



SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM • FISCAL YEAR 2023

Clarke County Board of Education Athens, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor



DOAA

Georgia Department
of Audits & Accounts

Clarke County Board of Education

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Dr. Robbie Hooker, Superintendent and Members of the
Clarke County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Clarke County Board of Education (School District) for the year ended June 30, 2023. 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 audit objectives.

Audit Summary

Our performance audit of the School District's Special Purpose Local Option Sales Tax (SPLOST) for the fiscal year ended June 30, 2023 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 resolutions passed November 8, 2016 and November 2, 2021 by the voters of Clarke County.

Introduction

Georgia Code Section §20-2-491 requires public school systems 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 Clarke 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 years 2017 and 2022, the SPLOST V referendum and SPLOST VI referendum was passed by the voters of Clarke County. The maximum amount approved to be raised from the SPLOST V and SPLOST VI referendums are \$135,000,000.00 and \$175,000,000.00, respectively.

SPLOST V funds will be used for the following purposes as outlined in the referendum:

“Providing funds to pay the costs for the purposes of acquiring, constructing and equipping the following capital outlay projects: (a) additions to, renovations of, repairs to, improvements to, and equipment for existing educational, administrative and services buildings, properties, and facilities of the School District, including without limitation, Alps Road Elementary School, Barnett Shoals Elementary School, David C. Barrow Elementary School, Chase Street Elementary School, Cleveland Road Elementary School, Fowler Drive Elementary School, the facility known as the West Broad campus, Howard B. Stroud Elementary School, Judia J. Harris Elementary School, the current Gaines Elementary School, the facility formerly operated as Gaines Elementary School and known as Old Gaines, Oglethorpe Avenue Elementary School, Timothy Road Elementary School, Whit Davis Elementary School, Whitehead Road Elementary School, Winterville Elementary School, Burney-Harris-Lyons Middle School, Clarke Middle School, W. R. Coile Middle School, Hilsman Middle School, Cedar Shoals High School, Clarke Central High School and Classic City High School, Athens Community Career Academy, Early Learning Center, athletic facilities, transportation facilities (including bus driver training facilities), maintenance facilities, storage facilities (including the storage facility located on Barber Street), and administrative and services facilities; (b) new administrative and services facilities and professional and early learning facilities; (c) technology to be used at all educational and administrative facilities, including, but not limited to, classroom technology infrastructure, computers, laptops, tablets and mobile devices for students and staff, servers, wiring, wireless antennas, and other technology upgrades with necessary hardware, software, and programs; (d) real and personal property, including, but not limited to, improved or unimproved land and existing buildings for future school or administrative and services facility sites, custodial and school nutrition kitchen equipment and other furniture, fixtures and equipment; (e) security system upgrades, equipment and infrastructure to all educational and administrative facilities; (f) school buses (including installment payments); (g) sewer system upgrades to convert from septic systems to public sewer; (h) building management systems; and (i) capitalized expenses incident thereto (including, but not limited to, the payment of implementation, administrative and management expenses, any capitalized interest, and reimbursements for expenditures for needs assessment for facilities)”.

SPLOST VI funds will be used for the following purposes as outlined in the referendum:

“Providing funds to pay the costs for the purposes of acquiring, constructing and equipping the following capital outlay projects: (a) construction of, additions to, renovations of, repairs to, improvements to, and equipment for new and existing educational, administrative and services buildings, properties, and facilities of the School District, as indicated by enrollment and enrollment trends, including without limitation, Alps Road Elementary School, Barnett Shoals Elementary School, David C. Barrow Elementary School, Chase Street Elementary School, Cleveland Road Elementary School, Fowler Drive Elementary School, the facility known as the West Broad campus, Howard B. Stroud Elementary School, J.J. Harris Elementary School, the current Gaines

Elementary School, the facility formerly operated as Gaines Elementary School, Oglethorpe Avenue Elementary School, Timothy Road Elementary School, Whit Davis Elementary School, Whitehead Road Elementary School, Winterville Elementary School, Burney-Harris-Lyons Middle School, Clarke Middle School, W. R. Coile Middle School, Hilsman Middle School, Cedar Shoals High School, Clarke Central High School and Classic City High School, Athens Community Career Academy, Early Learning Center, athletic facilities, transportation facilities (including bus driver training facilities), maintenance facilities, storage facilities, and administrative and services facilities; (b) new administrative and services facilities, and professional and early learning facilities; (c) technology to be used at all educational and administrative facilities, including, but not limited to, computers, laptops, tablets and mobile devices for students and staff, servers, wiring, wireless antennas, and other technology upgrades with necessary hardware, software, and programs; (d) acquisition of and/or improvements to real and personal property, including, but not limited to, improved or unimproved land and existing buildings for future school or administrative and services facility sites, custodial and school nutrition kitchen equipment and other furniture, fixtures and equipment; (e) security system upgrades, equipment and infrastructure to all educational and administrative facilities; (f) school buses (including installment payments); (g) sewer system upgrades to convert from septic systems to public sewer; (h) capital expenditures in accordance with the School District's strategic plan for facilities; and capitalized expenses incident thereto (including the payment of any capitalized interest)".

