

State balks at \$11m in school costs

Audits disallow reimbursement to cities, towns

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By Maria Sacchetti, Globe Staff | April 18, 2005

The state has told 14 cities and towns it won't pay \$11 million of their school building costs because they paid more interest than the state permits on construction loans and purchased a slew of unauthorized items, including floral arrangements and a pickup truck.

Some of the communities, trying to avoid raising taxes or cutting budgets to cover the unexpected bills, protest the findings, saying state rules for reimbursement were unclear and the state waited too long to crack down on spending.

"The rug was pulled out from under us," said Jim Kreidler, town manager of Winchendon, which plans to raise taxes to cover at least \$1.75 million the state is refusing to pay. "It's not as though we're sitting on a proverbial pot of money."

The findings, contained in audits by the state Department of Education, reveal a state building program that awarded billions of dollars over a decade, with little state oversight. The audits of the 14 communities' school projects offer a peek at the work confronting the newly established Massachusetts School Building Authority, which said recently it would audit more than 600 school construction projects over the next 18 months. The authority approved the findings in recent weeks, and the communities became aware of what they would have to pay during the last several months.

The 14 affected communities are Belchertown, Framingham, Grafton, Halifax, Lawrence, Leicester, Leominster, Newton, North Andover, Reading, Salem, Springfield, Wilmington, and Winchendon.

In the worst case, Lawrence will not be reimbursed more than \$3.5 million. Like the other affected communities, Lawrence was relying on the money to cover its future payments for a multiyear loan taken out years ago for a new school.

State Treasurer Timothy P. Cahill, who oversees the school building authority, said the upcoming audits will scour school construction projects for similar problems.

Of the \$11 million worth of problems highlighted in the audits, \$8 million was disallowed because cities and towns spent more than they should have on interest. State rules require cities and towns to negotiate financing deals that save the state as much interest as possible. Cities and towns had set up payment plans that accrued higher interest costs than the state allowed, state officials said.

The other \$3 million the state rejected was spent on tangible items, including baseball bats, a sheet cake, and bunting for school dedications.

"The taxpayers aren't going to stand for this," Cahill said. "We will make sure that schools are built and that the money we grant toward communities goes toward schools. No frills, no cars, no cakes."

State officials say the Department of Education gave communities detailed rules about which costs are covered and which ones aren't, but lacked the staff to enforce them. Just a handful of people in the department were responsible for auditing hundreds of projects; in several cases, audits took close to a decade to finish.

In Lawrence, an audit was sent to the district nine years after a school was built and addressed to a budget director who died almost two years earlier.

Under a system the state is phasing out, the Department of Education helped cities and towns pay for schools by giving them annual payments typically over 10 to 20 years. The cities and towns would then submit bills and receipts to justify their expenses to the state, which paid from 60 percent to 90 percent of a project's costs. The state based initial payments on a town's estimates and doled out money with the understanding that a final audit could raise or lower the amounts later.

The school building authority, which oversees school construction, is drafting tougher rules for costs it will allow, and in the future plans to audit projects during construction, said Katherine Craven, executive director. The authority also plans to have an in-house staff and add auditors from private firms, she said.

School officials blame the problems indicated in the audits on accounting errors, confusion over the state's rules, or decisions made years ago.

"It's not as though we're intentionally trying to take advantage of the state for reimbursement," said Paul P. Szymanski, school business manager in North Andover. "If I can work in a gray area to our advantage, I'm going to do that if it's in the best

interest of children."

In 1995, North Andover built Sargent Elementary School, its first new school in decades. The \$16 million building was not fancy, just cinderblock with colored stone and brick. When the town sent the bills to the state, officials added the cost of items they considered part of the package, including gym supplies and \$7,000 for the dedication ceremony.

Nine years later, after paying the bills for so many years, the state told school officials it cut its payments. The state's rules should be clearer, Szymanski said, "like a warning in red letters."

In 1995, Lawrence cut the ribbon on the \$42 million South Lawrence East Elementary School, a spacious school with a gym and an auditorium. But the final audit nine years later refused to cover a \$26,582 truck, carpet for the superintendent's downtown office, and interest costs higher than the state permitted.

The city's budget director, John Griffin, who started March 1, said the audit is correct, but he wished the city had known earlier.

"You don't do the audits 10 years after the building's done," Griffin said.

Salem completed \$40 million in renovations a decade ago. The city's bill to the state included a \$342 plaque, \$675 in paperweights, and nearly \$14,000 to transform classrooms into bingo parlors every Thursday night for four months. The city had to rent a parochial school to house students until an elementary school was ready, and keeping bingo was part of the deal.

Salem's building director, Paul L'heureux, said he submitted all of the receipts because the state's rules were confusing: The state will pay for new library books, but not textbooks, baseball bats, and uniforms.

As the cities and towns were building schools in the 1990s, the state Department of Education's building program struggled to juggle approvals for new projects with audits. At one point, just one person handled auditing, said Jeff Wulfson, an associate commissioner who oversaw the program.

The state says the backlog was well known, and cities and towns knew the final costs could change.

"There's just lots of opportunities for waste that go way beyond paperweights," said Michael Widmer, president of the nonprofit Massachusetts Taxpayers Foundation. "This is only a fraction of a much larger problem." ■

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