



**Report  
to  
The LEGISLATIVE FINANCE COMMITTEE**



Public Education Department  
School Bus Transportation Program  
May 19, 2011

**Report # 11-12**

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May 19, 2011

Ms. Hanna Skandera, Secretary-Designate  
Public Education Department  
Jerry Apodaca Education Building  
300 Don Gaspar  
Santa Fe, NM 87501

Dear Secretary Skandera:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the *Public School Transportation Evaluation*. The evaluation team assessed the status of select key findings and recommendations from the LFC's 1993 report on the Public School Transportation Program, PED's administration of the transportation distribution formula, and the implementation status and use of global positioning system (GPS) technology. The report will be presented to the Committee on May 19, 2011. Exit conferences were conducted with the Public Education Department to discuss the contents of the report. The Committee would like a plan to address the recommendations within this report within 30 days from the date of the hearing.

I believe this report addresses issues the Committee asked us to review and hope New Mexico's public schools benefit from our efforts. We very much appreciate the cooperation and assistance we received from your staff.

Sincerely,

A handwritten signature in blue ink that reads "David Abbey".

David Abbey, Director

cc: Senator John Arthur Smith, Chairman, LFC  
Representative Luciano "Lucky" Varela, Vice-Chairman, LFC  
Paul Aguilar, Deputy Secretary, PED

**Table of Contents**

**Page No.**

**EXECUTIVE SUMMARY ..... 1**

**BACKGROUND INFORMATION ..... 6**

**FINDINGS AND RECOMMENDATIONS ..... 11**

    Many findings from a 1993 LFC report are still true, continuing to hinder the fair and efficient operations of the transportation division. .... 12

    The funding formula is overly-complex with limited oversight, resulting in questionable distributions of transportation dollars. .... 20

    Purchases of \$1 million in GPS units might not be justified over the long-term. .... 32

**AGENCY RESPONSES ..... 37**

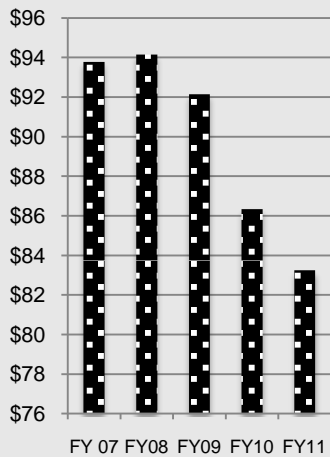
**APPENDIX A: Status of 1993 LFC Performance Audit..... 43**

**APPENDIX B: FY10 Transportation Allocations ..... 46**

**Transportation Distribution Appropriation**  
(in millions)



**Transportation Operational Final Allocation**  
(in millions)



The Public Education Department (PED) is responsible for distributing state funding and overseeing the operations of public school transportation programs by local school districts and charter schools. State appropriation levels have fluctuated between almost \$100 - \$110 million annually from FY07-FY11 for local operating expenses, the purchase and leasing of school buses used to transport about 180,000 students.

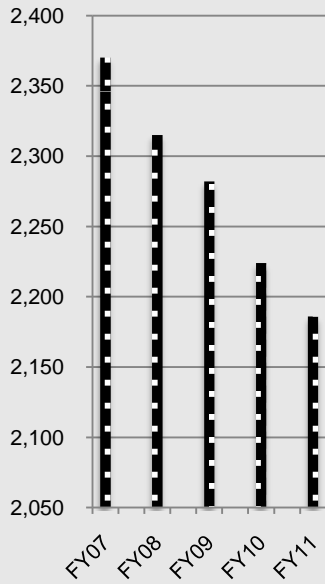
In 1993, the Legislative Finance Committee (LFC) issued a program evaluation report on PED’s Transportation Division (Division) oversight and administration of the public school transportation program. An inequitable funding formula, lack of incentives for local efficiency, weak PED oversight and monitoring of the program were among the many problems identified. In 1994, the Legislature appointed a task force to study these issues, which resulted in the Legislature repealing or amending several laws, adoption a new funding formula and the division implementing several operational recommendations.

This current limited scope program evaluation assessed the status of key findings and implementation of key recommendations made in the 1993 report, assessed the current processes for administration of the transportation program, and determined the implementation status and use of the global positioning system (GPS).

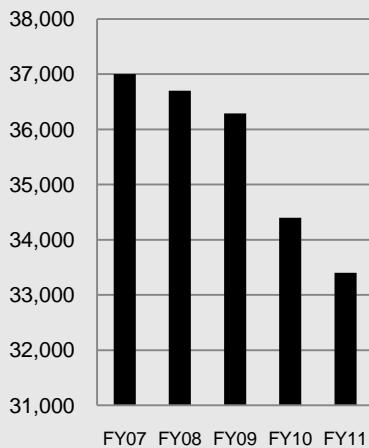
Similar problems continue to plague the school transportation program, including a problematic funding formula, poor oversight of districts, and administrative inefficiencies at PED. The state implemented a new funding formula for the school transportation program in the late 1990s, however, much discretion was left to PED to develop and implement formula factors which are not documented and appear to have been arbitrarily changed in some years. PED lacks an audit process to validate the accuracy of district reported data, some of which appears erroneous. As a result, some districts may receive more funding at the expense of other districts.

The purchase of GPS for school buses has also proved problematic. PED paid \$1 million from a capital appropriation to buy and install 2,350 GPS units for that purpose, some of which are unaccounted for. PED is diverting over \$500 thousand from districts’ transportation allocation to pay for the GPS units use without a contract. Thus far, PED has not adequately used the GPS system for its oversight. Additionally, PED has received GO Bond funding to implement a card swipe system to track the number of bus riders in selected districts, but

**Total Number of Buses**



**Total Annual Mileage**  
(in thousands)



Source: PED

this will also require ongoing operating costs. The potential planned uses for both systems do not appear to justify the ongoing costs without a full cost-benefit analysis.

## KEY FINDINGS

**Status of key findings and recommendations from 1993.** The December 15, 1993 *Review of Public School Transportation Program* report included the following key findings associated with program administration and monitoring.

- inequitable distribution of funds;
- unjustified transportation distribution funding formula (formula rates and subsequent allocation and distributions to districts);
- no process for promoting program economy and efficiency;
- inadequate district-level program oversight and monitoring;
- non-compliance with statutory and regulatory requirements;
- inadequately written division program administrative policies and procedures; and
- no clear distribution of responsibility between the division and the districts.

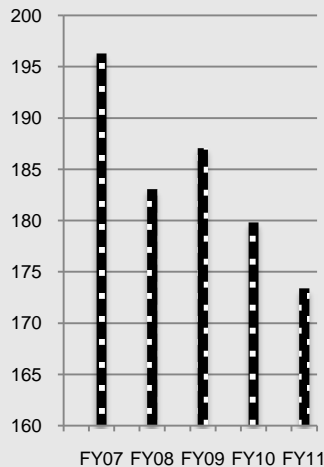
The Legislature adopted a new transportation distribution formula, placed more responsibility at the public school district (District) level and the division eliminated some efficient processes. **Appendix A** provides the status of key findings and recommendations. PED did not implement the following key recommendations related to administration of the transportation program:

- Develop adequate written program administrative policies and procedures.
- Maintain adequate support for adjustments to District submitted data.
- Maintain adequate documentation to support changes to the formula.
- Provide adequate oversight and monitoring at the District-level.

**An overly-complex funding formula and poor PED oversight and administration undermines the fair and efficient distribution of almost \$100 million in funding for school transportation programs.**

PED lacks standardized policies, procedures, and internal controls to ensure the proper distribution of funding. Numerous examples of operational and management issues and non-compliance with statutes and regulations were found, in addition to broader policy issues that warrant further review.

**Total Transported Students**  
(in thousands)



*The funding formula does not appear to encourage efficiency and distributes significantly different allocations to districts on per mile and per rider basis.* Appendix A includes the FY10 final allocation to districts and shows some districts receive markedly different funding on a per mile and per student basis. For example, Gallup received about \$1.56 per mile and Raton \$6.56 per mile. Rio Rancho received \$292 per student rider and West Las Vegas \$766. In addition, key factors in the formula include historical spending levels and the number of miles driven. The number of miles traveled, buses, student riders, and spending variables have decreased since FY07, resulting in a smaller formula allocation. For example, total bus miles have decreased almost 40 thousand, or about 10 percent, from FY07 to FY11. Twenty thousand fewer students reportedly ride the bus during this same time period on over 150 fewer buses. Some districts have shifted transportation spending to other funding sources, such as their main operating budgets and grants.

*The funding formula is not fully documented and it is unclear exactly how some of the formula variables are calculated.* State law delegates a significant amount of authority to PED to develop funding formula variables and requires a regression analysis of historical district costs. However, PED has not put formula information in rule or documented it anywhere. The former PED transportation director ran the formula independent of any other staff using computer software not owned by PED. After the former director left, PED was unable, for a period of time, to administer the formula. PED has used the assistance of staff from the New Mexico Institute of Mining and Technology (NM Tech) to assist in replicating the formula. Lack of policies and procedures hampered the effective operation of the program, as a result.

*Poor data quality, lack of audit oversight of district information, and undocumented PED adjustments to data puts the accurate distribution of funding at risk.* Numerous examples were found through this process demonstrating poor or inaccurate data used for distributing funding as well as making appropriations decisions. For example, three districts report more students ride the bus than are actually enrolled. PED relies on district self-reporting of how many miles were driven by school buses taking students to and from school. A more verifiable approach would be to review miles per bus route multiplied by the number of school days. Other examples were found of PED changing reported data and funding formula variables without documentation on why or review and approval by someone other than the transportation director. While the current formula does not appear as susceptible to the type of adjustments identified in the 1993 report, these undocumented adjustments compromise the reliability of the formula. In addition, the accuracy the allocation calculated by the formula is highly dependent on the reliability of data supplied by Districts.

***PED does not perform statutorily required audits of district operations or contractors to ensure appropriate spending and accurate information used to allocate funding that could result in excessive appropriation levels.*** Some appropriation requests appear to be based on inaccurate information, such as those reported for contracted bus operations. Districts also have the responsibility for verifying contractor actual expenses before submitting to the PED. In addition, PED does not validate the amount actually spent by contractors on school bus purchases before setting the bus rental fee. The rental fee, paid over a five year period, pays for a private contractor's capital expense. The actual price bus contractors' pay may be much lower than the average price used to calculate the rental fee. Also, including an assumption for prime interest rate plus levels may result in excess rental fee amounts if contractors obtain cheaper financing.

Finally, PED was not recovering 50 percent of district transportation program unexpended balances according to state law. Between FY07 and FY09, districts had about \$6.6 million in unexpended funds, half of which should have reverted to the state and deposited in the emergency transportation fund. PED has since taken credit against districts formula allocation for the \$3.3 million.

**Capital purchases of \$1 million in GPS units for buses have resulted in over \$500 thousand in annual operating costs that may not be justified over the long-term.** PED used \$966.4 thousand from the 2007 capital outlay appropriation of \$2 million to purchase a Statewide Public School Bus Global Positioning System (GPS). PED reverted \$1 million of the appropriation balance. PED purchased 2,350 GPS units from Zonar Systems (Zonar).

***The process to obtain the GPS units appears to have resulted in possible statutory violations in addition to unaccounted for units.*** The purchase of this GPS information technology hardware and software was not reviewed by the Department of Information Technology or the Project Certification Committee. A PED transportation division employee that participated on the evaluation committee for the contract went to work for Zonar shortly after award of the contract and now represents the company in New Mexico. Finally, Zonar had delivered 100 units before execution of the contract to a subcontracted New Mexico bus maintenance and parts company to install the hardware. However, the units were sent to the address of a different transportation company and are currently not accounted for. PED was unable to provide a reliable inventory of all 2,350 units.

***PED has reduced each district's formula funding to pay the operating costs of the GPS contract without a contract and has not fully used the software.*** PED is using Deming Public Schools, without a written



agreement, to pay Zonar an annual fee of \$212.15 per bus for a total of \$498.8 thousand plus gross receipts tax. Districts are charged the cost for the GPS operating costs inequitably. Each district's allocation was reduced the same amount rather than on a per bus basis, resulting in a district with three buses paying the same as a district with 450 buses.

***PED is not using the system to adequately monitor the transportation program.*** For example, PED only uses the system to spot check district reported data for buses with daily mileage over 200. PED has received another capital appropriation to expand a pilot program to select districts by installing electronic pass cards on buses. This "ZPass" technology has not yet been purchased, but will result in new operating costs.

***A comprehensive cost-benefit analysis should be conducted before expansion of ZPass and continuation of the GPS.*** The use of technology to assist in monitoring the transportation program could be a viable option if the benefit outweighs the cost. However, this is dependent on PED staff's ability to analyze and make recommendations based on the data. These arrangements could allow PED to no longer rely on districts to supply unsubstantiated information. However, other options exist at potentially lower costs, including hiring auditors or more effectively deploying existing staff and analytical resources to ensure data integrity exists. For example, using cheaper mapping technology to identify the mileage of actual bus routes would eliminate the need to track odometer readings and reporting mileage traveled for the funding formula.

## **KEY RECOMMENDATIONS**

### **Legislature**

The Legislature should consider further study to amend and simplify the funding formula used to allocate funding for school transportation programs.

### **Public Education Department**

PED should fully document the funding formula and how to administer it, document adjustments to reported data, and have at least senior management validate the transportation director's allocation of funding.

Reassess staffing levels, expertise needed, information needed, and tasks necessary for transportation staff to perform their duties.

Document policies and procedures and validate financial information used to set school bus rental fees.

