

COBB COUNTY

BOARD OF EDUCATION

SPLOST IV Performance Audit

Fiscal Year Ended December 31, 2015

To the Superintendent, Board Members, and
Management of the Cobb County Board of Education
440 Glover Street
Marietta, Georgia 30060

The Official Code of Georgia Annotated §20-2-491 requires a performance audit or review on educational sales tax expenditures of a School District if that sales tax generates \$5 million or more. The performance audit should be designed and executed so that:

1. It provides assurance to the "maximum extent possible that the tax funds are expended efficiently and economically, so as to secure to the expending School District the maximum possible benefit from the tax dollars collected"
2. Public reports are issued at least once a year, to provide insight as to the extent that funds are being expended efficiently and economically in order to maximize the benefit from tax collections as described in (1) above.
3. Periodic public recommendations are issued at least once a year for the purpose of improving the School District's operations in regards to efficiently and economically maximizing the use of the educational sales tax collections.

On March 19, of 2013, the voters of Cobb County approved by referendum the establishment of a special local option sales tax (SPLOST) in which one percent is added to the local sales tax in order to (1) acquire and prepare land for the construction of new or replacement schools and the expansion of existing schools, (2) construct and equip six new or replacement schools, (3) constructing, modifying, enhancing, and equipping classrooms or instructional units system-wide (as additional classrooms to existing schools or as all or part of new schools as Cobb County School District needs dictate), and making additions to and/or renovating, modifying and equipping existing schools and facilities, (4) upgrading buildings and facilities and making infrastructure improvements (for example, roofing, plumbing, electrical, lighting, wiring, painting, water piping, HVAC, ADA renovations, energy management systems, repaving, safety and security, etc.), (5) making system-wide technology improvement, including but not limited to: acquisition and installation of instructional, technology, security, safety and support, and information systems hardware, and associated software and accessories, and infrastructure at all schools and selected other facilities, and, (6) replacing, purchasing upgrading or supplementing capital equipment including but not limited to, desks, chairs, tables, school buses, support vehicles, books, hardware/software, security and safety equipment, tractors, laboratory equipment, etc. Total collections of the Cobb County SPLOST IV are not to exceed \$717,844,707. Collections began in January 2014 and will expire in December 2018.

Audit Objectives

The primary objective of a performance audit of educational sales tax expenditures is to determine that sales tax dollars are being disbursed efficiently and economically so the School District receiving the funds is obtaining the maximum benefit possible from the tax dollars collected. This is achieved through the design and execution of a series of procedures to meet more specific audit objectives in order to determine that:

1. Construction projects and equipment purchases were executed in accordance with the SPLOST IV resolution approved by the Cobb County School District.
2. The School District has established and adhered to specific policies regarding the requisitions and approvals and the selection of contractors for its construction projects and vendors for significant equipment purchases.
3. Management is monitoring the progress of construction projects through routine status checks on site in addition to continual budget versus actual comparisons throughout all phases of construction.
4. To verify there is effective communication to the Board of Education on the status of SPLOST IV projects and on any issues that may arise during the course of a SPLOST cycle such as lower than projected collections and major construction project change orders.
5. Accumulated sales tax proceeds are invested in a manner that yields a competitive investment return for the School District while remaining compliant with the deposit and investment guidelines set forth by the State of Georgia.

Audit Scope

The Cobb County School District engaged Williamson & Company, CPA's to conduct the annual performance audit of the District's SPLOST IV program for the year ended December 31, 2015. In order to complete the performance audit, we examined a sample of disbursements made with SPLOST IV funds during the fiscal year, reports and schedules related to various construction projects funded through SPLOST IV collections, applicable statements from financial institutions, and the School District's purchasing and procurement policies as they relate to the type of expenditures paid for with SPLOST IV funds. We also conducted interviews with selected School District employees with duties that are directly related to the administration of the SPLOST IV program. The purpose of our audit was to report on the School District's administration of the SPLOST IV program, therefore no procedures were performed on any of the School District's other SPLOST programs operating in 2015.

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.

