

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

School Districts' Administration and Support Services Edmonds, Evergreen, Federal Way, Kent, Lake Washington, Puyallup, Seattle, Spokane, Tacoma and Vancouver (September 30, 2008)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on October 22, 2008

The performance audit being discussed at this hearing was conducted solely and independently by the office of the State Auditor, under the authority of legislation approved by the voters in Initiative 900. The State Auditor is elected directly by the people of the State of Washington and operates independently of the Legislature and the Joint Legislative Audit & Review Committee. Staff to the Joint Legislative Audit & Review Committee prepare a summary of public testimony on State Auditor reports. These summaries are for informational purposes only, and do not serve as an assessment by committee staff of the findings and recommendations issued by the State Auditor nor do they reflect a staff opinion on legislative intent.

Title: School Districts' Administration and Support Services

Audit Scope and Objectives:

The audit was designed to answer the following questions at the 10 largest school districts in Washington:

- How economical are each school district's administrative operations, administrative costs, administrative salaries and administrative staffing levels? If not economical, what is the impact on costs and resources?
- How efficient are each school district's administrative operations? If not efficient, what is the impact on cost and available resources?

Additionally, the audit addressed the nine elements contained in Initiative 900.

The audit indicates the 10 largest school districts were selected based on their reported student enrollment for fiscal year 2005. The audit reviewed the administrative and overhead operations of the school districts for fiscal years 2004 through 2006.

SAO Findings:

The audit contains specific findings in the following 13 areas:

1. Automated bus routing
2. Deferred maintenance backlog
3. Excess building capacity
4. Excessive use of portables
5. Executive staffing

SAO Recommendations:

The audit contains recommendations to each of the school districts, to the Office of the Superintendent of Public Instruction, and to the Legislature.

<p>SAO Findings (Cont):</p> <ul style="list-style-type: none"> 6. Human resources 7. Inventory capitalization 8. Purchasing cards 9. Inefficient verification of certificated employees 10. Strategic planning 11. Financial management and cost analysis 12. Fund balance management 13. Internal auditor function 	<p>SAO Recommendations (Cont):</p> <p>The three recommendations to the Legislature are as follows:</p> <ul style="list-style-type: none"> • A review is necessary at the state level to determine if the process to approve funds for planning, design, and construction is too lengthy and could be shortened. This would reduce the need and time for housing students in portables statewide. • The Legislature should authorize and fund the development, implementation and maintenance of a centralized repository of certificated employees' records. • To more accurately capture program cost, the Legislature should authorize the optional use of enterprise funds to account for the school districts' business-like activities.
<p>Agency Responses in Audit Report?</p>	<p>Yes; responses from the school districts are in Appendix E-1 through E-10.</p>
<p>Legislative Action Requested?</p>	<p>Yes; see above.</p>

Staff Summary of Testimony from Audited Agencies:

(No testimony from the audited school districts.)

Staff Summary of Testimony from Other Parties:

Many previous JLARC K-12 audits reached the same conclusion as this audit, that good data is not available to analyze how money is spent at the school building level. Legislators are looking for flexibility for schools, transparency for the people who pay for them, and the best educational outcomes possible. This audit represents several opportunities to advance those goals. A key finding of the audit is that school districts need an accurate picture of the cost to operate programs. The audit also found that school districts do not routinely run cost-comparison analyses using different operational models, such as for outsourcing food service or transportation. The audit specifically points out that school districts are discouraged from running routine comparative cost analysis because state law hinders their ability to contract out. We support the auditor's recommendations for school district financial transparency in particular: 1) Districts should be required to follow generally accepted accounting principles or should choose to follow them; 2) OSPI and the Legislature should authorize the use of enterprise funds; and 3) School districts should periodically conduct comparative cost analyses.

One element is lacking in this audit. I-900 calls for an analysis of the auditee's performance data, performance measures, and self-assessment systems. The audit does point out that four districts do not know how to strategically plan. The performance audit of the top ten school districts should also have to do with student performance. If a district does not have a vision, mission, values statement, strategic objectives, goals, and action plans with measurements, that district will not know how to align its finances and its human resources. While the other cost

savings measures may be important, they will not make as much difference. The Wenatchee School District provides an example of a district that has taken these steps. A real performance audit would look at these different factors and make recommendations for how to improve student performance. Financial management would not be the main focus of the audit. The Wenatchee School District is following the guidelines for the Malcolm Baldrige national quality awards, and I would encourage others in the K-12 system to do so.

Agencies Testifying:

None

Other Parties Testifying:

Amber Gunn, Evergreen Freedom Foundation
Senator Jim Kastama