

(ATTACHMENT 5) ACTION ON RECEIPT OF THE FISCAL YEAR-END 2011 AUDIT REPORTS

MILWAUKEE PUBLIC SCHOOLS
Milwaukee, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

As of and for the Year Ended June 30, 2011

MILWAUKEE PUBLIC SCHOOLS

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June 30, 2011

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INDEPENDENT AUDITORS' 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

To The Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools ("District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2011. Our report was modified due to the implementation of Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 to be a material weakness. This material weakness is listed as item 2011-01.

To The Board of Directors
Milwaukee Public Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

We noted certain matters that we reported to management of the District in a separate letter dated December 14, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedules of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

Baker Tilly Vinick & Bause, LLP

Milwaukee, Wisconsin
December 14, 2011



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT
GUIDELINES AND THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE
AWARDS

To The Board of Directors
Milwaukee Public Schools
Milwaukee, Wisconsin

Compliance

We have audited the Milwaukee Public School's ("District") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and major state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133 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 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. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2011-02 and 2011-03.

To The Board of Directors
Milwaukee Public Schools

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedules of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Milwaukee Public School's basic financial statements. Our report was modified due to the implementation of Governmental Accounting Standards Board Statement No. 54. The accompanying schedules of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To The Board of Directors
Milwaukee Public Schools

The District's responses to the findings identified in our audit are described in the accompanying schedules of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

Baker Tilly Veitch Krause, LLP

Milwaukee, Wisconsin
January 27, 2012 except for the Schedules
of Expenditures of Federal and State Awards
as to which the date is December 14, 2011

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
Federal Programs							
U.S. Department of Agriculture							
Passed Through Wisconsin							
Department of Public Instruction:							
Child Nutrition Cluster:							
School Breakfast Program	10.553						
7/1/09-6/30/10			\$ 1,432,139	—	1,432,139	—	—
		0.2600 Full Price					
		1.4400 Reduced-Severe					
		1.1600 Reduced-Non-S					
		1.7400- Free-Severe					
		1.4600-Free-Non- S					
7/1/10-6/30/11			—	8,866,793	6,583,252	—	2,283,541
		0.2600 Full Price					
		1.4600 Reduced-Severe					
		1.1800 Reduced-Non-S					
		1.7600- Free-Severe					
		1.4800-Free-Non- S					
National School Lunch Program	10.555						
7/1/09-6/30/10			3,678,734	—	3,678,734	—	—
		0.2700 Full Price					
		2.3000 Reduced					
		2.7000 Free					
		0.7400 Free Snacks					
7/1/10-6/30/11			—	23,881,082	17,887,609	—	5,993,473
		0.2800 Full Price					
		2.3400 Reduced					
		2.7400 Free					
		0.7400 Free Snacks					
Food Distribution	10.555						
				2,608,318	2,608,318	—	—
Summer Food Service Program for Children	10.559						
7/1/09-6/30/11			—	1,434,506	1,222,794	—	211,712
Subtotal - Child Nutrition Cluster			5,110,873	36,790,699	33,412,846	—	8,488,726
Child and Adult Care Food Program	10.558						
7/1/09-6/30/10			193,197	—	193,197	—	—
		0.2500 Full Price					
		2.2800 Reduced					
		2.6800 Free					
7/1/10-6/30/11			—	1,372,854	1,139,620	—	233,234
		0.2500 Full Price					
		2.2800 Reduced					
		2.6800 Free					

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
U.S. Department of Agriculture (continued)							
Passed Through Wisconsin Department of Public Instruction: School Breakfast Enhancement 9/1/09-09/30/10	10.500	28,873	--	14,215	28,873	--	(14,658)
Fresh Fruits and Vegetable Program 10/1/09-6/30/10	10.582	277,206	277,206	--	277,206	--	--
10/1/10-6/30/11		481,462	--	281,300	--	--	281,300
7/1/10-9/30/10		59,506	--	30,878	30,878	--	--
ARRA-Summer Food Service-TANF 6/01/10-9/30/11	10.579	145,501	--	145,501	145,501	--	--
Total - U.S. Department of Agriculture			5,581,276	38,635,447	35,228,121	--	8,988,602
U.S. Department of Justice							
Direct Program:							
Summer Stars Teen Program 7/1/09-6/30/10	16.541	350,000	31,450	172,341	203,791	--	--
3/1/11-8/31/11		200,000	--	37,870	--	--	37,870
Subtotal - Direct Programs			31,450	210,211	203,791	--	37,870
Passed Through State of Wisconsin Safe Street Initiative 6/15/07-4/30/10	16.744	150,000	8,579	--	1,196	--	7,383
Subtotal - State			8,579	--	1,196	--	7,383
Passed Through Best Friends National Juvenile Justice Program 9/1/07-8/31/08	16.540	40,080	12,482	--	--	12,482	--
10/1/08-9/30/09		29,830	914	--	--	914	--
Subtotal - Best Friends			13,396	--	--	13,396	--
Total - U.S. Department of Justice			53,425	210,211	204,987	13,396	45,253
US Department of Labor							
Direct Program							
Futures First Initiative 7/1/07-6/30/11	17.261	4,800,000	304,008	107,440	385,828	4,401	21,219
Futures First Initiative- Supplement 7/1/09-6/30/11	17.261	1,060,000	105,062	621,040	529,286	--	196,816

