



La Causa, Inc.

Where Children and Families Come First

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September 19, 2022

Ms. Bridget Schock
Department of Contracted School Services
Milwaukee Public Schools
5225 West Vliet Street, Room 230
Milwaukee, WI 53208

SUBJECT: LA CAUSA CHARTER SCHOOL AUDIT

Dear Ms. Schock:

Attached please find the La Causa Charter School Schedule of Revenues and Expenditures for the school year ended June 30, 2022, prepared by Baker Tilly US, LLP, our external auditors.

Thank you for your continued partnership and commitment to La Causa. We pledge to continue to fulfill our fiduciary responsibility efficiently and to continue to improve our systems, controls, and procedures. Our goal, as always, is to create the school that children in our community deserve in order to receive a comprehensive and successful education, while achieving the performance results expected from them.

Please feel free to contact Sylvia A. Zapata, Chief Financial Officer, at 414-316-5494 or sylviaz@lacausa.org should you have any questions or if we can be of any assistance.

Best regards,

George A. Torres - President & CEO

enclosures

cc: Ryan Lay – Baker Tilly Virchow Krause
Sylvia A. Zapata – La Causa
Kari Lynn Hendricks – La Causa

La Causa Charter School

Schedule of Contract Revenues and Expenditures

June 30, 2022

La Causa Charter School

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Independent Auditors' Report

To the Board of Directors of
La Causa Charter School (a program of La Causa, Inc.)

Opinions

We have audited the accompanying schedule of contract revenues and expenditures (the schedule) of La Causa Charter School (as defined in the contract dated May 26, 2016, between Milwaukee Public Schools (MPS) and La Causa Charter School (the School)), for the year ended June 30, 2022, and the related notes to the schedule.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the schedule referred to above presents fairly, in all material respects, the revenues and expenditures of the School for the year ended June 30, 2022, in accordance with the financial reporting provisions prescribed or permitted by MPS as described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the schedule referred to in the first paragraph does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the School as of June 30, 2022, or the results of its operations or its cash flows for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion on the regulatory basis of accounting and our adverse opinion on U.S. generally accepted accounting principles.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the schedule, the schedule is prepared by the School on the basis of the financial reporting provisions prescribed or permitted by MPS, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the MPS contract. The effects on the schedule of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with the financial reporting provisions prescribed or permitted by MPS, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2022 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
September 14, 2022

La Causa Charter School

Schedule of Contract Revenues and Expenditures
Year Ended June 30, 2022

	<u>Contract Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
MPS Charter School	\$ 7,207,271	\$ 6,010,093	\$ (1,197,178)
Total Revenues	<u>7,207,271</u>	<u>6,010,093</u>	<u>(1,197,178)</u>
Expenses - Instructional and Instructional Support			
Salaries	2,375,577	1,737,383	(638,194)
Benefits	955,367	475,978	(479,389)
Purchased services	76,000	33,200	(42,800)
Supplies	<u>286,651</u>	<u>48,247</u>	<u>(238,404)</u>
Total Expenses - Instructional and Instructional Support	<u>3,693,595</u>	<u>2,294,808</u>	<u>(1,398,787)</u>
Expenses - Non-Instructional Support			
Salaries	633,577	551,681	(81,896)
Benefits	173,935	132,013	(41,922)
Purchased services	2,440,664	1,852,580	(588,084)
Supplies	133,500	75,532	(57,968)
Capital expenses	-	95,683	95,683
Other	<u>132,000</u>	<u>125,549</u>	<u>(6,451)</u>
Total Expenses - Non-Instructional Support	<u>3,513,676</u>	<u>2,833,038</u>	<u>(680,638)</u>
Total Expenses	<u>7,207,271</u>	<u>5,127,846</u>	<u>(2,079,425)</u>
Revenues in Excess of Expenditures	<u>\$ -</u>	<u>\$ 882,247</u>	<u>\$ 882,247</u>

See notes to the schedule of contract revenues and expenditures.

La Causa Charter School

Notes to the Schedule of Contract Revenues and Expenditures
June 30, 2022

1. General

La Causa Charter School (the School) is a program of La Causa, Inc. and is not an incorporated entity. The School's activities are presented within the financial statements of La Causa, Inc., which has a December 31 reporting period.

