

Bibb County ***School District***

Performance Audit on 2011/2016 SPLOST Revenues
For the Period July 1, 2018 – June 30, 2019

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Introduction

To the Members of the Board of Education
Bibb County School District
Macon, Georgia

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.

SPLOST, or "Special Purpose Local Option Sales Tax," is a referendum voted and approved by Bibb County voters in which 1% is added to the local sales tax for the purpose of funding Bibb County School District (the "School District") building and renovation projects that would otherwise require financing through increasing residents' 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 to be paid with SPLOST funds.

The 2011 SPLOST was approved by the voters of Bibb County on November 3, 2009. A spending resolution was approved by the Board of Education on March 18, 2010, so that planning for future projects could begin in advance of the start date of collections on January 1, 2011. Additionally, the Board of Education issued general obligation (sales tax) bonds in the amount of \$30,000,000 on September 16, 2010, to provide advance funding for the 2011 SPLOST projects. The 2011 SPLOST funds are used to fund the School District's 2011 Capital Improvements Program, specifically, to acquire, construct, and equip five new elementary schools; renovating, extending, repairing and equipping Williams Elementary, Union Elementary, Brookdale Elementary, Carter Elementary, Westside High, King Danforth Elementary, Miller Middle, Appling Middle, Alexander II Elementary, Burke Elementary, and the Central Office; acquiring, improving, and renovating athletic facilities, including field houses, air conditioning gymnasiums, softball fields, soccer fields, field/track facilities, tennis courts, athletic storage facilities, concessions/restroom facilities, tennis courts, athletic storage facilities, concession/restroom facilities at high schools, and athletic storage facilities at middle schools; constructing and equipping a replacement facility for maintenance and custodial operations; providing controlled access entrances at Burdell-Hunt Elementary, Brookdale Elementary, Bruce Elementary, Heritage Elementary, King-Danforth Elementary, Skyview Elementary, Taylor Elementary, Vineville Elementary, Williams Elementary, Bloomfield Middle, Ballard-Hudson Middle, Miller Middle, Rutland Middle, Weaver Middle, and Career Center; improving school site safety and traffic flow throughout the School District; purchasing new technology, fine arts equipment, athletic equipment, safety and security systems throughout the School District; purchasing school buses, vehicles, and maintenance, custodial, and transportation equipment; planning for new School District site acquisition, site development, and construction; and

repaying the debt on general obligation bonds authorized in the foregoing election. The approved resolution for the 2011 SPLOST was for raising up to \$198,500,000.

The 2016 SPLOST was approved by the voters of Bibb County on November 3, 2015. The 2016 SPLOST was an approved continuation of the special 1% sales tax for education for a period of time not to exceed 20 calendar quarters. The 2016 SPLOST funds are used for the purpose of acquiring, constructing, repairing, improving, renovating, extending, upgrading, furnishing, and equipping school buildings and support facilities in the Bibb County School District useful or desirable in connection therewith, including acquiring any necessary property therefore, both real and personal, and demolishing portions of existing structures in connection therewith, specifically including: consolidation of Appling Middle School and Northeast High School to a shared campus; acquiring, constructing, furnishing, and equipping a new elementary school; renovating, extending, repairing, furnishing, and equipping existing schools including new floor coverings, paint and ceilings, roof replacement, energy efficient improvements, playground improvements and handicap accessibility; constructing, furnishing, and equipping auditoriums, including new auditoriums at Rutland High School and Westside High School; purchasing new technology, fine arts equipment, athletic equipment, and safety and security systems throughout the School District; purchasing school buses, vehicles, and maintenance, custodial, and transportation equipment; providing controlled access entrances and updating security technology throughout the School District; constructing and equipping a campus police and transportation facility; acquiring, improving, and renovating athletic facilities, including field houses, gymnasiums, softball fields, soccer fields, field/track facilities and practice fields; demolition of surplus property; and planning for new School District site acquisition, site development, and construction; and capital outlay projects for educational purposes for use by approved charter school operators. The approved resolution for the 2016 SPLOST was for raising up to \$185,000,000.

Audit Scope, Objectives, and Methodology

Audit Scope

Mauldin & Jenkins was engaged to conduct a performance audit of the 2011/2016 SPLOST program. The audit focused on the School District's compliance with state and local laws and mandates and the receipt and expenditure of sales tax proceeds for allowable SPLOST educational purposes.

