

# **MILWAUKEE PUBLIC SCHOOLS**

Milwaukee, Wisconsin

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE  
AND MANAGEMENT

As of and for the Year Ended June 30, 2017

MILWAUKEE PUBLIC SCHOOLS

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**REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN THE  
AUDIT TO THOSE CHARGED WITH GOVERNANCE**

To the Board of Directors  
of the Milwaukee Public Schools  
Milwaukee, Wisconsin

In planning and performing our audit of the financial statements of Milwaukee Public Schools (District) as of and for the year ended June 30, 2017 in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing 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 its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

Our consideration of internal control was for the limited purpose described in the first 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 were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency 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 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 following deficiency in the District's internal control to be a material weakness:

> Material Audit Adjustment

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 following deficiency in the District's internal control to be a significant deficiency:

> Food Service Invoicing and Three-Way Match

The District's written responses to the material weakness, significant deficiency and status of prior year issues identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
December 21, 2017



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## **MATERIAL WEAKNESS**

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### **Material Audit Adjustment**

As previously stated, internal controls should be designed to provide you with reasonable assurance to achieve reliability of financial reporting. Internal controls should also provide you with the ability to identify and correct material misstatements to your accounting records. Our audit procedures identified material adjustments that were needed to the District's records to properly reflect and record accounts payable in the Capital Projects – Construction Fund. These adjustments indicate that additional emphasis needs to be placed on monitoring and recording of transactions at year end.

#### ***Management's Response, June, 30, 2017***

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

#### ***Baker Tilly Virchow Krause's Updates, June 30, 2017***

This comment will be reevaluated during the 2018 audit.

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## SIGNIFICANT DEFICIENCY

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### Food Service Invoicing and Three-Way Match

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.

#### *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, June 30, 2014*

Starting with the 2014-15 school year, Food Service reviews the electronic files that are sent to IT and provides approval to finance to pay the invoiced amount. Currently, Food Service receives electronic files for upload from four vendors to facilitate accounts payable process. The following controls have been implemented and planned improvements to follow for each of the four vendors.

- **Alpha** – Three-Way Match process has been developed and implemented to ensure accuracy of payments made each month starting September 2014.
- **Kemps** – Three-Way Match process has been developed and implemented to ensure accuracy of payments made each month starting October 2014.
- **Prairie Farms** – Three-Way Match process has been developed and implemented for select schools to ensure accuracy of payments made each month starting February 2015. Three-Way Match is planned for remaining school starting March 2015.
- **US Foods** – Food Service central office staff ensures kitchen staff receives deliveries in OneSource (Food Service inventory management system). Any discrepancies are handled individually with the vendor. Three-Way Match process for this vendor is under development and we expect to start implementation beginning March 2015.

#### *Management's Response, June 30, 2015*

Starting in the 2014-15 school years, Nutrition Services reviews electronic files that are sent to IT and provides approval to finance to pay the invoiced amount. Nutrition Services receives electronic files for upload from four vendors to facilitate the accounts payable process.

- **Alpha** – Three-Way Match process was developed and implemented to ensure accuracy of payments made each month starting September 2014.
- **Kemps** – Three-Way Match process was developed and implemented to ensure accuracy of payments made each month starting October 2014. Effective 9/1/15, this vendor is not currently under contract with MPS.
- **Prairie Farms** – Three-Way Match process had partial, limited implementation. We are currently developing an expanded model that will account for multiple pricing. Implementation is planned to be applied November 2015.

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**SIGNIFICANT DEFICIENCY**

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**Food Service Invoicing and Three-Way Match (continued)*****Management's Response, June 30, 2015 (continued)***

- **US Foods** – Nutrition Services central office staff ensures kitchen staff receive deliveries in One Source (Nutrition services operations software, includes inventory). Any discrepancies are handled individually with the vendor. The statement file is reviewed to ensure only received invoices are listed for payment. Three-Way Match process for this vendor is under development. Our goal is to develop an automated detailed process. Currently each week two invoices are selected for detail review to include such things as quantities ordered, quantities delivered and price. This is being used to identify potential issues as we work to develop an automated detailed three-way matching. Goal is to begin implementation by June 30, 2016.

***Management's Response, June 30, 2016***

MPS agrees with this recommendation. This process consists of matching a high volume of low dollar transactions on a monthly basis, crossing multiple systems. Due to the volume of transactions and the complexity, nutrition services has been working with technology to develop the matching system. The formal project team was established in June 2016 and the project will be ongoing. The project plan establishes milestones during the 2016-17 year and will most likely extend beyond.

