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## Chapter V – Education

### **Disclosure Issues**

In addition to the recommendations included in audit reports for state agencies, audit reports may also include disclosure issues. Disclosure issues are items of which the Legislative Auditor believes the legislature should, but may not be, aware. They include situations where the law may not directly address the issue, where spending by state agencies might be inconsistent with what appears to be the intent of the legislature or where amounts on the state's accounting records might not be accurate. The disclosure issues listed below are included in reports for the agencies addressed in this section.

There were no disclosure issues for agencies included in this section.

## FINANCIAL-COMPLIANCE AUDIT

## Montana Arts Council

For the Two Fiscal Years Ended June 30, 2013

APRIL 2014

13-24

REPORT SUMMARY

The Montana Arts Council is charged with governance, management, and control of staff hired to perform its mission to receive and distribute funds made available by the National Endowment for the Arts and to administer Cultural Trust interest earnings and funds appropriated by the legislature.

## Context

The Montana Arts Council (council) is an agency of state government established to develop the creative potential of all Montanans, advance education, spur economic vibrancy, and revitalize communities through involvement in the arts. In promoting the state's arts industry, the council works with arts educators, arts organizations, and artists around the state. The council consists of 15 members appointed by the Governor and confirmed by the Senate to serve staggered five year terms. The council has seven full-time equivalent positions to conduct their operations.

As of June 30, 2013, there was approximately \$13 million in the Cultural Trust. The trust provides interest earnings that are appropriated by the Legislature to award grants for authorized cultural and aesthetic projects. The Legislature appropriated \$666,299 of the interest earnings to the council for the biennium ending June 30, 2013.

The council also receives an annual partnership grant from the National Endowment for the Arts (NEA) in order to fund their State Arts Plan, Arts Education, and Arts in Underserved Communities programs. The council was awarded \$814,500 and \$769,300 in fiscal years 2012 and 2013, respectively. The federal funds

received must be matched on a one-to-one basis with state funds.

We focused our audit effort on the review of Cultural Trust fund investment revenues and transfers-out, council personal services expenditures, and the administration of cultural and aesthetic grants authorized by the Montana Legislature and the NEA federal grant funds. Throughout the audit, we reviewed and tested the department's control systems and determined compliance with selected state and federal laws and regulations.

## Results

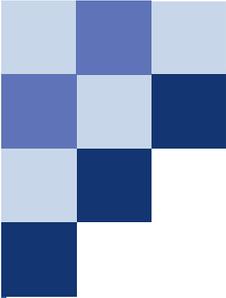
Our current report contains one recommendation related to weaknesses identified in transaction and internal control reviews. We issued unmodified opinions on the financial schedules for each of the two fiscal years ended June 30, 2013.

Recommendation Concurrence	
Concur	1
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (13-24) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>

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## FINANCIAL-COMPLIANCE AUDIT

# Montana School for the Deaf and Blind

### For the Two Fiscal Years Ended June 30, 2014

NOVEMBER 2014

14-22B

REPORT SUMMARY

The Montana School for the Deaf and the Blind promotes and provides free and appropriate educational opportunities statewide for children ages birth to twenty-one who are deaf, hard of hearing, blind, low vision, and deaf-blind.

### Context

The Montana School for the Deaf and the Blind (MSDB) has developed two different ways to meet the educational needs of Montana's deaf and blind children of all ages. On the Great Falls campus, MSDB provides specialized instruction and an education for deaf and blind students with the goal to prepare students for independent, successful lives. In addition, MSDB serves as a statewide resource center for parents of children with vision or hearing loss and for school districts that serve deaf and blind students. Upon request, MSDB assists school districts, ensuring that services and programs for their deaf and blind students are appropriate. MSDB consultants also provide early intervention services in the homes of infants and toddlers with vision or hearing loss. MSDB is governed by the Montana Board of Public Education, which sets requirements for public education in the state.

Total revenues collected by MSDB were approximately \$535,000 and \$480,000 in fiscal years 2013 and 2014, respectively. Primary revenues sources include transfers-in comprised of the school's permanent fund earnings from the Department of Natural Resources and Conservation and federal subawards from the Office of Public Instruction.

In fiscal years 2013 and 2014, total annual expenditures approximated \$6.3 million and \$7 million, respectively. Approximately 85 percent of the school's annual expenditures are composed of personal services. State funding is supplemented by funding from the Montana School for the Deaf & Blind Foundation.

