



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 03/12/2019

Time: 02:30 PM

Location: 309

Committee: House Lower & Higher
Education

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

Title of Bill: SB 0856, SD1 RELATING TO THE DEPARTMENT OF EDUCATION.

Purpose of Bill: Requires the Auditor to perform a financial and management audit of the Department of Education, Superintendent, Board of Education, and complex areas every three years. Effective 7/1/2050. (SD1)

Department's Position:

The Department of Education (Department) respectfully provides comment on SB 856, SD1. The oversight structure in place, as well as ongoing audit activities throughout the year, aligns with the Board of Education's (Board) and Department's strategic priority to improve transparency and access to information to encourage an informed and engaged community of citizens.

As the governing body over the Department, the Board created an Audit Committee in 2011. It is the duty of the Audit Committee to report regularly to the Department with respect to any issues that arise concerning the quality or integrity of the Department's financial statements, the Department's compliance with legal or regulatory requirements, the performance and independence of the Department's external auditors, the performance of the internal audit function, or any other matter within the scope of the Audit Committee's functions.

Each year, the Internal Audit Office performs a department-wide risk assessment. Identified high risk areas are placed into an annual *Internal Audit Plan*. This plan is presented to the Audit Committee for approval. To date, 25 audits/reviews have been performed, with two (2) currently in progress.

In addition, several *management, financial, compliance, and other audits and reviews* are conducted throughout each year which focus on the processes in various

Department offices. For example:

- The Department is required by OMB Circular A-133 to have an annual *single audit*, as we expend over \$750,000 of federal funds each year. Along with the annual single audit, a *financial audit* is done each year, both performed by an external CPA firm contracted by the State Auditor's Office. The current \$1,215,000 contract with KKDLY, LLC covers FYE 2018 through FYE 2020 for the annual financial and single audits and costs \$405,000 per fiscal year and is mostly funded by the State Auditor's Office.
- 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 593 *Local School Fund/Student Activity Fund Audits* have been performed by the DAGS Audit Division and the Department's Internal Audit Office (IA). In addition, IA has performed 62 *School Monitoring Reviews* since 2015.
- Numerous audits and reviews are performed by Federal and State agencies. These include but are not limited to: a) 83 management audits, program audits, studies, reviews, assessments, evaluations, performance audits, etc. since 1984 by the State Auditor; b) 41 program and fiscal management evaluations of the Office of Hawaii Child Nutrition Programs by the Western Regional Office of the USDA; c) 40 audits of various federal programs in the Office of Curriculum and Instructional Design and the Office of Student Support Services by the USDOE and various CPA firms; and d) 184 program and fiscal evaluations as directed by the Board of Education.
- The Department has also self-initiated several program audits, fiscal accountability studies, and program evaluations. Various auditors such as Grant Thornton; N & K CPAs; Pricewaterhouse; Deloitte & Touche LLP; Accuity; and KMH LLP were contracted.

The Department is committed to promoting excellence in Hawaii's public school system through proactive system improvements and by addressing the recommendations of all audits.

The Department defers to the State Auditor for any concerns. Thank you for the opportunity to provide testimony on SB 856, SD1.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.



HOUSE COMMITTEE ON LOWER & HIGHER EDUCATION

The Honorable Justin H. Woodson, Chair
The Honorable Mark J. Hashem, Vice Chair
The Honorable Amy A. Perruso, Vice Chair

S.B. NO. 856, S.D. 1, RELATING TO THE DEPARTMENT OF EDUCATION

Hearing: Tuesday, March 12, 2019, 2:30 p.m.

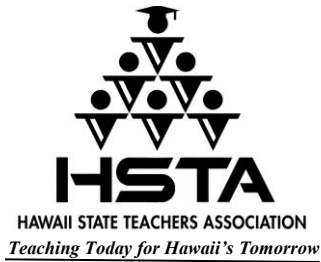
The Office of the Auditor has **no position** regarding S.B. No. 856, S.D. 1 which requires the Office of the Auditor to “conduct a financial and management audit of the department of education, superintendent, board, and complex areas every three years.” **However, we request clarification of the intended scope of the audit and offer the following comments.**

We strongly suggest that the committee identify the specific Department of Education (DOE) programs that it wants assessed to ensure that our audit includes the issues that the Legislature is most interested in having us examine. We conduct performance audits in accordance with generally accepted government auditing standards. Those standards require us to properly plan, document, and carry out work necessary to address “audit objectives” that we identify during the planning phase of our audit work. Without more specific direction, we may develop audit objectives that may be different from those envisioned by the Legislature, and for that reason, the audit may offer less value to the Legislature.

