

Willamette Education Service District

Response to Secretary of State Audit Report

January 29, 2010

WESD CONTEXT

WESD is one of twenty Education Service Districts in Oregon. Primary customers are the twenty one component school districts within the WESD geographic service area comprised of Marion, Polk and Yamhill counties. A broad range of supportive and direct services are provided to districts, schools, educators and students. WESD staff are respected for their high quality, professional services and their commitment to the education community in which they participate.

WESD employs approximately 670 staff and operates for fiscal year 2010 with a budget of about 78.4 million dollars. Funding comes from federal, state and other fund sources, with WESD serving as a contracted vendor to the component districts and as a subcontractor for state and federal grants. In the vendor role, WESD is often an intermediary, seeking to provide goods and services to support requests and meet the demands of the districts.

PROCESS OBSERVATIONS

The Secretary of State audit took place at WESD during a time of tremendous activity focused on agency evaluation and improvement. Concurrent fiscal review processes were also underway, complicating an already difficult task for the audit team. Throughout the process WESD found the audit team to be respectful and professional. WESD accepts the audit findings, and welcomes the recommendations as objective suggestions for improvement that are being incorporated into an agency wide process already underway. Under the direction of the Board and Acting Superintendent Novotney, WESD is implementing changes and improvements in agency business practice and internal controls that will bring fiscal stability and accountability. The agency is collaborating with ODE, the Secretary of State's Office, WESD's new external auditing firm (Pauly, Rogers and Co.) and a team of external consultants to ensure the development, approval, training and implementation of the highest standards of fiscal management and public accountability.

ACKNOWLEDGEMENT OF FINDINGS

WESD agrees substantially with the audit findings as an accurate reflection of practice issues that have been problematic for the agency, or as identification of areas where business processes lacked controls and documentation. Prior to completion of the audit, improvements were being implemented to address those issues. Documentation standards are being strengthened, fund classification is being streamlined and classification errors corrected, and financial reporting to the Board and component school districts has significantly improved in detail and transparency. Governance relating to the selection and supervision of contractors is being revised and clearer policy regarding expenditures and

reimbursements have already been implemented. Business process controls are being strengthened, utilizing existing procedures currently in place with other Oregon ESDs and districts.

ACTION ITEMS—RECOMMENDATIONS

The WESD Board, administration and staff will continue to work with care and integrity toward agency improvement.

Recommendations from the Secretary of State's audit report will be fully implemented. The majority of the following recommendations will be developed, staff trained and fully implemented by June 30, 2010. All recommendations will be fully implemented, reviewed and refined as necessary by December 31, 2010.

WESD will provide formal quarterly progress reports on the status of implementing these recommendations, as well as other improvement initiatives, to its stakeholders. Interim status reports on improvement progress will be provided at each WESD Board of Directors meeting, at monthly Executive Council meetings and in monthly meetings with Union Leadership. These reports will, of course, be shared with WESD staff. WESD pledges complete transparency as we continue to address agency improvement.

Board Recommendations

The action items that follow in this section respond directly to bulleted or sub-bulleted recommendations contained in the recommended Board actions section of the Secretary of State audit report, page 17 and 18.

- The Board has contracted with the firm of Willis, Green & Assoc. to facilitate a process of recruitment and selection for a permanent WESD Superintendent. Input from the public, stakeholders and staff is being obtained for inclusion in the process of selection.
- WESD Board and agency leadership are collaborating on the content and format for a comprehensive Board training curriculum that will be utilized for full Board training when complete and approved. The curriculum will then be utilized to train new Board members. Annual update training will also be scheduled and implemented.
- Frequency and content detail of Board briefings has been increased substantially. The Board meets twice monthly and receives detailed fiscal and programmatic reports at each meeting and between meeting updates as appropriate.
- The Board is in the process of approving enhanced fiscal controls. Independent audit results will be presented directly, and in person, to the Board by WESD's new audit firm (Pauley, Rogers and Co.).
- Board communication with component districts is being enhanced through improved financial reporting, collaborative participation in service planning and rate setting. Agency or Board developments and changes are provided directly to component districts.
- The Board has established public/staff comment opportunities prior to and following each Board meeting. Direct access to Board members through email is facilitated on the agency website.

