



# Secretary of State Audit Report

## Department of Education: K-12 Cost Survey and Spending Audits Follow Up

### Summary

#### PURPOSE

The purpose of this audit was to determine whether the Department of Education implemented recommendations the Audits Division made in two related audit reports—*Oregon Department of Education: Kindergarten Through 12<sup>th</sup> Grade Cost Survey* (Report No. 2002-45, issued in December 2002) and *Oregon Department of Education: Analysis of Spending for K-12 Support Services* (Report No. 2004-19, issued in May 2004).

#### BACKGROUND

In 2002, the Audits Division issued an informational report titled *Oregon Department of Education: Kindergarten Through 12<sup>th</sup> Grade Cost Survey* (Report No. 2002-45). Using national and state data, the report showed differences in spending patterns among Oregon school districts. The report recommended the department examine the reasons for cost differences in partnership with school districts.

In 2004, the Audits Division issued a report titled *Oregon Department of Education: Analysis of Spending for K-12 Support Services* (Report No. 2004-19). This report identified strategies individual school districts employed

to control support services spending. The report also noted that school finance data was difficult to use and understand. We recommended the department work with education stakeholders to identify their information needs, develop or contract for management information and public reports that are produced to support cost effective decision making, and strengthen procedures to ensure expenditure data provided by districts are reliable and correctly reported to the U.S. Department of Education.

#### RESULTS IN BRIEF

We found the department has taken actions to address the four recommendations we made in the two prior audit reports. However, because the department has not fully implemented these recommendations, we consider them to be partially resolved.

#### RECOMMENDATION

**We recommend** the department continue with its efforts to address the prior audit recommendations.

#### AGENCY'S RESPONSE

The Department of Education generally agrees with the audit recommendation.

### Background

The Department of Education (department) serves 199 elementary and secondary school districts and 20 education service districts, which in turn serve some 550,000 elementary and secondary school students. In 1997, the Legislative Assembly directed the department to update the existing chart of accounts for school districts and education service districts in order to provide comparable information at the district and school level. In response to this direction, the department started its database initiative (DBI) project. The DBI system allows the department to provide both financial and performance data for all Oregon schools,

districts, and education services districts. DBI information is available on online at: <http://www.ode.state.or.us/sfda/>.

In 2002, the Audits Division issued an informational report titled *Oregon Department of Education: Kindergarten Through 12<sup>th</sup> Grade Cost Survey* (Report No. 2002-45). Using national and state data, the report showed differences in spending patterns among Oregon school districts. For example, the data showed Oregon schools and districts were smaller than the national average, school district size appeared to heavily influence district spending, and Oregon was above the national average in support services expenditures. The report

recommended the department examine the reasons for cost differences in partnership with school districts.

In 2004, the Audits Division issued a report titled *Oregon Department of Education: Analysis of Spending for K-12 Support Services* (Report No. 2004-19). This report identified strategies individual school districts employed to control support services spending. The report also noted that school finance data from the DBI system was difficult to use

and understand. We recommended the department work with education stakeholders to identify their information needs, develop or contract for management information and public reports that are produced to support cost effective decision making, and strengthen procedures to ensure expenditure data provided by districts are reliable and correctly reported to the U.S. Department of Education.

**Audit Results**

We found the department has started taking action to implement the four recommendations we made in the two prior audit reports. However, since the department's actions taken to date have not completely addressed the recommendations, we consider them partially resolved. The table on the following pages summarizes the status of the department's efforts to resolve the prior audit recommendations.

