

*Dawson County
Board of Education*

**Performance Audit on
Special Purpose Local Option Sales Tax**

For The Year Ended June 30, 2020



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Introduction

To the Members of the Board of Education
Dawson County Board of Education
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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.

SPLOST, or “Special Purpose Local Option Sales Tax,” is a referendum voted and approved by Dawson County voters to impose, levy, and collect a one percent sales and use tax for the purpose of funding School District building, renovation and other educational capital projects that would otherwise require financing through increasing residents’ property taxes.

The School District works under the direction of the School Board and its superintendent, and the projects selected for SPLOST funding are chosen by the School Board. The 2015 SPLOST resolution for Dawson County Board of Education is to impose levy, and collect a one percent sales and use tax, for a maximum period of time of 20 calendar quarters and for the raising of not more than \$36,502,000. Dawson County School District is provided the funds for the purpose of (i) adding to, renovating, repairing, improving, and equipping existing school building and school system facilities, (ii) acquiring and/or improving land for school system facilities, (iii) acquiring miscellaneous new equipment, fixtures and furnishings for the school system, including technology equipment, tablets and laptops, and safety and security equipment, (iv) acquiring school buses and other vehicles, transportation and maintenance equipment, (v) acquiring books, digital resources, and other media for the school system, (vi) and construction and equipping new classroom space including a performing arts center at Dawson County High School, with the maximum cost of the projects described in items (i)-(vi) payable from said tax being \$36,502,000, (vii) paying any general obligation debt of the District issued in conjunction with the continuation of said sales and use tax, and (viii) paying expenses incident to accomplishing the foregoing. The principal amount of \$15,000,000 of these funds will be used for the issuance of general obligation debt of the Dawson School District for the above capital outlay purposes and for the payment of interest on such debt.

The 2020 SPLOST resolution noting that the resolution was for Dawson County Board of Education on behalf of the Dawson County School District to impose levy, and collect a one percent sales and use tax, for a maximum period of time of 20 calendar quarters beginning with the calendar quarter following the calendar quarter in which the sales and use tax for educational purposes presently in effect expires, and for the purpose of raising not more than \$48,000,000 of net proceeds by said tax, which net proceeds shall go to the Dawson County School District for the purpose of (i) adding to, renovating, repairing, improving, and equipping existing school buildings and school system facilities, (ii) acquiring and/or improving land for school system facilities, (iii) acquiring miscellaneous new equipment, fixtures and furnishings for the school system including technology equipment, software, tablets and laptops, and safety and security equipment, (iv) acquiring school buses and transportation and maintenance equipment, (v) acquiring books, digital resources and other media for the school system, (vi) constructing and equipping new school buildings and facilities and new educational space, including athletic, technological and academic facilities, with the maximum cost of the projects described in items (i)-(iv) payable from said tax being \$48,000,000, and (vii) paying any general obligation debt of the School District issued in conjunction with the continuation of said sales and use tax, and (viii) paying expenses incident to accomplishing the foregoing.

Audit Scope, Objectives, and Methodology

Audit Scope

Mauldin & Jenkins was 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 receipt and expenditure of sales tax proceeds for allowable SPLOST educational purposes.

The audit covers the year of the SPLOST program from July 1, 2019 to June 30, 2020. From a listing of disbursements made during the specified time frame, we tested a sample of SPLOST expenditures totaling \$1,349,672 or 26.8% of the total disbursements for the audit period.

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 maximum benefit from the dollars collected. The specific audit objectives were:

- To determine whether the schedule of projects adheres to the approved resolution adopted by the Dawson County School District,
- To determine that the reporting effectiveness between the School District and the Board of Education communicates the status of capital outlay projects to ensure that legislative, regulatory, and organizational goals and objectives were achieved,
- To determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts,
- To 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 capital project,

- To determine the reliability, validity or relevance of financial analyses to verify that cash flows conform to forecasted projections by project and priority, and that intended economic results are accomplished,
- To determine whether effective procedures exist to verify that design and construction of capital projects adhered to applicable quality control standards,
- To determine the effectiveness of financial controls in place to ensure that the receipt and expenditure of tax revenue funds are in compliance with applicable laws and regulations, and
- To determine whether management of the School District is following Board approved procurement policies and procedures.

