

December 2007

Yankee Institute for Public Policy
P.O. Box 260660, Hartford, CT 06126-0660
tel: (860) 297-4271, fax: (860) 987-6218
www.yankeeinstitute.org



Armand A. Fusco, Ed. D.

*Ending Corruption and Waste
in Your Public School*

About the Yankee Institute for Public Policy

The Yankee Institute for Public Policy, Inc. is a nonpartisan educational and research organization founded more than two decades ago. Today, the Yankee Institute's mission is to "promote economic opportunity through lower taxes and new ideas for better government in Connecticut."



About the Author

Armand A. Fusco, Ed.D. began his career in education as a teacher in 1958. He quickly moved into administrative roles, and in 1971 became superintendent of schools in Hadley, Massachusetts.

In 1980, he resigned his position to pursue a postdoctoral fellowship with the Boston Labor Management Center, specializing in quality of work life programs.

Following his fellowship, he served as superintendent of schools in Branford, Connecticut from 1985 until his retirement in 1992. Dr. Fusco later became a professor of education and director of teacher intern programs at the University of Bridgeport.

He has authored many professional works, including the book *School Corruption: Betrayal of Children and Public Trust*. Dr. Fusco's articles appear regularly in his column "Inside Education," published by several shoreline newspapers.

In May 2006, Fusco authored the Yankee Institute "Stopping School Corruption: A Manual for Taxpayers."

Fusco earned a degree in education from the Central Connecticut State Teachers College, a professional diploma from the University of Connecticut, a Master of Arts from Columbia University, and a doctorate from the University of Massachusetts.

Fusco also founded the Parkside School and Academy for special-education students and co-founded the Springfield Preparatory School.

He resides in Guilford, Connecticut, with Constance, his wife of 53 years. They have four children and fourteen grandchildren.

INTRODUCTION

In order for school boards and their employees to protect, maximize and monitor school resources with due diligence, it is essential that all school operations and practices be reviewed and analyzed independently and constantly. The most effective way to begin and maintain such a process is to form a community-based Forensic Auditing Committee (FAC). One of its primary tasks would be to ask critical questions of the school board. The reason for asking the questions is to determine quickly and easily whether board policies and school practices are protecting and maximizing school resources effectively, efficiently, and ethically and that they are free from the ravishes of potential or actual corruption.

Fortunately, a trend toward the establishment of groups akin to forensic auditing committees (FACs) seems to be gaining momentum. School officials in Mesa, Arizona, have proposed creating a public school audit committee that would “independently review the district's books.” Unlike audit committees formed by neighboring school districts, “Mesa's committee would be composed entirely of community volunteers with expertise in accounting and education.” (*Arizona Republic* August 6, 2006) Also, the Arizona Tucson Unified School District's governing board is seeking people to join an audit committee to strengthen the school district's internal financial controls. (*Arizona Daily Star*, August 3, 2007)

The reality is that some degree of corruption is likely to be found in most school districts. However, it takes critical questioning and diligent forensic review and analysis to determine whether corrupt acts have taken place, are taking place, or could be committed with relative ease. In this regard, it is vital to understand what is meant by the term “corruption”:

“breach of trust, bribery, crime, crookedness, deceit, deception, dishonesty, exploitation, evil, extortion, fraud, graft, malfeasance, nepotism, payoff, profiteering, tainted, unethical, untrustworthy and unscrupulousness”

Typically, boards will be defensive and deny that corruption is a malignant and institutionalized problem and will provide a reason that should never be accepted: *school accounts are audited regularly so there is no reason to be concerned about or suspect any wrongdoing.* Although it appears to be a very credible answer, it does not withstand verification because **routine school audits are not designed to uncover the three categories of corruption: cheating and deceit, waste and mismanagement, or even fraud and stealing.**

If the audit were conducted with generally accepted auditing standards (GAAS) -- and therefore incorporated Standard #99 (Consideration of Fraud in Financial Statement Audits) -- it still would not identify waste and mismanagement issues or cheating and deceitful practices.

The two major problems facing taxpayer advocates are (1) how to discover if there is school corruption and, if so, (2) how to prove corruption to the public. Only when corruption can be proven will practices and procedures be put into place to limit its cancerous impact on resources. This manual will provide the information, tools, and techniques that will assist taxpayer advocates in this critical endeavor.

THE TEN CONFIRMATION QUESTIONS

It is important to understand that regardless of how school districts are organized (county, unified, regional, etc.) budgets begin at the local school and district level where these questions need to be asked with the expectation of receiving credible and verifiable responses.

Question 1: Asset Management

Is there a comprehensive list of assets and an independent management verification system in place to regularly document the existence of each asset? Failure to have a list of monitored assets is a strong indication that the school district is not managing and protecting resources from loss and abuse.