### Results

We focused our audit effort primarily on reviewing these revenue and expenditure activities. We also reviewed the additions and reductions to property held in trust in the agency fund which represents student funds that can be withdrawn throughout the year for miscellaneous purchases. Throughout the audit, we reviewed and tested the department's control systems and determined compliance with selected state laws and regulations. There are no recommendations resulting from our audit.

For a complete copy of the report (14-22B) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>

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## FINANCIAL-COMPLIANCE AUDIT

## Montana Historical Society

For the Two Fiscal Years Ended June 30, 2012

NOVEMBER 2012

12-24

REPORT SUMMARY

The Montana Historical Society is one of the oldest institutions of its kind west of the Mississippi River, which is responsible for managing Montana historic treasures. Approximately 57,000 people visited its museum and archives facility in fiscal year 2011 and fiscal year 2012.

### Context

The Museum collection (over 50,000 artifacts) contains art and three-dimensional artifacts relating to all aspects of Montana history and culture. Of the 8,000 pieces of art represented in the collections, the best-known works are by Montana's "Cowboy Artist" Charles M. Russell. This collection (numbering over 200 pieces - 24 major oils, 33 major watercolors, 40 pen and inks, 15 original models, 60 bronzes, and 34 illustrated letters) is one of the most significant collections of Russell art anywhere. Another major art collection represents the life work of sculptor Bob Scriver (3,000 pieces).

The research center program consists of the library, archives, and photograph archives functions. The society houses approximately 30,000 linear feet of state, local government, and private records. The archive collection is constantly growing.

*Montana the Magazine of Western History* showcases the people, places, and events that shaped the state and the western region. The magazine has won numerous awards in the past two years, including the 2012 Arrington-Prucha Prize for best Western Religious History from the Western History Association.

The Montana Historical Society Press provides educational outreach for the Montana Historical Society by publishing readable and provocative books for students and adults focusing on the history and cultural resources of Montana. In 2011, *Hand Raised: The Barns of Montana* won the High Plains Book Award for Best Nonfiction.

The Montana State Historic Preservation Office works together with all Montanans to promote the preservation of our state's historic and cultural places. In 2011, the State Historic Preservation Office initiated the Montana Post World War II (1945-1965) Architectural Survey and inventory. The project identified, documented, and evaluated selected properties from Montana's post war period.

The society was supported by approximately 13,000 volunteer hours in fiscal year 2011 and fiscal year 2012. Volunteers provided school tours, helped with social functions, assisted in the museum, and performed clerical work. The Friends of the Society volunteer organization is celebrating its 40th year in 2012.

## Results

We audited the fiscal year 2010-11 and fiscal year 2011-12 financial schedules and tested compliance with state laws and federal regulation. This report contains no recommendations to the society resulting in an unqualified opinion.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (12-24) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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## FINANCIAL-COMPLIANCE AUDIT

## Montana State Library Commission

For the Two Fiscal Years Ended June 30, 2013

JANUARY 2014

13-23

REPORT SUMMARY

The Montana State Library Commission provides assistance and advice to all tax-supported or public libraries in the state; maintains and operates the state library; and provides library services for the blind and for individuals with physical disabilities. The Montana State Library Commission, through the state library, manages state government, geographic, and natural resources information for all Montana citizens.

## Context

Fiscal year 2013 marked the closing of two programs for the Montana State Library Commission (Library), the professional library development grant and the Broadband Technology Opportunity Program (BTOP) grant. The professional library development grant, known as SWIM (South Dakota, Wyoming, Idaho and Montana) ended as of June 30, 2013. In over a span of four years, the Library administered the \$850,000 grant that helped provide funding for 83 individuals to earn a Masters of Library Science or a School Library Media Endorsement. The BTOP grant was a three year grant that provided over \$2.7 million in funding to increase Internet speed, increase the total number of computer workstations at participating libraries, and provide library resources to rural Montana using a mobile computer lab.

The 2013 Legislature revised §90-1-404, MCA, the Montana Land Information Act, and permanently transferred the duties related to collecting, maintaining, and disseminating information about the land characteristics of Montana from the Department of Administration to the Library beginning July 1, 2013. This program is referred to as the Base Map Service Center (BMSC). The BMSC manages the geographic information

for the state of Montana and provides the data to all levels of government and the public. Prior to fiscal year 2014, the Library operated BMSC under contract with the Department of Administration.

