



Chesterfield County, Virginia Internal Audit

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DATE: June 18, 2020

TO: Joseph P. Casey, Ph.D. Chesterfield County
County Administrator Board of Supervisors

Mervin B. Daugherty, Ed.D. Chesterfield County
Superintendent School Board

FROM: Khara L. Durden, CPA, CISA, CFE *Khara L. Durden*
Director of Internal Audit

SUBJECT: School Specialized Student Transportation Special Project

CONCLUSION

Internal Audit performed this special project based on Chesterfield County Public Schools (CCPS) management request to evaluate student transportation expenditures paid to private transportation vendors. Our evaluation primarily focused on FY19 operations. We found:

- School Student Transportation (Transportation) budget did not receive adequate funding to support student Individual Education Plans (IEPs) requiring contracted services for specialized student transportation.
- Opportunities to strengthen Transportation budget process to include Special Education (SPED) and School Grant Departments.
- Certain challenges (i.e. bus driver shortage, FY17 changes to McKinney-Vento Law (MV), change to school start times, and new bus routing software) left Transportation unprepared for MV and SPED student transportation needs.
- Transportation did not review specialized transportation vendor invoices.
- Transportation did not verify Special Education student eligibility before arranging contracted transportation.
- School Title I Grant Office identified funding issue and notified School Management, but expenditures were still approved.



BACKGROUND

On May 9, 2019, CCPS management contacted Internal Audit with concerns about increased expenditures for contracted services for specialized student transportation during the fiscal year. FY19 contracted service expenditures (\$1,160,239) increased compared to the prior four years (ranging from \$7,591 to \$62,940).

School Student Transportation (Transportation) operates five hubs (four area and one special education) to manage bus stops by region. Bus stops are established to minimize a student's walking distance for school attendance. Although School Board Policy 7160 Pupil Transportation states students may be required to walk up to one mile to reach a bus stop, Transportation has established maximum walking distances by school level (Elementary – 0.3 mile, Middle/High – 0.5 mile).

In some cases, a student may not be able to ride with other students (Special Education) or have become homeless making them unable to ride the same bus they did before (McKinney-Vento). Special Education (SPED) and McKinney-Vento (MV) students may require specialized student transportation.

CCPS School Special Education department develops Individual Education Plans (IEPs) for students who qualify. The IEP may require the student attend a school different than the school they are zoned for which may include a school outside Chesterfield County. Additionally, SPED students may have special transportation requirements which include wheelchair accommodations, specialized restraints, and additional personnel (monitors). An IEP may also define the maximum time a student can ride on a bus. If a bus route exceeds the maximum defined time, individual student transportation is required.

The McKinney-Vento (MV) Homeless Assistance Act of 1987 allows students experiencing homelessness to remain in their school of origin throughout the school year regardless of where they are living. CCPS is required to provide transportation to MV students from their temporary housing location to their school of origin if they move outside the school boundaries and even outside the County. The Federal Act was updated in FY17 which removed the option to deny transportation if not feasible. Schools must now provide transportation unless they can prove it is not in the best interest of the student.

Schools use specialized student transportation when unable to provide transportation using a Chesterfield County Public Schools (CCPS) bus on a route within a school's boundaries. Prior to FY19, Transportation staff transported students unable to ride a bus using CCPS passenger vehicles. In addition, CCPS could provide private contracted transportation for student pick up and drop off. CCPS issued a Request for Proposal (RFP) in November 2017 for transportation services that estimated contracted services would be needed for 25 MV students and 25 SPED students.

For FY19, CCPS used two specialized student transportation vendor contracts when CCPS was unable to provide student transportation. **Figure 1** illustrates contracted transportation cost summaries for one-way trips which can include add-ons fees (i.e. safety restraints, wheelchairs, etc.) ranging from \$5 to \$40. During FY19, students requiring contracted transportation started at 30 and increased to 136. See **Figure 2** for SPED school locations students are transported to outside Chesterfield County by contracted transportation vendors. Transportation distances can range anywhere from 10 miles to 73 miles (one-way). See **Figure 3** for average monthly specialized student transportation costs.

