

MILWAUKEE PUBLIC SCHOOLS

Milwaukee, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2017

MILWAUKEE PUBLIC SCHOOLS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the the Milwaukee Public Schools, (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the the Milwaukee Public Schools's basic financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

To the Board of Directors
Milwaukee Public Schools

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
December 21, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT GUIDELINES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the Milwaukee Public Schools's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal and major state programs for the year ended June 30, 2017. The District's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Guidelines. Those standards and the Uniform Guidance and the State Single Audit Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and major program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors
Milwaukee Public Schools

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance or the State Single Audit Guidelines and which are described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004 and 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

District's Response to Findings

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Board of Directors
Milwaukee Public Schools

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-003 and 2017-004, that we consider to be significant deficiencies.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Guidelines

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools, (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Milwaukee Public Schools's basic financial statements. We issued our report thereon dated December 21, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Guidelines and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
March 27, 2018

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Awarding agency award description	Federal CFDA number	Pass Through Entity Identifying Number	Pass Through Agency	Program or award amount	Accrued receivable (deferred revenue) July 1, 2016	Federal Expenditures	Revenues Grantor reimbursements	Accrued receivable (deferred revenue) June 30, 2017	2017 Sub recipient Expenditures
Federal Programs									
U.S. Department of Agriculture									
Child Nutrition Cluster:									
School Breakfast Program	10 553	A546-00000-403619 A546-00000-403619	WI DPI WI DPI	**	\$ 2,170,594	13,259,461	2,170,594 12,804,823	454,638	489,129
National School Lunch Program	10 555	A547-00000-403619 A547-00000-403619	WI DPI WI DPI	**	4,805,549	31,338,868	4,805,549 30,334,106	1,004,762	1,391,901
Food Distribution (Donated Commodities)	10 555	A001-00000-403619	WI DPI	**	-	3,271,266	3,271,266	-	-
Subtotal 10.555					4,805,549	34,610,134	38,410,921	1,004,762	1,391,901
Summer Food Service Program for Children	10 559	A586-00000-403619 A586-00000-403619	WI DPI WI DPI	**	270,903	1,176,348	270,903 873,235	303,113	13,607
Subtotal - Child Nutrition Cluster					7,247,046	49,045,843	54,530,476	1,762,513	1,894,657
Child and Adult Care Food Program	10 558	A551-00000-403619 A551-00000-403619	WI DPI WI DPI	**	79,271	2,200,258	79,271 2,117,198	83,060	57,325
Fresh Fruits and Vegetable Program	10 582	A594-00000-403619 A376-00000-403619	WI DPI WI DPI		-	127,845 1,001,587	127,845 1,001,587	-	-
Subtotal 10.582					-	1,129,432	1,129,432	-	-
Total - U.S. Department of Agriculture					7,326,317	52,375,633	57,866,377	1,845,573	1,951,982
U.S. Department of Transportation									
Highway Planning and Construction Cluster:	20 205	1009-00-66 1009-00-66	WI DOT WI DOT		44,463	97,714 80,652	142,177	80,652	23,967
Subtotal - Highway Planning and Construction Cluster					44,463	178,366	142,177	80,652	23,967
National Endowment for the Arts									
Promotion of the Arts Partnership Agreements	45 025	FY15-0015 CCP/AIE	WAB		(88)	88	-	-	-
Subtotal - National Endowment for the Arts					(88)	88	-	-	-
U.S. Department of Education									
Title I - Part A									
Grants to Local Educational Agencies	84 010	A141-00000-403619 A141-00000-403619	WI DPI WI DPI		28,464,951	289,817 72,254,850	26,734,768 55,878,975	16,375,875	-
Subtotal - Grants to Local Educational Agencies					28,464,951	72,254,850	55,878,975	16,375,875	-
Title I - Grants to Local Educational Agencies	84 010	A141-00000-403619	WI DPI		-	770,926	677,927	92,999	-
Subtotal - Grants to Local Educational Agencies					-	770,926	677,927	92,999	-
Title I - Grants to Local Educational Agencies	84 010	A145-00000-403619 A145-00000-403619	WI DPI WI DPI		1,163,136	144,443 2,847,061	1,307,579 1,816,474	1,030,587	-
Subtotal - Grants to Local Educational Agencies					1,163,136	2,847,061	1,816,474	1,030,587	-
Title I - Grants to Local Educational Agencies	84 010	A158-00000-403619	WI DPI		131	-	-	131	-
Subtotal - Grants to Local Educational Agencies					131	-	-	131	-
Title I - Grants to Local Educational Agencies	84 010	A159-00000-403619	WI DPI		8,166	-	8,166	-	-
Subtotal - Grants to Local Educational Agencies					8,166	-	8,166	-	-
Title I - Grants to Local Educational Agencies	84 010	A140-00000-403619 A140-00000-403619	WI DPI WI DPI		97,145	7,649 17,397	104,794 9,635	7,762	-
Subtotal - Grants to Local Educational Agencies					97,145	17,397	104,794	7,762	-
Subtotal - 84 010					27,733,529	76,312,143	86,538,318	17,507,354	-

