

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: June 2, 2010
To: Supervisor Lee Holloway, Chairman, 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 2008-09 School Year.

The Wauwatosa School District (School District) has provided teaching services at the DHHS schools pursuant to a written contractual agreement that automatically renewed since its inception fourteen years ago through the 2008-2009 school year. However, Milwaukee County has 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 the Department of Audit in previous years.

As of this point in time, a new contract has not yet been reached. 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).

Our review has determined that for the 2008-09 school year, DPI has fully reimbursed the School District for all costs (\$3,177,122) associated with school operations. In addition, the agreement provides that the School District remit to Milwaukee County funds which represent a rental payment for the DHHS school facilities. This rental payment amounts to \$673,725 for the 2008-09 school year.

Historically, DPI reimbursed the School District approximately one year after the end of the school year. However, since the 1994-95 school year DPI has paid the District 75 percent of its claim early, 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. For the school year 2008-09, the County received 75% (\$505,294) of its claim from the District by November 2009. The balance of \$168,431 is to be paid within 45 days of the release of this report.

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 recommended in previous audits 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). The contract should also be revised to reflect other changes involving the arrangement between the County and the School District occurring since its execution.

Attached is a copy of our status report, dated December 7, 2009, requested by the Committee in conjunction with its review of our annual report for the prior school year (2007-2008). The Committee voted to receive and place the status report on file at its meeting on January 28, 2010.

To expedite Milwaukee County's receipt of the balance due (\$168,431) from the School District, we have issued this report without responses from DHHS and DTPW management.

Please refer this report to the Finance and Audit Committee.

Jerome J. Heer

JJH/PAG/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, Milwaukee County Executive
Dr. Phillip Ertl, Superintendent, Wauwatosa School District
Cynthia Archer, Director, Department of Administrative Services
Steven Kreklow, Fiscal & Budget Administrator, DAS
Timothy Schoewe, Acting Corporation Counsel
Jack Takerian, Interim Director, Department of Transportation and Public Works
Lisa Marks, Acting Director, Department of Health and Human Services
Terrence Cooley, Chief of Staff, County Board
Steve Cady, Fiscal & Budget Analyst, County Board Staff
Delores 'Dee' Hervey, Chief Committee Clerk, County Board Staff

Review of Wauwatosa School District's Reimbursement of Operating Costs of Milwaukee County DHHS Schools for the 2008-09 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 Transportation and Public Works (DTPW) 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
- Determined the progress made toward implementation of recommendations from prior audit reports.

Settlement for the 2008-2009 School Year

As summarized in **Exhibit I**, the amount due Milwaukee County by the Wauwatosa School District is \$168,431. This amount represents the remaining balance of the outstanding 2008-2009 rental payment for the DHHS school facilities. We recommend that DHHS and DTPW:

- 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 in the fourteen years since its execution.*

Exhibit I

Review of Wauwatosa School District's
Reimbursement of Operating Costs of DHHS Schools
For the 2008-09 School Year

School Facility Rental Charges		\$ 673,725
Less Net Un-reimbursed Expenditures:		
Costs	\$ 3,177,122	
Less Reimbursed Expenditures	<u>\$3,177,122</u>	
Net Unreimbursed Expenditures		<u>0</u>
Total Amount Due From School District		\$ 673,725
Less Amount Received from School District		\$ <u>(505,294)</u>
Remaining Balance Due from School District		\$ <u>168,431</u>

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: December 7, 2009

To: Supervisor Elizabeth Coggs, Chairwoman, Committee on Finance and Audit

From: Jerome J. Heer, Director of Audits

Subject: Wauwatosa School District - Status Report (File No. 09-227)

At its meeting on June 18, 2009, the Committee on Finance and Audit voted 5-0 to receive our report, "Review of Wauwatosa School District's Reimbursement of Operating Costs Associated with Milwaukee County Department of Health and Human Services (DHHS) Schools for the 2007-2008 School Year," and place it on file with a three-month status report.

