



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

**Date:** 02/28/2019

**Time:** 10:30 AM

**Location:** 211

**Committee:** Senate Ways and Means

**Department:** Education

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

**Title of Bill:** SB 0856 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.

**Department's Position:**

The Department of Education (Department) respectfully provides comment on SB 856. 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.

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](http://www.hawaiipublicschools.org).



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SENATE COMMITTEE ON WAYS AND MEANS  
The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair

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

Hearing: Thursday, February 28, 2019, 10:30 a.m.

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The Office of the Auditor has **no position** regarding S.B. No. 856, 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.

With respect to the required financial audit, we do not perform any financial audits in-house; rather, we contract with certified public accounting (CPA) firms to audit the financial statements of State agencies and for the State’s Comprehensive Annual Financial Report. DOE’s financial statements are currently audited by an independent CPA firm annually. The most recent 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](http://files.hawaii.gov/auditor/Reports/2017_Audit/DOE2017.pdf).

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



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211  
THURSDAY, FEBRUARY 28, 2019 AT 10:30 A.M.**

To The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair; and  
Members of the Committee on Ways and Means,

**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 supports an independent audit of the Department of Education (DOE) as this is one of our legislative priorities this year. The public has strong concerns about the funding breakdowns between the administrative and classroom levels and feels not enough money is getting to the classroom. We have heard concerns that the system is too top heavy, with teachers funding their own supplies in the classroom and given rate of teacher's salaries (which is a big movement nationwide) and funding appropriated. For a number of years, we have felt it is time to have an independent audit of the DOE system and support this bill that would provide for a thorough and comprehensive look.

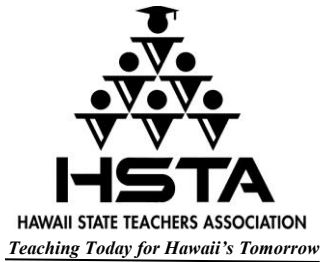
Mahalo for your consideration of our testimony and we hope you will move this bill forward.

Sincerely,

*Pamela Tumpap*

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.



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Corey Rosenlee  
President

Osa Tui Jr.  
Vice President

Logan Okita  
Secretary-Treasurer

Wilbert Holck  
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON  
WAYS AND MEANS

RE: SB 856 - RELATING TO THE DEPARTMENT OF EDUCATION

THURSDAY, FEBRUARY 26, 2019

COREY ROSENLEE, PRESIDENT  
HAWAII STATE TEACHERS ASSOCIATION

Chair Dela Cruz, and Members of the Committee:

The Hawaii State Teachers Association **opposes SB 856,** 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 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 isolated district such as Lanai and Hana. It will also consider what resources,



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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** and, instead pass, as you have already, SB 78, SD1.

**LATE**

**SB-856**

Submitted on: 2/27/2019 11:06:28 AM

Testimony for WAM on 2/28/2019 10:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Renee Dieperink	Individual	Support	No

Comments: