

State lacking in oversight of school spending

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No state agency is assigned to pay close attention to how Massachusetts school systems spend their money, making it possible for misspending to escape unnoticed for years.

As a result, the financial mismanagement a state audit highlighted in Everett's public schools last week -- including overspending its budget by \$1.2 million over four years -- may be happening elsewhere, state officials acknowledge.

The Department of Education, which 25 years ago had a team of more than a dozen auditors watching school system spending, has long lacked a large enough staff to conduct thorough audits. The Department of Revenue, which also used to audit schools, lost that responsibility four years ago after the Legislature created a new entity to monitor schools -- the Office of Educational Quality and Accountability.

But that new authority focuses primarily on academic achievement and is not designed to conduct extensive financial audits, its executive director says.

The lack of oversight is setting off alarm bells among lawmakers, who are planning to push for the reestablishment of a financially focused auditing arm of the state Department of Education. They want to ensure that educational money goes toward instruction and prevent such actions as tutoring money being spent on lettering of football helmets, as occurred in Everett.

"It's not just comical, it's criminal," said Senator Robert A. Antonioni, Democrat of Leominster, cochairman of the Joint Committee on Education. "You're looking at a state that aside from some basic reporting requirements on school spending in certain categories, there's really no oversight."

The measure calling for the creation of a new office within the Department of Education to audit school expenses was introduced in December, and lawmakers plan to take up the issue during budget debates this month.

The audit's scathing critique of Everett's school spending practices emphasizes the need to act now, Antonioni said.

Billions of tax dollars flow into school systems, but the state holds schools accountable for student performance, not their balance sheets, Antonioni said.

Abuses have ranged from the egregious to the absurd, he said, citing the 2003 indictment of a former Lunenburg superintendent on charges of siphoning more than \$420,000 from the school system into a dummy corporation he controlled and the recent controversy in Lawrence, where the superintendent tried to charge the system to install running boards for his district-leased sport utility vehicle so his wife could climb in with her high heels.

The Office of the State Auditor, which has a 250-person audit staff, does not audit school systems unless requested by the local government, as in Everett's case; the city paid \$37,000 for the audit. State Auditor A. Joseph DeNucci estimated that it would cost about \$1 million to staff his office with two dozen auditors dedicated to schools.

DeNucci said the educational accountability office should work more closely with him and the Department of Education to flag possible areas of financial mismanagement in school systems.

DeNucci's audit of Everett revealed dozens of questionable bids and misspending of funds for tutoring and special education on noneducation items, including banquets and a homecoming parade. Everett Superintendent Frederick Foresteire, who plans to meet with the Everett School Committee tomorrow to discuss the audit, has said the School Department did not "consciously do anything wrong."

The Department of Revenue, which audited Everett in 1999, did not uncover major spending problems, but focused on a smaller portion of the school district's budget and did not examine bids.

DeNucci said he has audited only two school systems in the 18 years he's been in office: Everett and Lawrence.

"Other agencies are supposed to do it," he said. "I don't know what they do."

The Legislature took away the school auditing responsibilities from the Department of

Revenue, which conducted audits for the Department of Education, because lawmakers wanted to have one independent agency that audited both instruction and finances in school systems. The Department of Revenue had been handling financial audits, while the Department of Education was supposed to check progress on state testing goals.

The Educational Quality and Accountability office was created as a watchdog independent of the state Department of Education and has audited 104 school systems since its creation in 2001. Its main charge, though, is to study a school system's MCAS scores, leadership, and instruction; a part of its responsibility is to see if state money is making a difference in how well students perform. Each year it looks over the MCAS scores of the state's 352 school systems but visits only about two dozen for further scrutiny.

The educational accountability office has been auditing Everett and plans to release its results in July. DeNucci said he was unaware of another audit taking place in Everett.

The newer authority's auditing staff of eight full-time and 36 part-time employees cannot thoroughly investigate each school system's finances, said Joe Rappa, the agency's executive director. Instead, he said, he refers in-depth financial examinations to other state agencies such as the Department of Revenue, the inspector general, the attorney general, or the state auditor. But, he said, he has called upon their help only three times.

"We do look at money but that's not the centerpiece of our work," Rappa said.

Rappa's agency is the only state entity charged with holding schools accountable for education programs and finances, said Education Commissioner David P. Driscoll. Driscoll said looking for financial problems is the role of the Educational Quality and Accountability Office.

The Department of Education previously has been criticized for poor oversight of the state's school construction fund, which it used to audit. That role was transferred to the state treasurer last year. State education officials said they didn't have enough staff to keep up with the construction projects.

Given the amount of state money going to schools for instruction, the state should consider creating an educational oversight division within the state auditor's office, DeNucci said.

But school committees, DeNucci and others said, should be the primary guardians of school district spending.

"That's where the accountability has to begin," said Michael Widmer, president of the Massachusetts Taxpayers Foundation, a fiscal watchdog organization.

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