

OVERVIEW

Fiscal Accountability Audit of the Department of Education: Do Measures of Effectiveness Impact Funding Decisions?

Report No. 03-09, June 2003

Summary

The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which directs the Office of the Auditor to conduct post-audits of the transactions, accounts, programs, and performance of all departments and its political subdivisions. This is our seventh fiscal accountability report of the Department of Education. It reviews the department's measures of effectiveness included in *The Multi-year Program and Financial Plan and Executive Budget* (PFP). This audit was prompted by concerns about the validity of the measures presented by the department.

We found that the Department of Education has neglected to embrace the principles of planning, programming, and budgeting (PPB) and has only minimally complied with statutory requirements. Instead of becoming a catalyst for better management and fiscal decision-making, PPB has been relegated to becoming "just another reporting requirement." The disregard for PPB is demonstrated by the department's failure to develop components that are essential for the system to succeed. Specifically, the department has not oriented its program managers' focus from reporting requirements to program objectives as intended by PPB. Program managers also lack adequate training and the department has yet to develop a comprehensive program analysis and evaluation system.

In addition, we found that the department's measures of effectiveness in the executive budget are irrelevant, inaccurate, and ambiguous. Measures are unrelated to program objectives and are based on assumptions, estimates, and unverified data. As a result, legislators are denied potentially valuable information and some may be basing their fiscal decisions on flawed data. The Department of Budget and Finance has contributed to this problem because it has not fulfilled its responsibility of providing systematic analysis and assisting departments.

We also found that the Department of Education has implemented a patchwork of ad hoc projects to address accountability and evaluate its programs' resources. However, these efforts are not linked to the State's PPB system and some of these efforts perform functions similar to those that should be part of PPB. Such duplication results in wasted effort and resources. For example, the department's strategic plan is not based on PPB long-term plans and objectives and its program review does not evaluate achievement of PPB objectives. In addition, new objectives and key performance indicators do not follow the existing budget program structure. Inconsistencies in the presentation with statewide guidelines make it more difficult for stakeholders to evaluate and interpret the department's performance information.



Our findings confirm the conclusions of a 1998 performance budgeting committee that PPB did not provide satisfactory information, existed in form only, and required substantial improvements to render it useful and meaningful. Although PPB requires substantive changes, the committee found that the system should not be replaced. Instead, PPB could be modified within the current framework to function as a performance-based budgeting system. Positive results in other states with similar systems demonstrate the value of performance budgeting. To clarify the utility and realize the potential of Hawaii's PPB system, studying best practices in performance budgeting and legislative and executive involvement and leadership will be needed.

Recommendations and Response

We made a number of recommendations to the Board of Education, the superintendent of education, and the Legislature that revolve around updating the PPB system in order to adopt best practices in performance budgeting.

In its response, the department agreed that the State's PPB system should be updated and acknowledged the need to develop clear, appropriate, objective, and quantifiable performance measures. However, the department disagreed that it failed to comply with the requirements of the State's PPB system even though it has compiled and reported invalid measures of effectiveness over many years. The department reports that it has been or is endeavoring to address the areas covered in the report's recommendations.

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