

For Immediate Release

Tuesday, September 18, 2012

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**STATEMENT BY ED GEARTY,
PRESIDENT OF THE TOMS RIVER BOARD OF EDUCATION**

1. We want to address the sentencing on Friday, September 14, 2012, of the former Superintendent of schools. That represents the conclusion of a sad chapter in the history of our district and our community. It is most unfortunate that our reputation is being damaged by the actions of a few individuals who schemed to defraud our district. Our community takes great pride in our schools, and will continue to take great pride in our schools. What we need to remind ourselves, is that Toms River Regional School District is not an individual, but a large system. The key word is, 'system.' What makes our district great is the schools and at that level, we continue to function well.
2. The final chapter here will involve the recovery of dollars taken from our district, and we are aggressively pursuing this on multiple fronts, as follows:
 - a) In terms of insurance coverage for such criminal activities, we have employee fidelity bonds for the guilty individual as well as a district crime policy. The amount of applicable coverage based on these policies is approximately \$2.4 million dollars. We put the insurance companies on notice in October 2010, we filed the actual claim in February 2012, and since there is now a guilty plea and sentencing by Judge Pisano, we expect a response from the insurance carrier shortly.
 - b) As part of the former Superintendent's guilty plea, he was required to forfeit \$1 million dollars, plus some cash and a vehicle. Judge Pisano provided the Attorney General's office with a 90-day deadline, to mid-December 2012, to go back and further refine the calculations of the district's loss and present a full and complete number.
 - c) We filed a victim impact statement with Judge Pisano on August 14, 2012 and petitioned the judge to order restitution from all individuals who took part in perpetrating schemes to divert district dollars, to ensure that the district is made whole and that those dollars are returned. Copies of the victim impact statement are no longer considered confidential and can now be made available to public since the sentencing has concluded.
 - d) We are reviewing our legal options in terms of recovering the amount of dollars currently being held by the district for the former Superintendent.
 - e) Finally, if we are not satisfied with the amount of dollars recovered through the aforementioned steps, we will initiate litigation against Mr. Ritacco, Mr.

Gartland and any other responsible or culpable individuals where we believe the amount of recovery would exceed the legal costs of such a pursuit.

This is the outline of the steps we are taking to recover district assets and we will keep our community informed of the status of our aggressive recovery efforts.

3. We also want to speak to the changes over the past 20 months regarding district insurances, which have been made to prevent any future occurrences of the kind of concealed, collusive activities that did occur.
 - a) We have made considerable changes in personnel, vendors and processes in the course of the past 20 months for insurances. Long before the resolution of this case, the district worked hard to address areas where internal controls needed to be strengthened. The Toms River Regional Board of Education solicited competitive broker proposals in awarding to AJ Gallagher for property/casualty insurance and subsequently BGIA for health insurance in 2011.
 - b) What happened here required the collusion of the former Superintendent and the Insurance Broker and started with the inflation of broker fees. One way we have ensured that fees are market tested going forward, is that in June of 2011 we implemented a policy requiring competitive proposals for insurance brokers every 3 years. In retrospect, having a policy such as this would have raised questions regarding the fees we were paying to the broker and would have required clarification and definition of the services the broker was providing to the district. We have such a policy now, which ensures that we are paying appropriate broker fees.
 - c) Our insurance contracts, which have all undergone legal review, now clearly spell out responsibilities and fees (notably for the workers compensation program). The entire insurance program is tightly managed by the new brokers and the new district business administrator. All payments and services must conform to contract. Finally, we have also hired a new auditor through a competitive bid process and said auditor provides an additional layer of oversight to all financial considerations.
4. In reflecting upon what happened here, how it happened, and how it was not uncovered, we should begin by listening to the words of the US Attorney General, who in his April 5, 2012 press release, said that, “to conceal this fraudulent scheme from the Toms River Regional School District Board, as well as the IRS, Ritacco and his co-schemers agreed to use middlemen, shell companies, sham consulting contracts, and third party payments, to secretly pass hundreds of thousands of dollars in cash bribes and other payments to Ritacco.”
5. This activity was very much concealed from this Board of Education, as well as others. The Board never abdicated their responsibility. Those who have attended the public committee meetings can attest to the fact that the Board asks many questions and seeks justifications for administrative recommendations. As a high-functioning Board should operate, by the time we get to the regular action meeting, the issues have been discussed and hashed out through the committee system, leaving the Board to vote on the recommendation. This is not rubber-stamping, as

recommendations have previously been fully vetted through the Board committee process and through addressing board member questions and concerns.

6. As a board we feel betrayed by the former Superintendent, and the entire community was betrayed by the former Superintendent. What happened here was not a failure of the system, it was a failure of an individual and a violation of the trust imparted to him, both statutorily and in practice, by the very nature of his position.
7. Healing will take time, but we are hopeful that we can begin to move forward as a community with a renewed focus on the betterment of the district, both operationally and educationally.