

MILWAUKEE PUBLIC SCHOOLS
Milwaukee, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2018

MILWAUKEE PUBLIC SCHOOLS

TABLE OF CONTENTS For the Year Ended June 30, 2018

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance for Each Major Federal and Major State Program; Report on Internal Control over Compliance; and Report on the Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	3 – 5
Schedule of Expenditures of Federal Awards	6 – 9
Schedule of Expenditures of State Awards	10 – 12
Notes to Schedules of Expenditures of Federal and State Awards	13 – 14
Schedule of Findings and Questioned Costs	15 – 28
Summary Schedule of Prior Audit Findings	29

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 Milwaukee Public Schools, (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Milwaukee Public Schools' basic financial statements, and have issued our report thereon dated December 21, 2018.

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 opinions 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 did identify 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 2018-001 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 2018-002 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, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULES 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 Milwaukee Public Schools' (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* 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, 2018. 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 and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state 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; 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, 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 or a major state 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008 and 2018-009. Our opinion on each major federal and major state program is not modified with respect to these matters.

District's Responses to Findings

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

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 and 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 2018-003, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008 and 2018-009, that we consider to be significant deficiencies.

District's Responses to Findings

The District's responses 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Schedules 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 Milwaukee Public Schools (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Milwaukee Public Schools' basic financial statements. We issued our report thereon dated December 21, 2018, 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 schedules of expenditures of federal and state awards are 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 schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
February 11, 2019

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Awarding agency pass-through agency award description	Federal CFDA number	Pass Through Entry Identifying Number	Pass Through Agency	Program or award amount	Accrued receivable (deferred revenue) July 1, 2017	Federal Expenditures	Revenues Greater reimbursements	Accrued receivable (deferred revenue) June 30, 2018	2018 Sub recipient Expenditures
Federal Programs									
U.S. Department of Agriculture									
Child Nutrition Cluster									
School Breakfast Program	10.553	A546-00000-403619 2018-403619-SB-546	WI DPI WI DPI	**	\$ 454,638	13,071,722	454,638 11,426,234	1,645,468	465,393
Subtotal 10.553					454,638	13,071,722	11,880,892	1,645,468	465,393
National School Lunch Program	10.555	A547-00000-403619 2018-403619-NSL-547	WI DPI WI DPI	**	1,004,762	31,294,070	1,004,681 27,451,807	101 3,842,263	1,343,102
Food Distribution (Donated Commodities)	10.555	2018-403619-NSL-547	WI DPI	**	-	3,414,718	3,414,718	-	-
Subtotal 10.555					1,004,762	34,708,788	31,871,166	3,842,364	2,273,888
Summer Food Service Program for Children	10.559	A598-00000-403619 2018-403619-SFSP-598	WI DPI WI DPI	**	303,113	1,074,485	303,113 771,491	-	33,020
Subtotal 10.559					303,113	1,074,485	1,074,604	302,994	33,020
Subtotal - Child Nutrition Cluster					1,752,513	48,854,995	44,826,652	5,790,826	66,041
Child and Adult Care Food Program	10.558	A551-00000-403619 2018-403619-CCI-551	WI DPI WI DPI	**	83,060	2,081,763	83,160 1,787,452	(100) 294,312	59,164
Subtotal 10.558					83,060	2,081,763	1,870,612	294,212	59,164
Team Nutrition Training Grants	10.574	2017-403619-552	WI DPI	**	-	-	532	(532)	-
Fresh Fruit and Vegetable Program	10.582	2018-403619-FF&V-594 2018-403619-FF&V-576	WI DPI WI DPI	**	159,589	151,478	151,478	-	-
Subtotal 10.582					1,140,828	1,139,246	1,139,246	-	-
Total - U.S. Department of Agriculture					1,845,573	52,227,485	47,988,552	6,084,505	2,398,072
U.S. Department of Transportation									
Highway Planning and Construction Cluster	20.205	1009-00-86 1009-00-86	WI DOT WI DOT	**	80,652	59,960	126,476	14,136	55,158
Subtotal 20.205					80,652	59,960	126,476	14,136	55,158
Total - Highway Planning and Construction Cluster					80,652	115,118	126,476	68,294	55,158
U.S. Department of Education									
Title I - Part A									
Title I - Grants to Local Educational Agencies	84.010	A141-00000-403619 2018-403619-Title I-141	WI DPI WI DPI	**	16,375,875	(156,265) 65,089,035	16,219,610 51,816,775	-	-
Subtotal 84.010					16,375,875	64,932,770	51,600,165	13,262,280	-
Title I - Grants to Local Educational Agencies	84.010	A141-00000-403619	WI DPI	**	92,989	4,265	97,264	-	-
Title I - Grants to Local Educational Agencies	84.010	A145-00000-403619 2018-403619-CAR-155	WI DPI WI DPI	**	1,030,567	52,939	1,083,526	-	-
Subtotal 84.010					1,123,556	2,894,975	2,203,280	691,695	-
Title I - Grants to Local Educational Agencies	84.010	A159-00000-403619	WI DPI	**	131	-	-	131	-
Title I - Grants to Local Educational Agencies	84.010	A140-00000-403619 2018-403619-TL-Deinguent-140	WI DPI WI DPI	**	7,762	43,779	51,541	-	-
Subtotal 84.010					8,024	48,114	52,085	67,349	-
Total - U.S. Department of Education					17,507,354	68,013,643	71,479,552	14,041,435	-

