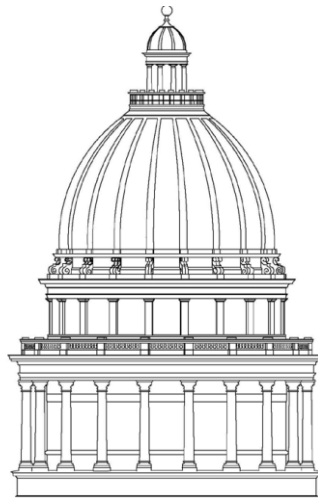


REPORT TO THE  
**UTAH LEGISLATURE**

Number 2022-05



**A Performance Audit of  
Public Education Administrative Costs**

June 2022

Office of the  
LEGISLATIVE AUDITOR GENERAL  
State of Utah





Utah  
**LEGISLATIVE  
AUDITOR GENERAL**

KADE R. MINCHEY, AUDITOR GENERAL

315 House Building | State Capitol Complex | Salt Lake City, UT 84114 | (801) 538-1033

June 14, 2022

**The Utah State Legislature:**

Transmitted herewith is our report, A Performance Audit of Public Education Administrative Costs (Report #2022-05). An audit summary is found at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any items contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

A handwritten signature in black ink that reads "Kade minchey".

Kade R. Minchey, CIA, CFE  
Auditor General  
Kminchey@utah.gov





## PERFORMANCE AUDIT

### ► AUDIT REQUEST

In 2019, the Legislature requested that our office perform a thorough assessment of public education administrative costs. This audit, the final in a series of 7 audits, addresses two questions:

- Do administrative costs appear reasonable in our public schools?
- Are there areas of efficiency to be found based on best practices and other criteria?

Our companion report, "A Performance Audit of Financial Reporting in Public Education," assesses the quality of financial data being reported.

### ► BACKGROUND

Administrative services are a support function, which involves the management of policy, finances, and infrastructure necessary to provide a learning environment. The Legislature, Utah State Board of Education (USBE), and local boards adopt policies, develop initiatives, and set budgets to achieve key objectives in public education, such as student proficiency. Therefore, the primary role of local administrators is to implement the requirements associated with these key objectives.

# Public Education Administrative Costs



## KEY FINDINGS

- ✓ Some local administrators do not adhere to financial reporting requirements and spending restrictions.
  - ✓ Noncompliance can have a significant impact, as evidenced by one LEA having to repay \$2.8 million in questionable special education spending.
  - ✓ Current measures of compliance, such as the LEA self-reported checklist, are lacking in precision or limited in scope.
- Most charter management company contracts do not result in
- ✓ higher administrative costs.

### *A Primary Role of Administrative Costs Is to Implement Legislative and Board Objectives*

Local administrators are responsible for administering policy and implementing key objectives of the Legislature, USBE, and local boards. However, numerous audits have identified extensive noncompliance with state statute and rule, calling into question the value of administrative costs in public education.



## RECOMMENDATIONS

- ✓ We recommend that the Public Education Appropriations subcommittee consider performance measures that assess LEA administrators' implementation of key education initiatives and compliance with statute and rule.
- ✓ We recommend that prime metrics, such as those outlined in statute, be used to evaluate the most fundamental purpose of the education system.
- ✓ We recommend USBE verify that charter management costs are consistently coded to facilitate ongoing monitoring.



## REPORT SUMMARY

### *Weak Accountability for Significant Administrative Costs Should Be Addressed*

Administrative spending in Utah's public education system is lean compared to other states. Utah ranks 9th lowest in administrative costs as a percentage of total costs. However, the level of noncompliance with state requirements raises questions whether this level of spending is reasonable.

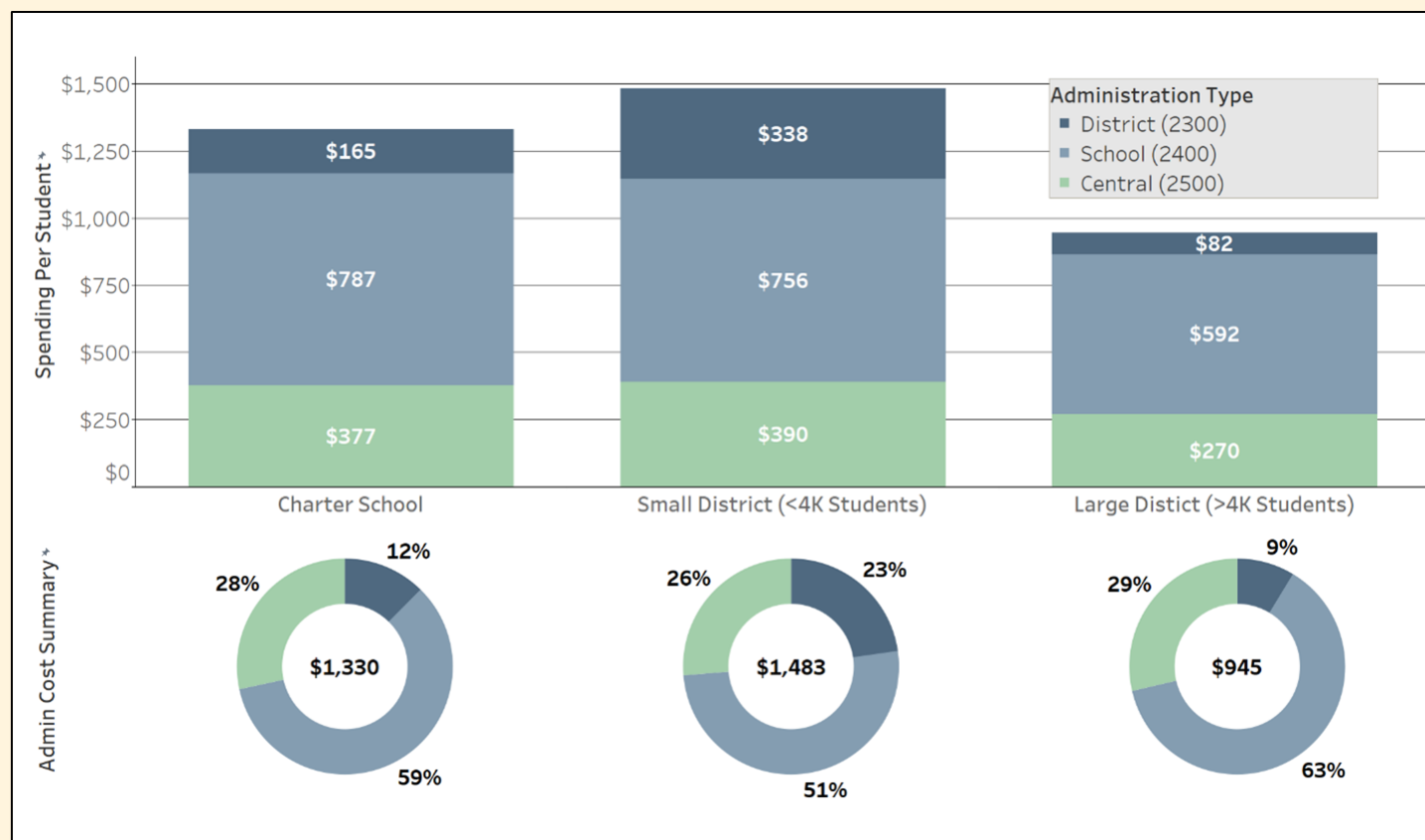
Administrative functions among LEAs are like those of Utah's Department of Government Operations (GovOps), such as HR, IT, finance, and purchasing. GovOps uses one to three performance measures for each of these areas, and similar metrics could be considered for public education where appropriate. For example, the Department of Technology Services has a measure on data security and risk prioritization that could be adopted for LEAs.

### *LEA Administrative Costs Are Driven by Staffing Decisions*

Administrative spending levels vary among large and small LEAs, as seen in the figure below. The per student spending varies by cohort, with a more pronounced difference between small and large LEAs. Economies of scale appeared to materialize at around 4,000 students.

However, local board decisions also impact spending patterns, as can be seen using LEA outliers. We identified three LEAs with high spending per student for their size, and found that the cost drivers were high student needs, a large tax base, and the decision to outsource administrative services to a high-cost company.

**Most Charter Management Companies Do Not Result in High Administrative Costs.** In fact, schools have slightly lower than average administrative costs compared to their peers when they partner with one of Utah's two largest management companies.



# REPORT TO THE UTAH LEGISLATURE

Report No. 2022-05

## **A Performance Audit of Public Education Administrative Costs**

June 2022

### Audit Performed By:

Audit Manager	Benn Buys, CPA
Audit Supervisor	Tim Bereece, CFE
Audit Staff	Brent Packer Skylar Scott





# Table of Contents

## Chapter I

Introduction .....	1
Public Education's Administrative Services Cost More Than \$600 Million Per Year .....	1
Previous Audits Raised Noncompliance Concerns with Administrative Services .....	3
Audit Scope and Objectives .....	6

## Chapter II

Assessing Administrative Costs Requires Performance Measures That Supplement Proficiency Metrics .....	9
A Primary Role of Administrative Costs Is to Implement Legislative and Board Objectives .....	9
The Effectiveness of Administrative Costs Is Questionable Based on Audit Findings .....	12
Weak Accountability for Significant Administrative Costs Should Be Addressed .....	16
Recommendations .....	19

## Chapter III

LEA Administrative Costs Are Driven by Staffing Decisions .....	21
Administrative Spending Levels Vary Among Large and Small LEAs .....	22
LEAs That Are Outliers in Their Administrative Spending Highlight The Impact of Local Board Decisions .....	23
Most Charter Management Company Contracts Do Not Result in High Administrative Costs .....	26
Small Rural Districts Try to Manage The Costs of Statutorily Required Positions .....	29
Two Budgetary Decisions by Local Education Boards Drive Administrative Spending .....	32
Recommendations .....	35

<b>Appendices .....</b>	<b>37</b>
Appendix A:	
Complete List of Audit Recommendations.....	41
<b>Agency Response .....</b>	<b>43</b>

# Chapter I

## Introduction

In recent years, administrative costs for public education have accounted for more than \$600 million annually for school districts and charter schools. These costs represent the oversight, management, and support for K-12 classroom learning. Previous audits of administrative services have raised concerns whether they have performed their required responsibilities. Deficiencies in reporting and accountability at the administrative level have been identified. Audit findings in this report raise the question of the value provided by money spent on administrative functions. Accordingly, this audit report assesses whether administrative costs are reasonable and examines if any best practices exist.