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Awarding agency award description	Federal CFDA number	Pass Through Entity Identifying Number	Pass Through Agency	Program or award amount	Accrued receivable (deferred revenue) July 1, 2016	Federal Expenditures	Revenues Grantor reimbursements	Accrued receivable (deferred revenue) June 30, 2017	2017 Sub recipient Expenditures
U.S. Department of Education (continued)									
Special Education Cluster (IDEA)									
Special Education-Grants to States									
07/01/15-06/30/16	84 027	A341-00000-403619	WI DPI	18,392,686	3,266,602	208,279	3,494,881	-	-
07/01/16-06/30/17		A341-00000-403619	WI DPI	24,121,868	-	21,542,670	19,037,553	2,505,117	-
Special Education-Grants to States									
07/01/15-06/30/16	84 027	15-40-3619-IDEA-40	WI DPI	8,000	4,569	-	4,569	-	-
07/01/16-06/30/17		15-40-3619-IDEA-40	WI DPI	8,000	-	8,000	7,731	269	-
Special Education-Grants to States (Discretionary)									
07/01/15-06/30/16	84 027	342-00000-403619	WI DPI	183,000	86,401	-	86,401	-	-
07/01/16-06/30/17	84 027	342-00000-403619	CESA 11	3,000	-	1,478	3,000	(1,522)	-
Special Education-Grants to States									
07/01/15-06/30/16	84 027a	A341-00000-403619	WI DPI	3,548,081	1,363,115	7	1,363,122	-	-
07/01/16-06/30/17		A341-00000-403619	WI DPI	3,544,323	-	3,544,323	3,013,100	531,223	-
Subtotal - 84.027									
Special Education-Preschool Grants (Entitlement)									
07/01/15-06/30/16	84 173	A347-00000-403619	WI DPI	1,051,758	213,625	-	213,625	-	-
07/01/16-06/30/17		A347-00000-403619	WI DPI	1,633,288	-	1,109,551	1,028,723	80,828	-
Special Education-Preschool Grants									
07/01/16-06/30/17	84 173	A347-00000-403619	WI DPI	183,000	-	183,000	139,864	43,136	-
Subtotal - 84.173									
Subtotal - Special Education Cluster (IDEA)									
Career and Technical Education - Basic Grants to States									
07/01/15-06/30/16	84 048	A400-00000-403619	CESA #6	1,781,542	706,961	70,098	777,059	-	-
07/01/16-06/30/17		A400-00000-403619	CESA #6	1,753,994	-	1,699,269	1,323,936	375,333	-
Career and Technical Education - Basic Grants to States									
07/01/09-06/30/11	84 048	n/a	MATC	12,500	(804)	-	-	(804)	-
Career and Technical Education - Basic Grants to States									
11/1/2016-6/30/2017	84 048A	FY2017-403619-NT0-420	WI DPI	7,000	-	4,974	-	4,974	-
Subtotal - 84.048									
Indian Education - Grants Local Educational Agencies									
07/01/15-06/30/16	84 060	n/a	Direct	217,465	51,013	2,127	53,079	61	-
07/01/16-06/30/17		n/a	Direct	198,328	-	170,953	127,584	43,369	-
Subtotal - 84.060									
Safe and Drug-Free Schools and Communities-National Programs									
10/01/15-09/30/16	84 184M	n/a	Direct	755,335	100,232	190,615	290,847	-	-
10/01/16-09/30/17		n/a	Direct	843,544	-	530,351	450,007	80,344	-
Safe and Drug-Free Schools and Communities-National Programs									
10/01/16-09/30/17	84 184M	n/a	Direct	62,500	-	39,445	28,175	11,270	-
Subtotal - 84.184									
Total					706,157	1,774,341	2,100,995	379,503	-
Total					51,013	2,127	53,079	61	-
Total					51,013	173,080	180,663	43,430	-
Total					100,232	190,615	290,847	-	-
Total					-	530,351	450,007	80,344	-
Total					-	39,445	28,175	11,270	-
Total					100,232	760,411	769,029	81,614	-

