Audit of the Department of Education's Adult Education Program

A Report to the Governor and the Legislature of the State of Hawaii

Report No. 02-16
October 2002

THE AUDITOR
STATE OF HAWAII

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.

2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.

3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.

4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.

5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.

6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds are existing funds meet legislative criteria.

7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.

8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.

9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.

THE AUDITOR
STATE OF HAWAII
Kekuanaoʻa Building
465 S. King Street, Room 500
Honolulu, Hawaii 96813

OVERVIEW

Audit of the Department of Education's Adult Education Program

Report No. 02-16, October 2002

Summary

For over 50 years the Department of Education (DOE) has offered a program of adult and community education of less than college level. In response to concerns about the program's efficiency and ability to be financially self-sufficient, the Auditor initiated this audit pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, office, and agencies of the State and its political subdivisions.

We found that the DOE did not provide the appropriate oversight to ensure that the adult education program is being efficiently and effectively delivered through its 11 community schools. Self-serving practices of adult education staff have taken precedence over its mission to serve the community. Moreover, the DOE failed to disburse federal funds properly through a competitive grant process. The DOE was overly restrictive in its request for proposal, in apparent violation of the *Hawaii Public Procurement Code*. As a result, only the DOE's own community schools' proposal was considered responsive and all available federal grant moneys were awarded to the adult community school consortium. The U.S. Office of Vocational and Adult Education has also questioned DOE's decision.

We also found that sloppy controls over key program information resulted in misleading and unreliable data. For example, these schools commonly engaged in a practice of *double-counting* students, i.e., if one student attends three classes, the student is counted three times. The DOE in its K-12 system counts this as only one student. Furthermore, assessment activities to determine students' course requirements were incorrectly classified as courses. In another situation, a single course was segmented and reported as four. Since the classification and compensation of principals and vice-principals is partially determined by total average student enrollment, this method of counting students artificially elevates the compensation of these administrators.

We also found that other community schools staff may be receiving unwarranted compensation. Some community school administrative staff also receive part-time temporary teacher pay for presumably teaching classes after work hours. However, the DOE lacks safeguards to ensure that such employees are teaching only during hours other than when they are being paid as administrative staff. A review of official class attendance sheets revealed irregularities. For example, staff were listed as *students* on the same days and time that they were supposed to be *teaching* another class.

The DOE's adult education program lacks effective centralized oversight, resulting in many decisions being left to the principals. While this permits each school some

degree of flexibility, it also results in ineffective and inconsistent program management. For example, while some classes are properly offered at no cost, state law requires that the program be financed in part from student fees. However, we found that some community schools do not consistently charge or recoup fees from students when authorized. Essentially the same class may be offered at one community school as community-service and tuition free, while at another community school, the same course is classified as general interest and subject to a fee. Some schools impose a book or materials fee but no course fee. Classes continued to be taught when enrollment numbers were too low to justify continuation.

Finally we found that when the adult education program was created, there were no practical alternative agencies other than the DOE to manage the program. However, this is no longer the case. The University of Hawaii's community college system, which was established in 1964, provides, in many cases, similar comprehensive programs that open educational opportunities to people 18 years and older. As we noted in a 1997 audit, the community college system already has in place an effective program evaluation process in contrast to the DOE.

Recommendations and Response

We recommended that the Board of Education hold the DOE responsible for ensuring that federal grant moneys are distributed according to all state and federal requirements. In addition, the board should ensure that the DOE implement consistent and accurate record keeping practices, charge course fees consistently, review staff utilization policies, conduct student evaluations and assess student outcomes. Finally we recommended that the Legislature consider transferring responsibility for the management of the adult education program to the University of Hawaii's community college system.

The DOE responded that since the report was completed, a number of positive changes to the adult education program have already taken place, including the elimination of the practice of double counting student enrollment.

The DOE also stated that it is investigating and is committed to correcting the personnel issues identified in our report. The DOE further noted that the differences between DOE and the university should be considered by the Legislature in considering a possible transfer of responsibilities. Finally, the DOE stated that it now has tools in place to conduct program evaluation.

Marion M. Higa
State Auditor
State of Hawaii

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813
(808) 587-0800
FAX (808) 587-0830

Audit of the Department of Education's Adult Education Program

A Report to the Governor and the Legislature of the State of Hawaii

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 02-16
October 2002

Foreword

This is a report of our audit of the Department of Education's Adult Education Program. The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, accounts, program, and performance of all departments, offices, and agencies of the State and its political subdivisions.

We wish to express our appreciation for the cooperation and assistance extended by officials and staff of the Department of Education.

Marion M. Higa
State Auditor

Table of Contents

Chapter 1 Introduction

Background on the Adult Education Program 1
Objectives of the Audit 9
Scope and Methodology 9

Chapter 2 The Department of Education's Adult Education Program Benefits a Consortium of Community School Principals and Not the Public the Program Is Meant to Serve

Summary of Findings 11
Self-Serving Practices Take Precedence Over the Mission of Serving the Community 11
A Lack of Centralized Oversight Results in Inefficiency 17
The Department of Education Should Relinquish Oversight of the Adult Education Program 21
Conclusion 25
Recommendations 26

Responses of the Affected Agencies 27

List of Exhibits

Exhibit 1.1 Adult Education Program Organizational Chart 3
Exhibit 1.2 Adult Education Program Community Schools Enrollment (School Year 1999-2000) 5
Exhibit 1.3 Adult Education Program Community School Enrollment by Course (School Year 1999-2000) 6
Exhibit 1.4 Adult Education Program Community Schools Enrollment (School Years 1994-95 to 1999-2000) 7

Chapter 1
Introduction

In 1945, the Territorial Legislature of Hawaii authorized the Department of Education to establish and administer a program of adult education of less than college level. The department operates its adult education program as a means of providing "comprehensive, quality educational opportunities for all." However, the Legislature and governor have questioned the program's efficiency and its ability to be financially self-sufficient. In addition, the 1998 appointment of a former school superintendent as an adult education program principal at his former $90,000 superintendent's salary led to allegations of cronyism and program waste.

This audit was initiated to examine the operations of the department's adult education program. The audit was conducted pursuant to Section 23-4, Hawaii Revised Statutes (HRS), which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

Background on the Adult Education Program

The federal government defines adult education as services or instruction below the post-secondary level to those who are 16 years or older, who are not enrolled in secondary education, and who lack sufficient mastery of basic skills, a secondary education, or are unable to speak, read, or write the English language. The State's broader interpretation of adult education has resulted in a wide array of course offerings. As rapidly as resources are available and interest is developed, Section 302A-433, HRS, requires the department to offer the following instructional programs:

- Basic elementary education;
- Advanced elementary education;
- Secondary education;
- Adult literacy education;
- Homemaking and parent education;
- Community education;

- Naturalization training; and
- Cultural opportunities.

The program's mission is to provide lifelong learning

Underlying the adult education program is the belief that "learning is a lifelong process and . . . a community of lifelong learners is the basis for a healthy, dynamic and thriving community." The program mission includes providing comprehensive, quality educational opportunities for every member of our society. The program aims to meet the educational needs of undereducated adults, non-English speaking immigrants, resident aliens, and adults and youths without a high school diploma. It also aims to provide everybody with opportunities to obtain life-learning skills and to develop their hobbies and cultural and leisure interests.

Administration is accomplished through several tiers

A Board of Education heads the Department of Education. The elected board is authorized to formulate statewide educational policy within general law and policy set by the Legislature, to adopt student performance standards and assessment models, and to monitor school success. Four board members comprise the Standing Committee on Adult Education. The committee is responsible for adult education budget review, legislation, collective bargaining, policy and standards, and program monitoring. The Board of Education has also appointed an Advisory Council for Adult and Community Education comprised of approximately 16 members representing industry, labor, civic organizations, and education. The council advises the board on matters concerning adult and community education.