The audit covers the 2011/2016 SPLOST program from July 1, 2018 to June 30, 2019. From a listing of all disbursements made during the specified time frame, we randomly selected 60 disbursements to test, which included payroll, engineering, consulting, and construction expenditures.

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 maximum benefit from the dollars collected. The specific audit objectives were:

- To determine whether the schedule of projects adheres to the approved resolution adopted by the Bibb County Board of Education;

- To determine that the reporting effectiveness between the School District and the Board of Education communicates the status of capital outlay projects to ensure that legislative, regulatory, and organizational goals and objectives were achieved;
- To determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts;
- To 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 capital project;
- To determine the reliability, validity or relevance of financial analyses to verify that cash flows conform to forecasted projections by project and priority, and that intended economic results are accomplished;
- To determine whether effective procedures exist to verify that design and construction of capital projects adhered to applicable quality control standards;
- To determine the effectiveness of financial controls in place to ensure that the receipt and expenditure of tax revenue funds are in compliance with applicable laws and regulations; and
- To determine whether the School District is following Board-approved procurement policies and procedures.

Audit Methodology

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.

To ensure that the SPLOST performance audit is adequately planned, performed and supervised, we performed the following steps:

Planning

Prior to the conduct of 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 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 preliminary analytical review. We also performed a preliminary analytical review 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 risks for each identified objective. These assessments include an assessment of inherent and control risks to determine a combined risk assessment. Depending on the combined risk assessment, we perform 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 Testing 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. We also completed questionnaires to further document an understanding of the School District's internal controls. Utilizing our understanding of the control environment, we tested certain internal controls to provide further support for the audit.

Preparation of a Tailored Audit Program

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

Reporting

At the conclusion of the performance audit, we prepared a preliminary report of findings and a written analysis of proposed recommendations in draft form. This preliminary report and analysis was presented to the School District's representative(s). After obtaining and incorporating management comments in our report and upon completion of the presentation and review of the report and analysis by the School District's representative(s), we provided a public report of the results of the annual performance audit.

Audit Results

Based on the results of our audit, we conclude that the Bibb County School District's 2011/2016 SPLOST Program is operating in compliance with all applicable laws and regulations and the referendum approved by the County's citizens.

Objective #1: To determine whether the schedule of projects adheres to the approved resolution adopted by the Bibb County Board of Education.

Procedures: We obtained a copy of the 2011 and 2016 SPLOST resolutions as approved by the Board of Education and the voters of Bibb County. Using a random number generator, we then selected a sample of 60 checks written during the period July 1, 2018 through June 30, 2019. A sample size of 60 was determined to be sufficient in order to test the transaction's processing and compliance with the approved SPLOST resolution. For each sample item, we vouched the expenditure to supporting documentation such as vendor invoices.

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

Objective #2: To determine that the reporting effectiveness between the School District and the Board of Education communicates the status of capital outlay projects to ensure that legislative, regulatory, and organizational goals and objectives were achieved.

Procedures: We discussed the policies and procedures for communication with the Board with management. Based on our inquiries, management prepares a financial report and project status report for the Board each month. We obtained and reviewed each financial report and project status report submitted to the Board during the period July 1, 2018 through June 30, 2019.

Results: Per review of the financial and project status reports from July 1, 2018 through June 30, 2019, the School District has an effective method in place to communicate with the Board in regard to the status of each project.

Objective #3: To determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts.

Procedures: We discussed the monitoring of expenditures versus budget with program management. Based on our inquiries, we ascertained the Executive Director of Capital Programs (the "Executive Director") receives all invoices for review and approval before forwarding the invoice to Accounts Payable for payment. The Executive Director maintains a budget to actual worksheet by project which he updates as he receives each invoice. The Executive Director reconciled the budget to actual report to the general ledger to ensure the reports submitted to the Board as prepared by the Executive Director, as well as the general ledger, were accurate and up to date. Additionally, we reviewed the reports prepared by the Accounting Department in regard to the SPLOST program during the period under audit as well as the Executive Director's budget to actual reports.

Results: Based on testing, the School District is adequately monitoring project expenditures.

Objective #4: To 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 capital project.