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
US Department of Labor (continued)							
Passed Through Milwaukee Area Workforce Investment Board WIA Youth Activities	17.259						
7/1/09-6/30/10		40,000	40,000			40,000	
1/1/11-12/31/11		21,000		20,000	4,786		15,214
10/1/09-6/30/11		11,680		8,060	11,680		(3,620)
Passed Through Waukesha-Ozaukee-Wash. Workforce Develop Wired	17.261						
8/1/09-3/31/10		71,784	27,997		27,997		
Total - U.S. Department of Labor			477,067	756,540	959,577	44,401	229,629
U.S. Department of Transportation							
Direct Program Garrett A. Morgan Technology and Transportation	20.200						
8/1/10-7/31/11		100,000		42,324			42,324
Passed through the Wisconsin Department of Transportation Safe Routes to School	20.205						
12/17/07-10/31/10		250,000	(16,037)	69,151	58,182		(5,068)
Total - U.S. Department of Transportation			(16,037)	111,475	58,182		37,256
National Science Foundation							
Passed Through UW-Milwaukee Milwaukee Math Partnership	47.076						
9/1/09-8/31/10		245,397	39,465	76,459	115,924		
Milwaukee Math Partnership #2	47.076						
1/1/10-12/31/10		29,328		29,328	29,328		
1/1/11-12/31/11		29,328		11,942	6,355		5,587
Passed Through Twin Cities Public Television SciGirls in Espanol	47.076						
7/1/10-6/30/11		7,500		6,661	6,500		161
Total - National Science Foundation			39,465	124,390	158,107		5,748

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimbursements	Local share	
U.S. Department of Education							
Direct Programs:							
Indian Education – Formula Grants to Local Educational Agencies	84.060	258,521 248,600	31,466 —	3,936 231,003	35,402 185,115	— —	— 45,888
7/1/09-6/30/10							
7/1/10-6/30/11							
Commitment to a Partnering Community	84.128J	139,998 117,586	16,822 —	45,031 55,095	61,853 42,864	— —	— 12,231
10/1/9-9/30/10							
10/1/10-9/30/11							
Safe Schools/Healthy Students	84.184L	2,246,281 4,356,469	176,879 —	406,058 1,424,842	582,937 1,099,749	— —	— 325,093
9/1/09-8/31/10							
9/1/10-8/31/11							
Teaching American History	84.215X	989,104 1,000,000	26,486 42,474	362,222 392,124	375,690 387,514	— —	13,018 47,084
7/15/09-7/14/14							
7/1/08-6/30/11							
Smaller Learning Community –	84.215	6,285,780	71,027	318,523	364,164	—	25,386
10/1/07-9/30/12							
Carol White Phy Ed	84.215	485,676	113,668	9,267	122,935	—	—
6/1/09-5/31/10							
SYSTEM Connections	84.215K	332,988	159,458	158,913	318,371	—	—
9/15/09-9/14/10							
MPS Community Learning Centers	84.215K	110,000	—	27,500	—	—	27,500
9/14/10-9/16/11							
After School Programming	84.215K	95,000	49,000	45,653	94,653	—	—
10/1/09-9/30/10							
After School Activities for Youth	84.215K	1,142,000	569,750	552,151	1,121,901	—	—
10/1/09-9/30/10							
Advanced Placement Incentive	84.330C	2,634,785	333,808	1,009,933	1,047,399	—	296,342
10/1/08-9/30/11							
Arts in Education-Development and Dissemination	84.351D	265,527 275,000	66,432 —	7,569 132,779	74,001 105,114	— —	— 27,665
7/1/09-6/30/10							
7/1/10-6/30/11							

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program award amount or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local shares	
U.S. Department of Education (continued)							
Direct Programs:							
Building Blocs to Literacy 10/1/06-9/30/09	84.359B	4,190,467	93,226	220,210	313,436	--	--
Improving Literacy Through School Libraries 9/1/09-8/31/10	84.364	500,000	56,622	270,478	327,100	--	--
Teacher Incentive Fund 10/1/10-9/30/13	84.374A	1,449,106	--	203,651	147,824	--	55,827
Subtotal - Direct Programs			1,807,118	5,876,938	6,808,022	--	876,034
Passed Through Wisconsin Department of Public Instruction:							
Title I, Part A Cluster:							
Title I - Grants to Local Education Agencies 7/1/09-6/30/10	84.010	88,891,567	19,393,260	--	19,393,260	--	--
7/1/10-6/30/11		85,055,745	--	64,010,024	51,373,038	--	12,636,986
Title I - Supplemental School Improvement 7/1/09-6/30/10	84.010	4,235,000	1,626,744	115,108	1,741,852	--	--
7/1/10-6/30/11		3,700,000	--	3,404,538	2,060,388	--	1,344,150
Title I - School of Recognition 7/1/09-6/30/10	84.010	30,978	(2,424)	2,424	--	--	--
7/1/10-6/30/11		25,019	--	4,114	28,000	--	(23,886)
Title I - Supplemental SIG for Cohort 1 7/1/10-6/30/11	84.010	1,677,043	--	1,690,575	309,143	13,529	1,367,903
Title I - School of Recognition Grant 2/25/11-6/30/12	84.389	1,000,000	--	--	--	--	--
ARRA-Title I-A 2/17/09-9/30/11	84.389	64,486,178	13,654,949	40,429,247	44,784,974	--	9,299,222
ARRA-Title I-School Improvement 7/1/09-6/30/11	84.389	1,540,231	194,594	600,220	794,814	--	--
Subtotal - Title I, Part A Cluster			34,867,123	110,256,250	120,485,469	13,529	24,624,375

