

# Dallas ISD spent millions on extras, analysis of check register shows



Jim Mahoney/Staff Photographer/Staff Photographer

DISD paid \$2,406 to rent the Hilton Anatole's Grand Ballroom and equipment for a June 7 human resources meeting. The district's interim superintendent recently directed a deputy to draft a letter to employees about new limits for such room rentals.

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Restaurant food and catered meals: \$2.2 million.

Hotel stays and room rentals: \$2.3 million.

Registration fees and travel costs: \$3.8 million.

Consultants and other outside help: \$44 million.

And there's more.

The [Dallas Independent School District](#) spent at least \$57 million over four years — or one year's average base pay for 1,086 teachers — on purchases such as pricey meals, costly trips, lucrative consulting contracts and overnight stays at hotels in the Dallas area and beyond.

*The Dallas Morning News* analyzed the check register from the district's main fund starting with purchases from August 2006, the month after DISD ended an oft-abused employee credit card program, to December 2010.

The review of more than 775,000 lines of purchases, receipts and documents provides a look at funds that are loosely tracked and spent with little oversight.

As DISD braces for an expected \$100 million state funding loss over the next two years, finding the fat in the annual budget of more than \$1 billion will be crucial. While salaries made up the lion's share of the district's spending, millions were spent on everything from hotel stays to inspirational trinkets to rib-eye steaks.

District officials acknowledged last week that staffers have purchased some extra items, but said tighter controls will be put in place. Some changes — such as limiting room rentals for staff meetings — were put into motion after administrators became aware of some of the newspaper's findings.

District officials said a system as large as DISD is hard to turn around.

"You see the volume, and it's difficult," said Steve Korby, the district's executive director of financial services. "We're generally looking at it after the fact."

*The News'* tallies of check purchases are conservative at best, as the newspaper mostly used key words — such as "food," "airfare," "retreat," and the names of popular vendors — to search the district's voluminous electronic check register. Misspelled words or entries with vague or no descriptions probably didn't turn up in the search.

Expenditures that appeared to directly involve campus operations and student learning were excluded. Most of the checks were for items under \$50,000, meaning they did not require school board approval.

Urton [Anderson](#), accounting department chairman at the University of Texas at Austin's McCombs School of Business, questioned the wisdom of purchases that seemingly have no connection to education.

"They may not be illegal or fraudulent spending, but you would wonder about the wisdom," he said. "It's waste. Why do it?"

Some of the district's purchases include:

More than \$300,000 spent at Atlanta Bread Co. and about \$86,000 at Chick-fil-A.

Promotional items, such as mugs, wristbands, T-shirts and hats, that cost at least \$1.7 million.

Renting meeting space and catering meals from [Aramark](#) Events and Catering at Infomart, costing at least \$488,000.

The number of district-issued checks increased from about 25,000 in 2005-06 to 36,000 in 2006-07, the school year after outgoing Superintendent [Michael Hinojosa](#) scrapped the district's credit card program. He made the decision after an investigation by *The News* found that more than \$6 million in credit card purchases by district employees violated state procurement laws or district policy.

DISD officials said last week that using checks became a common payment method when the credit card program went away. Generally, check requests and purchase orders require a supervisor's approval.

[Alan King](#), the district's finance chief and interim superintendent, said supervisors should be scrutinizing expenditures before they are approved. He also has asked clerks who approve purchase orders and check requests to inspect any invoice that "looks funny" and alert him. King, who has been with the district since January, said no such concerns have been brought to his attention.

King said that a 20 percent reduction in department budgets next school year should help reduce unnecessary purchases. He also said the district needs a policy on what is

an acceptable expenditure and what is not, and possibly a policy to limit food purchases.

Korby said food purchases are less common than they were when he arrived in 2008.

“It seemed like every time we turned around, there was food,” he said.

### ‘Scrub every inch’

The district is probably going to cut about \$63 million from its 2011-12 budget, and about \$38 million more the following year. Texas school districts are slicing budgets as state legislators seek to trim \$4 billion from education.

Dallas trustees are expected to approve next year’s budget on Thursday.

Dallas school officials have spent months looking for ways to cut costs. They have already trimmed 1,679 positions through noncampus layoffs, resignation incentives, reassignments and the elimination of vacant positions. Other cuts may bring larger class sizes and fewer elementary school counselors and librarians.

Some Dallas school trustees have spoken against cuts at campuses and have questioned whether administrators have looked hard enough elsewhere.

“I don’t think we’re getting to the real waste of the district,” trustee Bruce Parrott said during an interview in May.

Trustee Mike Morath has voiced similar concerns.

“Every million is 17 or 18 teachers,” he said during a briefing last month. “We have got to figure out how to scrub every inch from our operating budget.”

### Duplication of services?

A huge area of spending involves a host of consultants the district hires for various jobs and expertise.

One consultant contract — about \$400,000 a month — is with Houston ISD.

DISD has hired Houston ISD for benefit management services it sells in tandem with an HISD contractor, Mercer (US) Inc. Mercer does the work and gets most of the money.

The firm manages employee benefits, such as leaves of absence and health insurance benefits, and provides consulting services and on-site support for day-to-day

operations. The agreement, which began in 2002, costs DISD about \$4.8 million a year. The current five-year contract ends in 2014.

