

School District Administration and Oversight

Third Follow-up Report
February 2009

Office of Performance Evaluations
Idaho Legislature



Report 09-05F

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Acknowledgments

We appreciate the cooperation and assistance of Department of Education staff. Office of Performance Evaluations staff Jared Tatro conducted the follow-up review, and Amy Lorenzo did the quality control on this project.

School District Administration and Oversight

Third Follow-up Report

Our 2004 report provided ten recommendations for the Department of Education, the Board of Education, and the Idaho Legislature. Since the release of the original report, six recommendations have been implemented, two have been partially implemented, one has not been implemented, and one remains open for legislative action. In this third follow-up review, we conclude that the department has taken steps to implement all but one of its recommendations.

Background

School districts receive the largest share of the State General Fund. In fiscal year 2009, the state appropriated \$1.4 billion to public schools, nearly half of all general fund appropriations.

In January 2004, we issued a report on school district administration and oversight, making ten recommendations to the State Department of Education, the State Board of Education, and the Legislature that would improve information management at the department and purchasing practices in school districts. In a 2007 follow-up review, we found that the board had addressed its recommendations, the Legislature had addressed all but one of its recommendations, and the department had made some progress implementing the remaining recommendations. In this third follow-up review, we found that the department has taken steps to implement all but one of their remaining recommendations. One recommendation is open for legislative action.

The following sections describe progress made by the department in implementing its outstanding recommendations, and the appendix contains the department's assessment of its progress.

Reporting of Financial Information

Recommendation: *To improve the uniformity and accuracy of fiscal data collected and reported by school districts, the State Department of Education should modify the Idaho Financial Accounting Reporting Management System*

(IFARMS) chart of accounts to eliminate unneeded detail and clarify the definitions for selected programs and object codes.¹

The department has reviewed and updated its IFARMS manual and financial chart of accounts, removing some unused codes, clarifying the intent of several other codes, and ultimately aligning the manual with federal accounting definitions. The department released its updated manual in December 2008.

Status: This recommendation has been **implemented**.

Financial Audits

Recommendation: *To enhance the value of annual school district financial audits as a tool for state oversight, the State Department of Education should*

- a. direct districts to (1) include in their annual financial audits a review of district revenue and expenditure coding and the accuracy of district enrollment, staffing, and pupil transportation data; and (2) report the results of this review to the department;*
- b. provide guidance and training to audit firms that conduct district financial audits regarding the standards to be used when assessing district coding of revenues and expenditures and the accuracy of district enrollment, staffing, and pupil transportation data; and*
- c. establish a process for annual review of a small sample of district financial audits to assess the adequacy of work performed by audit firms to test the accuracy of data districts report to the department. The department should consult with Legislative Audits when developing the review process.*

In our 2004 study, we reviewed information for several districts and found coding errors in financial data and problems with calculations for pupil transportation—issues not addressed in the districts’ audit reports. The implementation of this recommendation will add value to districts’ audit reports as a state oversight tool.

In response to part *a* of this recommendation, the department expressed concerns about potential financial burdens to districts. Department officials stated that they will not *direct* districts and charters to include part *a* of this recommendation in their annual audit report to the department. Instead, the department *requests* and will continue to request that audit firms, districts, and

¹ The recommendation, originally numbered 2.1, had three sections; two sections were implemented in 2007, as noted in our second follow-up review.

charters review the revenue and expenditure coding and the accuracy of enrollment, staffing, and pupil transportation data.

The department has implemented part *b* of this recommendation by requesting that auditors and school district officials attend training on the financial reporting process. The department also posts information about the audit process on its website.

The department has not conducted a review of audits to assess the adequacy of audit work or the accuracy of data as recommended in part *c* of this recommendation. The department believes that Legislative Audits would be better qualified to conduct the reviews.

Status: With the exception of part *b*, this recommendation has **not been implemented**.

