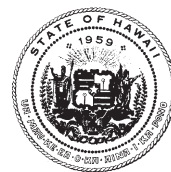

Status Report on Administrative Flexibility Granted to the University of Hawaii and the Department of Education

A Report to the Governor and the Legislature of the State of Hawai'i

Report No. 91-8
February 1991



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. Financial audits attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. Management audits, which are also referred to as performance audits, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called program audits, when they focus on whether programs are attaining the objectives and results expected of them, and operations audits, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. Sunset evaluations evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. Sunrise analyses are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. Health insurance analyses examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. Analyses of proposed special funds and existing trust and revolving funds determine if proposals to establish these funds are existing funds meet legislative criteria.
7. Procurement compliance audits and other procurement-related monitoring assist the Legislature in overseeing government procurement practices.
8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.
9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawai'i's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



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OVERVIEW

THE AUDITOR
STATE OF HAWAII

Status Report on Administrative Flexibility Granted to the University of Hawaii and the Department of Education

Summary

In 1986, Act 321 granted the University of Hawaii and the Department of Education the flexibility to manage their fiscal operations. The Legislature asked the auditor to evaluate the impact of this legislation and the progress made on educational assessment at these two agencies.

Under the flexibility legislation, the university has provided fiscal services in a more timely manner. It has monitored its progress and has been able to measure improvements along the way. The impact of the legislation on the Department of Education could not be ascertained because the department has done little in the way of monitoring.

Both departments continue to follow a practice that is unfair to vendors and inconsistent with practices of other state agencies. When they are late in paying vendors, they pay the interest penalty only when billed for it. State practice is to pay the interest automatically whenever it becomes due.

Progress in assessing the success of educational programs and activities is slow. Systemwide coordination at the university has been given little attention. The elements of the Department of Education's "educational assessment and accountability system" will not be known until the end of 1994. Although each agency has identified those assessment areas requiring coordination, a plan for action has not yet been developed.

Recommendations and Response

We recommend that the Department of Education develop the means to monitor its fiscal activities. Both agencies should conform with state law in paying interest penalties. And both agencies should continue to work on educational assessment. We also recommended that the Legislature require the Department of Education to report to the 1994 session on its assessment system. The two agencies should formulate a plan for assessing the interrelationships between the two programs.

The university said it is committed to establishing an effective systemwide program of educational assessment. The Board of Regents adopted a

policy on this in 1989. The Department of Education found the recommendations on educational assessment to be helpful, but disagreed with parts of the report that emphasized "immediacy at the expense of quality" and which did not "reflect a full review of past and current accomplishments." It also disagreed with our recommendation to change its vendor payment practices.

Background

Act 320 of 1986 provided the University of Hawaii and the Department of Education with some flexibility in such budgetary matters as the quarterly allotment of funds and the transfer of general fund appropriations. Act 321 of 1986 transferred certain fiscal services to the two agencies from the Department of Accounting and General Services.

The auditor's reports submitted to the Legislature in 1987, 1988, and 1989 presented our findings and recommendations on implementing these changes and on the progress made by both agencies in educational assessment. Based on the recommendation in our last report, the Legislature extended the acts for another five years. In 1994, the auditor is to recommend to the Legislature whether the administrative flexibility should be continued.

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**Status Report on Administrative
Flexibility Granted to the
University of Hawaii and the
Department of Education**

A Report to the
Governor
and the
Legislature of
the State of
Hawaii

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 91-8
February 1991

Foreword

In Acts 320 and 321, SLH 1986, the Legislature granted the University of Hawaii and the Department of Education administrative flexibility in certain budgetary and fiscal matters. Act 371, SLH 1989, requested the auditor to assess the impact of Act 321, SLH 1986, which grants administrative flexibility in fiscal matters. It also requested the auditor to evaluate the progress of educational assessment activities at the two agencies. This report presents our findings and recommendations on the implementation of the administrative flexibility legislation and educational assessment programs.

We acknowledge the cooperation and assistance of the University of Hawaii and the Department of Education.

Newton Sue
Acting Auditor
State of Hawaii

February 1991

Table of Contents

Chapter 1 Introduction and Background

Background	1
Objectives of the Evaluation	4
Scope and Methodology	4

Chapter 2 Review of Administrative Flexibility and Educational Assessment

Findings	7
Act 321 Improved UH Operations But Impact on DOE Is Unclear	7
Vendor Payment Practices Continue to Be Unfair	10
Progress On Educational Assessment Is Slow	11
Recommendations	15

Notes	17
--------------------	----

Responses of the Affected Agencies	19
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List of Tables

Table 2.1: Effectiveness Measures of Fiscal Services and Procurement and Property Management at the University of Hawaii	9
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Chapter 1

Introduction and Background

Act 371, SLH 1989, directs the auditor to assess the impact of Act 321, SLH 1986, which grants administrative flexibility in fiscal matters to the University of Hawaii (UH) and the Department of Education (DOE). It also asks the auditor to evaluate the progress of educational assessment activities at the UH and DOE. This is the first of two reports submitted pursuant to Act 371.

Background

The Hawaii State Constitution accords special status to the executive boards of the State's two educational agencies. It gives the Board of Education and the Board of Regents jurisdiction over the internal organization and management of their respective agencies.

To give the university more responsibility for its internal management, the governor in September 1985 granted administrative flexibility to the institution and directed the Department of Budget and Finance (B&F), the Department of Accounting and General Services (DAGS), and the Department of Personnel Services (DPS) to work with the university on an orderly transfer of its new responsibilities.