Background: Most schools will not have a formal asset management system that is monitored yearly, independently, and physically. If non-consumable assets are missing or stolen, common school practice is to replace the assets using more taxpayer dollars. It would be unusual to find any references in budget documents indicating that asset replacements are needed because they were either stolen or could not be located.

A study completed in 2002 by Quality Education Data surveyed 479 school districts in all 48 contiguous states. The information furnished by the school officials revealed that lost or damaged assets cost the average school system about \$250,000 a year, including nearly \$80,000 a year in technology equipment alone. Large districts lose as much as \$1.4 million in assets per year. (*biblio #4*)

Proposed Solution: What is important is to have a verification system in place that documents the existence of each asset at the end of each year or the reason why an asset is missing. This must be done by independent, physical inspections -- not by internal staff alone. Any organized taxpayer group (properly trained) or audit firm would be able to provide independent verification.

The proper way to develop an asset management program without significant cost is to have a community based Forensic Auditing Committee (FAC) examine each purchase order to determine what has been bought in recent years. Using purchase order documentation is the only way to develop an accurate list; any list prepared by the administration should never be accepted as accurate unless it has been independently verified by purchase orders. Each asset should then be identified by serial number or other designation, where it is located, and the responsible person or department. An excellent example of how to take a physical inventory can be found in the California School Accounting Manual. (*biblio #6*)

Question 2: Board Policies

Are there school board policies dealing with the prevention and detection of school corruption? What policies have been adopted to protect, maximize, and monitor school resources effectively? Is there a policy or procedure manual for handling reported and suspected incidents of corrupt acts?

One of the most shocking examples of school corruption occurred in the Roslyn, Long Island, School District, where the superintendent and others embezzled over \$11,000,000 -- this in spite of yearly independent audits that failed to detect or prevent the thefts.

Background: Board policies are contained in a policy manual that is a public document. The manual is available in the central office, at each school, and possibly on the school website. It is extremely unlikely that corruption policies will be found because school boards are reluctant to use the term "corruption" due to its negative implications. Even when corruption is found, it is hidden from public view whenever possible.

However, examining board policies is a critical task for taxpayer advocates to undertake because it will indicate whether the board has any concern about protecting and preventing school resources from being mismanaged and protected from loss and abuse. Failure to have policy statements would be an unequivocal indication that the board is either in denial or ignorant about the nature and extent of school corruption; furthermore, it is also a green light for corrupt acts to be committed.

Proposed Solution: School boards must adopt policies and practices designed to manage, protect, and maximize resources more effectively. Further, they should provide convincing evidence that preventing waste, mismanagement, and other corrupt acts has the highest priority. A school board can provide convincing evidence by adopting the following:

1. Anti-Fraud and prevention policies. (*biblio #2*)
2. The establishment of an internal auditing committee (IAC) that includes some community

representation (such as retirees who have some expertise in finance or budgets) and a member of the community-based auditing committee (if there is one). The purpose of the IAC would be to meet regularly in order to review purchase order requests and other disbursements, check for legitimacy of vendors, match requests with budgeted dollars, etc.

3. Accepted auditing standards that include *Auditing Standard #99 -- Consideration of Fraud in Financial Statement Audits. (biblio #1)* It requires auditors to hold brainstorming sessions with their entire engagement team to discuss how fraud might occur, and it also requires auditors to increase scrutiny of documentation, interview district employees, and implement other measures to reduce the risk of fraud. (This standard is now required for all school audits conducted in New York State.) *Governmental Accounting Standards Board guideline #34*, which clarifies the appropriateness of information and sufficiency of evidence in performance audits (*biblio #10*), should also be included.

4. A requirement that the check register be posted monthly on the school website and that it include the reason or documentation to support why a check was issued. Any check reference to a purchase order number should be supported by posting a copy of the purchase order to make sure that it matches the check. More than 50 school districts now post their check registers online. (*biblio #26*)

Question 3: Credit Cards and Employee Reimbursement

Who has credit cards? Are credit card charges and requests for reimbursements independently verified to see if they are not only legitimate school expenses, but also that they are also reasonable?

Background: Credit card abuse and employee reimbursement are one of the prime sources of corruption. The reason for this is that most school districts do not have an effective monitoring system in place to verify credit card charges with supporting documentation in order to determine legitimacy and accuracy or to forensically review employee reimbursements.

Proposed Solution: The internal audit committee and at least one independent source (town treasurer, finance director, or FAC) should review and analyze credit card charges and employee reimbursements.