***Management's Response, June 30, 2017***

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

***Baker Tilly Virchow Krause's Updates, June 30, 2017***

This comment will be reevaluated during the 2018 audit for US Foods and if progress has not been made in addressing, there will be consideration given to elevating to a material weakness.

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## **CURRENT YEAR ISSUES – DISTRICT WIDE**

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### **Pension Plan Benefit Payments**

During the audit of benefit payments, it was noted one retiree was paid only a permanent portion of their benefit rather than both permanent and temporary which was outstanding. It is our understanding permanent and temporary benefits are usually combined when lump sums are paid because recipients are usually close to age 65. In this situation, the recipient was under 65 and the permanent payment was to be made separately from temporary. The engagement team brought this variance to the attention of management who subsequently has corrected the payment. Through communications with various Plan staff members, it has been expressed to Baker Tilly that the Plan's staff conducts a multi-layer review of each and every new benefit calculation.

#### ***Recommendation***

We recommend that the Plan monitor every facet of the benefit calculations, including the payment of temporary and permanent portions of a benefit.

#### ***Management's Response, June 30, 2017***

Controls are in place to ensure timely pension payments. There was a process to verbally confirm with BMO the number of changes for each month. We will replace the verbal confirmation to receive email confirmation from BMO for total number of monthly changes and attach them with all the faxes done for the month.

#### ***Baker Tilly Virchow Krause's Updates, June 30, 2017***

This comment will be reevaluated during the 2018 audit.

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## **STATUS OF PRIOR YEAR ISSUES – DISTRICT WIDE**

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### **Cash Reconciliations**

1. During review of the payroll concentration account, it was noted that there is an unreconciled variance of approximately \$114,000. There appears to be an issue with obtaining an accurate outstanding check list from PeopleSoft that does not require some manual adjustments.

#### ***Recommendation***

We recommend that the District work with PeopleSoft and IT to obtain reports that properly reflect outstanding checks.

2. There are several departments within the District that prepare their own cash reconciliations in a system such as Quickbooks. These reconciliations are not being reconciled to what is reported in IFAS.

#### ***Recommendation***

We recommend that the District reconcile these department reconciliations to IFAS and make all necessary journal entries.

#### ***Management's Response, June 30, 2016***

1. MPS agrees with this recommendation and intends to work with Technology and PeopleSoft (if necessary) to resolve this historic condition to obtain reports that properly reflect outstanding checks.
2. MPS believes that only the Recreation Department prepares its own reconciliation in QuickBooks for one bank account. Although this account is regularly reconciled on a monthly basis, going forward, we will make sure that these reconciliations are validated against the IFAS account balance and all necessary journal entries are made.

#### ***Management's Response, June 30, 2017***

1. MPS has worked with Technology and resolved the outstanding check list concern. We have compared the payroll concentration account outstanding list to the PeopleSoft outstanding list and were able to account for each item. After this comparison was complete, the unreconciled variance remained and therefore is not related to the outstanding check list concern. MPS believes that the variance relates to past unreconciled items possibly related to historical funding discrepancies. We will continue to investigate.
2. All banks accounts are now reconciled to what is reported in IFAS. Therefore, we consider this item to be fully addressed.

#### ***Baker Tilly Virchow Krause's Updates, June 30, 2017***

1. This comment will be reevaluated during the 2018 audit.
2. As MPS has all accounts now recorded in IFAS, this is considered addressed.

**OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE**

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## TWO WAY COMMUNICATION REGARDING YOUR AUDIT

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As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
  - > Identify types of potential misstatements.
  - > Consider factors that affect the risks of material misstatement.
  - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.
- d. We address the significant risks or material noncompliance, whether due to fraud or error, through our detailed audit procedures.
- e. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material noncompliance related to the federal and state awards whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of the federal and state awards and to determine whether they have been implemented. We will use such knowledge to:
  - > Identify types of potential noncompliance.
  - > Consider factors that affect the risks of material noncompliance.
  - > Design test of controls, when applicable, and other audit procedures.

