



To: Ms. Cristina Diaz-Torres, School Board Chair
Mr. David Priddy, School Board Co-Chair
School Board Members
Dr. Francisco Durán, Superintendent

Cc: Members of the Cabinet
Mr. Andy Hawkins, Assistant Superintendent, Office of Finance
Mr. Mark McLaughlin, Director, Office of Finance
Ms. Danielle Godfrey, Director of Procurement

From: Ms. Alice Blount-Fenney, Director, Internal Audit

Re: Final Audit Report APS Purchasing Cards (P-Cards) and Internet Expenses (Reimbursements)

Date: June 24, 2024

Background

APS Operational Purchasing Cards:

An audit of APS Purchasing Cards (P-Cards) was included on the Annual Audit Plan for fiscal year 2023-2024. P-Cards are provided for designated employees from various programs and departments to secure various goods and services. Business cards are also used to purchase meals and related food services.

Refer to Appendix A at the end of this report for training and P-Card Resources provided for all APS employees.

School Activity Purchasing Cards:

In addition to the operational P-Card transactions included for review under this audit, there are also School Activity Fund P-Cards. There are some academic based employees that may have two APS issued P-Cards, the operational card and the SAF card. This audit covers the scope of both operational and SAF cards.

It should be noted that *all* audited transactions posted in STARS were all previously approved by a line manager, supervisor, or Principal as well as reviewed by a member of the Finance and Management Services team.

Management and Administration of APS P-Cards and School Activity P-Cards

- The primary management and administration of all operational P-Cards resides under the responsibility of the Finance and Management Services Department. This department resides under the leadership of an Assistant Superintendent, Office of Finance, Mr. Andy Hawkins (recently appointed as of February 1, 2024) and the Director of Finance, Mr. Mark McLaughlin. This department reports to Dr. John Mayo, Chief Operating Officer. The management and administration of SAF P-Cards resides under the jurisdiction of the Principals at each school.

Internet Expenses (I Expenses)

- In addition to APS P-Cards, employees may also create an I Expense to request reimbursements for various “business” related expenses. For these transactions, employees use their personal charge card or other payment method to secure goods and services.

P-Card Statistics

- As of March 1, 2024, there were a total of **272** active operational P-Cards (includes 1 Administrator’s card and a card for Information Services. There was also a total of **24** active SAF P-Cards including 1 Administrator’s card maintained by Finance and Management Services.
- The number of P-Cards in use can vary depending the requests made from members of the APS community for additional cards.

Internal Audit Scope and Methodology

The scope of this audit consisted of a review and assessment of internal controls covering the administration and use of APS P-Cards for the period of June 1, 2022, through December 31, 2023. For Internet expenses, random transactions were selected for review for the periods of 2023 and 2024. In addition to the forementioned transactions, a review of P-Card usage trends was conducted including the most frequent purchase reimbursements. At the request of the Chief of Staff in conjunction with the management team of Finance and Management Services, a separate operational investigation and review is currently in progress.

Meetings were held with the management team and P-Card Administrator from Finance and Management Services and various cardholders, including some Principals to discuss and review sampled transactions that required further discussions due to a lack of sufficient cardholder information and/or documentation from the cardholder. I also interviewed the former Director, Finance and Management Services with the goal of understanding what business processes were in place over P-Cards and I-Expenses. He is currently an APS Consultant.

Details pertaining to the scope of P-Card charges ***exclusive of I Expenses*** are included in the following table:

<i>Period of Review</i>	<i>Total Expenditures Incurred by APS</i>	<i>Total Value of Sample Transactions</i>	<i>Transaction Test Numbers</i>
7/1/23-12/31/23	\$1,275,305.88	\$206,887.62	1-151
6/1/22-6/30/23	\$3,475,444.33	\$223,904.66	152-279
<i>Grand Totals</i>	<i>\$4,750,750.21</i>	<i>\$430,792.28</i>	

Statistics for I-Expenses (STARS on-line payment processing system)

<i>Description</i>	<i>Period of Expense</i>	<i>Period of Expense</i>
	<i>6/1/22-6/30/23</i>	<i>7/1/23-12/31/23</i>
APS Expense Reimbursements	\$337,766.90	\$115,715.64
APS Professional Travel	\$207,890.49	\$116,454.78
APS Local Travel	\$69,786.89	\$30,901.53
<i>Totals</i>	<i>\$615,444.28</i>	<i>\$263,071.95</i>

The charge transactions processed via STARS were all subject to review and approval by various levels of management within APS programs and departments. The audit methodology included:

- Revisiting the P-Card User's Manual,
- Reviewing supporting documentation and charge statements within STARS,
- Interviews with the P-Card Administrator and the Director of Finance and Management Services, including questions pertaining to the supporting documentation and explanations provided by card holders for the expenditures,
- Requests for additional information pertaining to charges from various cardholders,
- Determining if purchases are appropriate business expenses for the employees assigned job responsibilities (for example, afterschool personnel commonly purchase snacks including candy as well as board and other games and arts and crafts)
- Inquiries with purchasers for various goods and services.
- Reviews of transactions in which employees use their personal cards and are reimbursed (I-Expenses (Internet Expenses)).

Executive Summary of Audit Observations

- It appears that adequate management oversight has been lacking for decades over P-Card and I-Expenses resulting in patterns of employee misuse of APS payment systems.
- There are numerous "questionable" expense transactions that although approved lacked an adequate level of review before the reimbursement or approval of the charge was made. This includes transactions with insufficient documentation or explanations.
- Although many APS employees use their P-Cards and I-Expense transactions in an appropriate manner, there remain some employees that appear not to use payment privileges in a proper manner.
- It appears that there are an excessive number of active P-Cards in use by various APS employees.
- The use of P-Cards has the potential to challenge accurate budget management and reporting.
- It appears that there are inconsistent business practices for meal" benefits" for APS employees.
- There are no consistent business protocols on how to book business travel to ensure that APS secures the most economical prices. These decisions are left up to the discretion of the card holder.
- A review of travel-related charges confirmed that some transactions lacked adequate supporting documentation or detailed explanations.
- There are some expenses incurred on APS P-Cards that may best be served via processing by the Procurement Department, including recurring purchases.
- Some charge purchases and reimbursements made at the school level appear to be the result of the improper use of incoming funds and transfers.