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Awarding agency pass-through agency award description	Federal CFDA number	Pass Through Identifying Number	Pass Through Agency	Program Title or award amount	Accrued (deferred) revenue) July 1, 2017	Federal Expenditures	Revenues (reimburse-ments)	Accrued receivables (deferred revenue) June 30, 2018	2018 Sub recipient Expenditures
U.S. Department of Education (Continued)									
Special Education Cluster (IDEA)									
Special Education-Grants to States	84.027								
070115-063017		A341-00000-403619	WI DPI	24,121,868	2,595,117	59,876	2,564,983	-	-
070117-063016		2018-403619-IDEA-341	WI DPI	22,482,058	-	22,157,536	19,275,076	2,882,460	-
Special Education-Grants to States	84.027								
070116-063017		15-40-3619-IDEA-40	WI DPI	8,000	269	-	269	-	-
070117-063018		2018-403619-IDEA-342	WI DPI	8,000	-	6,252	2,971	3,281	-
Special Education-Grants to States	84.027								
070116-063018		342-00000-403619	CESA 11	1,891	(1,522)	282	-	(1,240)	-
Special Education-Grants to States	84.027a								
070116-063017		A341-00000-403619	WI DPI	3,544,323	531,223	-	531,223	-	-
070117-063018		2018-403619-IDEA-341	WI DPI	3,523,736	-	3,528,131	3,244,863	283,268	-
Special Education-Grants to States	84.027								
070117-063016		2018-403619-IDEA-341	WI DPI	16,180	-	16,180	16,180	-	-
Subtotal - 84.027					3,035,087	25,768,257	25,635,575	3,167,769	-
Special Education-Preschool Grants (Entitlement)	84.173								
070116-063017		A347-00000-403619	WI DPI	1,633,288	80,828	29	80,857	-	-
070117-063018		2018-403619-Pre-S-347	WI DPI	1,110,774	-	939,854	902,167	37,667	-
Special Education-Preschool Grants	84.173								
070116-063017		A347-00000-403619	WI DPI	183,000	43,136	-	43,136	-	-
070117-063018		2018-403619-IDEA-348	WI DPI	183,000	-	167,510	162,213	5,297	-
Subtotal - 84.173					123,964	1,107,353	1,188,393	42,954	-
Subtotal - Special Education Cluster (IDEA)					3,159,051	26,875,650	26,823,968	3,210,733	-
Career and Technical Education - Basic Grants to States	84.048								
Act - Basic Grants to States		A400-00000-403619	CESA #6	1,753,994	375,333	42,258	417,591	-	-
070116-063017		2018-403619-CF-C1E-400	CESA #6	1,718,167	-	1,681,902	961,798	720,104	-
070117-063018									
Career and Technical Education - Basic Grants to States	84.048								
070109-063011		n/a	MATC	12,500	(804)	-	-	(804)	-
Career and Technical Education - Basic Grants to States	84.048a								
11/1/2016-6/30/2017		FY2017-403619-NTC-420	WI DPI	7,000	4,974	1,864	6,838	-	-
Subtotal - 84.048					379,503	1,728,024	1,385,227	719,300	-
Indian Education - Grants Local Educational Agencies	84.060								
070115-063016		n/a	Direct	217,465	61	-	-	61	-
070116-063017		n/a	Direct	198,328	43,369	4,354	43,369	4,354	-
070117-063018		n/a	Direct	65,081	-	65,081	-	65,081	-
Subtotal - 84.060					45,430	69,435	43,369	69,496	-
Safe and Drug-Free Schools and Communities-National Programs	84.184M								
10/0116-09/30/17		n/a	Direct	843,544	80,344	164,039	244,383	-	-
10/0117-09/30/18		n/a	Direct	696,522	-	676,331	476,322	197,809	-
Safe and Drug-Free Schools and Communities-National Programs	84.184M								
10/0116-09/30/17		n/a	Direct	62,500	11,270	16,905	28,175	-	-
Subtotal - 84.184					91,614	657,275	751,080	197,809	-