In addition, guidelines must be developed that specify legitimate expenses and the limits on each such item. However, **the best practice is not to have any credit cards.** Employees can use their personal credit cards and then seek reimbursement, since this process requires more documentation whereas a school credit card statement may not be reviewed for documentation. An alternative to credit cards is to use a purchase order.

If credit cards are to be used, a Procurement Card Manual should be developed to provide procedures and practices so all employees are aware of what is required. If there is one, it should be posted on the school website. Whether or not there is a manual, a list of all credit card users (employees and board members) should be posted on the school website along with the monthly credit card charges with documentation, as well as detailed employee reimbursements.

Because of flagrant credit card abuses, the Dallas Intermediate School District revised its Procurement Card Manual, and it is an excellent example of outlining the procedures necessary to help protect against card abuse. But again, if the policies or procedures are not monitored effectively, abuse will take place. (*biblio #20*)

Question 4: Federal and State Grants

How are grants being managed in the school district? Who is responsible for monitoring and auditing the grants for proper implementation? How are the monitoring and auditing actually done? Has grant money been returned because it was not spent and, if so, why?

Background: Grants are a common source of abuse, mismanagement, and fraud. There are two types of grants -- entitlement and competitive. Entitlement grants are allocated dollar amounts to a school district for

specific purposes, but the school district must still submit a formal application. Competitive grants are either limited in the dollars available and/or they are allocated for special purposes, but schools are not required to compete for such grants.

It is important to note that federal grant monies cannot be used to supplant the budget (replace budgeted dollars). The monies must be used to add to (supplement) the budget. One abuse commonly found in some grant audits is that districts use funds to supplant the budget -- a corrupt act. What must also be reviewed is to see who the recipients of any funds are. Bogus entities (individuals and vendors) have been noted as the recipients of grant dollars, kickbacks schemes have been involved, and bogus contracts have been issued to "friends."

Since grants usually do not involve local dollars (some do require matching funds or resources) local oversight is shoddy at best. State and federal agencies are responsible for monitoring the grants, but they tend to be lax in uncovering corruption. This is the reason grants are so easily abused.

Proposed Solution: During each budget presentation, a list of grants that were available to the school district (entitlement and competitive) should be listed along with the dollar amounts involved. Each grant should indicate whether or not an application was submitted and those that were approved with dollar amounts. If some available grants were not applied for, the reason should be given.

Grants are public documents and should be forensically reviewed and analyzed to determine whether they have been used for the purpose intended. (*biblio #22*)

What taxpayers should be aware of is that any citizen can sue the district, board members or schools officials (as a person) if federal dollars have been misused and receive one-third of any recovered dollars. (*biblio #13*)

Question 5: Student Activity Funds

How are student activity funds and other cash collections monitored? Who monitors such funds? Are income and disbursements verified for accuracy and proper usage? Are bank statements reviewed monthly? Who conducts the review? Are internal and external audits conducted on a regular basis? Who reviews and analyzes the audit reports?

Background: Student activity accounts and other cash collections usually controlled at the building level only are an easy source of embezzlement and misuse. These accounts do not typically involve taxpayer dollars and, therefore, the monitoring of such funds leaves much to be desired. Administrators have stolen children's candy money, and one secretary responsible for a student activity fund embezzled \$483,000.

Proposed Solution: Although such funds are not part of the school budget, they should be. Each fund should be listed with its income, expenses, and balances as part of budget presentations. To provide proper oversight, the central office finance department should be required to oversee income and disbursements along with an internal audit committee. In addition, independent audit reviews must be conducted on a regular basis. This could be one of the responsibilities of a Forensic Auditing Committee. Software programs are available to track such funds. **However, under no circumstances should disbursements of student activity funds be controlled and authorized solely at the building level.** (*biblio #14*)

Question 6: Payroll

Are payroll records carefully and systematically monitored and audited to determine accuracy and legitimacy of each paid employee? How is payroll information reviewed and analyzed? Who does the monitoring and auditing?

Background: Payroll abuse has been documented as a pervasive source of corruption. Such abuse consists of fictitious (ghost) employees, falsified time sheets, overtime abuse, inappropriate step and scale placements, extra-duty assignment payments, etc. Since payroll dollars represent the bulk of school expenditures, the amounts can hide many abuses.

Proposed Solution: At the start of every school year and as part of any budget preparation documents, a list of all employees should be made available with their salary or pay rates, step and scale placement, benefit entitlement amount, and extra-duty assignment pay. In addition, those who have been paid over and above what was indicated the prior year, such as overtime pay or extra duty pay, should be indicated. In other words, what were each employee's total earnings the prior year, and what are the earnings expected to be in the current year? (*biblio #17*)

Question 7: No Bid Contracts

Which contracts (construction, insurance, consultants, etc.) have been awarded without competitive bid? What process was used to award such contracts? Who received such contracts? What school official was given the responsibility to oversee the proper completion or implementation of each contract? Was any form of nepotism or favoritism involved? Were board policies followed?

