Walden School of Liberal Arts

Internal Audit Report

June 2021

Presented to

The Walden School of Liberal Arts

Board of Trustees

And

Audit Committee

Prepared By

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Walden School of Liberal Arts

Internal Audit Report

June 26, 2023

We are pleased to present our Internal Audit Report on the financial activities of the

Walden School of Liberal Arts (Charter) for the fiscal year including July 1, 2022–June 30, 2023.

The scope of this audit included the following tests and procedures:

**Review of Revenues**

We reviewed the Original FY23 Budget for Walden School of Liberal Arts (hereafter “Walden” or “the school”) and compared it to the school’s actual revenues and expenses as of June 26, 2023.  We also reviewed a sampling of invoices and purchases to determine if they were appropriate and reasonable.

We determined that:

* 1. Local Revenue exceeded projections by 4%, although invoiced school fees were only 90% of budget due to lower-than-expected enrollment. The shortfall was offset by several large donations from parents and one of Walden’s business partners.
	2. State Revenue was 2.3% short of meeting budget projections (97.7% of budget) due to lower-than-expected enrollment.
	3. Once Walden receives all Federal reimbursements due to the school, Federal Revenue will exceed projections by approximately 3.5%.

Despite lower-than-expected enrollment, on June 26, 2023, Walden’s Total Revenue exceeded the FY23 projection by 3%.

**Review of Expenses**

We determined that most expense accounts fell within budget. Total expenses were only 88.9% of budget as of June 26, 2022. This committee chose, however, to more closely examine six accounts that ended the year over budget (generally by more than 10%). We spoke with Walden’s administrators, HR manager, and business manager to determine the cause of these overages. We offer an accounting of each category, together with responses from Walden’s Financial Management Team.

**10.161–Teacher Aides and Paraprofessionals (155.6% of budget)**

Walden projected expenditure for paraprofessional aides of $222,849 for FY23. Actual expenditures were $349,268 (155.6% of budget). Walden’s business manager explained that this overage occurred for several reasons:

1. Walden’s Financial Management Team anticipated reducing its large paraprofessional staff by about 20% in FY23. The school’s parapro staff increased substantially during the COVID 19 pandemic. Excess costs were funded using CARES and ESSER funding. Although the Financial Management Team had hoped to cut back substantially on parapro services this year, an increase of students with disabilities and continued academic and behavioral needs necessitated continuing support at the existing level. Walden has continued to pay for these additional costs using ESSER III ARP funds. A 15% reduction in paraprofessional staff is planned for the FY24 year, with an additional 5% reduction in FY25, until paraprofessional staffing costs are closer to pre pandemic levels.
2. Additionally, Walden’s business manager inadvertently missed budgeting for a small group of special education paraprofessional aides (five part-time individuals). The school’s budgetary planning worksheet categorized these folks under fund 2100 rather than fund 1000 and object 161. Approximately $72,000 in parapro salaries were subsequently omitted on the master file for the FY23 Original Budget upload in UPEFs. This oversight has been corrected in the FY24 budget.

**10.321–Professional Educational Testing Services (185% of budget)**

Special Education testing services almost doubled in FY23. Walden added 35 new middle school students this year, nineteen of whom required Tier II services and were identified, through child find, as needing special education services. Psychological and Academic testing was required for most of these students. Professional Educational Testing overages (roughly $15,000 more than budgeted), were due to the added testing needed to qualify these students for special education services or to exit them from the program if they no longer qualified.

**24.610–Administrative Supplies and Materials (233.39% of budget)**

Walden’s expenses for administrative materials and supplies exceeded its budget of $8500 by $11,838.49. Additional funds were largely spent on food, faculty professional development and activities, and teacher appreciation materials and supplies. $5000 of these expenses were offset by a parent contribution to Teacher Appreciation activities. Additionally, after much discussion and review of policy, Walden’s Finance Committee approved the purchase of cell phones for Walden’s three school-level administrators and superintendent. Although the school has never provided funds for cell phones in the past, it was determined that each administrator was operating with outdated phones which frequently dropped calls, failed to receive service, and generally hindered school operations. Now, more than ever, Walden administrators continuously rely on their phones to communicate across campus, text faculty and staff, communicate with parents, and ensure a measure of student safety. Each administrator demonstrated that at least 90% of their usage involves school-related business (much more in some cases). `

**33.191–Child Nutrition Program Salaries (114.82% of budget)**

Walden’s HR manager reports that in the Fall of FY23, Walden’s CNP Director negotiated a part time salaried position. She had previously been paid an hourly wage, but required a more stable position. Walden’s Financial Management Team reports that Walden’s CNP director is incredibly valuable to Walden. Even now, her .75 FTE salary of $33,400 is lower than industry standards. Food costs were also over budget, but that was primarily due to inflationary pressures.

**26.430—Cleaning Services (189.6% of budget)**

Walden Financial Management Team shifted the structure of the school’s facilities care this year. The Facilities Manager let go of three part time college-aged custodians and hired a professional cleaning company instead. This change markedly increased the cost of Professional Cleaning Services, but reduced the cost of Custodial Salaries by about half of the amount of a professional cleaning service. Electric services were also over budget due to inflationary pressures.

**OBSERVATIONS AND RECOMMENDATIONS**

This internal audit team finds that the majority of Walden’s added expenses this year were prudent and were approved prior to purchase by the school’s Financial Management Team. Walden’s business and HR managers report that it is unusual for the school to exceed budget. Walden has a long history of completing each fiscal year with excess revenue, which is subsequently invested or spent on capital improvements. As of June 26, FY23, with all major expenditures complete and recorded, and with revenue projected through the end of the year, Walden has expended approximately 90% of FY23 revenue.

**Commendations:**

Budget overages were clearly linked to legitimate needs and were approved through a thorough administrative process by Walden’s Financial Team. We were unable to find any instances of excessive or unplanned expenditures. Walden appears to have used funds responsibly.

**Recommendations:**

We suggest that, in future, Walden’s Finance Committee provide a set budget to administrators to pay for occasional faculty and administrative meals and events (such as faculty lunch during professional development days, parent/student conferences, and expenses for Walden’s occasional “Faculty Fun” days (designed for team-building). This will ensure equity between programs and aid administrators in budgeting for upcoming events. The committee recommends that the Business Administrator provide school-level administrators with quarterly updates of expenditures.

We also suggest that any teaching materials and supplies purchased by front office personnel be ordered separately from administrative office supplies to make program and general accounting more manageable for data entry.

Walden might consider working with a special education consultant to determine if the high level of psychological and academic testing currently being accessed for special education IEP qualification is always necessary.

The audit committee suggests that, as the school downsizes paraprofessional services in the future (due to the loss of ESSER ARP funds), they provide more parent support and engagement to ensure that families know how to help their students progress academically outside of school hours.

*Presented to the Board of Trustees on June 29th, 2023.*