

Stopping School Corruption

A Manual for Taxpayers

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Author, *School Corruption: Betrayal of Children and the Public Trust*

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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 the Public Trust*, and Dr. Fusco's articles appeared regularly in his column, *Inside Education*, that several shoreline newspapers published beginning in 1996.

He has 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.

Dr. 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.

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A copy of Dr. Fusco's most recent book, *School Corruption: Betrayal of Children and the Public Trust*, can be purchased at Breakwater Books in Guilford, CT., Amazon or Barnes and Noble.com or from the publisher:

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Synopsis

Corruption in the administration of public education is an important but widely ignored subject. This paper outlines 10 questions that school boards ought to ask -- or ought to be prodded by taxpayers to ask -- to determine whether corrupt acts have been committed in local schools, are now being committed, or could be committed with relative ease.

Introduction

The primary reason for asking probing questions of school boards is to determine whether a district has policies and practices in place to ensure that education resources are used effectively, efficiently, honestly and protected from corrupt acts.

The rampant and pervasive corruption documented in my book *School Corruption: Betrayal of Children and the Public Trust* provides shocking evidence that too many boards have not accepted their sacred covenant -- an implied legal, ethical, and moral contract -- to guard the public purse while providing quality educational services.

Another very important reason for asking critical questions is to determine whether corrupt acts have taken place, are taking place, or could take place in a district. In this regard, it is vital to understand what is meant by the term "school corruption."

One dictionary defines *corruption* as:

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

Based on the definition, school corruption can be broken down into three levels: 1) cheating and deceit, 2) waste and mismanagement, and 3) fraud and stealing.

As a result of my personal experience as a former school superintendent and the corrupt acts I have uncovered and documented, I believe that some degree of corruption is festering in all school districts. However, it takes diligent work and critical questioning to uncover the type and degree of corruption. (It is interesting to note that the issue of corruption is seldom broached by school

officials and cannot be readily found in education journals. The school establishment is in complete denial that corruption exists, and it will protect the system at all costs.)

What should never be accepted as an answer by school boards or administrators is that since school accounts are audited regularly, there is no reason to be concerned about or suspicious of any wrongdoing. The reality is that audits do not uncover cheating and deceit, or waste and mismanagement. In addition, audits typically do not uncover fraud and stealing. Take the recent example of the Roslyn School District on Long Island, where the superintendent and others embezzled \$11 million over a period of years, but the yearly audits failed to prevent the theft.

The 10 questions that follow are designed to determine whether the three levels of school corruption have been committed, are being committed, or could be committed with relative ease.

Question 1: Asset Management

Is there a comprehensive list of assets and an independent system in place to regularly document the existence of each asset? Failure to have a list of monitored assets is an indication that the school district does not believe it is important to manage school resources responsibly.

Background: Most schools will not have an asset-management system in place; and even if they do, it is probably not monitored effectively. If assets are missing or stolen, they are simply replaced using taxpayer dollars. It is unlikely that there is any accounting in budget-preparation documents that asset replacements are needed because they cannot be located.

Proposed Solution: It is important to have a verification system in place that documents the existence of each asset at the end of each year, and the reason(s) for any missing asset(s). However, this must be done by independent, on-the-spot inspections -- it cannot be done internally -- by a **forensic auditing committee** (FAC) or taxpayer group.

The proper way to develop an asset-management system without cost is to have a FAC/taxpayer group go through each purchase order to determine what has been bought over the years. Using purchase-order documentation is the only way to develop a credible list. A list prepared by any administrator should never be accepted as accurate unless it has been verified by all purchase-order numbers. The assets should then be identified by serial numbers or other designations. Then the location of each asset needs to be identified, and the person/department responsible indicated. In addition, the

board should be required to submit as part of any budget which asset items being requested are the result of loss resulting from theft or other reasons.

Having an effective asset-management system in place will, in all likelihood, document that all the assets will not be accounted for; further, the only logical explanation for many missing items will be that they have been stolen. This evidence should provide substantial and convincing evidence that preventive action must be taken to better manage school resources.

Question 2: Board Policies

Are there any board policies dealing with school corruption? What policies, if any, have been adopted to prevent corruption, and what policies have been adopted to monitor school resources most effectively?

