



Gwinnett County Public Schools SPLOST VI Audit

SPLOST VI Audit Report

January 2024

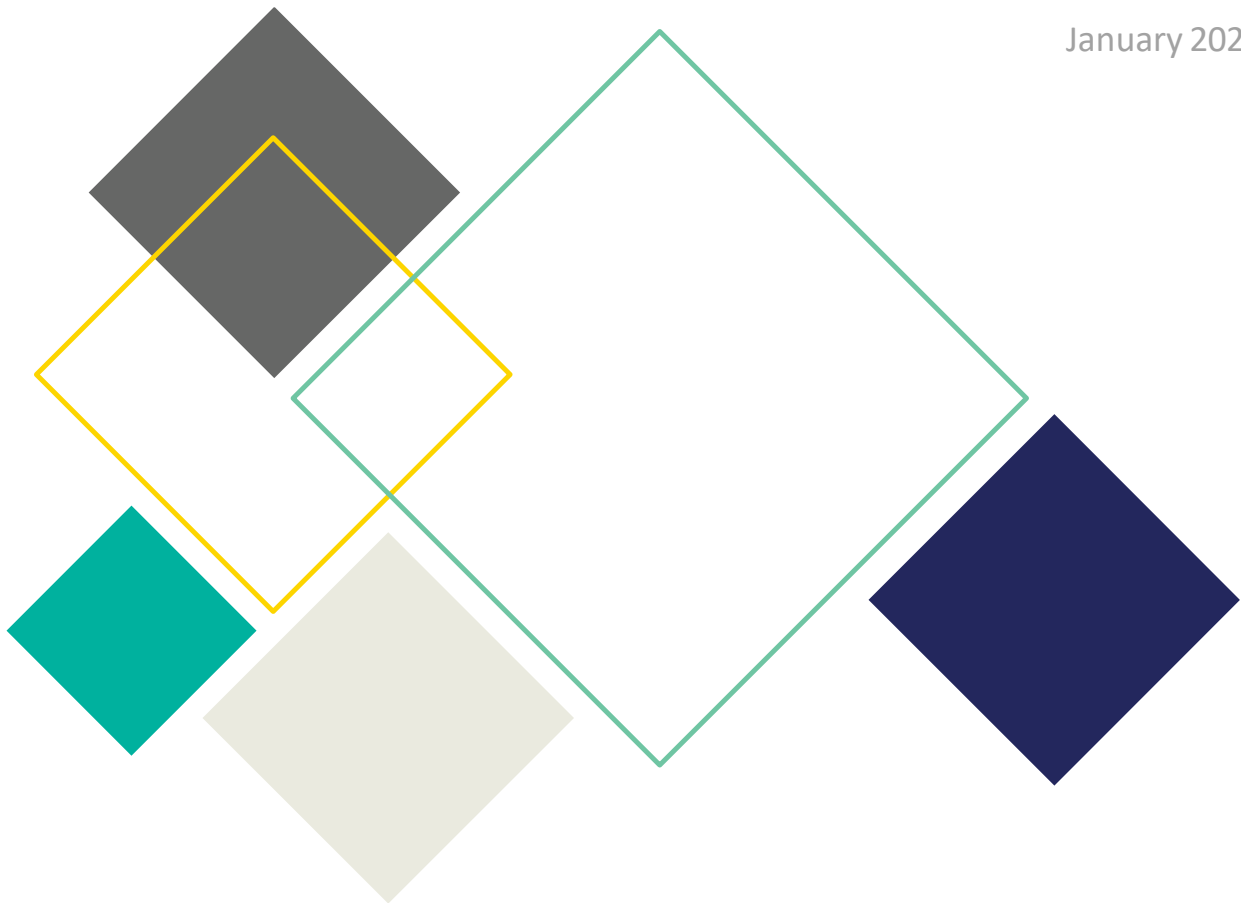


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COVER LETTER

January 26, 2024

Dr. Calvin J. Watts
Superintendent
Gwinnett County Public Schools
437 Old Peachtree Road NW
Suwanee, GA 30024-2978

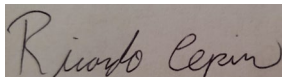
Dear Dr. Watts,

MGT is pleased to submit our report on the special purpose local option sales tax (SPLOST) audit. Gwinnett County Public Schools (District) contracted with MGT to conduct an audit of the District's operations as it related to the SPLOST VI funds. The audit objectives included a review of the goals of the SPLOST VI program and the extent to which the program is meeting expectations for the effective, efficient, and economic use of the tax dollars collected. The audit scope included reviewing the SPLOST VI operations for the period July 1, 2022, through June 30, 2023 (FY2023).

