



Georgia Department of Audits and Accounts

Performance Audit Division

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Why we did this review

This follow-up review was conducted to determine the extent to which the Georgia Department of Education addressed the recommendations presented in our January 2015 special examination (Report #14-14).

The 2015 special examination was conducted at the request of the Senate Appropriations Committee. The Committee requested that we review the current process for funding school facilities and vocational equipment.

About Capital Funding

The Georgia Constitution permits the state to issue bonds for educational facilities and equipment for local school systems. The bond funds are authorized by the General Assembly at the request of local school systems through the Department of Education.

State bond funding for school facilities is allocated through a multi-step process to local school systems. The allocation process annually provides credits to each school system. These credits may be used in the year acquired or accumulated over multiple years. Local school systems exchange these credits on a dollar-for-dollar basis for bond funds.

State funds for vocational equipment are awarded through an annual grant process.

Follow-Up Review

Capital Funding for Local School Systems

GaDOE has improved management through better programmatic information

What we found

Since our 2015 special examination, the Georgia Department of Education (GaDOE) has addressed several of the recommendations from our original report. The report reviewed state bond funding for local school systems' facility construction and renovation, as well as for the purchase of vocational equipment. GaDOE software enhancements have improved the management and quality of facility project information, as well as improved access to funding information for school systems. In addition, GaDOE plans to conduct statutorily required annual reviews of the cost controls that limit state funding for facility projects and also intends to reduce restrictions on vocational equipment funding.

Facilities

GaDOE's Facilities Services Division addressed several of the original report's recommendations by improving the software used to manage state funding for school system facility projects (Capital Outlay Program Software, or COPS). These improvements include:

- Centralizing facility project data in COPS to improve the availability of management information. COPS now allows reporting on items such as facility project type, funding type, and state funding amount.
- Automating state funding calculations in COPS to ensure consistency and prevent errors.

- Improving data quality in COPS by developing system edits that identify potential errors, missing data, and unusual values that may require further investigation.
- Improving the information available to local school systems regarding the Project-Specific Low Wealth program. School systems may use COPS to view state and local cost shares for a project to make more informed decisions on the use of Project-Specific Low Wealth funding.
- Begin collecting non-building costs funded by local school systems (e.g., land purchase and furniture) to provide a complete representation of total facility project costs. Once GaDOE begins evaluating total project costs, including these non-building costs, the state share of total project costs will be more accurate.

GaDOE is not reviewing allowable square footage and reimbursable cost per square foot on an annual basis as required by state law. These measures are intended to control the state share of costs. GaDOE is planning to initiate annual reviews once COPS is completed in October 2017.

GaDOE has not changed its guidelines regarding when state funding can be used for new classroom space. The original examination identified a school system where available classroom space is a significant distance from areas of greatest student population need, but no new space can be built with state funding because the available space for the system is adequate for the system's student population. This situation can occur when there are population shifts within a large county. GaDOE agreed this is an issue for some school systems, but it has been unable to identify a policy that could be applied fairly and consistently across all school systems. Staff noted that COPS allows systems to explore different versions of their local facilities plan¹ (LFP) to identify solutions. For example, a system could consider phasing out a school and use COPS to calculate the impact on entitlement and state funding.

The original examination identified substandard school facilities caused by a local school system's inability to raise sufficient local revenue needed to access state funds. We recommended that the General Assembly consider adding facility condition as a factor in the state funding process to address substandard facilities in a timely manner. Since the original examination, the General Assembly has not passed legislation to address this issue. Because the current funding process is set in statute, GaDOE cannot implement this change without legislative action.

Vocational Equipment

GaDOE is in the planning phase of implementing the vocational equipment funding recommendations. The state's Construction-Related Equipment (CRE) grant provides state bond funds to local school systems to purchase vocational equipment for new or renovated vocational labs. The original examination made the following recommendations related to the CRE grant:

- Develop a reimbursement schedule for vocational equipment in renovated labs that considers the life span of the equipment and the amount of time since state funding was last provided.
- Track the full cost for equipping vocational labs to allow for evaluation of the state share.
- Allow school systems to receive state funding for vocational equipment without a related facility project.