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## TWO WAY COMMUNICATION REGARDING YOUR AUDIT

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e.(cont)

Our audit will be performed in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, the Uniform Guidance and the *State Single Audit Guidelines*, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and the Uniform Guidance and *the State Single Audit Guidelines* in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

- f. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for reporting material noncompliance while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the entity's federal and state awards. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material noncompliance, whether caused by error or fraud, is detected.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the District's Board of Directors has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements or the federal or state awards?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the District concerning:

- a. The District's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.



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## **TWO WAY COMMUNICATION REGARDING YOUR AUDIT**

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With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of June - August. Our final financial fieldwork is scheduled during the fall to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors. We typically perform the single audit fieldwork during the financial audit.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

**COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS AND  
INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT MATERIAL WEAKNESSES OR  
SIGNIFICANT DEFICIENCIES**

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## OTHER COMMENTS AND INFORMATIONAL POINTS

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### Information Technology Best Practices

1. Baker Tilly noted that no formal review of access to PeopleSoft, IFAS, AiM, OneSource, and the network was performed.

#### ***Recommendation:***

Periodic access reviews should be performed, particularly over privileged users. Due to the increased risk associated with privileged accounts, a formal review process of these users should be performed at least annually. These reviews should cover access to IFAS, PeopleSoft, AiM, OneSource, and network accounts. User access reviews should be overseen by a centralized group or individual who provides system-generated lists to applicable business owners and tracks the reviews to completion.

#### ***Management's Response, June 30, 2017***

MPS agrees with the recommendation that periodic access reviews should be performed. MPS will work to develop system-generated lists to applicable business owners and track reviews to completion.

#### ***Baker Tilly Virchow Krause's Updates, June 30, 2017***

This comment will be reevaluated during the 2018 audit.

2. The OneSource application has no specific password rules or limitations. Active Directory password requirements include a maximum age of 180 days and a large (set greater than 100) invalid attempt threshold.

#### ***Recommendation:***

Strong password requirements should be enforced for all systems where possible, including the following settings:

- At least 8-10 characters
- Require a combination of alphanumeric and special characters
- Expire at least every 90 days
- Disallow the last 8-24 passwords
- Disable the account after 3-5 invalid login attempts

Baker Tilly noted that while OneSource does not have specific password rules or limitations currently, there is active investigation ongoing into whether the authentication to OneSource could be tied into Active Directory (AD) or Lightweight Directory Access Protocol (LDAP), which would solve the issue except for the noted Active Directory piece.

It was noted that the reason for the large maximum password age and invalid attempt threshold was due to the large number of users. Baker Tilly recommends that if Milwaukee Public Schools determines that a lockout threshold of five is infeasible, the threshold should be investigated to identify a lower threshold consistent with the risk imposed by large invalid lockouts thresholds and the business needs.

#### ***Management's Response, June 30, 2017***

MPS acknowledges that the OneSource authentication requires improvement. MPS is actively working on enhancing the password policy for OneSource to try to eliminate generic accounts and integrate accounts into our LDAP which would then enforce MPS's password complexity rules, failed login attempts deactivation and other requirements.

#### ***Baker Tilly Virchow Krause's Updates, June 30, 2017***

This comment will be reevaluated during the 2018 audit.

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## OTHER COMMENTS AND INFORMATIONAL POINTS

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### Information Technology Best Practices (continued)

3. No formal review of applicable SOC reports (Horizon MyPaymentsPlus) is performed.

**Recommendation:**

Formal SOC report reviews should be performed for all applicable third-party service providers annually. These reviews should:

- Confirm that the scope of the SOC report is appropriate for MPS to rely on (i.e., covers services that MPS uses the provider for)
- Any exceptions or control failures identified in the SOC report are evaluated for their impact on MPS
- All applicable User Entity Controls (UECs) that are expected of MPS are evaluated to ensure MPS has the relevant control or the UEC is not applicable

The reviews should be formally and centrally documented and maintained. Furthermore, a step can be included in any vendor onboarding to determine if a SOC review should be performed.

**Management's Response, June 30, 2017**

MPS will determine best practices regarding formal SOC review of applicable SOC reports.

**Baker Tilly Virchow Krause's Updates, June 30, 2017**

This comment will be reevaluated during the 2018 audit.

4. MPS does not actively monitor for external and/or internal access violations on the network and financial. Security logs are available for post incident review, but they are not proactively monitored.