I would like to thank those APS employees that participated in this audit for their time and efforts throughout this assignment. Special thanks are extended to the Assistant Superintendent and his team from Finance and Management Services for their time and efforts in providing additional information for transactions which lacked sufficient information and/or documentation.

Best regards,

Alice Blount-Fenney
Director Internal Audit

Detailed Audit Observations

It appears that adequate management oversight has been lacking for over a decade over P-Card and I-Expenses resulting in patterns of employee misuse of APS payment systems.

- As confirmed, APS has multiple options available for all employees in making “business related purchases.” This includes business P-Cards, at the school levels the additional benefit of a School Activity Fund card is provided If requested, and I-Expenses in which an employee is given the option of incurring the “business expense” on their personal card or a cash purchase and requesting a reimbursement from APS.
- In reviewing over a decade of supporting documentation within STARS, including vendor histories, and discussions with the management team from Finance and Management Services was confirmed that some employees have identified methods of circumventing the internal systems of control which appears to misuse APS payment systems.
- More specifically, some employees have opted for the frequent use of their personal cards and requested reimbursement. This has included some transactions that have been identified to have been made in “cash” with no viable supporting documentation (example of providing student trip money with cash disbursements.)
- The use of personal cards versus APS cards deprives the school district from receiving the entitled rebates.
- During the audit, it was confirmed through the examination of supporting payment documentation and discussions with the Director, Finance and Management Services that there are employees that used their personal cards on a regular basis including some large expenditures. It was also confirmed that there were some transactions that lacked appropriate supporting documentation, including a payment based upon a post it note. ***Refer to Tables B and C for additional information.***

Current Director, Finance and Management Services

- As of the date of this report, the current Director, Finance and Management Services, is still identifying additional deficiencies in the processing, use of cards and accounts, and supporting documentation. Many of the deficiencies were identified by the Analyst who brought these issues to light. However, the current Director has not fully addressed a plan to address these issues. Last fall in the School Activity Fund audit, he was asked to develop a comprehensive list of

accounts and the proper use. More specifically, to identify what purchases are allowed and what is prohibited. It was further asked that the Director meet with the Principals and “Treasurers” to communicate these essential standards for handling expenses and related purchases. This task remains open.

- A fully comprehensive training program is pending development. The Director, Finance and Management Services was tasked with this initiative last fall.
- It should be noted that the Chief of Staff was proactive and held several meetings with Finance, Human Resources, the Chief Operations Officer, and related parties in an attempt to address the noted deficiencies with the purchases and handling of expenditures.

Former Director, Finance and Management Services (2001-2019)

Upon interviewing the former Director, it was confirmed that:

- The Director was more “hands off” for the business functions related to P-Cards and I Expenses. He delegated most of these duties and responsibilities related to the schools up to the Analyst.
- There were limited reviews of supporting documentation for expenses. The Analyst was charged with these duties. The Director did not review her work.
- The former Director was not able to provide any documentation relating to training or guidance for “Treasurers” or any APS employees with purchasing privileges.
- There were no processes in place to review the results of the audits performed by the external accountants over school activities.

Recommendations

- The current Director, Finance and Management Services is encouraged to continue to work with the Assistant Superintendent, Finance and Management Services in addressing options to address the ongoing use of APS P-Cards versus the use of personal cards for business related purchases.
- A policy needs to be developed and communicated with employees that inappropriate purchase reimbursement requests may be rejected.
- The Director, Finance and Management Services should work in conjunction with Human Resources and Procurement to define proper APS methods for making purchases. Any non-compliance must be addressed with appropriate members of the Cabinet.

Management Comments:

- *The current Director, Finance and Management Services, has begun the process of addressing inappropriate purchases.*

Responsible Persons

- Mr. Mark McLaughlin, Director of Finance and Management Services

Support Persons

- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services
- Ms. Kimberley Graves, Chief of School Support

- Mr. Brian Stockton, Chief of Staff
- Mr. Michael Hodge, Assistant Superintendent, Human Resources

There are numerous “questionable” expense transactions that although approved lacked an adequate level of review before the reimbursement or approval of the charge was made. This includes transactions with insufficient documentation or explanations.

- The term “questionable” is defined as a transaction in which the on-line system, STAR does not have sufficient documentation or explanations that would provide a second reviewer with confidence that the transaction meets compliance with APS standards for P-Cards or a governing PIP. Questionable is also defined as a transaction that does not appear to provide sufficient evidence that there is full transparency in the cardholders purchasing actions.
- In order to obtain additional information regarding these transactions, a member of the Finance and Management Services team had to be contacted, and in some cases the Principal or related cardholder had to be contacted.
- The following examples *only represent a few of the transactions that appear to present the biggest risk to the integrity of charge and reimbursement transactions.*

High School

- A teacher from a high school received various reimbursements for a trip to New York City.
- These reimbursements included travel, meals, and cultural events.
- There were several transactions that appeared to be “questionable” although approved by the Principal. This included the names of multiple immediate family members of the teacher included on the supporting travel documentation submitted for reimbursement; and various charge cards used included for a transaction in New York (confirmed to be the teacher’s daughter’s card) and a truck rental in the husband’s name. It was confirmed through an email from the Principal that “the names of family members were used to purchase the tickets at a lower fare, but the tickets were non-transferable. The supporting documentation also confirmed that the trip manifest included the names of the teacher’s family members.
- The lodging for the trip consisted of the rental of two rooms. One invoice was for a Premier Room Double in the amount of \$402.83 and the other room a Premier Suite in the amount of \$1,208.90. There were 2 Chaperones and 12 students. There was no specific information identifying the parties in each room. On May 8, 2024, I contacted the Principal, and she was able to obtain itemized invoices from the hotel.