Flexibility legislation

In 1986, the Legislature in Acts 320 and 321, SLH 1986, granted the university and the DOE administrative flexibility over certain budgetary and fiscal matters. Act 320 required B&F to establish allotment ceilings for the two agencies, limited the scope of B&F's review of quarterly allotments, and allowed the two agencies to transfer, without executive approval, general fund appropriations between programs and cost elements.

Act 321 transferred the preauditing function from DAGS to the two agencies and empowered them to make disbursements for payroll and other operating expenses. Act 321 authorized the UH and DOE to install their own accounting systems and to develop their own business and accounting forms. The act also transferred the authority to approve bid waivers from the governor to the Board of Regents and the Board of Education.

Acts 320 and 321 were due to expire on June 30, 1989. Based on the recommendation of the auditor, the Legislature extended the administrative flexibility legislation for another five years under Acts 370 and 371, SLH 1989. Act 371 amended the previous flexibility

legislation by deleting the authority of the university and the DOE to handle the payroll function and adding a provision authorizing the governor to suspend temporarily the exemptions granted under Act 321 if they impair the ability of the governor to manage the financial resources of the State. From 1990 to 1994, the university and the DOE are required to submit to each legislative session an annual report on the progress of their educational assessment activities.

In addition, Act 371 directed the auditor to evaluate in two phases both the impact of Act 321 on the two agencies and the progress of their educational assessment activities. The first report is to be submitted in 1991 and the second in 1994. In the final report, the auditor is to recommend whether administrative flexibility should be continued.

Previous reports on flexibility

In 1987, 1988, and 1989, the auditor submitted to the Legislature three reports directed by Acts 320 and 321. A brief summary of our findings and recommendations follows here.

First interim report, 1987

A few months after the flexibility legislation went into effect, we reported that the university was able to assume responsibility for almost all of the functions covered by the legislation. The DOE chose to implement the legislation on an incremental basis. At that time, authority and responsibility for budget execution, preauditing, and certain purchasing activities had been transferred from B&F and DAGS to the DOE. Like the university, the DOE deferred action on the transfer of the payroll function until it could develop a comprehensive personnel management and information system.

In attempting to evaluate the impact of the legislation on the UH and DOE, we concluded that it was not possible within the limited time to correlate changes in administrative procedures and business operations with the quality of education being provided by the UH and DOE. At the same time, we stressed the importance of assessing the quality of education, identifying assessment as one means of achieving accountability in the field of education. We recommended that the university and DOE develop educational assessment plans and consider the interrelationship between higher and lower education.

Second interim report, 1988

In our second report, we found that Act 320 had not reduced the amount of paperwork required for the allotment process at the university. Paperwork had, in fact, increased. The university and

B&F had different interpretations about what types of allotment transfers between programs required centralized review and approval. We also found that in one instance the university had circumvented the transfer process by moving funds from one program to pay for the expenses of another. We recommended that the university and B&F review the process of allotting funds to the university and that the university make all transfers through the formal allotment process.

The vendor payment function was transferred from DAGS to DOE, effective July 1, 1987. A separate financial audit of the university did not reveal any serious deficiencies in the fiscal operations transferred to the UH from DAGS under Act 321.

We also found that the university would not assume responsibility for the payroll function mainly because of the high costs of starting such a project. The DOE, however, again deferred action on the transfer of the payroll function. It was developing a financial management system intended to eventually accommodate the payroll function. We recommended that the university's decision regarding the payroll function be accepted. We recommended that the DOE exercise caution in its efforts to assume the payroll responsibility and that the Legislature request that the DOE submit its plan for this action.

We found that the two agencies had done little in concert to assess the quality of education. We reiterated the recommendations of our first report, proposing that the university and DOE develop plans to assess the quality of education and consider interrelationships between higher and lower education. We also recommended that they submit to the 1989 Legislature their plans in this area.

Final report, 1989

We reported that implementation of Act 321 at the university had proceeded in a timely manner, appeared to be working smoothly, and had been well-received by the university community.

A little more than a year after the transfer of vendor payments, the DOE was paying vendors in a timely manner. We noted, however, that the amount of interest the DOE paid on late vendor payments may not have been a good indicator of timeliness because the DOE paid the penalty for late payments only when a vendor submitted a bill. This practice was also being followed by the university. We recommended that the university and the DOE bring their procedures for interest on late payments into conformity with those of DAGS.

We expressed our reservations about the compatibility of the DOE's proposed financial management system with the educational reforms being considered by the DOE. The DOE was still planning to incorporate the payroll function into its new financial management system. We felt that such action was unwise and unjustified.

We recommended that administrative flexibility be extended for another three to five years to allow more time to assess the impact of this legislation. In amending Act 321, we recommended that the Legislature keep the payroll function with DAGS and that the DOE halt its efforts to assume responsibility for this area.

We found that Act 320 did not significantly affect the allotment processes of the university and the DOE. We recommended that Act 320 be extended for another three to five years with an amendment to require executive approval of transfers over a certain limit.

Support for assessment had increased at the university but we found a need for a more coordinated approach. We found that the DOE's assessment efforts had faltered, and we cited certain deficiencies in the DOE's School Performance Report Card and its development of an assessment plan. Both agencies had paid little attention to coordinating their assessment efforts. We recommended that the Legislature request the UH and the DOE to submit to the 1990 legislative session their plans for educational assessment and to describe the implementation steps they had taken.

Objectives of the Evaluation

1. Identify, summarize, and assess the flexibility actions relating to fiscal procedures and operations at the university and the DOE.
2. Identify, describe, and assess the development and implementation of educational assessment plans and programs, including any coordination between the university and DOE.
3. Make recommendations on the implementation of administrative flexibility and educational assessment.

