

# PERFORMANCE AUDIT

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## Pittsburgh Public Schools Allegheny County, Pennsylvania

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June 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

Dr. Anthony Hamlet, Superintendent  
Pittsburgh Public Schools  
341 South Bellefield Avenue  
Pittsburgh, Pennsylvania 15213

Ms. Lynda Wrenn, Board President  
Pittsburgh Public Schools  
341 South Bellefield Avenue  
Pittsburgh, Pennsylvania 15213

Dear Dr. Hamlet and Ms. Wrenn:

We conducted a performance audit of the Pittsburgh Public Schools (District) to review its student transportation operations. The audit covers the period July 1, 2014 through June 30, 2018, with updates where applicable. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania and The Fiscal Code, 72 P.S. §§ 402 and 403, but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The audit focused on the District's transportation costs. We sought to determine if the District: a) employed a competitive bidding contract procurement process; b) implemented monitoring procedures to ensure compliance with contract terms and conditions; and c) evaluated the cost-effectiveness of the transportation contracts in effect during the audit period.

To accomplish our objectives, our procedures included, but were not limited to, the following:

- Obtained and reviewed the transportation contracts
- Interviewed appropriate District personnel to obtain an understanding of the procurement and contract monitoring processes
- Obtained and reviewed a select group of invoices and supporting documentation to gain an understanding of the payment process
- Reviewed the daily rate schedule and analyzed rate differentials
- Conducted a comparison of student rosters to vehicle capacities
- Obtained and reviewed available fuel consumption data for calendar years 2017 and 2018
- Calculated an estimated lost fuel tax refund for the calendar years 2012 through 2017
- Requested documentation supporting the transportation data submitted to the Pennsylvania Department of Education (PDE) to determine the accuracy of the transportation reimbursement

- Analyzed transportation reimbursement data reported to the PDE for the three school years 2014-15 through 2016-17
- Reviewed available contract monitoring documents and determined compliance with specific contract monitoring provisions

In addition, we sought to determine if the District had procedures to ensure that all of its contracted bus drivers had the required driver's license, physical exam, training, background checks, and clearances<sup>1</sup> as outlined in applicable laws.<sup>2</sup> We randomly selected 60 of the 958 bus drivers transporting students as of November 2018.<sup>3</sup> We reviewed documentation to ensure that the District complied with the requirements for its bus drivers. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures, when followed, ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

We obtained sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. The results of our audit procedures are contained in the four findings presented in this report. The findings and our related recommendations have been discussed with the District's management, and their responses are included after each finding. We believe the implementation of our recommendations will improve the District's transportation operations and facilitate compliance with laws, administrative requirements, and best practices related to our audit objectives. We appreciate the District's cooperation throughout the engagement.

Sincerely,



Eugene A. DePasquale  
Auditor General

June 11, 2019

cc: **PITTSBURGH PUBLIC SCHOOLS** Board of School Directors

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<sup>1</sup> Auditors reviewed the required state, federal, and child abuse background clearances from the most reliable sources available, including the Federal Bureau of Investigation (FBI), the Pennsylvania State Police, and the Pennsylvania Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

<sup>2</sup> 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8*.

<sup>3</sup> While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

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## Executive Summary

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### Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Pittsburgh Public Schools (District). Our audit focused on the District's transportation operations. We reviewed the procurement process, the contract monitoring process, and the cost-effectiveness of transportation contracts.

The audit covered the period July 1, 2014 through June 30, 2018, with updates where applicable. The engagement was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

### District Background Information

The District, the second largest school system in the Commonwealth of Pennsylvania, is an independent governmental unit with its own taxing powers and operations, providing a full range of educational services to students in grades pre-kindergarten ("Pre-K") through 12 who reside in the City of Pittsburgh or the Borough of Mt. Oliver. The 2010 census population of the two municipalities served totaled 309,107, covering a land area of 55.3 square miles.

The District's official 2017-18 membership included 23,711 students (Pre-K to 12) attending 54 schools. The average age of the District's buildings is 76 years. The District offers programs for general education, special education, vocational education, and early childhood education.

### Audit Conclusion and Results

Our audit found that the District did not apply best practices and failed to comply with certain relevant laws and regulations as detailed in the four findings.

#### **Finding No. 1: The District Did Not Competitively Bid Its Transportation Contracts and Used a Standard Rate Schedule That May Have Negatively Impacted Its Costs.**

In the four-year audit period from July 1, 2014 through June 30, 2018, the District collectively paid more than \$119 million to approximately 20 different transportation vendors. These vendors provided various types of transportation services encompassing taxi-cab services to specialized van services to large fleets of buses with seating capacities of up to 84 persons. Our review of the District's procurement process and its transportation contracts identified the following areas of concern.

- No competitive bidding and one-size-fits-all contracts
- Daily rates not tied to number of students transported and miles traveled
- Lack of two-hour minimum justification
- High rates differentials and low capacity ratios

The long-standing process of allowing a few District officials to negotiate with transportation vendors the contract terms, daily rates, and assigned routes, followed by a subsequent perfunctory Board approval of contracts every four-five years, diminished the transparency of the procurement process and the awarding of contracts to

transportation vendors. For too long, the District relied on daily rates established so long ago that no transportation department staff could recall the basis for the rates. In addition, the District allowed a contract structure to exist without any formal review or reconsideration of whether the contracts made sense for the District and fostered the highest quality service at the best price. As a result, the District may have allowed inefficiencies such as low ratios of number of students to vehicle capacities to drive up costs. (See page 4).

**Finding No. 2: The District Missed an Opportunity to Receive Fuel Tax Refunds Totalling an Estimated Nearly \$2 Million By Not Requiring Transportation Vendors to Comply with a Key Contract Provision.** For five consecutive years, the District failed to enforce compliance with its transportation contracts, which required vendors to provide fuel consumption data on a monthly basis. Therefore, the District did not seek fuel tax reimbursements through a well-established reimbursement request process used by other Commonwealth school districts. We estimate that the District missed the opportunity of receiving approximately \$1.99 million in fuel tax reimbursements.

District officials readily acknowledged that for the years in question, they did not require the vendors to provide such invoices and consequently did not seek reimbursement for the fuel taxes expense that were part of the daily rates paid to the transportation vendors. (See page 12).

**Finding No. 3: The District Failed to Retain Required Documentation to Support More Than \$32 Million in Transportation Reimbursements.** The District did not comply with the record retention provisions of the Public School Code when it failed to retain adequate

source documents to verify the accuracy of over \$32 million it received in transportation reimbursements from the Pennsylvania Department of Education for the 2014-15 through 2016-17 school years. Without proper documentation, we were unable to determine the appropriateness of the regular transportation reimbursement received by the District.

District officials attributed the lack of supporting source documentation to the former Transportation Director's unwillingness to require transportation contractors to submit odometer readings and student rosters. In addition, officials indicated that the former Transportation Director had an "aversion" to maintaining hard copy source documentation. (See page 18).

**Finding No. 4: The District Failed to Comply with Contract Requirements to Monitor Its Transportation Vendors for Performance and Safety Standards.** One section of the District's templated transportation contracts was entitled *Evaluation of Service and Compliance*, and it stipulated specific requirements for the District to monitor the transportation vendors. The District was contractually required to: 1) perform semiannual evaluations of each of its transportation providers and 2) visit each of its transportation providers in the first two weeks of August of each year of the contract to verify the accuracy of the vehicle registration cards.

