




INTEROFFICE MEMORANDUM

DATE April 4, 2024

TO: Members of the Board of School Directors

FROM: Mr. Paul Geib 

RE: Audit #2024-040; Banner Preparatory School of Milwaukee
Partnership School -Financial and Compliance Audit

C: Dr. Keith Posley
Mr. Matt Chason
Ms. Jill M. Kawala
Ms. Martha Kreitzman
Ms. Bridget Schock
Ms. Felecia Jasper-Mitchell
Ms. Lisa Haar
Mr. Barry Cohen
Mr. Montez Ervin
Mr. Yusaid Moua

Transmitted herewith is our report on *Audit #2024-040 –Banner Preparatory School of Milwaukee 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.

Attachment

**Banner Preparatory School of Milwaukee
Partnership School -Financial and Compliance Audit**

Audit: 2024-040

April 2024



MILWAUKEE
PUBLIC SCHOOLS

Office of Accountability and Efficiency-Audit Services

**BANNER PREPARATORY SCHOOL OF MILWAUKEE PARTNERSHIP SCHOOL FINANCIAL
AND COMPLIANCE AUDIT**

AUDIT: 2024-040

APRIL 2024

**MILWAUKEE PUBLIC SCHOOLS
BOARD OF SCHOOL DIRECTORS**

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Senior Director, Office of Accountability and Efficiency
Matt Chason

Audit Team

Paul Geib - Performance Audit Manager
Yusaid Moua – Performance Auditor II

Principal
Montez Ervin

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 2023 (FY23), the partnership school Banner Preparatory School of Milwaukee (Banner Prep) was selected for review. The scope of our review was the FY23 school year.

During FY23, MPS contracted with Banner Prep to provide 125 full-time equivalent seats at a total contracted program cost of \$1,200,875. Specific contract funding information follows.

	<u>FY23</u>
Full-Time Equivalent Seats	
Behavioral Reassignment Seats	125.0
Funding Provided	
Cash Funds for Operations	\$1,174,095
MPS Administrative Fee	<u>\$26,780</u>
Total	\$1,200,875
Cost Per Student	\$9,607

Banner Prep’s budget and reported expenditures for FY23 are provided in Exhibit I. The report in Exhibit I does not include Title I costs and other categorical aid funds that Banner Prep is entitled to receive.

SCOPE AND OBJECTIVES

The purpose of the audit was to determine whether Banner Prep:

- 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.

Banner Prep’s compliance with contract provisions was determined for FY23. 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 Banner Prep'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 Banner Prep'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 Banner Prep 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. Background Checks/Licensure

- For three of eighteen employees charged to the program, the school did not report the three employees to Contracted School Services within 14 working days of hiring the new employees.
- For one of three employees who was not reported to Contracted School Services as a new hire, the employee's background check was rejected. The new hire had paraprofessional listed on the background check form as the job title. Despite the background check rejection, the individual was hired and may have had contact with students. In addition, 100% of the employee salary was charged to the program totaling \$31,383 in gross pay.

Recommendation

The school leader should ensure that (1) the list of employees is updated to include each new employee and submit the updated list to Contracted School Services within 14 working days of hiring the new employee, (2) a satisfactory background check is performed for all employees prior to their hire to ensure that they are fit to work with students, and (3) Contracted School Services is contacted to determine if contract terms were violated, repayment of the rejected employee is required, and an explanation is provided as to why this individual was not reported to Contracted School Services as a new hire.

Agency Response

Banner acknowledges that one former employee who worked with students did start working before his background cleared through MPS. This was an unintentional mistake caused by miscommunication between office staff and administration. Banner believes this was the only time such an error was made since the school first opened. The employee in question no longer works for Banner. Going forward, Banner has implemented safeguards to prevent this from happening again. While Banner's policy does not allow an employee to start work prior to receiving clearance from MPS, the process has been amended to ensure compliance by requiring all administrators to verify the completion of the process and sign off before any employee starts working. Moreover, the other two employees discussed in the finding did custodial work in the evenings and on weekends. Going forward, even those such employees who do not come into contact with students will still go through the same process set forth above. Banner agrees with recommendations 1 and 2. As for recommendation 3, Banner requests that repayment not be requested because (1) it would reduce resources for our students, (2) we believe it is the first time this has occurred at the school, and (3) Banner has taken proactive steps and implemented safeguards to prevent it from happening again in the future.

2. For three of five teachers tested, the teachers did not have a valid license or a temporary permit to teach during the period reviewed.

Recommendation

The school leader should ensure that all teachers have a valid license or a temporary permit to teach.

Agency Response

Banner agrees with the recommendation and has implemented steps to make sure that all teachers are properly licensed.

This report was reviewed by the Program Director of Banner Prep and Vice President of Banner Learning Corporation and as part of the audit process, they have reviewed the audit findings, conclusions and/or recommendations. The Program Director and Vice President are in agreement with and accept this audit report.

