

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Fiscal Accountability Audit of the Department of Education: The Public and the Schools Need to Know the True Costs of Education

Summary

This is the fourth annual fiscal accountability report of the Department of Education required by Section 302A-1004, Hawaii Revised Statutes (HRS). Through these audits, we stress the value of adhering to the fundamental fiscal accountability standard of collecting, storing, and disseminating accurate expenditure information.

In\$ite - The Finance Analysis Model for Education™ (In\$ite) is a computer program designed to report educational expenditures by location, function, and program. In this report, we assess *In\$ite* and review annual reporting requirements stipulated in Section 302A-1004, HRS.

We found *In\$ite* to be an inexpensive, easy-to-use computer program that reports education expenditures by location, function, and program. It generates useful information. Its clear and useful reports clarify how educational dollars are spent, and it can help increase fiscal accountability as well as facilitate the process of school-based decision making. We also found that the department's expenditure reports are not as useful as those generated by *In\$ite*. None of the department's reports that we reviewed display expenditures by location, function, and program.

Finally, we found that Section 302A-1004(b), Hawaii Revised Statutes, needs to be revised to clarify responsibilities of the Department of Education. This section requires the Auditor to report Department of Education expenditures to the Legislature. By requiring the Auditor to perform this task for the Department of Education, the statute absolves the department of responsibility for reporting its own expenditure information to the Legislature.

Section 302A-1004 requires an expenditure report with respect to six functional areas. Amending the statute to require the department to submit reports along the five major functions specified in *In\$ite* would result in more useful expenditure data for legislative review.

Recommendations and Response

The Legislature should recommend that the Department of Education use *In\$ite* to produce expenditure reports by location and function. We also recommend that the Board of Education require the department to use *In\$ite*; present *In\$ite* expenditure reports to the board on a regular basis; and make *In\$ite* reports widely available to departmental and school staff and members of the public. We also recommend that the Legislature amend Section 302A-1004(b) to specifically require the department



to provide an expenditure report by location and function to the Legislature prior to each legislative session.

The Board of Education indicated that it is currently reviewing *In\$ite* and will consider its implementation. The department indicated that it would implement the program if required to do so. However, the department questions whether *In\$ite* will provide useful information to DOE personnel.

We stand by our assessment. Our review plus the successful implementation of *In\$ite* in other jurisdictions shows that *In\$ite* reports can help DOE personnel make better decisions about programs and operations. Collecting and reporting this information is not simply a compliance or monitoring issue. Accurate and relevant expenditure information enables decision makers to examine the purpose of their expenditures and determine new priorities when necessary.

The department also asserts that *In\$ite* does not compare allotments to expenditures. In fact, *In\$ite* can report allotment as well as actual expenditure information. Although the program has the capability of analyzing allotments and expenditures, we chose to concentrate our review on the program's ability to analyze and report costs.

The department has misinterpreted our discussions with department staff and our review of *In\$ite*'s ability to report expenditures by program. An analysis of program cost data would be meaningful to the department. To take full advantage of *In\$ite*'s capabilities of analyzing and reporting costs by program, the department would need to revise its method of collecting and categorizing program costs. This would include a possible modification of account codes.

The department also states that its implementation of the program may result in different financial information from what we provided in Appendix D. Although the mapping and allocation schemes that we developed are not intended to be prescriptive, they were developed after careful review of the department's expenditure data and consultation with department staff. Should the department implement *In\$ite*, the expenditure data should not be significantly different from what we have presented.

The department asserts that in addition to the initial cost of the program, the department will require a full-time position. The department already possesses the program. With regard to the need for additional personnel, we reiterate that the program is easy to install, easy to implement, and relatively simple to update.

The department also felt that Section 302A-1004(b) should be amended to require other state agencies to submit to the department information on the costs those agencies incur on behalf of the DOE or its students. Our office had no difficulty securing such information from other state agencies. Additional amendments to accommodate departmental concerns are not needed.

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