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Government Issues and Public Education

Involvement in education is not for the complacent. Each school year brings new expectations and requirements. But even though education issues preoccupy us, there are other issues that will influence how government decisions about education are made in the coming year.

Since the state government provides a major portion of the funding districts receive, Albany issues become our issues. First among them are the fiscal problems the state is experiencing. They are twofold in origin.

The state is again facing a multi-billion dollar structural deficit, a shortfall in the revenue compared with the spending level. This deficit has been covered by one-shot revenues in the past, but since by definition one-shot revenue can only be used once, the noose of realistic financial options is tightening. Along with the shortfall in revenue, the state also has pressing expenses not previously in the budget but which must be dealt with.

Health care costs will drive much of the debate in Albany this year. The Health Care Reform Act (HCRA), funded outside the regular state budget primarily with \$4.5 billion of tobacco money and taxes on the privatization of Blue Cross, is due for renewal. The original sources of funding are no longer available.

In addition to those billions, the largest portion of the state budget goes to support Medicaid, a cost that annually increases by double digits. The local obligation for their portion of Medicaid costs is bankrupting county governments and causing the elimination of other important county services. The only possible relief for local governments would be the state government assuming a greater portion of the costs or reducing Medicaid benefits. New York State is the most generous state in offering services under Medicaid but legislators blanch at limiting benefits the public has come to expect.

Transportation needs are also demanding billions of dollars. Deteriorating state roads and bridges as well as transit facilities are in need of major repairs, estimated at tens of billions of dollars over five years. And the Metropolitan Transit Authority is asking for a \$4 billion increase to maintain their service in metro New York City.

Other undone work will require difficult time-consuming decision making, a distraction from developing an adequate, equitable, sustainable education funding formula.

The state needs to confront the Help America Vote Act (HAVA). New York is perilously close to missing the deadlines attached to this 2002 federal law. Failure to comply will result in the loss of millions of dollars in aid as well as possible Justice Department sanctions. Regardless, there is no relief from the mandate for the state to replace lever voting machines with controversial electronic voting machinery.

Issues about lobbying also await attention. The state lobby commission is officially dysfunctional since being successfully sued over their own lack of due process. And while \$120 million was spent on lobbying the state legislature last year, there is no reporting of lobbying dollars spent to influence the Governor or to obtain state contracts from agencies and public authorities.

Resolution of the Campaign for Fiscal Equity lawsuit remains one of Albany's biggest challenges. The state currently spends \$15.4 billion on school aid. The Court's Special Masters have recommended an additional \$23.3 billion be funneled to New York City schools over five years. How the state will ultimately address any final court orders, how they will distribute any new money, how they will deal with statewide demands for equity in funding, and where they will get this money remain major questions still awaiting answers.

The crisis created by the CFE lawsuit is a symptom of the larger difficulty Albany has solving problems and making decisions. Deadlines are ignored and partisan positioning allows everyone to blame others for the problems. But after twenty years of late budgets, the push for reform in Albany has spread to every part of the state. The leadership, slow to recognize the severity of the problem, is only now genuinely discussing reform. Changes in the operating rules of the legislative houses offer the promise of some improvement but it will take continuous reinforcement from the larger community to keep state representatives on track in making changes.

Finally, while there is much to monitor in Albany, the Federal government is also making decisions that affect daily life in New York's schools. Washington's IDEA and No Child Left Behind (NCLB) mandates have forced the redirection of staff energy and attention, additional tests, and seemingly inevitable shortfalls in funding. Now the White House is proposing to expand NCLB requirements to high schools. Our federal representatives need to better understand the major impact their laws are having on local school districts.



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A MEMO

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How District Fraud on Long Island Affects Us



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...a force in our community



Because of a series of fraudulent acts in a few Long Island school districts, legislation is being enacted to ensure school district accountability to taxpayers and to outline what district leaders will be expected to do to better oversee district assets.

