



SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM • FISCAL YEAR 2021

Crisp County Board of Education Cordele, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor



DOAA

Georgia Department
of Audits & Accounts

Crisp County Board of Education

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Ms. Cindy Hughes, Superintendent and Members of the
Crisp County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Crisp County Board of Education (School District) for the year ended June 30, 2021. Management of the School District is responsible for the School District's compliance with the specified requirements. Our responsibility is to determine the School System's compliance with the specified requirements based on our examination.

Audit Summary

Our performance audit of the School District's Special Purpose Local Option Sales Tax (SPLOST) for the fiscal year ended June 30, 2021 found the following:

- The School District has appropriately designed internal control procedures over the SPLOST expenditure transaction cycle and those controls have been placed into operation and are being followed.
- The School District has spent the SPLOST funds in accordance with O.C.G.A. §20-2-491 and the SPLOST resolution passed November 3, 2015 by the voters of Crisp County.

Introduction

Georgia Code Section 20-2-491 requires public school system to obtain continuing performance audits for expenditure of sales tax for capital outlays if the tax generates \$5 million or more annually. The independent performance audit shall:

1. Include a goal of ensuring, to the maximum extent possible, that the tax funds are expended efficiently and economically so as to ensure that the School District receives maximum benefit from the dollars collected.
2. Provide for issuance of periodic reports, not less than once annually, with respect to the extent to which tax funds are expended efficiently and economically as described in item 1 above.
3. Provide for issuance of periodic public recommendations, not less than annually for improvements in meeting the goal specified in item 1 above.

The Special Purpose Local Option Sales Tax (SPLOST) is a referendum voted and approved by the Crisp County voters in which one percent is added to the local sales tax for the purpose of funding building and renovation projects that would otherwise require financing through increased property taxes. SPLOST funds are also available for retiring general obligation bond debts incurred with respect only to capital outlay projects and to issue new general obligation bonds for specific capital outlay projects.

The School District works under the direction of the School Board and its superintendent. Projects selected for SPLOST funding are approved by the School Board. During fiscal year 2016, the SPLOST V referendum was passed by the voters of Crisp County. The maximum amount approved to be raised from the SPLOST V referendum is \$23,000,000. SPLOST V funds will be used for the following purposes as outlined in the referendum:

“ (i) acquiring, constructing and equipping a new middle school to include furniture, fixtures and equipment; (ii) roof replacements and repairs, mechanical system repairs and replacements, parking lot repairs and renovations, and improvements and renovations to physical education and athletic facilities; (iii) acquiring and installing systemwide instructional and administrative technology, safety and security equipment; (iv) acquisition of school buses, vehicles and transportation equipment; and (v) paying costs incident to accomplish the foregoing.”

Audit Objectives

The overall objective of the performance audit was to evaluate whether the tax funds are expended efficiently and economically so that the School District is receiving the maximum benefit from the dollars collected. The specific audit objectives were:

- Determine whether the disbursement of sales tax proceeds adhere to the SPLOST resolution approved by the Board of Education.
- Provide for the issuance of periodic public reports at least annually with respect to the extent to which expenditures are meeting the goal described in O.C.G.A. §20-2-491.
- Provide for the issuance of periodic public recommendations at least annually for improvements meeting the goals described in O.C.G.A. §20-2-491.
- Determine whether the School District communicates the status of capital outlay projects with the Board of Education to ensure that legislative, regulatory and organizational goals were met.
- Determine whether the School District has adequately implemented procedures to ensure that the design and construction of capital projects are compliant with applicable quality control standards.
- Determine whether the School District is following the procurement policies and procedures that were approved by the Board of Education.
- Determine whether all SPLOST sales tax revenue is properly recorded.
- Determine whether the sales tax proceeds are being disbursed in compliance with the SPLOST Resolutions approved by the Board.

Audit Scope and Methodology

We were engaged to conduct a performance audit of the SPLOST program. The audit focused on the School District's compliance with state and local laws and mandates and the receipts and expenditures of sales tax proceeds for allowable SPLOST purposes. This audit covers the year of the SPLOST program from July 1, 2020 to June 30, 2021. From a listing of disbursements made during the specified time frame, we tested 21 individually significant items totaling \$4,069,687.80 or 99.10% of the total disbursements for the audit period.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Planning

Prior to conducting the audit, we determined mutual expectations in performing the engagement and meeting timelines. We discussed policies and procedures, methodologies, and other relevant aspects of the School District's SPLOST program with relevant staff. We requested various schedules from the School District's staff and discussed with them the date the fieldwork was expected to begin.

Preliminary Analytical Review

The preliminary analytical review (PAR) provided direction to our audit approach. In this analysis, we developed expectations related to projects, program documentation, key personnel, program organization, and account balances and relationships amount those account balances. During the audit, tests were designed to confirm the expectations developed during our PAR. We also performed a PAR to analyze the laws governing SPLOST funds and to identify in advance the critical audit risk areas.

Risk Assessment

Our audit approach is risk-based, whereby we assess risk for each identified objective. Depending on the risk assessment, we performed substantive or analytical procedures, or a combination of both, to test the related objectives. These assessments were made during the planning process and throughout the engagement.

Understanding the Control Environment and Test Key Controls

We examined the School District's internal controls related to the SPLOST program, focusing on formulating comments and suggestions for improving operations. We used a discussion memorandum format to document the relevant accounting cycles and processes from start to finish. Utilizing our understanding of the control environment, we walked through certain internal controls to provide further support for the audit.