Background: No bid contracts are another source of abuse and fraud and, therefore, they need to be reviewed forensically. Even properly bid contracts can be suspect because bid requirements may have limited those who could apply, or kickbacks and favors can be involved.

Proposed Solution: The Internal Audit Committee or the board finance subcommittee must be given full information about every no bid contract, but the full board must decide whether to approve such contracts as part of regular board meetings. Furthermore, there must be effective oversight of any contracts to determine if the terms or conditions are being followed. (*biblio #7*)

Question 8: Staff Student Loads

What are the number of students each teacher has during each period of the day and the total number of students each teacher has during the course of the day and week? How many paraprofessionals are there to augment teacher loads and assignments?

Background: Staff allocation and assignment is perhaps the one category that accounts for a significant amount of waste and mismanagement. The proliferation of school aides (paraprofessionals) has added to school resources, yet the numbers are not used to indicate student-teacher ratios, and there is little or no documentation supporting their effectiveness.

Proposed Solution: A list of teacher assignments and teacher loads by period (augmented by paras) and by subject should be provided as part of every budget presentation. This computerized list then needs to be forensically examined to determine where there is possible waste and mismanagement in assignments and allocations. Although this a more difficult and time consuming task, the data would provide a plethora of information. (*biblio #19*)

Question 9: Non-Classroom Certified Staff

How are the time and workload of such staff (psychologists, social workers, counselors, speech therapists, etc.) monitored? How is the time of full time staff with reduced teaching loads (department chairpersons, supervising teachers, etc.) monitored?

Background: There is usually no documentation of how non-classroom staff use their time to determine if it is being used constructively and efficiently. How many students does a psychologist test and treat per day, how many students does a counselor see each day, what are the numbers of students a speech therapist treats each day, etc.? What do department chairs and supervising teachers do with their released time? Is it documented in some way? These questions demand credible and verifiable answers.

Proposed Solution: It is essential that documentation be required of each such staff member to verify how his or her time is spent each day. Such staff members are very reluctant to provide such information, but it is incumbent on the school administration and board to require proper documentation. Policies and guidelines must be developed for this purpose. There are no studies or reports to date that have monitored the daily activities and responsibilities of non-classroom staff, nor has there been any documentation to determine their effectiveness and efficiency. Therefore, each district must conduct its own monitoring and evaluation of such staff. One useful means to assist in such evaluations is to benchmark with several similar school districts.

Question 10: Benefits

Are retirees who are being paid their medical insurance by the school department entitled to the payments? Are there retirees listed who are deceased but still having their benefits paid? Is the list reviewed yearly to keep it updated? Do part-time employees pay for a proportional share of their insurance benefits and, if not, why not?

Background: School districts have a retiree list whose benefits are paid either by the school district or the retiree. Such lists have been shown to include retirees who are not entitled to the benefits, as well as retirees whose benefits are still being paid even though they are deceased.

Proposed Solution: An issue that needs to be addressed is whether a part-time employee should receive the same paid benefits as a full-time employee. Logically and fairly, a part-time employee should be required to pay for a proportional share of his or her benefits. For example, a 50% employee should pay 50% of the benefit cost.

Summary

The ten questions provide the framework to elicit credible and verifiable answers in order to determine if the school resources are being protected, maximized, and monitored effectively regarding loss and abuse. Then based on the responses, appropriate corrective action should be initiated.

This process will help boards and administrators do their jobs more responsibly with far more accountability and with full transparency. It will also help to improve negative school statistics, such as high dropout rates, poor testing scores, achievement gaps between white and minority students, and the thousands of schools listed as failing.

Of course, what is required is a management culture that protects, maximizes and effectively monitors human, financial, and physical resources, and programs and services. Such monitoring can only be effective if there is enough outside taxpayer knowledge and pressure to raise legitimate questions and demand credible and verifiable answers. (*biblio #14*)

Taxpayers need to understand that local boards have the power and obligation to adopt policies and practices to manage the school resources so that they are used wisely, ethically, and effectively, as well as protected from corrupt acts. No additional personnel are needed, no additional dollars are necessary, and no other approvals are required for action on their part.

However, there is a problem that school boards face, and it is not necessarily of their own making. Most state departments of education and their own professional associations have been derelict in their duty and obligation to provide critical skills, knowledge, and training for them to be more effective in protecting the school resources from waste, mismanagement, fraud, and stealing. This issue was certainly confirmed by the Suffolk County (NY) Special Grand Jury report on school corruption, and that is why New York State now mandates such training. Therefore, getting the needed information and skills requires that school boards must put forth more effort to become better informed and more skillful.

