



**COBB COUNTY SCHOOL DISTRICT**

**REPORT OF AGREED UPON PROCEDURES**

*on the*

**SPECIAL PURPOSE LOCAL  
OPTION SALES TAX (SPLOST)**

**December 31, 1999**

## Table of Contents

	<u>Page</u>
<b>Independent Accountants' Report on Applying Agreed Upon Procedures</b>	
Disbursement of SPLOST Funds.....	2-3
Adequate Administrative Controls.....	3-4
Comparable Construction Expenditures.....	4-6
Technological Expenditures Are Reasonable .....	6-7
Investment of the Sales Tax Bond Proceeds .....	7
General Overview .....	8
<b>Schedule of Findings, Recommendations and Administrative Responses</b>	
Disbursement of SPLOST Funds.....	9
Adequate Administrative Controls.....	9
Comparable Construction Expenditures.....	9
Technological Expenditures Are Reasonable .....	10-14
Investment of the Sales Tax Bond Proceeds .....	14



ANDERSON, HUNT AND COMPANY, LLC  
1950 NORTH PARK PLACE, SUITE 600  
ATLANTA, GEORGIA 30339-2044  
(770) 952-6557  
(770) 951-2674 FAX

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Cobb County Board of Education  
Marietta, Georgia 30061

We have performed the procedures enumerated below, which were agreed to by the Cobb County Board of Education, the specified user, solely to assist you with respect to the accounting records of the Cobb County School District Special Purpose Local Option Sales Tax (SPLOST) Fund for the calendar year January 1, 1999 to December 31, 1999. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We performed an examination of projects and expenditures related to the SPLOST issue that was approved by voters in September 1998. The objective of these procedures was to ensure that the public's expectations for **efficiency**, **fiscal responsibility** and **accountability** are being met. The procedures detailed below will be tested over a five-year period beginning with the calendar year ended December 31, 1999 through the fiscal year ended December 31, 2003. This report tests only the calendar year January 1, 1999 to December 31, 1999.

We were required to make an immediate, written report of any irregularities and illegal acts of which we became aware of to the Cobb County Board of Education. No irregularities or illegal acts were detected during our procedures.

Our procedures and findings were as follows:

**DISBURSEMENT OF SPLOST FUNDS**

**Objective:**

The sales tax proceeds are being disbursed in a fiscally responsible manner and in compliance with the SPLOST resolution approved by the Board on May 13, 1998.

The revenue generated from the 1% sales tax increase is expected to total \$626,772,687 over five years and was approved by the voters in September, 1998 in order to fund the building of 12 new schools, add classroom space and other additions to existing buildings, renovate and restore deteriorating school buildings, add safety improvements to school facilities and grounds, and add technology hardware to classrooms. The Board of Education has pledged \$115 million of the above amount to roll back property tax rates and reduce the school system's debt. Since SPLOST was passed the millage rate has been reduced 2.28 mills.

The SPLOST fund's remaining \$511,772,687 will be used for twelve new schools, major renovations on various existing schools to add classroom space, add safety features to schools and their grounds, and add technology hardware to classrooms. These improvements and new schools are needed based on the climbing enrollment rates. At the end of 1999 there were 93,472 students enrolled in Cobb County and by the year-end of 2002 there is expected to be 101,440 students. The above mentioned projects have been planned to coincide with the influx of revenue from SPLOST. These budgeted SPLOST expenditures by categories are as follows: New schools/property/land \$237,163,324, New additions/renovations \$65,645,975, Renovation/restoration/school requests \$85,453,325, Curriculum and technology, \$75,177,500, and Support and safety improvements \$48,332,563.

**Procedures:**

For purposes of this objective, we defined fiscally responsible as:

Able to pay one's debt	Creditworthy
Financially secure	<u>Sound</u>
Solvent	Debt-free
Not debt ridden	In good shape

The best definition applied to the District in order to achieve the objective is Sound. Is the District disbursing funds in a sound manner? Sound can be further defined as the following, along with our specific procedures:

**Legal** - The District has obtained signed contracts for all Construction Projects. The Architects' and Contractors' contracts were examined during testing of the sample of construction projects. The District appears to be spending SPLOST funds within the budget.