Perform a full cost-benefit analysis of Zonar contracts and report results to the LFC.

## BACKGROUND INFORMATION

According to the Public Education Department (PED) Transportation Division's web page, the School Transportation Unit establishes standards for operation and equipment, inspects buses, conducts on-site accreditation visits to ensure accountability and compliance, and develops an annual appropriation request to finance the pupil transportation program. Audits are conducted to ensure that budgets, records, inspections, etc., are in compliance with regulations and safety procedures. Other duties include technical assistance, driver training programs, and accident investigation. Provision of safe, efficient, and economical transportation to all eligible students is the objective of the unit.

The state first implemented the transportation distribution formula in 1965 to fund regular to and from student transportation. Since 1965, other components have been added such as transportation of three and four year old students with developmental disabilities, and vocational education students.

In 1993, the Legislative Finance Committee (LFC) conducted a performance review of the division's process for administering and monitoring the public school transportation program. The 1993 LFC performance review found that the division did not adequately administer and monitor the program. The report included the following key findings associated with program administration and monitoring.

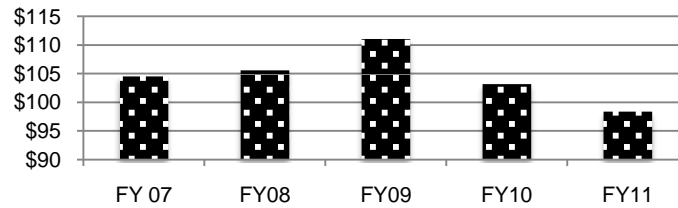
- non-compliance with statutory and regulatory requirements;
- inadequately written division policies and procedures to administer and monitor the program;
- inadequate district-level program oversight and monitoring;
- no process for promoting program economy and efficiency;
- no clear distribution of responsibility between the division and the districts;
- lack of documentation to support funding formula rates and subsequent allocation and distribution to districts; and
- inequitable distribution of funds.

The Committee recommended that an independent contractor conduct a comprehensive study of the laws governing and administration of the transportation program. The Legislature appointed a task force to study these issues, which resulted in the Legislature repealing or amending several laws, adoption a new funding distribution formula and the division implementing numerous operational recommendations contained in the review report.

Over the last few years, various groups have expressed concerns similar to those raised in 1993. To determine if the concerns are warranted, the Committee placed a follow-up review of the December 15, 1993 *Review of Public School Transportation Program* on its 2011 work plan.

The following charts compare transportation distribution appropriations, operational transportation allocations to actual expenditures, total annual mileage, total number of buses and total number of students transported over the last five fiscal years (FY).

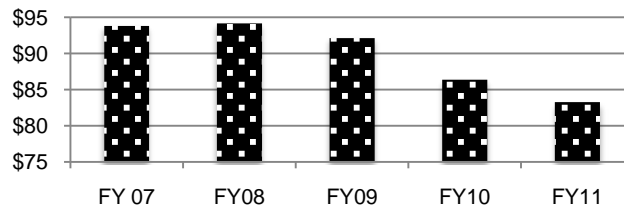
**Transportation Distribution Appropriation**  
(in millions)



Source: General Appropriation Act

The appropriations do not include school-owned bus purchases. These purchases are funded through capital outlay.

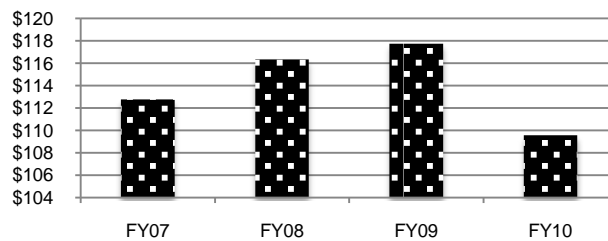
**Transportation Operational Final Allocation**  
(in millions)



Source: Final Allocation Posted on PED Web

The operational final allocation is the amount districts are allocated to fund transportation operations but does not include school-owned bus purchases or rental fees for use of contractor-owned buses.

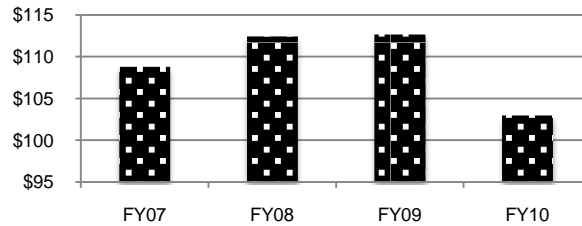
**Actual District Expenditures All Funds**  
(in millions)



Source: PED Stat Book

Actual district expenditures include the purchase of school-owned buses and bus rental fees for contractor operations. Districts are also using the operational fund and other grants to pay for transportation costs. The amount of transportation expenditures paid from the operational fund has increased 67 percent from FY07 to FY10. The amount of transportation expenditures paid with other grants has increased 68 percent in the same time period. Using district actual expenditures from all funds for FY10 the average transportation cost per student is \$573; the average cost per bus mile is \$3; and the average cost per bus is \$46 thousand.

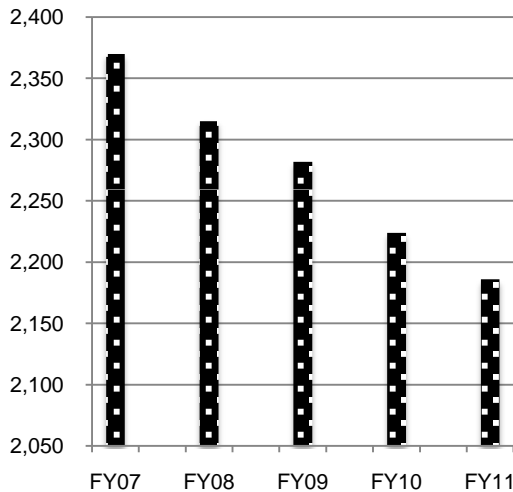
**Actual District Expenditures from  
Transportation Fund**  
(in millions)



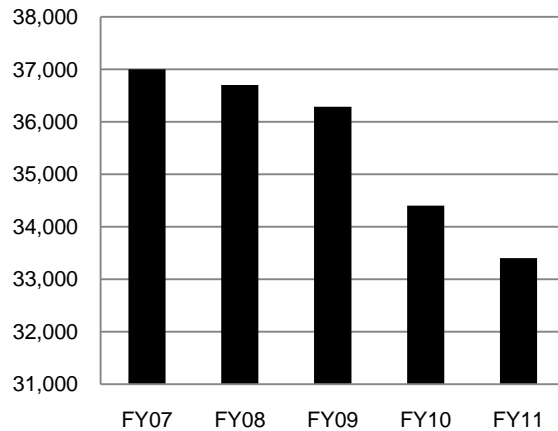
Source: PED Stat Book

Districts use the transportation fund to expend the allocation of transportation distribution appropriation. This includes purchase of school-owned buses and rental fees paid for the use of contractor operations.

**Total Number of Buses**



**Total Annual Mileage**  
(in thousands)

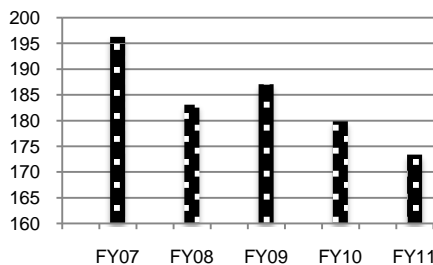


Source: PED

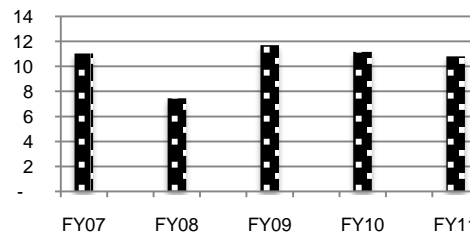
Source: Final Allocation Posted on PED web page

Total annual mileage and number of buses has steadily decreased since FY07. In FY10, total annual mileage decreased by 5 percent and number of buses decreased by 2.5 percent.

**Total Transported Students**  
(in thousands)



**Total Transported Special  
Education Students**  
(in thousands)



Source: Final Allocation Posted on PED web page

The number of students transported from FY07 to FY11 decreased 6 percent. The number of special education students transported has remained fairly stable except in FY08 when it decreased 33 percent.

According to division documentation, there are 64 districts with bus contractors and 27 districts that own and operate their school buses. Two of the 27 school-owned operations also have contractors. There are 233 contractors of which 73 are independent owner/operators.

The division is statutorily created within the Public Education Department in Article 15 Transportation of Students. The division is required by law to perform the following duties:

- establish standards for school bus transportation;
- establish standards for school bus design and operation pursuant to provisions of Section 22-16-11 NMSA 1978;
- establish procedures pertaining to the resolution of transportation issues in areas where local school districts are engaged in school district boundary disputes;
- enforce regulations adopted by the state board [department] relating to school bus transportation;
- audit records of school bus contractors or school district-owned bus operations in accordance with regulations promulgated by the state transportation director;
- establish standards and certify for safety, vehicles that are defined as school buses by the Motor Vehicle Code [66-1-1 NMSA 1978]; and
- establish regulations for the purpose of permitting commercial advertisements on school buses.

The following statutes establish the laws governing the administration of the program:

- Section 22-8-26 NMSA 1978 Transportation Distribution;
- Section 22-8-27 NMSA 1978 Transportation Equipment;
- Section 22-8-29 NMSA 1978 Transportation Distribution Reports and Payments;
- Section 22-8-29.1 NMSA 1978 Calculation of Transportation Distribution Allocation; and
- Section 22-8-29.4 NMSA 1978 Transportation Distribution Adjustment Factor.

New Mexico has 89 autonomous local school districts, which by statute have considerable “local control” over governance of education administration and programming and resource allocation decisions.

### **Objectives.**

- Assess the status of select key findings and recommendations from the LFC’s 1993 report on the Public School Transportation Program.
- Assess the PED’s administration of the transportation distribution formula; including policies, oversight efforts, and cost monitoring to ensure economical and efficient school district transportation services.
- Assess the implementation status and use of the global positioning system (GPS) technology on school district buses and how PED uses the information.

### **Evaluation Activities (Scope and Methodology).**

- Review and analyze applicable statutes and PED regulations

- Interview key PED staff
- Determine the status of select key significant findings and recommendations made in the LFC 1993 program review
- Perform a cursory review the November 15 report and the Contract Expenditure report submitted by public school districts.
- Select a sample of reports submitted by districts for verification of data used to support the FY10 and FY11 distribution.
- Analyze the process for school bus replacement
- Assess the implementation status of GPS

This follow-up concentrated on the division's administration of the program. The follow-up does not include on-site visits to districts or bus contractors to review their records.

**Evaluation Authority.** The Committee has authority under Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political sub-divisions, the effect of laws on the proper functioning of these governing units, and the policies and costs of government. Pursuant to its statutory authority, the Committee may conduct performance reviews and inquiries into specific transactions affecting the operating policies and costs of governmental units and their compliance with state law.

**Evaluation Team.**

Charles Sallee, Deputy Director  
G. Christine Chavez, LFC Contract Evaluator

**Exit Conference.** The contents of this report were discussed with Mr. Paul Aguilar, Deputy Secretary, and division staff, Public Education Department and Legislative Finance Committee staff on May 13, 2011.

**Report Distribution.** This report is intended for the information of the Office of the Governor, the Public Education Department, the Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report which is a matter of public record.



Charles Sallee  
Deputy Director for Program Evaluation

## **FINDINGS AND RECOMMENDATIONS**

### **STATUS OF KEY FINDINGS AND RECOMMENDATIONS MADE IN THE DECEMBER 15, 1993 REVIEW OF PUBLIC SCHOOL TRANSPORTATION PROGRAM.**

The division did not resolve all findings or implement all recommendations issued in the 1993 Performance Review of the Transportation Program relating to improvements in program administration.

- The division did not develop written policies and procedures for administration of the program.
- The division did not maintain adequate support for adjustments to public school district (district) submitted data used in the transportation distribution funding formula (formula)
- The division did not maintain adequate documentation to support changes to the formula.
- The division did not verify or review information provided by districts.

It should be noted that several statutory and regulatory changes resulted from issues identified in the 1993 report and the funding formula task force study. The state adopted a new funding formula, shifted some administrative responsibilities to the districts, eliminated some reporting requirements and automated some processes. The table in Appendix A provides the status of key findings and recommendations.

### **UNRESOLVED FINDINGS AND RECOMMENDATIONS**

#### **Lack of Statutory Compliance: Non-compliance with required certifications to PED Secretary.**

PED could not locate evidence that the Transportation Director certified to the PED Secretary that the allocations from the distribution to each district and charter school are based on the transportation distribution formula for FY07 through FY10. Division staff did provide evidence of such certification for FY11.

Section 22-8-29 C NMSA 1978 Transportation distribution reports and payments states:

The state transportation director shall certify to the secretary that the allocations from the transportation distributions to each school district and state-chartered charter school are based upon the transportation distribution formula established in the Public School Code [22-1-1 NMSA 1978]. The allocations for the first six months of a school year shall be based upon the tentative transportation budget of the school district or state-chartered charter school for the current fiscal year. Allocations to a school district or state-chartered charter school for the remainder of the school year shall adjust the amount received by the school district or state-chartered charter school so that it equals the amount the school district or state-chartered charter school is entitled to receive for the entire school year based upon the November 15 report and subject to audit and verification.

As stated later in this report, division staff could not locate evidence to support adjustments made to some districts' November 15th report data or changes in formula variables. There also is no evidence of audit or verification of the district-supplied data.

To demonstrate statutory compliance any adjustments to district-supplied data or to formula variables requires adequate support to justify the adjustments.

