



INTEROFFICE MEMORANDUM

Date: June 10, 2019

TO: Members of the Board of School Directors

From: Mr. Paul Geib *PM*

RE: Audit #2019-060: Lad Lake Milwaukee, Inc. - Synergy
Partnership School -Financial and Compliance Audit

C: Dr. Keith Posley
Dr. Jacqueline Mann
Ms. Martha Kreitzman
Ms. LaWanda Baldwin
Ms. Marla Bronaugh
Mr. Matthew Chason
Ms. Judy Rich
Mr. Omer Abdullah
Ms. Felecia Jasper-Mitchell
Ms. Nita Farrow

Transmitted herewith is our report on *Audit #2019-060 Lad Lake Milwaukee, Inc. - Synergy - 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.

**Lad Lake Milwaukee, Inc. - Synergy
Partnership School**

Financial and Compliance Audit

Audit: 2019-060

June 2019



MILWAUKEE
PUBLIC SCHOOLS

Office of Board Governance-Audit Services

LAD LAKE MILWAUKEE, INC. - SYNERGY

PARTNERSHIP SCHOOL

FINANCIAL AND COMPLIANCE AUDIT

AUDIT: 2019-060

JUNE 2019

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Paul Geib - Performance Audit Manager
Nita Farrow - Performance Auditor

Controller
Judy Rich

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 Lad Lake Milwaukee, Inc. – Synergy (Synergy) was selected for review. The scope of our review was the FY18 school year.

During FY18, MPS contracted with Synergy to provide 110 full-time equivalent seats at a total contracted program cost of \$1,003,279. Specific contract funding information follows.

	<u>FY18</u>
Full-Time Equivalent Seats	
Behavioral Reassignment Seats	90.0
At-Risk Seats	20.0
Funding Provided	
Cash Funds for Operations	\$980,906
MPS Administrative Fee	<u>22,373</u>
Total	\$1,003,279
Cost Per Student	\$9,121

Synergy’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 Synergy is entitled to receive.

SCOPE AND OBJECTIVES

The purpose of the audit was to determine whether Synergy:

- 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.

Synergy’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 Synergy'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 Synergy'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 Synergy 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 issue of noncompliance. The issue of noncompliance is described in detail in the "Audit Findings and Recommendations" section of this report.

AUDIT FINDINGS AND RECOMMENDATIONS

1. Average Attendance Rate

Synergy attendance rate for the 17-18 school year was 63.7%.

Recommendation

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

Agency Response

During the 2018-2019 school year, Lad Lake Synergy restructured the performance and quality improvement system intended to improve school-wide performance. One area of focus was on increasing Synergy's overall attendance rate by implementing PBIS framework, student motivation and incentives, progress monitoring, phone calls, family engagement, and tiered interventions for students who were not attending schools regularly. Lad Lake Synergy results as of March 2019 improved from 63.7% to an overall attendance rate of 70.5%.

The report was reviewed by the Controller of Lad Lake, Inc. and as part of the audit process, reviewed the audit criteria, findings, conclusions and/or recommendations. The Controller is in agreement with, and accepts this audit report.