**Recommendation:**

With the heightened threat of malicious activity which increases the risk of the unauthorized disclosure of sensitive, personally identifiable information as well as the risk of unauthorized access that could lead to inaccurate financial reporting, MPS should consider increasing their IT security with regards to proactively monitoring for both internal and external access violations to the network and financial applications.

**Management's Response, June 30, 2017**

MPS agrees with the recommendation of increasing IT security and is in the process of onboarding a new Cybersecurity Systems Administrator. Functions of this role will include proactively monitoring and developing audit controls for internal and external access violations to the network and financial applications.

**Baker Tilly Virchow Krause's Updates, June 30, 2017**

This comment will be reevaluated during the 2018 audit.

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## INFORMATIONAL POINTS

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### *OTHER POST EMPLOYMENT BENEFIT (OPEB) REPORTING CHANGES ON THE HORIZON*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The new OPEB standard parallels the pension standards GASB Nos. 67 and 68. Together, the pension and OPEB standards provide consistent and comprehensive guidance for all postemployment benefits.

OPEB plans will implement the new standards beginning with the year end June 30, 2017. Governments that provide OPEB benefits to their employees will need to implement these standards beginning with the year end June 30, 2018.

This standard has similarities to the previous OPEB standards, most notably the definition of an OPEB and the option of the alternative measurement method for small governments. However, the calculation and reporting of the OPEB liability and various required disclosures will change under the new standards, becoming similar to the pension standards.

To implement this standard, your government will need to plan ahead for obtaining a new actuarial study. The selection of a measurement date and timing for the study will be important to consider well in advance of implementation. We are available to further discuss this standard, the timing, and impact on your government.

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## INFORMATIONAL POINTS (continued)

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### *GASB UPDATES*

The Government Accounting Standard Board (GASB) has been very active in recent years, issuing new standards at a fast pace.

There are two significant GASB projects drawing to conclusion in 2017. While the implementation dates for these are a few years away, both are anticipated to have significant impacts on many government financial statements:

- > Fiduciary Activities
- > Leases

Looking even further ahead, one of the most significant current GASB projects is the financial reporting model reexamination. The GASB is currently revisiting GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, as well as reporting model-related pronouncements including Statements Nos. 37, 41, and No. 46 and Interpretation No. 6. The GASB has indicated that they are revisiting the following major provisions of these standards: management’s discussion and analysis, government-wide financial statements, fund financial statements, proprietary fund and business-type activity financial statements, fiduciary fund financial statements, budgetary comparisons, and other issues. The first of a series of Invitations to Comment was issued in December 2016. This Invitation to Comment addresses governmental fund topics.

Through our firm involvement on AICPA committees, Baker Tilly follows these developments closely so that we can help you prepare for the changes as they evolve. This participation also allows us to share with GASB the experiences and perspectives of our clients to potentially influence the direction of future projects.

Full lists of projects, as well as many resources, are available on GASB’s website which is located at [www.gasb.org](http://www.gasb.org).

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## INFORMATIONAL POINTS (continued)

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### *PROCUREMENT RULES FOR EXPENDITURES UNDER FEDERAL GRANTS NOW IN EFFECT*

In December 2013, the US Office of Management and Budget (OMB) issued comprehensive grant reform rules titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." With that issuance, there were important updates made to various areas of federal grants management. Procurement is one of the areas that had significant changes for some entities. In order to allow time for implementation, the procurement rules were given a two year grace period, which has now expired. Therefore, you must be compliant with the new guidelines for your 2018 federal awards.

The procurement sections of the Uniform Guidance can be found online in 2 CFR 200.318. Some of the highlights include:

- > Written conflict of interest policies are required
- > The organization must document the procurement steps and activities required to be completed, which includes the basis for the type of procurement, contract type and basis for the contractor selection
- > Procurement must be done in a manner that prohibits the use of geographical preference, except in certain cases
- > The five methods of procurement outlined are:
  - Micro-purchase – purchases where the aggregate dollar amount does not exceed \$3,000 (adjusted by the Federal Acquisition Regulation). No competitive quotes are required if management determines that the price is reasonable. When practical, the entity should distribute micro-purchases equitably among qualified suppliers.
  - Small purchase – includes purchases up to the Simplified Acquisition Threshold, which starts out at \$150,000 but is periodically adjusted for inflation. Price or rate quotes must be obtained from an adequate number of sources.
  - Sealed bids – used for purchases over the Simplified Acquisition Threshold. Formal solicitation is required and the fixed price is awarded to the responsible bidder who conformed to all material terms and is the lowest in price.
  - Competitive proposals – used for purchases over the Simplified Acquisition Threshold when sealed bids are not appropriate. Contracts should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of the various factors.
  - Noncompetitive proposals (also known as sole-source procurement) – used only when specific criteria are met. Examples include when a public emergency does not allow time for a competitive proposal process, an item is only available from one source, competition is deemed inadequate after a number of attempts were made, or the federal awarding agency authorizes noncompetitive proposals.