The District did not comply with these important requirements to monitor its vendors, and in failing to do so, put students' safety at risk by potentially having unsafe vehicles transporting students. The District also missed opportunities to hold vendors accountable for the services provided and the costs they charged to the

District.

The District's inadequate internal procedures and failure to monitor its transportation vendors increased the risk of poor or inconsistent service from its vendors. (See page 23).

## Findings

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### Finding No. 1

### The District Did Not Competitively Bid Its Transportation Contracts and Used a Standard Rate Schedule That May Have Negatively Impacted Its Costs

#### *Criteria relevant to the finding:*

Section 427 (relating to Duties of [board] president) of the Public School Code (PSC) states, in part: “[t]he [P]resident shall be executive officer of the board of school directors and as such he, together with the secretary, when directed by the board, shall execute any and all deeds, contracts, warrants to tax collectors, reports, and other papers pertaining to the business of the board, requiring the signature of the president.” See 24 P.S. § 4-427.

Section 2541 (relating to Payments on account of pupil transportation) of the PSC provides that school districts shall be paid by the Commonwealth for every school year for costs related to pupil transportation.

Daily miles traveled, the greatest number of pupils transported, days of service, and contractor cost are an integral part of the transportation reimbursement calculation. These factors must be reported accurately to the Pennsylvania Department of Education in order to receive the correct reimbursement. See 24 P.S. § 25-2541.

In the four-year audit period from July 1, 2014 through June 30, 2018, the Pittsburgh Public Schools (District) collectively paid more than \$119 million to approximately 20 different transportation vendors. These vendors provided various types of transportation services encompassing taxi-cab services to specialized van services to large fleets of buses with seating capacities of up to 84 persons. Our review of the District’s procurement process and its transportation contracts identified several areas of concern. This finding details the following significant flaws in the transportation vendor contracting process which may have negatively impacted costs:

- No competitive bidding and one-size-fits-all contracts
- Daily rates not tied to number of students transported and miles traveled
- Lack of two-hour minimum justification
- High rates differentials and low capacity ratios

#### Background

With more than 22,000 students enrolled in the 2017-18 school year, the District had the second highest enrollment in the Commonwealth.<sup>4</sup> As a District serving a major metropolitan area, its transportation department managed numerous transportation vendors, nearly 600 vehicles, and a complex system of transportation routes and student needs, including safety requirements. The payments to the transportation vendors comprised the vast majority of transportation services expenditures. For the four-year audit period, the cumulative payments to vendors ranged from a low of approximately \$468,000 for one vendor to a high of more than \$32 million for another.

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<sup>4</sup> This was second only to the Philadelphia School District.



*Criteria relevant to the finding  
(continued):*

Chapter 23 (Pupil Transportation) of the State Board of Education's Regulations provides that a school district's board of directors is responsible for the negotiation and execution of contracts or agreements with contractors, drivers of district vehicles, and common carriers. *See* 22 Pa. Code Chapter 23.

Section 23.4 (relating to Responsibilities of the district board of school directors) of Chapter 23 of the regulations states as follows, in part: "The board of directors of a school district is responsible for all aspects of pupil transportation programs, including the following: . . . (2) The selection and approval of appropriate vehicles for use in district service and eligible operators who qualify under the law and regulations . . . (7) The negotiation and execution of contracts or agreements with contractors, drivers of district's vehicles and common carriers and submission of pertinent documents to the Department for approval of operation." *See* 22 Pa. Code § 23.4(3) and (7). (Emphasis added.)

The District's transportation department, during most of the audit period and through the date of this report, comprised approximately ten employees led by a Transportation Director, who reported to the District's Chief Operating Officer (COO).

#### No Competitive Bidding and One-Size-Fits-All Contracts

The District never solicited bids for transportation. It also never conducted any other type of competitive, public procurement process. District officials stated that in past years two District officials negotiated specific contract terms with vendors outside of public view, and the Board of School Directors (Board) approved the contract renewals with long-time vendors without soliciting public bids. Such an opaque practice could not have fostered competition to achieve the best combination of price and quality of service for the District, its students, parents, and residents. While the Public School Code (PSC) does not require competitive bids for transportation contracts, we believe it is in the District's best interest to solicit bids for high dollar contracts.

The contracts with the transportation vendors were templated, one-size-fits-all contracts created so long ago that no one currently at the District could recall when they were first utilized. The contracts had no sub-agreements or codicils, which could have tailored certain terms of the contracts to the type and volume of services provided by individual vendors. The contracts also did not provide for assigned routes or other service terms related to individual vendors. This condition of vague, broad contract terms reduced transparency and also provided no incentive to achieve cost efficiencies, such as optimizing the ratio of student riders to vehicle capacities, as discussed in more detail later in this finding.

#### Daily Rates Not Tied to Number of Students Transported and Miles Traveled

The templated contracts for all of the vendors each had the same Exhibit A, entitled "daily rate sheet" that detailed the various rates that would be charged to the District. The rates were broadly based upon transportation run time, vehicle capacity, and/or vehicle type. District officials stated repeatedly in writing that they did not know the factors or cost bases underlying the daily rates. The

officials also emphasized that they did not know how or when the rates were first established.

Year after year, during the five most recent years up to and through the 2018-19 school year, the daily rates increased. The percentage increases during this five-year period ranged from a low of 1.4 percent in 2015-16 to a high of 3.0 percent in 2016-17. However, we found no evidence that District officials or the Board at any time—even before the audit period—ever reconsidered what factors comprised the daily rates that were paid to the vendors and whether the rates were appropriate.

The contracts contained no provisions for adjusting the daily rates downward in the event of economic shifts such as lower fuel costs, increased fuel efficiencies, or other improvements in transportation cost management trends. In fact, we found that at no time were the rates reduced.

After so many years of renewing the rate sheets as part of the templated contracts with no formal consideration for adjustments other than annual increases, the rates would have become arbitrary rather than having a basis in costs, including fuel costs.

#### Lack of Two-Hour Minimum Justification

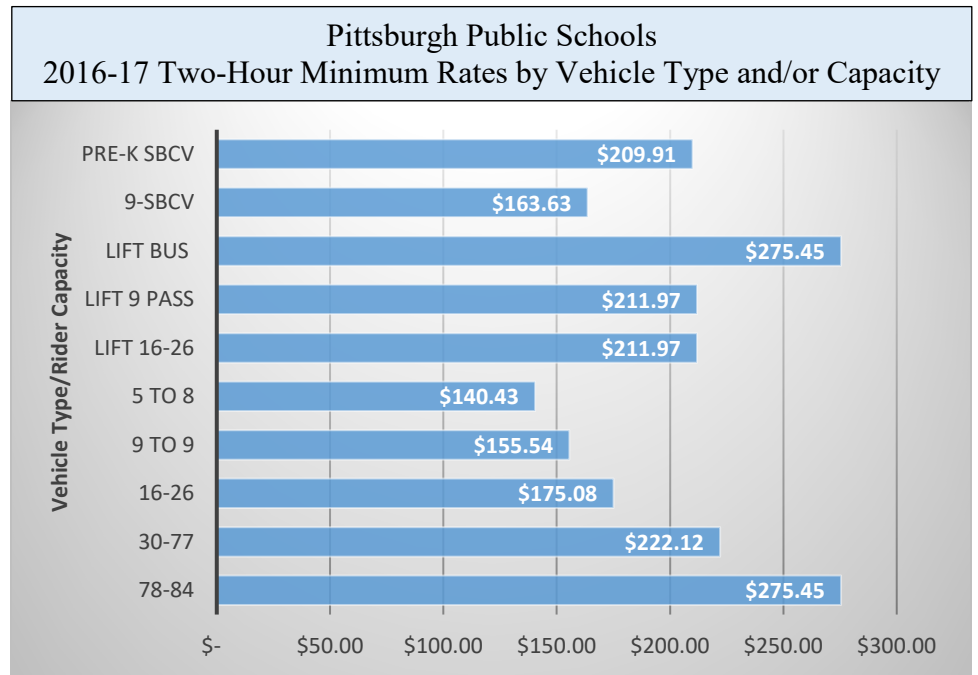
According to the rate schedule, the minimum time charged for transporting District students to and from schools was 2 hours. Charges for run times increased by half-hour increments up to 5.5 hours, at which point an all-day rate was triggered. There were also rates established for off-peak runs including charges for idle time.

