
**Getting on Board: Follow-Up
on Recommendations Made in
Report No. 12-07, *Management
Audit of the Department
of Education's School Bus
Transportation Services***

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Report No. 15-06
May 2015



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. Financial audits attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. Management audits, which are also referred to as performance audits, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called program audits, when they focus on whether programs are attaining the objectives and results expected of them, and operations audits, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. Sunset evaluations evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
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5. Health insurance analyses examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. Analyses of proposed special funds and existing trust and revolving funds determine if proposals to establish these funds are existing funds meet legislative criteria.
7. Procurement compliance audits and other procurement-related monitoring assist the Legislature in overseeing government procurement practices.
8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.
9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawai'i's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



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At the time of our follow-up review, all of O'ahu's approximately 14,200 student bus riders were logged in the Transfinder route planning system, as were all but 369 of the approximately 8,200 regular education riders on Hawai'i Island

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<http://auditor.hawaii.gov/>

Getting on Board: Follow-Up on Recommendations Made in Report No. 12-07, *Management Audit of the Department of Education's School Bus Transportation Services*

Report No. 15-06, May 2015

The 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports to ensure agency accountability over audit recommendations. The purpose of this change was to apprise the Legislature annually of recommendations not implemented by audited agencies, and to require such agencies to submit a written report not later than 30 days after issuance of our report explaining why the recommendation was not implemented and the estimated date of its implementation.

The department has significantly reformed its school bus program, but much work remains

Our review focused on the DOE's implementation of 20 audit recommendations made in our 2012 Report No. 12-07, *Management Audit of the Department of Education's School Bus Transportation Services*. This report details each recommendation, its status, and actions taken related to the recommendation. We deemed eight recommendations closed (40 percent), nine open but in progress (45 percent), one open and not likely to be pursued (5 percent), and two were not assessed (10 percent).

Our 2012 audit found substantial deficiencies

Our 2012 audit, released in August 2012, described a sprawling, \$72.4 million operation that was in substantial disarray. The department had no system for evaluating bus routes for efficiency. Complete contract files did not exist. Contract monitoring was sparse, and transportation officers were ill-equipped to perform their duties. Lax procurement policies had allowed program costs to the State to nearly triple since 2006: despite soaring prices and little competition among bus companies bidding for contracts, department procurement personnel repeatedly determined that prices were reasonable—but provided no written rationale for these determinations. The assistant superintendent overseeing the program later said the pervasive pattern of single bids for contracts could have been the result of collusion among bidders, but the department had no guidance on how employees should deal with suspected anticompetitive practices. In brief, the department had lost control of the program.

The department has improved the program significantly

Although the department has taken significant steps to transform its school bus program from an antiquated program with feeble management controls into a modern, well-governed transportation system, the reforms are a work in progress.

The department has developed standard operating procedures and is implementing a computerized route planning system designed to ensure route efficiency. A new contract monitoring system anchors improved procedures for administering contracts. Transportation officers have received substantive training. And improved procurement procedures, including personnel changes, have led to increased competition among bus route bidders.

Nonetheless, reforms have not been rolled out statewide and will require continued work to implement and maintain. Also, the department has not created policies and procedures to deal with single competitive proposals and suspected anticompetitive practices. If, as reported in our 2012 audit, the department had previously lost control of the program, it is now gaining control.

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Education's School Bus
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A Report to the
Governor
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Hawai'i

Submitted by

THE AUDITOR
STATE OF HAWAI'I

Report No. 15-06
May 2015

Foreword

This is a report on our follow-up review of the recommendations we made to the Department of Education in Report No. 12-07, *Management Audit of the Department of Education's School Bus Transportation Services*, released in August 2012. We conducted our work pursuant to Section 23-7.5, Hawai'i Revised Statutes, which requires the Auditor to report to the Legislature on each recommendation the Auditor has made that is more than one year old and has not been implemented by the audited agency. We wish to express our appreciation for the cooperation and assistance extended to us by the Department of Education's management, staff, and others whom we contacted during the course of our review.

Jan K. Yamane
Acting State Auditor

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Chapter 1

Introduction

To ensure agency accountability over audit recommendations, the 2008 Legislature amended the Auditor’s governing statute to require follow-up reporting on recommendations made in various audit reports. The purpose of this change was to apprise the Legislature of recommendations not implemented by audited agencies. Section 23-7.5, Hawai‘i Revised Statutes (HRS), now requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited agency.

