

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Audit of the Administration of Personal Services Contracts in the Department of Education

Summary

The Office of the Auditor initiated this audit because of the size of the Department of Education (DOE), the amount it spends on personal services contracts, and the administrative flexibility and autonomy it enjoys.

We found that the DOE has expended millions of dollars for additional personal services from several thousand vendors without knowing whether the expenditures have furthered its educational mission. It does not know how much is being spent, much less for what purposes and with what results. The DOE has not controlled or assessed the need for these services since there is a great deal of variability in their use among schools, districts, and state offices. The DOE is unable to explain how the funds are spent or why they are distributed so unevenly.

We found that the DOE's approach to personal services contracts creates considerable bureaucratic paperwork but still fails to ensure efficiency, economy, fairness, and open competition. It has offered little central guidance. Nowhere is the initiation process described or the individual steps specified. We also found that responsibilities for managing these contracts are unclear and inappropriately assigned; policies and procedures are outdated, cumbersome, and inadequate; and uncertainty and inconsistency surround the several ways in which additional personal services are acquired.

Many of those receiving contracts are also DOE employees. But the department does not know how many fall into this category or whether the contract work conflicts with their regular work. We found that about a quarter of the contracts above \$1000 and 59 percent of the contracts of less than \$1000 went to DOE employees. In a number of instances the work was similar to or extensions of the employees' normal work.

In addition, laws and policies against parceling are being circumvented, especially by the Office of Personnel Services. Virtually no competition exists. Further, we found that the dating and timeliness of personal services contracts need to be greatly improved, and control over small expenditures is excessive while overall control is ineffective.

Recommendations and Response

We recommend that the superintendent of education establish a management system for the acquisition of additional personal services. The system should include policies and procedures to ensure the educational effectiveness of the services, fair and open competition, efficiency, economy, and compliance with all laws and rules on procurement. The Office of Personnel Services should be assigned the responsibility of ensuring compliance with all personnel laws, rules, policies, and state ethics laws. The system should also ensure that additional services acquired from DOE employees are appropriate and proper and generate sufficient data to allow for an assessment of the effectiveness, propriety, and efficiency of expenditures. Further, the system should ensure open competition by preventing the practice of parceling and fostering competition for small purchases. The DOE should implement and enforce procedures for accurate dating and timely processing of contracts and establish appropriate levels of control to eliminate unnecessary paperwork and processing.

The DOE responded that it agrees with some of the findings and disagrees with others. It says that it is aware of the issues and most of them have been resolved or are in the process of being resolved.

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