Manager (DAS) and the Assistant Director - Fiscal and Support Services (MCDA). The CMO budget, along with budgets for other department divisions, is finalized and reviewed with the Director on Aging for presentation through the Milwaukee County budget approval process.

A review of the CMO budget for 2003 as recorded in the County's Advantage system, and interviews with CMO fiscal staff, raised concerns relative to the CMO budget. Specifically, it is questionable whether the CMO budget, as well as transactions posted to the CMO budget throughout the year, reflect what is actually occurring in the CMO from a financial perspective. This question is raised based on the following:

- The nature and timing of budget appropriation transfers affecting the CMO budget. It is understood that the budget is a planning tool and, as such, may require periodic adjustment based on CMO operating trends, including enrollment activity. Additionally, revenues and expenditures may require realignment where budget assumptions during the planning phase did not materialize. Prior year-end reports indicate revenues posted where no budgeted amounts exist and budgeted revenues with no posted transactions for the year. There have been no budget appropriation transfers to date for 2003 for the CMO, or for any other division in the Department on Aging.
- The impact that the CMO budgeted revenues may have on cost allocation methodologies. It was learned that some cost allocation methodologies were based on the proportion of budgeted revenues throughout the department, including the CMO. This methodology is not appropriate and it is likely to result in inaccuracies since revenues do not appear to be budgeted where they belong throughout the year, and are not adjusted accordingly by year-end.
- Aligning budgeted amounts with cost allocation estimates that are known, or are
 not subject to materially change, once the budget has been adopted. For example,
 cost allocation entries are recorded for employees assigned to the Department on
 Aging, but who are organizationally assigned to the Department of Administrative
 Services. The cost allocations are booked according to a pre-defined
 methodology based on time estimates and results in only a portion of the costs
 being applied to the CMO. However, the total amount of salaries for all DAS
 positions is budgeted in full in the CMO.

This practice is problematic for numerous reasons. The total CMO expenditure budget is overstated. As allocation entries are entered throughout the year, the remaining available balance of the expenditure appropriation is also overstated. More importantly, CMO fiscal staff who are responsible for preparing monthly budget to actual reports in fulfillment of CMO contract requirements, and who may not be aware of this nuance, may erroneously report the CMO's financial position or spend unnecessary time examining possible reasons for the spending variance which they might otherwise not have needed to do.

It is believed that CMO fiscal staff cannot rely on Advantage system reports for financial reporting purposes without significant effort. CMO fiscal staff must seek out 'inside knowledge' of where appropriate program revenues and expenditures were budgeted and determine how best to adjust internal financial statement information to properly present the financial conditions of the CMO for any given reporting period. In addition, under these conditions, the preparation and presentation of even some of the most routine financial information that might initially be completed by lower level fiscal staff may require senior management involvement.

As long as these practices continue, all processes and procedures related to the CMO fiscal operations, including those designed to meet CMO contract requirements, will not be cost effective.

Recommendation #18

The CMO Chief Financial Officer should work with CMO fiscal staff, the Accounting Manager and the Budget Manager to review the 2003 CMO budget and to prepare any budget appropriation transfers that may be required.

In addition, any journal entries made throughout 2003 that involved postings to accounts based on where funds were budgeted, rather than the appropriate account classification based on the nature of the transaction, should be corrected.

To maintain the accuracy of the CMO budget, and in an effort to improve the efficiency of CMO fiscal staff, the CMO Chief Financial Office should establish procedures that result in the timely and accurate processing of budget appropriation transfers.

Finally, the CMO Chief Financial Officer should coordinate with the Budget Manager, the Accounting Manager, DHFS and the CMO fiscal staff to prepare the 2004 CMO budget

Information Technology and Systems

Previous sections of this report contain findings and recommendations relative to information technology and systems required to support CMO fiscal operations.

Information technology can be an important resource for the CMO provided that its design and use in support of fiscal operations is properly managed and controlled. Such oversight must be provided by an individual within the CMO that possesses the appropriate level of responsibility and authority to ensure sound financial management decision making. In doing so, accountability can be established over information technology as it is used to meet the financial business needs of the CMO.

