



## Wyoming Department of Education

Dr. Jim McBride, Superintendent of Public Instruction  
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### MEMORANDUM 2008 - 166

**TO:** School District Superintendents

**FROM:** Mary Kay Hill  
Administration Unit Director 

**DATE:** October 17, 2008

**SUBJECT:** WDE response to Department of Audit, "Statewide Staffing Audit – July 1, 2005 through June 30, 2006" (dated June 10, 2008)

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### FOR YOUR INFORMATION

Many of you have received a copy of an audit conducted by the Wyoming Department of Audit, "Statewide Staffing Audit – July 1, 2005 through June 30, 2006" (dated June 10, 2008)

Attached you will find a response from Dr. Jim McBride. Questions regarding this response should be directed to Fred Hansen, WDE Director of Finance at (307) 777-7804 or via e-mail at [fhanse@educ.state.wy.us](mailto:fhanse@educ.state.wy.us).

MKH: jd

enclosures



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October 7, 2008

Director Mike Geesey  
State of Wyoming, Department of Audit  
Public Funds Division  
Herschler Building, 3<sup>rd</sup> Floor East  
122 West 25<sup>th</sup> Street  
Cheyenne, WY 82002

RE: Statewide Staffing Audit – July 1, 2005 through June 30, 2006 (dated June 10, 2008)

Dear Director Geesey:

The Wyoming Department of Education (“Department”) recently received the report conducted by the Wyoming Department of Audit of Statewide Staffing for the period July 1, 2005 through June 30, 2006. The document is dated June 10, 2008. I am writing in response to this report and the information contained therein.

It appears that our respective Departments have differing opinions with regard to the scope and breadth of the Department of Audit’s authority and the mission it was instructed to undertake with regard to auditing school finance data. On page one (1) of your report, a portion of the authorizing statute for the Department of Audit is cited. It states that the Department of Audit is required to:

Conduct periodic audits of **each school district pertaining to the data** required to be submitted to the department of education under law and by rule and regulation of the state superintendent of public instruction for **purposes of implementing and operating the school finance system** as defined under W.S. 21-2-203(a). (Emphasis supplied).

W.S. § 9-1-513.

The cited portion of the statute, subsection (b)(i), goes on to further specify the following:

Audits under this paragraph shall include **audits of systems supporting data collection** and **shall be performed on each school district** at least once within each three (3) year period. (Emphasis supplied).

W.S. § 9-1-513.

Every State agency, except in very limited circumstances, has only that authority which is expressly given to it by the Legislature via statute. This statutory language establishes the limits of the Department of Audit with regard to its authority in conducting the referenced audit. According to this statute, the Department of Audit is limited to conducting an audit of “school

district” data and the “systems supporting data collection” which is required by the Superintendent in “implementing and operating the school finance system.” The above referenced report, regarding Statewide Staffing, goes well beyond any statutory authority granted to the Department of Audit by the cited section – or any other statutory section.

The very foundation of this audit calls into question the work of the Legislature and its school finance consultants. This work, and the research that took place to formulate the staffing adjustment of the Education Resource Block-Grant Model (“EBGM”), was done at the direction of the Wyoming Legislature.<sup>1</sup> The formulations, adjustments, and data that was collected, which resulted in the staffing adjustment, and which is called into question by the Department of Audit, is encompassed within the model adopted by the 2006 Legislature as a result of recalibration.<sup>2</sup> There is no reference in the statutes that directs the Department of Audit to “audit” the work of the Wyoming Legislature and its school finance consultants. The audit conducted is not of “each school district pertaining to the data required to be submitted to the department” or the “systems supporting data collection” and not within the purview of the Superintendent in “implementing and operating the school finance system.” See *W.S. § 9-1-513(b)*. It is an audit of the adequacy of the salary component of the EBGM, done without legislative direction or authority to question the adequacy of that component. This audit doesn’t call into question the work of the Department. It calls into question the work of the Legislature and is done without statutory authority.

In addition, it is unclear to the Department how data can be audited against a standard that is unclear to the Department of Audit. The Department of Audit readily admits that it did not know the exact method of construction for the staffing component, nor the data utilized, by the

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<sup>1</sup> The Wyoming Legislature charged the School Finance Consultants with creation of a “cost-based” school finance model. The Department of Audit has reviewed the “expenditure” data of the school districts as compared to the model generated amounts. “Cost” is not synonymous with “expenditure” and the Legislature, its School Finance Consultants and the Department have gone to great lengths in the past to dispel this myth. The conclusions put forth in the Statewide Staffing Audit calls into question years of cooperation and effort by various State Agencies in creating a “cost-based school finance model.”

