



State of Idaho

Legislative Services Office

Special Report

A communication to the Joint Finance-Appropriations Committee

OFFICE OF SUPERINTENDENT OF
PUBLIC INSTRUCTION,
DEPARTMENT OF EDUCATION

FISCAL YEARS 2019 AND 2020

Report SP17020
Date Issued: October 8, 2021

Serving Idaho's Citizen Legislature



April Renfro, Manager

Idaho Legislative Services Office
Legislative Audits Division

OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION, DEPARTMENT OF EDUCATION

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a review of the Office of Superintendent of Public Instruction, Department of Education (Department) covering the fiscal years ended June 30, 2019 and 2020. Our review was conducted to assess the Pupil Transportation Program as described in specific legislative intent language included in House Bill No. 355 from the First Regular Session 2021. We focused on the procedures and internal controls utilized by the Department to ensure compliance with Idaho Code, Title 33, Chapter 10 and 15. We reviewed the Department's procedures for the calculation and application of the pupil transportation funding formula, payments made to school districts and public charter schools, and the Department's overall administration of the program.

CONCLUSION

We identified deficiencies in the general administrative and accounting controls of the Department.

FINDINGS AND RECOMMENDATIONS

There are two findings and recommendations in this report.

Finding 1 – The review and approval of the Student Transportation Services contracts are not adequately or consistently performed and documented to ensure compliance with Idaho Code, Section 35-1510.

Finding 2 – The review and approval of school bus spot inspection final letters is not consistently performed and documented.

The complete findings are detailed on pages 5 through 8 of this report.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations in the prior report.

MANAGEMENT'S VIEW

The Department has reviewed the report and is in general agreement with the contents.

FINANCIAL INFORMATION

The following financial data includes total payments made to school districts and public charter schools to reimburse transportation costs in fiscal years 2019 and 2020 and is for informational purposes only.

School District No.	School District Name	FY 2019	FY 2020
001	BOISE INDEPENDENT DISTRICT	\$6,210,518	\$6,134,605
002	JOINT SCHOOL DISTRICT NO. 2	\$11,402,372	\$10,737,019
003	KUNA JOINT DISTRICT	\$1,329,656	\$1,303,813
011	MEADOWS VALLEY DISTRICT	\$56,257	\$54,811
013	COUNCIL DISTRICT	\$75,767	\$78,214
021	MARSH VALLEY JOINT DISTRICT	\$362,315	\$355,890
025	POCATELLO DISTRICT	\$2,614,469	\$2,601,463
033	BEAR LAKE COUNTY DISTRICT	\$460,583	\$458,478
041	ST MARIES JOINT DISTRICT	\$549,142	\$569,071
044	PLUMMER-WORLEY JOINT DISTRICT	\$256,020	\$263,756
052	SNAKE RIVER DISTRICT	\$516,726	\$518,587
055	BLACKFOOT DISTRICT	\$1,494,351	\$1,486,841
058	ABERDEEN DISTRICT	\$261,267	\$287,369
059	FIRTH DISTRICT	\$205,581	\$204,229
060	SHELLEY JOINT DISTRICT	\$478,668	\$495,243
061	BLAINE COUNTY DISTRICT	\$1,030,604	\$967,750
071	GARDEN VALLEY DISTRICT	\$188,650	\$202,789
072	BASIN SCHOOL DISTRICT	\$186,719	\$207,489
073	HORSESHOE BEND SCHOOL DISTRICT	\$66,077	\$65,530
083	WEST BONNER COUNTY DISTRICT	\$438,179	\$403,276
084	LAKE PEND OREILLE SCHOOL DISTRICT	\$1,416,399	\$1,493,397
091	IDAHO FALLS DISTRICT	\$2,199,374	\$2,126,963
092	SWAN VALLEY ELEMENTARY DISTRICT	\$86,908	\$89,933
093	BONNEVILLE JOINT DISTRICT	\$2,899,283	\$2,763,824
101	BOUNDARY COUNTY DISTRICT	\$491,683	\$465,785
111	BUTTE COUNTY JOINT DISTRICT	\$192,156	\$174,149
121	CAMAS COUNTY DISTRICT	\$84,673	\$77,506
131	NAMPA SCHOOL DISTRICT	\$4,473,019	\$4,206,900
132	CALDWELL DISTRICT	\$2,622,869	\$2,583,877
133	WILDER DISTRICT	\$150,598	\$145,272
134	MIDDLETON DISTRICT	\$1,102,368	\$1,088,068
135	NOTUS DISTRICT	\$130,418	\$125,314
136	MELBA JOINT DISTRICT	\$260,076	\$265,734
137	PARMA DISTRICT	\$370,747	\$393,115
139	VALLIVUE SCHOOL DISTRICT	\$3,375,854	\$3,336,839
148	GRACE JOINT DISTRICT	\$230,824	\$243,777
149	NORTH GEM DISTRICT	\$98,850	\$79,768
150	SODA SPRINGS JOINT DISTRICT	\$271,777	\$258,535
151	CASSIA COUNTY JOINT DISTRICT	\$1,572,923	\$1,555,134