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Awarding agency pass-through award description	Federal CFDA number	Pass Through Agency	Pass Through Identifying Number	Program or award amount	Accrued	Federal	Revenues	Accrued
					receivable (deferred revenue) July 1, 2017	Expenditures	Grantor reimbursements	receivable (deferred revenue) June 30, 2018
U.S. Department of Education (Continued)								
Education for Homeless Children and Youth	84.196	WI DPI	A335-00000-403619	116,311	11,725	5,811	17,556	-
07/01/16-06/30/17		WI DPI	2018-403619-Homeless-335	125,000	-	122,101	100,776	21,325
07/01/17-06/30/18					11,725	127,912	118,312	21,325
Subtotal - 84.196								
Javits Gifted and Talented Students Education	84.206	UW	669K760	54,674	41,132	-	41,132	-
06/01/16-07/31/17		UW	669K760	311,785	190,909	-	190,909	-
06/01/17-07/31/18		Direct	n/a	464,305	-	196,697	92,621	104,076
Javits Gifted and Talented Students Education	84.206A							
10/01/17-09/30/18					41,132	387,606	133,753	294,985
Subtotal - 84.206								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	408,392	90,895	(5,981)	84,904	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	855,000	786,652	-	366,899	419,753
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	360,363	158,872	97	158,969	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	275,000	-	238,814	107,196	129,618
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	200,399	-	10,607	10,607	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	405,000	-	398,443	235,776	152,667
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	266,042	112,293	(12,856)	99,435	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	250,000	-	254,198	225,094	28,104
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	750,000	86,482	13,121	101,603	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	750,000	-	729,303	699,042	70,261
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	352,030	45,995	(2,030)	43,965	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	350,000	-	336,338	285,082	51,256
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	206,383	112,203	2,012	114,215	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	200,000	-	195,108	102,887	92,221
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	100,000	72,242	469	72,701	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	100,000	-	87,884	48,883	38,001
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	A367-00000-403619	200,000	110,691	1,675	112,366	-
07/01/16-06/30/17		WI DPI	2018-403619-CLC-367	200,000	-	199,595	98,064	101,531
07/01/17-06/30/18								
Twenty-First Century Community Learning Centers	84.287	WI DPI	2018-403619-CLC-367	50,000	-	50,000	50,000	-
Subtotal - 84.287					791,663	3,271,437	2,978,688	1,084,412
Indian Education - Special Programs for Indian Children	84.289A	Direct	n/a	464,594	-	25,430	17,646	7,784
10/01/17-09/30/18								
Gaining Early Awareness and Readiness For Undergraduate Programs	84.334A	Direct	n/a	15,669,050	364,823	1,793,577	1,826,043	322,357
09/28/11-09/25/18								
Arts in Education-Professional Development for Arts Educators	84.351C	Direct	n/a	311,064	36,114	88,897	127,011	-
10/01/16-09/30/17		Direct	n/a	315,294	-	156,208	65,861	70,547
10/01/17-09/30/18								
Subtotal - 84.351					38,114	245,105	212,872	70,547

