Atlanta Public Schools

Office of Internal Compliance

130 Trinity Avenue SW| Atlanta, GA 30303

Accounts Payable Audit Report (#FY22-02)

REPORT DATE: MARCH 13, 2023

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EXECUTIVE SUMMARY

The audit of the Accounts Payable (AP) process was approved as a part of the Office of Internal Compliance's (OIC) FY 2021-2022 Internal Audit Plan.

Audit Scope:

All payments made in FY 2020-2021 and the first six months of FY 2021-2022. Due to the implementation of a new employee expense management system (Infor XM) in 2021, we reviewed all travel card and other employee expense reimbursements made in FY 2021-2022.

Scope limitation: During our data analytics procedures, we requested documentation to investigate certain patterns or anomalies observed during analysis of AP transaction data from 7/1/20 – 12/31/21. However, some of the requested documents were not provided by AP. Failure to provide documentation requested for audit is not only a violation of state and board policy, but it may also indicate a breakdown of internal controls or an attempt to conceal improper payments.

Audit Objectives:

1. Gain an understanding of AP processes and associated risks.
2. Evaluate the effectiveness and efficiency of AP processes.
3. Determine whether disbursements are accurate, approved, and paid/accounted for correctly and in a timely manner.
4. Ensure the existence and accuracy of AP accounts reported and recorded in the General Ledger.
5. Identify internal controls (including Information Technology) and assess the adequacy of key controls in the process and safeguarding of assets.
6. Evaluate compliance with any applicable Federal, State, and Local laws.
7. Evaluate compliance with Atlanta Public Schools (APS) policies and procedures.
8. Determine if opportunities for process improvement exist.

Risk Level Legend

🔑	**High Risk:** Findings are significantly impactful to maintaining a good internal controls framework and corporate governance, mitigation of material financial statement and regulatory compliance risk, reputational damage, and fraud risk.
🔑	**Moderate Risk:** Findings are moderately impactful to maintaining a good internal controls framework and corporate governance, mitigation of financial statement deficiencies, reputational damage, regulatory compliance, and fraud risk.
🔑	**Low Risk:** Findings are weaknesses that do not seriously detract from the internal control framework and corporate governance but still have an impact.

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The table below summarizes the observations and associated potential risk level. Leadership agreed to implement corrective action plans to address our findings.

The observations are summarized below:

#	AP Audit Findings Summary	Risk Level
1	Approvals for payments processed by AP were missing or insufficient.	High
2	Supporting documentation for payments processed by AP was insufficient.	High
3	Badge access to secure room containing APS check printer is not monitored.	Low
4	Procedures for oversight of high-value or sensitive wire payments are not formally defined by Accounting Services.	Moderate
5	There were significantly aged checks outstanding, and the last escheatment payment made to the state was in 2016.	High
6	Purchasing Card (P-Card) statements were not consistently obtained or reviewed by Card Services.	High
7	There is not a formal process to timely remove P-Card and Travel card access for employees that have terminated from the District.	Low
8	Travel plans and expense reports were not appropriately approved, contained policy violations, were partially or entirely missing supporting receipts, or were not reflected in the general ledger. Reimbursements for expenses incurred on behalf of the District were issued for incorrect amounts or had not yet been issued, and evidence of receipt of reimbursements owed to the District for personal or unauthorized expenses was not maintained.	High
9	General Ledger to AP subledger reconciliations were not performed timely and variances noted during reconciliation were not resolved.	Moderate
10	Travel Card to general ledger reconciliations were not performed timely or independently reviewed.	Moderate
11	Improper Segregation of Duties (SOD) were noted.	High
12	Improper vendor management and AP permissions were noted.	Moderate
13	Information Technology General Controls (ITGC) issues and scope limitations for Lawson and MHC were noted.	High
14	System and Organization Control (SOC) Reports were not obtained or reviewed.	Moderate
15	Documentation Retention Issues were noted.	High

Audit Conclusion:

We observed that controls related to the 3-way match process, Lawson payment processing system controls, independent review and approval of wire payments, monthly cash payment processing reconciliations, and SOD within the P-Card and travel card processes were operating effectively.

Opportunities exist to strengthen the system of internal controls by documenting approvals, requiring appropriate supporting documentation, reviewing access, documenting standard operating procedures, independently reviewing P-cardholder statements, performing and approving reconciliations timely, managing and provisioning access to in-scope systems to minimize conflicting duties, reviewing SOC reports, and enhancing documentation retention practices.

Opportunities exist to increase oversight and efficiency of Accounts Payable processes by:

- Ensuring AP personnel and APS departments are sufficiently trained on the requirements for processing payments.
- Evaluating opportunities to implement AP automation solutions as currently, much of the AP process is either paper-based or managed via email.
- Evaluating the need for additional personnel. During our review, we noted the AP and Card Services departments were experiencing staffing issues that limited their capacity to perform work outside core processing activities.
- Retaining documentation centrally and electronically.