Presentation of Financial Information

Recommendation: *To improve the usefulness of annual school district financial information, the State Department of Education should*

- a. provide more comparative information about district revenues and expenditures overall and in the major functional areas such as instruction, administration, and pupil transportation;*
- b. provide information about how district revenues and expenditures compare to the nation and neighboring states;*
- c. provide information about revenue and expenditure patterns over time;*
- d. publish a narrative summary to help readers better understand key information and trends; and*
- e. make revenue and expenditure information available on the department's website in ways that enable users to make comparisons among districts.*

In response to parts *a*, *c*, and *e* of this recommendation, the department has provided financial information on its website for the past four fiscal years in spreadsheet and portable document formats. Presenting the data in a spreadsheet format lets users compare different school districts and different years. Although the department does not provide information about financial patterns, users can analyze the information to identify any patterns.

The department has implemented part *b* of this recommendation by providing a link to the National Center for Education Statistics, Build a Table tool. This website lets users compare different states.

In response to part *d* of this recommendation, the department indicates that publishing a narrative summary to help readers understand information and trends would be too labor intensive and time consuming.

Status: With the exception of part *d*, this recommendation has been **implemented**.

Presentation of Staffing Information

Recommendation: *To ensure that adequate administrative staffing information for school districts is available for review by policymakers and the public, the State Department of Education should*

- a. improve reporting about administrative staffing in districts by identifying the number and type of administrative staff in each district, the ratio of students to administrative staff, and changes in administrative staffing over time;*
- b. require districts to provide information regarding the duties of staff in director, coordinator, and supervisor positions; and*
- c. make staffing information available on the department's website in easily accessible formats.*

The department posts basic staff information on its website, but to implement part *a* of this recommendation, the department should provide detailed staff information as reported through the Idaho Basic Education Data System (IBEDS). The intent of the recommendation was to make detailed staff information available in easily accessible formats to policymakers and the public from the department's website. Currently, this information is only available by request.

To address part *b* of this recommendation, the department is scheduled to release a request for proposal (RFP) for an IBEDS application rewrite. The new application should have a more flexible reporting function for school districts.

The department implemented part *c* of this recommendation by making the Annual Statistical Reports available on its website in spreadsheet and portable document formats.

Status: Parts *a* and *b* of this recommendation are **in process**; part *c* has been **implemented**.

Purchasing

Recommendation: *To ensure school districts have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized, the State Department of Education should direct school districts to include a purchasing compliance review in their annual financial audits.*

Department officials believe that auditors already review purchasing procedures for most school districts and charter schools. The department has *requested* that auditors review for purchasing compliance in their financial audit of districts. However, the department has not *directed* districts to include the auditors' review in the financial audit reports submitted to the department annually.

Status: This recommendation is **partially implemented**.

Health Insurance Study

Recommendation: *To address the rising costs of health insurance, the Legislature could consider authorizing further study of the potential cost savings of a statewide health insurance plan for school districts.*

In September 2007, the legislative Health Care Task Force created a subcommittee on school district health insurance. The subcommittee has been tasked with examining ways to make insurance more affordable for districts; no specific action has been taken by the subcommittee to address this recommendation.

Health insurance costs continue to be a large expenditure for school districts. Our 2007 report *Cataloging Public Health Expenditures in Idaho* found that Idaho's school district health insurance expenditures increased 48 percent, from \$84.1 million in fiscal year 2004 to \$124.1 million in fiscal year 2006, while health plan enrollment only increased one percent (500 members).

In our 2009 report *Feasibility of School District Services Consolidation*, we found that benefits generally account for about 20 percent of a school district's budget, of which health insurance accounts for almost half of total benefits. In that report, we recommend the Legislature consider a study of school district health insurance to identify any inefficiencies or excessive spending.

Status: This recommendation is **open for legislative action**.

Appendix A

Update of Implementation Efforts



STATE DEPARTMENT OF EDUCATION

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TOM LUNA
STATE SUPERINTENDENT
PUBLIC INSTRUCTION

MEMO

To: Rakesh Mohan, Director, Office of Performance Evaluations

From: Tom Luna, Superintendent of Public Instruction

Date: January 26, 2009

Re: OPE Report on School District Administration

The following are the State Department of Education responses to the OPE Report on School District Administration:

Recommendation 2.1: To improve the uniformity and accuracy of fiscal data collected and reported by school districts, the State Department of Education should:

- Modify the Idaho Financial Accounting Reporting Management System (IFARMS) chart of accounts to eliminate unneeded detail and clarify the definitions for selected programs and object codes.

