



MAULDIN & JENKINS

CPAs & ADVISORS

**Cobb County
School District**

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

For The Year Ended December 31, 2023

Cobb County School District

Performance Audit on Special Purpose Local Option Sales Tax

For The Year Ended December 31, 2023



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Introduction

To the Members of the Board of Education
Cobb County School District
Marietta, 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 Cobb County voters in which one percent is added to the local sales tax for the purpose of funding Cobb County School District (“School District”) building and renovation projects that would otherwise require financing through increasing residents’ property taxes.

The SPLOST IV resolution for Cobb County School District was to be distributed between Cobb County School District (92.8%) and Marietta City Schools (7.2%) for the continuation of a one percent sales tax, for a maximum period of time of 20 calendar quarters. Cobb County School District is provided a percentage of the funds to pay for (a) acquiring and preparing land for the construction of new or replacement schools and the expansion of existing schools, (b) constructing and equipping six new or replacement schools, (c) constructing, modifying, enhancing, and equipping classrooms or instructional units system-wide and making additions to and/or renovating, modifying, and equipping existing schools and facilities, (d) upgrading buildings and facilities and making infrastructure improvements, (e), making system-wide technology improvements, 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 (f) 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., all at a maximum cost of \$717,844,707.



The SPLOST V resolution for Cobb County School District was to be distributed between Cobb County School District (92.7%) and Marietta City Schools (7.3%) for the continuation of a one percent sales tax, for a maximum period of time of 20 calendar quarters. Cobb County School District is provided a percentage of the funds to pay for (a) acquiring and preparing land for the construction of new or replacement schools and the expansion of existing schools, (b) constructing and equipping four new or replacement schools, (c) constructing, modifying, enhancing, and equipping classrooms or instructional units system-wide and making additions to and/or renovating, modifying, and equipping existing schools and facilities, (d) upgrading buildings and facilities and making infrastructure improvements, (e), making system-wide technology improvements, 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 administrative support and educational facilities, and (f) 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., all at a maximum cost of \$797,022,000.

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 January 1, 2023 to December 31, 2023. From a listing of disbursements made during the specified time frame, we tested a sample of SPLOST expenditures totaling \$5,406,244 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 Cobb 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 timelines. 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 walkthrough 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 Cobb 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 Cobb County Board of Education.

Procedures: We obtained a copy of the SPLOST IV and V Referendums as approved by the Board of Education of the School District and the voters of Cobb County. Using a listing of disbursements for the period January 1, 2023 to December 31, 2023, we tested a sample of 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.



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 School Board management. The Executive Director for SPLOST receives weekly reports on the status of each project as well as Owner, Architect, and Contractor (“OAC”) minutes for each project. The Chief Financial Officer provides a quarterly financial update to the Board. Included with the quarterly report is an executive summary of the SPLOST program. The Finance & Technology (“F&T”) Committee meets quarterly to review the updates and progress of each ongoing project. One member of the F&T Committee is a Board Member (the “Board Liaison”), and attends all F&T Committee meetings. The Board Liaison brings any issues to the Board as necessary. We also noted that each Board Member appoints two members to the F&T committee and meets with their appointees regularly. We obtained the agendas of the Finance & Technology Committee noting project updates.

Results: Based on the results of the inquiries made and review of reports submitted to the Board and F&T Committee, 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.

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 Director of Capital Projects Accounting. The Capital Projects Accounting Director maintains and reviews the Management Summary Report showing the monthly revenue and expenditure activity prior to submitting the reports to the Senior Executive Director for SPLOST, the Chief Operating Officer, and the Superintendent. The Management Summary and Detail Reports record the individual expenditures by project, which are reconciled weekly with the General Ledger expenditures kept by Finance/Capital Projects Accounting. Individual transactions are reviewed for allowability, need, and budget availability by the SPLOST Department, Capital Projects Accounting Department or the relevant department, before being sent to Finance and Accounts Payable for the normal approval processes. We reviewed disbursements as described in Objective #1 for the appropriate level of approval (based upon disbursement amount) and the Management 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.