We also have strong concerns about our capacity to perform the recurring work required by this bill without additional staff. We currently are statutorily mandated to regularly audit the Office of Hawaiian Affairs, the Hawai‘i Tourism Authority, and the Deposit Beverage Container Program; to review departments’ special funds, revolving funds, trust funds, and trust accounts; to assess proposed special and revolving funds; and to analyze the State’s tax incentives. We also receive requests for audits and other studies each legislative session. We additionally suggest the requirement for recurring audits is premature since from an initial audit would be useful in determining the scope for any future audits the Legislature may order. However, if the Committee believes a financial and management audit of DOE should be recurring work, we request that this requirement be codified in Chapter 23, HRS, along with our office’s other responsibilities. *See* Section 23-13 (HTA audit every five years); Section 23-14 (HART annual review); Sections 23-11, -12 (Department special, revolving, and trust funds review).

With respect to the required financial audit, DOE’s financial statements are currently audited by KKDLY, LLC, a certified public accounting (CPA) firm, which we contract to perform the audit. DOE’s most recent financial audit, which is for the fiscal year ended June 30, 2017, is accessible through our website at: http://files.hawaii.gov/auditor/Reports/2017_Audit/DOE2017.pdf.

Thank you for considering our testimony related to S.B. No. 856, S.D. 1.



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Corey Rosenlee
President

Osa Tui Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON LOWER & HIGHER EDUCATION

RE: SB 856, SD1 - RELATING TO THE DEPARTMENT OF EDUCATION

TUESDAY, MARCH 12, 2019

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Woodson, and Members of the Committee:

The Hawaii State Teachers Association **opposes SB 856,SD1** relating to the Department of Education.

SB 856 would require the Auditor to perform a financial and management audit of the Department of Education, Superintendent, Board of Education, and complex areas every three years.

The Hawaii State Teachers Association **opposes** SB 856, SD1 for the following reason, although the audit *may* identify inefficiencies as everyone would expect, it will not find a large enough sum to make up for the inadequate funding of our public schools. The audit would also not supply answers about what should be done to rectify these inefficiencies. On the other hand, a School Funding Adequacy Study as proposed by Senate Bill 78 would give us the answers everyone needs to help make our public schools are more efficient.

Adequacy studies are rigorously being used to lay the groundwork for long-term and meaningful school improvement by determining where resources should be allocated, based on the best educational research. This will help all students achieve and succeed, whether that means college, technical training, apprenticeships or jobs right after graduation. An adequacy study will help determine the true cost of providing a high-quality education to all of our children in Hawai'i in our public schools.

An adequacy study would also take into consideration what is needed at a school based on poverty, districts of varying sizes, types of schools (elementary, middle, high school), plus the size of the school, and whether it is in a geographically



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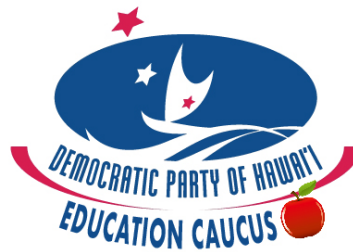
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isolated district such as Lanai and Hana. It will also consider what resources, including certified teachers and support staff, are needed, to help focus on all students including those with special needs, English Language Learners, and at-risk students. The study will provide lawmakers with the foundation for any potential school funding allocations to get the most bang for the buck, so to speak. It has worked for other states, such as Washington, recently, and it is time for Hawai'i to take a closer look at our funding for our public schools, especially when it comes to resource allocations, not through an audit, but through a school funding adequacy study instead.

For this reason and given the State's limited resources the Hawaii State Teachers Association **opposes SB 856. SD1** and, instead pass SB 78, SD2.



