



INTEROFFICE MEMORANDUM

Date: August 22, 2018

TO: Members of the Board of School Directors

From: Mr. Paul Geib *pej*

RE: Audit #2019-009: St. Charles Youth & Family Services
Partnership School -Financial and Compliance Audit

C: Dr. Keith Posley
Dr. Jacqueline Mann
Mr. Tom Conjurski
Ms. LaWanda Baldwin
Ms. Marie Thompson
Mr. Michael Trueblood
Mr. Michael Umhoefer
Mr. Omer Abdullah
Ms. Felecia Jasper-Mitchell
Ms. Nita Farrow

Transmitted herewith is our report on *Audit #2019-009 St. Charles Youth & Family Services - 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.

**St. Charles Youth & Family Services, Inc.
Partnership School**

Finance and Compliance Audit

Audit: 2019-009

August 2018



MILWAUKEE
PUBLIC SCHOOLS

Office of Board Governance-Audit Services

ST. CHARLES YOURTH & FAMILY SERVICES, INC.

PARTNERSHIP SCHOOL

FINANCIAL AND COMPLIANCE AUDIT

AUDIT: 2019-009

AUGUST 2018

**MILWAUKEE PUBLIC SCHOOLS
BOARD OF SCHOOL DIRECTORS**

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Nita Farrow - Performance Auditor II

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INTRODUCTION

The Milwaukee Board of School Directors (Board) contracts with private agencies to provide educational treatment-oriented programs for Milwaukee Public School (MPS) students. The MPS Office of Audit Services annually performs audits of special education schools to determine the propriety of resource utilization and compliance with contract provisions. During fiscal year 2017 (FY17), St. Charles Youth & Family Services, Inc. (St. Charles Spec. Ed) was selected for review. The scope of our review was the FY17 school year.

During FY17, MPS contracted with St. Charles Spec. Ed to provide a total of 80 Full Time Equivalent (FTE) seats for MPS pupils who are children with disabilities. The contract provided for MPS to make payments for 80 pupils at a rate of \$117.93 per day for:

- Maximum of 10 female pupils in grades 8-12 in all female program.
- Maximum of 10 pupils in grades 1-5 in coed program.
- Maximum of 30 pupils in grades 6-8 in coed program.
- Maximum of 30 pupils in grades 9-12 in all coed program.

Upon mutual agreement and execution of a contract change order, additional seats were allowable under the contract with payment to be prorated if pupils are enrolled for less than the entire school year.

During FY17 MPS paid St. Charles Spec. Ed \$1,769,521. Specific funding information follows:

	<u>FY17</u>
80 Full Time Equivalent Seats @ 117.93 per day for 180 days	\$1,698,140
Additional Funds One-On-One Services	<u>71,381</u>
Total Cash Funds for Operations	\$1,769,521

St. Charles Spec. Ed funding for FY17 was increased by \$71,381 for one-on-one services. In addition St. Charles Spec. Ed was authorized to carryover \$13,793 from FY16 to FY17. Total available resources from the FY17 contract and the FY16 carryover were \$1,783,314.

St. Charles Spec. Ed’s budget and reported expenditures for FY17 are provided in Exhibit I. The report in Exhibit I also does not include Title I costs and other categorical aid funds that St. Charles Spec. Ed is entitled to receive.

SCOPE AND OBJECTIVES

The purpose of the audit was to determine whether St. Charles Spec. Ed:

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

St. Charles Spec. Ed's compliance with contract provisions was determined for FY17. 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, were 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 St. Charles Spec. Ed'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 St. Charles Spec. Ed'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 St. Charles Spec. Ed 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 three major issues of noncompliance. First, St. Charles Spec. Ed underspent the contract by \$85,537 (Major Issue of Non-Compliance-Audit Finding 1). Second, seven employees charged to the MPS program were not listed on the staff roster with four of the employees not having a background check conducted by MPS (Major Issue of Non-Compliance-Audit Finding 2). Lastly, one employee did not have a proper teaching license for the 2016-17 school year (Major Issue of Non-Compliance-Audit Finding 3).

In addition to the material noncompliance issues 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 issues reported above, we noted no internal control matters that would be considered material.

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AUDIT FINDINGS AND RECOMMENDATIONS

Major Issue of Noncompliance

1. Criteria

Partnership school shall not expend less than the total amount of the contract without the express written permission of the MPS Director of Contracted School Services.

Condition

St. Charles Spec. Ed underspent the contract by \$85,537 for the FY17 school year and they are aware that they owe MPS for the contract funds that were not spent.

Cause

St. Charles Spec. Ed terminated the contract with MPS at the end of the 16-17 school year and did not adhere to the contract requirement.

Effect

Failure to comply with contractual terms could jeopardize the school's ability to contract with MPS in the future.

Recommendation

St. Charles Spec. Ed should contact the MPS Finance Department to repay the funds.

