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Atlanta Public Schools | January 6, 2025

Budget & Finances Internal Audit – Report #FY25-01

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Contents

January 6, 2025

Connie Brown, CPA, CIA, CRMA
Executive Director, Internal Compliance
Atlanta Public Schools
130 Trinity Avenue
Atlanta, GA 30303-3624

Dear Connie:

Plante Moran has completed our consulting services for Atlanta Public Schools ("APS") consisting of an internal audit over Budget & Finances, as summarized in our professional services agreement dated May 15, 2024, and statement of work dated July 15, 2024.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on APS's internal control environment. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is solely for the information and use of the management and the Atlanta Public Schools Board of Education and is not intended for use by anyone other than these specified parties.

We would like to thank the management and staff of APS for their cooperation and courtesy throughout this process.

Sincerely,

Matthew Bohdan, CPA, CIA
Engagement Partner

Troy Snyder, CICA
Relationship Partner

Executive Summary

Project Overview

The Atlanta Public Schools ("APS") Audit Committee approved an internal audit of the Budget Services function per the 2024-2025 risk assessment and internal audit plan on June 27, 2024. The Office of Internal Compliance ("OIC") engaged Plante Moran to perform the internal audit of the Budget Services function.

Objective & Scope

Plante Moran evaluated the Budget Services function, focusing on budget monitoring, amendments, and transfers during the 2023-2024 school year. Specifically, we assessed District policies, procedures, and practices in alignment with Board policy and the Georgia Department of Education regulations. Our audit objectives included reviewing the alignment of actual practices with Board policy and departmental procedures, identifying internal controls to support timely and accurate record-keeping and reporting, and identifying gaps and recommendations to mitigate risk to the District. Further details regarding the audit objectives tested can be found on page five of this report.

Methodology

To evaluate the adequacy of the policies, procedures, and practices in place, Plante Moran performed the following:

1. Inspected District policies, procedures, and documentation in alignment with Board policy and the Georgia Department of Education regulations related to budget
2. Assessed roles and responsibilities of key stakeholders in the budget monitoring process
3. Evaluated internal controls related to OpenGov user access and data interfaces
4. Performed sample-based testing of budget transfers and amendments
5. Performed sample-based testing of budget monitoring performed by Budget Services, schools, and departments
6. Conducted walkthrough interviews with the Budget Services team to discuss practices and confirm observations
7. Conducted walkthrough interviews with a sample of schools and departments to assess the consistency of budget monitoring practices across the District

Summary of Themes

The table below highlights overarching themes that were identified during audit fieldwork.

No.	Area	Theme
1	Budget Services Department Responsiveness	Per inquiry with departments and schools, the Budget Services team has demonstrated a high level of responsiveness and support throughout the District. They have been proactive in addressing budget-related inquiries and remain available to provide one-on-one support to schools and departments. The Budget Services team also processes budget transfer requests timely.
2	Inconsistent Budgetary Oversight	Budget monitoring practices across the District are not uniform. Departments and schools monitor their budgets at varying frequencies, sometimes relying on manual tracking methods. Many do not document or retain records of their budget monitoring processes, resulting in a lack of documentation for many samples tested. There is not a formal procedure that establishes a requirement for consistent budget monitoring practices. As such, these inconsistencies were not noted as findings. However, best practice is for the District to implement some uniformity across the budget monitoring process through standard procedures.
3	Existence of Manual Processes due to System Limitations	There are several instances where manual processes are prevalent in the budget monitoring process. Many departments and schools rely on manual spreadsheets to track their budgets, citing that Lawson reports are not user-friendly and often require generating multiple reports to gather all necessary information. Furthermore, there is no workflow capability for budget transfers or other budget-related journal entries to be initiated and approved, resulting in a process that heavily relies on emails.

Detailed Audit Results

Approach

Plante Moran conducted a comprehensive evaluation of the District's policies and procedures related to budget monitoring, budget amendments, and budget transfers. This assessment focused on their completeness, clarity, and compliance with applicable state regulations. Additionally, Plante Moran evaluated the implementation of these processes to ensure alignment with the District's policies and established procedures. Our testing included inquiry and sample-based testing to assess the following audit objectives:

No.	Audit Objective Descriptions	Conclusion
1	Review the application of Board policies, standard operating procedures, and regulations that govern the budgeting function.	Effective
2	Review roles and responsibilities around budgetary monitoring and communication mechanisms for outlining responsibility across the District, including training.	Finding Noted – No. 2
3	Inspect methods utilized by departments and schools to monitor budget-to-actual results and the frequency in which data on these reports is refreshed.	Effective
4a	Obtain evidence of budget-to-actual monitoring procedures performed by Budget Services.	Finding Noted – No. 3, 4
4b	Obtain evidence of budget-to-actual monitoring procedures performed by a sample of departments.	Effective
4c	Obtain evidence of budget-to-actual monitoring procedures performed by a sample of schools.	Effective
5	Inspect a sample of budget amendment requests to confirm approvals were obtained by District staff and the Board in accordance with Board policy and standard operating procedures.	Effective
6	Inspect a sample of budget transfers to confirm that the requests were supported by documentation and that the journal entry was independently prepared and posted.	Finding Noted – No. 1
7	Verify the existence of Lawson system-enforced budgetary edit rules at the function level.	Effective
8	Review Board meeting minutes to confirm monthly financial reports were discussed.	Effective
9	Inspect the OpenGov user listing to verify that terminated employees do not have access to the system.	Effective
10	Verify the expenditure data interfaces completely and accurately between OpenGov and Lawson.	Effective