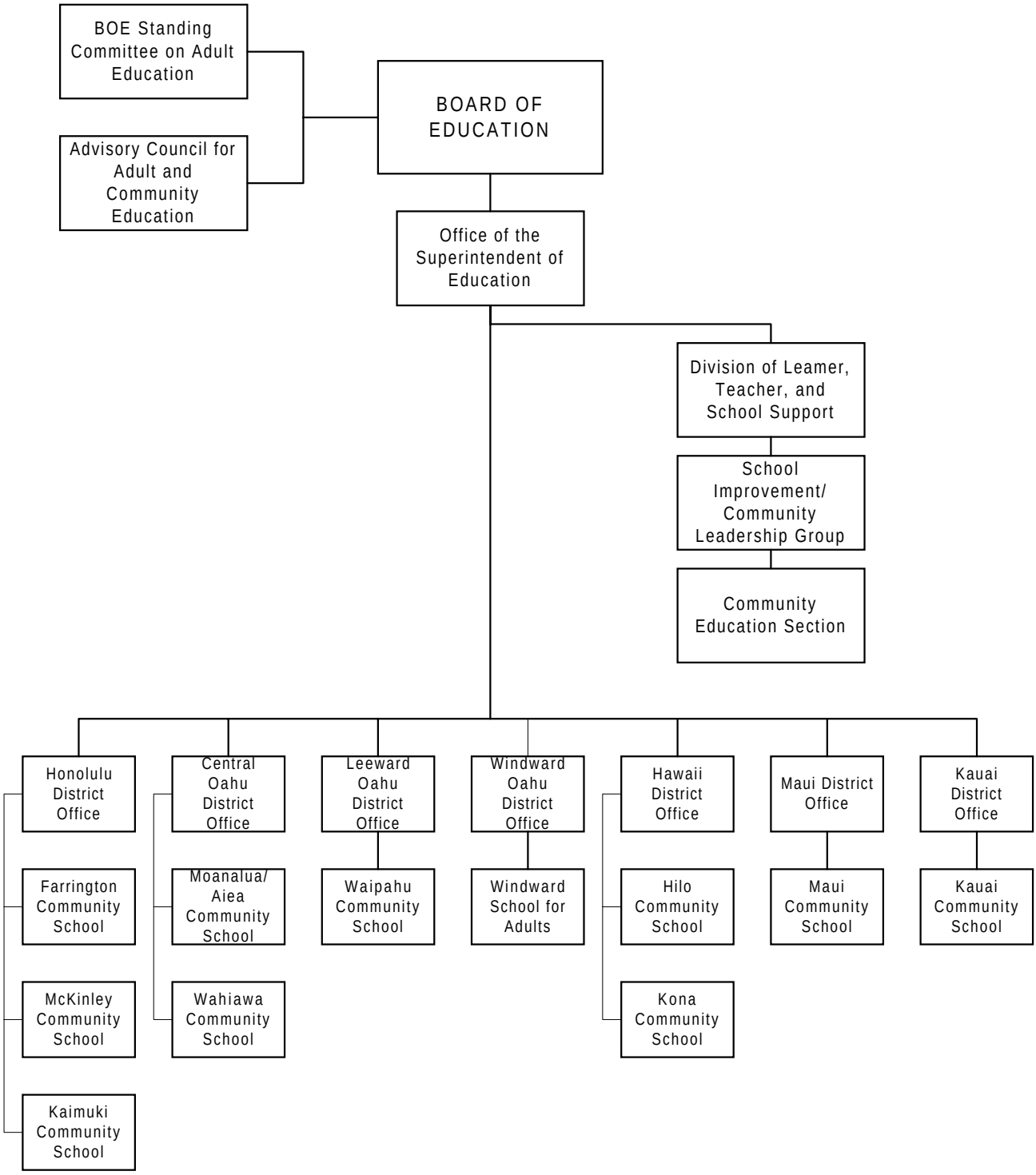
The department's School Improvement/Community Leadership Group, under the Division of Learner, Teacher and School Support, provides statewide oversight of community and adult education programs. The group's Community Education Section provides support and technical services to the community schools for adults and monitors them for compliance with federal requirements.

Exhibit 1.1 depicts the organization of the adult education program.

Statewide community schools ensure accessibility

The adult education program provides learning opportunities to communities primarily through the Department of Education's community schools for adults. Eleven community schools are dispersed among the department's seven district offices across the state. There are seven community schools on Oahu, two on the island of Hawaii, one on

Exhibit 1.1
Adult Education Program
Organizational Chart



Source: Department of Education

Kauai, and one on Maui. The Western Association of Schools and Colleges has accredited each of these community schools. As shown in Exhibit 1.2, the largest community schools by enrollment during the 1999-2000 school year were Kaimuki, Farrington, and Maui Community Schools.

A principal, vice-principal, registrar, and school administrative services assistant (SASA) generally administer each community school. Each community school principal has overall responsibility for that school's adult education program and reports directly to his/her respective district superintendent. The vice-principal, registrar, SASA, and other staff provide various administrative and support services. In addition to these salaried positions, community schools contract teachers as needed on a part-time, temporary basis. These teachers are paid an hourly rate.

A variety of courses is offered

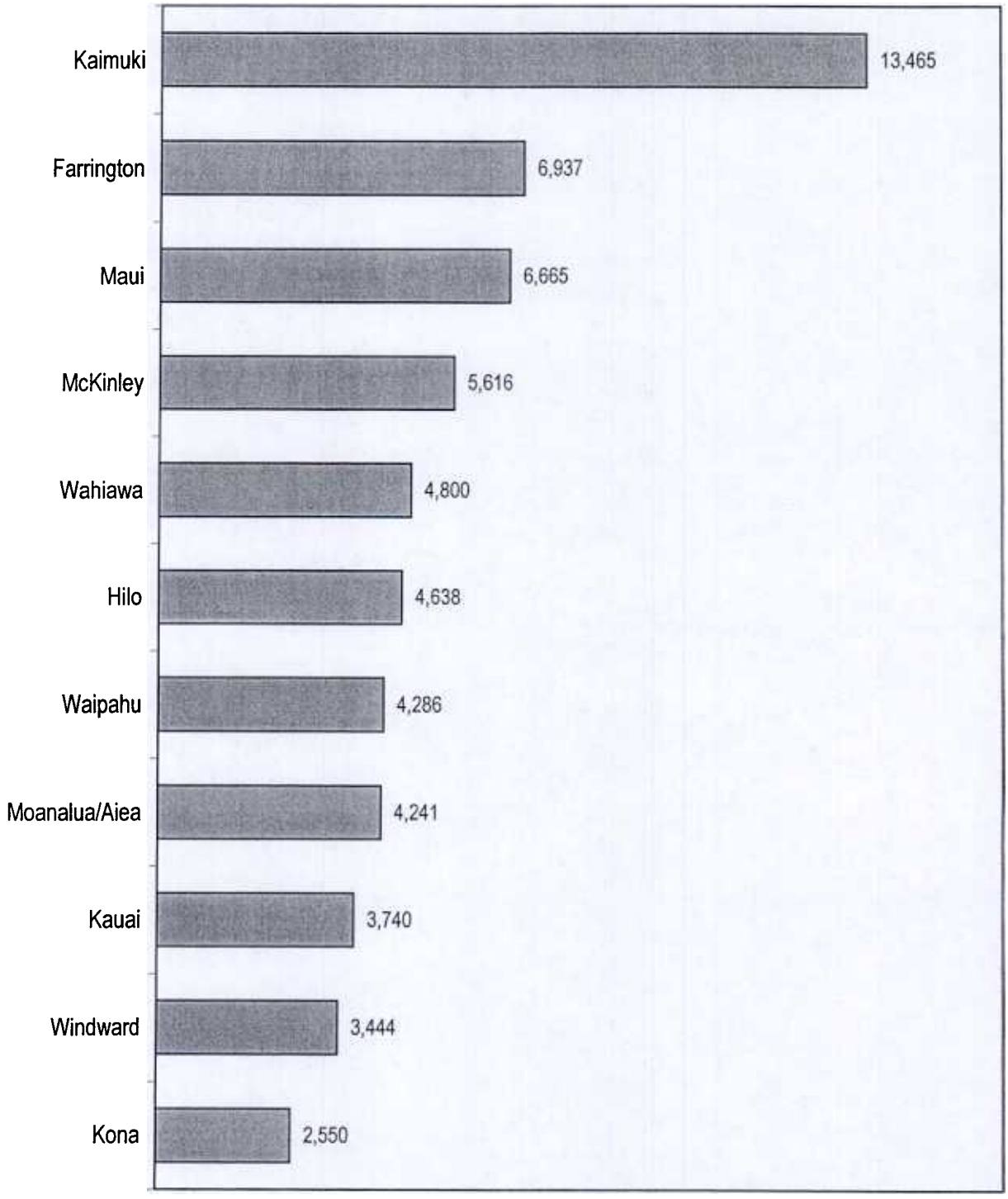
A majority of the adult education courses offered by the community schools and other service providers fall into one of three broad categories: (1) adult basic education, (2) high school diploma, and (3) general interest. Adult basic education includes courses to develop the skills to listen, speak, read, write, and compute at the first- to eighth-grade levels. Adult basic education also includes naturalization courses that provide resident aliens with instruction to prepare them for their U.S. citizenship application. The program offers three methods for obtaining a high school diploma: (1) passing the general education development (GED) test, (2) completing the requirements of the competency based high school diploma program, (3) and accumulating required high school level credits. Finally, the program offers a variety of courses to meet the needs of those students who wish to enrich and broaden their social and recreational interests. Courses include sushi making, basket weaving, aerobics, and photography. Exhibit 1.3 reflects the types of adult education courses offered statewide during the 1999-2000 school year.

Some community schools have created certificate programs for clerk stenographers and clerk typists. In addition, some community schools administer proficiency tests on behalf of federal, state, and county civil service commissions and provide training for those tests.

