

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
ADEQUATE EDUCATION GRANT DATA**

**PERFORMANCE AUDIT REPORT
DECEMBER 2004**

To The Fiscal Committee Of The General Court:

We have conducted an audit of the Department of Education's management of adequate education grant data to address the recommendation made to you by the Legislative Performance Audit and Oversight Committee. We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide a reasonable basis for our findings and conclusions. Accordingly, we have performed such procedures as we considered necessary in the circumstances.

The purpose of our audit was to determine if school district data used in adequate education grant calculations are accurate, reliable, uniform, and timely. To fulfill this purpose we reviewed and analyzed school district data for the 2002-2003 school year.

This report is the result of our evaluation of the information noted above and is intended solely for the information of the Department of Education and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Fiscal Committee is a matter of public record.

Office Of Legislative Budget Assistant
Office Of Legislative Budget Assistant

December 2004

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

TABLE OF CONTENTS

	<u>PAGE</u>
TRANSMITTAL LETTER	i
SUMMARY	1
RECOMMENDATION SUMMARY	3
OVERVIEW	5
SCOPE, OBJECTIVES, AND METHODOLOGY	5
BACKGROUND	6
Average Base Cost Per Pupil Of An Adequate Education	7
Average Daily Membership In Residence	7
Transportation	8
Kindergarten Aid	8
Targeted Aid	9
Education Trust Fund Revenue And Expenditures	9
DoE Bureau Of Information Services	10
Data Collection	12
ANALYTICAL FRAMEWORK	17
MANAGING DATA COLLECTION AND REPORTING	19
Observation No. 1: Adopt And Promote Standards And Guidelines For Data Collection And Reporting	19
DESIGNING AND PLANNING DATA COLLECTION AND REPORTING	21
Observation No. 2: Describe Forms And Instructions In Administrative Rules	21
Observation No. 3: Promulgate Attendance Data Collection Rules	22
Observation No. 4: Clarify Attendance Reporting Requirements For School Districts	23
Observation No. 5: Improved Training Should Coincide With On-Site Visits	24
Observation No. 6: Increase Use Of The Education Statistics System	26
COLLECTING DATA	29
Observation No. 7: Collect Final Attendance Data By September 30	29
Observation No. 8: Ensure Requisite Signatures Are Included On Reports	30
Observation No. 9: Conduct External Verification Of School District Attendance And Financial Data	33

	<u>PAGE</u>
PREPARING, PROCESSING, AND ANALYZING DATA	35
Observation No. 10: Establish Policies And Procedures For Processing Attendance And Financial Data.....	35
Observation No. 11: Establish Policies And Procedures For Low-Income Targeted Aid Data Collection.....	36
Observation No. 12: Establish Policies And Procedures For System Controls.....	37
REPORTING AND DISSEMINATING DATA	39
Observation No. 13: Ensure A Comprehensive Independent Review Of Adequate Education Grant Calculations.....	39
Observation No. 14: Use Of Consumer Price Index Not Consistent With Law.....	41
Observation No. 15: Report Final Attendance Data To The Legislature	43
Observation No. 16: Establish Policies And Procedures For Revising Public Reports.....	45
OTHER ISSUES AND CONCERNS	47
CONCLUSION	51
APPENDICES	
Department Response To Audit.....	A
Survey Of School Administrative Unit Superintendents.....	B
Summary Of School District Data Review.....	C
Current Status Of Prior Audit Findings	D
LIST OF FIGURES	
Figure 1: Education Trust Fund Revenue, SFY 2004	10
Figure 2: Bureau Of Information Services Organization.....	11
Figure 3: Flow Of Attendance Data From Schools To The Department Of Education	15
Figure 4: Data Collection And Reporting.....	17
Figure 5: LBA Logic Model For Controlling Education Data Collection And Reporting.....	18
LIST OF TABLES	
Table 1: Adequate Education Grants For SFYs 2000-2005	10
Table 2: Reports Containing Data Used To Determine Adequate Education Grants.....	13

ABBREVIATIONS

ADM	Average Daily Membership
ADM-R	Average Daily Membership In Residence
BIS	Bureau Of Information Services
BNPS	Bureau Of Nutrition Programs And Services
CPI	Consumer Price Index
DoE	Department Of Education
DRA	Department Of Revenue Administration
ESS	Education Statistics System
GAO	Government Accountability Office
IRS	Internal Revenue Service
LBA	Office Of Legislative Budget Assistant
NCES	National Center For Education Statistics
NHIFS	New Hampshire Integrated Financial System
NSLP	National School Lunch Program
OAG	New Hampshire Office Of The Attorney General
OIT	New Hampshire Office Of Information Technology
RSA	Revised Statutes Annotated
SAU	School Administrative Unit
SDS	Systems Development Specialist
SEDCAR	Standards For Education Data Collection And Reporting
SFY	State Fiscal Year
SITP	Strategic Information Technology Plan
SMP	Special Milk Program
SPEDIS	Special Education Information System

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

SUMMARY

Purpose And Scope Of Audit

This audit was performed at the request of the Fiscal Committee of the General Court consistent with the recommendation of the joint Legislative Performance Audit and Oversight Committee. It was conducted in accordance with generally accepted government auditing standards applicable to performance audits. 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.

Background

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.

Adequate education grants have been distributed since State Fiscal Year (SFY) 2000. The adequate education grant formula has consistently included a "base cost per pupil" component multiplied by a measure of the municipality's student population. The adequate education grant formula has also included other components such as transportation costs, student eligibility for free and reduced-price meals, and municipal capacity to raise tax revenue.

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. Within the DoE, the bureau of information services (BIS) calculates adequate education grants based on data received from school districts and the Department of Revenue Administration.

Data for calculating adequate education grants are submitted to the BIS either electronically or manually, depending on the source and type of data. BIS staff conduct some manual and electronic reviews of data for reasonableness but do not conduct field reviews or audits to verify accuracy, uniformity, and reliability. RSA 189:28, III requires reports submitted by school districts containing data used to calculate adequate education grants include the signature of the school board chair and school superintendent attesting the information is "true, accurate, and complete."

The adequate education grant amount totaled approximately \$825 million for SFYs 2000 and 2001. The grant amount increased to a high of approximately \$898 million for SFY 2003 and decreased to an estimated \$805 million for SFY 2005. 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

DoE management is responsible for establishing effective controls to collect and report accurate, reliable, uniform, and timely data used to determine adequate education grants. Our audit presents 16 observations with recommendations demonstrating weaknesses in data collection and reporting processes.

Based on data collection and reporting standards and guidelines literature, we identified five phases of data collection and reporting: 1) *manage*; 2) *design and plan*; 3) *collect*; 4) *prepare, process, and analyze*; and 5) *report and disseminate*. The first phase, managing data collection and reporting, addresses the need to develop organizational structures supporting data collection. We found in Observation No. 1 the DoE has not adopted or implemented formal standards or guidelines for 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 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 on 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 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.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action May Be Required	Recommendation	Agency Response
1	19	No	Develop and implement standards and guidelines representing best practices for collecting, processing, and reporting school district data.	Concur
2	21	No	Ensure DoE administrative rules comply with the requirements of RSA 541-A:16, I(b)(1), in particular the requirement to include a description of all forms and instructions used by the agency.	Concur
3	22	No	Develop and propose comprehensive rules as required by RSA 198:44, II relative to collecting final attendance data.	Do Not Concur
4	23	Yes	Clarify attendance data reporting requirements for school districts under RSA 198:45, RSA 189:28, and RSA 194:31 through the rulemaking process and, if necessary, petition the Legislature to amend statute. Ensure other State education laws do not include inconsistent reporting requirements.	Concur
5	24	No	Provide focused, comprehensive, and applicable training to SAU and school district personnel collecting and submitting attendance and financial data; provide on-site or regional training; and consider soliciting feedback from attendees to improve future training.	Concur In Part
6	26	No	Develop and implement a plan to increase the number of school districts submitting end-of-year attendance reports using the ESS.	Concur
7	29	No	Ensure <u>final</u> attendance data are collected from school districts by September 30 pursuant to RSA 198:44, I. Additionally, work with school districts to ensure complete and accurate data are submitted by August 1, and review submitted data for accuracy and completeness in a timely manner to allow those school districts identified as having incomplete or inaccurate data to submit updated data by September 30.	Concur In Part

Recommendation Summary

Observation Number	Page	Legislative Action May Be Required	Recommendation	Agency Response
8	30	Yes	Establish a process to ensure superintendent and school board chair signatures are included on all reports as required by RSA 189:28, III and RSA 198:4-d, III. Consider petitioning the Legislature to amend RSA 189:28, III and RSA 198:4-d, III to lessen the burden of signature requirements on school districts.	Concur In Part
9	33	No	Implement a review process to verify the accuracy of school district data to decrease the opportunity for error, abuse, or fraud and increase confidence in submitted data.	Concur
10	35	No	Clearly document and implement policies and procedures related to collecting, verifying, correcting, and safeguarding attendance and financial data received from the school districts.	Concur
11	36	No	Clearly document and implement policies and procedures pertaining to collecting, verifying, and safeguarding data used to determine low-income targeted aid.	Concur
12	37	No	Clearly document and implement system controls policies and procedures.	Concur
13	39	No	Establish a review and verification process for adequate education grant calculations and ensure compliance with laws before information is made public. Ensure clearly documented procedures exist for calculating adequate education grants.	Concur In Part
14	41	Yes	Comply with language contained in laws when determining adequate education grants. If language is unclear, seek an opinion from the Attorney General or suggest Legislative changes to the laws. Also, verify and complete a review of the information used in the calculation to ensure compliance with laws.	Concur In Part
15	43	Yes	Clarify with the Legislature report requirements included in RSA 198:44, I. Until the intent of RSA 198:44, I is clarified, annually report total cost of all adequate education grants for the following State Fiscal Year and the final ADM and ADM-R data from the previous school year to the Legislature by December 31.	Do Not Concur
16	45	No	Clearly document and implement policies and procedures related to revising published information.	Concur

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

OVERVIEW

At the request of the Fiscal Committee of the General Court, consistent with the recommendation of the joint Legislative Performance Audit and Oversight Committee, we conducted a performance audit of data used to determine adequate education grants. We held an entrance conference with Department of Education (DoE) officials and began audit planning in October 2003.

SCOPE, OBJECTIVES, AND METHODOLOGY

This performance audit was conducted in accordance with generally accepted government auditing standards applicable to performance audits and included such procedures as we considered necessary in the circumstances.

Scope And Objectives

We designed our audit to answer the following question: **Are school district data used in the adequate education grant calculations accurate, reliable, uniform, and timely?** For audit purposes, we defined the terms contained in the audit question. *Accurate* is defined as valid, or measuring what is intended to be measured. *Reliable* is defined as giving consistent results when the same process is repeated under similar conditions. *Uniform* is defined as using standardized processes for data collection and submission. *Timely* is defined as submitting data on or before the due date.

To answer this question, we reviewed and analyzed school district end-of-year attendance data submitted to the DoE for the 2002-2003 school year, as well as methods the DoE uses to verify and safeguard school district data.

Methodology

We reviewed State statutes and administrative rules pertinent to the DoE, the bureau of information services (BIS), and adequate education grant calculations; DoE forms, instructions, and training materials related to collecting attendance and financial data from school districts; and various spreadsheets, data, and other documents used to prepare calculations of adequate education grants. We also reviewed reports including standards and guidelines related to education data collection and reporting prepared by the United States Department of Education, the International Association for the Evaluation of Educational Achievement, and the Cooperative Education Data Collection and Reporting Standards Project Task Force.

We interviewed DoE management and BIS personnel; representatives from stakeholder groups, including the New Hampshire School Administrators Association and the New Hampshire School Boards Association; and school officials from 15 school administrative units (SAU), including superintendents, business administrators, and clerical staff. We sent mail surveys to the superintendents of all 79 SAUs to gather information concerning data collection and reporting procedures and perceptions of the support services the DoE provides; we received completed surveys from 75 superintendents (see Appendix B).

We visited 15 SAU offices to review supporting documentation for end-of-year attendance data submitted to the DoE for the 2002-2003 school year. We asked SAU staff to provide copies of final reports submitted to the DoE for each school district within the SAU, as well as documents supporting the attendance data included in those reports, such as school registers or reports produced by computer-based attendance tracking systems. We also asked each SAU to provide copies of reports submitted by other SAUs reporting the attendance of tuitioned students because the DoE requires copies of reports prepared by receiving school districts be provided to sending school districts. See Appendix C for a summary of our school district data review.

We used a proxy measure when reviewing data accuracy by assessing whether data collection and reporting controls in place at school districts, SAUs, and the DoE are adequate. Specifically, we assessed whether the DoE, school districts, and SAUs use standardized data collection and reporting procedures through on-site file reviews of attendance data, structured interviews, and mail surveys of superintendents. We determined directly examining data accuracy would be hindered by issues such as the lack of a statewide database of student attendance for sampling, perceived problems with teachers and parents being able to accurately recall student attendance information, and difficulties locating former teachers and parents who have relocated.

We assessed data reliability through on-site file reviews of attendance data, structured interviews, mail surveys of superintendents, and data analysis. We reviewed data uniformity through structured interviews and mail surveys of superintendents. Finally, we addressed timeliness concerns through mail surveys of superintendents and data review and analysis.

BACKGROUND

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. The court further ruled it is the State's duty to define adequate education. The manner of raising revenue to pay for an adequate education must be through a taxation system proportional in substance and just and reasonable in application.

Chapter 17, Laws of 1999 (House Bill 117) passed in April 1999 in response to the Claremont II ruling, established the system known as State Aid for Educational Adequacy. The system's purpose is to fund and distribute annual "adequate education grants" to municipalities, based on a formula specified in law. Due to complexities involved with the education funding formula, House Bills 300, 684, 265, and 999 were passed between May and November 1999 to make technical corrections to Chapter 17.

In 2002, Chapter 260 (Senate Bill 140) changed the weighting of free and reduced-priced meals in the adequate education grant formula. During the 2003 Legislative session, Chapter 241 (House Bill 608) changed the formula for State Fiscal Years (SFY) 2004-2005. Most recently, Chapter 200 (Senate Bill 302) of the 2004 Legislative session again made significant changes to the formula effective in SFY 2005 and subsequent years.

Since the inception of State Aid for Educational Adequacy, the adequate education grant formula has consistently determined grants for each municipality largely by multiplying a “base cost per pupil” by a measure of the municipality’s student population. Other determinants of adequate education grants have included transportation costs, student eligibility for free and reduced-price meals, and municipal capacity to raise tax revenue.

SFY 2005 adequate education grants for each municipality are determined by multiplying average daily membership in residence (ADM-R) by a base cost per pupil and then adding targeted aid for low-income students and in some cases targeted aid based on low property value. The components of the adequate education grant formula are discussed below.

Average Base Cost Per Pupil Of An Adequate Education

For the 2000-2001 and 2002-2003 SFY bienniums, the DoE followed procedures specified in RSA 198:40, I to calculate the average base cost per pupil of an adequate education at the elementary school level (i.e., base cost per pupil). Accordingly, the calculated base cost per pupil was \$3,201 for the 2000-2001 biennium and \$3,311 for the 2002-2003 biennium.

Chapter 241:4, Laws of 2003 required the SFY 2004 base cost per pupil be calculated by adjusting the base cost per pupil (from the previous biennium) by the average annual percentage rate of inflation for the four immediately preceding calendar years. The DoE used the Northeast Urban Consumer Price Index percent increase for calendar years 1998-2001 for the purpose of calculating the adjustment. The calculated base cost per pupil was \$3,390 for SFY 2004.

Chapter 200:25, Laws of 2004 amended Chapter 241:4, Laws of 2003 to extend the adjusted base cost per pupil as calculated for SFY 2004 through the second year of the biennium. Therefore, the SFY 2005 calculated base cost per pupil is \$3,390. In addition, Chapter 200, Laws of 2004 included a new methodology for adjusting the average base cost per pupil for the next biennium. Effective July 1, 2005, RSA 198:40, I will require the base cost per pupil for the biennium be calculated by multiplying the base cost per pupil from the previous biennium (i.e., \$3,390) by two times the average annual percentage rate of inflation for the immediately preceding four calendar years based on the Northeast Urban Consumer Price Index.

Average Daily Membership In Residence

According to the DoE’s *New Hampshire Student Accounting Handbook*, a student’s annual membership is the number of half days of attendance added to the number of half days of absence. Average daily membership (ADM) is determined by dividing membership by the number of half days in the school year’s instructional program. A student cannot have an ADM exceeding 1.0. A municipality’s ADM-R, on the other hand, is the sum of the ADM of all students for which the municipality is responsible for educating, including students enrolled in the public schools within the municipality’s school district and students the municipality tuitions to other approved public or private schools. Kindergarten students cannot have an ADM-R exceeding 0.5 for adequate education grant purposes.

