

**M. L. Tharps & Associates**  
*1845 North Farwell Avenue Suite 109*  
*Milwaukee, WI 53202*  
*(414) 278-8532 Fax (414) 278-7579*

Certified Public Accountants

Management Consultants

October 15, 2003

To the Members of The City of Milwaukee  
Charter School Review Committee

As per your request dated September 18, 2003, M.L. Tharps & Associates is providing our response to your request for additional information regarding the financial condition of Khamit Institute. Those items are as follows, with our responses included within.

1) *Request:*

Please provide a copy of the final financial statements for Khamit including the signed auditor's opinion and management letter.

*Response:*

Attached is a final copy of Khamit Institute's June 30, 2003 audited financial statements. Also, per discussion with the auditor for the school, no management letter has been or will be issued.

2) *Request:*

Please report on any potential "going concern" issues related to Khamit. If either Tharps or the independent auditors believe the continuation of Khamit is in any way threatened by its current financial status, we require that this be disclosed to the CSRC immediately.

*Response:*

Based on our conversations with Jerry Tarrer of Khamit Institute and the school's auditor, and after a review of the school's 2003-04 board approved budget and cash flow projections through August 2004, we believe the school should be financially viable throughout the school year.

Our review of the school's budget for 2003-04 noted that there is a significant increase in Charter School State Aids (approximately \$170,000) for this school year due to a large increase in enrollment. In addition, the budget appears to be conservative in estimating various grant funds from the State DPI in relation to prior years. In 2002-03, approximately \$130,000 in Title grants and Food Program funds were received. The 2003-04 budget allows for approximately \$100,000 in those funds.

The school also appears to have conservatively budgeted expense items. Total expenses for 2003-04 will decrease by over \$100,000 from the prior year if the school closely follows this budget.

One item of concern is that the budget for Charter School State Aids does not appear to make an allowance for a possible loss of students in the second semester. Based on past experience, the school's enrollment has decreased, sometimes significantly, in the January pupil count. It appears the school could afford a loss of up to ten students in the second semester without severely affecting their budget for the year. A greater number could significantly impact their financial condition. In the event this occurs, the school must immediately revise its budget to compensate for this loss.

We will be monitoring this on an ongoing basis throughout the school year and will report any concerns immediately.

3) *Request:*

Please provide an explanation of the year-to-year growth in administrative costs reflected in the draft audit report. We desire Tharps independent assessment compared to the prior year.

*Response:*

As we disclosed in our presentation of our initial report in September, administrative costs increased by over \$80,000 from the prior year. Jerry Tarrer provided us a detail breakout of those expenses from each year. Our review of those expenses showed the following:

- Consultant expenses increased from \$6,500 in 2001-02 to \$52,500 in 2002-03. This \$46,000 increase is due to approximately \$27,000 spent on a feasibility study and design plans for the possible purchase or lease of a new school building and \$18,000 spent on a project manager for technology renovations. The \$18,000 was covered under a technology grant received by the school, however, the \$27,000 was not.
- The school leased a vehicle in 2002-03, which resulted in an increase in vehicle expenses of approximately \$7,000.
- The school installed a T1 internet/data line in 2002-03. The cost for the use of this was billed by SBC on the monthly phone bill. This increased telephone cost by approximately \$5,000.
- There was a large office/school supply purchase from a going out of business sale, which caused an increase in office supplies expense of almost \$15,000. Per discussion with Jerry Tarrer, many of these supplies will be used during the current school year and will reduce the current year expense in this category.

4) *Request:*

Provide any other pertinent information related to Khamit's current financial status as the CSRC considers renewal of the Khamit charter. This would include any additional Tharps analysis of the recent annual audit report results and any update to information Tharps provided in its Sept 8th presentation to the CSRC.

*Response:*

As of the date of this report, cash flow has greatly improved due to receipt of a \$50,000 draw on a line of credit from North Milwaukee State Bank (received 9/5/03) and with the receipt of the first Charter School State Aid payment of \$170,000. The school board has also approved the 2003-04 budget, which has been reviewed by M.L. Tharps & Associates. This budget appears reasonable based on the assumptions used in formulating the amounts used. In addition, as part of cutting payroll, the school has eliminated an additional administrative position.

The process of turning over fiscal agent duties to the school's accountants has begun. We expect to receive a financial statement for the period July 1-September 30, 2003 on or before October 20, 2003. We will then receive monthly statements from the school for our ongoing review.

M.L. Tharps & Associates will keep the Charter School Review Committee abreast of any further developments and results of our ongoing monitoring.

Sincerely,

*M.L. Tharps & Associates*

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Special Report on Review of Financial Status of Khamit Institute  
Charter School

September 5, 2003

M.L. Tharps & Associates  
Milwaukee, Wisconsin

0088

**M. L. Tharps & Associates**

*1845 North Farwell Avenue Suite 109*

*Milwaukee, WI 53202*

*(414) 278-8532 Fax (414) 278-7579*

=====~~Certified Public Accountants~~ Management Consultants

To the Members of The City of Milwaukee  
Charter School Review Committee

We have completed a review of the financial condition of the Khamit Institute charter school as of September 5, 2003 as per a directive from the Charter School review Committee, and have issued our report herein. This report is based on a review of relevant financial data and interviews with key personnel related to the financial functions of the school. We have not performed an audit of this school, however, we believe we have performed sufficient procedures to get an adequate understanding of Khamit Institute's current financial condition. Because we have not performed an audit, we do not place any type of assurance on our findings. Based on these procedures, we are issuing this report on the financial condition of Khamit Institute. In addition, we have communicated our concerns and recommendations to the school's management.

We would like to thank the management of Khamit Institute for their cooperation in our efforts to perform our management oversight services.

M.L. Tharps & Associates

September 5, 2003

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**Khamit Institute Charter Schools**  
**Special Report on Review of Financial Condition**  
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## Background

Khamit Institute has been affiliated with the City of Milwaukee Charter Schools since 1998, the initial year of the program. During the period beginning in 1998 until 2003, other than a few minor findings, the school has been in compliance with the terms of its contract with the City of Milwaukee with regards to its management requirements.

During July 2003, a check for Charter School administrative fees payable to the City of Milwaukee was returned twice due to insufficient funds in Khamit Institute's bank account. After several attempts to collect and failed promises to pay by the school, M.L. Tharps & Associates, as management consultant for the Charter School Review Committee, was contacted and requested to perform an assessment of the school's financial viability and cash management system at the present time, the results of which are detailed within.

Past experience with the school indicated that cash flow generally was lacking during the summer months, but reasonable financial planning by the school alleviated the problem

## Procedures Performed

In performing our review of Khamit Institute, we contacted Mr. Jerry Tarrer, school director and fiscal manager to schedule a meeting. At that time a list of items needed to complete the review was emailed to Mr. Tarrer. Items requested included the following:

- 1) All bank statements, reconciliation's and returned checks for the period July 1, 2002 through August 27, 2003.
- 2) The most recent monthly financial statements for the school.
- 3) All payroll records and tax deposit information, including quarterly and year-end tax filings.
- 4) Any unpaid bills, outstanding contracts and other unbilled obligations as of August 27, 2003.
- 5) Check registers for the period July 1, 2002 through August 27, 2003.
- 6) Listing of loans and advances made to the school by board members or other related or unrelated parties.

In addition, permission was requested to contact the school's outside accountant and independent auditor to address any matters of concern or to provide additional documentation.

The meeting was conducted on August 26, 2003 at the school with Mr. Tarrer. An interview was conducted with Mr. Tarrer and the above requested documents were reviewed. In addition, a draft copy of the school's June 30, 2003 independent audit report was obtained, and subsequent phone conversations were conducted with the school's accountant, EWH Small Business Accounting, and the school's auditor, Freyberg Hinkle Ashland Powers & Stowell, S.C.



Results of Review / Findings

Our conversations with Mr. Tarrer revealed that starting with the 2002-03 school year, Mr. Tarrer began a dual role with the school as both the school's director and financial manager. Based on our conversation, this dual role was extremely difficult for him to manage. Because of this, his financial monitoring of the school was not performed as well as should be expected. This lack of monitoring was evidenced primarily in the school's budgeting process. Although the school had prepared a budget for the 2002-03 school year, the original budget was not revised during the school year. One flaw noted of this budget was that it was prepared based on a best-case scenario, budgeting all potential revenues rather than just the assured revenues. Because of this, Mr. Tarrer stated that certain revenues were included in the budget, which were never realized. In addition, approximately ten students enrolled during the first semester and budgeted for the entire year left the school in the second semester. Therefore the school did not receive the charter school aid for the second semester.

Based on the above, the school budgeted expenditures should have been amended to reflect this loss of revenue. However, this was not done. Because of this, the school began having cash flow problems starting in May, 2003. At that time, it was evident that the school would fall short of its cash flow requirements. Based on a review of the May 2003 financial statement prepared by the school's accountant, the reconciled balance of the cash accounts was -\$28,000 (negative). Although the school received approximately \$125,000 in state aids and other grants during June, this did not provide enough cash flow for July and August as the line of credit with North Milwaukee State Bank was due in addition to the normal monthly expenses. After those payments, the audited cash balance at June 30 was \$2,016. In addition, audited payables at June 30 were approximately \$79,000, leaving a cash flow deficit of approximately \$77,000 at year-end. Per discussion with Mr. Tarrer one payable of \$47,000 to SBC for video conferencing equipment will be eliminated as the equipment did not work properly and will be returned to SBC. Assuming this reduction in payables leaves a deficit of \$30,000 at June 30. An analysis of the July and August expenses indicated that expenses for those months are approximately \$25,000. Cash receipts for July and August totaled approximately \$20,000. This leaves a deficit of \$35,000 as of the end of August. The following table summarizes the above:

|  |                 |
|--|-----------------|
| Cash Balance – June 30,2003              | \$ 2,000        |
| Less: Realized Payables at June 30, 2003 | <u>(32,000)</u> |
| Negative Cash Flow at June 30, 2003      | (30,000)        |
| July / August Expenses                   | (25,000)        |
| July / August Receipts                   | <u>20,000</u>   |
| Negative Cash Flow at August 31, 2003    | \$ (35,000)     |

Per the above analysis, the school needed approximately an additional \$35,000 to meet its obligations. Had enrollment not decreased for the second semester, cash flows may have been adequate through August.

