

PERFORMANCE AUDIT

Northwestern School District Erie County, Pennsylvania

January 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. John B. Hansen, Superintendent
Northwestern School District
100 Harthan Way
Albion, Pennsylvania 16401

Mr. Mark Swanson, Board President
Northwestern School District
100 Harthan Way
Albion, Pennsylvania 16401

Dear Mr. Hansen and Mr. Swanson:

We have conducted a performance audit of the Northwestern School District (District) for the period July 1, 2016 through June 30, 2020, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the District's performance in the following areas as further described in Appendix A of this report:

- Transportation Operations
- Nonresident Student Data
- Bus Driver Requirements

We also evaluated the application of best practices in the area of school safety and determined the District's compliance with fire and security drill requirements. Due to the sensitive nature of this issue and the need for the results of this review to be confidential, we did not include the full results in this report. However, we communicated the full results of our review of school safety to District officials, the Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit identified noncompliance and significant internal control deficiencies in the areas of transportation operations and nonresident student data. These deficiencies are detailed in the two findings of this report. A summary of the results is presented in the Executive Summary section of this report.

In addition, we identified internal control deficiencies in the area of bus driver requirements that were not significant to the objective, but warranted the attention of District management and those charged with governance. These deficiencies were communicated to the District and those charged with governance for their consideration.

Mr. John B. Hansen

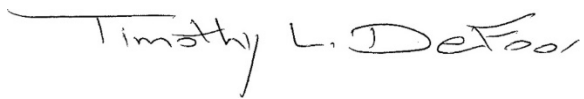
Mr. Mark Swanson

Page 2

Our audit findings and recommendations have been discussed with the District's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and relevant requirements.

We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first name.

Timothy L. DeFoor
Auditor General

January 21, 2022

cc: **NORTHWESTERN SCHOOL DISTRICT** Board of School Directors

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Northwestern School District (District). Our audit sought to answer certain questions regarding the District's application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Our audit scope covered the period July 1, 2016 through June 30, 2020, except as otherwise indicated in the audit scope, objectives, and methodology section of the report (see Appendix A). Compliance specific to state subsidies and reimbursements was determined for the 2016-17 through 2019-20 school years.

Audit Conclusion and Results

Our audit found areas of noncompliance and significant internal control deficiencies as detailed in the two findings in this report.

Finding No. 1: The District's Failure to Implement an Adequate Internal Control System Led to Inaccurate Reporting of Transportation Data Resulting in an Underpayment of \$40,540.

We found the District did not implement an adequate internal control system over the input, calculation, and reporting of regular transportation data. The failure to implement an adequate internal control system led to the District inaccurately reporting the amount it paid to its transportation contractor to the Pennsylvania Department of Education (PDE). Consequently, the District received \$40,540 less than it was eligible to receive for the 2016-17 and 2019-20 school years (see page 7).

Finding No. 2: The District's Failure to Implement an Adequate Internal Control System Led to the District Inaccurately Reporting Nonresident Student Data to PDE Resulting in a \$9,355 Overpayment and Failing to Bill a Neighboring District for Educating Their Students.

We found the District failed to implement an adequate internal control system over the identification, categorization, and reporting of nonresident student data resulting in a \$9,355 overpayment from PDE. This overpayment was caused by the District inaccurately reporting the number of nonresident foster students educated by the District during the 2017-18 through 2019-20 school years. Additionally, the District should have billed a neighboring school district for tuition totaling \$9,307 for educating two nonresident students, but failed to do so (see page 11).

Status of Prior Audit Findings and Observations.

There were no findings or observations in our prior audit report.

Background Information

School Characteristics 2020-21 School Year*	
County	Erie
Total Square Miles	123
Number of School Buildings	4
Total Teachers	116
Total Full or Part-Time Support Staff	43
Total Administrators	13
Total Enrollment for Most Recent School Year	1,272
Intermediate Unit Number	5
District Career and Technical School	Erie County Technical School

* - Source: Information provided by the District administration and is unaudited.

Mission Statement*

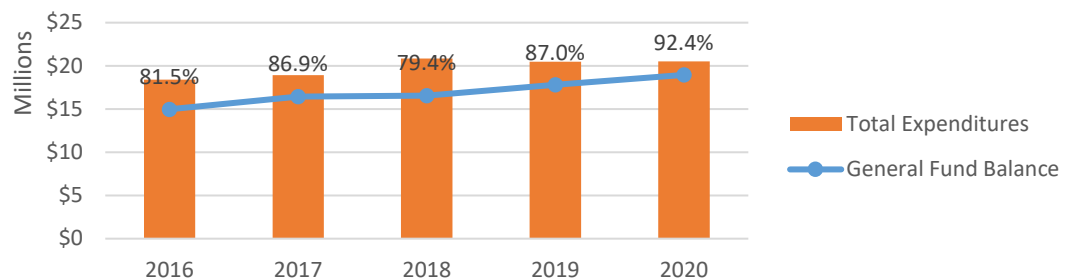
The Northwestern School District, in partnership with its parents, seeks to instill in its students, high standards for academic scholarship, integrity, leadership, and responsible citizenship.

Financial Information

The following pages contain financial information about the Northwestern School District obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE's public website. This information was not audited and is presented for **informational purposes only**.

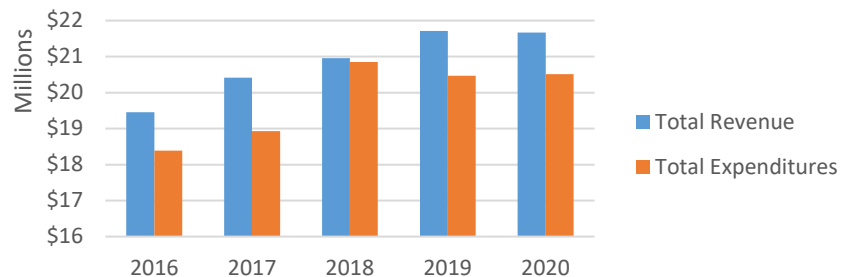
General Fund Balance as a Percentage of Total Expenditures

	General Fund Balance
2016	\$14,977,700
2017	\$16,457,016
2018	\$16,555,851
2019	\$17,799,924
2020	\$18,953,719



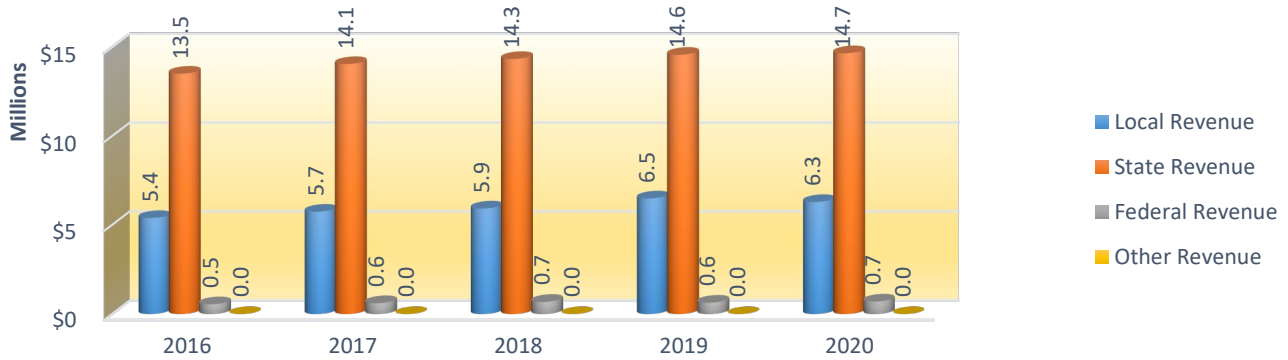
Revenues and Expenditures

	Total Revenue	Total Expenditures
2016	\$19,454,898	\$18,388,817
2017	\$20,412,713	\$18,933,398
2018	\$20,952,112	\$20,853,278
2019	\$21,712,555	\$20,468,482
2020	\$21,663,818	\$20,510,024