**Dependable** - Based upon testing of compliance with the resolution and actual projects which are being pursued by the District, it appears that the District will, at this point, achieve, and can be relied on to complete, all of the projects that were contained in the resolution.

**Practical** - Per review of the scope of the projects, while we are not construction experts, the schools appear to be built or renovated in a very practical manner with no extravagant building techniques.

**Thrifty** - The District receives bids in order to obtain the lowest price for facilities and technology projects. We reviewed the bid packets and summary bid sheets for all projects in the sample.

**Appropriate** - The District appears to be addressing the needs for additional schools and are spending the SPLOST funds on new schools and additional technology in the existing schools, per testing of the expenditures of specific school projects.

We traced the information contained within the SPLOST resolution adopted on May 13, 1998 to individual school contracts, which detailed the project and the proposed budget for the projects. The contracts were then traced to the SPM2040 report, which is a SPLOST management report that sums project categories. That report details the activity, by project, for each school and presents the original budget, revised budget, expended to date, encumbrances, and available funds (revised budget minus expended to date and encumbrances).

**Findings:**

No exceptions were noted during the testing performed above. The District appears to be disbursing the SPLOST funds in a fiscally responsible manner and in compliance with the resolution.

**ADEQUATE ADMINISTRATIVE CONTROLS**

**Objective:**

Adequate administrative controls have been established to ensure the proper management of the sales tax proceeds received by the District.

**Procedures:**

We interviewed Glen Brown, SPLOST Accountability Manager, Larry Wall, Cobb County School District Construction Manager, Bob Shaw, Cash Manager, David McKenna, Technology Services Division, and Bonnie Tedder, Administrative Assistant Financial Services/SPLOST Financing to ascertain the procedures they undergo in the management of the SPLOST funds. The interviews were used as a basis to determine administrative controls, which were used to test the actual procedures performed in the departments above. During the interviews, we obtained information on who approves invoices for SPLOST-related expenditures, who authorizes transfers from the bank account which holds the SPLOST funds for the payment of the SPLOST-related expenditures, and detailed procedures of the project's bid process.

We examined, as explained above, the construction files and invoices of construction projects for the schools being built or under renovation and technological improvements to determine that the administrative controls were adequate.

**Findings:**

No exceptions were noted during the testing performed above. The administrative controls appear adequate to ensure the proper management of the SPLOST funds.

**COMPARABLE CONSTRUCTION EXPENDITURES**

**Objective:**

The District's construction project expenditures are comparable to other school system building construction program expenditures in the Metro Atlanta area.

**Procedures:**

We contacted the Metropolitan Regional Educational Service Agency (MRESA), in order to obtain a survey of the Metro Atlanta Schools that have had building projects for the last five years. However, they had not performed such a survey since 1997. We performed substantive audit procedures of the District's historical construction costs of new and renovated schools by conducting telephone interviews with the appropriate construction managers of other school districts in the Metro Atlanta area.

**Findings:**

Based upon interviews with various construction personnel and review of the historical costs of the District's construction projects, the current cost estimates appear to be comparable, considering inflation and other factors.

To determine accurate, comparable construction costs for the other metro systems, we contacted several school systems in the metro area and determined if any new schools were being built in that district and what the price per square foot of the construction was based on the type of school being built. We still must caution you to consider the different architectural designs, to which we can not put a cost.

We used the above mentioned interviews to compile the average price per square foot per school type constructed. (The average below includes the construction costs only, and excludes land, furniture and technology improvements.):

Elementary Schools	
	<u>System Average Actual Cost</u>
Dekalb	\$ 86
Rockdale	95
Douglas	64
Fulton	82
<b>Cobb (budget)</b>	<b>65</b>
Gwinnett	<u>55</u>
Average	<u>\$ 75</u>
Middle Schools	
	<u>System Average Actual Cost</u>
<b>Cobb (budget)</b>	<b>\$ 71</b>
Dekalb	90
Fulton	<u>84</u>
Average	<u>\$ 82</u>
High Schools	
	<u>System Average Actual Cost</u>
Dekalb	\$ 83
<b>Cobb</b>	<b>80</b>
Douglas	80
Marietta City	<u>95</u>
Average	<u>\$ 85</u>

Per the chart above, Cobb County School District is below the average actual cost for each type of school.

