

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: November 25, 2008
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 2006-07 School Year.

The Wauwatosa School District provides teaching services at the DHHS schools pursuant to a contractual agreement. As part of the agreement, the Milwaukee County 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 2006-07 school year, DPI has fully reimbursed the School District for all costs (\$2,680,436) 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 \$622,659 for the 2006-07 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 2006-07, the County received 75% (\$466,995) of its claim from the District by November 2007. The balance of \$155,664 was received in June 2008.

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 or ensure that it 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. The contract should also be revised to reflect other changes involving the arrangement between the County and the School District occurring in the twelve years since its execution.

Management's response to this recommendation is attached.

Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors
November 25, 2008
Page Two

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, Dept. of Administrative Services
William Domina, Corporation Counsel
George Torres, Director, Department of Transportation and Public Works
Corey Hoze, Director, Department of Health and Human Services
Craig Dillmann, Acting Director, Real Estate Services, DAS-Economic Dev. Division
Terrence Cooley, Chief of Staff, County Board
Steve Cady, Fiscal & Budget Analyst, County Board
Delores 'Dee' Hervey, Chief Committee Clerk, County Board

Review of Wauwatosa School District's Reimbursement of Operating Costs of Milwaukee County DHHS Schools for the 2006-07 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:

- Obtained written verification that County rental costs were included in the School District's request for State reimbursement and
- 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 2006-07 School Year

As summarized in **Exhibit I**, the Wauwatosa School District has paid the full amount of the facility rental charges to Milwaukee County. We recommend that Department of Transportation and Public Works and Department of Health and Human Services management collaborate to:

- 1. Negotiate 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 DPI on a timely basis and is relieved of any financial responsibility or 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 twelve years since its execution.*

Review of Wauwatosa School District's
Reimbursement of Operating Costs of DHHS Schools
For the 2006-07 School Year

School Facility Rental Charges		\$ 622,659
Less Net Un-reimbursed Expenditures:		
Costs	\$ 2,680,436	
Less Reimbursed Expenditures	<u>\$2,680,436</u>	
Net Unreimbursed Expenditures		<u>0</u>
Total Amount Due From School District		\$ 622,659
Less Amount Received from School District		\$ <u>(622,659)</u>
Remaining Balance Due from School District		\$ <u>0</u>

**County of Milwaukee
Department of Transportation & Public Works
Department of Health and Human Services
Inter-Office Communication**

**To: Jerry J. Heer, Director, Department of Audit
From: George A. Torres, Director, Corey Hoze, Director
Date: November 20, 2008
Subject: Audit Response**

The Department of Transportation and Public Works (DTPW), along with the Department of Health and Human Services (DHHS), acknowledges receipt of your audit on the Wauwatosa School District's reimbursement of operating costs associated with the educational needs of children served by DHHS. The departments concur with your recommendation that both DTPW and DHHS should revisit the lease terms and schedule a meeting with the school district to discuss and ultimately restructure the terms of the agreement in order to protect the County's interests, including timely receipt of all payments due. It has been decided that the new terms will include a provision that will require the Wauwatosa School District to cover any shortfalls in State funding, in order to ensure that the County is compensated in full for the charges/rates outlined in the lease agreement. A combined report will be drafted and presented to both parent committees for consideration and approval. A fully executed resolution will be forwarded to Audit upon completion.

George A. Torres

Corey Hoze

Director,
Transportation and Public Works

Director,
Health and Human Services

CC: Scott Walker, County Executive
Tom Nardelli, Chief of Staff, Office of the County Executive
Brian Dranzik, Fiscal & Policy Administrator, DTPW
Committee on Finance Members
John Chianelli, Director, BHD

Terrance Cooley, Chief of Staff, County Board
Steve Cady, Fiscal & Budget County Board
Steve Kreklow, Budget Administrator
Jack Takerian, Director, Facilities Management