Audit Methodology

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.

To ensure that the SPLOST performance audit is adequately planned, performed and supervised, we performed the following steps:

Planning

Prior to the conduct of the audit, we determined mutual expectations in performing the engagement and meeting time lines. 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 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 preliminary analytical review. We also performed a preliminary analytical review 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 risks for each identified objective. These assessments include an assessment of inherent and control risks to determine a combined risk assessment. Depending on the combined 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 Testing 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.

Reporting

At the conclusion of the performance audit, we prepared a preliminary report of findings and a written analysis of proposed recommendations in draft form. This preliminary report and analysis was presented to the School District's representative(s). Upon completion of the presentation and review of the report and analysis by the School District's representative(s), we provided a public report of the results of the annual performance audit.

Audit Results

Based on the results of our audit, we conclude that the Dawson 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: To determine whether the schedule of projects adheres to the approved resolution adopted by the Dawson County School District.

Procedures: We obtained a copy of the SPLOST 2015 and SPLOST 2020 Resolutions as approved by the Board of Education of the School District and the voters of Dawson County. Using a listing of disbursements for the period July 1, 2019 to June 30, 2020, we tested a sample of sixty (60) expenditures in order to ensure that spending of SPLOST funding was compliant with the approved activity in the resolution. For each disbursement we vouched the expenditure to supporting documentation, such as vendor invoices.

Results: Based on the results of our disbursement test, the expenditures tested were related to activities approved in the SPLOST resolution.

Objective #2: To determine that the reporting effectiveness between the School District and the Board of Education communicates the status of capital outlay projects to ensure that legislative, regulatory and organizational goals and objectives were achieved.

Procedures: We discussed the policies and procedures for communication with the Construction Manager and Chief Financial Officer. Per discussion with the Superintendent, he presents a verbal status report to the board each month that includes a project status update for all jobs under construction. The presentation may include details on the site work and architectural updates. The Superintendent prepares a comprehensive project update annually and presents it to the board at the December Board retreat. Based on our discussion with management, the process for communicating the construction and/or programmatic status of the SPLOST projects with the Board is documented and is presented formally at the School District's monthly Board meetings.

Results: Based on the results of the inquiries made and observation of the meeting, the School District has an effective method in place to communicate with the Board in regard to the financial and construction status of each project to ensure that legislative, regulatory, and organizational goals and objectives are achieved.

Objective #3: To determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts.

Procedures: We discussed the monitoring of expenditures versus budget with the Chief Financial Officer. The Chief Financial Officer maintains and reviews the monthly revenue and expenditure activity prior to verbal reports to the Board. Per discussion, the Chief Financial Officer strictly tracks expenses versus revenue by project and maintains a detailed spreadsheet. We viewed a monthly reconciliation prepared by the Chief Financial Officer to pay construction bills that tracks the net difference between bills incurred and funds received each month. We reviewed disbursements as described in Objective #1 for the Superintendents' approval and the Board Summary Report.

Results: Based on the results of inquiries made and review of reports, adequate processes are in place to monitor expenditures to ensure that actual project expenditures do not exceed budgeted amounts.

Objective #4: To 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 capital project.

Procedures: We discussed with management the monitoring procedures used to ensure projects are completed within project specifications, timelines, and approved budgets. Per discussion, the Construction Manager and Architect meet on a regular basis. The Construction Manager surveys the property weekly to ensure specifications and timelines are being kept. The Construction Manager monitors pay apps from the Architect and Contractor to ensure they are within board approved budgets. Additionally, we conducted a disbursement test, as described in Objective #1, to ensure that the Board 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 Program.

Results: Based on the results of inquiries made, review of disbursement packets and review of reports prepared for submission to the Board, the Board has an effective program in place to monitor program performance and to ensure the timely completion of each capital project within the projected timeline. Additionally, the Board has policies and procedures in place to ensure that expenditures incurred and paid are valid expenditures of the SPLOST projects.

