



**STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR**

9 March 2018

Seth Henry  
402 Fiddlehead Rd  
Fayston, VT 05673

Mr. Henry

Thank you for contacting my office regarding the Harwood Unified Union School District (HUUSD). You identified numerous areas of concern, including expenditures, administrative staffing, leadership, public records, and open meetings, among others. I have reviewed the material you provided, as well as information obtained from the District.

Your communications with the Superintendent and the Board include some very serious accusations. However, based on my review of the available materials, your complaints are without merit. For example, you asserted that the Board ignored your initial public records request (PRR).<sup>1</sup> In fact, the School District's attorney responded within the required statutory time frame.<sup>2</sup>

You expressed frustration with the District's estimate of the cost to comply with your request and argued that being asked to "pay over \$6000 to receive basic financial information implies that either this information is deliberately withheld or that there are significant problems with the administrative function of the district."<sup>3</sup>

The estimated cost had nothing to do with the nature of the information requested. Rather, it was about the scope, as was made clear by the School District's attorney:

*"You are seeking specific financial information concerning seven different entities over the course of seven years. The materials sought are stored separately by entity and with other documents that are non-responsive. Some materials are stored digitally, but will be difficult to locate, print and preview. It will be an extremely consuming task to produce the requested information."*<sup>4</sup> (All misspellings in the original)

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<sup>1</sup> Mr. Henry's PRR sent to Superintendent Nease on November 17, 2017.

<sup>2</sup> PRR sent on Friday November 17, 2017 and the District response sent on Wednesday November 22, 2017.

<sup>3</sup> November 27, 2017 e-mail from Mr. Henry to Superintendent Nease and the Board chair and vice-chair.

<sup>4</sup> November 22, 2017 letter (sent Via E-Mail to Mr. Henry) from Lynn, Lynn, Blackmeim & Manitsy, P.C.

Furthermore, the District did not withhold information, deliberately or otherwise. Indeed, it was very clear that the information requested would be made available once you agreed to the terms.<sup>5</sup> Nevertheless, you later characterized the District's response as "*significant resistance to compliance with Public Records Law.*"<sup>6</sup> I see no evidence of that. Indeed, once you submitted a modified and much reduced PRR on December 11, 2017, the District responded four days later with the information you requested.<sup>7</sup>

In addition, you objected to the District's use of its attorney and expressed surprise "*that the first response to my request was a formal legal letter.*"<sup>8</sup> The procedure for obtaining public records is described in statute<sup>9</sup> and is, by definition, a legal process. Moreover, in my experience it is not uncommon for state and local entities to seek the advice of counsel when dealing with unusual requests.

At the heart of your complaint is your perception of "*extraordinary or growing trends in district-wide spending.*"<sup>10</sup> This does not appear to be supported by the evidence. From FY2014 to FY2018, the total voter approved budgets of all the districts within the HUUSD increased 13.1%<sup>11</sup> for an average annual increase of 3.28%. There is nothing extraordinary about this.

You further complained about what "*appears to be a pattern of increasing administrative staff and expenditures.*"<sup>12</sup> According to the District,<sup>13</sup> the number of licensed administrators grew from 16 to 17 from FY2014 to FY2018 but is projected to drop back to 16 next year.

The District reported that the number of non-licensed central office FTEs grew from 7.55 to 8.80 from FY2014 to FY2018.<sup>14</sup> The number of school-based non-licensed administration staffers is 12 and is unchanged from FY2014.<sup>15</sup> Thus, there is no evidence of a pattern of increasing administrative staff.

As for administrative expenditures, there are several components. First are the school-level administrative expenses, which increased 5.3% for all six schools from FY2014 to FY2018. The Bureau of Economic Analysis (U.S. Dept. of Commerce) price index for public education<sup>16</sup> was 4.86% for three of the five years at issue, so 5.3% for the full term is close to the rate of inflation.

Second is central office administration and districtwide expenses, which are assessed to each school. There was a huge jump from FY2016 to FY2017 but that was because Act 153/156

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<sup>5</sup> November 22, 2017 letter (sent Via E-Mail to Mr. Henry) from Lynn, Lynn, Blackmeim & Manitsy, P.C

<sup>6</sup> February 15, 2018 e-mail from Mr. Henry to the State Auditor's office.