Scope and Methodology

This evaluation focused on the implementation of the legislation on administrative flexibility. Our review was limited to the implementation of Act 321, which involves the fiscal operations of the UH and DOE. (Act 370, SLH 1989, did not require a further review of the implementation of Act 320 on allotment processes.) We also examined the progress of the educational assessment

activities at the university and the DOE since our 1989 final report and followed up on the findings and recommendations of our first three reports.

We interviewed UH and DOE staff responsible for fiscal operations and the implementation of educational assessment plans. We also examined reports and other documents relating to flexibility and educational assessment. We did not test the validity or the reliability of the reports provided to us by the university or the DOE.

This assignment was conducted in accordance with generally accepted government auditing standards except as discussed above.

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Chapter 2

Review of Administrative Flexibility and Educational Assessment

In this chapter, we review the progress of the University of Hawaii (UH) and the Department of Education (DOE) in implementing administrative flexibility and developing educational assessment.

Findings

1. The University of Hawaii continues to provide in a timely manner the fiscal services transferred under Act 321, SLH 1986, as amended by Act 371, SLH 1989. The DOE has done little monitoring of the effectiveness of the flexibility legislation and we therefore could not determine the extent to which fiscal operations have been affected.
2. The two agencies continue to pay the interest penalty on overdue vendor payments only when they are billed for it rather than paying it automatically.
3. Efforts in educational assessment show slow progress. The university has not given enough attention to coordinating a systemwide effort; the DOE is still far from achieving its planned assessment system. The two agencies have not yet marshalled a joint effort to assess the quality of their educational programs.

Act 321 Improved UH Operations But Impact on DOE Is Unclear

Improvements at the university

Act 321, SLH 1986, as amended by Act 371, SLH 1989, granted the university and the DOE authority and responsibility for certain fiscal operations. The major change is that the Department of Accounting and General Services (DAGS) is no longer involved in reviewing and approving fiscal matters.

As a result of this procedural change, we have seen a reduction in the turnaround time for fiscal transactions at the university. The university has been monitoring its fiscal services and its procurement and property management operations. It has established effectiveness measures to compare operations before and after the flexibility legislation went into effect. They include the number of days to make vendor payments, record data in the fiscal system, approve emergency services, and others.

In our first review in 1987, we reported the results of the university's monitoring efforts. They showed some significant reductions in processing time after the flexibility legislation went into effect. Since the university had been operating under the new flexibility legislation for only a few months, the results were preliminary and needed to be confirmed in a future report.

Our final report in 1989 compared the results of the university's monitoring efforts for the year prior to Act 321 with the two years after the act. From one fiscal year to the next, the time for transactions to be completed was reduced (except for completion of advertised procurement bidding).¹

The university applied the effectiveness measures to the same activities for fiscal years 1988-89 and 1989-90. The results for these two fiscal years as well as those for fiscal year 1987-88 (as reported in our 1989 report) are shown in Table 2.1. A comparison between the fiscal years 1987-88 and 1988-89 shows prior improvements were maintained and further improvements made in eleven of the thirteen measures. The table also shows prior improvements were maintained and further improvements made in twelve of the thirteen measures between fiscal years 1988-89 and 1989-90.

From these monitoring efforts, it appears that in the four years since the university was granted administrative flexibility, the flexibility legislation has had a positive effect on fiscal operations. The removal of the requirement for DAGS to review and approve university matters has contributed to improvements in services. As noted in our 1989 report, some of the increased efficiencies may be due to internal organizational and procedural changes occurring at the university at about the same time.

***No monitoring at
DOE***

Except for tracking the processing of vendor payments, the DOE has not monitored its operations to determine the effectiveness of the flexibility legislation. Claims by the DOE about improvements in operations are not sufficient to demonstrate the impact of flexibility. Quantitative evidence is needed. The DOE should develop measures of effectiveness for the fiscal operations affected by the legislation and report on results to the Legislature.

TABLE 2.1**Effectiveness Measures of Fiscal Services and Procurement and Property Management at the University of Hawaii**

MEASURES	NUMBER OF DAYS FOR TRANSACTION		
	FY1987-88	FY1988-89	FY1989-90
Fiscal Services			
Replenish imprest/petty cash accounts	6	7	4
Receive faculty/staff travel advance	11	5	7
Make vendor payments after receipt of documents in Disbursing Office	6	5	4
Receive payment to vendor after satisfactory delivery of goods, services, and invoices	20	15	14
Record data in fiscal system	5	5	5
University funds invested and earning interest	100%	100%	100%
Procurement and Property Management			
Approve emergency services	1	1	1
Approve sole source contracts	4	4	4
Approve hiring of consultants*	1	1	1
Approve negotiations when no bids received	1	1	1
Approve leasing of space	1	1	1
Approve disposition of obsolete and broken equipment	7	6	6
Required time to complete advertised procurement bidding	82	112	105

Sources: University of Hawaii, Fiscal Services Office and Procurement and Property Management Office, 1990.

*Excludes architects, engineers, auditors, attorneys, and contracts exceeding \$25,000.

Vendor Payment Practices Continue to Be Unfair

The university and the DOE continue their practice of not consistently paying vendors the interest on overdue payments. Under Section 103-10, HRS, state agencies are required to pay vendors within 30 days after the delivery of the goods or services. When agencies do not comply with this requirement, vendors are entitled to 12 percent interest on the unpaid amounts. This 30-day requirement took effect on January 1, 1990.² Prior to this date, the law required vendors to be paid within 45 days.

In 1988, legislation was introduced to reduce the vendor payment period from 45 days to 30 days and to require that vendors be automatically paid interest on overdue payments. The DOE testified against the amendment, stating that the "interest due should be handled between the Department and the vendor upon the vendor's request."³ It cited some problems with having an automated system for making interest payments.

