



August 13, 2002

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Leibham:

As required by s. 13.94(1)(dg), Wis. Stats., we have completed a limited-scope fiscal and compliance review of the dental clinics grant provided by the Department of Health and Family Services to the Marquette University School of Dentistry for fiscal years (FYs) 1999-2000 and 2000-01. Under this grant, Marquette University received general purpose revenue funding of \$2.8 million in each year to provide dental services to low-income individuals at clinics in various locations throughout Wisconsin.

Overall, we found Marquette University has developed and implemented adequate procedures to help ensure compliance with statutory and grant requirements. In addition, we found state funds were expended for services normally considered a part of comprehensive general dental treatments.

However, we note that because the Marquette Dental School clinics have expanded their services, and because of a change in the way that Marquette University allocates costs, dental clinic expenditures exceeded revenues by \$3.1 million in FY 1999-2000 and nearly \$4.3 million in FY 2000-01. Marquette University absorbs the deficit each year with revenue generated from other sources, such as tuition. Nevertheless, because the State provides support to Marquette University through various means, including tuition aid payments, we believe it is important that these annual deficits be monitored.

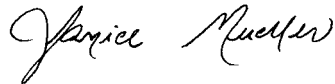
The clinics' future financial condition may be affected by three factors: the construction of a new Marquette Dental School facility, the continued expansion of services, and increasing patient fees. Marquette University began construction on a new \$30 million facility in March 2001. When construction is complete, the dental clinics' operating costs will likely increase as new dental equipment is purchased and additional faculty members are hired. Within the last two years, Marquette Dental School also began providing community-based outreach services on the Oneida Indian Reservation in Green Bay and within the Elder Care Program of Dane County. Although these services and other outreach programs planned for the future allow Marquette Dental School to fulfill its community service mission and treat more patients, they do not generate revenue and, therefore, contribute to the overall clinic deficit. Marquette University

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staff have indicated they plan to increase clinic fees in FY 2002-03 to help offset their operating costs, but at this time, they are uncertain how much the fees will increase.

We appreciate the courtesy and cooperation extended to us by the Marquette University staff during our review.

Respectfully submitted,



Janice Mueller
State Auditor

JM/JG/ab

Attachment

cc: Senator Judith Robson Representative Samantha Starzyk
 Senator Brian Burke Representative John Gard
 Senator Joanne Huelsman Representative David Cullen
 Senator Mary Lazich Representative Barbara Gronemus

Ms. Phyllis Dubé, Secretary
Department of Health and Family Services

Mr. Mike Lederer, Comptroller
Marquette University

Ms. Rana Altenberg, Vice-President for Governmental and Community Relations
Marquette University

MARQUETTE UNIVERSITY SCHOOL OF DENTISTRY SERVICE GRANT

The Wisconsin Department of Health and Family Services (DHFS) provides an annual grant to the Marquette University School of Dentistry in support of dental services provided through its dental clinics. These clinics, which are staffed by students and faculty members of the Marquette University School of Dentistry, are located in areas identified as having underserved populations, including the cities of Milwaukee and Racine, Brown and Dane counties, and correctional centers in Milwaukee County.

The Legislature established the dental services grant in 1989. Subsequent statutory revisions included a requirement for the Legislative Audit Bureau to complete annual reviews of grant expenditures, as well as increases in state general purpose revenue funding for the grant. State funding increased from \$1.7 million in fiscal year (FY) 1991-92 to \$2.3 million in FY 1992-93 and \$2.8 million in FY 1997-98. It remained at that level in FY 1999-2000 and FY 2000-01.

According to the grant agreement between DHFS and the Marquette Dental School, dental services provided under the grant include those services normally considered a part of comprehensive general dental treatment and which, in the judgment of faculty, can safely and effectively be provided by undergraduate and/or graduate dental students. The clinics served approximately 13,100 patients in FY 1999-2000 and 15,300 patients in FY 2000-01. Based on demographic information maintained by the Marquette Dental School, a significant number of these patients are elderly and low-income individuals.

To ensure proper recording and reporting of costs charged to state grant funds, we completed a limited-scope fiscal and compliance review of dental clinic expenditures from July 1, 1999 through June 30, 2001. We also reviewed compliance with other grant requirements, such as nondiscrimination in employment, during this period. Overall, we found Marquette University has developed and implemented adequate procedures to ensure compliance with statutory and grant requirements and that state funds were expended for services normally considered a part of comprehensive general dental treatments. However, we also note that Marquette University has reported increasing annual deficits within the dental clinics since FY 1997-98.

Marquette Dental School expended approximately \$8.4 million to provide dental services within its clinics in FY 1999-2000, and \$9.5 million in FY 2000-01. These expenditures included salaries and fringe benefit expenditures for supervising faculty members; administrative and general expenditures, such as supplies and telephone services; indirect expenditures, such as accounting and budget services; and depreciation of university-owned clinic facilities.

