

**Report 19-8
May 2019**

Contracts for Technical College Course Credits

Waukesha County Technical College

STATE OF WISCONSIN



Legislative Audit Bureau ■

Contracts for Technical College Course Credits

Waukesha County Technical College

Joint Legislative Audit Committee Members

Senate Members:

Robert Cowles, Co-chairperson
Chris Kapenga
Alberta Darling
Janet Bewley
Tim Carpenter

Assembly Members:

Samantha Kerkman, Co-chairperson
John Macco
John Nygren
Melissa Sargent
Katrina Shankland

State Auditor
Joe Chrisman

**Financial Audit
Director**
Sherry Haakenson

Investigative Auditor
Kevin Rinka

**Publications Designer
and Editor**
Susan Skowronski

The Legislative Audit Bureau supports the Legislature in its oversight of Wisconsin government and its promotion of efficient and effective state operations by providing nonpartisan, independent, accurate, and timely audits and evaluations of public finances and the management of public programs. Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau.

The Bureau accepts confidential tips about fraud, waste, and mismanagement in any Wisconsin state agency or program through its hotline at 1-877-FRAUD-17.

For more information, visit *www.legis.wisconsin.gov/lab*.



Contact the Bureau at 22 East Mifflin Street, Suite 500, Madison, Wisconsin 53703;
AskLAB@legis.wisconsin.gov; or (608) 266-2818.

CONTENTS

Letter of Transmittal	1
------------------------------	----------

Contracts for Technical College Course Credits	3
---	----------

Response

From the President of Waukesha County Technical College



STATE OF WISCONSIN | Legislative Audit Bureau

22 East Mifflin St., Suite 500 ■ Madison, WI 53703 ■ (608) 266-2818 ■ Hotline: 1-877-FRAUD-17 ■ www.legis.wisconsin.gov/lab

Joe Chrisman
State Auditor

May 31, 2019

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

Based on a report made to the Legislative Audit Bureau's Fraud, Waste, and Mismanagement Hotline, we have completed a review of certain contracts between the Waukesha County Technical College (WCTC) and a private business for technical college course credits granted to high school students. Statutes require technical colleges to receive payment for providing educational services to recover the taxpayer-supported cost for the development of curricula used for these services. In contracts with private businesses, technical college district boards are required to establish an hourly rate for instruction.

Although WCTC granted technical college course credits to high school students for courses provided by this private business regularly between 2013 and 2017, it entered into only three contracts with the private business during this period. Based on available records of educational services provided, we estimate that WCTC did not collect at least \$121,440 from 2015 through 2017.

WCTC officials attributed the lack of contracts to both a change in leadership in 2014 resulting in a lack of understanding of the previous relationship with the private business and changes in staff assignments that did not identify that contracts were necessary. We recommend WCTC take steps to ensure that it consistently enters into statutorily required contracts with private businesses when it provides educational services or when its curricula are used in awarding technical college course credits.

We appreciate the courtesy and cooperation extended to us by WCTC in reviewing this matter. A response from the President of WCTC follows the report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joe Chrisman'.

Joe Chrisman
State Auditor

JC/SH/ss

Contracts for Technical College Course Credits ■

Wisconsin's technical colleges enter into agreements with school districts to provide high school students with technical college course credits for certain courses offered by their high schools. Under these agreements there are no payments exchanged between the school district and the technical college. Instead, the school districts typically provide instructional staff and the technical colleges provide the required curricula and guidance to teachers to ensure the students receive the required content for the course credits authorized by technical colleges.

Each technical college district board develops an hourly rate for instruction, which is used in statutorily required contracts with private businesses.

In contrast, if a technical college provides instructional services to a private business, s. 38.14 (3), Wis. Stats., requires the technical college to enter into a contract to ensure that the cost of these services is paid by the private business. Because technical college curricula are developed using taxpayer funding, the use of educational resources by a private business must ensure that the business pays the full cost. Each technical college district board develops an hourly rate for instruction to be applied consistently to such contracts. Waukesha County Technical College (WCTC) enters into agreements with high schools within its district as well as with local private businesses to deliver educational services.

Since at least 2013, WCTC has partnered with a private business that works with school districts to identify high school students for certain in-demand technical careers.

Although these courses are typically taught by high school teachers, WCTC has granted technical college course credits to some high school students who have taken courses through at least one private business. Since at least 2013, WCTC has partnered with one such private business to encourage high school students to consider certain in-demand technical careers. This private business works with high schools within the WCTC district to provide technical college course credits to area high school students. According to WCTC officials, school districts and the private business identify potential students for the program and the private business coordinates delivery of courses that are typically held at private business locations to allow for both traditional course instruction and hands-on work experience.

WCTC is required to enter into an agreement with the school districts for which it grants technical college course credits for participating high school students. Under s. 38.14, Wis. Stats., WCTC is also required to enter into a separate contract with the private business using contract pricing established by the district board.

From 2015 through 2017, we estimate that WCTC did not collect at least \$121,440 because it did not enter into statutorily required contracts or did not receive payment from the private business.

