

PERFORMANCE AUDIT

Northwestern Lehigh School District Lehigh County, Pennsylvania

August 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Mary Anne Wright, Superintendent
Northwestern Lehigh School District
6493 Route 309
New Tripoli, Pennsylvania 18066

Mr. Willard Dellicker, Board President
Northwestern Lehigh School District
6493 Route 309
New Tripoli, Pennsylvania 18066

Dear Dr. Wright and Mr. Dellicker:

We have conducted a performance audit of the Northwestern Lehigh School District (District) for the period July 1, 2012 through June 30, 2015, 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 the appendix of this report:

- Transportation Operations
- Procurement Cards
- Contracting
- Bus Driver Requirements
- School Safety

The audit was conducted pursuant to Section 403 of The Fiscal Code (72 P.S. § 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 found that the District performed adequately in the areas listed above, except as noted in the following finding:

- Errors in Reporting the Number of Nonpublic and Non-reimbursable Students Transported by the District Resulted in a Net Underpayment of \$5,004

Dr. Mary Anne Wright
Mr. Willard Dellicker

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

August 18, 2016

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

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Background Information

School Characteristics 2014-15 School Year ^A	
County	Lehigh
Total Square Miles	110
Resident Population ^B	13,049
Number of School Buildings	4
Total Teachers	174
Total Full or Part-Time Support Staff	46 full time 142 part time
Total Administrators	15
Total Enrollment for Most Recent School Year	2,230 as of 2/24/16
Intermediate Unit Number	21
District Vo-Tech School	Lehigh Career and Technical Institute

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

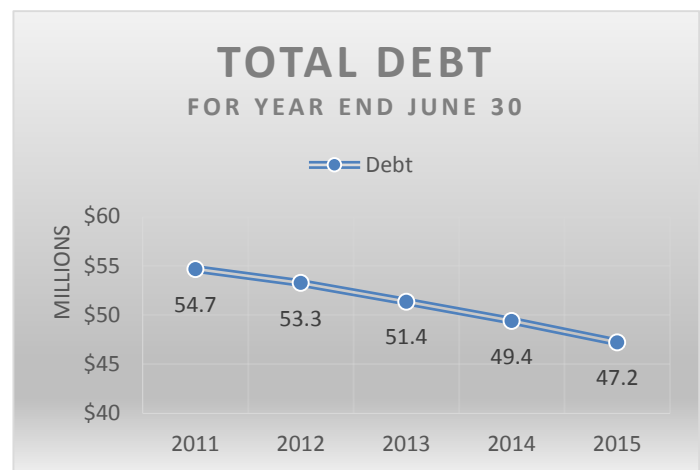
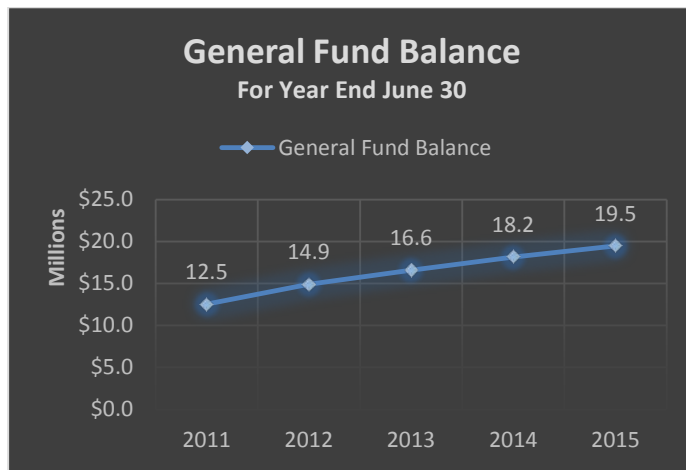
B - Source: United States Census
<http://www.census.gov/2010census>

