
Management Audit of Kailua High School

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

Report No. 06-06
September 2006



THE AUDITOR
STATE OF HAWAI'I

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.

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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.
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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.

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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.

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Submitted by

THE AUDITOR
STATE OF HAWAI'I

Report No. 06-06
September 2006

Foreword

This is a report on our first audit of a regular public school, Kailua High School. We conducted the audit pursuant to Section 23-4, Hawai'i Revised Statutes, which requires the Office of the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

We wish to express our appreciation for the cooperation and assistance extended to us by Kailua High School and others whom we contacted during the course of the audit.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

The audit of Kailua High School is the first regular public school audit performed by our office. The school was selected in part because it had attracted attention for problems within its athletic program and to address questions raised about its fundraising efforts.

The State Auditor conducted this audit of Kailua High School pursuant to Section 23-4, Hawai‘i Revised Statutes (HRS), which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

Background

Hawai‘i is the only state in the nation with a single statewide school system. In other states, schools are usually administered by local authorities, such as cities or counties. With over 180,000 students, 12,000 full-time teachers, and 285 public schools, including 27 charter schools, Hawai‘i is among the ten largest school districts in the United States.

The public school system

The public school system in Hawai‘i was established in 1840 by King Kamehameha III, making it the oldest public school system west of the Mississippi River. Today, the system is governed by an elected 13-person Board of Education that sets education policies, adopts student performance standards and the means to assess them, and monitors school success. It also hires the superintendent of education. Board membership consists of ten representatives from Oahu and three from neighbor islands. The board also has a non-voting student member.

The superintendent of education, the chief executive officer of the public school system, is accountable for the efficient and effective administration of the public schools. The superintendent is assisted by a deputy and four assistant superintendents, who head the department’s offices of Human Resources; Business Services; Curriculum, Instruction, & Student Support; and Information Technology.

The Hawai‘i public school system is divided into 15 complex areas in seven geographic districts: four on Oahu, and one each on the Big Island, Maui (including Moloka‘i and Lana‘i), and Kaua‘i (including

Ni'ihau). The 27 charter schools are separately overseen by the executive director of the Charter School Administrative Office, who reports directly to the Board of Education.

The department's basic guidelines for its member schools are summarized in its strategic plan. Originally conceived in 1999, a June 2005 version represents the third update. It includes a three-year improvement plan with specific objectives, strategies, benchmarks, and performance measures. The strategic plan also defines the expectations of students as being responsible for their own learning, working well with others, engaging in complex thinking and problem solving, recognizing quality performance and producing quality products, communicating effectively, and using technology effectively and ethically. These expectations, known as General Learner Outcomes (GLO), are intended to be observable behaviors, or evidence, that students have achieved a standards-based education. What constitutes a standards-based education is defined by the Hawai'i Content and Performance Standards. *Content* refers to what a student is supposed to know while *performance* relates to demonstrating that students are in fact proficient in applying the content knowledge. Through the Hawai'i Content and Performance Standards the department has identified achievement/literacy as one of its top student priorities.

The strategic plan includes a long-term vision for the department's future organizational structure that differs markedly from its current structure. This vision empowers school leadership to design unique educational environments and programs in coordination with their communities. Enrollment will be subject to student and parental choice rather than geographic constraints. Services other than those related to ensuring legal compliance currently provided by the department, such as support services in the areas of curriculum development or business administration, would generally be offered for purchase to the schools and, thus, provided only at a school's choice.

**Act 51 envisions
comprehensive
education reform**

Two years ago, the Legislature enacted what it considered education reform with Act 51, Session Laws of Hawai'i (SLH) 2004, entitled the *Reinventing Education Act of 2004*. This law, in concert with decentralization efforts by the Department of Education, sets the stage for a major cultural change in Hawai'i's public school system. The act intends for the control of financial resources, decision making authority, and the responsibility for results to be moved to the school level. In addition, the law established school community councils as a vehicle for improved community input. Finally, the law seeks to reduce the bureaucracy that hampers the Department of Education's effectiveness.

School-level accountability

Act 51 also seeks to change the current system of disbursing funds to individual schools. It mandates use of a weighted student formula that recognizes that some students are more costly to educate than others and distributes funds in a more equitable manner. In addition, Act 51 seeks to increase decision making clout at the school level by increasing principals' budgeting authority and spending flexibility. Under the act, principals and school communities are fully accountable for determining the best method to increase student achievement in their schools.

Reducing the Department of Education's bureaucracy

The Legislature noted that the department's bureaucracy hampered the effectiveness of the public education system. The Legislature addressed this problem and mandated transfer of services and functions provided by other departments to the Department of Education. The Department of Accounting and General Services' facilities repair and maintenance is an example of a function that was transferred. Another streamlining measure of Act 51 is a mandate for all schools to adopt a single school calendar in school year 2006-07.

Strengthened community involvement

The Legislature recognized enhanced community involvement as an important means of improving educational outcomes and public confidence in those outcomes. To that end, Act 51 established school community councils at each public school to allow key stakeholders, including teachers, parents, community representatives, and students, an increased voice in their school. The school community council's statutory functions are to review its school's academic and financial plans and recommend either revisions to or approval of the plans. After plans are determined to be in conformance with the state educational accountability system, the plans are approved by the complex area superintendent and submitted to the superintendent.

Kailua High School

Kailua High School was founded in 1954. It is located within the Pohakupu subdivision, just off the Pali Highway, towards the mountain side of Kailua town. It is one of two high schools making up the Kailua-Kalāheo complex area of the Windward Oahu district. Seven elementary and intermediate schools are grouped with Kailua High School, including Olomana School, an intermediate and high school for at-risk and detained youths. Kailua High School has seen enrollment as high as 3,000 students in 1967. Declining enrollment and the absorption effect when Kalāheo, the nearest peer school, became a high school in 1973, have brought its student count to the current level of around 1,000 students in recent years. The school serves grades 9 through 12. The

Exhibit 1.1 Kailua High School



Source: Kailua High School

majority of the students come from Kailua, Waimānalo, and Kāneʻohe areas as shown in Exhibit 1.2.

Exhibit 1.2 Kailua High School Enrollment and Number of Students from Dominant Geographic Areas, School Years 2001-02 Through 2004-05

	SY2001-02	SY2002-03	SY2003-04	SY2004-05
Enrollment	1,077	1,045	986	987
Kailua	531	506	482	478
Waimānalo	459	422	444	450
Kāneʻohe	48	45	42	36
Other	39	72	18	23

Source: Department of Education

The student body is diverse. Students with a part-Hawaiian heritage represent the largest ethnic group (44.9 percent), followed by Japanese (11.3 percent), Caucasian (10.2 percent), and Filipino (9.2 percent).

Almost 40 percent of the students come from economically disadvantaged families, qualifying them for free or reduced lunches. Over 20 percent of the students are enrolled in special education programs, approximately double the statewide rate and that of neighboring Kalāheo High School.

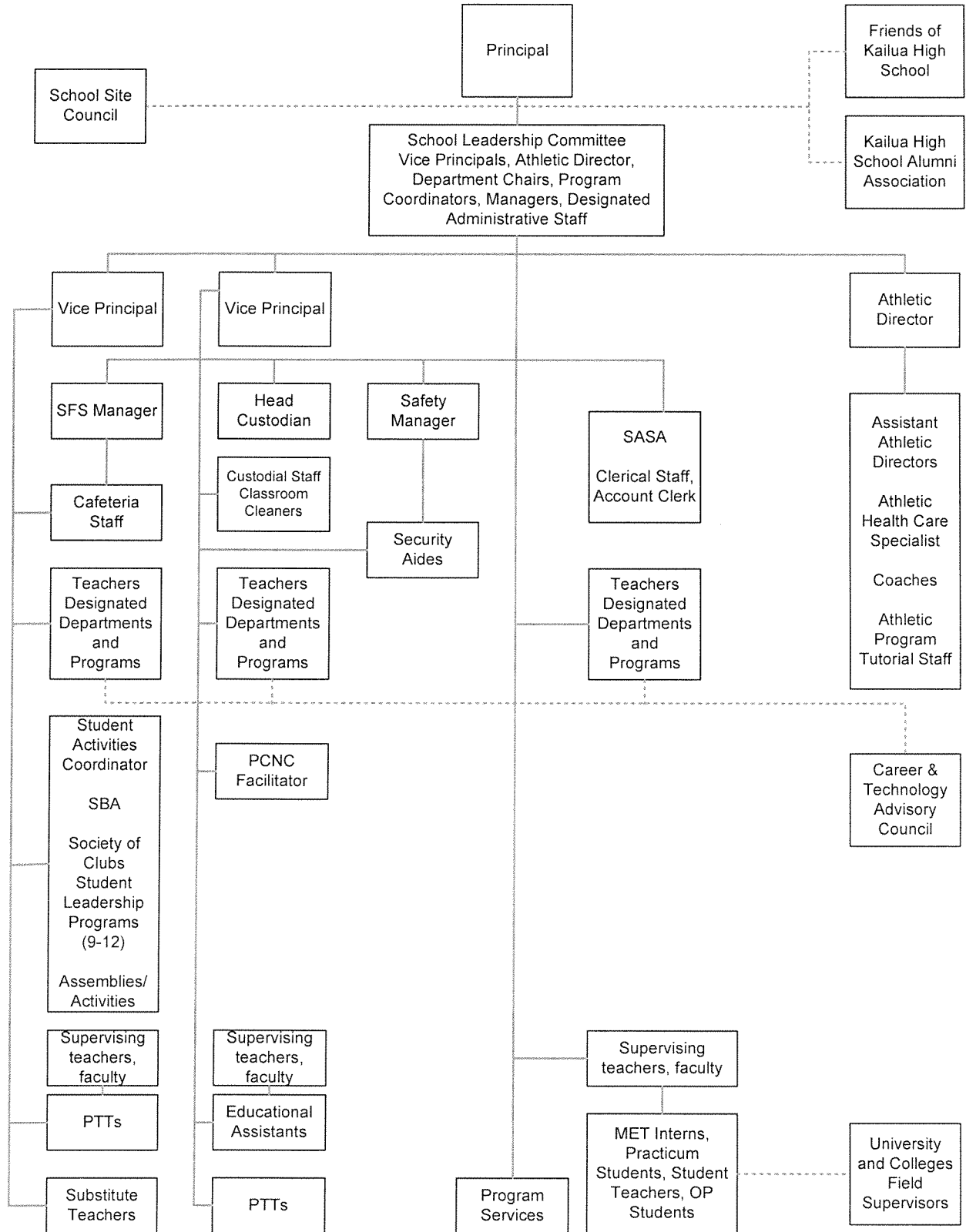
The school's principal provides the strategic direction and leadership for the school, assisted by a school leadership committee. This committee comprises about 30 individuals including the ten department heads. School leadership committee members form various ad-hoc committees needed to address leadership challenges. In addition, a school community council has been formed to assist with planning, principal selection and evaluation, and facilitating community input. The school employs about 160 people, including part-time staff. Teaching staff consists of around 80 full-time and 20 part-time teachers, 16 full-time educational assistants, and nine pre-service teachers with the Hawai'i Pacific University Master's of Education in Teaching program. Twenty-seven employees provide administrative services and logistical support (custodial, security, food services, etc.). The school's organization chart is reported in Exhibit 1.3.

Kailua High School is accredited by the Western Association of Schools and Colleges (WASC). In 2005, the WASC's Accrediting Commission for Schools granted Kailua High School a six-year term of accreditation with a midterm review, expiring on June 30, 2011—the same accreditation that it granted to the school in 1999.

The school has not met required annual progress targets under the federal No Child Left Behind (NCLB) Act. Even so, the school has consistently ranked above the state average academically, in some years even above national averages. Adequate yearly progress (AYP) targets include meeting the NCLB threshold in the scores for specific classifications of students, such as disadvantaged, disabled, students with limited English, and ethnic groups. Disabled students as a group scored below NCLB requirement at Kailua High School, causing it to narrowly miss out on a passing grade with 12 of the 13 targets met in 2005. Exhibits 1.4 and 1.5 provide comparative academic achievement scores for Kailua, Kalāheo, and Castle High Schools for the Hawai'i Content and Performance Standards (HCPS) and Stanford Achievement Tests (SAT) for the four most recent school years. (Note that by presenting only the top section of the graphs, fluctuations between years appear exaggerated. This presentation approach was selected to facilitate a comparison between the various data sources.)