SENATE BILL 856, SD 1, RELATING TO THE DEPARTMENT OF EDUCATION

MARCH 12, 2019 · HOUSE LOWER AND HIGHER
EDUCATION COMMITTEE · CHAIR REP. JUSTIN H.
WOODSON

POSITION: Oppose.

RATIONALE: The Democratic Party of Hawai'i Education Caucus opposes SB 856, SD 1, relating to the Department of Education, which requires the Auditor to perform a financial and management audit of the Department of Education, Superintendent, Board of Education, and complex areas every three years.

While the Caucus continues to fight for better school funding, we believe that **increasing departmental audits is a step backwards in the march toward a fully funded education system.** The DOE's Internal Audit Office performs a departmental risk assessment to identify high-risk areas that are then subjected to internal audits, the findings of which are presented to the Hawai'i Board of Education at publicly noticed hearings. This measure, therefore, appears intended to satisfy the false belief that our state's public education system can be improved simply by finding waste within the DOE.

While inefficiencies certainly exist in departmental processes, it is highly unlikely that the fiscal impact of these inefficiencies would amount to the hundreds of millions of dollars needed to end the state's persistent teacher shortage, increase arts and vocational curricula, improve special education programming, lower class sizes, advance Hawaiian cultural instruction, remedy the department's repair and maintenance backlog, and rectify other glaring problems that prevent our state from delivering the schools our keiki deserve.

SB-856-SD-1

Submitted on: 3/10/2019 6:25:47 PM

Testimony for LHE on 3/12/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Negaard	Individual	Oppose	No

Comments:

I teach English and STEM at Henry Perrine Baldwin High School on Maui, and I oppose Senate Bill 856. I urge you to reject this bill. It is based on a false premise, it would foster conservative caution in the Department of Education at a time when students need a boldly innovative approach to education, and it would kick the funding can (and the kids attending a grotesquely underfunded public school system) interminably down the road.

First, the premise that the Department of Education already has enough money to provide a world class (or even just "adequate") public education on which SB856 is based is false. Numerous studies of per-pupil spending indicate that, compared to other school districts of similar size in areas with comparable costs, Hawai'i public schools are underfunded to the tune of nearly \$1 billion. In a Hawai'i Public Radio piece on SB1474, "Tax Foundation of Hawaii President Tom Yamachika told HPR that in similar audits of other state agencies, several hundred thousand dollars of unused funds were identified."

Several hundred thousand dollars...not chump change, but a drop in the bucket when the annual shortfall is close to \$1 billion. If "several hundred thousand dollars" turned up, it would be 0.1% of what recent (modest) proposals would provide in additional financial resources annually. Then there is the cost—would the cost of a "financial and management" audit every three years be more or less than the "several hundred thousand dollars" one might turn up once?

Second, I am not one to argue that the Department of Education is doing everything right—as a teacher, I sometimes feel compelled to beat my head against my 60-year-old head on my 50-year-old teacher's desk at some of its decisions—but I do believe that as an organization, the DoE is trying to do what is best for kids, in recent years has been somewhat bolder and more innovative, and at least talks a good talk when it comes to respecting classroom teachers as professionals.

Oversight may be appropriate, but if there is to be oversight it needs to be *by educators* and it needs to be constructive and supportive, rather than obstructive and punitive (Hawai'i public school teachers know all about "obstructive and punitive" in domains that properly ought to be "constructive and supportive"). The audits proposed by SB856 will inevitably be perceived by the DoE to be obstructive and punitive, and it will

inevitably respond the way classroom teachers do when policy implementations that affect them are the same—it will hunker down, play it safe, do the minimum that will pass muster. And who can blame it? The Legislature, which is ultimately responsible for public education in Hawai'i, maintains an adversarial relationship with the organization tasked with implementing public education in Hawai'i.

Finally, even a single audit (or adequacy study, for that matter) is an expedient excuse for spending no money on a system in crisis—for kicking the can (and our keiki) down the road. A mandate like this, calling for audits every 3 years, provides a pretext for kicking them down the road indefinitely. Every year of delay is another year that kids in school *now* suffer pervasive neglect because the state legislature refuses to adequately fund public education.