Mission Statement^A

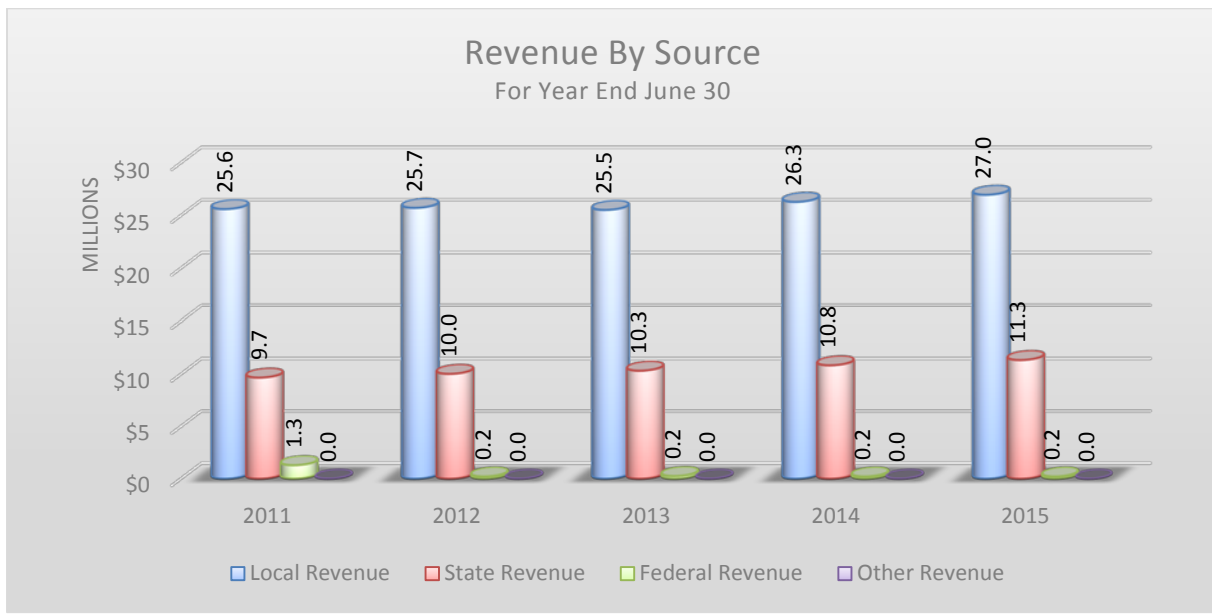
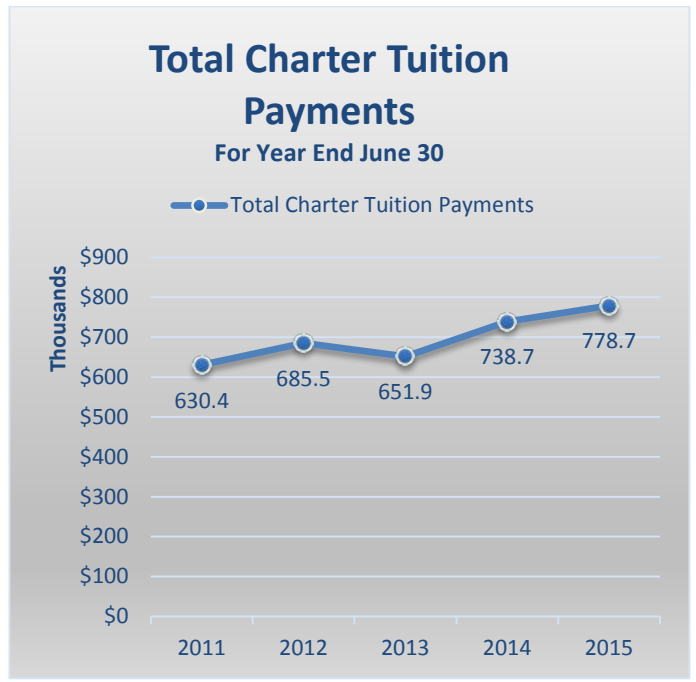
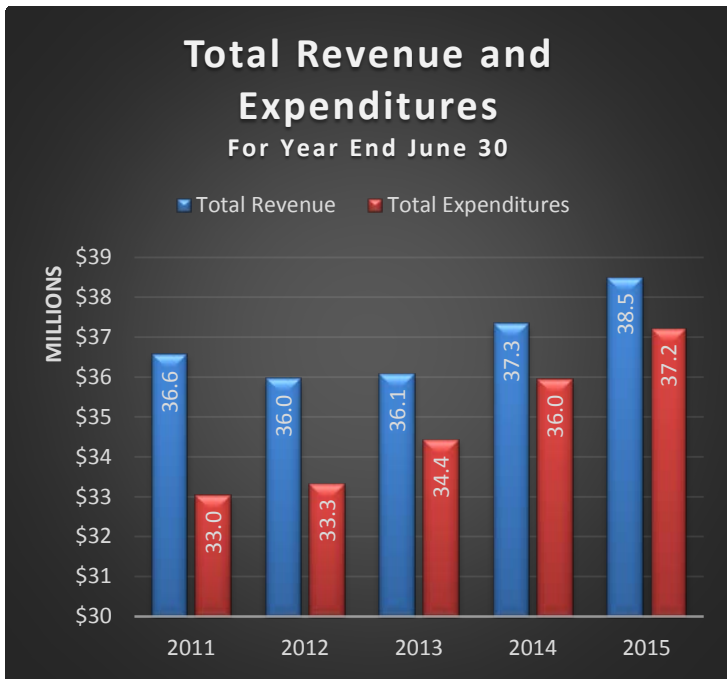
“It is the mission of the Northwestern Lehigh School District to educate, challenge and inspire our students with a commitment to excellence through learning. Northwestern Lehigh . . . Excellence through learning! Educate, Challenge & Inspire!”

