



**MILWAUKEE
PUBLIC SCHOOLS**

Office of Board Governance – Audit Services

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INTEROFFICE MEMORANDUM

DATE: September 18, 2018
TO: Members of the Board of School Directors
FROM: Mr. Paul Geib *PG*
RE: Audit #2019-012: Partnership School Management Letter

Transmitted herewith is our report on *Audit #2019-012: Partnership School Management Letter* for the 2016-17 school year. 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.

Attachment

Start. Stay. Succeed.
Comienza. Quédate. Triunfa.



Partnership School Management Letter

Audit: 2019-012

September 2018



MILWAUKEE
PUBLIC SCHOOLS

Office of Board Governance-Audit Services

PARTNERSHIP SCHOOL MANAGEMENT LETTER

AUDIT: 2019-012

SEPTEMBER 2018

**MILWAUKEE PUBLIC SCHOOLS
BOARD OF SCHOOL DIRECTORS**

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INTRODUCTION

During the months of February through August 2018, Audit Services issued Partnership School Financial and Compliance Audit Reports for the school year ending June 30, 2017. The programs and schools reviewed were as follows:

Partnership

- Banner Prep
- St. Charles Special Education

SCOPE AND OBJECTIVES

Each year our audits identify matters which, when addressed by MPS Administration will:

- Ensure partnership school compliance with the requirements of the contract.
- Enhance safeguarding of MPS assets.
- Promote effective and efficient contract administration.

Following are recommendations relating to matters identified during the current year's audits as indicated above and an update on Management's progress in addressing the prior year's Management Letter recommendations.

CURRENT YEAR ISSUES

1. Contract Payments (St. Charles Spec. Ed)

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.

MPS Contracted School Services and the Finance Department did not review or analyze the annual financial report that was submitted by St. Charles Spec. Ed., as of June 30, 2018 that indicated that they underspent their contract by \$85,537. St. Charles Spec. Ed indicated that the funds were not requested back by MPS. St. Charles Spec. Ed believed they owed the monies to MPS and they were held in a liability account until requested.

Recommendation

MPS's Contracted School Services and Finance Department should ensure 1) that the annual financial reports are reviewed and analyzed to reflect the actual funds that are expended by the schools and 2) investigate and request all funds that have been underspent by the schools.

Department of Contracted School Services and Office of Finance Response – September 2018

MPS's Contracted School Services and Finance Department agree with MPS Audit Services to ensure 1) that the annual financial reports are reviewed and analyzed to reflect the actual funds

that are expended by the schools and 2) investigate and request all funds that have been underspent by the schools. CSS will ensure that these matters are addressed to prevent these conditions from occurring in the future.

2. Background Checks (St. Charles Spec. Ed)

The partnership school contract requires the school to perform background screening through the MPS Office of Human Capital 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 Capital 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 the pupils.

St. Charles Spec. Ed requested a background check for one employee and neither MPS Contracted School Services nor MPS Human Resources conducted the background check.

Recommendation

MPS Contracted School Services and Human Resources should ensure that when schools request a background check that the background check is conducted timely to reduce the risk to students that individuals with unsatisfactory background checks are hired and in contact with our students.

Department of Contracted School Services Response – September 2018

MPS's Contracted School Services and Human Resources agrees with MPS Audit Services that when schools request a background check that the background check is conducted timely to reduce the risk to students that individuals with unsatisfactory background checks are hired and in contact with our students. CSS will ensure that these matters are addressed to prevent these conditions from occurring in the future.

3. Teaching Licenses (St. Charles Spec. Ed)

The partnership school contract requires that they ensure that the school only employs or utilizes 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.

MPS Contracted School Services did not ensure that all teaching staff at St. Charles Spec. Ed had a proper and valid teaching license for the 2016-17 school year. MPS Contracted School Services did not follow up with MPS Special Services to verify that all teaching staff had a proper license for the 2016-17 school year.

Recommendation

MPS Contracted School Services should ensure that all teaching staff hold a license or permit to teach issued by the Wisconsin Department of Public Instruction.

Department of Contracted School Services Response – September 2018

MPS Contracted School Services agrees with MPS Audit Services that all teaching staff hold a license or permit to teach issued by the Wisconsin Department of Public Instruction. CSS will ensure that these matters are addressed to prevent these conditions from occurring in the future.

STATUS OF PRIOR YEAR ISSUES

1. Recommendation M2017-1

MPS Office of Finance should seek repayment from Assata in the amount of \$35,953 for overpayment of four (4) FTEs.

Office of Finance Response – July 2017

MPS Office of Finance agrees with the finding and as of 6/7/2017, a repayment schedule with Assata was set up, in the amount of \$35,953.08

Department of Contracted School Services Response – August 2017

Contracted School Services concurs with MPS Office of Finance.

Audit Services Report on Progress-August 2018

Assata paid the overpayment of FTES in four installments in the FY18 school year.

The issue relating to overpayment of FTEs has been resolved.

2. Recommendation M2017-2

MPS Office of Finance and Contracted School Services should 1) ensure all contracts are entered into IFAS when they are approved by the Board of School Directors, 2) ensure that MATC submit billings in a timely manner and are paid in the correct school year, and 3) make all payments against the appropriate encumbered contract.

Office of Finance Response – July 2017

The Office of Finance agrees; please see the following actions taken regarding issues:

- a) The Office of Finance agrees that the MATC contract should be entered into IFAS, which had been the annual practice since FY08. Although the FY16 funds were not encumbered in IFAS via a contract, funds were effectively encumbered to FY16 using an accrual journal entry. Contracted Schools and Office of Finance will continue to work together to assure that the contract information is entered into IFAS. The MATC contract information for FY17 was entered into IFAS.
- b) MATC did not submit FY16 billings in a timely manner. The Office of Finance and Contracted Schools contacted MATC on several occasions to submit invoices during the FY16 school year. We will continue to work with MATC to assure that MPS is invoiced in a timely manner.
- c) Though the FY16 funds were not encumbered in IFAS via a contract, funds were effectively encumbered to FY16 using an accrual journal entry that was completed by the Office of Finance effective dated 6/30/2016. As such, the FY16 payments, although occurring in FY17, were not paid against the FY17 budget authority for the MATC program. MATC contract and payments requests are processed directly by Contracted Schools.

All FY17 invoices from MATC were submitted during FY17 and FY17 funds for the MATC contract were properly encumbered and paid during FY17.

Audit Services Report on Progress-August 2018

A review of IFAS for FY18 indicated that the MATC contract was properly entered and all payments were submitted for the correct school year.

The issue relating to contract payments has been resolved.

3. Recommendation M2015-2

Contracted School Services and Office of Finance should review the single audit partnership school contract language with the City Attorney and assess it for adequacy. Further, Contracted School Services and Office of Finance should enforce the contract requirements in the same manner for all schools.

Department of Contracted School Services – January 2017

Contracted School Services has been in the process of updating model contract language and will collaborate with the Office of Finance to finalize those changes in the near future. There remains a difference of opinion with respect to this requirement however, we will work with the City Attorney to get resolution.

Audit Services Report on Progress – July 2017

A review of the 2016-17 partnership school contracts indicate that the contract language has not been updated.

The issue relating to contract language for the single audit has not been resolved.

Department of Contracted School Services Response – August 2017

Contracted School Services will work with the Office of the City Attorney to revise the model partnership contracts to add clarity regarding the single audit submission. The revisions will be implemented with contracts renewed beginning with the FY19 school year.

Audit Services Report on Progress-August 2018

A review of the 2018-19 partnership school contracts indicate that the contract language has been updated.

The issue relating to contract language for the single audit has been resolved.