

Written Only

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DEPARTMENT OF EDUCATION  
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**Date:** 03/04/2015  
**Time:** 11:00 AM  
**Location:** 308  
**Committee:** House Finance

**Department:** Education

**Person Testifying:** Kathryn S. Matayoshi, Superintendent of Education

**Title of Bill:** HB 1352 RELATING TO THE DEPARTMENT OF EDUCATION.

**Purpose of Bill:** Requires the Auditor to conduct a comprehensive financial, management, and program audit of the Department of Education. Appropriates funds.

**Department's Position:**

The Department of Education (Department) would like to provide comment on HB1352 by apprising the committee of the oversight structure and current audit activities already in place:

The Department takes its responsibilities very seriously, and the Board of Education (BOE) as the governing body over the Department, shares that sentiment. For example, the BOE has created an Audit Committee as a standing committee of the BOE. The Internal Audit Office has performed a department-wide risk assessment and high risk areas were placed into an **Internal Audit Plan**. This plan is presented to the Audit Committee for approval. To date, ten (10) **audits/reviews** have been performed, with three (3) currently in progress.

In addition, there are several **management, financial, compliance, and other audits and reviews** that are conducted throughout each year over the processes in various offices of the Department, of which some are listed below:

- The Department is required by OMB Circular A-133 to have an annual **single audit**, as we expend over \$500,000 of federal funds each year (\$750K effective January 1, 2015.) In addition, a **financial audit** is done at the same time each year, both performed by an external CPA firm contracted by the State Auditor's Office. The current

contract for the FYE 2014 combined audit is \$385,000.00.

- Section 40-83, Hawaii Revised Statutes requires that "the comptroller shall cause to be examined and audited books of accounts kept by any public school in connection with school fees and all other moneys collected by these schools." Since 2001, over 494 **Local School Fund (LSF) Audits** have been performed by the DAGs Audit Division and the Department's Internal Audit Office.
- The Department continues to have numerous audits and reviews performed from Federal as well as State agencies. Some of these include: a) 87 **management audits, program audits, studies, reviews, assessments, evaluations, performance audits,** etc. since 1984 by the **State Auditor**, b) 24 **program and fiscal management evaluations** of the Office of Hawaii Child Nutrition Programs by the Western Regional Office of the **USDA**, c) 23 **numerous audits various federal programs** in the Office of Curriculum, Instruction and Student Support (OCISS) by the **USDOE and various CPA firms**, and d) 184 **program and fiscal evaluations** performed by the System Planning and Improvement Section of the **Systems Accountability Office**, as directed by the Board of Education.
- The Department has also self-initiated several **program audits, fiscal accountability studies, and program evaluations** from 2003. Various auditors such as Grant Thornton; N & K CPAs; Pricewaterhouse; Deloitte & Touche LLP; Accuity; and KMH,LLP were contracted.

DOE leadership has shown its commitment to promoting excellence in Hawaii's public school system and is committed to making improvements and addressing the recommendations of the audits that have already been conducted.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Eighth Legislature, State of Hawaii  
House of Representatives  
Committee on Finance

Testimony by  
Hawaii Government Employees Association  
March 4, 2015

H.B. 1352 – RELATING TO THE  
DEPARTMENT OF EDUCATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports H.B. 1352. This measure requires and provides funding for the auditor to conduct a comprehensive financial, management, and program audit of the department of education.

The HGEA represents Department of Education employees in bargaining units 02, 03, 04, 06, 09, and 13. As the Department continues its efforts to improve the Hawaii public school system and enhance the academic achievement of our youth, the Department and its employees constantly face the frustration of new issues, and changing or evolving initiatives and directives. Far too often, Department employees are required to accept and meet these challenges without adequate systems of support. A comprehensive audit which identifies operational efficiencies and deficiencies including recommendations will assist the department and its employees meet its goals.

Thank you for the opportunity to testify in support of H.B. 1352.

Respectfully submitted,

Randy Perreira  
Executive Director

**Quarterly Update**

The Internal Audit Office presents its progress on the findings, recommendations and actions noted in its various audits to the Board of Education each quarter. The latest report is posted here.