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Awarding agency pass-through agency award description	Federal CFDA number	Pass Through Entity Identifying Number	Pass Through Agency	Program or award amount	Accrued receivable (deferred revenue) July 1, 2017	Federal Expenditures	Revenues Grantor reimbursements	Accrued receivable (deferred revenue) June 30, 2018	2018 Sub recipient Expenditures
U.S. Department of Education (Continued)									
English Language Acquisition State Grants	84.365	A391-00000-403619 2018-403619-Title III A-391	WI DPI WI DPI	1,575,705 1,575,747	186,715	50,738 1,103,780	237,453 637,588	416,192	-
Subtotal - 84.365					186,715	1,154,518	925,041	416,192	-
Supportive Effective Instruction State Grants	84.367	A365-00000-403619 2018-403619-Title II-365	WI DPI WI DPI	11,273,404 10,401,702	3,537,866	417,805 6,859,551	3,955,691 4,732,172	2,127,379	-
Subtotal - 84.367					3,537,866	7,277,356	8,687,863	2,127,379	-
School Improvement Grants	84.377	2017-403619-SIG-151 2018-403619-SIG-151	WI DPI WI DPI	595,482 3,239,335	81,653	84,485 2,736,348	166,138 2,266,568	468,779	-
Subtotal - 84.377					81,653	2,819,833	2,432,707	468,779	-
Supportive Educator Development Program	84.423A	n/a	UW	306,861	-	111,745	-	111,745	-
Student Support and Academic Enrichment Program	84.424A	2018-403619-Title-IV A-381	WI DPI	719,006	-	426,857	350,920	75,937	-
Temporary Emergency Impact Aid for Displaced Students	84.938C	2019-403619-Emergency Impact Aid-374	WI DPI	1,828,798	-	1,791,900	-	1,791,900	-
Temporary Emergency Impact Aid for Displaced Students (Students with Disabilities)	84.938C	2019-403619-Emergency Impact Aid-375	WI DPI	665,775	-	665,775	-	665,775	-
Subtotal - 84.938C					-	2,457,675	-	2,457,675	-
Total - U. S. Department of Education					26,234,663	117,631,078	119,167,850	25,697,891	-
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	n/a n/a 2018-403619-WILY-334	WI DPI WI DPI WI DPI	9,841 6,500 6,500	629 (4,071)	4,947 6,500	1,325 1,309	629 (449) 5,191	-
Subtotal - 93.079					(3,442)	11,447	2,633	5,372	-
Pregnancy Assistance Fund Program	93.500	A591-00000-403619 2018-403619-nSPIRE-591	WI DPI WI DPI	194,231 200,000	22,007	181,496	37,045	144,451	-
Subtotal - 93.500					22,007	181,496	59,052	144,451	-
Refugee and Entrant Assistance Discretionary Grants	93.566	A538-00000-403619	WI DPI	24,000	8,418	-	8,418	-	-
Refugee and Entrant Assistance Discretionary Grants	93.576	FY2017-403619-Refugee-538	WI DPI	24,000	-	14,817	14,817	-	-
Head Start	93.600	n/a n/a n/a	Direct Direct Direct	8,384,468 8,179,177 8,819,917	955,449 925,585 1,289,034	6,650 7,577,178 8,421,565	372,108 6,220,625 8,592,733	274,138 843,728 1,117,866	-
Subtotal - Head Start					2,169,672	16,648,750	15,113,476	4,235,732	-
Medicaid Cluster	93.778	n/a	Direct	6,491,323	707,932	6,044,769	707,932	206,931	-
Medicaid Assistance Program	93.778	n/a	Direct	6,044,769	707,932	6,044,769	6,044,769	206,931	-
Subtotal - Medicaid Cluster					1,415,864	12,089,538	12,089,538	413,862	-
Cooperative Agreements to Promote Adolescent Health through School Based HIV/STD Prevention and School-Based Surveillance	93.xxx	n/a	RM	1,250	(1,250)	-	-	(1,250)	-
Total - U.S. Department of Health and Human Services					2,022,699	14,674,094	15,221,424	1,475,369	-
Total Federal Awards					\$ 30,183,597	184,647,774	181,504,303	33,327,056	2,454,230

**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, 2018

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2017	State Expenditures	Revenues Grantor reimbursements	Accrued receivable (deferred revenue) June 30, 2018
State Programs:						
Cost Reimbursement Programs						
Wisconsin Department of Workforce Development						
Youth Apprenticeship Grant 07/01/16-06/30/17	445.107	\$ 39,600	6,951	-	6,951	-
07/01/17-06/30/18		225,000	-	89,007	44,632	44,375
Total - Wisconsin Department of Workforce Development			6,951	89,007	51,583	44,375
Wisconsin Department of Public Instruction						
Peer Review and Mentoring 07/01/17-06/30/18	255.301	25,000	-	10,631	9,237	1,394
Alcohol and Other Drug Abuse (Chapter 331) 07/01/14-06/30/15	255.306	45,000	(145)	-	-	(145)
07/01/16-06/30/17		45,000	28,129	472	28,601	-
07/01/17-06/30/18		45,000	-	31,559	16,747	14,812
AODA Student Mini-Grant Program 07/01/15-06/30/16	255.321	6,134	(450)	-	-	(450)
07/01/16-06/30/17		11,000	6,819	764	7,583	-
07/01/17-06/30/18		9,700	-	6,461	3,435	3,026
Head Start Supplement 07/01/16-06/30/17	255.327	421,575	124,227	27	124,254	-
07/01/17-06/30/18		421,578	-	350,325	307,282	43,043
Wisconsin Movin' Schools 07/01/17-06/30/18	255.345	700	(700)	-	-	(700)
Gifted and Talented Students 07/01/16-06/30/17	255.350	24,099	9,369	1,396	10,765	-