Another problem that plagues boards is that they cannot distinguish between needs and wants when the administration proposes its budget recommendations. The fact is that boards receive little, if any, training in

how to review and analyze a budget, what information to ask for, and how to monitor spending practices.

Fallacy of Fixed Costs

What must be contended with as part of the ten confirmation questions is the defensive argument widely used by school boards that 75%-80% of the budget represents fixed costs and that is why it is so difficult to control and cut school budgets. This is an extremely important assertion that must be addressed and challenged. ***Taxpayers should never accept such a statement because it is not accurate.***

The answer may seem credible, but it is not verifiable since fixed costs can be changed. It is true that there are fixed cost items (payroll, utilities, transportation, etc.), but the dollars attached to such items can be changed and, in fact, are changed (usually increased) every budget year.

The reason that budgeted amounts are not really fixed is because of the following assumptions that are false:

- Every school employee is essential.
- No consolidations of programs or services is possible.
- All programs and services are efficient and effective.
- Resources are managed with quality practices and procedures.
- Every school operation is performed with utmost efficiency and managed ethically.
- Personnel are trained and knowledgeable in utilizing resources effectively.
- Technology usage to improve administrative functions and classroom instruction is maximized.

Even boards that are prepared to challenge budgets by forensic review and to analyze every budget line item fall victim to the argument that, once adopted, many costs become unalterable contractual commitments. In fact, changes can always be made when contracts are renegotiated with employees, when other contracts are put out to bid, and when more cost effective practices can be implemented.

The fallacy of the “fixed cost” excuse is also demonstrated by the results of independent performance reviews conducted by a number of states, including California, Texas, Florida, and Pennsylvania. These reviews always find waste and mismanagement practices that, if corrected, would save precious dollars. (see *biblio* #8, #18, #23, #23)

Sadly, the number of school board members who can stand on principle and ethical behavior without the prodding of independent taxpayer groups seems to be small. The fact that so many taxpayer advocates are forced to use Freedom of Information (FOI) requests to obtain public information, which they are entitled to receive, is strong evidence that too many boards are reluctant to be accountable and transparent.

The following quote by Chester Finn sums up the problem:

“It's clearer than ever that any serious change for the better in education whether at the building, district, state or national level, hinges on effective, courageous and sustained leadership -- and it's clearer than ever that the system does its utmost to discourage, deter and deflect the sorts of people who might provide such leadership.”

But if the prevalence of school corruption is to be arrested, it will require taxpayer advocates who have the persistence, courage, and knowledge to enforce transparency and accountability. It will not be easy, but it can be done!

APPENDIX A -- FORENSIC AUDITING COMMITTEE

What is the purpose of a FAC?

The purpose of a FAC is to have a community based, independent, organized structure and system to help school boards become more responsible in reviewing and analyzing all school procedures, practices, and policies to determine if they safeguard and maximize school resources. This is the best means to achieve improved school performance without additional resources.

How is organized?

A FAC is an alliance representative of the taxpayers, parents, business leaders, senior citizens, community groups, town officials, educational professionals, and other key individuals who all have a stake in seeing that the school system achieves measurable and maximum value for the dollars being expended.

Membership

The number will depend to some degree on the size of the school district, but there should be a minimum of 13 and a maximum of 19 permanent members plus *ad hoc* members. Also, temporary members can be added who may be needed to help conduct specific assignments or activities.

Permanent Members

Taxpayers (3-6)

Elected town official (1)

Senior citizens such as retired financial managers, business executives, auditors, insurance executives, management consultants, contractors (4-6)

PTA/PTO (1-2)

Chamber of Commerce (1-2)

Retired educators (1-3)

Ad hoc Members

School board (1)

Central office (1)

School administrator (1)

Clergy (1)

What reasoning can be provided to support such a process?

The fundamental problem in any organization is that it is not really possible to objectively review and analyze what it does internally and, therefore, school boards cannot perform this critical responsibility alone. In addition, most boards lack the training and time to conduct effective monitoring activities. There must be an external group to provide unbiased, objective, and independent analysis of school operations and practices. Since a FAC is community based, volunteer group, it does not cost anything, and it will be a permanent and committed organization.

How to Get Started

Step 1: Get a small working group of taxpayers together who would be interested in forming a community based forensic auditing committee. Keep the entire process as free of politics as possible, and make every effort to work cooperatively with the school board and administration.

Step 2: Become fully knowledgeable of what needs to be done by learning from the resources and references provided in this manual.

Step 3: Decide on a tentative plan of action to have a discussion with the board about establishing a FAC with the hope of obtaining their support.