### **TECHNOLOGICAL EXPENDITURES ARE REASONABLE**

#### **Objective:**

The District's technological expenditures are reasonable considering the volatile market environment for these products.

#### **Procedures:**

Reviewed bids from technological vendors to determine that the lowest bid is being approved. Reviewed invoices to determine that expenditures were charged correctly to the SPLOST fund and these expenditures traced back to the appropriate Request for Proposals (RFP) approved by the Board.

We reviewed all invoices from Dell Computers, and selected other technological vendors for the fiscal year ending December 31, 1999. We selected vendors that represented a material portion of the SPLOST fund expenditures for technology.

We chose vendors that not only related to computers but all areas of technology such as Apple Computers, Emtec Inc., IKON Office Solutions, Troxell Communications, Aves Audio Visual Systems, Pyramid School Products, and Nisewonger Audio Visual Center. These invoices were reviewed to determine that they were for the appropriate year, charged to the correct fund and the expenditure did, in fact, tie back to the Board approved RFP related to that vendor.

#### **Findings:**

There were some minor differences found regarding the Compaq invoices. Some Compaq invoices did not explicitly mirror the Board approved RFP amounts. However, these amounts totaled \$3,651 out of \$138,642 of invoices reviewed. The line items on the Compaq invoices did not tie to the Board approved RFP and because this bid had been closed since March 1999 there were no other additional RFPs to review.

A RFP response provided by Purchasing for CablePro did not match some of the invoices that were reviewed by the auditor. Another individual that was more directly involved with CablePro produced a different price list. We discussed this issue with several administrators within the Technology department and Purchasing department, whose response is attached.

All Dell invoices proved to tie to the Board approved RFP, however this was very time consuming. During review, we noticed accounts payable using a lot of time to reconcile invoices



back to the approved RFP. The structure of the Dell invoices was not comparable to the structure of the approved RFP, making it difficult for accounts payable to reconcile invoices to the RFP in an efficient manner.

Except for the findings noted above, the District's technological expenditures appear to be reasonable considering the volatile market environment for these products.

**Recommendation:**

We recommend the vendor, CablePro Corporation, be contacted to discuss the proper bid award their invoices should reflect in order to clear all discrepancies, past, present, and future. We also recommend that CablePro Corporation change the structure of their invoices to better reflect compliance with the structure of the Board approved RFP.

In addition we feel that Dell should be contacted regarding the structure of their invoices in order to better reflect compliance with the structure of their Board approved RFP.

We did observe during our fieldwork the District's personnel developing and beginning an action plan for findings noted above.

**INVESTMENT OF THE SALES TAX BOND PROCEEDS**

**Objective:**

Investment of the sales tax proceeds received by the District has been conducted in a sound fiscal manner.

**Procedures:**

We ascertained that School District hands never touch the SPLOST monies. SPLOST revenues are directly deposited into the Georgia Fund One LGIP in order for that revenue to draw interest immediately. There are no special restrictions per the SPLOST resolution as to how the revenue must be invested. Bob Shaw keeps track of all revenue received. Therefore LGIP investment is considered in compliance with the SPLOST resolution.

**Findings:**

No exceptions were noted during procedures above. The District appears to be investing the sales tax proceeds in a sound fiscal manner.

**GENERAL OVERVIEW**

The staff in charge of the SPLOST revenue, to be used for new schools, major renovations, maintenance improvements, facilities' furniture and equipment, instructional and system-wide technology improvements, appear to be well-versed in the procedures and capable of disbursing the sales tax proceeds in accordance with the commitments made to the public.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Cobb County Board of Education and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

*Anderson, Hunt & Company LLC*

Atlanta, Georgia

February 23, 2000

**Cobb County Board of Education**

**Schedule of Findings, Recommendations  
and Administrative Responses  
December 31, 1999**

**DISBURSEMENT OF SPLOST FUNDS**

**Objective:**

The sales tax proceeds are being disbursed in a fiscally responsible manner and in compliance with the SPLOST resolution approved by the Board on May 13, 1998.