Figure 1 Contracted Transportation Cost Summary

Vendor 1 Base Charges	Price	Vendor 2 Base Charges	Price
One Way (20 miles or less)	\$30	One Way (12 miles; up to 5 students)	\$60
One Way (21 miles or more)	\$45	Additional Mileage	\$2.25/mile
One Way (Family under 20 miles)	\$25	Wait Time Fee	\$60/hour
One Way (Family 21 miles or more)	\$40	No Show or Late Cancellation	Full Price of Trip
No Show	\$20		
Vendor 1 SPED Add-ons (One Way):	Price	Vendor 2 SPED Add-ons (One Way):	Price
Monitor/Aid	\$25	Monitor/Aid	\$25
Wheelchair	\$40	Wheelchair	\$25
		Safety Restraint	\$5

Figure 2 SPED School Locations

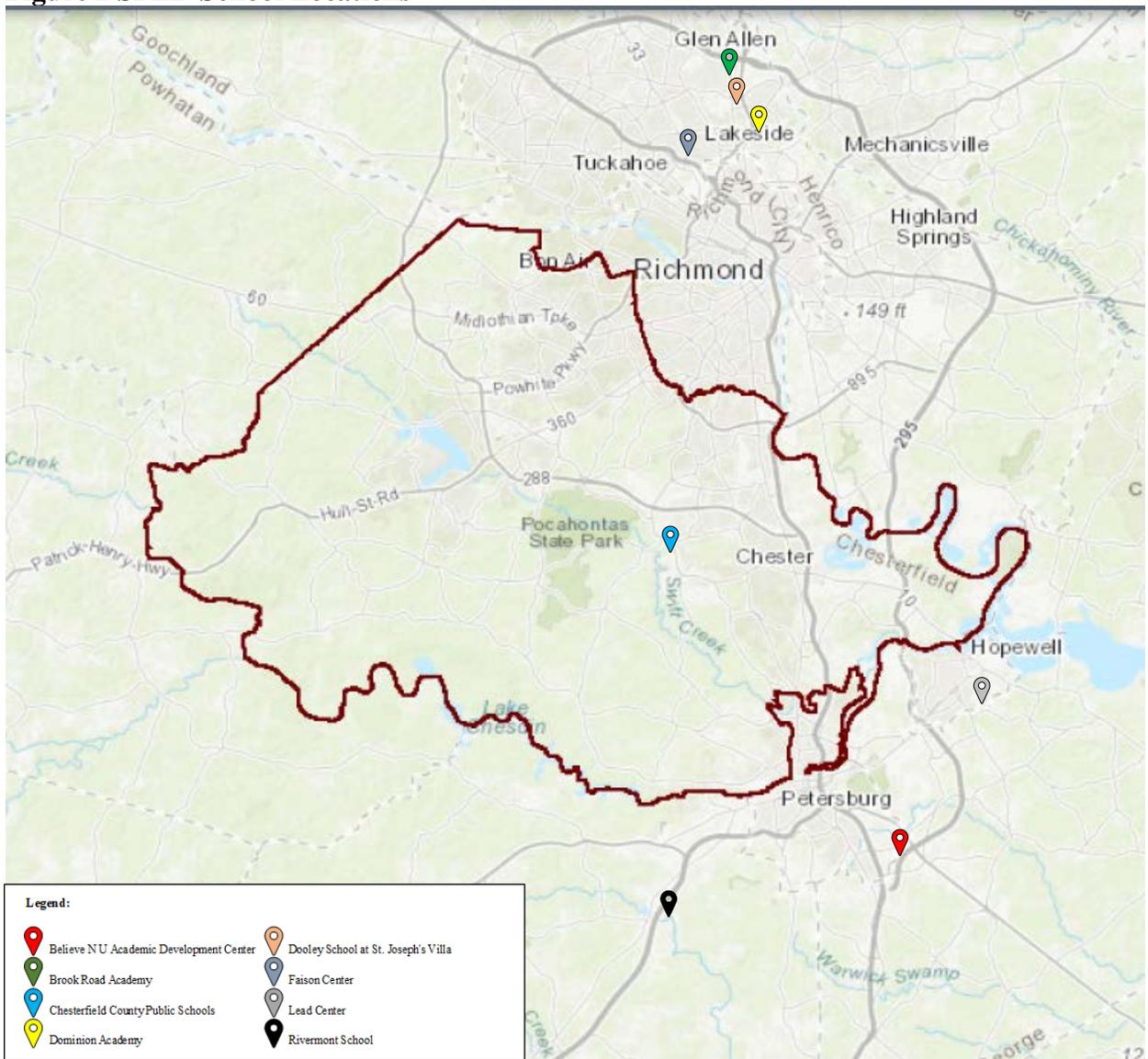
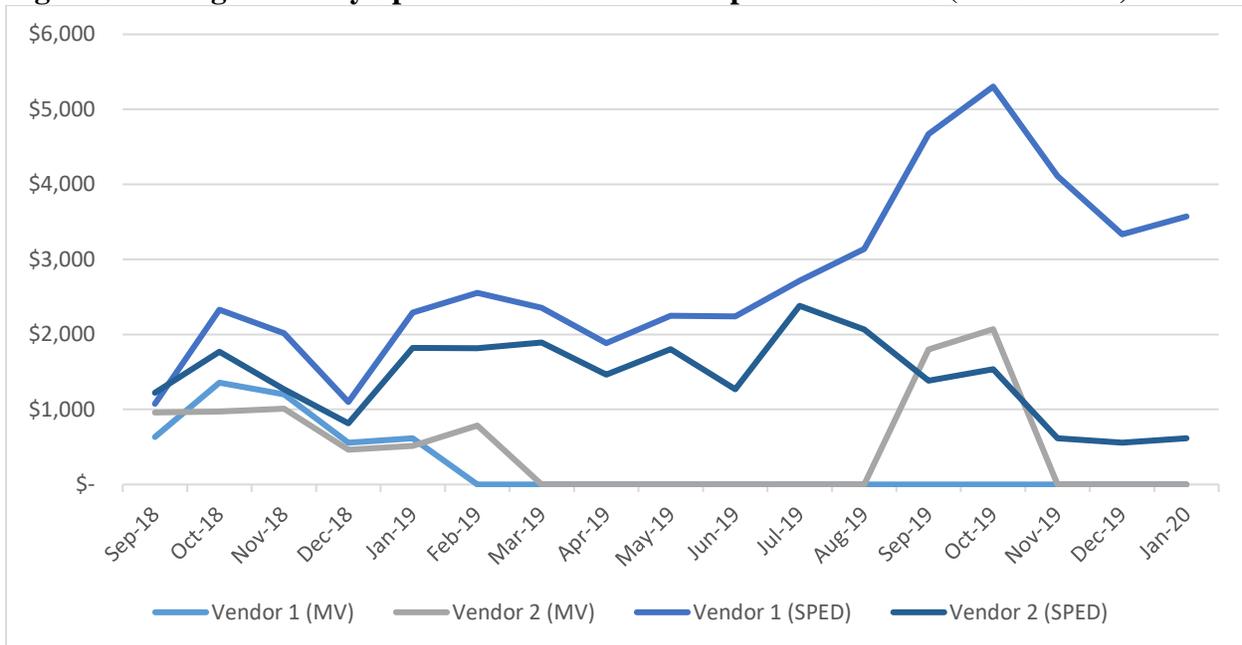


