



The Commonwealth of Massachusetts

Office of the Inspector General

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April 4, 2011

Ms. Judy A. Hurlburt
Assistant Executive Director
Evergreen Center
345 Fortune Boulevard
Milford, MA 01757

Dear Ms. Hurlburt:

As you know, the Massachusetts Office of the Inspector General (OIG) reviewed the Evergreen Center's (Evergreen) June 2009 receipt of a \$10,270 Richard B. Russell National School Lunch Program Equipment Assistance Grant from the Department of Elementary and Secondary Education (DESE) under the American Recovery and Reinvestment Act (ARRA).

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. This review should not be construed as an investigation of the program or a comprehensive programmatic review. The OIG intends these reviews to assist recipients of ARRA funding to identify and address risks.

According to the grant application, the Evergreen Center planned to purchase a "convection oven" for \$5,170 and "proofing/holding cabinet" for \$5,100. In January 2011, the OIG requested information regarding the purchases of these items to verify that Evergreen conducted the purchases pursuant to federal requirements.

As a private, non-profit entity, Evergreen is not required to follow M.G.L. c.30B, (Chapter 30B) the Uniform Procurement Act. However, because Evergreen received federal funds, it is at a minimum required to follow the federal requirements as outlined in 7 CFR 3016.36 that states: "grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section." It further identifies these standards for procurement as, "Procurement by *small purchase procedures* [purchases that do not exceed \$100,000]...[where] price or rate quotations shall be obtained from an adequate number of qualified sources." The documentation Evergreen submitted to the OIG included the "Evergreen Center, Inc. Purchasing Guidelines" which states, "if warranted, solicit bids for purchases and leases to determine the most economical alternative." Evergreen only submitted to the OIG one price quote, which the school obtained from the vendor it selected for the two purchases. Evergreen informed the OIG that while it believed its

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business office had obtained three quotes, staff changes made since the procurement has made it difficult to locate any additional information. As a result, the OIG cannot verify that Evergreen complied with its own procurement practices and federal regulations. Also, the lack of information relating to the procurement process is a violation of ARRA's accountability and transparency provisions and of ARRA's recordkeeping requirements.

The OIG would also like to point out that Evergreen could have chosen to purchase the equipment using state contract GRO24 for Foodservice Equipment managed by the Commonwealth's Operational Services Division (OSD). According to OSD, the Evergreen Center is included on the "eligible providers" list to purchase off of state contracts. As of June 30th, 2009, three of the four state contract approved vendors offered lower prices for the convection oven than the vendor Evergreen chose, which could have resulted in up to \$1,440 saved for the school. As the school receives significant reimbursement from public sources, the OIG believes that Evergreen must ensure that it conducts open and competitive procurement and obtains the best value for the goods and services it obtains. The OIG review verified the following:

- The amount paid by Evergreen for the equipment, (Blodgett Zephyre Plus Gas convection oven and Metro Heated Cabinet C599-SFC-U), matched the amount of the DESE grant award;
- The vendor Evergreen selected is a legitimate business entity.

A previous review by the State Auditor's Office (November 2010), had determined that Evergreen expended the Russell funds as intended and noted that Evergreen had properly "recorded and reported" the funds. As a result, the OIG did not pursue this item. Based on the lack of recordkeeping for the procurement process and Evergreen's possible violation of its own procurement practices and federal regulations, the OIG is requesting that DESE review Evergreen's grant compliance to determine whether these violations would necessitate a return of funds to DESE.

I appreciate your cooperation in this review of ARRA funding. Please do not hesitate to contact me with any questions or concerns you may have.

Sincerely,



Gregory W. Sullivan
Inspector General

cc: Mary Anne Gilbert, Department of Elementary and Secondary Education
Kathleen C. Millett, Department of Elementary and Secondary Education
Dr. Robert F. Littleton, Jr., Evergreen Center