



**WALKER COUNTY
BOARD OF EDUCATION
LAFAYETTE, GEORGIA**

SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROGRAM
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Compliance and Performance Audit Report

Walker County Board of Education

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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, 2023. 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, 2023 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 3, 2015 and March 16, 2021 by the voters of Walker County.

Introduction

Georgia Code Section §20-2-491 requires public school systems 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 2016 and 2021, 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 2017 SPLOST and 2021 SPLOST referendums are \$28,080,000.00 and \$31,968,000.00, respectively.

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 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 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 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 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, 2022 to June 30, 2023. From a listing of disbursements made during the specified time frame, we tested a sample of 23 of 232 items, of SPLOST expenditures totaling \$4,235,289.70 or 21.83% of the total SPLOST disbursements for the audit period. In addition, progress billing was tested for Electrical Contractor, Inc; J&J Contractors, RK Redding Construction, Baseline Sports, Talley Construction, Advanced Sports Group, and CGS Waterproofing by testing the June 30th check to ensure the project was paid correctly. The total amount paid to Electrical Contractor, Inc in the current year was \$145,277.00; to J&J Contractors was \$5,031,514.72; to RK Redding Construction was \$1,083,442.87; to Baseline Sports was \$2,238,342.00; to Talley Construction was \$1,497,789.88; to Advanced Sports Group was \$6,569,206.25; and to CGS Waterproofing was \$163,980.00. Of the \$16,729,552.72 in expenditures, five transactions totaling \$3,575,134.48 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 Walker County School District's SPLOST program is operating in compliance with all applicable laws and regulations and the referendum approved by the County's citizens. The following are the specific results of our audit:

Objective #1: Determine whether SPLOST Funds were spent in accordance with SPLOST Resolutions passed in November 2015 and March 2021.

Procedures: We obtained and reviewed resolutions approved by the voters which outlines eligible expenditures from SPLOST proceeds. We reviewed the SPLOST projects list and verified projects agreed to those stated in the Resolutions. We reviewed board minutes to verify projects were brought before the board and projects were voted on before the start of the project. Documentation was 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 sampled 23 of the 232 expenditures in order to ensure expenditures were properly classified, approved and in compliance with the objectives of the 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: We interviewed Director of Financial Services regarding procedures for monitoring of project 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 a sample of 23 of the 232 expenditure transactions 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 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 are received and recorded from the State. Management was interviewed in order to determine their familiarity with controls in place. We determined if accounting controls are in place for this objective and the administrative controls are sufficient, complete and adequate. We tested the effectiveness of the controls by examining sales tax proceeds of the School District. 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 to determine if this objective was met in the previous year. In addition, this objective is being met by the publication of this report for the current 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 to determine if this objective was met in the previous year. In addition, this objective is being met by the publication of this report for the current 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 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 6 of 14 construction bids entered into during the year to ensure the all policies set in place by the Board are being followed and SPLOST funds were spent efficiently and economically.

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 Response: Walker 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

April 24, 2024