Figure 3 Average Monthly Specialized Student Transportation Costs (Per Student)



OBJECTIVES, SCOPE & METHODOLOGY

Objectives:

Objectives of this project were to evaluate:

- Budgetary forecasting and expenditure controls for contracted student transportation services.
- Case management of students requiring specialized transportation.
- Eligibility controls for specialized transportation.
- Controls for processing vendor payments in accordance with participant eligibility, attendance, participant and school location, and contract requirements.

Scope:

Specialized student transportation operations for the FY18 and FY19 school year and current operating environment. We considered the following standards and policies:

<i>McKinney-Vento Homeless Assistance Act</i>	<i>National Association for the Education of Homeless Children and Youth (NAEHCY)</i>
<i>School Board Policy 7040: Financial Management</i>	<i>School Board Policy 7110: Annual Budget</i>
<i>School Board Policy 7130: Financial Grants</i>	<i>School Board Policy 7160: Pupil Transportation</i>

Methodology:

Our methodology included:

- Inquiry with School Transportation, Management and Budget, McKinney-Vento Office, Student Support Services, School Grants staff, and County Social Services Management.
- Review of transportation vendor contracts, invoices, and payments.
- Testing specialized transportation student eligibility.

We conducted this special project as a performance audit in accordance with generally accepted government auditing standards, except the risk and internal control assessment was more targeted for specialized student transportation versus a comprehensive evaluation of School Transportation. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Chris Meade, Senior Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

FINDINGS

Budgetary Forecasting and Expenditure Controls

School's annual budget process begins with Management and Budget and department coordination to establish department needs. Management and Budget determines resources available and prepares a proposed department budget. School Board Policy 7110 Annual Budget states the Superintendent is responsible for preparing an estimated budget. After School Board approval, the Superintendent submits the proposed budget to the County Board of Supervisors for approval. After County approval, the adopted budget is used as a department spending control.

Department budgets have built-in expenditure controls that are managed by the County Enterprise System (ONESolution). A ONESolution general ledger key (Key) is assigned to identify individual departments. Each key has individual accounts to record expenditures by type. Each purchase is controlled by the account's budget. If an account has a budget for \$500 and a purchase is submitted for \$501, ONESolution will prevent approval which prevents payment. For this example, department management is required to contact School Budget to ensure money is available in their total budget (Key) to allow payment. If money exists in other allowable department accounts, School Budget will make budget adjustment and allow payment. If the department does not have funding available, the request will need to move to a higher approval authority (i.e. School Chief Financial Officer) who can transfer money from certain other areas. When a department receives additional budgetary funding, the budget should be revised to show the adjustment.

FY19 specialized transportation costs are budgeted in Transportation (Key 9440320) and Title I Instruction (Key 8198119). Transportation is locally funded and Title I Instruction federally funded through a grant. Additionally, Title I Instruction grant expenditures use a 27-month accounting cycle unlike Transportation (traditional 12-month accounting cycle). MV transportation expenses may be paid by Title I Instruction to supplement Transportation's budgeted funds. SPED transportation expenses are paid by Transportation.

For FY18, CCPS spent \$62,940 for contracted transportation (\$12,430 Transportation expenses; \$50,510 Title I Instruction expenses). Total FY18 Title I Instruction grant expenses totaled \$58,390 but \$50,510 occurred in FY18, while \$7,880 occurred in FY19. Transportation's approved FY19 budget (**Figure 4**) was \$50,000 for contracted student transportation but revised to \$64,680. Title I Instruction's (grant funds) approved FY19 budget (**Figure 5**) was \$0 for MV contracted transportation but revised to \$187,264.

Transportation experienced multiple challenges during FY19 resulting in increased contracted transportation costs (**Figures 4 and 5**). Challenges included a new Transportation Director hired March 2018 (replaced July 2019), lack of staff with skills to implement the automated routing software (VersaTrans), operation without a dedicated SPED office (closed October 2017; reauthorized March 2019), additional bus routes required due to changes in school start times, and a bus driver shortage (13 vacancies before school started). Additionally, MV law changes requiring fulfillment of all transportation requests without delay resulted in CCPS signing two new vendor contracts for contracted transportation services starting in FY19. School employees improved family's MV benefit awareness which also increased student requests requiring student transportation for FY19.

Figure 4 Transportation Funds – Budget vs Actuals

	Original Budget	Revised Budget	YTD Actuals	Encumbrance	Amount Over/(Under) Original Budget	Amount Over/(Under) Revised Budget
FY15	-	-	\$ 7,591	-	\$ (7,591)	\$ (7,591)
FY16	-	\$ 8,933	\$ 5,895	-	\$ (5,895)	\$ 3,039
FY17	-	-	-	-	-	-
FY18	-	\$ 50,000	\$ 12,430	-	\$ (12,430)	\$ 37,570
FY19	\$ 50,000	\$ 64,680	\$ 983,915	-	\$ (933,915)	\$ (919,235)
FY20*	\$ 50,000	\$ 50,000	\$ 437,139	\$ 286,934	\$ (387,139)	\$ (387,139)