Recommendation #19

To preserve the integrity of CMO fiscal information in the Advantage system, require that any operating decisions affecting CMO transaction data, including reporting capabilities and access controls, in Advantage be subject to prior review and approval by the CMO Chief Financial Officer. Similar thresholds should apply for any internal accounting systems (i.e., Peachtree), or information systems upon which fiscal operations rely (i.e., CMO application).

Due to ongoing issues with the third party administrator, the encounter based reporting requirements in the CMO contract have not been met. As such, the CMO has not been able to properly reconcile encounter based reporting data. Maintaining the accuracy of such member specific data through a reconciliation procedure is important because it provides the CMO with assurance, in part, of the extent to which member related costs are being collected and reported in an accurate and timely manner. Also, such information serves as the basis for negotiations with DHFS to establish prospective capitation rates for the upcoming CMO contract period.

Recommendation #20

The CMO Chief Financial Officer should work with DHFS, the third party administrator, CMO information technology consultants and others to establish procedures that require a monthly reconciliation of encounter based reporting data. To facilitate with procedures development, the CMO Chief Financial Officer should consider including MCDA fiscal staff with previous HSRS experience, who may be able to identify past problems and offer suggestions for improvement.



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs: State Senator Carol Roessler State Representative Suzanne Jeskewitz

May 13, 2004

Ms. Helene Nelson, Secretary Department of Health and Family Services 1 West Wilson Street, Room 650 Madison, Wisconsin 53707-7850

Dear Ms. Nelson:

On February 13, 2004, the Legislative Audit Committee held a public hearing on the Wisconsin Family Care Final Evaluation (July 2003), conducted by The Lewin Group, Inc., under contract with the Legislative Audit Bureau and the Family Care Independent Assessment: An Evaluation of Access, Quality and Cost Effectiveness for Calendar Year 2002 (December 2003), prepared by APS Healthcare, Inc., under contract with the Department of Health and Family Services. Representatives from your agency and staff from each pilot county were invited to testify about the status of pilot program implementation.

While we found this discussion of Family Care to be informative, we write today to express our disappointment that the extent of the fiscal problems of the Milwaukee County pilot program were not disclosed at the February 2004 public hearing. Although Milwaukee County's program and services were discussed, at no time was the Joint Legislative Audit Committee made aware of the extent of the fiscal problems represented in Milwaukee Journal Sentinel (MJS) articles of May 12 and May 13. At the February 2004 hearing, the Committee posed specific questions regarding program performance to you and your staff, yet we were never informed of these significant problems.

Of additional concern is the remark in the May 12th MJS article, Family Care program's \$2 million deficit likely to put county in red, attributed to Deputy Secretary Kenneth Munson that Milwaukee County has refused to give the state a report issued by auditor Cinda Mentz last November. We anticipate that copies of this report will be forwarded to our attention as soon as your Department receives it.

Please be assured we will be closely monitoring the Family Care program and expect that you will keep us carefully apprised of current and future developments.

Sincerely,

Senator Carol A. Roessler, Co-chair Joint Legislative Audit Committee

Representative Suzame Jeskewitz, Co-chain Joint Legislative Avdit Committee

Enclosures

cc: Se

Senator Robert Cowles Senator Alberta Darling Senator Julie Lassa Senator Jeff Plale Representative Dean Kaufert Representative Samantha Kerkman Representative David Cullen Representative Mark Pocan

Scott K. Walker, Milwaukee County Executive

Janice Mueller, State Auditor

Asbjornson, Karen

From: Pam Matthews [pamm6563@earthlink.net]

Sent: Monday, May 24, 2004 4:18 PM

To: Chrisman, James; Asbjornson, Karen; Shannon, Pam

Subject: FW: Family Care

FYI...

