College of DuPage financial officials fired

By Stacy St. Clair and Jodi S. Cohen
Chicago Tribune

SEPTEMBER 9, 2015, 1:51 PM

The College of DuPage's top two finance officials were fired Wednesday, following reviews that found weak financial controls and violations of the school's investment practices.

Treasurer Thomas Glaser and Controller Lynn Sapyta, who have been on paid leave since June, are the first employees fired for cause since a new majority took over the Glen Ellyn-based school's board of trustees in April. President Robert Breuder remains on paid administrative leave pending termination proceedings.

"We are going to be embarking on a search for highly capable individuals and it is part of the new era for the College of DuPage," board Chairwoman Katharine Hamilton said.

Glaser's attorney, Shelly Kulwin, said he plans to file a lawsuit for wrongful termination and breach of contract.

"We believe the termination is unjustified. The charges on which the termination was based are meritless," Kulwin said. "The charges themselves reveal it is clearly a political termination."

Sapyta's attorney, Peter Lubin, said in a statement that she "faithfully discharged the duties of her office" and "received numerous accolades" during her employment. She may also sue, he said.

Though the termination decisions were handed down Wednesday, Glaser and Sapyta's fates seemed sealed after a heated spring election in which a Hamilton-controlled majority took a majority on the board. Hamilton had openly criticized both at public meetings and on the campaign trail, and she had promised changes to the college's leadership if the slate of candidates she backed was elected.

Lubin described Sapyta as a "scapegoat" who has had her reputation tarnished to bolster Hamilton's agenda.

"It's a political firing," he said.

Glaser and Sapyta are now entitled to a post-termination hearing before an officer chosen by the college. The private hearing, which must be requested within five days and then held within 30 days after that, is conducted like a trial, and witnesses can be called. The officer will decide whether to uphold or overturn the firings.

Since June, an outside firm has been handling the college's day-to-day finances and reviewing its financial controls. The board hired the firm after an internal audit found that the school's investment practices did not comply with its policies. The college lost nearly $2 million in one prohibited investment.

A Chicago-based financial management firm, Alix Partners, recently detailed how the noncompliance was greater than the auditor realized, with about 73 percent of the portfolio, worth about $274 million last fall, not in line with school policy.

"That was a monumental failure on many levels," trustee Frank Napolitano said at an August board meeting.

In a letter sent to Sapyta on Wednesday, the college provided nine reasons for termination. They included failing to maintain financial controls over the college's radio station, where an employee for years allegedly stole from the college, and its high-end restaurant, Waterleaf, which lost more than $2 million since it opened in 2011 as senior administrators spent hundreds of thousands of public dollars on meals and drinks.

Lubin said the Waterleaf-related accusations are "an attempt to shift the blame" to Sapyta from her supervisors and the board.

Sapyta also was accused of not following the college's investment policy and not cooperating with the internal auditor's review. The letter also alleged that she violated school ethics policy by using the college's email system to solicit votes on behalf of trustee candidates.

Lubin described the allegations against his client as "vague, unsubstantiated and legally deficient," saying most of them had nothing to do with her professional duties. Saptya, he said, was not responsible for investment decisions during her five-year tenure at the college. Still, she knew some of the investments exceeded school policy and pointed them out to Glaser, as her job required, Lubin said.

In a statement released after her firing, Sapyta said interim President Joseph Collins, who as executive vice president oversaw the restaurant and radio station, was trying to shift blame to her. She said Collins was well aware that she did not control the school's investments.

"I'm being made into a scapegoat for the criticism that the media has leveled at Dr. Breuder and his administration, including Executive Vice President Collins, for lavish spending at the College's restaurant and other issues over which I had no control," she said.

Glaser's salary was $232,112, and Sapyta's was $163,828.

The school's audit and the subsequent outside financial review detailed numerous breakdowns in oversight at the state's largest community college, an issue the Tribune has uncovered in a number of investigations over the past several months. According to the audit findings, the board of trustees did not get detailed quarterly investment reports as required, while the treasurer's committee, which is supposed to meet every four months, went almost two years without a meeting.

Finance administrators acknowledged that although they knew there were instances of noncompliance, the full board received monthly reports summarizing investment activities and "did not raise any concerns," according to the audit report.

The audit found that the college's portfolio exceeded its own policy limits for certain types of investments. For example, the policies capped investments in local government investment pools at 5 percent of the full portfolio. Yet the college eventually put more than 29 percent of its value into the Illinois Metropolitan Investment Fund, a pool that invests tax dollars on behalf of more than 200 suburban governments.

The college's board of trustees authorized investing in IMET in April 2014, and about $10 million was initially invested. Then, without authorization or endorsement, the college increased that amount by September to more than $80 million, or 29.2 percent of the portfolio.

At the time, IMET was providing a higher return than other investments, according to the audit.

The IMET fund, however, later disclosed that it believed it had been defrauded and lost more than $50.4 million for its participants. The college, the fund's biggest investor, lost $2.2 million. If the college had followed its policy and limited its investment to 5 percent, the audit found, it would have lost only $381,436. The college has since removed most of its money from the IMET pool and is attempting to recoup its loss.

The audit also found concerns with other investments. The college invested 43 percent of its portfolio in bond mutual funds, far exceeding the 5 percent limit outlined in its investment policy.

The portfolio's overall performance also was lackluster compared with those of other community colleges in the Chicago area. The college's returns ranked fifth among the area's eight largest community colleges, with an average annual yield of 0.38 percent, according to the audit.

Top administrators in the college's finance department knew about the audit results in March, a month after the review was completed, but did not act, school officials said. The report surfaced in May, the officials said, after a new board majority took over and voted to place Breuder on paid leave.

College auditor James Martner, who performed the financial review, reported directly to Breuder. The embattled president frequently applauded the school's fiscal policies when defending his controversial tenure that included accusations of lavish spending and excessive perks.

Instead of embracing recommendations in the audit, school administrators attempted to retool the college's financial policies to quietly bring their own past practices into compliance, according to records obtained by the Tribune.

sstclair@tribpub.com

jscohen@tribpub.com

Twitter @stacystclair

Twitter @higherednews