Report of the Vermont State Auditor

March 18, 2010

SUMMARY OF AUDIT AND REVIEW FINDINGS – FY 2009 AND FY 2010 THRU DECEMBER 2009

Thomas M. Salmon, CPA
Vermont State Auditor

Mission Statement

The mission of the State Auditor's Office is to be a catalyst for good government by promoting professional audits, financial training, efficiency and economy if government and service to cities and towns.

THOMAS M. SALMON, CPA
STATE AUDITOR

STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

March 18, 2010

Members of the Senate Appropriations Committee
Members of the House Appropriations Committee

Dear Colleagues:

In accordance with 32 VSA §163, I am providing you with this summary of findings and recommendations resulting from audits and reviews conducted by my office during FY 2009 and FY 2010 through December 2009. The summary provides information about the number of findings per audit and the significance of the finding, if measurable.

Generally, trends in the volume, type and significance of findings may be tracked for the A-133 and CAFR audits. Specifically, with regard to A-133 audits, we have noted that certain federal programs administered by the State have received the same audit finding for multiple years which has resulted in increased audit fees. The subject matter for performance audits and reviews may vary widely and may have little to no relationship to each other. However, there may be occasions when multiple agencies are audited based on the same performance audit objective, such as the performance measurement audits conducted by my office for three State organizations, and findings may have implications for the State as a whole.

Please feel free to contact me with any questions. I would be pleased to provide you with further information.

Sincerely,

Thomas M. Salmon CPA

Thomas M. Salmon, CPA
State Auditor

132 State Street • Montpelier, Vermont 05633-5101
Auditor: (802) 828-2281 • Toll-Free (in VT only): 1-877-290-1400 • Fax: (802) 828-2198
email: auditor@state.vt.us • website: www.auditor.vermont.gov

Contents

Report

Tables

Figures

Abbreviations

AOT	Agency of Transportation
BGS	Department of Buildings and General Services
CAFR	Comprehensive Annual Financial Report
FY	Fiscal year

Introduction

The Office has a five-year contract with KPMG to perform both the audit of the Comprehensive Annual Financial Report (CAFR) and the Federal A-133 Compliance audit (A-133). This contract allows the office to do more performance audits and special reviews to assess the efficiency and effectiveness of the programs and operations of state government. This past year (FY 2009) was the first full year of that effort. Although we contributed a significant number of hours to the performance of the CAFR and A-133 audits to keep costs down, KPMG bore the overall responsibility for these audits and contributed the bulk of the staff time.

The annual A-133 audit reviews the more than $1.3 billion Vermont receives annually from the federal government to ensure that it is spent in compliance with all applicable laws and regulations. The audit of fiscal year 2009 reported 28 findings, of which 20 were considered material weaknesses.

The objective of the annual CAFR audit is to express an opinion on whether the State's financial statements are free of material misstatement and to report on the State's internal controls over financial reporting and compliance with certain provision of laws and regulations. The audit of fiscal year 2009 reported 4 findings, of which 3 were considered material weaknesses.[1]

The terms material weakness and significant deficiency refer to the relative significance of a finding. See Figure 1 for descriptions of these terms.

[1]The internal control report for FY 2009 has been drafted, but not issued as of the date of this report. In addition, the management letter has not been drafted for FY 2009 as of the date of this report.

Figure 1: Significance of Internal Control Findings

Summary of Control Deficiency Classifications		
Control Deficiency	**Significant Deficiency**	**Material Weakness**
A control deficiency exists when the *design* or *operation* of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.	A control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote[1] likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.	A significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood[1] that a *material* misstatement of the financial statements will not be prevented or detected.
	Severity of Deficiency	
• Not required to be reported in writing. • Effect of the deficiency is considered *inconsequential*[2]. • Likelihood of misstatement is remote[1].	• Considers the *potential* for misstatement in the financial statements, not just on whether a misstatement has actually occurred. • Those significant deficiencies or material weaknesses not yet remediated must be communicated in writing to management and those charged with governance. • Even if the significant deficiency or material weakness were reported in the past, it must continue to be reported as long as those deficiencies continue to exist.	

[1]The chance of the future event(s) occurring is slight. Therefore, the likelihood of an event is "more than remote" when it is at least reasonably possible.

[2]A misstatement is considered inconsequential if a reasonable person would conclude, after considering the possibility of further undetected misstatements, that the misstatement, either individually or when aggregated with other misstatements, would clearly be immaterial to the financial statements.