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

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					Grantor reimbursements	Local share	
U.S. Department of Education (continued)							
Passed Through Wisconsin Department of Public Instruction:							
Special Education Cluster (IDEA):							
High Cost Special Ed Aid	84.027	—	281	20,617	17,147	—	3,751
Special Education-Grants to States	84.027	23,200,511	3,495,814	—	3,495,814	—	—
7/1/09-6/30/10		19,815,289	—	12,437,280	10,786,089	—	1,651,191
7/1/10-6/30/11							
Early Intervention Services	84.027	2,427,276	595,197	—	595,197	—	—
7/1/09-6/30/10		3,665,940	—	3,499,869	903,154	—	2,596,715
7/1/10-6/30/11							
Special Education-Preschool Grants (Entitlement)	84.173	1,567,775	416,067	19,402	435,469	—	—
7/1/09-6/30/10		1,210,650	—	1,193,940	986,788	—	207,152
7/1/10-6/30/11							
ARRA-IDEA Flowthrough	84.391	29,710,982	2,124,414	22,880,357	15,991,556	—	9,013,215
2/17/09-6/30/11							
ARRA-IDEA-Preschool	84.392	1,406,650	260,953	895,541	826,672	—	329,822
2/17/09-6/30/11							
Subtotal - Special Education Cluster (IDEA)			6,892,726	40,947,006	34,037,886	—	13,801,846
Education Technology State Grants Cluster:							
Title II-D Enhancing Education Through Technology	84.318	195,063	96,878	—	96,878	—	—
7/1/09-6/30/10							
Title II-D Enhancing Education Through Technology - School Technology Support -	84.318	885,874	130,642	45,428	176,070	—	—
7/1/09-6/30/10		124,872	—	65,490	54,744	—	10,746
7/1/10-6/30/11							
ARRA-Title II-D	84.386	1,921,336	29,165	1,285,094	713,631	—	600,628
2/17/09-6/30/11							
ARRA-Title II D Enhancing Education Through Technology	84.386A	193,513	—	96,209	33,261	—	—
7/1/10-6/30/11							
ARRA-Title II D Enhancing Education Through Technology	84.386A	308,000	240	225,442	232,656	—	(6,974)
7/1/09-9/30/2011							
ARRA-Title II D- Tier 1 Online Grant	84.386A	40,000	—	27,088	2,710	—	24,378
7/1/10-9/30/11							
Subtotal - Education Technology State Grants Cluster			256,925	1,744,751	1,309,950	—	691,726

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
U.S. Department of Education (continued)							
Passed Through Wisconsin Department of Public Instruction:							
School Improvement Grants Cluster							
Title I - Supplemental School Improvement Grant 7/1/09-6/30/10	84.377A	3,755,341	1,078,079	—	1,078,079	—	—
7/1/10-6/30/11		2,562,060	—	2,643,976	903,502	81,916	1,658,558
ARRA-Title I - Supplemental School Improvement Grant 7/1/10-6/30/13	84.388	14,902,399	—	9,128,894	7,010,659	—	2,118,235
Subtotal - School Improvement Grants Cluster			1,078,079	11,772,870	8,992,240	81,916	3,776,793
Title I - Reading First 7/1/09-6/30/10	84.357	754,000	292,004	135,545	427,549	—	—
Title I - Striving Readers 10/1/09-9/30/10	84.371A	1,270,875	347,489	375,002	722,491	—	—
10/1/10-9/30/11		1,817,843	—	1,314,095	919,368	—	394,727
Carl D. Perkins Vocational Education Act - Basic Grants to States 7/1/09-6/30/10	84.048	2,326,509	715,659	53,943	769,602	—	—
7/1/10-6/30/11		1,962,703	—	1,763,182	1,234,955	—	528,227
Safe and Supportive Schools 10/1/10-6/30/11	84.184	200,000	—	60,371	1,771	—	58,600
Safe and Drug-Free Schools and Communities 7/1/09-6/30/10	84.186	1,281,043	157,164	20,039	177,203	—	—
7/1/10-6/30/11		151,639	—	150,393	123,332	—	27,061
Education for Homeless Children & Youth Cluster Education for Homeless Children & Youth 7/1/09-6/30/10	84.196	134,400	24,198	1,210	25,408	—	—
7/1/10-6/30/11		116,800	—	120,878	115,290	4,078	1,510
ARRA-Homeless Children 2/1/09-6/30/11	84.387	106,252	33,426	62,848	87,717	—	8,557
Subtotal - Education for Homeless Children & Youth Cluster			57,624	184,936	228,415	4,078	10,067