Our review of invoices and supporting documentation revealed that several vendors each had multiple vehicles with runs that were completed in less than or equal to 1.5 hours even after factoring in a 20 minute “Excess Time Allowance” for traffic and other delays. We asked officials why there was not a 1.5-hour minimum rate rather than the 2-hour minimum rate, but District officials could not explain why, other than saying that the 2-hour minimum was established years ago. This lack of a justification for the 2-hour minimum rate may have resulted in unnecessarily higher costs.

High Rates Differentials and Low Capacity Ratios

Figure 1 below illustrates the various rates that were levied in the 2016-17 school year for the 2-hour minimum charge as applied to vehicles transporting students to and from District schools.

Figure 1



We noted a nearly **27 percent rate increase** from the 16-26 capacity vehicles at \$175.08 to the \$222.12 rate for the 30-77 capacity vehicles, and a **24 percent rate increase** from the 30-77 capacity vehicles at \$222.12 to \$275.45 for the 77-84 capacity vehicles. With such a significant increase in the daily rates from one capacity group to the next, coupled with the large spread in the 30-77 vehicle capacity group, we determined that an examination of the number of students transported, as reported to the Pennsylvania Department of Education (PDE), compared to the vehicle capacity for the 2016-17 school year to identify potential savings was warranted.

For the 2016-17 school year, which was the most recent year for which data was available from the PDE, we reviewed the District’s ratio of students assigned to specific vehicles to the vehicle capacities for the 72-seat and 84-seat capacity vehicles. We found that almost 26 percent of the 72-seat capacity vehicles were assigned student rosters of

less than 30 students. For the 84-seat capacity vehicles, almost 40 percent were assigned rosters of less than 50 percent capacity. Figure 2 below highlights these significant statistics.

Figure 2

Pittsburgh Public Schools Student Rosters Compared to Vehicle Capacity 2016-17 School Year			
Vehicle Capacity	Total # of Vehicles	# of Vehicles with Low # of Students	% of Vehicles with Low # of Students
72-seat capacity	190	49 (≤ 29 students)	25.8%
84-seat capacity	38	15 (less than 42 students)	39.5%

With the significant differences in the daily rates applied for the different capacity vehicles, the District may be paying more than it should be for the number of students transported. If the District had more closely matched the number of students to the vehicle capacity, the potential savings to the District for the 2016-17 school year could have been over \$550,000, as shown in Figure 3 below.

Figure 3

Pittsburgh Public Schools Potential Savings 2016-17 School Year				
Vehicle Capacity	# of Vehicles with Low # of students	Rate Differential <sup>5</sup>	Potential Daily Savings	Potential Annual Savings <sup>6</sup>
	(A)	(B)	(A x B)	(B x 180)
72-seat capacity	49 (< 29 students)	\$47.04	\$2,304.96	\$414,892.80
84-seat capacity	15 (≤ 41 students)	\$53.33	\$ 799.95	\$143,991.00
<b>Total Potential Savings</b>			<b>\$3,104.91</b>	<b>\$558,883.80</b>

<sup>5</sup> The rate differential was calculated based on the 2-hour minimum daily rates. For the 72-seat capacity, the 16-26 capacity rate was \$175.08 and the 30-77 capacity rate was \$222.12 for a \$47.04 differential. The 84-seat capacity differential of \$53.33 was calculated based on the 30-77 rate of \$222.12 compared to the 77-84 rate of \$275.45.

<sup>6</sup> Buses typically run on a 180-day schedule.

We recognize that there are several variables that factor into matching up vehicle capacity and students transported. For example, maximum capacity for an 84-seat vehicle can only be achieved with three students to a seat which can be a challenge for upper grade students. Even when considering the variables, there may be potential savings that could be realized if the District conducted an in-depth review of the rate differentials and of the vehicle capacity structure. For instance, our review also showed that the District utilizes 36-seat capacity vehicles, and we found that 70 of the 190 vehicles with a 72-seat capacity had 35 or less students assigned. If the District were to restructure its daily rate schedule with a lower rate for a 36-seat capacity vehicle, it could potentially realize additional savings.

### Conclusion

The long-standing process of allowing just a few District officials to negotiate with long-time transportation vendors the contract terms, daily rates, and assigned routes, followed by a subsequent perfunctory Board approval of contracts every four-five years, diminished the transparency of the procurement process and the awarding of contracts to transportation vendors. For too long, the District relied on daily rates established so long ago that no transportation department staff could recall the basis for the rates. In addition, the District allowed a contract structure to exist without any formal review or reconsideration of whether the contracts made sense for the District and fostered the highest quality service at the best price. As a result, the District may have allowed inefficiencies such as low ratios of number of students to vehicle capacities to drive up costs.

### **Recommendations**

The *Pittsburgh Public Schools* and its Board should:

1. As soon as possible, solicit a request for bids or proposals for all District transportation services. This procurement process should encourage the submission of cost structures that will foster competitive pricing and factor in fuel cost trends, students transported, and miles driven. The terms could allow for periodic adjustments to prices based on sharp increases or decreases in fuel and other costs.

2. Review its daily rates to encourage quality service and cost efficiencies by formally reviewing the basis of the rates and the vehicle capacity structure and tying them more directly to the number of students transported.
3. Tailor its contracts with specific transportation vendors to ensure that expectations are clear and to provide a public accounting of routes and types of services that will be provided by each vendor according to its corresponding contract.

### **Management Response**

*Pittsburgh Public Schools* management provided the following response:

“Pittsburgh Public Schools does not believe that a request for bids or proposals would be beneficial for a district of our size. The District requires the use of several different carriers to obtain the number of vehicles necessary to meet the needs of our student population. Having a different rate structure for each carrier would make the accounting much more cumbersome and current District software for billing wouldn’t support this structure. The District believes that any lower rates of one carrier would likely be offset by the higher rates of another; a uniform rate schedule would be more manageable, predictable and fair. The District believes the fuel peg in paragraph #49 of the contract allows for periodic adjustments for fuel price changes.

The district realizes that efficient use of vehicle capacity is both important and desirable. However, we are unpersuaded by the apparent assertion that tying carrier reimbursement to the number of students transported, rather than vehicle capacity and miles traveled, encourages either quality service or cost efficiencies. There are times when the district finds itself having to use whatever vehicle is available from a contracted carrier in order to complete the work, even if it is not the most efficient.