School District No.	School District Name	FY 2019	FY 2020
161	CLARK COUNTY DISTRICT	\$65,573	\$62,949
171	OROFINO JOINT DISTRICT	\$523,841	\$531,375
181	CHALLIS JOINT DISTRICT	\$184,652	\$192,802
182	MACKAY JOINT DISTRICT	\$153,161	\$154,659
191	PRAIRIE ELEMENTARY DISTRICT	\$463	\$512
192	GLENNS FERRY JOINT DISTRICT	\$185,415	\$206,358
193	MOUNTAIN HOME DISTRICT	\$1,132,103	\$1,069,204
201	PRESTON JOINT DISTRICT	\$415,723	\$423,661
202	WEST SIDE JOINT DISTRICT	\$215,357	\$246,433
215	FREMONT COUNTY JOINT DISTRICT	\$520,603	\$519,622
221	EMMETT INDEPENDENT DISTRICT	\$1,090,737	\$1,049,947
231	GOODING JOINT DISTRICT	\$335,859	\$347,000
232	WENDELL DISTRICT	\$250,538	\$260,630
233	HAGERMAN JOINT DISTRICT	\$73,862	\$76,861
234	BLISS JOINT DISTRICT	\$59,160	\$58,251
242	COTTONWOOD JOINT DISTRICT	\$151,498	\$153,282
243	SALMON RIVER JOINT SCHOOL DIST	\$60,186	\$74,578
244	MOUNTAIN VIEW SCHOOL DISTRICT	\$782,591	\$783,636
251	JEFFERSON COUNTY JOINT DISTRICT	\$1,867,897	\$1,865,350
252	RIRIE JOINT DISTRICT	\$161,525	\$157,540
253	WEST JEFFERSON DISTRICT	\$308,228	\$306,679
261	JEROME JOINT DISTRICT	\$1,096,630	\$1,087,639
262	VALLEY DISTRICT	\$265,086	\$261,739
271	COEUR D'ALENE DISTRICT	\$2,121,071	\$2,170,411
272	LAKELAND DISTRICT	\$1,269,092	\$1,305,960
273	POST FALLS DISTRICT	\$1,362,048	\$1,418,217
274	KOOTENAI DISTRICT	\$153,681	\$142,548
281	MOSCOW DISTRICT	\$595,560	\$552,201
282	GENESEE JOINT DISTRICT	\$137,361	\$164,368
283	KENDRICK JOINT DISTRICT	\$130,166	\$150,420
285	POTLATCH DISTRICT	\$238,980	\$227,438
287	TROY SCHOOL DISTRICT	\$107,128	\$105,601
288	WHITEPINE JOINT SCHOOL DISTRICT	\$185,289	\$179,329
291	SALMON DISTRICT	\$198,912	\$210,230
292	SOUTH LEMHI DISTRICT	\$66,343	\$78,315
302	NEZPERCE JOINT DISTRICT	\$104,047	\$98,728
304	KAMIAH JOINT DISTRICT	\$127,666	\$125,580
305	HIGHLAND JOINT DISTRICT	\$202,020	\$202,306
312	SHOSHONE JOINT DISTRICT	\$110,808	\$110,805
314	DIETRICH DISTRICT	\$78,966	\$96,288
316	RICHFIELD DISTRICT	\$53,210	\$54,029
321	MADISON DISTRICT	\$1,391,951	\$1,399,446
322	SUGAR-SALEM JOINT DISTRICT	\$334,558	\$317,056

