
Make the Mark.

Atlanta Public Schools | March 17, 2025

Financial Reporting Internal Audit – Report #FY25-02



plante moran | Audit. Tax. Consulting.
Wealth Management.

Contents

Executive Summary 1

Project Overview & Background 2

Objective & Scope..... 2

Methodology 2

Summary of Themes 3

Detailed Audit Results 4

Approach..... 5

Summary of Findings and Recommendations..... 6

Appendix 18

Appendix 1: Background Narrative 19

March 17, 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 of Financial Reporting, as summarized in our professional services agreement dated May 15, 2024, and statement of work dated July 12, 2024.

We were not engaged to conduct an audit with the objective of expressing 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 recognize and thank the management and staff of APS for their cooperation and courtesy extended to us throughout this process.

Sincerely,



Matthew Bohdan, CPA, CIA
Engagement Partner



Troy A. Snyder, CICA
Relationship Partner

Executive Summary



Project Overview & Background

The Atlanta Public Schools (“APS”) Audit Committee approved an internal audit of the Financial Reporting 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 an internal audit of the Financial Reporting function.

Objective & Scope

Plante Moran evaluated the Financial Reporting function, with a focus on internal controls over journal entries, balance sheet account reconciliations, management’s review of the Annual Comprehensive Financial Report (“ACFR”), and Lawson user access for the 2023-2024 school year. Specifically, we assessed District policies, procedures, and practices in alignment with APS Board policy and the Georgia Department of Education regulations through sample-based testing and inquiry. 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 5 of this report.

Methodology

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

1. Assess the application and communication of Board policies, standard operating procedures, and regulations which govern the financial reporting function.
2. Review training materials provided to the finance function related to Board policies, standard operating procedures, and regulations.
3. Evaluate sample-based documentation to assess timeliness and review procedures over journal entries and balance sheet account reconciliations.
4. Assess whether management review procedures over completeness and accuracy of the Annual Comprehensive Financial Report were performed and documented on a timely basis.
5. Evaluate whether Lawson accounting users have appropriate access and whether Lawson access requests were reviewed and approved in a timely manner.

Summary of Themes

The table below highlights overarching thematic areas of development that were identified during audit fieldwork.

No.	Area	Theme
1	Absence of Established Standard Operating Procedures	The absence of established and documented standard operating procedures in the Financial Reporting function has caused inconsistencies and internal control deficiencies in financial reporting. Issues observed include insufficient documentation to support manual journal entries and reconciliations, inadequate evidence of ACFR review, untimely reconciliation preparation, unreconciled active accounts, unresolved reconciliation variances, and insufficient management review procedures. These problems could lead to financial misstatements, regulatory non-compliance, and risk of fraud.
2	Incomplete Financial Record Keeping and Internal Control Challenges	The Financial Reporting team did not provide all requested documentation. Records are primarily retained as physical copies and Lawson functionality is not being leveraged to maintain supporting documentation for journal entries and reconciliations. This approach has led to significant issues in document retention, including records that are unclear or incomplete and the inability to provide requested documentation for the audit. Despite receiving incomplete supporting documentation, there was sufficient evidence obtained through inquiry and review of the documents provided to confirm the findings noted throughout this report.

Detailed Audit Results



Approach

Plante Moran conducted a comprehensive evaluation of the District's policies and procedures related to internal controls over journal entries, balance sheet account reconciliations, the ACFR, and Lawson user access. This assessment focused on the procedures' completeness, clarity, and compliance with applicable state regulations. Additionally, Plante Moran evaluated the documentation 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
1	Review the application and communication of Board policies, standard operating procedures, and regulations which govern the financial reporting function.
2	Evaluate training materials provided to the finance function related to Board policies, standard operating procedures, and regulations.
3	Select a sample of journal entries from Lawson. Obtain evidence that the preparer and poster of the entry are independent, and the journal entry agrees to supporting documentation.
4	Obtain a listing of account reconciliations. Select a sample of reconciliations from the listing and verify agreement with support, validity of support, and approval by independent supervisor.
5	Inspect the log listing of reconciliations to verify all balance sheet accounts are reconciled on a timely basis.
6	Obtain evidence that management review procedures over completeness and accuracy of the Annual Comprehensive Financial Report were performed and documented on a timely basis.
7	Select a sample of Lawson users. Obtain evidence that the user has appropriate access, and that Lawson access requests were reviewed and approved in a timely manner.