### Public Education's Administrative Services Cost More Than \$600 Million Per Year

Local education agencies (LEAs) use funds to provide a wide array of services to educate Utah's K-12 students. Classroom instruction is central to these services, with learning primarily delivered by a classroom teacher to their students. Various supports, including administrative services, facilitate this core function by managing the policy, finances, and infrastructure required to provide a learning environment. Figure 1.1 summarizes the administrative cost framework of LEAs and the reported costs of those services.

---

**Administrative costs for public education are more than \$600 million annually. This audit report raises the question of how the value of these administrative funds are being measured.**

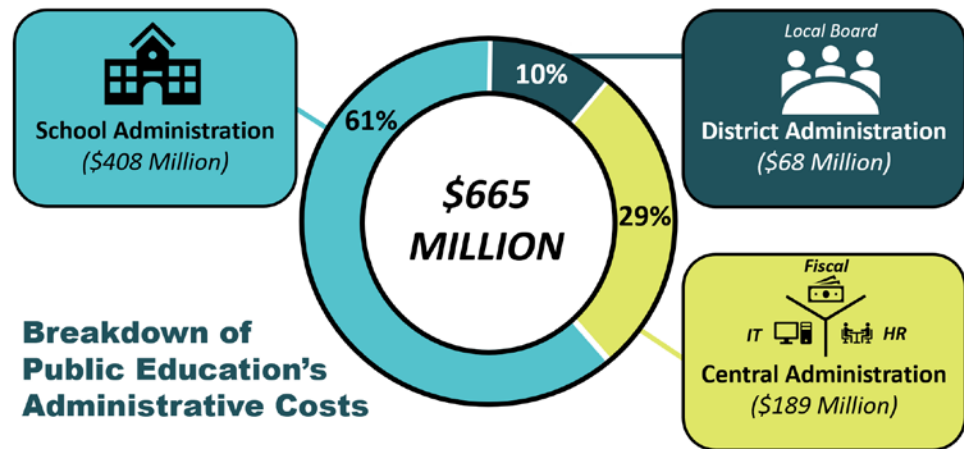
---

---

**Administrative services manage policy, finances, and infrastructure.**

---

**Figure 1.1 Administrative Services Are Subdivided into Three Functional Categories.** This figure shows fiscal year 2021 costs to provide the three service types. Most costs (\$408 million) are incurred at the school administration level for principals and their office staff. As noted in our companion report, *A Performance Audit of Financial Reporting in Public Education*, accurate financial reporting comparisons at LEAs may be limited due to coding inconsistencies we recommend be addressed.



Source: Fiscal Year 2021 Financial Data Submitted to USBE

Figure 1.1 shows that administrative services provided by an LEA are divided into three categories. The largest is school administration, which includes the day-to-day school activities overseen by principals and their office staff. District administration coordinates the operations and reporting for the LEA. These operations are supported by a variety of business services called central administration, which includes accounting, human resources, and information technology services.

For key stakeholders like the Legislature, administrative services play a critical role in implementing public education's policy objectives required in state statute and federal regulations. Sound business practices are key in successfully implementing these requirements.

In 2014, our office released *A Review of Best Practices in Utah School Districts*.<sup>1</sup> That report stated, "Before any discussion can occur regarding the use of best practices, an organization needs to make sure the basic management practices are being applied." Public education is constantly receiving a variety of audits assessing basic management.

<sup>1</sup> [https://olag.utah.gov/olag-doc/14\\_02rpt.pdf](https://olag.utah.gov/olag-doc/14_02rpt.pdf)

**The largest administrative service is school administration.**

**Administrative services play a critical role in implementing public education's policy objectives.**

More specifically, audits have frequently assessed whether administrators are implementing the requirements established by the Legislature regarding classroom instruction. Previous audits also have focused on LEA governance and business operations. As explained in the next section, numerous concerns and risks have been identified regarding the administration of Utah’s public education system.

## **Previous Audits Raised Noncompliance Concerns with Administrative Services**

LEAs are required by statute to carry out various state and federal requirements. Previous audits have raised concerns about administrative services’ noncompliance with these requirements. The Internal Audit Department of the Utah State Board of Education (USBE) conducted an in-depth review of LEA compliance that identified significant error rates with state requirements. Additionally, the Office of the State Auditor (OSA) identified practices that did not comply with requirements to promote school safety and proper procurement of goods and services. Finally, our office has raised concerns related to performance within the three main functions of administrative services. Together, these previous audit findings suggest that the performance of administrative services should be considered when assessing the value of administrative spending.

### **A USBE Internal Audit Reported Extensive Noncompliance with State Requirements**

In December 2020, USBE’s Internal Audit Department released a report on internal control systems at LEAs and USBE. The controls assessed during the audit were intended to ensure compliance with laws and regulations. The findings of the report raised concerns concluding that LEAs were frequently noncompliant with requirements in statute and rule. The report found LEA operations lacking efficiency and effectiveness, and stated that noncompliance results in “a lack of confidence and trust from policy makers, taxpayers, and participants of public education.”

USBE’s internal audit assessed compliance and control environments for four programs among 16 LEAs. The error rates shown in Figure 1.2 were the result of assessing 51 requirements in these four programs among 16 LEAs, for which a sample of schools was selected for review.

---

**The performance of administrative services should be considered when assessing the value of administrative spending.**

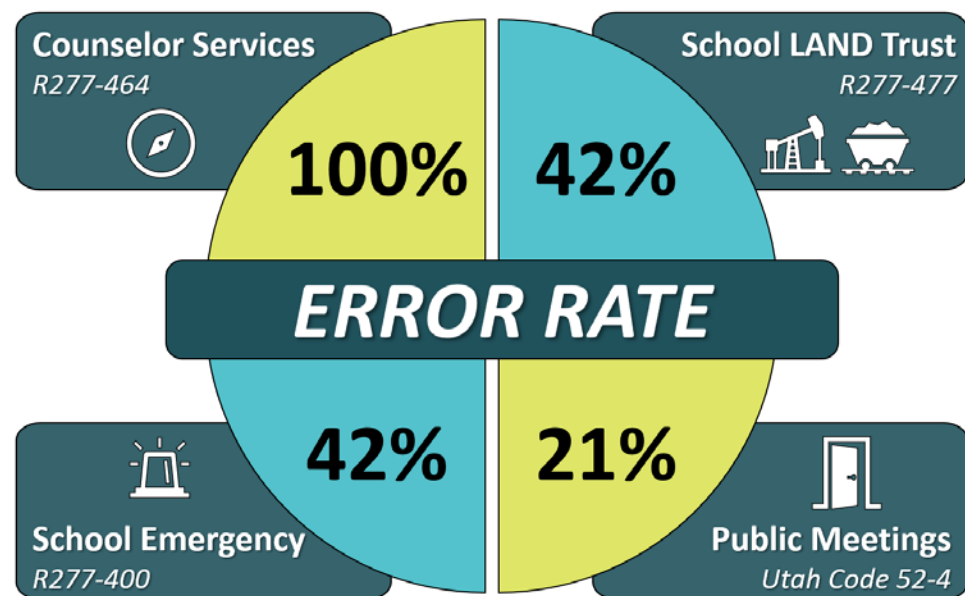
---

---

**USBE’s Internal Audit Department found LEAs were frequently noncompliant with statutory requirements.**

---

**Figure 1.2 USBE’s Internal Audit of Four Programs Found Substantial Noncompliance with State Requirements.** The error rates among these programs are based on the level of compliance observed at a sample of schools within 16 LEAs. Each of these rules and statutes contains several requirements, which auditors checked for compliance and assessed the surrounding control environment.



Source: USBE Internal Audit Report 20-01 – USBE and LEA Internal Control Systems

The error rates are an example of what one USBE administrator termed a “compliance gap” that currently exists in public education. Figure 1.2 indicates the breadth of noncompliance that occurs in the public education system. According to the audit report, USBE “management has not formally established a consistent method...to hold individuals accountable” for their responsibilities, which in turn may lead to a “questionable level of accountability” for LEAs. The adverse effect of such noncompliance shown above is a “...questionable use of time and resources in developing rules and laws that are not followed or followed well.”

### External State Audits Have Identified Various Compliance Concerns

Concerns about noncompliance also have been raised by our office—the Office of the Legislative Auditor General (OLAG)—and the Office of the State Auditor (OSA). The companion report to this audit, number 2022-04, *A Performance Audit of LEA Compliance with Financial Reporting Requirements*, references four previous OLAG and

The adverse effect of noncompliance is a “questionable use of time and resources in developing rules and laws that are not followed or followed well.”

In addition to USBE Internal Audit, our office and the Office of the State Auditor have found compliance issues at LEAs.

OSA reports about concerns with financial reporting. Additional concerns were identified in audits by these offices that reported noncompliance in administrative services.

Additional noncompliance issues were assessed in other OLAG and OSA audits:

- **September 2018 – *A Performance Audit of Secondary School Fees*** (OLAG 2018-09): The audit reported “widespread and varied violations of state law by the Utah State Board of Education (USBE), school districts, high schools, and charter schools.” Instances of not waiving fees for waiver eligible students and increasing fees to unreasonable levels for others were also documented. The report stated that Utah had a “system of school fees that is out of compliance with *Utah Code* and *Administrative Rule*.”
- **November 2018 – *A Performance Audit of Educator Misconduct Reporting and Discipline within the Utah System of Public Education*** (OSA 18-03): The audit sampled 19 percent of educators over a five-year period, and 17 of the 28 cases of misconduct that likely should have been reported for investigation were reported. The Legislature has stated that “every student in the public schools should have the opportunity to learn in an environment which is safe.” Serious misconduct that goes unreported undermines that safety.

Collectively, these audits performed by three separate offices have found substantial LEA noncompliance. This raises questions about the value of administrative services in ensuring that LEAs implement and comply with statutory requirements. This report assesses the reasonableness of administrative costs and highlights the need to consider whether the associated administrative functions are meeting the stated objectives of the Legislature that exist in statute.