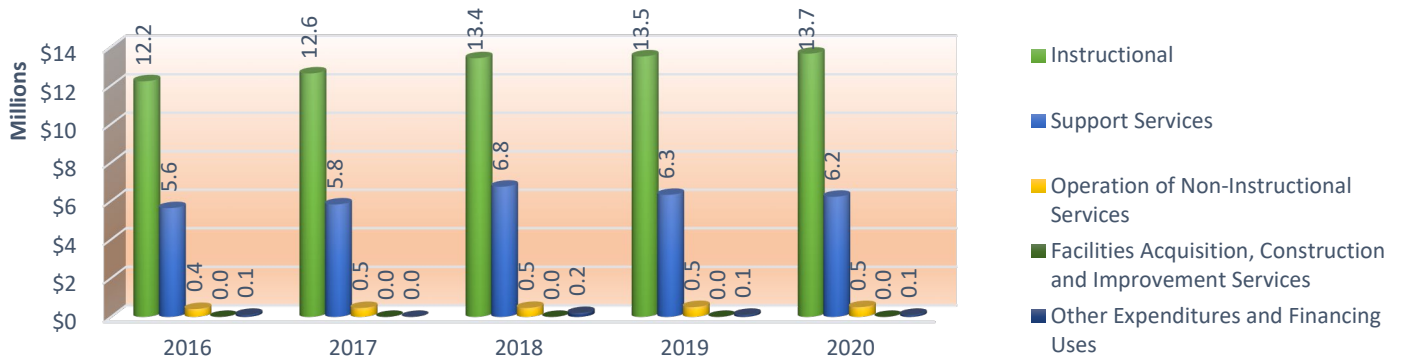


Financial Information Continued

Revenues by Source

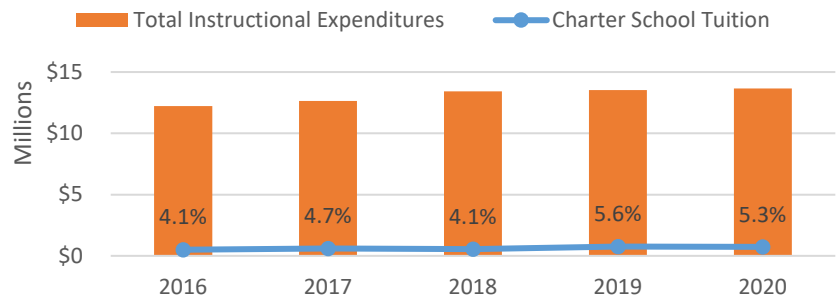


Expenditures by Function

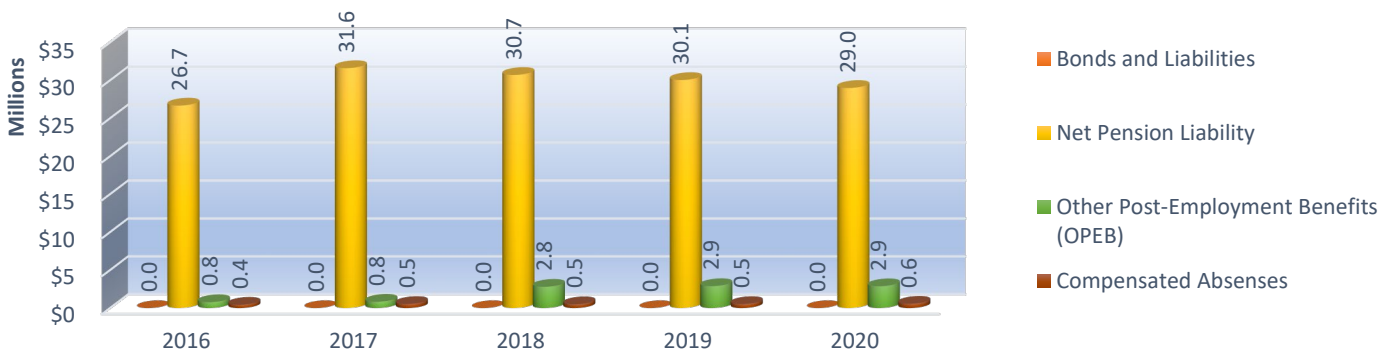


Charter Tuition as a Percentage of Instructional Expenditures

	Charter School Tuition	Total Instructional Expenditures
2016	\$499,728	\$12,234,804
2017	\$591,018	\$12,641,685
2018	\$547,972	\$13,433,182
2019	\$758,529	\$13,526,874
2020	\$719,958	\$13,670,094



Long-Term Debt

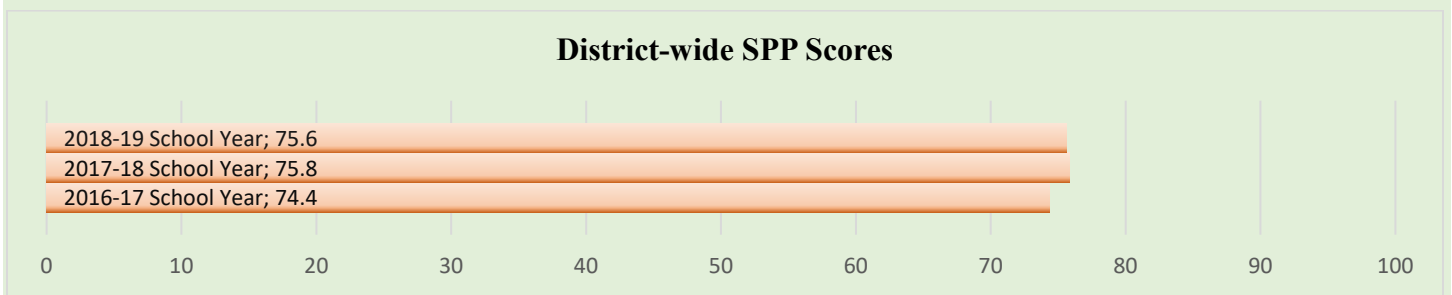


Academic Information¹

The graphs on the following pages present the District-wide School Performance Profile (SPP) scores, Pennsylvania System of School Assessment (PSSA) scores, and Keystone Exam results for the District obtained from PDE's data files for the 2016-17, 2017-18, and 2018-19 school years.² In addition, the District's 4-Year Cohort Graduation Rates are presented for the 2017-18 through 2019-20 school years.³ The District's individual school building scores are presented in Appendix B. These scores are provided in this audit report for **informational purposes only**, and they were not audited by our Department.

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. PDE issues a SPP score annually using a 0-100 scale for all school buildings in the Commonwealth, which is calculated based on standardized testing (i.e., PSSA and Keystone exam scores), student improvement, advance course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.



¹ PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publicly available website.

² Due to the COVID-19 pandemic the PSSA and Keystone Exam requirements were waived for the 2019-20 school year; therefore, there is no academic data to present for this school year.

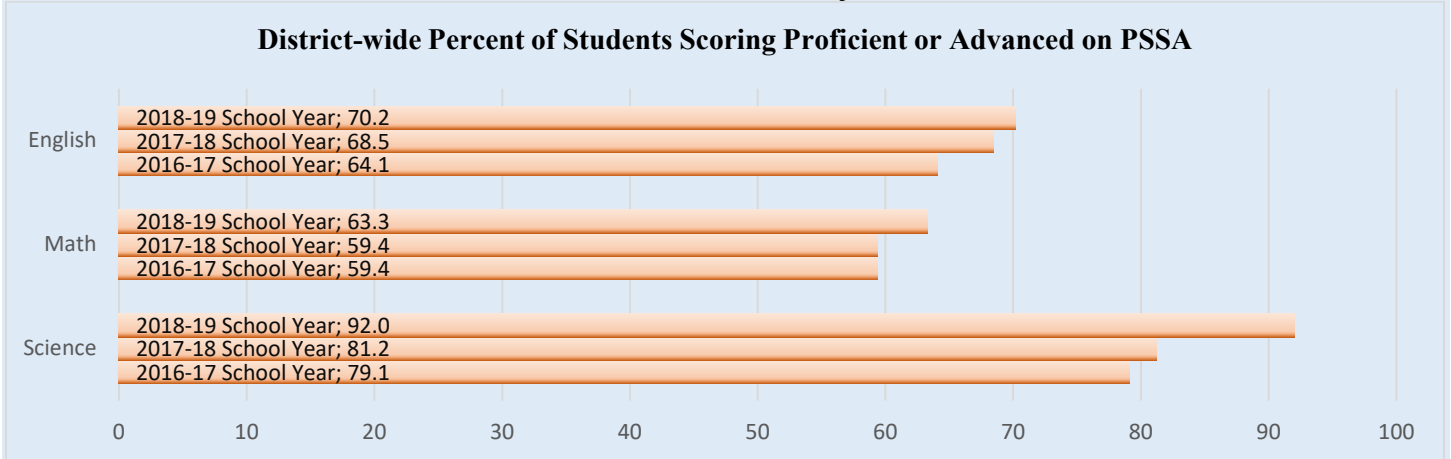
³ Graduation rates were still reported for the 2019-20 school year despite the COVID-19 pandemic.

