



SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM • FISCAL YEAR 2021

Monroe County Board of Education Forsyth, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor



DOAA

Georgia Department
of Audits & Accounts

Monroe County Board of Education

Table of Contents

| | |
|--|---|
| Audit Summary and Introduction..... | 1 |
| Audit Objectives, Scope, and Methodology..... | 2 |
| Audit Results..... | 3 |
| Communication of Audit Findings and Recommendations..... | 4 |
| Closing..... | 4 |



Dr. Mike Hickman, Superintendent and Members of the
Monroe County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Monroe 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 Monroe County Board of Education 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 2017 by the voters of Monroe 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 Monroe 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 2018, the 2019 SPLOST Public Referendum was passed by the voters of Monroe County. The maximum amount approved to be raised from the 2019 SPLOST Public Referendum is \$24,000,000.00. The 2019 SPLOST Public Referendum funds will be used for the following purposes as outlined in the referendum:

“(i) acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including technology equipment, software and safety and security equipment; (ii) adding to, renovating, repairing, improving, and equipping existing school buildings and school system facilities; (iii) acquiring band instruments and equipment, text books and library books for the school system, including electronic media; (iv) acquiring school buses, vehicles, and transportation and maintenance equipment; (v) constructing and equipping new school facilities, including instructional, fine arts and athletic facilities; (vi) acquiring land for future schools and facilities; and (vii) paying expenses incident to accomplishing 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 SPLOST funds were spent in accordance with the SPLOST Resolution passed in November 2017.
- Determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts.
- Determine if administrative controls were established and appeared to be adequate to ensure the responsible fiscal management of the sales tax proceeds received by the School System.
- 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 management of the School District is following Board approved procurement policies and procedures.

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 15 individually significant items totaling \$3,599,389.42. In addition of the remaining population, we sampled 22 of 215 items totaling \$416,494.68. In total, we tested \$4,015,884.10 or 90.66% 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 Monroe 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 SPLOST funds were spent in accordance with the SPLOST Resolution passed in November 2017.

Procedures: We obtained a copy of the SPLOST Resolution as approved by the Board of Education of the School District and the voters of Monroe County. Using a listing of disbursements for the test period, 15 individually significant items and a sample of 22 of 215 items was deemed sufficient in order to test that spending of SPLOST funding was compliant with the approved activity in the resolution, and were properly classified. In addition, compliance with the School District's procurement policy was tested. Each transaction was vouched to supporting documentation such as vendor invoices.

Results: Based on the results of our testing, the expenditures tested were related to activities approved in the 2019 SPLOST Public Referendum. The testing showed that the effectiveness of the financial controls in place to ensure receipts and disbursement of tax revenue funds were in compliance with the applicable laws and regulations. The testing also showed that the sales tax proceeds were being distributed in compliance with SPLOST Resolutions approved by the Board.

Objective #2: Determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts.

Procedures: We interviewed the Finance Director of the Monroe County Board of Education in order to understand procedures for monitoring project expenditures and SPLOST budget amounts. Documentation was examined during testing in order to verify monitoring procedures were in place and being followed by management.

Results: Based on the results of inquiries made and review of the financial status reports, the School District has an adequate process in place to monitor expenditures to ensure that actual project expenditures do not exceed budgeted amounts.

Objective #3: Determine if administrative controls were established and appeared to be adequate to ensure the responsible fiscal management of the sales tax proceeds received by the School System.

Procedures: Through inquiry, observations, and interviews with management, the accounting controls in place were assessed. The sufficiency, completeness, and adequacy of the administrative controls were reviewed. Key management was interviewed in order to determine their familiarity with the controls in place. The effectiveness of the controls were tested by examining on a test basis individual transactions of the school system to determine the effectiveness, application and adequacy of the administrative controls.

Results: Based on the results of inquiries made, accounting and administrative controls are adequate and in place to ensure proper and responsible fiscal management of sales tax proceeds.

Objective #4: 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: Objective being met by the publication of this report.

Results: No exceptions were found as a result of these procedures.

Objective #5: Provide for the issuance of public recommendations at least annually for improvements in meeting the goals described above.

Procedures: Objective being met by the publication of this report.

Results: No exceptions were found as a result of these procedures.

Objective #6: Determine whether management of the School District is following Board approved procurement policies and procedures.

Procedures: Management was interviewed regarding procedures and controls in place over the procurement practices of the SPLOST program. Per our discussion and review of the general ledger and board minutes, no new contracts were procured during the fiscal year under audit.

Results: Based on the results of inquiries made and the results of our disbursement testing, the School District is following Board approved procurement policies and procedures.

School District Response: Monroe 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,

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 15, 2023