In our 1989 report, we found that the university and the DOE paid interest only when vendors specifically billed them for it. We recommended that the UH and DOE conform their practice with that of DAGS. DAGS automatically pays the interest penalty for the executive branch whenever it becomes due. In its response to our 1989 report, the DOE concurred with this recommendation and promised to solve the problems involved with paying interest automatically. The UH did not address this issue in its response to our findings and recommendations.

We find that the university and DOE are still paying interest to vendors only when billed for it. The DOE has no plans to change this practice under the new financial management system. The amount of interest paid may not be a good measure of timely payments. The amount DOE paid in interest payments decreased from \$466 during FY1988-89 to \$300 during FY1989-90. This data should not be construed to show that vendors were paid in a more timely manner, because the amounts include only interest payments *requested* by the vendors. The figures for interest payments *due* to the vendors--the true measure of effectiveness--were not readily available and could not be determined.

The purpose of the 12 percent interest penalty requirement is to encourage prompt payment of bills. The practice followed by the university and DOE of not paying the interest unless they are billed for it circumvents the intent of the law, is inconsistent with state practice, and is unfair to vendors.

Progress On Educational Assessment Is Slow

The educational assessment activities of the university and DOE could be improved. The various units of the university have not yet coordinated their efforts. The DOE is far from developing any indicators for its assessment plan. And as yet, the two agencies have no plan to work together in this area.

Insufficient coordination within the university system

The university has given limited attention to bringing together the assessment activities of its many units. Each unit works separately on its own agenda. The university has just begun to examine systemwide concerns, providing some support for coordinating the assessment activities of the various campuses.

To implement a Board of Regents policy, the university in July 1989 issued an executive policy on educational assessment known as the "University of Hawaii Systemwide Assessment Plan" and submitted it to the 1990 Legislature. The plan makes the university's Office of Planning and Policy responsible for several assessment functions: (1) developing university-wide assessment policies, plans, and guidelines; (2) monitoring compliance with assessment requirements; (3) preparing university-wide assessment reports; (4) implementing executive policy changes in support of assessment; (5) determining assessment activities to measure how well the university system meets state goals; (6) facilitating and coordinating assessment activities spanning two or more campuses; and (7) surveying Manoa students and alumni on their satisfaction with the university.⁴

The university has one project on systemwide issues. It contracted with the National Center for Higher Education Management Systems (NCHEMS) to provide a historical database on students and to address some questions relating to enrollment and system planning. Historical data going back to Fall 1983 will be drawn from the student personal history and registration files for all UH units. The database will support the analyses of such systemwide issues as the effectiveness of preparation by the community colleges, the functions of the UH-Hilo college units, and the experiences of non-traditional students at the Manoa campus.

The Office of Planning and Policy has focused most of its attention on assessment projects at UH-Manoa, and as a result assessment activities there have increased over the past two years. The following is a description of some of the assessment activities at the Manoa campus:

- **UH-Manoa Student Tracking System.** In 1989, the UH contracted with NCHEMS to develop a longitudinal system to track students at UH-Manoa. Similar to one implemented by the community colleges, the system will enable UH-Manoa to follow the progress of undergraduate students over a six-year period. The system began to track students entering UH-Manoa in Fall 1990. Analyses of data will shed light on the effectiveness of admissions criteria, the impact of previous educational background, the experiences of students at Manoa, and other issues.
- **UH-Manoa Freshman Survey.** The UH-Manoa participated in the National Freshman Survey, a joint project of the American Council on Education and the University of California at Los Angeles. The responses of the 1989 UH-Manoa freshmen were compared with national norms.
- **UH-Manoa Faculty Survey.** A national faculty survey was administered to 960 UH-Manoa fulltime undergraduate faculty during Fall 1989. The survey showed that the UH-Manoa faculty are more like than unlike the faculty at other public universities.
- **Other UH-Manoa Surveys.** The Office of Planning and Policy conducted a second survey of graduating seniors in Spring 1990 and the first alumni survey in Spring 1989. The results of these surveys were still being analyzed at the time of our evaluation.

The university has requested three positions for institutional analysts in its 1991-1993 budget request to the Board of Regents. These staff would work on information systems to assess programs and track student performance. Each position would be responsible for a different organizational unit (UH-Manoa, Community Colleges, UH-Hilo/UH West Oahu). The university also requested a position for director of institutional research for the Community Colleges.

The university will need to decide how it will use the significant amount of information it will generate in the next few years. Having developed tracking systems that provide uniform information on the status and performance of students, the university needs to plan how it will use the data to improve its programs.

DOE educational assessment and accountability system unavailable until 1994

The department's current timetable shows that few definitive results will be available to the Legislature in 1994 when it will have to decide whether to continue the flexibility legislation. The DOE schedule for its assessment system is laid out over five years, which means that the system to be implemented will not be known until the end of 1994. The department's plan sets a target date of July 1993 for developing an "analytical methodology" to establish the relationships among "educational indicators." The first statewide report on the effectiveness of the public schools based on this approach is scheduled to be issued in early 1995.⁵

The DOE has made some progress, but it is far from achieving what was intended as the core of its "educational assessment and accountability system." Many activities on these indicators were only recently initiated. Some are being done on a trial basis.

The DOE adopted a model with indicators for "context," "input" and "output." Context indicators include community setting and family demographics. Input indicators include course offerings, staff allocation, and finances. Output indicators include graduation rates, grade point averages, and achievement test results. The DOE plans to assess the performance of public education by examining output indicators in relationship to the input and context elements of the system.