Pam Matthews

---- Original Message -----From: Handrick, Diane

To: Matthews, Pam; SueHome; pamm6563@earthlink.net

Sent: 5/24/2004 2:10:17 PM **Subject:** FW: Family Care

----Original Message----

From: Jerry Kallas [mailto:jkallas@wi.rr.com]
Posted At: Monday, May 24, 2004 1:51 PM

Posted To: Rep.Jeskewitz **Conversation:** Family Care **Subject:** Family Care

Dear Representative Jeskewitz,

I appreciate all the effort you have put into finding out more about the Family Care Program and the problems CBRF providers in have been experiencing. In addition to the financial problems that have come to light within Milwaukee County, there is now a lawsuit in Federal Court involving discrimination of developmentally disabled individuals when they turn age 60 and are enrolled in the Family Care Program. I have had an opportunity to review the lawsuit and it has great merit. It even includes families of two residents with Alzheimer's who live in Senior Residential Care homes who have joined in the lawsuit

I had the opportunity to review Secretary Nelson's response to your letter and found her comments quite interesting. I reviewed the APS Report (Dec 2003) that she referred to in her letter to you, and to my surprise, the APS report confirmed exactly what I related to you previously. Yes, the methodology is sound, but the data being fed into the methodology is not. It discusses the Capitation Rate determination and discusses how they are still using cost of care as described in the functional method of calculation what they paid the previous year for the same services. And since no CBRF provider in the Milwaukee Family Care Program has received an increase in their monthly provider service fee since 2001, the Capitation Rates paid to Milwaukee county will continue to remain artificially low and essentially frozen. It is my impression (excuse my English) Secretary Nelson gave you a 'snow job!" with her response.

I had an opportunity to discuss the new lawsuit with Attorney Pledl, and he indicated that there have been several documented similar program situations around the country where providers have been under reimbursed, and the provider network crumbled. It was only a matter of time when providers pulled out of the program. Your concern about the future stability of the provider network is a very legitimate one and needs to be further addressed. I do not believe Secretary Nelson has addressed it adequately.

As another important piece of information. Secretary Nelson stated no provider has ever withdrawn from

the Family Care Program because of reimbursement. While this is technically true, Bayside Terrace located in Bayside, Wi closed this month.

It is a 130 bed CBRF/RCAC being operated by the Laureate Group, which is one the premier senior housing providers in Milwaukee and Waukesha County. Senior Residential Care accepted a number of their residents who were on Family Care, and what families told us was that the Laureate Group had to close the facility because they could not afford the financial drain they were experiencing because of their inadequate Family Care reimbursement. I have no way to confirm this, but I did hear the same information from several families. There were at least 30 to 40 Family Care residents who were displaced to other facilities. The Laureate Group gave the State and Family Care notice in February 2004 that they were closing the facility!

We are seeing only the tip if the iceberg. We know this mess is not going to go away anytime soon. I have included today's Milwaukee Journal article on Family Care as an attachment.

Sincerely,

Gerald J. Kallas M.D.



Experience the Diffrence. It's the Care.... Senior Residential Care Gerald J. Kallas M.D. CEO & Medical Director jkallas@wi.rr.com 2060 S. 61st Milwaukee, WI 53219 tel: 414-327-8170

fax: 414-327-8175 mobile: 414-322-1434

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From security to uncertainty

Program cuts care options for disabled when they turn 60

By GINA BARTON gbarton@journalsentinel.com

Posted: May 23, 2004

When Sandra Erlichman first moved to Arbor House, she would stand at the window and wait for her parents to visit.

"Daddy coming? Mama coming? Daddy coming? Mama coming?" the childlike woman would ask over and over again.

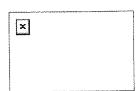
Erlichman, who is developmentally disabled, couldn't understand that her father had died and her mother was ill. She felt abandoned. The staff at Arbor House, a group home where Erlichman has lived for five years, helped her through the crisis. After a time, Erlichman started calling her favorite staff member "Mama."

Then she turned 60.

With that milestone, Erlichman joined an ever-growing group of people caught up in the financial problems of Milwaukee County's Family Care program, which was designed to provide services for senior citizens on Medicaid.

Now that she's enrolled in Family Care, county officials want Erlichman to move out of Arbor House because it is too expensive. They want her to stop attending a day program where she has made many friends and performs simple but productive tasks, such as shredding old newspapers for animal bedding.

Health Care



Photo/Tom Lvnn

Jane Prentice kids around with Gerald Nelson, who is disabled and lives in a group home in Hales Corners. Nelson and others may be forced to move because of the structure of county funding.