### **Administrative Efforts Can Support Student Performance**

Our office’s in-depth budget review of the Weber School District (WSD) concluded that “there are opportunities for WSD students to improve their proficiency.” Based on district demographics, we found an expected proficiency level 7 percentage points higher than its actual score. We also found that the district has sought to operate leanly,

---

**Audits performed by three separate offices have found substantial LEA noncompliance.**

---

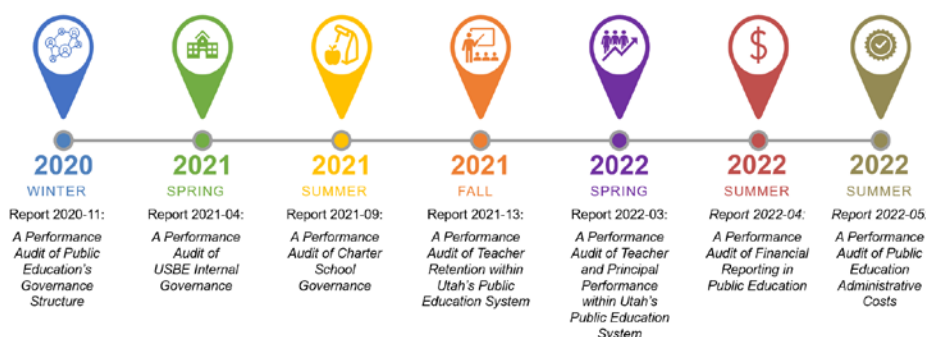
**Deliberate administrative spending can have a positive direct impact on student performance and achievement.**

especially on the administrative level. While a direct tie of low administrative costs and low proficiency rates is not clear, the district had tremendous success in their Roy Cone project. This project used existing funding, combined with a robust strategic plan to target low graduation rates at Roy High School. The project was extremely successful, as graduation rates increased from 74 to 93 percent over a five-year period. This project demonstrates that deliberate administrative spending such as that identified in the Roy Cone project can have direct impacts on student performance and achievement.

## Audit Scope and Objectives

This audit is the final component of a comprehensive audit of performance outcomes of the Utah public education system. Previous audits have focused on topics such as public education governance, assessing teacher retention, and performance. Due to the extent of issues identified during this audit regarding financial reporting, a companion report, *A Performance Audit of Financial Reporting in Public Education*, is being released concurrently with this report.

**Figure 1.3 This Report Is One of Two Companion Reports That Focus on Administrative Services.** This audit report is a broad assessment of administrative costs in public education, which includes fiscal services. Report 2022-04 discusses issues associated with inconsistent financial reporting.



The legislative request letter specific to administrative costs contained five questions about administrative overhead in Utah's K-12 public school system. One of the questions related to legislative requirements for reports was addressed in Report 2019-14, *A Performance Audit of Public Education Reporting Requirements*. The report was released after that initial request letter and we believe



addressed that question. A separate report, 2022-04, *A Performance Audit of Financial Reporting in Public Education*, is a companion to this report that addresses two of the five questions. This report therefore addresses the remaining two questions, which will be addressed in the remaining chapters of this report.

- Chapter II: Do administrative costs appear reasonable in our public schools, including charter schools?
- Chapter III: Are there areas of efficiency to be found based on best practices and other criteria?

To answer these questions, we assessed financial data reported to USBE and identified trends. It is important to recognize the limitations on the extent of our analysis that could be performed with data collected through USBE's financial reporting process, as detailed in our companion report. Our audit process for both reports rely on additional data reported by LEAs to draw conclusions on administrative costs.

---

**We examined if administrative costs appear reasonable and if there are areas of efficiency to be found.**

---



## **Chapter II**

# **Assessing Administrative Costs Requires Performance Measures That Supplement Proficiency Metrics**

Student proficiency is a key objective in public education for which the Legislature, State Board of Education, and local boards adopt policies, develop initiatives, and budget funds to achieve. A primary role of public education administrators is to implement requirements associated with legislative and board objectives. Issues with noncompliance of financial reporting requirements was demonstrated with the financial reporting issues presented in our companion report<sup>2</sup> and a Utah State Board of Education (USBE) internal audit.<sup>3</sup> Self-reported assessments in public education regarding compliance have not been a reliable indicator of actual performance. While Utah's administrative costs are lean compared to other states, LEA administrative functions must ensure there is compliance with legislative and board financial reporting requirements.

As Legislative performance measures have focused on the primary goal of student proficiency, secondary measures should be considered that assess administrators' compliance with legislative and board requirements. We believe without these measures insufficient accountability exists for LEA administrators. Therefore, we recommend that the Public Education Appropriations subcommittee adopt performance measures in its base budget bill that assess administrators' implementation of legislative initiatives that are most influential on growth in student proficiency.

## **A Primary Role of Administrative Costs Is to Implement Legislative and Board Objectives**

Public education objectives are determined by the Legislature, State Board of Education, and local boards. Administrators within

---

**A primary role of administrators is to implement requirements associated with legislative and board objectives.**

---

---

**Administrators' compliance with requirements should be measured.**

---

---

<sup>2</sup> Legislative Auditor General's Office Report 2022-04: *A Performance Audit of Financial Reporting in Public Education*

<sup>3</sup> USBE Internal Audit Report 20-01: *USBE and LEA Internal Control Systems*

---

**Administrators must comply with public education objectives set through various entities.**

---

---

**Various audits have identified some noncompliance with Legislative and board requirements.**

---

LEAs must comply with and adhere to the public education objectives set and refined through the following processes:

- **The Legislature:** Provides unrestricted and statutorily restricted funding through its Minimum School Program (MSP) for LEA operations. These funding requirements are in addition to other requirements regarding governance, reporting, procurement, etc.
- **The Utah State Board of Education:** The board administers grants, manages loan programs, and distributes MSP funding to LEAs. The board clarifies how statute will be administered through additional requirements in administrative rule. It also oversees data collection through various reporting systems.
- **Local Boards of Education:** Local boards adopt budgets, review spending, and manage property tax rates to meet their LEAs needs. They set objectives that address needs specific to their students attending their LEA to promote student learning and proficiency.

Various audits have identified some noncompliance with requirements associated with these processes. For example, independent auditors for five school districts identified overspending of approved budgets in their opinion associated with the *State Compliance Audit Guide*. Additionally, one district overspent its general fund budget by \$4 million and its capital projects fund by \$2 million. Other noncompliance issues are reported in the companion report for this audit<sup>4</sup> and USBE's internal audit report on internal control systems.<sup>5</sup>

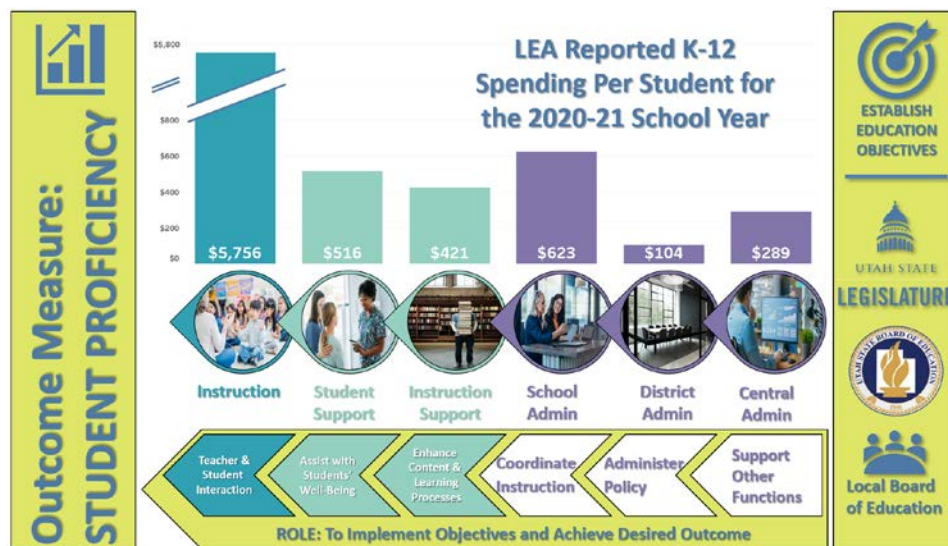
The primary outcome from the bulleted list of processes above is to promote student proficiency, which most Legislative performance measures in the public education base budget bill focus on. In addition to student proficiency measures, other more directly correlated measures that assess administration's role in the education system become an important proxy. The role of administration therefore is to administer and adhere to these objectives as shown in Figure 2.1.

---

<sup>4</sup> Legislative Auditor General's Office Report 2022-04: *A Performance Audit of Financial Reporting in Public Education*

<sup>5</sup> USBE Internal Audit Report 20-01: *USBE and LEA Internal Control Systems*

**Figure 2.1 Administrative and Other Functions Should Implement Objectives to Achieve Outcomes.** The Legislature and education boards establish objectives that LEA functions need to implement to achieve outcomes like proficiency. Functions like administration focus on administering and adhering to objectives.



Source: Spending per student was calculated using fiscal year 2021 financial data submitted to USBE and average daily membership (ADM) for the same year. Functional roles were pulled from definitions provided in the National Center for Education Statistics' charts of accounts.

Figure 2.1 describes how the public education process flows. On the right, the Legislature and other education boards set objectives that they believe will improve student proficiency, which is the outcome measure on the left. The role of all education functions shown in the middle is to implement those objectives, which should result in student proficiency. The bars at the top of this chart represent the restricted and unrestricted resources that the Legislature and education boards allocate to these functions. Spending focuses heavily on instruction as it has the most direct impact on the student proficiency outcome.

The role of administrative functions is represented by the white arrows, which focus on administering policy and supporting other functions. This focuses on ensuring that requirements set by the Legislature, State Board of Education, and the applicable local board are adhered to. The Legislature and education boards allocate funding and establish requirements that they believe will best achieve student proficiency.

Problems exist when administrators do not fully adhere to an objective's requirements leaving them partially implemented. For

**Administrative functions focus on ensuring Legislative and board requirements are adhered to.**

---

**Noncompliance with state requirements should be tracked, measured, and reported.**

---

---

**We found a lack of compliance with financial reporting and funding restrictions.**

---

example, when the Legislature restricts funding, like the Matching Funds for School Nurses program, and LEAs spend those funds on other employees, then legislative objectives for that funding have not been fully supported by administrators. Therefore, it becomes unclear how effective the program was because resources were diverted to disallowed purposes.