- Board communication has been improved to include regular detailed briefings described above, as well as issue driven reports delivered as identified. The Board is included in communication from the agency directed to component districts and stakeholders addressing these issues. Any requests by the Board for additional information or clarification will be the responsibility of the Superintendent and the Department Director responsible for the program area in question.
- The Board process of policy development and review is being evaluated and strengthened to clearly delineate roles and responsibilities for stewardship of agency governance. The Board has begun collaboration with the Oregon School Board Association as a partner in this review.
- Board policies on ethics and professionalism will be reviewed and strengthened. An agency initiative to orient staff to changes, elicit meaningful dialogue and instill this governance into agency fabric will be commissioned.
- The Board's level of active engagement in agency oversight and leadership is critical to WESD's success. Board members are better able to discharge their responsibilities with the improved accountability and transparency in agency reporting. The improved information flow also facilitates Board follow-up and resolution on identified issues.
- The Board policies on annual performance review of the WESD superintendent will be opened for Board review and revision. Policy language will be added that mandates solicitation of feedback and input on the superintendent's performance from ODE, component districts and other stakeholders and from agency staff. This feedback will be included with other accepted assessments and review of established goals in determining the superintendent's performance.

Superintendent/Management Recommendations

The action items that follow in this section respond directly to bulleted or sub-bulleted recommendations contained in the recommended Superintendent and management actions section of the Secretary of State audit report, page 18.

- WESD management will work with internal resources, assistance from partner ESDs and districts, and established standards of fiscal practice to improve agency internal controls and transparency. These policies and procedures will be trained and enforced to assure vigilant stewardship of public funds.
- WESD Business Department has developed reporting templates for component districts that reflect best practice standards in tracking fund allocation and distribution. When Board approved and adopted by districts, regular reports of district expenditure with remaining balances will be provided.
- WESD internal policies, procedures and internal controls are being revised and enhanced with assistance from consultants, the Oregon School Board Association, and partner ESDs and school districts.
- A complete review and correction of fund classification has been completed and component district fund are clearly identifiable. Individual tracking reports by district are in development as described above.

- WESD is working with Chief Financial Officers from ESDs and districts to adopt Business Services procedures that establish standards for practice, documentation and record retention on both financial reporting and the process for transaction approval and completion.
- Contract policies are being reviewed and improved to better define procedures for procuring and overseeing contracted services.
- Procedures have already been implemented providing clear and improved governance relating to purchase cards, expense reimbursement, travel status, meeting expense and catering.
- WESD Business Department staff have begun evaluating established procedures for financial reporting and accountability provided by varied government organizations for agency adoption.
- WESD administrative staff have begun training on new policies and procedures, including agency expectations regarding the training, implementation and enforcement of new and existing governance.
- Communication has been established as one of WESDs four key guiding principles. Communication standards have been established, with additional development at the Department level in process. Staff avenues that allow for the safe and transparent raising of concerns are being emphasized, with follow-up communication relating to concern evaluation/resolution.

Oregon Superintendent of Public Instruction Recommendation

WESD pledges to collaborate with the Oregon Department of Education, Oregon Association of Education Service Districts and the Oregon School Board Association to engage the education community toward an open network of resource and information sharing intended to enhance the identification and promotion of best practices across our shared responsibilities. Commonalities and experience in the development of governance, service delivery and Board training will be considered.

SUMMARY

WESD has made significant progress on an agency wide initiative focused on improving agency operations. This initiative is grounded in four key guiding principles of Communication, Collaboration, Transparency and Accountability. We are confident that we will successfully implement each recommendation in the Secretary of State audit report, as well as overall agency improvements focused on agency fiscal stability, enhancing organizational integrity and regaining the public trust. We will communicate our progress, and will request a return visit from the Secretary of State Audit Division after one year to affirm our complete implementation of the recommendations contained in this report.