Legislative Request

The 2008 Legislature intended to provide itself greater oversight over the implementation of audit recommendations. Act 36, Session Laws of Hawai‘i (SLH) 2008, was modeled after a 2006 California law that enabled legislators to use agencies’ claims of progress against audit recommendations in their budget discussions.

The Hawai‘i Legislature asked the Auditor to report annually, for each unimplemented recommendation: (1) the agency that was audited; (2) the title and number of the audit report containing the recommendation; (3) a brief description of the recommendation; (4) the date the audit report was issued; and (5) the most recent explanation provided by the agency regarding the status of the recommendation.

In addition, agencies notified by the Auditor that a recommendation is considered not implemented must submit a written report to the Auditor, the Senate president, and the speaker of the House of Representatives within 30 days of being notified by the Auditor. The report must also include an explanation of why the recommendation was not implemented and an estimated date of when it will be implemented.

Objectives of the Review

1. Validate the claims made by agencies regarding implemented audit recommendations.
2. Report to the Legislature on audit recommendations not yet implemented.

Criteria

We relied on Chapter 23, *Auditor*, HRS; *GAO-07-731G Government Auditing Standards*, U.S. Government Accountability Office (GAO), December 2011 Revision; and *How to Get Action on Audit Recommendations*, U.S. General Accounting Office, July 1991, in the conduct of our review.

The GAO's criteria are especially useful for our purposes, since GAO also reports on the status of recommendations not fully implemented. GAO's reports are intended to "help congressional and agency leaders determine the actions necessary to implement the open recommendations so that desired improvements to government operations can be achieved." In particular, GAO reports on whether:

- Monitoring and follow-up are done by staff members responsible for, and knowledgeable about, the recommendation;
- Each recommendation is followed up on an ongoing basis, with at least semi-annual updates, and an individual recommendation follow-up plan is developed for each assignment; and
- Results intended by each recommendation and benefits expected from its implementation are defined as a basis for determining the adequacy of implementation.

Scope and Methodology

We based our scope and methodology on GAO's guidelines in *How to Get Action on Audit Recommendations* (1991). According to GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations—not the recommendations themselves—that helps government work better at less cost. Effective follow-up is essential to realizing the full benefits of audit work.

Our review, conducted between December 2014 and March 2015, focused on the Department of Education's implementation of our recommendations in Report 12-07, *Management Audit of the Department of Education's School Bus Transportation Services*, which we issued in August 2012. We followed standard office procedures for conducting audits pursuant to the Office of the Auditor's *Manual of Guides* and generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our objectives. We believe the evidence we

obtained provides a reasonable basis for our conclusions based on our review objectives.

Determining progress

The rate of progress of a recommendation's implementation depends on the type of recommendation. While some fall fully within the purview of an audited agency and can be addressed relatively quickly, others may deal with complex problems and involve multiple agencies, resulting in a long implementation period. Therefore, ample time should be afforded to agencies implementing recommendations in order for a follow-up system to be useful and relevant. In addition, GAO has found that action on recommendations usually occurs within the first three years. After that time, few recommendations are implemented.

With those observations in mind, we have determined an active follow-up effort is most effective and relevant if conducted three years after publication of an initial audit report. Too short an interval between audit report and follow-up might not give agencies enough time to implement a complex recommendation; too long might allow agencies to lose valuable personnel and institutional knowledge needed to conduct an adequate follow-up.

This review included interviews with selected administrators, managers, and staff from the department. We examined the department's policies, procedures, records, and relevant documents to assess and evaluate whether its actions adequately fulfilled our recommendations. Our efforts were limited to the inquiry, testing, and reporting on implementation of recommendations made in Report No. 12-07. We did not explore new issues or revisit old ones that did not relate to our original recommendations. Site visits and observations were conducted as needed to achieve our objectives.

Identifying key recommendations

The extent of work done to verify implementation depends on the significance of individual recommendations. For instance, GAO notes that while all audit recommendations should be aggressively pursued, some are so significant that added steps are needed to implement them. The significance of a recommendation depends on its subject matter and the specific situation to which it applies. Significance can be addressed in terms of dollars; however, dollars are only one measure, and not necessarily the most important one. For instance, recommendations to ensure safe operations often take precedence, since their implementation could prevent the loss of life, substantial bodily injury, or environmental contamination.