Enrollment has been declining

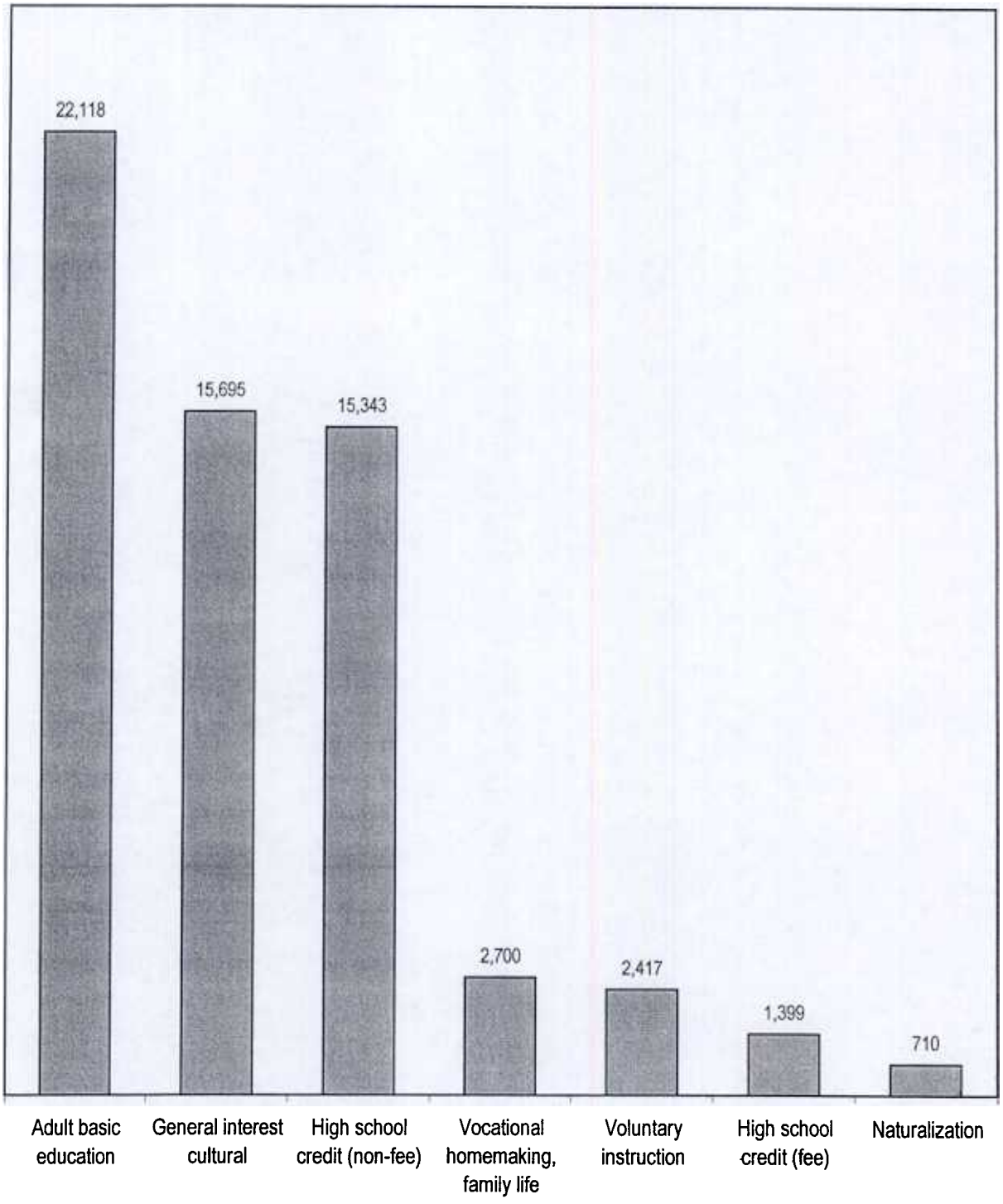
According to the Department of Education, overall enrollment in the community schools is declining. Exhibit 1.4 reflects a continuous decrease from a high of 127,294 during the 1994-95 school year to a low of 60,382 during the 1999-2000 school year, a 53 percent decline over a five-year period.

Exhibit 1.2
Adult Education Program
Community Schools Enrollment (School Year 1999-2000)



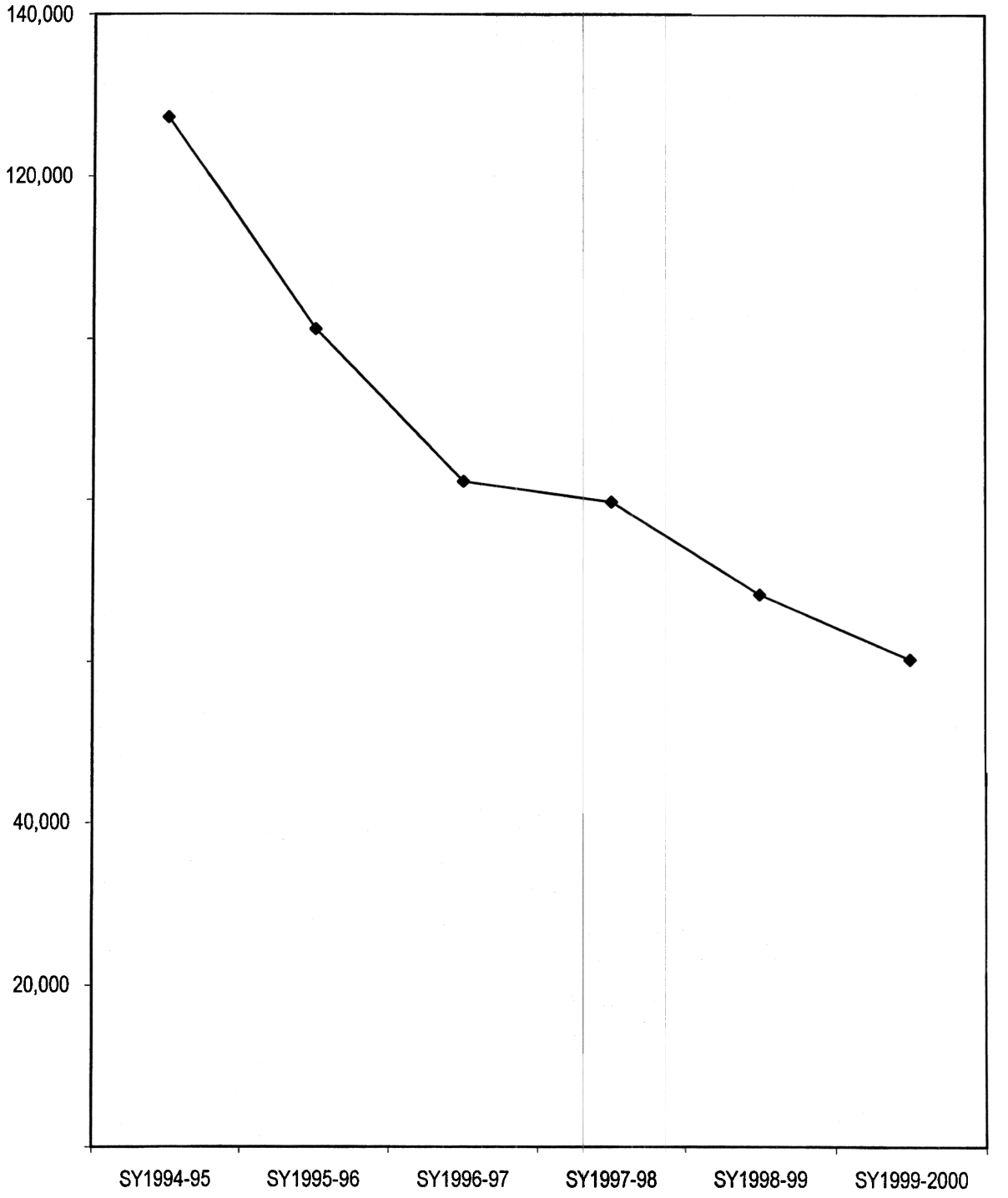
Source: Department of Education

Exhibit 1.3
Adult Education Program
Community School Enrollment by Course (School Year 1999-2000)



Source: Department of Education

Exhibit 1.4
Adult Education Program
Community Schools Enrollment (School Years 1994-95 to 1999-2000)



Source: Department of Education

The program receives significant general funds

The adult education program is financed through general, federal, special, revolving, and trust funds. During FY1999-2000, the program expended $9.0 million. State general funds comprised more than 75 percent of expenditures (about $6.9 million). Federal fund expenditures for that year made up over $1.1 million (about 13 percent of the total), special and revolving fund expenditures made up over $800,000 (about 9 percent), and trust funds comprised over $100,000 (about 1 percent).

Program fees are assessed for certain courses

Section 302A-435, HRS, requires the adult education program to be partially supported through fees collected from students. Fees are currently assessed for tests taken and for special and general interest courses to cover the costs of instruction, books, and instructional supplies. Instructional fees for general interest courses are generally between $1 and $3; equipment fees are between $3 and $10; and GED testing fees are between $10 and $20 per test. Fees are not assessed for adult basic education and senior citizens' program classes. In addition, certain classes are free to qualified discharged veterans and indigent and unemployed individuals. Administrative, supervisory, instructional, and all other authorized costs not covered by student fees must be paid out of funds appropriated for these purposes.

Revenues collected by the adult education program are accounted for by the Adult Education Special Fund or the Adult Education Revolving Fund. The revolving fund was established to purchase books and supplies for the program and to receive the revenues from the sale of these items. The special fund was established to collect tuition for general and special interest classes and fees.