But despite the help, DISD has maintained a full staff in its benefits department, which used to mostly handle such matters. The department now mainly focuses on employee retirement plans. A staff of nine in 2001 still had seven people as of last year, with salaries totaling about \$468,000. Two were laid off in April.

Korby said he didn't know if DISD is saving money with Mercer because a full-blown study has not been conducted. King said officials are focusing on the contract to see if DISD is "getting the biggest bang for the buck."

Carlos Tapia was DISD's compensation director until he was fired in November following a rocky relationship with his supervisor. He worked closely with Mercer consultants.

Tapia said he believes there is some duplication of services.

"There's a full benefits department, and on top of that, they have to keep on paying Mercer \$5 million a year," Tapia said. "It's a lot of money that Mercer milks out of the district."

Mercer spokesman [Bruce Lee](#) said he could not comment on a specific client.

DISD spokesman Jon Dahlander said employees can look at some personnel data using both internal methods and Mercer. But Mercer handles larger functions, such as managing benefits.

## Rentals, food, stays

*The News'* analysis also found large amounts spent on food, hotel stays, and a practice of renting rooms locally.

Many district meetings and events are held in rented meeting spots in town, sometimes during the summer, when DISD buildings sit empty and available.

For example: About twice a year, Hinojosa has held retreats at Dallas-area hotels, where his executive team, typically seven to 10 administrators, gathered to discuss district business.

In all, the eight overnight retreats held since August 2006 have cost the district more than \$36,000 combined, according to district records. All have taken place within the Dallas school district boundaries, and most during the summer.

Just in mid-January, when Dallas ISD began discussing possible budget cuts, Hinojosa, his six executive team members and three other officials checked into the [Crowne Plaza Hotel](#) in [Addison](#). During the two-day stay, the district paid for meals and \$90 per night for each executive.

Chief administrative officer Donna Micheaux and chief academic officer Ivonne Durant reside within a mile of the hotel, public records show. Hinojosa's [North Dallas](#) house is about 6 miles away.

They dined on rib-eye steaks, tilapia and shrimp cocktail in five meals during the stay. They discussed the district's looming funding loss, imposing hiring freezes, and laying off some teachers, according to their itinerary.

Their bill was \$3,791, with room costs totaling \$1,637.

Hinojosa, who is leaving DISD on June 30 to lead a suburban Atlanta school district, planned another retreat for his executive team in mid-August, according to his calendar. He said the retreats gave his staff time to plan without interruption.

"When you're in the office, you get interrupted all the time," he said. "It gives us an opportunity to be away from the phone."

He said that it's not unusual for an organization to hold an overnight retreat, and that he and his staff didn't abuse it. "We went to the Crowne Plaza; we didn't go to an expensive hotel," he said.

Board president Lew Blackburn said he supports overnight retreats.

"It helps to build camaraderie," he said. "In the long run, you end up having a better team because you spend one or two nights at a retreat."

But Blackburn expressed concern about renting rooms for meetings.

"We've got to set a guideline on how we do things," he said.

King recently canceled the August retreat, saying team building is important, but so is saving money.

Hours before he met Monday with *Dallas Morning News* reporters to discuss the district's spending, he also directed a deputy to draft a letter to employees about new limits on when they could rent rooms for meetings and gatherings.

The directive also came after an unannounced *Morning News* photographer was asked to leave a DISD human resources meeting June 7 at the Hilton Anatole, which charged the district \$2,406 to rent the space and equipment.

"We're not going to pay to rent a facility in town unless we absolutely have no other alternative," King said.

Campus employees have also logged large expenses. During the summer of 2008, 15 staffers at Jimmie Tyler Brashear Elementary stayed overnight and ate meals at the White Bluff Resort & Spa, overlooking Lake Whitney. They were joined the following day by 25 more employees for lunch, training and dinner. The bill was \$6,308.

Congratulatory meals and parties also have been expensive.

An appreciation dinner for DISD trustees before a January board meeting catered by Perry's Restaurant in Uptown cost \$85 per person for 15 people. The dinner featured displays of white lilies and daisies, which cost \$229.50 from McShan Florist.

School board members and Hinojosa dined on steak, whipped potatoes, cheesecake and apple pie, for a total of \$1,275.

When asked about the cost of the meal, Board President Blackburn said, "I don't know how much it cost."

One of the largest shindigs in the review was held at the Hilton Anatole in spring 2007, to celebrate after more schools received higher state accountability ratings.

The district ordered 575 chicken dinners, at \$36.50 a person; a pizza buffet for 70, at \$27 a person; and 30 gallons of punch, at \$62 a gallon. When the party ended, DISD owed \$33,459. The number of attendees was not included on the receipt.

Upon learning of the spending practices, a member of the district's new budget commission said the district should have reined in spending practices years ago.

"If it was their money, they wouldn't spend it willy-nilly," said Michael MacNaughton. "Frankly, it's not their money, and they are given a checking account with a billion dollars every year."

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## **EDITOR'S NOTE**

*The Dallas Morning News* spent more than three months analyzing the check register of the Dallas school district. Look for more analysis of spending in other area school districts in the coming months.

## **ANALYSIS METHODS**

*The News* assessed more than 775,000 entries in Dallas ISD's check register from August 2006 to December 2010. Expenditures similar in nature, such as food costs and legal fees, were grouped together for tallies. For dozens of purchases, the newspaper filed Freedom of Information Act requests to receive additional information, such as receipts and documentation. Purchases that appeared to involve campus operations and student learning were excluded from tallies.