The Atlanta Public Schools District issues payments via paper checks, wire transfers, automated clearing house (ACH) transfers, P-Cards, and travel cards. The AP Department is responsible for:

- Making prompt and accurate payments to vendors and employees for goods and services provided to the District or approved activities such as travel or other incurred operating expenses.
- Collaborating with the Procurement Department to ensure purchases comply with APS Policies and State/Federal laws.
- Communicating with vendors, schools, and department personnel regarding payment questions that may arise.

APS uses the Lawson S3 Financial Suite software (Lawson) to manage the AP process. AP receives payment requests and supporting documentation via mail or email. For invoices received against a Purchase Order (PO), AP performs a 3-way match between the PO, receiving data (if goods were received), and the vendor invoice. Departments also request payments via check request and employee expense check request forms. AP personnel enter payment information into Lawson.

On Tuesdays, the Director of Accounting generates check copies and posts payment details to the general ledger. Checks are either printed by Bank of America and distributed to payees via US mail or printed onsite at the APS Center for Learning and Leadership (CLL) via the MHC Automation (MHC) system. Some vendors require payments in the form of wire or ACH transfers. To process a wire/ACH payment, departments submit a wire request form to the Accounting Services Treasury team, who processes wire/ACH payments via the Bank of America CashPro application.

The Card Services Department maintains two bank card programs on behalf of the District, the P-Card Program and the Travel Card Program. The P-Card program facilitates the purchase of supplies for school and office personnel, while the travel card program is designated for purchases associated with approved travel for business on behalf of the District, professional development, or student travel occurring more than 50 miles outside an employee's primary work location. The Card Services Department is responsible for ensuring purchases made with P-Cards and travel cards are made in accordance with District policies and State/Federal law and uses the Bank of America Works application to administer these programs. Cardholders also use Bank of America Works to monitor their cardholder account and transaction details.

All trips involving the use of a travel card require a travel plan and expense report to be submitted prior to travel. The Card Services Department uses the Infor XM system to facilitate the electronic creation and approval of travel plans and expense reports. Infor XM interfaces with Bank of America Works to capture all transactions made with travel cards and also interfaces with Lawson to process employee reimbursements and post expense transaction details to the general ledger.

During the period from 7/1/2020 – 12/31/2021, AP processed 44,129 payment line items totaling $1,113,112,594 of spend. Of this total, $10,647,142.01 was spent via P-Cards. During our review period of 7/1/2021 – 6/30/2022, $542,163.11 was spent via travel cards.

DETAILED SUMMARY OF OBSERVATIONS

Payment Processing

Issue #1: A review of PO invoices, check requests/non-PO invoices, wire requests, and employee expense check requests processed by AP revealed that some payments did not receive appropriate approval for payment from APS departments. The nature of the approval issues noted are as follows:
- Nine percent (9%) of PO invoices were not approved appropriately. Either evidence of approval from the department could not be produced, or invoices were approved for payment by an individual other than a Budget Center Manager.
- Forty-eight percent (48%) of check requests/non-PO invoices were not approved appropriately. A majority of these exceptions occurred because the School Nutrition (SNUT) Department was not following APS purchasing procedures and AP was not confirming the invoices were sufficiently approved for payment. Additionally, multiple instances were noted where check requests were approved by an individual other than a Budget Center Manager.
- Nine percent (9%) of wire payment requests were not approved appropriately. In each instance, wire requests were approved by an individual other than a Budget Center Manager.

Issue #2: During our review of PO invoices, check requests/non-PO invoices, wire requests, and employee expense check requests processed by AP, we observed some payments were inappropriate or lacked adequate supporting documentation. The nature of the issues noted are as follows:

- Twelve percent (12%) of check requests were supported by insufficient documentation. Issues noted were check requests supported only by printout of a sum calculation, missing supporting documentation, or support that did not match the amount of the check request.
- Sixteen percent (16%) of employee expense check requests were supported by insufficient documentation. Issues noted include missing invoices or itemized receipts indicating what the payment was for, missing evidence of proof of payment by the employee, or a missing receipt that was reimbursed to the employee anyways.
- A reimbursement was requested in March 2022 to cover the costs of an employee's personal printer ink cartridge refill. Since the District issued a $1,000 stipend to help offset costs of working remotely to all employees in January 2021, and employees can utilize office equipment for work-related printing needs, this reimbursement was deemed inappropriate. (4% error rate)

Risk(s):
- Receipts of goods and services are incomplete and/or inaccurate.
- Payments are not properly authorized by an appropriate level of management.
- Processing payments without sufficient supporting documentation reduces visibility into the validity of expenses and increases the likelihood of processing inappropriate or fraudulent payments.
- Payments are not properly initiated for the correct quantity, amount, and/or GL coding.

