

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Final Report on Administrative Flexibility Granted to the University of Hawaii and the Department of Education

Summary

Act 321, SLH 1986, granted to the University of Hawaii (UH) and the Department of Education (DOE) for a period of three years a greater degree of administrative flexibility over various fiscal matters than is allowed other state agencies. Act 371, SLH 1989, extended, with some modification, this legislation for another five years. Act 371 also requested the Auditor to assess the impact of the legislation and to evaluate the progress of educational assessment at the two educational agencies. This final report follows a status report that was submitted to the Legislature in 1991.

Neither the UH nor the DOE can demonstrate that the increased administrative flexibility granted to them under this legislation has resulted in improvements in the educational services that the two agencies provide. This was not unexpected, however. We cautioned in 1987 that it is virtually impossible to make any direct correlations between changes in administrative operations and changes in the quality of educational services.

The UH is able to show, however, that it is performing in a timely manner the fiscal operations affected by the administrative flexibility legislation. In contrast, the DOE still lacks any performance data by which its fiscal operations can be evaluated. Faced with many difficulties in trying to implement its new automated financial management system, the DOE has not given a high priority to performance monitoring.

As we found in our previous reviews, the two educational agencies are continuing to follow a practice that is unfair to vendors and inconsistent with the practice followed for other state agencies. When the DOE and UH are late in paying vendors, they pay the interest penalty only when the vendors bill them for the penalty. Other state agencies pay the interest penalty automatically whenever it becomes due. Moreover, the DOE and UH cannot routinely keep track of how long each is taking to make its vendor payments.

Progress in assessing the success of educational programs and activities has been mixed. While efforts have increased significantly, they still lack focus and overall direction. The UH has been pursuing a diffused approach where the needs of operating units are emphasized, but not systemwide needs for accountability. The DOE has what it calls an educational assessment and accountability system (EAAS), but its approach is fragmented instead. How the various efforts fit together — from the commission on performance standards to individual school

efforts under school/community based management and other efforts — remain to be seen. Coordination between the UH and DOE have increased, but joint activities continue to occur on a piecemeal basis and still lack cohesion.

Recommendations and Response

We recommend that the DOE should develop measures of effectiveness and institute a system of monitoring its fiscal operations and that the UH should continue to monitor its affected fiscal activities. We also recommend that both agencies should focus upon ensuring timely action on vendor payments by installing fiscal systems whereby accounts payable can be dated and properly monitored. We further recommend that the DOE and UH—both separately and jointly—should give stronger overall direction to their educational assessment activities so that they can be held more accountable for the resources entrusted to them. Finally, with seven years of relatively successful implementation of administrative flexibility in the area of fiscal operations and with the 1993 Legislature already having extended the authorizing legislation for another four years until 1998, we recommend that the Legislature should extend indefinitely Act 321, SLH 1986, as amended by Act 371, SLH 1989. Moreover, since the Legislature already requires the DOE to report its educational assessment results annually, the Legislature may also wish to extend this requirement to the UH and to the joint efforts of both.

The DOE has set a goal of July 1994 for putting into effect effectiveness measures similar to those being used by the UH. Both agencies agree that they should give increased attention to ensuring timely action on vendor payments. The UH has identified the installation of an aging of payments system as one of the features to be included in its proposed new financial management system. The DOE maintains that it has changed its procedures to provide for more timely handling of vendor payments and is studying the automated interest payment program used for other state agencies for possible installation in its own financial management system.

The DOE has offered no comments on our recommendation that both it and the UH give clearer focus to their educational assessment activities. However, the UH has reaffirmed its commitment to educational assessment as a means of achieving accountability. While pointing out the importance of combining systemwide policy guidance with campus-based evaluation and analysis, it recognizes the challenge of using and presenting assessment results in a manner that is understandable to the Legislature and the public. The UH expects, therefore, to broaden its use of educational assessment to further accountability and demonstrate institutional responsiveness.

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