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2018

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2017	State Expenditures	Revenues Grantor reimburse- ments	Accrued receivable (deferred revenue) June 30, 2018
Wisconsin Department of Public Instruction (continued)						
Achievement Gap Reduction 07/01/16-06/30/17	255.504	24,832,740	(93,037)	53,240	-	(39,797)
07/01/17-06/30/18		24,636,635	-	24,637,504	24,593,692	43,812
Educator Effectiveness 07/01/16-06/30/17	255.940	380,880	47,736	3,000	50,736	-
07/01/17-06/30/18		449,360	-	415,789	366,615	49,174
Career and Technical Education 07/01/15-06/30/16	255.950	32,000	(8,662)	8,662	-	-
07/01/16-06/30/17		31,266	(31,266)	31,266	-	-
07/01/17-06/30/18		30,756	(30,756)	30,756	-	-
07/01/18-06/30/19		32,308	-	194	32,308	(32,114)
Robotics League Participation Grant 07/01/16-06/30/17	255.959	16,026	-	820	13,209	(231)
07/01/17-06/30/18		11,664	-	6,794	-	6,794
Total - Wisconsin Department of Public Instruction			63,422	25,589,660	25,564,464	88,618
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			69,987	25,678,667	25,616,047	132,607

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2018

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2017	State Expenditures	Revenues Grantor reimburse- ments	Accrued receivable (deferred revenue) June 30, 2018
State Programs:						
Entitlement Programs						
Wisconsin Department of Public Instruction						
Direct Program:						
Special Education and School Age Parents	255.101	(a)	-	46,082,609	46,082,609	-
State Lunch Program	255.102	(a)	-	468,131	468,131	-
Common School Fund-Library	255.103	(a)	-	4,732,921	4,732,921	-
Bilingual/Bicultural Education	255.106	(a)	-	1,614,807	1,614,807	-
Transportation Aid	255.107	(a)	-	2,543,449	2,543,449	-
Equalization Aid-General	255.201	(a)	8,808,338	492,574,798	492,466,179	8,916,957
Integration Aid-Non-Resident	255.204	(a)	-	1,232,187	1,232,187	-
Integration Aid-Resident	255.205	(a)	-	29,135,965	29,135,965	-
High Cost Special Ed	255.210	(a)	-	62,410	62,410	-
School Breakfast Aid (SSBA)	255.344	(a)	-	527,375	527,375	-
State Tuition Payments General	255.401	(a)	-	301,539	301,539	-
High Poverty Aid	255.926	(a)	-	6,301,589	6,301,589	-
Per Pupil Aid	255.945	(a)	-	34,986,150	34,986,150	-
Assessments of Reading Readiness	255.956	(a)	-	142,934	142,934	-
Aid for Special Ed Transition Grant BBL	255.960	(a)	-	177,000	177,000	-
Total – Wisconsin Department of Public Instruction						
			8,808,338	620,883,864	620,775,245	8,916,957
Wisconsin Department of Revenue						
Computer Aid	xxx.xxx	(a)	7,124,989	7,229,726	7,124,989	7,229,726
Total – Wisconsin Department of Revenue						
			7,124,989	7,229,726	7,124,989	7,229,726
Total State Awards – Entitlement Programs						
			15,933,327	628,113,590	627,900,234	16,146,683
Total State Awards						
			16,003,314	653,792,257	653,516,281	16,279,290
Total Federal and State Financial Assistance						
			\$ 46,186,901	838,440,031	835,020,584	49,606,348

(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, 2018

(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 2018 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, 2018

(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 \$183,958,686 for the year ended June 30, 2018.