Our review also showed that the school issued nine checks in July 2003 totaling approximately \$17,000, which were returned for non-sufficient funds. This indicates that controls over monitoring the cash balance of the school were not being followed closely. It appears as if the repayment of the line of credit, which was deducted from the checking account, was not timely reflected in the schools check register. Based on this, the check register balance appeared adequate to cover the checks issued. We noted that payroll was met during July and August, although the related withholdings have not yet been deposited with the federal and state tax departments.

Per discussion with Mr. Tarrer, the school has just been approved for a \$50,000 line of credit for the 2003-04 school year through North Milwaukee State Bank. These funds will greatly assist the school in meeting their current obligations, until their first State Aids payment from DPI is received in late September. In addition, enrollment for 2003-04 has increased by approximately 15 students, which will increase revenues. Also, one staff position has been eliminated due to current staff being more efficient in their duties, thus decreasing payroll expense.

## Recommendations

Based on the above findings, it is evident that Mr. Tarrer had an increasingly difficult time performing the dual roles assigned to him in 2002-03. Because of this, the financial management function of the school deteriorated severely by the end of the school year.

However, this deterioration was not evident until the last 2 months of the school year.

Therefore, in order to improve the financial status of the school, we recommend the following actions be taken immediately:

- 1) We request that the school immediately review its 2003-04 budget with their present accountant for viability. The accountant should carefully review the budget and make any necessary changes. The budget must include current unpaid obligations from the prior school year and result in positive cash flow adequate to cover the school's obligations through August 2004 as well as repayment of the \$50,000 line of credit issued to them. We recommend the budget only include items *necessary* for the operations of the school. This budget should be updated at least quarterly. These budgets will be subject to review by the CSRC's management oversight consultant.
- 2) We request that the current accountant take over the total accounting functions of the school. This will include the continuation of the firm processing payroll, as well as taking over the duties of accounts payable processing and check-writing. This will allow the accountant to closely monitor the cash balance of the school as well as provide ongoing budgetary analysis. It will also provide for more accurate financial reporting on an accrual basis. Previously, accountant's reports were not based on a full accrual basis.
- 3) We request that monthly financial statements, including budgeted to actual reports, detail of all receivables and payables, and reconciliations for cash accounts be prepared and submitted to the CSRC's management oversight consultant. The consultant should receive these reports by the 20<sup>th</sup> day of the month following the month being reported.
- 4) We recommend that negotiations commence immediately with SBC regarding the return of the video conferencing equipment. Once this is accomplished, approximately \$47,000 in payables will be eliminated from the \$79,000 balance at June 30, 2003. If and when this occurs, proof of credit to your account should be provided to the management oversight consultant.
- 5) We recommend that the school management begin to aggressively pursue additional funding from outside sources such as fundraising and foundation grants. These sources of revenue can help to alleviate the school's cash flow problems.

## Conclusion

Based on our review of the financial status of Khamit Institute as of September 5, 2003, we have determined that the school has major financial and cash flow problems.

However, with proper management and budgeting of its future finances, we believe the school can overcome these problems. However, this recovery will take time to realize. It

is imperative that the school prepare an ultra-conservative budget for its current school year, closely follow that budget, and revise it regularly when significant changes in projected revenues or expenses occur. As management oversight consultants, we will be in frequent contact with Khamit Institute management and will report to the CSRC as developments occur.



Department of Administration

September 18, 2003

John O. Norquist  
Mayor

Michael J. Soika  
Director

James Rowen  
Deputy Director

Khamit Institute  
Jerry Tarrer  
4714 West Fond du Lac Avenue  
Milwaukee, WI 53216

Dear Mr. Tarrer,

Please provide the following information to the Charter School Review Committee:

1. Khamit Institute (School) should immediately review and update its 2003-2004 annual budget. This updated budget must include all relevant assumptions. This Budget should also incorporate payment of current unpaid obligations from the prior year as well as payment of the current \$50,000 line of credit. The Governing Board should approve this budget after review by the present accountant for reasonableness. This update should be completed and submitted to the CSRC no later than October 15, 2003.
2. The School should also prepare a Monthly Cashflow Forecast for the entire budget-fiscal year including monthly receipts, disbursements and end of month cash balances along with all relevant assumptions. This cashflow forecast is to be approved by the Governing Board and submitted to the CSRC no later than October 15, 2003.

Regards,

Michael Soika  
Director

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Department of Administration

September 18, 2003

John O. Norquist  
Mayor

Michael J. Soika  
Director

James Rowen  
Deputy Director

M.L. Tharps & Assoc.  
Mr. Carl Cira  
1845 North Farwell #109  
Milwaukee, WI 53202

Dear Mr. Cira,

The Charter School Review Committee requests the following information be sent to our office on or before October 15, 2003.

1. Please provide a copy of the final financial statements for Khamit including the signed auditor's opinion and management letter. If not complete, please make available whatever draft documents that the independent auditor will release. NOTE: If Khamit refuses to release any draft documents please inform us of this.
2. Please report on any potential "going concern" issues related to Khamit. If either Tharps or the independent auditors believe the continuation of Khamit is in any way threatened by its current financial status, we require that this be disclosed to the CSRC immediately.
3. Please provide an explanation of the year to year growth in administrative costs reflected in the draft audit report. We desire Tharps independent assessment compared to the prior year.
4. Provide any other pertinent information related to Khamit's current financial status as the CSRC considers renewal of the Khamit Charter. This would include any additional Tharps analysis of the recent annual audit report results and any update to information Tharps provided in its Sept 8th presentation to the CSRC.

Regards,

Michael Soika  
Director

0098



Jerry Tarrar  
Executive Director

October 23, 2003

Dr. Howard Fuller, Ph.D.  
Chair  
Charter School Review Committee  
Room 606  
City Hall  
200 East Wells St.  
Milwaukee, WI 53202

Dear Dr. Fuller,

This letter is an attempt to further clarify why our local measure results (i.e. DI placement test measuring student progress in math and reading ) differed so dramatically from the 2001-2002 school year to the 2002-2003 school year.

There are essentially two aspects to the explanation.

1. We are not comparing apples to apples. The local measure results reported to the CSRC for the 2001-2002 school year (i.e. student progress in math and reading) were based on a) Direct Instruction placement test given to each student at the beginning of the school year and b) placement test given again at the end of the school year. However, the results reported for the 2002-2003 school year were based on a) Direct Instruction placement test given at the beginning of the school year and b) the DI consultant's judgment of student placements in the DI programs at

0099

*Where Quality Education and Culture Meet*

the end of the year (based on several mastery test given during the last 2-3 months of the year). The difference from one year to the next is that at the end of the 2002-2003 school year, the students did not receive the DI placement test. This error can be attributed to a lack of communication between my person and Ms. Shabaka after she made her transition into the classroom.

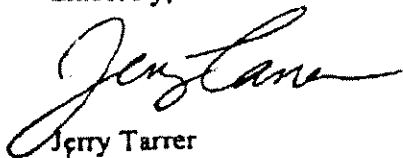
2. The DI coach significantly raised the standard for moving through each DI program. Each DI program (Reading Mastery, Connecting Math Concepts, Corrective Reading, etc.) includes guidelines for student remediation. Typically, the guidelines stipulate that if most of the children in the program passes a mastery test (given throughout the school year) by correctly answering 80% or more of the given questions, then the group moves ahead in the program (Mastery test are typically given every 10 lessons and a program typically has over 100 lessons at a given level.) Those students who do not pass with 80% or higher are given remediation outside of the normal class and retested to ensure passing with a grade of 80% or better. These are the guidelines Khamit has followed for years. The DI consultant, however, applied a different set of guidelines. The consultant's guidelines stated that unless all students in the a program passes each mastery test by answering 90% or more of the questions correctly, the entire group is not allowed to progress in the program, and usually the group must to back ten lessons for group remediation. As a result the students did not progress as quickly through the programs. The impact of such a shift in the standard did not become clear to us until the report by the CRC was issued. And when questioned on why this higher standard was used, the consultant replied that it was the standard she had used at other schools to turn around performance on standardized test. The consultant was



surprised to hear that placement test were used as a measure of progress and informed my person that the no other school she's worked has ever used DI as a local measure.

It is our opinion that the two above scenarios account for the difference in the DI progress results from 2001-2002 to 2002-2003. Also, it is our hope that the Charter School Review Committee takes into account these findings.

Sincerely,

  
Jerry Tarrer

# Khamit Oversight Fees

**4<sup>th</sup> Quarter Oversight Fees**  
**Due June 24, 2002**

July 8, 2002 Check received in DOA office

July 31, 2002 Check returned NSF

August 12, 2002 Check received and deposited in trust account



Department of Administration

John O. Norquist  
Mayor

Michael J. Soika  
Director

James Rowen  
Deputy Director

May 24, 2002

Yakini Shabaka  
Khamit Institute, Inc.  
4714 West Fond du Lac Avenue  
Milwaukee, WI 53216

Dear Ms. Shabaka:

This letter is based on the total amount of aid you received from DPI for the 2001-2002 school year. The oversight fee is calculated based on that amount and is as follows:

|                        |                 |
|------------------------|-----------------|
| Total payment from DPI | = \$ 530,990.60 |
| <u>79</u> x \$6,721.40 | = \$ 530,990.60 |

|                       |                                   |
|-----------------------|-----------------------------------|
| Oversight fees        | = \$ 9,875                        |
| <u>79</u> x \$ 125.00 | = \$ 9,875                        |
|                       | - \$ 7,110 (Paid last 3 Quarters) |
|                       | <u>\$ 2,765</u>                   |

|              |            |
|--------------|------------|
| Balance owed | = \$ 2,765 |
|--------------|------------|

As you know, an Ordinance File #000172 imposes a payment per student no later than the 21<sup>st</sup> calendar day after the school operator receives payment from the Wisconsin Department of Public Instruction under 118.40 (2R)(E), Wis. Stats.