Because this bill is based on a flawed premise, would foster conservative caution on the part of the DoE at a time when innovation is our best hope for improving schools, and would provide a reasonable pretext for avoiding the hard funding decisions that the Hawai'i public education crisis demands, I urge you to reject Senate Bill 856.

Mahalo,

SB-856-SD-1

Submitted on: 3/11/2019 8:30:07 AM

Testimony for LHE on 3/12/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Tracey Clay-Whitehurst	Individual	Support	No

Comments:

SB-856-SD-1

Submitted on: 3/11/2019 10:34:15 AM

Testimony for LHE on 3/12/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ashley Olson	Individual	Oppose	No

Comments:

Aloha Honorable Members of the Senate-

My name is Ashley Olson, and I am a teacher at Lahainaluna High School on Maui. I am writing today in **opposition of SB 856.**

While I can understand the need for and even support the idea of a thorough audit of the Hawaii State Department of Education, the idea that enough 'wasted' money will be found to end the chronic underfunding of the DOE is laughable and only slightly less ridiculous than spending tens of thousands of dollars- if not more- to do it every three years.

How can anyone possibly believe that this would be a good idea?

I implore you to find a solution that is practical and effective. This proposal is neither.

Sincerely,

Ashley Olson

Lahaina, Maui



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE HOUSE COMMITTEE ON LOWER & HIGHER EDUCATION
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 309
TUESDAY, MARCH 12, 2019 AT 2:30 P.M.**

To The Honorable Justin H. Woodson, Chair;
The Honorable Mark J. Hashem, Vice Chair;
The Honorable Amy A. Perruso, Vice Chair; and
Members of the Committee on Lower & Higher Education,

TESTIMONY IN SUPPORT OF SB 856 RELATING TO THE DEPARTMENT OF EDUCATION

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce with approximately 650 members. I am writing share our support of SB 856.

The Maui Chamber of Commerce and the business community strongly support education. We live here, our children go to school here and these are our communities. So, we want quality education for the children of Hawaii. Further, the business community relies on an educated workforce to sustain its businesses.

Our strong support for an independent audit of the Department of Education (DOE) comes from deep-seated concerns about funding breakdowns between the administrative and classroom levels as we feel not enough money is getting to the classroom. With overcrowding in schools, low teacher's pay, and teachers having to purchase their own classroom supplies, as three examples, lead to a general feeling that the system is broken and too top heavy. We support and urge the legislature to pass this bill to conduct an independent audit of the DOE so a holistic view of DOE allocations can be examined and priorities can be properly funded.

Mahalo for your consideration of our testimony and we hope you will move this bill forward.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

LATE

SB-856-SD-1

Submitted on: 3/12/2019 7:44:38 AM

Testimony for LHE on 3/12/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

LATE

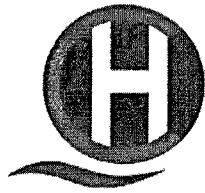
SB-856-SD-1

Submitted on: 3/11/2019 8:49:55 PM

Testimony for LHE on 3/12/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Brett Kulbis	Honolulu County Republican Party	Support	No

Comments:



Chamber of Commerce HAWAII

The Voice of Business
Late

Testimony

**Testimony to the House Committee on Lower and Higher Education
Tuesday, March 12, 2019 at 2:30 P.M.
Conference Room 309, State Capitol**

RE: SB 856 SD 1, RELATING TO THE DEPARTMENT OF EDUCATION

Chair Woodson, Vice Chairs Hashem and Perruso, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 856, which requires the Auditor to perform a financial and management audit of the Department of Education, Superintendent, Board of Education, and complex areas every three years.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Requiring an audit of the Department of Education would help the State determine exactly what kinds of costs are needed to help with our schools' infrastructure and student needs. With a reported backlog of over \$800 million for repair and maintenance projects, an audit every three years would allow the State and the public the opportunity to see what progress is being made. Additionally, an audit would provide an independent analysis on how much funding is reaching our classrooms, which could more accurately inform further action by the Legislature to improve our schools. We need to help ensure that our students are offered the best education in order to prepare them for college and their future roles in the workforce.

Thank you for the opportunity to testify.