Objective #5: To determine the reliability, validity or relevance of financial analyses to verify that cash flows conform to forecasted projections by project and priority, and that intended economic results are accomplished.

Procedures: In order to determine the reliability, validity, and relevance of financial analyses prepared by various staff involved in the SPLOST projects, we inquired as to the procedures performed in regard to the financial analyses. We reviewed the Fiscal Year 2020 SPLOST budget, noting all major projects and several others tested during our disbursement test were included and considered during the budgeting stage at the beginning of the fiscal year. We noted all projects considered were budgeted for reasonable amounts compared to the actual expenditures tested during our disbursement test. Per discussion with the Superintendent, he prepares a forecasted projection of cash inflows based on the previous year to set a conservative budget for projected inflows during the year to ensure the County does not over project expenditures. We then compared the Fiscal Year 2020 budget to historical SPLOST collections noting budgeted amounts were reasonable with expected outcomes based on prior year SPLOST collections. We also viewed SPLOST expenditure reports by month, prepared by the Chief Financial Officer, and noted they are comparable to budgeted amounts done at the beginning of the year.

Results: Based on the results of inquiries made, review of the SPLOST budget, review of SPLOST receipts projections, and review of SPLOST expenditure reports, the School District has an adequate process in place to monitor cash flows to ensure that financial analyses used for verifying that cash flows conform to forecasted projections by project and priority are reliable, valid, and relevant and that the intended economic results are accomplished.

Objective #6: To determine whether effective procedures exist to verify that design and construction of capital projects adhered to applicable quality control standards.

Procedures: We discussed procedures in place to monitor the design and construction of capital projects with the School District. The Construction Manager surveys the property weekly to ensure specifications and timelines are being kept. The Construction Manager monitors pay applications from the architect and Contractor to ensure accuracy and stay within board approved budgets. We obtained and reviewed the bid documents from the contractor for a sample of three projects out of twenty-three projects that were ongoing during the audit period. Per review of the bid documents, we noted quality specifications and certifications included from the contractor for all required parts of the projects. The Construction Manager also visits all projects on site to ensure the work is completed before he recommends to approve an invoice to be paid. Additionally, we conducted a disbursement test, as described in Objective #1, to ensure that the Board had policies and procedures in place to ensure that expenditures are properly approved by an individual who reviews the work on site to ensure that invoices submitted are valid in regard to work completed.

Results: Based on the results of inquiries made and review of reports compiled by the School District's Finance Department staff, effective procedures are in place to verify that the design and construction of capital projects adhere to applicable quality control standards.

Objective #7: To determine the effectiveness of financial controls in place to ensure that the receipt and disbursement of tax revenue funds are in compliance with applicable laws and regulations.

Procedures: We discussed financial controls in place with the Chief Financial Officer. The School System has an approval process in place whereby all expenditures are verified (goods have been received and/or work has been completed) before an invoice is approved for payment. Also, the Construction Manager must discuss all expenditures before they are incurred with the Chief Financial Officer in order for the Chief Financial Officer to transfer the funds over to the SPLOST expenditure account used. We obtained and reviewed the monthly financial reports submitted to the Board during the audit period. Additionally, as described in Objective #1, we performed a disbursement test over expenditures noting approval by the superintendent and that the expenditures were related to projects approved as per the SPLOST resolution.

Results: Based on the results of inquiries made discussing policies and review of disbursements as well as testing disbursements, effective financial controls are in place to ensure that the receipt and disbursement of tax revenue funds are in compliance with applicable laws and regulations.

Objective #8: To determine whether the School District is following Board approved procurement policies and procedures.

Procedures: In order to test the procurement practices of the Program, we obtained a copy of Board policy in regard to bids and procurements and held discussions with senior management. There were twenty-three projects during the year. We reviewed the procurement packages for three procurement contracts placed out for bid noting all policies set in place by the Board are being followed.

Results: Based on results of testing, the School District is following Board approved procurement policies and procedures.

Closing

This report is intended solely for the information and use of the Dawson County Board of Education and its management and other officials, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 16, 2020