<sup>2</sup> The Department of Audit states that the Department has no knowledge of the Staffing Adjustment or the data that was utilized in formulating this adjustment. This is false. The Consultants, directed by the Legislature, published a report titled *An Evidence-Based Approach to Recalibrating Wyoming’s Block Grant School Funding Formula, Final Report, November 30, 2005*, which outlines the specific work undertaken in creation of the Education Resource Block Grant Model. Specifically, the staffing adjustment was conducted by Michael Podgursky and Michael Wolkoff, both well-respected employment economists with substantial expertise in conducting cost-based analysis of staffing components of school finance models. In addition, the Wyoming Legislature directed the Department to assist the Consultants in publication of the *Wyoming Funding Model: Guidebook and Technical Specifications, July 11, 2008*. This document provides an in-depth analysis and explanation of each model component, including staffing and can be found on the Department’s website at [http://www.k12.wy.us/F/Docs/WY\\_guidebook.PDF](http://www.k12.wy.us/F/Docs/WY_guidebook.PDF).

consultants in making their recommendations to the Legislature. *See Statewide Staffing Audit, Final Report for Audit, Period: July 1, 2005 – June 30, 2005, pp. 5-6.* The Department of Audit essentially took its “best guess” as to how those numbers were arrived at and then compared them to the staffing data submitted by the school districts. This is not a supportable method of setting a standard by which data is going to be audited. Without knowing the exact data utilized by the Consultants and the methodology for creation of the adjustment, the Department of Audit cannot determine that the amount provided is erroneous and does not reflect the costs borne by the districts.

As the work conducted by the Department of Audit related to the actual Staffing Component of the EBGGM was entirely outside of any legislative authority or mandate, the Department will not respond to the findings the Department of Audit has forwarded. Those findings and recommendations are legislative in nature and should be forwarded on to Management Council for its consideration.

In response to those findings which relate to the Department’s collection of data and the districts submission of data, it is worth noting that the time period studied by the Department of Audit, which resulted in the report on Statewide Staffing, coincides with a mandate by the Legislature for the Department to conduct an extensive study of data collection. The audit at issue is for the time period of July 1, 2005 through June 30, 2006. Prior to the Department of Audit commencing its study, the Legislature had already recognized the importance of data collection and its accuracy. During the 2005 Legislative Session, the Legislature directed the Department to undertake a study of data collection to improve the accuracy and efficiency of the EBGGM. In fact, the Legislature found it such a pressing priority, that it allocated almost a million dollars to the Department to undertake this effort. *See Wyo. Sess. Laws 2005, Chap. 141 Section (4)(a), (HB 0228).* The very issues cited by the Department of Audit in relation to data collection policies and procedures were under review by the Department as mandated by the legislation. The Department conducted the study, implemented the findings and changed the data collection procedure – all of which took place after the end of the audit period – as contemplated by the Wyoming Legislature. The Department of Audit undertook an effort to audit a procedure that the Wyoming Legislature allocated a large sum of money to the Department to study and correct. In light of this information, the approach by the Department of Audit seems that much further from the Legislature’s intent with regard to its role in conducting school finance audits.

Lastly, it appears that the audit conducted was beyond the experience of the personnel which conducted the audit. The Legislature undertook an extensive effort to find the best experts in the country to create the EBGGM and, specifically, the staffing component. The auditors employed by the Department of Audit do not possess the same school finance expertise that the consultants hired by the Legislature and are not in a position of knowledge and requisite expertise to audit this component of the model. Engaging in work outside of the scope of your expertise is dangerous and is not in accordance with generally accepted auditing procedures.

Geesey Ltr: Statewide Staffing Audit

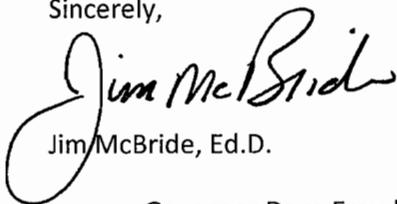
October 7, 2008

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*See Government Auditing Standards, United State Government Accountability Office by the Comptroller General of the United States, July 2007 Revision, Sections 2.03, 2.15, 3.33, 3.34, 3.36, 3.37, and 3.41-3.43*

In conclusion, in reading the audit in total and in light of the above information, it appears as if the Department of Audit has engaged in a biased effort to undermine the Department and the work of the Wyoming Legislature on school finance and the determination of the resources necessary to operate schools in the state, without the requisite expertise or statutory authority. If you have any questions or concerns regarding this matter, please do not hesitate to contact me. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Jim McBride". The signature is written in a cursive style with a large, looping initial "J".

Jim McBride, Ed.D.

cc: Governor Dave Freudenthal  
Dave Nelson, Legislative Service Office  
Superintendents, 48 Wyoming School Districts