Federal funds are disbursed through a competitive grant process

The Department of Education receives federal funds for adult education under Title II of the Workforce Investment Act of 1998—the Adult Education and Family Literacy Act. Each state is granted an initial federal funds allotment of $250,000. The remainder of the federal funds is allotted by using 1990 census data. Funds are based on the number of individuals 16 years of age (beyond the age of compulsory school attendance under state law) but less than 61 years of age who do not have a secondary diploma or its equivalent and are not enrolled in secondary school. The department received a federal allotment of $1,432,188 for the federal funding period of July 2000 to September 2001.

The department is required to disburse its federal funds to local educational programs through a competitive grant process. It must provide local educational agencies, both private and public, with direct

and equitable access to the funds. Eligible applicants include local educational agencies, correctional agencies, public and private non-profit agencies, community-based organizations, postsecondary educational institutions, public housing authorities, consortia of agencies and organizations, and agencies that have the ability to provide literacy services to adults and families.

Objectives of the Audit

1. Assess the design of the Department of Education's adult education program for carrying out the program's statutory purpose.

2. Assess the effectiveness of the operations of the adult education program.

3. Make recommendations as appropriate.

Scope and Methodology

Our audit focused on the Department of Education's management of the adult education program and specific operational practices of the community schools. We did not assess the quality of the schools' programs.

We reviewed and analyzed relevant state and federal laws, rules, and regulations. We reviewed policies of the Board of Education and the department, and meeting minutes of the board's Standing Committee on Adult Education and the Advisory Council for Adult and Community Education. We interviewed program administrators, Community Education Section staff, and members of the Standing Committee on Adult Education of the Board of Education and the Advisory Council for Adult and Community Education. We reviewed and analyzed program documents, reports, proposals, studies, and related literature from the department, the community schools, national organizations, and other entities. We also reviewed program pamphlets, community schools' brochures, organizational charts, and functional statements.

We conducted site visits to all 11 community schools. We interviewed the principals and administrative staff of those schools. We also reviewed and assessed state reports, course attendance sheets, payroll records, and other documentation from the community schools. We contacted, interviewed, and gathered information from administrators of the federal Department of Education, other states, and various Hawaii state and county agencies.

Our work was performed from July 1999 to February 2002, in accordance with generally accepted government auditing standards.

This page intentionally left blank.

Chapter 2

The Department of Education's Adult Education Program Benefits a Consortium of Community School Principals and Not the Public the Program Is Meant to Serve

For over 50 years, the Department of Education has offered a program of adult and community education of less than college grade to provide increased opportunity for the people of Hawaii. This program for adults is delivered through adult community school classes scattered throughout the state. However, we found that self-serving practices by adult community schools take precedence over the program's mission of serving the community. The department has not done enough to ensure the program's effectiveness or the adequacy of program operations. There is little accountability for the community school performance; federal grant reporting requirements are not met; and program administration requirements have actually restricted the amount of available adult education opportunities. The adult education program may have a better chance of succeeding if it is transferred to the University of Hawaii's community college system.

Summary of Findings

1. Self-serving practices of adult education staff take precedence over the mission of serving the community.

2. A lack of centralized oversight over the adult education program results in inefficiency.

3. The adult education program may be better administered and operated by the University of Hawaii's community college system.

Self-Serving Practices Take Precedence Over the Mission of Serving the Community

The Department of Education has not provided the appropriate or necessary oversight to ensure that the community schools have operated with efficiency or effectiveness. We found a number of deficiencies at the community schools as a result of the schools' lack of accountability. Federal grants are unfairly awarded, program salaries are inflated due to inaccurate enrollment data, courses are managed in a fiscally imprudent manner, and program monitoring and student assessments are virtually nonexistent. The seriousness of the adult education program's

operational problems was recently substantiated in a report by the U.S. Department of Education.

The Department of Education inappropriately manipulates the federal grant award process

Despite assurances from the Department of Education that the grant process would be fair and equitable and would adhere to the State Procurement Code, we found that the consortium of community schools manipulated the grant process to ensure that the community schools themselves were unfairly awarded $1,181,556 in federal grant moneys for FY2000-01—the entire amount of federal grant moneys awarded for adult education that fiscal year.

The department's Community Education Section is responsible for distributing federal grant funds for adult education. As the State's educational agency, the department obtains federal funds and must disburse those funds through a grant competition to local eligible institutions based on its Multi-Year State Plan for Adult Education and Family Literacy. The state plan serves as an agreement about how potential federal funds will be distributed. The plan is also used to meet the requirements of the Workforce Investment Act of 1998 by providing adult and family literacy. The act requires a fair and competitive local grant competition through which all eligible providers have direct and equitable access to the application process for those moneys. The competitive process is implemented through use of the request for proposal (RFP) process.

Our review of the federal grants RFP requirements found that some specifications were unduly restrictive—a violation of Section 103D-405, HRS, of the State Procurement Code. These specifications increased the likelihood that the community schools would be awarded the federal grants. For example, the RFP specifications required all applicants to use the Comprehensive Adult Student Assessment System (CASAS) and TOPSpro management information systems for student outcomes, performance measurement, and reporting. However, according to State Procurement Code rules, brand name specifications may be used only upon approval of the chief procurement officer after the purchasing agency makes a written determination that only the identified brand name item is the most practicable specification that will satisfy the state's needs. According to the Community Education Section, no such written determination was made, and the RFP required CASAS and TOPSpro because the community schools already used those systems.

As a result of the restrictive specification, only two organizations submitted proposals that were considered responsive. One proposal was from the community school consortium, while the other was from the Department of Public Safety. However, the review committee

eliminated the Department of Public Safety's proposal because it did not satisfactorily meet the criteria relating to the implementation of CASAS.

We also found that the restrictive specifications discouraged at least one other interested organization from even submitting a proposal. The administrator from that adult education provider informed us that it did not submit a proposal because the resources needed to implement CASAS and TOPSpro for a one-year grant were not cost-effective. The provider already had a student evaluation system in place.

The U.S. Department of Education confirmed that the state Department of Education's federal grants RFP included restrictive specifications. The U.S. Office of Vocational and Adult Education's May 2001 technical review of Hawaii's adult education program found that despite the department's use of a competitive RFP process, it was questionable whether the process provided "direct and equitable access to funds for all eligible providers."

Sloppy controls over key program information inflate community school principals' pay

The community schools are required to provide quarterly and annual reports on program participation and achievement to the state and federal governments. However, enrollment and other course data of the adult education program are misleading, unreliable, and inconsistent. Misleading or unreliable data present an inaccurate picture of the program. Unreliable data distort salary setting for community school principals and vice-principals, undermine the enforcement of requirements, and provide no assurance that the program is operating properly.

A principal and vice-principal administer each community school. As with K-12 principals and vice-principals, community school principals and vice-principals are ten-month employees that are considered "educational officers" under state law. While the determination of the compensation for these positions depends on a variety of factors, such as classification level, one of the primary determinants of compensation is enrollment. However, weaknesses in enrollment data and related data have compromised the process of establishing the salary levels of these officials. The average ten-month annual salary for the principals and vice-principals of the 11 community schools is over $80,100 and over $61,800, respectively.

The classification of principals and vice-principals is determined by a rating formula. The formula is based on points for total average student enrollment, total average number of full- and part-time certified staff, and average number of classes conducted at the particular school in the previous fall and spring semesters. However, as discussed below, questionable community school practices have boosted school

enrollment and course figures. This results in higher ratings of community school principals and vice-principals, which in turn influences their salaries. If these community school administrators are overpaid as a result of inflated enrollment and course figures, general fund resources are being wasted.

Students are double-counted

One of the procedures that create reporting inaccuracies relates to schools "double-counting" students. The community schools count students based on the number of classes they attend. For example, if one student attends three classes, that student is counted as three students; if he/she attends six classes the one student becomes six. In comparison, a "single-count" process is one in which a student is counted once regardless of the number of classes that student is enrolled in. This is the method the department uses to count its K-12 grade student population. The community schools generally defend the double-counting practice, contending that double counting is necessary to provide an indication of workload because of their schools' different workload characteristics.

We also found that all community schools do not consistently apply the practice of double-counting students. At least one community school has started reporting enrollment figures based on the single-count practice. According to that community school, single-counting its students ensures that its enrollment reports are in compliance with the policy of the U.S. Department of Education's Division of Adult Education and Literacy.

Activities are inappropriately classified as courses

We found that some community schools inappropriately classify and report non-coursework activity as courses—thereby inflating enrollment counts even further. We found cases in which program participation counts included activities that we believe do not constitute adult education classroom functions. At one school, we found 35 pre-GED assessments that were reported to the State as including 187 students and 105 instructional hours. This data was then reflected in the school's federal annual performance report. Pre-GED assessments are used to determine the course requirements for each student, but are not formal courses. These assessments should not be considered courses. In another case, we found a basic computer literacy course categorized as an adult secondary course. However, in reviewing the attendance sheet for this course, we found that the "students" included teachers, librarians, and educational assistants employed at the high school at which the community school is located.