In each year between 2013 and 2017, it appears WCTC granted technical college course credits for courses the private business provided to high school students. WCTC provided documentation for three contracts with the private business during this time period. WCTC entered into two contracts with the private business in 2013 and 2014 for technical college course credits totaling \$73,456 for 320 hours of instruction. However, based on available information, we estimate that WCTC did not collect at least \$121,440 from 2015 through 2017 because it did not enter into statutorily required contracts or, when a contract was executed, did not receive payment from the private business.

Although WCTC had agreements with high school districts for courses held by the private business during academic year 2014-15, WCTC did not enter into a contract with the private business. Based on district board pricing and available information on the courses held, we estimate the costs for the 256 hours of instruction for these courses may have totaled \$42,240. Because WCTC did not complete a contract with the private business, it did not receive this revenue, nor did it receive \$47,520 we estimated for 288 hours of instruction the private business provided during academic year 2015-16.

In 2017, WCTC entered into a third contract with the private business for courses the private business provided to eight high school students to whom WCTC granted technical college course credits. The courses were held at private business locations from January through early June 2017 for 192 hours of instruction.

However, WCTC’s contract with the private business was executed in late June 2017, after the courses had already been delivered.

WCTC waived a \$31,680 payment for a 2017 contract.

Using district board pricing, WCTC’s contract with the private business totaled \$31,680. However, according to WCTC officials, this amount was subsequently waived after the private business contested the amount. WCTC’s district board executive committee agreed to waive the payment, in part, due to the absence of documentation to understand prior agreements WCTC may have had with the private business.

Although the private business provided courses to a small number of students, it is unclear if a sufficient understanding was established between WCTC, school districts, and the private business to ensure that all WCTC requirements for granting technical college course credits were met. WCTC attributes the lack of contracts, in part, to changes in leadership beginning in 2014. Although available documents identify that WCTC and the private business established a memorandum of understanding in 2016 to further define each entity’s role, the memorandum did not detail specific contracting requirements, including situations in which the private business hires a WCTC instructor independently. The memorandum was also not signed by a representative of the private business.

WCTC officials also indicated that, during this period, organizational changes resulted in different staff being responsible for entering into agreements with school districts than those responsible for ensuring contracting requirements with private businesses were met. This structure may have reduced the opportunity for staff to recognize that a contract was required with the private business. Finally, because similar courses appear to be offered each year and the majority of the courses involved a WCTC instructor that the private business had hired, the private business likely did not require assistance from WCTC in conducting courses and may not have notified all necessary WCTC staff when courses were held.

WCTC has not entered into contracts with the private business for similar courses since it clarified terms in July 2017.

According to WCTC officials, when WCTC became aware that it was awarding technical college course credits in 2017 without a corresponding contract, it took steps to clarify the relationship with the private business by developing a new agreement that specifically detailed topics such as instructors, the proprietary nature of WCTC’s curricula, and pricing for future contracts. WCTC has not entered into educational service contracts with the private business since this agreement was signed in July 2017.

Recommendation

We recommend that the Waukesha County Technical College take steps to ensure that it is consistently entering into statutorily required contracts with private businesses when it provides educational services or permits its curricula to be used in awarding technical college course credits. These steps should include ensuring that its procedures are sufficient to identify when such contracts are needed and that its staff are sufficiently trained in these areas.

■ ■ ■ ■

Response ■



May 23, 2019

Joe Chrisman, Auditor
Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703

Dear Auditor Chrisman,

Thank you for the opportunity to respond to the Legislative Audit Bureau's (LAB) review of the contractual agreements between Waukesha County Technical College (WCTC) and a private business.

WCTC takes great pride in being a steward of the taxpayer's money as evidenced through our low tax levy and debt, Aaa bond rating, and the total funding of the college's Other Post-Employee Benefits (OPEB). The circumstances of the non-payment of contracts and the waiver of a \$31,680 payment for a 2017 contract did not follow the established policy that has been in place at WCTC for numerous years.

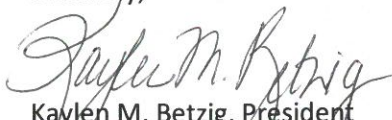
We recognize the importance of following statute and the college's established policies regarding contracting that hold us accountable to the taxpayer. The individuals that were responsible for ensuring the accountability of these contracts are no longer with the college. The agreements they entered into with the private business circumvented WCTC policy for contracting with business and industry. It was not until their departure did we realize that agreements were made that did not follow WCTC policy.

WCTC fully supports the recommendation by the LAB. As soon as we were aware of the situation, we spoke with the private business involved and told them they would have to follow WCTC's established policies and procedures for contracting with business and industry. As of today, they have not entered into any contract with the college.

Further, all of the staff working in the contracting area are trained on the policy and procedures for entering into a contract with business and industry. We continue to monitor the contracting area to ensure compliance.

Thank you for LAB's patience to understand the situation and their detailed work on this audit. We appreciate the insights that this audit provided to us, as well as the resulting recommendation. WCTC accepts responsibility and will take the necessary steps to ensure this does not happen again.

Sincerely,



Kaylen M. Betzig, President
Waukesha County Technical College