The school is supported primarily by state general funds and federal grants. It also uses its significant community support to obtain resources for programs not funded with public monies. Community groups,

Exhibit 1.3 Organization Chart for Kailua High School



Source: Kailua High School

Exhibit 1.4
HCPS and SAT Reading Scores, School Years 2001-02 Through 2004-05

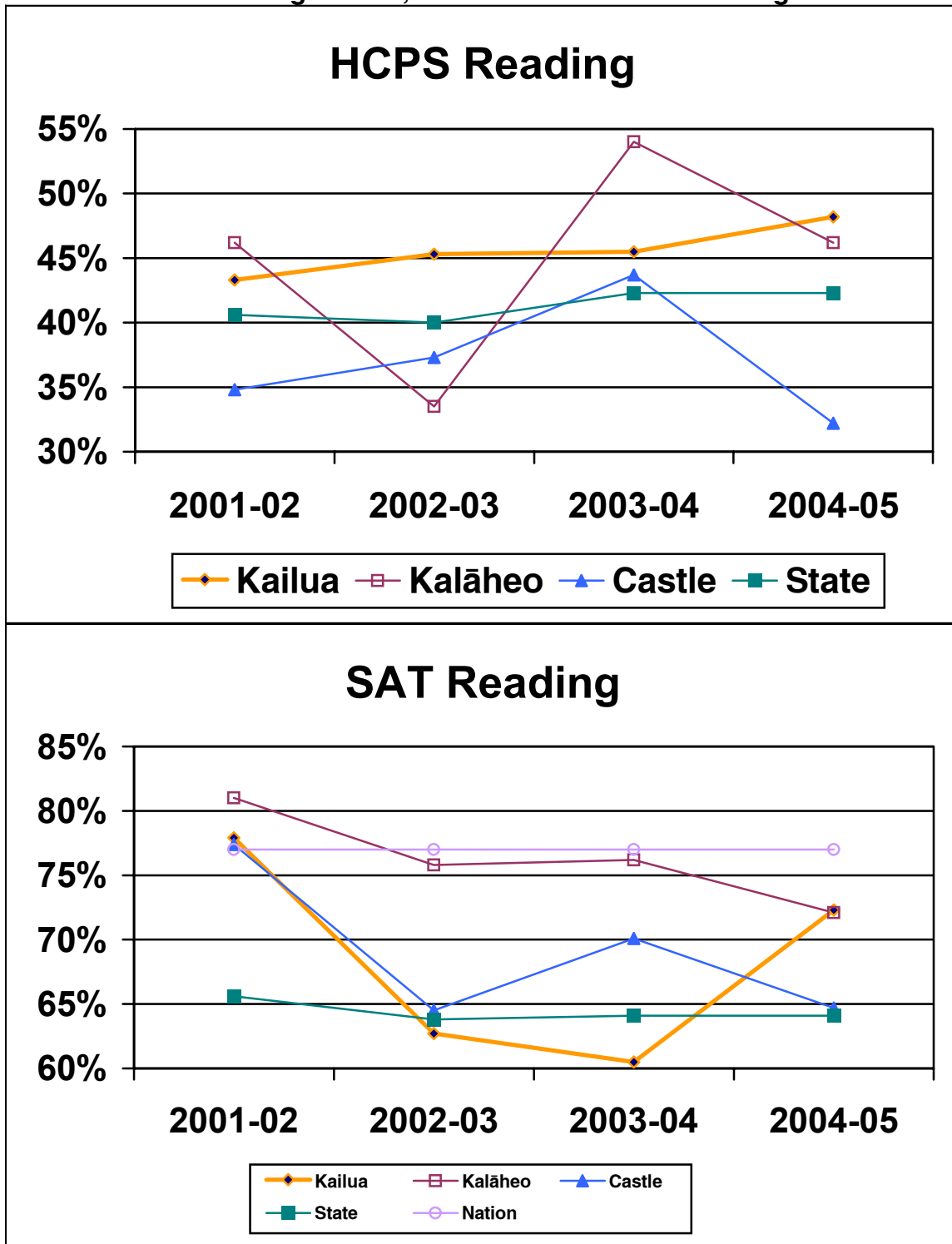
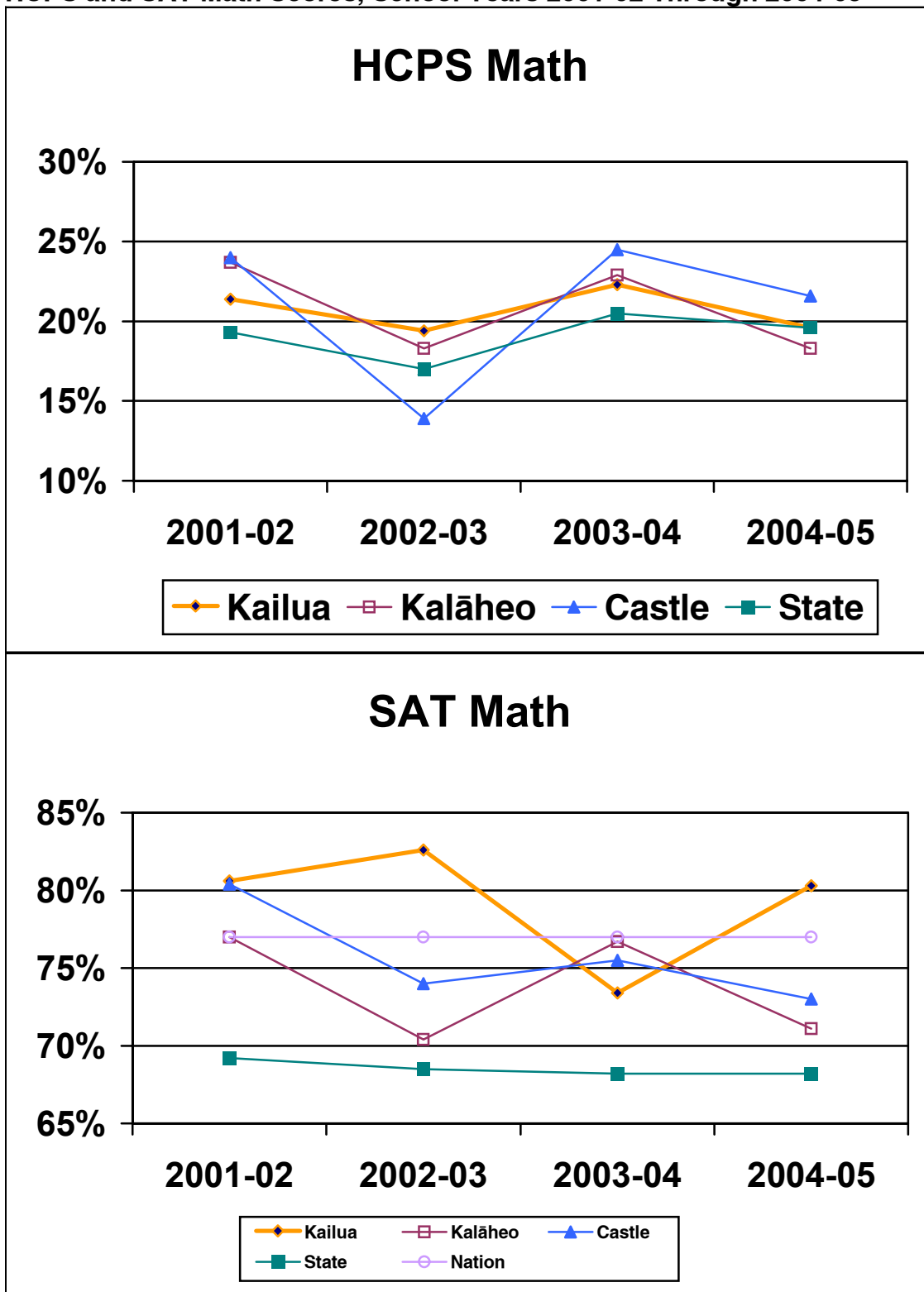


Exhibit 1.5
HCPS and SAT Math Scores, School Years 2001-02 Through 2004-05



Source: Department of Education Trend Reports

including the Friends of Kailua High School, provide resources such as volunteers, in-kind donations, and funds. For example, the school's signature *imu* fundraiser can raise as much as \$6,000 for various programs. The school holds four *imu* fundraisers each year.

The school's operating expenditures for SY2004-05, including allocations for state-level support services, were \$10.7 million, or over \$10,800 per student. Exhibit 1.6 details the school's expenditures by functional categories and by student, and compares them with the two most proximate peer schools, Kalāheo and Castle High Schools.

Exhibit 1.6

Comparative Fiscal Data for Kailua, Kalāheo, and Castle High Schools, SY2004-05

SY2004-05 Expenditures	Kailua	% of Total	Kalāheo	% of Total	Castle	% of Total
Total	\$ 10,694,657		\$ 10,029,908		\$ 16,229,310	
Direct Classroom	\$ 5,007,230	47%	\$ 4,508,798	45%	\$ 7,827,782	48%
Classroom Support	\$ 3,551,077	33%	\$ 3,316,636	33%	\$ 5,435,217	34%
Logistical, Administrative, and State Support	\$ 2,136,350	20%	\$ 2,204,474	22%	\$ 2,966,311	18%
Per Student	\$ 10,836		\$ 8,876		\$ 9,036	

Source: Department of Education

Prior audits

While there have been numerous audits relating to Department of Education operations, this audit is the first of a regular public school.

Report Nos. 04-09, *Follow-Up Audit of Custodial Services Programs of the Department of Accounting and General Services, the Judiciary, the Department of Education, and the University of Hawai'i*, and 03-09, *Fiscal Accountability Audit of the Department Education: Do Measures of Effectiveness Impact Funding Decisions?*, covered select departmental program areas. More recently, Report Nos. 05-06, *Audit of Wai'alae Elementary Public Charter School*, and 05-01, *Audit of Na Wai Ola Waters of Life Charter School*, focused on the management of two new century charter schools.

Objectives

1. Determine whether Kailua High School is in compliance with applicable laws, rules, and regulations.

2. Assess Kailua High School's management controls, including financial, personnel, and procurement practices.
3. Evaluate the management controls in place to ensure effective and efficient operation of the school's athletics program.
4. Make recommendations as appropriate.

Scope and Methodology

The audit focused on management practices and controls of Kailua High School as well as the school's compliance with state and federal laws, rules, and regulations. Where necessary and relevant to our audit objectives, we evaluated responsibilities and functions of other boards and agencies, such as the Board of Education and the Department of Education, as they relate to Kailua High School. Site visits to the school's facilities were included in our fieldwork. Our reviews and assessments covered primarily the most recent three school years and the school year 2005-06.

Audit procedures included interviews with school management, staff, and school community council; an examination of the school's strategic and operating plans, policies and procedures, reports, accounting transactions, and other relevant documents to assess the effectiveness of the school's performance in accordance with pertinent laws; and a review of management controls in the areas of financial management, personnel, and procurement. We also interviewed individuals and examined relevant documents at the Department of Education, the Board of Education, other agencies, and community groups.

This audit was performed between January and April 2006 and was conducted according to generally accepted government auditing standards.

Chapter 2

Stronger Leadership Is Needed To Ready the School for Greater Autonomy

Historical ambivalence toward school reform efforts, a lack of follow-through, administrative weaknesses, and institutional barriers may hinder Kailua High School's ability to improve and control its future. These shortcomings stand in the way of the education improvement goals set by the Reinventing Education Act of 2004 (Act 51, Session Laws of Hawai'i 2004). The act and the Department of Education's long-term strategic plan goals require schools to assume greater autonomy and responsibility for decision making and educational outcomes.

Even though the school's principal and leadership team are poised to adopt new plans to implement proven practices to advance student achievement, the school's history of unsuccessful improvement efforts presents significant challenges in bringing school reform to every classroom. Its readiness and commitment to seeing through these important changes is questionable, particularly as universal support from its faculty is not assured. An added challenge looms as time runs short for all Hawai'i public schools, including Kailua High School, to assume responsibility for school-level decision making and outcomes beginning with the 2006-07 school year.

An effective oversight process is needed to ensure the school remains committed to its plans. Although Kailua High School's community council could perform this function, the council's uncertainty about its role, a potentially ineffective composition, and a lack of training and support stand in the way.

Summary of Findings

1. Past practices may impede improvements to the school's management culture.
2. Administrative weaknesses raise questions about the school's readiness to assume enhanced school-based management responsibilities.
3. Poor administrative and fiscal practices in the school's athletics program put student safety and fiscal integrity at risk.

Leadership and Commitment Lapses Hindered Past Reform Efforts

Kailua High School has a long history of participating in school reform efforts but significant improvements to student achievement remain elusive. Student achievements, based on available measures, have not improved over the last ten years under two leadership teams. This can be attributed in part to a lack of commitment to reform efforts but also to the school's inability to overcome institutional barriers. Overcoming these obstacles requires a change in the school's management culture and universal faculty buy-in to the current leaders' plans to bring improvements to every classroom.

Trend data from the Kailua High School's School Status and Improvement Reports show little change in student outcomes over a ten-year span. Academic achievement data comes from the Stanford Achievement Tests (SAT) in reading and mathematics. The SAT, a so-called bell-curve or norm-referenced test, allows comparing Kailua High School's rate of students scoring at or above average with the national norm of 77 percent. Exhibit 2.1 shows the school's SAT scores for two three-year periods, SY1995-96 through 1997-98 and SY2002-03 through 2004-05. The more recent scores show little change as the scores generally remained below the national average in reading, in the low 60 to mid-70 percent range, and mostly above the national average in mathematics, in the mid-70 to low 80 percent range. In addition, the school status reports tell us that the school's average daily attendance, below 90 percent for the last three years, lags the 95 percent state standard. School completion rates have improved slightly from an average of 93.1 percent for SY1995-96 through 1997-98 to 94.7 percent for School Years 2002-03 through 2004-05.

Historically, Kailua High School's management, like that of most state schools, has been dependent on directions from the department with success measured by its compliance with those directions. The Department of Education's leadership and Act 51 seek to invoke a managerial culture change by encouraging principals to embrace an

Exhibit 2.1
SAT Scores for Kailua High School Students in Reading and Mathematics, 1996-1998 and 2003-2005

	1996	1997	1998		2003	2004	2005		National Norm
Reading	74.4%	63.4%	67.3%		62.7%	60.5%	72.3%		77%
Mathematics	81.1%	75.8%	84.9%		82.6%	73.4%	80.3%		77%

Source: Department of Education

entrepreneurial orientation. Entrepreneurial managers take charge of their operations; they employ systematic continuous improvement processes and account for their performance through objectively measured outcomes. This change in management culture is also needed to overcome systemic barriers to successful school improvement, such as the Department of Education's lack of competent support to help its schools implement best practices in planning and managing improvement processes. With Act 51 taking full effect in SY2006-07, schools are answerable for developing and implementing strategies that go beyond structure to bring reform into each classroom.

Since assuming her position three years ago, Kailua High School's principal and her leadership committee have developed school reform plans which, if implemented, may overcome past failures. However, questions remain about commitment, follow-through, and the principal's ability to command school-wide buy-in. For the school reform to measurably impact its students, the principal must create a culture that embraces the needed changes and is conducive to higher achievement. However, with regard to school reform, a mindset consistent with complacency rather than a commitment to high expectations remains evident at Kailua High School.

A prime example is the school's non-descript vision statement:

“Graduates of Kailua High School are resilient citizens prepared to pursue their goals and positively affect their community.”

Guides for creating visions, including one issued by the North Central Regional Education Laboratory, stress the importance of articulating a vision that strives for a condition better than the one that exists. More than a broad statement, the vision statement should foster an understanding of how the school wants to be viewed by others and describe some of its highest priorities.

Kailua High School's vision statement does not, for example, reflect any of the ideals implied by its participation in High Schools That Work (HSTW), a school improvement program which promotes high expectations of students and staff. The following examples of excerpts of other schools' visions provide a clearer idea of those schools' priorities and ambition for excellence:

“...committed to creating the conditions that bring each student to full academic potential by providing a high-quality education that produces capable and productive citizens....”

“[the school] commits itself to excellence and equity in education. Each student will achieve a high level of academic performance, function effectively in the community, and make contributions to the broader society.”

“...create and sustain an environment that promotes academic excellence, encourages social development, fosters emotional well-being and instills a passion for life-long learning.”