- There were additional “issues” relating to explanations pertaining to the documentation for this trip. Additional discussions were held with the Principal and her responses are noted in the table that follows:

Audit Concern	Explanation Given by Cardholder/Principal
<p>Confirmed reimbursement of Amtrak tickets purchased for multiple passengers for travel to NYC. The last name of the multiple passengers included the same last name of the teacher. There were 6 coach seats purchased for \$372 (passengers were identified as husband, and 5 children of the teacher. For the \$496 tickets, passengers included the teacher, names of family members, and two other individuals, Chaperones. These were all non-transferable tickets.</p> <p>Risk: Passenger manifest was not accurate.</p>	<ul style="list-style-type: none"> • The teacher indicated that she purchased the tickets early 6/14/23 for an October trip. • At the time of booking tickets, there was no confirmed list of students. • Explanation given by the teacher; she booked tickets in advance to secure “a lower rate.” Yet and again Amtrak tickets are non-transferrable.
Audit Concern	Additional Information Requested
<p>Food Purchases:</p> <p>There were meal purchases made in which the total participants properly equaled 14 people, 2 chaperones and 12 students. Receipt reflected subtotal \$695, \$125.10 large party gratuity, \$61.74 tax, and \$20 tip for a total of \$901.84.</p> <p>Food purchased with the card in name of the daughter of the teacher. The same daughter was also noted as a passenger on the Amtrak ticket. See the prior section for the explanation.</p>	<p>The Principal obtained the following response from the teacher:</p> <p>Her daughter is confirmed as the name on the credit card. The credit cards are all connected to the same account. The teacher explains that her daughter had accidentally taken the wrong credit card with her back to college. The teacher had the card that had her daughter’s name on it. They did not realize they had accidentally switched cards until later that month. YET THE TRAIN MANIFEST SHOWS THE DAGHTER WAS INDEED ON THE TRAIN AND TRIP,</p>

Review of Additional Charges and Reimbursements

Gift Card Purchases

- On October 27, 2023, an employee from a high school requested reimbursement in the amount of \$800 for the purchase of gift cards.
- The source of funds transferred from was the Student Government Association. The gift cards were purchased by a Director.

- The cards were distributed to the purchaser, the Principal, Assistant Principal, and other school officials. The justification was a “thank you” for Homecoming. This has the appearance of a conflict of interest.

Consultants Fee

- On February 22, 2024, there was a payment in the amount of \$102.50 made to a teacher at a middle school as a consultant for designing cheer uniforms.
- This is not a recommended business practice since the teacher is a full-time employee and prohibited from possibly being a 1099 for the same tax year at the same organization.

Insufficient Supporting Documentation for Purchases: Syphax Department

- On March 9, 2023, there were 31 individual transactions, each in the amount of \$448 for the Apple Store.
- The expenses were for hardware repairs for multiple machines.
- For the STARS reconciliation for I-Expenses, the Director uploaded one single receipt for multiple (31) transactions.
- Through follow-up, it was confirmed that the system flagged it as a possible duplication.
- Finance rejected the transaction.
- Resubmitted and approved by the IS Department on June 15, 2023. Then rejected on June 30, 2023, by Finance due to a lack of receipts.
- Department resubmitted on July 3, 2023, and approved the same day by Finance.

Insufficient Supporting Documentation or Meals (local)-High School

- It was confirmed that the Director at a high school was reimbursed for multiple local meals, with non-out-of-state or town travel.
- It is recognized that meals are reimbursable according to PIP D12.3IIB3C.
- The documentation submitted for reimbursements only stated the name of the sport or event.
- Through discussions on May 9, 2024, with the Chief of Staff, we asked the Principal to provide schedules and locations for all local games in which meals were claimed and reimbursed.

Follow-up

- On May 13, 2024, the Principal provided the game schedule as requested to substantiate the reason for the meal reimbursement. This documentation has been provided to Finance and Management Services for their records.

Recommendations

- For travel-related expenses, it is recommended that APS implement the use of a professional travel agency. The use of “incorrect” passenger names for the non-transferable tickets is not good business practice. This false information presented the risk of an inaccurate travel manifest.
- Employees should be prohibited from requesting reimbursements made via another person’s (including family members) charge card.

- A more careful review needs to be made of any supporting documentation submitted for reimbursement. Questionable submissions for reimbursement should be denied and not processed for payment. Especially for any transactions that appear to violate appropriate ethical business conduct.
- All approvers should conduct ***more careful reviews*** of the documentation submitted for reimbursement or a charge. If needed, the PIP's and P-Card manual and standards should be revisited. If in doubt, a member of the Finance and Management Services team should be contacted.
- Any questionable actions taken by an employee in violation of APS business protocols should be referred to Human Resources if warranted.
- The Assistant Superintendent of Human Resources along with the Director of Finance and Management Services should send out a memo to all members of the APS community reminding them of the importance of exercising a careful review of documentation before approving purchases and requests for reimbursement.
- Employees requesting reimbursement should submit sufficient supporting documentation regarding the event or reason for incurring the expense.
- Purchasers are encouraged to adhere to APS standards pertaining to gift cards and noted restrictions. In addition, any potential conflicts of interest and unethical business conduct is not acceptable.
- For transactions using school activity funds and accounts, any purchases should adhere to the purpose or the intended use of the account. Any questions regarding acceptable vs. unacceptable use should be directed to the Director Finance and Management Services.