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program award amount or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
U.S. Department of Education (continued) Passed Through Wisconsin Department of Public Instruction:							
Charter School Planning Grants 8/1/09-7/31/10	84.282	250,000	107,222	57,871	165,093	—	—
Charter School Implementation Grants 8/1/09-7/31/10	84.282	500,000	269,300	141,938	411,238	—	—
8/1/10-7/31/11		250,000	—	208,411	107,712	—	100,699
Charter Dissemination Grant 8/1/09-7/31/10	84.282	125,000	21,700	—	21,700	—	—
8/1/10-7/31/11		250,000	—	91,357	56,555	—	34,802
21st Century Community Learning Ctrs 7/1/09-6/30/10	84.287	121,069	74,697	14,948	89,252	—	393
21st Century Community Learning Ctrs 7/1/09-6/30/10	84.287	1,200,000	624,091	215,565	839,656	—	—
7/1/10-6/30/11		1,291,819	—	1,116,607	678,684	—	437,923
21st Century Community Learning Ctrs 7/1/09-6/30/10	84.287	250,000	102,988	2,929	105,917	—	—
7/1/10-6/30/11		253,234	—	252,721	248,869	—	3,852
21st Century Community Learning Ctrs 7/1/09-6/30/10	84.287	600,000	345,806	104,752	450,558	—	—
7/1/10-6/30/11		573,702	—	480,788	296,429	—	184,359
21st Century Community Learning Ctrs 7/1/09-6/30/10	84.287	1,650,000	869,353	32,371	901,724	—	—
7/1/10-6/30/11		1,060,608	—	1,023,670	984,443	—	39,227
21st Century Community Learning Ctrs 7/1/09-6/30/10	84.287	800,000	446,969	52,960	499,929	—	—
7/1/10-6/30/11		606,950	—	602,904	547,469	—	55,435
21st Century Community Learning Ctrs 7/1/10-6/30/11	84.287	400,000	—	369,075	259,348	—	109,727
21st Century Community Learning Ctrs 7/1/10-6/30/11	84.287	250,000	—	171,471	110,292	—	61,179

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
U.S. Department of Education (continued)							
Passed Through Wisconsin Department of Public Instruction:							
Foreign Language Acquisition Grant Title III - Bilingual/ESL No One Left Behind 7/1/09-6/30/10 7/1/10-6/30/11	84.365	1,283,382 1,249,070	322,770 —	50,221 1,032,493	372,991 751,283	— —	281,210
Immigrant Children and Youth Project 7/1/09-7/31/10 7/1/10-7/31/11	84.365	145,521 150,000	4,152 —	54,617 67,704	58,711 48,779	— —	58 18,925
Title II-A - Quality Teachers and Principals 7/1/09-6/30/10 7/1/10-6/30/11	84.367	13,188,907 12,202,125	2,314,327 —	131,552 12,299,390	2,356,524 9,635,132	89,355 —	2,664,258
Subtotal - Wisconsin Department of Public Instruction			50,168,168	187,354,698	189,428,519	188,878	47,905,469
Passed Through Wisconsin Department of Administration ARRA - Education Jobs Fund 8/10/10-6/30/11	84.410	14,421,864	—	14,421,638	9,561,086	—	4,860,552
Passed Through Wisconsin Workforce Development Vocational Rehabilitation 7/1/09-6/30/10	84.126A	17,000	4,250	—	—	—	4,250
Passed Through Milwaukee Area Technical College Carl Perkins Tech Prep 12/1/09-11/30/10 7/1/10-6/30/11	84.048	12,228 28,711	(7,412) —	3,037 16,443	(4,375) 29,806	— —	(13,363)
Tech Prep 12/1/09-11/30/10 7/1/10-6/30/11	84.048	9,201 2,405	(5,004)	2,599 2,405	(2,405) 2,405	— —	—
Tech Prep Counselors 7/1/09-6/30/11	84.048	12,500	(928)	124	—	—	(804)

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program award amount or	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
U.S. Department of Education (continued)							
Passed Through the University of Milwaukee Title II-B Mathematics and Science Partnership 7/1/09-8/31/10 7/1/10-8/31/11	84.366B	127,711	15,058	75,187 80,646	90,245 16,822	--	-- 63,824
Passed Through Center for Civic Education School Violence Prevention 5/1/09-4/30/10 7/1/10-4/30/11	84.304D	39,584 28,630	(11,932)	-- 3,868	(11,932) 14,316	--	-- (10,448)
Total - U. S. Department of Education			51,969,318	207,837,583	205,932,509	188,878	53,685,514
U.S. Department of Health and Human Services							
Head Start Cluster: Direct Program: Administration For Children, Youth and Families 11/1/09-10/31/10 11/1/10-10/31/11 ARRA-Head Start-COLA 7/1/09-5/31/11 ARRA Head Start-Expansion 9/30/09-9/29/11	93.600 93.708 93.708	5,915,680 6,126,565 466,424 1,003,512	1,951,192 -- 22,275 32,648	1,501,205 4,708,737 360,943 593,524	3,452,397 2,774,080 383,218 523,935	--	-- 1,934,657 -- 102,237
Passed Through Social Development Commission SDC/MPS Integrated Services 7/1/09-6/30/10 7/1/10-6/30/11	93.600	103,214 127,014	16,556 --	-- 126,424	16,556 87,786	--	-- 38,638
Direct Program: Specialty Selected Health Programs 9/1/10-8/31/11	93.888	198,000	--	108,000	108,000	--	--
Subtotal - Head Start Cluster			2,022,671	7,290,833	7,237,972	--	2,075,532