In another example, we noted a discussion of student performance in Kailua High School’s self-evaluation *Focus on Learning*, published as part of its Western Association of Schools and Colleges accreditation efforts. In this paragraph (see Appendix C), the school finds it difficult to explain a 35 percent rate of students with grade point averages below 2.0. The discussion focuses on the school’s attendance policy as part of a solution, even though no direct correlation had been found between grades and attendance. Noticeably absent is a mention of raising expectations, a prescription for success promoted by the HSTW program.

Further concern about the school’s success in fostering a climate of excellence and high expectations comes from the low positive responses from students to SY2004-05 survey questions relating to challenging school work (51 percent positive response), teachers telling students how they are doing (45 percent), and the school’s continual effort to improve programs and activities to promote student achievement (33 percent). School leaders acknowledge that these measures do not paint a favorable picture of student perception of their school.

Strong leadership is needed to raise and communicate expectations to the student body. At present, lax leadership is evident as rules are disregarded without challenge. We observed, for example, students ignoring a supposedly strict rule banning the use of cellular phones on campus in plain view of faculty members. Also, a HSTW technical assistance team visiting in February 2006 noted instances of students receiving a phone call or listening to music during class without objection from the teacher. The team also found that some students were allowed to submit substandard work, an unacceptable condition for a school committed to high expectations and academic challenge. Also, only 10 percent of Kailua students report reading more than ten books during a school year. The school’s benchmark under the HSTW program is for all students to read at least 25 books per year.

The school’s reticence in implementing High Schools That Work, a nationally recognized school improvement model, and its ineffective implementation of the State’s Standards Implementation Design System planning process provide insight to its lack of success in raising student outcomes.

***A proven program
lingers ineffectively for
ten years***

Kailua High School adopted the High Schools That Work (HSTW) program in 1996. Developed by the Southern Regional Education Board, it is one of the nation's leading evidence-based best practices models for high school reform with a proven record of impacting student achievement. Adopted by more than 1,200 high schools in 32 states, HSTW is based on the tenet that successful schools need to commit to a culture of high expectations and continuous improvement to prepare students for studies and careers after graduation. The presence of such a culture, reflected in a rigorous curriculum that challenges students, has been one of the top indicators of student success in research findings, even exceeding those of parent educational level, income, and ethnicity. The model is summarized in ten key practices and has a proven record of impacting student achievement. Performance indicators to establish goals and track progress are an important part of HSTW's continuing improvement process.

At present, Kailua High School falls short of the HSTW model, even with unquestionable pockets of excellence among its faculty. We found that school leaders have faced challenges in adopting HSTW's ten key practices. Although some teachers have a thorough knowledge and exhibit a strong commitment to the program, faculty commitment has not been universal. Based on our review of departmental and school planning documents and related reports and interviews with school leaders and a HSTW expert, we found the general picture of the school reflective of contentment with the status quo rather than an unrelenting commitment to high expectations. A high expectations mindset involves treating each student like a prospective Harvard student and institutionalizing the related attitude into the school's culture. Such high expectations are especially important for students with challenging backgrounds.

A 2002 status report issued by a HSTW technical assistance team questioned the school's commitment and desire to implement the program after finding that six years after joining the program, the school had not implemented many of the recommended practices and most of the faculty did not understand the program. A more recent report reflecting a team visit in February 2006 indicates that while practices critical to the HSTW approach are still absent, the school's current leadership had made significant strides towards incorporating HSTW in its educational practices and plans. However, at the time of our audit, many of these improvements remained in a planning and implementation stage ten years after the school's initial adoption of the program.

***Paper compliance
instead of strategic
management results in
wasted effort***

Further evidence of the school leadership's inability to overcome reluctance to commit to improvement efforts is found in the school's plans and progress reports prepared in compliance with the strategic planning requirements known as the Standards Implementation Design System. Developed by the State Department of Education, the design system required schools to establish goals, benchmarks, performance measures, and actions to implement a standards-based school improvement process.

School faculty members admit that the school's development of the required design system documents amounted to little more than a paper compliance exercise. For example, the school's plan included a number of objective measures that were never used to account for the school's progress and achievements. We compiled data for these measures for a number of years and found that the school failed to reach its stated goals in most categories. Exhibit 2.2. shows the goals and values actually achieved for the school years 2001-02 through 2004-05. The school's 2004 and 2005 status reports note neither explanations for the shortfall nor any specific steps planned to close the gap, which are essential elements of an effective improvement process. Appendix B shows the 2005 final status report submitted to the department.

A goal for the plan category *Reasoning and Problem Solving* was to achieve increasingly positive student responses to the survey question: "My teacher emphasizes higher level thinking and problem solving skills." The plan seeks 60, 70, and 80 percent positive responses for three successive surveys beginning in SY2001-02. The survey is administered every other year. In the 2001 survey, only 52 percent of the students gave a positive response. This dropped to 46 percent in 2003, recovering minimally to 50 percent in 2005. In contrast, teacher responses to the question, "My curriculum and instructional strategies emphasize higher level thinking and problem solving skills," rose from 89 percent in the 2001 survey to 97 percent in 2005, showing a widening gap in perception between students and faculty. Yet the school's reports do not reflect this problem or any corrective actions.

We asked faculty members about this widening gap but found they were unaware of and surprised by the poor student perception. They believe that strategies currently being implemented, such as cognitive coaching and the adoption of a program called Seven Habits of Mind, will help to improve this metric. School leaders, however, could not identify any past actions specifically directed at achieving this goal, although the perception gap has been evident since at least the 2001 survey.

The lack of importance placed on performance indicators is also illustrated by the school leadership's failure to ensure the collection of data for one of its goals in the *Citizenship* category. The plan sought a

Exhibit 2.2**Five-year Trends of Performance Measures for the Kailua High School Standards Implementation Action Plan**

	SY2000-01	SY2001-02	SY2002-03	SY2003-04	SY2004-05
Reasoning and Problem Solving Goals	At least 60%, 70%, and 80% positive responses on the School Quality Survey* that teachers emphasize higher level thinking and problem solving in school years 2001-02, 2002-03, and 2003-04, respectively				
Positive student responses	52%		46%		50%
Positive teacher responses	89%		80%		97%
Difference	37%		34%		47%
Citizenship Goals	Increase non-suspended students by 1% per year; 20 and 15 or fewer suspended special education (SPED) students in SY2001-02 and SY2002-03, respectively, and 10 fewer in SY2003-04				
Non-suspended students	944	906	869	794	787
% Non-suspended	83%	83%	83%	81%	80%
Suspended students	150	171	176	192	200
% Suspended	14%	16%	17%	19%	20%
Suspensions # SPED students		**	**	**	**
Communication Goals	77+%, 78+% at average or above in Hawaii Content and Performance Standard (HCPS) communications skills in SY2001-02 and SY2002-03 respectively; 30% proficient reading for the Hawaii State Assessment in SY2003-04				
10th grade reading					
SAT 9		78%	63%	61%	72%
HCPS		43%	45%	46%	48%
Health/Safety Goals	Increase of 5% per year teacher, parent, and student perception of safety, student behavior, and school discipline on the School Quality Survey*				
Student safety and wellbeing					
Positive teacher responses	66%		61%		77%
Positive parent responses	47%		55%		59%
Positive student responses	39%		36%		41%
Difference teacher vs. student responses	25%		27%		36%

Source: Kailua High School

* The School Quality Survey is a questionnaire-type instrument used by the Department of Education to collect opinion data on school quality from teachers, parents, and students. The survey is conducted every other year; therefore, data is available only for the years 2001, 2003, and 2005.

** Data not available. The school tracks only students currently enrolled.

reduction in the number of suspended special education students from 20 in SY2001-02 to below 15 by SY2004-05. The school could not provide us with suspension data for past school years as only students currently enrolled are being tracked. As the special education student suspensions in the current school year are on track to exceed the SY2001-02 goal, the planned decreases are likely to have been missed in the succeeding years.

These examples show that the school has not systematically used and evaluated the performance indicators it chose to account for its achievements. Continually measuring and reporting achievement is a hallmark of an effective improvement and accountability process. However, unless used to improve performance, the effort in developing measures and collecting related data is a costly waste.

Schools are accustomed to continuously assessing student performance. Assessing the effectiveness of school leader's strategies and reporting their results is not a common practice in Hawai'i's public schools. In fact, the Department of Education's current operating structure which is focused on meeting directives and requirements is at odds with a culture based on managing for results and centered on accountability of outcomes. Recognizing this shortcoming, one of the department's long-term strategies is to establish an outcomes-oriented school culture.

Appropriate performance indicators, including measures on outcomes (targeted results or effects) and outputs (products or services delivered) are critical tools for a school's ongoing assurance that it knows where it is headed, how it will get there, and whether the current direction is the right one. Performance indicators can also provide an early warning for needed corrective action. In addition, such indicators are the primary means for accountability and transparency to all stakeholders, including the public. While the department publishes some measures such as academic test results and graduation statistics, they do not give a complete picture of the school's accomplishments. Each school needs to develop its own indicators able to attest to its unique strategic efforts which, for example, should enable a school community council to assess the school's progress on achieving the goals of its academic and financial plan.

Community participation is vital to school reform but not assured

Act 51 builds on the previously voluntary school community based management council (SCBM) concept and mandates schools to establish a school community council (SCC). The 2004 Legislature cited overwhelming evidence of the critical need for the school community's involvement and support in improving student achievement and building a sense of family. We found, however, that confusion about the council's authority and role has left Kailua High School's council struggling to determine its function. Improvements in the law and better

direction and support can help the council become a more effective partner in building momentum for continuous improvement and shaping the school's future.

A confusing law and lack of departmental guidance obscures the community council's role

Kailua High School has considerable experience with community councils, having had a school community based management council for a number of years. However, its newly constituted school community council faces challenges in determining its purpose beyond providing community involvement opportunities.

Typically, school boards or councils are in charge of governance, primarily policy-making and providing strategic directions for and oversight over a school, independent from those charged with day-to-day operations. Act 51 and departmental guidelines describe a council that is charged with participating in planning, selecting and evaluating the principal and providing input and consulting opportunities. Guidelines on best practices for effective school boards, such as those for charter schools, recommend that desirable expertise and ability to contribute to the school should be the prime selection criteria for membership. These guidelines also call for boards to be self-constituting, identifying and recruiting their own members.

Hawai'i's school community council concept departs from those guidelines in some important ways. First, the council's composition is based on group representation rather than expertise complementing that of the school leaders. In fact, the law mandates school employee membership, which may result in a majority of insiders rather than community members as suggested by best practices. Second, the election requirement can inhibit the council's ability to recruit a diverse and experienced membership. Kailua High School's newly formed school community council initially consisted of the principal, two school personnel, three parents, two students, two teachers, and two community members, a former parent and a retired department employee. School administration staff solicited council nominations but the response was insufficient to warrant an election. The school has not actively recruited members from the business community to provide the expertise needed by the council. The law should permit the council to determine its membership by identifying and recruiting needed expertise from the community—a proven practice for effective school boards and councils.

Properly constituted, the council can play a major role in school improvement

If the council can attract interested and experienced individuals, it can become an important partner with school leadership in monitoring the

school's improvement process, helping the school maintain commitment, and adding an independent assessment of its progress.

Such a role is strongly supported by HSTW as public scrutiny of performance measures becomes an increasingly accepted method of accountability for government agencies. The Urban Institute's *Making Results-Based State Government Work* recommends the use of citizen's advisory committees as partners in establishing performance indicators and tracking progress. While there are numerous guides available for community groups' active involvement in performance management, there is no "right way" to devise such a process. The council would need to identify and have timely access to the data required for that purpose, and more importantly, be in a position to fairly interpret and work with school leaders on needed modifications if the actions taken failed to produce the desired results.

***Systemic barriers
obstruct effective
implementation of
Act 51***

Our audit of Kailua High School also identified several systemic shortcomings that may impair the school's ability to assume responsibility for its operations. The department's guidance and training on administrative and planning issues is insufficient to close a management expertise gap at the school-level and its financial systems are inadequate to provide principals with information needed to effectively manage their multi-million dollar budgets. In addition, streamlining efforts mandated by Act 51 have not resulted in the intended service improvements. Finally, the weighted student formula may not provide principals with the fiscal flexibility needed to take control of the school budget. These issues should be taken into consideration when stakeholders and policymakers form their expectations for results from school reforms initiated by Act 51.

The Department of Education's support is ineffective

The time available to implement Act 51 may have been insufficient to allow the department to set up necessary support systems. However, the department has a history of placing responsibilities on schools without providing the necessary support and competent oversight to ensure success. With Act 51 becoming a reality in the 2006-07 school year, inadequate support and guidance again leave schools scrambling for answers to meet new requirements.

We found that the department's inadequate support to schools has created a significant expertise gap in business administration. This gap contributed to administrative shortcomings we found at Kailua High School, which does not employ professional level administrative staff. The department's complex level personnel do not pro-actively seek to identify and address any shortcomings in administrative practices or

support; schools are expected to call the district office for any help needed. Not surprisingly, the school's principal has been unable to ensure that sound accounting and administrative practices are followed as a priority. The resulting vacuum of administrative expertise provides a poor foundation for increased autonomy in running the school's \$10 million operation.

Similar gaps exist in the strategic planning area. First, the department has attempted to use a one-size-fits-all approach to strategic planning, even dictating unrealistic performance levels to schools. For example, schools were required to accept the performance levels dictated by the federal No Child Left Behind program, regardless of whether the school had any prospect of achieving these standards. One of the basic tenets of results-oriented strategic planning is that quantified goals must be realistic and perceived by those who must achieve them as fair and reasonable, and preferably set with their cooperation and agreement. Second, the department has allowed strategic planning and related reports to become mere paper compliance exercises. It has, for example, failed to insist that schools report achievements, explain exceptions, and describe specific corrective actions for performance shortfalls. These examples reflect an apparent lack of understanding of a performance-oriented model at the departmental levels assigned to oversee this process. Unless the department can provide competent guidance, it is unrealistic to expect schools to develop effective strategic plans and related performance-based improvement processes.

Finally, we found that the Department of Education's Financial Management System currently is not capable of providing on-demand reporting in formats typically needed for effective fiscal planning and decision making at the school-level. In assuming that school principals will acquire the management expertise to effectively manage their multi-million dollar operations, a corresponding expectation is that they will have a financial information system to provide both necessary and timely information. In addition, the system does not take advantage of available technology to improve compliance with existing controls. Kailua High School's numerous poorly documented purchases from state price lists provide a prime example for an opportunity for automated controls. As an exception to competitive procurement requirements, agencies can dispense with competitive purchasing requirements when purchasing items from the department's or State Procurement Office's price and vendor lists. However, the related purchase orders are required to show prescribed identifying information. Most of the school's price list purchases we reviewed were processed without this information. Automated verification can enforce compliance by rejecting purchase orders unless all required data is entered into the system.