**Findings:**

No exceptions were noted.

**ADEQUATE ADMINISTRATIVE CONTROLS**

**Objective:**

Adequate administrative controls have been established to ensure the proper management of the sales tax proceeds received by the District.

**Findings:**

No exceptions were noted.

**COMPARABLE CONSTRUCTION EXPENDITURES**

**Objective:**

The District's construction project expenditures are comparable to other school system building construction program expenditures in the Metro Atlanta area.

**Findings:**

No exceptions were noted.

**Cobb County Board of Education**

**Schedule of Findings, Recommendations  
and Administrative Responses  
December 31, 1999**

**TECHNOLOGICAL EXPENDITURES ARE REASONABLE**

**Objective:**

The District's technological expenditures are reasonable considering the volatile market environment for these products.

**Findings:**

There were some minor differences found regarding the Compaq invoices. Some Compaq invoices did not explicitly mirror the Board approved RFP amounts. However, these amounts totaled \$3,651 out of \$138,642 of invoices reviewed. The line items on the Compaq invoices did not tie to the Board approved RFP and because this bid had been closed since March 1999 there were no other additional RFPs to review.

A RFP response provided by Purchasing for CablePro did not match some of the invoices that were reviewed by the auditor. Another individual that was more directly involved with CablePro produced a different price list. We discussed this issue with several administrators within the Technology department and Purchasing department, whose response is attached.

All Dell invoices proved to tie to the Board approved RFP, however this took some searching. The original price on the Dell invoices was less than on the Board approved RFP and items had to be added to the invoice amount to come back to the correct Board approved RFP amount.

**Recommendation:**

We recommend the vendor, CablePro Corporation, be contacted to discuss the proper bid award their invoices should reflect in order to clear all discrepancies, past, present, and future. We also recommend that CablePro Corporation change the structure of their invoices to better reflect compliance with the structure of the Board approved RFP.

In addition we feel that Dell should be contacted regarding the structure of their invoices in order to better reflect compliance with the structure of their Board approved RFP.

**Cobb County Board of Education**

**Schedule of Findings, Recommendations  
and Administrative Responses  
December 31, 1999**

**Management Response:**

Response from Technology Services and Purchasing Departments, as noted.

**Findings:**

**Audit Text Excerpt F1:**

*"There were some minor differences found regarding the Compaq invoices. Some Compaq invoices did not explicitly mirror the Board approved RFP amounts. However, these amounts totaled \$3,651 out of \$138,642 of invoices reviewed. The line items on the Compaq invoices did not tie to the Board approved RFP and because this bid had been closed since March 1999 there were no other additional RFPs to review."*

**Administrative Response (Technology Services):**

The RFP was awarded to a vendor with the understanding that line items (part numbers) would change over the term of the award. This practice is necessary to manage the "volatile market environment for these products."

The Board Agenda Item contained sample configurations. The RFP was awarded based on a percentage of state contract pricing and was not limited to specific part numbers. Therefore, it is expected that purchase order line items (part numbers) may not match directly to the Board Agenda Item's sample configuration.

It should be further noted that this process saves taxpayers dollars since the pricing and configurations were reviewed on a periodic basis. There is an extensive process used to ensure that the taxpayer's dollar is stretched as far as possible. Most recently this process yielded a 1% difference between vendors on an \$8 million dollar RFP. This process involves the Purchasing Department, Technology Services Division staff, local school staff and citizens from the community. This process which seems worthy of comment, is not mentioned anywhere in this section of the audit report.