## Recommendations

Comply with statutory requirements by submitting annual written certification to the PED Secretary that the allocations from the transportation distributions are based upon the transportation distribution formula established in the Public School Code.

Develop and maintain documentation to justify adjustments made to data provided by districts in the November 15<sup>th</sup> reports and formula variables.

**Implementation of Proper Administrative Procedure: Lack of written uniform procedures to administer the transportation program.** The division did not develop uniform written policies and procedures detailing how to perform administrative functions as recommended in the 1993 LFC report. There are no standard operating procedures to establish internal controls, standardize review and monitoring procedures, establish procedures for district non-compliance with laws and regulations, and establish a process to compel district compliance and guide staff in the performance of their duties.

The need for written policies and procedures is based on division staff interviews, review of the FY10 and FY11 first reporting period report, contract expenditure report, final allocation and the FY11 and FY12 Legislative request. The remainder of this report discusses specific issues noted during this review.

Staff learn how to perform their function through on the job training. There are no written standard operating procedures to assist them in performing their job duties.

There is no documented evidence to support that division staff reviews district-submitted data or how issues are resolved. According to the division, districts are called when questions arise but there may not be any documentation to support the outcome.

Written procedures are used to establish what should be done as well as how, when, and by whom. The procedures normally identify the step-by-step processes of how to implement and carry out the policy, including identifying the specific tasks and clarifying roles and responsibilities. A procedures manual demonstrates how processes work, helps employees understand how to accomplish their jobs, and assures the information is located in one place for easy reference. They should be used to provide consistency in the processes, which can increase overall efficiency. Procedures can also be used to improve communications, establish strong internal controls to meet regulatory compliance, and standardize recording keeping processes to help reduce waste, fraud, and abuse. Well-written procedures will provide employees with the information needed to effectively make decisions at the most appropriate level, streamline administrative processes, and provide the basis for individual and departmental accountability. In addition, they can reduce the risk of confusion, reduce the potential for litigation, and provide documentation for auditors and program reviewers. During a staff transition, written policies and procedures are essential.

Developing written policies and procedures is not always a priority in an organization because staff is keeping up with the demands of the day-to-day operations. Most organizations do not have the resources to devote to developing detailed standard operating procedures. This is currently the case in the division. The absence of a written policies and procedures manual compounds the issues that arose during the transition period. Much time is wasted in determining what to do, how to do it and when to do it.



## Recommendation

Establish a plan to develop a written policies and procedures manual. The manual should describe step-by-step processes of how to implement and carry out policy including identifying the specific tasks and clarifying roles and responsibilities. The manual should be electronically available to division staff. The manual should include, but not be limited to:

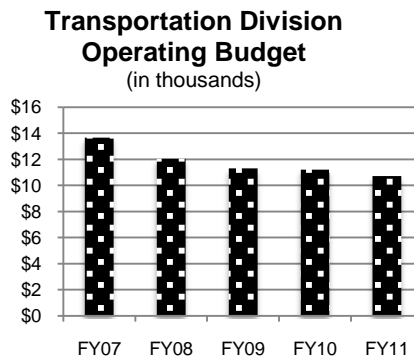
- instructions on how to adequately and efficiently analyze data provided by the districts;
- guide staff on how to make recommendations as a result of the analysis;
- who to inform when the data appears questionable;
- steps to follow when districts do not comply;
- guide staff in how to properly document the results of the analysis and any resulting adjustments; and
- include the source of the information used to perform the analysis and justification for the adjustment.

**Lack of adequate staffing and funding.** The division lacks adequate manpower. Although the division's staff numbers have grown from four positions in 1993 to seven in 2007, recent funding short falls have reduced the number of positions to four and operating funds have declined. Additionally the Director retired in May 2010 and the position remains vacant.

The former director promoted the administrative assistant to transportation specialist. However, this individual is still performing the duties of the administrative assistant because the former director did not fill the position and lost it. Most of the duties performed by the transportation specialist are administrative in nature. There has been little opportunity to perform transportation specialist duties.

The staff does not have the level of knowledge or training to perform the analytical functions and tasks required to adequately administer and manage the financial aspects of the program. The staff does, however, have adequate knowledge and training to manage the safety and inspection functions of the program. The division staff priority is safety of the students who ride the buses.

The division operating budget has decreased consistently since FY07. The FY11 operating budget is 22 percent less than in FY07. According to PED, the budget is not sufficient to cover in-state travel. The Chart below reflects the operating budget (excluding salaries and benefits) for the last five years.



Source: PED Operating Budget Management System

During difficult economic times, agencies need to find creative ways to accomplish their mission more efficiently and effectively. However, observations during the course of this review revealed that division staff spend more time on day-to-day district responsibilities than they do on oversight. For example,

- Division staff spends about 25 percent or more of their time answering phone calls from district personnel assisting districts in the day-to-day operations of the transportation program. Much of the information requested is readily available on the division web page. By assisting the districts in this manner district personnel are not held accountable for managing their own operations.
- Division staff spends time making routine changes to bus number assignments. Bus numbers can change daily. One division staff member is assigned to change bus numbers used for GPS. It is not clear why the bus number is used at the state level since it creates unnecessary work. Using the last five digits in the vehicle identification number (VIN) more accurately tracks bus information at the state level.
- Division staff is not using technology to assist in monitoring and oversight. Current computer applications and GPS have data analysis tools that can readily identify anomalies and missing data to provide timely feedback to districts regarding data reliability.

Best practices indicate that manpower requirements are derived from the required operational capabilities and projected operating environment. For instance: the tasks required to meet goals and objectives; the level of knowledge, skills and abilities required to perform a task; the tools necessary to perform the task (technology hardware and software); and the resources needed to accomplish the mission.

### **Recommendation**

Assess the mission and objectives of the division to determine the tasks, number of employees, level of knowledge and skills, tools and level of funding needed to adequately administer and monitor the program to meet the mission and goals of the division. The assessment should identify current opportunities for improving efficiency in program administration before any additional funding and personnel are provided.

**Inadequate Review of Contract Amendments and Reconciliation to Contract Expenditure Report (Previously Known as Vehicle Production Report): First Reporting Period Report.** The division is not properly reviewing and analyzing the first reporting period report submitted by districts. This data is due five days after the 40<sup>th</sup> day. This report appears to have replaced the vehicle production report. Districts submit the information electronically to the division and the transportation specialist (specialist) saves the data in individual folders for each district. Once all the data is received, the specialist compiles the district information into a master spreadsheet that is used to develop the funding allocation.

A comparison of FY10 and FY11 mileage and number of buses recorded in the master spreadsheet to the data presented in the final allocation identified the following deficiencies:

- The FY10 master spreadsheet did not include three districts. Total annual mileage for the three districts is 201,464 and the number of buses is 12. However, this did not affect the allocation because these three districts are included.

- Annual mileage and number of buses supplied by some districts in FY10 and FY11 as recorded in the master spreadsheet did not agree with the final allocation. Division staff could not locate documentation to support adjustments made in the final allocation. Increases in district data increase district allocations while decreases in district data reduce district allocations.
- FY10 bus and per capita mileage changed for 14 districts. The net change is a reduction of 426,418 miles. The number of buses changed for four districts for a net reduction of 12 buses. There is an unreconciled difference of six buses.
- FY11 bus and per capita annual mileage changed for five districts resulting in a net reduction of 135,518 miles. The number of buses changed for one district and two charter schools for a net increase of four buses.
- Some odometer readings for the reporting period are unrealistic for the age of the bus. Four buses have odometer readings over a million miles. The odometer reading for 16 buses is missing. According to the division, odometer readings are no longer needed because mileage is no longer used to determine bus replacements. There is evidence that newer diesel buses can be used for 350,000 miles.

A comparison of the final allocation to the encumbrance and distributions for FY10 identified adjustments to 14 districts for a total of \$2.1 million. Division staff provided documentation to support increases to 10 districts' allocations. The adjustments are for unexpected bus replacement. Some districts took over the buses due to retirement or termination of the bus contractor. Some districts identified the need to purchase a bus after the 40<sup>th</sup> day.

Another example that the master spreadsheet is incomplete/ incorrect is the FY08 and FY09 allocations. The FY08 and FY09 allocations include 6.8 million and 8.8 million respectively more annual miles than the master spreadsheet. This also indicates that the spreadsheet is not reviewed for completeness and that it is not updated when discrepancies are identified.

Division staff indicated that districts are contacted if no annual mileage for a bus is reported in any field in the first reporting period report. However, the results of the conversation are not documented, nor is there documentation that even a cursory review of the data is performed. There is no requirement to report issues to the director. Previously, the director would review the data while preparing the funding request or allocation. If there were issues with the data, division staff would contact the districts to resolve the issues. Finally, there is no documentation to determine how the issues are resolved.

Section 22-8-29 NMSA 1978 Transportation Distributions; Reports; Payments:

A. Prior to November 15 of each year, each local school board of a school district and governing body of a state-chartered charter school shall report to the state transportation director, upon forms furnished by the state transportation director, the following information concerning the school district's or state-chartered charter school's operation on the first reporting date of the current year...

C. The state transportation director shall certify to the secretary that the allocations from the transportation distributions to each school district and state-chartered charter school are based upon the transportation distribution formula established in the Public School Code [22-1-1 NMSA 1978]. The allocations for the first six months of a school year shall be based upon the tentative transportation budget of the school district or state-chartered charter school for the current fiscal year. Allocations to a school district or state-chartered charter school for the remainder of the school year shall adjust the amount

received by the school district or state-chartered charter school so that it equals the amount the school district or state-chartered charter school is entitled to receive for the entire school year based upon the November 15 report and subject to audit and verification.

Neither the New Mexico Administrative Code nor PED Supplement 19 Administrative Requirements require districts to ensure the accuracy of the report submitted to the division. These regulations and policies do not discuss consequences for improperly or untimely reporting. According to division staff, districts are given instructions on how to complete the first reporting period report at the 40-day training session, the Spring Budget Workshop and when entering the data into the web-based template.

Section 22-16-2D NMSA 1978 (State Transportation Division; Duties) states “Subject to the policies of the state board [department], the state transportation division of the education shall ....enforce those regulations adopted by the state board [department] relating to school bus transportation.”

The division staff intends to submit a request to the PED Information Technology unit to include the submission of the first reporting period data through the Student Teacher Accountability Reporting System (STARS) to improve reporting and efficiency.

**Contract Expenditure Report.** The division is not properly reviewing and analyzing the contract expenditure report submitted annually by districts. This report is used to develop the legislative transportation distribution-funding request. This report contains the original contract amount, contract amendment amount, total contract amount and actual expended by contractor. This information is broken out into the following categories: fuel, operation and maintenance, and salary and benefits. Each district enters the information for each contractor. Staff enters the information from the contract expenditure report into a spreadsheet. These reports are mailed, faxed, or e-mailed to the division.

The contract expenditure report provides districts instructions for completing the report. The instructions inform districts that report is due August 1st and requires the signatures of the district superintendent or designee and the school bus contractor. The form instructs the district to verify the information.

Standards for submission of the contract expenditure report and procedures for completing the report are not included in the New Mexico Administrative Code or PED Supplement 19 Administrative Reporting. The only reference to reporting is in New Mexico Administrative Code Chapter 43 Transportation Operation and Funding, Part 2 Requirements for School Bus Contracts and Per Capita Feeder Agreements 6.43.2.8 School Bus Service Contracts, which includes the bus contract form. The contract form includes a requirement for bus contractors to submit actual expenses annually. The division is required by law to establish standards for school bus transportation.

Prior to FY11, the legislative request was developed using the actual amount expended by contractors for fuel and salary and benefits. The FY12 legislative request was developed using the FY11 contract amount for fuel and salary and benefits rather than the FY10 actual expended.

The division does not use all the information reported in the contract expenditure report. The contract and amendment information is not used and neither is operation and maintenance data. According to PED, the former Director gave instructions not to include the contract amendment. The only information used is contractor actual expenses for fuel and salary and benefits. If districts do not report actual

contractor expenses and do not respond to division staff inquiries, the contract amount is used. It is unclear why the division requires districts report the contract amount, amended amount, and the operation and maintenance costs when this information is not used.

A cursory review of all the FY10 contract expenditure reports and a comparison to the contract and amendment information for 49 contractors in 18 school districts revealed the following issues:

- Contract amended amount is not entered into the spreadsheet.
- Two districts are not using the division standard contract form. One large district did not include the required appendix that breaks down contract costs into the statutorily required categories.
- Three districts report contract amendments for eight contracts but amendments are not in the division file. One district did not report an amendment to a contractor's contract but an amendment is in the file.
- Several districts did not properly complete the contract expenditure report.
- One large district with one contractor did not report contract information according to the form instructions. Amounts are in aggregate.
- One district reports contract amendments for 16 contractors. The amended amount did not agree with the amendment in the division file.
- Two districts did not report expenses for two contractors. The Specialist enters the contract amount.
- One district reports operation and maintenance expenses for one contractor. The contract does not include operation and maintenance but states that the contractor is required to perform the maintenance and provide reports to the district.
- Several districts report a significantly higher contract amount than actual contractor expenses.
- Some districts report actual expenses for salary and benefits but salary and benefits are not included in the contract. Per instructions on the form division staff does not input the information in the spreadsheet if these are independent owner/operators.
- Some districts misreport amounts by combining categories.
- Some districts report the same amount of contractor actual expenses as the contract amount for some contractors.