During the audit, we analyzed the financial schedules and performed a variety of analytical tests over the financial information to determine that the financial schedules present fairly the financial position and results of operations. Also, we tested selected state laws and determined compliance during the audit period.

## Results

This report contains no recommendations.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (13-23) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>

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FINANCIAL-COMPLIANCE AUDIT

Office of Public Instruction

For the Two Fiscal Years Ended June 30, 2013

JANUARY 2014

13-19

REPORT SUMMARY

The Office of Public Instruction distributed state and federal funds to local school districts for support of K-12 education in excess of \$898 million in fiscal year 2012-13 and \$880 million in fiscal year 2011-12. The office accomplished this with a staff of 190 employees while complying with numerous state and federal laws.

**Context**

The Office of Public Instruction (office) has approximately 190 full-time equivalent employees who provide services to schools, teachers, and children, in over 410 school districts throughout the state. The office assists in planning, implementing, and evaluating educational programs. In addition, the office oversees educator preparation and licensure, school accreditation, school finance, and school law.

The current audit contains five recommendations. Three recommendations relate to internal control deficiencies which contributed to noncompliance with federal programs. The remaining recommendations pertain to noncompliance with federal regulations and with state accounting policy, which resulted in misstatements in the office's accounting records.

The office also administers over 30 federal programs, expending \$173.6 million and \$162.2 million in fiscal years 2011-12 and 2012-13, respectively.

**Results**

The prior audit contained one recommendation related to conducting on-site driver's education program reviews. The recommendation was implemented.

Recommendation Concurrence	
Concur	5
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (13-19) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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## FINANCIAL-COMPLIANCE AUDIT

## Board of Public Education

For the Two Fiscal Years Ended June 30, 2014

NOVEMBER 2014

14-22A

REPORT SUMMARY

The Board of Public Education was created by the Montana Constitution to supervise, serve, maintain, and strengthen the public school system, which is comprised of more than 400 school districts and includes the Montana School for the Deaf and Blind.

## Context

As part of providing supervision over the public school system, the Board of Public Education (board) is responsible for establishing policies for:

- ◆ School accreditation
- ◆ Teacher certification
- ◆ Teacher and administrator training
- ◆ State equalization aid
- ◆ Special education
- ◆ School bus standards
- ◆ Various other education related activities

The board is supported by General Fund appropriations and the yearly teacher license fee of \$6 collected and deposited by the Office of Public Instruction. The teacher license fee is used to support the activities of the board and the Certification Standards and Practices Advisory Council. The board had approximately \$283,000 and \$286,000 of expenditures in fiscal years 2013 and 2014, respectively.

We focused our audit effort on the review of travel and personal services expenditures. Throughout the audit, the board's control

systems were reviewed and we evaluated compliance with selected state laws and regulations.

## Results

The current audit report contains two recommendations. We identified several transactions that were not recorded in accordance with state accounting policy. These errors are attributed to a lack of understanding of how to appropriately record the transactions. We determined that the board is spending General Fund money before appropriated Non-General Fund money contrary to state law. This is a prior audit recommendation that was not implemented by the board.

Recommendation Concurrence	
Concur	2
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (14-22A) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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FINANCIAL-COMPLIANCE AUDIT  
Office of the Commissioner of Higher  
Education

For the Two Fiscal Years Ended June 30, 2013

DECEMBER 2013

13-20

REPORT SUMMARY

The Office of the Commissioner of Higher Education is the central administrative unit of the Montana University System and the Board of Regents (board). The office annually manages a budget of over \$361 million; over half is distributed to the universities, community, and tribal colleges.

**Context**

The Montana Constitution extends governance authority over the Montana University System (MUS) to the board but leaves the power to appropriate state funds for the MUS to the legislature. The Constitution charges the board, made up of seven appointed and confirmed members plus three ex-officio members, with hiring a Commissioner of Higher Education who serves as its executive staff. All state funds appropriated by the legislature to the board for the support of the MUS are channeled through the office.

The MUS provides post-secondary education to over 44,000 students (resident and nonresident) at eight campus locations in Montana. There are 3,000 students (resident and nonresident) at three community colleges. Additionally, the state supports nontribal Montana resident students attending the seven tribal colleges.

In addition to distributions for the support of the MUS, the Office of the Commissioner of Higher Education (office) also administers the federal Guaranteed Student Loan Program, the MUS Group Insurance Program, and the Montana Family Education Savings Program.