Management Comments:

- *The audit recommendations will be addressed by the newly appointed Assistant Superintendent, Human Resources and the Director of Finance and Management Services.*

Responsible Persons

- All APS cardholders and approvers
- Mr. Michael Hodge, Assistant Superintendent Human Resources
- Mr. Mark McLaughlin, Director of Finance and Management Services

Support Persons

- Dr. John Mayo, Chief Operations Officer
- Mr. Brian Stockton, Chief of Staff
- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services
- Ms. Kimberley Graves, Chief of School Support

Although many APS employees use their P-Cards and I-Expense transactions in an appropriate manner, there remain some employees that appear not to use payment privileges in a proper manner.

- This also includes expense transactions in which employees toggle between the use of the operating P-Card, the SAF P-Card (if they have one), and their personal charge cards to obtain various goods and services. These actions present the risk of circumventing controls and review protocols.
- On September 5, 2023, a Director from Syphax charged several meals with his P-Card while traveling. The total was \$133.78. This is in violation of P-Card Manual standards section 7.3.7.
- On September 5, 2023, an employee from a Syphax Department purchased several flights with upgrades, in violation of the PIPs. The upgrade amounts were \$37, \$21, and \$69 in violation of the PIPs.
- It was confirmed that on October 25, 2023, liability insurance was paid for a Trainer from a high school in the amount of \$293.
- On August 24, 2023, there was a staff breakfast for employees at a high school (sign-in sheet indicated 70 attendees, labeled as DEI and SEL Training) in the amount of \$1,312.51. Funds used were from the General Administrative account. On the same day there was an off-site staff/faculty back to school kickoff from 3:30-5:30 PM. The amount was \$1,755.70. On August 14, 2023, a transfer in the amount of \$10,000 was made to the General Administration account from the school picture account.
- There were several additional expense deficiencies noted for a High School. ***For additional information see Table A at the end of this report.***

Recommendations

- APS relies on the integrity and ethical conduct of each user to serve as a “good steward” for public funds. Economically sound purchasing decisions are essential for APS’ bottom line as the district faces budgetary challenges and shortfalls. All members of the Cabinet should be charged with stressing this message for all employees. Any non-compliance issues should be referred to Human Resources as a violation of a proper code of employee conduct.
- The review of reimbursements and charge transactions throughout this audit confirmed that many P-Card approvers sign-off on transactions without a careful verification of corresponding supporting documentation or potential violations of and non-compliance with APS P-Card standards. The importance of a careful review prior to approvals must be reinforced for all members of the APS community charged with these responsibilities.
- More defined standards need to be defined governing meals including appropriate business standards for transfers and related usage of accounts.

Management Comments

- *The audit recommendations will be addressed by the newly appointed Assistant Superintendent, Human Resources and the Director of Finance and Management Services.*

Responsible Persons

- All APS cardholders and approvers
- Mr. Michael Hodge, Assistant Superintendent Human Resources

- Mr. Mark McLaughlin, Director of Finance and Management Services

Support Persons

- Mr. Andy Hawkins, Assistant Superintendent Finance and Management Services

It appears that there are an excessive number of active P-Cards in use by various APS employees.

- As noted earlier in this report there are 272 active operational P-Cards and 24 active SAF P-Cards as of March 1, 2024
- The present business practice for obtaining a P-Card consists of completing a P-Card application and obtaining a Supervisor's approval for a card. The justification for a card must be included in the application and mandatory attendance at one of the P-Card training sessions. A satisfactory "pass" must be achieved on the P-Card knowledge assessment quiz.
- Current business practices for P-Cards empower APS employees to serve as purchasing agents, which presents potential financial risks to the school district. More specifically, employees may not make the best purchasing decisions with budget considerations as a priority.
- Some departments, programs and schools have over three P-Cards for their use.
- The maintenance of multiple P-Cards can be labor intensive. More specifically, time has to be allocated for the performance of monthly reconciliations for P-Card transactions including the uploading of receipts and related supporting documentation.

Recommendations

- Given the current budget challenges faced by APS, the frequent use of and the number of P-Cards in circulation should be revisited. More specifically, this should include exploring options of card de-activation including termination of privileges.
- For instances in which there is evidence including patterns of misuse of card privileges, the card holder's card should be suspended at the discretion of the Assistant Superintendent of Finance and Management Services.
- To ensure more economical use of APS financial resources, the transition from various individual purchasers using the cards should be assigned to a procurement specialist whose profession includes identifying the best prices for various goods and services.
- It is recommended that all Cabinet officials reinforce with all employees the importance of being more fiscally conservative with spending habits within each department and program and communicate this message as a priority.

Management Comments

- *The Director, Finance and Management Services along with support from the Assistant Superintendent, will revisit the protocols for P-Card issuance and eligibility.*

Responsible Persons

- Mr. Mark McLaughlin, Director of Finance and Management Services
- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services
- Ms. Danielle Godfrey, Director Procurement
- Ms. Kimberley Graves, Chief of School Support

Support Persons

- Dr. John Mayo, Chief Operations Officer
- Ms. Janeth Sanguinetti, Purchasing Card Administrator

The use of P-Cards has the potential to challenge accurate budget management and reporting.

- More specifically, when the traditional purchasing requisition process is used, the system will ensure that only the amount of available funds will be used. If the requested amount of the purchase exceeds what is in the budget, the transaction will be rejected and not allowed to be processed. On the other hand, a charge on a P-Card card will be allowed as long as the credit line has not been exceeded.
- It was confirmed during the review of the P Card transactions sampled that it is common for departments and users to miscode expenditures. This is a widespread practice with food which is commonly coded as “general supplies, program supplies, program costs, evaluation costs, and professional-in service.”