The Roslyn School District is an affluent School District on Long Island, at one time best noted for sending 98% of its graduates to college. However, of late, it has been in the news for rampant fraudulent financial activities. Roslyn administrators created phony companies, wrote fake checks and mis-used district credit cards to embezzle district funds.

The District's 2002 independent audit report revealed an embezzlement of \$250,000 and implicated the district's business officer, who returned the \$250,000, surrendering her state administrator's license and was allowed to resign. Roslyn's school board authorized the resignation rather than prosecution on the recommendation of their superintendent that a litigation would be too expensive. Shortly afterward, the District was anonymously notified in writing to keep digging into its financial records. Upon further investigation, it was discovered that the District had paid \$400,000 in travel expenses, \$100,000 for limousine services and gas, \$56,000 for medical fees and \$33,000 for dry-cleaning expense all incurred by the Superintendent of Schools. To make matters worse, a company providing the District with desktop publishing services was paid \$800,000. It just so happened that the company's address was the same as the superintendent's Manhattan apartment. The checks had been issued to his roommate who was the owner of the desktop publishing company.

In the Hempstead School District, between July 1989 and February 2004, the district paid \$376,000 to travel agencies, hotels, airlines, rental car and limousine companies, \$315,000 for bottled water, \$165,000 for cellular phones services, and \$304,000 for catering services. An additional \$1.3 million went to a temporary employment agency for clerical support staff. Since most district hire temporary workers while waiting to hire off the civil service list, an expenditure of this size indicates that the district tried to circumvent the civil service process, which is a direct violation of law. One district consultant received \$315,000 to provide assistance to the school board while another received \$411,000 for a program to encourage fathers to participate in their children's education. All this occurred while the cafeteria program showed a million-dollar deficit and had served spoiled foods to students.

In the William Floyd School District, the Treasurer issued himself \$700,000 in checks. In addition, that District paid its retired Assistant Superintendent for Business \$743,000 over five years in consultant fees because he was performing the same duties as he did while still employed. The state pension rules do not allow retired state employees who consult to perform

the function of a regular employee. The state retirement board never approved the consultant deal between the District and the retired business official.

In all three cases, these districts had yearly independent audits as required by state law. When the Office of the New York State Comptroller conducted its own independent audit of the Roslyn School District, it found that Roslyn's independent auditor had violated 9 of 22 professional standards. When fraud was first detected in Roslyn, the auditor found only \$223,000 of inappropriate expenses. Using the same 22 professional standards, the New York State Comptroller's office found \$1.6 million. The state audit revealed negligence by the auditor and active covering up of fraudulence by district staff.

Furthermore, principal owners of the auditing firm were also principal owners of the financial and student management software systems utilized by the district. This is a direct violation of the professional standard requiring auditors to be independent.

In reaction to these instances of fraud, the State Comptroller, State Senate Education Committee Chair, other State Assemblymen, a coalition of education associations and the New York State Society of Certified Public Accountants have proposed legislation to increase financial integrity in school districts. The legislation includes the following measures:

1. Enhance effectiveness of external audits that all school district are required to obtain every year.
2. Establish audit committees in school districts to insure audit findings.
3. Require a competitive bid process for audit firms once contracts expired or at least every five years through a request for proposal.
4. Establish an internal audit function.
5. Provide new Board of Education members with six hours of financial oversight training.

This legislation will be included in the 2005 state budget proposal. School districts should build allocations into their 2005-2006 school budgets for these proposals.

In the short-term, school districts should review Board policies associated with acceptable administrative expenses to ensure that they have up-to-date policies governing conference attendance, meal and travel reimbursement, and use of district credit cards and cell phones.

The instances of fraud on Long Island may or may not be isolated. But what happened on Long Island impacts school officials here in Monroe County. We work hard to build trust with our communities. We recognize that our communities entrust us with not only with the welfare of their children but with their hard-earned dollars. Be assured that in Monroe County, the tax dollars provided to us by our taxpayers are meticulously scrutinized before being spent.

