

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: July 1, 2013
To: Supervisor Marina Dimitrijevic, Chairwoman
Milwaukee County Board of Supervisors
From: Jerome J. Heer, Director of Audits
Subject: Review of Wauwatosa School District's Reimbursement of Operating Costs Associated with Milwaukee County Department of Health and Human Services (DHHS) Schools for the 2011-12 School Year.

The Wauwatosa School District (School District) has provided teaching services at the DHHS schools pursuant to a written contractual agreement that has automatically renewed since its inception in 1996.

The agreement provides that the School District remit to Milwaukee County funds which represent a rental payment for use of DHHS school facilities. The County invoiced the School District for rent totaling \$598,800 for the 2011-12 school year.

Milwaukee County provided notice to the School District that effective with the 2009-2010 school year, it was cancelling the contract in an effort to negotiate a new agreement that would achieve language changes recommended by the Department of Audit in previous years.

However, as of this point in time a new contract has not yet been executed. Consequently, the School District and Milwaukee County have been operating under terms of the previous contract, which includes our review of the School District's cost of providing teaching services and related reimbursements received from the Wisconsin Department of Public Instruction (DPI).

As a result of our review, we determined that for the 2011-12 school year, DPI reimbursed the School District for all costs (\$3,282,370) associated with school operations.

Historically, DPI reimbursed the School District approximately one year after the end of the school year. However, since the 1995-96 school year DPI has paid the District 75 percent of its claim early, generally by the fall following the end of the school year. In turn, the District has remitted early payments to the County equal to 75 percent of the rental payment since that time, with the exception of the 1999-00 (no early payment), 2001-02 (50% early payment), and 2010-11 (no early payment) school years.

To ensure the County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis we have consistently recommended in our previous reports that the County negotiate the necessary revisions to the contract with the District. We also recommended the negotiation of contract revisions to relieve the County of any financial responsibility, or ensure it is provided a more equitable sharing of educational expenses of the program, in the event the DPI (State) does not reimburse all program costs (Milwaukee County was under-reimbursed by \$59,065 for the 2000-01 school year and recently \$40,841 for the 2010-11 school year). The contract should also be revised to reflect other changes involving the arrangement between the County and the School District occurring since its execution in 1996.

Over the years, the School District has taken over a number of functions described in the contract that were previously performed by the Audit Services Division. Given this diminished role, it is recognized that our Division's involvement with the contract is no longer necessary.

We are reiterating our long-standing recommendation in the attached report, that DHHS and DAS management should negotiate a more equitable position for the County when shortfalls in DPI funding occur.

Given that the Audit Services Division will no longer be involved with this contract, we also recommend that DHHS and DAS obtain written confirmation from the School District that County rental charges are included in District's claim to the DPI.

Please refer this report to the Finance, Personnel and Audit Committee.



Jerome J. Heer

JJH/PAG/cah

Attachments

cc: Scott B. Manske, CPA, Milwaukee County Comptroller
Supervisor Willie Johnson, Co-Chair Committee on Finance, Personnel and Audit
Supervisor David Cullen, Co-Chair Committee on Finance, Personnel and Audit
Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Dr. Phillip Ertl, Superintendent, Wauwatosa School District
Don Tyler, Director, Department of Administrative Services
Josh Fudge, Interim Fiscal & Budget Administrator, DAS
Kimberly Walker, Corporation Counsel
Hector Colon, Director, Department of Health and Human Services
Kelly Bablitch, Chief of Staff, County Board Staff
Steve Cady, Fiscal & Budget Manager, County Board Staff
Janelle Jensen, Chief Committee Clerk, County Board Staff

Review of Wauwatosa School District's Reimbursement of Operating Costs of Milwaukee County DHHS Schools for the 2011-12 School Year

Background

Milwaukee County has a contractual agreement with the Wauwatosa School District to provide teaching services at the Milwaukee County Department of Health and Human Services (DHHS) schools (Behavioral Health Division and Children's Detention Center). The County agrees to reimburse the School District for any program costs not reimbursed by the Wisconsin Department of Public Instruction (DPI) as they apply to the residents of the DHHS schools. As a provision of this agreement, the Milwaukee County Audit Services Division reviews the School District's request for State reimbursement prior to submission of such claims to DPI. Subsequently, the Audit Services Division reviews reimbursements received from DPI and reports on the settlement between the School District and Milwaukee County. As an additional part of the contractual agreement, the School District reimburses DHHS and the Department of Administrative Services (DAS) funds, which represent a rental payment for using school facilities.

Scope

Our review included the following procedures:

- Examined copies of the School District's request for State reimbursement, prior to submission of such claims to DPI, to ascertain that County invoiced rental amounts have been included in the reimbursement claims;
- Verified reimbursement received by the School District from DPI to determine the settlement amount between the School District and Milwaukee County.

Settlement for the 2011-2012 School Year

As summarized in **Exhibit I**, the total rent received by Milwaukee County from the Wauwatosa School District is \$598,800. This amount represents the full 2011-2012 rental charges for the DHHS school facilities.

To enhance the County's ability to maximize reimbursement of rental charges billed to the School District for use of classrooms at County facilities, we recommend that DHHS and DAS management:

1. *Complete negotiation efforts with the School District to achieve a new contract with language changes that assures the County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis and is relieved of any financial responsibility or ensure it is provided a more equitable sharing of funding shortfalls if the DPI (State) does not fully reimburse program costs, and to reflect changes involving the arrangement between the County and the School District occurring since its execution in 1996.*
2. *Obtain timely written confirmation from School District Officials that amounts representing County rental charges are included in the District's reimbursement claim to the DPI each year.*

Exhibit I

Review of Wauwatosa School District's
Reimbursement of Operating Costs of DHHS Schools
For the 2011-12 School Year

School Facility Rental Charges		\$ 598,800
Less: Net Un-reimbursed Expenditures:		
Costs	\$ 3,282,370	
Less Reimbursed Expenditures	<u>\$ 3,282,370</u>	
Net Unreimbursed Expenditures		<u>0</u>
Total Amount Due From School District		\$ 598,800
Less: Amount Received from School District		<u>598,800</u>
Remaining Balance Due from School District		<u>\$ 0</u>