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2020
Enterprise Controls Assessment

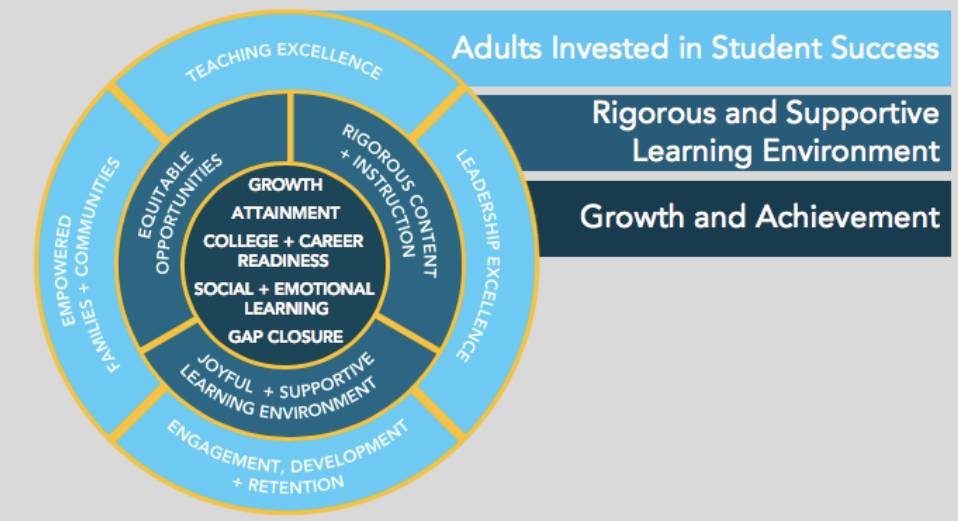
Atlanta Public Schools

2019 Enterprise Controls Assessment

- ✓ Conducted one-on-one meetings (25) with leadership and advisors discussing areas of greatest concern
- ✓ Identified prevalent themes of risk and concerns
- ✓ Started a risk library of high impact risk areas and common risk themes
- ✓ Developed an audit plan for areas of focus
- ✓ Created baseline scales future risk measurement based on Likelihood, Impact and Velocity
- ✓ Provided definitions of management actions in response to risk (Accept, Mitigate, Transfer & Avoid)

COSO 2017: Integrating with Strategy & Performance

Atlanta Public Schools "System of Excellence"



Integrating ERM with common practices results in better information that supports improved decision-making and leads to enhanced performance

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2020 Assessment Participants

Executives*	Role
Dr. Meria Carstarphen	Superintendent
David Jernigan	Deputy Superintendent
Larry Hoskins	Chief Operating Officer
Lisa Bracken	Chief Financial Officer
Angela King Smith	Chief Engagement Officer
Skye Duckett	Chief Human Resources Officer
Nina Gupta	General Counsel

Board & Advisors	Role
Jason Esteves	Board of Education - Chair
Leslie Grant	Board of Education – Audit Committee Chair
Michelle Olympiadis	Board of Education – Former Audit Committee
Earl Fagin	Community Advisor
Derek Foster	Mauldin & Jenkins - External Audit
Doug Moses	Mauldin & Jenkins – External Audit

Other Participants	Role
Dr. Katika Lovett	Student Programs & Services
Matthew Underwood	Office of Innovation
Kathleen Yarbrough	Federal Programs: Title I, Title II & Title IV
Alvah Hardy (Deceased)	Facilities Services
Ronald Applin	Police
Ralph Velez	Security
Dr. Marilyn Hughes	Nutrition
John Franklin	Transportation
Carrie Roberts	Procurement & Warehouse Services
Saundra Burgess	Payroll & Benefits / Risk Management
Tanisha Oliver	Accounting Services
Alana Bathea	Budget Services

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* Chief Accountability & Information Officer was included in the Information Technology risk assessment performed in November 2019.