In its plan for educational assessment and accountability, the DOE presented a sample of indicators. Output indicators for all schools include (1) academic performance (Stanford Achievement Test, grade point average, grade retentions); (2) average daily attendance rate; (3) behavior and discipline (index of at-risk behavior, arrest rates by school, suspension rate for Class A offenses such as assault or burglary and Class B misdemeanor charges such as harassment or trespassing); (4) "School Climate" survey; and (5) the National School Recognition Program.⁶ The plan selected other indicators for elementary and secondary schools. All indicators will be reviewed and field-tested.

We had reported on previous DOE efforts to develop a monitoring system. After first proposing the "BOE Monitoring System" in 1986, the DOE--after many revisions--renamed the system the "School Performance Report Card." The department's initial attempt at implementing the report card failed due to questions about the validity of the data collected. The department delayed full implementation of the system until the matter was reviewed by a task force.

As recommended by the task force, the DOE renamed the report card the "School Status and Improvement Report" (SSIR) and

implemented it during the 1989-90 school year. Using an interim set of indicators, the SSIR provides information on input and context as well as limited information on outcome. The DOE is using this system of indicators as a guide on how the elements of the educational system work together to influence educational outcomes, but it has not yet determined how outcomes such as grade point averages correlate with input such as staff allocation.

Other activities are being done on a pilot basis. During school year 1989-90, the DOE pilot-tested a survey to assess the school climate (factors such as emphasis on academics) and the effectiveness of school practices. The DOE also participated in the Trial State Assessment Program sponsored by the National Assessment of Educational Progress (NAEP). The trial testing was limited to mathematics in Grade 8. The NAEP has scheduled release of the report for 1991.

The department is already experiencing delays in meeting certain objectives in its assessment plan. Further delays may extend implementation well beyond 1994. The system is supposed to provide information critical for making decisions on the department's programs and holding it accountable to the general public. The administrative flexibility legislation is due to expire on June 30, 1994. The Legislature's decision as to the continuation of this legislation is to be based on the DOE's ability to account for its actions under the increased freedom granted to it. The DOE should re-examine the timeframe for its assessment system and the educational indicators and take into consideration the deadlines for the flexibility legislation.

Pursuant to Act 371, SLH 1989, the DOE is required to submit annual reports to the Legislature on the progress of its educational assessment activities. Its final report is due in 1994 and by that time, the department should have a complete and clear description of the educational assessment and accountability system.

No plan for coordination between the UH and DOE

We recommended in our previous report that the UH and DOE develop a more unified approach to meeting educational assessment needs in both higher and lower education. Thus far, however, assessment activities are proceeding on a project-by-project basis. The UH and DOE have made little progress in developing a plan. The educational assessment plans of the two agencies address the matter separately, each identifying the areas where the two agencies will work together, but neither really laying out how the two agencies will work out a cooperative approach. The plans mainly describe the type of information that the UH will provide to the DOE.

In the UH educational assessment plan, each campus is responsible for establishing its own procedures for gathering and reporting assessment information. The only reference to coordination of assessment activities is the requirement that each campus provide the DOE with data on the initial placement and first-year academic performance of recent high school graduates.

The DOE implementation plan has some general statements about goals. One goal is to “work collaboratively with the University of Hawaii system to coordinate educational assessment activities.”⁷ The four sub-objectives identify individual activities to be carried out: (1) coordinate efforts with the UH Office of Planning and Policy to reinstate freshmen performance reports; (2) work with the UH to obtain demographic and performance data on community college students through the Hawaii Community Colleges Student Tracking System; (3) work with the UH to design and develop a student tracking system for students attending the Manoa campus; and (4) assist in providing evaluative feedback to the UH College of Education on first and second-year teacher recruits. The plan does not elaborate on these sub-objectives.

The university is just beginning to assess the performance of students from Hawaii’s public high schools at the Manoa campus. The UH-Manoa student tracking system will look at the effectiveness of DOE’s college preparation curricula. It will assess how graduates of Hawaii’s public high schools do in their English, history and math courses. This effort should lead to more than an exchange of data between two agencies. The UH and DOE should plan how they will work together over time to improve the educational programs.

Recommendations

1. The Department of Education should develop measures of effectiveness to monitor the fiscal activities affected by administrative flexibility. The department should report the results to the Legislature as has the University of Hawaii.
2. The University of Hawaii and the Department of Education should conform with state law in paying interest penalties on overdue vendor payments.
3. The University of Hawaii should continue its efforts to coordinate systemwide assessment activities.
4. The Legislature should require the Department of Education to submit to the 1994 legislative session a report describing its educational assessment and accountability system, including the collection of educational indicators it has developed. The

department should accelerate development of the system and plan to complete it before the 1994 legislative session.

5. The University of Hawaii and the Department of Education should jointly formulate a plan for assessing the interrelationships between the higher and lower education programs.

Notes

Chapter 2

1. Hawaii, Legislative Auditor, *Evaluation of the Administrative Flexibility Legislation Affecting the Department of Education and the University of Hawaii, Act 320 and 321, SLH 1986, Final Report*, Report No. 89-13, February 1989, pp. 14 and 15.
2. Act 389, SLH 1988.
3. Testimony on Senate Bill No. 2318 submitted by Charles T. Toguchi, Superintendent, Department of Education, to Senator Russell Blair, Chairman, Senate Government Operations Committee, February 8, 1988.
4. University of Hawaii, *Executive Policy E5.210*, July 1989, p. 6.
5. Department of Education, *Educational Assessment and Accountability Implementation Plan (1990-1994)*, October 1989, p. 39.
6. *Ibid.*, p. 26.
7. *Ibid.*, p. 19.