Office of Accountability & Efficiency
Audit Services

February 23, 2024

Banner Preparatory School of Milwaukee
Expenditure Report for the 2022-2023 School Year

	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
<u>Instruction/Instructional Support Costs</u>					
Salaries					
Agency Teacher(s)	5.00	230,000	230,000	146,943	83,057
Paraprofessionals	0.00	0	0	0	0
Substitutes	0.00	0	0	0	0
Aides	4.00	140,000	140,000	177,417	(37,417)
Counselor/Psychologist	0.00	0	0	0	0
Social Worker	0.00	0	0	0	0
Other - Educational Director	1.00	92,700	92,700	92,700	0
Salaries Subtotal	10.00	462,700	462,700	417,060	45,640
Staff Benefits					
Pensions		30,000	0	0	0
Social Security		32,000	32,000	25,234	6,766
Other - FUTA, Emp Benefits, Misc Taxes		0	30,000	14,581	15,419
Staff Benefits Subtotal	0.00	62,000	62,000	39,815	22,185
Purchased Services					
Teacher Chargeback from MPS		0	0	0	0
Media Equipment		0	0	0	0
Library Books		0	0	0	0
Consultants/Contracted Services		0	0	0	0
Extracurricular Activities		5,000	5,000	3,445	1,555
Field Trips		3,000	3,000	256	2,744
Staff Development - travel/conferences		1,500	1,500	1,450	50
Car allowance - instructional staff travel		0	0	0	0
Other - Misc Instruction including curriculum		5,000	5,000	8,194	(3,194)
Purchased Services Subtotal	0.00	14,500	14,500	13,345	1,155
Classroom Materials/Equipment					
Instructional Supplies		15,000	15,000	23,645	(8,645)
Textbooks		0	0	0	0
Media Rental		0	0	0	0
Tests		0	0	0	0
Classroom Equipment		2,500	2,500	0	2,500
Computer Equipment		20,000	20,000	16,548	3,452
Software		0	0	0	0
Other - Specify		0	0	0	0
Materials/Equipment Subtotal	0.00	37,500	37,500	40,193	(2,693)
Total Instruction	10.00	\$576,700	\$576,700	\$510,413	\$66,287

	Proposed FTE Positions	Proposed Budget	Modified Budget	Actual Expenditures	Balance
Non-Instructional Costs					
Salaries					
Program Director/Principal	1.00	79,500	79,500	81,100	(1,600)
Assistant Administrator	1.00	77,500	77,500	82,100	(4,600)
Maintenance Services	1.00	8,000	8,000	8,887	(887)
Clerical	1.00	34,500	34,500	34,857	(357)
Accounting/Financial	0.00	0	0	0	0
Part-time Wages	0.00	0	0	0	0
Other - Parent Coordinator	1.00	15,000	15,000	25,268	(10,268)
Salaries Subtotal	5.00	214,500	214,500	232,212	(17,712)
Benefits					
Pensions		0	0	0	0
Social Security		15,000	15,000	11,986	3,014
Other - FUTA, Emp Benefits, Misc Taxes		15,000	15,000	6,926	8,074
Benefits Subtotal	0.00	30,000	30,000	18,912	11,088
Purchased Services					
Consultants		0	8,000	8,605	(605)
Administrative Staff Development - travel/conferences		0	0	0	0
Administrative Fee (2.23% X Total Board Allocation)		26,780	26,780	26,780	0
Duplicating		0	0	0	0
Postage		300	300	459	(159)
Rents		108,120	108,120	107,716	404
Utilities		0	0	0	0
Telephone		1,000	1,000	905	95
Other - Bus Cards		30,000	22,000	16,150	5,850
Other - Payroll, Banking, Misc.		5,975	5,975	27,882	(21,907)
Other - Admin Allocation		170,000	170,000	173,385	(3,385)
Purchased Services Subtotal	0.00	342,175	342,175	361,882	(19,707)
Materials/Equipment					
Office Supplies		0	7,500	9,825	(2,325)
Maintenance Equipment		7,500	0	0	0
Building/Maintenance Supplies		0	0	0	0
Security		0	0	0	0
Office Equipment		0	0	0	0
Equipment Rental		0	0	0	0
Copier Rental		0	0	0	0
Software		0	0	0	0
Other - Misc Bldg		3,000	3,000	1,595	1,405
Materials/Equipment Subtotal	0.00	10,500	10,500	11,420	(920)
Insurance					
Fidelity Bond		0	0	0	0
Workers Compensation		4,000	4,000	3,563	437
Bodily Injury		0	0	0	0
General Liability		20,000	20,000	19,742	258
Other - Crime		3,000	3,000	3,062	(62)
Insurance Subtotal	0.00	27,000	27,000	26,367	633
Total Non-Instruction	5.00	624,175	624,175	650,793	(26,618)
GRAND TOTAL	15.00	\$1,200,875	\$1,200,875	\$1,161,206	\$39,669