The expectation of customer service is the same for all of the carriers. The accommodation of changing student needs throughout the year makes it difficult for the District to specify exactly which routes a particular carrier is going to service for the life of the contract. For example, increases and decreases in ridership on a particular route will often

necessitate finding vehicles with different capacities which may not be available from the current contractor.”

### **Auditor Conclusion**

Based on past accumulative experience, we have found that both large and small districts have financially benefited from soliciting bids for student transportation operations and customizing transportation contracts for the individual services provided. Additionally, during our discussion with District officials about its transportation operations, these officials stated that the District was in the process of developing and implementing competitive bid procedures. We continue to recommend that the District solicit a request for bids for transportation services and customize contracts with transportation vendors to services provided.

The District’s current accounting software allows for different rates for different bus capacities and run times. Therefore, it seems reasonable to assume that the District’s current software would allow for different rates for different transportation vendors and the routes the vendors service. The District’s goal when contracting for transportation services should be to best balance cost and service needs.

While the fuel peg<sup>7</sup> in paragraph no. 49 allows for adjustments for fuel price changes, it is important for the District to ensure that the most cost efficient vehicles are used to transport students when paying a daily rate. As shown in our finding, the District was not maximizing the seating capacity of vehicles used to transport students. During our audit period, the District had a significantly high percentage of 72 and 84 seat capacity buses with a low number of riders. This is not cost efficient for the District since they are contractually obligated to pay a higher rate for 72 and 84 seat capacity buses that are used to transport District students.

We encourage the District to review and update rates for its new 2019-20 transportation contracts. Additionally, we urge the District to take a more active role in route planning throughout the school year to ensure that the most cost efficient vehicles available are used by its transportation contractors.

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<sup>7</sup> A fuel peg is the minimum price for fuel, in dollars per gallon, above which the District will pay a surcharge.

## Finding No. 2

## The District Missed an Opportunity to Receive Fuel Tax Refunds Totaling an Estimated Nearly \$2 Million By Not Requiring Transportation Vendors to Comply with a Key Contract Provision

### *Criteria relevant to the finding:*

Section 9004(e)(3) of Chapter 90, *Liquid Fuels and Fuels Tax*, of Pennsylvania's Vehicle Code provides for exceptions to the imposition of liquid fuels taxes and states, in part:

“The tax imposed under subsections (a), (b), (c) and (d) shall not apply to liquid fuels, fuels, or alternative fuels . . . (3) Delivered to this Commonwealth, a political subdivision, . . .” (School districts are political subdivisions of the Commonwealth.) *See* 75 P.S. § 9004(e)(3).

According to the Department of Revenue's Bureau of Motor & Alternative Fuel Taxes:

“Under the Pennsylvania Consolidated Statutes, Title 75 (Vehicle Code), liquid fuels (gasoline) and fuels (diesel) are **tax free** when purchased by a Political Subdivision. All Political Subdivisions must maintain proper records of receipts and disbursements of all liquid fuels and fuels purchased and used.”

*See*

[https://www.revenue.pa.gov/GeneralTaxInformation/Tax%20Types%20and%20Information/MAFT/Documents/exempt\\_entity\\_political\\_subdivision\\_info.pdf](https://www.revenue.pa.gov/GeneralTaxInformation/Tax%20Types%20and%20Information/MAFT/Documents/exempt_entity_political_subdivision_info.pdf) (Accessed on March 22, 2019).

For five consecutive years, the District failed to enforce compliance with a key accountability provision in its contracts with its transportation vendors. If the District had enforced compliance with its contracts, which required vendors to provide fuel consumption data on a monthly basis, it would have been able to seek fuel tax reimbursements through a well-established reimbursement request process used by other Commonwealth school districts. We estimate that the District missed the opportunity of receiving approximately \$1.99 million in fuel tax reimbursements. District officials readily admitted several times, verbally and in writing, that the District did not enforce this provision of the contract and subsequently did not seek reimbursement of the taxes. As a result, the District failed to reduce its transportation costs, and in turn, decreased the funds available for other purposes, including important educational programs.

Because the transportation vendors fuel consumption data for the five-year period was not available for us to review, we could not determine the actual amount of the reimbursement that the District was eligible to receive. In addition, District officials could not provide us with fuel reimbursement information for 2011 (submitted March 2012), the last year in which it filed for and received a reimbursement. Therefore, our estimate of the total amount the District failed to request and receive is based upon the reimbursement request submitted by the District for the 2018 calendar year.

### Background

The Liquid Fuel Tax Reimbursement is based upon the fuel taxes paid in a calendar year. The application for this



*Criteria relevant to the finding  
(continued):*

According to the Board of Finance and Revenue's *Instructions for Liquid Fuels Tax Refunds to Political Subdivisions*:

“(2) Claims for refunds by political subdivisions will be made annually, ending the 31<sup>st</sup> of December, and shall be submitted to the Board of Finance and Revenue **no later than the 31<sup>st</sup> day of March of the succeeding year**, and the Board shall refuse to consider a claim received or postmarked later than such date.

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(6) Each such claim shall be accompanied by receipts/statements indicating that the liquid fuels tax was paid on the liquid fuels for which reimbursement is claimed.”

See

<https://www.patreasury.gov/bfr/>

The District's Policy No. 717, *Payment of Bills*, states in part:

The District is exempt from sales tax on the purchase of tangible, personal property or services that are sold or used by the District . . . In order to monitor these activities, the Superintendent or designee shall develop procedures to assure coordination and accumulation of information and proper reporting and remittance to the Department of Revenue.

reimbursement is due to the Board of Finance and Revenue (BF&R) by March 31 of the following year. According to the BF&R, the District last made a submission for reimbursement in March 2012, which would have been for the fuel taxes paid in 2011. Therefore, the District did not request a refund for the 2012 through 2016 calendar years.

After receiving a standard reminder notification from the BF&R in early 2018, the District began attempting to collect 2017 fuel consumption data that it needed from its transportation vendors in order to submit the Liquid Fuels Tax refund claim. However, because the District had not previously established a precedent of requiring vendors to provide the necessary documentation in accordance with the contracts, the District only obtained *some* of the appropriate documentation from 4 of its 20 vendors, and that documentation was not complete (i.e., the vendors did not provide all of the fuel consumption and other required documentation for the entire year). Using the partial data, the District applied for and received \$223,112 in fuel tax reimbursements for 2017. As the reimbursements were related to only four of the District's vendors, it is reasonable to assume that the 2017 reimbursement would have been significantly higher if the data was provided by all vendors.

The District then sent an official notification letter to all vendors mandating them to provide the monthly fuel documentation for the full 2018 calendar year as required in the contracts. The District compiled the fuel consumption data collected and prepared the claim form for the 2018 fuel tax refund. The District determined that it is eligible to receive \$494,751 in Liquid Fuels Tax reimbursements for the 2018 year—more than double the \$223,112 partial reimbursement it received for 2017.

### Clear Contract Terms and Objective

Pursuant to Pennsylvania's Vehicle Code, political subdivisions, including school districts, are exempt from liquid fuels (gasoline) and fuels (diesel) taxes.<sup>8</sup> Since the District used contracted transportation vendors and since fuel costs were passed onto the District through the daily rates charged by the vendors, the District was, therefore,

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<sup>8</sup> Subsection (e)(4) of Section 9004 (relating to Imposition of tax, exemptions and deductions) of the Liquid Fuels and Fuels Tax Act. See 75 Pa.C.S. § 9004(e)(4). This subsection relates to exceptions for political subdivisions.