2. Regulatory Basis of Accounting

The School prepared the schedule of contract revenues and expenditures (the schedule) in accordance with accounting guidance prescribed or permitted by Milwaukee Public Schools (MPS). This guidance is in accordance with U.S. Generally Accepted Accounting Principles, except for the following:

- The statement of financial position, statement of cash flows, and most of the notes to the financial statements are not required to be presented
- The revenue and expense information reported only includes the activity related to the contract between the School and MPS and is an incomplete presentation of the School's activities during fiscal year 2022
- The schedule allows capital expenditures to be presented as expenditures
- The schedule does not present activities classified as with donor restrictions and without donor restrictions

3. Carryover Calculation

The contract with MPS allows the School to carryover funds from one fiscal year to the next. The carryover from fiscal year 2021 is included in MPS Charter School revenue within the contract budget column on the schedule. The School will carryover \$882,247 from 2022.

4. MPS Variances

Per the contract with MPS, no category should have a budget variance of greater than 10% without notifying MPS. During the 2022 fiscal year, the School had nine categories that had a variance that exceeded 10% from the submitted budget to MPS. The School notified MPS to carryover the funds. The categories with a budget variance greater than 10% under budget were: MPS Charter School revenue, Instructional and Instructional Support Salaries; Instructional and Instructional Support Benefits; Instructional and Instructional Support Purchased services; Instructional and Instructional Support Supplies; Non-Instructional Salaries; Non-Instructional Benefits; Non-Instructional Purchased services; and Non-Instructional Supplies. The revenue was under budget by 16.6%. The expenses were under budget by 26.9%, 50.2%, 56.3%, 83.2%, 12.9%, 24.1%, 24.1%, and 43.4%, respectively. Non-Instructional Capital Expenses were over budget by more than 10% as no amount was budgeted.

**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of the Schedule of Contract
Revenues and Expenditures Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
La Causa Charter School (a program of La Causa, Inc.)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of contract revenues and expenditures (the schedule) of La Causa Charter School (the School), for the year ended June 30, 2022, and the related notes to the schedule, and have issued our report thereon dated September 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the schedule, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedule, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's schedule will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

The School's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the schedule and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Milwaukee, Wisconsin
September 14, 2022

La Causa Charter School

Schedule of Findings and Questioned Costs
June 30, 2022

Schedule of Contract Revenues and Expenditures Findings

2022-001

Statement of condition: One teacher was identified as not holding a license or permit issued by the Wisconsin Department of Public Instruction (DPI).

Criteria: The charter school contract between the Milwaukee Board of School Directors and La Causa, Inc. for La Causa Charter School (the Contract) section I-G requires the School to ensure that all instructional staff hold a current and appropriate license or permit issued by DPI to teach assigned classes.

Effect: The School was not in compliance with the license requirements of the Contract. The School has ninety-one employees that are considered instructional staff. We sampled ten employees and had one exception described in this finding.

Cause: The teacher was hired for school year 2021-2022. The teacher began the process for obtaining licensure with DPI at the beginning of the school year, however at the end of the school year the teacher's application was still pending with DPI. The teacher is no longer employed by La Causa, Inc.

Recommendation: We recommend management review the license status of employees at the time of hire and follow up directly with DPI regarding delays in the license application process.

Management's Response: The School continues to work diligently to ensure that all staff are properly licensed. The School Administrator is responsible for working with staff to obtain proper licensure and maintain compliance.

We will continue to monitor licenses and contact DPI directly to ensure compliance. In addition, we will create a calendar for follow-up checks with DPI and maintain documentation of communication with DPI.

La Causa Charter School

Summary Schedule of Prior Audit Findings
June 30, 2022

2021-001

Statement of condition: One teacher was identified as not holding a license or permit issued by the Wisconsin Department of Public Instruction (DPI).

Criteria: The charter school contract between the Milwaukee Board of School Directors and La Causa, Inc. for La Causa Charter School (the Contract) section I-G requires the School to ensure that all instructional staff hold a current and appropriate license or permit issued by DPI to teach assigned classes.

Effect: The School was not in compliance with the license requirements of the Contract. We initially sampled sixteen employees and had one exception described in this finding. We tested an additional sixteen teachers and had no other exceptions.

Cause: The teacher was hired for school year 2020-2021 and held a valid teaching license in Puerto Rico. The teacher began the process for obtaining reciprocal licensure with DPI at the beginning of the school year; however there were delays in the application process related to the pandemic. By the end of the school year the teacher's application was still pending with DPI. The teacher is no longer employed by La Causa, Inc.

Recommendation: We recommend management review the license status of employees at the time of hire and follow up directly with DPI regarding delays in the license application process.

Management's Response: The School continues to work diligently to ensure that all staff are properly licensed. The School Administrator is responsible for working with staff to obtain proper licensure and maintain compliance.

We will continue to monitor licenses and contact DPI directly when issues or delays arise to ensure compliance. In addition, we will maintain documentation of communication with DPI.

A similar instance was found during the 2022 audit and is reported as finding 2022-001.