

# **LBA Performance Audit Report Summary:**

Department of Education: Construction And Renovation Programs Performance Audit Report – September 2001

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This report describes and analyzes school construction and renovation programs administered by the Department of Education for fiscal years 1995 through 2000. The issues we focused on primarily addressed whether the department's management practices promoted efficient and effective operation of the State's school construction and renovation programs.

## **Background**

This audit examined the school building aid program and the regional vocational center construction and renovation program.

### *School Building Aid*

The school building aid program assists school districts by providing annual grants to districts complying with State requirements. RSA 198:15-b authorizes grants ranging from 30 to 55 percent of the principal costs of school construction or the purchase of school buildings. Interest costs are not reimbursed. In addition to borrowed funds, project financing may include capital reserves or appropriations raised through taxation.

Between fiscal years 1995 and 2000 ten elementary schools, two middle/junior high schools, and six high schools were built with assistance from the school building aid program. Also, additions or renovations were made at 129 elementary schools, 29 junior high/middle schools, and 39 high schools. These included 35 kindergarten projects. Finally, 11 SAU offices were either built or renovated.

During the seven-year period from fiscal years 1995 through 2001, \$121,146,501 was expended by the State on school building aid to local school districts. School building aid grants are funded by the General Fund. RSA 198:15-e states that in the event of a shortfall in appropriated funds in a given year, the available appropriation will be prorated proportionally among the eligible districts. However, there were no funding shortfalls during the audit period.

### *Regional Vocational Center Construction And Renovation*

RSA 188-E:3 requires the commissioner of the Department of Education to make grants available to designated regional vocational centers for constructing vocational education facilities or renovating existing centers. Site work, parking lots, and related areas are the responsibility of the local community. However, reimbursement for these costs may be requested through the school building aid program.

A total of \$85 million has been appropriated to the Capital Fund for constructing and renovating regional vocational education facilities since the program's beginning in 1973. Appropriations have grown steadily since 1973 as each new facility was approved. As of June 30, 2001, approximately \$84.3 million was expended of the \$85 million appropriated.

## **Observations**

We provided the Department of Education a total of 20 observations and recommendations. Six observations addressed compliance with State statutes or administrative rules, three observations concerned project costs and payment issues, and 11 observations pertained to management practices. We believe the department can improve the efficiency and effectiveness of its school construction and renovations programs by implementing these recommendations.

### *Programs Not Operating In Compliance With State Statutes And Administrative Rules*

The department should ensure its school construction and renovation programs comply with all appropriate State laws and administrative rules. We found school construction and renovation practices did not conform to State statutes and administrative rules regarding project approvals, payment schedules, debt limitations, and requirements for ensuring State Fire Marshal project review.

### *Insufficient Controls Over Project Costs And Payments*

The department needs to improve its controls over school construction and renovation project payments, including payment accuracy, verification and documentation of project costs, and supervisory review of the documents used to determine aid payments. We found the department needs to ensure accurate payments are made to school districts based on final documented project costs rather than preliminary estimates.

### *Inadequate Management Practices*

The department needs to improve the management practices used in its school construction and renovation programs. We found areas requiring the department's attention: four issues require improving or creating written policies and procedures and another four issues require improvements of written materials and guidance to school districts utilizing school building aid. The remaining observations address management issues including better coordination of program functions, data collection, and other needed improvements.

## **Conclusion**

The Department of Education needs to improve its management of the school building aid program. Our audit work found several compliance, cost and payment, and general management issues that need to be addressed. We found the Office of School Building Aid did not comply with several important laws and its own administrative rules. The most significant areas of non-compliance were approving addition projects that did not add pupil capacity, and making building aid grants before all required documents, including final costs, had been submitted.

Because the office begins grant payments before final project costs are submitted, we found several localities receiving incorrect grant amounts. We further believe the office's current payment practices are inefficient and lack managerial oversight as errors are not detected and corrected in a timely manner. We are also concerned with the practice of granting State funds without verifying whether the claimed costs are valid. Finally, program management can be improved by adopting explicit policies defining "excessive or unreasonable" costs and "substantial renovations." It is our belief that acting on these issues will increase the efficiency and effectiveness of the department's efforts in assisting localities with financing school construction.