Recommendation:
a. AP should work with Budget Services to define a formal listing of Budget Center Managers authorized to approve invoices or other requests for payment on behalf of each department. If a Budget Center Manager authorizes a subordinate member of their department to approve

payments on behalf of the department, departments should document this in writing and notify AP of this delegation of authority as required by policy.

b. Accounting Services should formally document an AP procedure. This procedure should define requirements from payees and APS personnel for AP to process a payment. This should include clear criteria regarding approvals and appropriate supporting documentation for the types of payments processed by AP (vendor invoices, check requests, reimbursement requests, etc.) This procedure should be maintained in a location that is easily accessible by employees and vendors.

Corrective Action Plan:

a. Many departments proxy members of their team to sign off on invoices. Most BCM's and Principals rely on their Admins or secretaries to approve in their absence. We will include in our training the requirement that should a BCM appoint a proxy, that they notify in writing the change. We are looking to automate our AP process which will require signatures via an approval process flow. Since the majority of invoices are approved via the PO process for both goods and/or services, we would try to mirror the approval process flow that we currently use in Lawson for requisitions. We instructed SNUT on 11/16/22 that they also needed to enter PO's. The email that was sent to SNUT was provided to the internal audit team. AP relies on the BCM's to monitor their budgets and request research on any purchases that are unfamiliar. Accounting Services will coordinate with the Budget department to discuss a list of BCM's.

b. AP does have a formally documented procedure. The procedure discusses how invoices/check request are paid. There is a yearly Finance training during the summer for BCM's, Principals, Business Managers, Secretaries, Admin's, etc. where this process is discussed. These trainings are also available on Elis. We can also provide trainings quarterly. Vendors do not have access to our system. We will work with Procurement to create verbiage for the vendors on our process. We still must pay our vendors if service and/or goods have been received. We will implement a form for exceptions that will be reviewed by the CFO for approval if insufficient supporting documentation or questionable documentation is received after research has been performed, i.e. going back to the BCM to confirm the services has been completed.

Implementation Date: 6/30/2023

Responsible Party for Implementation: Executive Director of Accounting and Director of Accounting

Physical Security of Check Printing Room

Issue #3: Badge access to the room containing APS' check printer, W-2, and 1099 forms is not monitored. We observed multiple current employees who transferred to other departments as well as multiple individuals that were terminated from the District had active badge access to the room at the time of our review.

Risk(s):
- Improper monitoring may enable individuals without the necessary clearance or authorization to gain access to areas containing sensitive employee data or check printing equipment.

Recommendation:
  a. The Office of Safety and Security should coordinate with Department heads to perform periodic badge access reviews to ensure badge access to sensitive areas is appropriate.

Corrective Action Plan:
  a. Yearly, the Office of Safety and Security will generate the 4th Floor Accts Pay Rm Check Rm User Access Report for review by department leads to verify and confirm appropriate access rights.

Implementation Date:
  a. March 15, 2023

Responsible Party for Implementation:
  a. Coordinator – Safety Office

Wire Payment Oversight

Issue #4: A review of Wire/ACH payments revealed that the Senior Accounting Analyst and the Executive Director of Accounting occasionally submitted high-value or sensitive wires to the CFO for an additional level of review. However, specific criteria (a dollar threshold, special payees, etc.) for wires that should be reviewed by the CFO are not defined. Therefore, we could not validate whether there were instances where a wire should have been reviewed by the CFO prior to payment.

Risk:
  • High risk wire payments (large or otherwise sensitive transactions) are not properly authorized by an appropriate level of management.

Recommendation:
  a. Accounting Services should establish and document specific criteria for wires that are required to be reviewed and formally approved by the CFO prior to payment.

Corrective Action Plan:
  a. Accounting will create a written procedure for wires over a specified amount that requires CFO approval.

Implementation Date: 5/31/2023

Responsible Party for Implementation: Executive Director of Accounting and Senior Financial Analyst

Outstanding Payments/Unclaimed Property Compliance

Issue #5: A review of outstanding checks revealed that the last escheatment payment made to the Georgia Department of Revenue occurred on 10/31/2016. As of 8/24/2022, $301,332.60 in checks issued by the District had been outstanding for at least 5 years (issued earlier than 8/24/2017). State law requires outstanding checks for wages or payroll to be reported as unclaimed property after one year and outstanding checks for services to be reported as unclaimed property after five years.

Risk:
- Failure to escheat unclaimed property to the Georgia Department of Revenue may result in monetary penalties or interest charges as well as the increased likelihood of audit.
- Payments are not properly recorded and reported.