*Through February 2020

Figure 5 Title I Instruction Grant Funds – Budget vs Actuals

	Original Budget	Revised Budget	YTD Actuals	Encumbrance	Amount Over/(Under) Original Budget	Amount Over/(Under) Revised Budget
FY15	-	-	-	-	-	-
FY16	-	-	-	-	-	-
FY17	-	-	\$ 10,360 ^A	\$ 1,680	\$ (10,360)	\$ (10,360)
FY18	-	\$ 100,000	\$ 50,510 ^B	\$ 44,740	\$ (50,510)	\$ 49,490
FY19	-	\$ 187,264	\$ 176,324	\$ 10,940	\$ (176,324)	\$ 10,940
FY20*	-	-	\$ 1,360	\$ 98,640	\$ (1,360)	\$ (1,360)

*Through February 2020

Note A: Total FY17 Grant Expenditures totaled \$22,560 (\$10,360 Paid FY17; \$12,200 Paid FY18)

Note B: Total FY18 Grant Expenditures totaled \$58,390 (\$50,510 Paid FY18; \$7,880 Paid FY19)

The FY19 budgeted expenditures for Transportation operations (Key 9440320) totaled \$1.21M (not including personnel). Actual operating expenditures totaled \$2.18M (\$970k overage). Contracted transportation costs exceeded approximate \$64.7k budget by \$919k (95% of total operating overage).

We met with School Grants staff to understand the MV grant shortage that occurred early FY19 (Figure 6). School Grants noted MV routing changes August 30, 2018 requiring contracted transportation provide services. School Grants identified and communicated projected FY19 spending (\$820k) September 12, 2018 to Transportation and noted Title I funding (\$100k) would be exhausted by the first week of October 2018. School Grants provided a memo November 26, 2018 to School Management stating Title I grant will no longer fund private contracted transportation services and would direct all invoices to Transportation. Projection needed for remainder of year without additional students totaled \$905k (Figure 7). School Grants offered Transportation Management assistance to provide revised budget proposal for MV transportation needs.

Figure 6 School Grants Projection Timeline

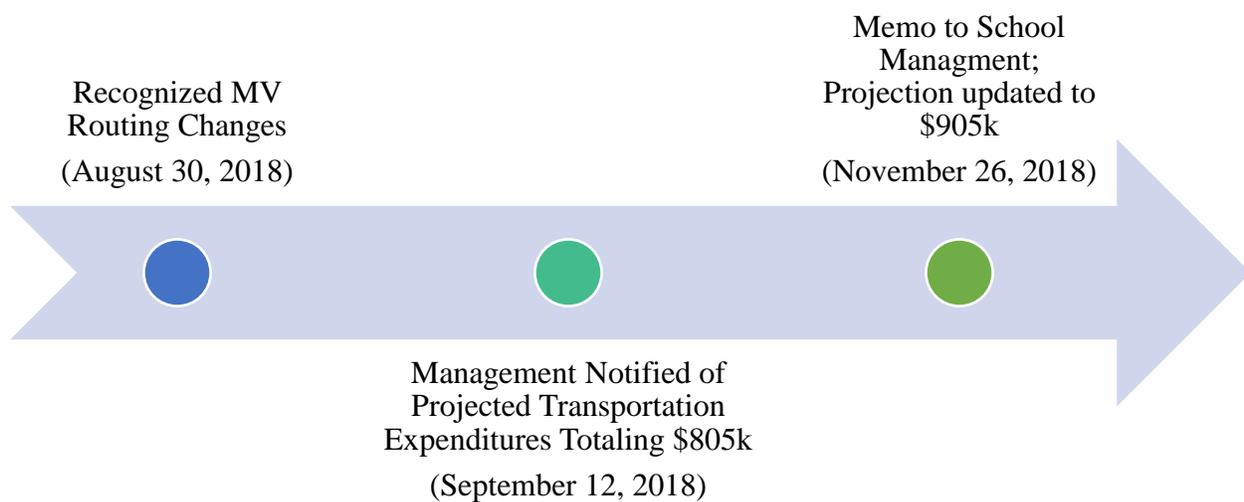


Figure 7 FY19 Projected MV Spending (as of November 2018)

MV Grant Fund Projection	Amount
Budgeted Title I Funds:	\$125,000
Revised Budget Increase:	25,000
Total Available Title I Funds:	<u>\$150,000</u>
Expenditure Projection (November 2018 through June 2019)	Amount
Vendor 1 (39 students):	\$327,700
Vendor 2 (54 students):	<u>576,900</u>
Projected Need:	<u>\$904,600</u>

Internal Audit met with Management and Budget to discuss Transportation spending. Management and Budget stated Transportation prepared change orders each time an invoice was received rather than requesting budget change requests before paying. When Transportation exceeded line item budgets, the School Chief Financial Officer provided approval after School Budget rejected. Since Transportation did not have funding to cover contracted services for specialized student transportation, Management postponed planned bus purchases.