If you have any questions, please call me at 286-8689.

Sincerely,

Robert Juhay  
Management & Accounting Officer  
Department of Administration

0103



# Khamit Oversight Fees

**4<sup>th</sup> Quarter Oversight Fees**  
**Due June 25, 2003**

June 30, 2003 Check received in DOA office

July 23, 2003 Check returned NSF

September 5, 2003 Check received and deposited in trust account



Department of Administration

June 2, 2003

John O. Norquist  
Mayor

Michael J. Soika  
Director

James Rowen  
Deputy Director

Jerry Tarrer  
Khamit Institute, Inc.  
4714 West Fond du Lac Avenue  
Milwaukee, WI 53216

Dear Mr. Tarrer:

This letter is based on the total amount of aid you received from DPI for the 2002-2003 school year. The oversight fee is calculated based on that amount and is as follows:

|                        |                 |
|------------------------|-----------------|
| Total payment from DPI | = \$ 507,458.04 |
| <u>73</u> x \$6,951.48 | = \$ 507,458.04 |

|                              |               |
|------------------------------|---------------|
| Oversight fees               |               |
| <u>73</u> x \$ 129.50        | = \$ 9,453.50 |
| Fees owed                    | = \$ 9,453.50 |
| Fees paid through 3 quarters | = \$ 7,090    |
| Balance owed                 | = \$ 2,363    |

As you know, an Ordinance File #000172 imposes a payment per student no later than the 21<sup>st</sup> calendar day after the school operator receives payment from the Wisconsin Department of Public Instruction under 118.40 (2R)(E), Wis. Stats.

**NOTE: Payment due date is June 25, 2003**

If you have any questions, please call me at 286-8689.

Sincerely,

Robert Juhay  
Management & Accounting Officer  
Department of Administration

0106

KHAMIT INSTITUTE CHARTER SCHOOL 07-98

4714 W FOND DU LAC AVE  
MILWAUKEE, WI 53216

NORTH MILWAUKEE STATE BANK  
MILWAUKEE, WI 53216

4323

12-1193750

6/27/2003

Returned Not Paid  
By 075011930  
Because

\$ \*\*2,363.00

PAY TO THE ORDER OF City of Milwaukee

NSF  
 Uncollected Funds  
 Presented Twice  
DO NOT REDEPOSIT

Two Thousand Three Hundred Sixty-Three and 00/100

DOLLARS

City of Milwaukee  
Attr: Bob Juhay  
City Hall, Rm 606  
200 E. Wells Street  
Milwaukee, WI 53202

*Yakini Shabaka*

MEMO Oversight Fee

⑈004323⑈ ⑆07501 730⑆ ⑈1⑈ 496 ⑈ ⑆0000236300⑆

⑈0000004323⑈ ⑆091000019⑆ 9999999999⑈ ⑆0000236300⑆

**From:** Robert Juhay  
**To:** Michael Soika  
**Date:** 8/19/03 12:08PM  
**Subject:** Khamit

Mike,

As of August 19, 2003, attempts to obtain Khamit's oversight fees in the amount of \$2,363 have been unsuccessful. DPI mailed a check in the amount of \$126,864.51 on June 2, 2003 to Khamit. Our efforts to date are as follows:

Tuesday, 7/29. DOA Administration received payment receipt from the Treasurer's office for NSF check from Khamit Institute for June oversight fee of \$2,363

Left messages

7/29

8:47am Call me regarding NSF check.

11:15am Receptionist said Jerry Tarrer will be in after 4pm

7/30

12:55pm Jerry is in a meeting

1:55pm Still in a meeting

2:24pm Jerry states he will go to the bank either today or tomorrow and send a cashiers check

8/6

9:34am Left message that we have not received the check and asked him to call back.

8/7

9:35am Jerry will try to get a board member to go to the bank - "should get the check tomorrow"

8/14

8:45am Will drop check in office Friday, 8/15

8/15

2:30pm Jerry said he will try to get the check in the office by 4:45pm, otherwise Monday, 8/18.

8/19

8:55am Left message to call me about payment

10:40am Receptionist said Jerry will not be in office until tomorrow.

Please advise me what further steps to take.

Bob

0108





City of Milwaukee  
Department of  
City Development

### CERTIFICATE OF OCCUPANCY

Location: 4340 N. 46TH ST. UNIT #602      Issued: January 15, 2003      #496151

Issued to: Khamit Institute

Area: Ground Level

Use: School, elementary or secondary

**NOT TRANSFERABLE**

*Jill A. Stevens*  
Jill A. Stevens  
Commissioner, Dept. of City Development

Occupancy must conform with provisions of chapters 200 and 206 of the building and zoning code. This certificate allows only the use of the premises and does not permit to conduct a licensed business or one prohibited by law.

0109

## **APPENDIX A**

### **Academic Criteria**

## Background Information

- Many are interested in comparisons of the performance of students from different schools and this interest may become more intense as charter schools enter the picture. Norm referenced standardized tests do not provide a fair comparison, because they are built on the assumption of a bell curve and so spread the scores over 100 points. Researchers have found that the resulting percentiles correlate more highly not to academic achievement, but to socio-economic status.

A more fair and useful comparison is a criterion referenced standardized test, which sets the expectation for a certain level of performance matched to grade level. In effect, then, students are measured against the standard for their grade level, rather than being placed on a curve in relationship to a norm group. Moreover, the required state tests--the Wisconsin 3<sup>rd</sup> grade reading test and the Wisconsin Knowledge & Concepts Exam tests--are criterion referenced.

- For schools that choose to work with students in pre-school and primary grades only, it is important to note that standardized tests are not reliable for children in grade 2 and younger. There are diagnostic tests in reading and qualitative approaches that can give evidence of reading readiness, but few would trust “scores” of the same type that are produced by the Wisconsin 3<sup>rd</sup> grade reading test and the Wisconsin Knowledge & Concepts Exam for children in these early grades.
- Individual students may come to a charter school with significant deficits. It is unfair to expect the school to be able to bring such students up to grade level in one year. But it is also not good enough to have only one year’s rate of growth for these students. Therefore, the Charter School Review Committee has built in the expectation that schools will show increased scores for the students who start out below grade level.
- The central areas to assess are reading, writing and mathematics. But the Charter School Review Committee does not want to convey the message that the other subject areas and the school’s own curricular goals are not important. While ensuring that students are competent in the “basics” of reading, writing and mathematics, it is important not to ignore other educational experiences. It is often through the other subjects that students get interested in reading more and writing about those subjects. Therefore, we want to take very seriously the local goals and measures.
- For high schools, proficiency in reading, writing, mathematics, science and social studies must be addressed in both local measures and standardized tests.
- There probably needs to be some attention to teaching students how to take standardized tests so that they know and can be represented in the scores they receive. One problem with trying standardized tests is that many students do not know the “code” and so don’t do as well on those tests as they do in their classroom work. A support system for teachers may be appropriate to develop. The Charter School Review Committee recommends to the schools that they investigate such efforts to support teachers and students.

The following lays out the assessment plan for the City of Milwaukee’s Charter Schools. In addition, it provides the policy under which charter schools may be placed on probation and/or have their charter rescinded.

**Measures of performance:**

The Charter School Review Committee follows Wisconsin’s “balanced assessment” mandate, which asks districts to have a plan whereby decisions about promotion and graduation are not made on the basis of a single test score. We believe that the same policy should guide judgments about schools. Therefore, in its “balanced assessment” approach, the CSRC will require both standardized test results and results on local measures, with a focus on reading and mathematics in the standardized testing and reading, writing, and mathematics in the local measures.

**1. Standardized testing:**

- 1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> grade: Stanford Reading
- 3<sup>rd</sup> grade: Wisconsin 3<sup>rd</sup> grade reading test
- 3<sup>rd</sup> through 8<sup>th</sup> grade: Terra Nova/WKCE

**2. Local measures:**

Local measures must be linked to a set of competencies and skills that children are expected to learn, corresponding to the Wisconsin standards for 4<sup>th</sup> and 8<sup>th</sup> grade. Schools must, therefore, adopt a curriculum that builds to the expectations that we use as a community to measure student achievement, i.e., the standardized tests required by the State of Wisconsin in some years and comparable tests in the remaining years.

**Reading** Schools will keep individual student records (running records) of reading growth, including both decoding skills and comprehension skills. The local measures will provide data that should be reviewed by the staff to determine progress on a monthly basis. As part of the local measures design, schools will have and implement an intervention plan when students are not making progress. Schools should maintain records that monthly reviews of records and the development and implementation of intervention plans have taken place. CSRC monitors will examine this documentation in their review of the schools.

**Math** Schools will keep individual student records (running records) of mathematics growth, including knowledge of math facts, computation, and math reasoning skill. The local measures will provide data that should be reviewed by the staff to determine progress on a monthly basis. As part of the local measures design, schools will have and implement an intervention plan when students are not making progress. Schools should maintain records that monthly reviews of records and the development and implementation of intervention plans have taken place. CSRC monitors will examine this documentation in their review of the schools.