Academic Information Continued

What is the PSSA?

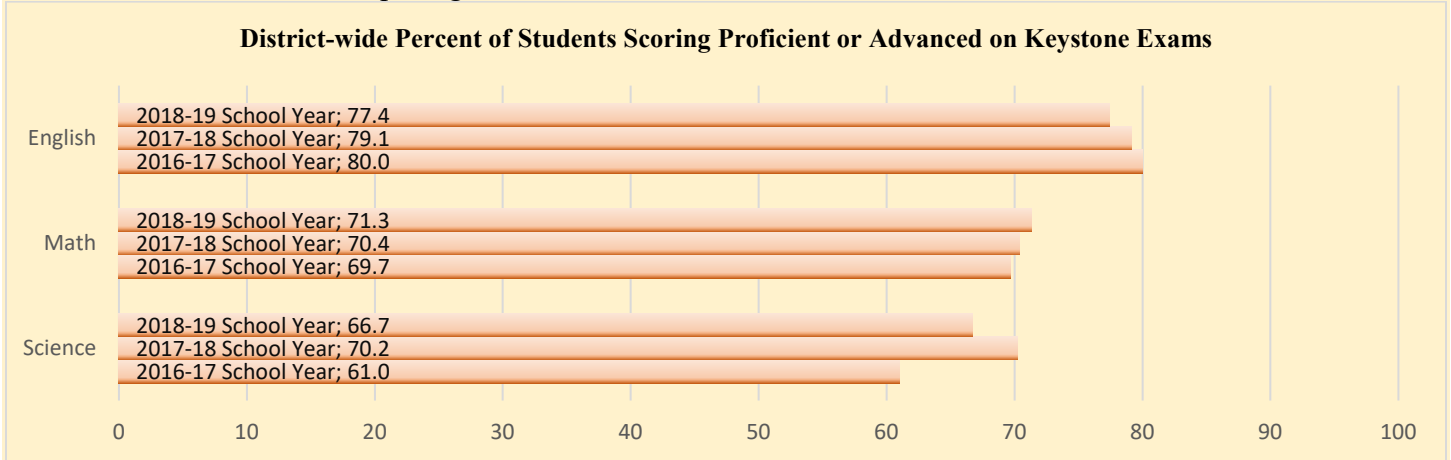
The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English, Math and Science. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, and policymakers with important information about the state's students and schools.

The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards. The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.



What is the Keystone Exam?

The Keystone Exam measures student proficiency at the end of specific courses, such as Algebra I, Literature, and Biology. The Keystone Exam was intended to be a graduation requirement starting with the class of 2017, but that requirement has been put on hold until the 2020-21 school year.⁴ In the meantime, the exam is still given as a standardized assessment and results are included in the calculation of SPP scores. The Keystone Exam is scored using the same four performance levels as the PSSAs, and the goal is to score Proficient or Advanced for each course requiring the test.

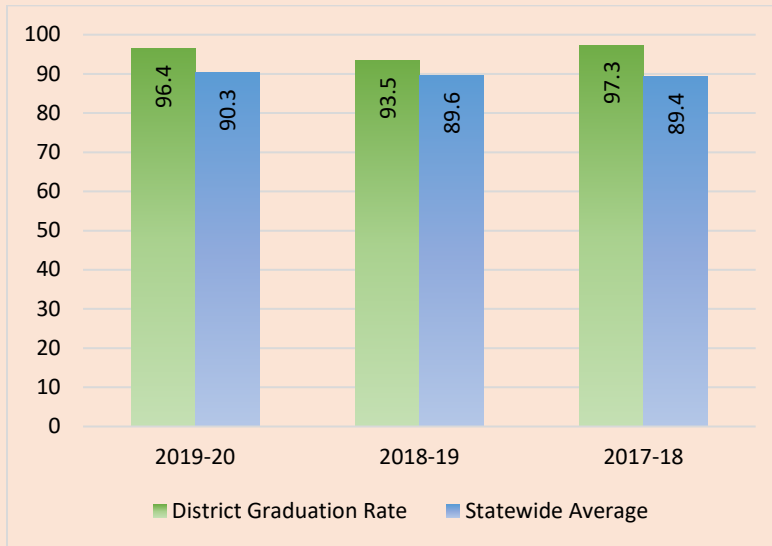


⁴ Act 158 of 2018, effective October 24, 2018, amended the Public School Code to further delay the use of Keystone Exams as a graduation requirement until the 2021-22 school year. See 24 P.S. § 1-121(b)(1). Please refer to the following link regarding further guidance to local education agencies (LEAs) on Keystone end-of-course exams (Keystone Exams) in the context of the pandemic of 2020: <https://www.education.pa.gov/Schools/safeschools/emergencyplanning/COVID-19/Pages/Keystone-Exams.aspx>

Academic Information Continued

What is a 4-Year Cohort Graduation Rate?

PDE collects enrollment and graduate data for all Pennsylvania public schools, which is used to calculate graduation rates. Cohort graduation rates are a calculation of the percentage of students who have graduated with a regular high school diploma within a designated number of years since the student first entered high school. The rate is determined for a cohort of students who have all entered high school for the first time during the same school year. Data specific to the 4-year cohort graduation rate is presented in the graph below.⁵



⁵ PDE also calculates 5-year and 6-year cohort graduation rates. Please visit PDE's website for additional information: <https://www.education.pa.gov/DataAndReporting/CohortGradRate/Pages/default.aspx>.

Findings

Finding No. 1

The District's Failure to Implement an Adequate Internal Control System Led to Inaccurate Reporting of Transportation Data Resulting in an Underpayment of \$40,540

Criteria relevant to the finding:

Student Transportation Subsidy

Section 2541(a) of the Public School Code (PSC) states, in part: "School districts shall be paid by the Commonwealth for every school year on account of pupil transportation which... have been approved by the Pennsylvania Department of Education... an amount to be determined by multiplying the cost of approved reimbursable pupils transportation incurred by the district by the district's aid ratio. In determining the formula for the cost of approved reimbursable transportation, the Secretary of Education may prescribe the methods of determining approved mileages and the utilized passenger capacity of vehicles for reimbursement purposes..." See 24 P.S. § 25-2541(a).

We found that the Northwestern School District (District) did not implement an adequate internal control system over the input, calculation, and reporting of regular transportation data. The failure to implement an adequate internal control system led to the District inaccurately reporting the amount paid to its transportation contractor to the Pennsylvania Department of Education (PDE).⁶ Consequently, the District received \$40,540 less than it was eligible to receive for the 2016-17 and 2019-20 school years.⁷

Background: School districts receive two separate transportation reimbursement payments from PDE. The **regular** transportation reimbursement is broadly based on the number of students transported, the number of days each vehicle was used for transporting students, the number of miles that vehicles are in service, and total costs to transport students. The **supplemental** transportation reimbursement is solely based on the number of nonpublic school and charter school students transported. The errors identified in this finding pertain to the District's regular transportation reimbursement.

Since the above listed components are integral to the calculation of the District's transportation reimbursements, it is essential that the District properly record, calculate, and report transportation data to PDE. Therefore, the District should have a strong system of internal control over transportation operations that should include, but not be limited to, the following:

- Segregation of duties.
- Comprehensive written procedures.
- Training on PDE reporting requirements.

It is also important to note that the Public School Code (PSC) requires that all school districts annually file a sworn statement of student transportation data for the prior and current school years with PDE in

⁶ The District receives the lesser of PDE's total final formula allowance or the actual amount paid to the transportation contractor multiplied by the District's aid ratio. The 2016-17 and 2019-20 school years were the only two years in our audit period in which students were transported for the entire school year and the reported amount paid to the contractor was less than the final formula amount.

⁷ The District received \$3,661,003 in regular transportation reimbursements for the 2016-17 through 2019-20 school years.