The purpose of this report is to provide the District with independent, objective analysis, and information concerning the activities reviewed. MGT conducted the audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Although MGT exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

MGT appreciates the cooperation and professional courtesies extended to the team.

Sincerely,



Ricardo Cepin, CPA, CFE
Director
MGT of America Consulting, LLC

cc: Steven B. Knudsen, Chairperson, School Board
Karen Watkins, Vice Chair, School Board
Dr. Tarece Johnson-Morgan, School Board
Dr. Mary Kay Murphy, School Board
Dr. Adrienne Simmons, School Board
Masana Mailliard, Chief Financial Officer
Anthony Stephenson, Director of Financial Reporting & Capital Projects
Nic Moore, Executive Director of Financial Reporting & Treasury Services

EXECUTIVE SUMMARY

BACKGROUND INFORMATION

Gwinnett County Public Schools (District) is the largest school District in the State of Georgia. In 2023-24, the District is serving 183,878 students. Approximately one of every five Gwinnett County residents is a GCPS student in 142 schools and special entity facilities. The District is also the largest employer in Gwinnett County with over 23,700 employees. The District is governed by a Board of Education (Board) consisting of five members elected from five county posts. The Board has appointed a Superintendent to oversee the day-to-day administration of the District.

Since 1997, the District has benefitted from a special purpose local option sales tax (SPLOST) for education. On November 2, 2022, the citizens of Gwinnett County approved an extension of the one percent SPLOST. This is the fifth renewal of this sales tax program (SPLOST VI). The referendum approved a maximum collection of \$984,565,000 over 5 years, from the date on which SPLOST V expired (July 2022) through 20 calendar quarters. A proportionate share of up to \$27,469,000 is to be distributed to the City of Buford Schools, an independent city school system within Gwinnett County. The remaining funds (up to \$957,096,000) are to be used to fund the District's building, technology, equipment, and instructional resources programs.

Funds from SPLOST VI may be used to pay the current expenses of the District related to the costs of:

- ◆ Acquiring and developing new sites for the construction of new schools, support facilities, and athletic facilities and constructing and equipping new schools, support facilities, and athletic facilities specifically including, but not limited to, the Archer Cluster Middle School.
- ◆ Acquiring and developing land for and making additions to and/or renovating, equipping and modernizing existing schools, support facilities and athletic facilities specifically including, but not limited to, the following:
 - Archer Higher School;
 - Harbins Elementary School;
 - Central Gwinnett High School;
 - Trickum Middle School;
 - North Gwinnett High School;
 - Shiloh Middle School; and
 - Gwinnett School of Mathematics, Science and Technology Theatre.

REPORT HIGHLIGHTS

- The investment of sales tax proceeds received by the District has been conducted in a sound fiscal manner.
- SPLOST VI sales tax proceeds are disbursed in a fiscally responsible manner and purchases with SPLOST funds were properly recorded in the District's records.
- The District completed construction projects coincide with the District's facilities plan and accounting records.
- The bidding and construction process is managed effectively and is in-line with best management practices and industry standards.
- The District complied with the applicable sections of Georgia's Constitution and official Code of Georgia (O.C.G.A.). Specifically:
 - O.C.G.A. 48-8-141
 - O.C.G.A. 48-1-121
 - O.C.G.A. 20-2-491

- ◆ Purchasing school buses and other transportation vehicles.
- ◆ Making existing lease/purchase payments with respect to the acquisition of new and existing schools and support facilities.
- ◆ Modernizing technology and making system-wide technology improvements.
- ◆ Acquiring digital instructional materials, software, and textbooks for educational purposes.

As part of the voters’ approval process to fund SPLOST VI, the voters also authorized the Board to issue general obligation debt in a principal amount not to exceed \$330,000,000 to be repaid with SPLOST VI sales tax revenue.