**Scope of the office**

The scope of work of the IA is to determine whether the Department's network of risk management, control and governance processes, as designed and represented by management, is adequate and effective; thus, functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance and stakeholder groups occurs as needed.
- Significant financial, managerial, regulatory and operating information is accurate, reliable and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, adequately protected and are used for their intended purposes.
- Programs, plans and objectives are achieved.
- Compliance with laws, regulations and policies are adhered to.
- Quality and continuous improvement are fostered in the Department's control process.
- Significant legislative or regulatory issues impacting the Department are recognized and addressed appropriately.

Opportunities for improving management control may be identified during the audits. They will be communicated to the appropriate level of management.

**Accountability**

The Internal Audit Office shall be accountable to the Superintendent of Education (Superintendent) and to the Audit Committee (AC) of the Board of Education to:

- Report on the adequacy and effectiveness of the Department's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the Department, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual Audit Plan and the sufficiency of internal audit office resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, external audit, etc.).

Reports presented to and approved by the Board are made public. Those reports are posted at right under Related Downloads.

**Structure and independence**

The IA serves the administrative offices and schools of the Department. To ensure the independence and objectivity of the internal audit function:

- The IA is independent of all other departments within the Department. The Internal Audit Director reports directly to the Superintendent and to the AC of the Board of Education.
- Internal auditors will perform their work by maintaining an impartial, unbiased attitude; and avoiding conflicts of interest. Any impairment to the independence or objectivity of the IA, in fact or in appearance, should be disclosed to the Superintendent and/or the AC.
- Internal audit activities will be free from interference in determining the scope of engagements, performing examinations and communicating the results.

**Authority**

The Internal Audit Director and staff of the IA are authorized to:

- Have unrestricted access to all functions, records (irrespective of physical form), property and all employees of the Department.
- Have full and free access to all members of the AC.
- Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel within the respective departments of the Department where they perform audits, as well as other specialized services from within or outside the Department.

Note 1. Assurance services involve an objective assessment of evidence for the purpose of providing an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. Examples may include financial, performance, compliance, system security and due diligence engagements. (Source: International Standards for Professional Practice of Internal Auditing "IIA Standards".)

Note 2. Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of which are also agreed upon with the client and which are intended to add value and improve an organization's operations.

Examples include counsel, advice, facilitation, process design and training. (Source: IIA Standards)

**Report Fraud**

The Internal Audit Office strongly encourages anyone who observes possible fraudulent and/or unethical behavior in the Department to report it using the confidential DOE Fraud and Ethics Hotline. Anonymous reports are also accepted.

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Hawaii State  
Department  
of Education

HB 1392

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## Internal Audit Office

The mission of the Department's Internal Audit Office (IA) is to provide independent, objective assurance (Note 1) and consulting (Note 2) services designed to add value and improve the Department's operations. It brings a systematic, disciplined approach to evaluate and contribute to the effectiveness of risk management, control and governance.

**LATE**

## Hawaii State School Readiness Assessment

Children who are prepared for school are more likely to succeed in school and life. [This report](#) measures the readiness of children for elementary school and the schools' readiness for them. School reports can be accessed on the school directory pages. The ARCH website also has past years' reports archived.

## Employment Report

An [annual summary](#) of employment figures and characteristics of newly-hired teachers and classified support services personnel for the school year as well as data from prior years. The Office of Human Resources is focused on increasing the number of highly qualified professionals in Hawaii's public schools. To achieve its goal, it has implemented cyclical and year-round recruitment activities to maintain a viable pool of eligible applicants to fill school vacancies.

## Legislative Reports

The Department annually produces [reports](#) on the education-related bills and resolutions passed in the regular session from the previous year in the Hawaii State Legislature. Annual reports additionally requested by the Legislature are also produced.

## Special Education Performance Report

In accordance with the Individuals with Disabilities Education Improvement Act: Part B, and Public Law 108-446, the Department makes available to the public its annual [Special Education Performance Report](#) that evaluates the State's efforts to implement the requirements and purposes of IDEA Part B and describes how the State will improve such implementation.

