



Office of the
Inspector General
Commonwealth of Massachusetts

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School District Control and
Oversight of Administrative
Expenses

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School District Control and Oversight of Administrative Expenses

The Office of the Inspector General issued a report in May 2005 on its investigation of certain Wachusett Regional School District expenses. In addition, there have been a number of reports or allegations of fraud and/or inappropriate financial activity in school districts in the commonwealth over the past few years. With adequate oversight and controls, many of the alleged improprieties could have been prevented. The first line of defense should be the use of basic controls. Along with controls, there should be active oversight by a school committee including the regular review of financial reports. The school committee must also make a concerted effort to ensure that routine programmatic audits or reviews are conducted along with annual financial audits.

This office is issuing the following recommendations for effective management of discretionary administrative expenses.

1. Establish clearly written administrative expense policies and procedures, which include, but are not limited to the following topics:
 - a. Review and approval process (including travel pre-approval);
 - b. Guidelines regarding reasonableness of expense;
 - c. Required documentation for reimbursement; and
 - d. Timeframe for submission of expense reimbursements.
2. Establish adequate internal controls including controls that ensure that the employees who control funds are independent from the employees who spend funds. For example, an employee receiving reimbursement should not also approve that reimbursement.
3. Address expense categories including meals/tips, parking/tolls/gas, taxis, air travel, car rentals, lodging, personal car, phone, laundry/cleaning, and non-reimbursable expenses in the administrative expense policies.
4. Define all terms used in the administrative expense policies such as “district business.”

5. Ensure strong review and approval controls over administrative expenses by requiring that before any expense is reimbursed, members of the school committee review each request to ensure that the expenditure is necessary (provides value to the school district) and is reasonable.
6. Ensure that the proper supporting documentation is submitted along with the reimbursement request.
7. Require at least quarterly expense reporting from the executive staff. This reporting should identify specific expenses.
 - a. As part of each annual financial audit consider a more in-depth audit of a district program or budget line item.
 - b. Establish an audit subcommittee of the school committee.
8. Consider an independent audit/review of internal controls over district expenditures as part of a complete fraud risk assessment. Successful completion of a fraud risk assessment may identify vulnerability to fraud in each of the three major types of fraud (fraudulent statements, corruption, and asset misappropriation).

In March 1997, the Department of Revenue published the article “Accountability in School Budgeting.” This report stated that “[a]ll public funds must be expended and monitored responsibly.” Specifically, school committees and superintendents have a responsibility to make a concerted effort to ensure that they have in place effective control and oversight measures over discretionary spending by district administration and that these measures are working correctly.

The following publications of the Department of Revenue may be useful:

- “Accountability in School Budgeting,” *City & Town*, March 1997. Available at: www.dls.state.ma.us/publ/CT/1997/CT9703.pdf;

Additionally, the following publications of the Office of the Inspector General (available at www.mass.gov/ig/igpubl.htm) may be useful:

- *An Investigation into Certain Wachusett Regional School District Expenses*, May 2005;
- *Guide to Writing Effective Travel Policies*, December 2004;
- *Guide to Administering and Complying with Vehicle Management Policies*, December 2004;
- *Guide to Developing and Implementing Fraud Prevention Programs*, April 2004;
- *A Local Official's Guide to Procuring Audit Services*, May 2004; and
- *Recommended Code of Conduct for Public Employees*, August 1998.