In addition to the state grant, the dental clinics' revenues consist of patient fees, which are lower than those in private practice and structured to be affordable to all patients, and federal Medicare reimbursements, which are received as part of a Medicare Waiver program. Using revenues to offset expenditures, the dental clinics have reported a deficit in each of the past five years. As shown in Table 1, expenditures exceeded revenues by \$3.1 million in FY 1999-2000 and by nearly \$4.3 million in FY 2000-01; however, the deficit of the entire Marquette Dental School has not increased over the same period. Marquette University supports deficits in the Dental

School—including the dental clinics—with revenue generated from sources such as tuition, student fees, and private donations. Nevertheless, because the State provides support to Marquette University through various means, including tuition aid payments, these annual deficits should be monitored.

Table 1

Marquette Dental Clinics' Revenues and Expenditures

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Expenditures in Excess of Revenues</u>
1996-97	\$5,630,879	\$6,926,605	\$(1,295,726)
1997-98	6,174,087	6,813,922	(639,835)
1998-99	6,154,011	8,087,032	(1,933,021)
1999-2000	5,265,217	8,397,308	(3,132,091)
2000-01	5,281,272	9,540,210	(4,258,938)

Marquette dental clinics' expenditures have increased, in part, because of an expansion of services, including community-based outreach programs that serve economically disadvantaged patients. Marquette Dental School added outreach dental programs at the Oneida Community Health Center in Green Bay in FY 1999-2000, and within the Elder Care Program of Dane County in FY 2000-01. According to its FY 2000-01 budget, these two sites have annual operating expenditures of \$273,760, but they do not generate any revenue.

In addition, the dental clinics' expenditures have increased because of a change in the way in which indirect costs are allocated to university departments, including the Dental School and its clinics. Marquette University staff indicated that this change was implemented in FY 2000-01 and resulted in the dental clinics reporting approximately \$500,000 in additional expenditures. In FY 2000-01, indirect costs represented nearly 17.2 percent of the dental clinics' total expenditures, while they represented only 11.5 percent in FY 1999-2000.

The dental clinics' future financial condition may be affected by three factors: construction of a new Marquette Dental School facility, continued expansion of outreach programs, and fee increases.

Construction of a new, 120,000-square-foot dental school facility began in March 2001. The project is expected to cost \$30.0 million, of which the State has contributed \$15.0 million in General Fund-supported bond proceeds. Federal grants and private donations will provide the remaining \$15.0 million. When construction is completed, the dental clinics will likely experience an increase in operating costs. The new dental school facility will include a 96-chair

clinic, compared to 120 chairs at the current facility. However, with the purchase of additional dental equipment, students are expected to see and provide services to more patients than they previously did. Marquette Dental School also plans to increase its staff from 31 to 36 faculty members and its average class size from 75 to 80 students. The construction of the new dental school facility is due to be completed in early fall 2002.

Second, the Marquette Dental School is planning to establish two mobile dental clinics to provide dental care to children and families in northeast and northwest Wisconsin who do not have access to dental care. A \$1.5 million one-time grant from the State of Wisconsin's Department of Justice, which is part of recent legal settlement, will initially fund this program. However, without continued funding, this program will eventually contribute to the dental clinics' deficit.

Third, Marquette University staff stated that they are in the process of increasing the fees charged to patients to offset expenditures in their non-outreach clinics. A new fee schedule is expected to be in place by FY 2002-03.

AUDITOR'S REVIEW REPORT

We have reviewed the accompanying Schedule of Dental Clinics Revenues and Expenditures for the Marquette University School of Dentistry for the years ended June 30, 2001 and 2000. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

A review is substantially less in scope than an examination, the objective of which would be the expression of an opinion on the Marquette University School of Dentistry's Schedule of Dental Clinics Revenues and Expenditures. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the accompanying schedule is not presented in conformity with the measurement criteria as required by the grant agreement between the State of Wisconsin and the Marquette University School of Dentistry and applicable statutory and legal requirements.

June 20, 2002

by

LEGISLATIVE AUDIT BUREAU



Julie Gordon
Audit Director

Marquette University School of Dentistry
Schedule of Dental Clinics Revenues and Expenditures
for the Years Ended June 30, 2001 and 2000

	<u>FY 2000-01</u>	<u>FY 1999-2000</u>
Revenues:		
Fee Revenue	\$1,843,476	\$1,916,755
Medicare Reimbursement	637,796	548,462
State Grant	<u>2,800,000</u>	<u>2,800,000</u>
Total Revenues	\$5,281,272	\$5,265,217
Expenditures:		
Salaries and Fringe Benefits	\$5,944,654	\$5,606,290
Administrative and General	1,233,355	990,620
Indirect	1,636,877	1,082,208
Depreciation	<u>725,324</u>	<u>718,190</u>
Total Expenditures	\$9,540,210	\$8,397,308
Expenditures in Excess of Revenues	(\$4,258,938)	(\$3,132,091)