

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Status Report on Monitoring Fiscal Accountability of the Department of Education

Summary

Act 272 of 1994 directed the State Auditor to prepare annual fiscal accountability reports of the expenditures of the Department of Education (DOE) and evaluations of its programs. The Act also requires the DOE to provide the State Auditor with electronic access to its computer-based information systems. Direct access to those systems is necessary for the Auditor to test data and provide reliable financial accountability reports and program evaluations.

This first report describes our approach to complying with the Legislature's request. The report provides an overview of the DOE's information systems and how we plan to access data within them. It also reviews the adequacy of the department's expenditure reports which identify administrative and other costs.

The DOE has several major information systems, each with different access requirements. These systems include the Financial Management System (FMS), the School Information System (SIS), and the Personnel Information System (PIPS). The department also has a centralized depository for data collected in these systems, known as the "data warehouse."

We found that to comply with legislative requirements of Act 272, it would be best for the State Auditor to obtain access to the data warehouse instead of separately accessing each information system. We also found that should it be necessary to obtain up-to-date financial information, the Auditor could access FMS directly.

We also found that the DOE's current reporting of costs by functions—such as classroom instruction as distinguished from classroom support, as in counseling and libraries, for instance—does not reliably identify how educational dollars are being spent. Consequently, the DOE does not know how much it expends for the administration and implementation of educational programs. Finally, we found that the DOE lacks the management controls that would provide reasonable assurance that expenditures for services attributed to school sites by state and district offices are actually received by the schools. We were therefore unable to verify the accuracy of costs attributed to the schools by the state and district offices.

Recommendations and Response

We recommend that the Legislature require the DOE to report its expenditures by location and function. The reports should account for differences in functional costs at the state, district, and school levels.

In addition, we recommend that the superintendent of education develop management controls to assure the accuracy of state and district office costs that are attributed to school sites.

The DOE concurs with the findings on accessing the DOE's information systems. The department notes that it took the initiative to develop the data warehouse to make it easier for all interested parties to access information about Hawaii's public school system.

The department basically concurred with our recommendation that the DOE report its expenditures by location and function. However the department noted there may be problems in obtaining some expenditure reports by function, such as staff development. It notes that expenditure reports for staff development may need to be estimated rather than reported as dollar accurate.

The DOE, however, disagrees with our finding that it does not know how much it expends for the administration and implementation of educational programs. The department argues that only one percent of the department's \$1 billion per year budget is misclassified.

The DOE also states that the Auditor recommends that the Cascade Model be used to report expenditures to the Legislature. DOE prefers the NCES model. This report does not recommend use of the Cascade Model. However, we do note that the NCES model does not require the department to report expenditures by location. If the DOE wishes to use the NCES model, the department would need to report the functional categories in the NCES model by location to make the reports meaningful to the Legislature.

Finally, the DOE does not comment on our recommendation to develop management controls to assure the accuracy of state and district office costs that are attributed to schools.

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