

OVERVIEW

Audit of Student Transportation Services

Report No. 99-1, January 1999

Summary

This report was prepared in response to Section 46 of Act 116, Session Laws of Hawaii 1998 (the Supplemental Appropriation Act) which requested the State Auditor to conduct an audit of the student transportation program. This program provides subsidized school bus transportation services for eligible students traveling to and from public schools in grades kindergarten through 12th. The program also transports eligible special education students during the school day.

The audit focused on the Department of Accounting and General Services (DAGS), the agency responsible for procuring and delivering the services, and the Department of Education (DOE), the agency responsible for program oversight. We found that DAGS needs to improve the student transportation program. The methodology currently used to develop the base fare rate is questionable. The base fare rate is included in the State's contracted cost for each bus route. The internal controls are inadequate to assure that students are transported effectively and at least cost. For example, in FY 1997-98, the department's expenditures and encumbrances exceeded its authorized ceiling. This stemmed from the lack of adequate procedures to transfer and account for revenues from the pre-paid bus pass program. We also found instance of overpayments and outstanding encumbrances from appropriations that date back as far as 1986. We found that a weak internal control structure for the West Hawaii fleet operations, which consists of state-owned buses driven by state employees. Significant anomalies in the daily collections were never investigated and cash receipts and deposits do not reconcile. The department needs to develop procedures for recognizing and investigating irregular activities. We also found that DAGS uses a "50 percent" special provision that prevents true competition and violates the spirit and intent of Chapter 103D, HRS. The provision makes the program more costly for the State, has not been adequately reviewed, and may not be in compliance with administrative procedures outlined in Chapter 91, HRS.

We found that DOE needs to correct inefficiencies that are costing additional time and effort. The pre-paid bus pass program looks promising, but needs some improvement. Implementation varies among the pilot test schools, with some schools having serious accountability problems. The department needs to provide schools with better guidance on how to implement the program. We also found that DOE's efforts in the planning and coordination for student transportation could improve. DOE's failure to communicate changes in school calendars in a timely manner has created difficulty for DAGS but we recognize DOE is making improvements through the promotion of a complex-level calendar.

We also found that eligibility determination procedures were inefficient. Schools do not consistently verify eligibility, which may result in subsidizing transportation for unqualified students. The use of multiple forms for eligibility determination

program criteria is inefficient. The adoption of a single multi-use form to assist in eligibility determination for several subsidy programs should help efficiencies. We also note that the program could be more efficient by requiring forms to be filled out only for students requesting subsidy, rather than for all students.

Recommendations and Response

We recommend that the Department of Accounting and General Services (a) revise the base fare methodology to include control requirements already established under contract provisions and implement this methodology more frequently, (b) conduct a formal documented analysis of the "50 percent rule" to determine legality and feasibility, (c) improve personnel and fiscal accountability by implementing procedures for contract monitoring, investigations, and surveying contractor performance, and (d) improve the fiscal accountability of its West Hawaii fleet operations by implementing procedures for collections accounting and reconciliation.

We also recommend that the Department of Education improve (a) the fiscal and management controls over the pre-paid bus pass program by implementing policies and procedures outlined in the department's *User Policy Guide and Process Flow Manual*, (b) the procedures for reporting delays or service problems, developing projections of needed special education services, and requiring more timely submission of special education transportation requests, and (c) the controls over eligibility determination for full-subsidy ridership and bus pass processing.

The Department of Accounting and General Services noted that many of the operational accountability issues would be addressed once the pre-paid bus pass program is implemented statewide. DAGS agreed to review its investigative procedures and request a formal opinion relating to Chapter 91 compliance. However, we believe the issues revolve primarily around the procurement laws, Chapter 103D. While we generally agree that the pre-paid bus pass program offers some solutions to the problems discussed in the report, we caution that the program must have adequate internal controls in order to avoid creating other problems. The Department of Education expressed disappointment over an alleged lack of dialogue with DOE staff. Our records indicate such a deficiency to be untrue, especially in light of the legislative request for this audit. However, the DOE asserts that it will attempt to implement our recommendations even as it believes that our findings are "not necessarily consonant" with departmental directions.

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