



INTEROFFICE MEMORANDUM

Date: July 10, 2017

TO: Members of the Board of School Directors

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

RE: Audit #2018-001: Assata High School
Partnership School -Financial and Compliance Audit

C: Dr. Darienne Driver
Dr. Jacqueline Mann
Dr. Keith Posley
Ms. LaWanda Baldwin
Ms. Marla Bronaugh
Mr. Michael Trueblood
Ms. Carlotta Pritchett
Mr. Omer Abdullah
Ms. Felecia Jasper-Mitchell

Transmitted herewith is our report on *Audit #2018-001 Assata 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.

**Assata High School
Partnership School**

Finance and Compliance Audit

Audit: 2018-001

July 2017



MILWAUKEE
PUBLIC SCHOOLS

Office of Board Governance-Audit Services

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

AUDIT: 2018-001

JULY 2017

**MILWAUKEE PUBLIC SCHOOLS
BOARD OF SCHOOL DIRECTORS**

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Nita Farrow - Performance Auditor

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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 Assata High School (Assata) was selected for review. The scope of our review was the FY16 school year.

During FY16, MPS contracted with Assata to provide 138 Full-Time Equivalent seats (FTEs). Specific contract funding information follows. The Board approved a three-year contract for Assata with FY16 being the first year of the contract.

| | <u>FY16</u> |
|----------------------------|-------------|
| Full-Time Equivalent Seats | |
| At-Risk Seats | 123.0 |
| Transitional Seats | 15.0 |
| Funding Provided | |
| Cash Funds for Operations | \$1,268,673 |
| Cost Per Student | \$9,193 |

Assata’s budget and reported expenditures for FY16 are provided in Exhibit I. Assata was overpaid by \$35,953 due to their average enrollment count being 123 FTEs and they were paid for 127 FTEs. This matter will be communicated to Contracted School Services. The report in Exhibit I does not include Title I costs and other categorical aid funds that Assata is entitled to receive.

SCOPE AND OBJECTIVES

The purpose of the audit was to determine whether Assata:

- 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.

Assata’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 Assata'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 Assata'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 Assata 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 two minor issues of noncompliance. The minor issues of noncompliance are described in detail in the "Audit Findings and Recommendations" section of this report.

AUDIT FINDINGS AND RECOMMENDATIONS

Major Issue of Noncompliance

None.

Minor Issue of Noncompliance

1. Criteria

Contract provisions require the school to obtain written approval from MPS prior to making any expenditure that deviates 10% or more in any budget category of the partnership school's annual budget.

Condition

Assata did not request permission to exceed the approved amounts for one budget category. Assata's annual financial report showed one budget category that was overspent as detailed below:

| | Amount Budgeted | Amount Expended | Amount Over Budget | 10% Allowance | Amount Requiring Prior Written Approval |
|---|-----------------|-----------------|--------------------|---------------|---|
| Materials/Equipment (Non-instructional) | \$17,000 | \$20,133 | \$3,133 | \$1,700 | \$1,433 |
| | | | | Total | \$1,433 |

Cause

Assata did not contact MPS Contracted School Services when they needed to spend more than 110% of the authorized budget categories.

Effect

Assata's failure to comply with contract requirements may result in MPS disallowing \$1,433 of expenditures that exceeded the pre-authorized 10% budget expenditure deviation allowance.

Recommendation

Assata should obtain written authorization from MPS Contracted School Services prior to making any expenditure that deviates by more than the specified allowance identified in the contract.

Agency Response

Assata is aware of the policy and do apologize for failing to request permission from the division of Contracted School Services. We will ensure that all purchases remain in the approved deviation levels or acquire permission in writing to exceed the 10% deviation prior to making the

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

Assata had an average attendance rate of 66.7% for high school students.

Cause

Unknown.

Effect

Assata's ability to contract with MPS may be jeopardized if contract requirements are not complied with.