**Results**

During our audit, we focused our audit effort primarily on reviewing financial transactions related to premium payments and claims in the MUS Insurance Program; evaluating balances related to the College Savings Plan; determining whether funds were distributed to the universities as directed by legislative appropriations; and assessing the related control systems. We also tested compliance with federal regulations related to the Family Education Savings Act and various state laws and Board of Regents policies.

Our audit resulted in one recommendation to the office and an unmodified opinion.

Recommendation Concurrence	
Concur	1
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (13-20) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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## FINANCIAL AUDIT

## Montana Guaranteed Student Loan Program

For the Fiscal Year Ended June 30, 2013

DECEMBER 2013

13-06

REPORT SUMMARY

At the end of fiscal year 2013, the Guaranteed Student Loan Program had an outstanding guaranteed loan balance of \$1.5 billion. Since a change in federal regulations resulted in no further guarantees as of fiscal year 2011, the program will end when no guaranteed loan balances remain outstanding.

**Context**

Guaranteed Student Loan Program (GSL) operates under the guidance of the Board of Regents. It provides access to post-secondary education through guaranteed student loans.

As the guaranteed loan balances decrease, there will be less revenue to fund GSL's operations. When operating costs exceed revenues, GSL needs to use the assets in its operating fund to provide its required loan guarantee services. During fiscal years 2012 and 2013, the legislature funded over \$5 million in scholarships out of the GSL operating fund. As a result, the asset balance in the operating fund was \$4.3 million at June 30, 2013, as compared to \$8.8 million at June 30, 2011. When no assets remain, another funding source will be required, because federal regulations require GSL to service all the loans it guaranteed.

GSL purchases loans as a result of borrowers defaulting, filing bankruptcy, becoming disabled, or dying. During fiscal year 2013, GSL purchased over \$26 million of these

guaranteed student loans from the financial institutions. This is about a \$1.6 million increase in loans purchased from the previous year.

In the same time period, GSL recovered \$7.3 million from borrowers on outstanding loans. In accordance with Federal Family Education Loan Program regulations, GSL remitted \$5.4 million of the amounts collected to the U.S. Department of Education, and retained net revenue of \$1.9 million.

**Results**

During our audit we tested compliance with federal regulations governing the GSL. We also focused our audit effort on financial activity related to payments from the federal government, claims paid to lenders, and cost of loan collections and the related control systems. Our audit did not result in any recommendations. We issue an unmodified opinion on the GSL financial statements.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (13-06) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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FINANCIAL-RELATED AUDIT

University of Montana

For the Two Fiscal Years Ended June 30, 2013

OCTOBER 2013

13-12

REPORT SUMMARY

During fiscal years 2012 and 2013, the University of Montana (university) offered certificate, one-year associate, two-year associate, four-year undergraduate bachelor, master, and doctoral degree programs to approximately 18,000 students each year; 77 percent were residents of Montana.

Context

The university consists of four primary campuses: University of Montana-Missoula, Montana Tech of University of Montana, University of Montana-Western, and the Helena College University of Montana. The four campuses provide a diversity of undergraduate and graduate academic degrees. The university also includes several two-year colleges: the Missoula College, Bitterroot College, and Highlands College.

The university receives federal funding for a variety of reasons such as to conduct research and development projects and provide financial assistance to eligible students attending institutions of postsecondary education. During the audit, we examined the university's compliance with federal regulations over the Student Financial Assistance (SFA) and Research and Development (R&D) programs. The university expended over \$70 million of federal funds in support of research and development projects during the past two fiscal years, primarily at the Missoula campus. The university distributed approximately \$117 million and \$108 million in financial aid such as loans, grants, and work study to qualified students in fiscal years 2011-12 and 2012-13, respectively.

In addition, we tested compliance with selected state laws and Board of Regent policies at each campus affiliated with the University of Montana.

Results

Our audit resulted in five recommendations. These recommendations relate to access to Banner, the university's main computer system, lack of internal controls over federal financial aid reporting requirements, internal control deficiencies over compliance with federal grant agreements, inadequate segregation of duties at the Bitterroot College, and noncompliance with nonresident fee waiver limitations.

