



**INTEROFFICE MEMORANDUM**

**Date:** May 7, 2019

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

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

**RE:** Audit #2019-053: Southeastern Education Center  
Partnership School -Financial and Compliance Audit

**C:** Dr. Keith Posley  
Dr. Jacqueline Mann  
Ms. Martha Kreitzman  
Ms. LaWanda Baldwin  
Ms. Bridget Schock  
Mr. Michael Trueblood  
Mr. Martin "Marty" Alba  
Mr. Omer Abdullah  
Ms. Felecia Jasper-Mitchell  
Ms. Nita Farrow

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Transmitted herewith is our report on *Audit #2019-053 Southeastern Education Center - 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.

**Southeastern Education Center  
Partnership School**

**Financial and Compliance Audit**

**Audit: 2019-053**

**May 2019**



**MILWAUKEE**  
**PUBLIC SCHOOLS**

**Office of Board Governance-Audit Services**

**SOUTHEASTERN EDUCATION CENTER**

**PARTNERSHIP SCHOOL**

**FINANCIAL AND COMPLIANCE AUDIT**

**AUDIT: 2019-053**

**MAY 2019**

**MILWAUKEE PUBLIC SCHOOLS  
BOARD OF SCHOOL DIRECTORS**

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Paul Geib - Performance Audit Manager  
Nita Farrow - Performance Auditor II

**Senior Vice President of Finance and Operations**  
Martin "Marty" Alba

**INTRODUCTION**

The Milwaukee Board of School Directors (Board) contracts with private agencies to provide alternative education to certain “behavioral reassignment” 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 2018 (FY18), the partnership school Pathfinders Milwaukee, Inc. – Southeastern Education Center (Southeastern) was selected for review. The scope of our review was the FY18 school year.

During FY18, MPS contracted with Southeastern to provide 95 full-time equivalent seats at a total contracted program cost of \$866,468. Specific contract funding information follows.

	<u>FY18</u>
Full-Time Equivalent Seats	
Behavioral Reassignment Seats	95.0
Funding Provided	
Cash Funds for Operations	\$847,146
MPS Administrative Fee	<u>19,322</u>
Total	\$866,468
Cost Per Student	\$9,121

Southeastern’s budget and reported expenditures for FY18 are provided in Exhibit I. The report in Exhibit I does not include Title I costs and other categorical aid funds that Southeastern is entitled to receive.

**SCOPE AND OBJECTIVES**

The purpose of the audit was to determine whether Southeastern:

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

Southeastern’s compliance with contract provisions was determined for FY18. 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 Southeastern'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 Southeastern'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 Southeastern 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 issues of noncompliance. The issues of noncompliance are described in detail in the "Audit Findings and Recommendations" section of this report.

## AUDIT FINDINGS AND RECOMMENDATIONS

### 1. Budget Category Deviations

Southeastern did not request permission to exceed the approved amounts for two budget categories. Southeastern's annual financial report showed two budget categories that were overspent as detailed below:

	Amount Budgeted	Amount Expended	Amount Over Budget	10% Allowance	Amount Requiring Prior Written Approval
Purchased Services	\$48,000	\$60,128	\$12,128	\$4,800	\$7,328
Materials/Equipment	\$38,100	\$44,130	\$6,210	\$3,810	\$2,400
				<b>Total</b>	<b>\$9,728</b>

#### **Recommendation**

Southeastern should obtain written authorization from MPS CSS prior to making any expenditure that deviates by more than the specified allowance identified in the contract.

#### **Agency Response**

This deviation was created by past practices of the former Finance Director; and now has been eliminated and will not occur again. Regardless, we have viewed overspent budget line items necessary towards the betterment of the School and its Scholars. Additionally, these extra expenditures also came at Pathfinders' own expense and were not reimbursed by MPS.

### 2. Average Attendance Rate

Southeastern's attendance rate for the 17-18 school year was 66.6%.

#### **Recommendation**

In the future, Southeastern should ensure that they have at least a 70% average attendance rate for pupils.

#### **Agency Response**

This deviation is truly not in our control. However, we will continue to communicate to our Scholars and parents alike the positive impacts of attending school every day it is scheduled.

This report was reviewed by the Senior Vice-President of Finance and Operations of Pathfinders Milwaukee Inc. and as part of the audit process, has reviewed the audit criteria, findings, conclusions and/or recommendations. The Senior Vice-President of Finance and Operations is in agreement with, and accepts this audit report.