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Awarding agency award description	Federal CFDA number	Pass Through Entity Identifying Number	Pass Through Agency	Program or award amount	Accrued	Revenues	Accrued	2017	
					receivable (deferred revenue) July 1, 2016	Grantor reimbursements	receivable (deferred revenue) June 30, 2017	Sub recipient Expenditures	
U.S. Department of Education (continued)									
Education for Homeless Children and Youth	84 196								
07/01/15-06/30/16		A335-00000-403619	WI DPI	112,000	31,795	31,795	-	-	-
07/01/16-06/30/17		A335-00000-403619	WI DPI	116,311	110,500	98,775	11,725	11,725	-
Subtotal - 84 196					31,795	130,570	11,725	11,725	-
Javits Gifted and Talented Students Education	84 206								
08/01/15-07/31/16		669K760	UW	43,700	27,725	15,975	43,700	-	-
08/01/16-07/31/17		669K760	UW	54,874	-	41,132	-	41,132	-
Subtotal - 84 206					27,725	57,107	43,700	41,132	-
Funds for the Improvement of Education	84 215G								
10/01/15-09/30/16		n/a	Direct	307,438	49,905	168,946	218,853	-	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	409,293	46,149	-	46,149	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	408,392	-	408,392	317,507	90,885	-
Subtotal - 84 287					46,149	408,392	317,507	90,885	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	214,138	92,226	12,495	104,721	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	360,363	-	289,871	136,246	153,625	-
Subtotal - 84 287					92,226	289,871	136,246	153,625	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	200,000	13,595	-	13,595	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	200,399	-	195,039	189,792	5,247	-
Subtotal - 84 287					13,595	195,039	189,792	5,247	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	250,731	38,294	-	38,294	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	266,042	-	266,042	153,749	112,293	-
Subtotal - 84 287					38,294	266,042	153,749	112,293	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	750,000	69,164	-	69,164	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	750,000	-	736,878	646,396	88,482	-
Subtotal - 84 287					69,164	736,878	646,396	88,482	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	350,000	31,651	-	31,651	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	352,030	-	352,030	306,035	45,995	-
Subtotal - 84 287					31,651	352,030	306,035	45,995	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	208,436	122,310	10,015	132,325	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	206,363	-	201,094	88,891	112,203	-
Subtotal - 84 287					122,310	201,094	88,891	112,203	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	75,000	20,665	7,879	28,564	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	100,000	-	99,541	27,299	72,242	-
Subtotal - 84 287					20,665	99,541	27,299	72,242	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	180,000	83,473	-	83,473	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	200,000	-	197,120	86,429	110,691	-
Subtotal - 84 287					83,473	197,120	86,429	110,691	-
Twenty-First Century Community Learning Centers	84 287								
07/01/15-06/30/16		A367-00000-403619	WI DPI	50,000	8,063	-	8,063	-	-
07/01/16-06/30/17		A367-00000-403619	WI DPI	50,000	-	50,000	50,000	-	-
Subtotal - 84 287					8,063	50,000	50,000	-	-
Gaining Early Awareness and Readiness For Undergraduate Programs	84 334A								
09/26/11-09/25/17		n/a	Direct	13,593,859	423,959	2,472,708	2,531,844	364,823	-
Arts in Education-Professional Development for Arts Educators	84 351C								
10/01/15-09/30/16		n/a	Direct	350,000	121,956	56,700	178,656	-	-
10/01/16-09/30/17		n/a	Direct	311,064	177,129	139,815	38,114	38,114	-
Subtotal - 84 351C					121,956	234,629	318,471	38,114	-
English Language Acquisition State Grants	84 365								
07/01/15-06/30/16		A391-00000-403619	WI DPI	1,630,841	858,041	49,729	907,770	-	-
07/01/16-06/30/17		A391-00000-403619	WI DPI	1,575,705	-	1,316,308	1,129,593	186,715	-
Subtotal - 84 365					858,041	1,366,037	2,037,363	186,715	-
Improving Teacher Quality State Grants	84 367								
07/01/15-06/30/16		A365-00000-403619	WI DPI	9,547,580	2,204,657	7,114,234	2,204,657	3,537,886	-
07/01/16-06/30/17		A365-00000-403619	WI DPI	11,273,404	2,204,657	7,114,234	5,781,005	3,537,886	-
Subtotal - 84 367					2,204,657	7,114,234	5,781,005	3,537,886	-