Background: Board policies are contained in a policy manual that is a public document, and it can usually be found on the school website. The manual is also available in the school central office and in each school. It is extremely doubtful that any corruption policies will be found, because school boards do not want the term “corruption” to be found in any school documents; they are in complete denial or ignorant that corruption could occur in the district. Even when corruption is found, it is hidden from public view whenever possible. For example, in the Roslyn incident, the school board voted to keep the theft from their insurance company; and this deceit cost them thousands of dollars more.

Admittedly, part of the problem is that school boards are not trained and educated about the problem of corruption, and state departments of education and their own association are derelict, even fearful, of providing such training and education.

However, examining board policies is a critical task for any taxpayer group or FAC to undertake because it will indicate whether the board has any concern about preventing school resources from being mismanaged and protected from corruption. Failure to have such 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: Demand that the school board adopt policies and practices that clearly manage resources more effectively, and that give the staff and taxpayers clear evidence that preventing corrupt acts has the highest priority. Demand too that school employees be trained to act responsibly and honestly with school resources. Unfortunately, such education and training is hard to find. *School Corruption: Betrayal of Children and the Public Trust*

provides information and guidelines for any district to become more responsible with school resources.

Question 3: Credit Cards

Who has credit cards? How are charges independently verified to see if they are proper school expenses?

Background: Credit-card abuse is rampant and is a common source of school corruption. The reason for this is that most districts do not have an effective monitoring system in place to verify the expenses for legitimacy.

Proposed Solution: At least two independent sources need to verify expenses. The school finance officer and town treasurer can provide such verification. There must also be guidelines developed as to what constitutes legitimate expenses, and the limits of what can be spent on such items. However, the best practice is to not have credit cards. Staff can use their personal credit cards and then seek reimbursement, or purchase orders can also be used.

Question 4: Federal and State Grants

How are grants being managed in the school district? Who is responsible for monitoring the grants for proper implementation? How is the monitoring actually done?

Background: Grants are another common and significant source of corrupt acts. There are two types of grants: entitlement (specific dollar amounts allocated to a district for specific reasons) and competitive (schools are not required to apply for such grants). All too often, districts do not take advantage of the latter because they involve extra effort and work -- a poor excuse considering the additional resources such grants could provide.

It is extremely important to note that grant monies cannot be used to replace previously budgeted dollars. The monies must be used as an add-on to the budget. One common grant abuse is that schools use funds to supplant the budget (replace previous budgeted dollars) -- a corrupt act. What must also be reviewed very carefully is to see who has received any of the monies.

Since grants usually do not involve local dollars (some do require matching funds or resources), local oversight is shoddy at best. State and federal education bureaucrats are responsible for monitoring the grants, but are too often ineffective in uncovering mismanagement and fraud. This is why grants dollars are abused so easily.

Proposed Solution: During each budget presentation, a list of all grants that were available to the school district should be listed, as well as the dollar amounts involved. Next to each should be indicated whether the grant was applied for and whether it was approved (with dollar amounts). If some were not applied for, the reason should be given. The State Department of Education will also have a list of all such grants (unless they are foundation grants).

Approved grants are public documents and must be forensically examined to determine whether they are and have been used for the purpose intended. If funds have not been spent according to the grant application, the reasons must be given.

Any citizen can sue the district (as a person) if federal grant dollars have been misused and receive a third of the recovered amount. *School Corruption: Betrayal of Children and the Public Trust* gives the citation of the unanimous U.S. Supreme Court ruling on this issue.

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 on a monthly basis? Who conducts the review?

Background: Student activity accounts and other cash-collection activities are extremely common sources of embezzlement and misuse. These accounts do not typically involve taxpayer dollars, thus the monitoring of such funds leaves much to be desired. Consider that school 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, each fund should be listed along with its income, expenses, and balances during budget presentations. The grand total of such funds would be very revealing.

Because theft and misuse of such funds is so common, an independent source must be available to provide proper oversight. For example, practically all such funds are controlled at the school level only. The central-office finance department should be required to oversee income and disbursements. The town treasurer or a volunteer FAC committee or taxpayer group could also do it.

Question 6: Petty Cash Funds

Who has control of each petty cash fund, in what amounts, and how are the funds monitored?