Closing recommendations

In accordance with GAO guidelines, we consider recommendations “closed” for the following reasons:

- The recommendation was effectively implemented;
- An alternative action was taken that achieved the intended results;
- Circumstances have so changed that the recommendation is no longer valid; or
- The recommendation was not implemented despite the use of all feasible strategies.

While these and other guidelines provide the basic ground rules for our review efforts, we recognize that effective follow-up needs to be tailored to particular recommendations and the results they seek.

Definition of terms

Closed: Recommendation has been addressed and implemented.

Open: Work on the recommendation has not started or cannot start because a precursor event has not occurred.

Open but in progress: Agency has taken action, but implementation of the recommendation is not complete.

Open and likely not to be pursued: Agency has no intention of pursuing implementation of the recommendation.

Not applicable: Recommendation is no longer applicable.

Did not assess: Did not assess recommendation implementation.

Summary of recommendations

Of the 20 recommendations in Report 12-07, eight were deemed closed (40 percent), nine were open but in progress (45 percent), one was open and not likely to be pursued (5 percent), and two were not assessed (10 percent). This report details each recommendation, its status, and actions taken related to the recommendation. Exhibit 1.1 shows the status of the 20 recommendations.

Exhibit 1.1**Status of Recommendations in Report No. 12-07,
*Management Audit of the Department of Education's School
Bus Transportation Services***

Status of Recommendation	No. of Recommendations	Percent of Total
Closed	8	40%
Open	0	0%
Open but in progress	9	45%
Open and not likely to be pursued	1	5%
Not applicable	0	0%
Did not assess	2	10%
Total	20	100%

Source: Office of the Auditor

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Chapter 2

The DOE Has Significantly Reformed Its School Bus Program, But Much Work Remains

Our *Management Audit of the Department of Education's School Bus Transportation Services*, Report No. 12-07, released in August 2012, described a program in disarray. The department had no system for evaluating bus routes for efficiency. Complete contract files did not exist. Contract monitoring was sparse. And transportation officers were ill-equipped to perform their duties. Meanwhile, lax procurement policies allowed program costs to the State to nearly triple since 2006, to approximately \$72.4 million. In sum, the department had lost control of the program.

Since the release of Report No. 12-07, the department has significantly reformed its school bus program. These changes reflect a substantially new system. We interviewed department managers and staff and analyzed supporting documents to understand the new transportation system. This chapter provides a brief overview of the new system, with a focus on how it addresses the recommendations made in Report No. 12-07.

Background

Hawai'i's school bus program is a sprawling operation. At the time of our audit, the statewide program encompassed some 830 buses carrying more than 40,000 students to and from school each day. In addition to transporting 38,958 regular education students from the vicinity of their homes to school and back, the program provided 3,587 special education students with curbside pick-up and drop-off service. Combined, the services were governed by 107 separate contracts.

Overseeing the massive, statewide operation was the Student Transportation Services Branch (STSB), housed under the Department of Education's Office of School Facilities and Support Services. The branch manager was responsible for planning and coordinating procurement of bus services statewide, monitoring the 107 contracts, and investigating complaints, among other duties. Transportation officers on O'ahu, Hawai'i Island, Maui, and Kaua'i were responsible for enforcing contract requirements and monitoring school bus activities in their assigned districts. In addition, the Procurement and Contracts Branch, housed under the department's Office of Fiscal Services, was in charge of issuing bus service contract solicitations and issuing awards, with assistance from the transportation branch manager.

Between 2006 and 2012, bus costs had nearly tripled to \$72.4 million

Under this management, costs soared. General fund appropriations to the bus program rose from \$25.5 million in FY2006 to \$73.2 million in FY2012. One response to the rising costs was to raise one-way fares from 35¢ to \$1.25. In addition, the department increased the qualifying distance for bus service from one to 1.5 miles for students in grades six through 12. Against this backdrop, the Legislature asked the department to identify additional ways to reduce costs. Our audit identified numerous problems and offered a number of recommendations.