A comparison of the FY11 spreadsheet contract amounts used for the FY12 legislative request to the contracts on file at the division shows:

- Several contracts are not included in the spreadsheet amounting to \$1.9 million.
- The contract amount for one contract is understated by \$156.5 thousand. The contract is for six buses. The amount entered in the spreadsheet is for one bus.
- One district did not submit its contracts to the division until February 2011. The contracts total \$151.1 thousand.
- Contracts for three contractors are not included in the division files but amounts are included in the spreadsheet. The contact amount totals \$4.6 million.
- One contract listed on the spreadsheet is \$3.3 million lower than the actual contract.

Except for the district that submitted contracts in February 2011, it is unclear why amounts used in the FY12 legislative request differ from amounts reported in the spreadsheet.

According to the division, contracts are due to the division on June 20th. However, this requirement could not be located in laws, rules, regulations, or policy. New Mexico Administrative Code Chapter 43 Transportation Operation and Funding, Part 2 Requirements for School Bus Contracts and Per Capita Feeder Agreements 6.43.2.8 School Bus Service Contracts Sub Section C states:

All individual owner operator equipment contracts and fleet service contracts shall be in writing on forms approved by the public education.

It is difficult to determine if districts are required to submit contracts and all amendments to the division. It appears a conflict exists in PED Supplement 19 Section 4 Contract Guidelines. The following are included in Section 4:

The school bus contract must be negotiated, approved and filed with the School Transportation Bureau with the submission of the school budget each year. The contract term shall be from July 1st through June 30th of each year in order to be eligible for rental payments and uninterrupted insurance coverage. Contract agreements for new and first time contracts must be filed upon approval by the local board.

Several paragraphs later the Section states:

1) The local board of education will in accordance with State Education Regulation 6.43.2 NMAC approve all contracts between the school district and school bus contractors. The State Transportation Director no longer approves contracts; however, copies of the contract appendices A & B must be submitted to the School Transportation Bureau.

According to PED Supplement 19 Section 5 Capital Outlay, Rental Fees it appears the only time districts are required to submit amendments to the division is with budget adjustment requests (BAR) to justify contracted operation school bus purchase rental fees.

There is a potential to significantly increase the division's administration and oversight of the transportation program while reducing the district reporting requirements by eliminating unnecessary reporting and submission of documents. Districts should only be required to report information that is used for analysis and funding.

## **Recommendations**

Review the November 15<sup>th</sup> report and the Contractor Expenditure Reports and other information districts are required to provide the division to determine usefulness in administering the transportation program. Based on this review, streamline the reporting process by eliminating the collection of documentation that adds no value or is not used. If necessary, work with the Legislature to streamline the reporting process while still providing sufficient information to make funding decisions.

Adequately document in the written policies and procedures steps the division staff should follow when reviewing and analyzing district-supplied information. The procedures should include adequate internal controls that demonstrate compliance with established laws, rules, and regulations.

## CURRENT FINDINGS

**Statutory and Regulatory Compliance: Unclear Statutory Language Regarding Approval of Site-Characteristics Used in Allocation.** There is no documented evidence that PED approves site-characteristics. It is unclear who is required to approve the site-characteristics. The former assistant secretary also functioned as the transportation director. It appears that under this organizational structure there is a significant amount of authority. It appears that a single individual may have created and approved funding allocations.

Section 22-8-29.1. C. NMSA 1978 as Amended Calculation of transportation allocation states:

Product A is the constant calculated by regressing the total operations expenditures from the two years prior to the current school year for school district or state-chartered charter school operations using the numerical value of site characteristics approved by the department. The legislative education study committee and the legislative finance committee may review the site characteristics developed by the state transportation director prior to approval by the department.

The organizational structure of an agency should establish adequate internal controls whereby a single individual is not placed in a position to create and approve financial transactions.

### **Recommendation**

Work with the Legislature to clarify who within PED should be approving the site-characteristics used in the funding formula. The approval should be that of the PED Secretary or a position higher than the position developing the site-characteristics.

Review the current organizational structure to ensure that a single individual does not have autonomy to create and authorize financial transaction.

**Non-Compliance with Route Mileage Reporting.** The division is not complying with the reporting requirements included in Section 22-8-29 NMSA 1978 or in PED Supplement 19 Section 7 Reporting Procedures and Requirements. The template provided to districts for reporting 40<sup>th</sup> day data is not designed for districts to report the number and designation of bus routes or the number of miles traveled by each bus on each bus route. The template requires total bus annual mileage by bus. A bus can run several routes. Therefore, there is no documentation readily available to determine how many bus routes each bus runs or how many bus routes are in a district.

Section 22-8-29 NMSA 1978 Transportation Distribution and PED Supplement 19 Transportation Section 7 Reporting Procedures & Requirements states:

A. Prior to November 15 of each year, each local school board of a school district and governing body of a state-chartered charter school shall report to the state transportation director, upon forms furnished by the state transportation director, the following information concerning the school district's or state-chartered charter school's operation on the first reporting date of the current year:

- (1) the number and designation of school bus routes in operation in the school district;
- (2) the number of miles traveled by each school bus on each school bus route, showing the route mileage in accordance with the type of road surface traveled.

It appears that route mileage will provide a better indication of the mileage needed to transport students. It may assist in identifying inefficient routes. The transportation distribution funding formula allocates funds to districts based on annual bus mileage not route mileage. Therefore, it is unclear why the law requires districts to report route mileage.

### **Recommendation**

Determine why the law requires districts to report route mileage instead of bus mileage. If route mileage is a necessary reporting component, then comply with the law by adjusting in the first reporting period report template to include route information as required. Inform districts of the change in a timely manner. If route mileage is not needed, work with the Legislature to amend this section of the law.

**Non-Compliance with Reversion of Unexpended Year-End Remaining Balance.** The division did not calculate districts' year-end balance for FY07 through FY09 as required by law and regulation. The division did take credit for year-end balances in FY10 and FY11 in the amount of \$2 million and \$1.3 million, respectively.

In addition, the division did not process documentation to transfer 50 percent of the remaining unexpended balance to the transportation emergency fund. A review of budget adjustment request (BARs) approved by the division for 18 districts indicates that districts are budgeting 50 percent of the year-end unexpended balances based on amounts identified in the annual financial audit. Six of these districts processed BARs to expend year-end balances in FY08 and FY09.

It is unclear why PED is responsible for calculating the remaining balances for each district and informs districts of the amount they are allowed to keep. Districts are aware of their year-end unexpended balance once the annual financial audit is approved. Rather than informing districts of the unexpended year-end balance division staff should verify the unexpended balance and process the transfer to the transportation emergency fund when it approves the district's BAR to expend its share of the unexpended balance.

A memorandum sent to districts dated February 22, 2011 requires districts to provide the 2009-2010 audited transportation cash balance rather than the year-end unexpended balance. A review of the documentation provided by districts indicates that some districts are reporting cash balance while others are reporting fund balance.

Districts may have accounts payable that are not accounted for in the cash balance. By reverting cash balance, districts may not have the funds to pay for these expenditures. According to the Bureau Chief, districts are informing the division of the accounts payable when a BAR is submitted to transfer the cash balance.

There also is no evidence that the division is requiring districts to submit documentation with the BAR to determine statutory compliance regarding their intended use of 50 percent of the unexpended balance.

Section 22-8-26 NMSA 1978 Transportation Distribution states:

B. In the event a school district's or state-chartered charter school's transportation allocation exceeds the amount required to meet obligations to provide to-and-from transportation, three- and four-year-old developmentally disabled transportation and vocational education transportation, fifty percent of the remaining balance shall be deposited in the transportation emergency fund.



C. Of the excess amount retained by the school district or state-chartered charter school, at least twenty-five percent shall be used for to-and-from transportation-related services, excluding salaries and benefits, and up to twenty-five percent may be used for other transportation-related services, excluding salaries and benefits as defined by rule of the department.

New Mexico Administrative Code Part 3 Public School Transportation Operational Funding Reporting Requirements Section 6.43.3.7 E. Definitions states:

Remaining balance - Unexpended balance at the end of any fiscal year that is not obligated or necessary to meet the to-and-from transportation services included in the school district budget.

New Mexico Administrative Code Part 3 Public School Transportation Operational Funding Reporting Requirements Section 6.43.3.8 Requirements of the Public Education Department states:

A. The department shall calculate the remaining balances for each school district and submit the amount to each school district that they are allowed to maintain and use for to-and -from operations and other transportation related services.

B. The department shall prepare budget and reporting forms for the remaining balances carried forward and provide them to each school district.

### **Recommendation**

Take credit for 50 percent of the district's unexpended remaining balance upon approval of the district's BARs for use the other 50 percent. Timely process transfers these funds to the emergency fund.

Amend New Mexico Administrative Code Part 3 Public School Transportation Operational Funding Reporting Requirements Section 6.43.3.8 to require:

- Districts to submit BARs to the division to transfer 50 percent of the unexpended remaining balances once the annual financial audit is approved. Districts should also provide a copy of the financial statement included in the annual financial audit.
- Districts to provide the division documentation to support the intended use of 50 percent of year-end remaining balances to verify statutory compliance.

**Non-Compliance with Division Statutory Duties.** The division is not performing audits of contractor or district financial operations. The division is conducting district safety and inspection audits.

The division is not maintaining documentation to support written safety and inspection reports as required in New Mexico Administrative Code Chapter 41 Part 2 Section 6.41.2.8. Division staff shred all documentation supporting reports it issues to districts. Division staff also does not maintain evidence to support how findings included in the audit reports are resolved. The division uses a checklist to assist in conducting district safety and inspection audits. However, this document is also shredded when a report is issued to a district. Development of written audit procedures is recommended in the 1993 LFC performance audit.

Section 22-16-2. E. NMSA 1978 State Transportation Division; Duties states:

Subject to the policies of the state board [department], the state transportation division of the department of education shall: ...audit records of school bus contractors or school district-owned bus operations in accordance with regulations promulgated by the state transportation director.

Section 22-8-29 C. NMSA 1978 Transportation Distribution Reports; Payments states:

Allocations to a school district or state-chartered charter school for the remainder of the school year shall adjust the amount received by the school district or state-chartered charter school so that it equals the amount the school district or state-chartered charter school is entitled to receive for the entire school year based upon the November 15 report and subject to audit and verification.

New Mexico Administrative Code Chapter 41 Transportation Safety Part 2 School Bus Inspections Section 6.41.2.8 Requirements of the Public Education Department states:

The department, working cooperatively with other agencies and entities, will establish a safety audit program. The department, or its authorized representatives, will be required to:

- A. Randomly audit district school bus maintenance and inspections records;
- B. Conduct random school bus inspections as a division, or through joint power agreements with other agencies, or contract with other entities
- C. Conduct random school bus inspections in compliance with the guide for school bus maintenance and safety audit program;
- D. Maintain records of the school districts inspection and safety audits.

Due to limited resources the division decided to concentrate its efforts on bus safety inspections. Division staff stated much of the information supplied by districts contains personal identifiable information therefore it is returned or shredded. It does not appear the division has the expertise to audit the financial aspect of district operations.

The division relies on district-supplied data to develop the transportation funding recommendation and to develop the transportation funding allocation. Without auditing and verifying district-supplied data the state does not have assurance that limited funding is based on reliable data.

Standard auditing procedures require that audit report be supported by adequate, reliable evidence in sufficient detail to provide a clear understanding of the work performed, the audit evidence obtained and its source, and the conclusions reached.

## **Recommendations**

Comply with New Mexico Administrative Code by maintaining documentation to support safety and inspection audits conducted at the district.

Determine if the division has the resources and expertise to conduct audits of contractor and district financial operations. Based on the results, audit the financial aspect of district transportation operations or find alternatives to verify and validate district and contractor supplied information.

Develop written safety and inspection procedures as well as financial audit procedures for validation and verification of district financial data.

**Need to Analyze Education Retirement Association Benefits for Independent Owner Operators.**

The issue regarding the treatment of some contractors as employees for the purpose of providing educational retirement association benefits is still pending. The 1993 LFC Report indicates that this appears to be in conflict with the definition of an independent contractor.

On November 14, 2009 the Internal Revenue Service (IRS) questioned the legal relationship of the school bus drivers who are provided the individual owner-operator equipment contracts. The IRS asked a series of questions regarding the contract process. The IRS wanted a description of how the annual amount used by districts to prepare these contracts is determined and detail relating to fuel and operation and maintenance.

The division responded to the IRS and subsequently issued a letter dated April 6, 2010, stating that it intended to resolve the matter through the legislative process. However, the division did not seek introduction of legislation. As a result the division initiated a program to support the voluntary phase-out of those independent owner-operators who wish to remain employees. The division wanted to accelerate the phase-out process but without legislative action any other phase-out cannot be enforced.

In a memorandum dated April 6, 2010 the PED assistant secretary notified districts and individual owner-operators of the voluntary phase-out for contracts issued in 2010-2011. The memorandum states that the IRS requested that the districts consider a phase-out of these contracts. The memorandum included the following guidance:

The PED (with district approval) will allow Individual Owner-Operators to convert their contracts to a one-bus fleet contract; transfer the equipment to the school district and continue as an employee or continue as an Owner-Operator... Should the individual Owner-Operator continue to operate under the Individual Owner-Operator contract, the district must be aware of the possible tax issues raised by the IRS, where portions of the contract were treated as wages by the operator upon filing their tax documents. Continuation of this practice may result in future audit findings which could result in penalties and interest charges to both the school district and the Individual Owner-Operator.