*Criteria relevant to the finding  
(continued):*

Transportation Vendor Contracts:  
¶ 59 of the 2017 templated  
contracts and ¶ 53 of the 2012  
contracts stated exactly:

CARRIER agrees to furnish two monthly invoices for all contracted pupil transportation services. The invoices will be: (1) Verified invoices listing gallons of fuel consumed in vehicles providing pupil transportation with additional evidence that the state tax was paid in accordance with the Liquid Fuels and Fuels Tax Act, and, (2) An invoice which includes all costs for providing pupil transportation.

entitled to seek reimbursement of the taxes paid on the fuel purchases.

Accordingly, the templated contracts between the District and its numerous transportation vendors included the prescribed language as required by the BF&R, requiring the transportation vendors to furnish two monthly invoices. Specifically, the contract required the vendors to submit; “(1) [v]erified invoices listing gallons of fuel consumed in vehicles providing pupil transportation with additional evidence that the state tax was paid in accordance with the Liquid Fuels and Fuels Tax Act, and, (2) An invoice which includes all costs for providing pupil transportation.”<sup>9</sup> This requirement clearly required accountability from the vendors so that the District could seek reimbursement for the taxes paid as part of the daily rate charged by the vendors.

District officials readily acknowledged that for the years in question, they did not require the vendors to provide such invoices and consequently did not seek reimbursement for the fuel taxes expense that were part of the daily rates paid to the transportation vendors.

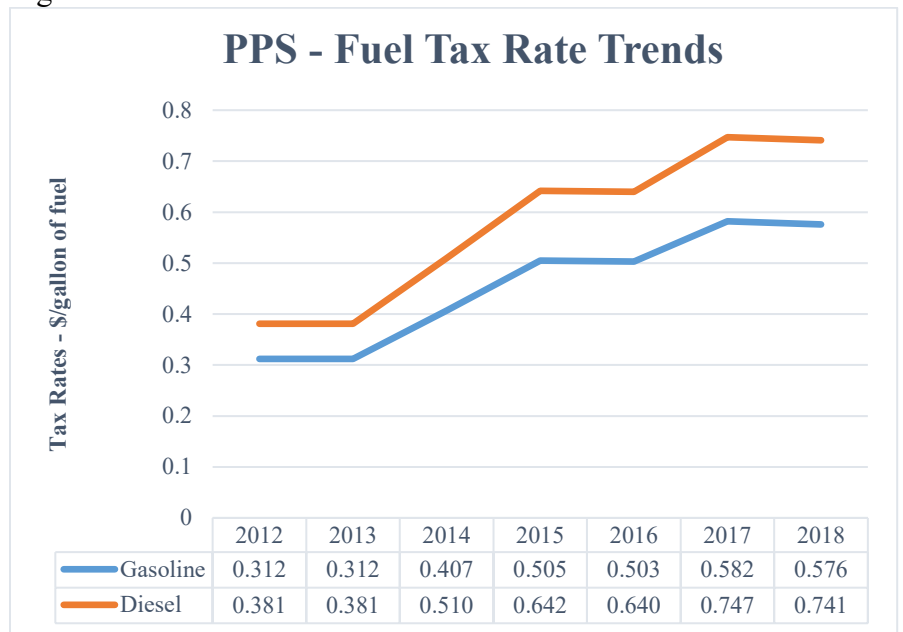
#### Missed Fuel Tax Reimbursements During a Trend of Increasing Tax Rates

Over the course of the audit period when the District was not tracking gallons of fuel consumed to transport its students, the fuels tax rates increased. The chart in Figure 1 below illustrates the trend for this period for which data were available from the Pennsylvania Department of Revenue.

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<sup>9</sup> See ¶¶ 53 and 59 respectively of the 2012-13 and 2016-17 contracts between the District and its vendors.

Figure 1<sup>10</sup>



We reviewed the transportation data that the District submitted to the PDE for reimbursement and found that the total mileage numbers did not fluctuate significantly over the audit period. Since total mileage remained relatively stable, we can assume that the fuel consumption also remained steady. Therefore, using the gallons consumed data from the District’s 2018 application for the fuel tax refund and the tax rates from Figure 1 above, we calculated an estimated annual refund that the District would have been eligible to receive, as shown below.

<b>Pittsburgh Public Schools Estimated Lost Fuel Tax Refund 2012-2017 Calendar Years</b>	
<b>Calendar Year</b>	<b>Total Estimated Refund</b>
2012	\$259,170
2013	\$259,170
2014	\$342,950
2015	\$428,860
2016	\$427,340
2017	\$273,688 <sup>11</sup>
<b>Totals</b>	<b>\$1,991,178</b>

<sup>10</sup> Source: Pennsylvania Department of Revenue, <https://www.revenue.pa.gov/GeneralTaxInformation/Current%20Tax%20Rates/Pages/LFFT%20Rates.aspx>, accessed on January 4, 2019.

<sup>11</sup> The District received a partial refund of \$223,112 for 2017 so this amount was subtracted from the total estimate of \$496,800.

## Conclusion

For years, the District ignored a key provision of its contracts with transportation vendors. It failed to hold vendors accountable for fuel consumption data. Further, the District itself then failed to account for and seek reimbursement of fuel taxes, unnecessarily costing the District potentially millions of dollars in lost fuel tax reimbursements. The lack of standardized procedures, coupled with a lack of adequate contract monitoring to ensure compliance with this important cost management clause resulted in the District losing out on significant funds that could have been used for the education of its students. The fuel tax reimbursement provision was not the only area where the District demonstrated inadequate contract monitoring. See Finding No. 4 for details about other contract provisions with which the District did not ensure compliance.

## **Recommendations**

The *Pittsburgh Public Schools* should:

1. Establish standard, written procedures for both its carriers and its own transportation department to ensure that the District receives monthly invoices detailing the gallons and type(s) of fuel consumed each month. The procedures established for the transportation department should require the timely filing of fuels tax reimbursement requests with the Board of Finance and Revenue and an accounting of all fuel consumed and reimbursements requested. The procedures should include written attestation of a review and approval control.

## **Management Response**

*Pittsburgh Public Schools* management provided the following response:

“Management does agree with the finding, regarding the District missing an opportunity to receive fuel tax refunds between 2011 to 2016, however actions steps were taken to correct the situation prior to notification of an audit by the Auditor General. On October 26, 2017, [name removed], Chief Operation Officer, provided [name removed], Director of Pupil Transportation with the standard reminder

notification form from BF & R instructing him to begin collection of the 2017 fuel consumption data from transportation carriers.

#### District Actions Steps

In late 2017, the District's Transportation Department began to draft an excel [*sic*] tracking sheet to help Transportation Carriers comply with paragraph #59 of their contract. Paragraph #59 requires verification of gallons of fuel consumed by each vehicle and additional evidence that the sales tax was paid in accordance with the Liquid Fuels Tax Act.

Carriers were provided a spreadsheet that must be maintained throughout the school year and turned in to the Transportation Department on a monthly basis. The spreadsheet includes three tabs. The first tab "Fuel Tax Summary" is a summary spreadsheet used to track the gallons purchased for each month. The "Invoice Sheet" tab summarizes data related to the purchase of fuel. The "Vehicle Listing" compiles information such as vehicle type, route number and fuel type of each vehicle. Carriers are now compiling and submitting appropriate data and the District has applied for the 2017- & 2018-year refunds.