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
U.S. Department of Health and Human Services (continue) Passed Through State Department of Health Services Medicaid 7/1/09-6/30/10 7/1/10-6/30/11	93.778	--	500,392	--	500,392 1,427,493	--	3,635,039
Medicaid Infrastructure Grant 1/1/10-12/31/10 1/1/11-12/31/11	93.768	20,000 17,200	280	3,649 11,148	1,834	--	2,095 11,148
Passed through Center for Disease Control to Wis DPI Wisconsin Movin' Schools 7/1/09-6/30/10 7/1/10-6/30/11	93.938	2,542 1,279	(1,416)	387 636	(1,029) 1,529	--	-- (893)
Passed Through Center for Disease Control Asthma Project/Youth Risk Behavior 3/1/10-2/28/11 3/1/11-2/28/12	93.938	239,909	24,519	197,055 84,543	221,574 45,224	--	-- 39,319
Passed Through Social Development Commission CSBG ARRA - Lindsay Heights Neighborhood Development 10/1/09-8/31/10	93.710	86,325	1,939	51,134	52,941	132	--
Passed Through Wisconsin Department of Public Instruction: ARRA- Prevention and Wellness Component 1 6/1/10-1/31/12	93.723	60,000	--	20,655	14,927	--	5,728
HIV/STD Human Growth and Development 4/15/09-2/28/10 4/15/10-2/28/11 4/15/11-2/28/12	93.938	20,000 20,000	11,370 4,628	-- 14,186 4,785	11,370 20,242 2,620	--	-- (1,428) 2,165
Refuge Impact Grant 8/15/09-8/14/10 8/15/10-8/14/11	93.576	74,741 25,000	11,471	7,361 17,010	18,832 5,182	--	-- 11,828

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program award amount or	Accrued receivable (deferred revenue) July 1, 2010	Federal Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
U.S. Department of Health and Human Services (continue)							
Passed Through Best Friends Foundation Healthy Marriage Initiative 10/1/07-9/29/08	93.086	41,925	1,756	—	—	1,756	—
10/1/08-9/29/09		41,925	3,218	—	—	3,218	—
10/1/09-9/29/10		41,925	8,638	7,655	6,626	—	9,667
CBAE 10/1/09-9/30/10	93.010	52,480	18,045	6,674	24,719	—	—
Passed Through Rosalie Manor SPRANS Project 7/1/09-6/30/10	93.110	66,285	17,480	7,927	25,407	—	—
Milwaukee AHEC-Forest Home 12/1/09-11/30/10	93.107	1,250	(1,250)	—	(1,250)	—	—
12/1/10-11/30/11		1,250	—	—	1,250	—	(1,250)
Total - U.S. Department of Health and Human Services			2,623,741	12,896,170	9,725,855	5,106	5,788,950
Corporation for National and Community Service							
Passed Through Wisconsin Department of Public Instruction: Learn and Serve America 9/1/09-6/30/10	94.004	8,868	4,387	52	4,439	—	—
9/1/10-6/30/11		8,868	—	8,656	4,524	—	4,132
Passed Through State of Wisconsin MPS Graduation Project 10/1/10-9/30/11	94.006	259,999	—	151,852	83,935	—	67,917
US Department of Homeland Security							
Passed Through Wisconsin Department of Military Affairs, Division of Emergency Management Disaster Grants - Public Assistance	93.066	225,859	—	225,859	225,859	—	—
Total Federal Awards			\$ 60,732,642	260,958,235	252,586,095	251,781	68,853,001

See notes to Schedules of Federal and State Awards.

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	State Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
State Programs:							
Cost Reimbursement Programs							
Wisconsin Department of Workforce Development							
Youth Apprenticeship Grant	445.107						
7/1/08-6/30/09		45,532	599			599	
7/1/09-6/30/10		37,800	5,470	32	230	5,272	
7/1/10-6/30/11		18,000		18,000	551		17,449
Total - Governor's Work-Based Learning Board			6,069	18,032	781	5,871	17,449
Wisconsin Department of Public Instruction							
Grants for Improving Student Achievement	255.215	9,650,000		9,650,000	9,044,913		605,087
Peer Review and Mentoring	255.301		4,224	1,135	5,359		
7/1/09-6/30/10		20,000		16,191	11,748		4,443
7/1/10-6/30/11		17,000					
Grants for Preschool to Grade 5 Programs	255.305		715,328		715,328		
7/1/09-6/30/10		3,998,383			2,691,362		1,191,850
7/1/10-6/30/11		3,883,232		3,883,232			
Alcohol and Other Drug Abuse (Chapter 331)	255.306		57,409	39,855	94,227	3,037	
7/1/09-6/30/10		269,080		225,635	198,990		26,845
7/1/10-6/30/11		269,080					
AODA Mini-Grant & Wisconsin AOD Education Network	255.306		6,053	7,390	6,054		7,389
7/1/09-6/30/10		18,500		14,230	3,867		10,363
7/1/10-6/30/11		20,000					
AODA Mini-Grant & Wisconsin AOD Alcohol/Traffic Safety	255.307		313	1,424	313		1,424
7/1/09-6/30/10		2,000		1,756	610		1,146
7/1/10-6/30/11		2,000					
HeadStart Supplement	255.327		71,507	92,358	163,865		78,876
7/1/09-6/30/10		329,175		325,538	246,662		
7/1/10-6/30/11		329,175					
Alternative Education	255.330		17,403	4,670	22,073		
7/1/09-6/30/10		91,675		51,226	13,054		38,172
7/1/10-6/30/11		55,005					
Gifted and Talented Students	255.350		5,552	16,772	19,305	3,019	
7/1/09-6/30/10		19,305		7,110			7,110
7/1/10-6/30/11		16,000					

