



POLK SCHOOL DISTRICT  
CEDARTOWN, GEORGIA

SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM  
COMPLIANCE AND PERFORMANCE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022

# Polk County School District

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Dr. Katherine Thomas, Superintendent and Members of the  
Polk County School District

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Polk County School District (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 May 20, 2014, November 7, 2017, and November 2, 2021 by the voters of Polk 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 Polk 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 2014, 2018, and 2022, the 2014 SPLOST referendum, the 2018 SPLOST referendum, and the 2022 SPLOST referendum were passed by the voters of Polk County. The maximum amount approved to be raised from the 2014 SPLOST, 2018 SPLOST, and 2022 SPLOST referendums are \$28,000,000.00, \$25,000,000.00, and \$43,000,000.00, respectively.

The 2014 SPLOST funds will be used for the following purposes as outlined in the referendum:

“(i) constructing, remodeling, improving and equipping of existing facilities including Cedartown High School, Rockmart High School, Westside Elementary School and Eastside Elementary School; (ii) purchasing instructional and administrative technology; (iii) acquiring system-wide safety and security systems and equipment; (iv) purchasing school buses, transportation and maintenance vehicles and equipment; (v) purchasing vocational, fine arts, cafeteria, physical education and athletic equipment; (vi) purchasing textbooks and e-books; and (vii) acquiring real and personal property necessary, or to be used for the foregoing purposes, and all other general purposes related to these capital outlay projects.”

The 2018 SPLOST funds will be used for the following purposes as outlined in the referendum:

“(a) constructing, remodeling, improving and equipping of existing facilities, including (i) the College and Career Academy at Cedartown High School, (ii) elementary school classroom additions and related facilities; (iii) at Cedartown High School, a fine arts building with expansion of an improvements to band and drama facilities, parking lots and access roads, renovations to administrative offices, and resurfacing the track; (iv) at Rockmart High School, the agriculture barn/learning center, college and career facilities, concession stand, press box, resurfacing the track, and renovations and improvements to the gymnasium; (v) at Rockmart Middle School, restrooms, storage, and concessions facility for athletic fields; and (vi) roofing and air condition (HVAC) improvements, resurfacing of parking lots, additional parking lots and access roads, equipment and furnishings, and technology infrastructure and devices at new and existing school facilities; (b) instructional and administrative technology; (c) system-wide safety and security systems and equipment; (d) purchasing school buses, transportation, and maintenance vehicles and equipment; (e) purchasing vocational, fine arts, cafeteria, physical education, and athletic equipment; (f) purchasing textbooks and e-books; and (g) acquiring real and personal property necessary or to be used for the foregoing purposes and all other general purposes related to these capital outlay projects and for expansion of facilities.”

The 2022 SPLOST funds will be used for the following purposes as outlined in the referendum:

“(a) constructing, remodeling, improving, and equipping of existing facilities, including (i) a fine arts building and new turf for athletic fields at Rockmart High School, (ii) an auxiliary gym and new turf for athletic fields at Cedartown High School, and (iii) system-wide roofing, HVAC, bathrooms, and classroom upgrades and improvements; (b) instructional and administrative technology; (c) system-wide safety and security systems and equipment; (d) purchasing school buses, transportation, and maintenance vehicles and equipment; (e) purchasing vocational, fine arts, cafeteria, physical education, and athletic equipment; (f) purchasing textbooks and e-books; and (g) acquiring real and personal property necessary or to be used for the foregoing purposes and all other general purposes related to these capital outlay projects and for expansion of facilities.”

## **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 if SPLOST Funds were spent in accordance with SPLOST Resolutions passed in May 2014, November 2017, and November 2021.
- Determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts.
- 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 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 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 and ensuring to the maximum extent possible that the tax funds are expended efficiently and economically.
- Determine that all SPLOST 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 29 individually significant items totaling \$4,162,861.47. In addition, of the remaining population, we sampled 34 of 184 items totaling \$414,597.29. In total, we tested \$4,577,458.76 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 Polk 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 if SPLOST Funds were spent in accordance with SPLOST Resolutions passed in May 2014, November 2017, and November 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 listed and verified these 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 was reviewed to verify bond interest payments made during the audit period were outlined in the resolutions. Using a listing of disbursements for the test period, we tested 29 individually significant items and a sample of 34 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 Executive Finance Director and the Finance Director of Polk County School District were 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 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 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. In addition, management was interviewed in order to determine their familiarity with the controls in place. We determined accounting controls were in place for this objective and the administrative controls were sufficient, complete and adequate. The effectiveness of the controls were tested by examining 29 individually significant items, and a sample of 34 of 184 expenditures. 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:** 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:** 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 and ensuring to the maximum extent possible that the tax funds are expended efficiently and economically.

**Procedures:** We obtained a copy of the School District's procurement and bid policies, including construction contracts. We tested 29 individually significant items and a sample of 34 of the remaining 184 procurement packages 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 revenue is properly recorded.

**Procedures:** We confirmed with the Georgia Department of Revenue the amounts collected for and remitted to the School District and ensured it was properly recorded.

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

**School District's Response:** Polk County School District 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

August 21, 2023