"She's been there five years and they have the funding, now she turns 60 and they don't?... Was she supposed to die by then, or what?" Erlichman's sister, Nancy Steeves, asked in frustration.

In Steeves' view, it's age discrimination, and she alleges as much in a federal lawsuit against the county and the state. Erlichman is one of nine plaintiffs in the case. Their lawyer, Robert "Rock" Pledl, is seeking class-action status because more and more people become disabled as they age because of conditions such as Alzheimer's disease.

"We should all remember the golden rule. What we do to seniors with disabilities in Milwaukee County right now is going to happen to all of us when we get older and need these same services," Pledl said.

Fixed funding per person

Mary Ellen Poulos, principal assistant corporation counsel for Milwaukee County, says it's not discrimination, it's just the way the system works. A combination of state and federal funding pays for the care of people with disabilities, no matter what their ages. The difference is in the way the money is administered. People under 60 are served through the county's Disability Services Division, which features individualized care plans but has long waiting lists. People 60 and over, whether they have developmental disabilities, medical problems or physical problems, are served through Family Care.

More than 7,500 seniors receive services through Family Care, which began as an experimental program in five Wisconsin

JS Online: From security to uncertainty

counties in 2000.

"Family Care is being looked at as a national model," said Tom Hlavacek, director of the Milwaukee office of the Wisconsin Coalition for Advocacy. "They got rid of the waiting list. They're serving 2,500 more people."

But there was a trade-off. Milwaukee County receives federal and state funds totaling \$1,810 per month for each person enrolled, no matter what their needs.

"That's the limit of the funds. There's no place else to go," Poulos said. "There has to be some give and take here, but I don't find much. Everybody wants a group home, but it's not always possible for everybody, and it's not always cost-effective."

In theory, the money saved on people with fewer needs should cover overruns for people such as Erlichman, whose specialized care can cost \$3,000 to \$5,000 monthly.

In Milwaukee County, that hasn't happened. Family Care had a \$2 million deficit last year, and the state is asking to be reimbursed \$3.3 million for previous years of payments made for clients who weren't eligible. County officials admit the program has been hard to manage, due to the large number of clients and their varied needs. However, some county officials and advocates - including attorneys Poulos and Pledl - believe the state is partially to blame for setting Milwaukee County's rate too low.

Rates higher in other counties

Three of the other pilot counties - Fond du Lac, Portage and Richland - get higher rates than Milwaukee. State officials attribute the discrepancy to the fact that in the other counties, Family Care serves people with disabilities of all ages, which is more expensive.

Kenneth Munson, deputy secretary of the Wisconsin Department of Health and Family Services, said the rate isn't the problem. Rather, administrators in Milwaukee County have been spending money on people who shouldn't be in the program. Therefore, the county can't be reimbursed by the state for those services, and a shortfall results.

Older people with disabilities shouldn't have to suffer because of the situation, Hlavacek said. He argues that if Family Care can't get more funding in Milwaukee County, older people with more expensive needs should be allowed to continue receiving care through Disability Services, which has served them all their lives.

Flourishing in group home

Gerald Nelson suffered a brain injury when he was 5 years old. Seizures forced him to stop going to school, but as he grew up, he was always around the neighborhood cleaning basements, mowing lawns and collecting old newspapers for recycling.

"His parents let him be as independent as he could be," said Jane Prentice, whose mother was good friends with Nelson's. "My mom taught him to read a little, ride the bus, identify animals."

Nelson's mother took care of him at home until 1998, when he was 65. She was almost 90.

Nelson then moved into Whitnall House, a group home in Hales Corners, where he has flourished, Prentice said. He goes to a day program, but in his mind, he's going to school at last. He often tells Prentice about the things he did there with the other "kids." His language skills have improved substantially, and he even wore a tuxedo to a formal dance.

"He's so happy," said Prentice, who is Nelson's legal guardian. "After all the struggles he's had in his life, Gerry deserves to end his life happy."

But Nelson's needs are expensive. Living at Whitnall House costs almost \$6,000 a month, and Family Care can't afford it. The program is paying the same rate for Nelson's care as it did in 1999, although costs for things like liability insurance, employee medical insurance, gasoline and utilities have increased dramatically since then, said Lincoln Burr, executive director of Homes for Independent Living, which operates Whitnall House and 73 other group homes throughout the state.

