



**INTEROFFICE MEMORANDUM**

**Date:** May 11, 2017

**TO:** Members of the Board of School Directors

**From:** Mr. Paul Geib *P.G.*

**RE:** Audit #2017-052: Shalom High School  
Partnership School -Financial and Compliance Audit

**C:** Dr. Darienne Driver  
Dr. Jacqueline Mann  
Dr. Keith Posley  
Mr. Gerald Pace  
Ms. Marla Bronaugh  
Mr. Michael Trueblood  
Mr. Daniel Grego  
Mr. Omer Abdullah  
Ms. Felecia Jasper-Mitchell

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Transmitted herewith is our report on *Audit #2017-052 Shalom High School - Partnership School - Financial and Compliance Audit*. If you have any questions regarding this report or would like the report to be placed on a committee agenda, please contact our office.

On behalf of the Audit Services' staff, we wish to thank the school staff and the MPS administration for their cooperation and assistance throughout the audit process.

**Shalom High School  
Partnership School**

**Finance and Compliance Audit**

**Audit: 2017-052**

**May 2017**



**MILWAUKEE**  
**PUBLIC SCHOOLS**

**Office of Board Governance-Audit Services**

**SHALOM HIGH SCHOOL  
PARTNERSHIP SCHOOL  
FINANCIAL AND COMPLIANCE AUDIT**

**AUDIT: 2017-052**

**MAY 2017**

**MILWAUKEE PUBLIC SCHOOLS  
BOARD OF SCHOOL DIRECTORS**

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Paul Geib - Performance Audit Manager  
Nita Farrow - Performance Auditor

**Executive Director**  
Daniel Grego Ph.D

**INTRODUCTION**

The Milwaukee Board of School Directors (Board) contracts with private agencies to provide alternative education to certain “at-risk” and other Milwaukee Public School (MPS) students. The MPS Office of Audit Services annually performs audits of alternative education partnership schools to determine the propriety of resource utilization and compliance with contract provisions. During fiscal year 2016 (FY16), the partnership school Shalom High School (Shalom) was selected for review. The scope of our review was the FY16 school year.

During FY16, MPS contracted with Shalom to provide 113 Full-Time Equivalent seats (FTEs). Specific contract funding information follows. The Board approved a three-year contract for Shalom with FY16 being the first year of the contract.

	<u>FY16</u>
Full-Time Equivalent Seats	
At-Risk Seats	105.0
Transitional Seats	8.0
Funding Provided	
Cash Funds for Operations	\$1,038,841
Cost Per Student	\$9,193

Shalom’s budget and reported expenditures for FY16 are provided in Exhibit I. The report in Exhibit I does not include Title I costs and other categorical aid funds that Shalom is entitled to receive.

**SCOPE AND OBJECTIVES**

The purpose of the audit was to determine whether Shalom:

- Used resources provided by MPS in an appropriate manner to operate its alternative education program.
- Accurately reported alternative education expenditures to MPS.
- Complied with alternative education contract provisions.

Shalom’s compliance with contract provisions was determined for FY16. The review focused on determining compliance with all major fiscal and administrative contract provisions not associated with educational outcomes. Accordingly, the policies and contract provisions associated with educational outcomes, such as standards for testing and attendance reporting was not included within the scope of this financial and compliance review. The responsibility for

determining compliance with policies and provisions related to educational outcomes, in accordance with Board directives, resides with MPS's Contracted School Services (CSS).

In planning and performing our audit, we considered Shalom's internal controls over payroll, financial reporting and cost allocations in order to determine our auditing procedures for the purpose of expressing an opinion on the audit objectives. Accordingly, we do not express an opinion on the effectiveness of Shalom's internal controls over payroll, financial reporting and cost allocations.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

### **AUDIT CONCLUSION**

The results of tests performed indicate that Shalom complied with all major fiscal and administrative contract provisions not related to educational outcomes, appropriately used contract resources, and accurately reported alternative education expenditures with the exception of one major issue of noncompliance. Shalom charged \$2,119 of "other" expenditures that were related to the FY15 school year (Major Issue of Non-Compliance-Audit Finding 1).

In addition to the material noncompliance issue noted above, one minor issue of noncompliance was also noted. All issues of noncompliance are described in detail in the "Audit Findings and Recommendations" section of this report. Except for the deficiencies in internal controls that contributed to the non-compliant issue reported above, we noted no internal control matters that would be considered material.

## AUDIT FINDINGS AND RECOMMENDATIONS

### **Major Issue of Noncompliance**

#### **1. Criteria**

Allowable costs for partnership schools are set forth in the Office of Management and Budget, 2 CFR, Part 200 – OMB Uniform Administrative Requirement’s, Cost Principles, and Audit Requirements for Federal Awards as referenced in the partnership school contract.

#### **Condition**

Shalom did not comply with OMB Uniform Administrative Requirements, Cost Principles and Audit Requirement’s for Federal Awards by inappropriately charging the MPS program for contracted services and miscellaneous supplies of \$2,119 attributable to FY15.

#### **Cause**

Shalom was not aware of the invoice dates when payment was made.

#### **Effect**

Shalom’s failure to comply with contract requirements could result in a loss of funds. MPS could disallow \$2,119, for inappropriately charging the program for miscellaneous supplies relating to FY15.

#### **Recommendation**

Shalom should ensure that only allowable costs incurred during the contract period are charged to the annual financial report.

#### **Agency Response**

We are making changes in our administrative office to hire an on-site CFO to make the appropriate journal entries when needed to ensure this does not happen again.

### **Minor Issue of Noncompliance**

#### **2. Criteria**

The partnership school contract requires the school to maintain an average daily attendance rate for high school students of at least 70%.

