

# OVERVIEW

## *Fiscal Accountability Audit of the Department of Education: Analysis of Selected School Expenditures*

Report No. 00-14, September 2000

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### Summary

This audit is our sixth fiscal accountability audit of the Department of Education. This time we demonstrated the kinds of information that can be generated by a tool like *InSite – The Financial Analysis Model for Education™*. Such information could assist in making decision about the public school system. We applied *InSite™* to the educational expenditures for FY1998-99 to determine per pupil spending, school-by-school spending, and spending by such functions as instruction and instructional support. We also assessed the department's expenditure reports that are required by Section 302A-1004, HRS.

*InSite™* is a computer software program designed to report educational expenditures by location, function, and program. Inputting data obtained from the department into *InSite™*, we generated a number of reports and analyzed the potential for these reports to provide essential information to facilitate decision making about the public school system. We found that *InSite™* reports can provide useful information for:

- Trend analyses: Identification of spending patterns may show changes in priorities over time. For example, over a four-year period, special education per pupil costs increased by 28.8 percent while general education costs increased by slightly more than a total of 5 percent.
- Deviation analyses: Identification and determination of why spending may vary from specified norms, averages, or standards. For example, schools that have significant variation from average school expenditures can be identified to permit more in-depth analyses of causes for those departures from the norm.
- Comparison analyses: Spending patterns can be compared to determine the reason for cost variations among schools. In our sample, we found that expenditure differences between two similar schools could be attributed to the differences in the number of special education students enrolled in one of the schools.
- Cost/outcome analyses: Reviewing costs compared to educational outcomes can be helpful to assess program effectiveness. In our example, we found that in FY1998-99 a school complex in compliance with the requirements of the *Felix* consent decree spent as much as \$1,550 per pupil less than the statewide average while another complex that was not in compliance spent \$770 more per pupil than the statewide average.

We determined that the State spent \$6,998 per pupil in FY1998-99. These costs included moneys spent not only by the Department of Education but other departments as well. We calculated, for each public school, the per pupil costs for face-to-face teaching and other functions. These school-by-school reports are contained in Appendixes C and D.



We also examined the extent to which the Department of Education met the fiscal accountability reporting requirements specified in Section 302A-1004, HRS. While the department met the requirements, we found that the department's reports were not as useful and detailed as those produced by *InSite*<sup>TM</sup>. The department's reports only allowed for limited comparative analysis. Moreover, the department's procedure for providing expenditure information needs improvement.

Finally, we found that provisions of Section 302A-1004, HRS, do not meet the reporting requirements intended in Act 199, Session Laws of Hawaii 1999. As a result, meaningful comparison of expenditures by schools, programs and functions is not possible.

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## Recommendations and Response

We recommended that the Board of Education require the Department of Education to provide reports of greater detail similar to those produced by *InSite – The Financial Analysis Model for Education*<sup>TM</sup>. We also recommended that the Legislature expand the reporting requirements under Section 302A-1004(b), HRS, to include meaningful comparisons of expenditures. The reporting requirements should include, at a minimum, program expenditure and per pupil costs by location, function, sub-function, and program.

The department responded that it appreciates our findings on its reports and compliance with Section 302A-1004, HRS. This, however, was simply our observation not our findings. We reiterate that our finding is that the department's expenditure reports were not as useful and detailed as those available in *InSite*<sup>TM</sup>.

The department also responded that it agrees with our perspective on analyzing fiscal data and will provide reports of greater detail similar to those produced by *InSite*<sup>TM</sup> to the Legislature and the Board of Education. We emphasize here that this is a major shift by the department in finally acknowledging that our information is more useful.

While acknowledging that the analysis of selected expenditures might stimulate useful dialogue on educational policy, programs, and practices, the department was concerned that overly simplistic answers may result. However, our analyses are intended to demonstrate how programs such as *InSite*<sup>TM</sup> can provide the information needed to conduct more detailed examinations.

Finally, the department contends that our office is advocating the use of *InSite*<sup>TM</sup> and implied that the program is outdated. *InSite*<sup>TM</sup>, similar to other types of software programs, has been upgraded since its 1995 introduction. We also reiterate and emphasize that while we found that the *InSite*<sup>TM</sup> program can provide very useful information for decisionmakers, we recommend that a program similar to *InSite*<sup>TM</sup> be used by the department.

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