**Writing** Schools will keep individual student records (running records) of writing growth, including various forms of writing and technical aspects of writing (e.g., grammar, spelling, etc.). The local measures will provide data that should be reviewed by the staff to determine progress on a monthly basis. As part of the local measures design, schools will have and implement an intervention plan when students are not making progress. Schools should maintain records that monthly reviews of records and the development and implementation of intervention plans have taken place. CSRC monitors will examine this documentation in their review of the schools.

**IEP Goals** Possible Local Measures for Special Education Students re: their IEP.

Explanation: Each Individual Education Program (IEP) must include measurable annual goals to enable the student to be involved in and progress in the general curriculum and to meet other educational needs that result from the student's disability. Benchmarks or short-term objectives necessary to achieve the goals are included under each goal. It is important that each goal and the benchmarks to meet the goal are stated in measurable terms. At least annually, but sometimes more frequently, the student's progress on those goals and benchmarks needs to be assessed in order to decide if the goal has been met, is no longer relevant and should be abandoned or continued for the next period covered by the IEP.

**Level of performance required**

Because the state requires the WKCE and that test is reported in proficiencies rated as minimal, basic, proficient, and advanced, the CSRC will move to using the proficiency ratings, so that the test results will be comparable from year to year. Note, however, that grade level reports may have to be used for the Terra Nova scores until proficiency levels are available at all grades.

**For start-up schools, i.e., schools that have not been in operation previously:**

**In year 1**

- Schools will put in place the local measures, as approved by CSRC, to document both student progress and the implementation of appropriate interventions. For example, using the math standards, they will need to show the level of student performance at entry and at the end of the first year. While the goal is for all students to show mastery in relationship to grade level standards, the CSRC will look for reasonable progress, given where students began
- Students must take the standardized tests for which they are eligible and the test results will serve as baseline data for future years.

**In year 2**

- Schools will maintain their local measures, as approved by CSRC, including the intervention processes. Using the math standards, for example, they will need to show the level of student performance at entry, at the end of the first year, and at the end of the second year. While the goal is for all students to show mastery in relationship to grade level standards, the CSRC will look for reasonable progress, given where students began.
- Students must take the standardized tests for which they are eligible. Using the baseline results from year one and the results from year two, schools need to document growth in the students who have been in the school for a second year. While the goal is for all students to function at a proficient level on the standardized tests, the CSRC will look for reasonable progress, given where students began. At a minimum, students should show improvement from one test to the next.

**In year 3 and following**

- Schools will maintain their local measures, as approved by CSRC, including the intervention processes. Using the math standards, for example, they will need to show the level of student performance at entry, at the end of the first year, at the end of the second year, and at the end of the third year. While the goal is for all students to show mastery in relationship to grade level standards, the CSRC will look for reasonable progress, given where students began.

- Students must take the standardized tests for which they are eligible. Using the baseline results from year one and the results from years two and three, schools need to document growth in the students who have been in the school for a second and a third year. While the goal is for all students to function at a proficient level on the standardized tests, the CSRC will look for reasonable progress, given where students began. At a minimum, students should show improvement from one test to the next.

**For schools that have been in operation prior to their being chartered by the City of Milwaukee:**

If the school has been giving the same standardized tests as those required of the city's charter schools, then they follow the requirements above for "year 2" with regard to the standardized tests in their first year as a charter school.

If the school has not been giving the same standardized tests as those required of the city's charter schools, then, upon approval of the charter in December, they will be notified that they must give the required standardized tests to their students in spring of the year before they become a charter school. Then they follow the requirements for "year 2" with regard to the standardized tests in their first year as a charter school.

In either case, the existing school must show that students have demonstrated growth for students over time (in a period of at least two years) of at least one year per year of school. For those children behind grade level, the school should be able to demonstrate more than a year's growth in a year.

**Reasonable progress**

We define reasonable progress in relationship to the two parts of our balanced assessment system in these ways:

- On local measures, the evidence must show the positive impact of regular coursework and interventions. Reasonable progress would NOT be met if students failed to demonstrate progress of at least 70% of their functional grade level\* expectations. Schools must provide documentation of reasons and intervention/action plans for all students who do not meet the 70% demonstration requirement.
- On standardized tests, reasonable progress would NOT be met if the scores decline. If students are basic or proficient in one year, the next year's basic and proficient represent higher levels, given the added grade level expectation.

\*Students not at grade level should have individual learning plans, geared to their functional grade level.

**Caveats**

Because of the need for a minimum of 10 students in any of the reporting groups, the CSRC will look at the development of proficiency across students who have been in the school for a minimum of two testing periods. Where an individual grade level has 10 or more students with year-to-year standardized test comparison scores, the average improvement (in terms of proficiency level) will be reported. In addition to year-to-year growth, we will report multiple year progress if the group is 10 or more and if the tests are from the same series. To protect the confidentiality of the students involved, year-to-year grade level gains will not be reported when the cohort size falls below 10 students.

Similarly, the CSRC monitors will maintain confidentiality for individual students in addressing whether the schools maintain appropriate documentation for students who do not meet 70% of the functional grade expectations; it will not report on details regarding individual students.

**When would the CSRC put a school on probation for academic reasons?**

1. Regarding local measures—a school would be placed on probation if it were found to
  - a. not have or not have implemented a clear plan for keeping records of student growth in the three required areas,
  - b. or not provide interventions for students who are not making continuous progress in developing skills in the three required areas, based upon monthly reviews of progress, or
  - c. not have students meeting 70% of functional grade level expectations on the local measures and not have intervention plans and implement those plans for all students who do not meet the 70% demonstration level.
2. Regarding standardized measures—a school would be placed on probation if its scores on standardized tests indicated no progress over two test periods. (If the standardized tests showed no growth in contrast to evidence of healthy growth on local measures, then the school would be required to develop a test-taking skills program, to assure that students are able to demonstrate their knowledge and skill on the standardized measures.)

Being placed on probation will result in an increased level of monitoring by the CSRC monitors. The cost of additional monitoring would be borne by the school.

**When would the CSRC rescind a charter for academic reasons?**

1. A school may have its charter rescinded for academic reasons, without being given a period of probation if the CSRC finds that there are problems so serious that such action is warranted.
2. A school that has been on probation for academic reasons for a reasonable time (ordinarily one year or less) may have its charter rescinded if problems with its local measures have not been remedied. These problems include lack of a clear plan, lack of implementation, lack of interventions, or lack of success in meeting the 70% performance rate.
3. A school that has been on probation for academic reasons for a reasonable time (ordinarily one year or less) may have its charter rescinded if the pattern of no progress on standardized test results continued for a second year.

**Other factors the CSRC will take into account in determining probation or rescinding of a charter for academic reasons:**

Because teachers are critical to the implementation of a quality program, a combination of problems with student performance and problems with teachers (i.e., lack of certification, high turnover) will be looked at as of serious concern. Student retention issues can also figure in to the picture; loss of significant numbers of students will be examined carefully as a potential indicator of concerns about the quality of the program. Finally, we want to use all other data provided in our oversight of schools to make reasonable and prudent decisions.

**Teacher Certification**

Compliance with teacher certification requirement means

- a) The teacher has applied for a DPI license/permit before beginning to teach and
- b) In cases where the DPI has not granted licensure/permit within eight weeks of the application, the school has periodically contacted and documented the status of the teacher's application

**Teacher Retention and Mobility**

Charter school administrators will record and report the number of teachers who terminate during the school year and their reason for leaving. Additionally, the schools will inform the CSRC of the names, certification status, and date of hire for teachers added to the faculty during a school year.

**Student Retention and Mobility**

Charter school administrators will record and report the number of students who terminate during the school year and the reason(s) for their leaving. Additionally, information about all students who enroll after the beginning of each school year must be incorporated into the normal reporting requirements as applied to all other students.

**Organizational climate and culture data**

As part of the oversight plan, the CSRC's monitors gather additional information that may provide information about satisfaction/dissatisfaction with the school on the part of various groups of stakeholders, e.g., administrators, teachers, parents, and students. The CSRC will also take these data into account in looking at the overall health of each charter school.

**When would we rescind a charter for other than academic reasons?**

If it is deemed to be in the best interest of the students, parents, and City of Milwaukee, the CSRC may place a school on probation or rescind a charter without probation. Among the circumstances that would suggest such a course of action include, but are not limited to

- Issues of governance or fiscal integrity
- Financial instability
- Lack of cohesive management
- Lack of internal controls
- Lack of an appropriate learning environment
- Safety concerns
- Lack of an occupancy permit

Depending upon the gravity of the situation, the CSRC will make determine whether probation or rescinding of the contract is the appropriate course of action.



# CHILDREN'S RESEARCH CENTER

A Division of the National Council on Crime and Delinquency  
426 South Yellowstone Drive, Suite 250, Madison, WI 53719  
phone: (608) 831-1180; fax: (608) 831-6446

## MEMORANDUM

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**to:** Yakini Shabaka  
**from:** Sue Gramling  
**subject:** Final: Khamit Institute Educational Outcome Goals for 2000-2001 Academic Year  
**date:** November 10, 2000; Amended at subsequent meetings with Ms. Shabaka.

The following describes the educational outcomes CRC will use to monitor your education programs for the 2000-2001 school year. If there are any items that require modifications, do not hesitate to call me.

**ATTENDANCE:** The school will maintain an average daily attendance rate of 80%. (Note: attendance rates will be reported by present, excused, and unexcused.)

**ENROLLMENTS:** Individual student information about new enrollees will be shared with CRC. Student enrollment data will be regularly updated in the school's database.

**EXCEPTIONAL EDUCATION NEEDS STUDENTS:** The school will maintain updated records on all EEN students including date of—team assessment, assessment outcome, IEP completion date, IEP review dates and any reassessment results.

**TERMINATIONS:** The school will record the date and reason for the termination of every student leaving the school during the 2000-2001 academic year. For the students who attended last year (1999-2000) who have not returned, the school will provide either the reason the child left or the latest known name, address, and phone number to CRC by October 15, 2000.