Financial Information

The following pages contain financial information about the 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**.



Financial Information Continued



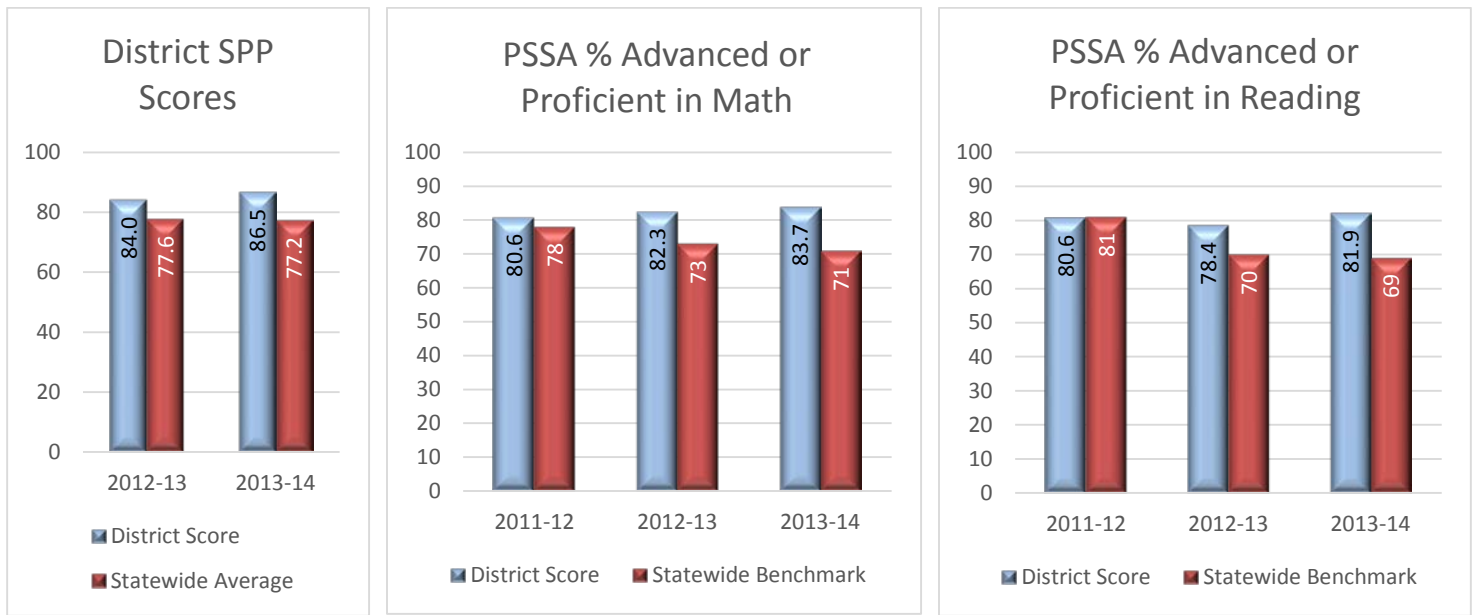
Academic Information

The following table and charts consist of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for the entire District obtained from PDE's data files.¹ These scores are presented in the District's audit report for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.² PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.³ District SPP and PSSA scores were calculated using an average of all of the individual school buildings within the District. Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red.