In order to achieve the objectives of this performance audit we:

- Developed an adequate plan that facilitates an efficient and effective performance audit of the School District's SPLOST IV program
- Obtained an understanding of the policies, procedures, and personnel involved, along with the provisions of local laws and regulations as they pertain to the School District's current SPLOST IV resolution
- Gained an understanding of the internal control's employed by the School District to ensure SPLOST IV funds are being deposited, maintained, and disbursed in a manner that is within the guidelines set forth by the State of Georgia and local legislation
- Designed effective procedures to achieve the audit objectives and provide a reasonable basis for our conclusions including findings, comments, and recommendations
- Summarized our objectives, scope, methodology, and conclusion in a written audit report

The following documents were obtained and procedures performed in order to form our conclusions on the Cobb County School District's SPLOST IV program for the year ended December 31, 2015:

- Reviewed Official Code of Georgia Annotated §20-2-491, which sets forth the requirements related to SPLOST performance audits
- Reviewed the SPLOST IV resolution that was approved in March 2013, which the School District operated under during the year ended December 31, 2015
- Interviewed management and staff of the School District that are involved with the administration of the SPLOST IV program
- Reviewed the School District's policies and procedures relating to deposits, purchasing, disbursements, and the procurement and contracting of goods and services
- Obtained and reviewed the bank statements for the year of both SPLOST IV accounts.
- Obtained the general ledger detail for the SPLOST IV fund for disbursement sample selection
- Obtained and reviewed documentary evidence that supports our conclusions in regards to the School District's use of SPLOST IV funds.

COBB COUNTY SCHOOL DISTRICT

SPLOST IV Performance Audit

December 31, 2015

Results of Audit Procedures

Based on the results of our audit procedures, we have determined that the Cobb County School District's SPLOST IV program is operating within the guidelines set forth by the State of Georgia and the local resolution passed by voters and approved by the School Board. A detailed description of the objectives, procedures, and conclusions are as follows:

Objective 1 Projects and Purchases – To determine if construction projects and equipment purchases were executed in accordance with the SPLOST IV resolution approved by the Cobb County Board of Education.

Procedures – We reviewed the SPLOST IV resolution that the School District operated under for the year ended December 31, 2015 to determine the types of expenditures that were allowed. Next, we obtained the general ledger and compared the amounts recorded in the financial accounting system with amounts maintained on separate subsidiary schedules that accounting uses to track the SPLOST IV expenditures. From the client's subsidiary SPLOST IV disbursement schedules, we selected a sample of 59 SPLOST IV disbursements totaling \$35,471,964. This sample represented 30.7% of total SPLOST IV expenditures for the year. From this sample, we examined the supporting documentation to confirm that the transactions were recorded in the proper period, amounts recorded matched the invoice, and the nature of the expenditure was within the parameters set forth by the resolution.

Conclusion – Within the 59 transactions examined, we did not identify any transactions that were not permitted by the SPLOST IV resolution under audit or that were recorded in the incorrect period.

Revenues	Original Budget	Revised Budget	Revenues Prior Periods	Revenues Current Period	Total Revenues
SPLOST IV Revenues	\$ 717,844,707	\$ 695,428,588	\$ 112,456,051	\$ 127,875,166	\$ 240,331,217
SPLOST IV Interest	-	220,349	67,103	153,245	220,348
State Capital Outlay Funds	-	22,195,770	248,065	1,984,941	2,233,006
Total SPLOST IV Revenues	<u>\$ 717,844,707</u>	<u>\$ 717,844,707</u>	<u>\$ 112,771,219</u>	<u>\$ 130,013,352</u>	<u>\$ 242,784,571</u>

Expenditures	Original Budget	Revised Budget	Expenditures Prior Periods	Expenditures Current Period	Total Expended
New/Replacement Facilities	\$ 175,516,848	\$ 186,516,652	\$ 364,268	\$ 10,118,266	\$ 10,482,534
Land	10,000,000	10,000,000	5,303,902	4,696,078	9,999,980
Additions/Modifications	130,301,447	147,211,975	3,097,387	23,216,701	26,314,088
Infrastructure/Individual School Needs	179,038,277	142,864,421	1,281,157	9,996,603	11,277,760
Safety and Support	97,937,300	97,615,928	4,906,134	15,801,094	20,707,228
Curriculum/Instruction/Technology	125,050,835	125,050,835	22,715,135	50,132,200	72,847,335
Program Management	-	8,469,956	1,025,177	1,771,529	2,796,706
General Contingency	-	114,940	-	-	-
Total SPLOST IV Expenditures	<u>\$ 717,844,707</u>	<u>\$ 717,844,707</u>	<u>\$ 38,693,160</u>	<u>\$ 115,732,471</u>	<u>\$ 154,425,631</u>

Objective 2 Policies and Procedures – To verify that the School Board has established and adhered to specific policies regarding the requisitions and approvals and the selection of contractors for its construction projects and vendors for significant equipment purchases.