AUDIT SCOPE

The Official Code of Georgia (O.C.G.A. 20-2-491) requires public school systems to obtain continuing performance audits or performance reviews for expenditures of sales tax for capital outlay if the tax generates or is reasonably anticipated to generate \$5 million or more annually. The audit scope included reviewing the SPLOST VI operations for the period July 1, 2022, through June 30, 2023 (FY 2023).

AUDIT OBJECTIVE

MGT’s audit objectives included a review of the goals of the SPLOST VI program and the extent to which the program is meeting expectations for the effective, efficient, and economic use of the tax dollars collected, including:

- ◆ Ensuring to the maximum extent possible that the funds are expended efficiently and economically, to secure to the District the maximum possible benefit from the tax dollars collected.
- ◆ Reviewing contracting process for all work, labor, and material contracts with best practices in accordance with industry standards.

AUDIT METHODOLOGY

To fulfill the requirements of the audit contract, MGT developed an audit process focused on the evaluation of SPLOST VI revenues and expenses by categories. The audit process included:

- ◆ Meetings with District personnel and reviewing financial information related to SPLOST VI to gain an understanding of the process for investing SPLOST VI sales tax proceeds to determine whether the investment of sales tax proceeds received by the District has been conducted in a sound fiscal manner.
- ◆ Meetings with District personnel, reviewing fiscal information related to the SPLOST VI funds for FY 2023, and testing five equipment, five technology, 5 data security, and 5 instructional resources related expenditure transactions to determine whether tax proceeds are disbursed in a fiscally responsible manner.
- ◆ Verifying the existence of purchased assets by agreeing the Asset ID number per the District’s records to the Asset ID Tag attached to the assets.
- ◆ Meetings with District personnel and reviewing the District’s planned scope of the capital building program to gain an understanding of the type of work planned.
- ◆ Visiting construction sites and reviewing accounting records/reports for projects being constructed or completed and comparing work completed to funds expended.
- ◆ Reviewing bidding and construction processes for work, labor, and material contracts to determine whether processes are consistent with best practices in accordance with industry standards.

CURRENT SITUATION

INVESTMENT OF TAX RECEIPTS

To accurately account for all revenues and expenses related to SPLOST VI, the District designated Fund 229 as the fund to which all SPLOST VI transactions are recorded. Audit procedures disclosed that there are five possible sources of revenue (categories): SPLOST Tax Receipts, Interest Income, State Capital Outlay, Bond Revenue, and Other Sources. Audit procedures also disclosed that approximately 50.4 percent and 40.3 percent of total revenues recorded in Fund 229 during FY 2023 were derived from bond revenue and SPLOST Tax Receipts, respectively. **Exhibit 1** below provides an overview of the total revenues by category recorded to Fund 229 during FY 2023.

EXHIBIT 1 – FY 2023 SPLOST VI REVENUES

REVENUE SOURCE	AMOUNT FOR FY 2023	% OF TOTAL REVENUES
SPLOST Receipts	\$211,618,910	40.3%
Interest Income	\$10,303,092	2.0%
State Capital Outlay	\$893,181	0.2%
Bond Revenue	\$265,000,000	50.4%
Other Sources (Bond Premium)	\$37,506,550	7.1%
Total	\$525,321,733	100.0%

Source: Created by MGT from data provided by the District.

As shown in Exhibit 1 above, revenues received from SPLOST Tax Receipts accounted for approximately 40.3 percent of the total revenues recorded into Fund 229 during FY 2023. As part of the auditing process, MGT auditors researched Georgia’s Tax Center website to determine whether SPLOST Tax Receipts for FY 2023 per the District’s records agreed with the amounts per the State’s website (see Exhibit 2 below). Audit procedures disclosed that SPLOST VI Tax Receipts for FY 2023 per the District’s record agreed with the amounts listed on the State’s website.

