

INSIDE EDUCATION

Part 4: Finance: Are school budgets cholesterol free?

Armand A. Fusco, Ed.D.

In addition to determining whether there is any “fat” in staff utilization and workload (part three), it’s absolutely essential to examine budget line items to determine if any may be clogged with cholesterol. Diagnosing the line items for cholesterol requires intelligent and aggressive questioning of all administrators and managers, comparing and analyzing past, present and new budget figures, and making comparisons with other like districts.

The place to begin is with salary accounts since they make up three-quarters or more of the budget. Board members must review—with forensic eyes-- the employee roster showing current salary, step increases, contractual increases, extra-pay and stipends. It should also indicate who may be retiring or leaving and the estimated replacement salary. When all dollars are totaled, the figure should agree with the proposed budgeted salary account. This kind of analysis is not made by the typical school board.

What must also be included is the cost of benefits—a significant line item--for each employee to see if the total matches the line item for “benefits.” Again, this is not typically done. Benefits are a bit more complicated, but the idea is to match benefit costs with actual employees. One reason it is clogged with cholesterol is because part time employees are provided with full benefits rather than allocated according to time worked. In other words, if someone work 50% of the time, they should be required to pay 50% of the cost of medical insurance; otherwise, it is not fair to full time personnel.

Well, isn’t this how a budget is reviewed? No! The budget book will not show the staff roster and their salaries and benefits; and it would be rare indeed if this information is provided as part of the back-up materials. Incidentally, all of this data is public information, but the average person would not know how to review and analyze the information. For example, noncertified staff can be paid for overtime, but that information would not be shown for specific employees. Instead, overtime is just a general line item with not connection to employees who receive it. Certainly, it’s possible to determine what every employee is actually paid from the prior budget to get some sense of who is paid for overtime and how much does it add to their compensation. There is no extra work involved since this information must appear on their tax W-2 forms.

What else needs to be considered? There should be a policy for evaluating programs, services and systems every 3-5 years. If there is no policy, the budget is far more likely to contain fat and be clogged with cholesterol. Incidentally, using internal staff alone for the diagnosis is not valid—the foxes cannot be guarding the hen house. When done forensically such evaluation reviews will identify the fat and any cholesterol clogged programs and practices. For example, an alternative program was provided for students who could not seem to become acclimated to the regular school day. So they would enroll in a 2-hr-per-day (after regular hours so that full time staff could also be used to staff the alternative program for extra pay). As a result, they would get a regular high school diploma by attending only 2 hrs a day while full time students had to attend a full day. The fact that it did not comply with state regulations that required a minimum of 4 hrs per day to count as a full day made no difference; furthermore, it made no difference to the state department of education that would not give the superintendent a letter stating that it failed to comply with state regulations.

A speech program was being reviewed and benchmarking with other districts revealed that there were three times as many speech therapy students even though the district was the smallest. After all students were re-tested by outside professional evaluators, the findings were shocking: two thirds of the students had no speech problem that could not be detected by two university speech experts. Although this would appear to be a routine review process, a book could be written describing the tortuous 8-month battle the superintendent had with the teacher and even the school board since he fired the teacher. What brought this to a head was that she was asking for an assistant that obviously was not needed. Had the board not finally listened to the superintendent, it would have been another cholesterol-clog budget artery.

Data showing a high school student absence rate of 12% was being reviewed because it was more than double the national average. Once it was identified as a problem, procedures were put into place that reduced the absence rate to 6%.

A review of student activity accounts raised a red flag in one account. An audit revealed that the advisor was "borrowing" any cash received. Although a resignation and restitution followed, the superintendent was questioned as to why he had the teacher resign.

These examples and those cited in the first three parts explain why there must be a constant and semi-independent review process of all expenditures, programs, and services to eliminate cholesterol clogged budget line items. However, uncovering such program abominations is not encouraged or welcomed (the whistle blower syndrome) and districts don't want to be embarrassed by such revelations.

Another important procedure for analyzing budgets is to compare the last completed budget year (by line item), the current year, and the proposal for the forthcoming year. This review should also include what was budgeted, what was actually spent, as well as, current encumbrances and expenditures. For example, if the a regional district had used such a budget review process, they would not have been surprised by a \$2,000,000 budget fiasco.