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Responses of the Affected Agencies

Comments on Agency Responses

We transmitted drafts of this status report to the University of Hawaii, the Board of Regents, the Department of Education (DOE), and the Board of Education on January 14, 1991. A copy of the transmittal letter to the university is included as Attachment 1. The responses from the university, the Board of Regents, and the DOE are included as Attachments 2, 3, and 4, respectively. As part of its response, the university appended its *Annual Report on the Progress of Educational Assessment Activities at the University of Hawaii as Required by Act 371, Session Laws of Hawaii 1989*. The DOE included as appendixes to its response the *School Completion and Leaver Statistics* and the *1990 Progress Report: A Summary of Educational Assessment Activities Initiated Through the Hawaii State Department of Education*. These documents are not included in this report but are available for review at our office.

The president says that the university appreciates our review and that considerable progress is being made in educational assessment. The university would like to accomplish more and move faster in this area.

In its response, the Board of Regents said that it is committed to establishing an effective systemwide educational assessment program. A significant step was the board's policy on educational assessment which it adopted in January 1989. The board noted that time and additional resources will be needed for the new initiatives.

The Department of Education agrees that a system for monitoring the fiscal activities affected by administrative flexibility would be beneficial. It will examine the monitoring system used by the university to determine whether it would be feasible to implement a similar system. It does not agree with the recommendation that it conform with state law in paying interest penalties on overdue vendor payments, saying that its practice of paying interest penalties only when billed for it is in conformance with law.

Although the department found the recommendations on educational assessment to be generally helpful, it said that there were aspects of the report that were "assertions that were stated as fact that may be misleading; remarks on the pace of development that emphasize immediacy at the expense of quality; and comments on collaboration between the University of Hawaii and the Department of Education that do not reflect a full review of past and current accomplishments."

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813



(808) 548-2450
FAX: (808) 548-2693

C O P Y

January 14, 1991

The Honorable Albert J. Simone
President of the University of Hawaii
2444 Dole Street
Honolulu, Hawaii

Dear Dr. Simone:

Enclosed are three copies, numbers 6 to 8 of our draft report, *Status Report on Administrative Flexibility Granted to the University of Hawaii and the Department of Education*. We ask that you telephone us by January 17, 1991, on whether you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than January 28, 1991.

Mr. Kenneth Kato, Chairperson of the Board of Regents, Mr. Charles T. Toguchi, Superintendent of Education, Dr. Mitsugi Nakashima, Chairperson of the Board of Education, the Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,


Newton Sue
Acting Legislative Auditor

Enclosures

UNIVERSITY OF HAWAII

PRESIDENT

January 22, 1991

Mr. Newton Sue
Acting Legislative Auditor
465 S. King Street, Room 500
Honolulu, HI 96813

RECEIVED
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OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Mr. Sue:

**Subject: STATUS REPORT ON ADMINISTRATIVE FLEXIBILITY
GRANTED TO THE UNIVERSITY OF HAWAII AND THE
DEPARTMENT OF EDUCATION**

The University wishes to thank the Legislative Auditor for the subject report. The professional manner in which the auditor and his staff continue to carry out the difficult task of evaluating the flexibility legislation affecting the University of Hawaii is appreciated.

The University has recently completed another detailed report on the progress of educational assessment activities at the University of Hawaii; a copy is enclosed. Our efforts to make this report as comprehensive as possible delayed its completion and thus its availability to your office as you worked on your report. A review of our annual report provides evidence that the University is making considerable progress in the area of educational assessment. Our "top-down," "bottom-up" approach to this important activity seems to be working quite well. We have established system-wide policy guidance, made efforts to enhance our on-going system reports and studies, and, as resources permitted, added new system activities. At the same time, the campuses have enriched their assessment base with a number of new activities while revitalizing many on-going efforts. We continue to try to enrich our data exchange and coordination with the Department of Education and believe we have made substantial progress in this area over the last several years.

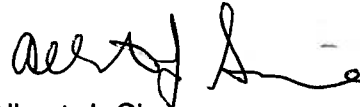
We have made an effort to monitor the manner in which institutions of higher education across the country are responding to the issue of educational assessment. We are satisfied that the overall strategy we have adopted will prove the most effective in the long run. This strategy seeks to build a culture of evidence based on overall policy guidance,

Mr. Newton Sue
Page 2
January 22, 1991

some well chosen system-wide activities, and a wide array of projects at the campus level. Recent guidelines from the Western Association of Schools and Colleges add credibility to the strategy we have adopted. This notwithstanding, we would still like to do more in this area and to move even faster. Our commitment is steadfast, but, with many competing priorities, our progress is constrained by a lack of resources.

Again, we would like to stress that we appreciate your careful review of the University's implementation of the administrative flexibility legislation. We look forward to continuing to work with you as you monitor our progress in this area.

Sincerely,



Albert J. Simone
President, University of Hawaii and
Chancellor, University of Hawaii at Manoa

Enclosure

cc: Dr. Kenneth N. Kato, Chairman, Board of Regents
Board Secretary Tatsuki Shiramizu
University Executive Council



Board of Regents of the University of Hawaii

January 29, 1991

Chairperson

Dr. Kenneth N. Kato

Mr. Newton Sue
Acting Legislative Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813

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OFF. OF THE AUDITOR
STATE OF HAWAII

Vice-Chairperson

Mr. H. Howard Stephenson

Dear Mr. Sue:

On behalf of the University of Hawaii Board of Regents, I wish to thank you for the opportunity to review your draft, "Status Report on Administrative Flexibility Granted to the University of Hawaii and the Department of Education."

Members

Mr. Robin K. Campaniano

Ms. Momi W. Cazimero

Mr. Edward M. Kuba

Dr. Ruth M. Ono

Ms. Diane J. Plotts

Mr. Herbert M. Richards, Jr.

Mr. Roy Y. Takeyama

Mr. John T. Ushijima

Mr. Dennis R. Yamada

The Board sincerely appreciates the professional manner in which the Legislative Auditor continues to carry out its responsibilities. Being particularly aware of the standards expected by the Auditor, the University endeavors to stay on top of things, despite your positive findings relative to exercising our administrative flexibility.

