is held in three investment accounts. Assabet administrators submitted financial statements to DOR claiming that Assabet's excess and deficiency fund balance was \$509,422, less than the 5% maximum amount that would trigger a reduction in assessments on district member communities. Assabet administrators avoided applying a substantial portion of Assabet's investment fund balance to reduce assessments of member communities by characterizing these investment accounts as "special revenue" funds. This office concludes that such an interpretation is unwarranted and serves to subvert the statutorily established authority and oversight of member communities over surplus funds of regional school districts.

Municipality	Adjustment Due to Municipality
Berlin	\$178,200
Hudson	\$1,245,600
Marlborough	\$2,763,000
Maynard	\$694,800
Northborough	\$483,000
Southborough	\$76,200
Westborough	\$559,200

Based on \$6 million in unrestricted funds held in investment accounts.

We have referred this matter to DOR for further review.

Finding 2: Assabet has exhibited a pattern of excessive spending relative to that of similar districts.

Discussion: The availability to Assabet administrators of large sums of unencumbered cash in investment accounts has effectively facilitated a pattern of excessive spending far out of line with that of member school districts. Our review found that Assabet routinely sends more than 20 individuals to attend annual conventions in Las Vegas and other destinations. This group includes school committee members for whom all expenses are paid, and spouses of some faculty and school committee members for whom hotel and meal expenses are paid. The number of Assabet attendees at these conferences far exceeds the number of attendees from other vocational school districts in Massachusetts. In 2006, for a conference in Atlanta, Assabet spent approximately \$24,000 for 22 attendees, including more than \$3,000 for meals. In 2005, 23 people attended a conference in Kansas City (originally planned for New Orleans) at a cost of approximately \$23,000 including nearly \$4,500 for meals. The 2004 conference in Las Vegas attended by 24 people, cost more than \$25,000 including more than \$5,000 for food.

The number of attendees and the cost of these conventions is excessive in relation to other similar school district in Massachusetts. Subsidizing attendance by spouses and other non-staff serves no public purpose and should be discontinued.

Finding 3: The Assabet superintendent is paid \$7,200 per year for what amounts to double-payment for transportation expenses.

Discussion: Under his contract, the superintendent is paid an annual \$7,200 stipend to pay for in-state travel expenses. However, the superintendent is also issued a credit card by the district with which he pays for his in-state travel expenses. His stipend is not offset or otherwise reduced by these credit card purchases. The superintendent is therefore receiving a stipend to cover costs that the school district is already paying for through the credit card, thereby constituting "double-dipping." The Assabet superintendent should reimburse Assabet for the overpayments.

Finding 4: Assabet failed to issue appropriate income tax statements to the superintendent and the Internal Revenue Service for transportation and other benefits received by the Superintendent.

Discussion: The Internal Revenue Service requires employers to report annually non-cash benefits paid to employees since these benefits represent taxable income. This reporting can be accomplished by issuing either form W-2 or a 1099 notice. The superintendent is apparently the only Assabet employee for whom Assabet did not issue such a notice.

Finding 5: Assabet violated M.G.L. c.44, §58 by purchasing liquor at conferences, trainings, dinners, and other events.

Discussion: According to the superintendent and documents reviewed during this Office's review, Assabet bought and paid for liquor at events attended by the school committee, administrators, and other staff. At one event alone in Worcester, liquor accounted for nearly one-third of the total \$1,100 dinner cost. According to the superintendent, there is no district policy against the purchase of liquor with school funds. Such expenditures, however, violate M.G.L. c.44, §58 and should be reimbursed by the officials involved.

The superintendent originally told staff from this office that liquor had never been purchased with district money and that disgruntled employees had altered documents to indicate the purchase of liquor. The superintendent later admitted that liquor had been purchased routinely.

Finding 6: Internal controls require immediate improvement.

Discussion: According to Assabet staff, no detailed written procedures exist for business operations and the superintendent is allowed to approve his own reimbursements and expenditures. This violates accepted internal control practices.

Finding 7: Assabet violated M.G.L. c.30B.

Discussion: Assabet did not purchase gasoline using legally required competitive purchasing for at least 15 years. When questioned, the superintendent stated that his staff informed him that the supplier had been on a statewide blanket contract and so a competitive procurement was unnecessary. According to the commonwealth's purchasing office, the Operational Services Division, the supplier had not been on a statewide contract. The purchase of gasoline by Assabet must be competitively procured.

The school committee must act to ensure that the above issues are remedied immediately.