Recommendation:
a. Periodically, AP should coordinate with the Treasury team to obtain listings of checks that have been outstanding for at least 6 months. For all aged checks identified by Treasury, AP should attempt to contact vendors to resolve the problem and determine if new checks need to be issued or if checks could be flagged as stale dated or potentially escheatable if contact with the vendor is not made.
b. Annually after the conclusion of the fiscal year (6/30) the Accounting Services Department should submit the report and remittance for escheatable property in accordance with state law.

Corrective Action Plan:
a. Currently, Treasury does run an escheatment report that posts all stale dated checks to a particular account. AP is behind on filing these checks with the state. AP is working to get another AP Analyst to assist with escheatment.
b. Unclaimed property is due in the State of Georgia by November 1. AP will ensure that letters to payees have been sent out to confirm if any needs to be reissued prior to submitting the report and escheatable property to the state.

Implementation Date:
a. 09/30/2023 (depending on the hiring process)
b. 11/1/2023

Responsible Party for Implementation: Director of Accounting

Card Services Program Administration

Issue #6: A review of P-card statements submitted to Card Services revealed that Card Services was not consistently obtaining or reviewing cardholder statements and supporting documentation. Of the P-card statements we requested:
- Sixty-four percent (64%) of statements could not be produced for audit by Card Services.
- One hundred percent (100%) of statements provided were only partially supported or completely unsupported by receipts.
  Nine percent (9%) of statements were submitted to Card Services 6 months after the statement month.

Issue #7: We noted there is not a procedure for ensuring employee P-Cards and/or travel cards are disabled timely upon an employee's termination from APS. Per discussion with the Executive Director of Accounting, the Card Services Department primarily relies on Board Documents, knowledgeable department personnel, and/or abolishment lists to monitor for terminated employees who carried P-cards and/or travel cards. As of 9/27/2022, we noted at least 54 terminated employees had active travel cards and Bank of America Works access.

Risk(s):
- Failure to review P-Card GL memo statements for delinquencies reduces the ability of the District to monitor for noncompliance with APS P-Card Policies and increases the risk of unauthorized, inappropriate, or fraudulent purchases.
- Failure to retain Card Services documentation centrally increases the likelihood of knowledge and documentation loss upon the departure of key personnel and increases the risk of reputational damage if the District is unable to satisfy Open Records requests.
- Failure to remove access to P-Cards/Travel cards and Bank of America Works upon termination increases the risk of misappropriation of funds already loaded on a card prior to and after the cardholder's termination.

Recommendation:
We recommend Card Services evaluate the need to hire additional staff to assist with P-Card review activities, including:
   a. Enforcing the requirement to provide monthly statements to Card Services and disciplining cardholders who do not comply with the requirements according to the table of disciplinary actions noted in the Purchasing Card Program.
   b. Performing detailed reviews of statements and receipts submitted by cardholders to ensure P-card transactions are appropriately supported by invoices, receipts, and itemized bills, and that P-Card holders are complying with APS P-Card policies. Violations should be disciplined according to the table of disciplinary actions noted in the Purchasing Card Program.
   c. Ensuring all GL memo statements are stored electronically on a shared drive and physically retained for at a minimum of seven years per the APS Record Retention Schedule.
   d. The Card Services Department should work with the Human Resources Department to develop a procedure for ensuring the Card Services Department is notified when an employee carrying a P-card and/or travel card is terminated so their card(s) and access to Bank of America Works is removed timely.

Corrective Action Plan:
   a. We did hire a Fiscal Manager effective 11/2022. Accounting Services is currently trying to hire a P-Card Specialist and a Business Associate. Part of the duties of these positions is to receive and review all P-Card Statements. They will also perform quarterly audits to check for violations.
   b. See A
   c. A SharePoint has been created for Accounting Services. All documents pertaining to P-Cards will be loaded on the drive.
   d. Card Services will request to be added to the auto exit notification (HR List that automatically goes out to notify when an employee is leaving the district).

Implementation Date:
   a. 09/30/2023
   b. 09/30/2023
   c. 09/30/2023
   d. 04/30/2023

Responsible Party for Implementation: Fiscal Manager

Travel and Expense Reporting

Issue #8: During our review of travel plans and expense reports submitted in support of expenditures made with travel cards for trips made on behalf of the District, we noted the following issues:

- Twenty-four percent (24%) of Travel Plans were not approved appropriately according to Policy in Infor XM. Board Regulation DJEAC R(2) - Travel Card Policies does not align with the current thresholds of the Infor XM approval workflow.
- Twelve percent (12%) of expense reports contained no evidence of approval from the employee's supervisor/BCM in Infor XM.
- Thirty-six percent (36%) of approved expense reports contained at least one travel policy violation. A majority of these issues were related per-diems or other meal expenses. Either incorrect per diem rates were paid to employees, employees purchased meals with both their travel card and personal card during their trip, or a meal total exceeded the maximum allowable per-diem amount for the travel location and the difference was not recouped. Additionally, there were multiple instances where upgrades were purchased but the totals were not rejected by Card Services upon review of the expense reports.
- Fifteen percent (15%) of expense reports were partially or entirely missing supporting receipts. We noted a pattern of employees submitting incomplete or partial receipts that did not contain a level of detail that would allow Card Services to confirm whether purchases complied with APS policies.
- Four percent (4%) of expense reports indicated APS was owed a reimbursement from an employee for unauthorized or personal purchases made with the travel card. However, Card Services could not provide evidence that the funds were recouped from the employee.
- Sixteen Percent (16%) of expense reports resulted in checks being issued to employees for incorrect amounts. In each instance, the check totals included expenses that the cardholder or Card Services flagged as unauthorized or personal expenses and therefore should have been deducted from the amount of the check issued to the employee. This resulted in overpayments being issued to these employees, and we could not verify the incorrect checks were voided or reimbursements for the correct amounts were issued to the employees.
- Twelve percent (12%) of expense reports indicated that an employee was due reimbursement for expenses incurred on behalf of the District, but a reimbursement had not been issued at the time of our review. A majority of these expense reports were fully approved in the system.
- Twelve percent (12%) of expense reports were not reflected in the general ledger. These issues occurred because either the employee's supervisor had not yet approved the expense report or the expense report was rejected by Card Services for missing receipts and the employee had not yet resubmitted the expense report. Per inquiry with the Executive Director of Accounting, if an expense report is not fully approved in Infor XM, it will not be posted to the general ledger. Currently Card Services does not have a procedure for monitoring aged expense Reports in Infor XM.

Risk(s):
- Travel is not properly authorized by an appropriate level of management.
- Aged expense reports increase the risk of errors in recording travel expenses to the financial statements in the correct period or accrual for liabilities incurred but not paid.

- Failure to reject noncompliant expenses increases the risk of reimbursing employees for non-business-related travel. Also, instances of theft and/or abuse may increase if the perception is that expense report submissions are loosely monitored or not monitored at all.

Recommendation:
    a. The Card Services Department should update the Infor XM Travel Plan approval workflow to ensure workflow rules comply with all requirements of Board Regulation DJEAC R(2) - Travel Card Policies. These requirements include, but are not limited to, ensuring travel plans requesting $2,000 or more are routed to the employee's supervisor for approval and travel plans requesting $5,000 or more are routed to the employee's Chief for review. Additionally, travel plans for trips involving student travel should be routed to Associate Superintendents and the Superintendent for approval, travel plans funded by Title I funds should be routed to individuals from the Title 1 office for approval, and travel plans involving athletics should be routed to the Athletic Director for Approval. If Board Regulation DJEAC R(2) is out of date, it should be updated to reflect the current requirements.
    b. Card Services personnel should ensure all necessary approvals have been obtained in Infor XM prior to loading funds onto a travel card.
    c. The Card Services Department should update board policy DJEAC R(2) to reflect the appropriate guidance for in-state per-diem rates defined by Georgia State Law. Additionally, the policy should define what criteria are required for receipts submitted in support of an expense report. The Card Services Department should enforce Board Policy requirements for travel. If any expenses or receipts do not comply with policy, the Expense should be rejected by Card Services and the Expense report should be returned to the employee.
    d. The Card services Department should develop a procedure to monitor aged expense reports in Infor XM to ensure departments submit and approve reports timely.
    e. The Card Services Department should investigate why checks were processed for incorrect amounts and ensure payments to employees appropriately deduct totals of personal and/or unauthorized expenses identified in expense reports.
    f. The Card Services Department should develop a procedure for identifying, tracking, and collecting funds from employees who owe APS a reimbursement for unauthorized expenses paid with the APS travel card. If the employee issues APS a check for the funds, evidence of the payment should be maintained by Card Services. Additionally, Card Services should consider evaluating opportunities to implement paycheck deduction/payment plans to ensure funds owed to the District are recouped.

Corrective Action Plan:
    a. The audit covered the period that the XM system had just been implemented. During this time, there were a lot of issues that arose, and we were able to resolve them as they were uncovered. The XM system has been updated for the proper approval process flow. We will review the policy to ensure that XM is in line.
    b. Card Services are not notified to load cards until all approvals have been received. The approval process is automated and expense reports are sent to the Accounting Services queue once all required approvals have been met.
    c. We will review the policy and ensure that it is updated per the state guidance.
    d. Card Services reviews all expense reports (ER's) that are available. Most outstanding ER's are waiting follow up documentation from the travelers. We will implement a process to check on outstanding expense reports monthly.

e. During the audit timeframe, Card Services was experiencing all staff members out on medical leave. Temps, and other staff members of accounting services were trained on how to go in XM and approve by Infor. Also at the time, travelers were not trained to select the credit card tab to pull in all transactions that were purchased using the travel card, therefore, it would default to out of pocket expense. This was corrected and checks returned.

f. Card Services will create a spreadsheet to identify any employees that owe the district and cannot be offset against a refund. We are working with Infor to see if there is a way in XM to keep up with this data and also notate when payment has been received.