The role of the Legislature and education boards are to provide governance, and the role of administrative staff is to implement their key objectives. Therefore, noncompliance observed with state requirements, like financial reporting and key legislative initiatives promoting student proficiency growth should be tracked, measured, and reported. A lack of supplemental measures for administrative costs does not provide a reliable feedback loop to the Legislature and local boards whether their established objectives are effective.

### **The Effectiveness of Administrative Costs Is Questionable Based on Audit Findings**

Various audits have expressed concerns with a lack of compliance with state requirements regarding administrative functions in public education. Our companion report<sup>6</sup> described a lack of compliance with financial reporting and funding restrictions associated with LEAs' fiscal services within central administration. USBE's internal audit found that noncompliance with the detailed requirements of the Open and Public Meetings Act, School LAND Trust funds, and School Emergency Planning are concerns with district administration. Finally, concerns expressed by teachers on the effectiveness of school administrators and a lack of performance measures for these positions were identified in previous audits.

### **Central Administration Is Not Adhering to Financial Reporting and Spending Restrictions**

According to the U.S. Department of Education, the role of costs allocated to central services is to "support other administrative and instructional functions, including fiscal services, human resources, planning, and administrative information technology." The Legislature

---

<sup>6</sup> Legislative Auditor General's Office Report 2022-04: *A Performance Audit of Financial Reporting in Public Education*

and public education boards need comparable financial data to make decisions about how to allocate resources and assess the effectiveness of existing objectives and programs.

Annual financial audits in public education focus on multiple aspects of financial integrity, internal control, and compliance with state and federal funding requirements. The *State Compliance Audit Guide* published by the Office of the State Auditor is one of the assessments that independent auditors perform annually, which is often part of an LEA's audited financial report. During our review of 2021 audited financial reports for school districts, five financial audits identified concerns with programmatic accounting related to state special education programs. Specifically, the notes in these reports stated:

Program accounting – During 2021, the District received State Special Education program revenues. *Within this program, the State has identified [restricted] programs that have specific and unique compliance requirements, including maintaining a separate accounting for each.* The District has not maintained this separation for every one of these [restricted] programs.

A lack of compliance with specific requirements associated with a subprogram within special education was the basis for a charter school repaying \$2.8 million in questionable special education spending. Therefore, the italicized concern raised by independent auditors has played out at other LEAs. Our concern with these findings is that this was the second year that a review of this program was prescribed by the Office of the State Auditor. Therefore, the presence of something so fundamental like programmatic accounting becomes a concern as a repeat deficiency that is not being resolved.

Additionally, our other report, *A Performance Audit of Financial Reporting in Public Education*, raised additional concerns with inconsistent financial reporting that did not comply with requirements. As central services are the business side of district administration, it is their role to administer state and federal requirements. Therefore, the noncompliance with programmatic accounting requirements is concerning, raising a question whether administrative costs are reasonable when financial reporting objectives established by the Legislature and USBE are not being adhered to.

---

**Five financial audits of LEAs identified concerns with programmatic accounting.**

---

---

**A lack of compliance with specific requirements was the basis for a charter school repaying \$2.8 million.**

---

---

**A USBE internal audit reported extensive noncompliance among programs.**

---

---

**Actual error rates are a stark contrast to self-reported assurances reported by LEAs.**

---

---

**It is questionable whether administrative costs are reasonable when noncompliance is present.**

---

## **District Administration Is Not Adhering to The Detailed Requirements of State Programs**

According to the U.S. Department of Education, costs associated with district administration are “concerned with establishing and administering policy for operating the school district.” LEAs are subject to many state and federal requirements. As discussed in chapter I, a USBE internal audit released in December 2020 reported extensive noncompliance among sampled programs and LEAs. The audit showed that noncompliance rates ranged from 21 percent to 100 percent in four areas that were tested.

These error rates were the result of USBE auditors testing several aspects of requirements associated with these programs. For example, compliance with the Open and Public Meetings Act focused on twelve detailed requirements in *Utah* Code 52-4, and error rates ranging from 0 to 77 percent were observed among LEAs and their schools.

The audit results are a stark contrast to the self-reported assurances that LEAs provide to USBE regarding their compliance with various state requirements. Each year, USBE provides a checklist of requirements and LEAs must identify if they are following the required code or rule. General compliance with three of the requirements from USBE’s internal audit were asked of LEAs. For example, LEAs were asked if they comply with the provisions of the Open Meetings Act. The self-reported assurances yielded the following noncompliance rates:

- School LAND Trust (R277-477): **2.5 Percent**
- School Emergency (R277-400): **1.9 Percent**
- Open & Public Meetings Act (*Utah Code* 52-4): **0.6 Percent**

These self-reported error rates are miniscule when compared with the error rates observed by USBE’s internal audit department. Part of the problem with self-reported assurances is they oversimplify state requirements. Rather than asking about the eleven detailed requirements of the Open & Public Meetings Act, LEAs were just asked if they follow the provisions of the law, including the posting of announcements and documents. When district and central administrative services have a primary function to administer policy established by the Legislature, it is questionable whether administrative costs for these services are reasonable when noncompliance is present.



## Our Prior Audits Identified the Absence of Performance Criteria for School Administrators

Performance measures and evaluations on school administrative personnel (principals and vice principals) have not been adequately developed, making it difficult to assess the success of these positions and the reasonableness of their costs. According to the U.S. Department of Education, school administration costs include the following important duties:

- Supervise all operations of the school
- Evaluate the staff members of the school
- Assign duties to staff members
- Supervise and maintain the records of the school
- Coordinate school instructional activities

These roles are particularly focused on school principals as they account for 69 percent of wages for school administration. Within the past year, our office has released two audits that indirectly and directly assessed the performance of school principals as they play these important roles.

In December 2021, our office released *A Performance Audit of Teacher Retention within Utah's Public Education System*.<sup>7</sup> In that report, job stress, heavy workloads, and poor administrative support were among teachers' largest concerns. The audit recognized that "administrative support and performance are crucial to teachers' job satisfaction and their decision to remain teaching." A formal assessment of administrator performance and evaluation was detailed in the report summarized next.

In April 2022, our office released *A Performance Audit of Teacher and Principal Performance within Utah's Public Education System*.<sup>8</sup> The final chapter of that report focused on improved evaluations for school principals. The audit specifically mentioned that while USBE provides a principal evaluation tool, most principals are not evaluated using the criteria contained. The report ultimately recommended that the Legislature consider creating an independent state statute for school administrator evaluations.

---

**School principals account for 69 percent of wages for school administration.**

---

---

**While USBE provides a principal evaluation tool, most principals are not evaluated using the criteria contained.**

---

---

<sup>7</sup> [https://olag.utah.gov/olag-doc/2021-13\\_RPT.pdf](https://olag.utah.gov/olag-doc/2021-13_RPT.pdf)

<sup>8</sup> [https://olag.utah.gov/olag-doc/2022-03\\_RPT.pdf](https://olag.utah.gov/olag-doc/2022-03_RPT.pdf)

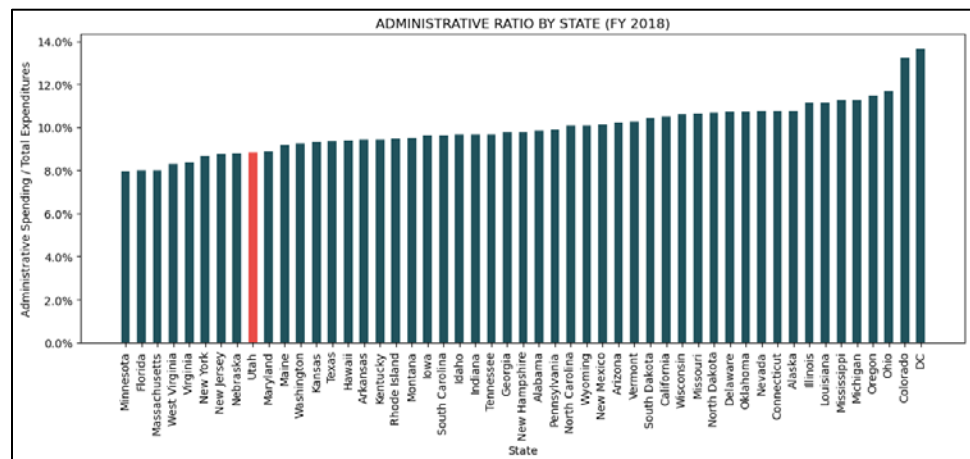
Based on teachers' concerns with poor administrative support and unclear performance criteria for school principals, the reasonableness of school administrator costs is unclear. Thus, appropriate performance measures that are directly correlated to the roles that school, district, and central administrators perform are lacking. Specific roles that have the greatest impact on growth in student proficiency should be measured and reported to the Legislature. This kind of performance measures are needed to make a value judgment about whether administrative costs are reasonable based on performance.

## Weak Accountability for Significant Administrative Costs Should Be Addressed

For the 2021 fiscal year, administrative costs accounted for \$665 million, which was more than the appropriations for entire legislative appropriations subcommittees. However, relative to other states, Utah's spending on administrative costs appears lean, as shown in Figure 2.2. The figure shows data for fiscal year 2018, which is the most recent state-by-state data that was available from the U.S. Department of Education.

Utah's spending on administrative costs appears lean relative to other states.

**Figure 2.2 Administrative Spending Relative to Total Costs Is Lean Compared to Other States.** This figure reports district, school, and central administrative costs for fiscal year 2018 as a percent of total spending by LEAs. Utah ranks 9<sup>th</sup> lowest with a ratio of 8.8 percent.



Source: Auditor analysis of U.S. Department of Education data (FY 2018). Administrative costs are calculated as the sum of general administration, school administration, and other support services. This figure is then divided by total expenditures (state, local, and federal).

Figure 2.2 shows the percent of total spending that goes towards administrative functions versus total spending by LEAs. This indicates that more spending in Utah's public education system goes towards other functions like instruction than towards administration. While this level of spending appears promising, the level of noncompliance with state requirements raises questions whether this level of spending is reasonable.