Recommendation Concurrence	
Concur	2
Partially Concur	1
Do Not Concur	2
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (13-12) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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**FINANCIAL AUDIT**  
**University of Montana**  
 For the Fiscal Year Ended June 30, 2013

DECEMBER 2013

13-10

REPORT SUMMARY

The University of Montana is comprised of University of Montana–Missoula, Montana Tech of the University of Montana, University of Montana–Western, and Helena College University of Montana. Enrollment of full-time equivalent students continued to decline in fiscal year 2013 to 17,877 from 18,709 and 19,039 in fiscal year 2012, and fiscal year 2011, respectively, resulting in a continued decrease in tuition and fees revenue.

**Context**

The annual financial statement audit of the University of Montana (university) is performed to supply relevant and timely audited financial statements to interested parties. Financial audits provide an independent assessment of whether the university’s financial statements reliably represent the financial position of university as of June 30, 2013.

The financial statements in this report also contain information regarding the financial activity of the university-related foundations supporting the Missoula, Montana Tech, Western, and Helena College campuses and the Grizzly Scholarship Association. These component units had net assets of \$230 million at June 30, 2013.

Between fiscal years 2013 and 2012, the university incurred an \$8.5 million decline in net position. The fall in net position reflects the continued decrease in the number of full-time equivalent students.

There were no new bond issues for fiscal year 2013. As such, long-term debt obligations declined by approximately \$5.6 million between fiscal years 2013 and 2012.

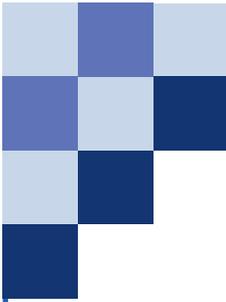
**Results**

We issued an unmodified opinion on the university’s financial statements and the combined financial statements of the university’s component units.

Readers of this report can rely on financial information included in our report as a basis for financial decisions. The audit report does not contain any findings or recommendations.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (13-10) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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FINANCIAL-RELATED AUDIT  
 Montana State University

For the Two Fiscal Years Ended June 30, 2013

OCTOBER 2013

13-13

REPORT SUMMARY

Montana State University (university) consists of four campuses located in Bozeman, Billings, Havre, and Great Falls. For fiscal year 2012-13, the university served just under 20,000 students, 76 percent of which were Montana residents.

**Context**

The university consists of campuses located in Bozeman (MSU-Bozeman), Billings (MSU-Billings and City College), Havre (MSU-Northern), and Great Falls (Great Falls College-MSU). During the course of our audit we visited MSU-Bozeman, MSU-Billings, MSU-Northern and the Great Falls College-MSU.

The university receives a variety of federal funding. During the audit, we examined the university’s compliance with federal regulation over the Student Financial Assistance (SFA) and Research and Development (R&D) programs. The university had approximately \$100 million in R&D expenditures in fiscal years 2012 and 2013, 99 percent of which were at MSU-Bozeman. The university had approximately \$132 million of SFA expenditures in fiscal years 2012 and 2013, of which 87 percent were at MSU-Bozeman and MSU-Billings. As a result, we concentrated our audit efforts for programs at the MSU-Bozeman and MSU-Billings campuses.

In addition we tested compliance with selected state laws and Board of Regent policies at the campuses we visited including the Agriculture Experiment Station and Fire Services which are affiliated with the MSU-Bozeman campus.

**Results**

Our prior audit report included ten recommendations to the university. Of those, the university implemented eight and partially implemented two.

This audit report includes two recommendations relating to nonresident fee waivers in excess of limits in state law, and segregation of university and foundation assets.

Recommendation Concurrence	
Concur	1
Partially Concur	0
Do Not Concur	1
<b>Source: Agency audit response included in final report.</b>	

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**FINANCIAL AUDIT**  
**Montana State University**  
**For the Fiscal Year Ended June 30, 2013**

DECEMBER 2013

13-11A

REPORT SUMMARY

Montana State University includes campuses located in Bozeman, Billings, Havre, and Great Falls. For fiscal year 2013, the MSU Bozeman campus experienced a 4.6 percent increase in full-time equivalent (FTE) enrollment from 12,019 students in 2012 to 12,577 in 2013. MSU Northern experienced a slight increase in enrollment during this time period, while the other campuses saw overall decreases. Total FTE enrollment for all campuses increased by 2.1 percent to 19,824 students in 2013.

**Context**

Montana State University (university) serves state, national, and international students with a diversity of undergraduate and graduate academic degrees as well as two-year vocational and technical programs.