From SFYs 2000-2004, the adequate education grant formula included a “weighted” ADM-R. Adequate education grants were determined in part by multiplying weighted ADM-R by the base cost per pupil. The DoE determined the number of weighted students each municipality was responsible for educating by calculating each municipality’s ADM-R and adjusting that number according to weights specified in statute. Elementary students received a weight of 1.0, and high school students received a weight of 1.2. Educationally disabled students received a weight of 2.0. Municipalities received additional weights based on the percentage of the school district’s students eligible to receive a free or reduced-price meal.

From SFYs 2000-2003, ADM-R data used to calculate adequate education grants included home-schooled students. In SFY 2004, home-schooled students were removed from the ADM-R data, and municipalities received a 0.1 weight for each home-schooled student participating in a public school activity, and an additional 0.15 weight for each academic course taken in a public school, excluding co-curricular activities. SFY 2005 adequate education grants do not include home-schooled students.

The adequate education grant formula for SFY 2005 does not weight ADM-R. However, adequate education grants are determined in part by multiplying non-weighted ADM-R by the base cost per pupil.

Transportation

From SFYs 2000-2003, adequate education grants reimbursed municipalities for 70 percent of their total annual general fund school transportation expenditures. In SFY 2004, municipalities received reimbursement for 100 percent of their general fund expenditures for regular to-and-from school transportation for students in kindergarten through grade eight, excluding special education transportation. Municipalities do not receive transportation reimbursement in their SFY 2005 adequate education grants.

Kindergarten Aid

With new public or new alternative kindergarten programs kindergarten aid is based on a per pupil reimbursement to school districts. After three years pupils enrolled in kindergarten programs are counted in the ADM-R data used to calculate the school districts’ adequate education grant, and kindergarten aid is no longer distributed.

Kindergarten aid provided a \$750 per pupil reimbursement in SFYs 2000 and 2001 for school districts implementing a new kindergarten program in the 1998-1999, 1999-2000, and 2000-2001 school years. The per pupil reimbursement increased to \$1,200 for SFYs 2002-2005 for school districts implementing new kindergarten programs in the 1999-2000 through 2004-2005 school years. Kindergarten aid for alternative kindergarten programs was available through June 30, 2003.

Targeted Aid

The adequacy aid system included targeted aid for the first time in SFY 2004. RSA 198:45-a (Chapter 241:8, Laws of 2003) established \$10 million in targeted education grants. The SFY 2004 targeted education grants were determined based on the difference between each municipality's local valuation per pupil and the statewide average per pupil target amount. Both local valuation per pupil and the statewide average per pupil target amount were determined using median family income, median home value, total equalized valuation, and ADM-R data. Municipalities with a local valuation per pupil less than the statewide average per pupil target amount received targeted aid equal to the difference between the two values multiplied by an adjustment percentage and the municipalities' ADM-R. The adjustment percentage kept the total of all targeted education grants within the appropriation for the grants. RSA 198:45-a was repealed effective July 1, 2004.

Chapter 200, Laws of 2004 established a new system of targeted aid under RSA 198:41. Municipalities are eligible to receive two different types of targeted aid for SFY 2005: one based on the number of students eligible to receive a free or reduced-price meal, and another based on property value. The low-income distribution for each municipality is determined by multiplying the number of students eligible to receive a free or reduced-price meal by 60 percent of the base cost per pupil. A municipality may receive a property-poor distribution if its equalized valuation per pupil is equal to or less than 90 percent of the statewide average equalized valuation per pupil. RSA 198:41, II(c) mandates the total amount of money distributed as property-poor targeted aid be equal to the total amount of money distributed as low-income targeted aid. According to DoE estimates for SFY 2005, \$64,506,276 will be distributed as property-poor targeted aid and \$64,506,276 will be distributed as low-income targeted aid.

Education Trust Fund Revenue And Expenditures

The Education Trust Fund was established to fund adequate education grants. Funding for the Education Trust Fund comes from the statewide property tax, utility property tax, business profits tax, business enterprise tax, real estate transfer tax, meals and rooms tax (including motor vehicle rental tax), and tobacco tax; as well as lottery proceeds and the entire amount of tobacco settlement funds. Figure 1 presents Education Trust Fund revenue for SFY 2004.

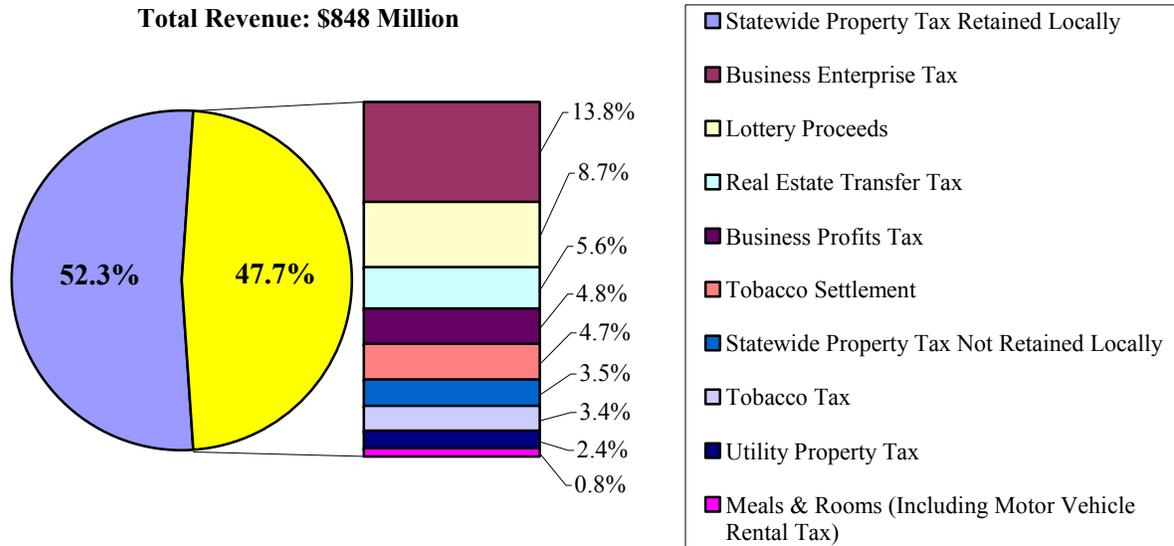
Each municipality collects the statewide property tax, remitting to the State any amount exceeding the adequate education grant amount the DoE calculates for the municipality. Municipalities collecting a statewide property tax amount less than their adequate education grant amount will receive the difference in a grant from the State. Table 1 shows the amount of property tax retained locally and the grant amounts disbursed by the State.

As shown in Table 1, adequate education grant totals increased from approximately \$825 million in SFY 2000 to a high of \$898 million in SFY 2003, and decreased to an estimated low of \$805 million for SFY 2005. The substantial reduction estimated for SFY 2005 reflects changes made to the adequate education grant formula.

Figure 1

Education Trust Fund Revenue, SFY 2004

Total Revenue: \$848 Million



Source: LBA analysis of 2004 unaudited Comprehensive Annual Financial Report.

Table 1

**Adequate Education Grants For SFYs 2000-2005
(Expressed In Thousands)**

	2000	2001	2002	2003	2004 ²	2005 ²
Education Trust Fund						
State Education Property Tax Retained Locally	\$ 417,975	\$ 417,964	\$ 454,135	\$ 452,997	\$ 443,351	\$ 350,368
State Education Grants Disbursed By State	406,817	406,817	426,522	443,873	451,640	454,432
Kindergarten Aid ¹			1,535	1,086	722	
Total	\$ 824,792	\$ 824,781	\$ 882,192	\$ 897,956	\$ 895,713	\$ 804,800

Notes:

¹Kindergarten aid is not accounted for separately for SFYs 2000, 2001, and 2005.

²Targeted aid was first made available in SFY 2004 and is not accounted for separately in SFYs 2004 and 2005.

Source for SFYs 2000-2004: LBA analysis of Statements of Appropriation and Comprehensive Annual Financial Reports.

Source for SFY 2005: LBA analysis of DoE estimates.

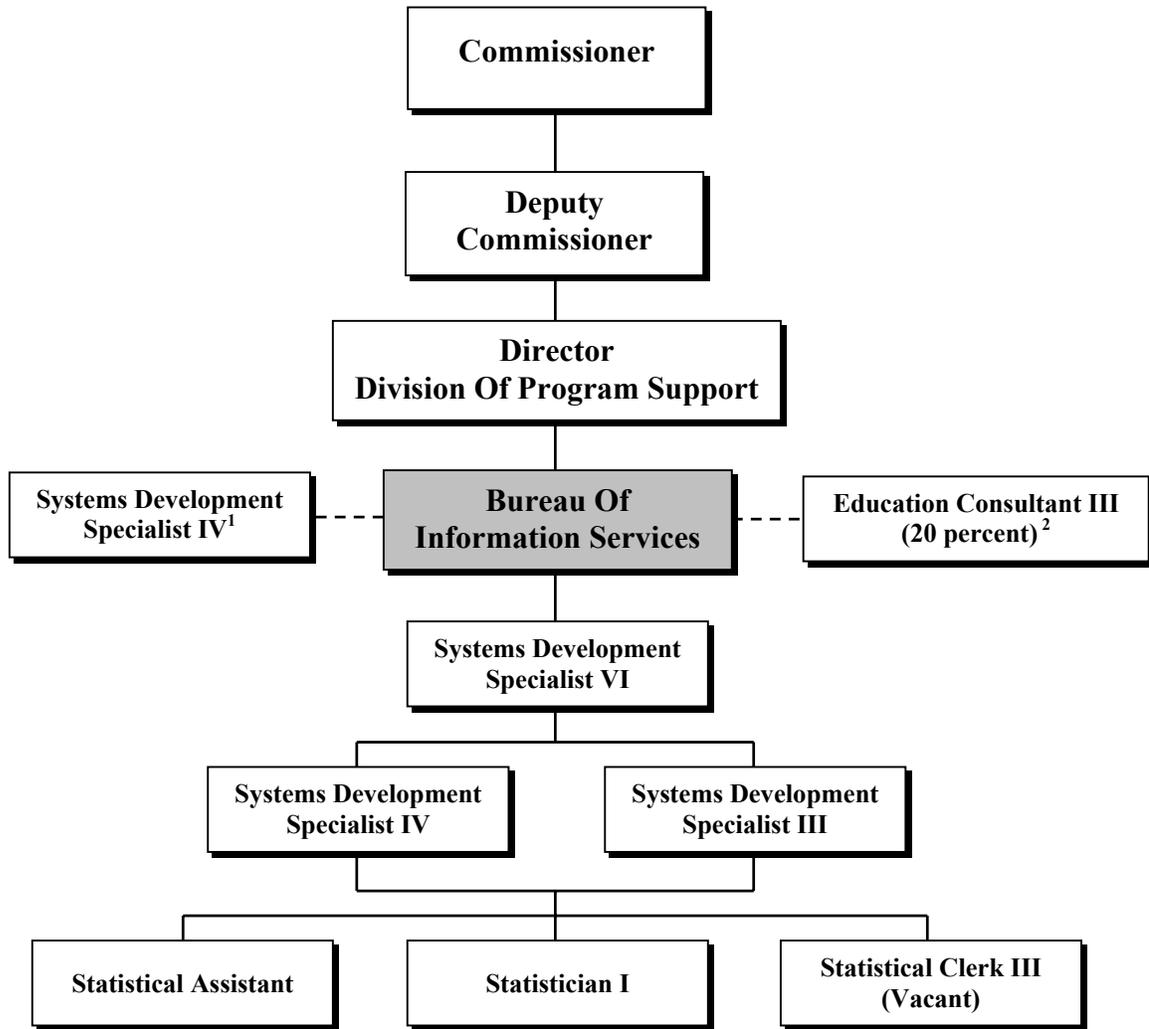
DoE Bureau Of Information Services

The DoE is responsible for determining annual adequate education grants, which are distributed to municipalities by the State Treasurer in four payments pursuant to RSA 198:42, I. Within the DoE, the division of program support's bureau of information services (BIS) calculates the adequate education grants based on data collected from the school districts and the Department of Revenue Administration (DRA).

The BIS has six full-time positions, including one vacant statistical clerk III position (see Figure 2). All six full-time positions have responsibilities related to adequate education grants. The BIS also receives support from two positions located outside the BIS.

Figure 2

Bureau Of Information Services Organization



Notes:

¹According to a DoE official, this position has been transferred from the BIS to the New Hampshire Office of Information Technology.

² The BIS utilizes 20 percent of this full-time position located in the bureau of credentialing.

Source: LBA analysis of DoE information.

The systems development specialist (SDS) VI serves as administrator of the BIS. The SDS VI supervises calculation of adequate education grants; collection of attendance, financial, staffing,

dropout, and graduate data from school districts; and publication of a variety of statistical reports and the web-based New Hampshire School District Profiles. The SDS VI also works with Legislative committees on issues involving data the BIS collects and publishes, particularly issues related to adequate education grants.

The SDS IV is responsible for coordinating BIS activities related to financial data. The SDS IV collects financial data from the school districts, coordinates training workshops for reporting financial data, serves as the contact for school officials with questions related to reporting financial information to the DoE, and serves as the DoE liaison to the New Hampshire Association of School Business Officials. The SDS IV also coordinates education data reporting to the federal government.

The SDS III has responsibilities related to collection and analysis of school district attendance and financial data, including data entry, reviewing data submitted by school districts, and preparing ADM and adequate education grant calculations. The SDS III also calculates tax apportionments for cooperative school districts, coordinates workshops for school officials responsible for completing attendance reports for the DoE, and serves as the DoE liaison to the New Hampshire Association of Educational Office Professionals.

The statistician I and statistical assistant are primarily responsible for collecting and processing reports school districts submit to the DoE, including end-of-year attendance reports used to establish ADM. Activities related to report collection include filing and tracking submitted reports, data entry, reviewing reports for missing data, and performing procedures to detect potential errors in data. The statistician I and statistical assistant contact school officials to resolve issues identified in submitted reports and answer questions related to preparing reports.

An education consultant III located within the bureau of credentialing works on the federally funded “Performance-Based Data Management Initiative” and web development for the BIS. In addition, an SDS IV within the BIS was transferred to the New Hampshire Office of Information Technology, but will continue providing services to the BIS. The SDS IV is responsible for managing the education statistics system (ESS), a web-based data collection system, including developing and modifying web pages and database applications. The SDS IV also performs data extractions for DoE staff or individuals requesting information from the DoE, and coordinates data collection related to school dropouts, high school graduates, and school safety.

Data Collection

Table 2 details school district reports annually submitted by SAUs to the BIS containing data used to determine adequate education grants. School districts must submit reports containing attendance data used to determine adequate education grants on paper due to a requirement in RSA 189:28, III that the superintendent and school board chair sign and certify the reports. The DoE provides instructions for reporting attendance data in the *New Hampshire Student Accounting Handbook*.

School districts may submit the A3, A3A, A13E, and A13S attendance reports to the BIS using the ESS, however they must also submit signed copies of those reports. BIS staff manually enter

data submitted only on paper into an electronic format. Approximately 59 percent of the school districts submitted some attendance data for the 2002-2003 school year using the ESS. According to a BIS report dated August 31, 2004, the number of school districts submitting some attendance data using the ESS increased to approximately 78 percent for the 2003-2004 school year.

Table 2

Reports Containing Data Used To Determine Adequate Education Grants

Report	Description
A3	Submitted by all school districts to report general end-of-year attendance information. This report is available on the ESS. Data from this report are used to determine ADM.
A3A	Submitted by cooperative school districts as a supplement to the A3. This report is available on the ESS. Data from this report are used to determine ADM.
A3K	Submitted by school districts with full-day kindergarten programs as a supplement to the A3. Data from this report are used to determine ADM.
A13E	Submitted by receiving school districts to report students in preschool through grade eight who are tuitioned from another school district. This report is available on the ESS. Data from this report are used to determine ADM.
A13S	Submitted by receiving school districts to report high school students who are tuitioned from another school district. This report is available on the ESS. Data from this report are used to determine ADM.
A13N	Submitted by sending school districts to report special education students educated at district expense at a location other than a public school. This report is generated from the special education information system (SPEDIS). Data from this report are used to determine ADM.
A13-Other	Submitted by sending school districts to report "other" non-public school students for whom the district paid tuition and are not included on the A13N, A3, A13E, or A13S. Data from this report are used to determine ADM.
A12L Schedule B	Submitted by all school districts to report the number of approved National School Lunch Program free and reduced-price lunch applications on file as of October 31. Data from this report are used to determine targeted aid.
Special Milk Program	Submitted by all school districts to report the number of approved Special Milk Program applications on file as of October 31. Data from this report are used to determine targeted aid.
DOE-25	Submitted by all school districts to report financial activities for the fiscal year ending June 30. Prior to SFY 2005, data from this form were used in determining per pupil costs pursuant to RSA 198:40 and transportation reimbursements.