Recommendations

- Given the current budget challenges faced by APS and in the interest of maintaining sound financial oversight, I am recommending that the use and reliance on P-Cards continue to be monitored carefully and factored into each department’s and programs budget.
- In addition, as the process continues for the streamlining and reduction in the number of P-Cards progresses, the Finance and Management team are encouraged to collaborate with Human Resources to develop standards for addressing substantiates evidence of cardholder misuse of privileges.

Management Comments

- *These business processes are currently under review by members of the Finance and Management Services.*

Responsible Persons

- Ms. Tamika Lovett-Miller, Director, Office of Finance and Management Services
- Director Mr. Mark McLaughlin, Director of Finance and Management Services

Support Persons

- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services
- Dr. John Mayo, Chief Operations Officer

It appears that there are inconsistent business practices for meal” benefits” for APS sponsored lunches.

Syphax Department

- Although properly approved, it was confirmed that there was one department that incurred multiple lunch expenses as confirmed on their December 2023 bank statement. All expenses were from local eateries.
- It was confirmed through the review of the P-Card statements that there were multiple APS sponsored lunches and beverages provided for the Director and other employees, per the table that follows from the December 2023 statement:
- * Same day transaction: purchased an additional meal.

Merchant	Transaction Date	Amount
The Italian Store	11/30/23	\$255.95
El Pollo Rico	12/1/23	\$208.81
Old Dominion Pizza	12/4/23	\$205.25
Lost Dog Cafe	12/5/23	\$269.45
Chick-fil-A	12/6/23	\$240.75
The Italian Store	12/7/23	\$210.11
El Pollo Rico	12/8/23	\$208.81
The Italian Store	12/11/23	\$224.91
Lost Dog Cafe	12/12/23*	\$283.40
Lost Dog Cafe	12/12/23*	\$11.95
Chik fil A	12/13/23	\$248.60
Chik-fil A	12/13/23	(\$255.20) credit
The Italian Store	12/14/23	\$236.89
El Pollo Rico	12/15/23	\$196.25
Giant	12/7/23	\$23.45
Giant	12/11/23	\$28.58
Giant	12/12/23	\$24.47
Giant	12/15/23	\$19.58
Total Meals and Beverages for December		\$2,642.01

- Prior approval was obtained and documented by department personnel. Follow-up was conducted with the Assistant Superintendent.
- The justification for the meals was a special project at various APS schools.
- The department under review is a support department for the entire school district. According to the department’s web page states “Department provides comprehensive support and innovative solutions that empower and enable both the educational and operational functions of Arlington Public Schools.” In short, this department is responsible for performing their duties at all APS locations.

Syphax Department Audit Observation

Audit Concern	Management Comments and Responses
It was confirmed through an additional sampled item that on January 5, 2023, an employee from a Syphax Department charged lunch for two people, in the amount of \$23.56.	
The receipt for the Chik Fil A meal was provided and there was a sign-in sheet including the names of the purchaser and one other employee. The explanation given was "staff meeting." An agenda was also provided. Questions whether meeting time met required time per P-Card standards.	<p>Management Comments: Department Director, "The supervisors meet with their staff every week. These meetings are very valuable as they include professional development, planning and programming, staff assessments, purchasing materials and supplies and updating information and procedures. The employee that charged lunch is the Check-in supervisor at a school and she only had one staff person at that time.</p> <p>Looking at the date (Jan. 5), my guess is that the meeting included lunch as a back-to-school appreciation after the holiday break. It sounds like the employee followed the P-card procedures. And if the object code was incorrect, that was my mistake."</p>

Recommendations

- It is recommended that as a public serving institution, all APS employees be mindful of the importance of serving as good stewards with taxpayer funds.
- In addition, given the current deficit faced by APS, all employees should make it a priority to maintain sound economical business processes and avoid excessive and unnecessary expenditures. I want to stress that I am not stating that a member of the management team should refrain from providing a "thank you" lunch for employee appreciation. This decision should remain at the discretion of the manager coupled with sound budget considerations.
- Human Resources should develop a proposal for the consideration of the Chief Operating Officer covering options to express employee appreciation across the board for all APS employees. This should be further enhanced with a comprehensive employee code of conduct including a section on APS reimbursements and P-Card charges.
- The Director, Finance and Management Services should confer with the Policy & Legislative Affairs, specifically contact Steve Marku, Director of Policy & Legislative Affairs to discuss the development of a comprehensive policy and procedure covering meals, snacks, and related food purchases. Special attention should be given to defining the criterion for meal reimbursements.
- It is recommended that the training curriculum for Treasurers and other P-Card users should include revised clearly stated standards for employees regarding coding expenses.

Management Comments

- *This will be an ongoing process and with the support of Human Resources the message of being mindful of expenses especially as a public institution will be conveyed to all members of the APS community.*

Responsible Persons

- Ms. Tamika Lovett-Miller, Director, Office of Finance and Management Services
- Mr. Mark McLaughlin, Director, Finance and Management Services
- Mr. Michael Hodge, Assistant Superintendent Human Resources

Support Persons

- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services
- Dr. John Mayo, Chief Operating Officer

There are no consistent business protocols on how to book business travel to ensure that APS secures the most economical prices. These decisions are left up to the discretion of the card holder.

- A review of P-Card transactions including reimbursements to employees confirmed that there are multiple instances in which employees secure tickets for transportation and book lodging accommodations. In some instances, an employee may charge for multiple tickets and/or book multiple rooms.
- It was confirmed during the audit that there is a Policy Implementation Procedure D-12.3 that covers Local and Non-Local Travel. The last revision date was February 18, 2019.
- Although supporting documentation was obtained and reviewed for expenditures, there is no documentation to substantiate the practice of securing the most economical price for travel. Current APS business practices call for each cardholder to make travel arrangements at their discretion.