<sup>7</sup> December 15, 2017 e-mail from Michelle Baker (Director of Operations & Finance) to Mr. Henry.

<sup>8</sup> November 27, 2017 e-mail from Mr. Henry to Superintendent Nease and the Board chair and vice-chair.

<sup>9</sup> 3 V.S.A. Subchapter 3.

<sup>10</sup> November 27, 2017 e-mail from Mr. Henry to Superintendent Nease and the Board chair and vice-chair

<sup>11</sup> March 6, 2018 letter from Michelle Baker (HUUSD Director of Operations & Finance) to the State Auditor.

<sup>12</sup> December 1, 2017 e-mail from Mr. Henry to the Board Chair and others.

<sup>13</sup> March 6, 2018 letter from Michelle Baker to the State Auditor.

<sup>14</sup> March 8, 2018 letter from Michelle Baker to the State Auditor.

<sup>15</sup> Ibid.

<sup>16</sup> The public sector equivalent of the CPI.

required all special education expenses to be centralized and assessed to member districts.<sup>17</sup> As a result, the total amount billed to the schools jumped from \$1.27m in FY2016 to \$6.38m in FY2017.

If we subtract the special education expenses, the central office charges increased almost 23% from FY2014 to FY2018. Although not *de minimis*, it should be viewed in perspective. That is, not counting special education, central office costs represented 3.7% of the total budget in FY2018 compared to 3.4% in FY2014. In my view, this does not qualify as “*skyrocketing administrative expenditures.*”<sup>18</sup>

You asserted that administrative expenses have grown “*without proper justification or oversight.*”<sup>19</sup> However, as HUUSD Board Chair Christine Sullivan pointed out, “*boards make decisions about spending during the budget process and this spending is approved by voters. Our administrators spend what has been approved through that process. The board oversees that spending throughout the year through the board warrant process, reviews projected versus actual spending, and engages auditors at the end of the fiscal year.*”<sup>20</sup> That sounds like a healthy system of oversight.

You also expressed concern about settlement payments to some former employees. Without offering any evidence, you claimed that “*the Superintendent has been involved in conflicts with staff have resulted in legal action*”<sup>21</sup> and that related costs “*are largely avoidable expenses.*” You also stated: “*It certainly appears that our Superintendent is one of the small portion of executives with her pattern of creating unnecessary and expensive legal conflicts for our district.*”<sup>22</sup>

First, of course the Superintendent was “involved.” Top officials like the Superintendent are often charged with executing difficult personnel decisions, whether they directly supervised the individuals or not. Questioning public officials about budgets is one thing but challenging an individual’s professional integrity without evidence is quite another.

Second, it is routine for personnel matters to be handled by the Superintendent and the Board in executive session, so they can’t share that information with you and are unable to respond to your allegations. Therefore, your assertion that the costs “are largely avoidable expenses” is pure speculation since you have no direct knowledge of the facts of each incident. In any case, all of the events reported by the District in response to your query were approved by the responsible boards.

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<sup>17</sup> March 6, 2018 letter from Michelle Baker to the State Auditor.

<sup>18</sup> December 6, 2017 e-mail from Mr. Henry to the HUUSD Board.

<sup>19</sup> December 1, 2017 e-mail from Mr. Henry to the Board Chair and others.

<sup>20</sup> December 6, 2017 e-mail from HUUSD Board chair Christine Sullivan to Mr. Henry.

<sup>21</sup> December 1, 2017 e-mail from Mr. Henry to the Board Chair and others.

<sup>22</sup> Ibid.

You implied that the number of staff separations that occurred in the District over the years were unusual. The District reported seven incidents over six years in a workforce of several hundred employees. Absent evidence to the contrary, I do not view that as exceptional.

You noted several other concerns that I will briefly address.