Note: School districts submitted a report on home-schooled students until 2003.

Source: LBA analysis of DoE information.

School districts submit National School Lunch Program (NSLP) free and reduced-price meal data to the BIS on a paper report, the A12L Schedule B. School districts submitted Special Milk Program (SMP) data to the BIS for the first time in 2004 on a paper report for the SFY 2005 adequate education grant calculation. The BIS plans to collect NSLP and SMP data electronically in 2005; however, the requirement to obtain signatures from the superintendent and school board chair will remain in effect to comply with RSA 189:28, III.

School districts electronically submit DOE-25 financial data to the BIS, and must also submit a paper report signed by the school board chair to satisfy RSA 198:4-d, III. The DoE provides the *Form DOE-25 Instructional Manual* to assist school districts in completing the DOE-25. The

BIS did not use data from this report to determine SFY 2005 adequate education grants; however, it used data from this report to determine the base cost per pupil and transportation reimbursements included in prior grant calculations.

RSA 198:4-d, III requires school districts to submit information contained in the DOE-25 form to the DoE on or before September 1. The due date for forms containing data necessary to compute ADM, set forth in RSA 189:28, I, was amended during the 2003 Legislative session from September 1 to August 1. Accordingly, the DoE requires school districts to submit the A3, A3A, A3K, A13E, A13S, A13-Other, and A13N reports on or before August 1. School districts must submit NSLP and SMP data on or before November 10.

The BIS also obtains data used in adequate education grant calculations from sources other than school districts. The DRA provides the DoE equalized property valuation data in electronic spreadsheet format.

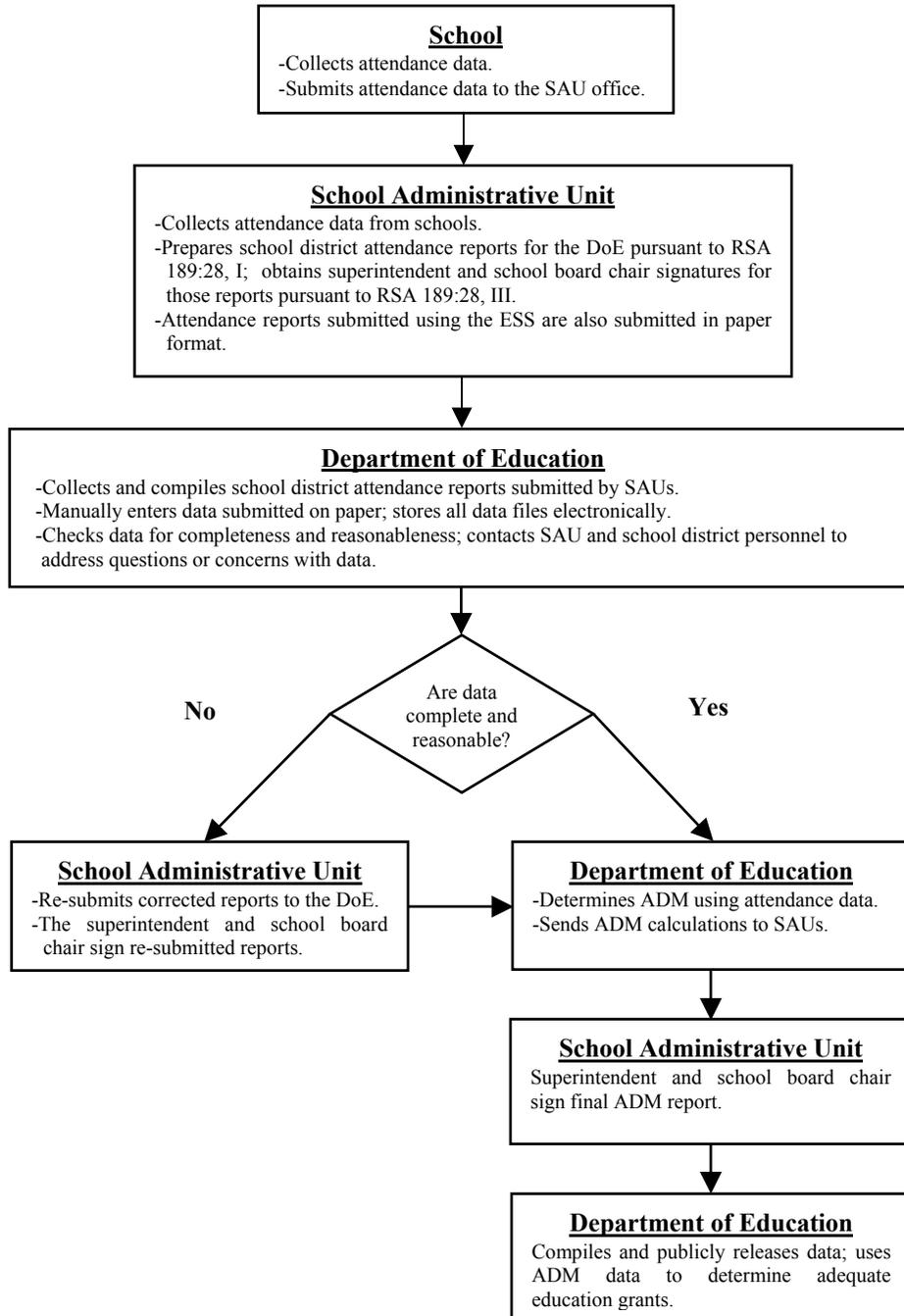
BIS staff conduct some manual and electronic reviews of end-of-year data submitted by school districts for reasonableness but do not conduct field reviews or audits on the data. For example, BIS staff compares each school district's end-of-year attendance data to the school district's fall enrollment data and end-of-year attendance data from the previous year to detect potential errors. If BIS staff detect errors, school districts are required to revise and resubmit the data.

Once the BIS collects all necessary end-of-year student attendance data, staff calculate the ADM for each municipality and provide each school district with a Determination of Resident Pupil Membership Report, a worksheet showing how the calculation was made. The superintendent and school board chairperson must sign the ADM calculation. Figure 3 diagrams the attendance data collection and reporting process.

Chapter 17:52, Laws of 1999 (as amended by Chapter 65:7, Laws of 1999) instructed the DoE to use "the best available data" to calculate adequate education grants. Adequate education grants have since been based on three-year-old financial and attendance data. For example, SFY 2005 adequate education grant amounts were calculated using data from the 2001-2002 school year, which coincides with SFY 2002. According to BIS staff, the three-year-old data are the best available when estimated grant calculations are prepared in advance of the grant year.

Figure 3

Flow Of Attendance Data From Schools To The Department Of Education



Source: LBA analysis of end-of-year attendance data collection and reporting process.

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DEPARTMENT OF EDUCATION**

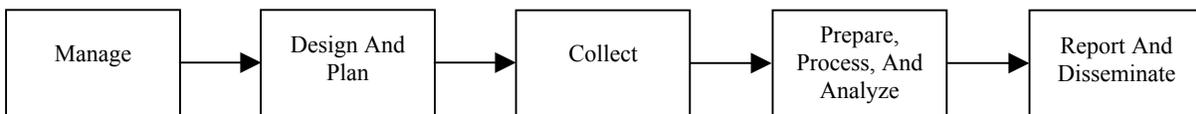
ANALYTICAL FRAMEWORK

The Department of Education (DoE) is responsible for collecting and reporting on school district data used to make significant decisions about education policy and resource allocations. Data collection and reporting activities are intended to provide management with useful and credible information to make evidence-based decisions. Appropriate controls are necessary to provide assurance accurate, reliable, uniform, and timely data are available for the State and local governments to make sound decisions. DoE management is responsible for establishing effective controls to provide reasonable assurance data collection and reporting are performed as intended.

We identified five phases of data collection and reporting through a review of literature. Specifically, in the *management phase*, organizational structures supporting data collection are developed, such as guidance for coordinating and evaluating data collection. In the *design and plan phase*, an information need has already been established and plans for collecting, processing, analyzing, and reporting data are developed. During the *collection phase*, data are collected using forms or other instruments developed in the designing and planning phase. Data are then transformed into a new format and analyzed in the *prepare, process, and analyze phase*. Finally, conclusions are presented in reports and released to meet the information needs of State and local officials in the *report and disseminate phase*. Figure 4 portrays the five phases of data collection and reporting in the order of occurrence.

Figure 4

Data Collection And Reporting



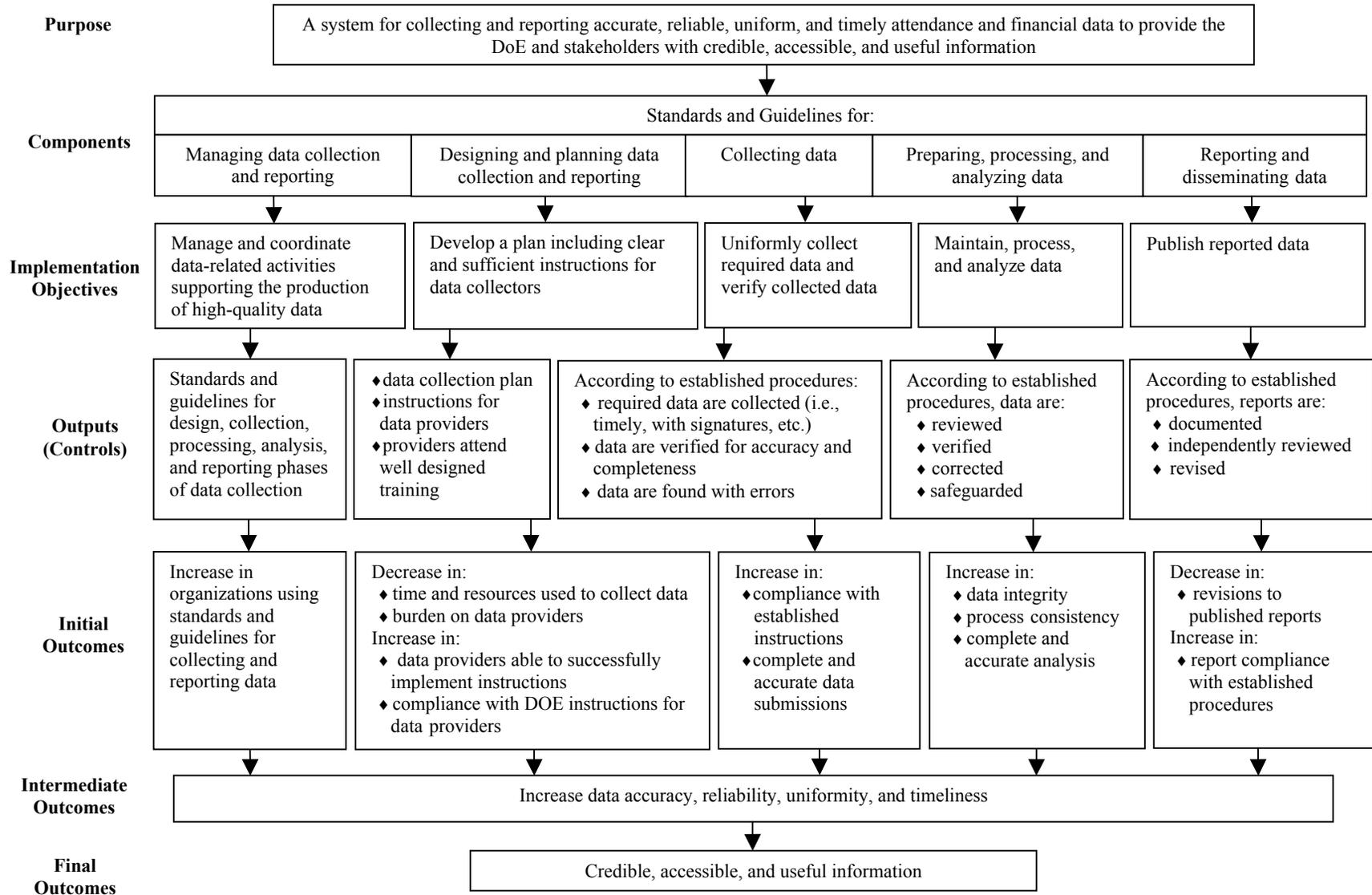
Source: LBA analysis of standards for education data collection and reporting.

Appropriate controls implemented for each of the five phases provide reasonable assurance data collection and reporting are performed as intended. The logic model in Figure 5 illustrates the link between data collection and reporting and the associated objective, controls, and impacts on data accuracy, reliability, uniformity, and timeliness. Specific controls are illustrated as outputs, and the impact on data are shown as immediate, intermediate, and final outcomes. The arrows linking the framework elements signify the intended flow.

Using the five phases as a framework, we present our observations and recommendations to demonstrate weaknesses with the DoE’s data collection and reporting. As illustrated in the logic model, identified weaknesses may affect accuracy, reliability, uniformity, and timeliness of data used to calculate adequate education grants.

Figure 5

LBA Logic Model For Controlling Education Data Collection And Reporting



**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

MANAGING DATA COLLECTION AND REPORTING

Successfully implementing procedures for data collection and reporting depends largely on the organizational environment and processes in place encouraging and supporting production of accurate, reliable, timely, and uniform data. Standards and guidelines provide the structure and foundation for an environment fostering successful implementation of design, collection, processing, analysis, and reporting phases of data collection. We found the Department of Education (DoE) provides some instruction on the data needed for forms submitted to the DoE, but does not formally endorse standards or guidelines for data collection.

Observation No. 1

Adopt And Promote Standards And Guidelines For Data Collection And Reporting

The DoE collects and reports on a variety of education data submitted by school administrative units (SAUs) and school districts. Although the DoE provides some instruction on the data needed for forms submitted to the DoE, such as the *New Hampshire Student Accounting Handbook* and the *Form DOE-25 Instructional Manual*, it does not formally endorse generally accepted standards or guidelines for data collection and reporting. A 2003 report titled *Data Survey Task Order*, prepared for the DoE and the National Center for Education Statistics (NCES), sought to analyze the available data in New Hampshire school districts. One of several obstacles identified in the report impacting an accurate assessment of the data was the inconsistency of data collection and reporting at the local levels.

Endorsing data collection and reporting standards provides SAUs and school districts with best practices for collecting and reporting high-quality data. For example, the *Standards for Education Data Collection and Reporting* (SEDCAR), the product of the Cooperative Education Data Collection and Reporting Standards Project Task Force, funded by the NCES, is “intended to serve as a guide to the key phases of data collection and reporting” to promote “data of the highest quality – data that provide useful, timely, accurate, and comparable information.”

Our survey of SAUs found most are employing some standards for data collection and reporting; however, most SAUs have not implemented formalized standards. For example, in response to our survey question related to reviewing attendance data prior to submission to DoE, 94 percent of the SAUs indicated they engaged in this practice; however, only 15 percent indicated they had written policies and procedures related to this process. The survey also found 77 percent of the SAUs review a sample of attendance data prior to submission to DoE for accuracy; however, only nine percent indicated having developed written policies and procedures for this practice. Similar results were found for the financial data. Additionally, interviews with officials at 15 SAUs revealed ten SAUs informally review data before submitting them to the DoE; however, no officials at the 15 SAUs reported formalizing these procedures.

The DoE is currently engaged in a significant initiative to streamline data collection to meet the requirements of the federal No Child Left Behind law and Chapter 147, Laws of 2004 (Senate Bill 333). A focus of this initiative is the need to define data elements and accurately communicate those definitions to personnel responsible for collecting and reporting the data. To

fully realize the benefit of this initiative, standards and guidelines will also be required to provide direction on the various phases of data collection and reporting.

By endorsing standards for data collection and reporting the DoE would: 1) provide a common reference for SAUs and school districts to use when collecting and reporting data, 2) emphasize the DoE places a high value on quality data, and 3) encourage improved confidence among decision-makers. Legislators expressing concern about the quality of data used in the adequate education grant formula may gain some confidence in the data if they are made aware that a common set of standards or guidelines are being followed by people collecting and reporting education data.

Recommendation:

We recommend DoE management, in collaboration with SAU and school district officials, develop and implement standards and guidelines representing best practices in data collection, processing, and reporting.

Auditee Response:

We concur. We do believe that we have made many improvements in this area. Over the past three years the Bureau of Information Services has updated all of its instructions. The emphasis has been on creating clear and comprehensive definitions so that data will be both valid and comparable. Instructions now include a checklist that districts can use to verify their data before submitting it. The Student Accounting Handbook was introduced two years ago. Verification procedures are now far more comprehensive than in the past. The number of district training sessions has increased from one per year to four per year.

Nevertheless, we acknowledge that there is, and always will be, room for improvement. We have also been forced to accommodate staff reductions, and while the Bureau of Information Services is cognizant of the principles of data standards, staff limitations prohibit formal implementation. As a partial redress, we have applied to the NCES for an \$80,000 grant that will allow us to develop documentation of definitions, processes, and reports. There will be documentation appropriate for districts, Department staff, auditors and the general public. We believe that we have a good chance of receiving funding.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

DESIGNING AND PLANNING DATA COLLECTION AND REPORTING

A well designed plan for data collection includes developing clear and sufficient instructions fully understood by those using them to reduce costly mistakes and produce useful, accurate, and timely information. Well-planned data collection also reduce the burden on data collectors.