Response: The State Department of Education (SDE) agrees with this recommendation. The IFARMS chart of accounts has been updated to more closely mirror the chart of accounts and definitions in the National Center for Education Statistics (NCES) Financial Accounting for Local and State School Systems. The updated IFARMS manual is available on the SDE website at www.sde.idaho.gov/site/finance_tech/ifarms_forms.htm.

- Expand training offered to district staff responsible for coding and reporting district expenditures

Response: The SDE agrees with this recommendation of expanded training. The SDE Finance section has expanded its training at the annual IASBO School Finance workshop in the spring to a full day of training. Previously, the Finance staff presented for only a partial day. Also, Finance staff participates in the post-legislative regional workshops and is available in the afternoon of those workshops for one-on-one questions. Additionally, the Finance staff encourages telephone calls and emails from school staff with finance-related questions. Finance staff also presents training sessions at various meetings during the year in addition to the IASBO School Finance workshop, including the IASBO summer conference, the annual superintendent's meeting, charter school workshops, and the annual school board meeting.

- Review the data submitted by districts to identify instances of non-reporting and possible coding problems.

The SDE agrees with this recommendation. Each school district and charter school submits an annual financial report and an audit report, both approved by their school board. Those reports are reconciled, with any coding differences resolved by working with the business manager and the auditor. The data in the annual financial report is also reviewed for reasonableness of coding. Again, any unusual codings are discussed with the school business manager and/or the school auditor. In addition, the proper coding of transactions is discussed several times during the full-day IASBO School Finance workshop held each

spring. Also, school personnel are encouraged to call during the school year with any questions on codings they have to ensure the transaction is coded correctly from the beginning. Currently, the SDE relies heavily on the assistance of the auditor hired by the school district to review and assist in proper codings. School auditors receive invitations to attend the various trainings provided by the Finance staff and receive a yearly letter highlighting any new laws or changes to the coding structure. Like school personnel, auditors are encouraged to call with any questions they may have.

Recommendation 2.2: To enhance the value of annual school district financial audits as a tool for state oversight, the State Department of Education should:

- Direct districts to (1) include in their annual financial audits a review of district revenue and expenditure coding and the accuracy of district enrollment, staffing, and pupil transportation data; and (2) report the results of this review to the department.

Response: The SDE has requested (through its annual letter to auditors of public schools) and will continue to request that auditors review revenue and expenditure coding, the accuracy of district attendance, staffing, and pupil transportation data, and school purchasing procedures to ensure information is being correctly reported and that adequate procedures are in place. The SDE has also requested that auditors verify purchases are being appropriately reviewed and authorized. Through discussions with various auditors and school business officials, the SDE believes that requesting auditors to report the results of the review to the SDE would result in increased audit costs, which many schools would find to be a financial burden. The SDE believes that school districts and charter schools are submitting what they believe to be accurate data. The SDE reviews this data for reasonableness with respect to previous year's data, average daily attendance relative to enrollment, etc. In the event that the SDE staff discovers data that appears questionable, school staff and/or auditors are contacted to verify the data or to obtain revised data.

- Provide guidance and training to audit firms that conduct district financial audits regarding the standards to be used when assessing district coding of revenues and expenditures and the accuracy of district enrollment, staffing, and pupil transportation data.

Response: The SDE sends a letter each year to auditors directing them to review data and procedures in the areas of foundation payments (including revenues and expenditures), pupil transportation, federal grants, and budgeting. The letter concludes with training opportunities available to the auditors during the year. A schedule of special distributions made during the fiscal year is also included with the letter as is a link to the "Financial Audits" information section on the SDE website. This website includes a copy of the annual letter sent to public school auditors, a link to the IFARMS manual and chart of accounts, a list of department contacts (including phone numbers), and a list of helpful websites. This website can be viewed at www.sde.idaho.gov/site/finance_tech/financial_audits.htm. Additionally, school auditors were sent an invitation to attend the 2008 Post-Legislative Workshops. (Notification that Finance staff would be available in the afternoon for one-on-one questions was also included.)

