

OVERVIEW

Management Audit of Kailua High School

Report No. 06-06, September 2006

Summary

This audit of Kailua High School is the first regular public school audit performed by our office. The school was selected in part because of reported questions about its athletic program and fundraising efforts.

Historically, Kailua High School has relied on the Department of Education for strategies to improve student outcomes. Lacking the drive and commitment to improve, however, its efforts to bring reform into its classrooms have not resulted in discernible change in student outcomes over a ten-year span.

Kailua High School finally committed to a proven improvement program for the first time under the leadership of its current principal. The plan is targeted for implementation in SY2006-07. With the enactment of Act 51 in 2004, and its requirements for more proactive and responsible schools, Kailua High's plan offers the hope of school reform into its classrooms. Act 51 also mandates that each school have a school community council. This council can fulfill an important role in the school improvement process. However, its function needs to be clarified and membership selection criteria should be changed to ensure greater independence.

While school leadership focuses on education improvement, however, school management and administrative oversight are being shortchanged. The leaders struggle with the business aspects of running a school, with the principal relying almost exclusively on clerical business office staff to manage its \$10 million operations and \$2 million inventory. And while our audit findings for one school cannot be extrapolated to all schools, the deficiencies evident at Kailua High suggest that other Hawai'i schools may be similarly unprepared to shoulder the additional responsibility delegated by Act 51.

Kailua High's principal has placed low priority on maintaining adequate financial records and accounting for and protecting resources. Almost half of the school's \$2 million inventory may be fictitious as school staff do not have clear responsibility assignments, support, and oversight over its assets. We could not locate \$500,000 worth of equipment in our sample and also found items not on the official inventory. Teachers are supposed to keep track of assets they use or move but the requirement is not enforced and teachers do not cooperate. We observed very few pieces of equipment with state decals.

The school's fund raising and athletic programs further illustrate the school's departure from sound financial practices and noncompliance with departmental requirements. Its administration of its \$200,000 in non-appropriated funds is casual. Funds raised for athletics co-mingled with personal funds, thousands of dollars collected for student activities not deposited in a bank for days, recording



of monetary donations in unrestricted accounts instead of trust accounts—these were but a few of the practices we found that may have implications for the entire school system.

In the school's athletic program, numerous questionable personnel and fiscal practices raise concern. Coaches have been hired and rehired and some have even finished their seasons before background checks were completed or done at all. Moreover, we found coaches' salary funds disguised for other athletic purposes, such as collecting gate receipts. Over the last five years, 15 individuals were paid in this fashion.

To the extent that the above practices may also be occurring at other schools, the expectations of Act 51 for schools to transition into educational institutions where every student succeeds will take many more tools and support from the Department of Education.

Recommendations and Response

We recommended that Kailua High School's leaders follow through on improvement plans, using school-specific performance indicators to establish goals, track progress, and report their accomplishments. To improve the administration of its \$10 million budget and its athletics program, we recommended consistent adoption of sound business practices.

We recommended that the school community council recruit its members based on expertise and that it play an active part monitoring the school's progress.

We recommended that the Board of Education and the Department of Education ensure that public schools have access to needed expertise and sufficient fiscal flexibility to implement the school reforms intended by Act 51. In addition, the department should improve training on compliance with its administrative policies and procedures and reduce some of the burden of maintaining school inventories. We also recommended that the Legislature consider amending Section 302A-1124, Hawai'i Revised Statutes, to remove mandated representation on school community councils and allow the councils to recruit and elect their membership as self-constituting entities.

The Department of Education generally welcomed the findings and recommendations and expressed a commitment to their implementation. It also described a number of measures planned or already underway to strengthen management of Kailua High School's administration and athletics program. Finally, the department maintained that the school community council's composition was designed to speak for the local school community, including parents and students.

Marion M. Higa
State Auditor
State of Hawai'i

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawai'i 96813
(808) 587-0800
FAX (808) 587-0830