While the Department of Education (DoE) provides data collectors some written instructions for completing forms, we found required administrative rules instructing school administrative units (SAUs) and school districts on the procedures for submitting data have not been adopted. We recommend clarifying conflicting laws about data submission through the rulemaking process. Per RSA 541-A:1, XV, rules “prescribe or interpret an agency policy, procedure or practice requirement binding on persons outside the agency, whether members of the general public or personnel in other agencies.” Furthermore, to successfully operationalize instructions, training should be designed to ensure instructions are fully understood by those using them. We recommend more focused training to increase compliance with DoE instruction. We also found DoE could improve the use of the education statistics system (ESS) and reduce the burden on data collectors.

Observation No. 2

Describe Forms And Instructions In Administrative Rules

DoE administrative rules do not address RSA 541-A:16, I(b)(1) requiring agencies to adopt rules of practice for all formal and informal procedures including a “description of all forms and instructions used by the agency.”

School districts submit attendance, financial, and free and reduced-price meal data to the DoE for calculating adequate education grants. The DoE publishes the *New Hampshire Student Accounting Handbook* and the *Form DOE-25 Instructional Manual* describing forms and procedures for school districts to follow in providing attendance and financial data to the DoE. Additionally, school districts are required to submit forms containing free and reduced-price meal data to the DoE. However, we found no administrative rules related to school districts submitting financial, attendance, or free and reduced-price meal data.

Lack of administrative rules may lead to confusion at the school districts because of the many reporting requirements in law and the numerous forms developed by the DoE for meeting those requirements. This may contribute to inaccuracies and late data submissions by the school districts and increase the probability of the DoE not collecting consistent and timely data, further impacting decision making at many levels. In addition, the DoE may not be able to legally enforce requirements that school districts submit specified data sets in prescribed formats because the *New Hampshire Student Accounting Handbook*, *Form DOE-25 Instructional Manual*, and other forms are not adopted in rules.

According to *Government Auditing Standards*, management is responsible for “complying with applicable laws and regulations... and implementing systems designed to achieve that compliance....” Furthermore, management is responsible for “establishing and maintaining

effective internal control to help ensure that... reliable data are obtained, maintained, and fairly disclosed....”

Recommendation:

We recommend DoE management ensure its administrative rules comply with the requirements of RSA 541-A:16, I(b)(1), in particular the requirement to include a description of all forms and instructions used by the agency.

Auditee Response:

We concur. The statutory requirements of RSA 541-A:16, I(b)(1) are set forth in the agency’s 200-series rules. The Department has revised Ed 200 and the State Board of Education has scheduled a hearing for November 2004. The Department will offer an appropriate amendment to include these forms and instructions.

Observation No. 3

Promulgate Attendance Data Collection Rules

The DoE has not developed or proposed rules related to collecting attendance data as required by RSA 198:44, II, which took effect on April 29, 1999. RSA 198:44, I requires the DoE to collect from the school districts final attendance data for the preceding school year necessary to establish average daily membership (ADM) by September 30. According to RSA 198:44, II, the Board of Education “shall adopt rules pursuant to RSA 541-A necessary to the proper administration of this subdivision.”

Comprehensive rules under RSA 198:44, II would standardize and operationalize the connection between RSA 189:28, I and RSA 198:45, which require school districts to submit data necessary to compute ADM to the DoE by August 1, and RSA 198:44, I, which requires the DoE to collect final data necessary to establish ADM from the school districts by September 30. Rules under RSA 198:44, II could specify procedures: 1) for school districts to follow in submitting attendance data by August 1, 2) for school districts to follow in submitting late and updated attendance data to the bureau of information services (BIS) before September 30, and 3) related to school districts that fail to submit complete and accurate data before September 30.

Comprehensive rules would aid the DoE in completing its collection of attendance data necessary to establish ADM by September 30, as required by RSA 198:44, I (see Observation No. 7). In addition, the rulemaking process would allow for public and Legislative review of the DoE’s data collection procedures, and would afford local government officials the opportunity to provide input into the development of regulations that affect school districts.

The Office of Legislative Budget Assistant (LBA) Audit Division recommended in Observation 21 of the DoE Financial and Compliance Audit Report For The Year Ended June 30, 2000 that the DoE adopt administrative rules as required by several statutes, including RSA 198:44, II. In responding to that observation, the DoE concurred with the observation, and stated it “is in the

process of promulgating rules in all areas where it believes the current law requires rulemaking.” The DoE further stated it would seek either an amendment to or repeal of the authorizing statute in those areas where it does not believe the adoption of rules continues to be necessary.

BIS management stated during this audit that drafting rules as required by RSA 198:44, II would be challenging because the adequate education grant formula “has been a constantly moving target.” However, the rules are intended to relate to collecting data used to establish ADM. Although the adequate education grant formula frequently changes, the data used to establish ADM have stayed nearly constant.

Recommendation:

We recommend DoE management develop and propose comprehensive rules as required by RSA 198:44, II relative to collecting final attendance data.

Auditee Response:

We do not concur. The department will seek an amendment to the statute to remove the delegation of the authority to promulgate rules.

Observation No. 4

Clarify Attendance Reporting Requirements For School Districts

Chapter 314, Laws of 2003 repealed and reenacted both RSA 198:45 and RSA 189:28, aligning previously conflicting dates by which school districts were required to submit attendance data to the DoE. RSA 198:45 and RSA 189:28 now require school districts to submit attendance data used to determine ADM to the DoE on or before August 1, with the possibility of a 30-day extension.

The statutory requirement to submit attendance data used to determine ADM on or before August 1 may conflict with RSA 194:31, which requires all schools (including public and private) be provided a copy of the school register and “...make an annual statistical report to the department of education by September 1.” RSA 194:31 also grants school districts that fail to file the report by September 1 an automatic 30-day grace period, effectively moving the submission deadline to October 1, and requires the DoE Commissioner to notify the school district that all State education aid for the upcoming fiscal year will be withheld until the report is filed. Summary data from school registers are included on forms that must be submitted to the DoE for determining ADM.

Lack of consistent and clear statutory data reporting requirements could cause school district personnel responsible for preparing and submitting reports to the DoE to misunderstand their reporting obligations and submit late or incomplete reports. Late or incomplete reports can compromise the DoE’s ability to provide timely and complete information to decision-makers.

Recommendation:

We recommend DoE management clarify attendance data reporting requirements for school districts under RSA 198:45, RSA 189:28, and RSA 194:31 through the rulemaking process and, if necessary, petition the Legislature to amend appropriate statutes. We also recommend DoE management review all State education laws for other inconsistencies in reporting requirements.

Auditee Response:

We concur with the observation that RSA 198:45 and RSA 189:28 are in conflict with RSA 194:31 in setting a date by which school districts are required to submit attendance data. We agree that the Department needs to clarify attendance data reporting requirements for school districts and intend to petition the Legislature to amend statute. It should be noted that RSA 189:28 was amended in 2003. One of the changes was the August 1st reporting date. The accepted practice of statutory construction when there is a conflict is that the most recently enacted law controls. The Department will pursue correcting the conflict.

Observation No. 5

Improved Training Should Coincide With On-Site Visits

Training programs provided by the DoE to school administrative unit (SAU) and school district staff responsible for collecting and reporting school attendance and financial data should provide attendees all the skills necessary to complete their responsibilities successfully. Inadequate training could cause data collectors and reporters to inconsistently implement procedures, potentially causing data accuracy and reliability issues or errors in completing DoE attendance and financial data collection forms.

Currently, the DoE provides annual fall enrollment and end-of-year report workshops at the DoE in Concord for SAU and school district personnel preparing attendance reports. The DoE also provides workshops on completing the DOE-25 for business administrators as needed. While our mail survey and interviews with SAU personnel found respondents are generally satisfied with DoE attendance and financial training, it appears the DoE could improve some areas, specifically with respect to training comprehensiveness.

Ninety-six percent of survey respondents strongly agreed or agreed DoE training related to attendance data is applicable; however, 75 percent strongly agreed or agreed DoE training is comprehensive. With respect to training related to financial data, 74 percent of respondents strongly agreed or agreed DoE training is applicable and 60 percent strongly agreed or agreed DoE training is comprehensive. Furthermore, through our interviews with officials at 15 SAUs, officials at nine of 13 SAUs indicated staff attending DoE training related to attendance and financial data reported the training provided the skills necessary to carry out their responsibilities successfully.

However, our survey found 55 of 75 (73 percent) SAUs indicated one or more changes were made to 2002-2003 school year attendance data after submitting them to the DoE. The survey also found that 44 of 73 (60 percent) SAUs indicated one or more changes were made to 2002-2003 school year financial data after submitting them to the DoE. Of those SAUs reporting changes made to their 2002-2003 submitted data, 89 percent reported the DoE identified the needed changes to the attendance data and 80 percent reported the DoE identified the needed changes to the financial data.

Furthermore, school districts are directed by the DoE to report information about non-resident student attendance on A13E and A13S forms and to send the reports to the DoE and the sending districts. Sending districts may use these forms to verify attendance data. However, our survey found only 42 percent of respondents reported always receiving A13E and A13S forms when they send their students out of district. Our file review at 15 SAU offices also revealed 11 offices were missing at least one A13E or A13S form from receiving districts for the 2002-2003 school year.

Focused training may increase compliance with DoE attendance and financial data reporting instructions reducing the number of errors on attendance and financial data collection forms submitted by SAUs. Identifying errors, following up with SAUs, and changing submitted data is time consuming for BIS personnel, which may better spend time engaging in other quality control activities. The director of program support reported the DoE could be doing a better job with training, and suggested training could be improved by offering it through varied venues.

Providing SAU and school district personnel with more training options, such as on-site or regional training, may benefit SAU and DoE officials. In addition to convenience, SAU officials could receive more focused assistance in areas where they have historically experienced issues, while DoE officials would have opportunity to conduct a limited review of SAU practices and procedures as suggested in Observation No. 9.

Recommendation:

We recommend DoE management provide focused, comprehensive, and applicable training to SAU and school district personnel responsible for collecting and submitting attendance and financial data. We also recommend DoE management provide some on-site or regional training to SAU and school district officials, which could coincide with an abbreviated review of local collection and reporting practices.

DoE management should also consider distributing evaluation forms at the end of workshops, or soliciting feedback from SAU and school district personnel involved with attendance and financial data. For example, after attendance and financial data are finalized, DoE may request feedback from SAUs regarding issues or problems encountered while completing attendance and financial forms. Issues raised should then be addressed at future workshops.

Auditee Response:

We concur in part. It should be recognized that over the past two years the Department has increased training from one session per year to 4 per year, but due to staff cutbacks, BIS is struggling simply to keep the current level of training. It has not been possible to offer the extensive training described. We also agree that offering training in locations outside Concord would likely increase attendance, but this also would place a greater strain on staff and the budget. While evaluation forms have been used some of the time, we agree that making evaluations a standard practice would be beneficial, and we will do so.

We strongly agree that more training would be beneficial. We also agree that if BIS staff had an opportunity to spend time on-site they would learn more about current local practices and issues. Problem issues would be identified and could subsequently be addressed by policy decisions, instructions and training. We believe that auditing visits would also produce this result. Unfortunately, staffing levels and budget constraints prohibit this activity. While it is true that increased training would eliminate some of these errors, it is also an indication that Bureau staff is employing extensive quality control measures.

Observation No. 6

Increase Use Of The Education Statistics System

The BIS has not effectively utilized its web-based data collection system, increasing the amount of time BIS personnel must spend manually entering data and increasing the risk school districts will submit incomplete data. School districts have the option to use the ESS to submit over the Internet some end-of-year attendance reports containing data used to determine adequate education grants. The ESS is a web-based data collection system maintained by a New Hampshire Office of Information Technology (OIT) programmer. The ESS currently accepts the A3, A3A, A13E, and A13S end-of-year attendance reports. The ESS does not accept the A3K, A13N, or A13-Other end-of-year attendance reports.

According to BIS staff, school districts underutilize the ESS for submitting end-of-year attendance reports. Approximately 59 percent of the school districts submitted some attendance data for the 2002-2003 school year using the ESS. According to a BIS report dated August 31, 2004, the number of school districts submitting some attendance data using the ESS increased to approximately 78 percent for the 2003-2004 school year.

The ESS contains an editing process that checks if data entered by a school district on one report match related figures on another report. If the figures do not match, or if other important business rules have not been met, the ESS will display a message informing the user of necessary corrections for data to be submitted to the DoE. Superintendents can certify data once entered into the ESS, indicating a report is complete, accurate, and ready to submit to the DoE. After a superintendent certifies a report the data are locked, and changes cannot be made without contacting the DoE.

School districts submitting statistical reports to the DoE using the ESS must also submit paper copies of those reports signed by the superintendent and chairperson of the school district's governing body pursuant to RSA 189:28, III. Using ESS and then re-submitting data on paper to provide a "wet" signature attesting to the accuracy of the data reportedly serves as a disincentive for using the ESS. Forty-eight percent of superintendents responding to our survey who do not submit reports using the ESS cited the superintendent's signature requirement as a reason and 52 percent cited the school board chair's signature requirement as a reason. One BIS staff member stated statute would have to be changed to allow for electronic signatures on data submitted using the ESS; however, it may be possible for the DoE to implement electronic signatures without a change in statute if the OIT develops technical standards for electronic signatures that address legal concerns.

The DoE is required by law to develop computerized methods to collect data used to determine adequate education grants. RSA 193-E:3, V states: "In order to reduce school districts' administrative time and costs, the department of education shall develop and utilize user-friendly, computer forms and programs to collect... all enrollment and cost data related to determining the cost of an adequate education." Since reports submitted using the ESS must also be submitted on paper, it is unlikely utilizing the ESS reduces school districts' administrative time spent on data submission.

BIS staff enter data from A3, A3A, A13E, and A13S reports submitted on paper into the ESS. BIS staff must also enter data from other end-of-year attendance reports not available on the ESS into electronic files, including entering data from A3K reports into electronic spreadsheets and entering data from A13-Other and A13N reports into electronic databases. Manual data entry increases the risk of errors in the data and reduces time available to BIS staff for addressing other needs, such as verifying the accuracy of submitted attendance data by conducting site visits.

The DoE is currently engaging in a significant initiative to streamline data collection to meet the requirements of the federal No Child Left Behind law and Chapter 147, Laws of 2004 (Senate Bill 333). A focus of this initiative includes the need to define data elements and accurately communicate these definitions to personnel responsible for collecting and reporting the data. Additionally, as part of this initiative the various DoE computer systems, including ESS, are being reviewed.

Recommendation:

We recommend the DoE develop and implement a plan to increase the number of school districts submitting end-of-year attendance reports using the ESS. As part of developing this plan, the BIS should coordinate with other DoE initiatives to improve data collection and reporting to determine how the ESS may be modified.

Auditee Response:

We concur with the recommendation that Information Services seek ways to encourage all districts to use ESS. Last year usage increased 32% from 59% to 78% of districts. We expect

continued improvement. We also agree that the Department should coordinate data collection initiatives.

We would also like to respond to a few aspects of the observation.

The first sentence states that “The BIS has not effectively utilized its web-based data collection system...” Perhaps it would be better stated as “Some school districts do not utilize the department’s web-based data collection system...”

Also, the A13N (used by districts to report the 1,500 special education students in non-public placements), while not part of the ESS system, is an almost totally automated process. Districts log onto the SPEDIS system and run a program that prints an A13N. Since the current SPEDIS system can not keep track of placements that are less than full time, districts must fill in the ADM of preschool and kindergarten students before signing and sending it to Information Services.

While we concur that the A3K and A13Other are not part of ESS, we would like to mention that most districts simply check the “none” box on these forms. Only 10 districts reported students on the A13Other form last year.

We would also like to share some additional information about the signature issue. Originally, the ESS A3 printout produced 6 pages that required 6 sets of signatures. Two years ago Information Services programmed a new ESS option that produced a 4 page report requiring signatures on only the last page. We do not believe that the signature issue is a wet verses electronic issue. We believe that it is a one signature verses six signatures issue. Next year we will make sure that districts know that using ESS no longer means signing six pages.

We will follow OIT developments related to electronic signatures. We will ask the NH School Boards Association about school board policies and individual preferences related to signing official documents.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

COLLECTING DATA

Data collectors should follow established instructions and take steps to verify collected data for accuracy and completeness. We found the Department of Education (DoE) was not following statutes regarding collecting data. Specifically, the DoE does not collect final attendance data from school districts by September 30. Furthermore, the DoE accepts attendance and financial data without requisite signatures, and does not consistently require new signatures when data are re-submitted. We also found the DoE has not implemented an external review process to verify the accuracy of school district attendance and financial data.