Interagency operations alignment may not result in better service

With Act 51, the Legislature sought to reduce bureaucracy and improve the delivery of services by transferring functions previously performed by other agencies to the Department of Education. An example is the department's Oahu school repair and maintenance services, carried out by 207 employees transferred in 2005 from the Department of Accounting and General Services. While Kailua High School's repair and maintenance coordinator reports minimal improvements in service delivery since the transfer, grossly inaccurate records of the school's backlog of maintenance and repair projects raise questions about the department's ability to effectively manage this function and achieve the intended service improvements.

Kailua High School has significant repair and maintenance needs. Moreover, poor coordination of major repairs has resulted in costly damage, including structural damage to a building due to unfulfilled requests for termite treatment dating back to 1997. In addition, repairs requested for several buildings with leaky roofs date back as many as nine years. In one of these buildings, expensive computer equipment must be covered and moved when it rains.

We experienced difficulties obtaining an accurate listing of backlogged projects. In December 2005, we received a \$6.8 million listing of backlogged projects from the department's repair and maintenance database. After discovering that the listing contained obsolete entries, the department provided us with a revised listing with \$4.4 million of backlogged projects, about a third less. According to school officials, however, an estimated \$200,000 in projects on this revised list are obsolete or already completed. Examples include \$100,000 for the renovation of a science room, \$40,000 to replace shower poles, and \$40,000 to replace security screens.

The department's facilities and maintenance tracking system to monitor pending and backlogged projects was implemented in June 2004 at a cost of \$750,000. Its inability to produce an accurate and timely listing of backlogged projects at Kailua High School raises a larger question about the accuracy of the department's statewide estimate of \$525 million in school repair and maintenance requests. Based on the department's internal spreadsheet, only \$1.7 million of Kailua High School's revised \$4.4 million backlog was included in this statewide estimate.

Financial flexibility from the weighted student formula funding is limited

The principal's control over the school's budget is limited by spending and personnel constraints. Although Act 51 requires at least 70 percent

of the department's budget to be placed under the control of principals, significant constraints remain on how to spend the funds. In addition, unresolved questions about principals' authority over personnel decisions weigh against the intended levels of flexibility and accountability.

Act 51 also requires that at least 70 percent of the department's budget be allocated directly to schools by means of a weighted student formula. However, for SY2006-07, 24 percent of the allocations to the school-level are in the form of traditional programmatic funds, reserved for specified purposes. For example, the weighted student formula excluded funding for athletics programs and therefore continues to be restricted. Consequently, a principal is barred from diverting money from, for instance, an underutilized athletic program to an academic program.

Salaries are the school's largest expense, utilizing approximately 80 percent of the budget. Principals do have some flexibility in hiring. However, current collective bargaining agreements, such as with the teachers union, place limits on non-voluntary reassignment and terminations. The extent to which these restrictions may be relaxed is still subject to negotiations with the unions.

Finally, the Legislature's practice of adding operating funds and positions for specific purposes to the department can undermine the intent of the weighted student formula and school-level decision making. For example, Act 51 provides funds for mathematics textbooks and establishes positions for high school activity coordinators. As principals assume control over their school's budget, such specified funding would interfere with the assumption that the school community is best positioned to decide the distribution of and accountability for its resources.

The School Administration's Ability To Assume Added Responsibilities Is Uncertain

Kailua High School's principal has placed a low priority on maintaining adequate financial records and accounting for and protecting resources entrusted to the school by supporters and taxpayers. Lax procurement practices raise doubt about its readiness to assume more control over its \$10 million budget. Inadequate supervision and deviation from established procedures, especially in areas with less departmental oversight, have resulted in impaired accountability over funds under the school's control and its inventory of furniture and equipment. Similarly loose controls over procurement have led to violations of the State Public Procurement Code.

The Department of Education holds school principals responsible for ensuring that financial activities comply with departmental policies and procedures and maintaining an adequate system to safeguard resources.

As Act 51 transfers significant responsibility for administrative and fiscal management from the department to the school and also requires greater accountability, increased demands are placed on schools for administrative competence and discipline. We found that Kailua High School needs to improve in this area before assuming responsibility for its affairs.

Sound fiscal practices are instrumental in exercising responsible stewardship over public resources. According to the federal Government Accountability Office, government managers must account for the efficient and effective use of the resources entrusted to them and protect them from loss. An important management responsibility is to establish and enforce controls, including processes and procedures designed to meet this responsibility. The foundation for effective management controls is an organizational environment that fosters disciplined adherence to the related processes and procedures. In Hawai'i's public schools, most management control procedures are established at the departmental level in the department's rules and guidelines. However, at each school the principal determines the school culture, which in turn influences the school's compliance with departmental requirements.

Hands-off leadership shows little commitment to stewardship responsibilities

The principal has not fostered good business practices and complied with established procedures for the administration of money-raising activities. Improperly recorded and documented transactions impair the school's ability to produce useful financial reports on donations and fundraising activities. In addition, unauthorized money-raising activities are allowed to occur, placing the school's reputation at risk.

Schools are authorized to receive gifts, grants, and bequests, and conduct fundraising activities within the school and in the community. Kailua High School's SY2004-05 accounting records show about \$220,000 received in these "non-appropriated funds." Funds of this type are accounted for separately from the funds received from the State. Most of a school's funding comes from its portion of the department's budget, consisting of legislative appropriations and federal funding. Non-appropriated funds, however, represent a significant part of the moneys that the school controls because much of the state funding is earmarked for essentials such as salaries.

The school's departure from sound financial practices and non-compliance with departmental policies, procedures, and reporting requirements, raises questions about its commitment and ability to assume greater fiscal autonomy. Kailua High School's casual administration of non-appropriated funds raises doubts about its readiness to handle the responsibility that comes with greater control over its finances.

Poor accounting practices leave the school in the dark about money-raising activities

Kailua High School improperly records moneys collected from money-raising activities, impairing its ability to report the total amount of donations received and break down the amounts received and spent by each fundraising activity. According to departmental policies and procedures, each donation and fundraising activity should be separately accounted for to ensure that moneys are used for their intended purposes (e.g., in compliance with the donor's intent and purpose). Additionally, fund accounting principles developed by the Governmental Accounting Standards Board (GASB) state that funds should be established and maintained to achieve "sound and expeditious financial administration and reporting and/or to comply with grant or contract accounting and financial reporting requirements."

We found several instances where monetary donations received by the school were recorded in accounts for unrestricted use instead of trust accounts. Trust accounts are designed to ensure that the funds received are used exclusively according to the donor's intent. Consequently, the school cannot account for all donations received and its administration of donations is questionable. Some funds may have been spent on purposes other than those specified by a donor.

Moreover, the school does not use revenue raising accounts to record amounts received and spent for each fundraising activity. Rather, moneys raised from fundraising activities are recorded directly to the applicable student activities account or trust and agency account. This practice inhibits the school from monitoring the use of moneys received from fundraising activities, resulting in a lack of accountability.

Incomplete documentation makes it difficult to accurately report money-raising activities

Records maintained by Kailua High School for donations and fundraising activities fall short of the department's requirements, making it difficult to accurately report money-raising activities. For example, documentation for gifts, grants, and bequests should include a report of all donations received with information on the donation's amount, date, and purpose and the name of the donor. We found, however, that the school does not maintain a complete listing of donations on an on-going basis. To fulfill a request from the department for such a listing, the school created an Excel spreadsheet of all donations received in FY2004-05. Upon our review, we found four donations, totaling \$2,300, that were not included on the spreadsheet and one instance in which the value of the donation was inaccurately reported. If a complete listing of donations is not maintained throughout the year, the school will not be

able to properly manage and accurately report the total donations received.

In another example of incomplete documentation, Kailua High School's fundraising activities are not always approved by school leadership and the school does not maintain a report of all such activities. According to departmental policies and procedures, schools are not permitted to conduct any fundraising activities within the school and in the community unless the activity has been approved by the principal or designee. The school is also required to maintain a report, including the name of the organization and event coordinator, description and date of the activity, and anticipated and realized revenues and expenditures of all such activities conducted by school organizations and programs for submission to the complex area superintendent. We found that the school does not maintain the required report and that five FY2004-05 fundraising activities appear to lack the appropriate approvals. Moreover, through our review of a judgmental sample of cash receipts for FY2005-06, we found an additional four fundraising activities that lack such approvals. Accordingly, insufficient documentation hampers the school's ability to account for its fundraising activities.

Unapproved money-raising activities risk the school's reputation

The school's failure to obtain required approvals for donations and grants and a lack of oversight over the fundraising activities of school groups reflect casual administrative practices and may place the school's and the department's reputations at risk.

Schools are required to report all donations with a value of \$500 or more to the superintendent of education, and document the presentation and acceptance of these donations. The school lacked the required approval from the superintendent for all 13 donations of \$500 or more we selected for review. Additionally, a donation of \$500 and a \$20,000 grant were not reported or presented to the superintendent as required. Such reporting deficiencies deprive the department of an opportunity to provide necessary oversight over significant donations.

In addition, fundraising activities of school organizations and programs are allowed to proceed without approval and accountability. We reviewed documentation for 51 fundraising events and found that 13 were not approved by the principal or designee prior to the date of the activity. We were unable to make this determination for six events because the date of the activity was not provided or was too vague (e.g., SY2004-05). In addition to obtaining prior approval for the event, the department also requires the records for fundraising activities to be reviewed by the principal or designee within 15 days after the completion

of the event to verify the accuracy of the amounts received and spent by each activity. More than half of the records of the events we examined were not reviewed by the principal or designee in a timely manner. In fact, one activity was not reviewed until over a year after the completion of the event.

Further, while confirming the amounts received and spent for each fundraising activity, we noted discrepancies in the amounts reported for 22 of the fundraising events reviewed. For instance, according to the documentation for one event, revenues totaled \$1,962; however, the school's financial records reported revenues of \$3,883. The school's administration indicated that these discrepancies raise concerns. Incomplete accounting records and documentation prevented us from verifying the amounts for four of the fundraising events. Without proper supervision and approvals, the school cannot ensure the propriety of the fundraising activities conducted.

Persistent cash processing problems place vulnerable assets at risk

While some cash transactions, such as the collection of lunch money, are received and handled by the school in accordance with applicable departmental procedures, other transactions, particularly those involving non-appropriated funds, are not. The department relies on the school to maintain sound practices over non-appropriated funds to safeguard these vulnerable assets. However, the school has not made bank deposits in a timely manner, claiming that it is difficult and that its cash is sufficiently safeguarded in its vault. Although prior auditors cited the school's practices as sub-standard and recommended corrective action, the school has not implemented suggested safeguards. Access to vulnerable resources has not been limited according to departmental guidelines. Failing to maintain sound business practices, particularly when departmental scrutiny is less stringent, shows an alarming lack of independence and acceptance of responsibility, reflective of a mindset that is inconsistent with managing a \$10 million operation.

Delays in turning in cash and deposits increase the risk of loss

Departmental policies and procedures require that moneys collected outside the school business office (e.g., teachers collecting moneys from students in the classroom) be turned in to the business office daily, counted in the presence of two individuals, issued a receipt, and deposited daily into a bank. These procedures are not consistently followed. We found instances when cash was not turned over to the school office for safekeeping for as long as two weeks after collection and receipts are regularly written for amounts counted by only one person. School staff reported that neglecting to follow these procedures contributed to the theft of several thousand dollars collected for the senior prom, requiring the responsible teacher to personally cover the loss.

We reviewed a judgmental sample of 14 cash receipts from the school's non-appropriated local school fund for FY2004-05. Nine of these had not been submitted to the school's business office on a daily basis as required. For example, \$8,260 collected for senior prom tickets over nine days prior to April 27, 2005 were not turned in to the business office in their entirety until April 28, 2005. In addition, five of 14 cash receipts we reviewed were not deposited in the bank in a timely manner. In one case, \$6,000 received by a school program on June 1, 2005 was not turned in to the school business office until June 6, 2005, and, in turn, was not deposited in the bank until June 8, 2005. Because cash collections are not turned in daily, the cash receipts are not deposited daily.

Non-appropriated local school fund accounts are used to account for financial transactions such as gifts, grants, or funds collected from school activities—yearbooks, student associations, clubs, etc. Kailua High School's business office staff stated that, in SY2005-06, the school updated its manual for non-appropriated local school funds and provided more intensive training to treasurers and advisors of school affiliated organizations. To test whether improvements had been made, we selected a judgmental sample of five cash receipts from the school's non-appropriated local school fund for FY2005-06. Although the cash receipts reviewed were deposited into the school's bank account on a daily basis, we found that three of the five cash receipts had not been turned in daily. While improvement is noted, the school can do more to safeguard its cash.

Finally, we found that moneys collected are deposited into unauthorized checking accounts. The Department of Education authorizes schools to establish and maintain one checking account for non-appropriated local school funds with the same bank used by the department. Restricting schools to the department's bank allows the department to access account balances of each school and exercise oversight. However, Kailua High School uses a different bank. In addition, the school does not deposit collections for lost books, facilities use, driver's education, and bad check service charges directly into the department's central clearing account, as required by departmental policies and procedures.

School leadership relies on one employee to handle most cash functions

Kailua High School's cash functions are almost exclusively handled by the school's account clerk. This is contrary to prudent practices and impairs assurance that funds are protected from loss, error, or abuse. This issue was also cited in a 2004 financial audit report that noted the school's procedures to overcome risks caused by one person handling multiple cash functions were not performed. The persistence of this

issue creates the impression that school leadership does not see correction of these conditions as a priority.

Effective controls over cash transactions include separating functions among different employees. Our limited testwork did not reveal any improprieties or misappropriations. However, allowing the same person to receive cash, prepare bank deposits, keep records, and reconcile bank statements presents an opportunity for theft and abuse, as well as a risk that errors are not discovered. Accounting guidelines recommend compensating measures—alternative procedures designed to overcome a weakness—where limited staff makes effective segregation impractical. Kailua High School’s small administrative staff does in fact limit its ability to properly separate these functions.