School District No.	School District Name	FY 2019	FY 2020
331	MINIDOKA COUNTY JOINT DISTRICT	\$1,558,332	\$1,531,244
340	LEWISTON INDEPENDENT DISTRICT	\$1,127,616	\$1,123,529
341	LAPWAI DISTRICT	\$207,177	\$205,280
342	CULDESAC JOINT DISTRICT	\$47,446	\$47,275
351	ONEIDA COUNTY DISTRICT	\$362,788	\$595,797
363	MARSING JOINT DISTRICT	\$224,765	\$236,385
364	PLEASANT VALLEY ELEMENTARY DISTRICT	\$4,367	\$4,450
365	BRUNEAU-GRAND VIEW JOINT SCHOOL DISTRICT	\$169,289	\$151,375
370	HOMEDALE JOINT DISTRICT	\$341,151	\$326,934
371	PAYETTE JOINT DISTRICT	\$306,249	\$306,434
372	NEW PLYMOUTH DISTRICT	\$210,318	\$213,892
373	FRUITLAND DISTRICT	\$398,885	\$385,501
381	AMERICAN FALLS JOINT DISTRICT	\$585,328	\$603,793
382	ROCKLAND DISTRICT	\$55,225	\$54,957
383	ARBON ELEMENTARY DISTRICT	\$49,868	\$48,066
391	KELLOGG JOINT DISTRICT	\$631,535	\$573,497
392	MULLAN DISTRICT	\$26,682	\$33,099
393	WALLACE DISTRICT	\$237,938	\$226,028
394	AVERY SCHOOL DISTRICT	\$96,694	\$90,840
401	TETON COUNTY DISTRICT	\$664,596	\$641,575
411	TWIN FALLS DISTRICT	\$1,514,095	\$1,521,997
412	BUHL JOINT DISTRICT	\$343,095	\$340,975
413	FILER DISTRICT	\$466,854	\$462,801
414	KIMBERLY DISTRICT	\$370,270	\$348,176
415	HANSEN DISTRICT	\$87,186	\$86,864
416	THREE CREEK JOINT ELEMENTARY DISTRICT	\$5,578	\$6,582
417	CASTLEFORD DISTRICT	\$144,350	\$140,548
418	MURTAUGH JOINT DISTRICT	\$155,420	\$166,196
421	MCCALL-DONNELLY JOINT SCHOOL DISTRICT	\$543,570	\$626,760
422	CASCADE DISTRICT	\$75,330	\$80,187
431	WEISER DISTRICT	\$289,385	\$297,193
432	CAMBRIDGE JOINT DISTRICT	\$57,750	\$58,396
433	MIDVALE DISTRICT	\$42,076	\$46,110
451	VICTORY CHARTER SCHOOL	\$94,368	\$158,880
452	IDAHO VIRTUAL ACADEMY	\$911,295	\$2,259,254
454	ROLLING HILLS CHARTER SCHOOL	\$0	\$11,240
455	COMPASS CHARTER SCHOOL	\$226,592	\$380,722
456	FALCON RIDGE CHARTER SCHOOL	\$104,078	\$154,837
457	INSPIRE VIRTUAL CHARTER	\$508,235	\$778,833
458	LIBERTY CHARTER	\$137,032	\$138,167
461	TAYLORS CROSSING CHARTER SCHOOL	\$88,584	\$136,811
462	XAVIER CHARTER SCHOOL	\$203,665	\$56,323
463	VISION CHARTER SCHOOL	\$234,649	\$222,440

School District No.	School District Name	FY 2019	FY 2020
464	WHITE PINE CHARTER SCHOOL	\$100,875	\$103,625
465	NORTH VALLEY ACADEMY	\$82,132	\$80,157
466	ISUCCEED VIRTUAL HIGH SCHOOL, INC.	\$35,822	\$0
468	IDAHO SCIENCE & TECHNOLOGY CHARTER	\$170,179	\$144,763
474	MONTICELLO MONTESSORI CHARTER SCHOOL	\$74,455	\$97,657
475	SAGE INTERNATIONAL SCHOOL OF BOISE	\$165,354	\$203,705
478	LEGACY CHARTER SCHOOL DISTRICT	\$62,821	\$97,148
479	HERITAGE ACADEMY DISTRICT	\$69,840	\$90,157
481	HERITAGE COMMUNITY CHARTER DISTRICT	\$145,309	\$182,719
483	CHIEF TAHGEE ELEMENTARY ACADEMY DISTRICT	\$120,785	\$121,852
485	IDAHO STEM ACADEMY DISTRICT	\$205,714	\$184,877
486	UPPER CARMEN PUBLIC CHARTER DISTRICT	\$22,191	\$21,624
487	FORREST M. BIRD CHARTER DISTRICT	\$76,389	\$30,584
493	NORTH STAR CHARTER DISTRICT	\$246,781	\$402,426
495	FORRESTER ACADEMY INC	\$145,404	\$186,588
498	GEM PREP: MERIDIAN, INC.	\$151,214	\$197,276
499	FUTURE PUBLIC SCHOOL, INC.	\$59,283	\$64,537
511	PEACE VALLEY CHARTER SCHOOL, INC.	\$64,334	\$67,227
513	PROJECT IMPACT STEM ACADEMY, INC.	\$66,007	\$104,673
523	ELEVATE ACADEMY INC.	\$85,265	\$189,017
528	FORGE INTERNATIONAL, LLC	\$65,895	\$113,135
532	TREASURE VALLEY CLASSICAL ACADEMY, INC.	\$178,621	\$182,989
534	GEM PREP ONLINE	\$0	\$167,105
559	THOMAS JEFFERSON CHARTER	\$141,020	\$212,964
795	IDAHO ARTS CHARTER SCHOOL	\$299,009	\$265,234
796	GEM PREP: NAMPA, INC.	\$147,047	\$144,326
Totals		\$85,975,717	\$87,406,704

OTHER INFORMATION

We discussed other issues, which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Office of Superintendent of Public Instruction, Department of Education and is not intended to be used by anyone other than these specified parties.

A copy of this report and prior reports are available at <https://legislature.idaho.gov/lso/audit/management-followup/> or by calling 208-334-4832.

