



SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM • FISCAL YEAR 2021

Murray County Board of Education Chatsworth, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor



DOAA

Georgia Department
of Audits & Accounts

Murray County Board of Education

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Greg S. Griffin
State Auditor

Mr. Steve Loughridge, Superintendent and Members of the
Murray County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Murray 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 District'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 March 1, 2016, by the voters of Murray 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 Murray 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 referendum was passed by the voters of Murray County. The maximum amount approved to be raised from the SPLOST referendum is \$24,000,000.00. SPLOST funds will be used for the following purposes as outlined in the referendum:

“Constructing and equipping a new facility at Spring Place Elementary School or extensive renovations and improvements to the existing Spring Place facility; renovations and improvements to Murray County High School including athletic facilities; renovations and improvements to Gladden Middle School; technology upgrades and equipment and system-wide renovations and improvements; and adding to, remodeling, renovating, improving, and equipping existing educational buildings, properties, and facilities of the School District, and acquiring any property, both real and personal, and equipment necessary therefor.”

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 if SPLOST funds were spent in accordance with SPLOST Resolution passed on March 1, 2016.
- Determine whether there is an effective means of monitoring program performance within a projected timeline, to evaluate the validity of expenditures, and to evaluate the timely completion of each project.
- Determine whether all SPLOST sales tax revenue is properly recorded.
- Determine whether management of the School District is following Board approved procurement policies and procedures.
- Provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described in O.C.G.A. §20-2-491.
- Provide for the issuance of public recommendations at least annually for improvements in 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.

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 expenditure 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 14 individually significant items totaling \$7,299,060.55. In addition of the remaining population, we tested a sample of 4 of 30 expenditures for a total of \$46,849.20. In total, we tested \$7,345,909.45 or 98.20% 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 Murray 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 if SPLOST funds were spent in accordance with SPLOST Resolution passed on March 1, 2016.

Procedures: We obtained a copy of the SPLOST Resolution as approved by the Board of Education of the School District and the voters of Murray County and performed the following test: (a) tested 14 individually significant items and a sample of 4 of 30 items of the remaining population for purpose restrictions per laws and regulations. (b) investigated any unexpected results (that is, variations different from what would be expected) considering known changes in current conditions. (c) tested the

validity of the SPLOST schedule by agreeing SPLOST criteria to the SPLOST resolution, (b) agreed current year SPLOST expenditures to the general ledger, and (c) agreed prior year SPLOST expenditures to the prior year SPLOST schedule.

Results: Based on the results of our disbursement test, the expenditures tested were related to activities approved in the SPLOST resolutions.

Objective #2: Determine whether there is an effective means of monitoring program performance within a projected timeline, to evaluate the validity of expenditures, and to evaluate the timely completion of each project.

Procedures: We interviewed management regarding procedures used to monitor program performance timeline, evaluation of the validity of expenditures and timely completion of the capital projects. We tested expenditure transactions to ensure work completed was valid and appropriate for the SPLOST program. We tested expenditure transactions to ensure that expenditures were properly approved by an individual who reviews the work to ensure that invoices submitted are valid in regard to work completed and appropriate for the SPLOST projects.

Results: Based on the results of inquiries made and review of status and financial reports, the School District has an effective program in place to monitor program performance and to ensure the timely completion of each capital project within the projected timeline. The School District does have policies and procedures in place to ensure that expenditures incurred and paid are valid expenditures of the SPLOST projects.

Objective #3: Determine whether all SPLOST sales tax revenue is properly recorded.

Procedures: We confirmed the revenue collected for, transmitted to, and still to be remitted to the School District. We documented the items selected for confirmation.

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

Objective #4: Determine whether management of the School District is following Board approved procurement policies and procedures.

Procedures: We interviewed senior management regarding procedures and controls in place for this objective. We tested two of four construction bids to ensure the bid procedures were followed in accordance with the School District's policy.

Results: Based on the results of our disbursement test, all 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 #5: 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: Objective is being met by the publication of this report.

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

Objective #6: 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: Objective is being met by the publication of this report.

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

Objective #7: 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 reviewed policies and procedures for communication between School District management and the Board of Education and held a discussion with the Superintendent, the Chief Financial Officer and the Construction Manager. We reviewed board minutes for communication of capital outlay projects. Lastly, we examined documentation to support their communication and goals achieved.

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.

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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin", with a stylized flourish at the end.

Greg S. Griffin
State Auditor

December 8, 2022