Summary of Findings and Recommendations

Plante Moran evaluated the responsibilities of key individuals, including the Budget Services team, Budget Center Managers, and other staff involved in the budget monitoring process. We analyzed each stakeholder's role, focusing on how they track expenditures and identify necessary adjustments. Our assessment includes how the roles and responsibilities are communicated to key individuals across the District.

Our observations below are based on corroborative inquiries with APS personnel and inspection of sample documentation. In response to our observations, recommendations are included for the District's consideration on how to resolve gaps where internal controls were not in place, internal controls were not designed effectively, or opportunities exist to reduce risk to the District. Plante Moran identified and evaluated 11 internal controls, noting findings for those that failed below.

Each recommendation was rated high, moderate, or low based on priority in terms of impact on the process, internal controls, or efficiency of operations.

1. **High priority** indicates that the finding requires immediate attention, and the recommendation may have a significant impact on risk mitigation.

2. **Moderate priority** indicates that the finding should be addressed timely, and the recommendation may have a meaningful impact on risk mitigation.

3. **Low priority** indicates that the finding should be addressed as time and resources permit, and the recommendation may have a low impact on risk mitigation.

The following table summarizes the findings identified through the audit.

High Priority	Moderate Priority	Low Priority	Total Findings
1	3	–	4

The table below summarizes the findings and related recommendations identified through the audit:

No.	Observation	Recommendation	Priority
1	Budget journal entries are not consistently reviewed and agreed to supporting documentation by an individual independent of the preparer prior to posting.	1. Budget journal entries should be independently reviewed for accuracy of coding and amounts by the journal entry poster. This may include agreeing the journal entry prepared back to supporting documentation. 2. Explore opportunities in Oracle for budget journal entry workflow capabilities to reduce emails or Teams messages.	High
	Management Response #1: We will work to develop a written process for review and posting of budget journal entries. The SOP will clearly define who will be responsible for what and include supporting documentation. With the new Oracle ERP implementation underway, we will explore opportunities for budget journal entry workflow capabilities within the system to reduce emails or Teams messages. **Implementation Date:** 2/28/2025 **Responsible for Implementing Recommendation:** Director - Department Budgets, Director - School Budgets		

No.	Observation	Recommendation	Priority
2	There are no written standard operating procedures documenting Budget Services' budget monitoring or budget amendment processes, including outlining the roles and responsibilities of the Budget Services team.	1. The Budget Services team should develop standard operating procedures to clearly outline the budget monitoring process, including: a. Roles and responsibilities b. Frequency c. Reports utilized d. Review procedures e. Inquiries with other departments/schools 2. The Budget Services team should develop standard operating procedures to clearly outline the budget amendment process, including: a. Identification of budget amendments b. Preparation of the board agenda item and talking points c. Review of the board materials by the Executive Director, Budget Services, and Chief Financial Officer d. Preparation and posting of the budget amendment journal entries	Moderate

Management Response #2: We are in the process of developing SOP's for the budget monitoring process and the budget amendment process that will include all the recommended content from the auditors. These should be completed by end of January 2025. The budget monitoring is already being done on a monthly basis.

Implementation Date: 2/28/2025

Responsible for Implementing Recommendation: Executive Director, Budget Services

No.	Observation	Recommendation	Priority
3	The Budget Services Team does not generate monthly spend-down analysis reports to monitor non-personnel expenditures during the testing period. These reviews have since been reinstated, starting with the 2024-2025 school year.	The Budget Services team has reinstated the monthly review of district-wide spend-down reports starting from the 2024-2025 school year. During these monthly reviews, the team should document investigations into any budget variances. This documentation should include: 1. Identification of the variance 2. Investigation of the underlying reasons for the variance. 3. Specify any actions that need to be taken to resolve the variance.	Moderate

Management Response #3: The monthly spend-down analysis reports have been reinstated since August of 2024. The current monthly spend-down analysis reports contain documented investigation into variances such as identification of the variance, investigation of the underlying reasons for the variance, or actions taken to resolve the variance. All of these steps will be documented in the SOP's identified in Finding #2.

Implementation Date: Already implemented in August 2024.