In 1994 the legislative interim committee on school transportation expressed interest in benefits for school bus owner operators. The division provided an advisory letter from the Attorney General issued on May 18, 1994 that states:

Our advice is: (1) a one bus owner operation may be considered an employee of and thus is entitled to retirement coverage under the Education Retirement Act ("ERA"), NMSA 1978, Section 22-11-1 to -52 (Repl. Pamp. 1993); (2) assuming the owner operator's relationship with the district is not a sham and that a genuine employee-employer relationship is maintained, the fact that such owner operator also has a fleet operator's contractor would not require a different conclusion; and (3) other benefits, such as social security and workers' compensation are implicated, because those benefits, like retirement benefits, are accorded to "employees."

New Mexico Administrative Code Chapter 43 Transportation Operations and Funding Part 2 Requirements for School Bus Contracts and Per Capita Feeder Agreements Section 6.43.2.9 Individual Owner Operator states:

A. An individual who owns only one bus and drives the bus on a full time basis is, as a driver, considered an employee of the district. The local board shall enter into an employment contract with the driver. The driver's salary shall be calculated on the local board's established salary schedule for bus drivers. Benefits shall be calculated on the salary amount according to the established benefit rates.

This issue needs to be resolved to avoid any federal/state income tax implications due to districts' treatment of Individual Owner-Operators. The tax implications may be significant. Under the current economic situation neither the state nor the districts can afford this cost.

**Recommendations**

PED management should meet with the IRS agent, staff from the New Mexico Taxation and Revenue Department or a tax attorney to determine if the treatment of individual owner operators complies with federal and state income tax requirements to avoid any federal and state tax issues with employment tax.

If treatment of individual owner operators is out of compliance with tax laws, then the transportation laws should be amended to either eliminate their use for providing student transportation or clarify that individual owner operators are not entitled to district benefits. PED regulation and policies should also be amended to agree with the amended law.

**Undocumented Changes to Student Ridership.** A comparison between student ridership reported through STARS and the student ridership used in the funding allocation for FY10 and FY11 identified the following differences.

	<u>Students</u>	<u>Special Education Students</u>
FY10 Final Allocation	168,676	-0-
FY10 STARS Report	<u>167,476</u>	-0-
Difference	1,200	
FY11 Final Allocation	173,401	10,797
FY11 STARS Report	<u>172,582</u>	<u>12,246</u>
Difference	820	-1,449

Reducing student ridership reduces the allocation to districts; increasing student ridership increases the allocation.

According to the division, there are problems with reporting student ridership. Some districts believe if a student is eligible to ride he/she should be counted. Division staff believes students should only be counted if they actually ride the bus. To get an accurate count of student ridership, PED received funding for the ZPass, a card with a magnetic strip that logs the time, date, and location as a student passes enters or leaves a school bus. The ZPass will not contain any student information. It is believed that the ZPass will improve the student ridership counts used in the formula.

It appears there may be a conflict between the law and New Mexico Administrative Code. Section 22-8-29.1. NMSA 1978 Calculation of Transportation Allocation appears to indicate the funding formula uses number of students transported.

Section 22-8-29.1. NMSA 1978 Calculation of Transportation Allocation states:

A. As used in this section:

(1) "annual variables" means the coefficients calculated by regressing the total operational expenditures from two years prior to the current school year for each school district and state-chartered charter school using the number of students transported and the numerical value of site characteristics;

Section 22-8-25 A. NMSA 1978 states: "Money in the transportation distribution of the public school fund shall be used only for the purpose of making payments to each school district or state-chartered charter school for the to-and-from school transportation costs of students in grades kindergarten through twelve attending public school within the school district or state-chartered charter school and of three- and four-year-old children who meet the approved criteria."

New Mexico Administrative Code Part 4 Standard for Providing Transportation for Eligible Students includes the following sections pertaining to student transportation eligibility.

6.41.4.6 Objective:

To establish a safe and efficient unified system of transportation responsive to the needs of eligible students and to guide the provision of school transportation and transportation as a related service to students with disabilities. Student transportation services, therefore, shall ensure that:

- A. All eligible students are transported in a safe and timely manner;
- B. All eligible students are served within the requirements of current federal and state laws and public education regulations;
- C. Students with disabilities have equal access to a free, appropriate public education, regardless of variances in their abilities to participate in educational experiences; ...

6.41.4.7 Definitions:

D. Eligible student

(1) Students eligible for transportation services under federal and state statute or under the public education department's "Hazardous Walking Regulation." State statute provides that students are eligible for transportation services if school bus routes are:

- (a) One mile one-way for students in grades kindergarten through 6;
- (b) One and one-half miles one way for students in grades 7-9, and;
- (c) Two miles one way for students in grades 10-12.

## Recommendation

Work with the Legislature to determine if the student data used in the formula should be based on students who are actually transported or based on students that are eligible to ride. Once this issue is clarified ensure that the statutes, New Mexico Administrative Code and other regulations or policies are in agreement to avoid confusion.

**Undocumented Fuel Supplement Request and Appropriation.** Documentation to support the legislative request and subsequent appropriation of an \$862 thousand fuel supplemental in FY08 and a \$4 million fuel supplemental FY09 could not be provided by the division. The division indicated that the supplemental request is based on a comparison of the price per gallon of gas used in the legislative request to the price per gallon of gas reported in the Lundberg survey. The Lundberg survey uses the average gas price in Albuquerque. The allocation is prorated by district using a school bus gas mileage of eight miles per gallon.

The division does not have information on district's submission of appropriate measures to maximize fuel efficiency. The PED Secretary issued a memorandum to district superintendents on August 19, 2008, stating that the legislature asked for assurance that district superintendents have taken appropriate measures to maximize fuel efficiency. The memorandum requires superintendents to provide information to address:

- efficiency of routes;
- maximization of seating capacity;
- proper vehicle maintenance; and
- any other measures germane to locales that will increase fuel efficiency.

The memorandum states that a single report will be provided to the Legislative Education Study Committee and the LFC. District superintendents were required to respond to the Transportation Director by September 30, 2008.

On September 5, 2008, the Assistant Secretary for Program Support and Student Transportation issued a memorandum to district superintendents and transportation directors instructing them to submit fuel efficiency measures. The memorandum does not inform districts when this documentation is due to the Department. The memorandum states that the Department Secretary made the initial request on August 16, 2008.

When districts are asked to provide information to the division there should be adequate follow-up to ensure the information is received. Otherwise the districts will not take such requests seriously. Once the information is received it should be filed to allow anyone to readily access it.

Requiring districts to submit appropriate fuel efficiency measures appears to be reasonable in light of the increasing price of fuel. The cost of fuel has a direct impact on the cost of providing student transportation. Both districts and the state will benefit from this exercise by improving efficiency in school transportation operations.

## Recommendations

Develop and maintain documentation to support legislative fuel supplemental appropriation requests and subsequent allocations for verification and validation purposes. This documentation should provide a clear audit trail identifying the source of data used and calculations made to arrive at the amounts used in the legislative request and allocation.

Determine if districts submitted the fuel efficiency measures. If the documentation is located it should be reviewed to provide districts feedback on improving efficiency. If the districts did not submit the fuel efficiency measures determine if the information adds value. If so, reissue the request and ensure that districts comply and the information is used to improve efficiency in the program.

**Need to Document Calculation of Bus Rental Fees.** The division lacks documentation to determine how the average price of a bus is determined for calculation of the five-year rental fee paid to contracted bus operations. There also is no documentation to determine why the prime rate plus one is used in the calculation of the rental fee. Therefore, a determination of the reasonableness of the rental fee could not be made.

There is no evidence to determine how the base bus price used for calculating the rental fee compares with the actual price paid by bus contractors for the bus. The actual price bus contractors' pay may be much lower than the average price used to calculate the rental fee.

Current interest rates are below the prime rate in certain markets. Bus contractors could be paying financial institutions a lower interest rate when they purchase the bus.

Statutory amendments require buses be replaced every 12 years unless sufficient justification is provided to replace them earlier or later. According to PED Supplement 19 Section 5 Capital Outlay, Rental Fee the rental fee for contracted bus operations is based on the determined base price amount amortized over five years at the prime rate plus one for each size category within the rental fee schedule.

Section 22-8-27 NMSA 1978 as Amended Transportation Equipment states:

C. In establishing a system for the use of contractor-owned buses by school districts or state-chartered charter schools, the department shall establish a schedule for the payment of rental fees for the use of contractor-owned buses. The department shall establish procedures to ensure the systematic replacement of buses on a twelve-year replacement cycle. School districts requiring additional buses to accommodate growth in the school district or to meet other special needs may petition the department for additional buses. Under exceptional circumstances, school districts may also petition the department for permission to replace buses prior to the completion of a twelve-year cycle or to use buses in excess of twelve years contingent upon satisfactory annual safety inspections.

E. No school district shall pay rental fees for any one bus for a period in excess of five years. In the event a school bus service contract is terminated or not renewed by either party, the department shall calculate the remaining number of years that a bus could be used based on a twelve-year replacement cycle and calculate a value reflecting that use. The school district shall deduct an amount equal to that value from any remaining amount due on the contract, or if no balance remains on the contract, the contractor shall reimburse the school district an amount equal to the value calculated.

The law also requires districts place a lien on every contractor-owned bus under the contract on which the contractor owes money. The division notified districts of their requirement to place a lien on contractor owned school buses. According to the memorandum sent April 5, 2010 the district is required to release the lien:

- when the Department authorized a replacement of the school bus; or
- when the contractor has reimbursed the district the amount calculated by the department.

Maintaining documentation to demonstrate how the five-year rental fee is calculated allows for replication of the calculation to determine its accuracy and validity.

### **Recommendation**

Develop and maintain documentation to support the calculation of the rental fee for the use of contractor-owned buses for verification and validation purposes. This documentation should provide a clear audit trail identifying the source of the data used and how the rental fee is calculated. This documentation should include:

- how the base price of a school bus is determined; and
- the actual price contractors paid for the bus.

Review the interest rate used to calculate the rental fee to determine if it is reasonable and consistent with current market conditions.

**Need to Document Adjustments to Data and Changes to Variables used for Transportation Distribution Funding Allocation.** Because of the complexity and lack of documentation on how the funding formula actually works it is unclear whether the current formula adequately or fairly allocates funding among districts. In addition, the reliability of the formula is further compromised because of undocumented adjustments to variables and other district reported data. Finally, the accuracy of the allocation is highly dependent on the reliability and quality of data supplied by districts, all of which is unaudited.

Initially, division staff could not provide documentation or an explanation on how the variables for the funding formula are derived. This process is not documented and division staff could not access the electronic file. PED worked with technology staff from the New Mexico Institute of Mining and Technology (NM Tech) to access the program that calculates the formula. New Mexico Tech obtained the software application that calculates the variables used in the formula and assisted PED in understanding the formula.

With NM Tech's assistance, PED was able to replicate the formula from FY06 to FY10 and demonstrated the use of the software application for calculating the variables. However, PED staff do not have a full understanding of exactly how the funding formula variables are calculated by the application and thus are not in a position to identify potential problems. For example, a comparison of the variables calculated by the software application to the variables used in the funding allocation indicates the annual mileage variable used for small schools (less than 1,000 students) changed in all but one year. The special education student daily variable changed for large schools (more than 1,000 students) in FY08.



The following is an example of the difference between the annual mileage variable for FY07 for small schools.

- Annual mileage variable calculated by software application 0.79
- Annual mileage variable used in FY07 final allocation 0.85

It appears the division used the FY07 variables to develop the FY08 final allocation. According to statute the FY06 variable should have been used. A comparison of the variables calculated for FY07 to the variables used in the FY08 final allocation identified the annual mileage variable changed from 0.67 to 0.65 and special education student daily variable changed from 4.01 to 3.57 for the large schools. The annual mileage variable for small schools also changed from 0.78 to 0.85.

Increasing the annual mileage variable increases the allocation to small schools. Reducing variables for large schools reduces the allocation. PED staff could not locate documentation to explain why the variable changed. For the FY11 allocation, division staff used the variables as calculated by the software application. PED staff may need to contact the company that worked with PED to develop the formula to ask why the variables would need to be changed.

The transportation funding formula uses eight variables to allocate funding to districts. Three variables are used for small schools (students daily, bus daily and annual mileage). All five variables are used for large schools (students daily, special education student daily bus, lift bus daily, annual mileage, and annual density).

Section 22-8-29.1. NMSA 1978 Calculation of Transportation Allocation states:

A. As used in this section:

(1) "annual variables" means the coefficients calculated by regressing the total operational expenditures from two years prior to the current school year for each school district and state-chartered charter school using the number of students transported and the numerical value of site characteristics.

The 1993 LFC Report addressed the issue of undocumented adjustments. The division did not implement procedures to adequately document adjustments made to district supplied data or to the formula variables. Adjustments to district provided data need to be explained to respond to district or other inquires regarding the reason for the adjustment. The changes in variables used to calculate allocations to districts also need to be explained. If the justification for the change had been documented a determination could be made on whether there may be issues with the formula. This documentation is essential when there is staff turnover.

Adequate internal controls require that there be a level of review and approval for financial transactions. One person should not be allowed complete control over financial processes. A level above the position developing the allocation should perform the review.

It does not appear that an adequate transition occurred between administrations.

## **Recommendation**

Implement adequate internal controls for the funding allocation by requiring an independent review of the transportation tentative and final allocation. The independent review should compare variables used in the allocation to the variables calculated by the software program. This review should also verify that adjustments to data used in the allocation are justified with adequate support.

Document in the division written policies and procedures the process used to allocate transportation distribution funding to districts. This documentation should include but not be limited to:

- instructions on how the formula is used to allocate funds;
- what data is used in the formula;
- how the formula variables are calculated;
- examples using the formula calculations;
- requirements for adjusting district submitted data and formula variables; and
- documentation needed to support adjustment to district data and formula variables.