To know if administrative spending levels are reasonable, we must know that they are achieving their objectives, such as meeting legislative requirements. Therefore, we recommend that the Legislature's Public Education Appropriations subcommittee consider adding performance measures to its base budget bill that provide feedback on the extent that Legislative requirements are being met.

Administrative functions among LEAs are like those of Utah's Department of Government Operations, which consists of the following divisions that each have their own performance measures.

- Department of Human Resource Management
- Department of Technology Services
- Finance Administration Division
- Division of Purchasing and General Services

Each of these areas have one to three measures that help articulate what performance objectives are important to the Legislature.

As one example, the Department of Technology Services has a measure on data security and the prioritization of high-risk areas. As Utah's public education system consists of 155 LEAs that are subject to security and privacy requirements, a measure assessing performance in that regard seems appropriate. Another option related to fiscal services would be to report annually on the extent of noncompliance being identified and reported by independent auditors, such as deficiencies with programmatic accounting, open and public meetings act, and others identified in Audited Financial Statements.

---

**More spending in Utah's public education system goes towards other functions like instruction than in other states.**

---

---

**We recommend adding performance measures that provide feedback on the extent that Legislative requirements are being met.**

---

---

**Since self-assessments overstate compliance levels, we believe independently verified data points would be most appropriate.**

---

---

**The Legislature directed USBE to prepare new line-item performance measures beyond proficiency.**

---

---

**USBE should report to the Legislature on the opportunities and challenges for implementing prime performance metrics.**

---

Since self-assessments overstate compliance levels compared to rates observed during audits, we believe independently verified data points would be most appropriate to make ongoing assessments of administrative services. We recommend that the Legislature consider developing performance measures related to administrative services that could be part of the Public Education Appropriations subcommittee's base budget bill.

The Legislature historically highlighted student proficiency through the 16 base budget bill measures for the Minimum School Program. The Legislature directed USBE in Senate Bill 2 from the 2022 General Session to prepare new line-item measures. Therefore, we suggest new measures focusing on whether administrators are effectively implementing the Legislature's educational initiatives be developed. Adding such measures would give the Legislature performance data to assess whether the administration aspect of the public education process in Figure 2.1 is operating effectively. This performance, in addition to lean costs that are already in place, will help the Legislature assess the reasonableness of administrative costs.

We also recommend that as part of intent language in S.B. 2 that USBE consider prime metrics that evaluate the most fundamental purpose of the education system. A prime metric is one that is foundational in nature and measures the core of an organization's mission statement. Some examples of possible prime metrics for public education are outlined in statute:

- Learning and occupational skills
- Character development
- Literacy and numeracy
- High quality instruction
- Curriculum based on high standards and relevance
- Effective assessment to inform high quality instruction and accountability.<sup>9</sup>

USBE should report to the Legislature on the opportunities and challenges for implementing such metrics. It is important that a strong relationship exist between these systemwide prime metrics and

---

<sup>9</sup> *Utah Code* 53E-2-301(2)

supplemental metrics that are directly correlated to the role of administrative costs.

## **Recommendations**

1. We recommend that the Public Education Appropriations subcommittee consider performance measures that are directly related to the role local education agency administration plays in implementing key education initiatives of the Legislature and ensuring compliance with statute and rule.
2. We recommend that the Utah State Board of Education, as part of the legislative charge in S.B. 2 (2022 General Session), consider prime metrics such as those outlined in statute to evaluate the most fundamental purpose of the education system and report back to the Legislature on opportunities and challenges for implementing such metrics.



## Chapter III

# LEA Administrative Costs Are Driven by Staffing Decisions

Administrative cost spending per student among local education agencies (LEAs) is generally affected by the size of the LEA, and more directly, by local board decisions. The lack of performance measures for administrative costs was discussed in Chapter II; therefore, this chapter analyzes cost drivers for administrative spending rather than prescribing best practices. While cost efficiency is desirable, the lack of performance measures makes it unclear whether low administrative costs are the ideal solution.

The level of administrative spending for Utah's public schools differs among large and small LEAs. Our audit process has identified the following factors that drive differences in levels of administrative spending:

- Outlier spending highlights the impact of local decisions.
- Hiring management companies for charter schools does not drive costs.
- Small districts apply tactics to minimize district administration costs.
- Administrative spending is a product of available funding and allocation.

Each of these factors plays a critical role in spending for administrative services among LEAs. It is important for education stakeholders to recognize the impacts of these various local board decisions. While they have a direct impact on the amount of spending for administrative services, whether those costs are reasonable depends on the outcomes discussed in Chapter II of this report. Therefore, we recommend that the Legislature consider making a requirement to track administrative spending trends in public education as a performance measure and link those measures to student proficiency and growth to identify best practices.

---

**The level of administrative spending for Utah's public schools differs among large and small LEAs.**

---

---

**Local board decisions have a direct impact on the amount of spending for administrative services.**

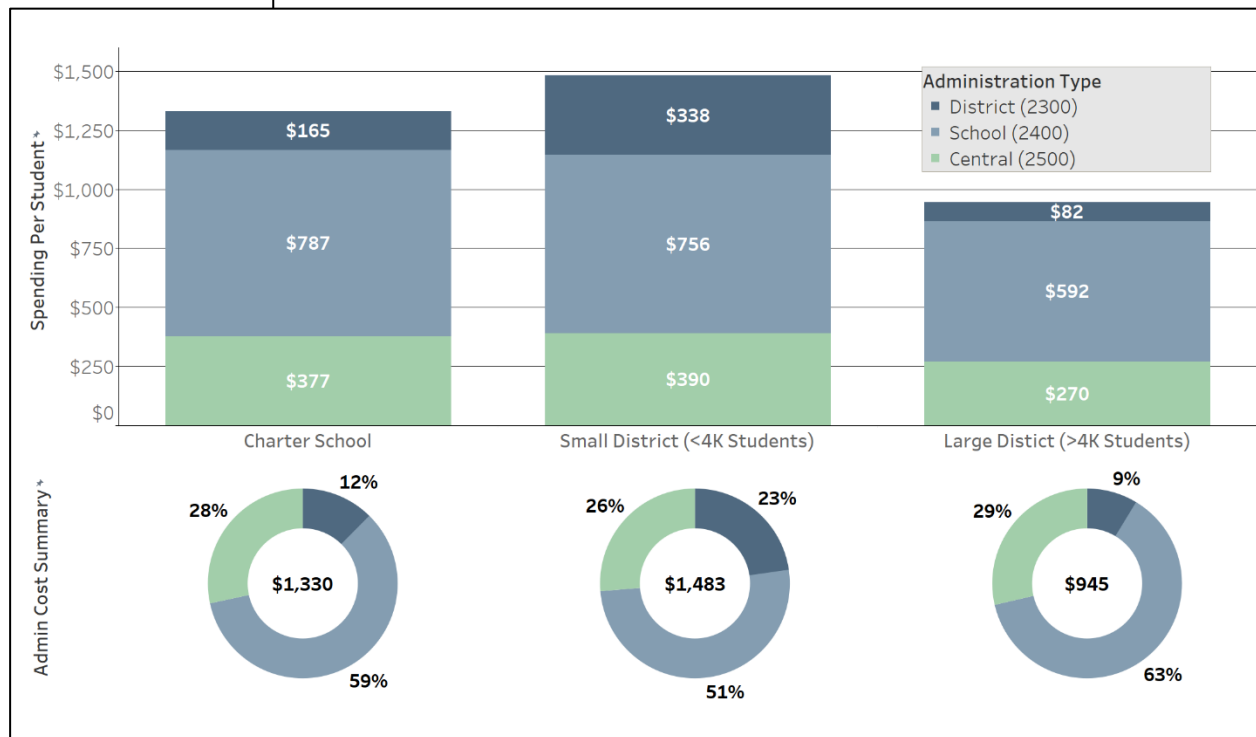
---

## Administrative Spending Levels Vary Among Large and Small LEAs

Administrative services include school administration, LEA administration, and central administration.

As described in Chapter I, costs for administrative services are grouped into three functions of service: school administration, district (LEA) administration, and central (business services) administration. Each of these plays a significant role in per-student administrative spending, as shown in Figure 3.1. Each of these functions of administrative service is utilized differently among charter schools, small districts, and large districts. Trends in per-student administrative spending appeared to change around 4,000 students. Therefore, in our analysis, districts with fewer than 4,000 students are considered to be small districts, while those with an enrollment greater than 4,000 are large districts.

**Figure 3.1 Different-Sized LEAs Have Different Levels of Per-Student Spending for Certain Types of Administrative Services.** This figure summarizes per-student spending for district (LEA), and central (business) administration services during the 2021 fiscal year. The per-student spending at the LEA level varies across all LEAs. Spending for school administration and business services was quite similar for small districts and charter schools, while large districts are leaner.



Source: Fiscal Year 2021 Financial Data Reported to USBE and Average Daily Membership (ADM) Data



Figure 3.1 shows that the makeup and total spending levels on administrative costs vary among the different sized LEAs. Charter schools and small districts have similar spending levels on average for school and central (business) administration, but small school districts spend twice as much on district administration than charter schools on average. As a whole, large districts largely benefit from economies of scale and reflect lower levels of per-student spending across the board. Some large school districts, however, do have higher and lower levels of spending. These outliers are described at the end of this chapter.

### **LEAs That Are Outliers in Their Administrative Spending Highlight The Impact of Local Board Decisions**

The resources that LEAs designate for administrative services reflect strategic differences in available funding, priorities, and organizational structure. To demonstrate these differences, Figure 3.2 shows a scatterplot of per-student administrative spending compared with the number of students who attended an LEA for the school year 2020-21. LEAs are separated into three groups: 1) charter schools (represented as purple circles), 2) small districts (blue x's), and 3) large districts (green triangles). The x-axis is on a logarithmic scale to better show all LEAs.

---

**Charter schools and small districts have similar spending levels for school and central administration, but noticeable differences occur on district administration.**

---

---

**Administrative service levels reflect strategic differences in available funding, priorities, and organizational structure.**

---

**Figure 3.2 Overall Per-Student Spending on Administrative Services is Different Among LEAs of Various Sizes.** This figure compares fiscal year 2021 per-student administrative spending against the number of students attending an LEA. Different spending trends exist for charters as well as large and small districts, so these three groups were separated.