We met with Transportation who stated they are not included in the budget process. We noted while FY19 contracted transportation expenditures exceeded \$980,000, the FY20 budget was approved for \$50,000 (**Figure 4**). Transportation also stated School Special Education approves IEPs to include car transportation without consulting their department. Although IEPs may state car transportation requirements, Transportation does not have the budgetary funding to provide.

Case Management

The MV and SPED programs provide benefits for CCPS students. The MV Office has a full-time MV Specialist with 2 part-time support staff. The MV Specialist and Special Education employees are responsible for confirming eligible students meet program requirements. They are responsible for adding all MV students to the program (950 in FY19) and forwarding all transportation requests to Transportation (404 in FY19). They receive MV program applications through individual School Social Work Service employees and registrars. CCPS follows National Association for the Education of Homeless Children and Youth (NAEHCY) best practices for MV services. Additionally, the McKinney-Vento Act allows localities to share transportation costs when students are transported from one locality to another. While CCPS meets McKinney-Vento Act requirements, costs are not shared with neighboring localities when transporting students living outside Chesterfield to CCPS schools.

School Social Workers identify students that may qualify for MV benefits and notify the MV Office. The MV Office provides an eligibility packet for the student's family preparation. The McKinney-Vento Act §11432(g)(6)(iv) requires school systems refer homeless children and youths to appropriate health care, housing, and other appropriate services (i.e. County Social Services departments for MV family assistance). Without direct consent, the MV Office is unable to share a families' information directly with other support agencies. However, the MV Office can refer families to other benefit agencies (i.e. County Social Services). A Confidential Referral Form is completed for families seeking additional resources (i.e. health care, housing, and other appropriate services).

The MV Office maintains a Transportation Agreement for families needing services and notifies Transportation. The Transportation Agreement provides families the requirements to maintain transportation benefits and their responsibility for notifying Transportation days service is not needed (i.e. sick, vacation). Three student no-shows (ride scheduled, but student not present) may result in families transportation benefit suspension. The MV Office is responsible for updating Transportation when families receiving MV benefits provide an address change notification. The MV Office maintains records that document families' notification dates and date the MV Office notifies Transportation. If MV Office is not notified of address change, Transportation will not be notified timely and bus routes are not updated.

Program Participation Eligibility and Vendor Payment Processing

Transportation verified contracted transportation invoices during FY18 but relied on vendor's invoicing accuracy for FY19. Additionally, Transportation relied on SPED's eligibility determination. As a result, Transportation processed all SPED contracted transportation requests for contracted transportation without additional verification. We scanned FY19 SPED invoices for duplicate names and abnormalities and determined vendor invoices summarize student trips. Without the detailed trip information by student, Transportation was unable to verify students, recalculate trip costs and review for accuracy before processing.

The MV Office requires an eligibility assessment for students receiving MV benefits. For eligible MV students needing transportation services, the MV Office keys certain student information into Transportation's Google document alerting Transportation to arrange service. Additionally, the MV Office has a follow-up process that documents a student's MV benefit eligibility review. During testing, we noted a contracted transportation master list identifying eligible MV students using services. School MV and School Title I Grant Office staff's review process compares the list with student attendance for invoice accuracy verification. For FY19, increased vendor invoice billing complexity delayed invoice reviews and vendor payments. Transportation stated discrepancies requiring vendor responses caused payment delays. As a result, Transportation paid vendor invoices without performing their invoice review process to ensure vendors received timely payments. Transportation did not keep historical records of all transportation requests, so we were unable to confirm contracted transportation vendor invoice accuracy. However, we tested 15 MV students transported by contracted transportation noting the following:

- 3 of 15 (20%) participants transported were classified as MV participants by the transportation vendor but were SPED students.
- An additional 3 of 15 (20%) were misclassified by the vendors part of the year as SPED.
- 12 of 12 (100%) participants had an eligibility assessment on file and were qualified to participate in the program.
- 6 of 12 (50%) participants did not have a completed Transportation Agreement on file.
- 5 of 12 (42%) participants did not have any follow-up documentation in their file.