JS Online: From security to uncertainty

Burr estimated that Homes for Independent Living is losing about \$13,500 a year caring for Nelson. The agency has agreed to let Nelson stay until the lawsuit is resolved, but Burr says if they can't get more money from Family Care, Nelson will have to move.

"We can't afford to provide good service at the rates they're offering," Burr said. "Providing no rate increases is not a way to run a system. In the end, there'll be no providers left. It's impossible. . . . If we get nothing from the county, it has a profound effect on our ability to stay in business."

County officials want to relocate Nelson to a different group home, where he could live for about half the cost, Poulos said.

Prentice doubts such a place exists. Even if it does, moving can be disastrous for elderly and disabled residents, Hlavacek said.

'People would go ballistic'

"How can you justify telling these people, 'You can't live in your home anymore?' " Hlavacek asked. "Who forces somebody to move out of their house? Things are done to people with disabilities that if it was done at random in our neighborhoods, people would go ballistic."

Social scientists have proved that for disabled and elderly people, moving can be as debilitating as physical illness, Hlavacek said. The stress can cause physical complications. Treatment of medical conditions can fall through the cracks in the transition. People can die because their support systems disappear.

"There's destabilization when people move," Burr agreed. "Often it's a downward spiral."

Prentice hired attorney Pledl because she's afraid of what would happen to Nelson if he's caught in that situation. Because he is the highest-functioning person at Whitnall House, they tried to move him once before, to a group home with others more at his level. Nelson became so disruptive, they moved him back.

"I don't see any good outcome if they move him," Prentice said. "He will get belligerent, and they'll put him on medication or restrain him and he'll get depressed and he'll die."

She hopes the litigation can prevent that.

From the county's perspective, a loss in court may be more than the troubled Family Care can handle.

"If this lawsuit it successful, it's the end of Family Care, quite frankly," Poulos said.

From the May 24, 2004 editions of the Milwaukee Journal Sentinel

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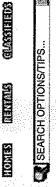




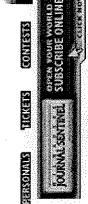








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ON WISCONSIN: 35 ONLINE: NEWS: EDITORIALS:

Editorial: Good call on Family Care

News

From the Journal Sentinel

Milwaukee Wisconsin

Waukesha

Ozaukee

Posted: Nov. 18, 2004

Washington Racine

Milwaukee County and its Department on Aging are getting a well-deserved second chance.

Crossroads Columnists Obituaries

Editorials

Letter to Editor

Weather

National Wire

State Wire

deserves to remain under county control rather than be turned over to private agencies. It's a good call, not just for the county but for The state has decided that the department's Family Care program program provides medical and other services to people 60 and older with the idea of keeping them independent and out of the many people served by Family Care. The experimental institutional care as long as possible.

Special Features

consider having a private, non-profit agency take over the reins of operating deficit. That prompted both state and county officials to While highly touted, the Family Care program ran into serious financial problems earlier this year, including a \$2 million the program with the county filling a secondary role. But county supervisors and county employee unions opposed

handing over primary control to private non-profits. Their

opposition, as it turns out, was well-grounded



















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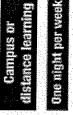


Their main goal was to end long waiting lists for Medicaid-eligible

elderly residents in the county. And they did.

working director of aging, tried to do too much with too little. running it, including Stephanie Sue Stein, the county's hard-The heart of the problem at Family Care was that the people





their financial operations. State Health and Family Services Deputy Director Kenneth Munson said the improved financial management

of the program helped the county win the job of running Family

county officials out of the picture but to require them to tighten up

The solution, as state officials ultimately realized, wasn't to push

clients, the program ended up serving hundreds more seniors than

it could afford. The result was a sea of red ink.

accounting and the inability to keep up with a large number of

Unfortunately, because of understaffing, a lack of proper



services provided by the county under Family Care were very good

and, if possible, wanted to retain that continuity.

It's good that things worked out.