Source: Statement on Auditing Standards (SAS) 112 – Communicating Internal Control Related Matters Identified in an Audit

As time and staff resources permitted, the State Auditor's Office completed performance audits and other reviews. These audits and reviews were initiated based upon the Office's assessment of risk areas within State government or as a result of whistleblower allegations. Performance audit refers to an examination of a program, function, operation or the management systems and procedures of an entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources. Recommendations from these audits and reviews totaled 89.

Federal A-133 Compliance Audit Findings

Total programs audited for fiscal years 2006 through 2009 have ranged from 14 to 32. The significant fluctuation in total programs has been driven by the number of programs with significant compliance findings that require a re-audit in subsequent years.[2] See Table 1 for a summary of the number of findings by program since FY 2006.

Table 1: Summary of A-133 Audit Findings by Agency/Department and Program FY 2006 through FY 2009

	FY 2009	FY 2008	FY 2007	FY 2006
Agency of Human Services	**22**	**17**	**16**	**20**
Medicaid	10	7	8	9
CDC Technical Assistance	1	2	1	2
Immunization Grants	2	2	2	3
Temporary Aid to Needy Families	1			1
Supplemental Nutrition Assistance Program	2			1
Child Support Enforcement	3	3	3	
Low Income Heating Assistance Program	1		1	
Adoption Assistance	1			
Substance Abuse			1	2
Vocational Rehabilitation Grants to States	1	3		
Special Supplemental Nutrition Program for Women, Infants and Children				2
Department of Labor	**3**		**2**	**3**
Unemployment Insurance	2			1
Workforce Investment Act Cluster	1		2	1
Employment Services Cluster				1
Agency of Transportation	**2**	**5**	**1**	**6**
Highway Planning & Construction		3	1	5
Disaster Assistance Grants	2	2		
Formula Grants to Other Than Urban Areas				1

[2]Absent significant audit findings, programs may be audited once every three years. Programs with significant audit findings must be re-audited until the finding is corrected. See Appendix I for analysis of re-audits since FY2003.

	FY 2009	FY 2008	FY 2007	FY 2006
Agency of Natural Resources	**1**			**3**
Drinking Water State Revolving Loan Funds	1			
Fish & Wildlife Cluster				1
Performance Partnership Grants				2
Department of Public Safety	**0**			**3**
Homeland Security Cluster				2
Community Policing Grants				1
Department of Education			**2**	
Special Education Cluster			1	
Vocational Education			1	
Department of the Military				**1**

Note: The final FY 2009 A-133 report has not been issued as of the date of this report.

For further information regarding these audits, please reference www.auditor.vermont.gov.

Comprehensive Annual Financial Report Audit Findings

Recurring audit findings continue to be an issue with the CAFR although the State has taken steps to correct issues. Generally, the State continues to have audit findings related to the following issues:

1. a variety of significant audit adjustments indicate the risk associated with a decentralized accounting function;
2. IT general controls; and
3. operation of the State's Global Commitment to Health section 1115 demonstration waiver.

See Table 2 for a summary of the significance of CAFR findings for fiscal years 2006 through 2009.

Table 2: Summary of the Significance of CAFR Audit Findings FY 2006 through FY 2009

	FY 2009 [1]	FY 2008 [2]	FY 2007	FY 2006
Material weaknesses	3	-	3	-
Significant deficiencies	1	4	9	3
Deficiencies	TBD	10	-	-
Total Findings	4	14	12	3

[1]The final FY 2009 internal control report associated with the CAFR audit has not been issued as of the date of this report.

[2]FY 2008 includes deficiencies reported in a management letter. The management letter for FY 2009 had not been issued as of the date of this report.

For further information regarding these audits, please reference www.auditor.vermont.gov.

Performance Audit and Review Findings

Since July 1, 2008 the office has issued 5 performance audits and 5 reviews containing 89 recommendations. See Table 3 for a list of reports issued and the number of recommendations associated with each report.