*Criteria relevant to the finding
(continued):*

Sworn Statement and Annual Filing Requirements

Section 2543 of the PSC, which is entitled, “Sworn statement of amount expended for reimbursable transportation; payment: withholding” states, in part: “Annually, each school district entitled to reimbursement on account of pupil transportation shall provide in a format prescribed by the Secretary of Education, data pertaining to pupil transportation for the prior and current school year.... The Department of Education may, for cause specified by it, withhold such reimbursement, in any given case, permanently, or until the school district has complied with the law or regulations of the State Board of Education.” (Emphases added.) See 24 P.S. § 25-2543.

The Pennsylvania Department of Education (PDE) Instructions for Completing the PDE-1049 Form

Amount Paid Contractor – Enter the total amount paid to this contractor for the service described for the vehicles listed under the “Notification Number.” This amount should include payment for any activity run service (some schools refer to this as a “late run”), but should not include payment for field trips, athletic events, extended school year or any service provided other than to-and-from school transportation.

It should also include payment to the contractor for the purchase of fuel or local education agency cost incurred to purchase fuel for the contractor. If the amount reported includes an amount representing the cost of fuel, any fuel tax refunds anticipated for this service year must be subtracted from that amount.

order to be eligible for transportation reimbursements.⁸ The sworn statement includes the superintendent’s signature attesting to the accuracy of the reported data. Because of this statutorily required attestation, the District should ensure it has implemented an adequate internal control system to provide the superintendent with the confidence needed to sign the sworn statement.

Regular Transportation Reimbursement Reporting Errors

PDE reimburses school districts for a portion of their transportation expenditures. PDE calculates a “final formula allowance” by using, among other items, the number of days students were transported and approved daily miles driven. To determine the amount of a school district’s regular transportation reimbursement, PDE compares the “final formula allowance” to the reported amounts paid to each contractor and reimburses the district based on the lesser of the two amounts.

The District failed to include the costs of bus monitors and/or fuel costs in its reported amount paid to the contractor for all four years of the audit period. However, inaccurately reporting this data only affected the District’s reimbursement for the 2016-17 and 2019-20 school years. In the 2016-17 school year, including the bus monitor and fuel costs increased the District’s amount paid to the contractor above the “final formula allowance” and resulted in an underpayment of \$16,847. In the 2019-20 school year, the failure to report all applicable costs resulted in an underpayment of \$23,693. The failure to accurately report bus monitors and/or fuel costs in the 2017-18 and 2018-19 school years did not affect the amount of reimbursement the District received for those years.

District officials responsible for calculating and reporting transportation data during the audit period stated that they were unaware of the PDE regulations that allowed the bus monitor costs and fuel costs to be included in the total amount paid to the contractor.

Significant Internal Control Deficiencies

Our review revealed that the District did not have an adequate internal control system over the process of inputting, calculating, and reporting regular transportation data to PDE. Specifically, we found that the District **did not** do the following:

- Ensure that the employee responsible for reporting transportation data to PDE was adequately trained on PDE’s reporting requirements.
- Implement adequate segregation of duties when it assigned responsibility to only one employee for calculating and reporting transportation data to PDE without ensuring that another employee reviewed the data before it was submitted to PDE.

⁸ See 24 P.S. § 25-2543.

- Reconcile contractor provided cost data to District invoices to ensure accurate costs are reported to PDE.
- Develop detailed written procedures for calculating and reporting vehicle and contractor cost data to PDE.

All of the above internal control deficiencies led to the errors we discussed in this finding.

Future Reimbursement Adjustment: We provided PDE with documentation detailing the transportation reporting errors for the 2016-17 and 2019-20 school years. We recommend that PDE adjust the District's future transportation reimbursements by the \$40,540 that we identified as an underpayment.

Recommendations

The *Northwestern School District* should:

1. Develop and implement an internal control system over its regular transportation operations. The internal control system should include, but not be limited to, the following:
 - All personnel involved in regular transportation data reporting are trained on PDE's reporting requirements.
 - A review of transportation data is conducted by an employee other than the employee who prepared the data before it is submitted to PDE.
 - A reconciliation of contractor costs to District invoices to ensure accuracy.
 - Comprehensive written procedures to ensure accurate reporting of the regular transportation operations.

The *Pennsylvania Department of Education* should:

2. Adjust the District's future transportation subsidy to resolve the \$40,540 underpayment for regular transportation reimbursement.

Management Response

District management provided the following response:

“Since neither the Superintendent nor the Business Manager were employed by the NWSD, during the 2016-2017 school year, it is very difficult to explain the cause of the problems from that time period. Since the current Superintendent and the current Business Manager have been employed with the district, the district has, and will continue to, improve the Internal Control System.

The improvements have addressed the following recommendations:

1. The NWSD employee responsible for reporting transportation data to PDE is currently adequately trained on PDE's reporting requirements.
2. Transportation data is now calculated by one employee and checked by a second employee, before being reported to PDE.
3. The NWSD annually reconciles contractor provided cost data for all district invoices, which ensures that accurate costs are reported to PDE, and with these findings, will do so on a monthly basis moving forward.
4. The District will create detailed written procedures for calculating and reporting vehicle and contractor cost data to PDE.”

Auditor Conclusion

We are encouraged that the District is taking appropriate corrective measures to implement our recommendations. We will determine the effectiveness of the District's corrective actions during our next audit of the District.

Finding No. 2

The District's Failure to Implement an Adequate Internal Control System Led to the District Inaccurately Reporting Nonresident Student Data to PDE Resulting in a \$9,355 Overpayment and Failing to Bill a Neighboring District for Educating Their Students

Criteria relevant to the finding:

The State Board of Education's regulations and PDE guidelines govern the classifications of nonresident children placed in private homes based on the criteria outlined in the PSC.

Payment of Tuition

Subsection (a) of Section 1305 (relating to nonresident child placed in home of resident) of the PSC provides for Commonwealth payment of tuition for nonresident children placed in private homes as follows:

"When a non-resident child is placed in the home of a resident of any school district in order of court or by arrangement with an association, agency, or institution having the care of neglected and dependent children, **such resident being compensated for keeping the child**, any child of school age so placed shall be entitled to all free school privileges accorded to resident school children of the district, including the right to attend the public high school maintained in such district or in other districts in the same manner as though such child were in fact a resident school child of the district." (Emphasis added.) See 24 P.S. § 13-1305(a).

We found the District failed to implement an adequate internal control system over the identification, categorization, and reporting of nonresident student data resulting in a \$9,355 overpayment from PDE.⁹ This overpayment was caused by the District inaccurately reporting the number of nonresident foster students educated by the District during the 2017-18 through 2019-20 school years.¹⁰ Additionally, the District should have billed a neighboring school district for tuition totaling \$9,307 for educating two nonresident students, but failed to do so.

Background: School districts are entitled to receive Commonwealth paid tuition for educating certain nonresident students. For a district to be eligible to receive Commonwealth paid tuition, the District must ensure that the student has met all four eligibility components:

- 1) The student's parent/guardian must not be a resident of the educating district.
- 2) The student must have been placed in a private home of a resident within the district by order of the court or by arrangement with an association, agency, or institution.¹¹
- 3) The district resident must be compensated for the care of the student.
- 4) The student must not be in pre-adoptive status.

These students are commonly referred to as "foster students." It is the responsibility of the educating district to obtain the required documentation to correctly categorize and accurately report these students that the district educated to PDE. Further, the district must obtain updated documentation for each year that the district reports a student as a nonresident.

When a student is educated by a school district other than their district of residency the educating school district can bill tuition costs to the student's district of residency. It is the responsibility of the educating district to correctly identify these students and accurately bill each

⁹ The District received \$282,595 in Commonwealth reimbursement for educating foster students reported to PDE as educated by the District during the audit period.

¹⁰ Nonresident student data was accurately reported for the 2016-17 school year.

¹¹ For example, the applicable county children and youth agency.

*Criteria relevant to the finding
(continued):*

Subsection (c) of Section 2503 (relating to payments on account of tuition) of the PSC specifies the amount of Commonwealth paid tuition on behalf of nonresident children placed in private homes by providing, in part:

“Each school district, regardless of classification, which accepts any non-resident child in its school under the provisions of section one thousand three hundred five...shall be paid by the Commonwealth an amount equal to the tuition charge per elementary pupil or the tuition charge per high school pupil, as the case may be” (Emphasis added.) See 24 P.S. § 25-2503(c).

Subsection (a) of Section 11.19 (relating to nonresident child living with a district resident) of the State Board of Education’s regulations provides as follows, in part.