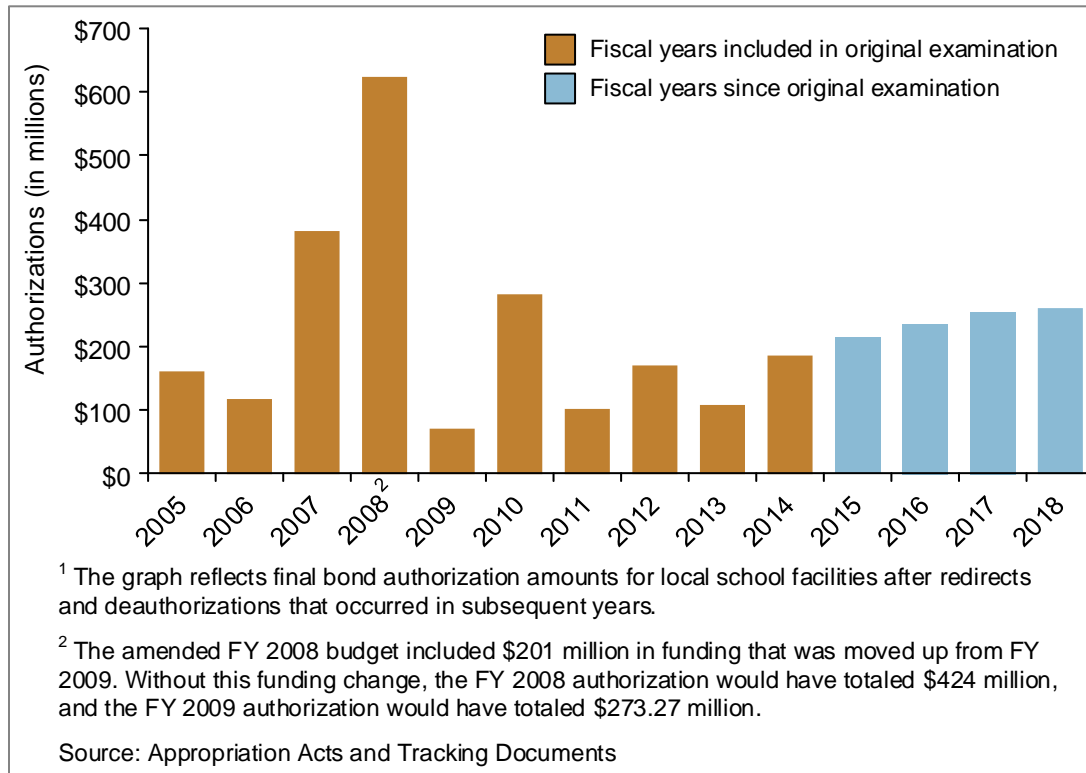
These recommendations are intended to ensure school systems that need to update their vocational equipment have access to state funding.

¹ The LFP outlines the school system's anticipated facility needs over a five-year period, and the system updates the LFP annually. The LFP includes cost estimates from an architect or other design professional for each project.

Capital Funding

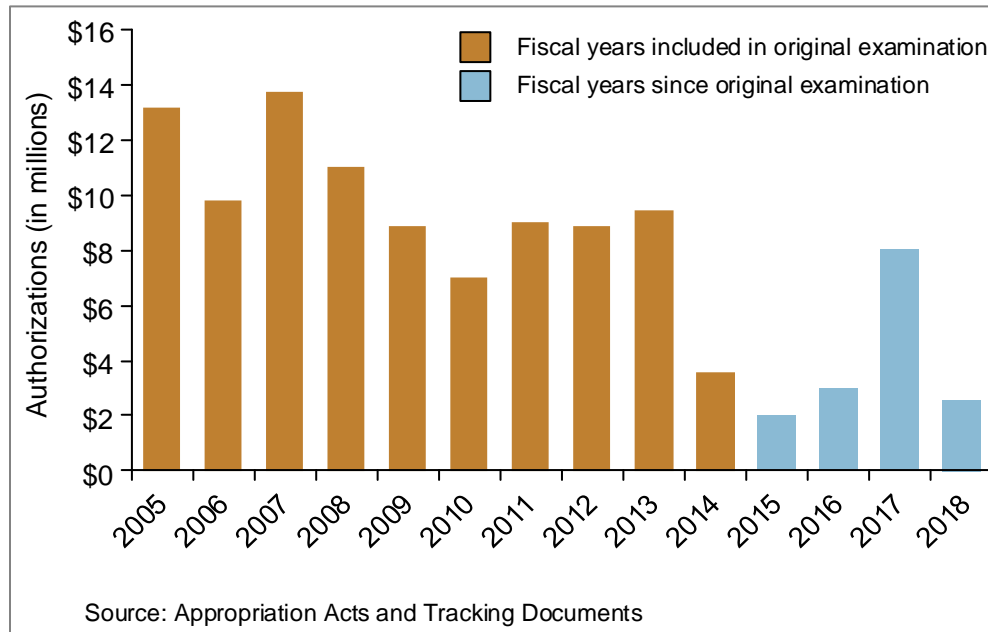
The state's use of general obligation bonds includes providing educational facilities and equipment for local school systems. Projects qualifying for state bond funds include items such as building new schools, adding new classroom space to existing facilities, replacing roofs and HVAC systems, and purchasing new equipment for vocational labs. As shown below, annual bond authorizations by the General Assembly for local school systems' facilities have increased since the original examination in fiscal year 2015. Between fiscal years 2015 and 2018, bond authorizations for facilities totaled \$963.2 million and averaged \$240.8 million per year.