Summary of Findings and Recommendations

Our observations below are based on corroborative inquiry 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.

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
6	1	0	7

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

No.	Observation	Recommendation	Priority
1	There is a lack of established and formally documented District standard operating procedures to assist in governing the financial reporting function.	<ol style="list-style-type: none"> 1. Develop standard operating procedures that incorporate guidance from applicable regulations to promote consistency in financial reporting practices. Perform annual reviews and updates to District standard operating procedures to keep them current and relevant. Standard operating procedures should incorporate specific language related to management's precision of review and establish clear guidelines on acceptable supporting documentation for journal entries, reconciliations, and the ACFR. 2. Utilize Key Performance Indicators (KPIs) and specific criteria to assess performance of the Financial Reporting function, including the following: <ol style="list-style-type: none"> a. Timeliness of reconciliation completion. b. Time to close the ledger and accounting period. c. Percentage of financial reports (ACFR) free from material errors. d. Number of corrections to accounting entries. e. Number and materiality of audit issues identified. 	High

No.	Observation	Recommendation	Priority
	<p>Management Response #1: While we do have SOPs with the exception of the ACFR review, we will update to include language around management review and create an SOP for the ACFR. We acknowledge that our current documentation is not to the detail that satisfies this finding and will continue to add additional language to strengthen our documentation process. SOPs will change with the implementation of Oracle, and we are optimistic that the implementation process will allow us to reset and document SOP more thoroughly and to incorporate state regulations. Our departments do contribute to the annual Council of Great City Schools KPI reporting and benchmarking process, and we will continue to do so. We use the metrics to track how effectively we're managing expenses, optimizing cash flow and ensuring timely payments. We will be able to identify areas for improvement and make sure we're performing efficiently within the team.</p> <p>Implementation Date: 12/31/2026</p> <p>Responsible for Implementing Recommendation: Executive Director of Accounting Services</p>		

No.	Observation	Recommendation	Priority
2	The Financial Reporting function does not provide formal training, training materials, or opportunities for continuing education/professional development.	<ol style="list-style-type: none"> 1. Procure documented training materials to promote consistency of topics covered and quality of training provided. Without documented training materials, this can result in knowledge gaps, varying levels of competency among staff, and errors in job performance, which could lead to operational inefficiencies and financial misstatements. Training content should include specific guidance on management review precision to promote accuracy and validity of supporting documents used for journal entries, reconciliations, and the ACFR. 2. Procure a structured training plan for onboarding new staff members, including a defined timeline, to promote timely training for new hires and consistency in department performance. 3. Consider attending continuing education courses and other professional development programs to promote opportunities to upskill. Failing to provide opportunities to grow professionally may result in team members being uninformed about changes in accounting regulations, which could result in compliance issues and financial statement errors. The American Institute of Certified Public Accountants (AICPA) offers educational courses such as ‘Obtaining an Understanding of Internal Control’ and ‘Internal Control and COSO Essentials for Financial Managers, Accountants and Auditors’. The Georgia Department of Audits & Accounts (DOAA) also offers various resources for finance management including checklists and guidelines on financial statement preparation, audit tools, templates, and even technical tools such as an AICPA Standards and GASB Link. 	High

Management Response #2: We are accepting the risk because formalized training materials is challenging due to the limited number of staff in each role of the financial reporting process. Budget limitations also present as a challenge for sending staff to formal training conferences. However, we are aware of many trainings available through our auditors, GaDOE, and other online and free or inexpensive mediums. While we have encouraged employees in the past to access this training, going forward we will require a certain number of ongoing training hours as part of EPATs. Also, going forward we will implement new training as part of the new ERP implementation.

Implementation Date: Training per annual evaluation: 6/30/2026; ERP implementation training: 12/31/2026

Responsible for Implementing Recommendation: Executive Director of Accounting Services

No.	Observation	Recommendation	Priority
3	Management's review procedures are not precise to detect incomplete or inaccurate documentation used to support journal entries, reconciliations, and the ACFR.	<ol style="list-style-type: none"> 1. In the short-term, leverage functionality within Lawson to support review procedures including electronically storing and maintaining all supporting documentation and documenting review precision commentary (e.g. review notes, questions, and sign-off) for journal entries and reconciliations. 2. In the longer-term, consider leveraging these functionalities within Oracle during the upcoming implementation. 	High

Management Response #3: There will be no expected changes to the current Lawson system. We are currently using SharePoint to store data because Lawson does not have the capability for us to scan and save attachments in the system. We will also scan original copies of reconciliation that has notes. Going forward, management will maintain, to the degree feasible, mark-up copies of reviewed materials as evidence of review. The reconciliation function in Oracle will be utilized in the future.