Districtwide SPP and PSSA Scores

District	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	77.6	77.2	78	73	71	81	70	69
<i>Northwestern Lehigh SD</i>	84.0	86.5	80.6	82.3	83.7	80.6	78.4	81.9
<i>SPP Grade⁴</i>	B	B						



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

² Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

³ PSSA benchmarks apply to all district school buildings, charters, and cyber charters. In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

⁴ The following letter grades are based on a 0-100 point system: A (90-100), B (80-89), C (70-79), D (60-69), F (59 or below).

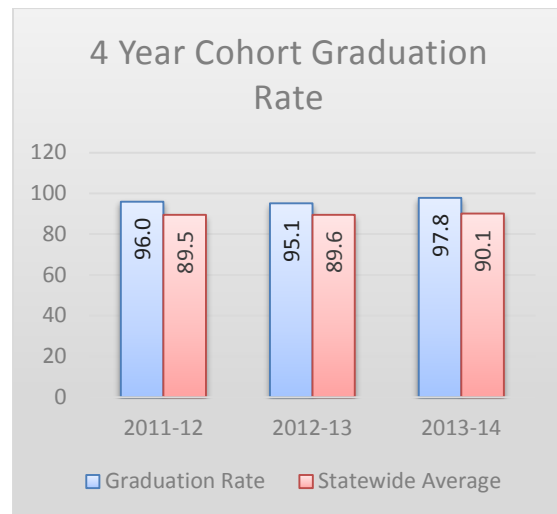
Individual School Building SPP and PSSA Scores

The following table consists of SPP scores and PSSA results for each of the District’s school buildings. Any blanks in PSSA data means that PDE did not publish a score for that school for that particular year.⁵

School Name	SPP Scores		PSSA % Advanced or Proficient in Math			PSSA % Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
<i>Statewide Benchmark</i>	<i>77.6</i>	<i>77.2</i>	<i>78</i>	<i>73</i>	<i>71</i>	<i>81</i>	<i>70</i>	<i>69</i>
<i>Northwestern Lehigh Elementary School</i>	81.2	92.7	83.6	80.3	83.2	80.1	73.8	75.4
<i>Northwestern Lehigh High School</i>	87.4	83.5	65.7	76.5	84.5	77.1	78.3	86.9
<i>Northwestern Lehigh Middle School</i>	87.0	86.8	82.1	83.2	81.9	81.8	80.6	83.2
<i>Weisenberg Elementary School</i>	80.4	83.1	90.8	89.1	85.4	83.4	81.1	82.2

4 Year Cohort Graduation Rates

The 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.⁶



⁵ PDE’s data does not provide any further information regarding the reason a score was not published.

⁶ <http://www.education.pa.gov/Data-and-Statistics/Pages/Cohort-Graduation-Rate-.aspx#.V1BFCdTD-JA>.

Finding

Finding

Errors in Reporting the Number of Nonpublic and Non-reimbursable Students Transported by the District Resulted in a Net District Underpayment of \$5,004

Criteria relevant to the finding:

Section 2509.3 of the PSC provides, in part, that each school district shall be paid the sum of \$385 for each nonpublic school pupil transported. See 24 P.S. § 25-2509.3.

Nonpublic school pupils are children whose parents are paying tuition for them to attend a nonprofit or parochial school.

Instructions provided by PDE to complete the Summary of Pupils Transported form (PDE-2089) specify that districts are to report the total number of non-reimbursable pupils for both contracted service vehicles and LEA-owned vehicles. The definition of a non-reimbursable pupil is any elementary pupil who resides within 1.5 miles of their school or secondary pupil who resides within two miles of their school who are not exceptional children or not required to use a certified hazardous walking route to reach their school.