There was no system for evaluating bus routes for safety and efficiency

One cause of the escalating prices, we found, was poor route planning. The department had no system for analyzing routes for cost efficiencies. The department did not consolidate routes. Routes were rarely changed. And the department lacked ridership, route mileage, and route descriptions needed to evaluate routes for cost savings. In addition, the department did not evaluate routes to ensure safety or employ best practices when establishing stops. Absent an approval process for locating stops, school children often decided the location of a bus stop.

The branch did not adequately administer contracts

Also lacking rigor was the Student Transportation Service Branch's contract administration process. Contract files were incomplete. The branch did not consistently keep required documents, such as annual reports and bus driver rosters. The branch manager assigned transportation officers to monitor contracts but did not create procedures for them to follow. As a consequence, the transportation officers monitored contractors passively, assuming bus companies fulfilled contract terms as long as there were no complaints from parents, teachers, or schools. Rarely did transportation officers inspect buses to ensure they met requirements for age, safety, and cleanliness. And when complaints arose, transportation officers sparsely documented them.

Procurement practices led to scant competition among bus companies

Lax procurement practices played an additional role in the department's inability to procure school bus services at fair and reasonable prices. Bus companies rarely if ever bid against each other for contracts. And prices for bus services were rising—as much as 259 percent higher over the previous contract for the same routes—to a level that the department acknowledged was difficult to justify.

Nonetheless, the department's procurement practices allowed this alarming trend to continue. Hawai'i's procurement law is designed to ensure that the State receives a fair and reasonable deal when it receives only one bid for a contract. Specifically, administrative rules require a procurement officer to determine in writing that an award made to a single bidder is fair and reasonable. But the procurement branch officer, who signed off on the fairness determinations, said she relied on

the transportation branch manager to conduct the analyses. However, the transportation branch manager admitted that typically there was no written analysis if a sole offer was deemed fair and reasonable. In brief, there was no documented explanation of how the department had determined that the soaring costs of school bus services were fair.

In addition, lax procurement practices appear to have led the department to accept single offers in some cases because of time constraints.

Despite a pattern of rising prices amidst a lack of competition among bus companies, the department failed to draw meaningful attention to highly suspicious anticompetitive practice among bidders and did not have a system in place to address such suspicions. DOE's assistant superintendent later said the pervasive pattern of single bids for contracts could have been the result of collusion among bidders. Administrative rules say that procurement officers should be alert to such issues and possibly perform market studies or contract reviews when potential problems arise; however, the department lacked procedures outlining how employees should deal with suspected anticompetitive practices.

Status of Recommendations

In 2012, we made numerous recommendations to address these deficiencies. Since then, the department has made strides, moving to reshape the school bus program from an outdated institution with feeble oversight of school bus vendors into a modern transportation system with an improved procurement process and a clearly defined contract management program. The work, however, is not complete. This is in part because consultants implementing the reforms have said it is more cost effective to wait until 2017 to implement these changes on Maui, Kaua'i, and Moloka'i. Regardless of the reason, most of the recommendations we assessed are still in the process of being implemented or are not likely to be pursued; as a consequence, we will likely need to return to the department in 2017 to determine whether the new system has been implemented statewide as planned.

Computerized route planning system promises to improve effectiveness and efficiency