- Establish a process for annual review of a small sample of district financial audits to assess the adequacy of work performed by audit firms to test the accuracy of data districts report to the department. The department should consult with Legislative Audits when developing the review process.

The SDE believes the Audits division of Legislative Services would be better qualified to perform an annual review of a small sample to district financial audits. The SDE has notified Legislative Services of this issue.

Recommendation 2.3: To improve the usefulness of annual school district financial information, the State Department of Education should:

- Provide more comparative information about district revenues and expenditures overall and in the major function areas such as instruction, administration, and pupil transportation.

Response: The SDE has added comparative information for each school district and charter school to its website at www.sde.idaho.gov/site/statistics/. The comparative information includes total revenues

and expenditures, for both the General Fund and All Funds, in the major function areas for the last four fiscal years. The data is presented in an Excel format, allowing users to easily manipulate the data as needed. Revenue and expenditure data for 2007-2008 should be added to the above website in the next 30 days.

- Provide information about how district revenues and expenditures compare to the nation and neighboring states.

Response: The SDE has added a link to the National Center for Education Statistics "Build a Table Tool" to our website at www.sde.idaho.gov/site/statistics/. The link allows users to create customized tables using data from multiple years collected from various federal surveys from all 50 states.

- Provide information about revenue and expenditure patterns over time;

Response: The SDE publishes a significant volume of annual data in a consistent format that can easily be compared from year to year. In addition, the SDE has made this information available in an Excel format, which allows the user to easily manipulate the data for comparison purposes.

- Publish a narrative summary to help readers better understand key information and trends.

Response: While the SDE believes this would be nice to have, the SDE found that this would be a very time consuming task for both the SDE and Idaho's public schools to complete. Idaho's chart of accounts includes 60+ fund numbers, 50+ revenue codes, 40+ function codes, and 8 different subobject codes. (While this may seem like a lot of codes, Idaho's chart of accounts is much smaller than the chart of accounts provided by the NCES Financial Accounting for Local and State School Systems handbook.) Once unusual revenue (by fund by revenue code) and expenditure (by fund by function code by subobject code) patterns were identified, all school districts and charter schools with activity in those codes would have to be contacted for an explanation. The SDE directs inquiries regarding a specific school district's financial activity to the business manager at that school district.

- Make revenue and expenditure information available on the department's website in ways that enable users to make comparisons between districts.

Response: In addition to adding comparative information for each school district and charter school to its website at www.sde.idaho.gov/site/statistics/, the SDE has also made available its Financial Summaries for Idaho School Districts report in an Excel format on our website for the last four fiscal years. The 2007-2008 Financial Summaries for Idaho School Districts report will be added shortly.

Recommendation 3.1: To ensure that adequate administrative staffing information for school districts is available for review by policymakers and the public, the State Department of Education should:

- Improve reporting about administrative staffing in districts by identifying the number and type of administrative staff in each district, the ratio of students to administrative staff, and changes in administrative staffing over time.

Response: This information is available in the Idaho School Profiles by district/charter under "Staff Data" and reflects the number of certified administrators (FTE) employees as well as the ratio of average daily attendance divided by administrative full-time employees.

<http://www.sde.idaho.gov/Statistics/districtprofiles.asp>

| Staff Data 2005-06 | | |
|---------------------------|-------|------------|
| Personnel: | FTE | ADA to FTE |
| Elementary Teachers | 34.50 | 15 |
| Secondary Teachers | 34.50 | 16 |
| Administrators | 5.90 | 179 |
| Other Certified Staff | 10.20 | 104 |
| Total Certified Staff | 64.90 | 12 |
| Total Non-Certified Staff | 46.20 | 23 |

In addition, the SDE has a link to the U.S. Department of Education's "National Center of Education Statistics Build a Table" tool where policymakers and the public have the ability to extract this data using the following components:

- Fall Enrollment
- District/LEA Certificated Administrative Staff by FTE
- District/LEA Support Staff for Certificated Administrative by FTE
- School Certificated Administrative Staff by FTE
- School Support Staff for Certificated Administrative by FTE

http://www.sde.idaho.gov/site/finance_tech/

| Important Links |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Idaho School Mailing Lists • IDCI (Idaho District Contact Information) Site • National Center for Education Statistics Build a Table tool |

SDE staff continues to provide additional detail (IBEDS reports) to interested parties as requested.