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Awarding agency award description	Federal CFDA number	Pass Through Entity Identifying Number	Pass Through Agency	Program or award amount	Accrued receivable (deferred revenue) July 1, 2016	Federal Expenditures	Revenues Grantor reimbursements	Accrued receivable (deferred revenue) June 30, 2017	2017 Sub recipient Expenditures
U.S. Department of Education (Continued)									
School Improvement Grants	84 377								
07/01/16-06/30/17		2017-403619-SIG-151	WI DPI	585,482	-	145,784	64,141	81,653	-
School Improvement Grants	84 377A								
07/01/15-06/30/16		A151-00000-403619	WI DPI	863,254	233,061	-	233,061	-	-
Subtotal - 84.377					233,061	145,784	297,202	81,653	-
Total - U. S. Department of Education					39,021,952	120,113,856	131,900,925	26,234,663	-
U.S. Department of Health and Human Services									
Cooperative Agreements to Promote Adolescent Health Through School Based HIV/STD Prevention and School-Based Surveillance	93 079								
09/01/15-07/31/16		n/a	WI DPI	9,841	7,549	629	7,549	629	-
09/01/16-07/31/17				6,500	-	835	4,906	(4,071)	-
Subtotal - 93.079					7,549	1,464	12,455	(3,442)	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93 243								
09/30/15-09/29/16		n/a	Direct	50,000	18,488	18,414	36,902	-	-
Pregnancy Assistance Fund Program	93 500								
07/01/15-06/30/16		A581-00000-403619	WI DPI	198,506	72,007	-	72,007	-	-
07/01/16-06/30/17		A391-00000-403619	WI DPI	194,231	-	194,231	172,224	22,007	-
Subtotal - 93.500					72,007	194,231	244,231	22,007	-
Refugee and Entrant Assistance-State Administered Programs	93 566								
10/01/16-09/30/17		A538-00000-403619	WI DPI	24,000	-	8,418	-	8,418	-
Refugee and Entrant Assistance Discretionary Grants	93 576								
08/15/15-08/14/16		A538-00000-403619	WI DPI	17,659	17,658	-	17,658	-	-
Head Start	93 600								
07/01/13-10/31/13		n/a	Direct	1,820,550	(4,340)	-	(4,340)	-	-
11/01/14-10/31/2015		n/a	Direct	8,364,488	779	-	779	-	-
11/01/15-05/31/2016		n/a	Direct	6,208,389	961,459	70,342	1,031,801	-	-
06/01/2016-05/31/2017		n/a	Direct	8,384,488	544,108	7,665,673	7,864,332	365,449	-
06/01/2017-05/31/2018		n/a	Direct	7,493,361	-	923,565	-	923,565	-
Subtotal - Head Start					1,502,008	8,679,600	8,892,572	1,289,034	-
Medicaid Cluster	93 778								
Medicaid Assistance Program			WI DHS	6,491,323	-	6,491,323	5,783,391	707,932	-
07/01/16-06/30/17		n/a							
Subtotal - Medicaid Cluster									
07/01/16-06/30/17									
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93 xxx								
12/01/10-11/30/11		n/a	RM	1,250	(1,250)	-	-	(1,250)	-
Total - U.S. Department of Health and Human Services					1,616,458	15,393,450	14,987,209	2,022,699	-
Total Federal Awards					\$ 47,009,102	188,061,173	204,886,688	30,183,687	1,975,929

**Formula Driven Grant
See notes to Schedules of Expenditures of Federal and State Awards

MILWAUKEE PUBLIC SCHOOLS
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Year Ended June 30, 2017

Awarding agency award description	State ID number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2016	State Expenditures	Revenues Grantor reimbursements	Accrued receivable (deferred revenue) June 30, 2017
State Programs:						
Cost Reimbursement Programs						
Wisconsin Department of Workforce Development						
Youth Apprenticeship Grant 07/01/15-06/30/16	445.107	27,170	27,170	-	27,170	-
07/01/16-06/30/17		39,600	-	39,600	32,649	6,951
Total - Wisconsin Department of Workforce Development			27,170	39,600	59,819	6,951
Wisconsin Department of Public Instruction						
Peer Review and Mentoring 07/01/15-06/30/16	255.301	25,000	-	12,000	12,000	-
Alcohol and Other Drug Abuse (Chapter 331) 07/01/14-06/30/15	255.306	45,000	(145)	-	-	(145)
07/01/15-06/30/16		45,000	9,245	326	9,571	-
07/01/16-06/30/17		45,000	-	44,528	16,399	28,129
AODA Mini-Grant & Wisconsin AODA Education Network 07/01/15-06/30/16	255.306	4,021	3,549	-	3,549	-
AODA Student Mini-Grant Program 07/01/15-06/30/16	255.321	6,134	3,180	100	3,730	(450)
07/01/16-06/30/17		11,000	-	8,893	2,074	6,819
Head Start Supplement 07/01/15-06/30/16	255.327	421,575	161,183	795	161,978	-
07/01/16-06/30/17		421,575	-	417,340	293,113	124,227
Wisconsin Movin' Schools 07/01/16-06/30/17	255.345	700	(700)	-	-	(700)
Gifted and Talented Students 07/01/15-06/30/16	255.350	28,000	17,091	314	17,405	-
07/01/16-06/30/17		24,099	-	18,066	8,697	9,369
American Indian Language 07/01/15-06/30/16	255.364	28,000	3,154	-	3,154	-

MILWAUKEE PUBLIC SCHOOLS
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Year Ended June 30, 2017