EXHIBIT 2 - FY2023 SPLOST VI REVENUES PER GEORGIA TAX CENTER WEBSITE

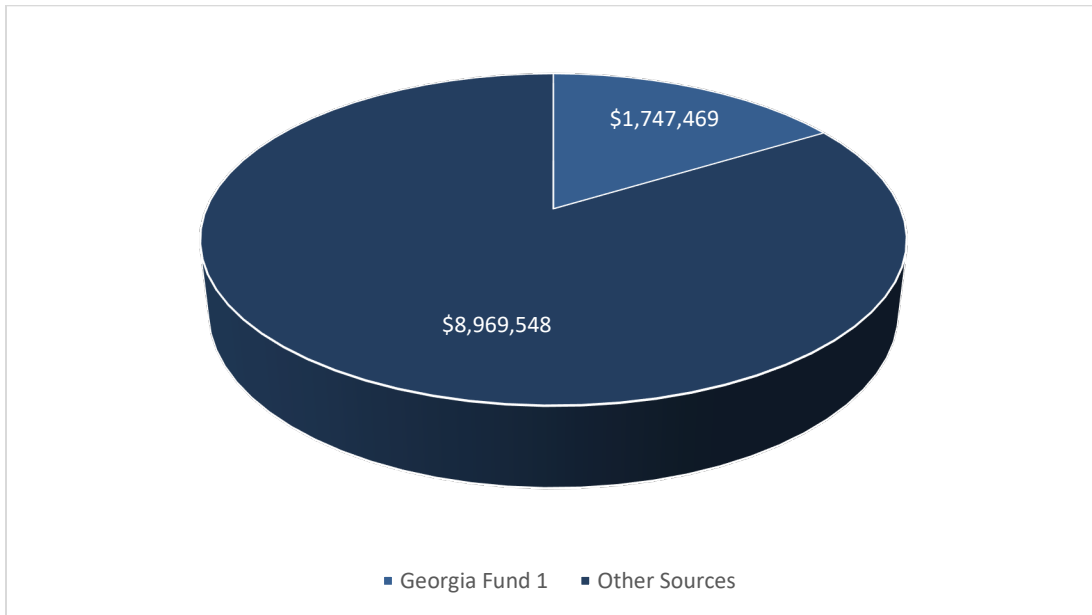
Date	County Name	Jurisdiction	Amount	Tax Type
31-Jan-2023	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	23,122,726.62	ELOST
30-Jun-2023	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	19,536,598.98	ELOST
30-Nov-2022	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	19,538,848.90	ELOST
31-Aug-2022	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	19,480,587.53	ELOST
30-Apr-2023	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	19,417,294.17	ELOST
30-Sep-2022	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	18,980,046.46	ELOST
31-Oct-2022	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	18,873,143.65	ELOST
31-Dec-2022	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	18,826,870.95	ELOST
31-May-2023	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	18,540,602.42	ELOST
28-Feb-2023	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	17,918,289.99	ELOST
31-Mar-2023	Gwinnett	GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	17,279,485.30	ELOST
10-Dec-2022	Gwinnett	(Pro Rata) GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	60,615.50	ELOST
24-Jun-2023	Gwinnett	(Pro Rata) GWINNETT COUNTY BOARD OF EDUCATION (ELOST)	43,799.52	ELOST

Source: https://gtc.dor.ga.gov/_/#11

Approximately two percent of the total revenues recorded into Fund 229 during FY 2023 derived from interest received from the investment of SPLOST VI funds. As part of the audit, MGT auditors inquired with District personnel and reviewed the account detail report of the investment account to gain an understanding of the sources of income (categories) that accounted for the investment income for FY 2023. Audit procedures disclosed that SPLOST revenues are used to pay bond debt and interest payments. Based on investment strategies and opportunities, the District may determine that treasuries can be a more beneficial investment than investing in Georgia Fund 1¹. Exhibit 3 below presents a breakdown of the interest income associated with SPLOST VI received during FY 2023.

¹ Georgia Fund 1 is offered by the State of Georgia to counties, municipalities, public colleges and universities, boards of education, special districts, state agencies, and other authorized entities as a conservative, efficient, and liquid investment alternative. The primary investment objectives of Georgia Fund 1 are safety of capital, liquidity, yield, and diversification with primary emphasis on safety of capital and liquidity.

EXHIBIT 3 - FY2023 SPLOST VI INTEREST INCOME BY SOURCES



Source: Created by MGT from information provided by the District.