Properly safeguarding cash continues to be a low priority as the school has not followed a 2004 financial audit report which recommended implementing all compensating controls established by the Department of Education. For example, the school does not perform all of the activities required by the department’s administrator checklist to adequately safeguard and record cash. Limited understanding of the procedural requirements and not requesting available help from the complex office have contributed to this continuing deficiency.

Petty cash funds distribution needs prior approval

Having access to the petty cash fund allows the school’s account clerk to make payments without prior approval from the principal. This includes numerous reimbursements for gas for the school’s golf carts and other equipment. The account clerk routinely processes these reimbursements by first paying out the petty cash and then obtaining the principal’s approval. Approvals should be obtained prior to paying out funds to prevent unauthorized expenditures.

The school’s overstated inventory shows poor stewardship over its valuable assets

Deficient inventory practices have resulted in Kailua High School’s inability to properly protect and account for its furniture, equipment, and other property. Almost half of the school’s inventory listing may be fictitious because the school’s leadership has placed a low priority on this important tool for assuring proper stewardship over its assets. Lacking clear responsibility assignments, support, and adequate oversight, school administrative staff is unable to maintain records of the school’s assets.

During our audit work, we attempted to physically locate items listed on the school’s inventory and judgmentally selected items used by eight school programs to confirm their inclusion on the listing. We found that approximately \$500,000 of equipment used by these programs could not be verified. School staff speculates that most of the missing items have

been disposed but no disposal records are available. Department-wide implications of our findings emerge as the magnitude of the overstated assets, if commonplace throughout the system, could raise serious questions on the accuracy of statewide inventory numbers.

In addition, we also found equipment not listed on the inventory or otherwise recorded in the school's records. According to the school, some of these items may have been donated, but no records verify the donations. Finally, poor recordkeeping when furniture and equipment is moved from one location to another turns locating specific items into a guessing game.

Poor inventory practices limit the school's ability to track its assets

While the principal insists that proper inventory procedures have been followed and annually certifies that the school's listing is accurate, the clerk assigned to maintain the inventory is unable to verify the accuracy of the inventory report. Further, the results of our review conflict with the principal's assertions.

According to departmental guidelines, every school's inventory listing is maintained on the department's financial management system. This system accounts for inventory on a statewide basis. Each entry must include, at a minimum, a description, the original cost, and the current location of the item. The guidelines further require that the listing be kept current at all times and transfers between locations be tracked. Each year, a physical count must be performed to verify the accuracy of the listing and the principal is required to certify that count.

We found that, while the responsibility for maintaining an accurate inventory is assigned by the principal to an administrative clerk, the principal requires teachers to keep track of assets they use and report both disposals and transfers. In reality, according to staff members, the requirement is not enforced and teachers do not cooperate. The school has primarily limited its record-keeping efforts to adding new items, largely neglecting to record disposals and transfers.

For example, the school's media center was eliminated in 2002. The usable equipment was transferred to other programs and some equipment was disposed without submission of required paperwork. For other discontinued programs, the principal and administrative staff provided conflicting information on both the programs and equipment. Ultimately, neither could determine what happened to the programs' equipment valued over \$200,000.

Finally, during our review we observed many instances of missing information in the inventory report and very few pieces of equipment

with state decals. According to department guidelines, schools are required to input pertinent information about newly purchased items into the inventory management system and affix a state decal. Inaccurate information coupled with poor inventory practices inhibit proper management of the school's assets.

Reduced administrative burden can improve accuracy

The department's inventory procedures, including labor-intensive paperwork requirements and a low cost threshold of \$250, place an administrative burden on schools. For example, disposing of unusable items requires a seven-step process. Raising the cost threshold for including property on the inventory listing can reduce the burden on schools. While the Department of Education requires property costing \$250 or more to be inventoried, the State's threshold is \$1,000. In its guidelines, the Government Accounting Standards board (GASB) suggests a threshold value that captures 80 percent of total assets. Raising inventory limits, however, need not result in less stewardship. We found that some educational jurisdictions on the mainland maintain stewardship lists to keep track of valuable property with a cost below the formal inventory threshold.

Competitive selection in the school's procurement practices is questionable

Purchasing records reflect widespread after-the-fact approvals, parceling, and active discouragement of purchase requests that exceed thresholds requiring additional paperwork. We also found that school personnel have not consistently obtained required price quotes or maintained adequate records as required by law and departmental rules. These practices place expediency ahead of laws, rules, and guidelines designed to implement the Legislature's procurement policies of ensuring adequate and reasonable competition in purchasing decisions.

We judgmentally selected for review 50 payment requests for purchases from the school's approximately 2,000 requests totaling about \$760,000 for the period of July 1, 2004 through February 9, 2006. Our review sought to determine whether the school complied with documentation requirements, followed proper procedures, and used price quotes or government procurement listings to purchase goods and services competitively.

We found that most procurement records reviewed lack even basic supporting documentation. Twelve of the 50 purchase orders selected were approved after-the-fact. Most of those purchases (8 of 12) had been initiated by the athletic director, who indicated that approvals were obtained after goods were delivered for reasons of convenience. After-the-fact approvals, where the invoice or delivery date precedes the date when the purchase was approved, are a violation of administrative rules

and sound administrative practices and an indication of loose management controls.

Parceling—creating multiple expenditures at the inception of a transaction or project in order to evade competitive purchasing requirements—is an illegal practice. Using a separate purchase order each time bus services were needed, the school paid one company in excess of \$10,000 for SY2004-05. Although transportation needs are reasonably predictable and several companies provide the same type of service, the school did not obtain three price quotes required by department policy for purchases between \$5,000 and \$15,000. Therefore, the athletic department’s procurement of buses to transport teams to and from sporting events throughout the year is a parceling violation. More disturbing, the school’s account clerk, the staff member responsible for satisfying procurement requirements at the school, views each one as unrelated to the others and is unaware of the potential parceling violation.

Moreover, the account clerk admitted to advising other school staff to keep purchases below the \$5,000 threshold to avoid having to obtain three quotes. Purchases in excess of \$5,000 require price quotes unless the school purchases an item from an approved State Procurement Office list or the purchase is specifically exempt from procurement law, such as educational materials or faculty conferences.

Finally, we found that poorly kept purchasing records prevent verification, may allow abuses to go undetected, and violate the procurement law. The school makes extensive use of exemptions from certain provisions of the state procurement law but fails to keep documents required by law. Among the 50 purchase order records we reviewed, 12 were claimed by the school as “exempt” from the procurement code; however, none of them contained the reason for the exemption and the applicable exemption number.

Better Management Practices Are Needed To Improve Student Physical Well-being and Fiscal Stewardship of the Athletics Program

Complacent leadership and slack administrative practices at Kailua High School’s athletics department risk student safety and physical well-being and inhibit proper stewardship over athletics program funds. These shortcomings include sub-par student participation in the athletics program, insufficient screening and training for coaches, improper use of funds, and a lack of concern for good fiscal practices and oversight.

The school’s athletics program employs 68 coaches who fill 84 coaching positions. Of the 68 coaches, 14 are teachers employed at the school and 54 are not. In SY2004-05, the school fielded 21 varsity sports teams with both male and female teams in some sports such as basketball and volleyball.

Participation in sports at Kailua is lower than at other comparable high schools

Although Kailua High School offers equal opportunities for female students, overall participation in the athletics program lags other comparable high schools. The school's female student participation rate in interscholastic sports was 44.2 percent in SY2004-05, according to the Hawai'i Department of Education's survey; that is, 192 of the 434 student-athletes were female. This rate compares favorably with the statewide average of 42.7 percent. This rate also compares favorably with the national average of 41.4 percent which was identified by the National Federation of State High Schools survey. On the other hand, Kailua High School's overall student participation rate in SY2004-05 was 46.4 percent. In other words, 434 students participated of the 935 students enrolled. This rate does not compare favorably with other state high schools having student populations of similar size. The other eight high schools, with enrollments ranging from 800-1100 students, had an average student-athlete participation rate of 56.3 percent—almost 10 percent more than Kailua High School. We also found that similar differences in participation rates have persisted for the past five years.

Kailua High School also does not offer intramural sports which are sports limited to the school campus and its students. Our comparison of the eight high schools having student populations of similar size shows that six of those schools requested and received allocations for intramural sports during SY2004-05. Statewide, 29 schools, or more than two thirds of all high schools, requested and received allocations for intramural sports. Kailua High School is in the minority in not conducting an intramural sports program.

The importance of promoting physical activity among students on a state level is well established. The state Department of Education's 2003 *Athletic Handbook* assigns high significance to a comprehensive, balanced, and equitable athletics program and describes it as an essential complement to the basic academic program of instruction for students. The handbook also reflects the department's belief that a dynamic student activities program is vital to the overall development of well-rounded individuals who are capable of taking their place in a democratic society. It requires athletic programs to monitor sports offerings for equity and meeting the interests and abilities of their students. The Oahu Interscholastic Association, of which Kailua High School is a member, echoes these values in recognizing athletics as an integral part of the educational program of the high school, requiring its member schools to offer programs ensuring maximum student participation. While Kailua High School paid lip service to these ideals when it included "maximizing the number of participants in each sport" among the stated goals for its athletics program, we found that this is not the case.

Low participation may impact student physical well-being

Low participation in interscholastic sports and the absence of an intramural program may have a major long-term impact on students as physical activity has been linked to improved citizenship, sportsmanship, teamwork, and self-discipline, in addition to higher grades and better attendance.

Nationally recognized experts and organizations have written about the long-term benefits of physical activity on youths. The Center for Disease Control and Prevention's *Guidelines for School and Community Programs to Promote Lifelong Physical Activity Among Young People* link regular physical activity to enhanced health and reduced risk for mortality and the development of many chronic diseases in adults. Health benefits of regular, moderate physical activity include improved cardio-respiratory endurance, flexibility, and muscular strength and endurance. Physical activity may also reduce obesity, alleviate depression and anxiety, and build bone mass density.

In addition, the National Parent Teachers Association found that the lack of exercise combined with poor eating habits is having devastating effects on the nation's children. One of the most alarming developments is the doubling of childhood obesity over the past 30 years—a trend that is expected to worsen as more schools eliminate physical education classes and recess.

According to the National Federation of State High School Associations, after-school activities, including interscholastic and intramural sports, are a valuable part of the overall high school experience that can lead to better attendance and teach lessons that lead to better citizens. These activities are also cited for promoting citizenship and sportsmanship, instilling a sense of pride in community, teaching lifelong lessons of team-work and self-discipline, and facilitating the physical and emotional development of our nation's youth. The federation found that after-school activities including sports have resulted in higher grade point averages, better attendance records, lower drop-out rates, and fewer discipline problems for students in general. Participation in sports yields positive results after students finish high school as well.

The athletic director emphasizes major sports at the expense of minor sports

The athletic director does not have a plan or a strategy to expand participation in the minor sports, some of which are barely surviving. While the school has 13 paid football coaches plus several volunteers, as late as January 2006, it lacked, for example, a judo coach for the season beginning in March. Based on interviews with coaches and our

observations, we found that the athletic director focuses most of his attention and resources on supporting major sports while shortchanging less popular interscholastic sports as well as all intramural sports. As a result, participation in major sports flourished while participation in minor sports suffered.

During SY2004-05, Kailua High School participated in 18 of 19 sports sanctioned by the Department of Education—only water polo is not offered. There were 50 or more student-athletes per team for football, basketball, and soccer. However, some minor sports such as judo, swimming, and wrestling had six or fewer student-athletes per team—not enough athletes to compete as a team in all events. Participation in sports followed similar patterns during SY2005-06, but statistics are not yet available.

Although the Department of Education's Athletic Handbook encourages a comprehensive, equitable, and balanced athletics program, the department's athletics office has not established any overall participation goals for interscholastic sports and does not publicize the overall participation results.

Stronger leadership is needed from the principal who joins the athletics director in blaming the lack of popularity of some sports on student attitudes and downplaying the importance of more widespread participation in physical activities. For example, they attribute Kalāheo High School's ability to attract a 20 member swimming program compared with Kailua High School's with six swimmers, to the geographic population distribution. This argument ignores the possibility that Kalāheo offers a superior program attracting more students from essentially the same population pool. We found another excuse for low participation to be suspect: blaming other co-curricular activities such as the band for diverting students from participation in sports. Department of Education statistics show that participation in other co-curricular activities for Kailua High School students is below average compared with similar sized high schools. These statistics show that student participation in other co-curricular activities does not prevent schools from achieving higher participation in athletics.

The athletic director has not developed adequate recruiting and promotion opportunities for the less popular sports and lacks a strategy to help coaches publicize their sports. Such opportunities should include promotion during the registration period at the school, but also at middle schools whose students will attend Kailua High School. Major sports coaches, for the most part, include faculty members employed by the school who, therefore, have regular access to the student body and frequent recruiting opportunities for their sport. They also are able to promote their sports with students during registration. Many minor

sports coaches are volunteers who lack these opportunities. To achieve a stronger program overall, Kailua High School's athletic director needs to place more emphasis on minor sports. During the audit, the athletic director developed a plan to improve the participation rates in judo, wrestling, and swimming through further emphasis and expanded publicity designed to reach middle school and high school students. If implemented, the plan should help improve participation. The athletic director should also work to find a coach to launch a water polo program.

The athletic director has not organized an intramural sports program for several years and has no plan for one in the future. The school does not follow departmental suggestions to survey students to determine which intramural sports they are interested in, if any. The athletic director stated that short lunch breaks and a lack of teachers willing to serve as intramural supervisors after school prevent him from launching a program. The merit of these reasons is suspect, given that 29 high schools offer intramurals and face many of the same roadblocks. Some schools such as Castle High School offer intramural basketball, volleyball, badminton, softball, and pickle ball (a cross between tennis and ping pong). Castle High School offers some sports during lunch break while others are offered after school.

The athletic director should first survey the students at Kailua High School to determine if there is interest in an intramural sports program and, if so, in which sports. If students are interested, as they are at 29 other high schools, the athletic director should make intramural sports a priority. He should contact other high school athletic directors to find out how they overcame barriers such as short lunch breaks and a shortage of teachers to serve as intramural supervisors after school.

Lapses in background checks put student physical well-being at risk

Permitting coaches to start work before background checks are completed at Kailua High School has placed students in care of individuals with criminal backgrounds. Although the Department of Education permits hiring coaches on a conditional basis, the athletic director's poor records and lack of follow through unnecessarily extends this risky practice.

