

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: June 5, 2012

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 2010-11 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 \$608,833 for the 2010-11 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 the 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 2010-11 school year, DPI did not fully reimburse the School District for all costs (\$3,410,129) associated with school operations. Instead, the School District was funded at 98.8% of its claim, resulting in a shortage of \$40,841. The School District intends to pass-on the entire amount of the shortage to Milwaukee County.

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) and 2001-02 (50% early payment) school years.

In anticipating of a funding shortage from the DPI, the School District did not remit any early payments to Milwaukee County for the 2010-2011 school year. As a result, the School District plans to pay Milwaukee County the sum of \$567,992 (total rent charges of \$608,833 less the DPI funding shortage of \$40,841) within 45 days of the release of this report, as required under the contract.

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 now \$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.

To expedite Milwaukee County's receipt of the amount due (\$567,992) from the School District, we have issued this report without responses from Department of Health and Human Services and Department of Administrative Services management.

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



Jerome J. Heer

JJH/PAG/cah

Attachments

cc: 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
Patrick Farley, Director, Department of Administrative Services
Craig Kammholz, 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
Carol Mueller, Chief Committee Clerk, County Board Staff

Review of Wauwatosa School District's Reimbursement of Operating Costs of Milwaukee County DHHS Schools for the 2010-11 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 Department of Audit reviews the School District's request for State reimbursement prior to submission of such claims to DPI. Subsequently, the Department of Audit 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 from DPI to determine the settlement between the School District and Milwaukee County;
- Reviewed the contractual agreement between the County and the School District; and
- Evaluated the progress made toward implementation of recommendations from prior audit reports.

Settlement for the 2010-2011 School Year

As summarized in **Exhibit I**, the amount due Milwaukee County by the Wauwatosa School District is \$567,992. This amount represents the 2001-2011 rental charges of \$608,833 for the DHHS school facilities, less the \$40,841 DPI funding shortage of the School District claim. We recommend that DHHS and DAS:

1. *Obtain payment due Milwaukee County from the School District within the stipulated 45 days from release of this report and*
2. *Continue 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.*

Exhibit I

Review of Wauwatosa School District's
Reimbursement of Operating Costs of DHHS Schools
For the 2001-11 School Year

School Facility Rental Charges		\$ 608,833
Less Net Un-reimbursed Expenditures:		
Costs	\$ 3,410,129	
Less Reimbursed Expenditures	<u>\$ 3,369,288</u>	
Net Unreimbursed Expenditures		<u>40,841</u>
Total Amount Due From School District		\$ 567,992
Less Amount Received from School District		<u>0</u>
Remaining Balance Due from School District		\$ <u>567,992</u>