Responsible for Implementing Recommendation: Executive Director, Budget Services

No.	Observation	Recommendation	Priority

4	Formal thresholds are not established to identify budget-to-actual variances for further investigation in daily, monthly, and ad-hoc budget monitoring reviews.	1. Establish variance thresholds that trigger an investigation by the Budget Services Team when exceeded. The investigation process should include the following steps:
		
		  a. Identify the Root Cause: The Budget Services Team will analyze the variance to determine its underlying cause. This may involve reviewing financial records, consulting with department heads, and examining external factors that could have influenced the budget deviation.
		
		  b. Determine Escalation Needs: Based on the findings, the Budget Services Team will assess whether the variance warrants further escalation. If necessary, they will inform department leadership to take corrective actions or make strategic adjustments.
		
		This proactive approach will facilitate early detection of budget overruns, allowing for timely interventions and minimizing the risk of financial mismanagement.
		
		2. Document these variances within the budget monitoring standard operating procedure.
			Moderate

Management Response #4: Thresholds have been established but they have not been put down in writing. The formal thresholds will be included in the SOP for the budget monitoring process.

Implementation Date: 2/28/2025

Responsible for Implementing Recommendation: Executive Director, Budget Services

Appendix

Atlanta Public Schools Budget & Finances Internal Audit Process Narrative

BUDGET AMENDMENTS

Changes to the general fund and special revenue fund exceeding $1,000,000 are presented to the APS Board of Education for approval. Monthly, the Budget Services team emails department heads, requesting notification of any new or reduced revenues. The team obtains supporting documentation for all changes and compiles them into an Excel spreadsheet, along with the board agenda item and talking points for the Chief Financial Officer to use when presenting to the Board of Superintendent. These materials are reviewed by the Executive Director of Budget Services and the Chief Financial Officer before being submitted to the Board office.

Once the Board authorizes the proposed budget amendments, the Budget Services team prepares the journal entry, uploads it to Lawson via the Excel add-in, and notifies another team member to post the journal entry. These journal entries are not independently reviewed in detail prior to posting. All related documentation is retained on the Budget Services team's shared drive.

BUDGET TRANSFERS

For non-position-related budget transfers, Budget Center Managers at schools and departments submit budget transfer forms to the Budget Services team for processing. The Budget Services team reviews all budget transfers to ensure funds are available, the transfer is justified, and the request is from an authorized individual. If justification is not provided, a Budget Services team member follows up with the Budget Center Manager via email or phone to understand the rationale for the transfer. The team member then prepares the journal entry, uploads it to Lawson via the Excel add-in, and notifies another team member to post the journal entry. These journal entries are not independently reviewed in detail prior to posting. All related documentation is retained on the Budget Services team's shared drive.

For position-related budget transfers, the representative from the school or department emails their HR Staffing Director, copying the Budget Services team to request the change. Once the HR Staffing Director approves the change, the Budget Services team member ensures funding is available and reviews the positions to identify what is changing. The team member uses the Par Sheet Calculation spreadsheet to calculate the salary and benefits using the average salary spreadsheet. The team member then prepares the journal entry, uploads it to Lawson via the Excel add-in, and notifies another team member to post the journal entry. These journal entries are also not independently reviewed in detail prior to posting. Once the entry is posted, the Budget Services team sends the Human Resources team an email with the change and accounting information.

BUDGET MONITORING

Budget Services Team

The Budget Services team conducts daily and monthly budget monitoring. They investigate significant variances or negative balances identified during their review of school and department budgets. While there are no formalized thresholds for identifying significant variances, the team generally ensures that spending aligns with the current point in the fiscal year. If necessary, the Budget Services team follows up with the responsible school or department Budget Center Managers for resolution or additional information.

Schools & Departments

Each school and department has a designated Budget Center Manager responsible for monitoring and managing their budget. They primarily use Lawson reports, such as the GL298, open purchase orders, and commitment details. Additionally, some schools and departments employ other methods, like manual spreadsheets or custom-developed Excel add-ins to query Lawson.

The frequency of budget monitoring varies, but typically, schools and departments review reports to ensure commitments, encumbrances, and expenditures align with their expectations. Follow-up with other departments occurs as needed. The review process also includes identifying negative balances that require budget transfers. Many departments and schools hold periodic meetings with leadership to discuss the budget.

BUDGET TRAINING

The Budget Services team periodically conducts budget management training sessions for schools and departments. They also offer one-on-one support for budget monitoring and navigating various budget systems and reports upon request. Additionally, schools and departments can email the APS budget inbox for further assistance.

OPENGOV

In January 2024, the Budget Services team implemented OpenGov for departmental budget development and as an additional tool for schools and departments to monitor their budgets. They created various dashboards and reports to facilitate budget monitoring and provided training sessions to help schools and departments access and navigate OpenGov. The system interfaces with Lawson, refreshing data once per day.

The Executive Director of Budget Services manages access to OpenGov. When a new user needs to be added, departments and schools contact the Budget Services team, who then coordinate with the IT System Administrator to grant access. Additionally, the Executive Director periodically reviews and deactivates users who are no longer with the District.

Thank you.

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