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State of Hawaii
Charter School Review Panel
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April 8, 2009
9:00 a.m.
Conference Room 211

Testimony to
The Senate Committee on Ways and Means
Re: S.C.R. No. 84
Requesting the State Auditor to conduct an immediate
financial statement audit of Waters of Life Public Charter School
for FY 2006-2007 and FY 2007-2008

Dear Chair Donna Mercado Kim, Vice Chair Shan Tsutsui, and Members of the Committee:

Our names are Alvin Parker and Ruth Tschumy, chair and vice-chair of the Charter School Review Panel. We support S.C.R. No. 84, and we thank you for the opportunity to testify on this important matter.

In June, 2008, the Panel placed Waters of Life Public Charter School on probation for serious issues related to financial viability, organizational viability and local school board governance. The terms of probation were structured to help the school address these long-standing and on-going issues. It was the Panel's intent and hope that by resolving these problems, the resulting stability would enable Waters of Life to reassure its children, teachers and community about its commitment to them and to the education of their children.

After conducting a management audit of Waters of Life, the State Auditor issued a report (No. 05-01, January 2005) noting that "a financial audit and analysis is needed to answer questions about the school's long-term viability," adding, "Waters of Life's disregard for sound governance and business practices has placed its continued viability at risk." The school responded to the report by saying, "We accept the obligation to properly account for our public resources...It is unacceptable for check amounts not to match supporting documents. This has ceased as of October 11, 2004." Unfortunately, numerous subsequent events have discredited this statement.

Required by the terms of probation, an independent audit of FY 2005-06 was recently completed after numerous and lengthy delays by the school. Because the school was unable to provide the auditor with needed supporting documents, the auditor issued a disclaimed opinion and then withdrew from undertaking the FY 06-07 and 07-08 audits. Because of the disclaimed opinion and the withdrawal, the Panel has been unsuccessful in finding another independent auditor willing to immediately undertake the 06-07 and 07-08 audits.

The Panel wishes to fulfill its obligation to ensure that state funds are being used responsibly and accounted for in a fiscally sound manner, and believes the State Auditor, by conducting immediate financial statement audits of Waters of Life's FY 06-07 and 07-08 financials, will be able to determine if the school has accepted its "obligation to properly account for our public resources," as the school states it has.