“(a) A nonresident child is entitled to attend the district’s public schools if that child is fully maintained and supported in the home of a district resident as if the child were the residents own child and if the resident receives no personal compensation for maintaining the student in the district. Before accepting the child as a student, the board of school directors of the district shall require the resident to file with the secretary of the board of school directors either appropriate legal documentation to show dependency or guardianship or a sworn statement that the child is supported fully without personal compensation or gain, and that the resident will assume all personal obligations for the child relative to school requirements and intends to so keep and fully support the child continuously and not merely through the school term.” See 24 P.S. § 11.19(a).

student’s district of residency.

Because school districts can be eligible for additional revenue for educating nonresident students, it is essential for school districts to properly identify, categorize, and report nonresident students that it educated to PDE. Therefore, school districts should have a strong system of internal control over this process that should include, but not be limited to, the following:

- Training on PDE reporting requirements.
- Written internal procedures to ensure compliance with PDE requirements.
- Written internal procedures to ensure that the District bills tuition costs to other school districts for educating their students.
- Reconciliations of source documents to information reported to PDE.

Foster Student Reporting Errors

We found that the District incorrectly reported one foster student for each year from 2017-18 through 2019-20. The following table shows the resulting overpayment to the District due to these errors.

Northwestern School District Foster Student Data		
School Year	No. of Students Inaccurately Reported as Foster Students	Overpayment Amount ¹²
2017-18	1	\$3,013
2018-19	1	\$5,164
2019-20	1	\$1,178
Total	3	\$9,355

Of the three students we identified as being ineligible to be reported as a foster student, we found that one student continued to be reported as a foster student after he was adopted. Another student was actually a District resident and therefore not eligible to be reported as a nonresident student. The third student was ineligible to be reported as a nonresident student because the District failed to verify that the foster parents received a stipend.

During our review we also found that during the 2018-19 school year the District educated two students who resided in a neighboring school district. The District accurately reported these students to PDE; however, the District failed to bill the \$9,307 in tuition costs to the neighboring

¹² The difference in the amount for each student can be attributed to the number of days each student was enrolled as a 1305 foster student. A second factor was the tuition rate that was different for each year cited in the table.

*Criteria relevant to the finding
(continued):*

Section 2562 of the PSC specifies payments by Districts for Pupils Attending in Other Districts by providing, in part:

“For each elementary or high school pupil attending a public school of another district, the receiving district shall bill the sending district, and the sending district shall pay the amount of tuition charge per elementary pupil, or the tuition charge per high school pupil, as the case may be. In the case of pupils attending the receiving district’s public schools for less than a full school term, the tuition charge per elementary or high school pupil shall be prorated by reference to the period of time over which such pupils actually attended the receiving district’s schools.” *See* 24 P.S. § 25-2562.

district. The failure to bill for these students was the result of the child accounting department not communicating with the business office for the need to collect tuition payments from other districts. The different types of errors identified during our review highlight the need for the District to strongly implement internal controls over nonresident student data process.

Significant Internal Control Deficiencies

The District did not have adequate internal controls over the identification, categorization, and reporting of foster student data. The District relied solely on one employee to identify and categorize foster students. This information was not reviewed prior to it being reported to PDE. A review of this nature most likely would have revealed the errors we identified in this finding. A reconciliation to source documents to ensure each foster student met the eligibility requirements was not performed during the audit period. Additionally, the District did not have written policies and procedures to assist its employees in properly identifying and categorizing foster students.

Furthermore, while the District correctly identified and reported nonresident students it educated from a neighboring school district, the District did not have adequate internal controls to ensure that it billed the other district for tuition costs for these students. The District did not have policies and procedures to assist in accurately billing other school districts or a reconciliation process to ensure that it received all tuition it was eligible to receive.

Future Reimbursement Adjustment: We provided PDE with documentation detailing the reporting errors we identified for the audit period. We recommend that PDE adjust the District’s future subsidy reimbursement amount by the \$9,355 that we calculated as the overpayment.

Recommendations

The *Northwestern School District* should:

1. Develop and implement an internal control system governing the process for categorizing and reporting nonresident foster student data. The internal control system should include, but not limited to, the following:
 - a. All personnel involved in the identification, categorization, and reporting of nonresident foster student data are trained on PDE’s reporting requirements.
 - b. A review of nonresident foster data is conducted by an employee other than the employee who prepared the data before it is submitted to PDE.
 - c. Clear and concise written procedures are developed to document the categorization and reporting process for nonresident foster

student data and to ensure that other school districts are billed for tuition costs for educating nonresident students.

2. Perform a reconciliation of the foster student data to source documents before reporting the data to PDE.
3. Submit a tuition bill in the amount of \$9,307 to the neighboring school district to recover the cost of educating the foster students.

The *Pennsylvania Department of Education* should:

4. Adjust the District's future nonresident student reimbursements to resolve the overpayment of \$9,355.

Management Response

District management provided the following response:

“For child number 1, the NWSD building secretary did not notify the child accounting department of the adoption. When dealing with an adoption, the NWSD building secretaries will inform the Child Accounting team immediately, and in writing, any time a foster child is adopted.

For child number 2, the parent was asked if they received a stipend. The parent's response was affirmative. The parent confused "stipend" with "assistance." In the future, the child accounting team will clearly define stipend with the parent, the team will clearly communicate with the appropriate building secretary, and will be notified of any inconsistency in the case. Paperwork will be created which clearly defines "foster child", and the parent will check a box on the enrollment form which states that the child is a foster child, and whether or not the parent receives a stipend. The Child Accounting team will also confirm this information, in writing, with the Office of Children and Youth (OCY).

For student number 3, The NWSD failed to verify that a parent received a stipend. At the end of the 2019-2020 school year, the NWSD child accounting team sent a list of all foster students, as well as dates of enrollment to the OCY. OCY then checks the list, and replies via email regarding each student. In the future, individual forms will be sent to OCY for each foster child. On that form will be a spot for OCY to check that the parents receive a stipend, and the OCY representative will sign, date, and return a form for each child, to the NWSD.

Another contributing factor for this case is that OCY does not consider a parent a foster parent once "permanent kinship" has been determined. This definition is different from the PDE definition.

Additionally, the NWSD will increase the administrative oversight within the child accounting team. We will annually conduct training on PDE

reporting requirements for all members of the child accounting team. Before data is submitted to PDE, the child accounting administrator will review all data that has been prepared by the child accounting clerical employee. The NWSD will create a set of written procedures, as well as document the categorization and reporting process for non-resident and foster students. This will ensure that other school districts are billed correctly for tuition costs. A checks and balances process will be created between the clerical member of the child accounting team, and the administrator so that each member reviews the data independently before it is submitted to PDE each year. Finally, the NWSD will bill the Conneaut Area School District \$9,307, which is the cost associated with educating one of their students.”

Auditor Conclusion

We are encouraged that the District is taking appropriate corrective measures to implement our recommendations. We will determine the effectiveness of the District’s corrective actions during our next audit of the District.

Status of Prior Audit Findings and Observations

Our prior audit of the Northwestern School District resulted in no findings or observations.

Appendix A: Audit Scope, Objectives, and Methodology

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education (PDE), and other concerned entities.

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,¹³ is not a substitute for the local annual financial audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Our audit focused on the District's effectiveness and/or compliance with applicable statutory provisions and related regulations in the areas of Transportation Operations, Nonresident Student Data, Bus Driver Requirements, and School Safety, including fire and security drills. The audit objectives supporting these areas of focus are explained in the context of our methodology to achieve the objectives in the next section. Overall, our audit covered the period July 1, 2016 through June 30, 2020. The scope of each individual objective is also detailed in the next section.

The District's management is responsible for establishing and maintaining effective internal control to provide reasonable assurance that the District's objectives will be achieved.¹⁴ *Standards for Internal Control in the Federal Government* (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system. The Department of the Auditor General used the Green Book as the internal control analysis framework during the conduct of our audit.¹⁵ The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. Each of the five components of internal control contains principles, which are the requirements an entity should follow in establishing an effective system of internal control. We illustrate the five components and their underlying principles in Figure 1 on the following page.

¹³ 72 P.S. §§ 402 and 403.

¹⁴ District objectives can be broadly classified into one or more of the following areas: effectiveness of operations; reliability of reporting for internal and external use; and compliance with applicable laws and regulations, more specifically in the District, referring to certain relevant state laws, regulations, contracts, and administrative procedures.