Awarding agency award description	State ID number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2016	State Expenditures	Revenues Grantor reimbursements	Accrued receivable (deferred revenue) June 30, 2017
Wisconsin Department of Public Instruction (continued)						
Achievement Gap Reduction - 07/01/16-06/30/17	255 504	24,832,740	-	24,739,702	24,832,739	(93,037)
Educator Effectiveness 07/01/15-06/30/16	255 940	454,800	330,350	92,156	422,506	-
07/01/16-06/30/17		380,880	-	339,500	291,764	47,736
Career and Technical Education 07/01/16-06/30/17	255 950	63,266	-	23,338	94,022	(70,684)
Robotics League Participation Grant	255 959	16,026	-	12,158	-	12,158
Total - Wisconsin Department of Public Instruction			526,907	25,709,216	26,172,701	63,422
University of Wisconsin Madison						
Things Fall Apart in Wisconsin 07/1/09-06/30/10	xxx xxx	500	(386)	-	-	(386)
Total State Financial Awards Cost Reimbursement Programs			553,691	25,748,816	26,232,520	69,987

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2017

Awarding agency award description	State ID number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2016	State Expenditures	Revenues Grantor reimburse- ments	Accrued receivable (deferred revenue) June 30, 2017
State Programs:						
Entitlement Programs						
Wisconsin Department of Public Instruction						
Direct Program:						
Special Education and School Age Parents	255.101	(a)	-	48,340,685	48,340,685	-
State Lunch Program	255.102	(a)	-	459,091	459,091	-
Common School Fund-Library	255.103	(a)	-	3,980,222	3,980,222	-
Bilingual/Bicultural Education	255.106	(a)	-	1,666,777	1,666,777	-
Transportation Aid	255.107	(a)	-	2,322,123	2,322,123	-
Equalization Aid-General	255.201	(a)	8,960,236	482,143,175	482,295,073	8,808,338
Integration Aid-Non-Resident	255.204	(a)	-	1,469,592	1,469,592	-
Integration Aid-Resident	255.205	(a)	-	31,676,210	31,676,210	-
High Cost Special Ed	255.210	(a)	-	57,695	57,695	-
School Breakfast Aid (SSBA)	255.344	(a)	-	527,495	527,495	-
Tuition Payments from State	255.401	(a)	-	445,986	445,986	-
High Poverty Aid	255.926	(a)	-	5,322,304	5,322,304	-
Per Pupil Aid	255.945	(a)	12,005,100	19,746,500	31,751,600	-
Assessments of Reading Readiness	255.956	(a)	-	167,504	167,504	-
Aid for Special Ed Transition Grant BBL	255.960	(a)	-	8,117	8,117	-
Total – Wisconsin Department of Public Instruction						
			20,965,336	598,333,476	610,490,474	8,808,338
Wisconsin Department of Revenue						
Computer Aid		(a)	6,596,354	7,124,989	6,596,354	7,124,989
Total – Wisconsin Department of Revenue						
			6,596,354	7,124,989	6,596,354	7,124,989
Total State Awards – Entitlement Programs						
			27,561,690	605,458,465	617,086,828	15,933,327
Total State Awards						
			28,115,381	631,207,281	643,319,348	16,003,314
Total Federal and State Financial Awards						
			\$ 75,124,483	819,268,454	848,206,036	46,186,901

(a) Allocation of funding is in accordance with a distribution formula prescribed by law or administrative regulation. See notes to Schedules of Expenditures of Federal and State Awards.

MILWAUKEE PUBLIC SCHOOLS

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2017

(1) **Basis of Presentation**

Milwaukee Public Schools (the District) was established on February 3, 1846, and operates under Chapter 119 of the Wisconsin Statutes. All significant operations of the District are included in the scope of the *Single Audit* in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State of Wisconsin State Single Audit Guidelines*.

All financial assistance programs of the District which involve awards from the federal government or federal awards passed through the State of Wisconsin and certain state assistance programs, as required by the State Single Audit Guidelines, are included in the Schedules of Expenditures of Federal and State Awards. The Schedules of Expenditures of Federal and State Awards present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

Programs subject to the Single Audit – all federal and state program awards received by the District have been included in the Schedules of Expenditures of Federal and State Awards. Federal and state programs are defined as major through a risk-based approach.

(2) **Significant Accounting Policies**

(a) **Revenues and Expenditures**

Revenues and expenditures in the Schedules of Expenditures of Federal and State Awards are presented in accordance with the modified accrual basis of accounting, and have been reconciled to the District's fiscal 2017 basic financial statements. Grantor reimbursements reflect amounts received from the various funding agencies during the year. Receivables at year-end consist of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while deferred revenues represent advances for federal and state programs that exceed recorded District expenditures.

(b) **Subgrantees**

Certain program funds are passed through the District to subgrantee organizations. The Schedules of Expenditures of Federal and State Awards do not contain separate schedules disclosing how the subgrantees outside of the District's control utilized the funds.

(c) **Indirect Cost**

Indirect costs are allocated to certain grant programs based upon rates established by the Wisconsin Department of Public Instruction. The District has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

(3) **Contingency**

All federal and state award programs are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agencies for costs disallowed under the terms of the programs. It is the opinion of management that all costs charged against those federal and state programs are allowable under the regulations of those programs.