Implementation Date:
a. 12/31/2023
b. Current
c. 12/31/2023
d. 12/31/2023
e. Current
f. 12/31/2023

Responsible Party for Implementation: Executive Director of Accounting and Fiscal Manager

Reconciliations

Issue #9: A review of the monthly General Ledger to AP subledger reconciliations (Lawson AP136) revealed the following issues:
- Seventy-five percent (75%) of reconciliations selected for review were performed months after the period end date of the reconciliation month.
- A $2,048.88 variance between the GL and subsidiary ledger for the General Fund AP account was identified consistently during reconciliations in FY21 and FY22. Per the Executive Director of Accounting, the root cause of this variance was unidentifiable, and the variance was carried for the entirety of FY22. At the time of our review, no adjusting journal entry was made.

Issue #10: A review of the monthly Travel Card to general ledger reconciliations revealed the following issues:
- Fifty percent (50%) of travel card reconciliations were performed months after the period end date of the reconciliation month.
- Twenty-five percent (25%) of travel card reconciliations were not independently reviewed/approved.

Risk(s):
- Failure to reconcile accounts timely increases the difficulty of addressing discrepancies between the statements and the GL which could lead to inaccurate financial reporting to the Board of Education.
- A lack of independent review of reconciliations increases the risk of errors or omissions impacting the accuracy of financial statements.

Recommendation:
  a. Accounting Services should perform reconciliations no later than the month after a period ends to timely identify any variances between the statements and the general ledger.
  b. Accounting Services should ensure reconciliations are independently reviewed and that evidence of approval is maintained.

Corrective Action Plan:
  a. During this audit timeframe, Card Services and Accounts Payable were experiencing a reduction in staff. Because of the lack of staff, Accounts Payables priorities were ensuring payment of invoices in a timely manner. Accounting Services has processes in place to complete reconciliations on a monthly, quarterly or yearly basis, depending on the account. Reconciliations are due per our monthly Finance Accounting calendar. Monthly reconciliations are due between 5 and 10 business days after we close.
  b. Reconciliations are reviewed and approved monthly by the Director of Accounting and Senior staff and quarterly by the Executive Director, Accounting Services. Corrective JE's will be done quarterly. The process in place is sufficient, however, due to staff changes and shortages during the audit period, some reconciliations were late.

Implementation Date: Current

Responsible Party for Implementation: Executive Director of Accounting and Director of Accounting

Segregation of Duties Violations and Inappropriate Access

Issue #11: A review of Segregation of Duties (SOD) in the AP process revealed that Tanisha Oliver, Executive Director of Accounting, can add and edit Vendor Information in Lawson, approve vendor invoices for payment in Lawson, process payables in Lawson, record payables in Lawson, and review reconciliations of AP balances. We noted that these duties constitute a Segregation of Duties fraud risk to the District.

Issue #12: A review of all users with permission to add or modify vendor data in Lawson revealed that 38 individuals outside of the procurement department had permission to add or modify vendor data in Lawson. Per inquiry with the Executive Director of Procurement, there is not a business case for individuals outside of Procurement to have the ability to edit vendor information.

Additionally, a review of all users with permission to add or modify data using key Lawson AP Screens revealed 36 users outside of the Accounting Services or AP Teams had access to at least one AP function in Lawson.

Scope limitation: We performed a Segregation of Duties analysis of users with permissions/access to Lawson functions management indicated are utilized during AP processing. However, this was not an exhaustive list of Lawson functions available for use and a full list was not available due to lack of system reporting capabilities.

Risk(s):

- Inadequate Segregation of Duties (SOD) in AP increases the risk that inappropriate or fraudulent payments may be issued.

Recommendation:

a. The CFO and Accounting Services should coordinate with Information Technology Services (ITS) to review the conflicting duties assigned to the Executive Director and evaluate opportunities to segregate her abilities in Lawson.

b. ITS should perform periodic access reviews with Procurement Management to ensure privileges to modify vendor information in Lawson are limited to appropriate personnel. Additionally, ITS should perform periodic access reviews with Accounting Services Management to ensure privileges to AP functions in Lawson are limited to appropriate personnel.

c. ITS should evaluate opportunities to obtain access to more advanced Segregation of Duties monitoring capabilities for Infor Lawson as current reports are cumbersome to generate, as well as review, and are not exhaustive of all functionalities required for a proper SOD review.