If your organization has not yet evaluated and/or revised your procurement policies for compliance with the requirements under Uniform Guidance, we recommend that you do so as soon as possible. A high level of formal documentation is required to meet the standards. As always, you will need to consider compliance with state requirements as well.

**REQUIRED COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE**



To the Board of Directors  
of the Milwaukee Public Schools  
Milwaukee, Wisconsin

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of Milwaukee Public Schools for the year ended June 30, 2017 and have issued our report thereon dated December 21, 2017. This letter presents communications required by our professional standards.

**Our Responsibility under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, the Uniform Guidance, and the State Single Audit Guidelines**

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the Board of Directors of their responsibilities.

We considered the District's internal control over financial reporting 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 over financial reporting. We also considered internal control over compliance with types of requirements that could have a direct and material effect on a major federal and major state program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a major federal and 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.

As a 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 grants, 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. Also, in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion on compliance, it does not provide a legal determination on the District's compliance with those requirements.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance and the *State Single Audit Guidelines*.

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## **REQUIRED COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE**

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### **Other Information in Documents Containing Audited Financial Statements**

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated January 27, 2017.

### **Qualitative Aspects of the District's Significant Accounting Practices**

#### ***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note I to the financial statements. As described in Note I to the financial statements, the District changed accounting policies by adopting Statement of Governmental Accounting Standards (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement of Governmental Accounting Standards (GASB) Statement No. 86, *Certain Debt Extinguishment Issues*, effective July 1, 2016. Accordingly, the cumulative effect of the accounting change is reported in the current period. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### ***Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive accounting estimates affecting the financial statements were management's estimates of the following items which are described below:

- Accrued compensated absences are based on anticipated future retirement levels and an average wage per hour based on the current retirees' salaries.
- Accrued claims for self-insurance are based on actual claims known at year end plus estimates of claims incurred but not reported as provided by the third party administrator.
- Post-employment life and healthcare insurance benefits' actuarial accrued liability which impacts the annual required contributions are based upon several key assumptions that are set by management with the assistance of an independent third party actuary. These assumptions include anticipated investment rate of return, health care cost trends, projected salary increases, mortality and certain cost amortization periods.

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**REQUIRED COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE**

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**Qualitative Aspects of the District's Significant Accounting Practices** (continued)**Accounting Estimates** (continued)

- Pension trusts actuarial value of plan assets and the actuarial accrued liability which generates the net funded status of the plan, as well as impacting the annual required contribution which is based upon several key assumptions that are set by management with the assistance of an independent third party actuary. These assumptions include anticipated investment rate of return, projected salary increases, mortality and certain cost amortization periods.
- Management's estimate of the net pension liabilities and the deferred outflows and deferred inflows related to pensions which impacts the reported pension expense are based on information provided by the Wisconsin Retirement System, Employees' Retirement System of the City of Milwaukee, Milwaukee Board of School Directors Early Retirement Supplement and Benefit Improvement Plan and Milwaukee Board of School Directors Supplemental Early Retirement Plan for Teachers.

We have evaluated the key factors and assumptions used in developing the aforementioned estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

**Financial Statement Disclosures**

The disclosures in the notes to the financial statements are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements.

The following is a summary of material financial statement misstatements (audit adjustments):

	<u>Amount</u>
Adjustments to capital projects fund accounts payable	\$ 4,561 271

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

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## **REQUIRED COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE**

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### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter. This letter is attached.

### **Independence**

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the District that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of the District for the year ended June 30, 2017, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the District in accordance with the Code of Professional Conduct by the American Institute of Certified Public Accountants. We provided no services to the District other than the services provided in connection with the audit of the current year's financial statements, pupil membership audit, parental consent audit and nonaudit services which in our judgment do not impair our independence.