MGT auditors reviewed the State of Georgia Office of Treasury & Fiscal Services' Statement of Accounts for the SPLOST Sales Tax account to gain an understanding of the interest earned from the investment of SPLOST VI receipts. The review disclosed that during fiscal year 2022-2023, the District earned approximately \$10.3 million in interest income, including \$1.7 million from Georgia Fund 1.

AUDIT OBSERVATION(S)

Observation 1.1: The investment of sales tax proceeds received by GCPS has been conducted in a sound fiscal manner. Additionally, higher funds in the Georgia Fund 1 account and higher interest rates caused a significant increase in investment income from fiscal year 2021-2022 to fiscal year 2022-2023.

SPLOST EXPENDITURES

In addition to tracking SPLOST VI-related expenses in Fund 229, the District has established approval limits to ensure that expenditures over certain amounts are authorized by someone with the proper authorization level, including but not limited to:

- ◆ Contracts for Facilities and Operations capital projects from budgeted funds with a value up to \$500,000 shall be made by the Chief Operations Officer once procedural requirements are met.
- ◆ Purchases from budgeted funds for any item or group of items with a value of \$100,001 - \$500,000 shall be made by the Director of Purchasing upon approval of the Chief Financial Officer once procedural requirements are met.
- ◆ Purchases from budgeted funds for any item or group of items with a value of \$500,000 - \$1,000,000 shall be made by the Director of Purchasing upon approval of the Superintendent once procedural requirements are met.
- ◆ Purchases from budgeted funds for any item or group of items with a value of \$1,000,000 or greater shall be made by the Director of Purchasing upon approval of the Board of Education once procedural requirements are met.
- ◆ Emergency purchases above \$1,000,000 or which have not been provided for in the budget may be made if critical to the continued operation of the District upon approval by the Superintendent. Such an action shall be reported to the Board of Education at its next regularly scheduled meeting.

MGT reviewed the SPLOST VI accounts payable detail for FY 2023 to gain an understanding of the amount expended and the categories of the expenditures. The review disclosed that the District expended a total of \$159,755,173² during FY 2023. Exhibit 4 below provides an overview of the total expenses by categories recorded to Fund 229 during FY 2023.

EXHIBIT 4 – FY 2023 SPLOST VI EXPENSES BY CATEGORY

ACTIVITY	ACTUAL EXPENSES FOR FY2023	% OF TOTAL EXPENSES
Budgets	\$7,437	0.00%
Construction	\$14,596,102	9.14%
Data Governance	\$295,000	0.18%
Data Security	\$7,021,172	4.39%
Debt Service	\$936,992	0.59%
Equipment	\$7,768,886	4.86%
Instructional Resources	\$42,209,180	26.42%
Technology Systems	\$61,312,202	38.38%
Transfers Out	\$25,608,201	16.03%
Total	\$159,755,173	100.00%