Recommendations

- It is recommended that APS management consider engaging in the use of services with a professional travel agency. This will encourage a uniform system for managing travel-related expenses coupled with securing the most economical options for employees.
- The Procurement Director should also provide support and guidance to the Finance and Management Services team with options for identifying potential vendors to provide travel-related services.
- The Travel policy and related procedures should be revisited and include a section that provides clear guidance on proper protocols as well as restrictions.

Management Comments

- *The management team from Finance and Management Services are in the process of exploring options for engaging the services of a professional travel agency.*

Responsible Persons

- Ms. Danielle Godfrey, Director of Procurement
- Mr. Mark McLaughlin, Director, Finance and Management Services

Support Persons

- Mr. Brian Stockton
- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services

A review of travel-related charges confirmed that some transactions lacked adequate supporting documentation or detailed explanations.

- Employees are provided with the opportunity to charge travel-related expenses on their P-Cards.
- A review of travel-related documentation confirmed that many transactions for various departments within APS lack sufficient information and documentation to support the expenditure.
- Examples of insufficient information are no list of travelers or meal participants. No itemized hotel invoice, and a lack of an agenda or related document to justify the need for travel. There were also instances in which one individual purchased several tickets for other travelers.
- For these transactions, additional inquiries were held with members of the Finance and Management Services Department.

Recommendations

- All APS employees are required to submit adequate and complete documentation for business-related travel. Failure to do so could result in delays for reimbursement or restricted card privileges.
- The Assistant Superintendent, Finance and Management Services, with the support of the Assistant Superintendent, Human Resources is encouraged to send reminders to all employees of the importance of submitting complete and detailed travel documentation and potential consequences of failing to do so may result in delays or denial of payment.

Management Comments

- *This is an ongoing review by the Finance team and will be supported through collaboration with Human Resources to ensure the proper protocols are communicated to members of the APS community.*

Responsible Persons

- Mr. Mark McLaughlin, Director, Finance and Management Services
- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services
- Mr. Michael Hodge, Assistant Superintendent, Human Resources

There are some expenses incurred on APS P-Cards that may best be served via processing by the Procurement Department, including recurring purchases and large dollar expenditures.

- The transition of the manner in which some purchases are made would enhance management and financial controls. More specifically, Procurement employees are professionals well-versed in purchasing practices and would have first-hand knowledge regarding the best vendors to use, not only related to costs but quality of goods and services.
- Given current fiscal challenges this would reflect APS' commitment to serving as good stewards with taxpayer money.
- Travel agencies would be the best professionals for guidance in travel related services.
- Transactions processed via Procurement would require some planning on the part of employees and the need for the creation of a purchase order.
- Controls within the system also promote a means of checks and balances since the creation of a purchase order would work in line with budget management. In short, if the requested purchase exceeds the available budget, the request for a new expenditure would be denied. An example is that if there are insufficient funds remaining in a budget the purchase request would be rejected. There are built-in systems controls for these processes. A good example of transactions that would benefit from processing via Procurement include:

Description	Type/Examples
Recurring office supplies and school supplies	Paper
IS equipment or support	Laptops, software, web hosting products
Class wear/Spirit wear/Uniforms	T-Shirts
Class rings	Any school themed jewelry
Musical Instruments	Band, Orchestra
Appliances	Washing machines
Any electronic equipment	Camcorders, cameras
Furniture	Chairs, desks, cabinets
Printer Toner	
Lawnmowers, vacuums etc.	Household and lawn equipment

Recommendations

- I am recommending that the Assistant Superintendent, Finance and Management Systems collaborate with the Directors of Finance and Procurement to develop business standards to identify those goods and services best processed via Procurement systems in which a purchase requisition must be processed.
- In addition, for Senior Management's consideration I am recommending that APS explore the option of having all P-Card business functions fall within the Procurement Department. Since this department consists of buyers with expertise in making purchasing decisions, they may be best at advising APS cardholders on purchasing decisions.
- The Procurement Department management team should work with the Assistant Superintendent, Finance and Management Services to develop a list of items and identify if a purchase order or P-Card is best for processing. This information should be posted on the department's webpage and clearly communicated to members of the APS community.

Management Comments

- *Discussions are ongoing as to better define the best manner in which purchases should be made.*

Responsible Persons

- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services
- Ms. Danielle Godfrey, Director of Procurement
- Mr. Mark McLaughlin, Director, Finance and Management Services

Support Persons

- Mr. Brian Stockton, Chief of Staff

Some charge purchases and reimbursements made at the school level appear to be the result of the improper use of incoming funds and transfers.

- There appears to be some confusion and lax controls over the transfers of funds for some purchases and reimbursements.
- More specifically, at a high school it was noted that there are multiple transfers made between accounts in order to meet some expenses. This included transfers from Lifetouch Fundraiser and Harris Teeter to various administrative accounts. The resulting transferred funds were used to purchase various meals for employees.
- It appears that some funds were the result of student fundraisers or other student focused initiatives. These funds were then transferred to various administrative and/or discretionary accounts, in which food, staff socials, or other staff-related events or items were supported.
- There is a lack of a proper separation of duties over transfers of funds between accounts at the school. Treasurers currently have sole oversight for transfer activities.

Recommendations

- It is recommended that all transfers require the approval of a member of the Finance and Management Services department. This will ensure a proper separation of duties over transfer functions.
- There needs to be mandatory training and reinforcement on the proper use of accounts.