Observation No. 7

Collect Final Attendance Data By September 30

The DoE does not collect final attendance data from school districts by September 30 as required by RSA 198:44, I, which states in part:

The department of education shall, on or before September 30 of each year, collect from the school districts final data concerning all aspects of student attendance for the school year ending June 30 of that year necessary to establish the average daily membership and average daily membership in residence, including the municipality of residence for each pupil for that year.

RSA 189:28, I and RSA 198:45 require school districts to submit attendance data used to determine average daily membership (ADM) to the DoE on or before August 1. RSA 189:28, IV allows the DoE Commissioner to grant up to a 30-day extension of the August 1 reporting deadline.

The bureau of information services (BIS), which is responsible for collecting and analyzing attendance data, does not collect final attendance data used to determine ADM by September 30, as required by law. The BIS allows school districts to submit updated attendance data after September 30, frequently after BIS staff has determined the data are incomplete or incorrect, and has allowed school districts to submit updated data over one year after the original due date. Because the BIS does not determine ADM for each school district and municipality until all necessary attendance data are collected and stored electronically, it does not publicly release ADM data until after January 1, and has published updated versions of ADM data over one year later.

The DoE Commissioner stated in public comments before the Fiscal Committee there is nothing in statute limiting the DoE from adjusting attendance data when school districts submit updated attendance data. However, RSA 198:44, I directs the DoE to collect final data necessary to establish ADM by September 30.

As stated in Observation No. 3, comprehensive rules under RSA 198:44, II specifying procedures for school districts to follow when submitting data to the DoE would facilitate the collection of final data by September 30. The DoE does not consistently utilize the provisions of

RSA 189:28, IV, which requires the DoE Commissioner to notify school and municipal officials that all State education aid will be withheld until such time as complete and accurate information is submitted.

Collecting final attendance data by September 30 would eliminate the need for BIS staff spending time processing late attendance data submissions and allow DoE management to provide legislators and other interested parties with timely and unchanging data to be used in decision making.

Recommendation:

We recommend DoE management ensure final attendance data are collected from school districts by September 30 pursuant to RSA 198:44, I.

We further recommend the DoE work with school districts to ensure complete and accurate data are submitted by August 1, as well as review submitted data for accuracy and completeness in a timely manner, to allow those school districts identified as having incomplete or inaccurate data to submit updated data by September 30.

Auditee Response:

We concur in part. The department will work with the legislature to seek appropriate statutory changes necessary so that the procedural application will be consistent with the legal requirement.

Observation No. 8

Ensure Requisite Signatures Are Included On Reports

Pursuant to RSA 189:28, III, all statistical reports necessary to compute ADM submitted by school districts to the DoE must include a certification, signed by both the superintendent and school board chair, stating: “all of the information contained in this document is true, accurate, and complete.” RSA 198:4-d, III requires school districts to include a similar certification by the school board chair on the annual DOE-25 financial report. The DoE also requires superintendents sign the DOE-25.

We found the DoE accepts attendance and financial reports without requisite signatures, and does not consistently require new signatures when reports or parts of reports are re-submitted to the DoE when errors are detected on the original signed reports. In May 2004 we randomly selected and reviewed 30 school districts and tested the superintendent and school board chair signatures on the DOE-25 reports, the A3 reports, and the Determination of Resident Pupil Membership reports (determination reports) submitted by those school districts for the 2002-2003 school year to determine if reports included signatures as required by law. We tested the A3 report because it is the primary end-of-year attendance report school districts submit to the DoE, and we tested the determination report because it includes final ADM calculations based on all end-of-year attendance reports used in the adequate education grant formula. We compared

the signatures found on the selected reports to official lists of superintendent and school board chair names provided by the DoE. Reports not containing requisite signatures were brought to the attention of BIS personnel at the time of our review.

Eight of the 90 reports (nine percent) we reviewed did not include a verifiable superintendent signature, and 20 (22 percent) did not include a verifiable school board chair signature. Verification was not possible for one of the following reasons: 1) no signature existed, 2) the signature was not legible, or 3) the signature did not match the school board chair or superintendent name found on the lists provided by the DoE. According to BIS staff, school districts submitting reports without signatures are contacted and asked to submit signed reports.

By accepting an attendance report from a school district without valid signatures required by law, the DoE Commissioner may be in violation of RSA 189:28, IV, which requires the commissioner to notify the school district “that all state aid to education... shall be withheld until such time as complete and accurate information is submitted.” Similarly, accepting a financial report from a school district without both signatures required by law may lead to a violation of RSA 198:4-f, which requires the commissioner to notify the school district that State aid will “be withheld until complete and accurate information is submitted.” Also, accepting reports from school districts without both signatures required by law could lead school districts not held to the law to further disregard DoE submission requirements.

Superintendents responding to our survey most frequently cited the requirement to include the school board chair’s signature on attendance and financial reports as a reason why reports are submitted late to the DoE. Fifty-three percent of superintendents submitting attendance reports late cited the requirement as a reason, and 51 percent of superintendents submitting the DoE financial report late cited the requirement as a reason. In addition, our survey of superintendents indicates the signature requirements hinder use of the education statistics system (ESS) for submitting attendance data electronically because paper copies of reports including signatures must also be submitted. Forty-eight percent of superintendents not submitting reports using the ESS cited the superintendent’s signature requirement as a reason and 52 percent cited the school board chair’s signature requirement as a reason.

The number of end-of-year attendance reports superintendents and school board chairs are required to sign also serves as a burden. Currently signatures are required on the determination report, the A3, A3A, A3K, A13E, A13S, A13-Other, and A13N reports.

The BIS has recognized the signature requirements may contribute to reports being submitted late. BIS management has suggested to school boards an alternate be designated as having authority to sign reports for the DoE if the chair is unavailable to sign. However, State law does not allow for an alternate signature in place of the school board chair’s signature. In addition, a memorandum from the DoE Commissioner to superintendents dated August 11, 2004 asking for data to be used in adequate education grant calculations stated the report should be submitted without signatures if necessary. The memorandum further instructed superintendents to send signed copies as soon as possible.

Recommendation:

We recommend the DoE establish a process to ensure superintendent and school board chair signatures are included on all end-of-year attendance and financial reports submitted by school districts, including those re-submitted with updated data, as required by RSA 189:28, III and RSA 198:4-d, III.

The DoE should also consider petitioning the Legislature to amend RSA 189:28, III and RSA 198:4-d, III to lessen the burden of signature requirements on school districts.

Auditee Response:

We concur in part with the finding.

We have reviewed the list of 30 school district reports that the audit identified as having missing, non-matching or illegible signatures.

With one exception, we found that the final version of the Determination Report which shows that the ADM by town of residence had signatures on both the superintendent and school board chairperson lines. Since we have required signatures, that one form reflects an error on our part.

With regard to A3 ADM data, original submissions were not “officially accepted” without the required signatures. Signatures had not been required to fix minor errors found during the verification process. Since HB 139 necessitates closer tracking of form and signature requirements, the Department has asked districts to not send these preliminary versions. In the future we will require signatures on all submissions.

With regard to the DOE-25, signatures are required on the original document. Districts submit an electronic version of the report, usually by email, and then submit a printed version with signatures. District business officials sometimes submit a copy before it has been signed. This is done as a courtesy to the Department so that we can begin the verification as soon as possible, but we do not consider a submission official until the signed copy is received. We carefully verify that the signed version matches the electronic version.

Our review found that two assistant or associate superintendents had signed documents. Several school board chair signatures were not legible, and one last name had changed as the result of a marriage. With regard to the practice of designating an alternate who can sign forms when superintendents or chair persons are not available, we will seek legislation to amend RSA 198:28, III and RSA 198:4-d III to add the words “or designee”. We will more closely monitor the legibility of signatures and ensure that the appropriate signatures are submitted. The Department will also consider requesting a change in legislation to reduce the number of forms that require signatures.

Observation No. 9

Conduct External Verification Of School District Attendance And Financial Data

The DoE continues to have no external review process to verify the accuracy of attendance and financial information provided by school districts and used to determine adequate education grants. BIS personnel demonstrated the manual checks for consistency and reasonableness completed with the data. However, those practices do not ensure the accuracy of school district information because the BIS does not test the processes used at the local school districts to ensure the data are reliable.

Over the past five years, 1999-2003, *Single Audits Of Federal Financial Assistance Programs* and a LBA Audit Division financial audit report issued in December 2001 have recommended verifying information provided by school districts. In response to a recommendation in the LBA report, the DoE in its 2004-2005 biennial budget initially included a new agency audit manager position to conduct field audits of financial and attendance data provided by school districts; however, the position was not included in the budget submitted to the Governor. Since then current staff have not taken steps to perform abbreviated reviews of school district data submitted to the BIS. While the DoE has not been allocated additional resources to conduct reviews, every effort should be made to perform some verification review considering the significance of the attendance and financial data.

School district attendance and financial data are used to determine adequate education grants, which totaled between approximately \$825 and \$898 million annually from State Fiscal Years (SFY) 2000-2004. Given the significant monetary value associated with the adequate education grants, established internal controls to detect and prevent errors, abuse, or fraud are critical. In fact, in providing a status update for a similar LBA observation contained in the financial audit issued in December 2001 and in response to a Single Audit observation for SFY 2003, the DoE responded “we believe that a fairly modest effort will signal to school districts that there is a threat of an audit review of their financial and attendance data submissions and that threat will become a factor...” in improving data they submit.

Recommendation:

We recommend BIS management implement a review process to verify the accuracy of school district attendance and financial data to decrease the opportunity for error, abuse, or fraud to occur and increase confidence in submitted data.

Auditee Response:

We concur with the observation but are unable to comply with the recommendation.

The observation points to the Department’s response to the same issue in past audits. Unfortunately, there have been significant staff reductions since then, and the Department doesn’t have the staff to verify the school district data. We would like to develop a system of selective review of school district data by our Internal Auditor and BIS staff, but budget

constraints prevent it. We also recognize, as pointed out in Observation 5, that on-site visits would have the added benefit of providing BIS staff an opportunity to identify areas in need of training or policy development.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

PREPARING, PROCESSING, AND ANALYZING DATA

Data preparation, processing, and analysis should be completed according to established guidelines. Further, procedures should be developed to properly protect data while they are prepared, processed, and analyzed.

According to *Government Auditing Standards*, establishing effective internal controls is the responsibility of management and “controls over the validity and reliability of data include policies and procedures... implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.” Additionally, the bureau of information services (BIS) mission is “to ensure that information is accurate, accessible and supports department and stakeholder goals.” Formal written policies and procedures identifying how school district data are prepared, verified, corrected, and safeguarded improves internal and external communication. Additionally, clearly documented policies and procedures increase confidence in Department of Education (DoE) reports, provide management with information necessary to determine whether goals and objectives are being met, and ensure processes remain consistent in times of staff turnover.

We found the DoE lacks clearly documented policies and procedures for reviewing, verifying, correcting, and safeguarding submitted school district data. Additionally, we found no clearly documented policies and procedures for securing the electronic information collected and used to calculate adequate education grants. We note over the past five years, 1999-2003, *Single Audits Of Federal Assistance Programs* and two LBA Audit Division audits have recommended developing policies and procedures related to information used to determine adequate education grants at the DoE, yet many of these recommendations remain unresolved.

Observation No. 10

Establish Policies And Procedures For Processing Attendance And Financial Data

We found no clearly documented policies and procedures related to BIS personnel collecting, verifying, correcting, and safeguarding attendance and financial data to ensure the accuracy and reliability of data received from school districts. The division director of program support acknowledged the BIS needs to better document its work. We found BIS personnel responsible for processing attendance and financial data received from school districts performed manual checks for consistency and reasonableness, none of which were formalized into policies and procedures.

School district attendance and financial data are used to determine adequate education grants, which totaled between approximately \$825 and \$898 million annually from State Fiscal Years (SFY) 2000-2004. Given the significant monetary value associated with the adequate education grants, established internal controls such as formal policies and procedures are critical to prevent and detect errors, abuse, or fraud.

Recommendation:

We recommend BIS management clearly document and implement policies and procedures related to collecting, verifying, correcting, and safeguarding attendance and financial data received from the school districts.

Auditee Response:

We concur that written formal policies and procedures for processing attendance and financial data need to be developed.

Observation No. 11

Establish Policies And Procedures For Low-Income Targeted Aid Data Collection

The adequate education grant formula has historically included provisions for additional funding for low-income students. Beginning in SFY 2005, municipalities receive targeted aid for low-income students equal to 60 percent of the average per pupil adequacy cost multiplied by the number of students in the municipality eligible to receive a free or reduced-price meal. Previously, municipalities received additional weights used to calculate adequate education grants based on the percentage of pupils eligible to receive a free or reduced-price meal. The BIS used National School Lunch Program (NSLP) free and reduced-price lunch data to determine the additional weights. The BIS used both NSLP and Special Milk Program (SMP) data to determine the low-income targeted aid for SFY 2005. The bureau of nutrition programs and services (BNPS) administers the NSLP and the SMP at the State level.

The BIS collects free and reduced-price lunch data on the A12L Schedule B form (A12L). The A12L reports the number of students approved to receive a free or reduced-price lunch in each school by grade level and town of residence as of October 31. However, the BIS has no written policies or procedures pertaining to collecting, verifying, and safeguarding A12L data. One BIS staff member manually keys data from each A12L into a database and prints a paper copy of each school's data from the database. Another BIS staff member verifies that each school's A12L has been correctly entered into the database by comparing the submitted form to the database printout. In 2005, the BIS plans to begin collecting A12L data online.

The BIS does not verify the original data submitted on the A12L, reportedly because the BIS does not have the necessary personnel resources, nor does the BIS compare the A12L data to similar free and reduced-price lunch data collected by the BNPS. The BIS could gain reasonable assurance data reported on the A12L are accurate and reliable by comparing the total number of approved applications on file at each school on October 31, as reported on the A12L, to the total number of approved applications on file at each school during October, as reported on NSLP reimbursement claims submitted to the BNPS. Data used to support NSLP reimbursement claims can be considered more reliable than data submitted on the A12L due to federally required reviews and verification.

BNPS personnel conduct on-site administrative reviews at a portion of the school administrative units (SAU) each year to measure compliance with federally established NSLP performance

standards, which include correctly determining eligibility for free and reduced-price lunches. The site visits include reviewing all approved free and reduced-price applications back to the beginning of the school year to determine whether each pupil's application is complete and correctly approved, as well as reviewing a representative sample of denied applications to evaluate whether they were correctly denied. In addition, each SAU must annually verify the income eligibility of a sample of NSLP applications approved for benefits on file on October 31.

The BIS collected SMP data from the 2001-2002 school year from school districts for use in calculating SFY 2005 adequate education grants during July 2004. The BIS had not previously collected SMP data, and did not develop formal policies and procedures related to the SMP data collection. BIS management indicated the BIS would continue to collect SMP data in the future.

Without policies and procedures in place to safeguard data used to determine low-income targeted aid once collected and to verify their validity against other controlled data, the BIS cannot be confident it is appropriately determining targeted aid based on the number of low-income students residing in each municipality.

Recommendation:

We recommend BIS management clearly document and implement policies and procedures pertaining to collecting, verifying, and safeguarding data used to determine low-income targeted aid.

Auditee Response:

We concur. We agree that a process for verifying this data is needed, and we will develop a process to compare BNPS data with BIS data.

We would like to note that a new formula was adopted in June of 2004. There was only about a month available to develop a data collection procedure, a form and instructions, and then collect the SMP data. There was not time to develop documentation.

The finding also refers (paragraph 3) to the total number of approved applications on file at each school during October, as reported on the NSLP reimbursement claims submitted to the BNPS. Until October 2003, the A12L used by BIS was the same document as the BNPS claims form for October. Therefore, the numbers were the same. BNPS now has an online system in place. That system does not collect the town of residence data needed by BIS for Adequacy Aid, so a verification process will be developed.

Observation No. 12

Establish Policies And Procedures For System Controls

We found no clearly documented policies and procedures related to system controls for securing the electronic information used to calculate adequate education grants. Without policies and procedures, formalized mechanisms for maintaining data integrity may not efficiently and

effectively be put into operation. According to the Government Accountability Office (GAO) guide *Assessing the Reliability of Computer-Processed Data*, system controls can provide some assurance the data are sufficiently reliable. System controls include: 1) general controls, for example back-up procedures, control over changes to the data, and logical access controls; and 2) application controls, such as edit checks to help ensure data are accurate, complete, and authorized.

We found data used to calculate adequate education grants maintained in different bureaus in multiple electronic formats including databases and spreadsheets. Some of these databases and spreadsheets included edit checks, none of which were formalized into policies and procedures. With respect to general controls, we found few controls over back-up, changes to the data, and logical access controls, none of which were formalized into policies and procedures. Adequate application and general controls can reduce the risk that a significant mistake could occur and remain undetected and uncorrected to an acceptable level.

