

Thomas County School System

Performance Audit on 2013 and 2018 SPLOST Revenues
For the Fiscal Year ended June 30, 2016



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Table of Contents

Introduction..... 3

Audit Scope, Objectives and Methodology..... 4

Audit Results..... 7

Closing 10

Introduction

To the Members of the Board of Education
Thomas County School System
Thomasville, 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 Thomas County voters in which one percent is added to the local sales tax for the purpose of funding building and renovation projects for the Thomas County School System (the “School System”) 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 School System works under the direction of the Thomas County Board of Education (the “School Board”) and its superintendent, and the projects selected for SPLOST funding are chosen by the School Board. The 2013 SPLOST was for raising up to \$45 million for both the Thomas County and City of Thomasville School Systems. Approximately \$28,350,000 (63%) of the 2013 SPLOST funds which shall be received by the Thomas County School System are to be used specifically for the purposes of renovations, new construction, improvements to and equipment for Hand-in-Hand Primary, Garrison Pilcher Elementary, Cross Creek Elementary, Thomas County Middle, and Thomas County Central High Schools; renovations and/or new construction of facilities for specials schools and programs including Bishop Hall Charter School, CrossRoads Alternative School, Pathways, the PREP Academy, and Science, Technology, Engineering, and Math programs; renovation or new construction of facilities for central services including administrative and support buildings, maintenance facilities, central storage facilities and warehousing; renovations, additions, and/or modifications to the fine arts auditorium; acquisition of school buses, maintenance and other motor pool vehicles, driver education vehicles, mowers, forklifts, maintenance equipment including floor machines and other tools; acquisition of system-wide classroom and administrative technology including software systems for the individual schools and programs and for the school system, adaptive technology for special needs students, laptop computers, video conferencing equipment for the schools and the central office, netbooks, and e-readers; renovations, construction, and/or improvements to athletic facilities and equipment to

include new lighting; cheerleading and wrestling mats; new locker rooms and equipment, storage facilities, fencing, signage, seating renovations and replacement; restroom and concessions renovation or new construction; drainage improvements; support facilities; other equipment and landscaping; property acquisitions; and textbooks, classroom maps and globes.

The 2018 SPLOST was for raising up to \$42 million for both the Thomas County and City of Thomasville School Systems. Approximately \$28,140,000 (67%) of the 2018 SPLOST funds which shall be received by the Thomas County School System are to be used specifically for the purposes of renovations, new construction, improvements to and equipment for Hand-in-Hand Primary, Garrison Pilcher Elementary, Cross Creek Elementary, Thomas County Middle, and Thomas County Central High Schools; renovations and/or new construction of facilities for special schools and programs including Bishop Hall Charter School, GNETS/Pathways, the PREP Academy, the Renaissance Center, and Science, Technology, Engineering, and Math programs; renovation or new construction of facilities for central services including physical plant, administrative and support buildings, maintenance facilities, central storage facilities and warehousing; renovations additions, and/or modifications to classrooms, multi-purpose rooms, storage areas, lab spaces, playgrounds, and other facilities to support new programs and to accommodate growth in enrollment; acquisition of school buses, maintenance and fleet vehicles, system-wide communication to include all buses, maintenance vehicles, the board of education office, and all schools, improvements to bus parking area including fuel pumps and tanks, HVAC system, improvements and tools/equipment to the bus garage; acquisition of system-wide classroom and administrative technology including computers, printers, and other technology and upgrades to camera, telephone, intercom, security and fire alarm systems; new textbooks and/or new/upgraded digital content; renovations, construction, and/or improvements to athletic facilities and equipment to include new baseball/softball fields, new lighting, construction of new dugouts, new tickets booths for softball and baseball games, a support/storage building, seating at baseball and soccer fields, football stadium improvements, new scoreboards and improvements to athletic fields; drainage improvements; support facilities; other equipment; and landscaping; and property acquisitions.

Audit Scope, Objectives and Methodology

Audit Scope

Mauldin & Jenkins was engaged to conduct a performance audit of the 2013 and 2018 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 period from July 1, 2015 to June 30, 2016. From a listing of all disbursements made during the specified time frame, we selected sixty two (62) disbursements to test. This included 60 checks as well as two (2) bond payments.