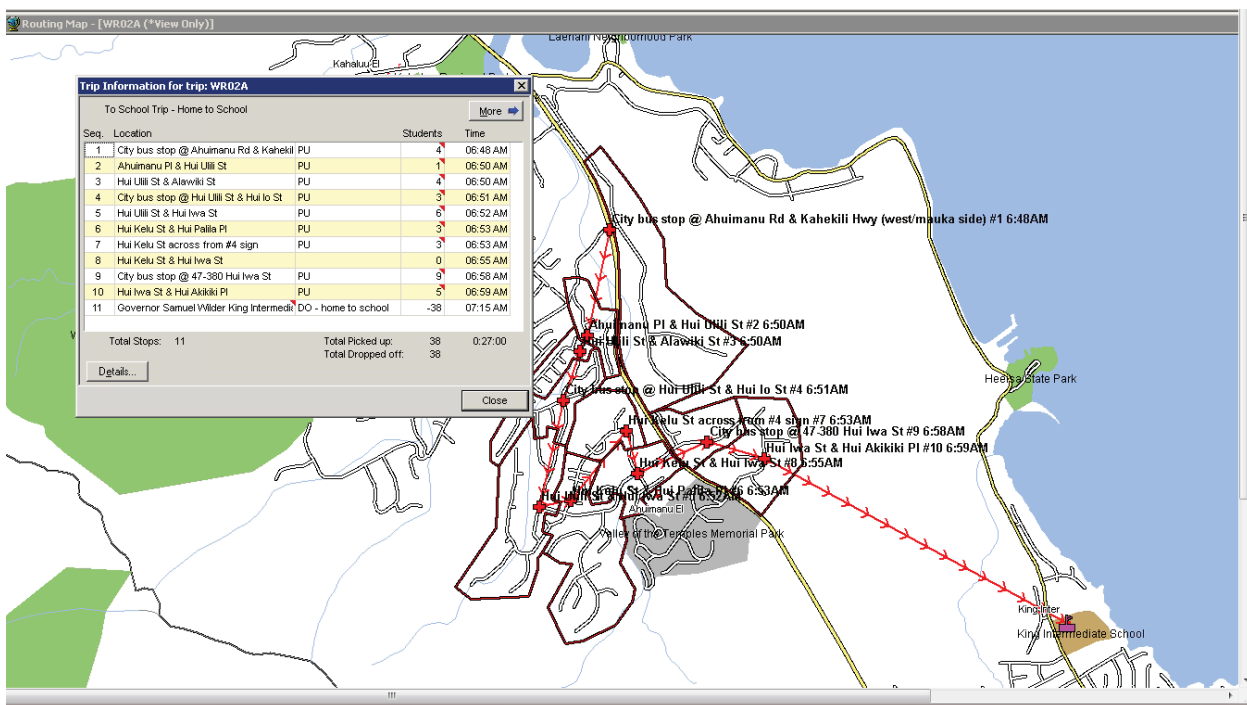
The department's route planning system is one of numerous examples of a work in progress. At the center of the reforming system is the branch's new, automated Transfinder route planning system. The branch has established standard operating procedures, which include standards for locating routes and stops. The branch is incorporating these procedures in tandem with the computerized Transfinder system, which is designed to ensure the efficiency of bus routes and service and to gather ridership data.

The Transfinder system allows the branch to assemble information including names and addresses of riders and use it to create rider

rosters and map the location of riders’ homes. The branch then uses a map to plot stops, which are located according to standard operating procedures. Branch staff typically place stops at existing city bus stops and at intersections with sidewalks. Staff inspect the sites and surrounding areas remotely using Google Maps’ Street View feature, or gather information from on-site inspections by transportation officers. The Transfinder system can then be used to help plot routes connecting the stops to the destination school. The department does not prescribe precise route paths for drivers to follow; rather, it relies on drivers’ judgment and experience to determine the best route to follow given traffic and other conditions.

Exhibit 2.1 shows an example of a route on O’ahu with a dialogue box open showing the estimated arrival time at each stop and the number of students to be picked up.

Exhibit 2.1
Example of Transfinder System Route Map



Source: Department of Education

Despite notable progress in bringing the system on line, the work is not finished. At the time of our inspection, all of O’ahu’s approximately 14,800 student bus riders were in the system, and all but 369 of the approximately 8,200 regular education riders on Hawai’i Island were logged. Plotting of students on other islands is to follow in the future. Until the automated system is fully implemented, the branch is gathering

**Contracts require
internal performance
audits**

route, mileage, and ridership data manually and uploading it onto its intranet website in a variety of documents; although this information is not as easy to access as it is in the Transfinder system, it is available if necessary.

Also in progress is implementation of new systems for administering contracts. The branch has adopted standard operating procedures outlining documents to be kept in contract files, for example. If followed, the procedures will result in a more rigorous file-keeping system consistent with the spirit of our recommendation. In addition, as part of its long-term plan, the branch intends to hire a contracts specialist to oversee contract files but has not done so yet. Until then, records are being maintained by the program manager.

Likewise, the branch still has not fully implemented our recommendation concerning training and guidance for transportation officers. Although new standard operating procedures delineate numerous procedures and seven of eight district transportation officers have passed a national exam necessary to be a certified transportation specialist, the department has not developed a manual for transportation officer duties.