With respect to educational assessment, the Board remains committed to establishing an effective systemwide program. Such efforts, however, will take time to properly address since many of the assessment activities would constitute as new initiatives, requiring additional resources. The Board did take a significant initial step in January of 1989 when we adopted a policy on educational assessment. Since that time, the administration has been setting the stage for the implementation of a systemwide educational assessment program. In the coming biennium, as indicated in your draft, the University will seek new positions for the additional staff work. President Simone will be providing you further details on this matter by separate correspondence.

In the interim, if you have any questions, please do not hesitate to call. Again, thank you for allowing us this opportunity to review your draft.

Sincerely,

Kenneth N. Kato, Chairperson
Board of Regents

Bachman Hall 209
2444 Dole Street
Honolulu, Hawaii 96822
(808) 948-8213

KNK:lt

*An Equal
Opportunity Employer*

cc: President Albert J. Simone

JOHN WAIHEE
GOVERNOR



CHARLES T. TOGUCHI
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION

P. O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

January 28, 1991

RECEIVED

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OFC. OF THE AUDITOR
STATE OF HAWAII

Mr. Newton Sue
Acting Legislative Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, HI 96813

Dear Mr. Sue:

Attached is the Department of Education's response to the Legislative Auditor's report titled, "Status Report on Administrative Flexibility Granted to the University of Hawaii and the Department of Education".

Sincerely,

Kenzo Takato
For Charles T. Toguchi
Superintendent

CTT-jo

Attachments

ON ADMINISTRATIVE FLEXIBILITY

Auditor's recommendation: The Department of Education should develop measures of effectiveness to monitor the fiscal activities affected by administrative flexibility. The department should report the results to the Legislature as has the University of Hawaii.

DOE Comments:

The Department of Education agrees that a system for monitoring the effectiveness of fiscal activities would be beneficial. The Department will examine the procedures used to generate the University of Hawaii report to determine the feasibility of installing a similar monitoring system.

Auditor's recommendation: The University of Hawaii and the Department of Education should conform with state law in paying interest penalties on overdue vendor payments.

DOE Comments:

The Department of Education believes that its vendor payment practice conforms with state law. The policy of requesting separate invoices for late payments is in the best interest of both the State of Hawaii and its vendors. The automatic generation of interest payments to vendors is not a viable DOE procedure at this time. Because of the encumbrance design of DOE's manual accounting system, automatic reimbursement would be counterproductive and cost ineffective.

ON EDUCATIONAL ASSESSMENT

Department of Education Comments:

The Legislative Auditor's 1991 *Status Report* has been useful as a limited review of the progress the Department has made in educational assessment. The Department has reviewed the concerns outlined in the *Status Report*, and we have found the recommendations to be, in general, helpful. There are, however, some portions of the report that beg reply. Specifically, we wish to address three aspects of the report:

- assertions that are stated as matters of fact, and that as such may be misleading;
- remarks on the pace of development that emphasize immediacy at the expense of quality; and
- comments on collaboration between the University of Hawaii and the Department of Education that do not reflect a full review of past and current accomplishments.

Assertions Stated as Matters of Fact

First, on page 11 the report states, "The DOE is far from developing any indicators for its assessment plan." This is an opinion, not a fact, and it is refutable. There are several indicators already at hand that the Department could use in an accountability system if concerns about validity and legitimacy were outweighed by a political need for immediate implementation. For example, we have accurate figures of student enrollment, staff allocations, percentages of students with special needs (e.g., special education, limited English proficiency), number of grade retentions, and standardized achievement test scores in mathematics and reading. Further, the *Hawaii Opinion Poll of Public Education* and the *Effective Schools Survey* could provide additional process (input) or outcome (output) indicators. These, however, would require refinement.

Also, the Department's *Educational Assessment and Accountability System: Implementation Plan* (1989) includes an extensive list of indicators, many of which are reported through the Department's *School Profile Reports*. However, some of the most desirable education indicators have neither been defined nor developed adequately at either state or national levels. These include even such seemingly self-explanatory indicators as graduation rate, dropout rate, and counts of students-at-risk.

Work is in progress at state and national levels to define operationally indicators such as the graduation and dropout rates. Resolving the definitional problems of these two indicators is especially important because estimates of both these rates have been seriously disputed. The calculations thus far published have been neither based on generally accepted criteria nor validated against adequately monitored student cohorts to determine their accuracy. The United States Department of Education's annual State Education Performance Chart ("Wall Chart") is a prime example of statistics that have

been quickly pieced together for political purposes with insufficient regard for data quality and integrity. This is an important point. The Auditor has well noted the adverse result of hasty implementation in the absence of validation in the instance of the School Performance Report Card (page 13). If the Educational Assessment and Accountability System we are developing is to be a long-term resource, useful well into the 21st century, it is imperative that we apply the lessons learned from the School Performance Report Card and develop indicators and methodology that are above question.

A second opinion offered as "fact" appears on page 13, where the report states, "... the system to be implemented will not be known until the end of 1994." This is not true. To the contrary, results on several vital components of the Educational Assessment and Accountability System will be in place, so that a substantial part of the System will be "known" by the beginning of 1994, and informed judgements about its potential success will be possible. It should be emphasized here that our approach is, and is intended to be, *systematic*. Before indicators can be identified and developed, the databases and data must be examined. In some cases, computer programs must be developed to acquire, store, aggregate and retrieve data elements efficiently. Analytical methods must be devised and tested. Those analyses that prove to be most revealing or useful will be incorporated into reports to policy makers, schools, parents and the community-at-large. Reporting formats that are both accurate and interpretable by the public need to be produced. And, follow-up briefings and in-service training on the interpretation of information will be part of the Educational Assessment and Accountability System implementation plan.