The Transportation Department will include written procedures documenting the collection of data from the Carriers for Liquid Fuels Tax in the Transportation Handbook currently being drafted."

#### **Auditor Conclusion**

We are pleased that the District has begun using a tracking sheet to better enable transportation vendors to compile fuel consumption data and report this information to the District. We encourage the District to monitor the monthly completion of this tracking sheet for all transportation vendors and take appropriate actions if any vendors fail to complete this monthly tracking sheet.

## Finding No. 3

## The District Failed to Retain Required Documentation to Support More Than \$32 Million in Transportation Reimbursements

### *Criteria relevant to the finding:*

The PSC provides that school districts receive a transportation subsidy for most students who are provided transportation. Section 2541 (relating to Payments of pupil transportation) of the PSC specifies the transportation formula and criteria. *See* 24 P.S. § 25-2541.

### **Total Students Transported**

Section 2541(a) of the PSC states, in part: "School districts shall be paid by the commonwealth for every school year on account of pupil transportation which, and the means and contracts providing for which, have been approved by the Department of Education, in the cases hereinafter enumerated, an amount to be determined by multiplying the cost of approved reimbursable students transportation incurred by the district by the district's aid ratio. In determining the formula for the cost of approved reimbursable transportation, the Secretary of Education may prescribe the methods of determining approved mileages and the utilized passenger capacity of vehicles for reimbursement purposes." *See* 24 P.S. § 25-2541(a).

The District did not comply with the record retention provisions of the PSC when it failed to retain adequate source documents to verify the accuracy of over \$32 million it received in transportation reimbursements from the PDE for the 2014-15 through 2016-17 school years.

Without proper documentation, we were unable to determine the appropriateness of the regular transportation reimbursement received by the District. It is absolutely essential that records related to the District's transportation expenses and reimbursements be retained in accordance with the PSC's record retention provision (for a period of **not less than six years**) and be readily available for audit.<sup>12</sup> As a state auditing agency, it is extremely concerning to us that the District did not have the necessary and legally required documents available for audit. Periodic auditing of such documents is extremely important for District accountability and verification of accurate reporting.

School districts receive two separate transportation reimbursement payments from the PDE. The regular transportation reimbursement is broadly based on the number of students transported, the number of days each vehicle was used to transport students, and the number of miles that vehicles are in service, both with and without students. The supplemental transportation reimbursement is based on the number of charter school and nonpublic school students transported at any time during the school year.

### **Regular Transportation Reimbursement**

The number of students transported, number of days transported, and miles driven are the basis for calculating

<sup>12</sup> *See* 24 P.S. § 5-518.

*Criteria relevant to the finding (continued):*

### **Annual Filing Requirement**

Section 2543 of the PSC sets forth the requirement for school districts to annually file a **sworn statement** of student transportation data for the prior and current school year with PDE in order to be eligible for the transportation subsidies. See 24 P.S. § 25-2543.

Section 2543 of the PSC, which is entitled, “**Sworn statement** of amount expended for reimbursable transportation; payment; withholding” states, in part: “[A]nnually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year . . . The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied **with the law or regulations** of the State Board of Education.” (Emphasis added.) Id.

the regular transportation reimbursement amount. Therefore, it is essential for districts to document, verify, and retain odometer readings, student rosters, and any changes that may occur during the school year, for each vehicle transporting students.

In this case, the District did not maintain sufficient documentation of this information for the three years reviewed. The table below shows the student and vehicle data reported to the PDE and the regular reimbursement the District received for each school year.

**Table 1**

<b>Pittsburgh Public Schools Transportation Data Reported to the PDE</b>			
<b>School Year</b>	<b>Reported Number of Students Transported</b>	<b>Reported Number of Vehicles</b>	<b>Total Reimbursement Received</b>
<b>2014-15</b>	21,892	626	\$10,867,997
<b>2015-16</b>	21,284	587	\$10,818,706
<b>2016-17</b>	21,291	572	\$10,354,889
<b>Totals</b>	<b>64,467</b>	<b>1,785</b>	<b>\$32,041,592</b>

As illustrated in the table above, the reported number of students transported, the reported number of vehicles, and total reimbursement received all decreased from the 2014-15 to the 2016-17 school years. However, the total reimbursement received for the 2015-16 and 2016-17 school years did not decrease at the same rate as the reported number of students transported and the reported number of vehicles. Based on past accumulative experience, reported information of this nature coupled with the significant amount of total reimbursement received increases the risk of errors and, therefore, warrants a detailed review of the reported information. In this case, we were unable to determine the accuracy of the reported information due to the District’s failure to retain appropriate supporting documentation.

### **Failure to Retain Source Documentation**

Transportation data is submitted through an application on the PDE’s secure website and is certified by the school district’s Superintendent. The District reported its

*Criteria relevant to the finding (continued):*

### **Record Retention Requirement**

Section 518 of the PSC requires that financial records of a district be retained by the district for a period of **not less than six years**. See 24 P.S. § 5-518.

**PDE instructions for Local Education Agencies (LEA) on how to complete the PDE-1049. The PDE-1049 is the electronic form used by LEAs to submit transportation data annually to PDE.**

<http://www.education.pa.gov/Documents/Teachers-Administrators/Pupil%20Transportation/eTran%20Application%20Instructions/PupilTransp%20Instructions%20PDE%201049.pdf> (accessed on March 8, 2018).

#### Daily Miles With

Report the number of miles per day, to the nearest tenth, that the vehicle traveled with pupils. If this figure changed during the year, calculate a weighted average or sample average

#### Daily Miles Without

Report the number of miles per day, to the nearest tenth, that the vehicle traveled without pupils. If this figure changed during the year, calculate a weighted average or sample average.

Chapter 23 (relating to Pupil Transportation) of the State Board of Education Regulations provides that a school district's board of directors is responsible for the negotiation and execution of contracts or agreements with contractors, drivers of District vehicles, and common carriers. See 22 Pa. Code Chapter 23.

transportation data for each year of the audit period and the District's Superintendent signed the certification statement attesting to the accuracy of the data.<sup>13</sup>

When we requested the supporting documentation for the regular transportation reimbursement it received during the audit period, the District provided us with District-generated "vehicle daily rate reports." The "vehicle daily rate reports" contained mileage, number of students transported, and number of days transported; however, since this is a District-generated report, we could not rely on this data alone. Therefore, we requested the source documents (i.e. vehicle odometer readings and student rosters maintained by the transportation contractors), but the District was unable to produce these documents. Consequently, we could not determine whether the District received too much, too little, or the appropriate amount of transportation reimbursement from the PDE.

District officials attributed the lack of supporting source documentation to the former Transportation Director's unwillingness to require transportation contractors to submit odometer readings and student rosters. In addition, officials indicated that the former Transportation Director had an "aversion" to maintaining physical, as opposed to electronic, source documentation.

### **Conclusion**

The District failed in its fiduciary duties to taxpayers and was not in compliance with the PSC by not retaining this information. Without the documentation, we could not determine whether the amount of regular transportation reimbursement received was appropriate. Transportation expenses and the subsequent transportation reimbursements are significant factors that can impact the District's overall financial position. Therefore, it is in the best interest of the District to ensure that it regularly and consistently meets its fiduciary duties and complies with the PSC's record retention requirements.