#### **Condition**

Shalom had an average attendance rate of 67.0% for high school students.

#### **Cause**

Unknown

#### **Effect**

Shalom’s ability to contract with MPS may be jeopardized if contract requirements are not complied with.

**Recommendation**

Shalom should ensure that they maintain at least a 70% attendance rate for high school students in the program.

**Agency Response**

The Director of Shalom High School has met with the Program Officer of the MPS Contracted School Services and provided documents to show the correct attendance for FY16 was 69.13%. Shalom has been implementing strategies to ensure their attendance does not fall below 70% again.

This report was reviewed by the Executive Director of Trans Center For Youth, Inc. The Executive Director, as part of the audit process, has reviewed the audit criteria, findings, conclusions and/or recommendations. The Executive Director is in agreement with, and accepts this audit report.

OFFICE OF BOARD GOVERNANCE  
AUDIT SERVICES

April 12, 2017

**Shalom High School**  
**Expenditure Report for the 2015-2016 School Year**

	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
<b><u>Instruction/Instructional Support Costs</u></b>					
<b>Salaries</b>					
Agency Teacher(s)	6.00	256,563	231,657	231,657	0
Paraprofessionals		0	0	0	0
Substitutes		0	0	0	0
Aides	4.00	138,178	138,877	139,252	(375)
Counselor/Psychologist		0	0	0	0
Social Worker		0	0	0	0
Program Directors	2.00	158,445	158,473	158,473	0
Salaries Subtotal	12.00	553,186	529,007	529,382	(375)
<b>Staff Benefits</b>					
Pensions		16,350	16,043	15,780	263
Social Security		42,000	39,487	39,484	3
Health Insurance		115,000	117,369	117,146	223
Staff Benefits Subtotal	0.00	173,350	172,899	172,410	489
<b>Purchased Services</b>					
Media Equipment		0	0	0	0
Library Books		0	1,935	1,935	0
Consultants/Contracted Services		5,814	5,815	5,815	0
Extracurricular Activities		2,500	5,000	6,708	(1,708)
Field Trips		100	100	0	100
Staff Development-travel conferences		1,000	2,500	2,407	93
Car Allowance-instructional staff travel		0	0	0	0
Trasnportation/Miscellaneous		7,561	7,526	8,198	(672)
Purchased Services Subtotal	0.00	16,975	22,876	25,063	(2,187)
<b>Classroom Materials/Equipment</b>					
Instructional Supplies		4,000	800	494	306
Textbooks		0	0	0	0
Media Rental		0	0	0	0
Tests		0	0	0	0
Classroom Equipment		0	1,500	3,689	(2,189)
Computer Equipment		9,000	11,000	9,324	1,676
Software		0	0	0	0
Duplicating		1,000	400	1,455	(1,055)
Materials/Equipment Subtotal	0.00	14,000	13,700	14,962	(1,262)
<b>Total Instruction</b>	<b>12.00</b>	<b>\$757,511</b>	<b>\$738,482</b>	<b>\$741,817</b>	<b>(\$3,335)</b>



	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
<b>Non-Instructional Costs</b>					
<b>Salaries</b>					
Program Director/Principal		0	0	0	0
Assistant Administrator		0	0	0	
Maintenance Services		0	0	0	0
Clerical	1.00	33,378	33,399	33,399	0
Aide	1.00	23,255	23,276	23,276	0
Executive Director	0.20	22,952	23,013	23,013	0
Executive Assistant	0.20	17,795	17,855	17,855	0
Fund Developer	0.20	12,420	12,480	12,480	0
Director of School Development	0.20	6,000	5,390	5,046	344
Salaries Subtotal	2.80	115,800	115,413	115,069	344
<b>Benefits</b>					
Pensions		3,250	3,500	3,094	406
Social Security		8,800	8,564	8,540	24
Health Insurance		23,000	24,295	22,957	1,338
Benefits Subtotal	0	35,050	36,359	34,591	1,768
<b>Purchased Services</b>					
Consultants		0	0	0	0
Administrative Staff Develop.		0	0	0	0
Administrative Fee		23,166	23,166	23,166	0
Duplicating		0	0	0	0
Postage		500	500	921	(421)
Rents		30,000	30,000	30,000	0
Utilities		30,000	29,500	34,771	(5,271)
Telephone		4,050	11,000	8,697	2,303
Accounting		7,500	7,500	7,705	(205)
Maintenance Service		9,000	14,500	9,160	5,340
Purchased Services Subtotal	0	104,216	116,166	114,420	1,746
<b>Materials/Equipment</b>					
Office Supplies		5,000	8,500	9,641	(1,141)
Maintenance Equipment		0	0	0	0
Building/Maintenance Supplies		0	0	0	0
Security		0	0	0	0
Office Equipment		0	0	0	0
Equipment Rental		0	0	0	0
Copier Rental		4,000	4,610	4,609	1
Software		0	0	0	0
Other-Specify		0	0	0	0
Materials/Equipment Subtotal	0	9,000	13,110	14,250	(1,140)
<b>Insurance</b>					
Fidelity Bond		2,082	2,082	2,082	0
Workers Compensation		4,000	6,050	5,432	618
Bodily Injury		0	0	0	0
General Liability		11,180	11,180	11,180	0
Other-Specify		0	0	0	0
Insurance Subtotal	0	17,262	19,312	18,694	618
<b>Total Non-Instruction</b>	<b>2.800</b>	<b>281,328</b>	<b>300,360</b>	<b>297,024</b>	<b>3,336</b>
<b>GRAND TOTAL</b>	<b>14.800</b>	<b>\$1,038,839</b>	<b>\$1,038,842</b>	<b>\$1,038,841</b>	<b>\$1</b>