Anticipating continued growth for the university, in November 2013, the Board of Regents approved the issuance of up to \$70 million in debt to construct a new residence hall, upgrade dining facilities, and other construction projects.

In addition to financial activity of the University, the financial statements include financial activity related to foundations for the Bozeman, Billings and Havre campuses, the Museum of the Rockies Incorporated and the Bozeman Bobcat Club.

The report also contains unaudited supplemental information with detailed information for each campus, the Agricultural Experiment Station, Montana State University Extension Service, and the Fire Services Training School.

**Results**

We issued an unmodified opinion over the university’s financial statements. Readers of this report can rely on the financial statements to be a fair representation of the university’s operations for fiscal year 2013 and financial position as of June 30, 2013. This report does not contain any findings or recommendations.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

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## PERFORMANCE AUDIT

# School Transportation Funding and Safety

Office of Public Instruction  
Board of Public Education

MAY 2013

13P-01

REPORT SUMMARY

The state spends over \$17 million each year to fund school district transportation services and provides oversight of safety requirements for over 2,000 buses and bus drivers; the state's ability to verify reimbursement claims has been limited and improved controls could increase safety of bus operations.

### Context

Public school students are eligible for transportation services if the student resides at least three miles from the nearest public school. A school district may provide transportation in the form of district- or contractor-operated bus routes or through the use of individual transportation contracts, which are agreements to reimburse a student's parents or guardians for providing transportation. In 2012, 331 of Montana's 419 school districts sought reimbursement for bus routes. To be eligible for reimbursement these routes must be operated in compliance with standards set forth by the Board of Public Education (BPE) and the Office of Public Instruction (OPI). The costs for pupil transportation are split between the state, counties, and district or local sources. The total cost of pupil transportation in Montana exceeds \$74 million annually and the state's portion is over \$17 million.

### Results

The actual provision of student transportation is a responsibility of local schools, though state laws and rules provide guidance and specific requirements. Our audit work focused on the controls in place to ensure student transportation is provided safely and in a cost-effective manner. We found many controls operate at the local or county level, with little state involvement. In some areas this appears to work well, however, we have

identified several areas in which the state could take a more proactive role to help ensure the accuracy of state reimbursements and improve the safety of bus operations.

### Reimbursement Issues

Schools providing transportation are required to report certain information before receiving reimbursement for the state's share of costs. School districts are reimbursed based on a per-mile rate according to bus capacity. Individual transportation contract holders receive a per-mile reimbursement for each day transportation is provided. OPI is responsible for establishing the validity of claims but generally relies on its local and county partners to provide accurate information.

OPI should improve its ability to verify the accuracy of reimbursement claims by strengthening controls over the claims process.

Some school districts are beginning to use global positioning systems to enhance route design and track bus location. These systems have the potential to provide accurate, reliable data for reimbursement purposes. It is likely that these systems will become increasingly common over time. We recommend that OPI plan to develop the ability to track pupil transportation information via a GPS-based system. Doing so could improve claim

accuracy, increase student safety, reduce required paperwork, and provide other benefits.

Finally, the current state reimbursement schedule provides an incentive for school districts to purchase large buses because the state reimbursement is substantially greater for large buses than for small ones. Large buses do not cost substantially more to purchase or operate. The average Montana bus has increased in capacity by about 11 percent over the past 10 years, while eligible ridership has actually decreased. Due to the size increase, the total state and county reimbursement increased by nearly \$2 million for the 2011-12 school year. We recommend the legislature consider whether the state’s reimbursement plan has produced the intended effect.

**Safety Issues**

Transportation via a school bus is often cited as the safest method for getting students to and from school. We reviewed the Highway Patrol inspection forms for selected buses and boarded 52 buses at selected school districts. The buses themselves appeared to be in good condition and generally received inspections in a timely fashion.

Bus drivers are required to hold a specially-endorsed commercial driver’s license, are subject to random drug and alcohol testing, and must meet other requirements including that they are of “good moral character.” Of the 1,435 drivers who were named on reimbursement claims during the second semester of 2011-12, almost all did appear to meet these requirements. However, we did identify eight individuals who had criminal histories that would appear to violate the moral conduct code in place for teachers and another individual with an active arrest warrant. Setting criteria for moral character, requiring the consistent use of background checks, and conducting periodic scans related to criminal activity would enhance student safety while onboard buses.

Recommendation Concurrence	
Concur	3
Partially Concur	1
Do Not Concur	1
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (13P-01) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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