Contact the contractor that worked with PED to develop the formula to obtain documentation and an explanation of how the formula is designed to work.

**Need to Review District Performed Route Surveys.** The division does not review route surveys performed by districts.

At the time the 1993 LFC report was issued both the division and districts conducted route surveys. The division periodically adjusted district allocations based on the results of the route survey. Currently, districts adjust mileage in the 40<sup>th</sup> day data. Districts also received an administrative allowance for conducting their own route surveys.

The division no longer makes adjustments to district allocations during the year and districts no longer receive an administrative allowance for district conducted route surveys. Eliminating periodic adjustments to the district allocation based on route surveys and the district administrative allowance has improved efficiency in administration of the transportation program. However, by not reviewing route surveys conducted by districts, it is unclear how the division determines if districts are efficiently managing bus routes. Inefficient bus routes result in excess bus mileage directly impacting the funding formula.

By not reviewing district performed route surveys there is no evidence to determine if district conducted route surveys in compliance with laws and regulations.

Division staff stated there are insufficient resources to review route surveys. The division plans to use the GPS system to verify routes longer than 200 miles per day.

## **Recommendation**

Include a review of district conducted route surveys as a part of division safety and inspection audits procedures. The purpose of the review should be to determine if the route survey complies with established laws and regulation. In addition, the review will assist the division in determining if districts are making progress toward improving efficiency in the transportation program.

**Under Utilized Internal Audit Function.** According to PED, the Office of Inspector General (IG) did not conduct audits of the transportation program for FY07 through year-to-date FY11. The IG experienced significant funding cuts as a result the budget reductions. The IG has two staff.

The November 2010 issue of *Tone at the Top* newsletter published by The Institute of Internal Auditors includes the following discussion regarding the value internal audit adds to an organization.

### **How Internal Auditing Provides Value**

Internal auditors bring value to senior management, governing bodies, and other organizational stakeholders primarily through their insight into the organization; the objectivity with which they view the organization's culture, system of internal control, and risks; and the assurance they provide that policies and procedures are being followed, that the organization is complying with laws and regulations, and that the internal controls in place are adequate to mitigate risks.

If fully funded and functional the IG can assist the division in conducting audits of the districts and the contractors.

## **Recommendation**

Review the duties of the IG to determine the resources necessary to adequately fund and staff the function to assist PED in monitoring and overseeing district and PED compliance and program performance.

**Global Positioning System Implementation And Use Legislative Appropriation.** PED used \$966.4 thousand from the 2007 Senate Bill 837 capital outlay appropriation of \$2 million to purchase a Statewide Public School Bus Global Positioning System (GPS). PED reverted \$1 million of the appropriation balance. PED issued a request for proposal (RFP) on April 24, 2009 soliciting bids for the GPS.

PED was not able to provide the bid rating sheets to show how each evaluation committee member rated each of the six respondents' proposals. In a letter dated June 5, 2009, PED reports the evaluation committee's selection results, and recommends the New Mexico Statewide Public School Bus Global Positioning System RFP #90-924-000-08126 be awarded to Zonar Systems (Zonar). The best and final price is \$966.4 thousand. According to the evaluation committee report, Zonar also offered a 10-year warranty.

There is no evidence in the PED files that this project was submitted to Department of Information Technology (DoIT) for approval or a waiver. Section 9-27-6. NMSA 1978 states Secretary; duties and general powers.

C. As the chief information officer, the secretary shall:

(1) Review executive agency plans regarding prudent allocation of information technology resources; reduction of duplicate or redundant data, hardware and software; and improvement of system interoperability and data accessibility among agencies;

(2) Approve executive agency information technology requests for proposals and other executive agency requests that are subject to the Procurement Code [13-1-28 NMSA 1978], prior to final approval;...

DoIT approved the evaluation committee report on April 24, 2009. However, based on inquiries this project did not come before the Project Certification Committee and DoIT did not issue a waiver. Therefore it is not clear how or why DoIT approved the evaluation committee report. In addition the copy of the signed evaluation committee report provided by the General Services Department does not agree with the approved evaluation committee report provided by PED. The ratings are different. However, Zonar still had the highest rating.

The contract between PED and Zonar is signed and dated June 30, 2009.

After selecting the company and signing the contract, a division employee that was part of the evaluation committee was hired by Zonar as its customer support representative in New Mexico. The PED procurement manager did not become aware of the division employee being hired by Zonar until PED received the July 24, 2009 letter of resignation. The employment of the division employee by Zonar appears to violate the Procurement Code, Section 13-1-193 NMSA 1978 and the Governmental Conduct Act, Section 10-16-8 NMSA 1978.

Section 13-1-193 NMSA 1978 states:

It is unlawful for any state agency or local public body employee who is participating directly or indirectly in the procurement process to become or to be, while such an employee, the employee of any person or business contracting with the governmental body by whom the employee is employed.

Section 13-1-196 NMSA 1978 states:

Any person, firm or corporation that knowingly violates any provision of the Procurement Code is subject to a civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code. The attorney general or the district attorney in the jurisdiction in which the violation occurs is empowered to bring a civil action for the enforcement of any provision of the Procurement Code. Any penalty collected under the provisions of this section shall be credited to the general fund of the political subdivision in which the violation occurred and on whose behalf the suit was brought.

Section 10-16-8 NMSA 1978 states:

A. A state agency shall not enter into a contract with, or take any action favorably affecting, any person or business that is:

- (1) represented personally in the matter by a person who has been a public officer or employee of the state within the preceding year if the value of the contract or action is in excess of one thousand dollars (\$1,000) and the contract is a direct result of an official act by the public officer or employee; or
- (2) assisted in the transaction by a former public officer or employee of the state whose official act, while in state employment, directly resulted in the agency's making that contract or taking that action.

**Implementation Status: Missing GPS Units.** According to sales invoices Zonar made two shipments of the GPS units. One shipment was before PED had a binding contract with the vendor.

- Invoice number SI122601, shipped 100 GPS units to a company Zonar sub-contracted with to install the units on June 22, 2009, prior to the effective date of the contract. There is no evidence of receipt and the shipment used an address that was different than the sub-contractor's address.
- Invoice SI122698 shows a second shipment on June 29, 2009 for 2,250 GPS units, which PED received on July 7, 2010.

PED was unable to provide a copy of the bill of lading for the delivery of the first 100 GPS units. On March 19, 2011, division staff contacted the owner of Zonar's subcontractor to request documentation of receipt of the first 100 units. However, the owner reported they had no paperwork for the transaction.

The bill of lading does not contain sufficient detail to verify receipt of the other 2,250 GPS units delivered to PED. The bill of lading only describes the size and weight of seven pallets delivered to PED. Deliverable One, sub-task 1.3, Inventory Verification states "Contractor verifies inventory against shipping manifest and resolves discrepancies with Agency project manager." Sub-task 1.4 Approval states "Contractor will submit inventory to Agency for review and acceptance." However, the division did not provide a definitive and verifiable inventory of the 2,350 GPS units as required by the contract deliverable. PED staff reported they counted all the pallets but did not document verification of the inventory of the actual units.

Deliverable Two Sub-task 2.3 Local District on Site Installation requires Zonar to install GPS units on each bus. Zonar hired a sub-contractor to install the units, but PED could not provide any concrete documentation that all the units were installed. If the units were not installed on a bus, then Zonar did not meet the requirements of the deliverable. These units should be in the division's possession and not the subcontractor's because they are the property of the state. PED has paid Zonar in full indicating that all deliverables were received and it no longer has an obligation to PED. Zonar billed the division \$306 thousand by separate invoice for the installation of the GPS units.

In addition to uninstalled GPS units, PED could not provide adequate documentation to support Deliverable Two Sub-task 2.1 Statewide Installation and 2.2, District Coordination, which required Zonar to consult with local districts to develop a statewide installation schedule and provide it to the PED for approval.

PED has not formalized the annual subscription fee through a written agreement so there is no documentation that delineates the services PED is receiving for the annual fee or how the annual fee is established. On May 12, 2010, Zonar began charging an annual subscription fee \$212.25 per GPS unit for a total price of \$498.8 thousand plus gross receipts tax. The subscription fee is for the period July 1,

2010 to June 30, 2011. Moreover, the fee covers 2,350 units for a year even though it appears some units were not installed. According to the division, GPS units are not installed on buses older than 1999 but are installed on school-owned activity buses. In addition, the buses do not run to-and-from for a full year. The maximum days a bus runs are 187. Therefore PED is paying a subscription fee for more buses and days than the system is using. PED does not have a definite number of uninstalled GPS units. The annual fee appears reasonable based on the cost of cell phone service and GPS rental fees.

The Deming Public School district (Deming) pays Zonar the annual fee using an existing account that is funded through the transportation distribution. It is unclear why PED did not set up its own account for this transaction. The annual fee is used for to-and-from transportation and is therefore a valid expense for use of transportation distribution funds. The process used for this transaction is: Zonar bills Deming; Deming forwards the bill to the division; the division disburses the payment to Deming using the transportation distribution formula process.

The annual fee is taken from the transportation distribution appropriation to determine the operational allocation. Therefore it appears each district is paying 1/89<sup>th</sup> of the fee. Some districts have significantly more buses than others. Example of methods to allocate the annual fee is:

Current method (cost per district)	$\$498,787.5 \div 89 = \$5,604$
Alternative method (cost per district per bus)	$\$212.15 \times 450 = \$96,513$

Using the current method a district with 450 buses and a district with three buses appear to be covering \$5,604 of the annual fee. Using the alternative method the fee is covered based on the number of buses with GPS units. This method appears more equitable.

A review of the May 12, 2010 annual fee invoice revealed Deming overpaid Zonar \$38.2 thousand plus gross receipts tax. The invoice error is based on 2,530 GPS units rather than 2,350. On March 29, 2011 Zonar issued a credit memo to Deming for \$40.2 thousand for the overcharge.

**Use of GPS: The Division is not using the system to adequately monitor the transportation program.** The RFP and contracts with Zonar provide a description of the division's plans for using GPS. However, it appears the division did not develop a transition plan before purchasing and implementing the GPS technology. The division only monitors buses with mileage over 200 miles per day. As currently used, the system has the capability of capturing daily mileage and number of buses, eliminating the need for contractors and districts to report the information while improving the reliability of the data. These data are used to develop the legislative request and allocate the transportation distribution to districts and thereby providing adequate support for funding using less manpower.

The system uses bus numbers as the discrete bus identifier. This is an ineffective method of tracking buses because bus numbers can change daily. Using the last five digits of the vehicle identification number (VIN) is a more effective identifier to track buses. Based on observation, division staff spends a significant amount of time verifying bus numbers, which diverts them from conducting useful analysis. Only one division staff member is allowed access to the system to change bus numbers.

Prior to purchasing the GPS systems PED purchased Electronic Vehicle Inspection Report (EVIR) equipment. This system electronically records and files the required biannual bus inspections. The

inspection data is transmitted to and stored on Zonar servers via global systems management (GSM) telephone modems and Internet. The data is available on Zonar's website.

Division staff demonstrated the use of the EVIR web by showing a history of required bus inspection reports by district. This system has the potential to provide a wealth of additional information for transportation management. Manpower resources are required with data base training and advanced analytical skills to adequately use the data for transportation program administration. According to division staff, Zonar piloted the EVIR system in New Mexico so PED is not charged a subscription fee for this service.

PED also purchased the ZPass from Zonar for use in the Deming School district. In 2010, PED received funding through General Obligation Bonds in Senate Bill 1 to purchase the ZPass for additional districts. PED plans to purchase the ZPass for use in Albuquerque, Las Cruces, Rio Rancho, and Gallup as pilots.

The division could not provide a written strategic plan for this expandable architecture. This is important if PED plans to use the GPS and ZPass will be used to develop the school bus routes. The reduction in division staff makes using technology to assist in monitoring the transportation program a viable option if the benefit outweighs the cost. The division will no longer rely on districts to supply information. The data captured by the Zonar or similar technology can improve data reliability, reducing the number of audits necessary to verify information. Required annual reporting at the district level can also be reduced, resulting in less manpower to prepare and file the reports.

All of the above is dependent on division staff's ability to analyze and make recommendations based on the data. It appears that half a man-year is needed to analyze the data. There is potential for PED to recapture the annual subscription fee if the data is analyzed and used properly. For instance, monitoring bus idle time can reduce fuel consumption. Reducing the need for districts to manually capture and report data will reduce administrative costs. The ZPass the system will record student ridership, reducing the amount of time spent verifying ridership while improving security. There is a potential for this system to significantly increase the division's management of the buses, improve administration of the transportation program, reduce cost, and reduce manpower.

## **Recommendations**

PED should conduct an independent investigation, either through its Office of Inspector General or outside assistance, to ensure purchased GPS units are accounted for and recover any units not installed. The results should be reported to LFC.

Develop a five-year strategic plan to include a cost benefit analysis to determine if it is in the state's best interest to continue with this technology to administer the transportation program. The strategic plan should state how the division intends to use Zonar's expandable architecture. The cost benefit analysis should:

- identify potential savings and cost to the division to fully use the system;
- include staff training or hiring an individual with analytical expertise; and
- include the cost of the learning curve to use the data and make recommendations based on the analysis.

Develop a written subscription agreement with Zonar. The agreement should provide detail of the services provided in the subscription including any reporting capability. The PED should also renegotiate the subscription fee to adjust for the actual number of buses using GPS and the number of days the system is actually used by districts.

Develop standard policies for the use of the system including inventory management.