Board Policy #810 states in part:

“The District shall transport eligible resident students who are enrolled in nonpublic schools within the distance prescribed by law.”

The District was underpaid a net underpayment of \$5,004 in transportation reimbursement from PDE. We found two types of reporting errors that resulted in this net underpayment. The District incorrectly reported the number of nonpublic students who were provided transportation by the District during the 2013-14 and 2014-15 school years. As a result, the District received excess reimbursement amounts for nonpublic students. The District also incorrectly reported the number of non-reimbursable students resulting in a reimbursement underpayment for these students. These errors resulted in the \$5,004 net underpayment.

Due to the multiple errors that resulted in the District being both over and underpaid, the net future adjustment is not significant; however, the two separate reporting errors went undetected until they were found during our audit. The potential for a more significant monetary adjustment existed and could have resulted in additional years of reporting errors if it had not been detected.

Nonpublic School Students

According to the PSC, a nonpublic school is defined, in part, as a “nonprofit school, other than a public school within the Commonwealth of Pennsylvania.”⁷ The PSC requires school districts to provide transportation services to students who reside in its district and who attend nonpublic schools, providing for a reimbursement from the Commonwealth of \$385 for each nonpublic school student transported by the District.⁸

The District incorrectly reported 27 public students as nonpublic students for both the 2013-14 and 2014-15 school years. These students were transported by the District to an intermediate unit or another public school.

⁷ 24 P.S. 9-922.1-A(b).

⁸ 24 P.S. § 25-2509.3.

Therefore, the District was not eligible to receive the \$385 reimbursement from the Commonwealth for each of these students.

The following chart summarizes the District’s reported total versus our audited nonpublic student counts, the difference by school year, and the resulting cumulative overpayment:

NORTHWESTERN LEHIGH SD REPORTING OF NONPUBLIC STUDENTS BY YEAR				
School Year	Reported by District	Audited Total	Amount of Students Incorrectly Reported	Excess Subsidies⁹
2013-14	189	162	27	\$10,395
2014-15	194	167	27	\$10,395
Total	383	329	54	\$20,790

These errors occurred because a new District employee was responsible for reporting transportation data for the 2013-14 and 2014-15 school years. This employee misunderstood the definition of a nonpublic school. The District also failed to develop an adequate review process of this information. A multi-year trend analysis of reported nonpublic student data was not performed. Performing such an analysis would have helped to detect these reporting errors.

Non-reimbursable Students Transported

The District receives a reimbursement for most students transported. Districts do not receive reimbursement for students who live within certain distances¹⁰ of their schools and are required to report these students to PDE so they can be removed from subsidy reimbursement calculations. Our audit found that 84 students in 2013-14 and 96 students in 2014-15 transported by the District and reported to PDE as non-reimbursable students were actually students who lived more than the required distance from their schools. Therefore, these students should have been reported as part of the normal reimbursable student total, and the District was eligible to receive a subsidy reimbursement from PDE

⁹ Calculated by multiplying the total column by \$385, which is the amount PDE reimburses a school district for providing transportation service to each nonpublic and charter school student.

¹⁰ See PDE’s instructions for a detailed definition of a non-reimbursable pupil (student) on page 1 of this finding.

for these students. The District had not reported any non-reimbursable students for the three years prior to the 2013-14 school year.

The following chart summarizes the District’s reporting errors by school year, non-reimbursable student classification, and the resulting cumulative underpayment:

NORTHWESTERN LEHIGH SD REPORTING OF NON-REIMBURSABLE STUDENTS BY YEAR				
School Year	<u>Reported</u>	<u>Audited</u>	Number of Students Over <u>Reported</u>	Underpaid Subsidies ¹¹
2013-14	84	0	84	\$10,905
2014-15	<u>96</u>	0	<u>96</u>	<u>\$14,889</u>
Total	180	0	180	\$25,794

According to the District, the reporting errors occurred due to a new employee responsible for reporting transportation data for the 2013-14 and 2014-15 school years. Similar to the previous errors in reporting transportation data, the employee had misunderstood the definition of a non-reimbursable student as defined by the PSC and instructions provided by PDE.