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	State Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
Wisconsin Department of Public Instruction (continued)							
AP Growth Program	255.351						
1/1/10-12/31/10		22,372	(21,748)	13,866	—	—	(7,882)
1/1/11-12/31/11		44,224	—	—	36,342	—	(36,342)
Mentoring Grants for Initial Educators	255.355						
7-1/09-6/30/10		199,194	(73,296)	8,689	—	—	(64,607)
7/1/10-6/30/11		147,107	—	9,635	82,500	—	(72,865)
STEM- Verdant South	255.929						
7/1/10-6/30/11		4,660	—	1,274	—	—	1,274
STEM- Aquaponics	255.929						
7/1/09-6/30/10		4,804	1,861	1,400	3,261	—	—
7/1/10-6/30/11		4,660	—	75	—	—	75
Wallace Fellows	255.910						
7/1/09-6/30/10		183,356	(4,387)	21,385	16,998	—	—
American Indian Language	255.364						
7/1/10-6/30/11		15,900	—	5,845	4,164	—	1,681
Student Achievement Guarantee in Education -	255.504						
7/1/10-6/30/11		28,772,307	—	28,772,307	28,772,576	—	(269)
Project Lead the Way	255.923						
7/1/09-6/30/10		15,647	(647)	—	—	—	(647)
7/1/10-6/30/11		14,443	—	—	13,796	—	(13,796)
Total - Wisconsin Department of Public Instruction			779,572	43,172,998	42,167,387	6,056	1,779,127
Wisconsin Department of Military Affairs Division of Emergency Management State Flood Assistance	465.305						
7/1/10-6/30/11		37,643	—	37,643	37,643	—	—
Wisconsin Department of Health Services School Nursing Supplement	435.XXX						
7/1/09-6/30/10		1,522,036	1,442,895	29,478	1,472,373	—	—
7/1/10-6/30/11		1,522,036	—	1,522,036	1,522,036	—	—
University of Wisconsin Madison Things Fall Apart in Wisconsin	XXX						
7/1/09-6/30/10		500	(386)	—	—	—	(386)
Total State Financial Awards							
Cost Reimbursement Programs							
			\$ 2,228,150	44,780,187	45,200,220	11,927	1,796,190

MILWAUKEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year ended June 30, 2011

Awarding agency pass-through agency award description	Federal or state catalog number	Program or award amount	Accrued receivable (deferred revenue) July 1, 2010	State Expenditures	Revenues		Accrued receivable (deferred revenue) June 30, 2011
					Grantor reimburse- ments	Local share	
State Programs:							
Entitlement Programs							
Wisconsin Department of Public Instruction							
Direct Program:							
Aids for Handicapped Education	255.101	(a) \$	—	—	49,429,225	—	—
State Lunch Program	255.102	(a)	—	—	398,677	—	—
Common School Fund-Library	255.103	(a)	—	—	4,127,179	—	—
Transportation Aid	255.107	(a)	—	—	2,643,775	—	—
Nutrition Improvement for the Elderly	255.108	(a)	—	—	180	—	—
Equalization Aid-General	255.201	(a)	9,213,423	—	513,856,904	—	9,173,840
Integration Aid-Non-Resident	255.204	(a)	—	—	3,027,958	—	—
Integration Aid-Resident	255.205	(a)	—	—	36,130,070	—	—
Children at Risk	255.207	(a)	—	—	1,461,180	—	—
Bilingual/Bicultural Education	255.106	(a)	—	—	2,264,355	—	—
School Breakfast Aid (SSBA)	255.344	(a)	—	—	606,016	—	—
High Cost Special Ed	255.210	(a)	—	—	81,508	—	—
High Poverty Aid	255.926	(a)	—	—	9,740,560	—	—
Tuition Payments from State	255.401	(a)	—	—	498,973	—	—
Total - Wisconsin Department of Public Instruction			9,213,423	—	624,266,560	—	9,173,840
Wisconsin Department of Revenue							
Computer Aid	xxx.xxx	(a)	4,327,394	—	4,327,394	—	5,821,429
Total - Wisconsin Department of Revenue			4,327,394	—	4,327,394	—	5,821,429
Total State Awards - Entitlement Programs			13,540,817	—	628,593,954	—	14,995,269
Total State Awards			15,768,967	44,760,187	673,794,174	11,927	16,791,459
Total Federal and State Financial Assistance		\$	76,501,609	305,738,422	926,380,269	263,708	85,644,460

(a) Allocation of funding is in accordance with a distribution formula prescribed by law or administrative regulation.

See notes to Schedules of Federal and State Awards.

MILWAUKEE PUBLIC SCHOOLS

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2011

(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 Provisions of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, 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.

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. Major federal financial award programs are defined in the Single Audit Act of 1996. 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 2011 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.

(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.

