

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

Educational Service Districts (9/18/2007)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on October 22, 2007

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 and Review Committee. Staff to the Joint Legislative Audit and 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:	Educational Service Districts (ESDs)
Audit Scope and Objectives:	<p>The audit reviewed the operational performance of each of the nine Washington State Educational Service Districts' governance, management, administrative and overhead operations by reviewing data from fiscal year 2006.</p> <p>In addition to the nine objective elements listed in Initiative 900, the audit was designed to answer the following questions about each ESD:</p> <ol style="list-style-type: none">1. Are operations costs reasonable, prudent and appropriate?2. Is the contracting process and monitoring of contracts reasonable and a cost-effective method of delivering quality services or programs to school districts? Are all contracts necessary?3. Do operations comply with statutory authority? Do the services and programs provided meet the original intent established by the Washington Legislature? If not, what are the areas of noncompliance? Are statutory changes needed?4. How do Washington ESDs compare to similar organizations in other states?5. What are the best practices for providing cost-effective services and programs to school districts and how much would it cost ESDs to adopt those that are recommended?

<p>SAO Findings:</p> <p>Findings are organized in the following audit areas:</p> <ul style="list-style-type: none"> • Number and geographic distribution of ESDs • Governance and management • Financial management • Institutional structure • Program and academic delivery • Human resources • Facilities' use and management • Purchasing and contract management • Technology <p>The report identifies \$25.3M in cost savings and revenue opportunities over five years.</p>	<p>SAO Recommendations:</p> <p>The report includes a set of recommendations for the ESDs as a system, as well as recommendations directed to each of the individual ESDs. Since the ESDs are independent local governments, the individual ESDs and their Boards of Directors have responsibility for considering these recommendations.</p> <p>The report also includes four recommendations to the Legislature:</p> <ul style="list-style-type: none"> • Modify Washington Administrative Code 180-22-150, so that all ESDs fall within its square mileage requirements (Recommendation 2-2). • Remove ESD Superintendents' responsibility from the regulatory functions of RCW 28A.310.260 in relation to member school district staff code of conduct violations (Recommendation 3-1). • Modify the controlling statutory language to eliminate the Boundary Committees and the ESD Superintendents' role in resolving boundary disputes (Recommendation 3-2). • Washington policy-makers should undertake an evaluation or performance audit of the state's special education delivery system in an effort to increase efficiency and use existing infrastructure (Recommendation 3-6).
<p>Agency Responses in Audit Report?</p>	<p>Yes. Appendix C of the report is a response from the Association of Educational Service Districts. The report also has separate sections about each ESD, and these sections include responses from that ESD.</p>
<p>Legislative Action Requested?</p>	<p>Yes; see the four recommendations referenced above.</p>

Staff Summary of Testimony from Audited Agencies:

The nine ESDs invested nearly a year and significant resources responding to this audit. The report confirms the value of our statewide ESD system. The ESDs welcome and support accountability. The cover letter from State Auditor Brian Sonntag speaks to ESD efficiency and effectiveness. Each ESD is tailored to meet the unique needs of its region. Local schools are under no obligation to use or purchase ESD services; strong school district participation and support for ESD services testifies to their value. This is a stronger accountability measure than can be provided through any outside audit. Of the total \$25.3 million in five-year estimated savings, \$10.5 million is from potential rebates to school districts, and \$5.4 million is from potential competitive grants. Individual ESDs have questioned some of the remaining cost saving estimates, but if accepted on an annual basis, the cost savings are \$1.88 million or less than 1 percent of total ESD expenditures during the audited year.

Staff Summary of Testimony from Other Parties:

We are pleased with the quality of this performance audit and the excellent recommendations. This is the first of the audits to cover all nine elements identified in Initiative 900. The audit identifies \$9.4 million in cost savings and \$5.4 million in revenue opportunities for the ESDs, and it provides the ESDs with the tools needed to reach these savings. In order to determine if ESDs are meeting their purpose, operational goals must be clearly linked to a budget and strategic plans. The audit shows that these elements are missing from the ESDs. The ESDs must define, track, and meet their operational goals. The audit provides practical tools for the governing boards of each ESD. The ESDs need to develop a statewide strategic plan to aid decisions and increase efficiency.

Audited Agencies Testifying:

Washington ESD Superintendents Association (Bill Keim, President)

Other Parties Testifying:

Bob Williams, Evergreen Freedom Foundation