Implementation Date: 7/1/2026

Responsible for Implementing Recommendation: Executive Director of Accounting Services

No.	Observation	Recommendation	Priority
4	Variances identified in balance sheet account reconciliations are not properly and timely investigated.	<ol style="list-style-type: none"> 1. Establish clearly defined variance thresholds and acceptable timeliness for investigations and document within standard operating procedures. 2. Establish defined procedures when investigating and resolving reconciliation variances. Procedures may include the following: <ol style="list-style-type: none"> a. Determine the variance amount between the account balance and corresponding records. b. Review the transactions and journal entries to identify any errors, omissions, or timing differences. c. Collect source documentation such as invoices, receipts, bank statements, etc. to verify the accuracy of the transactions and entries. d. Once the root cause of the variance is identified, make any necessary corrections such as preparing adjusting journal entries, correcting transaction amounts, or recording missed transactions. e. Document a detailed explanation supporting the investigation and conclusion on the variance. 	High

Management Response #4: While we are already reviewing all variances and supporting documents and making all the necessary adjustments, we acknowledge that the challenge within this audit was providing the documented evidence of the review process. Going forward, we will provide more detailed comments to our adjustments.

Implementation Date: 5/1/2025

Responsible for Implementing Recommendation: Executive Director of Accounting Services

No.	Observation	Recommendation	Priority
5	There is insufficient evidence to verify the timely completion of reconciliations and the preparation and review of the ACFR.	<ol style="list-style-type: none"> 1. Document all reconciliation and ACFR reviews with timestamps to provide evidence of timely review. 2. Implement a robust monitoring process to track the completion and review of reconciliations, promoting adherence to established timelines. This monitoring system could be a manual tracker of all reconciliations with a review performed each month-end and quarter-end to confirm that balance sheet accounts are reconciled in a timely manner. The monitoring tracker should also be signed and dated as evidence that this review was performed timely. 3. Conduct training on timeliness of preparing and reviewing reconciliations and the ACFR, highlighting the importance of maintaining evidence of preparation and review. 	High

Management Response #5: We already have a monthly calendar of when reconciliations are due as well as a checklist that is used when they are turned in to ensure they are completed on time. We will, however, add a date to our signatures upon review for a timestamp.

Implementation Date: 4/1/2025

Responsible for Implementing Recommendation: Executive Director of Accounting Services

No.	Observation	Recommendation	Priority
6	<p>Due to staffing constraints, not all balance sheet accounts are reconciled monthly or quarterly, including accounts with non-zero year-end balances. Additionally, the rationale and analysis of the materiality threshold used to determine which accounts require reconciliations is not documented in policies or procedures.</p>	<ol style="list-style-type: none"> 1. Implement a general ledger roll forward on a monthly or quarterly basis to validate that accounts with activity and non-zero balances were reconciled in accordance with an established and documented procedure. 2. Implement a robust risk assessment process to determine the prioritization and frequency of reconciliations. Maintain documentation of the risk assessment process, including criteria used, risk ratings established, and frequency determined. Procedures may include the following: <ol style="list-style-type: none"> a. Assess risk factors, such as transaction volume, nature and complexity of transactions, and accounts with historical discrepancies and issues. b. Assign a risk rating (high, medium, low) to each account to determine frequency. For example, high risk accounts are reconciled monthly, medium risk accounts are reconciled quarterly, and low risk accounts are reconciled semi-annually or annually. c. Prioritize account reconciliations based on materiality thresholds. Thresholds are set lower for higher risk accounts, while higher thresholds are set for lower risk accounts. d. Periodically review the risk assessment and update as needed. 3. Consider utilizing auto-reconciliation functionality within Lawson and Oracle to minimize human errors, relieve resource constraints, and improve productivity. 	High

No.	Observation	Recommendation	Priority
		<ol style="list-style-type: none"> <li data-bbox="814 267 1701 422">4. Consider performing a review of the chart of accounts for any accounts with a \$0 balance and no activity in the last 2 years and deactivate those accounts so no journal entries can be erroneously recorded. <li data-bbox="814 454 1732 657">5. Assess the current staff capacity to ensure the team can manage the workload, considering the number and complexity of reconciliations and the time needed for accurate completion. Review and balance the workload distribution among team members to identify and address bottlenecks and optimize efficiency. 	