Given the significant monetary value and risk associated with adequate education grants, there is a heightened importance associated with establishing internal controls such as formal policies and procedures to ensure decision-makers have the best information available. According to *Assessing the Reliability of Computer-Processed Data*, “risk is the likelihood that using data of questionable reliability could have significant negative consequences on the decisions of policymakers and others.” The risk associated with the data used to calculate adequate education grants is considerable because it is used: 1) to influence legislation, 2) by State and local governments to make significant decisions, and 3) as the basis for widely quoted numbers.

Recommendation:

We recommend BIS management clearly document and implement system controls policies and procedures.

Auditee Response:

We concur. All Bureau of Information Services data is stored on the Department’s networked computers. New Hampshire OIT is responsible for daily backup of networked data. Information Services does its own backups to a CD weekly. Password protection is used so that only Bureau and New Hampshire OIT have access to Bureau data on the network. Since district signatures are required for all data submissions related to Adequacy Aid, the signed paper documents are also kept for 4 years in the Department and are then sent to State Archives. While the initial source of special education data (used for Adequacy for FY00-FY04, but not FY05) is in a different Department database, the extracted data used for Adequacy Aid is stored by Information Services. We agree that we should document these procedures.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

REPORTING AND DISSEMINATING DATA

The Department of Education (DoE) should review reports before making them public to help ensure accuracy, credibility, and usefulness. We found the DoE lacks controls for calculating and publishing adequate education grant data. The bureau of information services (BIS) continues to calculate adequate education grants without documentation or comprehensive review. We also found reporting requirements in RSA 198:44 need clarification. Finally, there are no clearly documented policies and procedures for revising publicly available reports.

Observation No. 13

Ensure A Comprehensive Independent Review Of Adequate Education Grant Calculations

Adequate education grant calculations and the assumptions they are based on continue with no comprehensive documentation. For State Fiscal Year (SFY) 2005 adequate education grant amounts, the DoE asked the Department of Revenue Administration to review the grant calculation spreadsheet and equalized valuation data. According to a DoE official, the review was of final calculations, not a review to ensure data going into the calculations were aggregated correctly or a review of the DoE's interpretation of statute; however, no documentation was provided detailing how rigorous or comprehensive the review was. According to the DoE, the New Hampshire Office of the Attorney General (OAG) was asked to interpret legislation affecting the adequate education grant formula passed during the 2004 Legislative session. However, no documentation exists of the questions asked or responses provided to the OAG.

The BIS interprets Legislative intent and applies it to adequate education grant calculations. We note in Observation No. 14 concerns related to DoE assumptions made regarding the consumer price index (CPI) four-year average used in the adequate education grant calculations. Additionally, the DoE used data from the National School Lunch Program (NSLP) and the Special Milk Program (SMP) to establish the number of low-income students in each municipality, including kindergarten, for use in calculating the low-income targeted aid component of SFY 2005 adequate education grants. Previously, the BIS used only NSLP data and did not include kindergarten. However, the 2004 Legislative changes use the same language as previous adequacy aid legislation, referring to students receiving free or reduced-price meals when determining aid for low-income students. The DoE could not provide documentation showing the rationale for including SMP data and kindergarten students in the SFY 2005 calculations.

The DoE's Strategic Information Technology Plan (SITP) states errors in the computer application used for computing adequate education grants "would result in the incorrect determination of Adequacy Aid" that "could require the legislature to raise taxes or cut other state programs." Additionally, the SITP recognizes errors could impact local budgets since they "are base[d] on anticipated Adequacy Aid." Parties external to the DoE have found mistakes in past adequate education grant calculations after the information was made public.

The LBA Audit Division financial and compliance audit completed for the year ended June 30, 2000, recommended the DoE "consider having an independent party review the calculations

prior to release to outside parties.” The DoE’s response agreed “the Department should review and document the computations and assumptions used to make Adequacy cost and aid calculations.” A November 23, 2003 observation status update the DoE submitted to us as part of this audit does not mention a review process for the computations and assumptions used to complete the adequate education grant calculations, nor was evidence provided to show a review occurs by parties outside of the BIS.

Furthermore, a March 2004 follow-up report prepared by the Department of Administrative Services for the financial and compliance audit completed for the year ended June 30, 2000 indicated the DoE documented procedures “to review the computations and assumptions used to make Adequacy cost and aid calculations.” Despite our requests the DoE did not provide this documentation as part of the current audit.

Frequent changes to the adequate education funding laws increase the need for independent review of the computations and their assumptions and for adequate documentation of the process. Absent an independent review, the possibility increases for additional mistakes or assumptions inconsistent with State law. Releasing information containing a mistake or based upon an assumption inconsistent with law negatively impacts decision making efforts, may impact adequate education grants, and decreases confidence in DoE information.

According to *Government Auditing Standards*, management is responsible for “establishing and maintaining effective internal control to help ensure that... laws and regulations are followed; and reliable data are obtained, maintained, and fairly disclosed....” Instituting effective internal control procedures will assist the DoE in providing accurate and reliable data to Legislators, State officials, local officials, and the general public.

Recommendation:

We recommend DoE management establish a review process for the adequate education grant calculations, ensure compliance with laws, and verify calculations are correct before information is made public. We also recommend DoE management ensure clearly documented procedures exist for how the adequate education grants are calculated.

Auditee Response:

We concur in part. We will continue to ensure compliance with all laws. While we believe that the spreadsheets, which show all the data and all the calculations, represent good documentation, we do agree that if processes are more formally documented, reviewing and auditing the calculation of Adequacy Aid will be facilitated, further reducing the possibility of an error.

To ensure that the data and formulas used to calculate grants are in compliance with the written law we have sought, and will continue to seek, the counsel of the Attorney General. Should the formula change, we will again meet with staff of the OAG and, if necessary, representatives from other agencies, the Legislature and the LBA Budget Division.

We enhanced our verification process for the FY05 and FY06 calculations. In addition to the review by three Information Services staff, we have added a review by a Department employee outside the Division of Program Support. For FY06 the reviewer was the Internal Auditor, who reports directly to the Commissioner. The FY 06 reviewers examined all components except the equalized valuations. Both years we asked the Commissioner of Revenue Administration to review the equalized valuations. Before February 1, 2005 we will evaluate the feasibility and cost of hiring a CPA or other outside contractor to conduct an annual review.

Although time and staff were limited, for FY06 we developed step-by-step documentation that was used to verify that the correct numbers were used in the calculation and that the formulas were correct. We will refine this process for FY07. As always, the spreadsheet with all the data and all the formulas is available upon request. Simpler versions of the FY 06 spreadsheet, showing the data, but not the formulas which are sometimes complex, are published on the Department's web site.

Observation No. 14

Use Of Consumer Price Index Not Consistent With Law

During the 2003 Legislative session Chapter 241 (House Bill 608) made significant changes to the adequate education grant formula. Specifically, Chapter 241:4 requires for SFY 2004, “the base cost per pupil shall be adjusted by the average annual percentage rate of inflation for the 4 immediately preceding calendar years.” Changes to the adequate education grant formula during the 2004 Legislative session resulted in the SFY 2004 base cost per pupil being used again for the SFY 2005 adequate education grant calculations. The BIS reviews Legislative changes and applies the changes to calculate adequate education grants. A BIS staff person reported no other DoE officials independently review adequate education grant calculations.

Our review of SFY 2004 adequate education grant calculations found the base cost per pupil amount was adjusted using the Northeast Urban CPI for the years 1998 through 2001. The DoE did not document why the Northeast Urban CPI was used or why the four-year average calculation did not include the year 2002, which would have been the immediately preceding calendar year and was available when the calculation was performed in 2003. Using the years 1998-2001 to calculate the Northeast Urban CPI four-year average resulted in a 2.4 percent increase in the base cost per pupil, instead of 2.6 percent if the years 1999-2002 had been used. This resulted in the total adequate education grant amount being approximately \$1.8 million less in SFY 2004, and because the same base cost per pupil was again used in the SFY 2005 calculation, the SFY 2005 total adequate education grant was approximately \$1.4 million less.

A BIS staff person indicated 1998-2001 was used because it is consistent with past practice of using data from three years ago to calculate adequate education grants and also thought the legislation was written in a manner to use this time period. This person further stated the statutory requirement to use the “4 immediately preceding calendar years” might have been an oversight when legislation was drafted.

According to *Government Auditing Standards*, management is responsible for “complying with applicable laws and regulations... and implementing systems designed to achieve that compliance...” Additionally, the BIS mission is “to ensure that information is accurate, accessible and supports department and stakeholders goals” which supports the division of program support mission “to ensure submission of accurate, timely data that is used for distribution of financial support to districts and to inform decision-making...”

No independent DoE review of adequate education grant calculations and interpretations of law outside of the BIS increases the possibility of mistakes or assumptions inconsistent with law not being caught before information is made public. Releasing information containing a mistake or based upon an assumption inconsistent with law negatively impacts decision making efforts, may impact adequate education grants, and decreases confidence in DoE information.

Recommendation:

We recommend DoE management comply with language contained in laws when determining the adequate education grants. If language in the laws is unclear, the DoE should seek an Attorney General’s opinion or suggest statutory changes. Furthermore, we recommend DoE management provide review of the information used in the adequate education grant calculations to ensure compliance with laws and verify calculations.

Auditee Response:

We concur in part with the recommendation.

FY 04 was a transition year where the Department relied on past practice and discussions with other state agencies to guide its decisions. Statutory language for FY04 (Chapter 241:4, Laws of 2003) did not specify any particular CPI. We used the Northeast Regional CPI because the first item of the Amended Analysis of the final version states that the bill “Provides that the calculation of the statewide cost of an adequate education shall be indexed to the northeast regional consumer price index for all urban consumers” and the NE CPI is the only inflation index specifically mentioned anywhere in the bill. (See Chapter 241:19, Laws of 2003.)

Prior to 2000 there was a statutory requirement to publish aid figures by November, 9 months prior to the beginning of the fiscal year. The Department continued to publish figures by November from 2001-2003. For the FY04 CPI adjustment, DOE used 1998-2001, the most recent calendar years as of November 2002, even though the law was not passed until June of 2003. (At the Department’s urging, a publication date was put back into statute in 2004.)

DOE believes it is necessary to keep the regular publication schedule as a reference point for identifying which year’s data to use. If the FY05 formula for HB608 had been declared unconstitutional, the FY04 formula would have remained in effect. FY05 aid would have been calculated by November of 2003 with an inflation adjustment based on the 1999-2002 calendar years. If DOE had used 1999-2002 for the inflation adjustment for FY04 it would have had to use the same years again for FY05. The CPI adjustment was intended to be a rolling average.

We will continue to ensure compliance with all laws. After the enactments of HB608 in 2003 and SB302 in 2004 DOE representatives had various meetings (4 to 6 for each bill) with staff of the OAG, DRA, Legislative leadership and the LBA Budget Division. There were many more phone calls. DOE fully intends to continue this practice. As always, we will ask that the Attorney General provide written documentation of her recommendations. DOE does agree that independent review is beneficial. Please see the response to Observation 13 for a description of the verification procedures that are currently in place, and our intention to evaluate the feasibility of hiring a CPA to audit Adequacy.

LBA Rejoinder:

The purpose of this observation and recommendation is to further stress the systemic issues regarding the DoE not reviewing adequate education grant calculations and the assumptions on which they are based. As we note in the observation, the DoE did not document decisions it made regarding the use of the Northeast Urban CPI or the years it chose to calculate the rate of inflation. Apparently, the assumptions used to arrive at these decisions did not undergo a comprehensive review by DoE personnel outside of the BIS or other State authorities outside of the department.

The DoE assumptions used to adjust the base cost per pupil for SFY 2004 were based on its practices related to a repealed funding statute and on information obtained during the 2003 Legislative process. As the observation notes, the DoE made assumptions regarding Legislative intent when calculating the base cost per pupil for SFY 2004 that appear to conflict with language contained in law.

Chapter 241 (House Bill 608), effective July 1, 2003, clearly states, “For the 2004 fiscal year, the base cost per pupil shall be adjusted by the average annual percentage rate of inflation for the 4 immediately preceding calendar years [emphasis added].” However, the DoE did not use the “4 immediately preceding calendar years” when determining the rate of inflation to use in calculating the SFY 2004 base cost.

Observation No. 15

Report Final Attendance Data To The Legislature

RSA 198:44, I, effective since April 29, 1999, requires the DoE by September 30 to collect from school districts final data concerning student attendance for the school year ending June 30 of that year. These data are necessary to establish average daily membership (ADM) and average daily membership in residence (ADM-R). RSA 198:44, I also requires the DoE to “submit a report by December 31 to the speaker of the house of representatives and the senate president to be used for purposes of determination by the legislature of the appropriation to the education trust fund.”

DoE management personnel interpret the report required by RSA 198:44, I as intended to communicate to the Legislature the total cost of all adequate education grants for the following SFY. The DoE provided letters to the Speaker of the House and Senate President on June 15,

2001 indicating the total cost for SFY 2002 and SFY 2003 adequate education grants, and also provided letters to the Speaker of the House and Senate President on November 1, 2002 indicating the total cost for SFY 2004 adequate education grants. Furthermore, DoE management personnel asserted reporting total costs of adequate education grants provides the Legislature the information necessary to establish the necessary funding and appropriation.

We interpret the report required by RSA 198:44, I as intended to provide the Legislature with final ADM data from the previous school year. In fact, a DoE official reported the total cost estimates the DoE provided to Legislative leadership were based on the most recently collected attendance data. However, those estimates are based on attendance data collected two years before. The “right-to-know request” filed in April 2004 by several Representatives to obtain adequate education grant calculations for SFY 2005 based on law in effect at the time, as well as ADM data from the 2001-2002 school year and all other supporting documentation for those calculations, suggests Legislators may want finalized ADM data in addition to DoE calculations of the total cost of all adequate education grants.

ADM data have historically been the most important formula inputs for determining adequate education grants. Although adequate education grants distributed in the current fiscal year have historically been calculated using ADM data from three school years ago, it is important to provide Legislators and other interested parties with final ADM data from the most recent school year in a timely manner to support policy analysis and fiscal forecasting.

The BIS mission is “to ensure that information is accurate, accessible and supports department and stakeholders goals,” which supports the division of program support mission “to ensure submission of accurate, timely data that is used for distribution of financial support to districts and to inform decision-making.” Since ADM data are used in calculating distributions of State financial support to municipalities, including adequate education grants and catastrophic aid, as well as apportioning local taxes for cooperative school districts and school administrative unit costs, failure to report accurate, timely, and final ADM data affects the State and local decision-makers’ ability to make informed decisions.

Recommendation:

We recommend DoE management clarify with the Legislature the report requirement included in RSA 198:44, I. Until the DoE clarifies the intent of RSA 198:44, I with the Legislature, we recommend DoE management annually report the total cost of all adequate education grants for the following State Fiscal Year and the final ADM and ADM-R data from the previous school year to the Legislature by December 31.

Auditee Response:

We do not concur. We disagree with the LBA interpretation of the statute. We have reported the information to the legislature. The legislature has never asked for additional information, but if they did, we would comply with their request.

Observation No. 16

Establish Policies And Procedures For Revising Public Reports

We found no clearly documented policies and procedures related to BIS personnel revising publicly available adequate education grant and ADM reports. The BIS maintains dated versions of published adequate education grant and ADM reports, some of which include brief notes indicating the reason for revision. However, the BIS does not clearly and consistently document revisions made to publicly available adequate education grant and ADM reports.

Published adequate education grant and ADM reports are often revised several times after their initial release. While BIS staff were able to provide information about some of the changes made to published reports, undocumented information could be lost if these staff members leave the DoE.

Lack of formal policies and procedures increase the risk errors will not be detected when revising data in publicly available reports. We compared dates on the most current report versions on file at the BIS to version dates found on the DoE website and found two reports available online not matching the most current dates on file. According to BIS personnel, the most current data were online, although the two online version dates were not updated. After DoE officials were informed of the report date differences between the file and online versions in March 2004, we found one online report date remained uncorrected in August 2004. By not updating report dates online as information within reports changes, school districts and other decision-makers comparing their report versions with the online versions may mistakenly believe they have the most current information.

School district attendance and financial data are used to determine adequate education grants, which totaled between approximately \$825 and \$898 million annually from SFYs 2000-2004. Given the significant monetary value associated with the adequate education grants, established internal controls such as formal policies and procedures are critical to ensure decision-makers have the best information available.

Clearly documented policies and procedures increase confidence in DoE reports, provide management with information necessary to determine whether goals and objectives are being met, and ensure processes remain consistent in times of staff turnover. According to *Government Auditing Standards*, establishing effective internal controls is the responsibility of management and “controls over the validity and reliability of data include policies and procedures... implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.”

Recommendation:

We recommend BIS management clearly document and implement policies and procedures related to revising published information.