¹⁵ Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system. The Green Book is assessable at <https://www.gao.gov/products/GAO-14-704G>

Figure 1: Green Book Hierarchical Framework of Internal Control Standards

Principle	Description
Control Environment	
1	Demonstrate commitment to integrity and ethical values
2	Exercise oversight responsibility
3	Establish structure, responsibility, and authority
4	Demonstrate commitment to competence
5	Enforce accountability
Risk Assessment	
6	Define objectives and risk tolerances
7	Identify, analyze, and respond to risks
8	Assess fraud risk
9	Identify, analyze, and respond to change

Principle	Description
Control Activities	
10	Design control activities
11	Design activities for the information system
12	Implement control activities
Information and Communication	
13	Use quality information
14	Communicate internally
15	Communicate externally
Monitoring	
16	Perform monitoring activities
17	Evaluate issues and remediate deficiencies

In compliance with generally accepted government auditing standards, we must determine whether internal control is significant to our audit objectives. We base our determination of significance on whether an entity’s internal control impacts our audit conclusion(s). If some, but not all, internal control components are significant to the audit objectives, we must identify those internal control components and underlying principles that are significant to the audit objectives.

In planning our audit, we obtained a general understanding of the District’s control environment. In performing our audit, we obtained an understanding of the District’s internal control sufficient to identify and assess the internal control significant within the context of the audit objectives. Figure 2 represents a summary of the internal control components and underlying principles that we identified as significant to the overall control environment and the specific audit objectives (denoted by an “X”).

Figure 2 – Internal Control Components and Principles Identified as Significant

Principle →	Internal Control Significant ?	Control Environment					Risk Assessment				Control Activities			Information and Communication			Monitoring	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
General/overall	Yes	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X
Transportation	Yes				X			X	X		X		X	X	X	X	X	
Nonresident Student Data	Yes				X			X	X		X		X	X	X	X		
Bus Drivers	Yes										X		X			X	X	
Safe Schools	No																	

With respect to the principles identified, we evaluated the internal control(s) deemed significant within the context of our audit objectives and assessed those controls to the extent necessary to address our audit objectives. The results of our evaluation and assessment of the District's internal control for each objective is discussed in the following section.

Objectives/Scope/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, the District's annual financial reports, annual General Fund budgets, and the independent audit reports of the District's basic financial statements for the July 1, 2016 through June 30, 2020 fiscal years. We conducted analytical procedures on the District's state revenues and the transportation reimbursement data. We reviewed the prior audit report and we researched current events that possibly affected District operations. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's effectiveness in four areas as described below. As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives.

Transportation Operations

- Did the District ensure compliance with applicable laws and regulations governing transportation operations, and did the District receive the correct transportation reimbursement from the Commonwealth?¹⁶
 - ✓ To address this objective, we assessed the District's internal controls for obtaining, inputting, processing, and reporting regular transportation data to PDE. We randomly selected for detailed testing, 10 of 29 vehicles used to transport students during the 2019-20 school year.¹⁷ For the vehicles selected, we obtained the monthly odometer readings, student rosters, and school calendars and determined if the District accurately calculated and reported transportation data to PDE and if the District was accurately reimbursed based on this reported data. Additionally, we verified the contractor costs for the audit period by reconciling what was reported to PDE to the District's expenditure ledgers and contractor invoices to determine if the amounts paid to the contractors were accurately reported to PDE.
 - ✓ Finally, we assessed the internal controls for inputting, categorizing, and reporting supplemental transportation data to PDE. We reviewed all 34 nonpublic school students reported to PDE as transported by the District during the audit period. For these students, we requested and obtained individual student requests for transportation to determine whether the District accurately categorized and reported nonpublic school students to PDE.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to this objective. Our results are detailed in Finding No. 1 beginning on page 7 of this report.

¹⁶ See 24 P.S. § 25-2541(a).

¹⁷ While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

Nonresident Student Data

- Did the District accurately report nonresident students to PDE? Did the District receive the correct reimbursement for these nonresident students?¹⁸
 - ✓ To address this objective, we assessed the District’s internal controls for categorizing, processing, and reporting nonresident foster students to PDE. We reviewed all 43 nonresident foster students reported to PDE as educated by the District during the audit period. We reviewed documentation to confirm that the custodial parents or guardian of the foster students were not residents of the District and to determine whether the foster parent received a stipend for caring for the student. We also determined if the District received the correct reimbursement for the education of these students.

Conclusion: The results of our procedures identified areas of noncompliance and significant internal control deficiencies related to this objective. Our results are detailed in Finding No. 2 beginning on page 11 of this report.

Bus Driver Requirements

- Did the District ensure that all bus drivers transporting District students are approved by the Board of School Directors and had the required driver’s license, physical exam, training, background checks, and clearances¹⁹ as outlined in applicable laws?²⁰ Also, did the District adequately monitor driver records to ensure compliance with the ongoing five-year clearance requirements and ensure it obtained updated licenses and health physical records as applicable throughout the school year?
 - ✓ To address this objective, we assessed the District’s internal controls for reviewing, maintaining, and monitoring the required bus driver qualification and clearance documents. We determined if all drivers were approved by the Board prior to transporting students. We reviewed documentation for all 24 drivers transporting students as of August 16, 2021 to determine whether the District complied with the requirements for those bus drivers. We also determined whether the District had monitoring procedures to ensure that all drivers had updated clearances, licenses, and physical exams.

Conclusion: The results of our procedures did not identify any reportable issues; however, we did identify internal control deficiencies that were not significant to our objective, but warranted the attention of the District. These deficiencies were communicated to them for their consideration.

School Safety

- Did the District comply with requirements in the Public School Code and the Emergency Management Code related to emergency management plans, bullying prevention, and memorandums of understanding

¹⁸ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

¹⁹ Auditors reviewed the required state, federal, and child abuse background clearances that the District obtained from the most reliable sources available, including the FBI, the Pennsylvania State Police, and the Department of Human Services. However, due to the sensitive and confidential nature of this information, we were unable to assess the reliability or completeness of these third-party databases.

²⁰ PSC 24 P.S. § 1-111, CPSL 23 Pa.C.S. § 6344(a.1), PSC (Educator Discipline) 24 P.S. § 2070.1a *et seq.*, State Vehicle Code 75 Pa.C.S. §§ 1508.1 and 1509, and State Board of Education’s regulations 22 Pa. Code Chapter 8.

with local law enforcement?²¹ Also, did the District follow best practices related to physical building security and providing a safe school environment?

- ✓ To address this objective, we reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, after action reports, memorandums of understanding, and the results of the risk and vulnerability assessments conducted by the Pennsylvania State Police. We also interviewed District officials to assess whether the District has implemented basic safety practices.

Conclusion: Due to the sensitive nature of school safety, the results of our review are not described in our audit report, but they were shared with District officials, PDE’s Office of Safe Schools, and other appropriate law enforcement agencies deemed necessary.

- Did the District comply with the fire and security drill requirements of Section 1517 of the Public School Code?²² Also, did the District accurately report the dates of drills to PDE and maintain supporting documentation to evidence the drills conducted and reported to PDE?

- ✓ To address this objective, we reviewed the fire and emergency drills for the four school buildings to determine whether drills were conducted as required for the 2018-19 and 2019-20 school years. We determined if a security drill was held within the first 90 days of the school year for each building in the District and if monthly fire drills were conducted in accordance with requirements. We also obtained the *Accuracy Certification Statement* that the District filed with PDE and compared the dates reported to the supporting documentation.

Conclusion: The results of our procedures for the fire and security drill requirements did not disclose any reportable issues.

²¹ Safe Schools Act 24 P.S. § 13-1301-A *et seq.*, Emergency Management Services Code 35 Pa.C.S. § 7701.