Procedures: We discussed the monitoring of projects with program management. Based on our inquiries, we ascertained that the Construction Coordinator visits the sites every two to three days and the Director of Construction attends meetings with the architect and contractor weekly during the construction process. As projects came to a close in the period under audit, the Director of Construction visited each site on an as needed basis. We conducted a disbursement test, as described in Objective #1, to determine whether the Board had

policies and procedures in place to ensure expenditures are properly approved by an individual who reviews the work on site to verify that invoices submitted are valid in regard to work completed.

Results: Based on the results of inquiries made, and review of project status reports prepared for submission to the Board, the Board has an effective program in place to monitor program performance and to ensure the timely completion of each capital project within the projected timeline. Additionally, the Board has policies and procedures in place to ensure that expenditures incurred and paid are valid expenditures of the SPLOST projects.

Objective #5: To determine the reliability, validity or relevance of financial analyses to verify that cash flows conform to forecasted projections by project and priority, and that intended economic results are accomplished.

Procedures: We discussed financial analyses with program management. As described in the Procedures for Objective #3, the Executive Director maintained a budget to actual analysis for each project which was reconciled to the general ledger by the Executive Director on a monthly basis. We obtained and reviewed the reconciliations for the period July 1, 2018 through June 30, 2019. Additionally, the Executive Director of Accounting prepares a cash and investment analysis monthly which is submitted to the Board. This analysis shows the amount of cash and investments on hand and actual versus projected revenues. We obtained and reviewed cash and investment analysis worksheets prepared by the Executive Director of Accounting for all months of the period under audit.

Results: Based on our testing, financial reconciliations were performed during the entire period under audit.

Objective #6: To determine whether effective procedures exist to verify that design and construction of capital projects adhered to applicable quality control standards.

Procedures: We discussed procedures in place to monitor the design and construction of capital projects with program management. We obtained and reviewed the bid documents and construction meeting minutes for the projects procured during the audit period. We conducted a disbursement test, as described in Objective #1, to determine whether the Board had policies and procedures in place to ensure that expenditures are properly approved by an individual who reviews the work on site to verify that invoices submitted are valid in regard to work completed.

Results: Based on the results of inquiries made and review of reports compiled by School District Construction Department staff documenting its assessment of work performed, effective procedures are in place to verify that the design and construction of capital projects adheres to applicable quality control standards.

Objective #7: To determine the effectiveness of financial controls in place to ensure that the receipt and expenditure of tax revenue funds are in compliance with applicable laws and regulations.

Procedures: We discussed financial controls in place with program management. The Construction Department has an approval process in place whereby all expenditures are verified (goods have been received and/or work has been completed) before an invoice is approved for payment. Additionally, the Chief Financial Officer provides a report on investment activity for program revenues to the Board monthly. We reviewed these reports as contained in the monthly "Board packages" submitted to the Board. Additionally, as part of our disbursement test as described in Objective #1, we reviewed disbursements for proper approval and to verify that the expenditures were related to projects approved as per the SPLOST resolutions.

Results: Based on the results of inquiries made, review of reports submitted to the Board, and results of our disbursement test as described in Objective #1, effective financial controls are in place to ensure that the receipt and expenditure of tax revenue funds are in compliance with applicable laws and regulations.

Objective #8: To determine whether the School District is following Board-approved procurement policies and procedures.

Procedures: In order to test the procurement practices of the SPLOST program, we held discussions with program management and documented our understanding of the process. Per discussions with the Executive Director, invitations to bid, requests for proposals, addendums, and all award information are posted on the online Georgia Procurement Registry website for the public. We reviewed the online Georgia Procurement Registry noting requests for proposals were open to all firms that met the qualifications provided by management. Mauldin & Jenkins noted the Bibb County School District is adhering to applicable quality control standards. When contracts are awarded, information as to when the decision was approved by the Board is posted on the website. We also reviewed bid documentation maintained in the Construction Department. Communication between the School District and applicants regarding strengths and weaknesses, notification of interviews and the final score sheets are kept on file. No exceptions were noted during our test work. Additionally, we scanned the general ledger for amounts exceeding the purchasing threshold as of June 30, 2019 (\$30,000), noting no contracts without prior Board approval.

Results: Based on the results of inquiries made, review of the Georgia Procurement Registry website, Board minutes, and review of the general ledger, the School District is following Board-approved procurement policies and procedures.

Closing

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 19, 2019