We also found that school counts were further over-reported through course fragmentation and administration. In our comparison of

participation reports against attendance sheets, we found several instances where schools would advertise one course to students, then fragment the class into two or more courses when reporting on program participation. For example, one school segmented a 46-hour adult basic education course into three 12-hour courses and one 10-hour course. As a result, a student enrolled in the 46-hour course was counted four times. In another situation, a single course was reported as two separate courses because two instructors taught the course. As a result, the course's instructional hours, the student enrollment and the completion count were all tallied twice.

Official class records are inaccurate

Community schools maintain attendance records to support the program participation reports that they submit to the Department of Education. The attendance records also serve as the official record for courses and are used to establish teacher wage levels. However, we found significant problems in the community schools' attendance record keeping.

We judgmentally sampled 30 classes from each community school from the Summer 1999, Fall 1999, and Spring 2000 terms and were unable to locate attendance records for many of the classes we sampled. At one school, only 5 out of the 30 classes in our sample had complete and accessible attendance records. According to this school's registrar, instructors provided verbal rather than the required written reports. At another school, we were unable to properly conduct our sampling because the school's report excluded key information from the classes conducted. This resulted from the school's failure to properly integrate data from different staff members' computer files to compile the report. Each of the remaining community schools was missing one or more attendance reports in our sample.

Our review of attendance records also found numerous instances where sections to document student attendance for a class were blank. However, program participation reports compiled and submitted to the state and federal Departments of Education included attendance data for those classes. It is unclear where the community schools or adult education program obtained the information on student attendance for those courses. The lack of complete and accurate attendance sheets for each course makes enrollment data, course completion figures, and other figures unverifiable and suspect.

During our review, the community schools were in the process of implementing a new database program called Literacy Pro (LitPro). The community schools plan to maintain student, class, and instructor information through this computerized database. One community school administrator noted that the use of this program will resolve the problem

of double-counting students. While we agree that LitPro can be a useful tool that should improve certain community school reporting efforts, schools' data gathering practices still need to be improved to provide accurate data input for LitPro. LitPro's reporting capabilities can be effective only if the information inputted into the database is correct.

Community school staff may also be receiving unwarranted compensation

The department lacks safeguards to ensure that community school administrative staff who receive part-time temporary teacher (PTT) pay are not doubly compensated and that PTT funds are used properly. Community schools do not employ full-time teachers so their instructors are classified as part-time temporary teachers and paid an hourly rate from the state general fund based on their educational level. Our review of the schools' PTT payments revealed that many administrative staff receive PTT pay in addition to their administrative salaries.

During FY1999-2000, administrative staff of all but one of the community schools received approximately $124,000 in PTT pay. For example, we found that two community school principals collected PTT pay during FY1999-2000. One principal collected $830.28 and the other collected $452.88. In addition, nine vice-principals collected a total of $30,871 in PTT pay, ranging from a low of $450 to a high of over $8,000.

One community school whose administrative staff receives PTT pay has questionable records, raising particular concern about the appropriateness of the pay. Other than the principal, all of this school's salaried administrative staff received PTT pay during FY1998-99. In total, the vice-principal, registrar, account clerk, school administrative services assistant, and clerk typist received almost $33,000 in PTT pay. The registrar collected over $11,500, the clerk typist almost $11,000, the vice-principal over $4,500, and the account clerk over $4,200. However, attendance sheets for the courses reportedly taught by these administrative staff were incomplete and appeared to have been perfunctory.

For example, the attendance sheets were not signed by the administrative staff instructors to certify their teaching hours for compensation purposes. Many of the sheets lacked data on student hours and grades. Also, the sheets for some courses reportedly taught by administrative staff listed regular staff instructors as students. A few of these "students" had been teaching on the same days and during the exact times that they reportedly were attending an administrative staff instructor's course.

The principal of this school informed us that PTT pay is offered as a form of compensation to offset time given by administrative staff during

peak periods. However, we were unable to document or verify that administrative employees were teaching during salaried time since we were told that they had no official start and end times. This principal also informed us that the attendance sheets might not represent teaching activities and student contact hours. If the attendance sheets do not represent a course being provided—aside from the possible waste of program resources–-then school reports listing each of the courses taught by administrative employees are also suspect because the reports are based on unreliable data.

A Lack of Centralized Oversight Results in Inefficiency

The Department of Education's adult education program is implemented primarily through its 11 community schools. The community schools have responsibilities to both the adult education program and the department's district superintendents, creating dual lines of authority that result in a lack of clarity for accountability and oversight for the schools. While the program was designed to be community-based and each school needs flexibility to meet the needs of the community it serves, stronger central controls are needed to ensure that the overall program meets its objectives and operates properly.

Multiple lines of authority result in ineffective program management

A consortium formed by the 11 community schools complicates the management of the adult education program. According to the department's official organizational charts, the community schools should report directly the Community Education Section of the department's School Improvement/Community Leadership Branch. Community school principals report not only to the director of the Community Education Section, but also to their respective district superintendents. For example, district superintendents, not the Community Education Section, have the authority to approve new adult education classes. Community school principals are required to submit the appropriate forms to their respective district superintendents for approval to offer new classes. The Community Education Section is informed of the newly approved class *after* the district superintendent has approved it.

In practice, we found that the community school principals wield greater authority over the adult education program than even the district superintendents. Community school principals apparently make the final decisions as to which courses will be offered. They also make changes at will to adult education courses. At least one district superintendent has formally relinquished authority to approve or disapprove changes or additions to course offerings to the community school principal. As a result, there is insufficient departmental oversight to ensure that each

community school is being consistently operated or operated in the best interest of the adult education program.

Inconsistencies across community schools are evident in poor fiscal administration of courses

The adult education program has an obligation to ensure that public resources are utilized in an effective and efficient manner. We found that the program's practices relating to compensation, course fees, and attribution of program costs are problematic. As a result, resources are not utilized in a cost-effective manner and opportunities for cost control and recovery are missed.

Currently, the department's Community Education Section provides the community school consortium with a lump-sum allocation for the schools to divide among themselves. The community schools set aside amounts to schools with special needs and divide the remainder according to program participation and instructional workload. This ensures that distribution is equitable and participation and instructional workload is as accurate as possible. However, since we found that many of the data and reports provided are unreliable, there is little assurance that the adult education program's utilization of resources is in the best interests of the State.

We also found that the course fees are not charged consistently across all community schools, and courses with little chance of recouping instructional costs due to low enrollment are allowed to continue.

Course fees are charged inconsistently

State law requires the adult education program to be financed partly from student fees and partly from appropriated public funds. The department's administrative rules both allow and require the community schools to impose student fees for instructional costs, equipment, supplies, materials, and testing. Instructional fees are allowed except for adult basic education courses and senior program courses. Based on the cost per instructional hour for each course, the superintendent of education is to set the instructional fees with the recommendations of the Advisory Council for Adult and Community Education. The rules also allow the schools to impose equipment fees on students enrolled in specific adult education classes. Equipment fees are based on the cost of maintenance and repair of equipment used in the course. Supply and material fees are to be (1) determined by the instructor by pro-rating the actual cost of instructor-provided supplies and materials among the students and (2) approved by the principal. Also, students taking the general education development (GED) test must be assessed fees based on the cost of the test materials and the proctor.

We found that community schools do charge fees for equipment, supplies and materials, and GED testing. In addition, some community schools charge a registration fee and students purchase course textbooks as necessary. Generally, however, schools that charge instructional fees do so for general interest courses only. Limiting instructional fees in this manner wastes resources and limits the program's ability to recover costs. Not charging instructional fees for adult basic education and senior programs is appropriate, since doing so would violate the administrative rules. However, not imposing instructional fees for most high school diploma courses and other non-general interest courses may be unnecessarily limiting, since the rules are silent as to these other types of courses, and school principals report that no other prohibitions on fees exist.

The community schools also provide a wide range of academic credit courses tuition free, again losing opportunities to recover costs and reduce the burden on the general fund. A few examples of tuition free courses are accounting, sign language, writing, and keyboarding. The schools also provide a host of language courses tuition free. For example, students taking Hawaiian, Spanish, and Japanese purchase a book but pay no instructional fee.

Revenues fail to cover program costs

The *Hawaii Adult Education Administrator's Manual* requires general interest courses to be self-supporting to cover instructional costs and expenses. Instructional fees or tuition fees must be charged for all general interest courses at a particular rate per instructional hour. Community schools that charge instructional fees for general interest courses report charging not less than $1 nor more than $3 per instructional hour. For example, students taking a 20-hour computer course are charged a $40 instructional fee.

However, some community schools circumvent this policy by their categorization of courses. For example, one school offered community-service courses tuition-free, while another school offered them as general interest courses that required students to pay a fee. During Spring 2000, one school offered a course entitled "Successful Money Management" as a free special interest course, while another school offered a similar course as a general interest course for a $15 fee.

In circumventing program policy that requires general interest courses to be self-supporting, schools again appear to be wasting program resources, reducing their ability to recover program costs, and unnecessarily burdening general funds.

Allowing courses with low enrollment to continue is not fiscally prudent

There is insufficient oversight to monitor minimum course enrollments. As a result, courses with very small enrollments may be allowed to continue despite the fact that such courses may not be an effective use of existing resources. The adult education program should ensure that per-student costs are maintained at a reasonable level.

