



The Commonwealth of Massachusetts

Office of the Inspector General

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June 8, 2011

Dr. Mary Louise Francis
Superintendent of Schools
New Bedford Public Schools
455 County Street
New Bedford, MA 02740

Dear Superintendent Francis:

As you know, the Massachusetts Office of the Inspector General (OIG) reviewed a portion of the New Bedford Public Schools' (NBPS) Fiscal Year 2009 State Fiscal Stabilization Fund (SFSF) Grant of \$11,668,556 from the Massachusetts Department of Elementary and Secondary Education (DESE). NBPS received the grant as a result of the American Recovery and Reinvestment Act (ARRA). This letter includes the findings from our review for the NBPS' purchases of supplies with ARRA funds. The OIG will be issuing a separate letter addressing our review of service contracts.

The OIG is reviewing ARRA-related grants to identify potential vulnerabilities to fraud, waste, and abuse and other risks that could negatively impact the accountability, transparency, and anti-fraud mandates contained in the statutory language and interpretive guidance of ARRA. Our review of the provided documents should not be construed as an audit, investigation, or a comprehensive programmatic review. The OIG intends these reviews to assist recipients of ARRA funding identify and address risks.

This portion of the OIG review focused on the \$280,810.85 purchase of 497 *DELL* Optiplex 360 (*DELL*) computers and the \$6,941 purchase of a dishwasher from Sysco, LLC.

***DELL* Computers**

For the purchase of the 497 *DELL* computers (PCs), the OIG wanted to verify that the NBPS used an appropriate procurement method to obtain the PCs, that NBPS received the computers it ordered, and that NBPS currently has possession of the PCs. The OIG examined NBPS' procurement files and determined that the district used statewide contract # ITC 16 to purchase the *Dell* computers. The OIG confirmed that:

- Municipalities are permitted to purchase supplies from this contract.
- NBPS purchased the goods and services specified in the contract.
- *DELL* charged and NBPS paid the correct contract price.

However, the OIG could not initially verify that NBPS had received and retained possession of the majority of the PCs. The OIG requested and received PC asset inventory information from the NBPS's Chief Administrator for Finance and Operations Lawrence Oliveira. According to this inventory, the PCs had been distributed to eight schools. This information purported to identify the number of, location and serial numbers of the PCs. OIG staff initially chose to visit a sample of four of the eight schools to verify inventory accuracy. According to the inventory, NBPS assigned 440 of the 497 new PCs to these four schools. OIG staff conducted an inventory at the four schools with the assistance of school staff and could not locate 84 or 19% of the assigned PCs. As a result, the OIG expanded its inventory review.

The OIG then visited all eight schools that had been assigned PCs according to the Mr. Oliveira's inventory. OIG staff attempted to locate all the purchased PCs, match serial numbers against the inventory, and match the serial numbers against *DELL* invoices. Based on this review the OIG had the following findings:

- The asset inventory maintained by Mr. Oliveira was inaccurate.
- The OIG could not verify the location of 138 or 28% of the PCs.
- 156 PC serial numbers did match the serial numbers identified in *DELL* invoices.
- NBPS staff could not locate *DELL* packing slips for 307 computers.
- The inventory included 15 duplicate serial numbers.
- The inventory identified the wrong location for 20 PCs.

In total, more than one-third of the newly purchased PCs could not be readily located or identified once located.

OIG staff informed the Superintendent of these findings. In response, the Superintendent took immediate and decisive action by assigning the NBPS's newly appointed IT Director and his staff and the NBPS's Safety Officer to address the OIG findings. The Superintendent and IT Director have been extremely cooperative with OIG staff and embarked on a comprehensive fast-tracked review of all PC assignments throughout the district to locate the missing PCs and establish a new asset management inventory. As a result of this effort, the NBPS has been able to locate all but one of the missing PCs. The OIG verified this through sample physical inspection.

The OIG also stressed to the Superintendent the importance of having effective asset controls and noted that school-based staff often had difficulty identifying the location of PCs for OIG staff. The OIG also commented on the lack of formal policies addressing the movement of assets across schools and governing the assignment of

mobile equipment such as laptop computers. The ineffective asset management system maintained by NBPS placed millions of dollars worth of equipment at risk for theft. While OIG staff only focused on IT equipment purchased with ARRA funds, system inadequacies call into question the security of other NBPS assets. The Massachusetts Office of Administration and Finance strongly suggests that all Commonwealth entities "...implement policies, associated procedures and controls that identify and protect their IT [information technology] assets from all threats, whether internal or external, deliberate or accidental." Also, the NBPS asset management system maintained by Mr. Oliveira appeared to violate the requirements of Governmental Accounting Standards Board Statement No. 34 (GASB 34). The statement addresses proper fixed asset management, physical inventory, stolen assets and surplus property. GASB 34 is applicable to all governmental agencies.

At the Superintendent's direction, NBPS IT staff have begun asset tagging and preparing a new inventory of IT equipment. The OIG understands that this will include not only PCs, but laptops, printers, cell-phones and other items and that this system should be operational before the start of the next school year. The NBPS will also be drafting written policies addressing the use and movement of this equipment.

Dishwasher

The OIG also reviewed the purchase of a dishwasher from Sysco, LLC for \$6,941. As required, NBPS used M.G.L. c.30B (Chapter 30B), the Uniform Procurement Act, to purchase the equipment. Pursuant to Chapter 30B for purchases under \$25,000, NBPS obtained three vendor price quotes for the dishwasher.

However, the OIG's review identified that the NBPS employee who solicited the dishwasher quotes did not have sufficient knowledge of procurement law and appears to have had little support from Mr. Oliveira, the NBPS's chief procurement official.

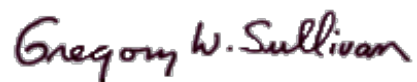
As a result, NBPS used a flawed quote process. NBPS staff requested vendor price quotes for the *Hobart* Model #AM15 dishwasher. Three vendors submitted quotes. One of the vendors also supplied a quote for another model dishwasher, the *CMA Dishmachines* Model #CMA-180BS. Although NBPS staff requested quotes for the *Hobart* model they chose the *CMA* model. There is no evidence that NBPS staff obtained additional quotes for the *CMA* model. Chapter 30B requires that all vendor quotes be based on the same purchase description. Therefore, NBPS staff should not have chosen the *CMA* model without obtaining additional quotes. This issue demonstrates the value of ensuring that those who conduct procurements receive the proper delegated authority and receive relevant training.

The OIG commends the Superintendent for assisting the OIG in remedying potential vulnerabilities, ensuring the ARRA funds had been used appropriately, and for correcting inefficient and ineffective practices that she inherited from a prior

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administration. The OIG appreciates the cooperation of NBPS staff in this review. Please do not hesitate to contact my office with any questions or concerns.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive style with a large, stylized 'G' and 'S'.

Gregory Sullivan
Inspector General

cc: Mayor Scott Lang
David LeBlanc, DESE