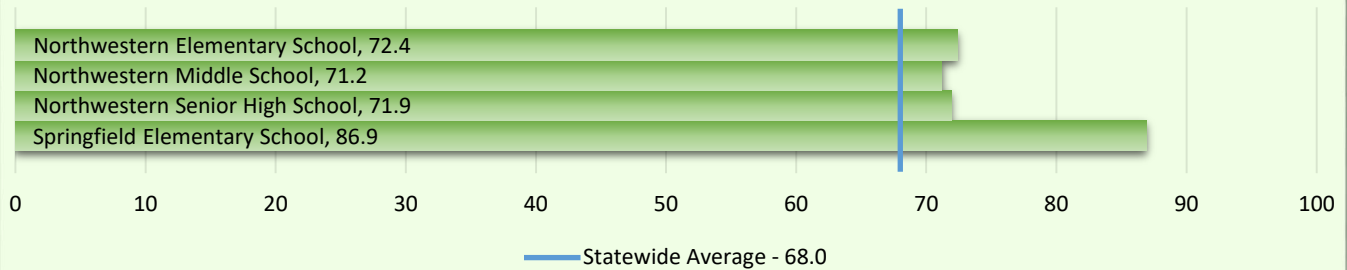
²² Public School Code (Fire and Security Drills) 24 P.S. § 15-1517.

Appendix B: Academic Detail

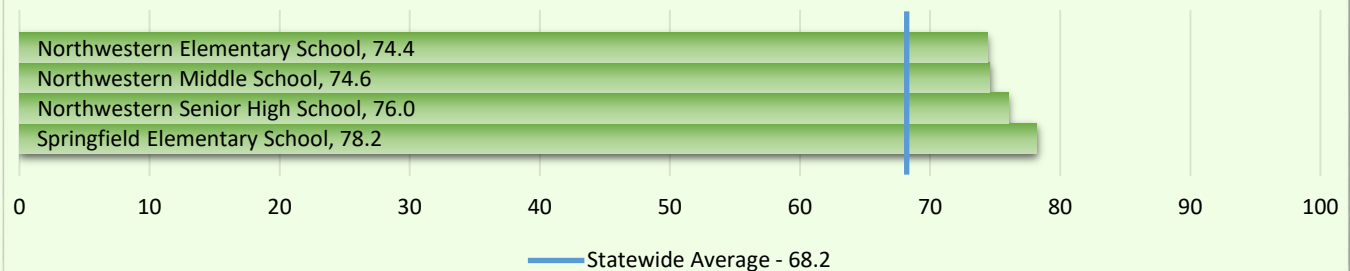
Benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.²³ Please note that if one of the District's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding graph.²⁴

SPP School Scores Compared to Statewide Averages

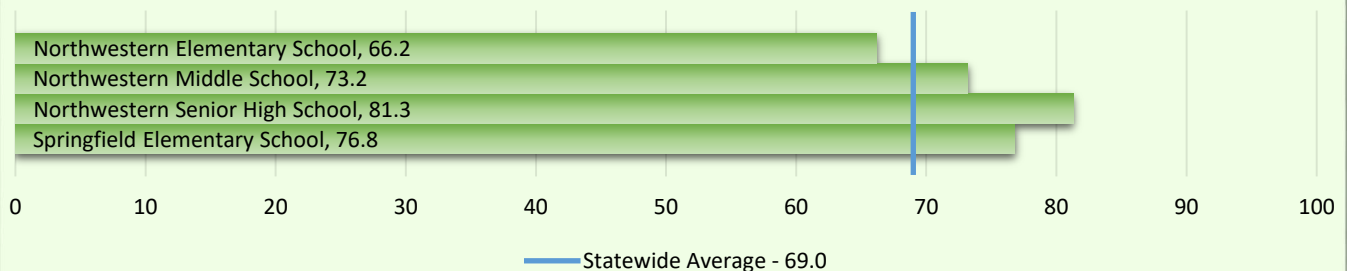
2018-19



2017-18



2016-17

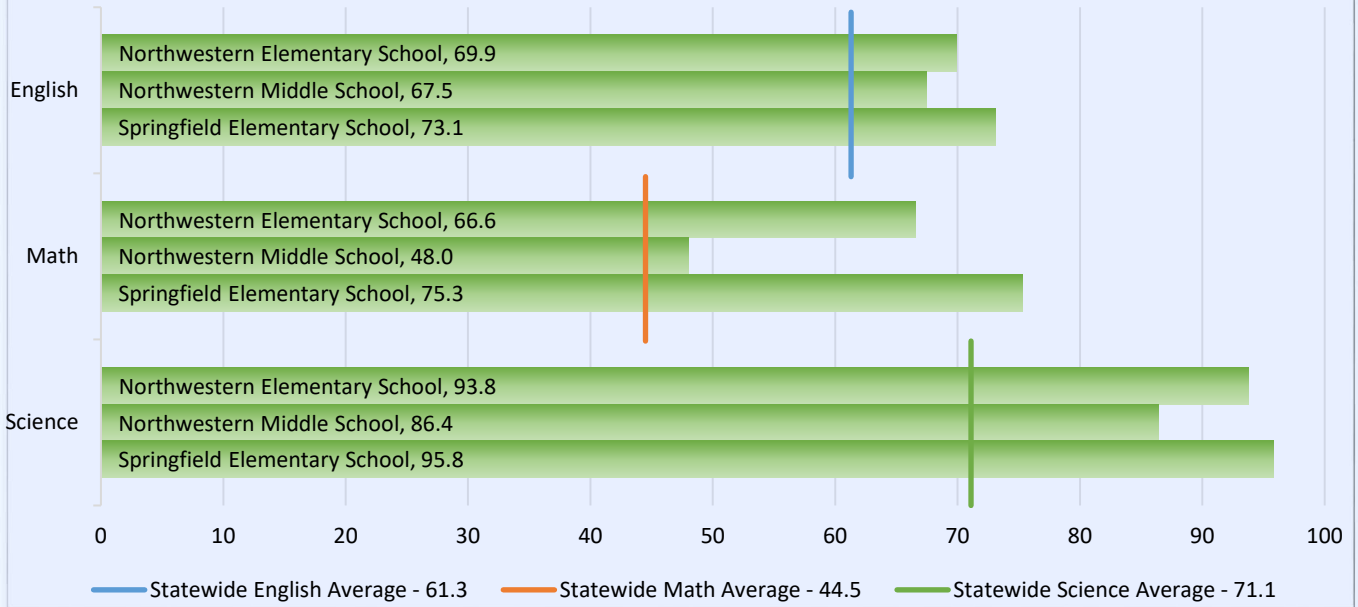


²³ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

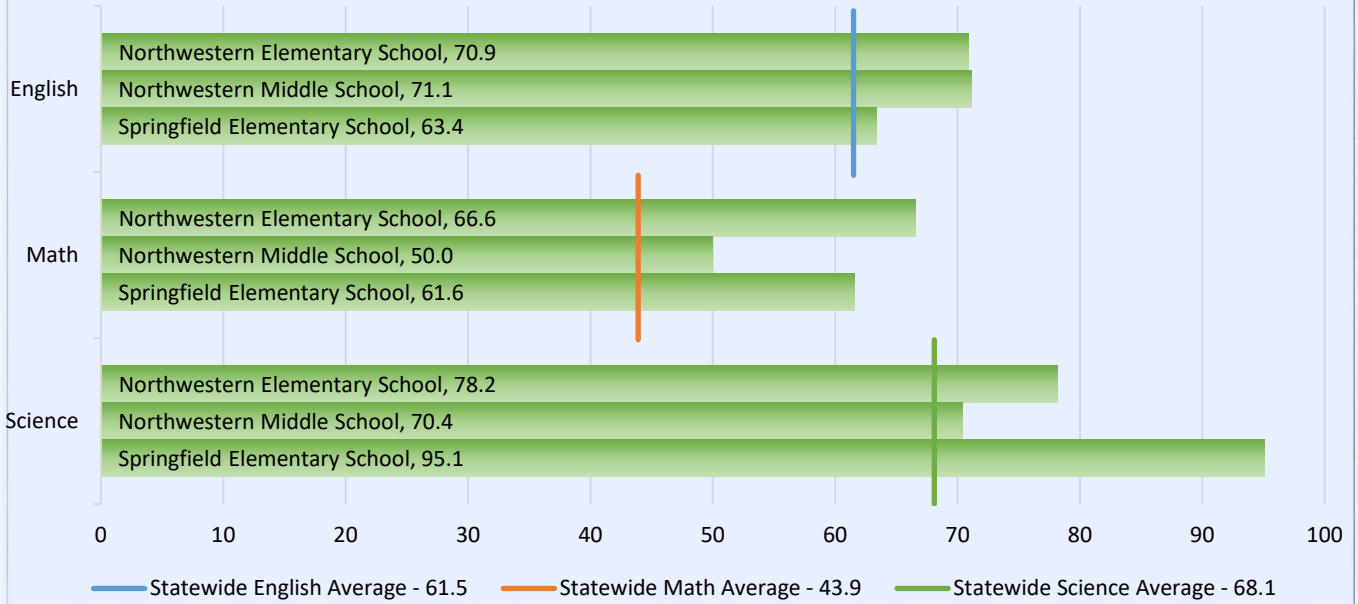
²⁴ PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