Source: Fiscal Year 2021 Financial Data Reported to USBE and Average Daily Membership (ADM) Data  
 Note: The x-axis is presented on a logarithmic scale to accommodate the range of enrollments.

**Charters exhibit some economies of scale, as per-student spending among large charter schools is typically less than their smaller peers.**

On average, the larger districts (green triangles) have the leanest per-student administrative costs. However, some of the lowest administrative costs per student are among midsize and large districts (i.e., those with student counts of 10,000 to 20,000 students). Charter schools are the most represented in Figure 3.2, and most have relatively small student populations (i.e., fewer than 2,500 students). Charter schools exhibit some economies of scale, as per student spending among large charter schools is typically less than their smaller peers. Small districts, which have student counts that are similar to charter schools, typically have higher costs for administrative services. The need to understand the differences in per-student spending is one of the reasons our analysis separates LEAs into charters, small districts, and large districts.

Three outliers worth noting can be observed in Figure 3.2, which are circled in red dotted lines. We believe that these outliers highlight the impact of board decisions regarding administrative cost spending, which are highlighted by the following:

- **Responding to Student Needs:** The standalone purple circle highlighted by a red dotted line represents an LEA where 76 percent of students have a disability – the highest proportion in the state. Accordingly, the board budgeted for additional administrative staff to address the elevated need of the student body. Hence, higher teacher support reflected in the LEAs cost structure.
- **Decision to Outsource Administrative Services:** On the right side of the figure, the purple circle paired with a green triangle within the red dotted line represents an LEA that outsources administrative services to a management company that does not serve other Utah schools. This decision is costly as its administrative costs are significantly higher than similar sized schools. Most of that is due to its contractor services, as they account for 59 percent of the LEAs overall administrative costs.
- **Managing a Large Tax Base:** The green triangle with a dotted line around it represents an LEA that generates significant tax revenues. The local education board uses property tax rates to manage this LEA's large tax base. The local board's decision on how much funding to allocate to administrative costs is about average for all districts, as some spend a significantly higher percentage of their funds.

These important factors are relevant in the amount of administrative spending among LEAs. The sections below detail additional nuances associated with local board decisions on administrative spending.

---

**Outliers highlight the impact of board decisions regarding administrative cost spending.**

---

---

**For most LEAs, the decision to hire a management company has little impact on overall administrative costs.**

---

---

**Management companies focus on fiscal services but also provide other support.**

---

---

**Per-student administrative costs are similar for LEAs using large management companies as those that do not contract with a provider.**

---

## **Most Charter Management Company Contracts Do Not Result in High Administrative Costs**

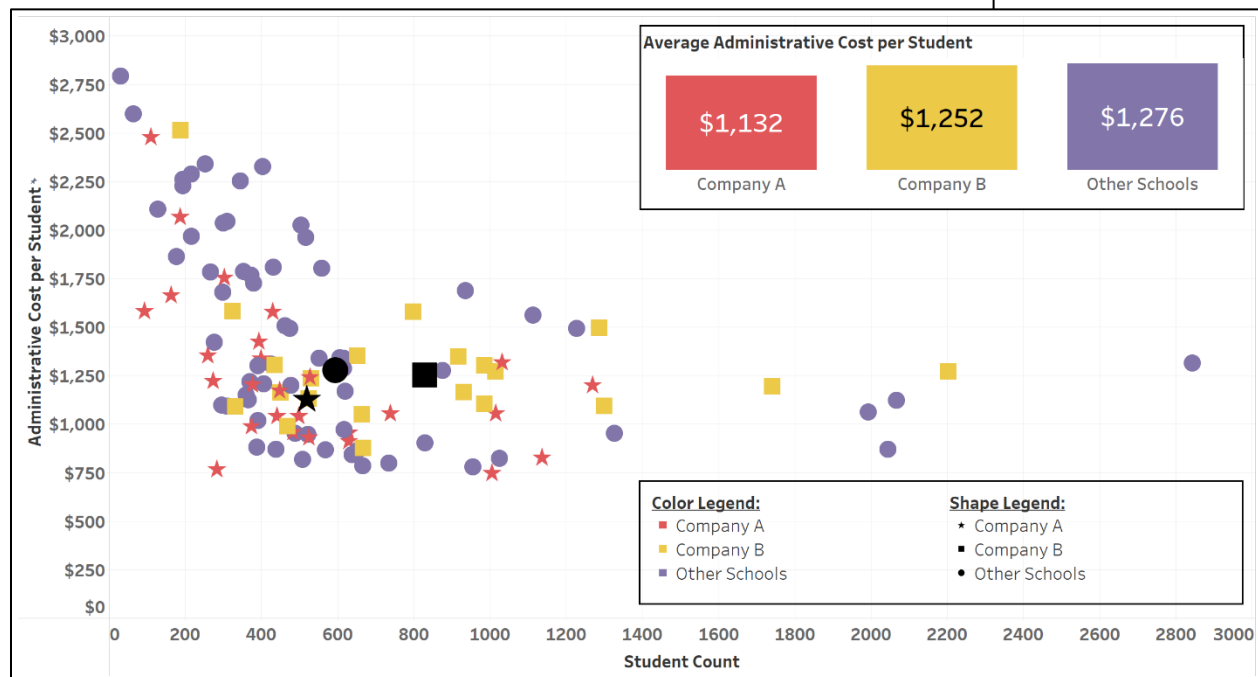
A common question for charter schools is whether the decision to hire a management company affects their administrative costs. For LEAs that use Utah’s two largest management providers, the decision has little impact because the costs are not an overwhelming part of their LEAs administrative services and are driven by services provided. This sentiment does not hold true for all management company providers, as much higher fees exist. Therefore, we believe it is important that the USBE’s financial reporting process be able to isolate these costs to promote monitoring activities.

### **Schools Have Slightly Lower Admin Costs When They Partner with Utah’s Two Largest Management Companies**

For fiscal year 2021, most Utah charter schools provided their own management services or contracted with a niche contractor. Additionally, there were two large management companies that provided services to many charter schools. The service offerings of both companies focus on fiscal services but also provide various combinations of legal services, training, reporting, and other support.

Referring to Figure 3.2, the contracted services provided by these two companies are typically classified as central (business) administration. These contracts are frequently coded as object code 345 (“contracted business services”). Both entities publish a list of their clients, so identifying their approximate cost is relatively simple, depending on whether other business services contracts were also incurred by the charter school. To provide a general assessment of these providers on administrative cost spending, Figure 3.3 shows how schools contracting with these providers compare against their peers. Two schools that were omitted from the “other management provider” group are outliers that will be discussed later.

**Figure 3.3 Per-Student Administration Costs of Charter Schools That Utilize Large Management Companies Have Similar Costs to Their Peers.** This figure shows total per-student administrative spending for fiscal year 2021, relative to the student counts of each charter school. The large black icons show the average for Utah's two largest charter management companies. A third category in purple represents all other schools, which provide their own service or contract with a small management company.



Source: Financial Data: LEA financial data reported to USBE for the 2021 fiscal year  
 Student Count Data: Average Daily Membership (ADM) for the 2021 fiscal year  
 Client Lists: Obtained from current and archived website information.

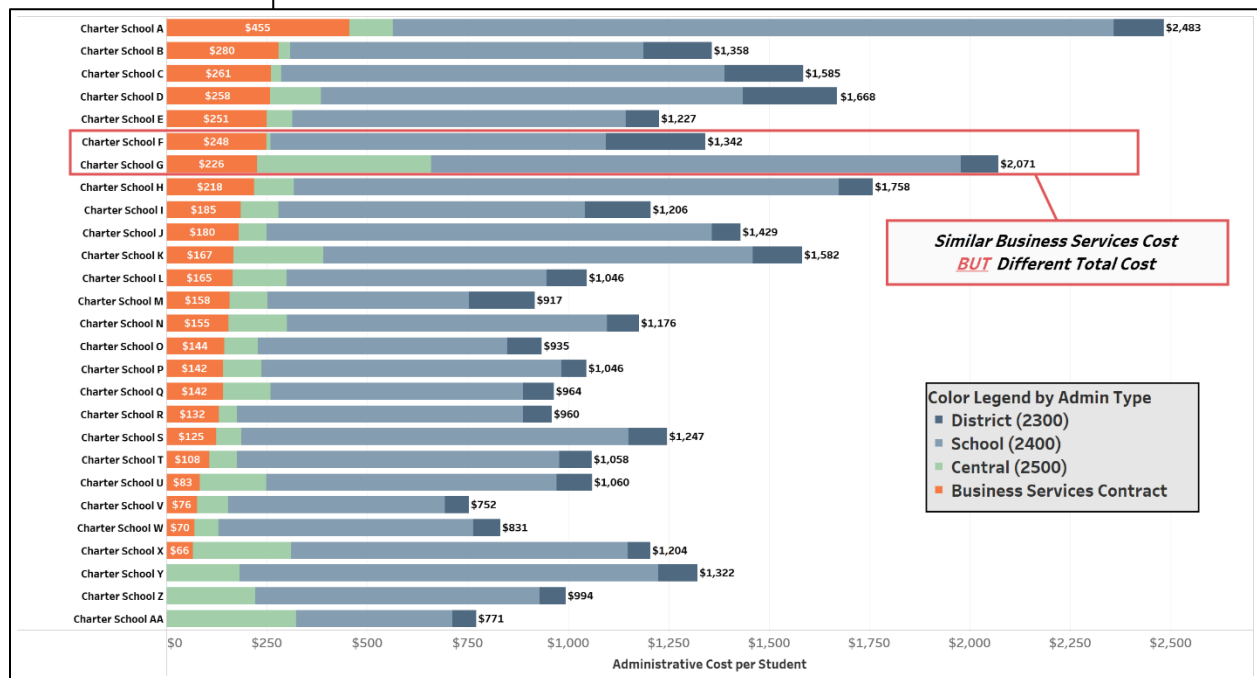
Figure 3.3 shows that the relationship between student count and administrative spending per-student varies greatly among individual LEAs, regardless of whether they provide their own administrative services or contract with an outside entity. All three groups represent individual schools with relatively high and low enrollments, and similar variation exists in their costs. The bar chart in the top right shows that the average per-student administrative costs for Utah's charter schools are similar. The lack of significant differences suggests that the decision to outsource business services is not a primary cost driver for charter schools.