Auditee Response:

We concur that we need written formal policies and procedures. In FY03, BIS started putting documentation on the published reports.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

OTHER ISSUES AND CONCERNS

In this section we present issues and concerns we encountered during our audit not developed into formal observations, yet we consider noteworthy. The Department of Education (DoE) and the Legislature may consider these issues and concerns deserving of further study or action.

We identified two issues and concerns warranting comment in this report, one related to providing consultants with materials that might give the impression they are DoE employees and the other related to kindergarten aid funds being located in an account for dropout prevention.

DoE Consultants Appear To Be DoE Employees

The DoE retained a consultant to “design and develop a more efficient approach to gathering data on school performance” to meet requirements of the federal No Child Left Behind law and State law. Much of the consultant’s work focused on developing a unique pupil identification system as described in Chapter 147, Laws of 2004 (Senate Bill 333), and required significant contact with individuals outside the DoE. The DoE provided the consultant with New Hampshire Department of Education business cards and a DoE e-mail account similar to DoE employee e-mail.

While the business card identifies the cardholder as a consultant, a recipient of the card may be confused about the cardholder’s relationship with the DoE and the State because, in addition to the official State seal, the business card includes: 1) the DoE’s emblem; 2) a DoE telephone number; and 3) a DoE e-mail address. Furthermore, while the e-mail account similarly identifies the user as an education consultant, approximately 44 permanent State employees at the DoE use education consultant as their official job title.

State employees distribute State business cards while on official duty to clearly identify their relationship with the State. Additionally, employees frequently use e-mail communication as part of their official duties. The practice of providing official identification to consultants could lead to improper appearance of official authority, access to unintended information, and could be subject to potential abuse. For example, a consultant working under the appearance of a State employee may be inadvertently provided access to confidential and privileged information, which a consultant would otherwise not be permitted to access.

According to the Internal Revenue Service (IRS) publication *Federal-State Reference Guide*, someone representing himself or herself as an agent of government gives that person an appearance of authority. Furthermore, “displaying government identification, or using forms and stationary that indicate one is representing a government are highly indicative of employee status.”

We further note, to the IRS the appearance of an employee-employer relationship between a contractor and the State poses a potential liability for the State as employers found to misclassify employees for tax purposes may be subject to IRS sanctions.

We suggest the DoE discontinue the practice of providing materials to consultants that give consultants the appearance of being government employees.

Auditee Response:

We concur.

We must ensure the consultants can be effective in their roles and deliver important services to the State. However, we understand, per the audit, that current practices may result in “IRS sanctions.” As such, we will modify our practices so that the status of individuals performing work for the Department is clear.

We will discontinue the practice of providing such confusing materials immediately.

The State Accounting System Should Accurately Reflect Department Activity

We found the program description for certain expenditures reported in the New Hampshire integrated financial system (NHIFS) did not accurately reflect program activity. The 2004 statements of appropriation lists the Dropout Prevention program as having expenditures of \$722,400; however, an official from the DoE’s business office reported this money was actually used to fund kindergarten aid.

It is incumbent upon the DoE to ensure the State accounting system accurately reflects funding used to operate its programs. Even a knowledgeable reader reviewing the statements of appropriation could conclude \$722,400 was spent on the Dropout Prevention program.

Education funding is the topic of serious debate in New Hampshire and NHIFS reports should be available to provide accurate information to all parties about education funding. Further, it is important NHIFS provide an accurate accounting of State education funding as it will likely be the subject of future analysis.

We suggest the DoE ensure the State accounting system accurately reflects department activity. If necessary, the Department of Administrative Services should be consulted.

Auditee Response:

We concur in part. The NHIFS descriptor of “Dropout Prevention Program” included appropriations used for payments of kindergarten aid in FY04. This comes from funding authorizations approved under HB3 and HB4. What is uncertain to DoE is that we have the authority to rename budget accounts that have been enacted as law.

The Department did not request funding for a dropout prevention program or kindergarten aid in its FY04-05 agency budget proposal. What ultimately was approved in HB03 as “Dropout Prevention Program” (class 092) surfaced in the Governor’s budget as “No Community Left Behind” with funding requests of \$5 million in FY04 and \$15 million in FY05.

During the Legislative Phase of the operating budget, the funding was reduced to \$1 for each year and the title became "Dropout Prevention Program". Additionally, in HB04, funds appropriated for kindergarten aid of \$2,625,600 in fiscal year 2003 were made available for the current biennium. These funds were brought forward by Accounting Services in class (092), the "old" account for kindergarten aid now named "Dropout Prevention Program".

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DEPARTMENT OF EDUCATION**

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 Department of Education (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.

The DoE Commissioner stated in testimony before the Fiscal Committee on June 16, 2004 that “overnight the department’s work shifted from collecting data and it not being consequential for most anyone, and now it has this high-stakes relationship to it...” Our audit work revealed the DoE and school districts attempt to provide the best available data. We found the DoE reviews submitted data for reasonableness, works with school districts on issues related to data collection and reporting, and supports changes to law that encourage collecting accurate and reliable data.

Overall, we believe the school district data we reviewed are accurate and reliable, with a few minor exceptions. Reviews completed at school administrative unit offices of school district attendance data did not detect malicious or purposeful errors, but rather minor errors ranging from simple calculation errors and computer programming errors to misunderstandings of how to collect and report some information.

Though school district data collection practices are not uniform, all data are submitted to the DoE in the required formats. School districts use a variety of methods to collect data, ranging from manual methods to fully electronic methods with a mix in between. Reports containing school district data are not all submitted timely; in fact, only 35 percent of the superintendents responding to our survey indicated they never submit attendance forms late.

The DoE should establish a uniform process for updating average daily membership (ADM). Frequent changes to ADM data decrease confidence in the adequate education grant calculations the data support. The DoE should discontinue its practice of updating calculations frequently and long after the data are publicly released. The DoE needs to ensure final end-of-year attendance data are collected and reported to the Legislature each year as required by law.

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. Additionally, *Single Audits Of Federal Assistance Programs* and LBA Audit Division reports have alerted the DoE to the need for improved controls over the last five years, yet many of the recommendations remain unresolved. 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.

Conclusion

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.

STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION

APPENDIX A

DEPARTMENT RESPONSE TO AUDIT

Nicholas C. Donohue
COMMISSIONER
Tel. 603-271-3144



STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION
101 Pleasant Street
Concord, N.H. 03301
FAX 603-271-1953
Citizens Services Line 1-800-339-9900

November 18, 2004

Catherine A. Provencher, CPA
Director of Audits
Office of Legislative Budget Assistant
Audit Division
State House, Room 102
107 North Main Street
Concord, NH 03301-4951

Dear Ms. Provencher:

Thank you for the time and effort your audit team devoted to the Adequate Education Grant Data Performance Audit Report. This audit provides valuable and thoughtful analysis of the Department of Education's management of school district data used in the calculation of adequate education grants.

While the department does not concur entirely with the recommendations of the audit, we agree that enforcing uniform standards of data collection and reporting are critically important to calculating adequate education grants. While there are significant staff capacity issues that continue to stand in the way of our meeting all of the standards on which we agree, we are nevertheless determined to do all we can to:

- verify the accuracy of data reported by school districts and decrease the opportunity for error, abuse or fraud,
- develop comprehensive standards and guidelines for data collection,
- provide improved training and on-site training to school district staff collecting and reporting data to the department,
- enhance the functionality of the Education Statistics System, thereby increasing efficiency.

We have already begun documenting policies and procedures. Existing conflicting date references in statutes will be presented to the Legislature for resolution.

In conclusion, we want to thank you and the LBA Auditors for their diligence, professionalism and recommendations that we will strive to implement. We will continue to look for ways to improve efficiency.

Sincerely,

A handwritten signature in black ink, appearing to be "N. Donohue", written over a horizontal line.

Nicholas C. Donohue
Commissioner of Education

TDD Access: Relay NH 1-800-735-2964 or 711
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STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION

APPENDIX B

SURVEY OF SCHOOL ADMINISTRATIVE UNIT SUPERINTENDENTS

Notes:

- *Responses are in bold*
- *Totals may not add up to 100 percent due to rounding*
- *The number of respondents, not responses, is used as the denominator to calculate response percentages for multiple response questions*
- *79 surveys were mailed to school administrative unit superintendents*
- *75 (95 percent) surveys were returned*
- *N indicates the number of respondents*

Purpose: The primary purpose of this survey is to assist us in reviewing procedures for collecting and reporting data the Department of Education (DoE) uses to determine adequate education grants. Survey responses will enable us to efficiently collect information about school administrative units (SAU), data collection and reporting procedures, and perceptions of the support services provided by the DoE. Therefore, your responses are important to our audit.

Confidentiality: All responses are confidential, consistent with RSA 14:31-a, II. Individual surveys will not be shared with the DoE. Your responses will be combined with others and reported as aggregate data in our final report. According to State law (RSA 14:31-a, II) audit work papers, such as interviews and surveys, are not public records. However, work papers used to support our final report may be made available by majority vote of the Fiscal Committee after a public hearing showing proper cause. It is our policy not to name you specifically in our report. Your responses will be combined with others and will be reported as aggregate data in our final report. We ask for your name in order to track receipt of surveys and to follow-up on responses if needed. **Some of the survey questions may be better answered by personnel other than yourself (i.e., superintendent); therefore, your signature is requested to confirm your review of and agreement with survey responses.**

Question Format: This survey includes questions in three sections: 1) background information; 2) data collection and reporting; and 3) training, instruction, and support. The questions primarily consist of Yes/No and scaled responses with some multiple-choice questions. Space is provided at the end of the survey to add additional information and comments. Please note questions appearing in table format require two responses, one for *attendance* data and one for *financial* data. *Attendance* data questions concern data reported on the A3, A3A, A3K, A3HS, A13E, A13S, A13-Other, and A13N forms unless otherwise noted. *Financial* data questions relate to data reported on the DOE-25 form unless otherwise noted.

1. Background Information

The following five questions concern background information about you and your SAU.

1. How many years have you worked in the NH school system? (N=75)

Ⓐ less than 1 year	3	(4%)
Ⓑ 1-3 years	6	(8%)
Ⓒ 3-5 years	6	(8%)
Ⓓ 5 years or more	60	(80%)

2. How many years have you been a SAU superintendent? (N=75)

Ⓐ less than 1 year	8	(11%)
Ⓑ 1-3 years	15	(20%)
Ⓒ 3-5 years	13	(17%)
Ⓓ 5 years or more	39	(52%)

3. How many school districts are in your SAU? (N=75)

Ⓐ 1 district	41	(55%)
Ⓑ 2 districts	8	(11%)
Ⓒ 3 districts	13	(17%)
Ⓓ 4 districts	3	(4%)
Ⓔ 5 districts or more	10	(13%)

4. How many schools are in your SAU? (N=75)

Ⓐ 1 to 4 school(s)	30	(40%)
Ⓑ 5 schools	11	(15%)
Ⓒ 6 to 7 schools	16	(21%)
Ⓓ 8 to 10 schools	11	(15%)
Ⓔ 11 or more schools	7	(9%)

5. How many total pupils attend the school(s) in your SAU? (N=75)

Ⓐ Less than 1,000 pupils	12	(16%)
Ⓑ 1,001 through 1,500 pupils	11	(15%)
Ⓒ 1,501 through 2,000 pupils	15	(20%)
Ⓓ 2,001 through 2,600 pupils	10	(13%)
Ⓔ 2,601 through 4,000 pupils	11	(15%)
Ⓕ more than 4,000 pupils	16	(21%)

2. Data Collection And Reporting

The following questions concern procedures for collecting data from school districts and reporting it to the DoE. The first few questions address *attendance* data, followed by *financial* data questions, and finally a table with *financial* and *attendance* questions. Please note each question in the table requires two responses, one related to *attendance* data (middle column) and one for *financial* data (last column).

6. How do school district(s) in your SAU collect attendance data? (N=75)

- | | | |
|--------------------------------------|----|-------|
| Ⓐ Electronic system | 28 | (37%) |
| Ⓑ Manual system | 4 | (5%) |
| Ⓒ Both electronic and manual systems | 43 | (57%) |

7. How does your SAU submit the A3, A3A, A13E, and A13S *attendance* forms to the DoE? (N=75)

- | | | |
|--|----|-------|
| Ⓐ Using both the Education Statistics System (ESS) and paper for all forms | 44 | (59%) |
| Ⓑ Using ESS for some forms and paper for all forms | 19 | (25%) |
| Ⓒ Using only paper for all forms | 12 | (16%) |

8. Why is ESS not used to submit *attendance* forms? (Mark all that apply)

Sixty-one respondents provided 80 responses to question 8.

- | | | |
|---|----|-------|
| Ⓐ ESS is used to submit all available on-line forms | 36 | (59%) |
| Ⓑ Not familiar with ESS | 6 | (10%) |
| Ⓒ No access to the Internet | 0 | (0%) |
| Ⓓ Lack of training on ESS | 3 | (5%) |
| Ⓔ Need for signature from superintendent | 12 | (20%) |
| Ⓕ Need for signature from school board chair(s) | 13 | (21%) |
| Ⓖ Other (please list) _____ | 10 | (16%) |

Ten respondents provided ten comments regarding question 8G:

- | | | |
|---------------------------------|---|-------|
| - ESS is time consuming | 2 | (20%) |
| - Plan to use ESS in the future | 2 | (20%) |
| - Miscellaneous | 6 | (60%) |

9. Do school districts receiving your students send copies of the A13E and S to your SAU? (N=74)

- | | | |
|--|----|-------|
| Ⓐ Seldom if ever (0 to 10% of the time) | 9 | (12%) |
| Ⓑ Sometimes (about 25% of the time) | 3 | (4%) |
| Ⓒ Often (about 50% of the time) | 11 | (15%) |
| Ⓓ Very often (about 75% of the time) | 20 | (27%) |
| Ⓔ Always or almost always (90 to 100% of the time) | 31 | (42%) |

10. What issues have caused your SAU to submit *attendance* forms late over the past five years? (Mark all that apply)

Seventy-five respondents provided 94 responses to question 10.

Ⓐ	Forms have never been submitted late	26	(35%)
Ⓑ	Staff turnover	16	(21%)
Ⓒ	Data not available by due date	19	(25%)
Ⓓ	Need for signature from superintendent	1	(1%)
Ⓔ	Need for signature from school board chair(s)	26	(35%)
Ⓕ	Other (please list) _____	6	(8%)

- 10a. If you checked C, for question 10, please explain why the data were not available.

Seventeen of nineteen respondents provided 23 comments regarding question 10C:

- Dependent on schools to submit accurate, timely data	10	(59%)
- System problems	5	(29%)
- Staffing or personnel problems	4	(24%)
- Verifying data	2	(12%)
- Miscellaneous	2	(12%)

Six respondents provided six comments regarding question 10F:

- System problems	2	(33%)
- Dependent on schools to submit accurate, timely data	2	(33%)
- Personnel problems	1	(17%)
- The August 1 deadline is more difficult	1	(17%)

11. How many times, if any, were changes made to *attendance* data the SAU submitted for the 2002-2003 school year? (N=75)

Ⓐ	Ⓑ	Ⓒ	Ⓓ	Ⓔ
None	1-2	3-5	6 or more	Uncertain
13 (17%)	46 (61%)	9 (12%)	0 (0%)	7 (9%)

12. Who identified the need for changes to *attendance* data the SAU submitted for the 2002-2003 school year? (Mark all that apply)

Seventy-five respondents provided 91 responses to question 12.

(A)	(B)	(C)	(D)	(E)
No changes made	The SAU	The DoE	School district(s)	Uncertain
13 (17%)	16 (21%)	55 (73%)	2 (3%)	5 (7%)

13. Has the DoE ever made changes to submitted *attendance* data **without** conferring with you? (N=75)

(A)	(B)	(C)
Yes	No	Uncertain
0 (0%)	70 (93%)	5 (7%)

14. Do internal or external auditors review *attendance* data for accuracy? (N=75)

(A) Yes	19	(25%)
(B) No	40	(53%)
(C) Uncertain	16	(21%)

15. How do school district(s) in your SAU collect *financial* data? (N=74)

(A) Electronic system	33	(45%)
(B) Manual system	1	(1%)
(C) Both electronic and manual systems	40	(54%)

16. What issues have caused your SAU to submit *financial* forms late over the past five years? (Mark all that apply)

Seventy-three respondents provided 106 responses to question 16.

(A) Forms have never been submitted late	22	(30%)
(B) Staff turnover	26	(36%)
(C) Data not available by due date	17	(23%)
(D) Need for signature from superintendent	2	(3%)
(E) Need for signature from school board chair(s)	26	(36%)
(F) Other (please list) _____	13	(18%)

16a. If you checked C, for question 16, please explain why the data were not available.