Management Comments

- *As Finance and Management Services continues to roll out training sessions, we will include a session on the proper manner in which transfers are to be conducted.*

Responsible Persons

- Mr. Andy Hawkins, Assistant Superintendent, Finance and Management Services
- Mr. Mark McLaughlin, Director, Finance and Management Services

Table A High School Expenses

Example	Description of expense per check stub	Amount \$	Date	Source of funds	Payee	Audit Comments and related supporting documentation
1	Off-site staff social	1,755.70	8/24/23 Same day*	General Admin	Solace Outpost	Staff/faculty back to school kickoff 3:30-5:30 PM, Food and non-alcoholic beverages. Potential FLSA implications.
2	Staff luncheon	1,825	8/17/23	General Admin	El Pollo Rico	Staff luncheon-need better guidelines re: meals
3	Staff breakfast	1,312.51	8/24/23 Same Day*	General Admin	Panera Bread	Staff breakfast-need better guidelines meals
4	Lunar New Year reimburse, substance event lunch reimbursement, and other meal reimburse.	240.81	3/31/23	Asian and Friends Club, Lifetouch Fundraiser , and Athletics Director Accounts	Costco, Lost Dog Café, District Taco, Italian Store	Meals taken from various funding sources. The Athletics Director had a personal lunch and one unknown guest. Other meals also charged. Multiple transfers from administrative account to fund other accounts i.e., Athletics Director account. Multiple meal receipts: Good Fortune Supermarket, District Taco,

						Costco, Lost Dog Cafe, and Italian Store (two meals one for Athletics Director. Receipts from January and March 2023)
5	Principals lunch meeting	21.00	10/17/23	General Admin.	Ruthies All Day	Meal for the Principal at restaurant. No other participants.
6	Liability Insurance	293.00	10/25/23	Athletic Trainer	AMBA Insurance	Purchase of personal insurance policy. The policy was sent to personal residence. Athletic Director's policy. Unable to locate a policy that covers APS employees outside of Benefits office. This is a health professional liability policy. Contacted M. Hodge, unaware of any such benefit covering separate policies.
7	Yearbook Supplies Reimbursement	143.91	4/17/23	Yearbook	Dunkin Doughnuts	Misleading coding, donuts as yearbook supplies. Sales tax was paid.

8	Back to school supplies	880.83	9/6/23	SGA	Reimburse Employee	Includes food, only issue is coding
9	Team gear	165.00	10/12/23	Cross Country Track	Reimburse Employee	Are there standards for Coaches buying themselves clothing? How often? Any limits?
10	Homecoming dinner reimbursement	350.00	10/16/23	SGA	Reimburse Employee	No receipts from Lebanese Taverna just email with note Homecoming Faculty dinner approved by Principal.
11	Gift card reimbursement	179.97	10/25/23	Yearbook	TO	Gift cards reimburse: thank you's for staff. Potential violation of APS standards.
12	Team snacks and water/supplies	334.40	10/12/23	Cross Country Track	ES	Items shipped to employee's home.
13	Homecoming Decorations	344.78	10/25/23	SGA	SM	Food and drinks coded as homecoming decorations. No detailed information as to what was purchased at Nimco.
14	Back to school staff dinner	3,009.55	9/18/23	General Admin	Lebanese Taverna	Catering details appear to be for 200 plus people. Lack of detail who attended.
15	Professional development lunch and snacks	272.82	9/6/23	General Admin	AB	Coffee, snacks and lunch for multiple people, no

						names provided.
16	YMCA conference reimbursement	4,200.00	3/31/23	MGA Fundraiser	RG	The teacher was reimbursed \$4,200. This was the deposit.
17	Music trip	20,980.18	2/28/24	Music	BP	Teacher reimbursed for multiple airline tickets.
18	Staff luncheon	4,335.83	8/17/23	General Admin	Saint Germain Catering	185 guests, who attended not given.
19	Celebration Reimburse for the year	607.70	various 6/12/23	Pre-school lab	SG	Multiple receipts dated throughout the academic year. Merchandise shipped to a residence in Florida.
20	Staff luncheon	1,930.79	8/21/23	General Admin	The Italian Store	Statement in writing cash tip \$100, no supporting documentation that cash tip was actually paid.
21	Running gift cards reimbursement	50.00	6/2/23	Cross Country Track	CM	No proof of gift card purchases no receipt, no proof of who received cards?
22	Robotics club supplies and reimbursement	2,842.50	3/31/23	Robots club and computer club	SF	There is no inventory of items brought from Home Depot and Thrifty Bot once robots are built.

23	Cancellation of hotel reservation. SGA Supplies Reimbursement and Senior supplies Reimbursement	633.02	3/29/23	Indoor drum line, SGA, and Lifetouch Fundraiser	MK	Insufficient back up for cancellation fees and hotel fee reimbursement, who stayed there no hotel invoice.
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Table B: Highest (over \$20,000) School Activity Funds Reimbursements since 2020-2024

**Source STARS confirmed with Finance and Management Services*

Various Administrators	Amount
A	\$117,638.06
B	\$50,080.73
C	\$46,423.46
D	\$40,813.27
E	\$35,834.99
F	\$23,738.27
G	\$20,721.55

Table C: Follows on the next page.