**PARENT CONFERENCES:** On average, 75% parents will attend at least half (50%) of the scheduled parent-teacher conferences. Dates for the conferences and names of parent participants will be recorded by the school and provided to CRC staff by June 1, 2001.

### EDUCATION PROGRAM DEVELOPMENT

**RE: Parent Contracts:** School staff will develop parent contracts to be used as part of the enrollment procedure for the fall of 2001-2002 academic year.

0117

RE: Curriculum: School staff will complete the grade level benchmarks and activity sections for the science and social studies curriculum by June 1, 2001. (Khamit currently has standards in science and social studies.). This will result in science and social studies curriculum that includes standards with grade level benchmarks and activities.

RE: Personal Learning Plans: During the first quarter of the academic year, an personal learning plan will be developed for 80% of the students (by the student, the teacher, and the parent). At least 50% of these learning plans will be reviewed by the teacher and the parent or student quarterly thereafter. Fourth quarter review will be satisfied by a mailing of updated PLPs to the parents with an opportunity to call with questions or request a conference.

## ACADEMIC ACHIEVEMENT

### **LOCAL MEASUREMENT PLAN:**

Seventy-five percent (75%) of students will achieve A (Almost Mastery) or E (Emerging) in grade level Personal Identity (PI) or Group Identity (GI) or Global Identity (GI.I) skills within one academic year.

At least 75% of the students will demonstrate a gain of one grade level in reading mastery, mathematics, reasoning and writing as measured by comparing fall and spring Direct Instruction tests.

Each class (fifth through eighth) will demonstrate an average growth of one grade level in science and social studies as tested on the Terra Nova. (This will apply to all fifth through eighth grade students with Spring 2000 Terra Nova grade level scores for comparison.)

**STANDARDIZED MEASURES:** These measures will assess academic achievements in three areas: reading, writing, and mathematics. On average, each class will demonstrate a minimum of at least an increase of one grade level as measured by the academic progress of each student in that grade. Students who initially test below grade level will demonstrate more than one grade level gain. *(Note: will discuss Khamit's concerns regarding the "more than one grade level gain" issue with the CSRC and Janice Ereth.)*

Grade Level: 1 & 2 Measurement tool: Stanford Diagnostic Reading Tests

This test will be administered on an annual basis in the spring. First year testing will serve as baseline data. Progress will be assessed based on the results of the testing in reading in the second and subsequent school years.

Grade Level: 3 Measurement tool: Wisconsin Reading Comprehension Test

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This test will be administered on an annual basis in the time frame identified by the State Department of Public Instructions. This test will provide each student with a comprehension score and a proficiency level.

Grade Level: 4 Measurement tools: Stanford Diagnostic Reading Test AND Wisconsin Knowledge and Concepts Exam

These tests will be administered on an annual basis in the time frame identified by the State Department of Public Instructions. The WKCE will provide each student with a grade level equivalency score in reading, writing, and mathematics. Testing should be anticipated for March/April 2001.

Grade Levels: 5,6, & 7 Measurement tool: McGraw Hill Terra Nova

This test will be administered on an annual basis in the time frame identified by the State Department of Public Instructions for testing of fourth and eighth graders. This test will provide each student with a grade level equivalency score in reading, writing, and mathematics. Testing should be anticipated for March/April 2001.

Grade Level: 8 Measurement tool: Wisconsin Knowledge and Concepts Exam

This test will be administered on an annual basis in the time frame identified by the State Department of Public Instruction. The WKCE will provide each student with a grade level equivalency score in reading, writing, and mathematics. Testing should be anticipated for March/April 2001.



Charter School Review Committee

May 23, 2001

Howard L. Fuller    Mary E. Diez  
Chair                      Vice Chair

W. Martin Morics, CPA  
City Comptroller, *Ex Officio*

Pilar I Gomez            Kimberly Tuck

Robert C. Jasna  
Committee Members

Shella Payton  
Technical Reviewer

Khamit Institute, Inc.  
Yakini Shabaka  
4714 West Fond du Lac Avenue  
Milwaukee, WI 53216

Dear Ms. Shabaka:

I am pleased that the four charter schools sponsored by the City of Milwaukee have received generally good marks from the education and management oversight consultants, Children's Research Center (Janice Ereth) and M.L. Tharps and Associates (Carl Cira), who work for the Charter School Review Committee. Congratulations on your educational and management performance thus far.

As you know, however, there have been occasions when City-sponsored charter schools have had difficulty in complying with the terms of their contracts with the City. One school, for instance, was delayed in submitting a final audit. There also have been difficulties in sorting out the correct amount of the oversight fees that schools must pay every quarter (involving both under- and over-payments).

Earlier this month, representatives of several of the schools met with me, David Riemer from the City's Department of Administration, and Robert Juhay, also from the City DOA, to discuss our concerns and identify ways to improve contractual compliance. I have spoken separately with representatives of the schools that were unable to attend this meeting. I appreciate the seriousness with which you, your school, and indeed all the City-sponsored charter schools have approached this issue.

I am writing, at the direction of the Charter School Review Committee, to urge you to communicate quickly and completely with me, or David Riemer, or Robert Juhay, if you are unable to comply with the audit submission deadline, the oversight fee deadline, or any other provision of your contract with the City. Unavoidable problems with compliance deadlines sometimes do arise. Good faith efforts to rectify the situation are always welcome. But unless both the school's problem and its effort to come into compliance as soon as possible are promptly and fully explained to the Charter School Review Committee or those who staff us, neither the Committee nor those who oversee our own performance will know whether a particular instance of non-compliance is the result of negligence and cannot be excused, or arises from an unavoidable but temporary breakdown that the school is doing everything it can to put right and which the Committee would be justified in excusing.

Please let me know if you have any questions about this request. Thank you.

Sincerely,

Howard L. Fuller, Chair

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**Charter School Review Committee  
Minutes  
Meeting of October 8, 2001**

1. The Charter School Review Committee convened on October 8, 2001, at 6:35 PM, in City Hall, Room 606. The following Committee members were present: Howard Fuller, chair; Mary Diez, vice chair; Anita Paretti, Director of Accounts, Office of the Comptroller; Pilar Gomez; Kimberly Tuck; and Robert Jasna. Also present were David Riemer, Director, Department of Administration; Robert Juhay, Management and Accounting Officer, Department of Administration; Amy Stenglein, Administrative Assistant, Department of Administration; and Janice Ereth and Sue Gramling, Children's Research Center and education oversight consultant for the Committee.
2. The Committee approved the proposed agenda for the meeting.
3. The Committee took up the report by the Children's Research Center on the Central City Cyberschool. Janice Ereth summarized the CRC's findings point by point. She indicated that the Cyberschool had met 8 of 10 contractual requirements. She stated that the two not met included failure to achieve minimum gain of one class level on standardized test, and to obtain DPI licenses for all instructional staff.
4. Ereth recommended that the school (A) develop a plan to meet the needs of low-achieving students in reading and math, and (B) ensure that all staff obtain required DPI licenses.
5. Christine Faltz from the Cyberschool responded. The school, she said, was now beginning its third year. Acquiring computers had proven more difficult than anticipated, and the school had experienced staff difficulties. Starting off with 350 students at once had created pressure on the school, which was exacerbated by the fact that many of the parents who moved their children to the Cyberschool did so because of unhappiness with their children's below-standard academic performance at their prior schools.
6. Faltz indicated, with respect to the problem of missing DPI licenses, that one teacher lacked a license, but that the license had now been obtained.
7. Howard Fuller requested Christine Faltz to resubmit the Cyberschool's proposal to educate at the K-4 and K-5 levels in light of MPS' withdrawal of its K-4 and K-5 program at Parklawn. This proposal would have no effect on the total number of children taught by the school. Christine Faltz agreed to do so.
8. Mary Diez clarified the meaning of the Charter School Review Committee's "local measures" requirement.

9. Howard Fuller, Anita Paretti, and Janice Ereth discussed with Christine Faltz the question of what timelines are appropriate for the achievement of goals, holding schools accountable for outcomes, and imposing sanctions for non-performance.
10. Howard Fuller proposed that Cyberschool should prepare a written response to the CRC's analysis and recommendations which might be attached to the CRC's report.
11. Anita Paretti inquired about Cyberschool's goals. Christine Faltz listed three: (A) student achievement using local measures, (B) improved curriculum, and (C) improved teacher practice and instructional strategy.
12. The Committee completed its discussion of the Cyberschool.
13. The Committee took up the report by the Children's Research Center on Khamit Institute. Sue Gramling summarized the CRC's findings point by point. She indicated that Khamit had met 10 of 13 contract priorities. She stated that the three not met included the failure to achieve a minimum gain of one class level in all cases, to obtain DPI licenses for all instructional staff, and to administer the 4<sup>th</sup> grade Stanford Diagnostic Reading test.
14. Gramling recommended that the school (A) develop a plan for low-achieving students, (B) improve consistency in its procedures for administering standardized tests, (C) clarify its data collection methodology, (D) engage in strategic planning, and (D) ensure that all staff obtain required DPI licenses.
15. Ms. Shabaka from Khamit responded. She indicated, regarding low-achieving students, that Khamit had applied for a comprehensive school reform grant to address this problem. She also spoke of the need for additional staff training.
16. Howard Fuller raised concerns about two children whose math scores actually declined. Ms. Shabaka stated that she did not have information about these students on hand. Sue Gramling noted that Khamit children did well on math local measures, and therefore the problem with standardized test results could be the result of the way standardized tests were administered.
17. Commenting on the fact that the Khamit student population had declined from 92 students in the 2000-2001 school year to 82 students in the 2001-2002 school year, and that 60% of the 2000-01 students returned in 2001-02, Howard Fuller indicated a need for longitudinal data on student performance.
18. Ms. Shabaka responded to Sue Gramling's 2<sup>nd</sup> and 3<sup>rd</sup> recommendations (see #14), concerning the need for greater consistency in its procedures for administering standardized tests and greater clarity in its data collection methodology, that she was working with the Institute for the Transformation of Learning and had attended a "data retreat" sponsored by the Milwaukee-area CESA.