Other Departmental accomplishments directly related to the Educational Assessment and Accountability System should not be ignored as sources of indicator data. The *Graduate Follow-Up Survey*, administered by the Department, is a short questionnaire sent out to recent graduates of Hawaii's public schools. The response rate has been as good as or better than typical surveys (over 40%), and the results have been very informative. Still, the *Graduate Follow-up Survey* could be improved. The Department will be attempting to increase the response rates of several salient groups that have been underrepresented in surveys thus far, particularly males and the non-college bound. Similarly, preliminary results from the *Effective Schools Survey* are very encouraging as assessments of the perceptions of parents, teachers and students regarding schools' learning environments, instructional leadership and home-school relationships. Additionally, the *Hawaii Opinion Poll of Public Education*, first administered in 1990, identifies the public's views on subjects comparable to the annual, national *Gallop Poll of the Public's Attitudes Toward the Public Schools*. It also includes items that reflect Hawaii's unique interests.

One additional Department effort, the *School Status and Improvement Report*, deserves more than the brief, passing commentary given in the Auditor's report. Admittedly, its first implementation disclosed problems. However, this instrument has been considerably improved with its second administration. Much of its data is now generated for schools by recently developed microcomputer-based programs. Busy school administrators provide only corrections or information that they alone have. An

initiative directly mandated by the Board of Education, the *School Status and Improvement Report* is also serving well as a de-facto prototype for the Educational Assessment and Accountability System. We have used it to improve data definition and instrument design, as well as to devise data collection, analysis and reporting procedures. This report contains a number of preliminary indicators and was used to prepare *The Superintendent's Report on School Performance and Improvement in Hawaii: Toward Indicators of Educational Quality*, which was presented to the Board of Education in October, 1990.

Pace of Development Emphasizing Immediacy at the Expense of Quality

Our difference with the Auditor's perception on the pace of development also reflects a difference in our outlook. Just as one may see a glass as half empty or as half full, what some may perceive as slow progress on developing the Educational Assessment and Accountability System may be seen as prudent deliberation by others. From the onset we have taken a cautious and deliberate approach in designing, developing, and implementing the Educational Assessment and Accountability System. Let us explain why.

While the Department has recently increased its efforts at systematically assessing student progress, school improvement, and school performance, there have been, particularly in the last two years, unprecedented large scale events directly affecting the course of education in Hawaii. No credible state-wide educational assessment system can ignore the goals outlined by the National Education Summit of the nation's governors or those reached in the Hawaii Education Summits held in June and September of 1990. It is logically sound to include consideration of these recent developments in the formation of analytical procedures, criteria, and standards for educational indicators. An educational assessment and accountability system cannot exist in a vacuum. What we measure and use as indicators of progress or success must bear directly upon the goals and objectives that the public holds for its educational system.

Perhaps the complexity involved in designing, developing, and implementing a state-wide assessment and accountability system can be appreciated by considering the recent work on a single, important indicator: the high school graduation rate. Annually, estimates of graduation rates for each state are reported by the United States Department of Education on its "Wall Chart." Increasingly, educators and researchers throughout the nation have noted major inaccuracies resulting from the "quick and dirty" calculations used by the federal Department of Education. The Hawaii Department of Education recently established an Ad Hoc Group to examine the methods by which the United States Department of Education calculated state graduation rates. Appendix A provides a summary of our findings thus far. As one can readily see, there are good reasons to suspect that the federal figures could be grossly inaccurate for Hawaii. However, it required several weeks of inquiry, deliberation, and review to identify the flaws in federal Department's assumptions and estimation procedures. We have notified the National Center for Education Statistics (the United States Department of Education's research division) of the problems we have identified with their statistical

adjustments and estimation procedures, and we have proposed a set of revised procedures that will much more accurately estimate the four-year graduation rate for Hawaii public schools.

Inadequate Review of University of Hawaii and Department of Education Collaboration

The third and final area we would like to address involves the ongoing collaboration between the University of Hawaii and the Department of Education. The statement at the top of page 11 that refers to an absence of a "plan" with which the University and the Department will work together is misleading. As was mentioned in the *1990 Progress Report: A Summary of Educational Assessment Activities Initiated Through the Hawaii State Department of Education* (Appendix B), this cooperation between both state agencies is one of the most promising areas with regard to facilitating the development of major post-secondary outcome indicators (p. 3). The University and the Department have met many times since 1988 to discuss data needs, current educational assessment instruments, and future plans. The Department is quite clear about the student follow-up data to be extracted and aggregated. Moreover, several University representatives will be assisting the Department as members of the Educational Assessment and Accountability System Advisory Committee. This permanent, standing committee will be a crucial component of the Educational Assessment and Accountability System, as was described in the *Implementation Plan* (1990).

We are extremely interested in how our students fare upon completing high school. The University of Hawaii sought our input early in the design of its student tracking system, currently under development, and has included the elements we specified in its system data requirements. This tracking system will be a valuable resource to the Educational Assessment and Accountability System, and we plan to make considerable use of the data once the system is completed. Meanwhile, we will use the data on post-secondary academic performance of public school graduates available in existing freshmen performance reports. The University sends us copies of enrollment, grade distribution, and other reports at the end of every fall and spring semester.

In conclusion, we emphasize that the Department of Education is developing a very ambitious project. No other state yet has a working, tested model for an educational assessment and accountability system that we could conveniently adopt. Hawaii is among the leaders in conceptualizing and developing a statewide educational assessment and accountability system to provide useful information for school management and educational policy decision making, in addition to informing parents and community about school programs and student performance.