**Audit Text Excerpt F2:**

*"A RFP response provided by Purchasing for CablePro did not match some of the invoices that were reviewed by the auditor. Another individual that was more directly involved with CablePro produced a different price list. We discussed this issue with several administrators within the Technology department and Purchasing department, whose response is attached."*

## **Cobb County Board of Education**

### **Schedule of Findings, Recommendations and Administrative Responses December 31, 1999**

#### **Administrative Response (Purchasing):**

On April 22, 1999 the Board approved an award for Network Cabling, Time & Materials to T-One as the primary vendor and the option to utilize the next lowest vendor, CablePro, if T-One was not able to meet the standards of the Infrastructure Plan. Attachment #1 shows the original bid prices submitted by each responding vendor. In order to have an “apples for apples” bid on possible parts required for drops, on March 22, 2000 John Graham requested each vendor submit a material price for a designated quantity of specific part numbers which might make up a drop to be installed and to review their labor prices previously submitted. The material price does not match the material price in their original per drop price because there are variances of additional material required at the various schools due to age/conditions and locations in the various buildings. From the beginning of the project, CablePro billed at their original bid price of \$68.00 which, even though it looked higher than the \$62.28 scenario submitted to the Board, it was actually less because it included at least one additional 3 to 5 foot of wire molding plus cable ties, labels, screws, and hangers to support the ceiling cables which were not listed in the parts scenario.

From the beginning of the project, Purchasing and Tech. Svs. had several phone conversations and follow-up meetings with T-One due to their poor workmanship and continual disregard for our request to properly furnish AMP certification on each job completed. T-One chose not to attend our final meeting with them scheduled for December 14, 1999, and stated they understood their contract would be cancelled.

#### **Administrative Response (Technology Services):**

The process for purchasing services on this bid was both unclear and inefficient. Technology Services has since worked with the Purchasing department and CablePro to improve the process. The new process is as follows:

1. Requesting School/Department submits a Help Desk Request
2. A Help Desk Work Order Assigned to Network Engineer
3. The Network Engineer reviews request/conducts a site visit
4. The Network Engineer provides information to school via email (requester and bookkeeper for purchase order creation)
5. Purchasing department faxes purchase order to the Network Engineer (instead of CablePro)
6. The Network Engineer sends work request & purchase order number to CablePro
7. CablePro posts work orders to secure website
8. School/Department can check status of work orders, scheduled dates via CablePro web site
9. CablePro completes work and notifies school, leaves copy of completed work order

**Cobb County Board of Education**

**Schedule of Findings, Recommendations  
and Administrative Responses  
December 31, 1999**

10. CablePro submits invoice to Accounts Payable Department referencing purchase order number & work order number
11. CablePro updates work order on website
12. Requester/Bookkeeper completes receiver upon receipt of signed work order

**Recommendations:**

**Audit Text Excerpt R1:**

*"We recommend the vendor, CablePro Corporation, be contacted to discuss the proper bid award their invoices should reflect in order to clear all discrepancies, past, present, and future."*

**Administrative Response:**

Technology Services supports the recommendation that the vendor be contacted regarding the pricing structure for the bid. This is a function of our Purchasing Department.

**Audit Text Excerpt R2:**

*"We also recommend that CablePro Corporation change the structure of their invoices to better reflect compliance with the structure of the Board approved bid."*

**Administrative Response:**

Technology Services supports this recommendation. This is also a function of our Purchasing Department.

**Audit Text Excerpt R3:**

*"In addition we feel that Dell should be contacted regarding the structure of their invoices in order to better reflect compliance with the structure of their Board approved bid."*

**Administrative Response:**

Technology Services supports this recommendation. Technology Services staff members assisted our Purchasing department, in incorporating this recommendation into the most recent Computer RFP (RFP03-2K).

Financial Services, Purchasing and Technology Services staff members are working jointly to incorporate this recommendation into the current RFP.

**Cobb County Board of Education**

**Schedule of Findings, Recommendations  
and Administrative Responses  
December 31, 1999**

The auditors did observe during fieldwork that the District's personnel was developing and beginning an action plan for findings noted above.

**INVESTMENT OF THE SALES TAX BOND PROCEEDS**

**Objective:**

Investment of the sales tax proceeds received by the District has been conducted in a sound fiscal manner.

**Findings:**

No exceptions were noted.