Procedures – From the disbursement sample selected in Objective 1, we interviewed procurement personnel and examined the supporting documentation to verify that expenditures and disbursements are being executed in accordance with the School District's purchasing policy. We also examined the procurement documents for the Lost Mountain Middle School and Teasley Elementary School projects that started during the 2015 audit period to test the School District's adherence to its procurement policy for capital projects.

Conclusion – Based on the procedures performed on the SPLOST IV disbursement sample, and the bid file examination for the Lost Mountain Middle School and Teasley Elementary School projects, the School District appears to be following its policies and procedures in regards to purchases, disbursements, quotes, and projects requiring the submission of formal proposals.

Objective 3 Monitoring - To verify that management is monitoring the progress of construction projects through routine status checks on site in addition to budget versus actual comparisons at various stages of construction.

Procedures – Through correspondence with the Senior Executive Director of SPLOST for the School District, we updated our understanding of the School District's procedures in place that facilitate a strong line of communication from the construction site to the School Board. We also obtained and reviewed other pertinent documents such as weekly job progress reports, budget to actual comparisons, and the minutes of the monthly School Board meetings. The School District has formed the Facilities and Technology Citizen's Oversight Committee in order to provide transparency and oversight of the SPLOST IV program to its constituents. Each Board member appoints two members of the committee and the Superintendent selects one. The Committee meets monthly and prepares an annual report on the SPLOST IV program. We compared the 2015 annual report of the Committee to the SPLOST IV project summary reports for the year with no significant exceptions noted.

Conclusion – Based on our discussions with management and evidence obtained and reviewed that supports those discussions, the School District appears to have sound procedures in place for the continual monitoring of construction projects from the beginning to the end of the project.

Objective 4 Communication – To verify there is effective communication to the Board of Education on the status of SPLOST IV projects and on any issues that may arise during the course of a SPLOST cycle such as lower than projected collections and major construction project change orders.

Procedures - The School District has formed the Facilities and Technology Citizen's Oversight Committee in order to provide transparency and oversight of the SPLOST IV program to its constituents. Each Board member appoints two members of the committee and the Superintendent selects one. The Committee meets monthly and prepares an annual report that summarizes the year's activity of the SPLOST IV program. We reviewed the minutes of the 2015 meetings of the Committee and the annual report that was produced for the year ended December 31, 2015. We also reviewed the School Board meeting minutes and observed that construction updates were uploaded onto the website for public access.

Conclusion – Through the use of the Facilities and Technology Citizen's Oversight Committee and status reports that flow from the job site to the Senior Executive Director, and then to the Board, we believe the communication function of the SPLOST IV program is operating effectively and efficiently.

Objective 5 Cash and Investment Accounts – To determine that SPLOST IV funds are being deposited in accordance with Official Code of Georgia Annotated guidelines and that the disbursements made from the SPLOST IV accounts during 2015 were approved SPLOST IV expenditures or transfers. Also to determine if accumulated unspent SPLOST IV proceeds are invested in a manner that yields a competitive investment return for the School District while remaining compliant with the deposit and investment guidelines set forth by the State of Georgia.

Procedures – We obtained and examined all 2015 bank statements for the two accounts that are used for the SPLOST IV program and followed the flow of funds from deposit to payments for goods and services, or transfers between SPLOST IV accounts. We also discussed the School District's policy for accumulated SPLOST IV funds that have been collected and not disbursed. We also examined the statement of collateralization from the financial institution that holds the unspent SPLOST IV funds to verify that any excess SPLOST IV funds are being maintained responsibly and within the guidelines set forth by the Official Code of Georgia Annotated.

Conclusion – Based on our discussions with management and examination of SPLOST IV bank records, deposits, disbursements, and transfers, the SPLOST IV program is operating within the compliance requirements of the State of Georgia and the policies and procedure established by the School District for SPLOST administration. Accumulated SPLOST IV funds are held in accounts that are offering competitive yields with financial institutions currently doing business in Georgia until being disbursed for goods and services.

This report is intended solely for the information and use of the Cobb 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.

Williamson + Company

Williamson and Company
Certified Public Accountants
Cartersville, Georgia
April 30, 2016