Agency Response

St. Charles underspent the 2016-2017 contract by \$85,537 due to low student referrals from MPS which resulted in less expenditures incurred against the contract. St. Charles acted in a prudent, fiscally responsible and conservative manner and reflected these unspent funds as a payable to MPS in their audited financial statements. St. Charles was waiting for the audit to be completed to confirm that amount St. Charles had reflected. Now that the audit is complete and the amount confirmed, St. Charles will issue a check to MPS.

2. Criteria

The partnership school contract requires the school to perform background screening through the MPS Office of Human Resources on all full and part-time employees and volunteers. Schools shall not allow any employee or volunteer to have contact with pupils until the school in consultation with the MPS Office of Human Resources investigates and determines that there is nothing in the background of the employee or volunteer which would render the employee or volunteer unfit to have contact with pupils.

Condition

Testing of salaries identified seven individuals that were charged to the MPS program that were not listed on the staff roster. In addition, MPS Contracted School Services had three of seven background checks on file and the remaining four employees did not have background check screenings conducted and reviewed by MPS Human Resources as required in the partnership contract.

Cause

St. Charles Spec. Ed failed to provide the required information.

Effect

Failure to report changes to the school staff roster and provide background screenings increases the risk to both the school and MPS if students are placed in the trust of individuals that might have unacceptable personal history and are unfit for interaction with students. The school's ability to contract with MPS may be jeopardized if contract requirements are not complied with.

Recommendation

When new employees are hired and/or charged to the MPS programs, St. Charles Spec. Ed should perform background checks with the MPS Department of Human Resources to determine an employee's fitness for employment. Further, St. Charles Spec. Ed should provide MPS with an updated roster within 14 working days of the hiring of a new employee as specified in the partnership school contract.

Agency Response

St. Charles understands the importance of consulting with MPS and would never want to jeopardize the children, MPS or the partnership St. Charles has with MPS. St. Charles performs a background check on every employee before they are hired. All of these employees were fit for hire in accordance with the caregiver background check. In the future, St. Charles will forward all background disclosure information and staff rosters to MPS Human Resources.

3. Criteria

The partnership school contract requires that they ensure that they only employ or utilize persons appropriately licensed by the State Superintendent and that all instruction and pupil support services provided in the program under the contract are provided by professional staff members, for example teachers, supervisors, administrators and professional staff members who hold a special education license or permit to teach issued by the Wisconsin Department of Instruction before entering into duties for such positions.

Condition

One teacher was not properly licensed to teach by the Wisconsin Department of Public Instruction (DPI) for the 2016-17 school year.

Cause

St. Charles Spec. Ed did not ensure that all teachers had a proper and valid teaching license.

Effect

When teachers are certified they enhance the students learning capacity and it validates MPS district policy and educational standards.

Recommendation

St. Charles Spec. Ed should ensure that all teaching staff hold a license or permit to teach issued by the Wisconsin Department of Public Instruction.

Agency Response

The teacher was licensed to teach from 2013-2016 and from 2017-2022. A license was applied for the 2016-2017 school year, but due to a paperwork issue was listed as pending by the Department of Public Instruction. In the future, St. Charles will verify that all teaching staff has a license to teach by the Wisconsin Department of Public Instruction.

Minor Issue of Noncompliance

4. Criteria

The partnership school contract requires the school to maintain an average pupil attendance rate of all pupils that is at least 75%.

Condition

St. Charles Spec. Ed had an average attendance rate of 62.7% for students in grades 1 through 12.

Cause

Unknown.

Effect

St. Charles Spec. Ed's ability to contract with MPS may be jeopardized if contract requirements are not complied with.

Recommendation

St. Charles Spec. Ed should ensure that they maintain at least a 75% attendance rate for grade 1 through 12 students in the program.

Agency Response

St. Charles serves 100% special education students assigned by MPS. These students are either expelled with services or have had multiple behavioral issues in their respective community and school.

Almost 100% of the student population is experiencing mental health issues or are at risk of dysfunctional family or community issues. Consequently, our attendance is impacted by days of absence due to temporary incarceration, legal infractions or mental health episodes which require hospitalization. During these periods these students are documented as absent. These episodes in conjunction with a fluctuation enrollment base greatly skew our attendance average. St. Charles suggests and will work with MPS to come up with a more realistic benchmark that takes into consideration a fluctuating attendance due to these circumstances that are beyond our control.

This report was reviewed by the Chief Financial Officer of St. Charles Spec. Ed. The Chief Financial Officer, as part of the audit process, has reviewed the audit criteria, findings, conclusions and/or recommendations. The Chief Financial Officer is in agreement with, and accepts this audit report.