Table 3: List of Performance Audits and Reviews

Title	Entity	Audit/ Review	# of Recs	Fiscal Year
Orange County Internal Controls and other observations	Orange County (Assistant Judges)	Review	34	FY 09
Agency of Transportation (AOT) Rail Report -- Vermont Agency of Transportation Rail Section Contract Audit	AOT/Rail Division	Performance Audit	16	FY 09
Litigation Report for Calendar Year 2008 (required by Sec. 22a of Act No. 80 of 2007 Session)	Attorney General's Office	Review	0	FY 09
Report to Vermont Board of Nursing re Fiscal Accounts of the Nursing Board	Office of Professional Regulation/Sec. of State's Office	Review	6	FY 09
Report to House Committee on Human	Agency of Human Services,	Review	6	FY 09

Title	Entity	Audit/ Review	# of Recs	Fiscal Year
Services re State Funds for Autism	Dept. of Education			
School Purchasing Report	BGS Purchasing and Contracting Section, Dept. of Education	Review	2	FY 09
BGS: Performance Measurement System Could be Improved	BGS	Performance Audit	8	FY 09
DMV: Performance Measurement System Could be Enhanced	DMV	Performance Audit	7	FY 10
DED and VEPC: Performance Measurement System Could be Improved	DED, VEPC	Performance Audit	10	FY 10
Survey on Shared Services in Vermont School Systems	VT SUPTS ASSOC MEMBERS; DOE	Performance Audit	0	FY 10

Examples of the results of certain of these audits and reviews follows:

<u>AOT Rail Report</u>

This report had four key findings: (1) AOT and its railroad subcontractors did not adequately follow procurement regulations, resulting in $7.2 million of recent contracts not being competitively bid, (2) oversight and administration of rail contracts needed improvement, (3) lease revenues and the performance of leaseholders were not being verified, and AOT had foregone $37,000 in interest revenues from late payments of monthly leases and (4) AOT did not have adequate procedures to correct audit findings and to follow up on approximately $436,000 in questioned costs from past Rail Section audits. We made recommendations designed to address each of these findings, which were generally agreed to by AOT.

<u>Department of Buildings and General Services(BGS): Performance Measurement System Could be Improved</u>

In general, while BGS had taken important steps in implementing performance measurement system, this system was not yet mature. We made a series of recommendations that, if implemented, could improve BGS' performance measurement system which, in turn, should provide a realistic and multifaceted picture of the Department's performance.

<u>Orange County Internal Controls and Other Observations</u>

We found that many financial transactions of the County were not being handled in a fiscally prudent manner, putting the County at risk for inappropriate expenditures and financial reporting misstatements. Accordingly, we recommended a variety of actions to improve the internal controls and financial competence of the organization, including implementing segregation of duties, instituting clearly written comprehensive policies and procedures, utilizing accounting expertise and improving the monitoring of the financial transactions of the County.

For more information about the audits issued in FY 2009 and through December 2009, please see Appendix II for the Highlights page from each audit. For further information regarding the reviews, please reference www.auditor.vermont.gov.

Appendix I

Table 4: Trends in the number of re-audits since FY 2003

Year Audited	Required Program Audits[1]	Re-Audits	Total Audits	Findings Reported	Findings Corrected	Re-Audit Percentage[2]
FY 2003	**10**	**9**	**19**	**46**	**27**	**74%**
FY 2004	**15**	**14**	**29**	**27**	**14**	**28%**
FY 2005	**9**	**8**	**17**	**27**	**11**	**53%**
FY 2006	**11**	**9**	**20**	**36**	**32**	**85%**
FY 2007	**15**	**17**	**32**	**21**	**13**	**22%**
FY 2008	**7**	**7**	**14**	**22**	**8**	**40%**
FY 2009[3]	**13**	**6**	**19**	**28**	TBD	**53%**

[1]Required program audits are conducted for those programs exceed 3% of total Federal expenditures and have not been audited in the past two years.

[2]Reaudit percentage is the percentage of programs that due to the significance of audit findings will need to be audited in the subsequent year.

[3]Two of the six programs requiring a reaudit, CDC Technical Assistance Grants and Immunization Grants, have failed to correct significant audit findings for 7 consecutive years. Two other programs, Child Support Enforcement and Vocational Rehabilitation, have been subject to reaudit for three and two consecutive years, respectively.

Appendix II

Highlights: Report of the Vermont State Auditor
Agency of Transportation Rail Section Contract Audit

(December 5, 2008, Rpt. No. 08-12)

Why We Did This Audit

At the request of AOT management, we agreed to review the administration and oversight of Rail Section contracts and other agreements with the general goal of assessing performance and recommending steps for improvement.

What We Recommend

We made a variety of recommendations pertaining to contract awards, oversight and administration, adherence to laws and Federal and State regulations and fiscal management.

We recommended that AOT strengthen and clarify the language within its agreements, improve the oversight of contracts, enforce penalties for violations of the terms and conditions of its contracts and lease agreements, and provide for better fiscal management of its contractors and service providers.