Seventeen respondents provided 18 comments regarding question 16C:

- Personnel or staffing problems	4	(24%)
- Dependent on schools to submit accurate, timely data	3	(18%)
- Due date too close to end of fiscal year	3	(18%)
- Audit not complete	5	(29%)
- Miscellaneous	3	(18%)

Thirteen respondents provided 13 comments regarding question 16F:

- Staffing or personnel problems	2	(15%)
- Due date too close to end of fiscal year	1	(8%)
- Audit not complete	2	(15%)
- System problems	2	(15%)
- Miscellaneous	6	(46%)

17. How many times, if any, were changes made to *financial* data the SAU submitted for the 2002-2003 school year? (N=73)

(A)	(B)	(C)	(D)	(E)
None	1-2	3-5	6 or more	Uncertain
23 (32%)	44 (60%)	0 (0%)	0 (0%)	6 (8%)

18. Who identified the need for changes to *financial* data the SAU submitted for the 2002-2003 school year? (Mark all that apply)

Seventy-two respondents provided 82 responses to question 18.

(A)	(B)	(C)	(D)	(E)
No changes made	The SAU	The DoE	School district(s)	Uncertain
23 (32%)	14 (19%)	39 (54%)	0 (0%)	6 (8%)

19. Has the DoE ever made changes to submitted *financial* data **without** conferring with you? (N=74)

(A)	(B)	(C)
Yes	No	Uncertain
0 (0%)	66 (89%)	8 (11%)

20. Do internal or external auditors review *financial* data contained in the DOE-25 form? (N=75)

Ⓐ Yes	67	(89%)
Ⓑ No	5	(7%)
Ⓒ Uncertain	3	(4%)

The next seven questions refer to procedures the SAU employs to collect data from school districts and report it to the DoE.							
Question		Attendance Data			Financial Data		
Data Collection Procedures		Yes	Partially	No	Yes	Partially	No
21.	Are written DoE instructions for data collection available to SAU staff?	<i>Attendance:</i> N=71 68 (96%)	2 (3%)	1 (1%)	67 (93%)	2 (3%)	3 (4%)
22.	Are written DoE instructions for data reporting available to SAU staff?	<i>Attendance:</i> N=71 69 (97%)	2 (3%)	0 (0%)	70 (97%)	2 (3%)	0 (0%)
23.	Are data reviewed for anomalies, missing data, or other inconsistencies prior to submission to the DoE?	<i>Attendance:</i> N=71 67 (94%)	4 (6%)	0 (0%)	70 (97%)	2 (3%)	0 (0%)
24.	Are there written policies and procedures related to reviewing data for anomalies, missing data, or other inconsistencies prior to submission to the DoE?	<i>Attendance:</i> N=68 10 (15%)	18 (26%)	40 (59%)	9 (13%)	18 (25%)	45 (63%)
25.	Is a sample of data verified for accuracy prior to submission to the DoE?	<i>Attendance:</i> N=69 53 (77%)	7 (10%)	9 (13%)	49 (69%)	10 (14%)	12 (17%)
26.	Are there written policies and procedures related to verifying a sample of data for accuracy prior to submission to the DoE?	<i>Attendance:</i> N=67 6 (9%)	11 (16%)	50 (75%)	4 (6%)	13 (18%)	54 (76%)
27.	Are there written policies and procedures related to making changes to data after they are submitted to the DoE?	<i>Attendance:</i> N=67 4 (6%)	5 (7%)	58 (87%)	4 (6%)	5 (7%)	62 (87%)

3. Training, Instruction, and Support

The next set of questions concern training, instruction, and support provided to those responsible for completing *attendance* and *financial* forms for the DoE. Please note each question in the tables requires two responses, one for *attendance* data (middle column) and one for *financial* data (last column).

Question		Attendance Data			Financial Data		
		Yes	No	Uncertain	Yes	No	Uncertain
Training							
28.	Do SAU personnel with data collection responsibilities receive training?	<i>Attendance:</i> N=71 65 (92%)	<i>Attendance:</i> N=71 3 (4%)	<i>Attendance:</i> N=71 3 (4%)	<i>Financial:</i> N=70 60 (86%)	<i>Financial:</i> N=70 5 (7%)	<i>Financial:</i> N=70 5 (7%)
29.	Do SAU personnel with reporting responsibilities receive training?	<i>Attendance:</i> N=71 65 (92%)	<i>Attendance:</i> N=71 3 (4%)	<i>Attendance:</i> N=71 3 (4%)	<i>Financial:</i> N=70 64 (91%)	<i>Financial:</i> N=70 3 (4%)	<i>Financial:</i> N=70 3 (4%)
30.	Do school district personnel with data collection responsibilities receive training?	<i>Attendance:</i> N=71 60 (85%)	<i>Attendance:</i> N=71 5 (7%)	<i>Attendance:</i> N=71 6 (8%)	<i>Financial:</i> N=69 51 (74%)	<i>Financial:</i> N=69 5 (7%)	<i>Financial:</i> N=69 13 (19%)
31.	Do school district personnel with reporting responsibilities receive training?	<i>Attendance:</i> N=71 61 (86%)	<i>Attendance:</i> N=71 4 (6%)	<i>Attendance:</i> N=71 6 (8%)	<i>Financial:</i> N=68 50 (74%)	<i>Financial:</i> N=68 5 (7%)	<i>Financial:</i> N=68 13 (19%)

32. What organizations provide training or seminars to SAU personnel with *attendance* data collection and reporting responsibilities? (Mark all that apply)

Seventy-two respondents provided 157 responses to question 32.

(A) Training is not attended	1	(1%)
(B) DoE workshop/seminar	70	(97%)
(C) New Hampshire Association of School Business Officials (NHASBO)	21	(29%)
(D) New Hampshire Association of Educational Office of Professionals (NHAEOP)	20	(28%)
(E) New Hampshire School Administrators Association (NHSAA)	9	(13%)
(F) Employee training offered by SAU or school district(s)	30	(42%)
(G) Other _____	6	(8%)

Six respondents provided six comments regarding question 32G:

- Software vendor	5	(83%)
- SAU employee attended DoE workshop	1	(17%)

33. What organizations provide training or seminars to **school district personnel** with *attendance* data collection and reporting responsibilities? (Mark all that apply)

Seventy-four respondents provided 143 responses to question 33.

Ⓐ Training is not attended	3	(4%)
Ⓑ DoE workshop/seminar	60	(81%)
Ⓒ New Hampshire Association of School Business Officials (NHASBO)	10	(14%)
Ⓓ New Hampshire Association of Educational Office of Professionals (NHAEOP)	18	(24%)
Ⓔ New Hampshire School Administrators Association (NHSAA)	6	(8%)
Ⓕ Employee training offered by SAU or school district(s)	38	(51%)
Ⓖ Other _____	8	(11%)

Eight respondents provided eight comments regarding question 33G:

- Software Training	7	(88%)
- Not all employees attend DoE workshops that should	1	(13%)

34. What organizations provide training or seminars to **SAU personnel** with responsibilities for completing the *DOE-25*? (Mark all that apply)

Seventy-four respondents provided 158 responses to question 34.

Ⓐ Training is not attended	5	(7%)
Ⓑ DoE workshop/seminar	58	(78%)
Ⓒ New Hampshire Association of School Business Officials (NHASBO)	45	(61%)
Ⓓ New Hampshire Association of Educational Office of Professionals (NHAEOP)	5	(7%)
Ⓔ New Hampshire School Administrators Association (NHSAA)	19	(26%)
Ⓕ Employee training offered by SAU or school district(s)	19	(26%)
Ⓖ Other _____	7	(9%)

Six of seven respondents provided six comments regarding question 34G:

- External auditors	2	(33%)
- Software vendor	1	(17%)
- None	2	(33%)
- DRA	1	(17%)

For the final 11 questions, we ask you to rate the training, instruction, and support the DoE provides the SAUs.												
Question		Attendance Response					Financial Response					
		Strongly Agree	Agree	Disagree	Strongly Disagree	No Basis for Judging	Strongly Agree	Agree	Disagree	Strongly Disagree	No Basis for Judging	
Training												
35.	The DoE provides comprehensive training.	<i>Attendance:</i> N=70 <i>Financial:</i> N=69	17 (24%)	36 (51%)	13 (19%)	1 (1%)	3 (4%)	8 (12%)	33 (48%)	18 (26%)	2 (3%)	8 (12%)
36.	The DoE provides applicable training.	<i>Attendance:</i> N=71 <i>Financial:</i> N=70	16 (23%)	52 (73%)	1 (1%)	0 (0%)	2 (3%)	7 (10%)	45 (64%)	9 (13%)	1 (1%)	8 (11%)
37.	SAU personnel take advantage of all relevant DoE training.	<i>Attendance:</i> N=72 <i>Financial:</i> N=69	22 (31%)	39 (54%)	8 (11%)	0 (0%)	3 (4%)	15 (22%)	37 (54%)	12 (17%)	0 (0%)	5 (7%)
38.	School district personnel take advantage of all relevant DoE training.	<i>Attendance:</i> N=70 <i>Financial:</i> N=66	11 (16%)	34 (49%)	21 (30%)	0 (0%)	4 (6%)	8 (12%)	28 (42%)	21 (32%)	0 (0%)	9 (14%)
Instruction												
39.	DoE written instructions for collecting data are clear.	<i>Attendance:</i> N=71 <i>Financial:</i> N=69	16 (23%)	44 (62%)	8 (11%)	1 (1%)	2 (3%)	12 (17%)	48 (70%)	4 (6%)	1 (1%)	4 (6%)
40.	DoE written instructions for reporting data are clear.	<i>Attendance:</i> N=71 <i>Financial:</i> N=69	17 (24%)	45 (63%)	7 (10%)	0 (0%)	2 (3%)	11 (16%)	50 (72%)	5 (7%)	0 (0%)	3 (4%)
41.	DoE written instructions for forms include all procedures necessary to effectively collect required data.	<i>Attendance:</i> N=71 <i>Financial:</i> N=70	10 (14%)	49 (69%)	6 (8%)	1 (1%)	5 (7%)	5 (7%)	47 (67%)	11 (16%)	1 (1%)	6 (9%)
42.	DoE written instructions for forms include all procedures necessary to effectively report required data.	<i>Attendance:</i> N=71 <i>Financial:</i> N=70	11 (15%)	53 (75%)	5 (7%)	0 (0%)	2 (3%)	7 (10%)	50 (71%)	10 (14%)	0 (0%)	3 (4%)

Support											
43. It is clear who to contact at the DoE with data collection and reporting questions.	<i>Attendance:</i> N=70 <i>Financial:</i> N=68	30 (43%)	34 (49%)	4 (6%)	0 (0%)	2 (3%)	16 (24%)	47 (69%)	3 (4%)	1 (1%)	1 (1%)
44. The DoE provides useful responses to questions related to completing forms.	<i>Attendance:</i> N=71 <i>Financial:</i> N=69	29 (41%)	39 (55%)	0 (0%)	0 (0%)	3 (4%)	18 (26%)	46 (67%)	2 (3%)	0 (0%)	3 (4%)
45. The DoE responds timely to questions related to completing forms.	<i>Attendance:</i> N=71 <i>Financial:</i> N=69	31 (44%)	38 (54%)	0 (0%)	0 (0%)	2 (3%)	20 (29%)	45 (65%)	1 (1%)	0 (0%)	3 (4%)

The space below may be used to provide any additional comments.

Nine respondents provided 11 additional comments:

- Please note that the August 1 date is more difficult.
- Although not DoE's fault, the August 1 deadline for attendance reporting (A3, A3a) is very unrealistic. Secretarial staff at the school level does not work in July to be available for answering SAU questions on attendance data. With school not ending until the last full week in June, there's very little time before Aug. 1 to take care of problems. Due to union contracts, we can't insist on secretaries working in July. Sept. 1 was much more realistic.
- New in this position so not sure how much training has been offered but feel it's probably a weak spot of schools and SAU.
- Staff development plan, NHDoE, schedule, district input.
- Would like to see more dates available for reporting on general statistics and fall reports.
- Were not aware of some ESS components last year. We are now using ESS for all available forms. (question 8A)
- State of NH requests for information have increased and due dates have been changed without regard to district ability to prepare the same. (question 16A)
- With regard to the October forms – the DoE revised dates and forms after collection of data had begun causing the info to have to be re-worked twice and more – amounting to double and even triple effort – at a busy time of the year, this was not appreciated by SAU and school personnel. (question 16C)
- While training is available, in a small office it is not possible for staff to drop other responsibilities to attend training. (questions 37 and 38)
- Excellent support. (questions 43 through 45)
- E-mail responses are more timely than phone calls. (question 45)

Thank You
Your Assistance Is Greatly Appreciated.

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

APPENDIX C

SUMMARY OF SCHOOL DISTRICT DATA REVIEW

We visited 15 school administrative unit (SAU) offices during the summer of 2004 to review end-of-year attendance data from the 2002-2003 school year submitted to the Department of Education (DoE) for each school district within those SAUs. We interviewed superintendents and other SAU and school district staff, regarding procedures related to data collection and reporting.

To obtain a sample of 15 SAUs we stratified the population of 79 SAUs by the number of schools within the SAU. The strata included SAUs containing one to four schools, SAUs containing five schools, SAUs containing six or seven schools, SAUs containing eight to ten schools, and SAUs containing 11 or more schools. We randomly selected three SAUs from each of the five strata. The 15 SAUs we visited represented 27 of 162 school districts (17 percent), 101 of 471 public schools (21 percent) and 41,733 of 203,359 students (21 percent) statewide.

We obtained from the DoE a copy of all Determination of Resident Pupil Membership reports (determination reports) for the 2002-2003 school year; the determination reports had a “run date” of May 5, 2004. The determination report calculates a municipality’s average daily membership in residence (ADM-R) based on average daily membership (ADM) data included in end-of-year attendance reports submitted to the DoE. The ADM data comes from reports submitted for the municipality’s school district, as well as reports submitted by other school districts receiving tuitioned students from that municipality.

The DoE annually prepares a determination report for each municipality and sends the report to the appropriate SAU office; the superintendent and school board chair must verify and sign the report before it is returned to the DoE. To properly verify data included on the determination report reflect data reported to the DoE on other reports, the reviewer must have access to the source reports.

We verified ADM data contained in determination reports were supported by ADM data contained in end-of-year attendance reports submitted to the DoE. We asked SAU personnel to provide copies of all end-of-year attendance reports submitted for each school district for the 2002-2003 school year, including the A3, A3A, A3K, A13E, A13S, A13N, and A13-Other reports. We also asked for copies of A13E and A13S reports submitted by other school districts to report students tuitioned to those school districts; the DoE requires a receiving district submit a report to the DoE and forward a copy of the report to the sending district.

We also asked SAUs to provide supporting documentation for ADM data included in A3 reports submitted to the DoE. The A3 report is the primary end-of-year attendance report submitted for each school district. It includes the ADM of all students attending schools in the school district. The ADM totals for kindergarten, elementary school, middle school, and high school grade levels as reported on the A3 report should be supported by data produced from school attendance systems. Systems tracking attendance ranged from paper registers maintained at each school in the school district to a fully computerized system maintained by the SAU office.

Two of the 15 SAUs were able to provide all information requested in support of determination reports during our visit, and a third SAU was able to provide all information except an A13S report never sent to the SAU by the receiving school district. Six SAUs provided all information requested by mail after we sent a follow-up letter to the superintendent requesting information not available during our visit. An additional five SAUs provided all information requested by mail except for A13E or A13S reports never sent to them by receiving school districts. One SAU did not provide supporting data from a school attendance tracking system or A13E, A13S, or A13N reports, despite follow-up attempts to obtain the information.

Our data review identified errors with ADM data reported to the DoE for five school districts; each school district was part of a different SAU. We identified an increase in ADM for three school districts and a decrease in ADM for two school districts. The cumulative change for all five school districts was a decrease of less than one percent of total ADM. We suggested school superintendents for those five school districts contact the DoE bureau of information services to report the issues we identified with ADM data.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF EDUCATION**

APPENDIX D

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of observations applicable to this performance audit found in the Department of Education Financial Audit Report For the Fiscal Year Ended June 30, 2000. A copy of the prior audit can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

<u>Prior LBA Observations</u>	<u>Status</u>		
1. The Department Must Establish And Implement Formal Policies And Procedures To Strengthen Controls Over Education Adequacy Grant Calculations (See Observation Nos. 10, 11, 12, 13, and 14)	●	○	○
2. The Department Needs An Effective Mechanism To Assess The Quality Of Financial And Attendance Data Submitted By School Districts (See Observation No. 9)	●	○	○
4. Bureau Of Special Education Should Better Document And Control Adjustments To SPEDIS Information	●	●	●
21. Administrative Rules Should Be Adopted As Required By Statute (See Observation Nos. 2 and 3)	●	○	○
31. The Department Should Consider Recommending Revisions To Statutory Adequacy Grant Formula	●	○	○

Status Key

Fully Resolved	● ● ●
Substantially Resolved	● ● ○
Partially Resolved	● ○ ○
Unresolved	○ ○ ○

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