MILWAUKEE PUBLIC SCHOOLS

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2017

(4) Program Disclosures

The Schedules of Expenditures of Federal and State Awards are organized by awarding agency.

(5) Cognizant Agencies

The U.S. Department of Education and the Wisconsin Department of Public Instruction have been designated as federal and state cognizant agencies, respectively, for the District.

(6) Special Education Costs

Eligible costs for special education under project 011 were \$179,410,483 for the year ended June 30, 2017.

(7) Pass-Through Entities

The District received federal awards from the following pass-through entities:

WI DPI	Wisconsin Department of Public Instruction
WI DHS	Wisconsin Department of Health Services
WI DOT	Wisconsin Department of Transportation
WAB	Wisconsin Arts Board
CESA #6	Cooperative Educational Service Agency #6
CESA #11	Cooperative Educational Service Agency #11
MATC	Milwaukee Area Technical College
UW	University of Wisconsin System
RM	Rosalie Manor

Pass through entity identifying numbers are presented where available.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	yes	_____	no
Significant deficiency(ies) identified?	<u> X </u>	yes	_____	none reported

Noncompliance material to the financial statements noted?	_____	yes	<u> X </u>	no
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Federal and State Awards

	<u>Federal Programs</u>		<u>State Programs</u>	
Internal control over major federal and state award programs:				
Material weakness(es) identified?	_____	yes	<u> X </u>	no
			_____	none reported
Significant deficiency(ies) identified?	_____	yes	<u> X </u>	reported
			<u> X </u>	yes
			_____	reported

Type of auditor's report issued on compliance for major federal or state award programs:	Unmodified	Unmodified
--	------------	------------

	<u>Federal Programs</u>		<u>State Programs</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance or the <i>State Single Audit Guidelines</i> ?	<u> X </u>	yes	_____	no
			<u> X </u>	yes
			_____	no

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$3,000,000</u>	<u>\$250,000</u>
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Auditee qualified as low-risk auditee for Federal and State?	<u> X </u>	yes	_____	no
			_____	yes
			<u> X </u>	no

Identification of major federal programs:

CFDA NUMBERS

84.010
93.600
93.778

Name of Federal Program or Cluster

Title I - Grants to Local Educational Agencies
Head Start
Medical Assistance Program

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

SECTION I: SUMMARY OF AUDITORS' RESULTS (CONTINUED)

Identification of major state programs:

<u>State Identification</u>	<u>Name of State Program</u>
255.107	Pupil Transportation Aid
255.103	Common School Fund - Library
255.201	Equalization Aid - General
255.204	Integration Transfer Aid - Nonresident
255.205	Integration Transfer Aid - Resident
255.327	Head Start Supplement
255.504	Achievement Gap Reduction
255.926	High Poverty Aid
255.940	Educator Effectiveness

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

SECTION II: FINANCIAL STATEMENT FINDINGS

FINDING 2017-001 – Material Audit Adjustment

Criteria

Generally accepted auditing standards AU-C section 265 requires the communication of material weaknesses in the year-end financial reporting process.

Condition

Year end audit procedures identified material adjustments that were needed to the District's records to properly reflect and record accounts payable at year end. The District's personnel did not follow the written instructions and/or face – to – face training meetings that discuss and instruct individuals on proper fiscal year reporting of all necessary year-end journal entries.

Cause

Material adjustments were noted as part of the annual audit.

Effect

Information provided to management at the end of the fiscal year may not be presented in accordance with generally accepted accounting principles.

Recommendation

Management should place additional emphasis on monitoring and recording of transactions at year-end to ensure completeness.

Management's Response

MPS agrees with the material audit adjustments condition identified by the audit procedures. Although, we provide written instructions and/or conduct face-to-face annual training meetings with our staff around year-end processing to ensure recording invoices in the correct fiscal year, human errors occurred. MPS intends to retrain our staff and conduct additional AP invoice testing, based on a pre-determined dollar thresholds, during the year end invoice payment processing period.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

SECTION II: FINANCIAL STATEMENT FINDINGS (CONTINUED)

FINDING 2017-002 – Food Service Invoicing and Three – Way Match

Criteria

The District has an internal policy that food service invoices go through a Three – Way match prior to being paid. The invoices received from the vendor must be matched to the physical receipt of goods at the schools. These items must then be matched to the electronic invoices that are provided by the vendor to the IT department which uploads the data into the IFAS accounting system for payment processing.

Condition

During testing and review of internal audit reports, it was noted that there are several vendors that provide the District with an electronic upload of the amounts to be paid based off invoices sent. The invoices are sent to the food service department and the electronic upload documentation is sent to IT. IT uploads the document and finance then processes it for payment. There is currently no matching occurring between what the food service department receives from the vendor in a paper form and what IT uploads and finance pays.

Cause

The IT department is independent of the food service department and the match between the two departments does not occur prior to payment.

Effect

The District's payments for product may not be equivalent to the goods received.