Findings

Based upon the results of our examination of four contracts, two leases and the resolution of the previous questioned costs and recommendations of other auditors, it is our opinion that there is inadequate oversight by AOT of its Rail Section contracts to ensure the protection of State resources.

The State has entered into long-term lease agreements and project contracts which do not protect the best interests of the State. We believe that the language in these documents is ambiguous in some key areas and, coupled with weak oversight by AOT's Rail Section, it increases the risk of potential abuse and non-compliance by the contracted railroads.

Auditors noted that:

- The AOT Rail Section entered into a construction contract for $4,677,727 without putting the contract out to bid and without the approval of the Secretary of the Agency of Administration.

- $82,401 in State funds from salvage proceeds is being held by the Railroad for offset against future invoices rather than being returned to the State.

- Railroads have been allowed to pay lease revenue to the State up to 6 months late without assessment of interest, as allowed by contract, and without verification of the amount of revenue upon which the lease fee is based. AOT did not assess interest of approximately $37,000 on late payments.

- AOT lacks a process to resolve audit findings and has yet to collect or resolve approximately $436,000 in questioned costs resulting from past audits.

- Insurance coverage held by the subcontracted Railroads is not verified and may be significantly less than the amount required of other vendors through the State's Risk Management Division.

AOT and the rail contractors we reviewed are not adhering to a number of critical State policies and regulations which are designed to ensure cost-effective rail operations. As Vermont aspires to increase the economic and environmental benefits of rail activity in the State, it is imperative that AOT adhere to policies and procedures that promote competitive bidding and diligent oversight of rail revenue and expenditures.

Appendix II

Highlights: Report of the Vermont State Auditor

Department of Buildings and General Services: Performance Measurement System Could Be Improved

(June 29, 2009, Rpt. No. 09-3)

Why We Did This Audit

Performance measurement has been used by other governments to more effectively manage their operations. To assess whether BGS has a performance measurement system that could be used in this manner, we evaluated whether the Department had goals and measures that gauged the effectiveness and efficiency of its major programs and operations, ascertained the extent to which BGS tracked actual results against performance targets and validated the reliability of such data, and determined whether BGS was reporting performance measurement data to the Legislature for each of its goals.

What We Recommend

We provided a variety of recommendations to improve BGS' performance measurement system. In particular, we recommended that BGS develop a strategic plan, revisit its goals and measures, establish targets, document the sources and methods for its actual results, and include explanations of its results in its performance report to the Legislature.

Findings

Although BGS has established a set of goals and measures, they were not developed within a formal strategic planning process, which limited their usefulness as a mechanism to gauge the effectiveness and efficiency of its major programs and operations. In particular, BGS did not establish goals and measures related to certain key efforts, such as its role in supporting the Governor's initiatives to reduce energy consumption and greenhouse gas emissions in State government. In addition, many of BGS' goals did not have related measures and those that were utilized often only measured the volume of an activity and not whether intended outcomes or efficiencies were being achieved. BGS' goals and measures were primarily developed by the Department's directors and their staffs without written guidance on how they should be developed and without the benefit of a strategic plan, which may account for such deficiencies. BGS has recognized that it needs to improve its goals and measures. A more strategic and systematic approach to developing goals and measures would provide BGS with a stronger foundation for evaluating whether it is achieving its mission.

BGS generally tracked actual results related to its measures, but it (1) had few numerical targets that could be used to help evaluate these results and (2) did not have processes in place to ensure the reliability of the reported fiscal year 2008 performance data. Regarding targets, about 10 percent of BGS' measures included targets and none were based on standards established by authoritative sources. For example, although the State's 2005 energy plan indicates that new buildings should meet or exceed a certain Federal government energy efficiency rating, BGS did not establish this benchmark as a measure or target nor did it track compliance with this standard. Accordingly, BGS does not know whether it is meeting this element of the State's energy plan. In addition, of the six actual results that we reviewed, five had significant data, mathematical, and/or methodology errors. For example, one had a mathematical error in which the numerator and denominator of the equation were reversed and another was based on a series of spreadsheets, about a quarter of which had formula or data errors. BGS did not require that the sources and methods used to develop actual results be documented and validated. Such processes could have identified and corrected the types of errors found before they were included in the performance report.