Background: Such cash funds are usually distributed to managers, administrators, and sometimes teachers to take care of incidental expenses. Because they are cash funds, it is easy to misuse and misappropriate the dollars.

Proposed Solution: Receipts must be submitted with an explanation when replacement dollars are requested. It is up to the finance officer to monitor the petty cash funds. A monthly accounting should also be submitted to the superintendent, and board chairman or board finance committee.

Question 7: No-Bid Contracts

Which contracts (construction, insurance, consultants, etc.) have been awarded without competitive bids? 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 common source of abuse and fraud and, therefore, they need to be reviewed very carefully and forensically.

Proposed Solution: The board's finance subcommittee must be given full information about every no-bid contract, and they should authorize every such contract. The full board must then be informed of such contracts as part of each board meeting.

Question 8: Teachers' 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? How many aides are there to augment teacher loads and assignments?

Background: Staff allocation/assignment is the source of much school-district waste. In addition, there has been a proliferation of school aides added to school resources, yet their numbers are not used to indicate student-teacher ratios.

Proposed Solution: A list of teacher assignments and teacher loads by period (augmented by aides) and by subject should be provided as part of every

budget presentation. The list then needs to be forensically examined to determine where there is possible waste and mismanagement. *School Corruption: Betrayal of Children and the Public Trust* provides a number of examples of how these human resources are mismanaged.

Question 9: Non-Classroom Staff

How is the time and load of non-classroom certified staff (psychologists, social workers, counselors, speech therapists, etc.) monitored? How is the time of full-time staff with reduced loads (department chairman, supervising teachers, etc.) monitored?

Background: There is usually *no* documentation of how such staffs use their time. How many students does a psychologist test per day? What are the number of students a speech therapist sees each day? What do department chairs and supervising teachers do with their released time? These questions demand answers.

Proposed Solution: It is essential to document how these staffers spend their days. Such staff members are very reluctant to provide such information, but it is incumbent on the administration and board to require it. Policies and guidelines must be developed for this purpose. There are associations for each, and they can be helpful in providing such guidelines. Comparing what other similar districts do or require can also be useful.

Question 10: Benefits

Do part-time employees pay a proportional share of their insurance benefits? If not, why not? Are retirees who are being paid their medical insurance by the school district 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?

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

Proposed Solution: An issue is whether a part-time employee should receive the same paid benefits as a full time employee. A part-time employee should be required to pay for a proportional share of their benefits. For example, a half-time employee should pay 50 percent of the benefit cost.

The retiree list must be reviewed each year to determine whether the payments are legitimate and whether the retiree is still living.

Conclusion

School boards and administrators usually claim that 75 to 80 percent of their budget represents “fixed costs.” Taxpayers should never accept such a statement, because this is the biggest deceit of all. Such a statement assumes that every school employee is essential, that no consolidations can take place, all programs and services are efficient and effective, all resources are managed with quality guidelines, and every operation is managed with utmost efficiency. Nothing could be further from the truth when it comes to any organization supported by taxpayer dollars -- and this is especially true of schools.

Therefore, these ten critical questions need be to given honest and meaningful answers, and then followed by appropriate action.

School boards cannot do the job alone. If they were doing their jobs, *School Corruption: Betrayal of Children and the Public Trust* could not have been written, and the evidence of rather shameful statistics of student results such as dropout rates, poor testing results, achievement gaps between white and minority students, and over 25,000 schools identified as failing would not exist.

No amount of money will solve these and other school problems. It requires effective monitoring of school assets, human and financial resources, and programs and services. Unfortunately, such monitoring can only be effective if there is enough outside taxpayer knowledge and pressure to demand answers and action.

What taxpayers need to understand is that local boards have the power and obligation to adopt policies and practices to manage the school resources so that they are used wisely, honestly, and effectively, as well as protected from corrupt acts. No other approvals are needed for action on their part, but it does require education, training and courage.

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Dr. Fusco and the Yankee Institute can provide training in policies and methods to expose -- and put a stop to -- corrupt practices in your school district. If you are a school official, taxpayer activist, or concerned citizen interested in such training, contact Dr. Fusco at armand@yankeeinstitute.org or (860) 297-4271.

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