The attached status report from DHHS indicates that the first of our two recommendations has been implemented. The report also describes efforts toward implementation our second recommendation, regarding the negotiation of suggested contract changes with the Wauwatosa School District. However, as noted in the report, negotiations have not been completed.

As indicated in our audit, report Milwaukee County would be under-reimbursed for its operating costs by the School District in the event the Wisconsin Department of Public Instruction (DPI) fails to pay the full amount of the District's tuition claim. Since the 1990-1991 school year, we have noted that Milwaukee County has been shorted on three occasions for a total of \$322,999, as shown in the following table:

School Year	Operating Costs	Amount	
		Reimbursed	Shorted
1990-1991	\$ 477,892	\$ 360,489	\$ 117,403
1991-1992	\$ 456,980	\$ 300,449	\$ 156,531
2000-2001	\$ 811,645	\$ 752,580	\$ 59,065
		Total	\$ 322,999

For the past several years, the Department of Audit has recommended to various County Administrators that changes to the contract with the School District should be negotiated to avoid financial loss when the DPI fails to fully reimburse the District.

During the initial years, this recommendation was directed to DHHS. Later, when the Department of Transportation and Public Works (DTPW) became responsible for maintaining one of the buildings utilized by the District for classroom space, this recommendation was directed to the Economic Development Division (ED Division) to coordinate the effort with DHHS and DTPW. Since the departure of the Director of the ED Division a few years ago, the recommendation has been redirected jointly to DHHS and DTPW management.

It is recognized that until this matter is resolved, DHHS and DTPW risk exposure for any shortfall resulting from the State's potential failure to fully reimburse the District's tuition claim(s). Therefore, we recommend that DHHS and DTPW administrators work with the Office of Corporation Counsel to elevate efforts toward conclusion of the negotiation process.

This status report is informational and we recommend it be received and placed on file pending the conclusion of negotiations between Milwaukee County and the Wauwatosa School District. In the interim, if Milwaukee County is adversely affected by any shortfall in funding, the record will clearly reflect the County Board's desire that the matter should have been resolved in a timely manner.



Jerome J. Heer

JJH/PAG/cah

Attachment

cc: Finance and Audit Committee Members
Scott Walker, Milwaukee County Executive
Cynthia Archer, Director, Department of Administrative Services
Lisa Marks, Interim Director, Department of Health and Human Services
Jack Takerian, Interim Director, Department of Transportation and Public Works
William Domina, Corporation Counsel
Terrence Cooley, Chief of Staff, County Board Staff
Steve Cady, Fiscal & Budget Analyst, County Board Staff
Delores Hervey, Chief Committee Clerk, County Board Staff

STATUS OF IMPLEMENTING DEPARTMENT OF AUDIT REPORT RECOMMENDATIONS

Audit Title: Review of Wauwatosa School District Reimbursement of Operation Costs of Milwaukee County DHHS Schools for the 2007-08 School Year

File Number: 09-227

Audit Date: May 26, 2009		Status Report Date: November 24, 2009				Department: DHHS and DTPW		
Number & Recommendation		Deadlines Established		Deadlines Achieved		Implementation Status		Comments
		Yes	No	Yes	No	Completed	Further Action Required	
1.	Obtain payment due Milwaukee County from the School District within the stipulated 45 days from release of this report	x		x		x	No	Auditee: The full amount due was obtained from the School District.
2.	Continue negotiation efforts with the School District to achieve contract language changes that assure the County receives its prorated share of any future early reimbursements made to the School District from the 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 in the thirteen years since its execution.	x			x			Auditee: The Wauwatosa School District is currently appealing a funding allocation from the Department of Public Instruction. Additionally, Milwaukee County, in a coordinated effort by Corporation Counsel, the Departments of Transportation, Public Works, and Health and Human Services, continues to negotiate with the Wauwatosa School District (WSD) on the terms of a new lease agreement. Corporation Counsel has sent WSD a lease extension for the 2009-2010 school year. To date that agreement has not been signed and returned.