19. Ms. Shabaka responded to the 4<sup>th</sup> recommendation (see #14), concerning the need for strategic planning, by indicating that Khamit had received a grant from PAVE and was working with the Institute for the Transformation of Learning to improve strategic planning, including rationalizing the school's facilities.
20. Mary Diez and Pilar Gomez asked about teacher licensure. Ms. Shabaka indicated that one returning teacher has a DPI license, and three new teachers have licenses pending and are meeting applicable DPI educational requirements.
21. Kimberly Tuck asked about the number of new instructors. Ms. Shabaka replied that she had three new instructors last year, and three new ones this year.
22. Anita Paretti asked Ms. Shabaka's opinion as to whether Khamit is a success. Ms. Shabaka replied: Yes. She indicated that the school achieved positive results on its local measures, and that its new older students (7<sup>th</sup> and 8<sup>th</sup> grades) distort the school's results on standardized tests because they lack the skills to perform well on standardized tests.
23. Pilar Gomez asked about why Khamit omitted to administer the Standard Diagnostic Reading Test. Ms. Shabaka said she was not aware of the requirement. Pilar Gomez asked David Riemer whether and how the requirement was communicated to City-sponsored charter schools. Riemer stated that both written communications were sent, and meetings with school representatives (specifically, at the Institute for the Transformation of Learning) were held, to communicate the requirement to charter schools.
24. Howard Fuller proposed that Khamit should prepare a written response to the CRC's analysis and recommendations which might be attached to the CRC's report.
25. The Committee completed its discussion of Khamit Institute.
26. The Committee took up the report by the Children's Research Center on the YWCA Global Careers Academy. Janice Ereth summarized the CRC's findings. She indicated that the Y had met 8 of 10 contractual requirements. She stated that the two not met included failure to attain the minimum gain required on 2<sup>nd</sup> grade reading and 5<sup>th</sup> grade math standardized tests, and to obtain DPI licenses for all members of the teaching staff.
27. Ereth recommended that the school (A) develop a plan for low-achieving students, (B) improve its reading curriculum, (C) develop better discipline policies and procedures, (D) improve its data collection system, and (D) ensure that all staff obtain required DPI licenses.

28. Marie Crockett and Michelle Buckingham of the Y responded. Like other charter schools, they said, some on the Y's teaching staff did indeed lack DPI licensure. They said they should have been more mindful and stayed on top of the problem. They indicated, however, that all teaching staff are now licensed or certified, except for two teachers who are not yet certified but are taking courses per DPI requirements.
29. Michelle Buckingham then addressed the problem of low-achieving students. She said that the Y had established an 8-week assessment program, as well as provided tutorials in math and reading. She indicated that they were pursuing the "Math Wings" program, and were putting in place a program on adult literacy with a McDonald's grant.
30. Michelle Buckingham then indicated, concerning the need for better discipline policies and procedures, that the Y had revamped its policy, and the problem was reduced.
31. Finally, Michelle Buckingham addressed the issue of the Y's data collection system. She said the school now used one person to input data, which had reduced errors. She also indicated they had dropped Project Achieve.
32. Howard Fuller proposed that the YWCA Global Careers Academy should prepare a written response to the the CRC's analysis and recommendations which might be attached to the the CRC's report.
33. The Committee completed its discussion of the Y.
34. The Committee took up took up the report by the Children's Research Center on Downtown Montessori School. Sue Gramling summarized the CRC's findings. She indicated that Downtown Montessori had met 10 of 11 contractual requirements. She stated that the one not met was the failure to obtain DPI licensure for members of school's teaching staff.
35. Gramling had no specific recommendations other than the need to comply fully with the licensure requirement
36. Virginia Flynn from Downtown Montessori responded concerning the school's progress in obtaining required DPI licenses. She indicated that all teaching staff have Montessori certificates, but some lack DPI licenses.
37. Anita Paretto moved and Mary Diez seconded that the Committee authorize Howard Fuller and David Riemer to Communicate with the Common Council about the licensure and other problems the CRC's reports had revealed, and to work with the Superintendent of DDPI to resolve the licensure issue. The motion was adopted unanimously.
38. Howard Fuller expressed the need for the Committee to meet to take action on the CRC's recommendations and its own judgments about the charter schools' performance.
39. Howard Fuller requested the schools to respond in writing by November 2.



40. David Riemer said he would try to finish a draft of the annual report by Thanksgiving.
41. The Committee cancelled its previously scheduled November 15 evening meeting, and moved it to November 15 from 10:30 AM until Noon to take action on the CRC's reports and recommendations. (This meeting will be in addition to the Committee's long-scheduled meeting of November 20, at 6:30 PM, set aside to conduct any required hearings on new applications for charter school status.)
42. The Committee adjourned at 9:30 PM.

**Student Learning Memorandum  
2002-03 School Year**

The following procedures and outcomes will be used for the 2002-03 school year monitoring of the education programs of Khamit Institute Charter School. The data will be provided to the Children's Research Center, the monitoring agent contracted by the City of Milwaukee Charter School Review Committee.

**Attendance**

The school will maintain an average daily attendance rate of eighty percent (80%). Attendance rates will be reported as present, excused, unexcused.

**Enrollment**

Upon admission, individual student information will be added to the school database and new enrollees will be shared with Children's Research Center.

**Termination**

The date and reason for every student leaving the school will be recorded in the school database.

**Exceptional Education Needs Students**

The school will maintain updated records on all EEN students including date of M-Team assessment, assessment outcome(s), IEP completion date, IEP review dates and any reassessment results.

**Parent Conferences**

On average, eighty percent (80%) of parents will attend at least two (2) of the four (4) scheduled parent-teacher conferences during the school year. Dates for the events and names of the parent participants will be recorded by the school and provided to Children's Research Center in June of each school year.

**Personal Learning Plan**

An Individual Personal Learning Plan will be developed for one hundred percent (100%) of the students and eighty percent (80%) will be reviewed quarterly by the student, teacher, and parent(s).

**Promotion/Graduation Criteria Agreement**

Promotion and Graduation Criteria Agreement will be part of the Personal Learning Plan Package.

**Academic Achievement: Local Measures**

On average, students will achieve "emerging," "almost mastery," or "mastery" in all grade level Global Awareness Learning Goals. The following grading scale will be used:

- 1 – needs attention
- 2 – emerging
- 3 – almost mastery
- 4 – mastery

Each student will demonstrate and articulate achievement on the Global Awareness Goals at his or her grade level through:  
a portfolio of work that meets or exceeds their teacher's expectations;

or

An individual or group project presentation

or

a written journal with at least one entry per week during the academic year.

All students enrolled for the full school year will demonstrate progress at the rate of one grade level per year of instruction in Reading Mastery, Mathematics, and Reasoning/Writing as measured by comparing pre and post Direct Instruction placement tests at each grade level.

On average, students will demonstrate increased Science and Social Studies skills as tested from year-to-year on the Terra Nova.

#### **Academic Achievement: Standardized Measures**

The following standardized test measures will assess academic achievements in three areas: reading, writing, and mathematics. On average, each class will demonstrate a minimum increase of one grade level as measured by the academic progress of each student in that grade. Students who initially test below grade level will demonstrate more than one grade-level gain.

Grades 1, 2 and 4      Stanford Diagnostic Reading Test will be administered each spring. The first year testing will serve as baseline data. Progress will be assessed based on the results of the testing in reading in the second and subsequent years.

Grade 3                Wisconsin Reading Comprehension Test will be administered on an annual basis in the time frame identified by the Wisconsin Department of Public Instruction. The test will provide each student with a comprehension score and a proficiency level.

Grades 4 and 8      Wisconsin Knowledge and Concepts Exam will be administered on an annual basis in the time frame identified by the Wisconsin Department of Public Instruction. The WKCE will provide each student with a grade level equivalency score in reading, writing, and mathematics.

Grades 5, 6, and 7    McGraw Hill Terra Nova will be administered on an annual basis in the time frame identified by the Wisconsin Department of Public Instruction for testing 4th and 8th graders. The Terra Nova will provide each student with a grade level equivalency score in reading, writing, and mathematics

Note: In cases where children have transferred into Khamit Institute from another elementary or middle school, the student's previous scores, where available, will be used for comparison. For new students who have no previous comparable standardized testing, the current year's testing will become their baseline data.



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Charter School Review Committee

Howard L. Fuller    Mary E. Diez  
Chair                      Vice Chair

W. Martin Morics, CPA  
City Comptroller, *Ex Officio*

Robert C. Jasna    Kevin Ingram  
Committee Members

Shelia Payton  
Technical Reviewer

TO:            Charter School Administrators  
FROM:        Howard Fuller, chair  
               Mary Diez, vice chair  
RE:            Changes in testing windows  
DATE:         November 5, 2002

Recently, the Department of Public Instruction changed the testing window for the Wisconsin Knowledge and Concepts Examination Administration for 4<sup>th</sup> and 8<sup>th</sup> graders. The Third Grade Reading test will continue to be given in the spring.

As a result of this change, in November and December, City of Milwaukee charter schools will administer the following tests:

|                                       |   |
|---------------------------------------|---|
| Wisconsin Knowledge and Concepts Exam | 4 <sup>th</sup> and 8 <sup>th</sup> grade                   |
| McGraw Hill Terra Nova                | 5 <sup>th</sup> , 6 <sup>th</sup> and 7 <sup>th</sup> grade |

|   |   |
|---|---|
| In spring, 2003, City of Milwaukee charter schools will administer: |   |
| Wisconsin Third Grade Reading Test                                  | 3 <sup>rd</sup> grade   |
| Stanford Diagnostic   | 1 <sup>st</sup> , 2 <sup>nd</sup> , and 4 <sup>th</sup> grade |

Please include this information about standardized test administration in your annual memo due to the Children's Research Center by December 1, 2002 (see attachment).

