

# Levy Punishes Four Involved In '98 Inquiry

## Case Looked at Teacher Now Facing Sex Charges

By EDWARD WYATT

Schools Chancellor Harold O. Levy yesterday disciplined four current or former public school employees involved in a mishandled 1998 inquiry into allegations of sexual assault by a second-grade teacher at Public School 78 in the Bronx. He also ordered a review of all allegations of sexual abuse investigated by the Board of Education over the last three years.

The actions came as two more students from P.S. 78 came forward yesterday to say that the teacher, Milton G. McFarlane, 38, of Poughkeepsie, N.Y., had sexually assaulted them, bringing to seven the number of students who say they were molested by the teacher in recent months.

Mr. Levy yesterday fired the Board of Education investigator who conducted the inquiry into the 1998 allegations but did not, officials said, inform the police that a potential crime had occurred on school grounds, as required by Board of Education regulations. Board of Education officials declined to release the name of the investigator, who was a supervisor in the Office of Special Investigations.

Mr. Levy also demoted the former director of the Office of Special Investigations, Marlene Malamy, who oversaw the investigations staff that handled the 1998 complaint against Mr. McFarlane. He also barred the school's former principal, Ione Edwards, who retired in 1998, from any future employment or consultancy with the school system. And he formally fired Mr. McFarlane, who was ordered to be held without bail on Thursday after being charged with committing sexual assaults on two students in recent months.

Ms. Malamy has worked in the board's auditor general office since August, when she was replaced as director of the Office of Special Investigations as part of a reorganization ordered by Mr. Levy. Thomas Hyland, a former police homicide detective, took over the investigations office at that time.

Ms. Malamy, who was demoted yesterday