The department has been more aggressive in implementing oversight of contracts. The department has repeatedly reviewed and revised its bus contracts over the past two years, creating a new contract for O‘ahu bus service starting in July 2014 and for Hawai‘i Island service starting in 2015. Among other changes, the contracts now require fuel adjustments every billing cycle, as opposed to at the end of a school year, as previously required.

Changes also include the new Contract Performance Management Program, which is in the process of being rolled out across the state, starting with O‘ahu and Hawai‘i Island. The program tracks contractor compliance against specific key performance indicators. Essentially, the program takes contract terms and uses them to create a checklist of items to be inspected. Data are uploaded to an evaluation table along with comments and feedback from contract monitors.

Previous contracts contained a number of provisions that allowed transportation officers to ensure bus companies were complying with contract terms. Nonetheless, our 2012 audit found the department monitored contracts sparsely.

The new Contract Performance Management Program describes how to monitor contracts and audit compliance. This includes submission of records such as bus inventories and driver rosters. The branch conducts on-site bus fleet reviews as part of the program. The program requires

each bus to be equipped with an automatic vehicle location (GPS) device that allows spot tracking of bus services being performed. The department conducts quarterly driver and vehicle inspections. And transportation staff physically inspect a number of driver employment records for compliance with regulations and contract terms.

To help implement the program, the department has developed a calendar to track deadlines and submissions of required contractor reports. Reports are maintained on the STSB's intranet. The plan is implemented on Oahu; Hawai'i Island will follow beginning June 2015, when a new contract goes into effect; and implementation on the rest of the neighbor islands is to follow. The Student Transportation Branch has also taken steps to log complaints consistently; however, maintaining the complaint logs will be an ongoing process.

The department has taken steps to ensure that transportation officers are better equipped to do their jobs, but the department still needs to do additional work in this regard. The department said this is because the transportation officer role is evolving in light of the overall strategy to reform the department's transportation program. Regardless, transportation officers still do not have all the tools we recommended they have to help them do their jobs effectively.

New procurement practices have led to increased competition

The department also has taken several steps to amend its procurement of school bus services. The result has been an increase in competition for contracts among bus companies. Increased competition reduces risks associated with the department entering into contracts when only one company has bid. Nonetheless, the department's new policies do not prevent the department from receiving a sole response in the future, and the department still has no policies and procedures to address that situation if it occurs.

The department's new policies mark a significant change in its procurement methods. The Office of School Facilities and Support Services has taken procurement responsibility from the procurement and transportation branches and moved it to the Auxillary Services Branch (ASB), Project Control Section. Additionally, the office has hired a project control section manager to oversee procurement, a procurement and distribution specialist II. This specialist has undergone the State Procurement Office's antitrust training, which helps procurement employees understand, spot, and prevent anticompetitive practices by contractors.

Furthermore, instead of an Invitation-for-Bids process to contract for bus services, the department now uses a Request-for-Proposal (RFP)

procurement method. Under the RFP process, rather than relying primarily on price, ASB analyzes, evaluates, and scores proposals based on multiple criteria, thereby fulfilling our recommendation that STSB conduct meaningful analysis of proposals. In addition, the department has also solicited proposals for contracts with sufficient time to attract competing offers: the O‘ahu contract bid solicitation period, for example, began on July 19, 2013, for service that was to begin on July 1, 2014. Finally, the department has sought to repackage bus route contracts in attempt to make them more attractive to more companies. The result has been that the department received six competitive proposals for O‘ahu services and four for Hawai‘i Island.