ACTION(S) TAKEN:

- On July 1, 2019, the Director of Transportation started meeting biweekly with the Director of Management and Budget to discuss budget projections and budget change requests to improve transportation expenditure management.
- As of November 2019, Student Transportation is invoiced for SPED transportation expenditures and the MV Office is invoiced for MV transportation expenditures. There is no longer a need for Student Transportation to budget MV and SPED costs separately.
- The School Board adopted the FY21 CCPS Budget May 25, 2020. CCPS Management and Budget used Student Transportation's FY20 expenditures to budget approximately \$876,000 for FY21 professional services (i.e. specialized transportation).

RECOMMENDATION(S):

We recommend CCPS Management and Budget:

1. Transfer Student Transportation's budget (Key 9440320) for special education student transportation expenditures to Special Education Department (Key 8140201) ensuring fiscal responsibility for associated IEP costs.

We recommend CCPS Student Transportation:

2. Coordinate with Special Education Department during budget process for Special Education students requiring specialized transportation.
3. Investigate potential to share transportation costs with neighboring school systems when transporting McKinney-Vento students from other jurisdictions to CCPS.
4. Establish procedures for reviewing invoices for accuracy and timely payment.
5. Establish Special Education student eligibility review procedures before arranging contracted transportation.

We recommend CCPS McKinney-Vento Office:

6. Organize periodic meetings with County Social Services to ensure families are receiving all eligible benefits.

MANAGEMENT'S RESPONSE(S):

1. *Concur. CCPS Director of Management and Budget, Denise Sandlin, is responsible for implementing 10/31/2021. The budget was adopted with Transportation responsible for the transportation cost. However, an October 2020 transfer will occur from the Transportation category for IEP student transportation costs to the Instructional Category-Special Education (SPED). This will allow time for the SPED dept to determine the actual number of IEP students that are eligible to use the private transportation.*
2. *Concur. Director of Student Transportation, J. Calvin Frye, is responsible for implementing 4/30/2021. The Transportation Department will schedule meetings with the Special Education Department during the budgeting process related to specialized transportation, specifically private transportation and bus attendant positions.*
3. *Concur. Director of Student Transportation, J. Calvin Frye, is responsible for implementing 6/30/2021. Transportation, McKinney-Vento, and legal departments will work together to determine how and between whom such agreements would be formed and if this is in the best interest of CCPS. Based on feasibility results, may consider scheduling meetings with neighboring localities to determine cost sharing plan.*
4. *Concur. Director of Student Transportation, J. Calvin Frye, is responsible for implementing 7/1/2020. Starting during the 2020-2021 school year, when private transportation invoices are received, they will be reviewed by the Area 5 Manager for accuracy before being submitted for payment. Both the review and submission for payment in ONESolution should take less than one week.*
5. *Concur. Director of Student Transportation, J. Calvin Frye, is responsible for implementing 7/1/2020. Starting early in the 2020-2021 school year, the circumstances of all special education students that were assigned private transportation will be reviewed by the Transportation Department. If a student's IEP does not require private transportation, the Special Education Case Manager will be notified that the student will be removed within five days. For all requests that follow, verification of the requirement for private transportation in the student's IEP will be requested before arrangements are made.*
6. *Concur. McKinney-Vento Support Specialist, Lisa Simes, is responsible for implementing 8/1/2020. Lisa Simes will reach out to County Social Services staff to schedule quarterly meetings.*

CLOSING

We appreciate the cooperation and assistance received from County and School management and staff across multiple departments throughout this special project.

Copy: Robert Meister, Chief Financial Officer (CCPS)
Josh Davis, Chief Operations Officer (CCPS)
Dr. Calvin Frye, Director of Student Transportation (CCPS)
Katina Otey, Director of Elementary School Leadership – Title I (CCPS)
Diane Glover, Director of Special Education (CCPS)
Jennifer Rucker, Director of Student Equity and Support Services (CCPS)
Denise Sandlin, Director of Management and Budget (CCPS)
Kiva Rogers, Director of Social Services (County)