COUNTY OF MILWAUKEE
Inter-Office Communication

Date: June 1, 2005

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 2003-04 School Year.

The Wauwatosa School District provides teaching services at the DHHS schools pursuant to a contractual agreement. As part of the agreement, the Department of Audit reviews 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 2003-04 school year, DPI has fully reimbursed the School District for all costs ($2,799,817) 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 $665,696 for the 2003-04 school year. According to the terms of the contract, Milwaukee County is to be paid within 45 days of the release of this report.

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 2003-04, the County received 75% ($499,273) of its claim from the District by November 2004. The balance of $166,423 is due Milwaukee County 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 recommend that the County negotiate the necessary revisions to the contract with the District. We also recommend further negotiation of contract revisions to relieve the County of any financial responsibility and/or is provided a more equitable sharing of educational expenses of the program if the DPI (State) does not reimburse all program costs. Milwaukee County was under-reimbursed by $59,065 for the 2000-01 school year.

While we have recommended that the County negotiate changes to the contract since 2001, we have seen little progress toward implementation. To some degree this is attributable to changes in the County agency responsible for implementation of the recommendations. Initially, recommendations were directed to DHHS and later redirected to the Department of Public Works (currently part of the Department of Parks and Public Infrastructure), coincident with its assumption of the maintenance of the facilities involved. Since our June 2004 report these recommendations have been directed toward the Economic Support Division of the Department of Administrative Services as the lead in negotiations for the County.

Considering the State's burgeoning fiscal challenges, the potential for shortfalls in future DPI reimbursements puts Milwaukee County at greater risk of under-reimbursement.

To expedite Milwaukee County's receipt of the payment ($166,423) due from the Wauwatosa School District, we have issued this report without inclusion of responses from DHHS, DPPI, and DAS management.

Please refer this report to the Finance and Audit Committee.

Jerome J. Heer

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, Milwaukee County Executive
Dr. Phillip Ertl, Superintendent, Wauwatosa School District
Linda Seemeyer, Director, Department of Administrative Services
Stephen Agostini, Fiscal & Budget Administrator, Department of Administrative Services
Robert Dennik, Director, DAS-Economic Development Division
Rob Henken, Director, Department of Health and Human Services
Susan Black, Superintendent, Department of Parks and Public Infrastructure - Parks Division
Jim Hill, Administrator, Department of Health and Human Services - Behavioral Health Division
Terrence Cooley, Chief of Staff, County Board Staff
Steve Cady, Fiscal & Budget Analyst, County Board Staff
Lauri J. Henning, Chief Committee Clerk, County Board Staff

Review of Wauwatosa School District's Reimbursement of Operating Costs of Milwaukee County DHHS Schools for the 2003-04 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 funds, which represent a rental payment for using school facilities. Within 45 days of release of the report, the School District must remit to Milwaukee County a rental payment for facilities.

Scope

Our review included the following procedures:

- Obtained written verification that County rental costs were included in the School District's request for State reimbursement;
- Examined copies of the School District's request for State reimbursement, prior to submission of such claims to DPI, to ascertain that all reimbursable costs 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 2003-04 School Year

As summarized in **Exhibit I**, the Wauwatosa School District will remit $166,423 to Milwaukee County. The $166,423 represents the remaining balance of the outstanding 2003-04 rental payment for the DHHS school facilities. We recommend that:

1. *DPPI and DHHS obtain payment due Milwaukee County from the School District within the stipulated 45 days from release of this report.*

2. *The Economic Development Division complete negotiations with the School District regarding contract language changes so that Milwaukee County is assured receipt of its prorated share of any future early reimbursements made to the School District from DPI on a timely basis; and secondly, that the County is relieved of any financial responsibility and/or is provided a more equitable sharing of educational expenses of the program if the DPI (State) does not reimburse all program costs.*

Exhibit I

Review of Wauwatosa School District's
Reimbursement of Operating Costs of DHHS Schools
for the 2003-04 School Year

School Facility Rental Charges		$ 665,696
Less Net Unreimbursed Expenditures:		
Costs	$ 2,799,817	
Less Reimbursed Expenditures	$2,799,817	
Net Unreimbursed Expenditures		0
Total Amount Due From School District		$ 665,696
Less Amount Previously Received from School District		$ (499,273)
Remaining Balance Due from School District		$ 166,423