Feel free to contact either Howard Fuller at 288-5774 or [fuller59h@aol.com](mailto:fuller59h@aol.com) or Mary Diez at 382-6000 or [mary.diez@alverno.edu](mailto:mary.diez@alverno.edu) with questions.

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**City of Milwaukee – Charter Schools  
Report of Management Oversight Consultant  
For the School Year Ended June 30, 2003**

**November 6, 2003**

**M. L. Tharps & Associates  
Management Consultants / Certified Public Accountants  
Milwaukee, Wisconsin**

**M. L. Tharps & Associates**

*1845 North Farwell Avenue Suite 109*

*Milwaukee, WI 53202*

*(414) 278-8532 Fax (414) 278-7579*

Certified Public Accountants

Management Consultants

To the Members of The City of Milwaukee  
Charter School Review Committee

We have completed a review of the management function of the five charter schools (Khamit Institute, Downtown Montessori Academy, Central City Cyberschool, YW Community Education Center and DLH Academy), which have contracted with the City of Milwaukee for the 2002-2003 school year, and have issued our report herein. This report is based on a review of and limited testing of the policies and procedures employed by each school. We have not performed an audit of these schools, however, we have performed sufficient procedures to get an adequate understanding of each school's management policies and procedures. Based on these procedures, we are issuing this report of each school's management activities.

We would like to thank the management of each charter school for their cooperation in our efforts to perform our management oversight services.

*M.L. Tharps & Associates*

November 6, 2003

**City of Milwaukee – Charter Schools  
Report of Management Oversight Consultant  
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**City of Milwaukee – Charter Schools  
Report of Management Oversight Consultant  
Description of Procedures Performed**

M. L. Tharps & Associates developed procedures for reviewing both Charter Schools' management policies and procedures and their compliance with the City of Milwaukee contract. These procedures were developed based on the review of the contracts between the Charter Schools and the City of Milwaukee, the management oversight requirements outlined in the Request for Proposal, and conferences/discussions with the Charter School Review Committee and various City personnel. The procedures are as follows:

- a) M. L. Tharps & Associates (MLTA) met with financial management personnel to get an understanding of school's operations as well as the accounting, budgeting and financial management functions.
- b) For each major system function (cash receipts / accounts receivable, cash disbursements / accounts payable, and payroll), MLTA has obtained an understanding of the schools processes and/or controls over each area.
- c) Cash account reconciliations were reviewed and compared to month-end general ledger balances.
- d) Revenues were reviewed to verify whether charter students were paying tuition, book and/or registration fees.
- e) Liability accounts were reviewed to determine if a large or unusual liabilities exist.
- f) Obtained a copy of the school's annual financial and membership audit reports. MLTA reviewed the reports for propriety, noting any findings reported by the auditor, and that the reports were in accordance with reporting standards.

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**Reports on Charter Schools**

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## **Khamit Institute**

MLTA performed reviews of Khamit Institute's management policies, procedures and contract compliance during the 2002-2003 school year. Communications were conducted with Mr. Jerry Tarrer, Executive Director and Financial Manager for Khamit Institute.

### **Current Year Developments**

During our current year review, we noted no major changes in the internal control structure at Khamit Institute. As the organization is small with limited segregation of duties, and that the school has financial management personnel who do not have a strong background in this field, we have recommended several enhancements to their internal control structure during our monitoring. We have noted that management has implemented our recommendations.

In 2002 the school engaged the services of an outside accountant to perform monthly reconciliations and issue financial reports. We reviewed the accountant's reports, noting that monthly reports were given to Khamit on a timely basis. The reports appear to be in accordance with generally accepted accounting standards, and are a strong enhancement to the school's financial management system. However, during the year, the school began encountering severe budgetary problems as documented below.

### **Financial Status of School**

Per review of the general ledger, bank reconciliations and per discussions with school personnel, it appears that the school had serious cash flow problems at the end of the 2002-03 fiscal year. The reconciled cash balance of the school at June 30, 2003 was approximately \$2,000. In addition, the school had several checks returned for insufficient funds in the following month as the school was unable to cover those disbursements with adequate cash in its checking account. Our conversations with Mr. Tarrer revealed that starting with the 2002-03 school year, Mr. Tarrer began a dual role with the school as both the school's director and financial manager. Based on our conversation, this dual role was extremely difficult for him to manage. Because of this, his financial monitoring of the school was not performed as well as should be expected. This lack of monitoring was evidenced primarily in the school's budgeting process. Although the school had prepared a budget for the 2002-03 school year, the original budget was not revised during the school year. One flaw noted of this budget was that it was prepared based on a best-case scenario, budgeting all potential revenues rather than just the assured revenues. Because of this, Mr. Tarrer stated that certain revenues were included in the budget, which were never realized. In addition, approximately ten students enrolled during the first semester and budgeted for the entire year left the school in the second semester. Therefore the school did not receive the charter school aid for the second semester.

Based on the above, the school budgeted expenditures should have been amended to reflect this loss of revenue. However, this was not done. Because of this, the school began having cash

flow problems starting in May 2003. At that time, it was evident that the school would fall short of its cash flow requirements. Based on a review of the May 2003 financial statement prepared by the school's accountant, the reconciled balance of the cash accounts was -\$28,000 (negative). Although the school received state aids and other grants during June, this did not provide enough cash flow for July and August as certain unpaid obligations were paid from those funds. For the school to meet its obligations through August 2003, the school would have needed approximately \$37,000 as of June 30. Therefore the school was approximately \$35,000 short of cash at the end of the fiscal year. As a result, we have recommended several changes which are identified in the recommendations section below.

A review of the annual audit report revealed that the school showed a deficit of revenue over expenses of approximately \$1,000 on revenues of approximately \$842,000. Normally, a deficit this small would not result in such a large cash flow problem. However, the school made some major purchases of technology related equipment, which is not reflected in the profit and loss statement and when added to the other expenses, explain the cash flow deficit of \$35,000.

### **Other Contract Compliance Issues**

#### **Annual Audit**

The annual audit fieldwork for Khamit Institute was completed September 3, 2003 and was submitted timely. Per review of the report, there were no major findings by the auditor and the audit appears to conform to generally accepted audit standards.

#### **Student Tuition / Fees**

As stated in the contract between Khamit Institute and the City of Milwaukee, the school may not charge tuition for any charter student, nor may it charge fees for registration, books, teacher salary, equipment or courses credited for graduation. Activity and uniform fees may be charged, but the school must not profit from these fees.

Per discussion with Mr. Tarrer and per review of cash receipts for the school year ended June 30, 2003, we noted that all students were charged an activity and uniform fee. The fees appeared to be reasonable and were not considered excessive. There was no evidence that a charter funded student paid tuition or paid any other unallowable fees during the school year.

### **Conclusion**

Based on our review of management policies and procedures of Khamit Institute, we believe the school has taken a significant step backward in its implementation of a solid management system. The school appears to be in compliance with the financial management provisions of the contract with the City of Milwaukee, however, we believe the management policies and procedures of the school must be significantly changed to ensure the future financial viability of the school.

## Recommendations

Based on the above findings, it is evident that Mr. Tarrer of Khamit Institute had an increasingly difficult time performing the dual roles of executive director and financial manager assigned to him in 2002-03. Because of this, the financial management function of the school deteriorated severely by the end of the school year. Therefore, in order to improve the financial status of the school, we have recommended the following actions be taken immediately:

- 1) We have requested that the school immediately review its 2003-04 budget with their present accountant for viability. The accountant should carefully review the budget and make any necessary changes. The budget must include current unpaid obligations from the prior school year and result in positive cash flow adequate to cover the school's obligations through August 2004 as well as repayment of the \$50,000 line of credit issued to them. We recommend the budget only include items *necessary* for the operations of the school. This budget should be updated at least quarterly. These budgets will be subject to review by the CSRC's management oversight consultant.
- 2) We have requested that the current accountant take over the total accounting functions of the school. This will include the continuation of the firm processing payroll, as well as taking over the duties of accounts payable processing and check-writing. This will allow the accountant to closely monitor the cash balance of the school as well as provide ongoing budgetary analysis. It will also provide for more accurate financial reporting on an accrual basis. Previously, accountant's reports were not based on a full accrual basis.
- 3) We have requested that monthly financial statements, including budgeted to actual reports, detail of all receivables and payables, and reconciliations for cash accounts be prepared and submitted to the CSRC's management oversight consultant. We should receive these reports by the 20<sup>th</sup> day of the month following the month being reported.

## **Downtown Montessori Academy**

MLTA reviewed Downtown Montessori Academy's management policies, procedures and contract compliance during the 2002-03 school year. Communications were conducted with Virginia Flynn, Principal as well as the school's administrative assistant.

### **Current Year Developments**

During our current year review, we noted no major changes in the financial and internal control structure at Downtown Montessori Academy. The school has hired an administrative assistant, who handles a portion of the bookkeeping duties with support from the accounting firm, Hau & Associates. Management has been very receptive to our recommendations for improvement and appears to have implemented all our recommendations.

Financial management duties of the school continue to be performed by the administrative assistant, with support from Virginia Flynn. In addition, the school has engaged an outside accounting firm, Hau & Associates, S.C., to perform monthly closeouts, tax returns, prepare periodic financial statements and provide general technical assistance for the school.