Frequently Used Words

Pervasive Themes

- Communications
- Reliable Data & Information
- Budget Constraints & Human Capital
- Outdated Operating Procedures
- Manual Processes
- Culture is Improving
- Strategy - No impact on normal activities

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Count by Areas Discussed

Discussion Area	Count
Safety & Security	60
Safety & Security: Security Systems	47
Grant Compliance	43
Budgeting Process	40
Culture	39
Operating Procedures	37
Compliance	35
Communication	30
Budget Constraints	29
Procurement	27
Incident Response	27
System Features & Utilization	26
Charter Schools	24
Human Capital	22
System Availability	21
Data & Information	20
OIC: Strategy Alignment	18
Transportation	16
External Audit	16
Capital Projects	14
Grant Compliance: Payroll	14
Human Capital Management	14
System Implementation	13
Financial Reporting	13
Human Capital Management: Transportation	13
Payroll: Accuracy	11
Succession & Transition Planning	11
Procurement: Inventory	11
Human Capital Management: Teachers	11
Strategic Plan	10

Discussion Area	Count
Payroll: Off-cycle payments	9
Federal Programs	9
Police Methods	8
Grants	8
Fraud	8
Student Support Services	8
Accounting Oversight: Department Financial Liaisons	8
Insurance	8
Cybersecurity	7
Information Technology	7
Students: Assignment	7
Procurement: P-Cards	7
Enterprise Risk Management	7
Payroll	7
Student Support Services: Third-Party	6
Public Relations	6
Grant Compliance: Operating Procedures	6
Student Academics: Teaching & Learning	6
Human Capital Management: Gallup School District	6
Human Capital Management: Onboarding	6
System Implementation: Third-Party	6
Engagement: Family	5
Communications Technology	5
Communication: Data & Information	5
Data Security	5
Students: Discipline	5
Metric	5
Human Capital Management: Contractors	4
Budget Oversight	4
Benefits	4
Safety & Security: Physical Keys & Control	4
Culture: Communications	4
Communication: Website	4

Critical Processes & Risks Discussed

Students

Educators	Organization	Administration	Financial
Critical Processes			
Curriculum **Communication** BCP & Incident Response **Information Technology** **Compliance** **Safety & Security** **Human Capital**	Curriculum **Communication** BCP & Incident Response **Information Technology** **Compliance** **Safety & Security** **Succession Planning** **Transportation** **Human Capital** **Procurement** **Capital Projects** **Facilities**	Curriculum **Communication** BCP & Incident Response **Information Technology** **Compliance** **Safety & Security** **Succession Planning** Tone at the Top	BCP & Incident Response **Information Technology** **Compliance** **Succession Planning** **Procurement** **Capital Projects** **Payroll** Financial Reporting General Accounting
Risks			
Culture Student Engagement Family Engagement Community Engagement **System Availability** School Performance **Human Capital** **Budget Constraints** **Fraud** **Reputation** **Compliance** **Data & Information** Incidents	**Culture** Student Engagement Family Engagement Community Engagement **System Availability** School Performance **Human Capital** **Budget Constraints** **Fraud** **Reputation** **Compliance** **Data & Information** Incidents	**Culture** Student Engagement Family Engagement Community Engagement **System Availability** School Performance **Human Capital** **Budget Constraints** **Fraud** **Reputation** **Data & Information** Incidents	**Culture** **System Availability** School Performance **Human Capital** **Budget Constraints** **Fraud** **Compliance** **Data & Information** Incidents

An organization chooses to address risk by developing processes with controls designed to "mitigate" risk.

The critical processes included in this table represent only areas mentioned in the risk assessment process.

As the Office of Internal Compliance matures, the development of an **"audit universe"** is critical to allow OIC flexibility to evaluate and recommend audit of areas as conditions or risk factors change.

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Risk Library

Risk	Description
Budget Constraints	Financial limitations to address the needs and priorities of the organization. The dilemma is the organization selecting the right strategic plan, prioritizing needs, allocating resources or addressing risks with limited budget. Budget constraints may impact investments in technology, reducing personnel needs or downsizing, or allocating capital to improve infrastructure.
Communications	The inability to effectively exchange or convey thoughts, messages or information by speech, signals, writing or behavior. Effective communication is simply the presentation of views by the sender in a way best understood by the receiver.
Compliance	Ramifications for not adhering to a rule. Compliance risk captures the legal and financial penalties for failing to act under internal and external regulations and legislature.
Culture	The collective "way of doing things". An acceptable pattern of knowledge, belief and behavior. The outlook, attitudes, values, morals, goals and customs shared by the organization.
Data & Information	The loss of value or reputation caused by issues or limitations to an organization's ability to acquire, store, transform, move and use its data assets. Improving data management includes adopting advanced analytic techniques, rigorous governance standards and alignment with organizational strategy.
Engagement	The act of being present and involved. Effective engagement results in the creation of the "right" conditions for all to give their best each day with commitment to the goals, values and success of the organization with individual well-being.
Fraud	The vulnerability of an organization to intentional misconduct. Internal controls established by an organization is the standard to prevent fraud.
Human Capital	The gap in the skills in an organization's workforce. This gap can manifest through division of labor, complacency, turnover, occupational fraud, catastrophic events, negligent hiring or weak retention practices.
Reputation	The general belief or opinion that other people have of the organization. It's how people label you. Having a good reputation would be considered trustworthy.
System Availability	A measure that a system has not failed, undergoing repair or being available when it needs to be used. Availability is the probability that a system will work as required.

