



OFFICE OF THE
UTAH STATE AUDITOR

AUDIT BRIEF

A Performance Audit of Financial Reporting in Public Education

*Improved Reporting and Analysis Would Help the State Board and
LEA Boards to Maximize the Use of Education Resources*

Improved reporting of how public education funding is used will enable stakeholders to better align limited resources with strategic objectives. Though financial reporting could improve and be more transparent, the State Board of Education (State Board) and local education agency (LEA) boards could use some existing data to make meaningful comparisons across LEAs. Such comparisons will allow LEAs to identify best practices among their peers while focusing resources on objectives with higher priorities.

Increased attention to public education transactions may also help to ensure personally identifiable student information is not improperly included in public reporting. We noted 5,500 transactions submitted by 39 LEAs that appeared to include the names of students enrolled at the LEA at the time. Many of these disclosures were improperly reported. Disclosure of personally identifiable student information is generally prohibited by state and federal statute.

**Public Education Facts
(FY 2014)**

Local Education Agencies

School Districts: 41

Charter Schools: 95

Number of Students

School Districts: 560,718

Charter Schools: 61,435

Total Public LEA Funding

School Districts: \$4.7 billion

Charter Schools: \$469 million

**Finding 1: Improving Reporting to the UPFW
Would Increase Spending Transparency and Reliability**

Though most information reported to the UPFW appears accurate, several LEAs – particularly charter schools – do not report reliable information in accordance with state statute. Thirteen LEAs failed to accurately report transactions totaling almost \$900 million in accordance with statute in fiscal year 2014. Stakeholders would benefit from greater detail of public education spending to better align values and strategic goals with spending.

We recommend that the State Board:

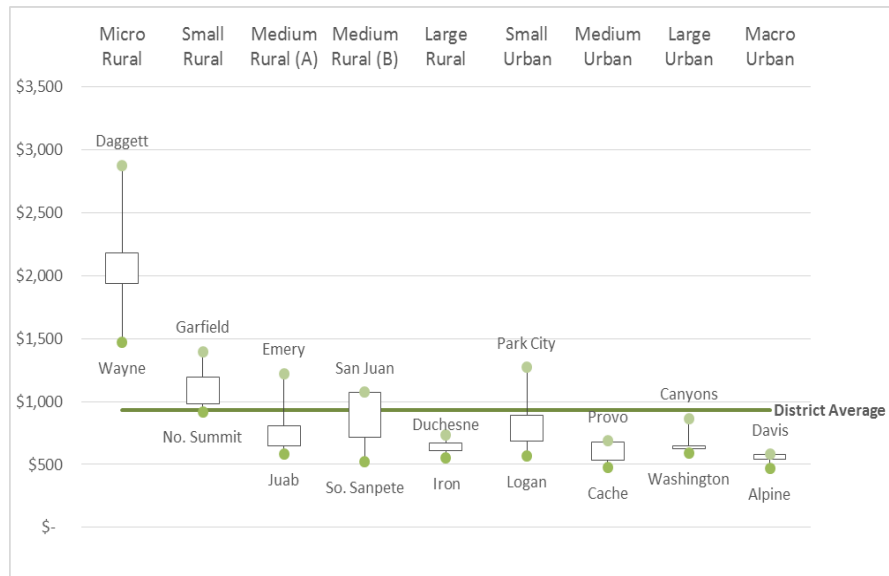
- Direct its office to clarify ambiguous definitions in the uniform chart of accounts.
- Direct its office to identify and train LEAs that require greater scrutiny and/or additional training to increase the accuracy of financial reporting.
- Regularly use detailed financial reports to guide strategic objectives.
- Use financial data, in conjunction with student outcome data, to perform comparisons of activities and courses among local education agencies.

Finding 2: Adopting Certain Practices Could Free Up Resources for Other Priorities

We identified 10 practices that are correlated with lower costs per student among practicing school districts when compared to school districts that do not follow the practice. Identifying and implementing practices correlated with lower costs could help the State Board and LEA boards to maximize the use of financial resources to achieve given outcomes. The 10 practices correlated with lower costs per student include:

- Using digital communication
- Using administrative staffing formulas
- Tracking per student costs
- Monitoring administrative FTEs per student
- Bulk warehousing
- Conducting regular energy audits
- Tracking building capacity utilization
- Tracking food service revenues to expenditures
- Monitoring cost per meal served
- Reporting meals per labor hour

The figure to the right compares the administrative costs per student among school districts of similar size and locale. Generally, school districts that follow practices correlated with lower administrative costs per student spend less on administrative expenses per student than school districts that do not follow those practices. The names of the school districts with the highest and lowest costs per student in each peer group are included in the figure. Each peer groups consisted of four to six school districts.



We recommend that:

- The State Board direct its office to regularly identify, compare, and report metrics correlated with lower costs per student across LEAs to emphasize opportunities that may exist to reduce costs.
- LEA boards continually identify and implement cost-saving practices.

Finding 3: LEAs Publicly Disclosed Personally Identifiable Student Information on State Transparency Website

It appears that LEAs included personally identifiable student information in more than 5,500 transactions reported on the UPFW. Some transactions that appear to contain personally identifiable student information include payments for the following services:

- Medical expenses
- Tuition expenses
- Extra-curricular activities
- Travel expenses

The public disclosure of such information could adversely impact affected students. Considering the nature of some transactions that apparently included personally identifiable student information, we are concerned about the potential academic, social, and financial consequences that a student may encounter if their personally identifiable information is not immediately redacted from all transactions.¹

We recommend that the LEAs that apparently disclosed personally identifiable student information:

- Remove improperly disclosed information on the UPFW, avoid publically disclosing personally identifiable student information, and educate employees regarding the proper handling of sensitive student information.
- Notify affected students' parents or guardians, as appropriate.
- Increase understanding of their accounting systems and strengthen controls to prevent improper disclosures in the future.

¹ We notified the state superintendent that 39 LEAs appeared to have included personally identifiable student information with transactions on the UPFW more than one month prior to releasing the audit report. The state superintendent then requested that the 39 LEAs immediately remove all improperly disclosed student information from the transactions.