Conduct an independent physical inventory of the GPS system identifying the bus by VIN to the GPS serial number. Require districts to sign for acceptance of the GPS units for accountability. Consider transferring ownership to the districts and require them to assume all associated liabilities.

Establish a PED account with Zonar for services provided statewide.

**Other Recommendations to Maximize Efficiency in Funding and Administration of Transportation Program.** Require districts to coordinate bell times with bus routes and to coordinate transportation services with administration and program staff. This will maximize efficiency and eliminate the number of buses needed to transport students. Internet research identified best practices for reducing funding for student transportation. The MPS (Management Partnership Services Inc.) web site identifies ways to maximize efficiency. MPS indicates on its web site that an understanding of the “interaction between transportation policies, bus routing practices, school times, and the use of transportation technology can influence the cost and quality of services provided

The Bureau Chief stated that district administrators and program staff do not coordinate with transportation staff to maximize efficiency. Students can be transferred or program changes may be made without consulting the transportation staff. These changes can be costly for the transportation program because an additional bus may be needed or the change may increase the mileage on the bus route.

Terminate the Lundberg survey to save the division approximately \$5,100 annually. The average fuel price is open source information that is readily available on the web.

Develop performance measures for the division and the transportation program to assist in measuring and tracking improvements and efficiency.



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**May 18, 2011**

**MEMORANDUM**

**TO:** David Abbey, Director, Legislative Finance Committee

**FROM:** Hanna Skandera  
Secretary of Education, Designate

**RE: PED RESPONSE TO LFC PROGRAM EVALUATION: PUBLIC SCHOOL  
TRANSPORTATION PROGRAM**

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The Public Education Department (PED) would like to commend the Legislative Finance Committee (LFC) for dedicating a significant amount of time to the study the transportation program within PED. The review was very thorough and focused on some important issues that will assist the Department on improving the future of the program. However, a few of the LFC's proposed recommendations do not recognize some new processes and practices that have been implemented to make corrections and will be addressed in this response.

The PED plans to continue working with its legislative partners during the interim to further study several of the issues identified in the program review. I believe this type of cooperation will ultimately enable us to continue to provide safe, efficient and economical school transportation to all eligible students throughout the state.

**Non-compliance with required certification to the PED Secretary**

Section 22-8-29 C NMSA 1978 requires the state transportation director to certify to the Secretary that the allocations from the transportation distributions to each school district and state-chartered charter school are based upon the transportation distribution formula established in the Public School Code [22-1-1 NMSA 1978]. During the review the Division could not provide evidence of past certification, however, this has since been corrected. On March 24, 2011 the Transportation Director certified the final 2010-2011 transportation distribution through a documented memorandum. A subsequent memorandum was submitted to the Secretary on April 27, 2011 certifying the initial allocations for the 2011-2012 school year.

### **Lack of written uniform procedures to administer the transportation program**

The PED does not dispute the lack of written policies and procedures within the transportation program. Over the past year, the PED's Transportation Division undertook the challenge of transitioning into new leadership. This transition was very difficult because of the lack of appropriate training and the lack of a written procedures manual.

The PED is currently working on developing a procedures manual. The manual will establish standard operating procedures, including the establishment of internal controls, a standardized review process and monitoring procedures. The manual will also identify the step-by-step processes of policy implementation, including identification of specific tasks, and the clarification of roles and responsibilities of all individual staff members. The manual will also assure key information is located in one place for easy reference. The PED will work to have these written procedures in place within the next 9 months.

### **Lack of adequate staffing and funding**

The transportation division takes seriously its responsibility for providing safe transportation for all eligible students within the state of New Mexico. The Division also takes pride in the states safety record of limited accidents and injuries. I truly believe the Division can be very effective with the manpower and tools which have been provided. Currently I have assigned an interim Division Director who has the educational background, experience and knowledge to assist the Division to perform the analytical functions to adequately administer and manage the financial aspects of the program. The Division is also seeking creative ways to accomplish their mission more efficiently and effectively through the use of technology. The PED is currently going through an agency reorganization process. Through this process the PED is assessing the tasks, number of employees, skills, and tools to efficiently and effectively staff all divisions within the Department. This process is a great time to identify the strengths, weaknesses and opportunities of the transportation division.

### **Inadequate review of contract amendments and reconciliation to contract expenditure report (Previously known as vehicle production report): First reporting period report**

#### **Undocumented changes to student ridership**

#### **Need to review district performed route surveys**

The current November 15<sup>th</sup> report is essential and is required pursuant to 22-8-29 NMSA 1978 in order to adjust the tentative allocations. We disagree that the Division is not properly reviewing and analyzing this data which is submitted annually on the first reporting period. This data is reviewed and analyzed as it is used in the distribution formula to finalize the final transportation distributions. The PED does agree that the method in which this data is submitted is out-dated and needs to be changed. The PED is currently working with our internal Information Technology staff to develop a more efficient way of capturing the data. The goal is to develop a temporary web-based system for the upcoming fiscal year which will eventually transition into STARS. Once this has been accomplished the issues regarding data being lost and not properly recorded after it has been submitted by the school districts will be corrected.

The use of the GPS system will also improve on the accuracy of data. This current fiscal year was the first year of implementation of the GPS systems in all to-and-from buses statewide. These systems contain advanced capability with respect to administrative oversight and provide the operational resources to determine necessary services and equipment being used as well as monitoring real time events that have an effect on safety of services provided to school age children. The GPS systems were installed to provide the following:

1. effective and efficient school bus routing management (reduce fuel consumption, running routes on time, missed stops, etc.)
2. school bus route tracking
3. ease in reporting and collecting accurate data to calculate funding formula
4. monitoring in real time
5. monitor bus speeds
6. emergency notification
7. actual hours drivers work
8. GEO Fencing Bus Routes

During the 2010 legislative session an additional \$500,000 was appropriated to purchase student count equipment in to-and-from buses statewide. The current GPS systems are designed and engineered to fully integrate the student count equipment. This equipment will provide the following:

1. track every student who gets on or off a bus
2. accurate ridership data
3. accountability (no longer school bus driver's word against the parent's)

Along with the GPS, New Mexico utilizes electronic recorded safety inspection systems for all public school buses. This equipment integrates Radio Frequency Identification (RFID) to provide school bus driver pre-trip inspections, vehicle safety inspections, which ultimately provides safety and security compliance and monitoring in real time.

The GPS system is an advanced technological tool that will assist in collecting mileage and ridership data more accurately if it is the direction of the Executive and Legislature to continue with this program.

**Statutory and regulatory compliance: Unclear statutory language regarding approval of site – characteristics used in allocation**

The LFC report states there is no documented evidence that PED approves site-characteristics. The site characteristics that PED currently uses have remained the same since the development of the new formula in 1995. These site characteristics include student ridership, special education ridership, number of school buses used, number of school buses with lifts, area, density, number of days students are transported and total miles traveled. Again, I am willing to work with our legislative partners during the interim to continue to review the current transportation formula. Another issue raised is for the Department to review the current organizational structure to ensure that a single individual does not have autonomy to create and authorize financial transactions. As mentioned before, the Department is currently restructuring and is working to ensure appropriate oversight and accountability measures are in place.

### **Non-compliance with route mileage reporting**

The current LFC report indicates that the Division is not complying with the reporting requirements included in Section 22-8-29 NMSA 1978 regarding the number and designation of bus routes or the number of miles traveled by each bus on each bus route. The PED recognizes that this information is currently not collected, however, if the direction is to move forward with the GPS program this is something that this technology will have the capability of providing the state. The PED recognizes that review of route mileages at the state level and district level will provide a better indication of the mileage needed to transport students which will further identify inefficient routes and believes the new technology will provide for this important data.

### **Non-compliance with reversion of unexpended year-end remaining balance**

Pursuant to 22-8-26 NMSA 1978, if a school district's or state-chartered charter school's transportation allocation exceeds the amount required to meet obligations to provide to-and-from transportation within a fiscal year, fifty percent of the remaining balance shall be deposited in the transportation emergency fund.

Currently the transportation Division has corrected and developed new procedures to ensure that 50% of the unexpended cash balances are collected each year. Annually the Division will be sending out correspondence requiring the submission of the districts audited year-end unexpended cash balances and requiring the submission of a check for 50% of that amount that will be transferred into the emergency transportation fund. In the future no credit will be taken from the current transportation distribution. Checks will be required so that the Department is not crossing fiscal years with these transactions. Once the Department has received a school district's check, we will then proceed with the approval of the districts BAR to transfer their 50% of the funds. The Division will require documentation with the BAR to ensure that the district is in compliance with statute regarding their intended use of these funds.

### **Non-compliance with division statutory duties**

Currently the Division is conducting district safety and inspection audits. Again, due to the lack of staffing and funding, it is not feasible for the current staff to have the ability to also perform financial audits of contractor or district financial operations. The Division currently only has three transportation specialists which are not financial positions in nature.

The PED is in agreement with the need to develop written audit procedures which was also recommended in the 1993 audit. Again this will be accomplished as the Division will be developing a transportation bureau procedures manual.

### **Need to analyze education retirement association benefits for independent owner operators**

Currently, there are approximately 70 individual owner operators left in the state. The Division has initiated a program to phase out the individual owner-operators to ensure they are in compliance with IRS regulations. The entire phase-out period will take approximately 10 years from today's date. The Division has been trying to meet with the IRS to determine the immediate need to dissolve all individual owner contractors but has been unsuccessful in scheduling such a meeting. The Department will continue to contact the IRS to schedule a meeting to receive more specific guidance. If it is determined

that the state needs to dissolve all individual owner operator contracts immediately it may require legislation during the next legislative session. The Department is committed to resolving this issue to avoid any federal and state tax issues which could result in penalties and interest charges to both school districts and individual owner operators.

### **Undocumented fuel supplemental request/allocation and need to document calculation of bus rental fees.**

The Department does not dispute the lack of supporting documentation to justify past supplemental fuel allocations. The Division is currently developing a standard methodology for distributing all future supplemental requests as well as requests from the emergency transportation fund. The methodology will be objective and transparent so funds will be distributed where they are needed. Along with the newly adopted methodology, districts will need to provide supporting documentation to justify their need. In the future, the Department is committed to providing a clear audit trail identifying the methodology used in determining the final allocations

The Department is also studying how future rental fees should be calculated and if the current method is accurate and cost efficient. When a final determination is made on how to calculate these fees, supporting documentation will be provided and maintained to support the calculations. These calculations will also be maintained in the procedures manual.

### **Need to document adjustments to data and changes to variables used for transportation distribution funding allocation**

Throughout the 2010-2011 fiscal year, the Division has corrected undocumented changes to any data that is used within the Division. In the monthly funding distributions, changes occur after the first reporting period and anytime new rental fees are distributed to a contractor who is replacing a bus. In the current year, staff has been diligent in keeping footnotes and comments of any changes that appear in the distributions to provide a clear audit trail and explanation of the adjustments.

In calculating the tentative allocations for the 2011-2012 school year, no adjustments were made to any of the variables after performing the linear regression of total operational expenditures from two years prior. Nothing in statute or rule provided any support for changing any of the coefficients after the regression was completed. The future written policies and procedures manual will also include instructions as to how the formula works and how it should be recalculated from year to year.

### **Global positioning system implementation and use of legislative appropriation**

There are several issues raised in the LFC report pertaining to the GPS which is in its pilot year. The Department is currently working with our general counsel to determine the departments responsibility of reporting the issue raised concerning the Zonar employee (former PED employee) who is in direct violation of section 13-1-193 NMSA 1978. The appropriate agencies will indeed be notified if it is the obligation of the department to do so.

Another issue raised in the report is an undetermined number of GPS units that were not installed by J & J. The report indicates that the units need to be returned to the state since they are indeed property of the state and not the subcontractor. The Department is currently working with Zonar to determine the final amount of GPS units that were installed and will collect any units that were not installed.

The PED is also aware of the issue raised regarding the annual recurring subscription fee to Zonar raised in the report. The Department met with Zonar representatives on May 10, 2011 to discuss the need to negotiate a contract that clearly states:

- expected deliverables
- fixed cost per unit
- written warranty on units
- maintenance agreement
- replacement timeframes
- standardized reports
- PED staff training
- Quarterly billing after services rendered to the Department

I believe after the final negotiations are completed all issues raised concerning the deliverables from Zonar will be resolved.

The cost benefit of the GPS in school buses is yet to be seen since the state is still in its pilot year. Research, however, does indicate several of the benefits that it does offer as mentioned earlier in this report. For the state of New Mexico it will definitely provide accurate mileage and ridership data which is a fundamental component of the current transportation formula. I believe that buy-in from the Legislature is going to be required before the state continues with this service. The Department has also received an additional appropriation during the 2010 legislative session to purchase and install Z-pass units which identify each student who rides a bus. I believe that before the Department proceeds with this project the state needs to determine whether this is going to be a program and tool that will be beneficial to the state.

I am committed to working with the Legislature to ensure continuous improvement of our transportation program and to address the issues raised in the LFC's report. I believe there are several issues that need to be reviewed during the interim which may require important policy decisions and statutory and/or rule changes.

Thank you.