Recommendation

A process should be implemented to review the electronic files that are sent to IT. Food Service should match the invoices received individually or in total to the electronic upload and provide an approval to finance to pay the invoiced amount.

Management's Response

MPS continues to find a technology related solution to three way matching of the high volume of low dollar transactions to avoid the significant accounts payable and nutrition staff time if processed manually. The internal MPS technology staff was unable to provide a solution. MPS bid out the project in the summer of 2017. The contract was awarded in October and work has begun. The outside contractor has been making progress and it is expected to have a process in place before the end of the 2017-18 school year.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

SECTION III: FEDERAL AND STATE AWARD FINDINGS

FINDING 2017-003 - State ID Number, Program Name and State Agency

255.107 Pupil Transportation, Wisconsin Department of Public Instruction
Award Amount - \$2,322,123
Award Number – N/A

Criteria

Transportation aid is applied for annually through the School Finance Reporting Portal using the fiscal year Pupil Transportation Report (PI-1547) and Pupil Transportation Summer (PI-1547-SS). This report collects the number of pupils transported categorized by the distance from the pupils' residence to school using the most commonly traveled direct route. Pupils transported less than two miles during the regular school year are not counted on the transportation report unless the transportation is being provided as part of an unusually hazardous transportation plan (UHT) filed by the LEA.

Condition

Five students reported in the less than two mile category did not fall into the unusually hazardous transportation plan.

Cause

Students were included in the less than two mile category that did not fall into the unusually hazardous transportation plan.

Questioned Costs

Could not be determined.

Context

In a sample of 40 transported students, haphazardly selected, eight students were transported less than two miles. Five of the eight did not fall into the unusually hazardous transportation plan. The sample was not statistically valid.

Effect

The District's incorrect reporting of the students may cause the District to receive more state funding than what the District is eligible to receive.

Recommendation

We recommend that the District implement procedures to ensure that students in the less than two mile category are included in the unusually hazardous transportation plan.

Management's Response

Milwaukee Public Schools Administrative Policy 4.04 specifies that MPS students attending its elementary schools shall be provided transportation services if they reside over 1 mile from the school, so long as they reside in the City of Milwaukee, are assigned to a school other than their attendance area school, and live inside of the school's designated region. WI DPI State Aide pertaining to Report PI1547 however specifies that transportation reimbursement is provided to school districts only for students over 2 miles from the school unless specific students live within a designated area of unusual hazard (UHT) officially filed by Milwaukee Public Schools to WI DPI. The annual report generated to WI DPI for transportation reimbursement is an automated extract generated via a script from MPS's student information system, Infinite Campus. This report had inadvertently included students not in areas of unusual hazards that lived between 1 and 2 miles from their attending school as part of the report in addition to those within officially designated areas of unusual hazards. Pupil Transportation Services and Information Technology has reviewed the script and made corrections so that the extract reflects only students that reside in areas of unusual hazard when between 1 and 2 miles from their enrolled school.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2017-004 - State ID Number, Program Name and State Agency

255.101 Special Education and School Age Parents Grant, Wisconsin Department of Public Instruction
Award Amount - \$48,340,685
Award Number – N/A
Repeat of prior year finding 2016-004

Criteria

According to the guidance provided in the State of Wisconsin Statutes section 115.88, “staff must be appropriately licensed for a special education work assignment listed in state statute in order for their salary and benefits to be eligible for aid”.

Condition / Context

The No Valid License (NVL) Report created and provided by the Wisconsin Department of Public Instruction (DPI) included 186 individuals for which no valid license was found. Salary and benefits totaled \$6,021,156 for these 186 individuals. The District reviewed the NVL report and the following was noted:

- Twenty five (25) individuals on the report were not located in the District’s database as they were not District staff. Salary and benefits \$0.
- One hundred thirty nine (139) individuals on the report were re-coded by the District from Project 011 to Project 019. Salary and benefits \$4,900,003.
- Twenty two (22) individuals on the report remain coded to Project 011 as the District believes they were appropriately licensed and the salary and benefits are eligible for aid. Salary and benefits \$1,121,153.

Accordingly, the information noted above was communicated to DPI on the No Valid License / Questioned Cost Worksheet for ultimate resolution between the District and DPI. The sample was not statistically valid.

Cause

Factors that would cause a staff to be listed on the NVL report include; the license has expired and has not been renewed; there was a delay in issuing the license; there was a timing difference between when the NVL report was prepared and when the license was issued / renewed; and there may have been a name change and / or a misspelling of a name.

Questioned Costs

Could not be determined.

Effect

Salary and benefit amounts for the individuals with a licensure mismatch may have been improperly reported in Project 011 and if so, improperly included in the aid calculation.