An analysis of administrative spending among charter schools that use the same management company emphasizes this point. Figure 3.4 shows costs for administrative services for individual charter schools contracting with one of Utah's two major management companies.

**Administrative spending per-student varies greatly among individual LEAs, regardless of whether they provide their own administrative services or contract with an outside entity.**

Most schools assigned their contract with the management company as object code 345 (contracted business services), so these expenses were isolated from other district, school, and central administration spending.

**Figure 3.4 Total Administration Costs Per-Student Vary. Despite Similar Costs for Management Company Services.** This figure shows the administrative cost structure of charter schools that use a major management company. Per-student costs for contracted business service are shown in orange with other central administrative costs. While costs to outsource management company costs are similar, overall administration spending is affected by decisions about IT, school staffing, etc.



Source: Financial Data: LEA financial data reported to USBE for the 2021 fiscal year  
 Student Count Data: Average Daily Membership (ADM) for the 2021 fiscal year  
 Client Lists: Obtained from current and archived website information.

**Three LEAs using a large charter management company did not report any costs for that expense.**

Figure 3.4 shows total per-student administrative among charter schools, with costs separated by administrative function. The orange segment represents contracted business services, which should include cost for outsourced services that management companies provide. However, in the financial data reported to USBE, three charter schools did not report any costs in this category. Inconsistencies in reporting are addressed in our companion report, *A Performance Audit of Financial Reporting in Public Education*. For charter school finances in particular, we recommend that USBE verify, through its financial

reporting process, that outsourced management expenses for charter schools are consistently coded to facilitate ongoing monitoring.

Management company costs do not appear to be a major cost driver for charter schools, based on the relatively small percentage of spending and the variation observed between schools. This is illustrated in Figure 3.4, where the per-student cost for contracted business services is \$248 for charter school F and \$226 for charter school G. The \$22 difference is small compared to the total administrative costs. Despite charter school G's lower contracted business service costs, the school outspent charter school F by \$729 per student on total administrative costs. Thus, local board decisions to contract for management services, like IT infrastructure, school staffing levels, etc., have a significant effect on administrative spending.

Contracting for services—whether for construction, application development, consulting, or financial services—provides less transparency than does hiring employees. Therefore, the accurate and consistent use of the purchasing controls provided in procurement code<sup>10</sup> are essential. Additionally, as discussed in Chapter II, the question of whether administrative spending is reasonable ultimately depends on performance criteria established for specific roles and their impact on student proficiency. A key takeaway from our analysis is that there are various cost-effective ways to provide administrative services. Any excessive costs must comply with statutory safeguards and demonstrate positive impact on student learning objectives.

### **Small Rural Districts Try to Manage The Costs of Statutorily Required Positions**

Utah's smallest rural school districts (referred to as "micro rural") and charter schools serve similarly sized student populations. However, their per-student spending on administrative costs is significantly different, with micro rural districts' costs being significantly higher. While the highest administrative spending per student among charter schools was \$2,792, four of Utah's five micro rural school districts had higher per-student spending, which topped

---

**Management company costs do not appear to be a major cost driver for charter schools.**

---

---

**There are various cost-effective ways to provide administrative services.**

---

---

**The smallest school districts' administrative costs are significantly higher than similarly sized charter schools.**

---

---

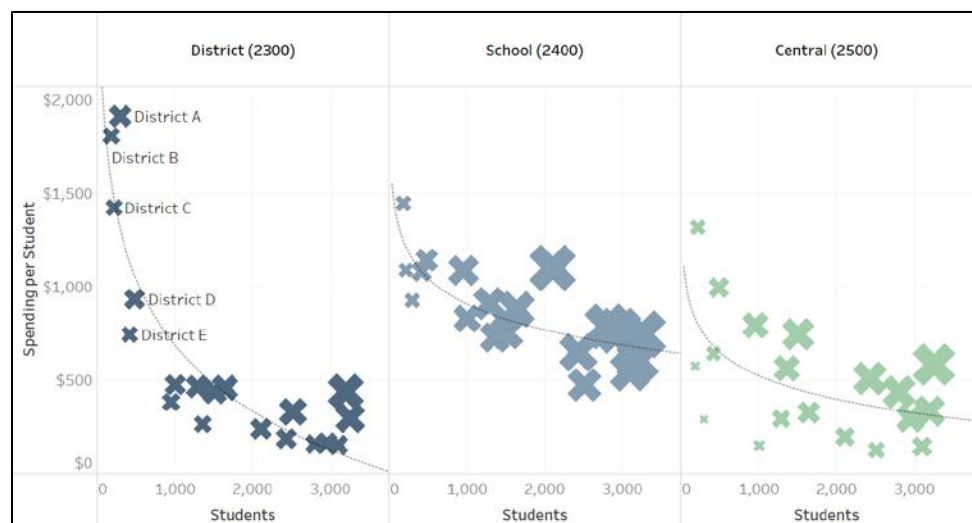
<sup>10</sup> *Utah Code* 63G-6

**Costs for school and central administration were similar among charter schools and small school districts but costs for district administration were different.**

out at \$3,828. While these costs are high, the districts have tried to limit spending associated with statutorily required positions.

Figure 3.2 (above) showed that costs for school and central administration were similar among charter schools and small school districts but that costs for the district administration were different. Figure 3.5 provides another view of the data, showing that per-student administrative spending tends to be the highest among schools with the fewest students. All of Utah's small school districts are depicted below; micro rural school districts are the five data points labeled the far left.

**Figure 3.5 Per-Student Spending for District Administration Is Drastically Higher for Utah's Five Smallest Districts.** This figure shows per-student spending for three types of administrative services. District administration (2300) shows the greatest variation, as larger districts spend less than \$500 per student, and the smallest school districts spend almost four times that amount.



Source: Financial Data: LEA financial data reported to USBE for the 2021 fiscal year  
 Student Count Data: Average Daily Membership (ADM) for the 2021 fiscal year  
 Client Lists: Obtained from current and archived website information.

**Per-student spending for Utah's smallest school districts is higher than that of their larger peers.**

Across all three administrative types in Figure 3.5 per-student spending for Utah's smallest school districts is higher than that of their larger peers. However, the greatest variation and range of spending is seen in district administration among the micro rural districts. We observed four factors that contribute to these results: 1) assigning other duties to the superintendent, 2) total compensation paid for all superintendent roles, 3) hiring additional staff, and 4) possible miscoding of accounting personnel.



**Personnel Costs Vary Among Small Districts.** In micro rural districts, 79 percent of district administrative costs are employee compensation, which mostly consists of superintendent salaries. To manage these costs, micro rural school districts must make two strategic decisions: 1) what other roles does the superintendent fill in the district, and 2) whether to hire additional district staff besides the superintendent. This first question is addressed with Figure 3.6, which shows the wages paid to superintendents of micro rural districts beyond their superintendent wages.

---

**79 percent of district administrative costs are employee compensation.**

---

**Figure 3.6 Superintendents of Micro Rural School Districts Also Fill Other Positions.** This figure shows the fiscal year 2021 wages paid to employees for their superintendent role and other positions within the school district.

School District	Superintendent Wages	Other Position Wages	Total Wages
District A	\$ 74,919	\$ 12,668	\$ 87,588
District B	\$ 102,359	\$ 24,300	\$ 126,659
District C	\$ 92,682	\$ 20,019	\$ 112,700
District D	\$ 121,779	\$ 35,830	\$ 157,609
District E	\$ 112,997	\$ 34,500	\$ 147,497
<b>Micro Rural District Average</b>	<b>\$ 100,947</b>	<b>\$ 25,463</b>	<b>\$ 126,411</b>

Source: Employee Compensation Data from [transparent.utah.gov](https://transparent.utah.gov)

As Figure 3.6 shows, all superintendents in micro rural districts have other positions that they are compensated for. Those positions include other director responsibilities, school principals, and teachers. These findings demonstrate that micro rural districts are trying to offset some of these costs.

---

**All superintendents in micro rural districts have other positions that they are compensated for.**

---

**Small Districts Employ Varying Numbers of District Staff.** Another practice that varies from district to district is the hiring of other district administration staff.

- **Superintendent Only:** District E had the lowest spending per-student among micro rural districts as its district administration consists of only the superintendent. District C also employs only a superintendent practice, but the district's lower student counts increase its administrative spending per student.
- **Superintendent Plus Other District Staff:** District D, which has the second lowest spending among the micro rural school districts reported the wages for a single district secretary. Highest spending District A also reports a secretary but also

---

**Per-student district administration costs will be higher in districts with low student counts.**

---

---

**Available funding to spend per student and the percentage of funds that the LEA allocated to administrative costs determine total administrative spending.**

---

has an additional director, resulting in three district administration staff.

- **Questionable Fiscal Services Staff Reported as District Administration:** District B falls into a similar category; however, they report a staff accountant's salary in the district administration category. This kind of salary is typically reported under fiscal services within central (business) administration.

We recommend that USBE ensure that administrative costs are reported consistently across school districts. District C demonstrates that having a lean staff consisting of just the superintendent and \$21,000 in board compensation still results in elevated spending per student. Since every LEA is statutorily required to have a superintendent, per-student district administration costs will be higher in districts with low student counts. Further discrepancies may be expected based on district staffing and coding decisions.

## **Two Budgetary Decisions by Local Education Boards Drive Administrative Spending**

Figure 3.2 (above) depicts a large-district outlier (green triangle) that spends considerably more on administrative costs than its peers do, at \$1,991 per-student in fiscal year 2021. To better understand this result, we examined two decisions by the local education board. First, the amount of available funding to spend per student. Second, the percentage of those funds that the LEA allocated to administrative costs rather than instruction, student support, and instructional support. Figure 3.7 compares these two factors across all of Utah's school districts. The results of which are presented on the scatter plot below where the shape and color of data points correspond with the district's group.

**Figure 3.7 Total Spending and Administrative Cost Allocations Vary Among Utah's School Districts.** This figure shows the total per-student spending for instruction, classroom support, and administration relative to the percentage of that spending that allocated for administrative costs. The colors and shapes correspond to the district's cohort of similar sized districts.