OFFICE OF BOARD GOVERNANCE

AUDIT SERVICES

April 10, 2019

**Southeastern Education Center  
Expenditure Report for the 2017-2018 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)	7.00	109,944	109,944	85,242	24,702
Paraprofessionals	9.00	207,506	207,506	208,323	(817)
Substitutes		29,500	29,500	33,067	(3,567)
Aides		0	0	0	0
Counselor/Psychologist		0	0	0	0
Social Worker		0	0	0	0
Educational Director		0	0	0	0
Salaries Subtotal	<u>16.00</u>	<u>346,950</u>	<u>346,950</u>	<u>326,632</u>	<u>20,318</u>
<b>Staff Benefits</b>					
Pensions		4,300	4,300	4,242	58
Social Security		21,000	21,000	20,408	592
Other-Health, Dental, Life, STD, LTD, ADD, UC		42,000	42,000	42,333	(333)
Staff Benefits Subtotal	<u>0.00</u>	<u>67,300</u>	<u>67,300</u>	<u>66,983</u>	<u>317</u>
<b>Purchased Services</b>					
Media Equipment		0	0	0	0
Library Books		0	0	0	0
Consultants/Contracted Services		42,500	42,500	54,569	(12,069)
Extracurricular Activities		0	0	0	0
Field Trips		1,000	1,000	422	578
Staff Development-travel conferences		0	0	0	0
Car Allowance-instructional staff travel		500	500	568	(68)
Other-Food		4,000	4,000	4,569	(569)
Purchased Services Subtotal	<u>0.00</u>	<u>48,000</u>	<u>48,000</u>	<u>60,128</u>	<u>(12,128)</u>
<b>Classroom Materials/Equipment</b>					
Instructional Supplies		4,000	4,000	3,708	292
Textbooks		250	250	0	250
Media Rental		0	0	0	0
Tests		0	0	0	0
Classroom Equipment		11,500	11,500	18,881	(7,381)
Computer Equipment		9,000	9,000	8,238	762
Software		1,100	1,100	1,174	(74)
Other-Transportation		12,000	12,000	12,309	(309)
Other-Student Assistance		250	250	0	250
Materials/Equipment Subtotal	<u>0.00</u>	<u>38,100</u>	<u>38,100</u>	<u>44,310</u>	<u>(6,210)</u>
<b>Total Instruction</b>	<b><u>16.00</u></b>	<b><u>\$500,350</u></b>	<b><u>\$500,350</u></b>	<b><u>\$498,053</u></b>	<b><u>\$2,297</u></b>

	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
<b>Non-Instructional Costs</b>					
<b>Salaries</b>					
Program Director/Principal	1.00	33,700	33,700	34,029	(329)
Assistant Administrator	1.00	14,868	14,868	14,313	555
Maintenance Services		0	0	0	0
Clerical		0	0	0	0
Accounting/Financial		0	0	0	0
Part-time Wages		0	0	0	0
Other Administrator		0	0	0	0
Salaries Subtotal	<u>2.00</u>	<u>48,568</u>	<u>48,568</u>	<u>48,342</u>	<u>226</u>
<b>Benefits</b>					
Pensions		1,370	1,370	1,421	(51)
Social Security		3,600	3,600	3,381	219
Other-Health, Dental, Life, STD, LTD, ADD, UC		6,800	6,800	6,210	590
Benefits Subtotal	<u>0</u>	<u>11,770</u>	<u>11,770</u>	<u>11,012</u>	<u>758</u>
<b>Purchased Services</b>					
Consultants		0	0	0	0
Administrative Staff Dev-travel/conferences		0	0	862	(862)
Administrative Fee		19,322	19,322	19,322	0
Duplicating		0	0	0	0
Postage		0	0	0	0
Mortgage/Rent		82,500	82,500	82,400	100
Utilities		7,500	7,500	9,482	(1,982)
Telephone		5,500	5,500	4,537	963
Other-Depreciation		0	0	0	0
Other-SYFS including accounting fees		0	0	0	0
Other-Allocation PF Management Contract Admin		117,800	117,800	136,011	(18,211)
Purchased Services Subtotal	<u>0</u>	<u>232,622</u>	<u>232,622</u>	<u>252,614</u>	<u>(19,992)</u>
<b>Materials/Equipment</b>					
Office Supplies		2,000	2,000	2,012	(12)
Maintenance Equipment		1,000	1,000	990	10
Building/Maintenance Supplies		42,658	42,658	43,373	(715)
Security		0	0	0	0
Office Equipment		0	0	0	0
Equipment Rental		500	500	499	1
Copier Rental		0	0	0	0
Software		0	0	0	0
Other-Staff Appreciation		2,500	2,500	1,353	1,147
Other-School Set UP-Cafeteria Tables and Coat Racks		0	0	0	0
Other-Vehicle Gas & Maintenance		0	0	0	0
Materials/Equipment Subtotal	<u>0</u>	<u>48,658</u>	<u>48,658</u>	<u>48,227</u>	<u>431</u>
<b>Insurance</b>					
Fidelity Bond		0	0	0	0
Workers Compensation		5,500	5,500	6,101	(601)
Bodily Injury		0	0	0	0
General Liability		19,000	19,000	19,403	(403)
Other-Specify		0	0	0	0
Insurance Subtotal	<u>0</u>	<u>24,500</u>	<u>24,500</u>	<u>25,504</u>	<u>(1,004)</u>
<b>Total Non-Instruction</b>	<b><u>2.000</u></b>	<b><u>366,118</u></b>	<b><u>366,118</u></b>	<b><u>385,699</u></b>	<b><u>(19,581)</u></b>
<b>GRAND TOTAL</b>	<b><u>18.000</u></b>	<b><u>\$866,468</u></b>	<b><u>\$866,468</u></b>	<b><u>\$883,752</u></b>	<b><u>(\$17,284)</u></b>