

# ***Clayton County School System***

**Performance Audit on  
2010 SPLOST (IV) and 2015 SPLOST (V) Revenues**  
For the year ended June 30, 2017



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## Introduction

To the Members of the Board of Education  
Clayton County School System  
Jonesboro, Georgia

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 System 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 Clayton County voters in which 1% is added to the local sales tax for the purpose of funding School System building and renovation projects that would otherwise require financing through increasing residents’ 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 to be paid with SPLOST funds.

The 2010 SPLOST (SPLOST IV) funds are used to fund the School System’s 2010 Capital Improvements Program, specifically, to acquire, construct, and equip one new sixth through twelfth grade charter school and nine auxiliary gymnasiums (each for an existing high school); to complete one new elementary school currently under construction; to acquire land for future schools, new school buses and upgrades to existing school buses, and instruction and administrative technology improvements for existing schools; to add to, renovate, repair, improve, and equip existing school buildings, existing stadiums, an existing performing arts center, existing administrative, transportation, and maintenance facilities, and other buildings and facilities useful or desirable in connection therewith, and to acquire any necessary property therefore, both real and personal. The approved resolution for 2010 SPLOST tax revenue amount was up to \$280,250,000.

The 2015 SPLOST (SPLOST V) funds are used to fund the School System’s 2015 Capital Improvements Program, specifically, to acquire, construct, and equip security improvements at all schools and administrative facilities; to construct and equip one new kindergarten through fifth grade elementary school; to acquire, construct, and equip one new sixth through eighth grade middle school; to acquire new school buses, and to upgrade existing school buses; to improve school bus maintenance

facilities; to replace and acquire new service vehicles; to acquire property to construct and equip a fuel station; to acquire and improve system-wide technology improvements and equipment; to acquire personal devices and books for student instruction; to renovate, replace, repair, improve, and equip existing school buildings, stadiums, administrative buildings, maintenance buildings, and other School System facilities; and to acquire any necessary property for the foregoing purposes, both real and personal. The approved resolution for 2015 SPLOST tax revenue amount was up to \$280,250,000.

## **Audit Scope, Objectives, and Methodology**

### **Audit Scope**

Mauldin & Jenkins was engaged to conduct a performance audit of the 2010 and 2015 SPLOST programs. The audit focused on the School System'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 2010 SPLOST and 2015 SPLOST programs for the period July 1, 2016 through June 30, 2017. From a listing of all disbursements made during the specified time frame, we randomly selected 60 disbursements to test, which included payroll, engineering, consulting, and construction expenditures.

### **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 System 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 Clayton County Board of Education;
- To determine that the reporting effectiveness between the School System 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 the School System 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 timelines. We discussed policies and procedures, methodologies, and other relevant aspects of the School System's SPLOST program with relevant staff. We requested various schedules from the School System'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 perform 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 System'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. We also completed questionnaires to further document an understanding of the School System's internal controls. Utilizing our understanding of the control environment, we tested certain internal controls to provide further support for the audit.

### Preparation of a Tailored Audit Program

Based upon preliminary analytical review, control documentation, and testing, 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 System's representative(s). Upon completion of the presentation and review of the report and analysis by the School System'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 Clayton County School System's 2010 and 2015 SPLOST programs are operating in compliance with all applicable laws and regulations, the referendum approved by Clayton 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 Clayton County Board of Education (the Board).**

**Procedures:** We obtained a copy of the 2010 SPLOST and 2015 SPLOST Resolutions as approved by the Board of Education and the voters of Clayton County. Using a random number generator, we then selected a sample of 60 checks out of the 195 checks written during the period July 1, 2016 through June 30, 2017. A sample size of 60 was determined to be sufficient in order to test the transaction's processing and compliance with the approved SPLOST resolution. For each sample item, 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 projects approved in the SPLOST resolution.

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

**Procedures:** We discussed the policies and procedures for communication with the Board with management. Based on our inquiries, management prepares an executive summary and a cash flow analysis/construction update report for the Board each month. We obtained and reviewed all executive summaries and cash flow analysis reports submitted to the Board for the period July 1, 2016 through June 30, 2017.

**Results:** Based on the results of the inquiries made and review of reports submitted to the Board, the School System 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.