Audit Areas

Recommended Audit Areas	Risk Level
Information Technology	
- Post Implementation Review of Lawson ERP	High
- IT Vendors & Data Security (also part of Third Party Risk Management)	High
- Data validation audit of key measures, reports & change management protocols. Evaluate identified key performance indicators, calculations or reports used for communicating internally and externally. Ensure alignment of strategy with district initiatives.	High
Third Party Risk Management	
- Policies & Procedures Related to Third Party Vendors, Contractors, Service Providers	Medium
- Capital Projects & Facilities Management (Vendor Requirements & Selection)	High
- Vendors related to After School Programs	Medium
General Accounting	
- Procurement card process. (Incorporate data analytics for increased coverage)	Medium
- Expense Report Process	Medium
- Payroll (traditional program with additional focus on coding to funding source)	High
- Budgeting & Forecasting	Medium
- Department grant and funding compliance and accounting oversight	
- SPLOST (Capital Projects & Facility Management)	High
- Nutrition	High
- Federal Programs	High
- Safety & Security Programs	Medium
- IT Projects and Initiatives	High

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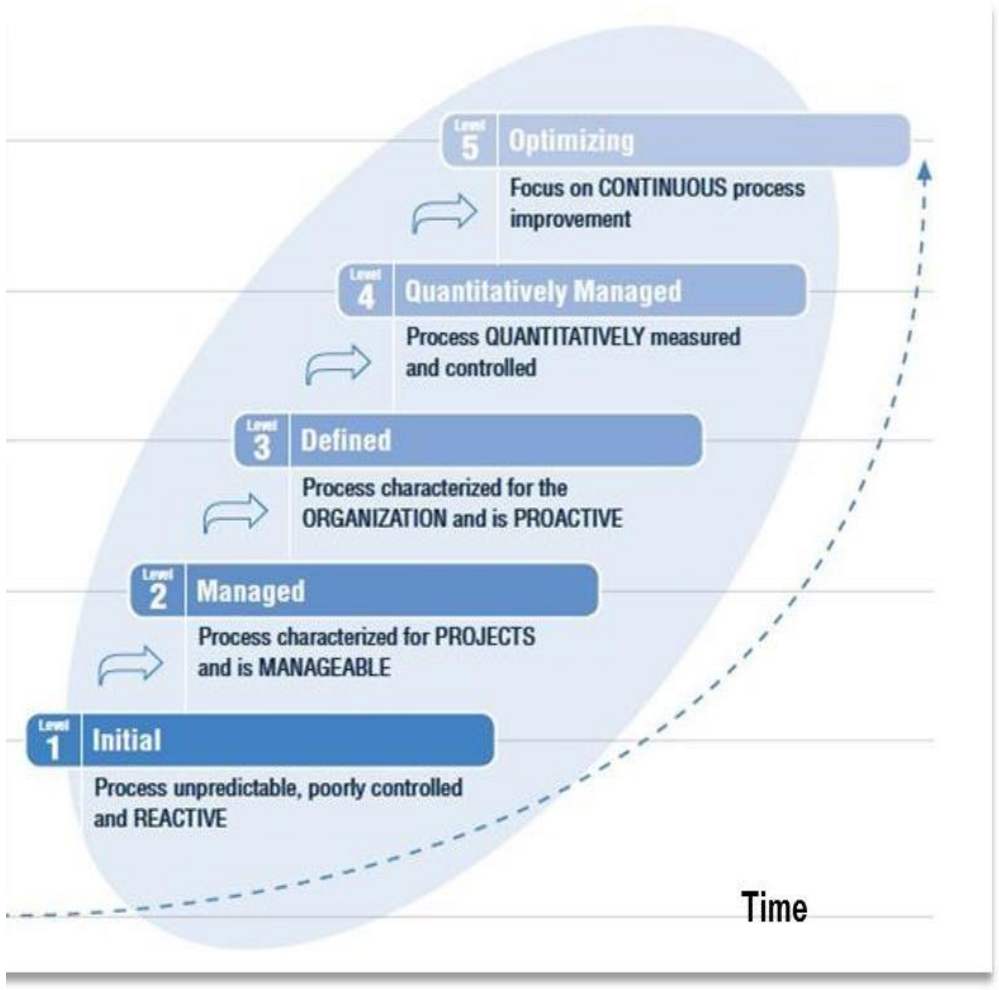
Audit Areas