OFFICE OF BOARD GOVERNANCE
AUDIT SERVICES

May 17, 2019

Lad Lake Synergy
Expenditure Report for the 2017-2018 School Year

	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
<u>Instruction/Instructional Support Costs</u>					
Salaries					
Agency Teacher(s)	5.00	202,581	202,581	203,082	(501)
Paraprofessionals	5.00	107,240	107,240	123,091	(15,851)
Substitutes		0	0	0	0
Aides		0	0	0	0
Counselor/Psychologist		0	0	0	0
Social Worker		0	0	0	0
Assessment Coordinators	4.00	150,877	155,877	154,197	1,680
Salaries Subtotal	<u>14.00</u>	<u>460,698</u>	<u>465,698</u>	<u>480,370</u>	<u>(14,672)</u>
Staff Benefits					
Pensions		0	0	0	0
Social Security		35,243	35,243	36,748	(1,505)
Other-Medical & Unemployment		80,500	85,500	92,122	(6,622)
Staff Benefits Subtotal	<u>0.00</u>	<u>115,743</u>	<u>120,743</u>	<u>128,870</u>	<u>(8,127)</u>
Purchased Services					
Media Equipment		0	0	0	0
Library Books		0	0	0	0
Consultants/Contracted Services		0	0	475	(475)
Extracurricular Activities		1,000	1,000	419	581
Field Trips		750	750	483	267
Staff Development-travel conferences		400	400	0	400
Car Allowance-instructional staff travel		1,000	1,000	1,062	(62)
Other-Copies for instruction/education incentive		700	700	1,202	(502)
Purchased Services Subtotal	<u>0.00</u>	<u>3,850</u>	<u>3,850</u>	<u>3,641</u>	<u>209</u>
Classroom Materials/Equipment					
Instructional Supplies		6,250	6,250	8,937	(2,687)
Textbooks		0	0	0	0
Media Rental		0	0	0	0
Tests		0	0	0	0
Classroom Equipment		250	250	0	250
Computer Equipment		750	750	780	(30)
Software-Internet		13,500	13,500	12,620	880
Other-Student Assistance		18,000	18,000	18,100	(100)
Materials/Equipment Subtotal	<u>0.00</u>	<u>38,750</u>	<u>38,750</u>	<u>40,437</u>	<u>(1,687)</u>
Total Instruction	<u>14.00</u>	<u>\$619,041</u>	<u>\$629,041</u>	<u>\$653,318</u>	<u>(\$24,277)</u>

	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
Non-Instructional Costs					
Salaries					
Program Director/Principal	1.00	41,250	41,250	43,551	(2,301)
Assistant Administrator		0	0	0	0
Maintenance Services	1.00	21,500	21,500	20,628	872
Clerical	1.00	29,250	29,250	37,646	(8,396)
Accounting/Financial		0	0	0	0
Part-time Wages		0	0	0	0
Other-Food Service	1.00	14,000	14,000	15,724	(1,724)
Salaries Subtotal	4.00	106,000	106,000	117,549	(11,549)
Benefits					
Pensions		0	0	0	0
Social Security		8,109	8,109	9,264	(1,155)
Other-Medical & Unemployment		2,500	2,500	2,084	416
Benefits Subtotal	0	10,609	10,609	11,348	(739)
Purchased Services					
Consultants		0	0	0	0
Administrative Staff Dev-travel/conferences		250	250	0	250
Administrative Fee		22,373	22,373	22,373	0
Duplicating		0	0	0	0
Postage		125	125	302	(177)
Mortgage/Rent		5,574	5,574	5,574	0
Utilities		16,100	16,100	19,384	(3,284)
Telephone		2,400	2,400	2,524	(124)
Other-Specify		0	0	0	0
Purchased Services Subtotal	0	46,822	46,822	50,157	(3,335)
Materials/Equipment					
Office Supplies		1,500	1,500	466	1,034
Maintenance Equipment		0	0	6,205	(6,205)
Building/Maintenance Supplies		7,200	7,200	15,844	(8,644)
Security		4,000	4,000	8,563	(4,563)
Office Equipment		250	250	406	(156)
Equipment Rental		0	0	113	(113)
Copier Rental		4,500	4,500	5,355	(855)
Software		0	0	0	0
Other-Administrative Allocation		165,167	155,167	162,908	(7,741)
Other-Food		5,000	5,000	5,263	(263)
Other-Equipment Depreciation		2,990	2,990	2,983	7
Materials/Equipment Subtotal	0	190,607	180,607	208,106	(27,499)
Insurance					
Fidelity Bond		0	0	0	0
Workers Compensation		25,000	25,000	24,295	705
Bodily Injury		0	0	0	0
General Liability		5,200	5,200	6,370	(1,170)
Other-Specify		0	0	0	0
Insurance Subtotal	0	30,200	30,200	30,665	(465)
Total Non-Instruction	4.000	384,238	374,238	417,825	(43,587)
GRAND TOTAL	18.000	\$1,003,279	\$1,003,279	\$1,071,143	(\$67,864)