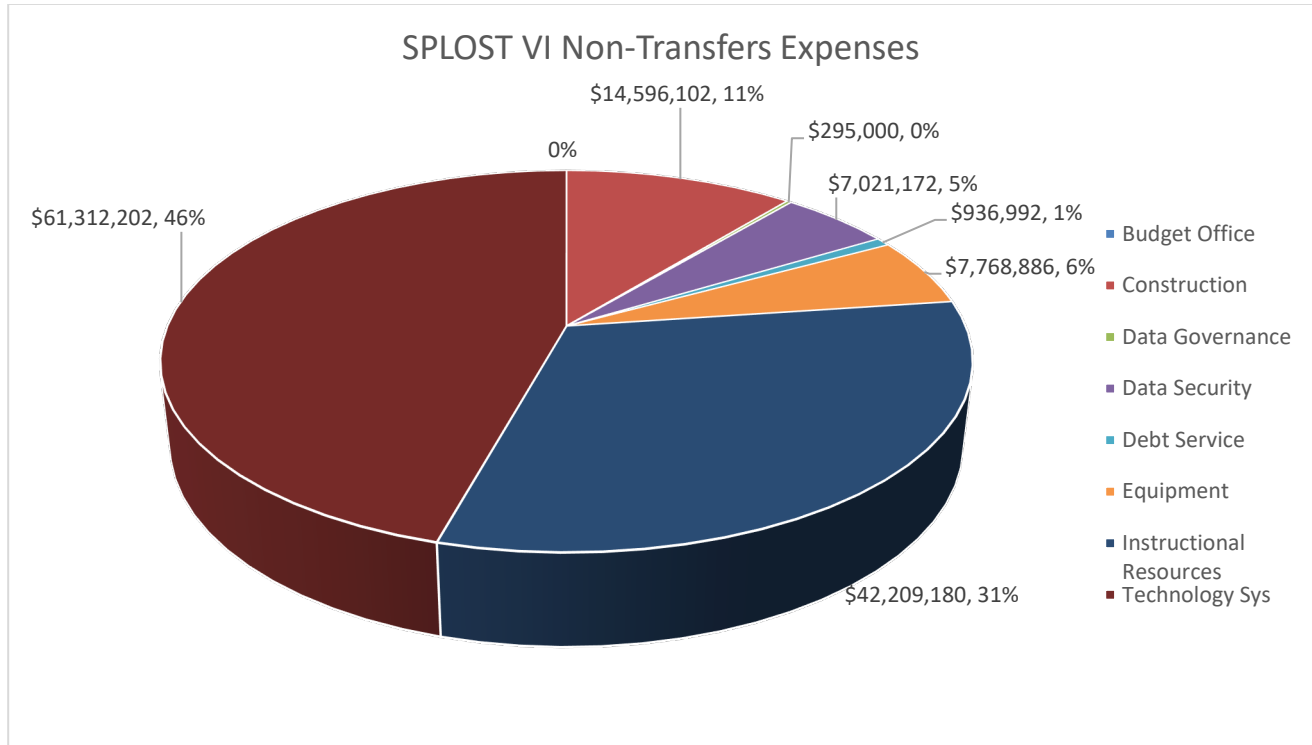
Source: Created by MGT from data provided by the District.

As illustrated in Exhibit 4 above, construction, data security, equipment, instructional resources, and technology systems-related expenditures accounted for approximately 83.2 percent of total SPLOST VI expenditures in fiscal year 2022-2023. Transfers to other funds accounted for 16.03 percent of the remaining 16.8 percent of total SPLOST VI expenditures for FY 2023.

² Includes amounts transfer to other funds totaling \$25,608,201.

Exhibit 5 below provides an overview of total SPLOST VI expenses for FY 2023 when not taking into consideration transfers to other funds.

EXHIBIT 5 – FY2023 SPLOST VI EXPENSES EXCLUDING TRANSFERS



Source: Created by MGT from data provided by the District

When excluding transfers, over 99 percent of SPLOST VI funds in FY 2023 were expended on construction, data security, equipment, instructional resources, and technology systems. MGT reviewed the SPLOST VI Resolution to gain an understanding of the requirements for the use of SPLOST VI funds. Per the resolutions, funds from SPLOST VI may be used to pay the current expenses of the District related to the cost of:

- ◆ Acquiring and developing new sites for the construction of new schools, support facilities and athletic facilities and constructing and equipping new schools, support facilities and athletic facilities.
- ◆ Acquiring and developing land for and making additions to and/or renovating, equipping and modernizing existing schools, support facilities and athletic facilities.
- ◆ Purchasing school buses and other transportation vehicles.
- ◆ Making existing lease/purchase payments with respect to the acquisition of new and existing schools and support facilities.
- ◆ Modernizing technology and making system-wide technology improvements.
- ◆ Acquiring digital instructional materials, software, and textbooks for educational purposes.

As part of audit testing, MGT auditors selected 20 (i.e., 5 data security, 5 equipment, 5 instructional resources, and 5 technology systems) expenditure transactions for auditing testing. The transactions selected for testing included invoices for security operations such as privileged access management, laptop computers, and office equipment such as copy machines, among others. Exhibit 6 provides an overview of the items selected for audit testing.

