



SPECIAL PURPOSE LOCAL OPTION SALES TAX PROGRAM · FISCAL YEAR 2023

Thomaston-Upson County Board of Education
Thomaston, Georgia

Compliance and Performance Audit Report

Greg S. Griffin | State Auditor



DOAA
Georgia Department
of Audits & Accounts

Thomaston-Upson County Board of Education

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Dr. Larry Derico, Superintendent and Members of the
Thomaston-Upson County Board of Education

Ladies and Gentlemen

We have audited the Special Purpose Local Option Sales Tax (SPLOST) records and operations of the Thomaston-Upson 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 resolution passed March 19, 2019, by the voters of Thomaston-Upson 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 Thomaston-Upson 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. The SPLOST V referendum was passed by the voters of Thomaston-Upson County. The maximum amount approved to be raised from the SPLOST V referendum is \$15,000,000.00. SPLOST V funds will be used for the following purposes as outlined in the referendum:

“(i) Acquiring maintenance and security vehicles, maintenance equipment, and new buses; (ii) acquiring administrative and instructional technology/communications equipment, textbooks, grounds maintenance and kitchen equipment and safety and security equipment; (iii) acquiring equipment and furnishings, including student furniture and band and athletic uniforms and equipment; (iv) renovations, extensions, additions, repairs, upgrades, updates and improvements to existing school facilities, including fine arts, exercise/training rooms, physical education and athletic facilities improvements, playground updates, parking lot improvements, paving, painting and flooring updates, and school wide HVAC updates; and enclosing open-air walkways for safety and security purposes; and (v) 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 if SPLOST Funds were spent in accordance with SPLOST Resolution passed on March 19, 2019.
- 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.
- To determine whether 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.

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 29 individually significant items totaling \$6,884,357.64 . In addition, of the remaining population, we sampled 70 of 467 items totaling \$220,484.10. In total, we tested \$7,104,841.74 or 86% 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 Thomaston-Upson 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 if SPLOST Funds were spent in accordance with SPLOST Resolution passed on March 19, 2019.

Procedures: We obtained a copy of the SPLOST Resolution as approved by the Board of Education of the School District and the voters of the county. Using a listing of disbursements for the test period, we tested 29 individually significant items and a sample of 70 of the remaining 467 expenditures in order to ensure that spending of SPLOST funding was compliant with the approved activity in the resolution. 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 the Director of Finance in order to understand procedures for monitoring 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 obtained an understanding of the monitoring and budget procedures and how the School District ensures projects are completed within project specifications, timelines, and approved budgets. We tested 29 individually significant items and a sample of 70 of the remaining 467 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 the 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. 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. We tested the effectiveness of the controls by examining 29 individually significant items, and a sample of 70 of the remaining 467 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: The School District did not obtain a SPLOST audit in the previous year as it was not required due to receipts not exceeding \$5,000,000.00 during the year. We provided a public report of the result of the performance audit for the fiscal year under review in order to meet this objective.

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: The School District did not obtain a SPLOST audit in the previous year as it was not required due to receipts not exceeding \$5,000,000.00 during the year. We provided a public report of the result of the performance audit for the fiscal year under review in order to meet this objective.

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

Objective #7: To 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 70 of the remaining 467 expenditures to ensure all policies set in place by the Board are being followed.

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

School District Response: Thomaston-Upson 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 20, 2024