Bond Authorizations for Local School Facilities¹ Fiscal Years 2005-2018



As shown below, annual bond authorizations for vocational equipment have fluctuated since the original examination's release. Between fiscal years 2015 and 2018, bond authorizations totaled \$15.6 million and averaged \$3.9 million per year.

Bond Authorizations for Vocational Equipment Fiscal Years 2005-2018



GaDOE's Response: GaDOE generally agreed with the current status of the findings as presented. GaDOE provided one point of clarification, which is discussed on page 6. Regarding vocational equipment grants, GaDOE indicated that it plans "to have a new process in place beginning July 1, 2018," which would apply to grants for the following fiscal year.

The following table summarizes the matters for consideration and recommendations in our 2015 report and actions taken to address them. A copy of the 2015 performance audit report 14-14 may be accessed at <http://www.audits.ga.gov/rsaAudits>.

Capital Funding for Local School Systems Follow-Up Review, June 2017	
Matters for Consideration	Current Status
Facilities	
<p>GaDOE does not track facility project information in a manner that can be aggregated. As a result, GaDOE is unable to provide summary information on funded facility projects.</p> <p>We recommended that GaDOE consider collecting information in a manner that can be aggregated and analyzed, including management data such as project type, funding type, state funding, and total project cost.</p>	<p>Fully Addressed – GaDOE has improved management through better programmatic information.</p> <p>In fiscal year 2016, Facilities Services began collecting all facility project funding data from application to disbursement in COPS. As a result, project data previously recorded in individual spreadsheets are now contained within COPS. The data are aggregated in various reports, which can be exported and analyzed. For example, a project status report provides application and disbursement data for open and closed facility projects by school system and fiscal year. This report contains management measures recommended in the original examination, including project type, funding type, and state funding.</p>
<p>GaDOE has insufficient internal controls to prevent errors in entitlement calculations, partially due to the need for manual calculations.</p> <p>We recommended that GaDOE consider improving controls to prevent and detect errors in the entitlement calculation process.</p>	<p>Fully Addressed – GaDOE has implemented controls to better detect and prevent errors in entitlement calculation.</p> <p>GaDOE automated the entitlement calculations in COPS. The program also alerts local school systems and GaDOE staff to missing or unusual values and other errors that could result in incorrect LFPs, and ultimately, incorrect entitlement calculations. Entitlement sheets generated in COPS are verified each year by the individual school systems and by GaDOE's field consultants who are assigned to the systems.</p>
<p>GaDOE has not adequately documented its procedures related to the capital funding process.</p> <p>We recommended that GaDOE consider adopting written policies and procedures related to the capital funding process to ensure consistency.</p>	<p>Fully Addressed – GaDOE automated calculations in COPS to ensure consistency and eliminated the need for staff to access written policies and procedures to perform calculations.</p> <p>As noted above, GaDOE has automated entitlement calculations and enacted internal controls to prevent calculation errors. This automation also extends to project funding calculations, which are calculated by the COPS application module. This module shows the state and local cost shares for a facility project in total and broken down by the project components.</p>
<p>GaDOE does not review allowable square footage and cost per square foot annually, as required by state law.</p> <p>We recommended that GaDOE consider developing a regular schedule and methodology for reviewing allowable square footage and cost per square foot, which affect state funding amounts.</p>	<p>Not Addressed – GaDOE has not begun a regular review of allowable square footage and cost per square foot. These measures are intended to control state costs for school facility projects. GaDOE is planning to initiate annual reviews once COPS is completed in October 2017.</p>