**PSSA Advanced or Proficient Percentage
School Scores Compared to Statewide Averages**

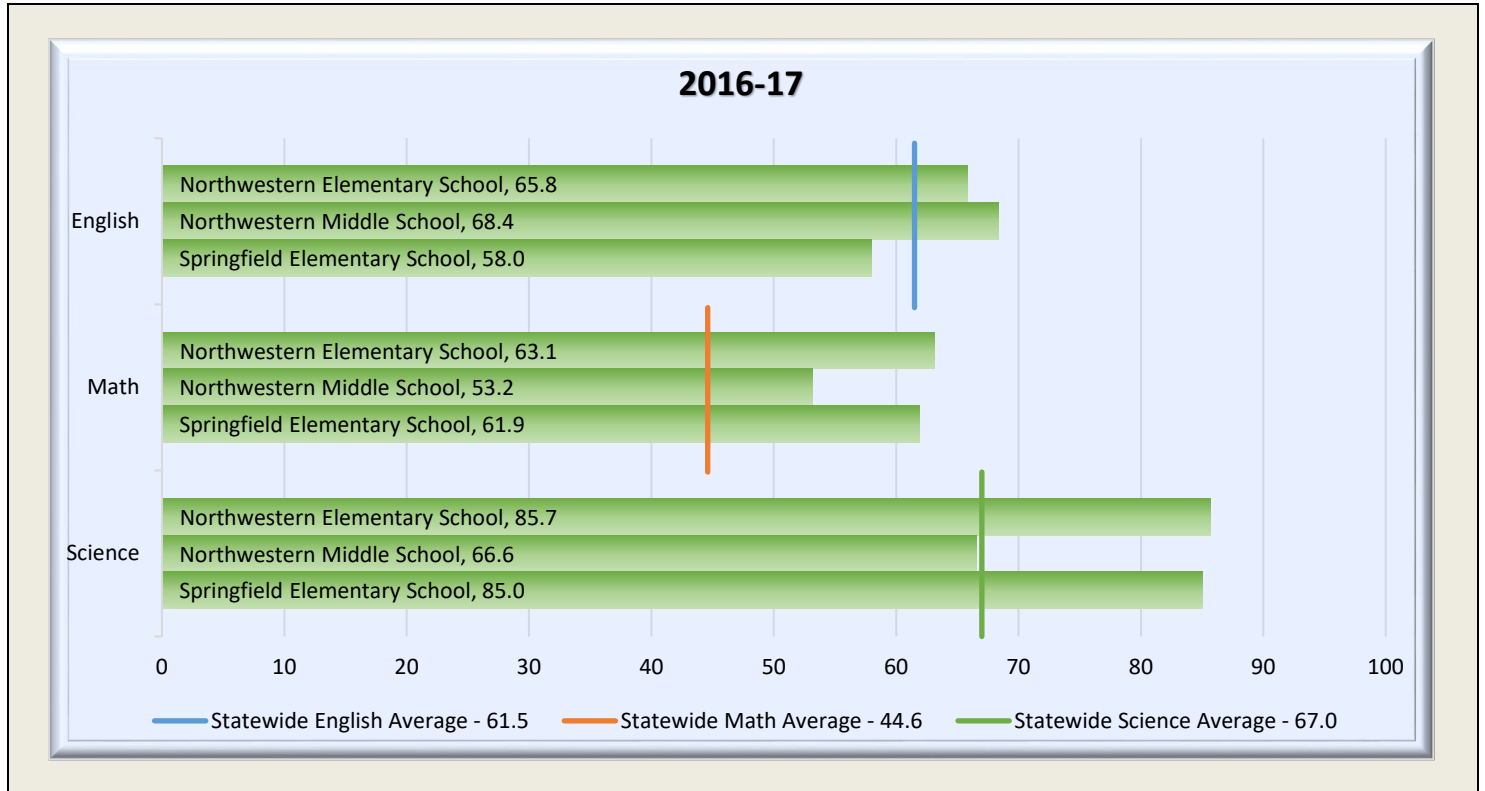
2018-19



2017-18

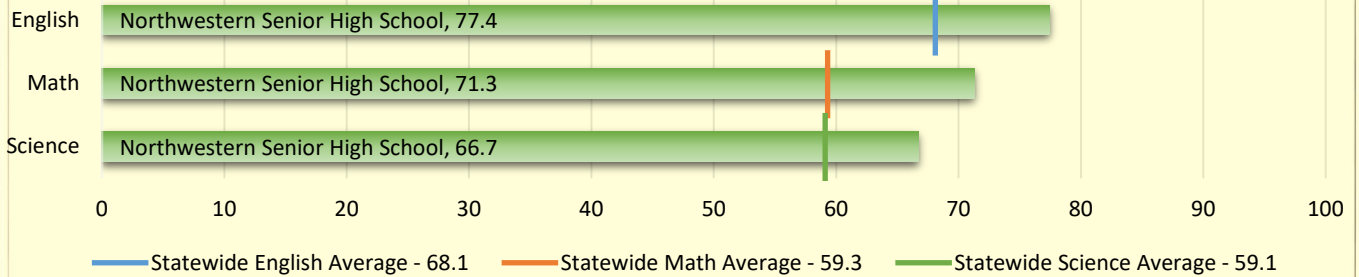


**PSSA Advanced or Proficient Percentage
School Scores Compared to Statewide Averages (continued)**

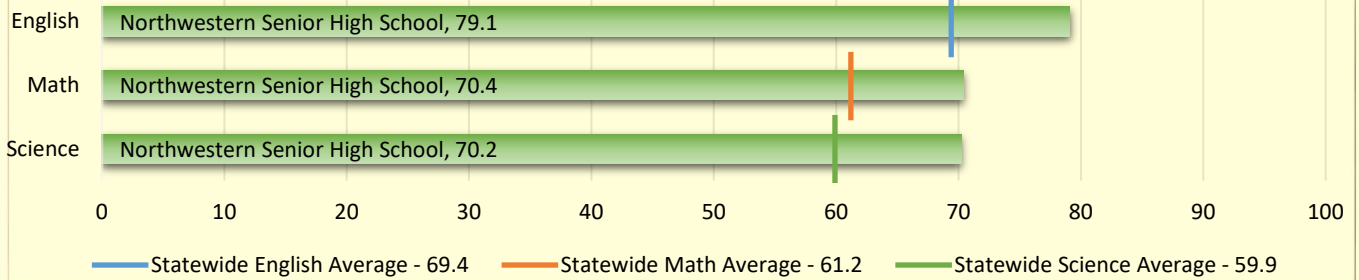


Keystone Advanced or Proficient Percentage School Scores Compared to Statewide Averages

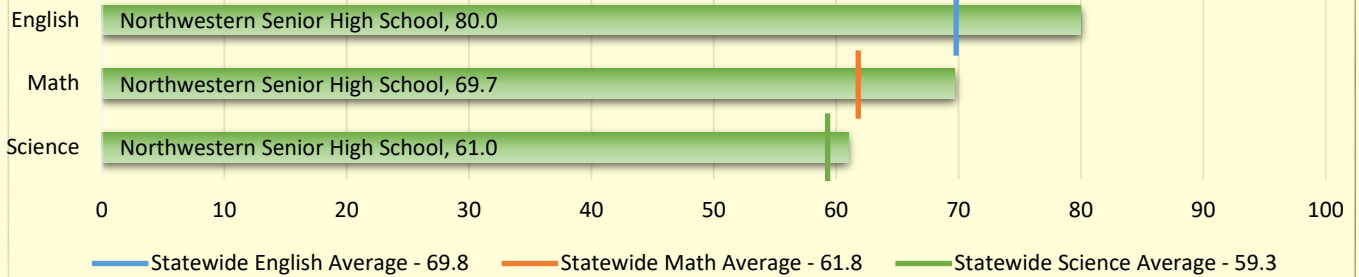
2018-19



2017-18



2016-17



Distribution List

This report was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

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