

Peer Review: Promoting Efficient School District Operations

By Jason S. Hale, Ed.D., CPA



In a 2008 study of the effects of performance management reviews on school district financial management in Delaware, I found that many of the state's 19 school districts were operating under inaccurate or outdated assumptions because auditors and reviewers had insufficient knowledge of the school business administrator position or of district operations to recommend improvements. Many audits simply reviewed those transactions being addressed by the auditors and failed to address in any way the effectiveness of internal controls.

Since many state and external auditors have little if any operational experience, their feedback is of minimal value to the effectiveness and efficiency of school district fiscal operations. If our state or local governments designate auditors as the oversight authority and the auditors are failing to provide the necessary oversight, who will help us improve?

We Can Help Each Other

Many professions recognize the benefits of peer reviews to assess processes and operations because peers can more easily identify one another's inefficiencies and provide some kind of intervention. Generally, the goal of the peer review process is to verify whether the work satisfies the standards set by the industry.

A number of states have begun to address the issue of financial peer reviews of school districts, recognizing that in many instances the current practitioners are the most qualified to determine whether the standard is being met.

Many school business officials in Delaware who were interviewed during the 2008 study agreed that the existing oversight agencies do not have the necessary experience to be effective. Many said that the only people who are qualified to effectively safeguard taxpayer resources against fraud or mismanagement are other school business officials. Although extra time is already scarce for many school business officials, the commitment of a few hours each year to improving our profession and the fiscal integrity of our districts is a small price to pay to regain public confidence.

To test the effectiveness of a peer review model to assess district operations, a school district financial peer

As a school business official, how many times have you participated in an exit conference with a state or external auditor and wondered how that auditor was deemed qualified to attest to the effectiveness of your abilities?

How many school districts in the United States have run into financial ruin over the years despite the fact that audits and reviews cited few if any operational deficiencies?

The perception of school fiscal management has taken a serious hit in the past several years, and we need to do something to improve that perception if we, as a group, hope to regain public confidence.

review team composed of three Delaware district school business managers conducted three one-day comprehensive reviews of neighboring districts' board policies and internal control manuals, current fiscal year budgets, reports of account and fund balances, and monthly and annual financial reports. Unlike financial statement audits that look specifically at validating the figures presented in the statements, a peer review process focuses more on internal controls.

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The review was performed as a confidential, nonpunitive process that culminated in an oral report of recommendations and suggestions for improvements. It was not an audit. After gaining a comprehensive understanding of the district's operations and financial status, the review team interviewed the school business manager to determine how the school district budgeted, monitored, analyzed, and reported its fiscal operational information. The interview was more of a conversation, with the team members and the school business official asking and answering questions about district operations.

The results of the examination provided the school finance officer with targeted, constructive feedback about operational efficiencies in such areas as

- Fiscal management
- Budgeting
- Resource allocation
- Position control
- Transportation
- School nutrition services

In the end, each of the three school districts that participated in the study described the experience as an activity that proved valuable to improving operations and to advancing their own professional development.

A Positive Process

One business manager who participated in the study stated that the process was a "wonderful experience" and that he was continually challenged to think about things that he had not thought about previously. He said he was pleased that the process was tailored to the wants and needs of the participating business manager. He appreciated the fact that the review "was not about right and wrong, but about the sharing of information." He said it seemed as though the review team members gained as much through the process as the participating business manager.

Another business manager—one who was relatively new to the position—indicated that the various back-

grounds of the review team members were beneficial in making him feel more comfortable about the process. Although all the team members were business managers in vocational school districts, he said, the backgrounds of the collective group reached far beyond vocational education and hit areas such as public accounting, municipal and city management, and Delaware Department of Education experience. This expansive knowledge base gave heightened credibility to the process.

The third business manager, who had extensive experience as a school business official, considered the process "helpful in reinforcing effective operations." He believed that the purpose of the process was to reinforce what he was doing correctly and raise questions about some things that could be improved.

Education leadership author Margaret Ferguson states that "the gate of change is locked on the inside." As the economy tightens and school districts are expected to do more with less, business managers will be increasingly accountable for their actions. As a profession, we cannot wait until a school district's financial operations fail to begin making improvements.

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