We appreciate the cooperation and assistance given to us by the Superintendent, Sherri Ybarra, and her staff.

ASSIGNED STAFF

Kellie Bergey, CPA, Managing Auditor
Anastasia Leonova, In-Charge Auditor
Jolene Crumley, Staff Auditor
Melissa Campbell, Staff Auditor

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FINDINGS AND CONCLUSIONS

Objective

Our objective was to assess compliance as described in specific legislative intent language included in House Bill No. 355 Section 10, from the First Regular Session 2021, for the Pupil Transportation Program. We focused our review on the procedures and internal controls utilized by the State Department of Education (Department) to ensure compliance with Idaho Code, Title 33, Chapters 10 and 15 with regard to the pupil transportation program. We reviewed the Department's procedures for the calculation and application of the pupil transportation funding formula, payments made to school districts and public charter schools, and the Department's overall administration of the program.

Background

Student Transportation

According to the Department's website, the goal of Student Transportation is to provide eligible Idaho students with safe, effective, and efficient transportation to and from school in accordance with federal and state mandates. Student Transportation within the Department gives expertise and technical assistance to districts and charter schools regarding school bus maintenance, operations, and financial reimbursement.

It is the responsibility of Student Transportation to provide these services economically and in accordance with sound management policies and procedures. Student Transportation is an integral part of the total educational system, contributing significantly to the learning process by providing safe and dependable transportation.

The pupil transportation reimbursement payments are paid to the districts as part of the foundation payments disbursed in four payments annually to the districts. The Department uses an internal software program, the Idaho Bus Utilization System (IBUS), for the calculation of the reimbursement payments to school districts.

IBUS has formulas programmed within the system to calculate the payment using the statutory defined allowable percentages and the overall capped amounts. The reimbursement is then audited thoroughly by a regional specialist, the senior financial specialist, and the director of Student Transportation. Reimbursement claims will not be processed without an audit, thus resulting in each district claim being audited annually.

When the audit is completed, the senior financial specialist enters the necessary adjustments and approves the reimbursement claim. Once the claims have been approved, a report is generated from IBUS that lists all district reimbursement claims. This report is then reviewed by the Student Transportation director and sent to the chief fiscal officer (CFO) at the Division of Public School Finance.

The CFO and the staff at the Division of Public School Finance are responsible for calculating the foundation payments to public schools each year. They utilize multiple spreadsheets for the

calculation of the payment. Included in the foundation payment are the transportation reimbursement costs. Once the total foundation payment is calculated, the CFO will approve the supporting documentation and ensure the payment amount matches the corresponding spreadsheet. This information is then forwarded to the accounting department for further review and processing, copying all of the responsible parties who performed verifications on the payment. The payments are then approved and released into the Statewide Accounting System (STARS) by the accounting department.

Statutory Requirements

Idaho Code, Title 33, Chapters 10 and 15 contain statutes applicable to the Pupil Transportation Program. Chapter 10 establishes the costs that will be reimbursed, the limits of those reimbursements, and the frequency of the payments made to school districts. Chapter 15 establishes the statutes related to the administration of the pupil transportation program. Below is a brief description of the relevant code sections.

Idaho Code, Section 33-1006, states that the State Board of Education shall determine what costs of transporting pupils, including maintenance, operation and depreciation of basic vehicles, insurance, and payments under contract with other public transportation providers whose vehicles used to transport pupils comply with federal transit administration regulations. This code section further establishes the allowable costs and reimbursement limits of those costs.

Idaho Code, Section 33-1009, states that payments made from the public school fund shall be distributed by the State in four payments.

Idaho Code, Section 33-1503, states that whenever a pupil lives more than one and one-half miles from the established bus stop or from the school of attendance, as designated by the board of trustees, the board may pay the parent or guardian up to ten dollars per month per vehicle, plus mileage, to transport the pupil.

Idaho Code, Section 33-1506, states that all school buses shall, at all times, conform to the standards of construction specified by the State Board of Education. All newly acquired school buses shall be inspected by the authorized representative of the Department before the school bus is put into use. The board of trustees of each school district shall provide for an annual inspection of all school buses at not more than intervals of twelve months. Additionally, the Department may conduct random spot inspections of the buses throughout the school year.

Idaho Code, Section 33-1510, states that all contracts entered into by boards of trustees for the transportation of pupils shall be in writing using the current pupil transportation model contract developed by the Department. School districts may attach to the model contract addenda to meet local requirements. School districts shall submit to the State superintendent of public instruction a copy of the pupil transportation contract prior to both parties signing it for a review of legal requirements and appropriate costs and for final approval. The State superintendent of public instruction shall respond to the school district within twenty-one (21) calendar days of the postmarked receipt of the contract by notifying the school district of contract approval or of recommended or required changes. A school district may appeal to the State Board of Education

any changes the State superintendent requires, in which case the State Board of Education may, upon review, approve the contract without such changes.