Still, given the problems associated with single offers in the past, it is troubling that the department has not adopted policies and procedures to deal with single proposals and potential anticompetitive practices. The procurement specialist in charge of school bus service contracts said the Hawai‘i procurement code and administrative rules provide substantial safeguards to protect the State against possible anti-competitive practices. Accordingly, the department is not likely to adopt additional policies and procedures beyond these, the specialist said.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
Recommendations to the Student Transportation Services Branch manager			
(1) Establish short- and long-range plans for ensuring the safety and efficiency of bus routes and services.	The department lacked a system for evaluating routes for safety and efficiencies relating to operating more than 830 buses that carried students to and from Hawai‘i public schools. The department did not use safety guidelines when planning stops.	Closed	The branch not only has planned but has also begun implementing a system for ensuring the safety and efficiency of bus routes and service.
(2) Create guidelines, policies, and procedures governing school bus routes and stops.	The department lacked a system for evaluating routes for safety and efficiencies relating to operating more than 830 buses that carried students to and from Hawai‘i public schools.	Closed	The branch has created standard operating procedures covering routes and stops.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(3) Ensure that the department has up-to-date and accurate route descriptions, ridership numbers, and route mileage statistics.	Planning was hampered by the department using a manual instead of computerized route planning system. The department also lacked accurate data needed to evaluate routes, including data on route mileage.	Closed	The branch has begun implementing a computerized system to plan routes and gather data. Until the system is implemented statewide, transportation staff is collecting route descriptions, mileage, and ridership data manually.
(4) Acquire and implement bus route planning software.	Planning was hampered by the department using a manual route planning system instead of a computerized system.	Open but in progress	Transfinder, a route planning system, has not been implemented statewide.
(5) Establish and implement a system for analyzing route efficiency, and creating an inventory of bus stops and evaluating them for safety.	The department lacked accurate data needed to evaluate routes, including data on route mileage. The department did not use safety guidelines when planning stops.	Open but in progress	Although the department has taken strides in this regard—implementing a system for analyzing route efficiency, and creating an inventory of bus stops and evaluating them for safety—this system has not been implemented statewide.
(6) Review contracts on a regular basis and revise them where necessary, including both routes and terms.	The department's procurement and transportation branches did not coordinate efforts to oversee school bus contracts, and monitoring of contracts was sparse.	Closed	The branch has repeatedly reviewed and revised contracts over the past two years. Although we deem this closed, the department should continue to review and revise contracts.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
<p>(7) Take a proactive role in assisting the Procurement and Contracts Branch (PCB) with securing bus service contracts by actively reviewing contract terms and conducting meaningful analyses regarding the fairness of single responsive offers.</p>	<p>It was unclear who if anyone analyzed single responsive contract offers to see if the offers were fair and reasonable.</p>	<p>Open but in progress</p>	<p>The department has taken several steps that address this multipart recommendation, although not precisely as written. Among other changes, the department has moved procurement responsibilities to a new manager in the Auxillary Services Branch, Project Control Section. The department also has adopted the Request-for-Proposal procurement method, which requires staff to analyze, evaluate, and score proposals.</p>
<p>(8) Ensure the branch maintains a complete contract file.</p>	<p>Complete contract files did not exist. Records of complaints were also sparse. Without information on complaints, and other information missing from files, the branch was in no position to support whether a contractor's services are adequate or inadequate when a contract comes up for renewal or rebid.</p>	<p>Open but in progress</p>	<p>The branch has created procedures which, if followed, will result in a more rigorous file-keeping system. As part of its long-term plan, the branch intends to hire a contracts specialist to oversee contract files but has not done so yet. Until then, records are being maintained by the program manager with the assistance of his administrative services assistant.</p>
<p>(9) Ensure contractors provide reports as required in their contracts, and that these are maintained within the contract file.</p>	<p>The department monitored bus service contracts sparsely. Required reports from contractors were often inadequate or missing from files. Transportation officers did not monitor contractors to make sure contractors were meeting contract terms.</p>	<p>Open but in progress</p>	<p>The transportation branch adopted the Contract Performance Management Program, which includes descriptions on how to monitor contracts and audit compliance. This includes submission of records such as bus inventories and driver rosters.</p>

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
<p>(10) Evaluate contractors' performance requirements and, where necessary, restructuring contracts to include specific performance requirements. Data to be collected should be sufficient to allow reasonable analysis of the fairness of future bus service contract bids.</p>	<p>The department monitored bus service contracts sparsely. Required reports from contractors were often inadequate or missing from files. Transportation officers did not monitor contractors to make sure contractors were meeting contract terms.</p>	<p>Open but in progress</p>	<p>The Contractor Performance Management Program has established a contract monitoring system. However, the program has been implemented only on O'ahu, not statewide.</p>
<p>(11) Implement annual price adjustments for fuel costs as required by contract terms.</p>	<p>The department's past practice was to adjust fuel costs at the end of the school year. This method proved unreliable and unresponsive to contractor needs, and the transportation branch did not make timely calculations of annual fuel prices to implement the price adjustments.</p>	<p>Closed</p>	<p>The department addressed this issue by changing the contract term; contracts now require monthly fuel adjustments.</p>
<p>(12) Conduct spot checks to ensure contractors are providing services and equipment as required.</p>	<p>Rarely did transportation officers provide required monitoring reports of bus inspections.</p>	<p>Open but in progress</p>	<p>The branch conducts on-site bus fleet reviews as part of the Contract Performance Management Program; buses also must be equipped with a GPS tracking device. The program and GPS requirement have begun on O'ahu and will expand to Hawai'i Island by June 2015.</p>

