



SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM • FISCAL YEAR 2022

Barrow County Board of Education Winder, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor



DOAA

Georgia Department
of Audits & Accounts

Barrow County Board of Education

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Dr. Chris McMichael, Superintendent and Members of the
Barrow County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Barrow County Board of Education (School District) for the year ended June 30, 2022. 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, 2022 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 on November 4, 2014 and March 19, 2019 by the voters of Barrow 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 Barrow 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 2015, the SPLOST V referendum was passed by the voters of Barrow County. The maximum amount approved to be raised from the SPLOST V referendum is \$58,000,000.00. SPLOST V funds will be used for the following purposes as outlined in the referendum:

“(i) the acquisition, construction, and equipping of two new schools and facilities, including but not limited to new school buildings, physical education/athletic facilities and equipment, classrooms, lunchrooms, gymnasiums, and auditoriums, renovations and equipment for existing facilities, and the acquisition and purchase of any property necessary and desirable therefore, both real and personal property, including but not limited to technology, safety and security equipment and transportation facilities and equipment; (ii) paying capitalized interest on the Bonds; and (iii) paying the costs of issuing the Bonds; and shall a special one percent sales and use tax be continued in the Barrow County for a period of time not to exceed 20 calendar quarters and for the raising of not more than \$58,000,000.00 for the purpose of (i) paying a portion of the debt service on the Bonds; and (ii) paying debt service outstanding on the Barrow County School District General Obligation Bonds, Series 2010; Barrow County School District General Obligation Bonds, Series 2012A; Barrow County School District General Obligation Bonds, Series 2012B; and Barrow County School District General Obligation Bonds, Series 2014 coming due February 1, 2017, through and including February 1, 2022, the maximum amount to be retired not to exceed \$36,994,167.10.”

During fiscal year 2019, the SPLOST VI referendum was passed by the voters of Barrow County. The maximum amount approved to be raised from the SPLOST VI referendum is \$75,000,000.00. SPLOST VI funds will be used for the following purposes as outlined in the referendum:

“(i) the acquisition, construction, and equipping of new schools and facilities, including but not limited to new school buildings, physical education/athletic facilities and equipment, classrooms, lunchrooms, gymnasiums, and auditoriums, renovations and equipment for existing facilities, and the acquisition and purchase of any property necessary and desirable therefore, both real and personal property, including but not limited to technology, safety and security equipment, buses, vehicles, and transportation facilities and equipment; (ii) paying capitalized interest on the Bonds; and (iii) paying the costs of issuing the Bonds; and shall a special one percent sales and use tax for educational purposes be continued in the Barrow County for a period of time not to exceed 20 calendar quarters and for the raising of not more than \$75,000,000.00 for the purpose of (i) providing funds to finance the Projects directly or through the payment of a portion of the debt service on the Bonds, and (ii) paying debt service on the outstanding Barrow County School District General Obligation Bonds, Series 2010; Barrow County School District General Obligation Bonds, Series 2012A; Barrow County School District General Obligation Bonds, Series 2014; the Barrow County School District General Obligation Bonds, Series 2016; and the Barrow County School District General Obligation Bonds, Series 2017, coming due August 1, 2022 through and including February 1, 2027, the maximum amount to be retired not to exceed \$41,708,445.00.”

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 whether management of the School District is following Board approved procurement policies and procedures.
- 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 salary and benefits expenses charged to SPLOST funds are appropriate based on an accurate measurement of time performed and appropriate allocation.
- 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-related expenditures are related to debt as approved on the SPLOST referendums and that amounts paid agree to debt amortization schedules.

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, 2021 to June 30, 2022. From a listing of disbursements made during the specified time frame, we tested 46 individually significant items totaling \$22,739,499.45. In addition, of the remaining population, we sampled 48 of 478 items totaling \$973,125.94. We also recalculated salaries expense totaling \$242,476.82 charged to the program for two individually significant employees and verified debt payments of \$9,437,206.00 to amortization schedules. In total, we tested \$33,392,308.21 or 89% of the total SPLOST 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 Barrow 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 schedule of projects adheres to the approved resolutions adopted by the School District.

Procedures: We obtained and reviewed the Resolution approved by the Board of Education of the School District and the voters of Barrow County which outlines eligible expenditures from SPLOST proceeds. We verified that the list of SPLOST projects provided by the School District agreed to those stated in the Resolution.

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

Objective #2: Determine whether management of the School District is following Board approved procurement policies and procedures.

Procedures: We obtained a copy of the School District's procurement and bid policies, including construction contracts. We tested 46 individually significant items and a sample of 48 of the remaining 477 expenditures to ensure all policies set in place by the Board are being followed.

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 #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 disbursements to ensure that the School District has policies and procedures in place to ensure that expenditures are 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: We found no exceptions as a result of these procedures.

Objective #4: Determine whether salary and benefits expenses charged to 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 and benefits paid from SPLOST funding and recalculated salary and benefit charges to SPLOST funds of two significant employees totaling \$242,476.82.

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 conducted by other auditors, and we provided a public report of the result of the performance audit for the current fiscal year. In addition, this objective is being met by the publication of this report.

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 conducted by other auditors, and we provided a public report of the result of the performance audit for the current fiscal year. In addition, this objective is being met by the publication of this report.

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

Objective #8: Determine whether debt-related expenditures are related to debt as approved on the SPLOST referendums and that amounts paid agree to debt amortization schedules.

Procedures: We reviewed debt service payments reported on the SPLOST schedule to ensure that payments were related to debt approved in the SPLOST referendums and that amounts paid agreed to the amortization schedules for the related debt.

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

School District's Response: Barrow County Board of Education agrees with the 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

May 5, 2023