Recommendation

We recommend management review and revise as necessary, existing processes and procedures to monitor the licensing status of special education teachers to ensure that they are appropriately licensed.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2017-004 (continued)

Management's Response

Teachers, Administrator, and Pupil Service employees with expiring licenses were continually notified via 10-day letters (sent to the home address on records via US Certified Mail) to rectify their expired licenses or be demoted to a substitute teacher or a Paraprofessional status. There were a few of this population actually demoted to a substitute teacher or Paraprofessional status until their licenses were renewed (short-term). Paraprofessionals and Children's Handicapped Assistants were also notified via 10-day letters in which the majority complied and a few were terminated from their positions with MPS.

The use of information included in the Thursday Updates regarding soon-to-be expired licenses has been very useful to get the staff to apply to renew their licenses prior to the license expiring. This mode of notification will continue to be provided to all license holders in the district. Another method we are looking to utilize will include using audit reports provided by the Department of Public Instruction between January-February to communicate on a one-on-one basis to staff with expired licenses in addition to providing information in the Thursday Updates.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2017-005 - Federal CFDA Number, Program Name and Federal Agency

93.600 Head Start, U.S. Department of Health and Human Services
Award Amount - \$8,679,600
Award Number – 05CH8321-04-00

Criteria

Section 75.430 (i) of the Code of Federal Regulations Subtitle A states that "Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement" and funds must be used for programs consistent with the Head Start Program Performance Standards. Also, section 200.113 of the Uniform Guidance state that "the non-Federal entity or applicant for a Federal award must disclose in a timely manner, in writing to the Federal awarding agency of pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award."

Condition

It was noted that one Family Planning Associate (FPA) was consistently paid for extra hours that were not actually worked for a period of three years. The employee worked the standard day for an FPA, which was 6 hours, and then submitted an extra hours timesheet that was approved and submitted by the Head Start manager to the payroll department. In total for the three year time period, a total of 1,276.28 hours were over paid. In addition to the overpaid salary, there were benefits paid on these extra hours and in total an estimated \$25,796 of salary and benefits was overpaid over the three year period from fiscal year 2015 to fiscal year 2017. The fraud was also not communicated to the Federal agency in a timely manner by the District.

Cause

There was an arrangement set up between the FPA and manager in charge of the approval of the payroll.

Questioned Cost

\$25,796 of additional salary and benefits were overpaid.

Context

This appears to be an isolated problem and was uncovered through the work of internal audit and subsequent follow up. Communication to the Federal agency was not done so until instructed to be by the external auditors. The sample was not statistically valid.

Effect

The District paid amounts that were subsequently claimed for Head Start funding for time that was not actually worked consistent with the Head Start Program Performance Standards.

Recommendation

We recommend management review and revise, as necessary, existing processes and procedures related to payroll and extra pay to determine that a similar situation could not occur. The District should also develop an internal process that will be strictly adhered to for communicating fraud involving federal awards to any granting agency.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2017

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2017-005 (continued)

Management's Response

The overpayment of FPA for the 3 year period indicated has been investigated by the Milwaukee Public Schools Office of Board Governance Audit department. The Audit specialist has provided detailed documentation of an overpayment of hours to a single employee over the 3 year period. New staff and new procedures for approving and monitoring payroll for the Head Start staff have been implemented to prevent this from happening in the future. A meeting was held on November 15, 2017 with all of the FPA staff to review the expectations for obtaining approval for legitimate extra hours and how to properly document the extra hours worked. The Office of Academics is committed to ensuring that we use the Head Start funds responsibly to serve our students and families.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

SECTION IV: OTHER ISSUES

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes no

2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines:

Department of Public Instruction X yes no
Department of Workforce Development yes X no
Department of Revenue yes X no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes no

Name and signature of partner Wendi M. Unger

Wendi M. Unger, CPA, Partner

Date of report March 27, 2018

MILWAUKEE PUBLIC SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended June 30, 2017

The following summary schedule of prior audit findings has been prepared by management of Milwaukee Public Schools.

FINDING 2016-001:

Current Status

Corrective action has been taken.

FINDING 2016-002:

State ID Number, Program Name and State Agency

255.103 Common School Fund Library Aid, Wisconsin Department of Public Instruction

Current Status

Corrective action has been taken.

FINDING 2016-003:

State ID Number, Program Name and State Agency

255.401 Tuition Payments by State LEA Fund 10, Wisconsin Department of Public Instruction

Current Status

Corrective action has been taken.

FINDING 2016-004:

State ID Number, Program Name and State Agency

255.101 Special Education and School Age Parents Grant, Wisconsin Department of Public Instruction

Current Status

This finding is still ongoing in the year under audit. See finding 2017-004 for update.

FINDING 2016-005:

State ID Number, Program Name and State Agency

255.103 Common School Fund Library Aid, Wisconsin Department of Public Instruction

Current Status

Corrective action has been taken.

The Milwaukee Public Schools contact official for the above responses is as follows:

Ms Sherry Pearson
Manager of Financial Reporting
414-475-8485
pearsosx@milwaukee.k12.wi.us