Step 4: Discuss the plan with the school board and the superintendent, emphasizing cooperation and support. Inform them that audit committees are now required in all New York State school districts, and that other districts nationwide have also adopted the practice. Hopefully, they will respond positively. However, since their permission is not needed (though it certainly would be welcomed), proceed with the next step.

Step 5: Decide on who should be represented (groups and individuals), following the suggestions for FAC membership above. An alliance approach would be most effective because it would provide for broad community participation and support.

Step 6: At the initial meeting, explain the purpose of a Forensic Auditing Committee (Alliance): *either to help the school board and superintendent (if they have been responsive) or to be a means to monitor board actions and school management to ensure that a school's financial, human, and physical resources are protected from loss and abuse and maximized through efficient and effective management operations and procedures.*

Present evidence supporting the value of a FAC, and explain how the school board responded to the initial request for support.

Step 7: Have each organizational representative go back to his or her respective group to determine if they want to be a member of the FAC.

Step 8: Wait 30 days, and call another meeting for the purpose of forming a FAC.

Step 9: Organize the FAC, select officers, and establish by-laws as to how it will operate. Take a survey of the members to determine what skills and interests they have. Based on this information, form teams that would concentrate on specific topics, issues, or activities. For example, one team can be assigned to follow-up on the confirmation questions, another team could be responsible for public relations and outreach, and still another could review and monitor the school budget.

Step 10: Communicate the plan to the school board and superintendent. At the same time, submit a written request to the School Board Chairperson that the FAC is interested in having ten questions answered. Also, provide a copy of this taxpayer manual to all board members to support the reason for the request.

Step 11: To start the process, begin by requesting that the board provide written responses to the first three questions only. They are easy questions to answer, so a quick response should be forthcoming, certainly no later than the next board meeting if not sooner.

Step 12: (a) If a response is forthcoming and the answers are credible and verifiable, proceed to get the next series of questions answered. Since they will have had time to read the manual, the board and superintendent will know what else will be expected of them. A positive response would indicate an interest on their part in establishing a working relationship with the taxpayer group, not only to provide answers, but also to take action where needed. (b) If a response is not forthcoming, determine which strategies to use to bring public awareness and pressure on the board (see Appendix C -- "Strategies to Use with Unresponsive Boards") to fulfill their duty and honor their responsibilities.

Step 13: Meet regularly and always have an established agenda.

Step 14: Since membership will change from time to time, and new information must constantly be reviewed and analyzed, it will be important to provide on-going training and education.

APPENDIX B -- REVIEW CHECKLIST

Any question answered with a “Yes” or “In Progress” must be supported by an attached document and/or written statement supporting the response. A “No” response should have a brief written explanation. This checklist should be completed every year to determine board progress.

1. School Assets: There is an effective management system in place to account for and monitor each asset on a yearly basis.

Yes (attachment # _____)

In Progress (attachment # _____)

No Explain _____

2. Board Policies: Policies have been adopted that are comprehensive in managing resources effectively to prevent fraud, mismanagement, and other corrupt acts from taking place.

Yes (attachment # _____)

In Progress (attachment # _____)

No Explain _____

3. Credit Cards: Board policy prohibits the issuance and use of credit cards or provides clear guidelines for their use.

Yes (attachment # _____)

In Progress (attachment # _____)

No Explain _____

4. Grants: All available grants are publicly accounted for every year during the annual budget presentation and an effective management system is in place to monitor each grant for proper implementation.

Yes (attachment # _____)

In Progress (attachment # _____)

No Explain _____

5. Student Activity Funds: The disbursement and receipt of such funds are monitored monthly and verified through bank statement reviews by at least one non-school building source.

Yes (attachment # _____)

In Progress (attachment # _____)

No Explain _____

6. Payroll Records: Payroll documents are made public and show past complete payments made to every employee; in addition, there is a listing of the full amount to be earned for the current year.

Yes (attachment # _____)

In Progress (attachment # _____)

No Explain _____

7. No Bid Contracts: Full disclosure of all no bid contracts is made to the board by the administration as they occur, and an effective monitoring system is in place to ensure that each contract has been completed according to the stated terms and requirements.

Yes (attachment # _____)

In Progress (attachment # _____)

No Explain _____

APPENDIX C

TEN STRATEGIES TO USE IF A SCHOOL BOARD IS UNRESPONSIVE

Every effort should be made to work cooperatively with the board and administration. However, public pressure is the most effective means to deal with an unresponsive board.

Strategy 1

Use the Review Checklist to document what has or has not been done, and then have it published in the local paper, have copies distributed throughout town, give copies to town officials and legislators, and provide copies to radio, TV outlets, and local cable access channels.