In our review of the community schools, we found that many schools held classes with relatively low student enrollment. In some instances, classes were allowed to begin and continue with fewer than five students enrolled. While these classes need to be offered to provide the basic education opportunities needed for undereducated adults, schools should not be precluded from utilizing other alternatives, such as merging classes, taking additional actions to boost enrollment, or canceling a class for lack of enrollment.

According to many community principals, it is not necessary to maintain minimum class sizes for adult basic and secondary education courses since those classes are paid for by general and federal funds. On the other hand, principals must recoup special fund instructional costs for special and general interest courses through tuition fees. Thus, they are more concerned with enrollment numbers in these courses. State administrators and principals indicated that a minimum enrollment of 10 to 12 students is generally necessary to recoup the instructional costs for these classes. However, in our review of attendance sheets, we found even general interest classes with enrollments as low as one or two students. We believe all courses require fiscal prudence, regardless of the type of funding source.

Organizational structure problems had already been identified by the Board of Education

The Board of Education's Advisory Council for Adult and Community Education previously identified deficiencies in the adult education program's organizational structure. As part of its 1998 review and evaluation of adult education needs and activities, the council cited several concerns about the program's lines of authority and structure. These concerns included the following:

- Lack of decision-making authority;
- Lack of a key contact for adult instruction and literacy;
- Fragmented statewide service delivery; and
- Lack of program coordination with other key agencies.

Moreover, the interviews we conducted with members of the Board of Education's Standing Committee on Adult Education confirmed the council's concern about a blurred structure. For example, some of the committee members were unaware that the Community Education Section was supposed to serve as the federally required on-site monitor of the schools, as opposed to simply providing the schools with staff support.

The Department of Education Should Relinquish Oversight of the Adult Education Program

When the Department of Education was assigned responsibility for the adult education program in 1945, there were no practical alternative agencies to assume the responsibility. Since then, the University of Hawaii's community college system and Outreach College have been established. Given the number of significant management and internal structural problems that we have identified, we are convinced that the Department of Education is not the appropriate or best entity to administer the adult education program.

Program monitoring and assessment deficiencies persist

In its *Hawaii State Plan for Adult Basic Education* submitted to the U.S. Department of Education, the state Department of Education made a commitment to evaluate adult education programs to determine their effectiveness. The department's Community Education Section is responsible for monitoring the adult education programs of the community schools to ensure that they comply with federal requirements. We found, however, that the department has failed to monitor that program or to assess the impact the program has had on its students.

On-site monitoring is inadequate

Despite its assurances otherwise, we found that the department is not meeting federal requirements regarding on-site monitoring. One principal informed us that on-site monitoring had not been conducted for the past four to five years. Another principal said that monitoring is done on an informal basis over the phone. A third principal commented that the school program reports, which are sent to the Community Education Section, were understood to serve as the required monitoring. The last time that community school had an on-site evaluation was about 12 or 15 years ago. The department's failure to conduct on-site monitoring results in its inability to assure adherence to federal rules and regulations for proper fiscal reporting and impacts its ability to stimulate the development of quality programs.

Student evaluations and outcomes are neither collected nor measured

The adult education program has failed to assess the quality of the services it provides. In 1993, the State established program quality indicators for the adult education program. Under the first indicator, methods of measuring skill levels and educational gains include standardized exams, program entry pre-tests, and program exit post-tests. However, the educational gains of students in adult basic education are not being systematically assessed.

During our review, we found that some community schools have used standardized exams to assess student progress. However, we found that few students were assessed through pre- and post-testing. Furthermore, some schools do not conduct any formal assessments and rely instead on instructors' recommendations. Without a complete student assessment system, the department still cannot ensure the effectiveness of its adult basic education courses.

We also found that student outcome data are not being collected and measured. Therefore, the schools lack formal information on how or whether the program has improved or affected students' lives—a key measure of program effectiveness. Furthermore, the schools are losing an opportunity to obtain feedback on how to improve their services. One principal described this situation as an area of weakness. School administrators cite lack of funding and staffing as the cause.

The federal Department of Education confirmed management shortcomings

The community schools failed to address recommendations made over five years ago by its accrediting agency, the Western Association of Schools and Colleges, regarding program and student assessments. Reports of the association's visiting committees that we were able to obtain recommended that the schools develop procedures for a more systematic and consistent assessment of the effectiveness of individual courses and educational programs. The association also recommended that the schools make efforts to provide follow-up studies of students who have attended the adult school. We have not determined the reliability of the association's reports. Nevertheless, the schools were forced to rush to meet the deadline requirements of the federal Workforce Investment Act.

The U.S. Department of Education's May 2001 site visit of the adult education program confirmed that the adult education program was failing to meet federal requirements in many areas. The report notes that:

> "…it is very unusual to find the range of compliance items concentrated in one program that we have identified in Hawaii. Taken as a whole, these items reflect a history of unsatisfactory performance in managing federal funds provided under the Adult Education and Family Literacy Act (AEFLA)."

A series of corrective steps and progress reports were specified as a result of the May 2001 site visit. A review of the progress reports shows that while specific points listed in the report are addressed, the site visit's recommendations are not. Although the federal education office is unable to comment further on the department's progress in addressing the corrective plan provisions, an official commented that the adult education program's level of cooperation in submitting required reports has been "historically problematic."

The community college system could provide appropriate oversight

In 1964, the University of Hawaii's community college system was established to provide comprehensive programs that open access to educational opportunities for people 18 years and older. Similar to the Department of Education's adult education program, the community college system helps adults achieve higher education, obtain job training, develop cultural broadening, and continue personal and civic growth.

The community college system currently provides a variety of adult basic education and other non-credit training-related courses through both electronic distance learning and on- and off-campus facilities. The system is also experienced in the area of program evaluation. For these reasons, we believe that the University of Hawaii's community college system may be a more appropriate entity to assume management and control of the State's adult education program.

Community colleges offer a variety of programs

The community college system offers over 60 certificate or associate degree vocational/technical programs in the following fields of study: business, health services, public service, food service, and trades and technology. Similar to the Department of Education, the community colleges offer education for adults in many areas of general and special interest. To meet the need for continuing education in all sectors of the workforce and to provide opportunities for lifelong learning, the community college system offers non-credit instructional programs through its Offices of Special Programs and Community Services. These programs focus on general and customized training for businesses and industries, with specialized offerings for specific audiences, such as academic instruction for apprenticeship training programs. Examples of the courses offered by the community colleges include alphabetic

shorthand, personal financial money management, conversational Japanese, and English as a second language.

The community college system also offers "hands-on" instruction in a nontraditional educational environment through its Employment Training Center. The center targets the state's at-risk population, including alienated high school youth, economically disadvantaged individuals, and disabled persons. Areas of study include facilities maintenance, food preparation, auto body repairs and painting, and office administration and technology.

Community colleges have demonstrated expertise in program evaluation

The overlap between the Department of Education and University of Hawaii's adult education programs and the community college system's experience in conducting such programs could make the system a logical choice in relocating the adult education program. Another reason could be the community college system's expertise in program evaluation.

Our 1997 *Audit of State Vocational Education Programs and Job Training Programs*, Report No. 97-14, reported that the community college system was applying a useful program evaluation process to all of its programs. The evaluation process covered many areas, including program efficiency, student retention rates, as well as program outcomes and job placement. The process enabled decision-makers to assess the success of programs and decide on their future. Actions taken following the evaluations included terminating programs due to a lack of demand, consolidating programs, and discontinuing programs for a period of time.

Our 1997 vocational education audit also reported that, in contrast, the Department of Education lacked a system for evaluating all of its vocational education programs for effectiveness and need. The degree of assessment varied both from program to program and within programs. The audit did note that new assessment activities were underway at the Department of Education. Nevertheless, our 1997 findings concerning the lack of assessment of vocational education by the education department bear a striking resemblance to the findings of our present report.

Partnering with other public and private adult education organizations is a feasible alternative

Today, there are a number of public and private organizations that offer adult education opportunities in Hawaii. These organizations include the University of Hawaii's Outreach College and the various county parks and recreation agencies. While a number of these organizations offer courses very similar to those offered by the adult education program's community schools, the coordination between the community schools

and these other providers is poor. Several of the organizations have indicated that they would be interested in a greater partnering effort than currently exists with the adult education program. Without effective coordination among these organizations, meeting the demand for adult education cannot be conducted in the most efficient manner possible.

The community college system's coordinated efforts toward possible partnerships among these many providers could increase adult education opportunities in Hawaii. While the community college system has tried to partner with the adult education program, we found that a coordinated effort on the part of the program has been inconsistent. Based on our discussions with program administrators, community school principals, and community college leadership, we found that partnering decisions are left to the community schools. For this reason, varying degrees of partnership currently exist between the community college system and adult education program. According to the chancellor for community colleges, some principals put a different level of effort and commitment into the partnership than do other principals.