During SY2005-06, the athletic director hired 68 coaches. Of those, 13 were first-time hires while 55 were rehires. All of the coaches worked during their respective seasons, regardless of whether their background checks were completed. However, as of March 2006, nine months into the school year, three of the background checks for new coaches had still not been completed although their seasons were finished. Of greater concern was that an additional seven of the returning coaches had never had their backgrounds checked.

As a result of the athletic director's hiring practices, several individuals with criminal backgrounds coached student-athletes at Kailua High School. Three individuals had been convicted of drunken driving and other crimes of lesser severity. After learning of these criminal backgrounds, department officials at the district level judged them to be of reputable and responsible character and permitted them to continue coaching. However, another individual served as a head coach for three months before the athletic director discovered that the individual had been previously convicted of murder. The athletic director, with the approval of the principal and department officials, removed him from the coaching position. A fifth individual served as an assistant coach for more than a year before the athletic director discovered that the individual had been previously convicted of assault and domestic abuse and removed him from the coaching position.

Fortunately, there were no incidents at Kailua High School during the time that these individuals coached. However, the hazard of lax employment practices is illustrated by a recent California case where students were harmed by a coach with a history of improper behavior. The students were awarded \$1.8 million in damages, in part because background checks were not performed in time to protect the students from the predator.

Overall, the athletic director is disorganized and does not have a system in place to make sure coaching candidates' backgrounds are checked promptly—ideally before they begin coaching. The athletic director maintains coaches' files at three different locations; no one location houses complete files. Therefore, the athletic director does not know which coaches have had background checks and, for those who have, the results of those checks. He does not have a mechanism to keep track of candidate applications, a spreadsheet, for example, to make sure that required forms are completed and fingerprints are taken for criminal history employment checks through the Federal Bureau of Investigations and State Criminal Justice Information System. As a result, many background checks take several months and others are not completed at all. The athletic director should develop systems to administer his coaches' records and make sure that background checks are completed promptly.

Lacking training, coaches may not respond appropriately to mishaps

Many of Kailua High School's coaches do not have required or recommended training in coaching principles and handling injuries and medical emergencies. Hampered by incomplete records, the athletic director is unable to properly manage coaches' training, resulting in a less qualified coaching staff.

The athletic director does not know which of the school's coaches meet training requirements. From alternative sources (an on-line registry), we were able to determine that more than half of the individuals who coached during SY2005-06 (39 of 68) had not completed the required coaching principles course. The Department of Education's athletics office requires completion of the coaching principles course within two years of being hired. New coaches must take an eight-hour "Coaching Principles" class, read course materials, and successfully complete a take-home test. The course is a component of the National Federation of State High School Associations' Coaches Education Program and generally covers coaching philosophy and style, managing and motivating athletes, teaching skills, training for fitness, and managing risk.

Lack of training raises questions about the coaching staff's ability to help students realize the full benefits of athletic participation. Untrained coaches may contribute to poor sportsmanship, may not have a sound coaching philosophy, and may not be able to properly motivate athletes through positive reinforcement.

The athletic director's poor records also failed to identify whether coaches were trained in first-aid, cardiopulmonary resuscitation, and prevention and care of injuries as recommended by the department's athletics office. Our inquiries with the American Sport Education Program, a provider of these courses, indicate that as few as five of the 68 coaches have completed the CPR courses. While similar training may have been obtained elsewhere, given that some coaches have physical education degrees and were trained on these topics in college, the school's records do not reflect such information. Further, training in these areas has changed over the years. Knowledge of first-aid, cardiopulmonary resuscitation, and prevention and care of injuries is especially important because Kailua High School has only one athletic health care trainer. Unable to assure that coaches have the relevant training and with the athletic health care trainer often preoccupied with other sports teams, the school may be placing student-athlete safety and physical well-being at risk.

State funds for coaches are used for other purposes

We found that Kailua High School has used coaches' salary funds for other purposes than those represented to the Department of Education. At the school's request, the department athletics office allocated \$123,156 in SY2005-06 to compensate an assistant athletic director and coaches. Although the department's allocation notice specified that the funds be used to pay coaches, the school's athletic director used about \$15,000 to pay individuals who are neither assistant athletic directors nor coaches. Instead, various individuals were paid for unspecified

assistance to the athletics program. Similar amounts were used to pay many of the same individuals in each of the past five years.

Payments are disguised as coaches' pay

Over the last five years, Kailua High School's athletic director classified and paid 15 individuals as coaches although their real services were to assist him with the athletics program. These 15 individuals received about \$93,000 over the five-year period we reviewed. The 15 individuals include primarily employees of the school's office and members of the athletic director's family. For example, payments over the five-year period were made to: the athletic director's wife (\$17,838); the athletic director's daughter (\$7,560); a school office employee (\$5,936); and a physical education teacher (\$7,828). The athletic director even went to the extreme of having some of the school business office personnel take the mandatory coaching principles course to justify the coaches' pay.

The \$93,000 in payments to these 15 individuals are questionable not only because they are disguised as coaches' pay, but also because the services performed in support of the athletics program are not specified and the payments received for those services do not appear to be equitable. The athletic director described the support services to us, but could not explain how he determined the value of the services provided. We observed that one of the 15 individuals was supporting the athletic program by collecting gate receipts at revenue-generating sports events, but we did not have the opportunity to observe any of the others. This individual, a school office employee, was paid \$4,020 as an assistant coach for judo, tennis, and wrestling during SY2005-06 and a total of \$17,314 over the past five years but did not actually coach in any of these sports. The athletic director could not explain how the value of gate receipts collection services at revenue-generating events, such as regular season football, basketball, and volleyball games, is equivalent to the \$4,020 paid for "coaching" the three sports.

Department Athletics Office's system for allocating coaching positions fosters disguised payments

Ambiguous department guidelines may contribute to the temptation of converting coaches' pay to other purposes. Although the practice is neither proper nor condoned, it is not specifically discouraged, providing loopholes such as the one used by Kailua High School's athletic director to fund his helpers.

Each high school is allocated a fixed number of coaching positions based on the sports offered, not on student-athlete participation. Football, for example, rates 13 coaching positions—a varsity head coach, six varsity assistant coaches, a junior varsity head coach, and five junior varsity assistant coaches—regardless of how many students participate. The

department does not require schools to return funding, even when funding exceeds need because of low participation. Only funding for discontinued programs must be returned. As a result, Kailua High School had funding for more coaches than it needed for several minor sports programs that attracted few students. Instead of promoting the programs, the funding was used to pay for people providing assistance and services in other sports.

While personnel from the department Athletics Office told us they allow schools to modify coaching allotments, schools must disclose such intentions and reclassify the originally allotted funds. Kailua High School has not done so.

The athletic director needs to improve controls over athletics program funds

Disregarding department financial guidelines and sound financial practices, the athletic director does not have the budgetary and operational processes in place to properly account for and record financial transactions for school athletics. The athletic director also has not monitored independent support groups and encouraged their compliance with financial guidelines. As a result, substantial amounts are collected and spent in the name of the school without accountability and assurance that money is spent as intended.

The athletic director does not complete a composite budget for the athletics program

The director does not prepare required budgets and financial reports, undermining accountability for the fiscal aspects of school athletics activities. Lacking the planning dimension and the financial reports needed to make informed funding decisions, the financial affairs for school athletics are run in an unprofessional manner incompatible with good stewardship.

Naive about fiscal matters for a senior manager at a school, the athletic director referred us to the school's account clerk and other school office personnel for answers to financial questions. In charge of activities with over \$400,000 in funds, the athletic director lacks even basic funds information for his program. He was unaware, for example, of a large balance of athletics funds carried forward from the previous school year, SY2004-05. He had not estimated the expenditures for each school sport and the general administration of the athletics program—information needed to decide how to best use the funds. He does not know which sports teams have booster organizations and does not ask for reports on their financial positions.

According to the department's guidelines, an athletic director should develop a composite budget by June 1st of each year, consisting of an

estimate of: revenues by source; expenditures for individual sports and for general administration of the athletics program; and the balance of all program funds. As the school year progresses, the athletic director should track revenues received and expenditures made, as well as the cash balance, and then produce a monthly athletics fund report. Kailua's athletic director does not complete a composite athletics program budget nor does he report monthly on receipts and expenditures affecting the composite athletics program.

In the absence of a composite budget and a monthly athletics fund report, we reconstructed the athletics program finances as of June 30, 2005. First, we determined the gross revenues received by the athletics program during SY2004-05 which we estimate to have been almost \$450,000. Then, we determined the cash balance at the end of SY2004-05, approximately \$47,600. Our work is summarized in Exhibit 2.3.

Exhibit 2.3

Athletics Program Revenue for SY2004-05 and Cash Balance at Year-end

Source	Gross Revenue	Cash Balance
State general fund	\$330,077	\$ 0
School athletics trust fund	\$ 10,256	\$18,439
Fundraising and donations	\$108,099	\$28,485
Totals	\$448,432	\$46,924

Source: Department of Education

Athletics program funds risk losses due to fraud, waste, and abuse

The athletic director does not make sure that the department's and the school's guidance for establishing and managing independent support groups is implemented. As a result, there are risks of losses due to fraud, waste, and abuse.

Kailua High School recommends that sports teams have their booster organizations establish local school accounts. Local school accounts standardize accounting procedures for non-appropriated funds collected for students' use; provide orderly records and timely data on financial status; and permit the principal, as trustee, to make sure transactions follow department policies and procedures. If a sports team chooses not to have a local school account and to remain separate from the school as an independent support group, then, according to Department of Education guidance, department employees may not sign checks and the school will not assume any responsibility for the accounts.

In April 2004, a former head coach at Kailua High School was investigated for alleged improprieties. Several assistant coaches complained about his behavior, in part because of concern about frequent fundraising and lack of forthrightness on how the funds were used. The investigation, which was conducted by the principal, athletic director, and account clerk, concluded that the allegations made by the assistant coaches could not be proven. However, the head coach resigned anyway.

The former head coach had a booster organization that was operated as an independent support group. The former head coach and one of his assistant coaches, who were both department employees, signed the checks, contrary to the department's guidance. The independent support group account was closed in May 2004. Shortly thereafter, the new head coach opened a local school account to manage the team's booster funds. However, the new coach also inherited the former coach's debts amounting to \$6,678—which exceeded the \$3,085 cash balance on hand and dues receivable from student-athletes. After investigating these events and finding that school employees were signing checks for independent support groups, the principal encouraged all the sports teams' booster organizations to establish local school accounts. These accounts, administered through the school's accounting systems, provide more transparency and accountability and are subject to audits.

During SY2004-05, six of the 21 varsity sports teams at Kailua High School had some type of active booster organization, as did the athletic department. Of these, four teams have local school accounts while two teams maintain independent support group accounts. The athletic department itself maintains both a local school account and an independent support group account. Our review of the three independent support group accounts (two sports teams and the athletic department) revealed that procedures for managing the funds in two of the three accounts are not adequate. One of the signatories for the baseball team's independent support group is employed by the department as a substitute teacher, contrary to the department's guidance. One of the signatories for the athletic department's independent support group, known as "KHS Surfriders Athletics," is the athletic director, a department employee. He signed several checks during SY2005-06.

The athletic department's independent support group account had numerous other problems. "KHS Surfriders Athletics" had about \$33,000 in revenues during the first eight months of SY2005-06. The athletic director deposited Oahu Interscholastic Association site expense checks valued at \$7,780 and food concession proceeds valued at \$21,760 into the independent account rather than into a local school account, as suggested by the department. As a result, the principal does not have oversight of these funds and cannot make sure department policies and procedures are followed.

Upon our independent review, we found that department policies and procedures are not followed. The finances of the athletic department's independent support group are disorganized and had not been reported to anyone until we requested an accounting for the funds during the audit. The athletic director's personal funds and independent support group funds are commingled and many transactions are unsupported. We cannot, therefore, determine whether all funds are accounted for. For example, although the expenditures for food are supported, there is no support for \$21,760 in proceeds from food concessions held at athletic events for the eight-month period reviewed. We expected an accounting for the food sold at each sports event, but instead the reported figure of \$21,760 is unsubstantiated. There is also no support for cash payments amounting to \$2,680 made for services provided at sports events, such as announcing the game, parking cars, and cleaning up the stadium or gymnasium. There was no documentation substantiating that individuals received cash payments. The absence of controls raises a potential for fraud, waste, and abuse, along with potential damage to the school's reputation and its ability to raise funds.

The principal and athletic director need to reemphasize department guidelines for managing independent support group accounts. The athletic director also should make sure that the individuals who sign checks for the baseball and athletic department independent support groups are not Department of Education employees. The athletic director should also begin depositing Oahu Interscholastic Association site expense checks and food concession proceeds into a local school account instead of an independent support group account, thereby allowing the school to assume responsibility for and oversight of the account. Further, the athletic director should document the identity of individuals who provide services on site for athletic events and the amount paid to them. The athletic director should also document the amount of the food concession proceeds that are taken in at each sports event.

Conclusion

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 been unsuccessful. As a result, improvement at the school has been stagnant.

After ten years of indecision, the school finally committed to an educational best practices program. Under the leadership of its current principal, Kailua High School has taken its first decisive steps toward improvement by developing a plan to tackle its educational demands. Targeted for implementation in SY2006-07, this represents the school's first comprehensive plan to adopt proven practices. With the enactment

of Act 51 and its requirements for more proactive and responsible schools, Kailua High School's plan infuses the hope of school reform into its classrooms.

While school leadership focuses on education improvement, however, school management and administrative oversight are being shortchanged. Kailua High School struggles 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. Based on our findings, Kailua High School may not be ready to take on additional responsibilities delegated by Act 51. And while our audit findings for one school cannot be extrapolated to all schools or even just to high schools, the management and administrative deficiencies evident at Kailua High School suggest that other Hawai'i schools may be similarly challenged and unprepared to shoulder additional responsibility. Given the department's mediocre support, training, and guidance at the school-level, it is unrealistic for the department to expect schools to transition successfully.

Our audit findings, including the overstatement of outstanding repair and maintenance, inaccurate reporting of school inventory, and weak oversight of money-raising activities, may have widespread implications for the department if they exist in other schools as well. We saw no evidence during the audit, however, that the department knows or is prepared to handle issues of this magnitude and their statewide impact.

Ultimately, Act 51 expects all schools to transition into educational institutions where every student succeeds. It remains to be seen, however, whether the Department of Education can provide them with the tools and support they need to improve and ultimately achieve autonomy.

