

# OVERVIEW

THE AUDITOR  
STATE OF HAWAII

## Fiscal Accountability in the Department of Education: How Accurate Are Textbook Costs?

### Summary

This review of the costs of textbooks and other instructional materials is our third annual fiscal accountability report of the Department of Education required by Section 296-92, Hawaii Revised Statutes (HRS). Our two previous fiscal accountability reports found that the department could not provide reliable reports on its operational costs—thus failing to comply with the fundamental fiscal accountability standard of collecting, storing, and disseminating accurate expenditure information.

In this report, we review and assess the accuracy of the reported costs of textbooks and other instructional materials in the public schools for FY1995-96. During this period the department reported expenditures of approximately \$4.1 million for textbooks and \$15.9 million for educational supplies.

Despite a financial management system that should provide the department with accurate, timely, and comprehensive financial information, we find the department's textbook and other instructional materials expenditure data to be unreliable. The department's Financial Management System (FMS) allows schools to record and monitor their purchases electronically. As they do so, schools input specific codes to identify: (1) the school being charged for the purchase, (2) the applicable program which indicates why the purchase is made, and (3) the type or class of item being purchased. The last element is known as the Object Code, and it is at this level that the costs for specific materials such as textbooks and other supplies are captured.

The department has not clearly defined the two Object Codes (textbooks and educational supplies) under which schools typically account for the purchase of most instructional materials. Lacking clearly defined Object Codes, school personnel may assign inappropriate codes when purchasing instructional materials. This defeats the purpose of a coding structure, which should be used by management to effectively capture useful expenditure information. We reviewed 310 purchase orders at 15 schools and found that 16 percent of the purchase orders contained definite coding errors. We also noted that 27 percent of the elementary schools reported less than \$1,000 in textbook expenditures in the past fiscal year.

We also found that the department's account code structure is incomplete and does not account for the actual costs of instructional materials. Schools no longer rely solely upon hardcover books for instruction in core subjects such as reading, mathematics, and science. They may use such materials as CD-ROMs for instructional purposes. Some elementary schools may rely upon activity books,



workbooks, and paperbacks rather than basals for reading, and manipulatives or hands-on learning tools for mathematics. With the increased use of CD-ROMs, manipulatives, and other materials, a “traditional” definition for textbooks no longer applies. Revising the account code structure to capture the purchases of such diverse types of instructional materials would be beneficial to the schools, the department, the public, and the Legislature.

---

## Recommendations and Response

We recommend that the department develop clear code definitions and guidelines on how textbook expenditures should be coded in the department’s Financial Management System. We also recommend that the department provide training to school level personnel on how to properly code expenditures for textbooks and other instructional materials. Finally, we recommend that the department update its coding system to account for the purchase of “textbooks” which do not meet or fit the traditional textbook definition.

The Department of Education indicated that it would take steps to comply with the three recommendations in the report. The department also provided additional comments on the variability of textbook expenditures among schools and on the school planning process. The department believes that it is not the coding of expenditures that leads to educational improvements, but the appropriations of materials for each school. Our point is that decisions on how much to spend for textbooks and instructional materials should be based on an accurate knowledge of what is currently being spent.

---

**Marion M. Higa**  
State Auditor  
State of Hawaii

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