Recommendation

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

Agency Response

Assata is aware of this criteria and we've worked diligently to improve student attendance and will continue to monitor attendance throughout the school year. To ensure that we're meeting the required attendance goals, the Assata Staff, Social Worker, Outreach Coordinator and the attendance team will meet on a weekly basis.

This report was reviewed by the Principal/Program Director of Assata High School. The Principal/Program Director, as part of the audit process, has reviewed the audit criteria, findings, conclusions and/or recommendations. The Principal/Program Director is in agreement with, and accepts this audit report.

OFFICE OF BOARD GOVERNANCE
AUDIT SERVICES

June 1, 2017

Assata High School
Expenditure Report for the 2015-2016 School Year

| | Proposed FTE Positions | Proposed Budget | Modified Budget | Actual Expenditures | Balance |
|---|---------------------------|--------------------|--------------------|------------------------|-----------------|
| <u>Instruction/Instructional Support Costs</u> | | | | | |
| Salaries | | | | | |
| Agency Teacher(s) | 8.00 | 300,000 | 225,000 | 226,166 | (1,166) |
| Paraprofessionals | 4.00 | 85,000 | 70,000 | 71,078 | (1,078) |
| Substitutes | 2.00 | 25,000 | 0 | 0 | 0 |
| Aides | | 0 | 0 | 0 | 0 |
| Counselor/Psychologist | 1.00 | 20,000 | 42,000 | 47,502 | (5,502) |
| Social Worker | | 20,000 | 0 | 0 | 0 |
| Staff Bonuses | | 35,000 | 27,000 | 28,000 | (1,000) |
| Salaries Subtotal | 15.00 | 485,000 | 364,000 | 372,746 | (8,746) |
| Staff Benefits | | | | | |
| Pensions | | 10,418 | 9,818 | 9,803 | 15 |
| Social Security | | 37,103 | 27,846 | 28,809 | (963) |
| Health Insurance | | 50,000 | 75,000 | 71,640 | 3,360 |
| Unemployment Compensation | | 0 | 0 | 5,260 | (5,260) |
| Staff Benefits Subtotal | 0.00 | 97,521 | 112,664 | 115,512 | (2,848) |
| Purchased Services | | | | | |
| Media Equipment | | 1,500 | 1,500 | 0 | 1,500 |
| Library Books | | 2,000 | 2,000 | 0 | 2,000 |
| Consultants/Contracted Services | | 25,000 | 55,000 | 108,019 | (53,019) |
| Extracurricular Activities | | 20,000 | 20,000 | 5,214 | 14,786 |
| Field Trips | | 2,400 | 2,400 | 3,060 | (660) |
| Staff Development-travel conferences | | 3,000 | 3,000 | 115 | 2,885 |
| Student Transportation | | 150,000 | 150,000 | 111,068 | 38,932 |
| Other Pupil Support | | 8,000 | 8,000 | 9,293 | (1,293) |
| Purchased Services Subtotal | 0.00 | 211,900 | 241,900 | 236,769 | 5,131 |
| Classroom Materials/Equipment | | | | | |
| Instructional Supplies | | 20,000 | 35,000 | 26,772 | 8,228 |
| Textbooks | | 10,000 | 10,000 | 8,547 | 1,453 |
| Media Rental | | 1,000 | 0 | 0 | 0 |
| Tests | | 2,500 | 0 | 0 | 0 |
| Classroom Equipment | | 25,000 | 36,177 | 2,918 | 33,259 |
| Computer Equipment | | 22,000 | 22,000 | 800 | 21,200 |
| Software | | 2,300 | 2,300 | 0 | 2,300 |
| Materials/Equipment Subtotal | 0.00 | 82,800 | 105,477 | 39,037 | 66,440 |
| Total Instruction | 15.00 | \$877,221 | \$824,041 | \$764,064 | \$59,977 |