FINDING	RECOMMENDATION	CURRENT STATUS
<i>Oregon Department of Education: Kindergarten Through 12<sup>th</sup> Grade Cost Survey (Report No. 2002-45)</i>		
<p>Spending patterns differed among Oregon districts, and the size of the school district appeared to heavily influence district spending.</p>	<p>Examine the reasons for the cost differences in partnership with school districts.</p>	<p><b>Partially Resolved</b></p> <p>While the department has not directly examined the reasons for the cost differences identified in the prior audit, it has taken actions that will facilitate the examination. For example, department management noted its automation of the State School Fund process has enabled the department to better identify and analyze expenditures reported by local districts. In addition, the department has a new reporting system that provides information at the student level. According to management, this provides the department with more comprehensive information that allows for richer analysis. Finally, the department has established the Office of Analysis and Research. The office coordinates department research, analyzes department initiatives, and provides data and research for external requests. According to management, the models used in the office's research will take into account characteristics and factors related to cost differences.</p>
<i>Oregon Department of Education: Analysis of Spending for K-12 Support Services (Report No. 2004-19)</i>		
<p>Of the 44 school districts we surveyed, 48 percent stated they wanted additional analysis of the DBI data. Our research also suggested policy makers and the public are interested in better information about how education dollars are being used.</p>	<p>Work with education stakeholders (e.g., Legislative Assembly, district officials, members of parent-teacher associations, etc.) to identify their information needs.</p>	<p><b>Partially Resolved</b></p> <p>The department has started working with some education stakeholders (e.g., school associations and legislative committees) to identify information needs. Also, the department plans to obtain additional advice from stakeholder groups in an effort to refine the data available on the DBI website. In the interim, the department has assisted with information requests. For example, the department prepared a report of 2002-03 operating expenditures for the Confederation of School Administrators (COSA). This report can be found at the following Internet address:</p> <p><a href="http://www.ode.state.or.us/sfda/reportfundingexpenditures.htm">http://www.ode.state.or.us/sfda/reportfundingexpenditures.htm</a></p>

FINDING	RECOMMENDATION	CURRENT STATUS
<p>Some school officials we spoke to found the DBI reports difficult to use in analyzing spending and making comparisons between districts.</p>	<p>Develop or contract for management information and public reports that are produced to support cost-effective decision-making.</p>	<p><b><i>Partially Resolved</i></b></p> <p>Since the prior audit, the department has not modified the DBI reports because management wants to wait until the department has held further discussion with stakeholders about their needs. The department acknowledged, however, that the standard set of reports available on the DBI website does not serve everyone's needs. In those cases, the department noted individual requests could be made for information. For example, as previously noted, the department provided COSA with a 2002-03 expenditure report by district. Management also noted that the department is developing a data book of the available DBI website data and common data tables. Within the next one to two years, the department plans to have defined tables on the website so users can build reports to meet their information needs.</p>
<p>We found the DBI expenditure data was generally reliable but improvements in the accuracy and comparability of the data could be made.</p>	<p>Strengthen procedures to ensure that expenditure data provided by school districts is reliable and that the data is reported correctly to the U.S. Department of Education.</p>	<p><b><i>Partially Resolved</i></b></p> <p>The department has initiated policies and procedures to assist in strengthening the reliability of expenditure information. According to department management:</p> <ul style="list-style-type: none"> <li>• Data owners in the department have been identified and are responsible for managing their collections of district-supplied data. Specifically, the data owners are charged with creating effective and efficient ways to collect, verify, analyze (basic analysis), and present data about schools and students.</li> <li>• The department continues to work with school district managers to revise and refine the Uniform Chart of Accounts manual with the goal of increased accuracy and consistency in district reporting.</li> <li>• In response to our prior audit findings, some adjustments have been made to the data aggregated and submitted to the U.S. Department of Education. For example, Trust and Agency funds have been excluded.</li> </ul>

We recommend the department continue with its efforts to address the prior audit recommendations.

**Agency's Response:**

*The Department of Education generally agrees with the audit recommendation.*

**Objectives, Scope and Methodology**

The objective of our audit was to determine whether the Department of Education implemented recommendations the Audits Division made in Report No. 2002-45 issued in December 2002, *Oregon Department of Education: Kindergarten Through 12<sup>th</sup> Grade Cost Survey*, and the subsequent Report No. 2004-19 issued in May 2004, *Oregon*

*Department of Education: Analysis of Spending for K-12 Support Services.*

Our audit work included interviews with department personnel and examinations of related documentation. We performed our fieldwork between November 2004 and March 2005. We conducted our audit according to generally accepted government auditing standards.



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*The courtesies and cooperation extended by officials and staff of the  
Department of Education were commendable and much appreciated.*

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