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 schedule of projects adheres to the approved resolutions adopted by the School District.
- Determine if SPLOST funds were spent in accordance with SPLOST Resolutions passed November 8, 2016, and November 2, 2021.
- 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 management of the School District is following Board approved procurement policies and procedures and ensuring to the maximum extent possible that the tax funds are expended efficiently and economically.
- Determine that all SPLOST revenue is properly recorded.
- Provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described above.
- Provide for the issuance of public recommendations at least annually for improvements in meeting the goals described above.
- Determine whether debt payments charged to SPLOST funds are appropriate based on the debt payment schedules.
- Determine whether salary and benefit charges of SPLOST funds are appropriate based on accurate measurement of time performed and appropriate allocation.

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, 2022 to June 30, 2023. From a listing of operating expenditure disbursements made during the specified time frame, we tested 37 individually significant items totaling \$18,448,164.17. In addition, of the remaining population of operating disbursements, we sampled 25 of 254 items totaling \$212,090.16. We also tested salaries expense of three significant employees' salaries totaling \$250,612.38. In total, we tested \$18,910,866.71 or 87% of the total SPLOST disbursements for the audit period.

We verified transfers of \$16,416,250.00 of SPLOST funds to debt service fund for debt payments to supporting documentation.

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 among 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 Clarke County School District's SPLOST program is operating in compliance with all applicable laws and regulations and the referendum approved by the County's citizens. The following are the specific results of our audit:

Objective #1: Determine whether the schedule of projects adheres to the approved resolutions adopted by the School District.

Procedures: We obtained a copy of the SPLOST Resolutions as approved by the Board of Education of the School District and the voters of Clarke County which outline eligible expenditures from SPLOST proceeds. We verified the list of SPLOST projects provided by the School District agreed to those stated in the Resolutions.

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

Objective #2: Determine if SPLOST funds were spent in accordance with SPLOST Resolutions passed on November 8, 2016, and November 2, 2021.

Procedures: We obtained a copy of the SPLOST Resolutions as approved by the Board of Education of the School District and the voters of the county. Using a listing of operating expenditure disbursements for the test period, we tested 37 individually significant items and a sample of 25 of the remaining 254 expenditures in order to ensure that spending of SPLOST funding was compliant with the approved activity in the resolutions. We tested each transaction to supporting documentation such as vendor invoices. In addition, we recalculated all employees' salary in the amount of \$250,612.38 which were paid with SPLOST funds.

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

Objective #3: 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 obtained an understanding of the monitoring and budget procedures and how the School District ensures projects are completed within project specifications, timelines, and approved budgets. We tested 37 individually significant items and a sample of 25 of the remaining 254 disbursements to ensure that the School District has policies and procedures in place, that expenditures are properly approved by an individual who reviews the work, and that invoices submitted are valid in regard to work completed and appropriate for the SPLOST projects.

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

Objective #4: Determine whether management of the School District is following Board approved procurement policies and procedures and ensuring to the maximum extent possible that the tax funds are expended efficiently and economically.

Procedures: We obtained a copy of the School District's procurement and bid policies, including construction contracts. We tested 37 individually significant items and sampled 25 of the remaining 254 expenditures to ensure all policies set in place by the Board are being followed and SPLOST funds were spent efficiently and economically.

We reviewed board minutes for any new construction contracts and obtained bid documentation for any SPLOST related construction activity to ensure Board policy is being followed.

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

Objective #5: Determine that all SPLOST revenue is properly recorded.

Procedures: We confirmed with the Georgia Department of Revenue the amounts collected for and remitted to the School District.

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

Objective #6: Provide for the issuance of periodic reports at least annually with respect to the extent to which expenditures are meeting the goals described above.

Procedures: We obtained and reviewed the prior year performance audit report to determine if this objective was met in the previous year. In addition, this objective is being met by the publication of this report for the current year.

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

Objective #7: Provide for the issuance of public recommendations at least annually for improvements in meeting the goals described above.

Procedures: We obtained and reviewed the prior year performance audit report to determine if this objective was met in the previous year. In addition, this objective is being met by the publication of this report for the current year.

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

Objective #8: Determine whether debt payments charged to SPLOST funds are appropriate based on the debt payment schedules.

Procedures: We reviewed documentation for all debt payments paid from SPLOST funds. We verified amounts paid to supporting documentation to ensure debt payments are for allowable SPLOST expenditures.

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

Objective #9: Determine whether salary and benefit charges of SPLOST funds are appropriate based on an accurate measurement of time performed and appropriate allocation.

Procedures: We obtained a listing of individuals who had salaries paid from SPLOST funding and recalculated salary amounts charged to SPLOST funds of three significant employees totaling \$250,612.38.

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

School District Response: Clarke 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

March 21, 2024