(4) Program Disclosures

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

MILWAUKEE PUBLIC SCHOOLS

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2011

(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 \$201,538,822 for the year ended June 30, 2011.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> X </u>	yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u>	yes	<u> X </u> none reported
Noncompliance material to the financial statements noted?	<u> </u>	yes	<u> X </u> no

Federal and State Awards

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

Type of auditor's report issued on compliance of federal or state award programs:	
Federal	Unqualified
State	Unqualified

Any audit findings disclosed that are required to be reported in accordance with 510 (a) of Circular A-133?	<u> X </u>	yes	<u> </u> no
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Any audit findings disclosed that are required in accordance with State Single Audit Guidelines?	<u> X </u>	yes	<u> </u> no
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Dollar threshold used to distinguish between Type A and Type B programs	
Federal	\$3,000,000
State	\$100,000

Auditee qualified as low-risk auditee for Federal and State?	<u> X </u>	yes	<u> </u> no
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Identification of major federal programs:

<u>CFDA NUMBERS</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.389	Title I, Part A Cluster
84.367	Title II A Improving Teacher Quality
84.377A/84.388	School Improvement Grants Cluster
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)
84.410	ARRA Education Jobs Fund
93.778	Medicaid

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION I: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

Identification of major state programs:

<u>State Identification Numbers</u>	<u>Name of State Program or Cluster</u>
255.101	Handicapped Pupils and School Age Parents
255.107	Pupil Transportation Aid
255.201	Equalization Aid
255.204	Integration Transfer Aid - Nonresident
255.205	Integration Transfer Aid - Resident
255.504	SAGE

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 2011-01: CONTRACT POLICY COMPLIANCE AND RELATED CONTROLS EVALUATION

Condition: During the FY11 audit process a selection of contracts and purchases were tested for compliance with the District's Administrative Policy 3.09 and the significant modification made to it by the school board on November 18, 2010, and evaluated as to whether or not the controls were adequate and functioning appropriately. It is important to note that the modification made on November 18, 2010, was effective immediately, without any phase – in period. Transactions tested that may have been in compliance with District's Administrative Policy 3.09 prior to the November 18, 2010 board item may have become non-compliant subsequent to the November 18, 2010, modifications.

Internal control is a process – affected by an entity's governing body, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

The testing resulted in the following control and compliance issues:

1. Due to the decentralized structure of the district's procurement process, there were cases where pricing and terms were not negotiated or bids were not brought current.
2. Contract change orders over \$50,000 are required to go to the Board for approval.
3. Contract pricing is not always readily available upon request.
4. Contracts are at times presented to the Board for approval when MPS Contract Compliance Services has yet to advise whether or not the vendor failed to meet HUB, COIN or Student Engagement requirements of the RFP.
5. Contractors are sent a letter directing them to send their required Insurance Certifications to an MPS insurance contractor for review. The Facilities & Maintenance Division does not receive affirmative confirmation from the MPS insurance contractor to ensure that documents comply with MPS requirements prior to the start of construction. Accordingly, MPS would not know if a vendor chooses to not comply and not submit insurance documents for review.
6. Under Board action on September 24, 2009, a monthly report of all contracts under \$25,000 is required to be sent to the Board. Our review found that contracts and purchase orders under \$25,000 originating in the district's AiM system (cost accounting and building management system) were not being included in the monthly reports to the Board.
7. Under Board Action on November 18, 2010 all contracts that bind the district to an amount exceeding \$50,000 or with a cumulative total exceeding \$50,000 and any given budget year shall be brought to the Board for approval and must be signed by the Board. Our review showed instances where this was not occurring.

Criteria: Internal controls should be in place that provide reasonable assurance that compliance with the District's Administrative Policy 3.09 and the significant modification made to it by the school board on November 18, 2010 will occur.

Cause: Compliance with the District's Administrative Policy 3.09 and the significant modification made to it by the school board on November 18, 2010 were not in all cases being followed by the District.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

FINDING 2011-01: CONTRACT POLICY COMPLIANCE AND RELATED CONTROLS EVALUATION (CONTINUED)

Effect: Because of the lack of contract policy compliance, the accounting records may be inaccurate.

Recommendation: Subsequent to year-end District management recognized the need for an evaluation of the policy and its modification on November 18, 2010, and the importance for improving the internal controls over the contract process. Management has taken steps to centralize the contracting process. They are also working to revise and enhance Administrative Policy 3.09 so that there is clear communication of what the policy is and also to assist in improving the internal controls over the contracting process. There is also a Six Sigma quality process that is being applied to the contracting process to identify the strengths and weaknesses and areas for improvement. We recommend that the District continue as noted above to re-evaluate the existing policy and related controls and modify as appropriate to address the findings listed.

Management's Response: At the direction of the Board, the district began an initiative in late FY11 to review, analyze and improve the district's contracting and purchasing process. This contracting and purchasing initiative will result in actions and processes that address and affect transactions of the type cited in the findings of this internal control evaluation of contracts.

Steps currently underway include:

- recentralization of contracting;
- improvements to Administrative Policy 3.09 language for clarification and enhancement of internal control;
- implementation of a Six Sigma quality process that analyzes MPS contracting and identifies processes to be changed or implemented in support of contracting efficiency, effectiveness and internal control.