Recommendations

General recommendations are provided below. Detailed recommendations for Kailua High School and the Department of Education are provided in Appendix A.

Relating to the school's management culture

1. Kailua High School's principal and School Leadership Committee should:
 - a. Consistently follow through with implementing educational practices and principles espoused by the High Schools That Work program and other school reform efforts.
 - b. Ensure that its improvement process includes:

- (1) Establishing desired performance levels based on best practices or peer benchmarks for all critical functions on campus in addition to those directly related to improving student outcomes. Identify performance gaps and set improvement goals.
 - (2) Designing specific steps or actions needed to meet the improvement goals.
 - (3) Developing measures capable of showing incremental progress for use in day-to-day management as well as accounting to stakeholders, including the school community council.
 - (4) Considering development of a report card-type report on Kailua High School's progress on school reform for posting on the school website.
2. Kailua High School's School Community Council should:
 - a. Recruit members with the ability or knowledge needed to establish an effective process to monitor the school's commitment to and effectiveness in meeting its goals. The process should include identifying data and reports needed to monitor the school's use of best practices and their effect on student progress.
 - b. Serve as a conduit for community input to long-term strategic planning for the school's future as a learning community.
3. The Board and Department of Education should:
 - a. Ensure that appropriate expertise and oversight is available at the complex level to support, and if necessary, guide school leadership in initiating the envisioned structural revisions to school management.
 - b. Ensure that Act 51 implementation is focused on providing schools the autonomy needed to fulfill Act 51 accountability expectations. For example, programmatic spending restrictions may need to be relaxed where schools face funding losses. Further, schools should be given control over the funds for repair and maintenance projects so private sector contractors can be used when departmental services fail to provide, for example, competitively priced, timely, and quality services.
4. The Legislature should consider amending Section 302A-1124, HRS, to remove mandated representation on school community councils and allow the councils to recruit and select their membership as self-constituting entities.

***Relating to the
school's administrative
practices***

1. Kailua High School's principal should:
 - a. Ensure that the school's financial administration is guided by sound business practices and follows established and recommended procedures.
 - b. Establish a process to ensure proper stewardship of donations and oversight of fundraising activities.
 - c. Safeguard moneys collected by depositing, expending, and accounting for these funds according to departmental policies and procedures.
 - d. Improve controls to compensate for the inadequate separation of duties over non-appropriated local school funds, as required by the department's policies and procedures.
 - e. Update the job descriptions of the school administrative staff to reflect their actual tasks and responsibilities.
 - f. Make inventory a school-wide priority from the top down. The principal should take the lead in ensuring proper accounting of the school's assets.
 - g. Compile an accurate list of the school's assets. Report what the school currently has and remove equipment not accounted for from the school's inventory listing. Past practices make it impossible to track equipment that has already been disposed.
 - h. Adopt, implement, and enforce management controls regarding procurement that ensure consistent and systematic compliance with the Hawai'i Public Procurement Code, the administrative rules, and the department's policies and procedures.
2. The Department of Education should:
 - a. Ensure that administrative staff receive the training necessary to develop and build the knowledge, skills, and abilities needed to perform their jobs proficiently and in compliance with statutes, rules, and departmental policies and procedures.
 - b. Review its inventory procedures to search for opportunities to lessen the administrative burden of maintaining the school inventory listing and consider alternatives for maintaining proper stewardship, such as informal stewardship listings.

Relating to athletic management practices

1. Kailua High School's athletic director should:
 - a. Give more emphasis to sports with low participation.
 - b. Establish a system to make sure coaching candidates' backgrounds are checked promptly—ideally before they begin coaching.
 - c. Establish a system to make sure coaches get the required and recommended training.
 - d. Establish additional casual personnel positions that are necessary to operate and maintain the athletics program.
 - e. Follow the guidelines recommended by the department's athletics office for budgetary control of the athletics program.
 - f. Revisit Department of Education and Kailua High School guidelines for managing independent support group accounts.
2. The Department of Education should:
 - a. Have the Athletics Office establish student-athlete participation goals.
 - b. Have the Athletics Office issue guidance explaining how the system for allocating coaching positions can be more flexible and more closely suit the needs of a school.

Appendix A

Detailed Recommendations for Kailua High School and the Department of Education

Relating to the school's administrative practices

Kailua High School's principal should:

- a. Ensure that the school's financial administration is guided by sound business practices and follows established and recommended procedures.**
 - Establish and maintain an organizational environment mindful of using school resources efficiently and effectively and protecting them from loss.
 - School management should lead by example, conveying to school employees the importance of the controls and procedures established by the Department of Education and the school, by actively encouraging and supporting compliance with established procedures.
 - The principal should create a system of controls that consists of policies and procedures designed to guide the school's financial activities and to account for the school's resources, beginning with implementation of financial auditors' recommendations.
 - The principal should continually assess the effectiveness of the school's system of controls to determine whether modifications are needed.
- b. Establish a process to ensure proper stewardship of donations and oversight of fundraising activities.**
 - Ensure that donations and fundraising activities are documented, authorized, approved, recorded, and reported in compliance with Department of Education policies and procedures.
 - Obtain training and other guidance from the department and complex area personnel to ensure administrative staff has the knowledge, skills, and abilities necessary to account for non-appropriated funds according to established accounting principles, policies, and procedures.
- c. Safeguard monies collected by depositing, expending, and accounting for these funds according to departmental policies and procedures.**
 - Although improvement in this area is noted, continue to strengthen school-wide adherence to policies and procedures related to handling cash.
 - Work with the department to align the school's checking accounts for non-appropriated local school funds with departmental policies.
- d. Improve controls to compensate for the inadequate separation of duties over non-appropriated local school funds.**

- Implement compensating controls recommended by the 2004 financial auditors to overcome risks caused by one person handling multiple cash functions when these functions cannot be separated among two or more staff.
- f. Make inventory a school-wide priority from the top down. The principal should take the lead in ensuring proper accounting of the school's assets.**
- Establish written procedures to identify the areas of responsibility for each school employee involved in the inventory process and ensure adherence to the procedures.
 - Identify the actual physical location of fixed assets on the school's inventory listing, in addition to the program associated with the assets, to simplify the inventory verification process.
 - Establish and enforce written procedures to update the physical location of fixed assets when they are transferred between classrooms at the school.
- g. Compile an accurate list of the school's assets. Report what the school currently has and remove equipment not accounted for from the school's inventory listing. Past practices make it impossible to track equipment that has already been disposed.**
- Establish a procedure for the disposal of fixed assets at the school and ensure that the procedure is followed by all school employees.
 - Determine the physical location of fixed assets currently on the school's inventory listing and update the listing accordingly.
 - Work with the department to dispose of obsolete equipment and have it removed from the school's inventory listing.
- h. Adopt, implement, and enforce management controls regarding procurement that ensure consistent and systematic compliance with the Hawaii Public Procurement Code, the administrative rules, and the department's policies and procedures.**
- Establish and enforce written procedures to identify the areas of responsibility for each school employee involved in the procurement process.
 - Develop a system to ensure that all purchase orders initiated by the school contain information required to comply with statutes and department rules, including price list and exemption numbers.
 - Develop procedures to ensure that competition is obtained, documented, and filed with the applicable purchase order when required for the procurement of goods and services at the school.

The Department of Education should:

- a. Ensure that administrative staff receive the training necessary to develop and build the knowledge, skills, and abilities needed to perform their jobs proficiently and in compliance with statutes, rules, and departmental policies and procedures.**
 - The department should establish a comprehensive, structured training program for school administrative staff. In addition to explaining the mechanics of departmental requirements, training should include explanations of the purpose of these requirements so that employees can better appreciate the intent of the activities they are asked to perform.
 - Complex area personnel should become more proactive at the school level to provide professional level administrative expertise.
 - The department should also evaluate whether the amount of professional administrative expertise at the school level is sufficient to enable schools to accept additional responsibilities delegated by Act 51.
- b. Review its inventory procedures to search for opportunities to lessen the administrative burden of maintaining the school inventory listing and consider alternatives for maintaining proper stewardship, such as informal stewardship listings.**
 - Re-examine and consider raising the \$250 threshold for including property as inventory. In non-school settings, the State's threshold is set at \$1,000.
 - Simplify the process for removing and disposing obsolete items from a school's inventory.
 - Work with the schools to develop a disposal process for obsolete computer equipment.

Relating to athletic management practices

Kailua High School's athletic director should:

- a. Give more emphasis to sports with low participation.**
 - Have the athletic director implement a plan to achieve a balanced interscholastic athletics program offering strong programs in all sports. Also, have the athletic director survey student interest in intramurals and, if the students show an interest, offer a program responsive to those interests.
- b. Establish a system to make sure coaching candidates' backgrounds are checked promptly—ideally before they begin coaching.**
- c. Establish a system to make sure coaches get the required and recommended training.**
 - Make sure the coaches take required certification training—Coaching Principles—and the recommended training on first-aid, cardiopulmonary resuscitation, prevention and treatment of injuries, and on specific sports.

d. Establish additional casual personnel positions.

- Establish positions that are necessary to operate and maintain the athletics program—possibly including a finance chairperson, account clerk, game site personnel, and an additional athletic trainer.

e. Follow the guidelines recommended by the department's athletics office for budgetary control of the athletics program.

- Complete a composite athletic budget and submit a copy to the principal for approval by June 1st each year.
- Prepare monthly reports showing receipts and expenditures affecting the composite athletic program.
- Require athletic booster organizations (school sanctioned accounts and independent support groups) to report to him periodically on their financial status.

f. Reemphasize Department of Education and Kailua High School guidelines for managing independent support group accounts.

- Have the athletic director make sure Department of Education employees are no longer signing checks for independent support groups. Have the athletic director discontinue the practice of depositing Oahu Interscholastic Association site expense checks and food concession proceeds into an independent support group account. Instead, have the athletic director deposit the funds in a local school account. Further, have the athletic director document the identity and amounts paid to individuals who provide services on site for athletic events. Additionally, have the athletic director document the amount of the food concession proceeds taken in at each event.

The Department of Education should:**a. Have the Athletics Office establish student-athlete participation goals.**

- Specifically have the office establish goals for various sized high schools and challenge athletic directors to meet those goals. Also, have it distribute statistics showing performance against the goals to the athletic directors.

b. Have the Athletics Office issue guidance explaining how the system for allocating coaching positions can be more flexible and more closely suit the needs of a school.

- Specify how positions other than coaches that support the athletics program can be added and paid. As part of the guidance, have the athletics office define the expectations of the various positions that support the athletics program and establish equitable pay rates.

Appendix B

Final Report

Progress Report for the Standards Implementation Action Plan (SID Process Task 7)

School Year: 2004 - 2005

School: Kailua High School Date: 6/1/05

A. Describe the extent to which SID Parameters were achieved.

Kailua High School has succeeded in the following areas of the SID Parameters.

Inclusiveness: We invite and involve representatives from various shareholder groups in school-related activities. Examples include the staff's involvement in Focus Groups and in School Leadership Committee, as well as planning committees for special events such as Jumpstart (freshman orientation), Homecoming and graduation. The school involves Waimanalo and Kailua families in a special registration night meeting, providing educational advisement in registering their child for SY '04-'05. Parents, students and staff and community members are also involved through organizations such as Band Booster Club, School Community Council and Friends of Kailua. This year's Kailua High School Health Fair included booths from students, as well as members of the community. In addition, shareholders' participation in our Planning and Collaboration Days extend the communication process with informative suggestions for improvements that facilitate the goals of Kailua High School's initiatives. SY 04-05 Parent and Community Planning and Collaboration Day, held on October 29, 2004, included shareholders in discussion concerning our demographic data, revised vision and mission statements and campus safety. Open House, held on 10/6/04, allows parents to get a first hand look at KHS curricula. The math department's College Preparatory Math (CPM) Night allows further examination of this recently adopted curriculum. Act 51 was also presented to all role groups in order to inform the public of the ramifications the mandate will have on Kailua High. **The WASC Accreditation Visiting Team met with a parent focus group on 4/11/05. Kailua High strengths and limitations were discussed, as well as ideas to improve current practices at the school. Elections for a School Community Council (SCC) were completed on May 17, 2005. A joint SCBM/SCC meeting will be held on June 15, 2005 to transition fully to SCC governance.**

Purposefulness: Our learner outcomes are identified, described and addressed through our Expected Schoolwide Learning Results and are implemented through the Standards Implementation Action Plan (SIAP), Department Action Plans (DAPs) and Focus Groups. We examined suggestions for revisions to our vision and mission statement, as was presented by the shareholders during the Planning and Collaboration Day, held on October 27, 2003. Revisions to the vision and mission statements were approved by the School Leadership Committee, KHS faculty members and the Leadership classes (including Student Board of Affairs - SBA). **The two statements were discussed and approved in SCBM in May 2004. The Attendance Policy was approved, with minor changes, by SCBM on October 20, 2004.**

Student-Focused Efforts: Rigor, relevance and relationships are supported through the Expected Schoolwide Learning Results (ESLRs) and the Hawaii Content Performance Standards (HCPS). Continuous review of our student data monitors our progress toward student learning. Our SIAP, Department/Program Action Plans, Focus Groups' reports and Title I expenditure plan reflects the concerted effort to provide continuous quality student support. Arts Communication, Health Occupations and AP Psychology were offered as new courses in SY 04-05. In order to strengthen the school's overall performance in writing, the Technology Coordinator has in-serviced all departments in the Criterion on-line writing program. Implementation of the program has been started in the English

and social studies departments. The school included the purchase of a second mobile computer lab to increase accessibility to students for the beginning of SY 04-05. **In May 05, technology money was set aside to purchase a third mobile computer lab in order to allow more use of Criterion.** KHS has a Literacy Action Plan, formulated by the interdisciplinary committee known as the “Literacy Dream Team”. This committee held Literature Cafés, or round robin in-service opportunities, of best practice reading strategies every quarter. Literacy Café was held during department meeting times in **October 04, December 04, March 05 and May 05.**

In order to assist students with strengthening critical thinking skills and improving their problem-solving abilities:

- Dr. Art Costa held a one-day training session for 30 leadership students on Habits of the Mind.
- A ninth grade peer-mentoring program has been implemented.
- A staff committee has drafted an action plan for adult mentoring through Foundations for Excellent Schools (FES) – The Century Program (TCP) **that includes 65 freshman and sophomores who are mentored by 32 teachers and staff personnel.**

Action Orientation: The school’s action plan focuses on student achievement of the standards in all program areas. The school’s data manager compiles the results of the actions related to student achievement in a student database, providing the school a comprehensive profile on student achievement. The data is then disseminated to and discussed by teachers and administrators who will in turn use the data to initiate modifications within the curriculum. **Every teacher was in-serviced in Transforming Our Teaching And Learning (TOTAL); some have completed their curriculum map, and all are using rubrics or other formal forms of assessment. Teachers are also discussing and preparing for implementation of standards-based grading.**

Accountability: Most staff members have roles in developing the school’s action plans through their departments as well in Focus Groups and ad hoc Committees. Administrators, department chairpersons, program coordinators and Focus On Learning facilitators monitor the implementation of the action plans, initiate changes for improvement, lead in planning and implementation and complete summative year end evaluations. All teachers assume the responsibility to assist students in achieving proficiency on the performance standards and in meeting the school’s Adequate Yearly Progress (AYP). **The annual progress report, HSA scores and NCLB standing were reported at the P/C Day on 10/29/04. The next Parent and Community P/C Day will be held on October 28, 2005.**

Strong Leadership and Support Systems: Staff members demonstrate leadership by their participation, collaboration and coordination in school improvement. Examples of leadership include schoolwide direction (SIAP), departmental direction (DAPs), various ad hoc committees (i.e. testing, technology, career portfolio and recognition) and involvement in the Planning and Collaboration Day’s agenda and activities.

