

*Gilmer County  
School District*

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

**For The Year Ended June 30, 2020**



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# Table of Contents

*Introduction*..... 3

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

*Audit Results*..... 6

*Closing* ..... 10

## Introduction

To the Members of the Board of Education  
Gilmer County School District  
Ellijay, 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 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 Gilmer County voters to impose, levy, and collect a one percent sales and use tax for the purpose of funding Gilmer County School District (“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 Gilmer 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 \$25,000,000. Gilmer County School District is provided the funds for the purpose of acquiring, constructing, and equipping the following capital outlay projects: (a) technology to be used to support all facilities for teaching and learning at all facilities, including computers, laptops, tablets, mobile devices, servers, wiring, wireless antennas, and other technology upgrades with necessary hardware, software and programs; (b) the purchase of new school buses, fleet maintenance vehicles, and equipment; (c) renovations and improvements at Gilmer High School in the student common areas, restrooms, classrooms, media center, and other areas; (d) an agricultural complex including a show barn, a new cannery and other agricultural related support facilities and equipment; (e) athletic facilities renovations and improvements including a new track, turf fields, a practice field for band, athletics, and extracurricular activities, bleachers, and stadium improvements and equipment; and (f) acquisition, construction, and equipping of real and personal property, site improvements, safety and security equipment, renovations, additions and improvements to facilities and upgrades; in accordance with the facilities plans of the School District. The levy shall also constitute approval of the issuance of general obligation debt of the Gilmer County School District in the principal amount of \$12,500,000 for the above capital outlay purposes and for the payment of capitalized interest on such debt.

The 2020 SPLOST resolution for Gilmer 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 \$28,000,000. Gilmer County School District is provided the funds for the purpose of the acquisition, construction, and equipping the following capital outlay projects: (a) upgrading the technology used to support teaching and learning at all facilities, including the purchase and installation of computers, laptops, tablets, mobile devices, servers, wiring, wireless antennas, and other technology upgrades with necessary hardware, software, and programs; (b) the acquisition, construction, equipping, and installation of safety and security equipment to improve security in all facilities located within the School District; (c) the purchase of new school buses; (d) the acquisition, construction, and equipping of a new elementary school to replace the current Ellijay Primary School; and (e) the acquisition, construction, and equipping of a new performing/fine arts center; all in accordance with the facilities plans of the School District. The levy shall also constitute approval of the issuance of general obligation debt of the Gilmer County School District in the principal amount not to exceed \$15,000,000 for the above capital outlay purposes and for the payment of capitalized interest on such debt.

## 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 \$901,516 or 19% 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 Gilmer County Board of Education,
- 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 Gilmer 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 Gilmer County Board of Education.

**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 Gilmer 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.

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**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 Superintendent and Finance Director. Per discussion with the Superintendent, she emails a written status report to the Board that includes an update on anything that needs to be reported and a Project/Budget Sheet detailing the project status and estimated percentage completion for all jobs under construction. She presents this on a monthly basis or as needed according to the progress of the project. The Finance Director prepares monthly board packets to present to the Board that include SPLOST funds received and expended during the month as well as a bank reconciliation and cash balance report. 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 at the School District's monthly Board meetings.

**Results:** Based on the results of the inquiries made and observation of the meeting minutes and monthly financial reports, 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.

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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 the Finance Director. The Superintendent maintains and reviews the Board Summary Report showing the monthly revenue and expenditure activity prior to the Finance Director providing the reports to the Board. We viewed a monthly reconciliation prepared by the Finance Director to pay construction invoices that tracks the net difference between expenditures incurred and taxes received each month. We reviewed disbursements as described in Objective #1 for the Superintendent's 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.

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**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 the Superintendent. Per discussion, the Superintendent visits each site frequently to monitor progress of the project. Additionally, the Superintendent meets with the Architect and Contractor while projects are ongoing. For each project, they discuss the status of the project and any project concerns. They also discuss significant upcoming invoices with the Architect and Contractor to gain an understanding of its use prior to approval. The Superintendent signs off once she approves any work done on the project, and it is taken to the finance department for recording. Additionally, we conducted a disbursement test, as described in Objective #1, 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 Program.

**Results:** Based on the results of inquiries made, review of disbursement packets and review of reports prepared for submission to the Board, the School District 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 District 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:** 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 Finance Director, she prepares a forecasted projection of cash inflows equal to the inflows from the previous year to set a conservative budget for projected inflows during the year to ensure the project expenditures do not exceed inflows. 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 Finance Director, 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 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.

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**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 Superintendent. The Superintendent also uses an architect to help oversee quality control aspects of each project. Per discussion with the Superintendent, the architect and School District review all project proposals, which outlines the standards and quality of materials that will be used on the projects. We obtained and reviewed the bid documents from the contractor for a sample of 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 project. The Superintendent also visit all projects on site to ensure the work is completed before the Superintendent approves an invoice to be paid. Additionally, we conducted a disbursement test, as described in Objective #1, to ensure that the School District 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, effective procedures are in place to verify that the design and construction of capital projects adhere 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 disbursement of tax revenue funds are in compliance with applicable laws and regulations.

**Procedures:** We discussed financial controls in place with the Finance Director. The School District 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 Superintendent must approve all expenditures before they are provided to the Finance Director in order for the Finance Director to transfer the funds over to the SPLOST expenditure bank account used. We obtained and reviewed the monthly financial reports submitted to the Board during the audit period. Included within the reporting package was a period-to-date and year-to-date summary of information, including receipts and disbursements by project. 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 reports 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.

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**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 eleven new projects during the year. We reviewed the procurement packages for two 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.

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## Closing

This report is intended solely for the information and use of the Gilmer County School District 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  
December 20, 2020