Strategy 2

Support board members who are receptive in protecting school resources (letters to the editor, positive comments at board meetings, honoring them in some way, etc.), and support those who want to become responsible members of the board.

Strategy 3

Press legislators to pass legislation requiring board members and administrators to receive education and training in the effective use of school resources.

Strategy 4

Write a regular column for the local paper that deals with how effective (or ineffective) the board is in managing school resources that are free from fraud, mismanagement, and other corrupt acts.

Strategy 5

Enlist the support of the PTA/PTO, the local chamber of commerce, and other civic groups and organizations, since they all have a stake in having better schools.

Strategy 6

Use the local cable access channel to conduct informational sessions dealing with the problem and issues involved in managing schools resources more effectively.

Strategy 7

Develop a website so that information is readily available to the community.

Strategy 8

Have the local board of finance ask the ten questions since they are the body that approves a budget and should be entitled to have the answers.

Strategy 9

Get a local area radio host or TV personality to publicize the questions and the answers.

Strategy 10

If all efforts fail, conduct a sit-in at the board or superintendent's office.

BIBLIOGRAPHY

1. Abrams, R.S., *New Developments, Year End Update and 1040 Considerations*, (Sections IV, IX, X, XI, XII) Ronkonkoma, New York, January 2007 (www.rsabrams.com)
2. Association of Certified Public Accountants, *Management Antifraud Programs and Controls: Guidance to Help Prevent and Deter Fraud*, New York, (www.aicpa.org)
3. Bremond ISD Policy Manual, Section C, Business and Support Services (www.bremondisd.net/school_board.htm)
4. Brumfield, Robert, "Asset Management Failure Costs Schools," eschoolnews.com, June 22, 2006
5. *California Associated Study Body Accounting Manual*, Fiscal Crisis and Management Assistance Team, (www.fcmat.org) .
6. California School Accounting Manual, 2007 Edition, Section 410 (www.cde.ca.gov/fg/ac/sa/)
7. "Competitive Contracting in Ohio Public Schools," The Buckeye Institute for Public Policy solutions, Dayton, Ohio (buckeyeins@aol.com)
8. *Florida's Best Financial Management Practices*, Office of Program Policy Analysis and Gov't Accountability, Tallahassee FL, (www.oppaga.state.fl.us/school_districts/best_prac/)
9. Fusco, Armand A., Ed.D., *School Corruption: Betrayal of Children and the Public Trust*, iuniverse.com, 2005 (documents where and how corruption has occurred)
10. *Governmental Accounting Standards Board, Statement 34, Resource Center*, Norwalk, CT)
11. Hallak, Jacques and Poisson, Muriel, *Corrupt Schools, Corrupt Universities: What Can Done?* International Institute for Educational Planning, Paris, France, 2007. This study examined 159 countries and concluded that school corruption is not only a worldwide phenomenon but that also "corruption in education has been carefully ignored for several decades (and remains so)"
12. *Internal Audit Guide for Student Activity funds*: Association of School Business Officials, Reston, VA. (www.asbointl.org)
13. "Liability Under Section 1983, Schools Legal Service, Orange County Dept. of Education, California, June 2003
14. *Monitoring Report Management of Resource, L-040*, Greenwich Public Schools, Greenwich, CT, Sept. 2005 (excellent example of monitoring and reporting)
15. Odden, Allan, *How to Rethink School Budgets to Support School Transformation*, New American Schools, (www.naschools.org)
16. O'Hanna, Rich, Sr., *How to Prevent Check Fraud*, PAYTECH, American Payroll Association, Dec. 2003 issue)
17. *Payroll Fraud – ghost Employees*, Worrells Solvency & Forensic Accountants, (www.worrells.net.au/community/Fraud/fraudawareness.htm)
18. *Pennsylvania, Casey School district Performance Reviews*, Auditor General, Harrisburg, PA (www.auditorgen.state.pa.us.Archives/Perforance/Wallenpk.html#Intro1)
19. Porter, Louis Study: "Staffing Drives Budgets," *Rutland Herald (VT)* June 25, 2007 (www.rutlandherald.com/apps/pbcs.dll/article?AID=/20070625/NEWS04/706250380/1003)
20. *Procurement Card Manual*, Dallas Intermediate School District, Dallas, TX (www.dallasisd.org/)
21. Segal, Lydia, *Battling Corruption in America's Public Schools*, Harvard University Press, 2005 (documents the negative impact of unions in the three largest school districts)
22. *Suffolk County Special Grand Jury Report (examined all 70 school districts)*, District Attorney's Office, September 19, 2005 (www.co.suffolk.ny.us/da/press/pdf/GrandJurySD.pdf)
23. Texas School Performance Review (TSPR), Texas Comptroller of Public Accounts, Austin, TX (www.window.state.tx.us/)
24. TSPR, *Balancing the Budget: 101 Ideas for Cutting Costs and Maximizing Revenues*, Austin, TX (www.window.state.tx.us/tspr/cutting/)
25. Wells, Joseph T., *Corporate Fraud Handbook: Prevention and Detection*, Association of Certified Fraud Examiners, (provides guidance in preventing fraud and abuse)
26. Wolcott, Peyton, *How difficult is it to get your local school district to post its checks online each month?* EdNews.org, January 22, 2007.

