

January 4, 2013

Judy Merryfield, President
 Milwaukee Academy of Science
 2000 West Kilbourn Avenue
 Milwaukee, Wisconsin 53233

Dear Ms. Merryfield:

On July 18, 2012, Milwaukee Academy of Science (MAS) was placed in “high-risk” status as a subgrantee under 34 CFR § 80.12. MAS was allocated U.S. Department of Education funds, for which eligibility was established, as a subgrantee for the FY 2013 based on the school meeting special conditions. This letter is to provide an update on the current status regarding special condition number five, per the original letter dated July 18, 2012. The condition was to demonstrate to the Wisconsin Department of Public Instruction (DPI) that the school has modified the financial management system to meet the management standards set forth in 34 CFR Part 80 of the U.S. Education Department’s General Administrative Regulations (EDGAR). Following are the results of the DPI’s site visit to MAS on November 20, 2012:

Financial Management System	Special Condition Status
<p>Accurately identifies and tracks the use of funds provided under each federal grant program.</p>	<p><i>Special condition has been satisfied.</i> MAS’s new accounting and financial policies and procedures include post-award procedures that verify the specifications of the grant or contract and create new general ledger account numbers (or segments) for the receipt and expenditure categories in line with the grant budget. A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.</p> <p>Upon request, DPI did obtain the file for the Title I and IDEA awards. Specific account codes for each of the federal programs had been established to identify costs and were being used in the general ledger to track costs that are claimed on these federal awards.</p>
<p>Identifies the costs paid under each federal program when an activity is funded by more than one source.</p>	<p><i>Special condition has been satisfied.</i> The general ledger account codes created, per the school’s accounting and financial policies and procedures, contain account codes that reflect the category of an allowable cost identified first by program and then by individual award.</p> <p>DPI was able to track costs reported in the general ledger to the source of funding for the Title I and IDEA awards.</p>

<p>Associates transactions claimed on federal grant claims with the general ledger, the funding source, and supporting documentation.</p>	<p><i>Special condition has been satisfied.</i> The school’s accounting and financial policies and procedures manual creates account codes that track allowable costs in a way that claims can be filed based on the general ledger information. In addition, the policies and procedures require costs to be adequately documented.</p> <p>DPI was able to trace costs from the general ledger by the identifiers to the claims filed. Appropriate supporting documentation was provided upon request.</p>
<p>Accounts for expenditures funded by each federal grant program separately and tracks those expenditures against the grant budget and financial claims.</p>	<p><i>Special condition has been satisfied.</i> The school’s accounting and financial policies and procedures manual includes a section on the charging of costs to federal and state awards. This includes the coding of each invoice with the appropriate account number reflecting which program received direct benefit from the expenditure and identification of accounts by each federal grant program to separate and track expenditures. MAS is currently working with an accounting firm to integrate the grant budgets into the general ledger for monitoring.</p> <p>DPI was able to trace expenditures from general ledger to the federal claim and compare to the grant’s budget.</p>
<p>Appropriately segregates duties within the financial management system, including receipt of cash, deposit of cash, purchasing, invoicing, grant claiming, accounts payable, payroll, and bank reconciliation review.</p>	<p><i>Special condition has been satisfied.</i> MAS has created accounting and financial policies associated with administration of federal and state awards, cash receipts, purchasing policies and procedures, charging of costs to federal and state awards, accounts payable management, cash disbursement, credit cards, and payroll.</p> <p>DPI performed sample testing of the cash receipts, cash disbursements, payroll, and grant management processes for tracking through the system, appropriate account coding and approval.</p>
<p>Implements a procurement process that conforms to the requirements of 34 CFR § 80.36 of EDGAR.</p>	<p><i>Special condition has been satisfied.</i> The school’s accounting and financial policies and procedures manual includes a section regarding conflicts of interest including what constitutes a conflict of interest, disclosure requirements, resolution of conflicts of interest and disciplinary action for violations of this policy. Also included are procurement procedures such as a code of conduct in purchasing, full and open competition, cost-efficient procurement procedures and a non-discrimination policy. Procurement procedures also include maintaining procurement records and files which are available for inspection by request of federal or state awarding agencies, use of responsible contractors and protection from contractors that are debarred or suspended.</p> <p>Per inquiry regarding small purchase procedures and sealed bids, it is reasonable to believe MAS is currently transitioning over into the newly adopted procurement process as outlined in the school’s fiscal management policies and procedure manual.</p>