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: During construction projects, weekly OAC meetings are held to discuss the status of the project, past work, and upcoming work. These meetings include the project team from the School District, which includes a Director, Program Manager, and the Construction or Logistics Manager. Verbal reports as well as pictures from the site are discussed, and minutes are kept, which are sent to the Senior Executive Director for his review. The Executive Director for SPLOST is also sent a weekly Management Summary Report that details the project's status and actual expenditures in comparison to the budget. The Architect, Project Manager, and a Capital Projects Accountant review and approved of all contractor pay requests prior to payment. The work done on the pay request is compared to the OAC meetings minutes. Additionally, we conducted a disbursement test, as described in Objective #1, to ensure the Board has policies and procedures in place to ensure that expenditures are properly approved by an individual who reviews the work to ensure 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 reports prepared for the Executive Director of SPLOST, and review of the OAC 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: 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. Per discussions with the Capital Projects Accounting Director and the Senior Executive Director of SPLOST, they both review the weekly Management Summary and Detail Reports and the Revenue Comparison Reports for each project which detail the original budget, revised budget, the year to date expenditures, and the available budget. The SPLOST Department also has a staff person who maintains his own cash flow sheet in order to help facilitate project timelines, as well as keeps track of the weekly balance in the bank accounts compared to the School District's short-term construction note payment obligations. The Finance Department keeps a log of all SPLOST receipts, but the SPLOST and Capital Projects Accounting Department incorporate that information into their reports. We obtained and reviewed the SPLOST receipts log, Revenue Comparison Report, Cash Monitoring Report, Management Summary Report, Detail Report, and the Cash Flows Spreadsheet for the year 2023.

Results: Based on the results of inquiries made, review of the Management Summary Report and Detail Report, review of SPLOST receipts log, Revenue Report, Cash Monitoring Report, and the Cash Flows Spreadsheet, there is an adequate process in place to monitor cash flows to ensure financial analyses to verify cash flows conform to forecasted projections by project and priority are reliable, valid, and relevant and the intended economic results are accomplished.



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 Senior Executive Director of SPLOST and the Capital Projects Accounting Director. Per review of proposals submitted, the School District prequalified architects for the projects to ensure the architects used were familiar with standards and specifications necessary for schools. Additionally, the School District and the architects work together to perform on-site visits to ensure the construction adheres to the specifications for the project and that work performed is correct and of good quality. Field status reports are prepared to document the School District and Architect's review of the construction and are discussed during the weekly OAC meetings. The Contractor must submit the Change Order Proposal (COP) to the Architect for review and approval. The Architect then forwards the COP to the Project Manager stating whether the COP is fair and reasonable and whether he recommends it for approval. The COP is reviewed by the Senior Executive Director and the Capital Projects Accounting Department. If a COP is under \$25,000, the Senior Executive Director may sign off. If it is between \$25,000 and \$200,000, the Superintendent must sign off. If a COP is above \$200,000 it must be presented to the Board for approval. The Architect will then forward the Owner's approval to the Contractor and provide his/her authorization for the change. Additionally, we conducted a disbursement test, as described in Objective #1, to ensure the School Board had policies and procedures in place to ensure expenditures are properly approved by an individual who reviews the work on site to ensure 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 staff documenting its assessment of work performed, 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 disbursement of tax revenue funds are in compliance with applicable laws and regulations.

Procedures: We discussed financial controls in place with the Capital Projects Accounting Director and the Finance Director. The architect, Project Manager, and a Capital Projects Accountant review and approve all contractor pay requests. The Accounting Clerk codes the pay requests and enters them into accounts payable for payment. Each project is setup by fund. The Finance Department reconciles the bank statements each month. SPLOST funds are automatically deposited monthly into the School District's investment account with the Office of the State Treasurer by the Department of Revenue. The money remains there until needed for expenditure payments. The amount of SPLOST collections is reviewed by the Finance Department as well as the Capital Projects Accounting Director, Senior Executive Director for SPLOST, Chief of Operations, and the Superintendent each month. The Revenue Comparison Report shows revenue versus budget as well as the prior year collections. All transfers from the investment accounts are made by the Accounting Clerk, with prior approval from the Director of Finance. Documentation is maintained electronically with the journal entry within MUNIS. Quarterly, the Superintendent reviews the Revenue Comparison Report with the Board during his Financial Updates. Additionally, as described in Objective #1, we performed a disbursement test over expenditures.



Results: Based on the results of inquiries made, review of quarterly financial reports submitted to the Board, review of weekly financial reports sent to upper management within the School District, and review of disbursements, 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 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. We then reviewed the project expenditures for the current year, noting all contracts procured in the current fiscal year. We tested the procurement procedures during disbursement testing for all disbursements, as well as sampled all open RFPs to ensure the School District is in compliance with their procurement policies.

Results: Based on results of testing, the School District is following procurement policies and procedures.

Closing

This report is intended solely for the information and use of the Cobb 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
April 24, 2024