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<sup>13</sup> The PSC requires that all school districts annually file a sworn statement of student transportation data for the prior and current school year with the PDE including a certification that the district has complied with all applicable provisions of law or state regulations in order to be eligible for transportation subsidies.



*Criteria relevant to the finding  
(continued):*

Section 23.4 (relating to Responsibilities of the district board of school directors) of the regulations states as follows, in part: “The board of directors of a school district is responsible for **all aspects** of pupil transportation programs, including the following: . . . (1) The selection of means of transportation in conformance with the law and regulations. (2) The selection and approval of appropriate vehicles for use in district service and eligible operators who qualify under the law and regulations . . . (5) The furnishing of rosters of pupils to be transported on each school bus run and trip. (6) The maintenance of a record of pupils transported to and from school, including determination of pupils’ distances from home to pertinent school bus loading zones. (7) The negotiation and execution of contracts or agreements with contractors, drivers of district’s vehicles and common carriers and submission of pertinent documents to the Department for approval of operation.” See 22 Pa. Code § 23.4(3) and (7). (Emphasis added.)

## **Recommendations**

The *Pittsburgh Public Schools* should:

1. Immediately take the appropriate administrative measures to ensure that it retains all documentation supporting the transportation data reported to the PDE, including odometer readings and student bus rosters, in accordance with the PSC’s record retention requirements.
2. Establish a safe and adequate location to store all source documents and calculations supporting the transportation data submitted to the PDE.
3. Ensure that record retention procedures are documented and staff are trained on the procedures.

## **Management Response**

*Pittsburgh Public Schools* management provided the following response:

“While the District does not agree with the finding relating to records and believes it has provided the records required, the district will review its current process for document retention and will maintain and provide records prescribed by the Auditor General. The Transportation Department would run computer generated monthly billing data and verify the student count right on the invoices. The Transportation Department did not retain student rosters that correspond with the monthly invoices each month but did retain Vehicle Daily Billing Reports. The Vehicle Daily Billing Reports were provided to the Auditor General. The documents that The Transportation Department use for submitting to PDE did verify and hand write any missing student counts on the printed paperwork and have that documentation available. [*sic*] After verifying the accuracy of the data, it is entered into the PDE website with the correct data.

### District Action Steps:

The District will create a procedure for collecting and documenting odometer readings from the Carriers on a monthly basis.

Moving forward monthly student rosters will be generated and saved electronically. The new process will take place at the same time the monthly Carrier bills are processed.

The Transportation Department will include written procedures for documenting, verifying and retaining odometer readings, student rosters, and any changes that may occur during the school year, for each vehicle in the Transportation Handbook currently being drafted.”

### **Auditor Conclusion**

We cannot emphasize enough how important it is for the District to comply with the PSC and retain documentation to support the transportation data submitted to the PDE. Periodic auditing of the District’s transportation reimbursements from an outside agency like the Department of the Auditor General is extremely important for District accountability and to ensure that the use of taxpayers’ funds is done with accuracy, transparency, and accountability. Without the documentation to support the reported data, we could not determine if the over \$30 million the District received from the PDE for the 2014-15 through 2016-17 school years was too much, too little, or the correct amount.

While the District asserts that its Transportation Department verified the student count data before it was submitted to PDE, we were unable to confirm that assertion because the student rosters were not retained. In addition, the Vehicle Daily Billing Reports alone are not sufficient to determine the accuracy of the data submitted to PDE. It is important to note that by not retaining student rosters and mileage data during the audit period, the District was unable to complete a secondary review of this information prior to submitting it to the PDE for reimbursement. In our experience, we have found that school districts that complete a secondary review of transportation data, by someone outside of the transportation department, report more accurate transportation data to the PDE.

We are pleased that the District is developing specific retention procedures for documentation that supports transportation data submitted to the PDE. Additionally, we are encouraged by the District’s decision to include the retention procedures as part of its Transportation Handbook that is currently being drafted.

## Finding No. 4

## The District Failed to Comply with Contract Requirements to Monitor Its Transportation Vendors for Performance and Safety Standards

### *Criteria relevant to the finding:*

According to a contract section entitled, *Evaluation of Service and Compliance*, ¶¶ 52 and 53 of the District's templated transportation contracts for 2016-17 through 2020-21 stated the following, respectively:

SCHOOL DISTRICT'S Direct of Pupil Transportation will evaluate the provision of services by CARRIER under this Agreement **twice annually**. The evaluation process will take into consideration, by way of illustration but not limitation, the following items: (1) CARRIER'S safety record; (2) transportation complaint record; (3) CARRIER'S vehicles' condition, including cleanliness and mechanical condition; (4) CARRIER'S vehicle facility—housing and maintenance; (5) CARRIER'S general contractual compliance and responsiveness to SCHOOL DISTRICT'S transportation needs. (Emphasis added.)

CARRIER agrees that a representative from SCHOOL DISTRICT'S Pupil Transportation staff will visit CARRIER'S garage during the first two weeks of every August, and at other times as Director of Pupil Transportation may require, to verify accuracy of vehicle identification cards. CARRIER also agrees to cooperate with and facilitate such verification by DISTRICT'S representative.

As discussed in previous findings, over the course of the four-year audit period, the District had templated contracts with about 20 different transportation vendors. One section of the contracts was entitled *Evaluation of Service and Compliance*, and it stipulated specific requirements for the District to monitor the transportation vendors. The District was contractually required to: 1) perform semiannual evaluations of each of its transportation providers and 2) visit each of its transportation providers in the first two weeks of August of each year of the contract to verify the accuracy of the vehicle registration cards.

The District failed to comply with these important requirements to monitor its vendors, and in failing to do so, put students' safety at risk by potentially having unsafe vehicles transporting students. The District also missed opportunities to hold vendors accountable for the services provided and the costs they charged to the District. Further, no senior administrators held transportation department officials accountable for failing to comply with this contractual requirement. There were no written, standardized procedures in place, and there was no departmental reporting or review process. The District's inadequate internal procedures and failure to monitor its transportation vendors increased the risk of poor or inconsistent service from its vendors.

### Clear Contractual Obligations

The District had clear contractual obligations to routinely monitor the service of its numerous transportation vendors. The semiannual evaluations clause required the District to evaluate each transportation vendor in the following five categories:

1. Safety record
2. Transportation complaint record

*Criteria relevant to the finding  
(continued):*

Nearly identical contract language also existed in the 2012-13 through 2015-16 templated contracts.

The District's Board Policy No. 908, *Transportation*, states in part:

The Board shall contract for school vehicle and bus services with private carriers and the Port Authority for transportation of students to and from school . . . . The Board shall provide transportation services as follows . . . .

All carriers who enter into transportation contracts with the school district will be expected to engage in a transportation carrier evaluation process. Carriers will be evaluated twice annually on five (5) major elements – safety record; complaint record; vehicle condition including age, cleanliness and mechanical condition; carrier facilities – housing and maintenance; and carrier responsiveness to Board needs.

The District's Board Policy No. 900, *Records Management*, states, in part:

The Board shall retain, as a permanent record of the District, Board minutes, annual auditor's reports, and annual financial reports. All other financial records, including financial account books, orders, bills, contracts, invoices, receipts, and purchase orders, shall be retained by the District for a period of not less than six (6) years . . . .