However, in the 2000 regular legislative session, House Concurrent Resolution 158 was adopted with the intent of improving the adult education collaboration efforts between the community college system and the education department. The Legislature requested that the Department of Education and the University of Hawaii community colleges initiate a collaborative effort to improve services for adults and expand opportunities for high school students. In 2001, a memorandum of agreement between the two agencies was executed, creating a DOE/ UHCC Coordinating Council with appropriate permanent staff from both agencies to effectuate collaborative initiatives between the two agencies.

Conclusion

The adult education program was created to increase the education opportunities for the people of Hawaii. While the Department of Education's community schools have and continue to offer a variety of adult education opportunities, self-serving practices have taken precedence over the mission of serving the community. The administration of the program has been fraught with problems. As a result, federal moneys for adult education have been jeopardized; state funds are not used effectively; and the program lacks effective mechanisms to ensure accountability.

While immediate corrective action is needed to address these deficiencies, we believe that the more effective solution is to transfer the responsibility for the adult education program to the community college system. With the transfer, there should also be expansion in the number of service providers under the program.

Recommendations

1. The Board of Education should hold the Department of Education responsible for:

    a. Ensuring that the Community Education Section distributes federal grant moneys in accordance with all state and federal requirements;

    b. Implementing a single-count process for enrollment data;

    c. Developing clear guidelines on classifying courses appropriately and uniformly;

    d. Ensuring that attendance records are accurately and routinely maintained;

    e. Ensuring that course fees are charged consistently;

    f. Evaluating the minimum enrollment levels for courses and enforcing those levels;

    g. Reviewing the appropriateness of community school staff receiving part-time temporary teacher pay;

    h. Conducting formal on-site monitoring of community schools on a regular basis;

    i. Conducting student evaluations and assessing student outcomes; and

    j. Clarifying and enforcing the roles of and lines of authority between the community school principals, district superintendents, and Community Education Section staff.

2. The Legislature should consider transferring the adult education program to the University of Hawaii's community college system.

Responses of the Affected Agencies

Comments on Agency Response

We transmitted drafts of this report to the Department of Education and the Board of Education. A copy of the transmittal letter to the Department of Education is included as Attachment 1. A copy of the Department of Education's response is included as Attachment 2. The Board of Education did not submit a written response.

The Department of Education agreed with our characterization of the purpose of its adult education program and provided additional information concerning changes and developments that were implemented subsequent to the completion of most our fieldwork.

The Department of Education contends that the distribution of federal grant funds does not fit into the definition of "procurement" under the State Procurement Code and therefore does not apply to the DOE's RFP for federal grant funds for adult education. However, the department misses the point. In its application for the federal grant funds the department stated that it would adhere to all Hawaii Administrative Rules on procurement. In addition, federal regulations require that the grant process provide direct and equitable access to funds for all eligible providers. Our review showed that the department's grant process contained restrictive specifications that favored its own community schools at the expense of federal and state guidelines that require the fair and equitable treatment of all interested providers.

The department confirms, as we noted in our report, that the implementation of LitPro is eliminating the double-counting of students, a practice defended by the adult community school principals during our audit. The department also details the changes and corrections that are being made to the program as part of the department's Corrective Action Plan, developed in response to the U.S. Department of Education concerns cited in its May 2001 technical review of the adult education program. In addition, the department indicates that personnel policies are under review to address concerns identified in our audit.

We are encouraged that the department is taking these actions, but note that the actions appear to basically address specific defaults and new requirements, and not the systemic problems identified in our report. While the department notes that the consortium of community schools is now addressing statewide issues, we emphasize that the responsibility for the administration of the adult education program is that of the

department, and the question of centralized oversight is not addressed in the department's response.

Finally, the department provided additional information on the adult education program that the Legislature should consider if it decides to transfer the management of the adult education program to the University of Hawaii community college system. We note that such a transfer to the university system would not preclude the continued participation of the Department of Education in offering adult education opportunities to the people of Hawaii.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

September 30, 2002

COPY

The Honorable Patricia Hamamoto
Superintendent of Education
Department of Education
Queen Liliuokalani Building
1390 Miller Street
Honolulu, Hawaii 96813

Dear Ms. Hamamoto:

Enclosed for your information are three copies, numbered 6 to 8 of our confidential draft report, *Audit of the Department of Education's Adult Education Program*. We ask that you telephone us by Wednesday, October 2, 2002, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Wednesday, October 9, 2002.

The Board of Education, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures

ATTACHMENT 2

BENJAMIN J. CAYETANO
GOVERNOR

PATRICIA HAMAMOTO
SUPERINTENDENT

STATE OF HAWAI'I
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAI'I 96804

OFFICE OF THE SUPERINTENDENT

October 10, 2002

RECEIVED
OCT 11 10 34 AM '02
OFC. OF THE AUDITOR
STATE OF HAWAII

Ms. Marion Higa
State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Ms. Higa:

Thank you for the opportunity to provide comments on the draft report, *Audit of the Department of Education's Adult Education Program (see attached).*

The Department of Education agrees with the report that the Adult Education program's belief is that "learning is a lifelong process...a community of lifelong learners is the basis for a healthy, dynamic and thriving community." The program's mission is to provide comprehensive, quality educational opportunities for every member of our society. The program's primary goal is to meet the educational needs of the undereducated adults, non-English speaking immigrants, resident aliens, and adults and youth without a high school diploma. Additionally, the Adult Education's program provides opportunities for students to obtain lifelong learning skills and to develop their hobbies and cultural and leisure interests.

The data upon which much of this report is based appears to reflect School Years 1994-1998. The Adult Education Program has made a number of positive changes since that initial data were collected. These include:

- Development of a *"Comprehensive Plan for Hawaii's Department of Education Community Schools for Adult,"* which set a new vision for programs and practices;
- Implementation and improvement of a total Student Management System (LitPro) for data collection and program accountability;
- Implementation of a standard evaluation instrument (CASAS) and data base (TopsPro) for student accountability;
  Establishment of a statewide consortia for the Community School for Adults that provides a venue of dialogue for consistent operational practices;

AN AFFIRMATIVE ACTION AND EQUAL OPPORTUNITY EMPLOYER

- Adoption and implementation of Board of Education Policy #2409, Content Standards for Adult Community Schools, which requires all CSAs to implement the Equipped For the Future (EFF) Standards for Adults. The EFF standards, developed by the National Institute for Literacy, enable learners to acquire communication, decision-making, interpersonal and life-long learning skills;
- Initiation of a collaborative partnership with the University of Hawaii Community Colleges to address the needs of adult learners and to improve services in both institutions.

The Department will soon conduct an independent program review of the Community School for Adults Program to determine the effectiveness of these initiatives. We also recognize concerns regarding personnel issues. The Department is investigating and is committed to correcting these as noted in your report.

The Community Education Section is also preparing alternative governing structures for the Community School for Adults for my review. We plan to forward these to the Board of Education for consideration.

Finally, we note that the Report states that State general funds comprise more than 75 percent ($6.9 million) of expenditures. The total appropriation of general funds from the legislature is $5.2 million for the Adult Education program.

Again, thank you for the opportunity to respond. Please feel free to contact me at 586-3310 if you have any questions.

Very truly yours,

Patricia Hamamoto
Superintendent

PH:sm

Attachment

c: Office of Curriculum, Instruction and Student Support
Board of Education
Office of Human Resources
DOE Internal Auditor

RESPONSES TO THE RECOMMENDATIONS

1. The Board of Education should hold the Department of Education responsible for:

a. Ensuring that the Community Education Section distributes federal grant moneys in accordance with all state and federal requirements.

The Department reports regularly to the Board of Education Adult Education Committee and will continue to work to ensure that all monies are distributed in accordance with all state and federal requirements.

Regarding the conclusion that the DOE's Community Education Section violated the State Procurement Code by utilizing a restrictive RFP process which required the use of two specific programs for reporting student outcomes, performance measurement and reporting; Comprehensive Adult Student Assessment System (CASAS) and TopsPro Management Information system, without approval by the chief procurement officer, the Department believes no violation occurred. The DOE submits that the awarding of these federal grant monies is not under the purview of the State Procurement Code. Hawaii Revised Statute 103D-102 (a) provides that:

> *"[t]his chapter shall apply to all procurement contracts made by governmental bodies whether the consideration for the contract is cash, revenues, realizations, receipts, or earning, any of which the State receives or is owed; in-kind benefits; or forbearance; provided that nothing in this chapter or rules adopted hereunder shall prevent any governmental body from complying with the terms and conditions of any other grant gift, bequest, or cooperative agreement."*

Subsection (b) (2) (A) provides that:

> *"[N]othwithstanding subsection (a), this chapter shall not apply to contracts by governmental bodies: (2) to disperse funds, irrespective of their source: (a) (f)or grants or subsidies as those terms are defined in section 42F-101, made by the State in accordance with standards provided by law as required by article VII, section 4, of the State Constitution[.]"*

"Procurement," as defined in HRS Chapter 102D, "means buying, purchasing, renting, leasing, or otherwise acquiring any good, service, or construction."