(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
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, 2018

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
---	-------	-----	------------	----

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

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>		
---	--------------------	--	--	------------------	--	--

Auditee qualified as low-risk auditee for Federal and State?	_____	yes	<u> X </u>	no	_____	yes	<u> X </u>	no
--	-------	-----	------------	----	-------	-----	------------	----

Identification of major federal programs:

<u>CFDA NUMBERS</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster (IDEA)
84.367	Supporting Effective Instruction State Grants
93.600	Head Start
93.778	Medical Assistance Program

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

SECTION I: SUMMARY OF AUDITORS' RESULTS (CONTINUED)

Identification of major state programs:

<u>State Identification Numbers</u>	<u>Name of State Program</u>
255.201	Equalization Aid - General
255.204	Integration Transfer Aid - Nonresident
255.205	Integration Transfer Aid - Resident
255.926	High Poverty Aid
255.945	Per Pupil Aid
255.106	Bilingual/Bicultural Education

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION II: FINANCIAL STATEMENT FINDINGS

FINDING 2018-001 – Material Audit Adjustment

Repeat of prior year finding 2017-001

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 FY17 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. In FY18, we were unable to conduct additional AP invoice testing based on a pre-determined dollar threshold during the year end invoice payment processing period due to Infor implementation activities, staff reductions and staff turnover.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION II: FINANCIAL STATEMENT FINDINGS (CONCLUDED)

FINDING 2018-002 – Food Service Invoicing and Three – Way Match

Repeat of prior year finding 2017-002

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

In November 2017, an outside agency began work to develop an application to match prime vendor invoice detail to items received by the schools. MPS began using the base version of the application in April 2018 and it continues to be used. This process allows MPS to identify missing invoices, quantity variance and price variances between our prime vendor invoices and the data in the MPS operating system. MPS plans to enhance the base application in the 2018-19 fiscal year, particularly after the completion of the prime vendor conversion.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS

FINDING 2018-003 - State ID Number, Program Name and State Agency

255.107 Pupil Transportation, Wisconsin Department of Public Instruction
Award Amount - \$2,543,449
Award Number – N/A
Repeat of prior year finding 2017-003

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/Context

The District did not initially claim all students in the less than two mile category as additional analysis was necessary to verify proper reporting and to file an amended PI-1547. The District also reported 1) 342 students with known issues in the address database in the less than two mile category despite being transported over two miles and 2) 535 students with known issues in the address database for distance calculation in the less than two mile category despite being transported over 2 miles. The sample was not statistically valid.

Cause

Students transported in the less than two mile category were inaccurately reported and the District placed the students with known errors in the address database in the lowest possible category, less than two miles.

Questioned Costs

Could not be determined.

Effect

The District's inaccurate reporting may cause the District to receive more or less state funding than entitled to.

Recommendation

We recommend that the District work to implement procedures, processes and accurate data reports to be able to file a claim with the accurate students included in all transported mileage categories.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-003 (continued)

Management's Response

Milwaukee Public Schools submitted a revised claim on Dec 20, 2018 for the 2017-2018 PI1547 Transportation State Aide Claim. This revised claim was lower in count than in past years due to 1) Hazardous Area Eligibility Interpretation and subsequent application on standards and 2) An inability to calculate precise distance for eligible pupils.

Milwaukee Public Schools Department of Pupil Transportation has indeed implemented procedures to verify the state claim for all pupils particularly for those students between the 0-2 mile category. There are still situations where clarification is needed with WI Department of Public Instruction whereby MPS may be authorized to submit an additional claim due to situations where students do not live explicitly within a hazardous area designated by MPS and recognized by WI DPI, but may have to travel through that hazardous area in order to get to their school of attendance. There are thousands of situations whereby that situation exists but were not claimed in 2017-2018.

The district is also updating the electronic address file that is received by the City of Milwaukee to include new additions that are not yet recognized electronically and to eliminate valid addresses with incorrect syntax or spelling (example: 50 st vs 50 blvd). This accounted for numerous situations where it can be determined the student lived outside of the 0-2 mile category however the precise distance was unknown.

In these instances Milwaukee Public Schools defaulted to the lowest claim threshold possible. It is highly likely that this resulted in an underclaim for reimbursement purposes.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-004 - State ID Number, Program Name and State Agency

255.101 Special Education and School Age Parents Grant, Wisconsin Department of Public Instruction
Award Amount - \$46,082,609
Award Number – N/A
Repeat of prior year finding 2017-004

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 304 individuals for which no valid license was found. Salary and benefits totaled \$11,674,533 for these 304 individuals. The District reviewed the NVL report and the following was noted:

- Twenty eight (28) individuals on the report were not located in the District’s database as they were not District staff. Salary and benefits \$0.
- Thirty one (31) individuals on the report were charged to Fund 10, not Fund 27. Salary and benefits was \$1,630,550.
- One hundred ninety two (192) individuals on the report were re-coded by the District from Project 011 to Project 019 or 340. Salary and benefits \$7,088,573.
- Fifty three (53) 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 \$2,955,410.

