

LBA Performance Audit Report Summary:

Department of Education Adequate Education Grant Data Audit Report – December 2004

The purpose of the audit was to evaluate the accuracy, reliability, uniformity, and timeliness of school district data used in adequate education grant calculations. We also reviewed methods used by the Department of Education (DoE) to verify and safeguard school district data.

In the December 1997 Claremont II decision, the New Hampshire Supreme Court found it is the State's duty to provide an adequate education to all public school students. Chapter 17, Laws of 1999 (House Bill 117) passed in response to the ruling, established the system known as State Aid for Educational Adequacy. The system's purpose is to fund and distribute annual grants to provide funding for an adequate education to public school students residing in each municipality. Since passage of Chapter 17, there have been significant changes to adequate education laws.

The DoE is responsible for determining annual adequate education grants, funded by the Education Trust Fund established in RSA 198:39 and distributed to municipalities by the State Treasurer in four payments pursuant to RSA 198:42, I. Adequate education grant calculations are based on data received from school districts and the Department of Revenue Administration. A statewide property tax funds part of the adequate education grant amount with the balance funded through revenue collected by the State.

RESULTS IN BRIEF

Our audit presents 16 observations with recommendations demonstrating weaknesses in data collection and reporting processes. We found in Observation No. 1 the DoE has not adopted or implemented formal standards or guidelines to help manage data collection and reporting.

Observation Nos. 2 through 6 focus on the need for the DoE to develop instructions for collecting, processing, analyzing, and reporting data related to the design and plan phase. We found the DoE needs to adopt administrative rules to comply with law and clarify the intent of other laws, provide improved and focused on-site training for collecting and reporting school data, and increase the number of school districts using the education statistics system to submit data.

Observation Nos. 7 through 9 discuss data collection control weaknesses. Specifically, we found the DoE needs to collect final attendance data reports by September 30 with superintendent and school board chair signatures as required by law. We also identified the need for the DoE to complete on-site reviews to verify school district data for accuracy.

We found the DoE lacks policies and procedures related to processing and analyzing data. Observation Nos. 10 through 12 discuss the need for policies and procedures for attendance and financial data, low-income targeted aid data, and system controls.

Finally, for reporting and disseminating data, we present in Observation Nos. 13 through 16 issues that could compromise information and data made available in DoE reports. We found adequate education grant calculations and the assumptions they are based continue with no comprehensive documentation. We also found there may be some confusion related to what information should be included in the final attendance report to the Legislature. Lastly, we found no controls for revising public reports.

In addition to the 16 observations with recommendations, we also identified two other issues not rising to the level of formal observations. The first issue involves the DoE providing consultants with materials giving consultants the appearance they are State employees. The second issue relates to ensuring the State accounting system accurately reflects department activity for kindergarten aid funds brought forward when the budget was passed for SFYs 2004-2005.

Conclusion

State Aid for Educational Adequacy significantly increased the importance of quality school district data. Specifically, school district data serve as the foundation for adequate education grants, one of the largest line items in the State budget. Our audit demonstrates the DoE needs to better manage its responsibilities related to State Aid for Educational Adequacy, particularly in the areas of implementing better controls and complying with statutory requirements. Without improvements, the DoE jeopardizes the quality of school district data used in adequate education grant calculations.

Finally, the DoE needs to improve controls over collecting and reporting school district data used to calculate adequate education grants. As we note throughout the audit report, the DoE lacks effective controls to provide reasonable assurance the data are accurate, reliable, and uniform. Specifically, we found no administrative rules, policies and procedures, or standards and guidelines to direct collection and reporting activities. Comprehensive administrative rules, policies and procedures, and standards and guidelines would encourage an environment that understands the “high-stakes” associated with school district data and the need to provide accurate, reliable, and uniform data in a timely fashion.

The significant monetary value and risk associated with adequate education grants underscores the heightened importance of establishing adequate controls. We believe implementing recommendations contained in this report will help to increase confidence in the quality of school district data used for grant determinations and decision making.