Special education costs, spiraling out of sight, need to be studied carefully for savings particularly with respect to very costly out-of-district placements. Significant savings can be made if districts develop their own programs or share programs with other districts.

Grant programs are a valuable source of additional funds so it's important to know what specific grants were available, which ones were applied for, and which were approved. What also needs to be reviewed is how much grant money (if any) was returned because it was not spent. Some grants are allocated amounts for a specific program such as Title I, but there are many others that are competitive grants from federal, state, and non-profit sources.

But there are far more issues involved in grants. Any grant writer assumes that the federal or state oversight of the grants do not have any common sense or even understand basic costs. As an example, they can include added staff (not really needed) in the grant who can consist of present staff, either covering part of their allocated cost in the budget, freeing up that money, or adding to the salary of the recipient or even include family members or friends. In fact, grants, not funded by local taxpayers do not get the financial cholesterol testing; and, as a result, it is one of the most common sources of embezzlement and fraud.

What can also be added are costs of equipment or furniture that is excessive such as purchasing a desk at \$900, that can be purchased at far less cost. So a good grants writer can take advantage of the grant authority by working with a supplier who will provide 3 desks at \$300 each, but the invoice will show one desk at \$900. Perhaps it is a type of corruption, but it benefits the school system not any individual.

Service providers such as consultants, common to grants, can be created with a letterhead and invoice to show services rendered by *Community Consultants* and the invoices sent to either a fictitious address or box office; and with arrangements with a bank clerk who will profit with a kickback to cash the check with false ID. A scandal of this type occurred at the state university where the professors who wrote the grant became the recipients of the consulting services with the checks mailed to a PO Box; in fact a post office box is a sure sign that something is amiss. Thousands of dollars were involved.

Sometimes, they use the actual supplier or service provider giving them a kickback of the dollars received; there are always willing accomplices to make a few dollars.

The oversight of grants is poorly done especially when they come from D.C. and the grants go to locations all over the U.S. My brother, who worked for the U.S. Office of Education, was part of a Title I oversight committee that visited Title I locations to verify that grant conditions were being followed. But it was more oversight review rather than an actual audit.

The impact of technology must be evaluated to determine if it has reshaped and redefined educational programs and practices in the same way it has made dramatic changes in the business world. Has it significantly increased productivity and school performance? If not, why not? It too has cholesterol

that clogs the system. For example, if repairs are made in house, the person who does the repairs can set up a private repair operations and use school funds to purchase parts since no one is watching. Or the person can claim a computer cannot be repaired and must be replaced, and the computer is then sold as a used unit.

Of course, there are many other accounts that need to be examined carefully (substitutes, textbooks, travel, equipment purchases, consumable purchases, etc.), and financial practices need to be reviewed such as whether there is an inventory and identification of all school assets.

What needs to be kept in mind is The 1999 Report Card on American Education: "*America's public schools are not serving our nation (or community) as well as we should expect and our leaders must be open to new and innovative ways to improve the quality of education...it is less important to increase the investment in education than it is to make the right investments.*"

Therefore, the investment of taxpayer dollars must be monitored, protected and enhanced—not squandered. Why isn't it being done more effectively? To put it in very blunt terms, there is no reward, recognition, or even thanks for doing so and because the powerful "P's" prevail—petty politics, personal priorities, pleading parents, predictive pandering, perplexed perceptions, picky personalities, proprietary power, and poor preparation. These powerful "P's" are the "fat" that causes the system to be clogged with cholesterol laden programs and practices that are either not needed or ineffective.

Is it any wonder that eliminating the cholesterol is a difficult and tortuous process?

However, unless public education is made more accountable and vigilant, the Robin Hood Hogs will continue to gorge themselves on the "fat," and diet conscious market forces--charter schools, vouchers and private management—will compete with the present overweight monopoly.

This is why it is safe to say that some degree of corruption, based on its definition, can be found in every school district; and the larger it is, the worse it is financially. Of course, what also must be added is that the local governing authorities that must approve school budgets do not know how to review and analyze a budget. The only way it can be done is with a volunteer, citizen trained audit committee (a future article will describe what's involved in greater detail).

In the meantime, pity the poor taxpayer who has no real recourse except to pay for the fat and cholesterol-laden budgets.

Next week, Pt 5—Can a FAC protect the school treasure chest?