In addition to the above, software in the form of a contract module and a bid management module have been purchased and will be added to the district's IFAS accounting system to support and enhance the contracting and bid management processes. Enhanced reporting tools within IFAS have been put in place to highlight contracting performance and give light to the progress of this initiative. Reporting from the district's AiM system will be included so that the contracts and purchase orders originated within the Facilities division are included in the reporting to the Board.

District management is committed to the administration of and compliance with Board policies. Completion of the steps cited above is expected to result in strong internal control for contracting, with noncompliance being infrequent and resulting from unusual or extenuating circumstances.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2011

SECTION III – FEDERAL AND STATE AWARD FINDINGS

FINDING 2011-02: RECORD KEEPING OF TIME AND EFFORT CERTIFICATION

CFDA Number and Program Name

84.010 & 84.389	Title I, Part A Cluster
84.367	Title II – Improving Teacher Quality
84.377 A & 84.388	School Improvement Grants Cluster
84.027, 84.173, 84.391, & 84.392	Special Education Cluster (IDEA)

Criteria

OMB Circular A-87 establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented. If an employee works solely on one federal program and 100% of their salary or wages are charged to the program, the District must obtain a certification from the employee or their direct supervisor that 100% of their time is spent on the single federal program. This certification must be kept on file and is required to be obtained at least every six months. However, if an employee works on multiple activities (cost objectives), monthly personnel activity reports must be completed and signed by the employee. The personnel activity report is required to be an after-the-fact distribution of effort and must account for 100% of the employee's activity.

Condition

The District obtains semi-annual certifications for all employees working on federal programs. However, both of the certifications for each employee are signed on the same day. In addition, the District did not obtain monthly certifications signed by the employee for all employees working under multiple programs or cost objectives.

Questioned Cost

Could not be determined

Effect/Context

Inadequate documentation for payroll expenditures costs may result in federal funds being expended for unallowable purposes.

Recommendation

We recommend that the District modify its current process for obtaining employee time and effort documentation to ensure that semi-annual certifications are completed timely and monthly certifications are obtained for all employees working on multiple cost objectives.

Management's Response

With the updated interpretations and forms that have been supplied by the Wisconsin Department of Public Instructions during the 2011-2012 school year, administration will comply with OMB Circular A-87.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2011

SECTION III – FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

FINDING 2011-03: SPECIAL EDUCATION TRANSPORTATION

CFDA Number and Program Name

255.101 Special Education Aid

Criteria

According to Wisconsin Department of Public Instruction - Financial Services Team Wisconsin Public School District Audit Manual and related Special Education Audit Procedures, Special Transportation is defined as a vehicle that contains ONLY "children with disabilities" whose IEP states that the child must have "Special" transportation (cannot ride with "Regular Education" children).

Condition

Two of forty special transportation students tested had an IEP that did not indicate the need for Special transportation.

Questioned Cost

Could not be determined

Effect/Context

The District may be providing Special transportation to ineligible students

Recommendation

We recommend management implement controls to properly ensure that Special transportation is provided to only special education students in need of "Special" transportation and that the need is supported by their IEP.

Management's Response

The District is in full compliance with the requirement to provide "Special" transportation to those students where their IEP requires it. The aforementioned two of special transportation students tested with an IEP with no indication of the need for Special transportation are anomalies.

To achieve the most efficient and responsive transportation system for MPS students, the district utilizes all vehicles to transport students, and does not limit certain vehicles to designated students. Unless where the safety and health of a student warrants separation, regular and/or homeless students may ride with students with Special needs. Often parents desire that the special education student's siblings ride together. To comply with the DPI definition could cost the district between \$2-4 million in additional transportation costs. Furthermore, there are instances where a student initially required the "Special" transportation designation, and later was changed to regular transportation with the "Special" designation removed from their IEP. A regular bus may not be available in that area. To maintain the student's educational continuity, the student will continue to ride the "Special" bus until the end of the year.

The District does not count regular, siblings or homeless students in the Special Education student counts in the Transportation Aid Report. Only those students that have the "Special" designation in their student record are counted as special education. The other students are counted in the regular categories.

MILWAUKEE PUBLIC SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION III: FEDERAL AND STATE AWARD FINDINGS (CONTINUED)

The Milwaukee Public Schools contact official for findings 2011-01, 2011-2, and 2011-03 is as follows:

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

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 X 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	<u> X </u>	yes	<u> </u>	no
Department of Health Services	<u> </u>	yes	<u> X </u>	no
Department of Workforce Development	<u> </u>	yes	<u> X </u>	no
Department of Military Affairs	<u> </u>	yes	<u> X </u>	no
Department of Revenue	<u> </u>	yes	<u> X </u>	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, CPA, Partner

Date of report January 27, 2012

MILWAUKEE PUBLIC SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended June 30, 2011

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

FINDING 10-01: CLASS SIZE

CFDA Number and Program Name

255.504 Student Achievement Guarantee in Education Program (SAGE)
(This program was not audited as a major program in FY10, however this finding existed from FY09 and was determined to still be valid for FY10)

Follow-up on Prior Year's Management Response

Current Status

Corrective action has been taken and this is no longer a finding.

FINDING 10-02: ACUTAL PUPILS TRANSPORTED

CFDA Number and Program Name

255.107 Pupil Transportation Aid

Follow-up on Prior Year's Management's Response

Current Status

Corrective action has been taken and this is no longer a finding.

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