



THE CITY OF BOSTON FINANCE COMMISSION
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The City of Boston Finance Commission has investigated revenues and expenditures of the Boston Educational Development Foundation. Our investigation included interviews with Boston Public School Department officials, former Boston Public School employees, and a selective review of Boston Educational Development Foundation financial accounts. Our investigation appears to show that certain School Department employees used their access to these funds to make purchases that would not be approved through yearly budgeting practices including meals, party supplies, catered events, travel, tuition and moving expenses. It also appears that City of Boston resources were used to create reimbursements, which were deposited in BEDF accounts.

Boston Educational Development Foundation

According to its website, the Boston Educational Development Foundation is a 501(c)(3) charity with the stated purpose of “improving educational opportunities for the students of Boston Public Schools (BPS)”. To achieve the stated purpose, the BEDF site states that the Foundation provides external funding support to close gaps in achievements and opportunities.

Reimbursements

The Finance Commission found that Boston Public Schools authorized the use of school buses by a private, not-for-profit organization which submitted partial reimbursements for these services between June of 2009 and June of 2012 totaling \$264,000. These reimbursements were deposited into several BEDF accounts with a majority of the funds (\$155,000) being deposited in fund 29180 described as “Chief Operating Officer Account”. There were additionally two deposits to the account on November 16, 2011 totaling \$66,000 described as “The Boston Plan for Excellence-8 Classrooms 9/11-8/12” and “The Boston Plan for Excellence-WILSON SCHOOL: 8 CLASSROOMS”, which appear to be reimbursements from another entity for the use of Boston Public School properties.

Examples of Expenditures from BEDF Accounts

Many expenditures from the account do not seem to be consistent with the BEDF stated mission of “improving educational opportunities”. For example, one of the expenditures of interest was a May 2009 debit for \$13,776.20, which referenced a moving company. The receipt for this item was among those, which Boston Public Schools Legal Department stated they were unable to find. The Finance Commission was able to locate the former BPS employee who identified the expenditure as a personal moving cost after she resigned from BPS, and she further stated that former BPS Superintendent, Carol Johnson, authorized this expense.

The Finance Commission also found a September 28, 2011 expenditure of \$1,109.70 described as “Rudolph F. Crew-airline ticket.” BPS submitted a services/consulting contract for Mr. Crew in August of 2011 but the Finance Commission rejected the contract. The Commission requested and received a copy of the receipt for the expenditure, which identified the payment as a first-class plane ticket from Los Angeles, CA to Boston on Thursday, September 22, 2011. The Finance Commission met with Interim Superintendent John McDonough on June 27, 2014 and asked about this expense. Mr. McDonough seemed aware that BEDF had paid for a plane ticket for Mr. Crew, but stated only that Mr. Crew did not provide any work under the rejected contract.

The BEDF “Chief Operating Officer Account” account has multiple expenditures for catering and restaurant expenses including a March 2010 \$720.00 expenditure described as “Legal Sea Food” and a December 2011 expense of \$1,947.40 described as “Creative Palate by Damian” for a “holiday party held on December 21, 2011.” There are several payments noted as “reimbursement for interview” including one on August 7, 2012 for \$1,572.15. It also appears that items such as a briefcase, iPod, flowers and gift cards were purchased using these funds.

Additional Concerns

We also reviewed Boston Educational Development Foundation account (26020) described as “OITT Laptops for Learning.” The fund grew from \$200 in May 2008 to \$1,320,844.72 in March 2013. This growth is attributed in large part to deposits noted as “Absolute Software” and “IT Assets, Inc.” The source of these deposits should be fully investigated. IT Assets, Inc. is a company that is in the business of computer liquidation. The BEDF account notes a December 2011 deposit of \$283,500 and an April 2012 deposit of \$372,924.91. It appears that these deposits are from the sale of Boston Public School computer equipment assets with the funds received in connection with the sale deposited into the BEDF account.

In addition, the Finance Commission has expressed previous concerns about the location of revenues from a parking lot operated at the McKinley Prep High School at 97 Peterborough Street in the Fenway neighborhood. It appears that this lot is operated by BPS custodial staff during certain events at Fenway Park. Commission staff was informed by an employee of

Boston Public Schools that the revenues generated from the operation were deposited into a BEDF account, but we were unable to locate these deposits during the review.

Revolving Funds

The Finance Commission was informed that several BEDF accounts had been transferred to revolving funds in 2012 and placed into three categories: transportation, technology and facilities. We believe that the policies and procedures governing these revolving funds must be tightened. Additionally, revolving funds require revenue sources to replace expenditures and it is difficult to recognize some of the anticipated revenue streams without a written policy authorizing possible sources.

Conclusions

If expenditures wouldn't normally be approved in a standard city budget, then city employees should not be using methods to transfer revenues/assets to a charitable organization to cover those expenses. Based on our review, the Finance Commission believes that the reimbursements deposited in Boston Educational Development Foundation were public, taxpayer resources and therefore should have been deposited into the general fund and subject to public records laws, governmental oversight, and City of Boston appropriation processes. Once these funds were deposited into BEDF accounts, the reimbursements evaded the necessary transparency and audit mechanisms that are mandatory for public revenues.

It appears that taxpayer assets, including BPS school buses, computers and staff, were utilized to generate revenues that were then deposited into a not-for-profit entity that was controlled, at least in part, by Boston Public School officials for the purpose of paying miscellaneous incidental expenses that circumvented public oversight. The deposit of reimbursements for use of school buses seems particularly troubling. The Mayor and the City Council as part of the budgeting process approve school transportation costs annually; revenues reimbursed from their use should have been deposited into the general fund to offset these expenditures. The Finance Commission calls for a complete and independent audit of all revenues and expenditures of the Boston Educational Development Foundation. Due to the fact that some of the revenues from the BEDF funds were deposited into revolving funds, an audit of these funds should also be completed. Policies and procedures for the revolving funds should be reviewed to assure that expenditures fall within specific guidelines. Those with authority to approve revolving fund expenditures should be trained to assure compliance with the guidelines and should sign an acknowledgement to abide by these rules.

The citizens of Boston entrust agents of the City to manage their resources honestly and prudently. This investigation has raised serious concerns regarding how taxpayer assets have

been managed, and as a result public funds have been used for such extravagances such as first class tickets and holiday parties.

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