Preparation of a Tailored Audit Program

Based upon preliminary analytical review, control documentation and walk-through procedures, audit programs were designed in order for conclusions to be reached for each audit objective.

Audit Results

Based on the results of our audit, we conclude that the Crisp County School District's SPLOST program is operating in compliance with all applicable laws and regulations, the referendum approved by the County's citizens, and industry best practices. The following are the specific results of our audit:

Objective #1: Determine whether the projects listed on the schedule of SPLOST expenditures agrees to the SPLOST referendum passed by the voters of Crisp County.

Procedures: We obtained a copy of the SPLOST Resolution as approved by the Board of Education of the School District and the voters of Crisp County. We verified that the SPLOST construction projects adhered to the criteria outlined in the SPLOST Resolution. Additionally, we interviewed management to gain an understanding of the School District's method for selecting and prioritizing SPLOST projects. We reviewed the Board minutes to verify that projects were reviewed and approved by the Board of Education prior to the project's commencement. We also verified that bond payments made during the audit period were for the debt outlined in the SPLOST Resolution.

Results: Based on the results of these procedures, we concluded the following: (a) The School District's SPLOST construction projects adhere to the criteria outlined in the SPLOST Resolution; (b) all SPLOST construction projects were reviewed and approved by the Board of Education prior to the commencement of the project; and (c) bond payments made during the audit period were for the debt outlined in the SPLOST Resolution.

Objective #2: Provide for the issuance of periodic public reports at least annually with respect to the extent to which expenditures are meeting the goal described in O.C.G.A. §20-2-491.

Procedures: This objective is being met by the publication of this report.

Results: We found no exceptions as a result of these procedures.

Objective #3: Provide for the issuance of periodic public recommendations at least annually for improvements meeting the goals described in O.C.G.A. §20-2-491.

Procedures: This objective is being met by the publication of this report.

Results: We found no exceptions as a result of these procedures.

Objective #4: Determine whether the School District communicates the status of capital outlay projects with the Board of Education to ensure that legislative, regulatory and organizational goals were met.

Procedures: We discussed the School District's policies and procedures for communication with the senior management and the Board of Education. We inquired of management and reviewed the Board minutes and monthly status reports to ensure that there is adequate communication between the Board and management concerning the financial status of SPLOST funds and the construction status of ongoing SPLOST projects.

Results: Based on the results of the inquiries made and review of the Board minutes and monthly status reports, the School District has an effective method in place to communicate with the Board regarding the financial status of SPLOST funds and the construction status of ongoing SPLOST projects to ensure that legislative, regulatory, and organizational goals and objectives are achieved.

Objective #5: Determine whether the School District has adequately implemented procedures to ensure that the design and construction of capital projects are compliant with applicable quality control standards.

Procedures: We discussed the School District's procedures for monitoring the design and construction of capital projects with the Finance Director. We also conducted a disbursement test to ensure that the School District has policies and procedures in place to ensure that SPLOST expenditures are reviewed and approved by an individual who reviews the work on site. In addition, the test was performed to ensure that applicable quality control standards are met and that the invoices submitted are valid in regard to the work completed.

Results: Based on the results of the inquiries made and review of current year SPLOST expenditures, the School District monitors the status of ongoing construction projects and has effective procedures in place to ensure that the design and construction of capital projects are compliant with applicable quality control standards.

Objective #6: Determine whether the School District is following the procurement policies and procedures that were approved by the Board of Education.

Procedures: We obtained a copy of the School District's procurement policy to gain an understanding of their bid and purchasing procedures. Additionally, we reviewed the Board minutes and performed a disbursement test over expenditures to verify that the School District followed the procurement policy that was approved by the Board of Education.

Results: Based on the results of our disbursement test, all of the expenditures tested were made in accordance with the School District's purchasing policies and procedures. Additionally, our review of the Board minutes indicated that the Board reviewed and approved bids in accordance with the School District's procurement policy.

Objective #7: Determine whether all SPLOST revenue is properly recorded.

Procedures: We obtained information from other governmental units to verify the amounts of SPLOST revenue collected for, transmitted to, and still to be remitted to the School District. This information was used to recalculate SPLOST revenue and receivables to confirm that they were properly recorded by the School District.

Results: Based on the review of information provided by the Georgia Department of Revenue, and recalculation performed based on this information, we verified that the School District properly recorded all SPLOST revenue and receivables.

Objective #8: To determine whether the sales tax proceeds are being disbursed in compliance with the SPLOST Resolution approved by the Board of Education.

Procedures: We tested 21 individually significant items totaling \$4,069,687.80 or 99.10% of the SPLOST disbursements recorded in the audit period to ensure that sales tax proceeds were being disbursed in compliance with the SPLOST Resolution. Additionally, we tested the validity of the SPLOST schedule to ensure that the disbursement of sales tax proceeds was properly reported.

Results: Based on the results of our test procedures, the SPLOST disbursements recorded in the audit period were compliant with the SPLOST Resolution, and the School District properly reported this information in the SPLOST schedule.

School District Response: Crisp County Board of Education agrees with this report.

Communication of Audit Findings and Recommendations

No matters were reported.

Closing

This report is intended solely for the information and use of the Board and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

February 6, 2023