Recommended Audit Areas	Risk Level
Safety & Security	
- Physical Key Control	Medium
- Monitoring school level training, compliance and oversight	High
- Communication protocols and systems in place for incidents or events	Medium
- Communication Systems (Tools & Technology)	Medium
Human Capital Management	
- On-boarding process for new hires, consultants, contractors	Medium
- Process for development and alignment of skills for improving organizational functions.	Medium
Operations	
- Warehouse Services: Validate the existence of processes and internal controls to ensure adequate safeguards in place for assets and type of documents stored.	High
- Facilities Management: Review preventative maintenance stratgey for APS facilities	Medium
Other Areas	
- Triage process for "Let's Talk". Evaluate disposition of communications since inception.	Medium
- Evaluation of approved strategic plan identifying potential risks impacting success.	High
- Evaluate partnerships cultivated with businesses perceived to improve APS.	Medium
- Review processes in Student Support Services. Ensure procedures exist and are consistently available across the district.	High

Capability Maturity Model



Optimizing	Processes have been in operation for extended period of time and constantly being improved through monitoring feedback from processes, business and security. At this level, the organization should be able to provide supporting evidence showing the history of a program's long-term success and integration into the culture of the organization.
Quantitatively Managed	Organization monitoring and controlling its own processes through data collection and analysis, enabling management to take an informed approach to improving controls used to protect the systems and information used to support the business. At this level, the organization should have KPIs used for tracking & monitoring control and process activity, as well as maintaining regular reports to management and actions taken by management.
Defined	Security, policy, process and control activity are integrated into the daily business processes and reviewed and approved on a regular basis. Actions taken to follow established processes and performance of control activity are documented and retained. Any training needed to supplement policy or procedure to full implementation are documented. At this level, the organization should provide proof of the processes implemented, review approval by management in the past 12 months, evidence of publication and communication to all users.
Managed	Basic control processes and policies have been established, and successes could be repeated, because the requisite processes have been defined, documented, approved, implemented and published. At this level, an organization could provide copies of the processes in place, approval by management within the past 12 months, evidence of publication and communication.
Initial	Processes are unorganized, and may be unstructured. Success is likely to depend on individual efforts and is not considered to be repeatable, because processes are not sufficiently defined. Procedures may be informal or undocumented, or if documented may not have been approved, or if approved it may not have been disseminated or not yet implemented.

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Scales for Impact, Likelihood & Velocity