Employee Reimbursement Exhibit		
Year and Type of Reimbursement	Total by Type	Total by Year
2013 APS Expense Reimbursement	\$ 630.43	
2013 APS Local Travel	\$ 110.09	
2013 SAF	\$ 3,492.91	
Total 2013		\$ 4,233.43
2014 APS Local Travel	\$ 679.18	
2014 APS Expense Reimbursement	\$ 1,641.37	
2014 APS Professional Travel	\$ 2,539.07	
2014 SAF	\$ 3,728.09	
Total 2014		\$ 8,587.71
2015 APS Local Travel	\$ 763.88	
2015 APS Expense Reimbursement	\$ 2,413.38	
2015 SAF	\$ 4,074.90	
Total 2015		\$ 7,252.16
2016 APS Expense Reimbursement	\$ 1,313.89	
2016 APS Local Travel	\$ 1,577.63	
2016 APS Professional Travel	\$ 914.18	
2016 SAF	\$ 6,610.23	
Total 2016		\$ 10,415.93
2017 APS Expense Reimbursement	\$ 1,392.77	
2017 APS Local Travel	\$ 1,980.50	
2017 APS Professional Travel	\$ 115.00	
2017 SAF	\$ 2,409.73	
Total 2017		\$ 5,898.00
2018 APS Professional Travel	\$ 521.40	
2018 APS Local Travel	\$ 2,569.06	
2018 APS Expense Reimbursement	\$ 1,535.71	
2018 SAF	\$ 2,641.43	
Total 2018		\$ 7,267.60
2019 APS Professional Travel	\$ 252.52	
2019 APS Expense Reimbursement	\$ 647.05	
2019 APS Local Travel	\$ 1,914.22	
2019 SAF	\$ 8,974.83	
Total 2019		\$ 11,788.62
2020 APS Expense Reimbursement	\$ 1,539.66	
2020 APS Local Travel	\$ 913.01	
2020 SAF	\$ 1,731.97	
Total 2020		\$ 4,184.64
2021 APS Local Travel	\$ 1,879.40	
2021 APS Expense Reimbursement	\$ 1,070.46	
2021 SAF	\$ 14,501.56	
Total 2021		\$ 17,451.42
2022 APS Professional Travel	\$ 4,982.90	
2022 APS Local Travel	\$ 1,160.85	
2022 APS Expense Reimbursement	\$ 1,126.66	
2022 SAF	\$ 19,053.92	
Total 2022		\$ 26,324.33
2023 APS Professional Travel	\$ 852.96	
2023 APS Expense Reimbursement	\$ 5,548.30	
2023 APS Local Travel	\$ 2,220.44	
2023 SAF	\$ 12,408.84	
Total 2023		\$ 21,030.54
2024 APS Local Travel	\$ 450.79	
2024 APS Professional Travel	\$ 454.66	
2024 HR: Recruitment Travel	\$ 202.68	
2024 SAF	\$ 2,420.76	
Total 2024		\$ 3,528.89
Total	\$ 127,963.27	\$ 127,963.27
Total iExpense	\$ 45,914.10	
Total SAF	\$ 82,049.17	
	\$ 127,963.27	

Table D: Sample-APS Departments and Programs

The audit sample consisted of transactions from the following APS departments and programs:

Academics
Arlington Community High School
Ashlawn Elementary
Barcroft Elementary School
Barrett Elementary
Campbell Elementary
Cardinal Elementary
Career Center
Carlin Springs Elementary
Charles Drew Elementary
Diversity Equity, & Inclusion
Division of Instruction
Dorothy Hamm Elementary
Facilities and Operations
Finance and Management Services
HB Woodlawn Secondary Program
School
Hoffman Boston Elementary
Human Resources
Information Services
Jamestown High School
Kenmore Middle School
Kennedy Shriver Program
Langston High School
Nottingham Elementary
Office of Chief Operating Officer
Safety, Security, and Emergency
School and Community Relations
School Board Office
Strategic Outreach
Student Services
Swanson Middle School
Thomas Jefferson Middle School
Tuckahoe Elementary School
Wakefield High School
Washington Liberty High School
Williamsburg Middle School
Yorktown High School

Appendices

Appendix A: P-Card Resources Training and Information

- In fall 2023, a mandatory P-Card Training Program was launched requiring all cardholders and approvers to attend an in-person training session. The program ran from August through October 2023. From November 2023 onwards, virtual training sessions are scheduled on a monthly basis depending on the demand for enrollment. These training sessions are sponsored by Finance and Management Services.
- All APS P-Card holders are required to sign a User Agreement and pass an assessment of their knowledge and general understanding of key concepts learned from the P-Card training workshop.
- There is a P-Card manual which provides cardholders with basic guidelines governing the proper usage of these cards and a dedicated section on the Finance and Management Services webpage with documents and other useful tools pertaining to P-Cards and I Expenses (Internet Expenses: employee requests for reimbursement made on their personal cards) is available.
- In addition to the P-Card Manual, discussions are ongoing between cardholders and members of the Finance and Management Services team regarding the proper use of APS P-Cards and the relevant accounts to be charged.
- There is a scheduled P-Cards training session scheduled for late May 2024 for the APS “Treasurers”.

Appendix B: How to Obtain a Business P-Card and Card Holder Responsibilities

- Employees may receive a business P-Card by requesting approval from their supervisor. The P-Card Application form must be completed along with a justification for requesting P-Card user privileges. The supervisor will submit this documentation to the Department of Finance and Management Services. The applicant will be required to attend a P-Card training workshop and pass the Assessment test in order to be approved for card privileges. If all eligibility requirements have been met, the Director of Finance and Management Services will authorize the P-Card Administrator to proceed with issuing the business P-Card. Cardholders are responsible for the proper use and safeguarding of these cards. At the present time JP Morgan is the provider for APS P-Cards.
- Each cardholder or a designated employee maintains responsibility for performing a monthly P-Card reconciliation, consisting of a review of all transactions. In addition, these individuals are responsible for uploading any receipts and related supporting documentation (for operational cards) into STARS for “audit” (Finance and Management Services employees perform this “audit” function.) For the SAF cards, the Principals are responsible for approving these transactions and ensuring that supporting documentation is uploaded. However, there may be instances at the school level where reconciliations are not performed in a timely manner. The Finance and Management Department will then remind the Principals of the importance of timely submission of the reconciliation documentation.

Appendix C: Expense Types Charged and Reimbursed to Employees

- Upon reviewing the P-Card bank statements and related supporting documentation it was confirmed that several types of goods and services are purchased with the APS P-Cards and reimbursed to employees.
- Common examples of purchases include: office supplies and furniture, fast food and restaurant served meals, snacks and appetizers, catering set-up supplies and food, travel related expenses including transportation, and lodging, baggage fees, truck rentals, maintenance supplies, washing machines, gift cards lawn equipment, tents, electronics including cameras and televisions, musical instruments, tickets for sporting events, cultural events, student metro cards, and information systems support equipment and accessories, software and hardware.