Corrective Action Plan:

a. CFO and Accounting Services leadership will work with IT to correct access in the system to ensure proper segregation of duties.

b. ITS currently performs periodic user access reviews with the Finance Executive Directors. We will put measures in place to provide evidence and schedule any necessary recurring jobs. All reports and corresponding documentation will stored in a central location.

c. ITS reviewed Accounts Payable user access to edit Procurement vendor data with Procurement and Accounting Services Executive Directors. ITS made permission updates to user privileges in the test environment as of 2/28/2023 and is currently awaiting validation before moving to the production environment. Additionally, ITS reviewed user permissions to add or modify data to key Lawson Accounts Payable screens with Accounting Services. ITS made permission updates to user privileges in the test environment as of 2/28/2023 and is currently awaiting validation before moving to the production environment.

d. The Infor/Lawson system does not come with inherent SoD reporting capabilities. While we are looking to develop the capability in FY2025-26, we will review other external products with SoD reporting capabilities for Infor/Lawson. We will identify and document a strategy for SoD reporting by the end of SY 2023 within a shared location. We will provide the documented SOD reporting strategy in subsequent revisits.

Implementation Date:

a. 4/30/2023
b. 6/30/2023
c. 6/30/2023
d. 6/30/2023 – To identify a strategy for SoD reporting capabilities

Responsible Party for Implementation:

a. Chief Finance Officer and Executive Director – Accounting Services
b. Director – IT Applications
c. Director – IT Applications
d. Director – IT Applications

Information Technology General Controls

Issue #13: The following issues were noted as it relates to information systems and access within the AP function.
- ITS could not produce evidence that periodic user access reviews for the Infor Lawson S3 Financial Suite Finance and AP modules were performed during the audit scope.
- For 2 of 3 (66%) users added to MHC during the review period, ITS could not provide evidence of a ticket or other communication documenting the rationale for the access and authorizing the access to be granted.
- For 1 of 1 (100%) MHC user access modifications noted during the testing period, ITS could not provide evidence of a ticket or other communication documenting the rationale for the access modification.

Scope Limitation: ITS was unable to generate reports of when users were initially granted access or received access modifications to the Infor Lawson S3 Financial Suite Finance and AP modules during the review period. As a result, we could not identify a complete population of users who received new access or access modifications during the audit scope.

Risk(s):

- Inappropriate system access could lead to unauthorized and/or fraudulent payments being issued.

Recommendation:
a. ITS should develop a plan for periodic (i.e., monthly, quarterly, etc.) access reviews with Department Heads including how the review will be administered, how often the review will be performed, and who in IT Services will be responsible for performing the review. Once completed, implement the periodic access review, and ensure evidence confirming that the review was performed is maintained.
b. ITS should evaluate opportunities to obtain access to more advanced Lawson Security monitoring as currently, there are no reporting capabilities that allow management to monitor historical and ongoing user access modifications within the Lawson S3 Financial Suite.
c. ITS should ensure that documentation of authorization and rationale for user access requests and user access modifications is maintained.

Corrective Action Plan:
a. Schedule quarterly access reviews with department heads and designated staff with Director – IT Applications and Lawson Security Administrator. All reports and corresponding documentation will stored in a central location.
b. The Infor/Lawson system does not come with inherent Security Monitoring capabilities. ITS will review other external products with Security Monitoring capabilities for Infor/Lawson. We will identify and document a strategy for Security Monitoring capabilities by the end of SY 2023 within a shared location. We will provide the documented Security Monitoring strategy in subsequent revisits/reviews.
c. ITS will continue to track user access requests, modifications, and updates via SharePoint and the Nimbus ticketing system.

Implementation Date:
a. 6/30/2023
b. 6/30/2023 – To identify strategy for Security Monitoring capabilities
c. 6/30/2023

Responsible Party for Implementation:
a. Director – IT Applications
b. Director – IT Applications
c. Director – IT Applications

System and Organization Control (SOC) Audit Report Reviews

Issue #14: We noted System and Organization Control (SOC) Audit reports for Infor Lawson, Infor XM, MHC Automation, Bank of America CashPro, and Bank of America Works were not obtained for the time period of 7/1/2020 - 12/31/2021. These reports are typically published annually and are designed to provide assurance to service organizations' clients, management and user entities about the suitability and effectiveness of the service organization's controls.

Upon obtaining the SOC reports for the testing period, we noted the MHC reports contained multiple control failures related to review of NDA's, Information Security Policies, and Security Awareness items during onboarding. Additionally, we noted the Bank of America Works SOC report contained one control exception related to access to BofA databases not being removed in a timely manner. Lastly, we noted the Bank of America CashPro SOC reports contained multiple exceptions related to inappropriate application and database access.