EXHIBIT 6 – FY 2023 SPLOST VI EXPENSES EXCLUDING TRANSFERS

CATEGORY	PROJECT ID	DESCRIPTION/PO #/INVOICE #	AMOUNT
Equipment	C-999-009	JIREH SUPPLI,PO2023001329,INV0138129- IN,REQ0000576898 GIVE WEST/MIDI L	\$28,072.34
Equipment	C-999-009	RICOH USA IN,PO2022009461,INV1094050874,REQ0000564 141 COPIERS/WIN HOLT	\$11,429.82
Equipment	P-0161	AREY JONES E,PO2022009852,INV0218124- IN,REQ0000565294 MeadowcreekHS_Ga	\$57,749.04
Equipment	C-999-009	RICOH USA IN,PO2023003350,INV1094999684,REQ0000580 533 Duluth MS Copier	\$19,006.06
Equipment	C-999-009	RICOH USA IN,PO2023012382,INV1097172241,REQ0000598 035 COPIERS/COLLINS	\$31,704.16
Instructional Resources	P-0115	CODEHS,PO2022013590,INV23669,REQ0000572 703 CodeHS HS MS Computer Scien	\$1,212,588.00
Instructional Resources	P-0115	PERFECTION L,PO2022011778,INV279490,REQ	\$71,660.40
Instructional Resources	P-0115	ACHIEVE3000 ,PO2022013077,INV60141,REQ	\$437,500.00
Instructional Resources	P-0117	GOODHEART WI,PO2023002859,INV01880475,REQ000057964 9 GW HS Health Pilot	\$168,886.07
Instructional Resources	P-0115	OPEN UP RESOURCES INV-28656	\$3,617,600.00
Technology Services	T-400	AREY JONES E,PO2022010373,INV0214861- IN,REQ	\$209,400.56
Technology Services	T-110	IBM CORPORAT,PO2023000509,INVC22CW3G,REQ00 00574601 IBM Edu&TechConsulti	\$330,880.00
Technology Services	T-110	DELL MARKETI,PO2023012568,INV10667672489,REQ0 000596553 Dell Infrastruc	\$1,279,745.00
Technology Services	T-110	EMTEC INC,PO2023000007,INV9109446,REQ	\$138,826.73

Technology Services	T-800	VIRTUCOM INC60547	\$26,750.00
Data Security	T-610	CARASOFT TE,PO2022013990,INVIN1190657,REQ	\$497,000.00
Data Security	T-620	OPTIV SECURI,PO2022010675,INVINV- 10025828029,REQ0000566997 Optiv CA Mg	\$138,301.77
Data Security	T-620	ERNST & YOUN,PO2022013982,INVUS01U001079784,REQ 0000573673 EY Siem/SOAR	\$134,000.00
Data Security	T-610	VERISTOR,PO2023008783,INVINT35119,REQ000 0589928 Veristor Randori- 1 Yr	\$181,500.00
Data Security	T-610	AMAZON WEB SERVPPSR-14048	\$160,728.00
Total			\$8,753,327.95

Source: Created by MGT from data provided by the District

For each of the items selected for testing, MGT reviewed supporting documentation (i.e., invoices and file copies of the checks) stored within the District’s records to assess whether the expenditures were allowable per the SPLOST resolution and whether the amount per the supporting documentation agreed with the amount per the financials. In addition, if applicable, MGT visited the location indicated in the accounting records as the location in which the equipment was located to verify the existence of the equipment (note that some of the transactions tested included multiple individual equipment as part of a single invoice and for in these instances MGT verified the existence of the equipment for certain items and not all).

MGT’s audit procedures disclosed the following:

- ◆ For 100 percent of the transactions selected for testing were allowable under the requirements of SPLOST VI.
- ◆ For 100 percent of the transactions selected the amount in the supporting documentation agreed with the amount in the District’s financial records.
- ◆ 100 percent of the items selected for physical inspection were properly tagged with an Asset ID that matched the ID stored within the District’s record.

AUDIT OBSERVATION(S)

Observation 2.1: Based on the results of the audit procedures, MGT concludes that tax proceeds are disbursed in a fiscally responsible manner. Furthermore, when applicable, the items selected for audit testing were properly tagged with an asset tag.

CAPITAL BUILDING PROGRAM

According to the resolution for the current SPLOST VI, the capital projects activities to be funded with SPLOST VI funds include:

- ♦ Acquiring and developing new sites for the construction of new schools, support facilities and athletic facilities and constructing and equipping new schools, support facilities and athletic facilities.
- ♦ Acquiring and developing land for and making additions to and/or renovating, equipping and modernizing existing schools, support facilities and athletic facilities.