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, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-004 (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 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, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-005 - Federal CFDA Number, Program Name and Federal Agency

93.600 Head Start, U.S. Department of Health and Human Services
Award Amount - \$8,421,565
Award Number – 05CH8321-05-01

Criteria

Appendix B to 2 CFR Part 225 section 8 subsection h states “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation” to support that the cost of salaries and wages is allowable to the grant. This documentation is required when an employee works on one or more Federal awards or if time is split between a federal award and a non-Federal award.

Condition

Three employees were noted that allocated time between the Head Start program and other activities that did not have a certification stating the individual worked in Head Start and for how much time.

Cause

The District has a policy to obtain semi-annual certifications based on his or her base position and that is the only certification obtained. The three employees noted without certifications did not have Head Start as their base position.

Questioned Costs

Could not be determined.

Context

Three out of thirty six employees tested did not have the proper time and effort certification. This sample was not statistically valid.

Effect

The District’s lack of certifications may lead to the District claiming more funds than what the District is eligible to receive based on time actually worked by employees in the program.

Recommendation

We recommend management adjust their current process so that salary certifications are obtained for all employees whose salaries and benefits are recorded to a grant program that are not 100% charged to the grant despite the employee's home base.

Management’s Response

There seems to be a system flaw in our PeopleSoft system where when running the query to generate the time and effort listing, the query will only pick up the employees “Home Base”. If an employee is split 50/50 within two funding sources, the employee will only appear on the time and effort listing for the funding source identified as the home base. To alleviate this problem moving forward, finance will obtain an employee listing from the Head Start department and compare with the information generated by the query. This will ensure that all Head Start personnel will be properly included in future time and effort report listing.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-006 - Federal ID Number, Program Name and State Agency

93.600 Head Start, U.S. Department of Health and Human Services
Award Amount - \$8,493,763
Award Number – 05CH8321-05-01

Criteria

Section 1302.15 Subpart (a) of the Head Start Program Performance Standards states "A program must maintain its funded enrollment level and fill any vacancy as soon as possible. A program must fill any vacancy within 30 days."

Condition

Eight out of eleven months during fiscal year 2018, the District did not meet funded enrollment of 1,370 students.

Cause

Funded enrollment was not maintained each month or 30 days after the vacancies were created.

Questioned Costs

None noted.

Context

Funded enrollment was not met in eight out of eleven months. This sample was not statistically valid.

Effect

The District's under-enrollment may lead to the District receiving more funds than what the District is eligible to receive.

Recommendation

We recommend management increase efforts related to maintaining funded enrollment numbers throughout the year.

Management's Response

According to Head Start Program data, under enrollment is resulting from local competition with surrounding preschools that offer parents incentives to join their programs and numerous options provided between K4 board funded seats in the district and Head Start. In addition, the Head Start program provides limited program options for K3 students needing full day availability and families are moving out of state or the country.

Through joint efforts with Student Services, the Head Start (HS) Program recruited children at the Kindergarten Enrollment Fair in February 2018, participated in the Bus Campaign during the summer months, leafleted the community with HS literature, sent postcards to households of children turning 3 years old and canvassed in zip codes with existing Head Start sites and recommended schools to advertise Head Start programming in their respective buildings.

As a result, the existing HS Recruitment Plan was reviewed with the Policy Council and feedback was given to add additional locations to reach families such as foster care agencies, health clinics, refugee centers, check-cashing locations, and Hmong Centers.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-006 (continued)

Management's Response

Moving forward, the Office of Head Start will monitor the program enrollment over a 12-month period in which the program is required to maintain 97% of the funded enrollment of 1370. In addition, the program will be enrolling families that fall within 100-130% above income guidelines.

Through joint efforts, the Office of Academics is committed to ensuring that full-day programming for K3 students is implemented by August 1, 2021, in existing Head Start sites as required by the Head Start Performance Standard, 45 CFR Section 1302.21(c) (2) (iv).