Idaho Code, Section 33-1511, states that the Department may require school districts to provide a corrective action when necessary based upon the results of program reviews, fiscal audits, and spot inspections, as set forth in Idaho Code, Section 33-1506. It also states that school districts are required to submit progress reports on those corrective actions to the Department at prescribed intervals until deficiencies are corrected or the corrective actions no longer apply.

Idaho Code, Section 33-1513, defines the revenue sources for the pupil transportation support program fund and the purpose of the monies. It also states that the Department is authorized to retain a percentage of the moneys to defray costs associated with the implementation, administration, and oversight of the statewide pupil transportation program.

Idaho Code, Section 33-1514, states that the Department shall assess an annual fee based on past reimbursement to school districts, to be paid by all school districts claiming a reimbursement for transportation costs. This fee is to be used to defray the Department's actual cost of providing financial reviews of school district pupil transportation records.

Idaho Code, Section 33-5208, states that charter schools are eligible for transportation support as provided in Idaho Code, Title 33, Section 33-1006.

Methodology

We reviewed pupil transportation payments made during fiscal years 2019 and 2020. In fiscal year 2019, the Department disbursed 149 pupil transportation payments totaling \$85,975,717, and in fiscal year 2020, the Department disbursed 150 payments totaling \$87,406,704.

We performed the following procedures to evaluate the Department's process to ensure that the transportation funding formula was correctly applied and complied with statutory requirements. In addition, we reviewed the Department's overall administration of the program.

Evaluation of Pupil Transportation Reimbursement Payments

- We selected 31 pupil transportation reimbursement payments for review, 15 from fiscal year 2019 and 16 from fiscal year 2020. We reviewed the following for each reimbursement payment:
 - The student transportation funding formula was correctly calculated and applied in accordance with the Idaho Code, Section 33-1006.
 - Reimbursed expenses to the school districts were for costs allowable under Idaho Code, Section 33-1006.
 - Annual fees for the Department's actual cost of providing financial reviews of school district student transportation records were properly assessed in accordance with the Idaho Code, Section 33-1514.
 - Reimbursement payment amounts were accurate and supported by documentation included in IBUS.

- Applicable adjustments, which are approved in IBUS, were included in the calculation of the payment amount.
- Reimbursement payments approved in IBUS and submitted to the fiscal staff for entry into STARS agreed to the Payment Request Form prepared by the Division of Public School Finance.
- The Payment Request Form amounts agreed to the Batch Header Data Entry Form. The batch header is used to document the final payment approval.
- Reimbursement requests submitted by school districts in IBUS were reviewed and approved by the appropriate personnel within Student Transportation. We reviewed the batch payment documentation and the support for the foundation payment distributions in order to verify that all payments were processed in accordance with Idaho Code, Section 33-1009. We also verified that the payments were reviewed by the appropriate staff at the Division of Public School Finance, as indicated by the signature on the requests.

Program Administration

Spot Inspections

- The Department completes a spot inspection for each district every two years. We randomly selected 10 percent (16) of the district inspections completed during fiscal years 2019 and 2020. We reviewed the spot inspection final letter and the corrective action plan (if required) for compliance with Idaho Code, Section 33-1511.

Contract Review

- During our review period, school districts entered into a total of 20 contracts. We selected a sample of 15 percent of the population (3). We reviewed the contracts for compliance with Idaho Code, Section 33-1510 and that the contracts followed the guidelines in the model approved by the Department.

Pupil Transportation Program Fund

- The Pupil Transportation Fund (0319-02) is to be used to promote school transportation safety and awareness in Idaho and to defray costs associated with oversight of the program. To verify the Department properly used monies in this fund, we inspected the STARS financial data for fiscal years 2019 and 2020.
- The only activity in this fund during fiscal years 2019 and 2020 was the receipt of interest income.

Charter Schools

- We reviewed the correspondence between the Department and charter schools with anticipated membership for each charter/district for school years 2017-2018, 2018-2019, and 2019-2020. We used this information to determine if the Department properly retained the public charter school documentation regarding the enrollment count of students who are eligible for reimbursement of the transportation costs in accordance with the Idaho Code, Section 33-5208.

Conclusions

We found that the Department complied with applicable Idaho Code sections in properly calculating and applying the pupil transportation funding formula, properly reviewing the school districts reimbursement claims, and conducting the spot inspections.

However, while completing procedures to evaluate program administration, we were unable to verify that the Department had adequately reviewed contracts per Idaho Code, Section 33-1510 due to approvals not being consistently documented. This is further described in Finding 1 below. We also found that the review and approval of inspection final letters was not consistently performed or documented nor did the Department follow-up on corrective action plans submitted by the school districts to ensure completion as described in Finding 2 below.

Finding 1 – The review and approval of the Student Transportation Services contracts are not adequately or consistently performed and documented to ensure compliance with Idaho Code, Section 35-1510.