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 Thomas 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 are 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 adhere 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 time lines. 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 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 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 over the expenditures of the SPLOST program. 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. After obtaining and incorporating management comments in our report and upon completion of the presentation and review of the report and analysis by the School System's representative, 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 Thomas County School System's 2013 and 2018 SPLOST Programs are operating in compliance with all applicable laws and regulations, the referendums 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 Thomas County Board of Education

Procedures: We obtained a copy of the 2013 and 2018 SPLOST Resolutions as approved by the Board of Education and the voters of Thomas County. Using a random number generator, we then selected a sample of sixty (60) checks out of the four hundred seventeen (417) checks written during fiscal year 2016. A sample size of sixty (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. Additionally, we reviewed the two bond payments disbursed during the audit period.

Results: Based on the results of our disbursement test, all of the expenditures tested were related to projects approved in the SPLOST resolutions. The bond payments were noted to be related to bonds issued in order to provide advance funding for the SPLOST projects.

Objective #2: 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 are achieved.

Procedures: We discussed the policies and procedures for communication with the Board with senior management. Based on our inquiries, management prepares a financial report for the Board each month. Additionally, management provides an oral report of the status of the SPLOST construction projects to the Board during monthly meetings. We obtained and reviewed all twelve (12) monthly financial reports submitted to the Board, and reviewed Board minutes for the audit period, noting inclusion of a presentation of the financial reports and oral reports of the status of the SPLOST projects.

Results: Based on the results of the inquiries made, review of reports submitted to the Board, and Board minutes, the School System has an effective method in place to communicate with the Board in regard to the 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 senior management. Based on our inquiries, we ascertained that the Assistant Superintendent for Finance and Operations reviews and approves all project expenditures. As he reviews and approves each transaction, he updates his cash flow analysis worksheet, which he uses to monitor SPLOST program budget to actual expenditures by project. We reviewed disbursements as described in Objective #1 for the Assistant Superintendent for Finance and Operations' approval. We also reviewed the cash flow analysis worksheet.

Results: Based on the results of inquiries made and review of disbursements as part of our disbursement test, 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 senior management. Based on our inquiries, we ascertained that during construction projects, management visits the sites at least weekly and attends meetings with the architect and contractor at least monthly. Additionally, the architect visits the sites routinely and then contacts management with any status updates or concerns. We reviewed all the available minutes from the meetings with the contractor and architect for the projects in progress during the audit period. We also conducted a disbursement test, as described in Objective #1, to test 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 and to verify that invoices submitted are valid in regard to work completed.

Results: Based on the results of inquiries made, review of financial reports prepared for submission to the Board, and review of construction meeting minutes, 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: Per discussions with senior management, management prepares a financial report including, by project, revenues and expenditures to date, budgets, and projected expenditures and revenues. We obtained and reviewed the twelve (12) financial reports submitted to the Board during the audit period.

Results: Based on the results of inquiries made, review of reports submitted to the Board, and cash flow analyses, 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 senior management. We obtained and reviewed the bid documents, construction meeting minutes, and architect field reports for the projects in progress during the audit period, as fully described in the procedures for Objective #4. Additionally, 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 and to verify that invoices submitted are valid in regard to work completed.

Results: Based on the results of inquiries made, review of bid documents, construction meeting minutes, and review of disbursements, 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 expenditure of tax revenue funds are in compliance with applicable laws and regulations

Procedures: We discussed financial controls in place with senior management. We obtained and reviewed the twelve (12) monthly financial reports submitted to the Board during the audit period. Additionally, as described in Objective #1, we performed a disbursement test over expenditures.

Results: Based on the results of inquiries made, review of financial reports submitted to the Board, and results of our disbursement test, 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 obtained a copy of Board policy in regard to bids and procurements, and held discussions with senior management. We then reviewed the procurement process and related documents, denoting evidence that Board procurement policies and procedures were followed for all projects procured during the audit period.

Results: Based on inquiries made and our review of procurement documents, the School System is following Board approved policies and procedures.

Closing

This report is intended solely for the information and use of the Board of Education of Thomas 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
January 23, 2017