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**“Everything’s on
auto-pilot.”**

*—Response of a specialist
in the DOE’s Procurement
and Contracts Branch
when asked about
contract management
responsibilities once a
contract is awarded.*

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Management Audit of the Department of Education’s School Bus Transportation Services

Report No. 12-07, August 2012

*Ineffective and unsystematic management of student bus services
has resulted in spiraling costs*

Route costs, safety are not evaluated

Bus costs have risen dramatically in the past several years, with general funds spent on student transportation statewide nearly tripling, to \$72.4 million, since 2006. The Department of Education’s (DOE) response has included raising bus fares and reducing services by increasing the distances students must live from schools to qualify for bus service. Despite years of rising costs, the DOE has failed to adopt systematic planning that continuously evaluates routes to maximize ridership, maintains bus efficiency and ensures compliance with safety guidelines. Some bus routes rarely change, while changes that are made are not tracked, and bus stops are not evaluated for safety. Such inadequate planning has resulted in wasted state resources and potential liability exposure from the use of unauthorized bus stops.

The DOE also lacks data needed to evaluate routes for cost efficiencies, and has no system for ensuring such evaluations are routinely conducted. In several instances, according to department statistics, about 100 children are allocated to an individual route, when the maximum capacity for a large school bus is 72 passengers. The transportation branch also lacks other key planning data such as up to date bus route mileages. Further, responsibility for creating and monitoring routes to meet ridership needs resides with transportation officers who are ill-equipped and under-qualified for the amount and scope of work they are expected to perform. In addition, they have not been provided with comprehensive training, guidelines, or criteria for planning safe and efficient bus routes.

No accountability for escalating costs

The department recognizes it has not received competitive bus services bids in years and that follow-on bids for existing contracts have unjustifiably risen by as much as 259 percent. Despite this, the DOE has not established a systematic approach to monitoring contractor performance and ensuring competitive pricing for school bus services. It also has failed to flag potentially anticompetitive actions that may have contributed to rising costs. For instance, the DOE received multiple bids on only one of 48 groups of solicited routes that we reviewed. Further, the DOE has undermined public confidence in the procurement process by failing to adequately justify that eight out of ten contracts awarded to sole bidders were fair and reasonable. We found no justification at all for three of those awards, and justifications for the remaining five were cursory and lacked support.

The DOE has also failed to coordinate oversight of school bus service contracts between its procurement and transportation branches and has not instilled a responsibility for public resources among its employees. We found that nine of the ten contracts we reviewed included a provision for the department to compensate contractors for their general excise taxes (GET). The State is not liable for GET and it is illogical for the State to pay itself taxes. However, the DOE estimates it will pay more than \$2 million in school year 2012 for contractors’ GET. The department was unable to explain why it pays GET on most contracts.

Agency response

The department acknowledged that past practices relating to procurement, delivery, and oversight of student transportation services may not have been consistent with nationally recognized best practices and that much more work needs to be done to protect public transportation funds and improve public confidence. The department assured us it is working with a consultant to identify and implement corrective measures, many of which are outlined in our report. The department agreed that most of our recommendations are reasonable and prudent but disputed some of our conclusions. The board of education expressed its appreciation for our work and stated that examining bus transportation costs remains a high priority, and that it intends to review the report with the department at its next meeting.