OFFICE OF BOARD GOVERNANCE
AUDIT SERVICES

August 3, 2018

**St. Charles Special Education
Expenditure Report for the 2016-2017 School Year**

	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
<u>Instruction/Instructional Support Costs</u>					
Salaries					
Agency Teacher(s)	8.00	\$404,080	\$344,880	\$283,983	60,897
Classroom Support Workers	8.00	220,384	168,384	201,179	(32,795)
Substitutes		-	-	-	-
Safety Aides	1.00	28,441	25,941	8,242	17,699
Counselor/Psychologist		-	-	-	-
Social Worker		-	-	-	-
School Assessment Coordinator	1.00	47,370	14,870	12,577	2,293
Salaries Subtotal	<u>18.00</u>	<u>\$700,275</u>	<u>\$554,075</u>	<u>\$505,981</u>	<u>48,094</u>
Staff Benefits					
Pensions		42,017	39,017	35,419	3,598
Social Security		53,571	42,571	38,708	3,863
Health Insurance		126,050	99,050	96,136	2,914
Staff Benefits Subtotal	<u>0.00</u>	<u>221,638</u>	<u>180,638</u>	<u>170,263</u>	<u>10,375</u>
Purchased Services					
Media Equipment		-	-	-	-
Library Books		-	-	-	-
Consultants/Contracted Services		5,000	74,381	76,322	(1,941)
Extracurricular Activities		1,000	10,000	8,235	1,765
Field Trips		-	-	-	-
Staff Development		5,000	21,000	19,573	1,427
Car Allowance		3,500	6,500	3,741	2,759
Other-Specify		-	-	-	-
Purchased Services Subtotal	<u>0.00</u>	<u>14,500</u>	<u>111,881</u>	<u>107,871</u>	<u>4,010</u>
Classroom Materials/Equipment					
Instructional Supplies		1,375	13,000	9,513	3,487
Textbooks		-	-	-	-
Media Rental		-	-	-	-
Tests		-	-	-	-
Classroom Equipment		425	10,500	4,954	5,546
Computer Equipment		400	3,993	3,570	423
Software		-	-	-	-
Other		-	-	-	-
Materials/Equipment Subtotal	<u>0.00</u>	<u>2,200</u>	<u>27,493</u>	<u>18,037</u>	<u>9,456</u>
Total Instruction	<u>18.00</u>	<u>\$938,613</u>	<u>\$874,087</u>	<u>\$802,152</u>	<u>\$71,935</u>

	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
Non-Instructional Costs					
Salaries					
Program Director/Principal	1.00	90,177	88,177	83,948	4,229
Assistant Administrator	1.00	69,860	76,860	79,730	(2,870)
Maintenance Services		-	-	-	-
Clerical	0.50	13,800	31,400	28,433	2,967
Accounting/Financial		-	-	-	-
Part-time Wages		-	-	-	-
Other		-	-	-	-
Salaries Subtotal	<u>2.50</u>	<u>173,837</u>	<u>196,437</u>	<u>192,111</u>	<u>4,326</u>
Benefits					
Pensions		9,602	11,602	10,833	769
Social Security		12,243	12,743	12,604	139
Health Insurance		28,806	34,806	30,912	3,894
Benefits Subtotal	<u>0.00</u>	<u>50,651</u>	<u>59,151</u>	<u>54,349</u>	<u>4,802</u>
Purchased Services					
Consultants		-	-	-	-
Administrative Staff Develop.		-	-	-	-
Duplicating		-	-	-	-
Postage		-	-	-	-
Rents		102,400	100,900	100,326	574
Utilities		36,036	26,036	27,726	(1,690)
Administrative Services		120,444	120,944	116,234	4,710
Accounting Services		60,222	63,722	60,114	3,608
Human Resources, Staff Dev, QA		103,237	84,737	78,905	5,832
Food Service		38,000	54,000	47,981	6,019
Purchased Services Subtotal	<u>0.00</u>	<u>460,339</u>	<u>450,339</u>	<u>431,286</u>	<u>19,053</u>
Materials/Equipment					
Office Supplies		-	-	-	-
Maintenance Equipment		-	-	-	-
Building/Maintenance Supplies		59,200	179,200	195,588	(16,388)
Security		-	-	-	-
Office Equipment		-	-	-	-
Equipment Rental		-	-	-	-
Copier Rental		-	-	-	-
Software		-	-	-	-
Other		-	-	-	-
Materials/Equipment Subtotal	<u>0.00</u>	<u>59,200</u>	<u>179,200</u>	<u>195,588</u>	<u>(16,388)</u>
Insurance					
Fidelity Bond		3,000	4,600	4,572	28
Workers Compensation		3,500	4,000	3,566	434
Bodily Injury		-	-	-	-
General Liability		-	-	-	-
Other-Unemployment		-	15,500	14,153	1,347
	<u>0.00</u>	<u>6,500</u>	<u>24,100</u>	<u>22,291</u>	<u>1,809</u>
Total Non-Instruction	<u>2.50</u>	<u>750,527</u>	<u>909,227</u>	<u>895,625</u>	<u>13,602</u>
GRAND TOTAL	<u>20.50</u>	<u>\$1,689,140</u>	<u>\$1,783,314</u>	<u>\$1,697,777</u>	<u>\$85,537</u>