## Internal Audit Office

The [Internal Audit Office](#) provides independent, objective assurance and consulting services to add value and improve the Department's operations and internal control structures. Its primary responsibilities include reviewing the effectiveness of the internal control structure, identifying opportunities for process and control improvements that would mitigate risk exposures, monitoring compliance with laws, regulations, policies and procedures, investigating allegations of fraudulent and/or unethical behavior, and sharing best practices throughout the Department. Among the reports it presents to the Board of Education and Superintendent are:

- [Personnel, hiring, payroll review](#)
- [Data Integrity of Student Enrollment](#)
- [Procurement and contracting process review](#)
- [School Food Services review](#)

## School Quality Survey

Teachers, students, parents, administrative office staff, and instructional support staff give their opinions of school quality in this [annual survey](#). View the online and print surveys that were used for the most recent survey for parents and students [here](#).

### [Accountability Data Center](#)

Official and helpful information on school and student performance in a user-engaged, visual format.

### [Archived reports](#)

Financial, legislative, special education, state and school reports going back to 2002 can be found here.

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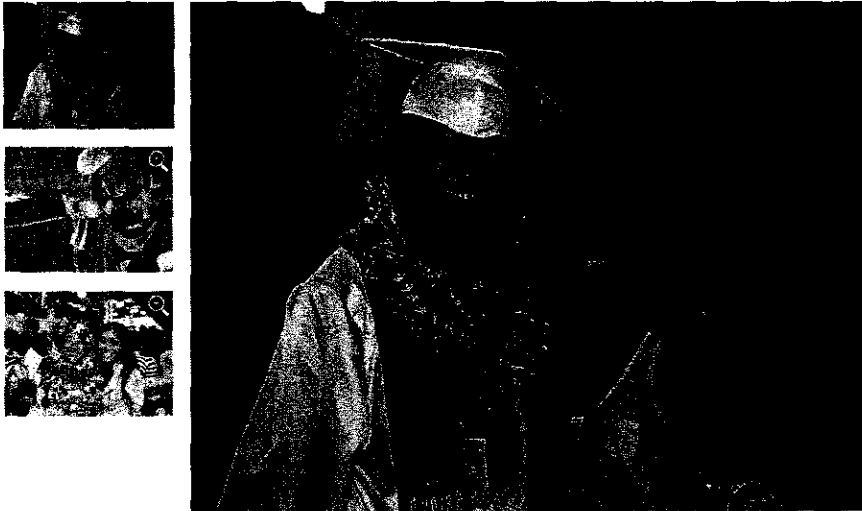
Hawaii State  
Department  
of Education

Home » Vision For Success » School Data and Reports » State Reports

## State Reports

The Department publishes regular progress reports on the three main goals of the Strategic Plan: Student Success, Staff Success and Successful Systems of Support. These reports, used in concert with school-level reports, give a comprehensive view of school performance.

**LATE**



### Superintendent's Annual Report

Performance and improvement information about Hawaii's public schools. The Superintendent's Annual Report profiles noteworthy academic events, trends and outcomes at the state and complex-area level. It includes tables, figures and narrative sections related to demographic, financial and educational performance. Also, comparisons to other states with characteristics similar to Hawaii are provided to illustrate relative progress or status on specific indicators.

### Weighted Student Formula reports

The Weighted Student Formula (WSF) is a fair and equitable way to distribute funds for school budgets. The amount of money given to a school is based on individual student need, not enrollment. This means that students with more needs will receive more resources. Funding follows students to whichever schools they attend, equalizing opportunities at the student level. The WSF informs the development of each school's Academic Financial Plan, which the community can help craft by joining a School Community Council.

### Annual Financial Report

The Department presents its Annual Financial Report to inform the public of the total cost of public education in Hawaii. It is a key component of department accountability and public transparency. The Annual Financial Report provides both Operating and Capital Improvement Project fund information, including operating revenues, receipts and expenditures. We have included operational costs such as repairs and maintenance of school facilities, and other expenses incurred by state and county agencies for public education purposes.

### Annual Financial and Single Audit Report

The Department's annual audit provides an objective third-party examination of the presentation of the Department's financial statements for the most recent fiscal year, coordinated by the State of Hawaii's Office of the Auditor.

### State Educational Facilities Improvement (SEFI) Special Fund Report

The fund is used solely to plan, design, acquire lands for, and construct public school facilities and to provide equipment and technology infrastructure to improve public schools and other facilities under the jurisdiction of the DOE, except public libraries. In addition, activities of the DOE intended to eliminate the gap between the facility needs of schools and available resources shall be eligible for funding from the special fund.