



SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM • FISCAL YEAR 2022

# Walker County Board of Education LaFayette, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor



**DOAA**

Georgia Department  
of Audits & Accounts

# Walker County Board of Education

## Table of Contents

Audit Summary and Introduction.....	1
Audit Objectives, Scope, and Methodology.....	3
Audit Results.....	4
Communication of Audit Findings and Recommendations and Closing.....	6



Mr. Damon Raines, Superintendent and Members of the  
Walker County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Walker 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 March 15, 2011, November 3, 2015, and March 16, 2021 by the voters of Walker 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 Walker 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 2011, 2016 and 2021, the 2012 SPLOST referendum, the 2017 SPLOST referendum and the 2021 SPLOST referendum were

passed by the voters of Walker County. The maximum amount approved to be raised from the 2012 SPLOST, 2017 SPLOST and 2021 SPLOST referendums are \$28,177,500.00, \$28,080,000.00 and \$31,968,000.00, respectively.

The 2012 SPLOST funds will be used for the following purposes as outlined in the referendum:

“(i) construction of additions, remodeling, renovating, improving, and equipping Rossville Elementary, LaFayette High, Chattanooga Valley Elementary, North LaFayette Elementary, and LaFayette Middle; (ii) acquiring, constructing, and equipping a new field house at LaFayette High and renovating and improving acoustics in the Chattanooga Valley Middle and Rossville Middle gymnasiums; (iii) construction of new roofs at LaFayette High and North LaFayette Elementary; (iv) additions to, remodeling, renovating, improving, and equipping existing educational buildings, properties, and facilities of the school district, and acquiring any property, both real and personal, and equipment necessary therefore, including improvements to parking lots and drives, school buses, additions and improvements to central services facilities, computers and related technology, and athletic facilities and sites, and (v) a new high school.”

The 2017 SPLOST funds will be used for the following purposes as outlined in the referendum:

“(i) acquisition, construction, and equipping of auxiliary gymnasiums at LaFayette and Ridgeland High Schools; (ii) construction of new roofs for educational and central services buildings and/or facilities; (iii) acquisition and upgrading of technology and computers, text books, and e-books, including expansion of the technology plan to improve student-to-device ratio; (iv) acquisition and equipping of school buses; (v) paving and repairing of parking lots and driveways for educational and central services buildings and/or facilities; (vi) acquisition, construction, and equipping of a new high school; (vii) acquisition and equipping of safety and security equipment for educational and central services buildings and/or facilities, including a potential stop light at the entrance of Saddle Ridge Elementary and Middle School; (viii) construction, renovation, improvements, and equipping of the Career Technical & Agriculture Education (CTAE) labs at LaFayette and Ridgeland High Schools; (ix) acquisition, construction, and equipping of a multi-use athletic facility at Ridgeland High School; (x) acquisition, construction, and equipping of a football field at the LaFayette High School; (xi) renovations, additions, improvements, and equipping of existing educational buildings, properties, and facilities of the school district, including additions, improvements, constructing, and equipping central services facilities; (xii) acquisition of any property, both real and personal, and equipment necessary in connection with the above described capital outlay projects, including energy management systems, heating and air conditioning systems, lighting, and similar equipment; and (xiii) acquisition of real property for future schools, facilities, administrative offices, support services, and other purposes of the Walker County School District.”

The 2021 SPLOST funds will be used for the following purposes as outlined in the referendum:

“(a) renovations, additions, improvements, and equipping of existing schools; (b) acquisition, construction, and equipping of auxiliary gymnasiums at Chattanooga Valley, LaFayette, Rossville, and Saddle Ridge Middle Schools; (c) acquisition and equipping of school buses and maintenance vehicles; (d) resurfacing and replacement of tennis courts at LaFayette and Ridgeland High Schools; (e) paving and repairing of parking lots and entrance roads; (f) acquisition, construction and equipping of a new high school; (g) acquisition and upgrading of technology, computers, and e-books, including expansion of the technology plan to improve student to device ratio; (h) renovations,

improvements, and equipping of existing athletic facilities system-wide; and (i) acquisition of any property, both real and personal, and equipment necessary in connection with the above described capital outlay projects, and for future schools, facilities, administrative offices, support services, and other purposes of the Walker County School District.”

## **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 SPLOST funds were spent in accordance with SPLOST Resolutions passed in the March 2011, November 2015, and March 2021.
- Determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts.
- Determine whether there is an efficient and economic 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 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 District.
- Provide for the issuance of periodic 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 public recommendations at least annually for improvements in meeting the goals described in O.C.G.A. §20-2-491.
- Determine if management of the School District is following Board approved procurement policies and procedures.
- Determine that all SPLOST sales tax revenue is properly recorded.

## **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 20 individually significant items totaling \$2,997,404.32. In addition, of the remaining population, we sampled 10 of 184 items totaling \$68,865.61. In total, we tested \$3,066,269.93 or 87% 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 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 Walker 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 SPLOST funds were spent in accordance with SPLOST Resolutions passed in the March 2011, November 2015, and March 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. We reviewed SPLOST projects list and verified projects agreed to those stated in the resolutions and reviewed the board minutes to verify projects were brought before the board and that projects were voted on before they started. Documentation reviewed to verify bond payments made during the audit period were outlined in the resolutions. Using a listing of disbursements for the test period, we tested 20 individually significant items and a sample of 10 of the remaining 184 expenditures in order to ensure expenditures were properly classified, approved and in line with the SPLOST resolutions. We tested each transaction to supporting documentation such as vendor invoices.

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

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

**Procedures:** The Director of Financial Services of the Walker County Board of Education was interviewed in order to understand procedures for monitoring projects expenditures and SPLOST budget amounts. Documentation was examined during the testing in order to verify monitoring procedures were in place and being followed by management.

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

**Objective #3:** Determine whether there is an efficient and economic 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 interviewed management regarding procedures used to monitor program performance timeline, evaluation of the validity of expenditures and timely completion of the capital projects. 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 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 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:** We interviewed management to identify how funds were received and recorded from the State. We determined accounting controls were in place for this objective and the administrative controls were sufficient, complete and adequate. Management was interviewed in order to determine their familiarity with the controls in place. The effectiveness of the controls were tested by examining 20 individually significant items, and a sample of 10 of 184 expenditures to determine the effectiveness, application and adequacy of the administrative controls. Lastly, we reviewed the general ledger accounts to verify monthly deposits.

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

**Objective #5:** Provide for the issuance of periodic 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. 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.

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

**Objective #6:** Provide for the issuance of public recommendations at least annually for improvements in meeting the goals described in O.C.G.A. §20-2-491.

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

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

**Objective #7:** Determine if 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 20 individually significant items and a sample of 10 of the remaining 184 expenditures. The related procurement packages were obtained 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 #8:** Determine that all SPLOST sales tax 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.

**School District's Response:** Walker 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,



Greg S. Griffin  
State Auditor

June 21, 2023