In its most recent performance report, BGS included some, but not all, critical performance measurement information that would allow the Legislature to evaluate whether the Department is achieving its goals. On the positive side, BGS consistently reported on the strategies it intended to use to achieve planned outcomes. However, BGS did not always include, nor explicitly link, goals, measures, targets, and actual results in the report, thereby making it difficult to effectively assess progress. In addition, BGS did not provide narrative explanations of its results. Without this information, it was not clear whether BGS achieved intended results or whether corrective actions needed to be taken. According to BGS officials, the department's performance report is a work in process.

Appendix II

Highlights: Report of the Vermont State Auditor

Department of Motor Vehicles: Performance Measurement System Could Be Enhanced

(July 22, 2009, Rpt. No. 09-4)

Why We Did This Audit

Performance measurement has been used by other governments to more effectively manage their operations. To assess whether the Department of Motor Vehicles (DMV) has a performance measurement system that could be used in this manner, we evaluated whether the Department has goals and measures that gauge the effectiveness and efficiency of its major programs and operations, ascertained the extent to which DMV tracks actual results against performance targets and validates the reliability of such data, and determined whether DMV is reporting performance measurement data to the legislature for each of its goals.

What We Recommend

We provided a variety of recommendations to improve DMV's performance measurement system. For example, we recommended that DMV develop a written strategic plan, develop targets for all measures, and require that the sources and methods used to develop actual performance results be documented and that actual results be validated for all measures.

Findings

DMV has developed a set of goals and measures that allows it to assess many aspects of its major programs and operations. In particular, its goals and related measures encompass customer service, highway safety, and revenue collection, which are major areas of DMV operations. However, in developing its current set of goals and measures, DMV utilized a strategic planning process that was a limited update of an older analysis and did not result in a strategic plan. Without such a plan, DMV does not have a single document that brings together the critical planning elements of its performance measurement system, thereby making it much more difficult to evaluate whether DMV's planned activities are designed to make the achievements of its goals and mission likely or whether there are gaps. In addition, not all DMV goals had measures specifically established to gauge their desired outcomes. For example, as part of DMV's goal to promote and support highway safety through education efforts, DMV measured the percentage increase/decrease in the number of participants in the Vermont Rider Education Program, a motorcycle training program. Such a measure is of limited use in evaluating to what extent this program has positively influenced highway safety or has benefited its participants.

The extent to which DMV used performance targets and tracked and validated actual results were mixed. First, DMV had targets for 11 of its 13 measures. Second, DMV documented the sources and methods used to calculate actual results for eight measures. Third, DMV had evidence to show that it was actively tracking and monitoring a little over half of its measures, particularly those related to customer service. However, the department could not demonstrate that it was actively tracking results for other measures. Finally, we found significant methodological errors in DMV's calculation of fiscal year 2008 results for three of the four measures that we tested. For example, one of DMV's customer service measures is the percentage of customers who visit DMV offices that are waited on within 30 minutes. However, the methodology used by DMV to calculate the fiscal year 2008 results pertaining to this measure did not take into account all customers who waited more than 30 minutes for service. Errors such as this could have been detected through a validation process, but DMV does not have such a process in place. Establishment of performance targets for all measures and more systematic tracking and validation of actual results could improve the completeness and reliability of DMV's performance measurement system.

DMV's performance measurement information reported to the Legislature was limited. DMV's Deputy Commissioner cited a variety of reports from DMV and its parent agency—the Agency of Transportation (AOT)—as containing the Department's performance information. In some cases, these reports contained selected DMV measures along with associated targets and actual results. However, in other cases, measures were reported without related targets or narrative explanation of actual performance. Moreover, none of DMV's goals and strategies was reported. In addition, neither the DMV nor the AOT reports contained relevant data limitations in their reports to the Legislature. More complete and consistent reporting of the Department's goals, measures, strategies and targets would provide the Legislature with a better set of performance measurement information with which to assess DMV's progress.

Appendix II

Highlights: Report of the Vermont State Auditor

Department of Economic Development and Vermont Economic Progress Council: Enhancements to Performance Measurement Systems Could Be Made

September 14, 2009, Report 09-05

Why We Did This Audit

Performance measurement has been used by other governments to more effectively manage their operations. To assess whether DED and VEPC have performance measurement systems that could be used in this manner, we evaluated whether the Department and Council have goals and measures that gauge the effectiveness and efficiency of their major programs and operations, ascertained the extent to which DED and VEPC track actual results against performance targets and validates the reliability of such data, and determined whether DED and VEPC is reporting performance measurement data to the Legislature for each of their goals.