Type of Issue:

<input type="checkbox"/> Update Only	<input checked="" type="checkbox"/> Internal Control
<input checked="" type="checkbox"/> Finding	<input checked="" type="checkbox"/> Compliance
	<input type="checkbox"/> Substantive

Criteria: Idaho Code, Section 33-1510 (1) Contracts for Transportation Service, states that all contracts entered into by boards of trustees for the transportation of pupils shall be in writing using the current pupil transportation model contract developed by the State Department of Education. School districts may attach to the model contract addenda to meet local requirements. School districts shall submit to the state superintendent of public instruction a copy of the pupil transportation contract prior to both parties signing it for a review of legal requirements and appropriate costs and for final approval. The state superintendent of public instruction shall respond to the school district within twenty-one (21) calendar days of the postmarked receipt of the contract by notifying the school district of contract approval or of recommended or required changes. A school district may appeal to the State Board of Education any changes the state superintendent requires, in which case the State Board of Education may, upon review, approve the contract without such changes.

The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment, control activities, and monitoring. Risk assessment is the identification and analysis of various risks entities face and provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated, including verifications, approvals, reconciliations, authorizations, and segregation of duties that support this objective. Monitoring involves activities performed by management to ensure the internal control system is designed and operating effectively, as well as addressing identified deficiencies in a timely manner.

Condition: Each contract is reviewed by the Department to verify the Model Contract for Transportation Services was used and that the contract follows all of the compliance requirements listed in the model. The Model Contract for Transportation Services was developed by the Attorney General's office. If the Department notes any discrepancies between the contract and the Model, the contract is sent to the Attorney General's office for further review.

We selected a sample of 3 contracts that school districts entered into during our review period. This sample represented 15 percent of the population. We noted that 2 of the 3 contracts tested (67 percent) were missing documentation of review and approval by the Department. We confirmed that the school districts used the model that has been developed by the Attorney General's office, we noted no errors.

Cause: The Department does not have a written policy or a consistent approach to approving and reviewing contracts and indicated that they sometimes approve contracts verbally or through email.

Effect: Without documentation of the review of the contracts we are unable to verify the Department is in compliance with Idaho Code 33-1510(1) which requires the Department to review a contract within twenty-one days of receipt. The Department asserts that because the contract is retained within the IBUS system it has in fact been reviewed and further stated that reimbursement limits within the IBUS system would prevent reimbursement of excessive costs. While we agree that the IBUS system has been programmed with the statutorily defined limits on reimbursement costs intended to prevent payments from exceeding the legislatively defined limitations, errors in these entries could occur and go undetected that would result in payment amounts over the allowed amount.

For example, we identified one instance of an overpayment of \$221 in fiscal year 2020. The reimbursable contract amount for a school district was entered into IBUS incorrectly and did not include all reimbursable costs. The error caused the amount reimbursed to the school district to be overstated because the District was originally capped to 99.04% of their claimed costs, but after adding in the additional costs that were allowed, the capped percentage decreased to 97.17%. This is due to the funding cap amounts outlined in Idaho Section 33-1006(5).

Without documentation of the review completed prior to, and as part of the, entry to the system, we cannot determine that the Department is in compliance with this section of Idaho Code. If a contract is not properly reviewed and entered into the system, not only is the Department at risk for noncompliance with Idaho Code, but also is at risk for overpaying a district's request for reimbursement.

Recommendation: We recommend that the Department design and implement documented internal controls to ensure contracts are properly reviewed to an appropriate level of detail to identify inappropriate costs and are in compliance with Idaho Code.

Management's View and Corrective Action Plan: *Regarding the review and approval of contracts by Student Transportation Services, reimbursements from the Pupil Transportation Fund and spot inspections, you stated on Page 5 of the report, "We found that the Department complied with applicable Idaho Code sections in properly calculating and applying the pupil*

transportation funding formula, properly reviewing the school districts reimbursement claims, and conducting the spot inspections.”

With respect to the review and approval of contracts, the recommendation of the audit to implement a more formal process of review and approval was implemented in May. Letters, approved by the Attorney General and the Superintendent, are being sent to notify districts and schools of contract review and approval. All communication is saved on the Department's shared drive. Specific details and sample letters of this process are available for auditors' review.

Finding 2 – The review and approval of school bus spot inspection final letters is not consistently performed and documented.

Type of Issue: ☐ Update Only ☒ Internal Control
☒ Finding ☐ Compliance
☐ Substantive

Criteria: Idaho Code, Section 33-1506, states the Department shall conduct random, spot inspections of school buses throughout the school year.

Idaho Code, Section 33-1511 notes that the Department may require school districts to provide a corrective action when necessary based upon the results of program reviews, fiscal audits, and spot inspections as set forth in section 33-1506, it also states that school districts are required to submit progress reports on those corrective actions to the Department at prescribed intervals until deficiencies are corrected or the corrective actions no longer apply.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the Internal Control Integrated Framework, which provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include control activities and information and communication. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting. Information and communication is the identification, capture, and exchange of information, including adequate source documentation to support financial transactions and demonstrate that controls operate as designed.