Source: Financial Data – LEA Submissions to USBE for Fiscal Year 2021  
Student Counts – Average Daily Membership (ADM) for Fiscal Year 2021

While administrative spending per student is a good basic measure, it is important to recognize the two components that produce per-student administrative spending—funding generated and budget allocations decided by local boards. For example, the outlier from Figure 3.2 is only slightly above the average in terms of the percentage of spending allocated to administrative costs. Its relatively high spending is because it had more available funding than most of its peers did. For the micro rural districts (yellow diamonds), their spending and percent allocated to administrative costs are higher than our outlier.

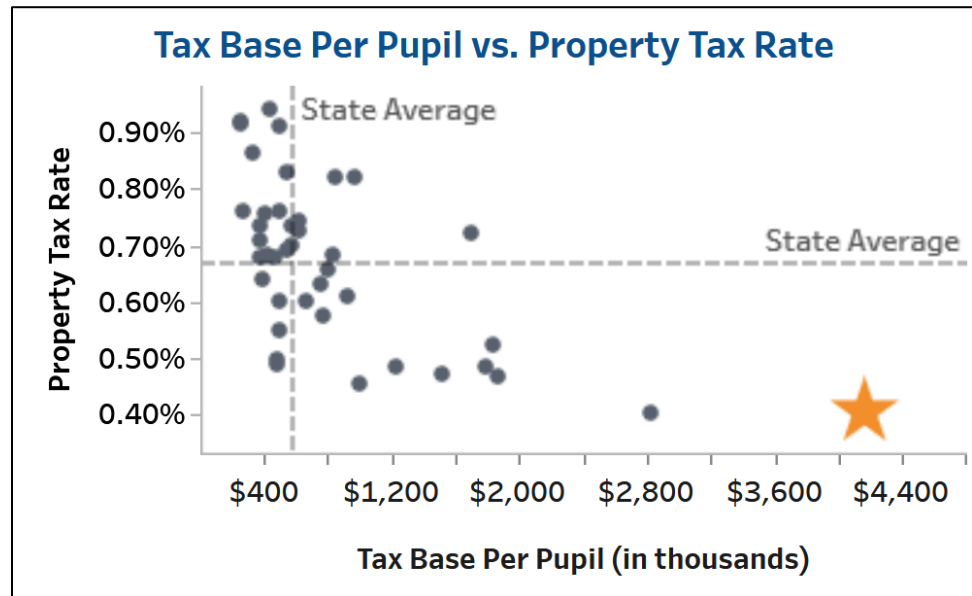
The high spending by the outlier is primarily driven by a high tax base rather than the LEA board's decision to impose a high tax rate. Figure 3.8, which comes from a [dashboard](#)<sup>11</sup> our office created for all

**The high spending by one outlier is primarily driven by a high tax base rather than the LEA board's decision to impose a high tax rate.**

<sup>11</sup> Utah Legislative Auditor General's Tableau Public Website: [2022-02 School District Dashboard](#)

of Utah's school districts, shows how a district's tax base and tax rate compare to other districts.

**Figure 3.8 The Outlier Has the Highest Property Tax Base and a Low Tax Rate.** This figure is an excerpt from one of our dashboards shows how the outlier district compares with its peers in property taxes. High spending is primarily the result of a high tax base rather than the board's decision to increase the rate (which is relatively low).



Source: Utah Legislative Auditor General's Tableau Public Website: [2022-02 School District Dashboard](#)

Figure 3.8 suggests that the school board of the outlier LEA did not choose to generate additional spending because its tax rate is among the lowest in the state. Therefore, the LEAs relative spending on administrative services may not be of concern as initial perceptions indicate.

**Local board decisions increase the complexity in determining whether a school district's administration spending is efficient and effective.**

Local board decisions regarding tax rates and budgeting practices increase the complexity in determining whether a school district's administration spending is efficient and effective. Administrative spending lacks effective performance measures, leading to unclear conclusions about whether Utah's costs are reasonable.

As a result, we believe it is important to recognize the decisions of local boards regarding administrative costs generated by LEAs. Given the differences in student populations across various LEAs in this chapter, in terms of size, special education concentration, etc., it is difficult to identify general best practices. As a contextual measure, we

believe that board driven increases in funding and allocation decisions can help identify where best practices exist.

Our recent audit of Weber School District illustrates the potential impact that spending can have with a targeted plan. The districts' "Roy Cone Project" spent \$500,000 and was successful in increasing high school graduation rates. Cases like this where increases in spending lead to meaningful improvements in student outcomes need to be identified. Therefore, spending trends in public education need to be tracked as a performance measure to identify possible best practices. We recommend that the Legislature consider board budgeting decisions as a supplemental metric to consider as support of student proficiency outcomes.

---

**Spending trends in public education need to be tracked as a performance measure to identify possible best practices.**

---

## **Recommendations**

1. We recommend that the Utah State Board of Education verify through its financial reporting process that charter management costs are consistently coded to facilitate ongoing monitoring.
2. We recommend that the Legislature consider requiring the tracking of administrative spending trends in public education as a performance measure and link those measures to student proficiency and growth to identify best practices for administrative spending.



## **Appendices**





## **Appendix A**



## **Appendix A**

### **Complete List of Audit Recommendations**

This report made the following four recommendations. The numbering convention assigned to each recommendation consists of its chapter followed by a period and recommendation number within that chapter.

#### **Recommendation 2.1**

We recommend that the Public Education Appropriations subcommittee consider performance measures that are directly related to the role local education agency administration plays in implementing key education initiatives of the Legislature and ensuring compliance with statute and rule.

#### **Recommendation 2.2**

We recommend that the Utah State Board of Education, as part of the legislative charge in S.B. 2 (2022 General Session), consider prime metrics such as those outlined in statute to evaluate the most fundamental purpose of the education system and report back to the Legislature on opportunities and challenges for implementing such metrics.

#### **Recommendation 3.1**

We recommend that the Utah State Board of Education verify through its financial reporting process that charter management costs are consistently coded to facilitate ongoing monitoring.

#### **Recommendation 3.2**

We recommend that the Legislature consider requiring the tracking of administrative spending trends in public education as a performance measure and link those measures to student proficiency and growth to identify best practices for administrative spending.



## **Agency Response**





## UTAH STATE BOARD OF EDUCATION

Mark Huntsman, Chair

Laura Belnap, First Vice Chair  
Cindy Davis, Second Vice Chair

Randy Boothe  
Janet A. Cannon  
Natalie Cline  
Jennie Earl

Scott L. Hansen  
Molly Hart  
Stacey Hutchings  
Matt Hymas

Carol Barlow Lear  
James Moss Jr.  
Kristan Norton  
Brent J. Strate

Sydnee Dickson, State Superintendent of Public Instruction  
Cybil Child, Secretary to the Board

June 6, 2022

Kade Minchey, CIA, CFE  
Auditor General  
Office of the Legislative Auditor General  
W315 State Capitol Complex  
Salt Lake City, UT 84114

Dear Mr. Minchey:

Thank you for the opportunity to respond to report 2022-05 “A Performance Audit of Administrative Costs in Public Education”. The Utah State Board of Education (USB E) appreciates the recognition from your office of the importance of internal control systems— at both the state and local level— to achieving the objectives of the public education system, specifically related to students. We also appreciate the indications of positive and increased improvements over the years in public education.

As noted in the USB E response to report 2022-04 “A Performance Audit of Financial Reporting in Public Education”, the USB E is committed to addressing the root cause of the findings noted in the audit, which it believes stems from weaknesses in internal control systems as has been noted in several internal and external audits. Additionally, we call your attention to our request for necessary increases in resources (systems and personnel) to meet the recommendations of both this audit and the audit on financial reporting in public education.

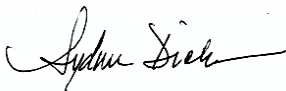
Both federal and state law require the USB E and LEAs (Local Education Agencies) to establish, maintain, and document an effective internal control system. An effective internal control system, as outlined in USB E Internal Audit “[USB E and LEA \(Local Education Agency\) Internal Control Systems](#)” issued on December 3, 2020, is one in which “the five components of internal control [are] effectively designed, implemented, and operating, and operating together in an integrated manner... (OV.2.04 The Green Book). The USB E has been working consistently and specifically to address components and principles of internal control specific to its role with the public education system and recognizes the importance of a systematic approach.

The USB E will continue to address its own internal control system in a systematic way to ensure comprehensive consideration of objectives, risks, control activities, measures, and accountability. Within this approach, your recommendations are implemented proactively and quickly. We will continue to request legislative support through legislation and increased appropriations to achieve the objectives of public education. As further stated in the USB E response to report 2022-04 “A Performance Audit of Financial Reporting in Public Education”, the USB E recognizes that all entities with roles and responsibilities in the public education system must have effective internal control systems.

Decision-making regarding administrative costs at local education agencies (LEAs)—with related accountability for use of funds and impact to students—is a significant responsibility of LEA governing boards (see 53G-4-402(1) (g) -(h) and (15)(a) and R277-113-6), as is outlined in the audit. Decision-making regarding administrative costs at the USBE—with the related accuracy in reporting and accountability for use of funds and impact to students— along with oversight of LEAs are significant responsibilities of the USBE. Recognizing this, USBE has invested significant resources to improve its financial reporting system and systems that interface with LEA systems in recent years, with results of increased transparency, consistency, efficiency, accessibility, and compliance.

The USBE will continue to lead out as an example of the benefit to public education stakeholders, particularly students, when improvements are made to its internal control system. The USBE has the constitutional authority to provide general supervision of our districts and charter schools. LEAs have the responsibility to ensure the specific educational requirements of the individual student are met through the implementation of their own internal control system. Both the USBE and the Utah Legislature can provide the resources to a district and/or charter school necessary for them to make decisions on the administrative costs/requirements necessary to meet or exceed specific metrics or requirements as determined by the legislature and/or the USBE.

Sincerely,



---

Sydnee Dickson  
State Superintendent of Public Instruction



---

Mark Huntsman  
USBE Board Chair

cc: Laura Belnap, USBE Vice Chair and Audit Committee Chair  
Cindy Davis, USBE Vice Chair and Audit Committee Vice Chair  
Scott Jones, USBE Deputy Superintendent of Operations  
Deborah Jacobson, USBE Assistant Superintendent of Financial Operations  
Sam Urie, USBE Director of School Finance  
Debbie Davis, USBE Chief Audit Executive