<p>Used accounting records for grant budget control.</p>	<p><i>Special condition has been satisfied.</i> Financial management policies include a monitoring performance by comparing and analyzing actual results with budget results. It is to be accomplished in conjunction with the monthly financial reporting process.</p> <p>MAS is currently working with an accounting firm to integrate the grant budgets into the general ledger for monitoring. DPI obtained grant files during the on-site visit which can currently be used to compare budget to actual results.</p>
<p>Monitors grant budgets to determine if needs are consistent with the approved budget. When needs change, amend the grant budget and receive DPI approval before the expenditure is made.</p>	<p><i>Special condition has been satisfied.</i> Financial management policies include a monitoring performance by comparing and analyzing actual results with budget results. It is to be accomplished in conjunction with the monthly financial reporting process. In addition, financial management policies include a section on budget and program revisions including the need to request prior approval from federal and state awarding agencies and the conditions that warrant prior approval.</p> <p>MAS has worked with DPI in amending budgets for the 2010-11 and 2011-12 fiscal year.</p>
<p>Requires the prior approval of federally-funded activities by an appropriate MAS official.</p>	<p><i>Special condition has been satisfied.</i> Financial management policies includes a section for administration of federal and state awards in which the president/CEO is responsible for preparing proposals for projects that the organization intends to pursue and for administering the award. Steps are identified for the President/CEO and Business Manager to take in identifying all applicable laws, regulations, and provisions of each grant and contract. Invoices for direct costs are approved by the President/CEO.</p> <p>Upon request, MAS provided a file with each of the awards. A sample of costs were selected and traced to supporting documentation and reviewed for appropriate approval.</p>
<p>Ensures federal grant expenditures are allowable, i.e. reasonable, allocable to the grant, and consistent with federal cost principles.</p>	<p><i>Special condition has been satisfied.</i> Financial management policies include a section for charging of costs to federal and state awards. These include criteria in order to be treated as allowable costs under a federal award and steps to identify and segregate costs that are allowable and unallowable with respect to each federal and state award. The policies also include identifying direct and indirect cost and accounting for specific elements of costs.</p> <p>DPI performed a test of sample expenditures on the IDEA and Title I claims filed for FY 2012-13. Costs selected were determined reasonable, allocable to the grant, and consistent with federal cost principles.</p>

<p>Maintains documentation permitting an outside party to determine whether a federal grant activity occurred, and whether expenditures to support the activity were appropriately made and claimed.</p>	<p><i>Special condition has been satisfied.</i> Per financial management policies, the section on charging of costs to federal and state awards includes purchasing policies and procedures developed to include use of purchase orders and maintaining a vendor file and required documentation.</p> <p>Upon request by DPI, MAS was able to provide documentation sufficient to determine the selected expenditures were appropriately made and claimed.</p>
<p>Maintains necessary documentation when federal grant funds pay salaries, wages, and benefits, including appropriate time and effort reports.</p>	<p><i>Special condition has been satisfied.</i> Financial management policies include methods for charging specific elements of cost to federal and state awards. Salaries and benefits are charged directly based on the functions performed by each employee, as documented on each employee’s timesheet (or personnel activity sheet).</p> <p>At the time of the on-site visit, all employees charged to the Title I grant are considered to have a single work objective and, therefore, are required to prepare semi-annual certifications. These certifications were not yet required at the date of the DPI site visit. All but one of the employees charged to the IDEA grant are considered to have a single work objective. One employee is considered to have multiple work objectives. Personnel Activity Reports (PARs) for the months of October and November were received by DPI for this individual.</p>
<p>Submits federal grant financial claims in a timely fashion.</p>	<p><i>Special condition has been satisfied.</i> MAS has filed a claim for costs through October 31, 2012, as of the date of the site visit.</p>

Per the DPI’s review, the school currently meets the management standards identified in the “high-risk” letter. Financial policies and procedures are an ongoing process and should continue to be re-evaluated and updated as deemed necessary.

The DPI will contact you to set up a meeting in January with the school to discuss the current status of all special conditions identified in the July 18, 2012 letter.

Sincerely,

Brian Pahnke
Assistant State Superintendent
Division for Finance and Management

- cc: Mike Jones, Chair, Board of Milwaukee Academy of Science
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