Why Invest in the Yankee Institute for Public Policy?

“We use research methods that have been tested nationally by free-market think tanks to generate pressure for lean and effective government.”

Yankee Institute Executive Director Lewis M. Andrews, Ph.D.

Your investment in a Yankee Institute gift supports our efforts to make government more efficient and effective by reducing burdensome taxes, encouraging privatization of government services, expanding parents' options to choose the best schools for their children, and providing real economic opportunities for the poor and disadvantaged.

If you believe in helping people help themselves and keeping more of what you earn, then please contribute today. Your donation assists us to broaden our impact as we transform Connecticut into a society where people are empowered to pursue private solutions to personal and social needs without hindrance from government.

We invite you to become a member by joining one of our giving societies.

Membership at higher gift levels provides invitations to events—including receptions, special briefings, free seminars, speeches by national policy experts, and networking meetings with like-minded leaders and thinkers throughout Connecticut.

Cut off below and return your gift in the enclosed envelope.

✂

Please enroll me as a member of the:

- Policy Circle \$10,000 & Higher
- Executive Council \$5,000 – \$9,999
- President's Cabinet \$2,500 – \$4,999
- Citizens' Advisory Board \$1,000 – \$2,499
- Freedom Fighter \$500 – \$999
- Yankee Club \$150 – \$499
- Member \$50 – \$149

Enclosed is my gift in the amount of: \$ _____

Check enclosed

Please make check payable to the “Yankee Institute for Public Policy, Inc.”

Please charge my gift to: VISA MasterCard

Card Number _____

Expiration Date _____

Signature _____ Date _____

Name as it appears on the card _____

Name _____

Address _____

City _____ State _____ Zip _____

Day Phone _____

Evening Phone _____

Email _____

Please apply my gift to the following:

- The Yankee Institute's Top Priorities
- Tax and Budget
- School Reform
- Social Services
- Grassroots Organizing

I/we have enclosed a matching form from my/our employer.

Financial and Estate Planning

- I have included the Yankee Institute in my will or other financial plans.
 - I would like information on how to include the Yankee Institute in my will.
- For further information on estate planning, call Mary Crean at (860) 297-4171.

Or make your gift online at www.yankeeinstitute.org.

The Yankee Institute for Public Policy, Inc. is a non-partisan educational and research organization classified by the IRS as a 501(c)(3) public charity. Contributions are deductible to the extent allowed by law.

Thank you for your gift!

\$2.95

Additional Yankee Research

Additional Yankee Institute studies can be downloaded at www.yankeeinstitute.org. Multiple copies are available for \$2.95 each by contacting info@yankeeinstitute.org.

Help Wanted: Serving Connecticut's Neediest Citizens Through Job Training
By Natalie Kindred, (November 2007)

Growing Connecticut's Economy: Corporatism vs. Capitalism
By D. Dowd Muska, (September 2007)

Reform Spending, Relieve Taxpayers: Real Property – Tax Relief for Connecticut
By D. Dowd Muska, (June 2007)

Free College for High School Students
By Lewis M. Andrews, Ph.D., (January 2007)

The Coming Crisis in Suburban Schooling
By Lewis M. Andrews, Ph.D., (November 2006)

Fifteen Years of Folly: The Failures of Connecticut's Income Tax
By D. Dowd Muska, (August 2006)

Stopping School Corruption: A Manual for Taxpayers
By Armand A. Fusco, Ed.D., (May 2006)

America's Second Civil War: The Public Employment Complex vs. Taxpayers
By Lewis M. Andrews, Ph.D., (April 2006)

*Providing School Choice to Connecticut Foster Children:
Fostering Stability and Achievement*
By Dan Lips, (February 2006)

The Two Connecticuts: Public vs. Private Employment in the Nutmeg State
By D. Dowd Muska, (January 2006)

The Value Gap: How Effective Is Your Local School District?
By D. Dowd Muska, (March 2005)



P.O. Box 260660
Hartford, CT 06126-0660
(860) 297-4271
(860) 987-6218 (fax)
www.yankeeinstitute.org

Located on the campus of historic Trinity College