

New district audit laws

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It has been two years since the \$11.8 million dollar theft from the Roslyn, Long Island school district. The discovery of this unprecedented crime motivated a major reexamination of how schools manage their finances. The primary perpetrators of that notorious theft have been sent to prison and school districts now have a number of new procedures to help ensure that such a scheme cannot be reproduced.

Following the discovery of the situation in Roslyn, the Comptroller's office worked with representatives of school boards, superintendents, school business officials, the state education department, and the state CPA association to draft a law to protect the public against the abuse of education dollars. The outcome of this effort, the five-part school finance reform law, placed new fiscal accountability requirements on school boards and administrators

One of the changes is the reinstatement of Comptroller audits of school districts at least once every five years. As each audit is completed the Comptroller issues a press release and report so there will be news stories about these audits from time to time.

While the Comptroller's office had audited school districts in the past, the practice was discontinued because there were so few management problems that the cost of the audits could not be justified. Even though the Comptroller's office terminated their audits, districts continued to hire external auditors to review their books each year; these annual reports were presented to school boards with a management letter listing any weaknesses in district fiscal practices with the expectation that these concerns would be addressed.

With the resumption of the Comptroller's audits last year, audits have been completed in approximately 36 school districts, and several dozen more are in various stages of the process. To handle this new duty, the Comptroller's office has needed to hire an additional 89 auditors and they are still in the process of hiring.

So are these audits revealing widespread abuse in the system? Statewide one third of districts audited have been shown to have solid financial management practices. Approximately another third have had some management issues but these are procedural, not situations involving fraud or abuse. More serious problems were found in the remaining third but outright criminal activity has been very limited. To date seven districts have had audit material forwarded to law enforcement for further action, including Roslyn.

What problems are being found and where does Monroe County fit into this picture?

So far, most of the audits have occurred in other parts of the state, mainly on Long Island and in the Hudson Valley. Where there has been criminal activity it has primarily taken the form of abuse of credit cards or payments to falsified vendors. In some instances administrators claimed improper payments for unused vacation or sick leave time, or filed inappropriate claims for travel. In the nefarious Roslyn case the theft involved the collusion of the superintendent, several people in the business office and the district's external auditor.

Here in Monroe County audits have been completed on two districts – Rochester and East Irondequoit and both of them were recognized for responsible management of funds. East Irondequoit was lauded as a model of best practices. One other audit of a local district, Wheatland-Chili, has not yet been released.

As school boards in our region have become aware of the problems in other parts of the state, they have reviewed and when necessary added policies to govern vulnerable areas like credit card use, cell phone access, and travel expenses. By taking basic steps to make fraud more difficult districts become less likely to be victimized.

The audits are not the only new requirements to help districts keep their finances safe. Beginning last year all school board members are required to take six hours of approved training in district fiscal oversight to make certain they understand their fiduciary duties. And each district must also establish an audit committee that meets throughout the year to review fiscal practices and identify any weaknesses in the system. The board must also hire an internal auditor who will monitor the district's financial practices and who reports directly to the board on efficacy of the district's fiscal controls.

The Comptroller's audits are confirming what was widely expected, that most people who get involved in education are high-minded and well motivated. But for the few who aren't, it is hoped that all these efforts together will ensure that school districts funds are spent appropriately.





Election Day Countdown: Looking for Guidance

Tom Gillett, Regional Staff Director, New York State United Teachers

"Every gun that is made, every warship launched, every rocket fired, signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed."
- President Dwight D. Eisenhower

We are reminded daily by editorials, news reports and the ever-insistent candidate advertisements that Election Day is imminent. From almost all that we read and see and hear, it is increasingly difficult to determine any candidate's views on public education issues. Some call for lower taxes and increased education funding, but the "devil in the details" makes thoughtful voters anxious about how that might happen.

So far, no candidate has articulated a strong position on how the various governmental levels should address the lingering judicial decision which emerged from the Campaign for Fiscal Equity's (CFE) lawsuit about school funding.

There is scant comment from candidates about the possibly increasing the number of charter schools in the state, nor are proposals being advanced about how local districts might be "saved harmless" from the budget impact of existing charter schools. Are candidates at any level either in favor of—or opposed to—the increasing testing requirements built into the No Child Left Behind Act? The impact of this federal mandate on states and local districts has been unprecedented, but the candidate silence on where our leaders should go is remarkable. Certainly there are other overwhelming issues facing the nation, the state and our localities. The war in Iraq continues to have a monumental cost in human lives and diverted US funds (\$2 billion per

week according to latest estimates); the trade deficit grows alarmingly with the most recent month showing the largest deficit in history; US foreign policy, most recently as shown with North Korea and Iran, promises little else than continued ill-will and possible future warfare; the Upstate economy is in a death spiral. Elected representatives across party lines are shown to be involved in questionable, and sometimes illegal and immoral, behavior while in office. At the same time, an impending global warming crisis, created largely by our nation's consumer appetite is ignored by candidates and the media alike.

Voters feel helpless and ignored and disgusted with good reason. Can anything be done? It's hard to be hopeful when so much argues against a brighter outlook. Candidates don't address issues important for public education's future because they aren't always pressed to do so. Their advertisements serve us platitudes and negativism because we tolerate these approaches.

We need to evaluate candidates on the issues which are key for the future of public schools: school funding, property tax reform, equity of resources for all students, charter school limitations, the efficacy of current testing requirements, etc. But we also need to look much more closely at how candidates' other positions will affect the next generation. Who, if elected, will make decisions with a real plan for a better future?

Monroe County Education Coalition

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