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**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 program management. Based on our inquiries, we ascertained that the Capital Projects/Fixed Assets Accountant receives all invoices for review and assigns the account distribution to each invoice to ensure budgeted monies are available. The Capital Projects/Fixed Assets Accountant monitors the balance in the Construction and Project accounts and transfers funds from other funding sources as needed with the approval of the Chief Financial Officer. The Board receives the cash flow analysis and SPLOST revenue collection reports each month. We reviewed the cash flow analysis and financial status reports for the period July 1, 2016 through June 30, 2017, noting reports were cumulative and included projects listed on the SPLOST IV and SPLOST V referendums.

**Results:** Based on the results of inquiries made and review of reports submitted to the Board, an adequate process is 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 the monitoring of projects with program management. Based on our inquiries, we ascertained that the SPLOST Administrator and the Construction Manager visit the sites on a regular basis, and Owner, Architect, Contractor (OAC) meetings are held with the architect on a bi-weekly basis. The SPLOST Administrator and the Construction Manager visit the sites on a regular basis and communicate any issues that have arisen. The status of projects is reported to the Board and Superintendent.

**Results:** Based on the results of inquiries made and review of reports prepared for submission to the Board, the School System 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 School System has policies and procedures in place to ensure that expenditures incurred and paid are valid expenditures of the SPLOST projects.

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**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:** M&J discussed financial analyses with program management. Per discussions with the Capital Projects/Fixed Asset Accountant, she prepares a financial status report with SPLOST revenue collection data each month. She receives all invoices and ensures account coding is proper and budgeted monies are available. She also monitors the balance in the Construction and Project accounts and transfers funds from other funding sources as needed with the approval of the Chief Financial Officer. The SPLOST Administrator prepares the monthly cash flow analysis to analyze actual versus projected revenues and to determine the potential revenues as well as to monitor SPLOST expenditures to date, estimated expenditures, and the availability of funds for future projects. We obtained copies of reports prepared and submitted to the Board for the period July 1, 2016 through June 30, 2017.

**Results:** Based on the results of inquiries made and review of reports submitted to the Board, the School System 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 adhere to applicable quality control standards.**

**Procedures:** We discussed procedures in place to monitor the design and construction of capital projects with program management. We obtained and reviewed the bid documents and construction meeting minutes for the projects procured during the audit period. We conducted a disbursement test, as described in Objective #1, to determine whether 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 verify that invoices submitted are valid in regard to work completed.

**Results:** Based on the results of inquiries made and review of reports compiled by School System Construction/Maintenance Department staff documenting its assessment of work performed, effective procedures are in place to verify that the design and construction of capital projects adheres to applicable quality control standards.

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**Objective #7: 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.**

**Procedures:** We discussed financial controls in place with program management. The Construction/Maintenance Department 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. Additionally, as part of our disbursement test, as described in Objective #1, we reviewed disbursements for proper approval and to verify that the expenditures were related to projects approved as per the SPLOST resolution.

**Results:** Based on the results of inquiries made, review of reports submitted to the Board, and results of our disbursement test, as described in Objective #1, effective financial controls are in place to ensure that the receipt and expenditure of tax revenue funds are in compliance with applicable laws and regulations.

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

**Procedures:** In order to test the procurement practices of the SPLOST Program, we held discussions with program management and documented our understanding of the procurement process. Per discussions with the SPLOST Administrator, invitations to bid, requests for proposals, addendums, and all award information is posted on the School System's website for the public. Invitations are also posted in the local newspaper. Proposals are only open to pre-qualified firms. When contracts are awarded, information regarding when the decision was approved by the Board is posted on the School System's website. Pre-bid conference attendance sheets, time stamped bid submissions and bid tabulations are kept on file. M&J reviewed procurement documentation for the projects procured during the period July 1, 2016 through June 30, 2017.

**Results:** Based on the results of inquiries made, review of the School System's website, and review of the bid documentation maintained by the Construction/Maintenance Department, the School System is following Board approved procurement policies and procedures.

## Closing

This report is intended solely for the information and use of the Board of Education of the Clayton County School System 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*

Macon, Georgia  
March 23, 2018