



Office of the
Washington
State Auditor
Pat McCarthy

PERFORMANCE AUDIT

Report Highlights

Examining the Accuracy of School Funding Systems at OSPI

The state's Constitution requires the Legislature to fund public K-12 education and state law establishes the formula for funding basic education for kindergarten through 12th grade students. State and local taxes form the basis of school funding sources and the Office of Superintendent of Public Instruction (OSPI) is responsible for managing the education funds provided by the state.

OSPI's calculations for school district funding allocations rely on data schools provide and its School Apportionment and Financial Services (SAFS) department to oversee that data. Nine staff in the SAFS department manage the suite of IT software applications used to gather, calculate and distribute education funding. The proper functioning of the entire suite of software applications comprising the apportionment system is critically important to ensuring school districts receive the correct monthly allotment of state and federal funds based on their actual activities. A failure in any one application that produced an incorrect funding calculation, and thus the wrong amount of funding, could disrupt schools' ability to pay teachers and manage their operations. This audit examined the apportionment system to see if it accurately calculates school funding.

OSPI's complex apportionment system is outdated and unstable, thus increasingly inefficient and at risk of errors

The 17-year-old apportionment system's complex calculations rely on eight feeder systems and a shaky foundation. The system's suite of applications relies on an aging, unstable infrastructure foundation that struggles to meet business needs. In addition, legislative amendments require OSPI staff to frequently modify both formulas and system codes. The difficulties in making frequent modifications in the outdated systems mean staff resort to manual workarounds. OSPI is aware of these difficulties and has been working on rebuilding or replacing portions of the systems suite.

Weak controls for both core apportionment and feeder systems pose additional risks that essential data is not complete, accurate, secure and reliable

OSPI leadership is responsible for ensuring the apportionment system is complete, accurate, secure and reliable. These four attributes of sound IT system management rely on five control areas: General IT, system input, data processing, system output, and oversight and monitoring. OSPI lacks many essential controls in all five of these areas. In addition, OSPI lacks documentation of both internal controls and calculation processes and has no internal audit function. Lacking solid controls, OSPI relies on its vendor and a few longtime employees to ensure the apportionment system meets the four essential attributes.

Audit review of apportionment funding for three school districts identified relatively minor discrepancies

The systemic issues identified during the audit prompted us to test apportionment system calculations. Our funding recalculations for three sampled schools found relatively minor discrepancies, which we identified by comparing statutory requirements to actual apportionment system calculations that were based on the state budget. It is important to remember that our limited review captures only the formula and calculations applied in the 2023-2024 school year. Assurance over accuracy in future calculations depends on OSPI addressing other issues found in this audit.

State Auditor's Conclusions

The software system at the heart of this audit must make extremely complex calculations, which fund the education of more than 1 million Washington school children. The formulas are subject to change every year and must be highly accurate, as those calculations allocate \$30 billion to school districts in a biennium. Yet this system, operated by the Office of Superintendent of Public Instruction, is outdated, a legacy IT system we found to be unstable and at risk of failure. Significant improvements can – and must – be made. While our Office routinely audits individual school districts, this is the first comprehensive audit of OSPI's apportionment system. First developed in 2008, it has expanded to include eight additional software applications; our study produced the first mapping of its full complexity. Given the system's complexity, we limited our testing to three school districts. In each case, we found coding discrepancies in which state law and state budget did not align. They were relatively small discrepancies — for example, rounding to six decimal places instead of the required three. To reconcile the differences, OSPI followed the state budget. Although OSPI staff work diligently to produce accurate allocations, we did not find the robust controls and documentation we would expect for such a large system. Instead, OSPI relies primarily on its IT vendor and a few longtime employees, who in turn rely on institutional memory to operate the system. Recognizing the challenges inherent in OSPI's responsibilities, the report offers recommendations the agency can immediately implement to mitigate the risks we identified, some as straightforward as fully documenting staff processes. And while we recognize IT upgrades are costly and the needs high across state government, this legacy system must be replaced. For lawmakers, school districts and the public, we believe this report sheds needed light on a critical but largely unseen aspect of the state's education funding system.

Recommendations

We made a series of recommendations to the Office of the Superintendent of Public Instruction to address the risks associated with the outdated and unstable apportionment system and the lack of controls supporting the reliability, accountability, functionality and accuracy of the system. In addition, we made recommendations to OSPI to address staffing issues.