- The District switched “*auditors from a local firm to an out-of-state firm in rural Maine.*”<sup>23</sup>

As reported by the Director of Operations & Finance,<sup>24</sup> the former Vermont-based audit firm bid on the last RFP in 2015, but its proposal included a letter acknowledging that it had failed its most recent peer review. There were two other bids, including one from a firm in Maine, the cost of which was considerably less than the other in-state bid. Not surprisingly, the Director of Operations & Finance recommended the Maine firm and the Board approved it at the December 9, 2015 meeting.<sup>25</sup>

- The District “*has no formal controls for review and approval of district central office expenditures since Act 46 district consolidation.*”<sup>26</sup>

As required by statute [16 V.S.A. § 242a], the Superintendent submitted the financial management (internal control) questionnaire to the Board, which approved it at the January 10, 2018 meeting.<sup>27</sup>

- “*The District has a completely opaque financial system with no detailed reporting or third-party access.*”<sup>28</sup>

All of the schools received clean audit opinions in 2017. They are all available on the District’s website.<sup>29</sup>

- “*It appears to me...that you are accounting for severance as ongoing payroll. From my professional experience this is not GAAP complaint (sic).*”<sup>30</sup>

According to the Director of Operations & Finance,<sup>31</sup> the District’s auditor does not think the current method of reporting severance violates GAAP and noted also that the District must comply with GASB, specifically Summary Statements 45 and 47.<sup>32</sup> In addition, I checked with my Chief Auditor who also thinks the District’s method complies with GASB.

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<sup>23</sup> February 15, 2018 e-mail from Mr. Henry to the State Auditor.

<sup>24</sup> March 6, 2018 letter from Michelle Baker (HUUSD Director of Operations & Finance) to the State Auditor.

<sup>25</sup> Ibid.

<sup>26</sup> February 15, 2018 e-mail from Mr. Henry to the State Auditor.

<sup>27</sup> <https://drive.google.com/file/d/0B2uQwDkbPKEVc3IyTI91dIFkNVgtY1I0aDYwUnpLSS1IRFp3/view>

<sup>28</sup> January 26, 2018 e-mail from Mr. Henry to the HUUSD Board.

<sup>29</sup> <https://www.wwsu.org/audited-financial-statements>

<sup>30</sup> January 10, 2018 e-mail from Mr. Henry to Michelle Baker.

<sup>31</sup> March 6, 2018 letter from Michelle Baker (HUUSD Director of Operations & Finance) to the State Auditor.

<sup>32</sup> March 8, 2018 letter from Michelle Baker to the State Auditor.

- You indicated that the alleged violations of the open meeting laws have been referred to the Attorney General’s office, so I will leave that to others.
- When you (and two others) acknowledged that the Board supports the Superintendent, you personalized it<sup>33</sup> and then denigrated them by characterizing the Board as “*captive*.”<sup>34</sup> The Board is comprised of members elected in their communities, and collectively they have over 40 years’ experience on local school boards.<sup>35</sup> Disagreeing with you is not evidence of a lack of independence.
- Finally, you made several remarkable statements about the District’s submission of mistaken staff-student ratios to the Agency of Education.

You characterized the incident as “*a serious problem in our school district caused by a pattern of dishonest and unethical behavior by District administration...[and that it] presents serious threats to the health and wellbeing of our schools and community while undermining the basic functioning of our local democracy*.”<sup>36</sup> (Emphasis added)

It is my understanding that the mistake was a combination of human error and a somewhat challenging state website, which is all too common in my experience since becoming State Auditor. Unfortunately, you assumed the worst, which led to your seriously overwrought language.

You clearly disagree with many decisions of the HUUSD. I understand that matters of education policy and school operations sometimes engender passionate debate. This is healthy if conducted in a civil manner through established channels. But in making these allegations, you offered virtually no supporting evidence and relied instead on conjecture. Exaggerated and unfounded claims alleging incompetence, deceit, and criminal acts is neither civil nor constructive.

Respectfully,

 Doug Hopper

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<sup>33</sup> “It is also abundantly clear that the majority of this board’s members are very fond of the Superintendent and much less so of me as a constituent.” December 1, 2017 e-mail from Mr. Henry to the Board chair and others.

<sup>34</sup> June 14, 2017 memorandum from Heidi Spear and Jill Ellis to the HUUSD Board.

<sup>35</sup> March 6, 2018 letter from Michelle Baker (HUUSD Director of Operations & Finance) to the State Auditor.

<sup>36</sup> January 26, 2018 e-mail from Mr. Henry to the HUUSD Board.

