

School Bus Scams

Your vigilance in overseeing all aspects of your transportation program will prevent your taxpayers from being taken for a ride by fraudsters—and protect your reputation as well

Yellow school buses are an American education icon. Yet few outside education know the complexities behind Big Yellow's daily performance of picking up and dropping off students. In addition to buying, selling, or leasing vehicles, school leaders must monitor fuel purchases, safeguard fuel supplies, arrange for safety inspections, hire bus drivers and mechanics, procure insurance, purchase bus parts, equip garages, and respond to student discipline issues.

Without proper oversight, these transactions provide opportunities for regulatory violations, lawsuits, and fraud.

Efficient and safe

Of course, we all know that the school bus is much more than an icon. According to the American School Bus Council, 480,000 school buses transport 26 million students each school day, saving more than 3.1 billion gallons of fuel that would otherwise be consumed by private vehicles.

Despite rising fuel costs, using buses to transport students makes sense for the environment. However, reducing fuel consumption is not the only advantage. These vehicles are efficient, well built, and have an impressive safety record.

Ongoing design improvements make school buses one of the safest modes of transportation in the country. According to the School Bus Information Clearing House, the death rate for school bus acci-

dents is 0.01 per 100 million passenger miles compared to 0.94 for passenger cars, 0.06 for scheduled airlines, and 0.04 for passenger trains.

Several factors contribute to this track record. Most important, perhaps, is strong public support for safe student transport. In addition, stringent state and federal regulations require a large outlay of financial resources to maintain safety. For example, transportation inspectors are mandated to regularly review vehicle service maintenance records, check brakes, headlights, and emergency doors, as well as examine drivers' training and health records.

Beyond a commitment to safety, school districts dedicate substantial financial resources to purchase and operate their bus fleets. Large districts may operate hundreds of school buses while small or medium size districts may outsource student transportation. Operating safe, efficient transportation requires significant outlay of resources for most districts. Unfortunately, where large sums of money are spent, opportunities for fraud arise.

Transportation scams

Careful board oversight of internal controls is essential to minimize the potential for fraud or misallocation of resources. Although it is true that the majority of individuals involved in transportation operations are dedicated to the well-being of the district, there are some who

seize opportunities to be dishonest.

For example, in July 2011, the U.S. Attorney General charged a former North Chicago school board member, the transportation director, and three co-defendants who controlled the bus company providing services to the district. They were accused of violating federal fraud statutes by stealing at least \$800,000. The bus company received \$21 million in contract payments from the district.

The board member and transportation director were accused of receiving kickbacks of \$4,000 to \$5,000 a month for their endorsements of the company. Eventually, monthly payments allegedly rose to about \$20,000 for both officials.

Other scams do not rely on the cooperation of individuals within the district. Some unscrupulous transportation providers collude to divide geographic areas into service territories, thus eliminating competition. Or a group of dishonest bidders may decide among themselves who will win the bid. In this scheme, all but one of the participants submits very high bids. The company with the low bid wins the contract. Alternatively, a district may receive only one bid, forcing the district to accept it.

In order to avoid suspicion, colluding companies may rotate winners from one bidding cycle to another. This pre-arranged bid process is sometimes called a Loser's Club. In reality, the illegal bidders are the winners and the district is the loser.

These crimes deprive districts of both short- and long-term savings that accrue through a competitive bidding process for transportation services. In addition to monetary losses, districts experiencing this type of fraud may be subjected to years of voter outrage resulting in defeated budgets and bond issues. Ultimately,

this type of financial mismanagement causes stress on district budgets that is likely to impact day-to-day operations and classroom curriculum.

Trust but verify

To provide effective oversight of transportation operations, ask the right questions. Inquire whether your district uses competitive bidding for bus leasing or purchases. Ask whether the bid process conforms to state regulations.

Encourage administrators to provide information regarding how bids are advertised, the number of participating bidders, and the range of proposed prices. In addition, ask if bidders are required to sign a conflict of interest statement.

If you do suspect a bidding scam, compare your data with surrounding districts. Find out if they are encountering similar situations when conducting bids. If indicated, check with your attorney to see if an investigation by authorities is in order.

Several other areas of transportation operations require effective internal controls and board oversight. It is important to thoroughly investigate any company that transports your students. While most vendors are honest, it is necessary to verify the information they provide. You will want to assess matters related to reputation, insurance coverage, regulatory compliance, fuel usage, and maintenance.

Reputation

Reputation is an important consideration when choosing a transportation provider. Ask administrators if references are checked with other districts that use local bus companies. In addition, find out whether administrators research the ownership documentation for bidding companies. Sometimes when a company develops a bad reputation, it will close up shop, form another company with a new name, and start over with the same management, equipment, and poor service.

Insurance

Insurance matters are an essential area

requiring sharp oversight. Determine whether administrators have checked that insurance policies owned by the district, as well as those of bus vendors, have adequate coverage and are in effect. Especially in a tough economy, some bus companies will allow their insurance coverage to lapse.

If a class trip is scheduled to use an alternative bus carrier, trip organizers must also check insurance information. Be certain, too, that administrators and teachers check all required vehicle inspection stickers.

Regulatory compliance

In addition to checking insurance coverage, the district must be in compliance with its own transportation policies as well as local, state, and federal regulations. As in most highly regulated industries, compliance issues must be adhered to if insurance coverage is to remain in force. Review district policies that address monitoring driver training schedules, annual physical exams, and random drug testing. Failure to monitor compliance may expose the district to significant legal and financial losses.

Fuel use

Another area for oversight is fuel use. Determine whether there is a procedure for tracking fuel utilization for each vehicle. Be sure administrators review trip logs that provide time and mileage information to verify that district buses are being used for school related activities and not for personal errands.

Learn about the equipment used to store and track fuel. Inquire whether fuel delivery procedures require district staff to be present when deliveries are made. This simple control permits district personnel to verify the amount of fuel in district tanks before and after delivery. Unfortunately, fuel delivery companies have in some cases short changed customers by tampering with the sealed meter mounted on the truck.

Some districts use a fuel usage monitoring system. One version uses special

ignition keys. A vehicle's ignition key is imbedded with a device that records the amount of fuel used each time the key opens and closes the fuel pump. A computer in the pump tracks the number of gallons used and the mileage.

By monitoring fuel consumption, transportation managers can identify those vehicles that require service or repair. When problems are caught early, damage can be reduced, prolonging the vehicle's useful life.

Board oversight

Transportation-related issues are a popular topic for discussion when constituents meet school board members by chance. These encounters occur while you are standing on the sidelines of a sporting event, grocery shopping, or grabbing a bite at the local cafe. Typical discussions focus on bullying incidents, location of bus stops, timing of bus runs, or the discontinuance of the late sports bus. These meetings are an important part of board interaction with the public, allowing you to educate taxpayers about your district's policies.

Parents may not understand that, as a board member, you do not have the power to solve problems immediately. Explain that the administrative team addresses operational issues and that your role is oversight. Offer guidance regarding how to proceed in addressing their concerns.

Taxpayers want to know that you are aware of the rising cost of transportation. Communicate clearly that cost control and fraud prevention measures are in place. Explain that the board's goal is to provide a smooth ride for students, both literally and figuratively, and to reduce the likelihood that taxpayers will be taken for a ride by fraudsters. ■

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