Capital Funding for Local School Systems Follow-Up Review, June 2017	
Matters for Consideration	Current Status
<p>GaDOE does not evaluate the state share of facility project costs.</p> <p>We recommended that GaDOE consider evaluating the overall state share of facility project costs regularly to determine if the state is funding the intended portion of costs.</p>	<p>Partially Addressed – GaDOE has taken steps to capture total project cost in order to evaluate the overall state share of costs, but it is not performing such an evaluation.</p> <p>COPS was modified to allow local school systems to report non-building costs, such as furniture and land acquisition, in addition to construction costs. If fully utilized, this will capture overall project cost and enable a more accurate calculation of the overall state share of costs. Due to the recent modification, the feature to report non-building costs in COPS is not widely known among school systems. As a result, current reporting of non-building costs is inconsistent.</p>
<p>GaDOE communications to school systems regarding Project-Specific Low Wealth funding may be insufficient.</p> <p>We recommended that GaDOE review the communication regarding the Project-Specific Low Wealth funding program to ensure that eligible systems have sufficient information regarding the funding source.</p>	<p>Fully Addressed – GaDOE has improved school system access to Project-Specific Low Wealth funding information and added functionality to COPS so that systems may make informed decisions on using this funding source.</p> <p>The COPS program includes a “Guidelines” link, which takes the user to the Facilities Services Resources web page. This page provides guidance for low wealth applications and a reference to state law concerning low wealth grants and criteria for eligibility. COPS also includes an application module that allows systems to calculate the state and local cost shares for a specific project. This information may assist in deciding if Project-Specific Low Wealth funding is a feasible option.</p>
<p>GaDOE guidelines do not allow the use of state funding for new classroom space when the current space for a system is determined to be sufficient for the system’s student population, even if there is a significant distance between where classroom space was built and the areas of greatest student population need.</p> <p>We recommended that GaDOE consider altering its guidelines to allow for state funding of new classroom space when available classroom space is a significant distance from a proposed site.</p>	<p>Not Addressed – GaDOE has been unable to develop a policy it believes could be applied fairly and consistently across all school systems. Staff indicated that some school systems have created multiple versions of their LFPs in COPS to better understand the implications of how various facility scenarios might help alleviate the problem.</p> <p><i>GaDOE Response: While GaDOE has not altered its guidelines, staff stated they would consider an exception to the current policy if a school system identified a natural or man-made barrier dividing the system. For example, a river or interstate highway could present a barrier to transporting students from one area of the system to another. If approved, the school system could use the barrier as a line of demarcation, and the facility needs of each area’s student population could be evaluated separately.</i></p>

Capital Funding for Local School Systems Follow-Up Review, June 2017	
Matters for Consideration	Current Status
<p>The state's current funding process does not take into consideration the condition of local school facilities and prioritize state funding based on critical needs, resulting in the potential for inadequate facility conditions.</p> <p>We recommended that the General Assembly consider adding facility condition as a factor in the funding process. This addition would allow state funds to address substandard facilities in a timely manner but may require developing a different funding allocation method.</p>	<p>Not Addressed – The General Assembly has not passed legislation that would incorporate facility condition as a factor in the state funding process.</p> <p>The Senate formed a 2015 study committee to review school construction, but it did not recommend adding facility condition as a factor in the funding process. GaDOE staff have discussed the possibility of creating a facility condition index with existing data that could be included in COPS. However, staff have not yet determined how to construct this index, and the index could not be incorporated into the state funding process without legislative action.</p>
Vocational Equipment	
<p>GaDOE's reimbursement rates for renovated labs may not sufficiently fund equipment needs in some renovated labs.</p> <p>We recommended that GaDOE consider developing a reimbursement schedule for vocational equipment in renovated labs that considers the life span of the equipment and the amount of time since state funding was last provided.</p>	<p>Not Addressed – GaDOE has not determined how to incorporate equipment life span into the reimbursement schedule. GaDOE intends to identify options for funding formulas that would consider equipment life span following its fiscal year 2017 assessment of lab funding levels.</p>
<p>GaDOE does not track the full cost for equipping vocational labs, so it is unable to evaluate the state share of the costs.</p> <p>We recommended that GaDOE consider tracking the full cost for equipping vocational labs.</p>	<p>Not Addressed – GaDOE is exploring the feasibility of implementing our recommendation. Staff stated that their current reimbursement tracking software is not suitable for tracking the full project cost, including funding sources other than the CRE grant.</p>
<p>If a school system does not build a new vocational lab or renovate an existing lab, it is unable to access state bond funds for vocational equipment.</p> <p>We recommended that GaDOE consider altering the CRE grant program to allow school systems to receive state funding for vocational equipment without a related facility project.</p>	<p>Not Addressed – No action has been taken to alter the CRE grant program to allow state funding for vocational equipment without a related facility project.</p> <p>GaDOE has not determined who would make the decision to change the program, nor has it identified criteria for how to fund labs that need updating but do not have eligible construction projects. GaDOE has conducted site visits with representatives from the Senate Budget and Evaluation Office to eight school systems that need vocational equipment but do not have a related facility project. The purpose of the visits was to develop a rationale for a policy change, but staff indicated that additional site visits are needed.</p>

Capital Funding for Local School Systems Follow-Up Review, June 2017	
Matters for Consideration	Current Status
11 Matters for Consideration	4 Fully Addressed 1 Partially Addressed 6 Not Addressed 0 No Recommendations

The Performance Audit Division was established in 1971 to conduct in-depth reviews of state-funded programs. Our reviews determine if programs are meeting goals and objectives; measure program results and effectiveness; identify alternate methods to meet goals; evaluate efficiency of resource allocation; assess compliance with laws and regulations; and provide credible management information to decision makers. For more information, contact us at (404)656-2180 or visit our website at www.audits.ga.gov.