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(13) Verify the accuracy of information provided by contractors such as vehicle inventories, vehicle ages, and driver background checks.	Transportation officers rarely provided required bus inspection reports. Evidence of driver qualifications was often incomplete or missing from contract files, and there was no indication that transportation officers verified the accuracy of existing driver information.	Open but in progress	The department conducts quarterly inspections of driver records and vehicles under its Contractor Performance Management Program. The program has begun on O'ahu and will expand to Hawai'i Island in June 2015.
(14) Ensure that all complaints are logged in a central repository, with disposition and resolutions noted.	Although monitoring was conducted only via annual reports, investigation of complaints, and on-site visits, we found files on complaints were sparse.	Closed	A demonstration of the department's LotusNotes system corroborated that transportation branch staff record complaints from inception to resolution, uploading notes and commentaries. Transportation branch staff will need to continue to maintain complaint logs on an ongoing basis.
(15) Develop a manual outlining district transportation officers' tasks and how to perform them, and train transportation officers regarding these tasks. This may require reevaluating transportation officer roles and responsibilities.	The department entrusted route planning and contractor oversight to transportation officers who were ill-equipped to perform their duties, as they had been provided neither the training nor the guidelines needed to plan safe and efficient routes.	Open but in progress	Standard operating procedures outline numerous procedures. Also, seven of eight transportation officers have completed a national certification program. However, the department still has not developed a manual of transportation officer duties.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
Recommendations to the Department of Education			
(16) Develop and implement a policy concerning procurement training for all employees who have procurement responsibilities. The training should highlight indicators of potential anticompetitive practices and identify what staff are expected to do in response.	Lax procurement practices led the department to not respond to bidding patterns that should have alerted the department to potentially anticompetitive practices that may have contributed to rising contract costs.	Closed	To oversee the procurement of school bus service contracts, DOE's Office of School Facilities and Support Services has hired an in-house procurement project manager who has undergone antitrust training.
(17) Develop and implement procedures, including forms, for reporting suspected anticompetitive practices as envisioned by the Hawai'i Administrative Rules.	Although the department knew it had not been receiving competitive offers for school bus services, it failed to draw meaningful attention to highly suspicious anticompetitive practices among bidders and do not have a system in place to address such suspicious practices.	Open and not likely to be pursued	The project control section manager in charge of bus procurement said the department no policies and procedures specifically related to anticompetitive issues, but said the procurement code and administrative rules provide safeguards and the department is making structural changes to mitigate risk.
Recommendations to the Procurement and Contracts Branch			
(18) Ensure that the Student Transportation Services Branch conducts an analysis determining the fairness of single responsive offers before accepting such offers. Analyses should be documented and retained within contract files; and	Fairness determinations of single contract offers performed pursuant to procurement law lacked substance.	Did not assess	Since our audit, the department has issued two new contracts, for service on O'ahu and Hawai'i Island. Both received multiple proposals from vendors. As a consequence, we were not able to show that the department conducted meaningful analyses of single contract proposals.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
Recommendation to the Legislature			
(19) Ensure that the department solicits bids for expiring contracts with sufficient time to attract competitive offers.	The transportation branch often did not renew or resolicit contracts in a timely manner, which left little time for new bidders to put in competitive bids. The result was the existing contractor was the only offeror on the subsequent bid.	Closed	The O'ahu contract bid solicitation period began on July 19, 2013, for service that was to begin on July 1, 2014, which resulted in six competitive proposals. The Hawai'i Island solicitation resulted in four competing proposals.
(20) Consider amending the General Excise Tax law (Chapter 237, Hawai'i Revised Statutes) to explicitly prohibit the State from paying or reimbursing contractors for general excise taxes.	Although the State is not liable to pay general excise taxes, the department has agreed to compensate school bus companies for general excise tax costs in a number of school bus contracts.	Did not assess	