The District also failed to develop an adequate review process of this information. A multi-year trend analysis of student data was not performed and a trend analysis of transportation reimbursement received from PDE was not performed. Performing these types of analyses could have detected the reporting errors.

We met with the District about the transportation errors found, and the District now has a better understanding of both nonpublic and non-reimbursable students. The following are procedures the District has put in place to detect the type of errors noted:

1. The Director of Operations attended the May 2016 Pennsylvania Association of School Business Officials conference on elements of transportation and will continue to attend any such professional development opportunities that become available.

¹¹ Transportation reimbursement underpayment was due to the District incorrectly reporting students, who were transported by the District, as non-reimbursable students when they were actually reimbursable students. By definition, the students reported as non-reimbursable met the definition as a reimbursable student.

2. District administration drafted written policies and procedures to help accurately report transportation data to PDE. These policies and procedures will allow for consistency in methods of reporting, in the event a replacement in personnel occurs.

We provided PDE with discrepancy reports detailing the errors for the 2013-14 and 2014-15 school years. PDE will use these reports to adjust the District's transportation reimbursement.

Recommendations

The *Northwestern Lehigh School District* should:

1. Beginning with the 2015-16 school year, compare its list of nonpublic schools with the current list of nonpublic schools from PDE to verify that the District's list of nonpublic schools are in agreement with the nonpublic schools identified by PDE.
2. Beginning with the 2015-16 school year, the District should verify the accuracy of transportation data with the District's Director of Student Services. The students placed by the District in schools other than the District's buildings should be cross-checked for accuracy to the list of nonpublic pupils identified by the District. This procedure should be done to avoid reporting mainstream and intermediate unit public students as nonpublic students.
3. Conduct a multi-year trend analysis of student data and transportation reimbursements to help ensure the accuracy of nonpublic and non-reimbursable students reported to PDE.
4. Annually review and update newly developed procedures as necessary.

The *Pennsylvania Department of Education* should:

5. Reimburse the District the net transportation underpayment of \$5,004.

Management Response

District management provided the following response:

“The district acknowledges the error that occurred on the PDE-2089 for the fiscal years 2013-14 and 2014-15 relating to non-public students transported by the district. Beginning with the 2015-16 school year, the following procedures will be in place to prevent future errors from occurring in the report. Annually, the Director of Operations or designee will compare the list of non-public schools where Northwestern Lehigh students are transported to/from to the approved non-public list on PDE’s website. Additionally, the Director of Operations or designee will confirm with the Director of Student Services any out of district placements for Northwestern Lehigh special education students who should be excluded from the report. This cross check will be done to avoid misreporting mainstream and intermediate unit public students attending non-public schools. Upon completion of the report, a multi-year trend analysis of student data and transportation reimbursements will be done to help identify discrepancies in year to year reporting. Annually, prior to completion of the report the Director of Operations or designee will review the instructions and identify any new changes that need to be incorporated into the preparation of the report. Internal administrative procedures will be updated annually as deemed necessary. Starting with the 2015-16 report, prior to submission of the report to PDE, the Business Office will review the data and sign-off on the report. The district believes the above mentioned procedures in place will prevent future reporting errors that have a direct impact to transportation subsidy.”

Auditor Conclusion

We are pleased that the District has implemented corrective actions to address our finding and recognizes the significance and importance of the reporting errors noted for the 2013-14 and 2014-15 school years. The District was proactive in taking the necessary corrective actions to ensure transportation data will be reported accurately to PDE for reimbursement. During our next audit, we will determine the effectiveness of the District’s corrective actions.

Status of Prior Audit Findings and Observations

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

Appendix: 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, PDE, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code,¹² is not a substitute for the local annual financial audit required by the PSC 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.

Scope

Overall, our audit covered the period July 1, 2012 through June 30, 2015. In addition, the scope of each individual audit objective is detailed on the next page.

The District's management is responsible for establishing and maintaining effective internal controls¹³ to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, which we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

¹² 72 P.S. § 403.