- > Proposed adjusting journal entries
- > Data collection form preparation

None of these nonaudit services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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## REQUIRED COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

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### Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information, which accompanies the financial statement but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

### Restriction of Use

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
December 21, 2017

## MANAGEMENT REPRESENTATIONS





**MILWAUKEE  
PUBLIC SCHOOLS**

Office of Finance  
5225 W. Vliet Street, P.O. Box 2181  
Milwaukee, WI 53208  
(414) 475-8288 • [mps.milwaukee.k12.wi.us](http://mps.milwaukee.k12.wi.us)  
Fax (414) 475-8387

December 21, 2017

Baker Tilly Virchow Krause, LLP  
777 E Wisconsin Ave  
32nd Floor  
Milwaukee, WI 53202

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the Milwaukee Public Schools as of June 30, 2017 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee Public Schools and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
7. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
8. All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
10. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

*Information Provided*

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
15. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. There are no known related parties or related party relationships and transactions of which we are aware.



*Other*

17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
18. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
22. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
23. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
24. There are no:
  - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
  - d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - e. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
25. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
  - a. Proposed adjusting journal entries
  - b. Data collection form preparation

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

26. Milwaukee Public Schools has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. Milwaukee Public Schools has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
28. The financial statements properly classify all funds and activities.
29. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
30. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
31. The Milwaukee Public Schools has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
32. We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. The utility's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. The utility follows the valuation, accounting, reporting and disclosure requirements outlined in GASB No. 53. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year end.
33. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
35. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Deposits and investment securities are properly classified as to risk, and investments are properly valued. Collateralization agreements with financial institutions, if any, have been properly disclosed.
38. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
40. Tax-exempt bonds issued have retained their tax-exempt status.
41. We have appropriately disclosed the Milwaukee Public School's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or

unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.

42. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
43. With respect to the supplementary information, (SI):
  - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
44. We assume responsibility for, and agree with, the findings of specialists in evaluating the other post employment benefit obligations and pension asset/liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
45. We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
46. With respect to federal and state award programs:
  - a. We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, *State Single Audit Guidelines*, including requirements relating to preparation of the schedule of expenditures of federal and state awards (SEFSA).
  - b. We acknowledge our responsibility for presenting the SEFSA in accordance with the requirements of the Uniform Guidance and the *State Single Audit Guidelines*, and we believe the SEFSA, including its form and content, is fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines*. The methods of measurement and presentation of the SEFSA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.
  - c. If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the SEFSA and the auditors' report thereon.
  - d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the *State Single Audit Guidelines* and included in the SEFSA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative

agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

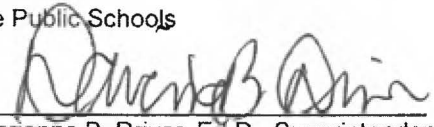
- e. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are administering our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal or state agencies or pass-through entities relevant to the programs and related activities.
- h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB Compliance Supplement and the *State Single Audit Guidelines*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal and state awards.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation agreements, and internal or external monitoring that directly relate to the objectives of the compliance audit, if any, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- r. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
- t. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance and the *State Single Audit Guidelines*.
- u. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- v. We have considered the results of subrecipient audits and made any necessary adjustments to our books and records.
- w. We have charged costs to federal and state awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- y. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- z. We are responsible for preparing and implementing a corrective action plan for each audit finding.
- aa. We have disclosed to you all contracts or other agreements with our service organizations, and we have disclosed to you all communications from the service organization relating to noncompliance at the service organizations.

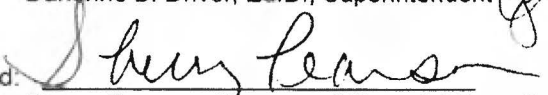
Sincerely,

Milwaukee Public Schools

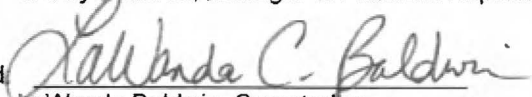
Signed:


  
Darienne B. Driver, Ed.D., Superintendent

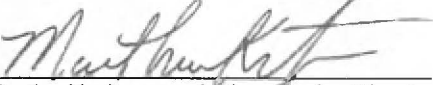
Signed:

  
Sherry Pearson, Manager of Financial Reporting

Signed:

  
LaWanda Baldwin, Comptroller

Signed:   
Himanshu Parikh, Chief Human Resources Officer

Signed:   
Martha Kreitzman, Acting Senior Director, Department of Financial Planning & Budget Services