



The Commonwealth of Massachusetts
Office of the Inspector General

GREGORY W. SULLIVAN
INSPECTOR GENERAL

JOHN W. McCORMACK
STATE OFFICE BUILDING
ONE ASHBURTON PLACE
ROOM 1311
BOSTON, MA 02108
TEL: (617) 727-9140
FAX: (617) 723-2334

November 12, 2010

Dr. Matthew Malone
Superintendent
Brockton Public Schools
43 Crescent Street
Brockton, MA 02301

Dear Superintendent Malone:

As you know, the Massachusetts Office of the Inspector General (OIG) inquired into the use of the Brockton Public Schools' (BPS) Fiscal Year 2009 State Fiscal Stabilization Fund (SFSF) Grant from the Massachusetts Department of Elementary and Secondary Education. The grant was received as a result of 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. 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.

The OIG has focused its SFSF reviews on the purchase of goods and services by school districts. BPS informed the OIG that FY 09 SFSF had been used exclusively to fund payroll expenses. As a result, the OIG has limited its review to BPS's ability to comply with the ARRA mandate to prevent fraud and abuse in the use of these funds. The OIG also reviewed documents provided by BPS that illustrated the use of these ARRA funds. The OIG review found that BPS financial documents indicate that ARRA funds had been spent on payroll as stated by BPS staff.

To receive this funding, BPS had to apply to the Department of Elementary and

Secondary Education (DESE). In its application, BPS stated that the ARRA funds would be used for "Support Staff" (\$4,211,996), "Fringe Benefits" (\$2,035,940), "Contractual Services" (\$3,972,091), "Supplies" (\$2,750,702), "Travel" (\$22,458), and "Other" (\$563,435). Although BPS's use of these funds strictly for payroll is allowable under the grant, DESE required BPS to file an amended application to notify DESE of any deviation from the original application. BPS did not file this application and according to BPS staff they had not been aware of the requirement until informed by the OIG. BPS staff stated to OIG staff that they would file the proper amendment with DESE.

During a meeting with BPS staff that included Deputy Superintendent John R. Jerome, Executive Director of Finances Aldo Petronio, as well as two other staff members, the OIG asked BPS staff about what written policies exist to address employee ethics, conduct and the prevention of fraud. BPS responded that the City of Brockton had such policies, but that BPS did not. However, staff did refer to the new ethics law reform requirement for taking an on-line (web based) ethics test offered by the State Ethics Commission. The OIG then asked and later received seven sections from the Brockton School Committee Policy Manual, including chapters "GBEA" (Staff Ethic/Conflicts of Interest), "GBEB" (Staff Ethics) and "BCA" (School Committee Member Ethics). A review of these chapters identified policies pertaining to ethics and conflicts of interest. BPS staff did not reference these policies during their meeting with OIG staff.

The OIG recommends that BPS ensure staff is aware of these policies, that staff receives training in these policies, and that these policies are routinely reviewed and updated. To help BPS strengthen its capacity to prevent, deter, and detect fraud, waste and abuse, the OIG encourages BPS to:

- Ensure that all employees are aware of the relevant policies in the School Committee Policy Manual and any other documents that address staff conduct and ethics. BPS should elevate awareness of these policies and employees should be made to acknowledge that they have read and understood these policies. All policies should be reviewed periodically for relevance and compliance with any legal or regulatory changes. Your staff noted that they had taken the online exam legally required by the State Ethics Commission. However, this exam is a supplement to, not a replacement for, knowledge and enforcement of the state and local rules that apply for your organization. This knowledge and enforcement is dependent on written policies that are known to and used by staff and management alike.
- Develop an anti-fraud policy and enforcement program. Please review the following for additional information:
<http://www.mass.gov/?pageID=oschomepage&L=1&sid=Aosc&L0=Home>
http://www.mass.gov/ig/oigarra/arra_fraud_advisory.pdf
- Require employee training that addresses ethics and fraud, waste, and abuse. This training should reinforce current policies and help raise employee

awareness of fraud and abuse potential.

- Conduct a Fraud Risk Assessment. This is a tool that is used to identify vulnerabilities and efficiency issues that may affect the achievement of organizational or programmatic goals. BPS should consider periodically completing its own risk assessment of its programs to identify, and rate the significance of, any potential risks that may not have been identified previously. Risk assessment resources are available through various public, private, and not-for-profit sources including the Office of the State Comptroller.

I appreciate your cooperation in this review. Please do not hesitate to contact the OIG with any questions or concerns you may have regarding this review.

Sincerely,

Neil Cohen
Deputy Inspector General

cc: Deputy Superintendent John Jerome
Executive Director of Financial Services Aldo Petronio
DESE Director of Audit & Compliance David LeBlanc