What We Recommend

We provided a variety of recommendations to improve DED's and VEPC's performance measurement system. In particular, we recommended that both DED and VEPC develop strategic plans for their internal programs; develop a better mix of measures and targets; and document and validate the sources and methods for calculating actual results. Moreover, we recommend that more complete information be reported to the Legislature by DED which includes comparisons to targets and prior year actual results.

Findings

Although DED and VEPC had each established a set of goals and measures, neither had a documented strategic plan which would have provided a roadmap for the organizations to determine how their programs and operations met their goals efficiently and effectively. Without this roadmap, DED lacked clear alignment between one of its major programs, grants to Regional Development Corporations (RDC), and its goals. The types of measures used by DED and VEPC to gauge the effectiveness and efficiency of the programs could be enhanced to provide more usefulness to the organizations. DED's measures were predominantly of one type – output – which demonstrate the level of activity in a program but do not indicate whether the program is effective or efficient. For instance, "increasing available job opportunities" is a repeated element of the Department's goals yet none of the measures for any of the Department's programs include this important outcome. VEPC had measures for their two programs that were mostly outcome-based measures but was missing measures relating to the efficient use of resources.

DED and VEPC generally tracked actual results related to their respective measures but numerical targets were established for only half of DED measures and some of VEPC's measures. Targets are used to help evaluate the results of programs. Since both organizations compared actual results to targets for some but not all of their measures the results provided incomplete data against which to assess the programs' effectiveness. Both DED and VEPC had documentation for actual results in all cases tested. However, at DED three of the four results selected for testing revealed data and mathematical errors, or involved the use of estimates rather than actual results. For example, results from the Vermont Training Program, which is one of DEDs major programs, included estimates rather than actual results and had mathematical errors. DED did not have a process in place to validate performance results. With a process, such errors may have been found and corrected.

In its most recent performance reports, DED and VEPC included some, but not all, critical information that would provide the Legislature with a complete set of performance information with which to assess DED's and VEPC's accomplishments. DED reported goals at both the department and program levels and identified strategies for achieving the program goals and measures to assess progress. However, the Department did not explicitly link its goals, measures and results in the report nor did the reports compare actual results to targets thereby making it difficult for the Legislature to effectively assess progress. VEPC did not include program goals or strategies to meet those goals in its legislative reports thereby inhibiting the Legislature's ability to assess the program's progress. Narrative was not presented on one of VEPC reports but another presented narrative explanations with important explanatory disclosures including relevant data limitations.

Appendix II

Highlights: Report of the Vermont State Auditor

Title: Auditor's Survey of Shared Services in Vermont School Systems

(December 17, 2009, Rpt. No. 09-6)

Why We Did This Audit

With a weakened Vermont economy, declining student enrollment in public schools, and decreased revenues at the State government level, the costs of education are coming under greater scrutiny.

We believe that education leaders and the public might benefit from learning more about examples of shared school services and about opportunities that school leaders are seizing to provide better services and to be more efficient. Successful sharing strategies may ultimately direct more funds to priority instructional needs.

What We Recommend

This report makes no recommendations.

Findings

Forty-nine of 60 supervisory unions contacted participated in the survey, a response rate of 81.7%.

Respondents indicated significant sharing of services. Of services being provided, managed and budgeted solely by a supervisory union's central office (Q. 3), only one respondent reported no sharing. The most frequently shared services reported were business services, benefits management, grants management, Medicaid billing, insurance, audit contracts, office space, curriculum development, and Essential Early Education (EEE).

Of services provided and paid for in partnership with others (Q. 5), the most frequently shared services reported were transportation, special education, teacher professional development, information technology (IT) administration and staffing, curriculum development, and heating fuel purchasing. Other findings and observations include:

- Eighteen entities (36.7% of all respondents) reported they began a new shared service in the 2009-10 school year, but these efforts appear to be small-scale in nature.

- Thirty-nine of 49 entities reported at least one type of outsourcing to a business or consultants, with transportation (29 reports), food service (17) and technology (12) the leading functions outsourced. The 10 organizations not reporting any outsourcing had combined non-instruction expenditures of approximately $119 million in FY 2008, suggesting areas for review to determine if outsourcing of some services can improve services, reduce costs, or both.

- Superintendents appear to be open to more sharing, as 27 of 43 respondents (62.8%) indicated "we could be participating in more sharing of services."

- Respondents indicated strong backing (76.1%) for increased state support and funding to help identify and implement new shared services, but that support dropped (to 43.9%) for providing one-time financial incentives for new shared services to local residential taxpayers.