### **Financial Status of School**

Per review of the financial statements and per discussions with Ms. Flynn, the school had an very good year. Cash flow has again improved over the past year, collections have increased and the school continues to be responsible with its spending. The school's annual audit showed a \$46,000 net excess of revenue over expenses for the year on revenues of approximately \$560,000. Although the school had a \$60,000 decrease in revenues for the year, expenses decreased as well to ensure the school remained within budget and also increase its cash reserves. The school is trying to build capital to assist in the construction or purchase of its own school building in the future, thus a large accumulation of cash is desired for a significant down payment.

### **Other Contract Compliance Issues**

#### **Annual Audit**

The annual audit for Downtown Montessori Academy was completed as of September 5, 2003, and was submitted timely. Per review of the report, there were no major findings by the auditor and the audit appears to have been properly submitted. As with prior year audit reports, the report was not in accordance with generally accepted accounting principles, due to the accounting for fixed assets purchased with grant funds, however, the auditors properly disclosed this. The effect of this treatment on the financial statements is not material to the statements as a whole. Except for this deviation the report is presented in accordance with generally accepted accounting standards.

### Student Tuition / Fees

As stated in the contract between Downtown Montessori Academy and the City of Milwaukee, the school may not charge tuition for any charter student, nor may it charge fees for registration, books, teacher salary, equipment or courses credited for graduation. Activity and uniform fees may be charged, but the school must not profit from these fees.

We noted that any fees charged appeared to be allowable and were not considered excessive. There was no evidence that a charter funded student paid tuition or paid any other unallowable fees during the school year.

### Conclusion

Based on our review of management's policies and procedures, it appears the school is establishing a solid financial management system. The school appears to be in excellent financial condition, with a solid cash flow. The school appears to be in compliance with the financial management provisions of its contract with the City of Milwaukee.

### Recommendations

Based on our management review, we have recommended that Downtown Montessori Academy continue its current management policies and procedures. In addition, we have requested that at least quarterly, financial statements prepared and signed by the accountant, in accordance with generally accepted accounting standards, continue to be submitted to us.

## Central City Cyberschool

MLTA performed a review of Central City Cyberschool's management policies, procedures and contract compliance during the 2002-03 school year. Meetings were conducted with Dr. Christine Faltz, Principal, who is in charge of the financial management functions for the school.

### Current Year Developments

During our current year review, we noted no major changes in the internal control structure at Central City Cyberschool, and that most of the past recommendations we have suggested have been implemented. However, we believe one of our recommendations is still not fully implemented.

We recommended that since Dr. Faltz does not have any formal accounting experience, and given the size of the school and staff, that the school should retain a person with adequate accounting or engage an account firm to reconcile accounts and properly classify transactions in accordance with generally accepted accounting principles. In addition we have recommended that the school engage this person or accountant firm to provide monthly or quarterly financial statements. This will ensure enhanced controls over financial reporting and provide a more accurate and valuable monitoring source for budgeting purposes.

### Financial Status of School

Per review of the general ledger, bank reconciliations and per discussions with Dr. Faltz, it appears that the school is financially stable. Dr. Faltz indicated that cash flow was adequate for the 2002-03 year. Our review indicated no severe financial constraints on the school. However, we noted that the school's cash position appeared somewhat low as of the end of the school year. Per discussion with Dr. Faltz, the office manager responsible for submitting grant reimbursement requests, neglected to file reimbursement claims for various grants awarded to the school for 2002-03. Because of this over \$425,000 in grant revenues were due to the school as of July 31, 2003, the end of the school's fiscal year, and resulted in a somewhat low cash position for August 2003. In addition, certain vendor payments were held back until these funds were received. Based on this, the office manager was subsequently terminated, and a new office manager hired. In addition, Dr. Faltz has now taken a more active role in financial management of the school.

Per review of the audited financial statements, other than the above noted item, nothing came to our attention that would indicate any financial problems at the school. The school showed a increase in net assets of \$101,000 for the fiscal year and a solid cash and receivables to payables ratio. The school has a very large long-term debt obligation (approximately \$4 million), incurred during the construction of the new school building and a significant liability for the lease / purchase of computer hardware of approximately \$113,000. However, the school appears to be financially able to pay the debt service on this balance with no financial hardship.

## **Other Contract Compliance Issues**

### **Annual Audit**

The annual audit for Central City Cyberschool for the fiscal year ended July 31, 2003 was completed as of October 16, 2003. Per review of the report, there were no material findings by the auditor and the audit appears to have been properly submitted and is in accordance with generally accepted accounting standards.

### **Student Tuition / Fees**

As is stated in the contract between Central City Cyberschool and the City of Milwaukee, the school may not charge tuition for any charter student, nor may it charge fees for registration, books, teacher salary, equipment or courses credited for graduation. Activity and uniform fees may be charged, but the school must not profit from these fees.

Per discussion with Dr. Faltz and per review of revenues for the school's fiscal year ended July 31, 2003, we noted that no tuition or fees were charged to any student.

## **Conclusion**

Based on our review of the management policies and procedures of Central City Cyberschool as of the end of the school's fiscal year, July 31, 2003, it appears that the school has adequate procedures in place to ensure a sufficient financial management system. We noted that the school has been very responsive to our recommendations for improvement. The school appears to be in material compliance with the financial management provisions of its contract with the City of Milwaukee.

## **Recommendations**

As noted above, we have recommended that the school employ the services of an accountant or accounting firm to provide monthly accounting services, which include preparation of a quarterly financial report, with a budget-to-actual analysis. We have requested that a quarterly report be provided to us for our review and analysis. We believe this will enhance the overall controls that have been previously implemented by the school and will provide an additional tool in achieving management goals.

We have also suggested that the school explore the possibility of obtaining a line of credit through a local bank. This line of credit would greatly help the school in times of low cash flow based on the timing of charter school aids from DPI. The line of credit would not have to be used, however, it would be available to the school to ensure seamless operations during times of low cash flows.



## YW Community Education Center

### Background

YW Community Education Center commenced operations during the 1999-2000 school year. The school is a fully owned subsidiary of the YWCA of Greater Milwaukee. Financial management duties of the school are performed by the central accounting department of the YWCA, which has been in existence since 1892. The staff of the YWCA finance department appear well trained in financial management and accounting and appear to have excellent segregation of duties to ensure that there are adequate internal controls.

### Current Year Developments

During the 2002-03 school year, the YWCA made the decision to close the YW Community Education Center due to budget cuts throughout the organization. Based on the YWCA's comments regarding this situation, costs incurred, mainly administrative costs allocated to the school by the organization, were not adequately recovered through state aids, grants and other private support.

Our past reviews indicated that the school operated at a nearly break-even rate if administrative (organization-wide) costs were excluded. However, the YWCA decided to terminate operations due to the large losses incurred from allocated administrative costs.

No findings were noted in our prior year review, and we have no findings or recommendations for the 2002-03 school year as well.

### Other Contract Compliance Issues

#### Annual Audit

It appears that no audit of the schools operations was prepared for the 2002-03 school year. Several requests for an audit report or an internal financial report for the school were not answered.

#### Student Tuition / Fees

As is stated in the contract between YW Community Education Center and the City of Milwaukee, the school may not charge tuition for any charter student, nor may it charge fees for registration, books, teacher salary, equipment or courses credited for graduation. Activity and uniform fees may be charged, but the school must not profit from these fees.

We noted no evidence that a charter funded student paid tuition or paid any other unallowable fees during the school year.

### **Conclusion**

Based on our review of the management policies and procedures of the YWCA and YW Community Education Center as of June 30, 2003, it appears that the organization had excellent procedures in place to ensure a sufficient financial management system. The school appears to have been in compliance with the financial management provisions of its contract with the City of Milwaukee.

### **Recommendations**

As the school has ceased operations as of June 30, 2003, we do not have any recommendations or suggestions for improvement.

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## D.L. Hines College Preparatory Academy of Excellence (DLH Academy)

MLTA reviewed DLH Academy's management policies, procedures and contract compliance during the 2002-2003 school year. Communications were conducted with Ms. Barbara Horton, Executive Director as well as the schools office manager.

### Background

DLH Academy commenced operations as a City of Milwaukee charter school during the 2002-2003 school year. Prior to this, the school operated as a private school under the Milwaukee Parental Choice Program. Therefore, as the school was required to be audited yearly under that program, the school had very good financial management practices in place prior to entering the charter school program. The staff handling financial operations appear qualified to perform their assigned duties and there appears to be adequate internal controls in place.

### Current Year Developments

Based on our review of the financial operations of the school, DLH Academy appears to be extremely well run. Based on a review of the annual audit, the school had an excellent cash position as of June 30, 2003, with approximately \$300,000 in cash, and the school had revenues exceeding expenses by \$214,000 for the year ended June 30, 2003.

### Other Contract Compliance Issues

#### Annual Audit

The annual audit for DLH Academy for the fiscal year ended June 30, 2003 was completed as of August 28, 2003. Per review of the report, there were no material findings by the auditor and the audit appears to have been properly submitted and is in accordance with generally accepted accounting standards.

#### Student Tuition / Fees

As is stated in the contract between DLH Academy and the City of Milwaukee, the school may not charge tuition for any charter student, nor may it charge fees for registration, books, teacher salary, equipment or courses credited for graduation. Activity and uniform fees may be charged, but the school must not profit from these fees.

Per discussion with Ms. Horton and per review of revenues for the school's fiscal year ended June 30, 2003, we noted that no tuition or fees were charged to any student.

### **Conclusion**

Based on our review of the management policies and procedures of the DLH Academy as of June 30, 2003, it appears that the organization had excellent procedures in place to ensure a sufficient financial management system. The school appears to have be in compliance with the financial management provisions of its contract with the City of Milwaukee.

### **Recommendations**

We recommend that the school provide us a quarterly financial report, with a budget-to-actual analysis. We believe this will enhance our monitoring of the schools financial operations and will aid in increasing the overall controls that have been previously implemented by the school, and will provide an additional tool in achieving management goals.