| | Proposed FTE Positions | Proposed Budget | Modified Budget | Actual Expenditures | Balance |
|---|---------------------------|--------------------|--------------------|------------------------|-----------------|
| Non-Instructional Costs | | | | | |
| Salaries | | | | | |
| Program Director/Principal | 1.00 | 85,000 | 85,000 | 85,452 | (452) |
| Assistant Administrator | 1.00 | 48,000 | 45,500 | 45,255 | 245 |
| Maintenance Services | | 0 | 0 | 0 | 0 |
| Clerical | 1.00 | 31,000 | 31,000 | 29,865 | 1,135 |
| Accounting/Financial | | 0 | 0 | 0 | 0 |
| Part-time Wages | 2.00 | 20,000 | 0 | 0 | 0 |
| Security Wages | 2.00 | 65,000 | 65,000 | 66,320 | (1,320) |
| Staff Bonuses | | 37,000 | 26,000 | 26,000 | 0 |
| Salaries Subtotal | 7.00 | 286,000 | 252,500 | 252,892 | (392) |
| Benefits | | | | | |
| Pensions | | 11,287 | 11,887 | 11,901 | (14) |
| Social Security | | 21,879 | 19,253 | 19,346 | (93) |
| Health Insurance | | 23,000 | 29,000 | 30,581 | (1,581) |
| Unemployment Compensation | | 0 | 0 | 1,638 | (1,638) |
| Benefits Subtotal | 0 | 56,166 | 60,140 | 63,466 | (3,326) |
| Purchased Services | | | | | |
| Consultants | | 0 | 0 | 0 | 0 |
| Outside Administrative Services | | 0 | 0 | 0 | 0 |
| Administrative Staff Dev-travel/conferences | | 2,400 | 2,400 | 0 | 2,400 |
| Administrative Fee | | 30,136 | 29,111 | 29,111 | 0 |
| Duplicating | | 4,000 | 4,000 | 0 | 4,000 |
| Postage | | 3,500 | 3,500 | 1,035 | 2,465 |
| Rents | | 7,889 | 82,889 | 91,758 | (8,869) |
| Utilities | | 0 | 0 | 0 | 0 |
| Telephone/Internet | | 6,100 | 6,100 | 7,335 | (1,235) |
| Accounting/Audit | | 32,000 | 32,000 | 30,162 | 1,838 |
| Equipment Maintenance | | 0 | 0 | 3,037 | (3,037) |
| Purchased Services Subtotal | 0 | 86,025 | 160,000 | 162,438 | (2,438) |
| Materials/Equipment | | | | | |
| Office Supplies | | 3,500 | 4,500 | 4,138 | 362 |
| Maintenance Equipment | | 2,000 | 0 | 0 | 0 |
| Building/Maintenance Supplies | | 1,000 | 1,000 | 1,391 | (391) |
| Security | | 0 | 0 | 0 | 0 |
| Office Equipment | | 2,000 | 4,000 | 4,112 | (112) |
| Equipment Rental | | 0 | 0 | 0 | 0 |
| Copier Rental | | 8,500 | 5,500 | 5,329 | 171 |
| Software | | 0 | 0 | 0 | 0 |
| Other-Business Services | | 0 | 2,000 | 4,543 | (2,543) |
| Other-Facilities Costs | | 0 | 0 | 620 | (620) |
| Materials/Equipment Subtotal | 0 | 17,000 | 17,000 | 20,133 | (3,133) |
| Insurance | | | | | |
| Fidelity Bond | | 0 | 0 | 0 | 0 |
| Workers Compensation | | 7,000 | 12,000 | 13,443 | (1,443) |
| Bodily Injury | | 0 | 0 | 0 | 0 |
| General Liability | | 22,000 | 20,942 | 19,420 | 1,522 |
| Other-Specify | | 0 | 0 | 0 | 0 |
| Insurance Subtotal | 0 | 29,000 | 32,942 | 32,863 | 79 |
| Total Non-Instruction | 7.000 | 474,191 | 522,582 | 531,792 | (9,210) |
| GRAND TOTAL | 22.000 | \$1,351,412 | \$1,346,623 | \$1,295,856 | \$50,767 |