Impact	1 Minor < $0.5 million	2 Moderate $0.5 million - $2 million	3 Major > $2 million - $4 million	4 Severe > $4 million - $5 million	5 Extreme > $5 million
Strategic Risks ***(Reputational)***	No impact on strategy or reputation.	Impact on reputation or strategy is isolated to a small group of existing stakeholders and the damage is reversible.	Negative impact on reputation or strategy is in the public domain, but it is limited to a specific region and has limited or no publicity in that region.	Negative impact on reputation or strategy is in the public domain and limited to a specific region but has widespread publicity in that region.	Long-term / irreparable damage to reputation or strategy. Negative impact is national or global and is widely publicized.
Operational Risks	Failures are isolated and limited to a small number of internal personnel and processes.	Failure limited to a small number of customers or one business relationship.	Systemic failure impacts a specific customer group, transaction types, or agents.	Systemic failure impacts multiple product groups, transition types, or an entire distribution channel.	Catastrophic failure impacting broad spectrum of customer groups and distribution channels.
Financial Risks	Potential losses and/or missed upside opportunities are not significant resulting from routine events that could have been prevented with process improvements.	Potential losses and/or missed upside opportunities are low such as unplanned outages that could have been prevented with better planning.	Potential losses and/or missed upside is moderate resulting in costs/lost cash flow due to inadequately designed and/or ineffective business processes.	Potential losses and/or missed upside potential is high resulting in an event that could result in a material impact to the company's financial statements and/or cause a restatement of the financial statements.	Potential losses and/or missed upside opportunities are very significant resulting in an event that could cause a material impact to the business model.
Compliance Risk	Minor compliance exposure to a procedural violation	Moderate compliance exposure; internal policy breach or procedural violation	Significant compliance exposure; warnings by legislatures or regulatory bodies which may lead to increased inspections	Serious compliance exposure; fines, penalties, or criminal prosecution	Loss of license; fines, penalties, or criminal prosecution
Legal Risks	No breaches of regulatory or contractual obligations.	Breaches of regulatory or contractual obligations are confined to an isolated incident(s) and are not systemic across the company.	Breach of regulatory or contractual obligations, with cost to the, and increased scrutiny from the regulator or action by a customer or supplier.	Regulatory censure or action. Significant breach of rules or contract. Possibility of action against specific members(s) of the senior management team.	Public regulatory fines or censure, or major litigation potential. Possibility of imprisonment for senior management.
Potential Dollar Impact	**< $0.5 million**	**$0.5 million - $2 million**	**> $2 million - $4 million**	**> $4 million - $5 million**	**> $5 million**

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Scales for Impact, Likelihood & Velocity

Likelihood	1 Rare < 10%	2 Infrequent 10% - 25%	3 Occasional > 25% - 50%	4 Frequent > 50% - 80%	5 Imminent > 80% - 100%
Description	The control processes and management's mitigating activities are strong and allow for the effective management of the risk, thereby significantly reducing the frequency and/or risk event. It does not mean there is no exposure to risk or that the risk has been reduced to zero.	The control processes and management's mitigating activities are more than adequate and allow for managing the risk, thereby reducing the frequency and/or impact of the risk event; however, there are incremental opportunities for improvement. Therefore, the control process cannot be considered strong.	The control processes and management's mitigating activities allow for effectively managing the risk, thereby partially reducing the frequency and/or impact of the risk event occurring. There are opportunities for improvement and/or adding additional compensating controls to help mitigate the residual risk.	The control processes and management's mitigating activities allow for marginal management of the risk; there is minimal reduction in the frequency and/or severity of the risk event. Major gaps and deficiency have been identified.	The control processes and management's mitigating activities do not allow for the effective management of the risk, there is no reduction in the frequency and/or severity of the risk event.
Peer Experience	Has never occurred	Has not occurred in competition and it is very low probability of occurring in the next 3 years	Has occurred at competition in isolated markets and has a chance of occurring in the next 3 years	Has occurred recently by competition in some markets and has a chance of occurring in the next 2 years	Has occurred recently by competition in multiple markets and is likely to occur in the next year
Probability of Occurrence	**< 10%**	**10% - 25%**	**> 25% - 50%**	**> 50% - 80%**	**> 80% - 100%**

Velocity	Slow	Rapid	Very Rapid
Description	The Company is impacted after one quarter of the event occurring.	The Company is impacted between one month and one quarter of the event occurring.	The Company is impacted within one month of the event occurring.
Timing of When Event Impacts the Company			

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Risk Action Ratings

Rating	Definition
Accept	Business unit or corporate organization accepts the risk level of the event as being within the risk tolerance of the Company and no action plan will be prepared.
Mitigate	The business unit or corporate organization does not accept the risk level of the event and will prepare an action plan to reduce or share but not eliminate the event's level of risk that the Company is taking. *ACTION PLAN REQUIRED*
Transfer	The business unit or corporate organization does not accept the risk level of the event and will prepare an action plan to transfer the event's risk entirely from the Company. *ACTION PLAN REQUIRED*
Avoid	The business unit or corporate organization does not accept the risk level of the event and will prepare an action plan to cease conducting business in some manner to avoid the Company from having to bear the event's risk. *ACTION PLAN REQUIRED*