Management Response #6: We will establish a guideline on which accounts will be reconciled and the frequency. Currently, Lawson does not have the auto reconcile feature available so we will utilize the functionality of Oracle in the future.

Implementation Date: 7/1/2025

Responsible for Implementing Recommendation: Executive Director of Accounting Services

No.	Observation	Recommendation	Priority
7	<p>Financial Reporting personnel had Director-level access within Lawson, which provides the ability to post journal entries, configure the general ledger, and perform period close activities. Based on the Financial Reporting personnel's job position, the Director-level access is deemed inappropriate. The inappropriate access was removed during the audit period after additional documentation was requested.</p>	<p>Improve precision of user access reviews to promote timely detection of Lawson users with inappropriate accounting access. The user access review should include the following:</p> <ol style="list-style-type: none"> 1. Identify critical financial reporting functions: Determine key business processes and critical functions that require segregation to prevent conflicts of interest and reduce the risk of fraud or errors. Duties should be segregated across four key functions: authorization (approving transactions), recording (documenting transactions), custody (handling assets), and reconciliations. 2. Map user roles and access: Review and map out current user roles and access levels, ensuring that no single user has control over conflicting functions (authorization, recording, custody, and reconciliations). 3. Analyze and adjust access: Analyze user access to identify and resolve any conflicts. Request that access to roles and permissions be updated appropriately by the IT application team. <p>The reviews over Lawson accounting access should be performed by the Executive Director of Accounting Services in conjunction with the IT application team. The Executive Director's Lawson accounting access should be independently reviewed by the Chief Financial Officer.</p>	Moderate

Management Response #7: This will be a yearly review. In Oracle access will be assigned by roles, not people. IT is currently performing a security access review in Lawson.

Implementation Date: 7/1/2025

Responsible for Implementing Recommendation: Executive Director of Accounting Services

Appendix



Appendix 1: Background Narrative

Atlanta Public Schools Financial Reporting Process Narrative

Manual Journal Entries

All accountants, Senior Financial Analysts, and the Program Director of Accounting have the ability to prepare manual journal entries. These entries typically pertain to reclassifications, reconciliations, and/or year-end adjustments. There is no formalized assignment of specific funds/accounts to specific preparers. Per inquiry, journal entries can be prepared by any accounting team member based on their capacity and the urgency of the adjustments required. The preparer will prepare the entry within a journal entry excel template which is uploaded to Lawson (the District's accounting ERP system). Please refer to Standard Operating Procedure titled "Journal Entry Upload" for step-by-step instructions of this process.

After the entry is prepared, the preparer prints out a physical copy of the journal entry with the corresponding supporting documentation attached and delivers a hard copy to either the Executive Director of Accounting Services or the Director of Accounting for review. The preparer can also send the journal entry for review via email. The Executive Director and Director have the authority to release or post manual journal entries within Lawson.

At the review stage, the entry is drafted but not yet posted. As part of management's review procedures, the Executive Director or Director will review the following:

1. Supporting documentation ties to the entry amounts.
2. Journal entry descriptions are clear and accurate.
3. Additional explanatory notes/comments are included if required.
4. The entries are balanced.
 - a. Please note Lawson does not allow unbalanced journal entries to be posted.

In case of discrepancies, the reviewer will send the preparer review notes of any corrections/adjustments that must be made by the preparer prior to approval. After the required updates are made within the excel template and Lawson, the entry is sent back to the reviewer for an additional level of review. Once reviewed and approved, the Executive Director and/or Director of Accounting will sign the hard copy with their physical signature. They will also release and post the entry within Lawson.

Reconciliations

The Executive Director maintains a year-end trial balance to ensure all account balances above \$100,000 are reconciled. Lawson is not setup to perform any auto-reconciliations. The Executive Director maintains a list of reconciliations that need to be performed throughout the fiscal year. The listing is used to track which reconciliations have been completed and reviewed and is only used by the Executive Director. The financial reporting team also uses a finance calendar that outlines the due dates for reconciliations to be prepared.