HS/ao

cc: The Honorable John Arthur Smith, Chairman, Legislative Finance Committee  
The Honorable Lucky Varela, Vice-Chairman, Legislative Finance Committee  
Cathy T. Fernandez, Deputy Director, Legislative Finance Committee  
Charles Sallee, Deputy Director, Legislative Finance Committee  
Rachel Gudge, Public Education Analyst, Legislative Finance Committee  
Frances Maestas, Director, Legislative Education Study Committee  
Brian Moore, Chief of Staff, Office of the Governor  
Paul Aguilar, Deputy Secretary, Public Education Department  
Carlos Santiago, Transportation Bureau Chief, Public Education Department  
Ruth Williams, Manager, Public Education Department

## APPENDIX A: Status of 1993 LFC Performance Audit

SIGNIFICANT FINDING 1993 LFC REPORT	STATUS	CURRENT STATUS
<b>Lack of Statutorily Required Regulations</b>		
<i>Preparation of Cost Reports</i>	Law repealed	
<b>Inconsistent process for approval of district requests for reimbursement</b>	Resolved	
<i>Lack of adequate review of vehicle production report</i>	Partially Resolved Law repealed submission of this report and replaced it with the November 15 <sup>th</sup> report	Vehicle production report replaced with first reporting period report.  Deficiencies in submission of data still exist. Without auditing districts and bus contractor's reliability of reporting cannot be determined at this time.
<i>Funding changes due to route mileage changes</i>	Resolved	Division no longer approves route mileage changes and budgets are no longer adjusted based on such changes.
<i>Insufficient detail in bus contracts</i>	Resolved	According to Law contractors are paid for fuel, operation and maintenance and salary and benefits.
<i>Untimely approval of bus contracts by PED</i>	Resolved Law repealed	Division no longer approves bus contracts.
<b>Division of Responsibility Unclear Between PED and district</b>	Undeterminable	Without site visits to districts this cannot be addressed at this time. More responsibility has been placed at the district level relieving the division of some functions.  According to the Bureau Chief bus contractors seeking the division's input are referred back to the district transportation director.
<b>Bus Route Surveys</b>		
<i>Division performing inadequate number of surveys</i>	Law repealed	Division no longer conducts route surveys. Districts are required to conduct route surveys but division does not review them.
<i>Rosters of transported students by route not required</i>	Resolved	Bus drivers are now required to maintain rosters of students riding the bus.
<i>No written procedures on conducting route surveys</i>	Resolved	Written procedures posted on division web.
<b>Bus Replacements</b>		
<i>No documentation to determine reason for bus replacement</i>	Resolved	There is documentation to support bus replacements.
<i>Request for bus replacement form improperly used</i>	Resolved	Division informs districts when to replace bus unless replacement is outside 12 year requirement. No form currently used.
<b>Transportation Distribution Formula</b>		
<i>Bus contractors reimbursed for various costs</i>	Resolved with adoption of new formula	Districts pay bus contractors based on fuel, operation and maintenance and salary and benefits.
<i>Districts allowed administrative allowance plus additional allowance for route surveys they conduct</i>	Resolved with adoption of new formula	Districts no longer receive an administrative allowance.
<i>Formula includes numerous costs incurred by contractors</i>	Resolved with adoption of new formula	Factors in new formula are established in law and consistently applied. Districts pay bus contractors based on fuel, operation and maintenance and salary and benefits.
<i>No incentive to promote efficiency, districts required to revert all unspent funds.</i>	Law amended	Districts are allowed to retain 50% of cash balance with some restrictions on its use.
<i>Appears formula is over funding some districts</i>	Undeterminable	District audits needed to resolve this issue.
<i>Fuel allowance appears inequitable based on variation in cost of fuel across the state.</i>	Partially resolved	Formula no longer uses fuel as a factor. However, allocation of legislative appropriations for fuel adjustments appears to have the same issue. Price of fuel based on Lundberg survey using Albuquerque.

<b>Lack of Statutorily Required Regulations</b>		
<i>Certification to PED Secretary that allocation is based on established formula</i>	Unresolved	PED could not locate certifications from FY07 to FY10. The FY11 certification is available. However, support for changes made in data for FY10 & FY11 allocation is not available.
<b>Administrative Deficiencies</b>		
<i>Lack of written uniform procedures to administer the transportation program</i>	Unresolved	Division has not adopted detailed administrative and oversight procedures.
<i>Lack of adequate staffing</i>	Unresolved	Budget cuts reduced operational budget and reduced staffing back to 1993 levels. Division staff is not trained to adequately analyze data.
<i>Inadequate review of contract amendments and reconciliation to vehicle production report</i>	Unresolved	No evidence the division reviews contract amendments. Some districts are not submitting amendments. Contract amounts are not reconciled to actual contractor expenditures or total paid to bus contractors.
<b>Cost Report Deficiencies</b>		
<i>No penalty for submitting late or incomplete cost reports.</i>	Unresolved	Districts are now required to submit contract expenditure reports.  Deficiencies in preparation of these reports still exist. However, districts still receive monthly distribution without penalty. Without auditing districts and bus contractors reliability of reporting cannot be determined at this time.
<i>Division does not use all information reported by districts.</i>	Unresolved	Contract amount, amendments and operation and maintenance information supplied in the contractor expenditure report are not used for funding or monitoring.
<b>Education Retirement Association Benefits for One Bus Owner/Operators</b>		
<i>Treatment of some contractors as district employees in conflict with definition of independent contractor for purpose of providing retirement benefits</i>	Pending	A 1994 Attorney General's opinion stated this is legal. However, the Internal Revenue Service recently questioned the practice. The division has issued instructions to districts to phase out the individual owner operator contracts. Further analysis needed to fully resolve the issue.
<b>RECOMMENDATIONS</b>		
<i>Redefine role of division as policy making and establish mission and objectives and evaluate periodically</i>	Partially implemented	Appears division staff assists districts in day-to-day operations. Need to visit districts to determine if division refrains from involvement with bus contractors.
<i>Place more control at the district level</i>	Resolved	Law and division regulation shifted some responsibility to the district.
<i>Determine if statutory changes are needed to include language for economy and efficiency and include formula.</i>	Partially resolved	Formula methodology is described in statute. Economy and efficiency is not. New Mexico Administrative Code does discuss economy and efficiency.
<i>Funding needs coincide with other program funding deadlines</i>	Resolved	Districts report information on the same date Statutory amendment includes December 1 as Special Education reporting date.
<i>Comply with statutory requirements</i>	Resolved	Issues identified in 1993 resolved. However, new issues identified in current review.
<i>Develop objective formula</i>	Resolved	New formula adopted. Variables applied equitably based on size of districts <1,000 students and >1,000 students.
<i>Review treatment of bus contractors to determine status as independent contractor</i>	Not implemented	This issue is pending based on an IRS inquiry.
<i>Evaluate cost/benefit of centralizing school bus purchases.</i>	Not implemented	Districts required to solicit bids. Bus contractors paid rental fee over 5 years based on bus price established by Director.
<i>Implement adequate process for bus replacement. Adequately document evaluation for bus replacement.</i>	Not implemented	Buses replaced on a 12-year cycle unless there is justification for earlier or later replacement. Currently no documentation to determine how rental fee is determined.



<i>Provide incentives to districts to reduce transportation costs rather than penalizing by reverting unspent funds.</i>	Partially implemented	Statutory amendment allows districts to retain 50% of unspent funds with restrictions on its use. However, audit of districts needed to determine if promoted efficiency.  Division did not ensure that 50% reverted to the emergency fund for FY07 through FY09.
<i>Issue comprehensive program regulation and procedures for districts</i>	Partially Implemented	Supplement 19 and other policies are posted on the division web page. However, the supplement can be improved as some requirements are missing.
<i>All division decisions and responses should be documented</i>	Not Implemented	
<i>On-site monitoring should be performed regularly to determine reliability of information submitted by districts</i>	Not implemented	
<i>District performed route surveys should be reviewed to ensure efficiency and promote savings</i>	Not implemented	
<i>Evaluate contract form for statutory compliance and completeness</i>	Implemented	Contract contains list of buses and route and costs are broken out and agree with total contract amount.

## APPENDIX B: FY10 Transportation Allocations

District	FINAL ALLOCATION	Funding Per Mile	Funding Per Student
ALAMOGORDO	\$ 1,030,374	\$2.41	\$592
ALBUQUERQUE	\$ 15,980,821	\$2.52	\$404
ANIMAS	\$ 335,662	\$2.18	\$1,387
ARTESIA	\$ 1,335,396	\$3.88	\$423
AZTEC	\$ 1,287,865	\$2.97	\$408
BELEN	\$ 1,486,258	\$2.44	\$484
BERNALILLO	\$ 1,241,119	\$2.84	\$428
BLOOMFIELD	\$ 1,230,396	\$3.37	\$431
CAPITAN	\$ 247,604	\$3.30	\$796
CARLSBAD	\$ 1,374,440	\$2.44	\$496
CARRIZOZO	\$ 193,865	\$2.61	\$1,846
CENTRAL CONS.	\$ 2,267,481	\$2.31	\$473
CHAMA	\$ 311,800	\$2.41	\$785
CIMARRON	\$ 482,686	\$1.29	\$1,828
CLAYTON	\$ 633,155	\$1.82	\$1,567
CLOUDCROFT	\$ 337,244	\$2.31	\$1,213
CLOVIS	\$ 1,133,196	\$2.83	\$451
COBRE CONS.	\$ 553,237	\$2.87	\$641
CORONA	\$ 247,235	\$1.64	\$4,848
CUBA	\$ 664,456	\$1.77	\$1,226
DEMING	\$ 1,787,681	\$2.87	\$435
DES MOINES	\$ 176,422	\$2.95	\$3,267
DEXTER	\$ 519,784	\$3.42	\$580
DORA	\$ 217,023	\$2.73	\$2,973
DULCE	\$ 167,472	\$6.97	\$371
ELIDA	\$ 187,590	\$2.27	\$4,810
ESPANOLA	\$ 1,441,937	\$2.90	\$433
ESTANCIA	\$ 456,175	\$2.57	\$760
EUNICE	\$ 203,279	\$2.79	\$658
FARMINGTON	\$ 2,619,147	\$2.40	\$442
FLOYD	\$ 126,859	\$4.47	\$1,186
FT. SUMNER	\$ 409,700	\$1.89	\$1,552
GADSDEN	\$ 4,669,368	\$2.56	\$417
GALLUP	\$ 4,894,999	\$1.54	\$557
GRADY	\$ 193,782	\$2.61	\$4,037
GRANTS	\$ 1,142,762	\$2.79	\$489
HAGERMAN	\$ 200,845	\$4.13	\$584
HATCH	\$ 699,591	\$4.18	\$470
HOBBS	\$ 1,591,499	\$3.00	\$429
HONDO	\$ 182,869	\$3.13	\$1,157
HOUSE	\$ 145,502	\$3.80	\$5,197
JAL	\$ 167,838	\$2.01	\$1,272
JEMEZ MOUNTAIN	\$ 426,563	\$2.15	\$1,641
JEMEZ VALLEY	\$ 331,353	\$3.06	\$804

LAKE ARTHUR	\$ 122,717	\$3.33	\$2,504
LAS CRUCES	\$ 3,885,500	\$2.44	\$424
LAS VEGAS EAST	\$ 634,820	\$2.68	\$593
LAS VEGAS WEST	\$ 586,106	\$2.34	\$766
LOGAN	\$ 225,159	\$2.15	\$1,294
LORDSBURG	\$ 328,494	\$2.74	\$622
LOS ALAMOS	\$ 564,577	\$2.82	\$361
LOS LUNAS	\$ 2,558,067	\$2.37	\$407
LOVING	\$ 150,098	\$3.41	\$1,365
LOVINGTON	\$ 933,868	\$3.73	\$502
MAGDALENA	\$ 315,396	\$1.70	\$1,453
MAXWELL	\$ 78,558	\$6.01	\$4,621
MELROSE	\$ 246,887	\$2.69	\$2,655
MESA VISTA	\$ 294,488	\$3.16	\$869
MORA	\$ 289,184	\$2.92	\$613
MORIARTY	\$ 1,662,545	\$1.85	\$501
MOSQUERO	\$ 161,320	\$1.79	\$5,975
MOUNTAINAIR	\$ 237,346	\$3.07	\$1,502
PECOS	\$ 334,200	\$2.93	\$437
PENASCO	\$ 258,351	\$3.97	\$552
POJOAQUE	\$ 702,768	\$2.38	\$478
PORTALES	\$ 970,877	\$4.76	\$381
QUEMADO	\$ 356,762	\$1.63	\$3,243
QUESTA	\$ 279,326	\$3.03	\$718
RATON	\$ 549,517	\$6.56	\$485
RESERVE	\$ 165,790	\$3.00	\$1,610
RIO RANCHO	\$ 2,790,574	\$2.66	\$293
ROSWELL	\$ 2,095,389	\$3.58	\$412
ROY	\$ 123,884	\$2.58	\$7,743
RUIDOSO	\$ 686,469	\$2.62	\$388
SAN JON	\$ 152,720	\$3.37	\$3,552
SANTA FE	\$ 2,468,991	\$2.46	\$423
SANTA ROSA	\$ 480,555	\$1.89	\$1,045
SILVER CITY	\$ 848,632	\$3.02	\$513
SOCORRO	\$ 657,345	\$2.96	\$611
SPRINGER	\$ 172,683	\$2.92	\$944
TAOS	\$ 869,155	\$2.77	\$481
TATUM	\$ 237,141	\$2.10	\$1,694
TEXICO	\$ 224,570	\$2.63	\$794
TRUTH OR CONS.	\$ 755,239	\$2.55	\$585
TUCUMCARI	\$ 426,029	\$3.50	\$623
TULAROSA	\$ 378,157	\$2.95	\$541
VAUGHN	\$ 114,794	\$3.26	\$2,609
WAGON MOUND	\$ 140,496	\$2.96	\$3,345
ZUNI	\$ 492,236	\$5.62	\$510
<b>TOTALS</b>	<b>\$ 86,342,110</b>	<b>\$2.51</b>	<b>\$480</b>

Source: PED