Condition: The Department completes spot inspections of school buses and other transportation program requirements every two years for each school district. The results of these spot inspections are compiled by the regional specialist and forwarded to the administrative assistant to draft a final letter. Once the final letter is drafted, the report is returned to the regional specialist and financial specialist. The regional specialist and financial specialist review the draft and approve it to be sent to the District via email with attachment. The financial specialist reviews only the financial information and approves the information verbally. While there is a review to ensure the information was correctly drafted in the final letter by the regional specialist, there is no independent review performed of the recommended suggestions, passing score in the final report, or corrective action provided by the school district.

We reviewed a sample of sixteen spot inspection final letters completed during the review period. The Department did not complete reviews of any of the final letters including the passing score or suggested recommendations. Additionally, if the spot inspection final letter requests a corrective action plan from the school district, the Department indicated they retain this documentation. Out of the sixteen spot inspections, three resulted in corrective action but the Department was unable to provide the corrective action plan for one school district. The Department also did not complete follow-up procedures to ensure that the corrective action plans were completed and effective.

Cause: The Department uses a standard letter template for the final letters and determined that review of the final letter with the passing score and suggestions for improvement was not necessary. The financial data included in the final letter is reviewed by the Financial Specialist, but the other criteria that contributes to a passing score by the inspector is not reviewed. Additionally, the Department does not have a written policy or a consistent approach for follow-up activities to ensure corrective action plans are completed and address the issues identified.

Beginning in February 2021, the Department implemented a review of the final letters that requested corrective action. The Department requires all corrective action plans to be submitted within two weeks. If a district does not submit the corrective action plan the Department may withhold all or a portion of the reimbursement payment. This newly implemented process will only review a small portion of the final letters issued each year.

The corrective action the Department could not provide was due to the school district verbally providing the response.

Effect: Our testing noted that spot inspections were performed as required by Idaho Code. However, without an independent review of the spot inspection final letters, the Department may not be providing accurate results in the final letter. Additionally, without a written corrective action plan and follow-up procedures, the Department does not have appropriate documentation or assurance that the school district properly responded to the identified issue.

Recommendation: We recommend that the Department strengthen internal control policies and procedures to ensure accurate completion and documentation of the spot check inspection and final letter including the retention and follow-up for the school districts' corrective action plans.

Management's View and Corrective Action Plan: *With respect to the concern regarding consistency and documentation of spot inspections, it is important to point out that this process is done within the IBUS system. In February 2021, the SDE recognized the need to complete the IBUS feedback loop with a more formal communication. We implemented a process where timelines are placed on corrective action plans. Districts not meeting these requirements will be subject to payments being withheld.*

MANAGEMENT'S VIEW AND CORRECTIVE ACTION PLAN



IDAHO
STATE DEPARTMENT OF EDUCATION

SHERRI YBARRA, ED.S.
SUPERINTENDENT OF PUBLIC INSTRUCTION

650 W. STATE STREET, 2ND FLOOR
BOISE, IDAHO 83702
(208) 332-6800 OFFICE
WWW.SDE.IDAHO.GOV

October 1, 2021

RE: Legislative Services Office Special Report 17020

Thank you for your diligent work on the audit of the Student Transportation program outlined in Idaho Code. I appreciate your recent review of this program and your conclusion that "The student transportation funding formula was correctly calculated and applied in accordance with Idaho Code." As the purpose of an audit is to provide an objective independent examination of the financial statements, I agree that the State Department of Education (the Department or SDE) has complied with the requirements outlined in law.

I would further point to Page 3 of the Legislative Services Office Audit Report that found the following:

- Reimbursed expenses to the school districts were for costs allowable under Idaho Code, Section 33-1006.
- Annual fees for the Department's actual cost of providing financial reviews of school district student transportation records were properly assessed in accordance with Idaho Code, Section 33-1514.
- Reimbursement payment amounts were accurate and supported by documentation included in the Idaho Bus Utilization System (IBUS).
- Reimbursement requests submitted by school districts in the IBUS were reviewed and approved by the appropriate personnel within Student Transportation. . . . all payments were processed in accordance with Idaho Code, Section 33-1009. We also verified that the payments were reviewed by the appropriate staff at the Division of Public School Finance, as indicated by the signature on the requests.

The audit was very timely as my new transportation director and financial specialist were in the process of reviewing and improving administrative practices and internal processes and controls. With respect to the findings in your report, specifically:

Finding 1 – Regarding the review and approval of contracts by Student Transportation Services, reimbursements from the Pupil Transportation Fund and spot inspections, you stated on Page 5 of the report, "We found that the Department complied with applicable Idaho Code sections in properly calculating and applying the pupil transportation funding formula, properly reviewing the school districts reimbursement claims, and conducting the spot inspections."