3. Condition of the vehicles, including cleanliness and mechanical condition
4. Vehicle facility, including housing and maintenance
5. General contractual compliance and responsiveness to the District's transportation needs

The contracts also required transportation department staff to visit each vendor's garage to verify the accuracy of vehicle registration cards. The contracts required this visit to take place during the first two weeks of August of each year, which would have therefore occurred just before the start of the new school year. The contracts also stipulated that staff could visit garages "at other times as Director of Pupil Transportation may require, to verify accuracy of vehicle [registration] cards."

As discussed in the next section, the District did not comply with either of these vendor oversight requirements in the contracts or its own transportation policy, which reiterated the same vendor oversight requirements.

No Standard Procedures, Poor Recordkeeping, and Overall Noncompliance

While the District had a board policy that supported the vendor oversight provisions in the contracts, transportation department and senior administrative officials readily acknowledged that the District did not have standard, written procedures in place to ensure that the required evaluations were conducted twice annually.

As part of a walk-through of the procedures for conducting the semiannual evaluations of the vendors, we requested copies of the two evaluations that should have been performed for one randomly selected vendor for each year in the four-year audit period. We were provided copies of only three evaluations rather than the eight that we requested.

The three evaluations provided lacked information that would be necessary to ensure accountability as described below.

- One of the three was not dated.
- None of the three identified who completed the review.
- None of the three had staff or vendor signatures.

*Criteria relevant to the finding  
(continued):*

The Superintendent shall designate a Records Coordinator as the primary contact for the following:

1. Training for District personnel regarding the handling of records in accordance with this policy and the Records Management Plan, including procedures for records descriptions, categorization, preservation, retirement and responsibilities in the event of a litigation hold . . . .

- None of the three included any indication as to whether or not there was any follow through when vendors received low scores in one or more categories or overall. Examples are provided below, with the score of 1 being poor and 10 being excellent.
  - One vendor received a 3 for “Safety Person Accessibilities.”
  - Another vendor received a 4 for “Cleanliness of Vehicles.”
  - A third vendor received a 5 for “School Complaints” and a 5 for “Office Staff Response with Parents and Transportation Staff.”

When we asked a senior administrative official how it ensured the District complied with the vendor monitoring clauses, which also required District staff to visit the vendor garages in August of each year, the official stated, “I cannot speak for how the Transportation Department handle [sic] this throughout the contract of 2017. But currently there is a template being used to verify this information.” We requested copies of four evaluations that should have been completed for the 2017-18 school year and two other evaluations that should have been completed for the first part of the 2018-19 school year to determine if the procedures were documented on the new template. The District could only provide us with one of what should have been six evaluations. While the newly designed template is comprehensive and allows for documentation of all five evaluation areas, as well as the vehicle identification information, it will not serve its intended purpose if the garage visits never occur in the first place.

As a result of the review of the inadequate and incomplete records, as well as numerous interviews with transportation department staff, we concluded not only that the transportation department’s record-keeping was poor but also that the District failed to comply with these key vendor monitoring provisions. This failure to monitor the transportation vendors also put the District in noncompliance with its own board policies related to transportation and record-keeping.

### Conclusion

While transportation department staff stated that they developed a template to document the evaluation process beginning in the 2017-18 school year, the template was not

used consistently and, more importantly, **important vendor monitoring clauses in the District’s transportation contracts were long ignored and disregarded by the District’s senior administration and Board.** The District’s failure to consistently monitor transportation vendors in accordance with the contract terms and with its own policy may have put District students at risk of harm and may have increased the risk of the District paying for services that were not provided in accordance with contract terms and conditions.

### **Recommendations**

The *Pittsburgh Public Schools* should:

1. As soon as possible, develop and implement standard, written procedures to ensure that the District conducts evaluations of all of its vendors twice annually in accordance with the contract requirements for all five categories (i.e., safety record; complaint record, condition of the vehicles, vehicle facility, general contractual compliance, and responsiveness). The District should also include procedures for establishing consequences and follow-through when vendors receive low scores in certain categories or overall. The procedures should include written attestation of a review and approval control.
2. Develop and implement standard, written procedures to ensure that the District verifies the accuracy of the vehicle identification cards in August of each year at all of its vendors’ garages and that it documents such verifications and resolves any discrepancies noted.

### **Management Response**

*Pittsburgh Public Schools* management provided the following response:

“The District would agree with the Auditor’s General’s assertion [*sic*] that inadequate and incomplete record-keeping was evident, however, the District does not agree that they failed to comply with these key vendor monitoring provisions, nor ignored or disregarded both senior administration and the Board [*sic*]. The Transportation Director and Transportation Coordinator (Project Manager of Transportation) made regular visits to

Carrier garages for compliance reviews, however they didn't document the process. Vehicle registration cards were collected and documented by the Transportation Coordinator prior to the start of any given school year.

#### District Action Steps:

The District has started to review the evaluation and compliance provisions of the contract with a view to developing procedures to collect the information needed for an evaluation of service that is both accurate and fair for all parties. A "Carrier Contract Compliance Checklist", covering all five categories has been drafted (provided with response). The District will add a "follow through checklist" and will document action steps taken for Carriers who receive low score and/or aren't compliant. Starting in July of 2019 the checklist will be used in compliance with the 2019-2020 Carrier contracts.

The District will also develop penalties or consequences for poor contractual performance, including written attestation of review and approval. The Districts 2019-2020 contract will include language for daily penalties related to the following items: insurance, District owned GPS equipment, clearance violations, data collection for invoicing, gallons of fuel consumed, and liquid fuels taxes paid.

The Transportation Department will include written procedures for documenting, verifying and retaining information and data collection of contract requirement compliance as it relates to performance and safety standards in the Transportation Handbook currently being drafted."

#### **Auditor Conclusion**

While the District asserts that its Transportation Department staff were visiting Carrier garages for compliance reviews, without documentation evidencing the reviews, we cannot conclude that the District complied with this aspect of the contract. As stated in our finding, the District was able to produce only some of the documentation we requested, specifically three of eight transportation vendor evaluations that were required to be completed as part of a compliance review. It seems illogical that the District was making regular visits to all of its transportation vendors' garages, but only documenting

some aspects of the compliance reviews that were taking place during these visits.

It is also important to note that, without complete documentation of safety compliance reviews, the District's senior administrators and Board were unable to review the results and ensure that all transportation vendors were meeting their contractual requirements. Failing to require the Transportation Department to complete and document safety compliance reviews during the audit period was an abandonment of integral oversight by the District's senior administrators and the Board.

We are pleased that the District is in the process of developing procedures to collect the needed information to perform a safety evaluation of its transportation vendors. Additionally, we are happy that the District is developing a "follow through checklist" that it will use for transportation vendors who perform poorly during compliance reviews. We strongly encourage the District to follow through and develop penalties and enforce consequences for transportation vendors that are not meeting contractually agreed upon safety provisions.



## **Distribution List**

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This letter was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

**The Honorable Tom W. Wolf**

Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

**The Honorable Pedro A. Rivera**

Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

**The Honorable Joe Torsella**

State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

**Mrs. Danielle Mariano**

Director  
Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

**Dr. David Wazeter**

Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

**Mr. Nathan Mains**

Executive Director  
Pennsylvania School Boards Association  
400 Bent Creek Boulevard  
Mechanicsburg, PA 17050

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