¹³ Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, financial reports, annual budgets, and new or amended policies and procedures. 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 efficiency and effectiveness in the following areas:

- Transportation Operations
- Procurement Cards
- Contracting
- Bus Driver Requirements
- School Safety

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- ✓ Did the District correctly report non-reimbursable, nonpublic, and charter school students transported, and did the District receive correct reimbursement from the state for nonpublic and charter school students transported?¹⁴

To address this objective:

- We reviewed District rosters of non-reimbursable students for the 2013-14 and 2014-15 school years. We then verified the addresses for all non-reimbursable students to ensure that they were correctly categorized as non-reimbursable students. Since all non-reimbursable students were incorrectly categorized, we recalculated the reimbursement for each school year reviewed.
- We also reviewed all nonpublic and charter school students reported by the District for the 2013-14 and 2014-15 school years. We reviewed supporting documentation for all students classified as nonpublic or charter school students for these school years to determine if they were correctly classified. For students incorrectly classified, we recalculated the reimbursement amount. See the Finding beginning on page 5 for the results of our review of this objective.

¹⁴ See 24 P.S. §§ 13-1301, 13-1302, 13-1305, 13-1306; 22 Pa. Code Chapter 11.

- ✓ Did the District have adequate internal controls over its procurement cards? Did the District have board policy and procedures in place to govern procurement card usage? Were the procedures in agreement with the board policy? Were employees who were issued procurement cards properly trained on the procedures and policy and were they adhering to these procedures and policy?¹⁵

To address this objective:

- We interviewed the Business Administrator and completed an Internal Control Questionnaire (ICQ) concerning the internal controls over District procurement cards. We then reviewed District board policy and written administrative procedures to ensure the District had proper internal controls in place and to verify if they were adhering to the responses provided in the ICQ.
 - To complete test work, auditors obtained and reconciled, for the most recent completed school year July 1, 2014 through June 30, 2015, the monthly list of procurement card transactions and a list of bank wire transfers reconciling each monthly transaction. We then randomly selected the month of April 2015 for more detailed testing that included the monthly procurement card transaction list, the April 2015 bank wire transfer reconciling the monthly amount owed to the bank, and documentation for three separate transactions out of a total of 21 transactions made in April 2015. Documentation for transactions included procurement card order forms with description of the purchase, account code, supervisor approval, and original receipts attached for each transaction. Our review of this objective did not disclose any reportable issues.
- ✓ Did the District ensure that its significant contracts were current, and were properly obtained, approved, executed, and monitored?¹⁶
 - To address this objective, we reviewed the District's procurement and contract monitoring policies and procedures. We obtained a list of contracts for goods and services that were in effect for the 2015-16 school year. We haphazardly selected 4 out of 80 significant contracts for detailed testing. Testing included a review of the procurement documents to determine if the contract was procured in accordance with the PSC and District policies. We also reviewed documents to determine if the District properly monitored the selected contracts. Finally, we reviewed board meeting minutes and the Board of School Directors' Statements of Financial Interest to determine if any board member had a conflict of interest in approving the selected contracts. Our review of this objective did not disclose any reportable issues.

¹⁵ See 24 P.S. § 8-801 regarding purchases.

¹⁶ See 24 P.S. §§ 5-508, 7-751; 65 Pa.C.S. § 1101 *et seq.*

- ✓ Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outline in applicable laws?¹⁷ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we haphazardly selected 5 of the 38 bus drivers hired by both the District and District bus contractor during the school year July 1, 2015 through June 30, 2016, and reviewed documentation to ensure the District complied with bus drivers' requirements. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures were sufficient to ensure compliance with bus driver hiring requirements. Our review of this objective did not disclose any reportable issues.

- ✓ Did the District take appropriate actions to ensure it provided a safe school environment?¹⁸
 - To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, anti-bullying policies, and after action reports. In addition, we conducted an on-site reviews at one out of the District's four school buildings that was not previously reviewed to assess whether the District had implemented basic safety practices. Due to the sensitive nature of school safety, the results of our review of this objective area are not described in our audit report. The results of our review of school safety are shared with District officials and, if deemed necessary, PDE.

¹⁷ 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 *Pa. Code Chapter 8.*

¹⁸ 24 P.S. § 13-1301-A *et seq.*

Distribution List

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

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

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Harrisburg, PA 17126

The Honorable Timothy Reese

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