The distribution of federal grant monies does not fit into the definition of "procurement" under the Code. The Code, therefore, does not apply to the DOE's RFP. Similarly, grants such as those administered under chapter 42F of the HRS, are specifically excluded from chapter 102D's coverage. The DOE has not committed to the federal authorities that it will use chapter 102D as the means of selecting grantees. The DOE can, as it has done here, utilize certain aspects of chapter 102D, such as the RFP process, without binding itself to use the entire procurement process.

b. Implementing a single-count for enrollment data.

The implementation of LitPro at school sites now provides the DOE with the means to verify enrollments at each Community School for Adults (CSA) at any given time.

Additionally, the CSAs implementation of TopsPro (a software system which tracks student information) provides supporting evidence to check the accuracy of the LitPro data.

For the first time in December 2000, all 11 schools reported the number of participants (single count) on their NRS report. The *Learning Resource Network,* which is an explanation of Industry Standards, provides the following definitions and terms used in lifelong learning programming that is followed by the CSAs:

> *"Participants: the number of participants who register for a particular session. It is NOT the same as the number of registrations per session. For example, if each and every one of 1,000 people registers for two classes for a particular session, the number of Registrations for that Session is 2,000, but the number of Participants Per Session is 1,000."*
>
> *"Registration: one person taking one class or activity. If one person takes two classes, that is two registrations. If two people take a class, that is two registrations."*

The following provides further clarification:

	How Students Are Counted	Programs
Federal Reporting: Count of participants	*The number of participants who register for a particular session. The participant is counted once, regardless of the number of classes the student registers for.	ABE ESL/CIVICS ASE (High School Diploma Program)
State Reporting: Count of registrations	*The number of registrations. If one person takes two classes, that is two registrations. If two people take a class, that is two registrations.	ABE ESL/CIVICS ASE (High School Diploma Program)
Count of registrations		Special Interest (Recreational/Cultural)

*Definitions from *Industry Standards,* Learning Resources Network

c. *Developing clear guidelines on classifying courses appropriately and uniformly.*

The Workforce Investment Act (WIA) was passed in 1998 with implementation expected in 1999. The WIA was far more limiting in its definition of courses and also required that ABE and ESL/Civics classes measure student learning. For further clarification, the Hawaii Community School Consortium (HCSC) adopted an Enrollment Matrix on April 5, 2002 to categorize program offerings and the accountability measures for each category. 10 schools now adhere to this Enrollment Matrix with the 11th school expected to be in compliance in SY 2002-03.

d. Ensuring that attendance records are accurately and routinely maintained.

Ten schools have now fully implemented LitPro. DOE staff can now validate attendance records for individual sites through LitPro. Schools are now able to report student demographics, student attendance, staff demographics including teacher hours, pre/post test scores and can generate class roosters. In short, any school report can be verified through LitPro. For example, students on a class rooster can be verified through the student demographics on LitPro. Test scores in LitPro can be verified through CASAS tests scored through TopsPro.

We agree with the auditor's report that LitPro's reporting capabilities can be effective only if the information inputted into the database is correct. Schools have vastly improved their data gathering practices and it is now in their best interest to assure that all data is correctly inputted. To assure accuracy, the HCSC determined that all National Reporting System (NRS) reports would be LitPro generated

e. Ensuring that course fees are charges consistently.

The Consortium agreed on May 19, 2000 that ESL, ABE and High School Diploma courses did not require a fee, but that all other language courses (with the exception of Sign and Hawaiian) needed to be considered as special interest courses and assessed a fee. Course fees for ESL, ABE, High School Diploma courses and language are consistent for 10 schools and the 11th will be in compliance for SY 2002-03. These actions should help ensure consistency.

f. Evaluating the minimum enrollment levels for courses and enforcing those levels.

The DOE agrees that all courses require fiscal prudence, regardless of the type of funding source. The HCSC, in the development of the Enrollment Matrix, recognized that schools should use all available strategies ("merging classes, taking additional actions to boost enrollment, canceling a class for lack of enrollment"), to avoid small classes. However, the HCSC recognized circumstances that would warrant a low enrollment. These include:

- ESL, ABE and High School Diploma programs that meet a critical need for the community. Students registered in these programs are generally unable to pay the high cost of the community college alternative;
- Courses in geographically isolated areas;
- Courses with attendance attrition would continue till the end of the semester;

  Special interest classes with lower enrollments were permissible if also available was revenue enhancing large enrollment classes. Such a practice allows the CSAs to provide a maximum number of special interest classes and still remain self-sustaining.

g. Reviewing the appropriateness of community school staff receiving part-time temporary teacher pay.

Vice-Principals are 10 month employees hired for the summer to help administer the tri-mester of the CSA's year round schedule. Recall pay is not available for Educational Officers to operate schools during the summer. Instead, Vice-Principals are provided PTT salaries for their summer service. However, the Department is reviewing this practice and will be working with the CSAs to:

- Identify possible strategies for meeting the new responsibilities without additional personnel;
- Develop positions, other than the PTT, to accommodate office personnel providing much needed services at night and on Saturdays; and
- Determine how the CSAs can maintain and expand partnerships (thus increasing the number of different sites) without unduly impacting on the community school staff.

h. Conducting formal on-site monitoring of community schools on a regular basis.

In July 2002, the USDOE approved the DOE's Corrective Action Plan (also reducing the 12 citations to 5). A Quarterly Plan for that Corrective Action Plan was also submitted in September 2002.

On September 27, 2002, the HCSC agreed to the following:

- Submittal of the NRS report to the Community Education Section twice during the fiscal year;
- Adoption of a progress report on the school's status in meeting the Title II Grant's expectations and a timely submittal of that report; and
- Yearly monitoring from the Community Education Section.

i. Conducting student evaluations and assessing student outcomes.

Educational gains of students in adult basic education are now systematically being assessed. Eleven Community Schools administer the CASAS pre and post-tests to all ABE and ESL students. This provides each site with the learning gains for each student which is then captured state-wide in the NRS report.

Eight Community Schools now scan CASAS pre and post-tests through TopsPro (the remaining 3 will do so for SY 2002-03). TopsPro will measure the student learning gains and provide the following:

- Confirm the enrollees in LitPro;
- Confirm the test scores inputted into LitPro;
- Provide test scores by individual students and class;
- Provide data for programmatic, classroom and school improvement.

i. ***Clarifying and enforcing the roles of and lines of authority between the community school principals, district superintendents, and Community Education Section staff.***

The CSAs submitted to the DOE a proposal for a Consortium in 1995 that was tacitly approved. As the principals become increasingly more convinced of the need for consistent practices, the Hawaii Community School Consortium documented its governance system in May 2000 and began in earnest to collaboratively standardize and monitor procedures to change the way schools operated.

The Consortium was charged with addressing statewide issues to include areas such as "common statewide student data system (Litpro), consistently reporting student gains (TopsPro), collecting all data necessary for NRS core measures, implementing Standards Based Education and having the same fee structure in all eleven schools for similar courses."

The HCSC, a forum for collaboration and the development of consistent operational practices, was clear in its mission to standardize school procedures within the policies, rules and regulations of the DOE. There is no intent to usurp or conflict with the line authority of the Complex Area Superintendent.

While it appears that principals wield greater authority over the adult education program than even the complex area superintendents, in truth, since the passage of WIA in 1998, the options of course offerings have significantly decreased. The HCSC collaborative decision-making process now provides the Community Education Section with immediate information regarding the approval of new courses.

The CSAs have developed a system at each school site that allows for multiple validation and cross-checking of student data through LitPro and TopsPro.

2. The Legislature should consider transferring the adult education program to the University of Hawaii's community college system.

Should the legislature consider this recommendation, the Department would note that while there are similarities in program offerings as indicated by the audit report, the programs offered by the CSAs are more convenient, cost-effective, flexible and accessible for students. The student population enrolled at the CSAs consists of immigrants, older adults and low economic family members that lack the basic academic, interpersonal relationship, problem-solving and literacy skills to be self-sufficient and effective at work and in their personal lives. The CSAs' programs concentrate on the educational and real-world contexts, the schedules and the learning styles of individual adults. These literacy programs build on the strengths adults already have to develop the skills and, competencies they want and need to carry out their life roles. The goals of the CSAs programs are to: assist individuals to become self-sufficient; become effective at work; obtain a high school diploma or its equivalent; and obtain sufficient skill to go on to college. Further, the CSAs offer special interest classes that are recreational or cultural that are requested by members in the community. These community based classes are in the immediate vicinity of the community members' residence that allows easy access and proximity to attend.

The implementation of the EFF Adult Content Standards, together with accountability now possible through LitPro, TopsPro and CASAS, places the CSAs in an unprecedented position to provide research based teaching and learning. All of the essential tools for program evaluation are now in place at all 11 schools.
The DOE is now involved in administering CASAS to 1,000 students in the non-credit remedial courses (but tuition based) at the Community College. The demographics of these students will be compared to 1,000 DOE students to establish student needs and programmatic implications for both institutions. Preliminary informal conclusions indicate a marked difference in student demographics (age, previous educational experience, goals) between the two schools.

The CSAs continue to partner with different agencies. Based on their Title II grant proposal, all CSAs must apply to become a Training Provider, 2002-2003. Presently 5 CSAs have submitted applications.

The Community Education staff has initiated a proposal to facilitate and coordinate partnerships between the schools and different community agencies.