The SOC reports also contain User-Entity Controls Considerations (UECC) for which the service organization states specific controls that the user entity must have in place in order to achieve the service provider objectives. Since the SOC reports were not obtained and reviewed by Information Technology and the Executive Director of Accounting, APS did not perform an assessment to determine whether APS had adequate controls in place to mitigate the service organizations control failures and address the UECCs or if controls should be implemented.

The American Institute of Certified Public Accountants (AICPA) is an accounting standards board that sets ethical standards for the profession and U.S. auditing standards for audits of private companies, non-profit organizations, federal, state, and local governments. The AICPA follows the United States Generally Accepted Accounting Principles (US GAAP) and created the System and Organization Control (SOC) framework to assist practitioners with determining whether a service organization's controls and practices are effective at safeguarding the privacy and security of its customer and client data. The review of SOC reporting and subsequent controls assessment is required since the District follows US GAAP.

Risk:
- Failure to review and assess security controls, at least annually, increases the District's exposure to data breaches and financial statement misstatements.

Recommendation:

We recommend the Accounting Services and ITS departments should review the Infor/Lawson, MHC, and Bank of America SOC Reports annually, as they become available. During review, the departments should determine if:

1. The controls considerations identified in the UECC section have been addressed or if new processes, procedures, and/or controls should be implemented.
2. Controls are in place at the District to mitigate the risk of errors resulting from identified service provider control failures.

A "Bridge Letter" (also referred to as a gap letter) should be obtained to bridge the "gap" between the service organization's report date and the user organization's year-end (i.e., calendar or fiscal year end) if applicable. This provides the user organization a level of comfort and understanding around the internal control environment during the gap period.

Corrective Action Plan:
- a. Obtained Infor/Lawson and MHC SOC2 reports as of August 2022. Will obtain the Bank of America Works and CashPro SOC2 reports annually. We will continue to obtain SOC reports and Bridge letters annually. Reports and corresponding documentation will be stored in a central location.
- b. ITS will review the UECCs and address any required actions based on the risk. If issues are identified, APS will work with the vendor to address the issues and request a follow-up report confirming that the said issues have been addressed in the remediation plan. Based on the severity of the issue and the impact to APS, additional steps may be taken. Reports and corresponding documentation from the UECC reviews will be maintained annually and stored in a central location.

Implementation Date:
- a. 6/30/2023
- b. 6/30/2023

Responsible Party for Implementation:
- a. Director – IT Applications
- b. Director – IT Applications

Document Retention

Issue #15: The following items could not be produced for audit:
- Four percent (4%) of PO invoice samples.
- Four percent (4%) of check request/non-PO invoice samples.
- Eight percent (8%) of check run samples.

- Twenty-five percent (25%) of monthly AP - General Fund ledger to subledger (AP136) reconciliation samples.
- One hundred percent (100%) of monthly AP close jobs executed in Lawson. Per inquiry with the Executive Director of Accounting, these documents were maintained on the former Card Services Supervisor's hard drive, who is no longer with APS.
- We noted that documentation of Travel Card reconciliations was maintained on the hard drive of an employee who transferred to another department, and that Card Services had to reach out to the former Accounting Services employee to obtain the documentation.

Risk(s)
- Failure to retain documentation of check runs and the financial reporting process decreases oversight of these processes and reduces the ability of the District to identify and resolve any errors made during these processes.
- Lack of documentation and support for key processes and procedures increases the risk of reputational damage if the District is unable to satisfy Open Records requests.

Recommendation:
a. Accounting Services should ensure all documentation related to AP and Financial Reporting processes are maintained centrally. Additionally, the AP department should consider evaluating opportunities for digitization of AP processes and documentation retention.

Corrective Action Plan:
a. Accounts Payable will utilize SharePoint for our documents. We are also working with IT to possibly implement an automated AP system that will house invoices, checks, and supporting documents.

Implementation Date: 12/31/2023

Responsible Party for Implementation: Director of Accounting and Accounts Payable Staff

We want to extend our appreciation to the management and staff in the Accounting Services, AP, and Information Technology departments for their cooperation and courtesies extended to us during the audit.

Respectfully submitted,

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Executive Director of Internal Compliance

Petrina Bloodworth, CIA, CFE, CRMA
Director of Internal Compliance

Abbreviations

AP	Accounts Payable
APS	Atlanta Public Schools
ACH	Automated Clearing House
CLL	Center for Learning and Leadership
ITGC	Information Technology General Controls
ITS	Information Technology Services
Lawson	Lawson S3 Financial Suite Software
MHC	MHC Automation
OIC	Office of Internal Compliance
PO	Purchase Order
P-Card	Purchasing Card
SNUT	School Nutrition
SOC	System and Organization Control
SOD	Segregation of Duties
SOP	Standard Operating Procedure