- Require districts to provide information regarding the duties of staff in director, coordinator, and supervisor positions.

Response: The RFP for the IBEDS "rewrite" is scheduled for release this spring. SDE is working with ESP Solutions to include a more flexible reporting utility in the new application.

- Make staffing information available on the department's website in easily accessible formats.

Response: The Annual Statistical Reports are now available on the SDE website in Excel format as well as PDF. Last year's Idaho School District Profiles publication will soon be available in Excel format.

Recommendation 4.2: To ensure school districts have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized, the State Department of Education should direct school districts to include a purchasing compliance review in their annual financial audits.

Response: The SDE believes that school purchasing procedures are already being reviewed by auditors during the audit process at most school districts and charter schools. The SDE has not required that this review be done and a separate report be issued by auditors summarizing their findings due, in part, by the increased costs that would be incurred by the school district or charter school for a separate report on purchasing procedures. The SDE has requested that auditors include a review of purchasing procedures be included in their audit tests. To increase the awareness of purchasing procedures and state contracts available, the SDE has arranged several trainings be done by the State Purchasing Manager to both school business managers and school superintendents and administrators. Additionally, the SDE has added a link to their Finance website to the Division of Purchasing, including links to the Division of Purchasing's monthly newsletter, their training calendar, their services, purchasing rules, statutes and policies, and to a listing of statewide contracts. (See www.sde.idaho.gov/site/finance_tech/.)

If you have any questions, please feel free to contact Deputy Superintendent Tim Hill directly at (208) 332-6843 or TDHill@sde.idaho.gov.

Office of Performance Evaluations Reports, 2007–Present

Publication numbers ending with “F” are follow-up reports of previous evaluations. Publication numbers ending with three letters are federal mandate reviews—the letters indicate the legislative committee that requested the report.

| <u>Pub. #</u> | <u>Report Title</u> | <u>Date Released</u> |
|---------------|----------------------------------------------------------------------------------------|----------------------|
| 07-01 | Use of Average Daily Attendance in Public Education Funding | February 2007 |
| 07-02 | Virtual School Operations | March 2007 |
| 07-03F | Higher Education Residency Requirements | July 2007 |
| 07-04F | State Substance Abuse Treatment Efforts | July 2007 |
| 07-05F | Idaho School for the Deaf and the Blind | July 2007 |
| 07-06F | Public Education Technology Initiatives | July 2007 |
| 07-07 | Health Insurance Coverage in Idaho: A Profile of the Uninsured and Those with Coverage | July 2007 |
| 07-08 | Options for Expanding Access to Health Care for the Uninsured | July 2007 |
| 07-09F | Child Welfare Caseload Management | December 2007 |
| 07-10F | Management in the Department of Health and Welfare | December 2007 |
| 07-11F | School District Administration and Oversight | December 2007 |
| 07-12 | Cataloging Public Health Expenditures in Idaho | December 2007 |
| 07-13 | Estimating Private Health Expenditures in Idaho | December 2007 |
| 07-14 | Trends in and Drivers of Health Expenditures in Idaho | December 2007 |
| 08-01 | Governance of Information Technology and Public Safety Communications | March 2008 |
| 08-02F | State Substance Abuse Treatment Efforts | March 2008 |
| 08-03F | Virtual School Operations | March 2008 |
| 09-01 | Public Education Funding in Idaho | January 2009 |
| 09-02F | Higher Education Residency Requirements | January 2009 |
| 09-03 | Idaho Transportation Department Performance Audit | January 2009 |
| 09-04 | Feasibility of School District Services Consolidation | February 2009 |
| 09-05F | School District Administration and Oversight | February 2009 |
| 09-06F | Use of Average Daily Attendance in Public Education Funding | February 2009 |
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