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-007 - Federal ID Number, Program Name and State Agency

93.778 Medical Assistance Program, U.S. Department of Health and Human Services
Award Amount - \$6,044,769
Award Number – N/A

Criteria

In order to bill Wisconsin Medicaid for School Based Services (SBS), an Individualized Education Program (IEP) for each student is to be obtained identifying the covered SBS services.

Condition

One student was billed to the State for SBS services that were not included on his IEP.

Cause

The service required and provided was improperly omitted from the student's IEP during fiscal year 17-18.

Questioned Costs

None noted.

Context

In a sample of 40 students that were provided SBS services, one student did not have the service identified on his IEP. The sample was not statistically valid.

Effect

Unauthorized amounts were billed to Wisconsin Medicaid.

Recommendation

We recommend that the District review what services students are being provided that are being billed to the State to verify that the services correspond with the student's IEP.

Management's Response

The speech pathologists will be asked to review two different reports, 1) the SPED class list report which will list the students in their school who have a speech and language disability or receive speech and language as a related service, and 2) the "SPED services" report which lists all students in their school that have speech and language services listed in the IEP. The speech pathologists will compare the two lists to be sure that all students who should be receiving speech and language services have that service listed in their IEPs.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-008 - Federal ID Number, Program Name and State Agency

93.778 Medical Assistance Program, U.S. Department of Health and Human Services
Award Amount - \$6,044,769
Award Number – N/A

Criteria

In order to receive Medicaid payments, providers of medical services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act).

Condition

Three providers tested were not properly licensed.

Cause

Three individuals providing Medicaid services that were not properly licensed as the District did not perform a review of provider licensure.

Questioned Costs

Could not be determined.

Context

In a sample of 60 providers of medical services, haphazardly selected, three providers did not have appropriate licenses. The sample was not statistically valid.

Effect

The District is not following the provisions of the Medicaid program and are using unlicensed providers which may cause the District to receive more funding than the District is eligible for.

Recommendation

We recommend management ensure service providers are licensed in accordance with Federal, State, and local laws and regulations.

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 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, 2018

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2018-009 - State ID Number, Program Name and State Agency

255.106 Bilingual/Bicultural Aid, Wisconsin Department of Public Instruction
Award Amount - \$1,614,807
Award Number – N/A

Criteria

The State of Wisconsin Single Audit Guidelines for this program require the testing of expenditures reported on the claim forms. Reimbursement may only be made for expenditures for salaries and benefits of personnel participating in and attributable to the program. The amount of each teacher's salary and benefits that is reimbursable is based on the percentage of students considered to be English Learners (EL) to the total number of students enrolled in that teacher's specific school and grade. Percentage claimed for each employee should be supported by proper data.

Condition/Context

In a sample of forty teachers and administrative staff tested, four employees' percentages of salaries and benefits claimed could not be agreed to supporting data due to lack of documentation to support the percentage. The sample was not statistically valid.

Cause

Documentation supporting the amount claimed was not maintained.

Questioned Costs

Could not be determined.

Effect

The reporting to Wisconsin Department of Public Instruction for reimbursement may cause the District to receive more or less state funding than what the District is eligible to receive.

Recommendation

We recommend that the District implement a process in which supporting documentation for the calculation of the employees' percentages of allowable salaries and benefits is maintained and reviewed for accuracy.

Management's Response

The District is working to implement the following process. 1) Bilingual and Multicultural Education (BME) department receives the Staff Verification information form from each school principal 2) BME secretary opens the claim for each school, to update information in each column of the Staff Verification information form and 3) We will base the percentage of salaries and benefits claimed, by the number of ELs that took the ACCESS language assessment in each classroom

MILWAUKEE PUBLIC SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended June 30, 2018

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

FINDING 2017-001:

Current Status

This finding is still ongoing in the year under audit. See finding 2018-001.

FINDING 2017-002:

Current Status

This finding is still ongoing in the year under audit. See finding 2018-002.

FINDING 2017-003:

State ID Number, Program Name and State Agency

255.107 Pupil Transportation, Wisconsin Department of Public Instruction

Current Status

This finding is still ongoing in the year under audit. See finding 2018-003.

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

Current Status

This finding is still ongoing in the year under audit. See finding 2018-004.

FINDING 2017-005:

State ID Number, Program Name and State Agency

93.600 Head Start, U.S. Department of Health and Human Services

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

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

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 yes no
Department of Workforce Development yes no
Department of Revenue yes no

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

Name and signature of partner [Handwritten signature]

Wendi M. Unger, CPA, Partner

Date of report February 11, 2019