Interestingly, the state, Munson said, always felt the long-term care





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This approach is justified by:

Statutory reporting requirements

W-2 statutes require quarterly reports on outcomes

Evidence of failure to serve

extensive use of "job ready"

sanctions without proper assessments or services

Cf. 49.147, 49.143(2), 49.173

Changes in the context

recession

two-year time limits

Changes in the contract structure performance standards __ A - Box

changes in number of type of providers

II. Goals for the 2004 Audit

Advocates for low-income families want to ensure that the audit enables us to develop a bi-partisan reform agenda that will: 1) improve accountability mechanisms, 2) provide more specific guidelines for service provision, 3) adjust the program to ensure connections between W-2 participants and meaningful work opportunities, and 4) ensure that fewer families without income are turned away without assistance and services.

Do current performance standards reflect legislators' priorities for the W-2 program? Do they reflect our expectation that over the long-term W-2 would produce a better-educated workforce?

Mr. Moraco Are the performance-based contracts providing the right incentives for W-2 agencies to provide appropriate services and meet desired outcomes?

1717 SOUTH 12TH STREET #203 MILWAUKEE, WI 53204-3300 414-384-9094 FAX 414-384-9098 WWW.WISCONSINSFUTURE.ORG



Are we getting the most for our money out of investment in W-2 serviceprovision? Is investment in workforce development through the W-2 system creating a better skilled, better prepared workforce?

III. Proposed Research Agenda

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Kathleen Mulligan-Hansel Institute for Wisconsin's Future W-2 Audit Proposal

Diversion

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- Performance Standards appropriateness to W-2 statute
- How well agencies have met performance standards
- Functioning of oversight mechanisms to protect needs and rights of participants
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I. Overview and Findings

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• Use of assessments was extremely limited -

• Access to specific types of services (employment counseling, AODA treatment, mental health counseling, education and training) was extremely limited

 Agencies regularly sanctioned participants; review of a sample of cases showed high prevalence of inappropriate sanctions

• Average earnings of W-2 leavers were far below the poverty line, even when state and federal tax credits were added in

 Agencies pocketed over \$65 million in profits, despite a poor record of service provision

The Trial Job category was severely underutilized _ _ Quit.

II. Structure of the Audit

Introduction

Demographic profile of participants
Overview of implementation structure

Types of services provided

Trends in participation/caseload numbers

Placements (cash vs. non-cash)

Program expenditures

Total costs

Structure of initial contract

Spending by category (services, cash

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Unspent funds

Community Reinvestment

Current Contracts

Total expenditures
Performance bonuses

Program effectiveness

Financial status of former participants

Incomes

Relation to poverty line Use of tax credits Returning participants

"Other Factors"

Sanctions

percent sanctioned avg. amount sanctioned sanction as a % of benefit levels inappropriate sanctions (sample) te resolution

Dispute resolution

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Oversight/measurement

Performance standards

The Role of the Milwaukee County PIC

III. Data Reviewed

- available data on program participants, including trends in program participation
- program expenditures under the initial implementation contract and ongoing contract, including performance bonuses linked to meeting specific standards
- provision and effectiveness of services under first W-2 contracts, including wages paid to W-2 participants and extent to which they remain in poverty
- management oversight of the program
- funding and policy issues affecting the program that will require consideration by Leg., and DWD

IV. Recommendations

The Audit Bureau concluded by recommending that DWD and the legislature address the following:

Whether participants' barriers to employment are being adequately addressed Grade: some progress
In the past year, DWD mandated the use of barrier screening tool, and educational assessment. We still see participants being sanctioned without having ever received appropriate assessment, inadequate use of tests of basic English (TABE) and inadequate provision of services to participants that have low test scores.

• How to serve participants who are approaching time limits Grade: no progress

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The Audit asked for a report from DWD by September 2001 with detailed information on use of extensions, report was never produced

• How to address needs of participants who left W-2 for labor market but are still in poverty

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Grade: no progress

• Whether to consolidate contracts in Milwaukee County

Grade: minimal progress

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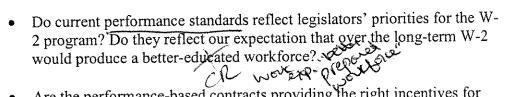
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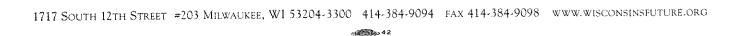
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