B. Evaluate the implementation of the Standards Implementation Action Plan.

We are currently working towards achieving our goals as outlined in the SIAP. Kailua continues the effort to collect and interpret data pertinent to student achievement. The staff uses the analyzed data such as student grades, HSA and in-house assessments, attendance and school discipline to assess progress and guide adjustments and revisions to the SIAP.

The Data Manager disaggregates data from the student population and disseminates information to the entire faculty. This has led to the formation of various ad hoc committees. These are formed to address

key issues such as testing, the attendance policy, the use of tutorial period and the use of technology on campus.

A Planning and Collaboration Day was held on October 29, 2004. Revised versions of the school vision and mission statements were approved by parents and community members. From January 05 until the close of the school year, the new vision and mission statements were emphasized and incorporated into activities in every classroom.

2. Describe the changes, adjustments, and/or modifications made to the Action Plan and the reasons.

In March 05, all of the department action plans (DAPs) and the school's action plan were realigned to reflect the Standards Implementation Action Plan (SIAP) format. The school's SIAP focuses on two main images of success: Standards-based Learning and Quality Student Support. The KHS plan reflects the Department of Education's AYP and Title I requirements: 44% of grade 10 students will place in the proficient or above level on the Hawaii State Assessment English portion.. The aforementioned Criterion On-line Writing Program will afford further opportunities for students to practice responding to reading using their critical thinking skills. As of October 04, nine teachers have attended the district's three-part frame in-service. All are implementing the strategies discussed at that session and are tracking student progress by administering monthly prompts, assessing the content of the writing by using the statewide reading response rubric, and charting the scores. **The purchase of a third mobile computer lab in May 05 will allow more access to Criterion in SY 05-06. In SY 05-06, Kailua High will research, select and utilize a schoolwide reading program. Administrators and teachers will have input into which program is most suitable for our clientele.**

In the 2003 School Quality Survey, 46.6% of the students affirmed that their teachers emphasized higher-level thinking and problem-solving skills. We will use this data to promote curriculum improvement in developing critical thinking skills.

- **The Literacy Action Plan focuses the schoolwide effort to promote literacy across the curriculum.**
- **The TCP adult mentoring plan will focus on improving the goal setting and problem-solving skills of the 47 freshmen and 18 sophomores selected for the program.**
- **TOTAL will be used to promote standards-based education.**
- **Cognitive Coaching will support collegial coaching and articulation on strategies to enhance problem-solving and critical thinking skills of teachers and students.**

C. Describe the extent to which student achievement targets or goals were met.

Teachers and administrators are currently discussing the recent data and will develop strategies to improve student achievement and modify DAPs to realign curriculum to address HSA expectations. One change that has made an impact pertains to the testing schedule. Our Testing Coordinator, in collaboration with the Testing Ad-Hoc Committee, changed the HSA administering practice for the 03-04 test. This resulted in an in-house count of 223 out of 227 eligible sophomores taking the test. SY 03-04 scores rose in both the math and English sections. **Students at or exceeding proficiency for math was 23%; for English, 46% were at or above the proficiency level. Overall, 97% of the eligible 10th graders took the HSA. Adequate yearly progress was not met, however. The Disabled subpopulation group did not meet the targets for math, English or total tested. Because of the increase in scores and in overall participation during the previous year, the same testing format was followed in SY 04-05. In-house numbers indicate that the participation rate for SY 04-05's HSA is 98%. Scores will be available in September 05.**

D. Adjustments and modifications to the plan that will be made for the next year.

The Kailua High School administration and staff have several modifications that will be implemented over the next year:

Each department will develop and/or identify multiple classroom assessments that will be implemented throughout their classes, which will lead to continuous designing of standards-based instruction (and a shift towards performance-based grading). **All teachers will promote literacy in their classes by incorporating strategies learned via the Literacy Café sessions. The school will also examine and select a researched-based reading program that will be implemented in SY 05-06.** Each department is also responsible for a specific task regarding Career Portfolios, as well as a supporting role in the administering of the HSA test. Evaluation of the effectiveness of the Tutorial Period has resulted in the restructuring of the bell schedule to increase instructional time in the classroom and to reduce off-task behavior outside the classrooms during transitions. The new bell schedule was approved by the faculty, staff, students and the SCBM Council and was implemented in SY 04-05.

Kailua High School's new attendance policy was implemented this year. **Faculty will continue to examine the effectiveness of the policy.** We will also use disaggregated data from the Asian/Pacific Islander Youth Study on Violence (a survey that was completed in conjunction with the University of Hawaii) to determine ways to strengthen our preventive measures and intervention programs for substance abuse and violent behaviors. The aim is to continuously improve to promote a safe school environment.

Professional development for teachers will also undergo modification. The focus on Cognitive Coaching and the use of technology within the curriculum will be at the forefront (an updated version of the Technology Plan will be proposed to our School Leadership Committee in August). Title I money designated for teacher use of Cognitive Coaching has been earmarked and approved by School Leadership Committee for SY 05 – 06. Kailua High School offered summer Professional Development sessions (facilitated by school staff and administration) that was available to any interested faculty member in the summer of 04. Sessions included: Leading the Team; Power Point and Web Design in the Classroom; and Integrated Lesson Planning and Implementation. **The school will continue to offer professional development opportunities this summer. Topics include Leading the Team II, Cognitive Coaching, Implementing a Standards-based Grade Book, Examination of Existing Databases at KHS, a Lotus Notes In-service and Using Excel for Data Analysis.**

The school will continue to receive Title I funds, but the status has changed from Schoolwide to Targeted Assistance. School Leadership Committee will determine the criteria that will enable the school to identify 30% of our total population to receive Targeted Assistance.

Kailua High School has undergone an Accreditation self-study. Each department and FOL group has examined the recent schoolwide data. This critical analysis guided the completion of our next four-year SIAP (SY 05–SY 08).

Appendix C

Student Performance

Academically, the grade point averages of students increase from their freshman to senior year. Seniors have the lowest percentage of students with a grade point average (GPA) of less than 1.00 and the highest percentage above 2.00 (on the traditional four point scale). The overall distribution of grades within the past five years has remained relatively stable. Approximately 24.9% of the student body had a GPA above a 3.00; 39.8% had a GPA of 2.99 to 2.00; 25.5% had a GPA of 1.99 to 1.00; and 9.8% had a GPA lower than 1.00. It is difficult to explain why 35% of our students have GPAs below 2.0. In SY03-04 the Attendance Policy ad-hoc committee studied the relationship between attendance and grades but found no direct correlation between attendance and grades due to the absence of appropriate data and the inconsistencies and procedural problems in implementing the school's attendance policy (established in SY97-98). However, it is reasonable to assume that the large numbers of D's and F's were due in part to provisions of the Attendance Policy, which states that an absence can be made up only if it is "caused by illness, death in the immediate family and serious personal or family problems."

Responses of the Affected Agencies

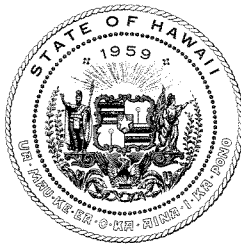
Comments on Agency Responses

We transmitted a draft of this report to the Board of Education, the Department of Education, and Kailua High School on September 13, 2006. A copy of the transmittal letter to the board is included as Attachment 1. Similar letters were sent to the department and the school. The department provided the only response to the draft. The response is included as Attachment 2.

The department generally welcomed the findings and recommendations and expressed a commitment to their implementation. Acknowledging that some of our findings stem from systemic weaknesses, the department identified steps to improve guidance to help schools with implementing school reform practices. In addition, the department described a number of measures planned or already underway to strengthen management of Kailua High School's administration and athletics program.

The department questioned our recommendation to remove the statutorily mandated representation of groups such as school employees and parents on school community councils. We revisited the related finding and determined that our recommendation is consistent with best practices for similar entities concerned with providing strategic directions and monitoring school improvement. Ability to contribute needed expertise and independence from day-to-day operations of the school should be the selection criteria for a majority of the members. The recommended change would not prohibit the now mandated groups from participating, but reduce the likelihood of a council made up almost entirely of "insiders," including employees and parents, as is the case at Kailua High School.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawai'i 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

September 7, 2006

COPY

The Honorable Randall Yee
Chair
Board of Education
Queen Liliuokalani Building
1390 Miller Street
Honolulu, Hawai'i 96813

Dear Mr. Yee:

Enclosed for your information are 14 copies, numbered 6 to 19, of our confidential draft report, *Management Audit of Kailua High School*. We ask that you telephone us by Tuesday, September 12, 2006, on whether or not you intend to comment on our recommendations. Please distribute the copies to the members of the board. If you wish your comments to be included in the report, please submit them no later than Monday, September 18, 2006.

The Department of Education, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential 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,

A handwritten signature in cursive script, appearing to read 'Marion M. Higa'.

Marion M. Higa
State Auditor

Enclosures

LINDA LINGLE
GOVERNOR



PATRICIA HAMAMOTO
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION

P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

RECEIVED

September 15, 2006

2006 SEP 18 AM 9:40

TO: Ms. Marion M. Higa, State Auditor
Office of the Auditor

FROM: Patricia Hamamoto, Superintendent

SUBJECT: Management Audit of Kailua High School

OFFICE OF THE AUDITOR
STATE OF HAWAII

Thank you for the opportunity to respond to your report entitled "**Management Audit of Kailua High School.**"

This is the first regular public school audit performed by your office and we do appreciate your efforts in compiling this report and the recommendations that you have provided. Many of your findings are systemic and this report will assist us in focusing on the areas you have cited.

The Department of Education's (DOE) responses are provided below:

Relating to the school's management culture

The Department of Education (Department) will provide guidance to Kailua High School and all other schools by developing plans and supporting schools as they implement school reform practices (High Schools That Work, etc.) with fidelity.

Beginning this year, a quarterly report-card type progress report which meets each school's achievement and proficiency targets will be posted on their respective website. This progress report will also be turned in to their respective complex area superintendent.

We agree with the auditor's recommendation that categorical funding should be flexible and restrictions relaxed.

While we value the recommendations made regarding the SCC's membership, we are concerned that the recommendation to the Legislature "to consider amending Section 302A-1124, HRS, to remove mandated representation on SCCs and allow the councils to recruit and select their membership as self-constituting entities..." would change the make-up of the SCC and Act 51. Act 51 was designed to speak for and support the local school community, including the parents and students.

We believe that this can be done with the current representatives of the SCC established by Act 51.

Relating to the school's administrative practices

The Department recognizes the need to support the principals to ensure that the school's financial administration is guided by sound business practices which follow established and recommended procedures. We will assist Kailua High School and other schools with systems that address accountability in complying with the Department's policies and procedures.

Since the auditors shared the results of this audit with the school, the principal has established and implemented a checks and balances procedure in the office which addresses areas cited in this audit, i.e. the stewardship of donations, the local school accounting practices, and management controls regarding procurement .

Relating to athletic management practices

The principal has already implemented procedures for athletics and other co-curricular activities which address the hiring and compensation of personnel, increasing student participation, training and fiscal support. In addition, a monitoring process is being implemented to ensure that the school's fiscal accounting procedures comply with appropriate Department business policies and procedures.

In addition, the school has implemented the following improvements to the athletic management procedures:

- *No coach can begin his/her duties until an Employee Background Check clearance is received by the school.*
- *All outside athletic accounts have been closed.*
- *Updated procedures for cash collection during athletic games which reflect a checks and balances system. Procedures now separate functions so that the athletic director does not manage cash collected at games.*
- *Each school's "local school funds," which represent "non-appropriated funds" to the schools present an area of significant concern. The Board has discussed the situation with the external auditors hired to perform the Department's annual audit and has tried to obtain recommendations on how to improve the situation.*

The principal has met with the athletic director and crafted an improvement plan which addresses management practices cited in this audit.

Ms. Marion Higa
September 15, 2006
Page 3

In closing, the Department continues to support the separation of outside booster clubs or independent support group fiscal accounts from becoming a part of the local school cash accounts. In other words, keep them separate and distinct.

We also encourage and support co-curricular activities (including athletics) for all students.

Board policy 1200-1.5, "Board of Education (Board) Roles and Responsibilities Policy" requires the Board to review and approve the Department's budget, ensure congruence of spending priorities with the Board's goals and objectives, and establish policies to guide restrictions and expenditures.

In recent months, the Board has become much more proactive in its oversight function. The Board has been reconsidering its policies and the method in which the policies are implemented and enforced and has been requiring increased reporting from the Department. The Board believes it is necessary to ensure accountability for the Department's budget and the use of its funds and to increase transparency, accountability, efficiency, and effectiveness.

Finally, we are committed to improving the school system in Hawaii. Your recommendations for Kailua High School and the Department of Education provide us with the guidance we need for continuous improvement.

PH:dy

c: The Honorable Linda Lingle, Governor
The Honorable Randall Yee, Chairperson, Board of Education
Assistant Superintendents
Complex Area Superintendents
Branch Directors, Superintendent's Office
Principal, Kailua High School