Reconciliations begin at the end of each month and the closing process is completed five business days after the month-end. Cash reconciliations are due one week after the close, while all other reconciliations are due two weeks after the close. The due date for the reconciliations is different from the approval date. Reconciliations are prepared at different frequencies, but they are typically performed monthly or quarterly. There is no established review timeline for prepared reconciliations.

Accountants and Senior Accountants are responsible for preparing the reconciliations, which are then reviewed by the Executive Director of Accounting Services or the Director of Accounting. If the Executive Director and the Director are unable to review a reconciliation, Senior Financial Analysts may review them in their absence, provided the reconciliation does not involve revenue or cash.

A standard format is used for reconciliations to identify the different areas to be prepared. However, the format may vary slightly depending on the specific balance sheet account being reconciled. Reconciliations are manually prepared by comparing subledger account balances to supporting documentation. Supporting documentation varies depending on the type of reconciliation. For cash, bank statements and cash reports from Lawson are used; for receivables, city reports and receivables reports from Lawson are used; for payables, accounts payable, and general ledger reports are used; and for revenue, state tax reports and Lawson reports are used. The parameters used to populate the subledgers and documentation for wires are included in the reports. All supporting documents, along with the reconciliations, are stored physically in a folder, however, a backup copy of all the files in the folder is scanned into a shared drive as well. Once the reconciliation is completed, the preparer will sign and date the cover sheet of the reconciliation.

Once the reconciliation ready for review, the preparer notifies the reviewer by providing a physical hard copy or via email. Typically, during the review, the reviewer will write review notes and questions on a sticky note and hand them back to the preparer for responses and updates. These sticky notes are discarded after corrections are made unless significant issues arise. There are no formal procedures for how to handle variances and whether a variance is considered material or immaterial. Depending on the variance dollar amount in comparison to the account balance dollar amount, the reviewer will investigate further. Variances deemed as significant by the reviewer are addressed immediately. Variances deemed as insignificant by the reviewer are not corrected immediately. Instead, they will wait to see if the variance resolves itself in the following month before making adjusting entries to the account balance. If the variance does not correct itself, the reviewer will correct it with an adjusting journal entry. If the variance column is zero, the reviewer is satisfied with the reconciliation. A physical signature indicating approval from the reviewer is documented on the coversheet and a hard copy is stored in a folder.

Annual Comprehensive Financial Report (ACFR)

The District's accounting and financial reporting function is responsible for completing the Annual Comprehensive Financial Report (ACFR) by December 31st following the end of the school year. Alternatively, the District may file an extension by December 31st with the State to extend the time to file.

Typically, the ACFR preparation process begins between late October and early November when the District's external auditors initiate the process. The external auditors use a platform called Suralink to exchange documents and make specific documentation requests. The financial reporting team provides the necessary information as requested. The auditors retrieve the supporting documentation and prepare the main income statement and balance sheet schedules. Financial reporting staff are assigned to prepare supporting schedules for the external auditors, including Management Discussion & Analysis (MD&A), footnotes, statistical data, and other supplementary information schedules.

Typically, the Executive Director conducts all reviews of the drafted ACFR. The Executive Director will rerun the general ledger listing from Lawson and tie the balance amounts to the trial balance prepared. She will then investigate any discrepancies with her team and the external auditors, which are documented via email. There is no formal evidence of her review and approval. Any documentation related to her review is not retained.

Lawson User Access

If an employee or contractor of the District needs access to Lawson's accounting modules, they must submit a request by completing the Lawson Access Request Form. This form is accessible to all employees and contractors of the District through their online portal. Once submitted, the request form is automatically routed to the employee's manager for approval. If the employee's manager approves, but there is no clear business case for why the requesting employee requires the access, the IT Application team must route the request to the business owner of Lawson's accounting modules to gain additional approval and determine whether the request is reasonable. The business owners of Lawson's accounting module are the Chief Financial Officer and Executive Director of Accounting Services. Once all necessary approvals are granted, the IT Application team will provide the access. The processing time can vary from one day to a few days, depending on the workload of the IT Application team.

Thank you.



plante moran | Audit. Tax. Consulting.
Wealth Management.

Matthew Bohdan, CPA, CIA

Engagement Partner

248.223.3619

matthew.bohdan@plantemoran.com

Troy Snyder, CICA

Relationship Partner

248.223.3273

troy.snyder@plantemoran.com