



SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM • FISCAL YEAR 2022

Lowndes County Board of Education Valdosta, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor



DOAA

Georgia Department
of Audits & Accounts

Lowndes 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.....	5
Closing.....	5



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

Dr. J. Shawn Haralson, Superintendent and Members of the
Lowndes County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Lowndes 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 System'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, 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 resolution passed March 17, 2015 by the voters of Lowndes 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 Lowndes 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 Lowndes County. The maximum amount approved to be raised from the SPLOST V referendum is \$76,140,000.00. SPLOST V funds will be used for the following purposes as outlined in the referendum:

“(i) planning and construction of new facilities, including a fine arts facility, an elementary school and a high school, (ii) the addition, renovation, repair, and improvement to existing school buildings, facilities, and grounds, including, but not limited to, all existing elementary schools, middle schools, and high school, (iii) equipping and furnishing system-wide new construction, additions, and renovations, (iv) acquisition of school vehicles, including but not limited to, school buses, maintenance vehicles and equipment, (v) system-wide technology improvements, (vi) acquisition of security and safety equipment and/or fencing, (vii) textbooks, (including e-books) and related instructional software, band and other musical instruments, vocational equipment and physical education and athletic equipment, (viii) renovations and modifications of athletic facilities, and acquisition of any property necessary and desirable for new construction, expansion and/or improvement of existing facilities, both real and personal.”

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 disbursement of sales tax proceeds adhere to the SPLOST resolution approved by the Board of Education.
- Determine whether the investment of the sales tax proceeds received by the School District has been conducted in a sound fiscal manner.
- Provide for the issuance of periodic public 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 periodic public recommendations at least annually for improvements meeting the goals described in O.C.G.A. §20-2-491.
- Determine whether the expenditures followed procurement policies and procedures established by the School District.
- 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.
- Determine whether all SPLOST revenue is properly recorded.
- Determine whether the sales tax proceeds are being disbursed in compliance with the SPLOST Resolution approved by the Board of Education.

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 a sample, 61 of 607 items, of SPLOST expenditures totaling \$7,207,406.66 or 25.84% of the total SPLOST disbursements for the audit period. In addition, progress billing was tested for JCI

Contractors by testing the June 30th check to ensure the project was paid correctly. The total amount paid to JCI Contractors in the current year was \$19,488,202.26. Of the \$19,488,202.26 in expenditures, four transactions totaling \$3,768,397.60 were included in the sample.

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 Lowndes 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 projects listed on the Schedule SPLOST expenditures agrees to the SPLOST referendum passed by the voters of Lowndes County.

Procedures: We obtained and reviewed the Resolution approved by the Board of Education of the School District and the voters of Lowndes 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. We gained an understanding from management on how projects were chosen and how priorities were made among projects. Board minutes were reviewed to verify if projects were brought before the Board and if projects were voted on before the start of the project. We verified that bond payments made during the audit period were for the debt outlined in the Resolution. The Local Facilities Plan was reviewed, which includes County growth projections, projected student population, projected priorities, and a facilities outline by school.

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

Objective #2: Determine whether the investment of the sales tax proceeds received by the School District has been conducted in a sound fiscal manner.

Procedures: We interviewed finance personnel to identify how funds are invested. Investments were reviewed and determined whether the type of investment was in accordance with O.C.G.A. §36-80-3.

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

Objective #3: Provide for the issuance of periodic public 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.

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

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

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

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

Objective #5: Determine whether the expenditures followed procurement policies and procedures established by the School District.

Procedures: We tested a selection of construction bids to ensure the bid procedures were followed in accordance with the School District's policy. In addition, we tested a sample of 61 of 607 items to ensure expenditures were following the procurement policies and procedures.

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

Objective #6: 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. Board minutes were reviewed for communication of capital outlay projects. In addition, we examined documentation that supports their communication and achieved goals.

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

Objective #7: Determine whether all SPLOST revenue is properly recorded.

Procedures: We confirmed with other governmental units the amounts collected for, transmitted to, and still to be remitted to the School District. Any unexpected results considering known changes in current conditions were investigated.

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

Objective #8: Determine whether the sales tax proceeds are being disbursed in compliance with the SPLOST Resolution approved by the Board of Education.

Procedures: We tested a sample, 61 of 607 items, of expenditures for purpose restrictions per laws and regulations. Any unexpected results considering known changes in current conditions were investigated. In addition, we tested the validity of the SPLOST schedule by (a) agreeing SPLOST criteria to the SPLOST Resolution(s), (b) agreeing current year SPLOST expenditures to the general ledger, and (c) agreeing prior year SPLOST expenditures to the prior year SPLOST schedule.

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

School District's Response: Lowndes 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, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

February 10, 2023