With respect to the review and approval of contracts, the recommendation of the audit to implement a more formal process of review and approval was implemented in May. Letters, approved by the Attorney General and the Superintendent, are being sent to notify districts and schools of contract

review and approval. All communication is saved on the Department's shared drive. Specific details and sample letters of this process are available for auditors' review.

Finding 2 – With respect to the concern regarding consistency and documentation of spot inspections, it is important to point out that this process is done within the IBUS system. In February 2021, the SDE recognized the need to complete the IBUS feedback loop with a more formal communication. We implemented a process where timelines are placed on corrective action plans. Districts not meeting these requirements will be subject to payments being withheld.

Again, I appreciate your work, which clearly shows that the Department is running a successful program and is complying with statutory requirements in reimbursing our school districts and charter schools for allowable student transportation costs. As always, my goal is to ensure that school districts and charter schools have the funding and support provided by Idaho Statute and the Idaho Legislature.

Sincerely,



Sherri Ybarra, Ed.S.
Superintendent of Public Instruction

AUDITOR'S CONCLUDING REMARKS

We would like to thank the Department and the Superintendent for their cooperation during the review. We also appreciate the response they have provided to our report and findings as included in its entirety on pages 9 and 10 of our report. However, we would like to clarify that we did not perform an audit nor did we provide an opinion on any financial statements. This was a management review, focused on specific compliance concerns provided by the legislature, and the purpose is clearly defined in the summary section of our report.

Additionally, the Superintendent included a statement in the opening paragraph of the response that quotes our report stating that we concluded "The student transportation funding formula was correctly calculated and applied in accordance with Idaho Code." Our Conclusion section included on the Summary page very clearly states that "We identified deficiencies in the general administrative and accounting controls of the Department." We also provide a more detailed Conclusions section on page 5 where we state that we found that the Department complied with applicable Idaho Code sections in properly calculating and applying the pupil transportation formula, properly reviewing the school district reimbursement claims, and conducting the spot inspections, but did not make the specific conclusion as quoted in the Superintendent's response, nor was this the entire conclusion. The second paragraph of the Conclusions section on page 5 identifies the deficiencies we discuss in Finding 1 and Finding 2. It could be misleading to the reader to infer that only the first statement we made was our entire conclusion.

The Superintendent also included portions of our report from page 3 that could be misleading when read outside of the context it was provided, particularly the statement that "...all payments were processed in accordance with Idaho Code, Section 33-1009." While we did include this statement in the report as part of the last bullet under the Evaluation of Pupil Transportation Reimbursement Payments on page 4, it was as part of a description of our methodology and testing and narrowly attached to a specific test completed on a sample of 31 pupil transportation reimbursement payments made over a 2-year period and related to the review and approval by appropriate personnel of the reimbursement request submitted and that the batch payment included support for the foundation payment distributions.

Finally, Finding 1 in the Superintendent's response includes a sentence that is not part of that finding. The quoted section is actually the first paragraph of our Conclusions section on page 5 of the report. This is not part of the finding, and the applicable portions of the finding were not included here, which again, could be misleading to the reader when taken out of context. The finding states that the review and approval of the Student Transportation Services contracts are not adequately or consistently performed and documented to ensure compliance with Idaho Code, Section 35-1510. It is important to ensure that the reader understands what we found lacking during our review.

We appreciate the additional information now included as part of the corrective action plans provided by the Superintendent under Finding 1 and Finding 2. We will return to the agency after 90 days from the issuance of this report to determine that the procedures are in place and effectively address the conditions identified in the findings. If we are unable to determine proper implementation and improvement, we will revisit annually to determine compliance.

APPENDIX

HISTORY

The State Department of Education (Department) was officially established as an executive agency on July 1, 1972, as a result of House Bill 442. Previously, the Department existed as an executive agency to carry out the policies and directives of the Superintendent of Public Instruction and of the State Board of Education. Under Article IV, Section 1 of the State of Idaho Constitution the Superintendent of Public Instruction is an elected official, serving a four year term.

PURPOSE

The Department of Education's purpose is to carry out regulatory responsibilities as they relate to public schools and the State agency; provide service to school districts in terms of activities that maintain or improve educational opportunities for children; and provide leadership in the field of education.

STATUTORY AUTHORITY

The laws establishing the State Department of Education are codified in Idaho Code, Title 33, Chapter 1. Idaho Code, Section 33-125 states that the Superintendent shall serve as the Executive Officer of the Department and shall have the responsibility for carrying out policies, procedures, and duties prescribed by law or established by the State Board of Education for all elementary and secondary school matters.

ORGANIZATION

The Idaho State Department of Education is organized into three functional areas. Each led by a deputy superintendent who oversees the employees and programs within their respective area. The deputies work closely together to ensure each program is meeting the needs of all Idaho students. Following is a brief description of the programs within the State Department of Education.

ORGANIZATIONAL CHART

OVERVIEW OF DEPARTMENTS



Updated April 1, 2021