MGT met with the Executive Director of Facilities and Planning to become familiar with the District’s planned scope of the capital building program, including, but not limited to, knowledge of the type of work planned. The District developed a facilities plan (The Plan) for the five years of SPLOST VI funding, as shown in Exhibit 6. The Plan includes the projects that the District anticipates receiving sufficient funds over the five years. The funding will come from a combination of special purpose local option sales tax (E-SPLOST) revenue, state capital outlay dollars, and interest earnings on E-SPLOST bond proceeds. To jumpstart the program, the E-SPLOST bond includes authorization to sell general obligation bonds to be repaid with sales tax proceeds. Should funding be insufficient, the list of projects is subject to revision.

EXHIBIT 7 – SPLOST VI PROJECTS “THE PLAN”

Year Opening	Project	New/Addition/ Renovation	# Classrooms
2023	Central Gwinnett HS	4 th Floor Buildout	17
	North Gwinnett HS	Addition	25
	GSMST	4 th Floor Buildout	n/a
2024	GSMST	Theater	n/a
	Trickum MS	Addition	18
	New Archer Cluster MS	New	82
2025	Archer HS	Addition	25
	Shiloh MS	Addition	15
	Harbins ES	Addition	20
			Total = 202
2022 – 2027	Technology improvements system wide to support teaching and learning: expansion of eCLASS; student performance analysis systems; improved audiovisual and broadcast media capabilities; expanded support for wireless connectivity; student data security systems; student information system support; safety and security upgrades		
	System wide facility modifications, renovations, and infrastructure improvements: carpeting, painting, roofing, HVAC upgrades; buses (new/refurbished); facility modifications for high school academies; ADA improvements; athletic facility upgrades; furniture/fixtures/equipment growth and replacement; Fine Arts program growth and replacement; facility improvements such as floor coverings, interior finishes, windows and glazing, new and more efficient lighting systems		

Source: Provided by the Executive Director of Facilities Planning & Construction

MGT used The Plan to review and evaluate the schedules for projects. MGT also reviewed District records to gain an understanding of the status of the projects included in The Plan. The records reviewed include the construction summary report (see Exhibit 8).

EXHIBIT 8 – CONSTRUCTION SUMMARY REPORT

	Design Start	Construction Start	Opening Year	Square Footage	Added Capacity	Net Gain IU's	Trailer Count
New Schools							
Archer Cluster MS Indian Shoals Road and Bold Springs Road Lawrenceville, GA 30045 Contractor TBD	Dec-19	May-24	2026	200,000 est.	1,100	76	19
TOTAL:				200,000	1,100	76	
School Additions							
North Gwinnett HS McKnight Construction Company 3 Story Classroom Addition Includes 19 classrooms, 4 science labs, 1 band room, 1 health lab, storage, workroom, and toilets. Sitework includes new storm water, grading, utilities and parking.	Feb-21	Feb-22	2023 Project Budget: \$17,250,000	71,990 Construction Budget: \$15,500,000	500 Construction Award: \$12,637,515	25	22
Trickum MS Amacher Brothers 3 Story Classroom Addition 25 IU's including regular classrooms, 4 science labs, 1 chemistry lab, 7 multipurpose speech/resource and testing rooms. Sitework includes relocation of hard court play area.	Sep-21	Oct-22	2024 Project Budget: \$11,600,000	48,600 Construction Budget: \$11,000,000	500 Construction Award: \$10,945,000	25	11
Archer HS Contractor - TBD 3 Story Classroom Addition Project Brief Description - Classroom Add'n w/ Health Science Lab	Feb-23	Dec-23	2025 Project Budget: \$10,750,000	45,000 est. Construction Budget: \$9,500,000	425 Construction Award: \$	25	3
GSMST HS Contractor - TBD Project Scope - TBD Project Brief Description - Options to be evaluated	TBD	TBD	TBD Project Budget: \$15,200,000	20,000 est Construction Budget: \$13,750,000	0 Construction Award: \$	0	0
Harbins ES Contractor - TBD 2 Story Classroom Addition Project Brief Description - 2 story Addition only	Jan-24	Jan-25	2026 Project Budget: \$17,300,000	30,000 est. Construction Budget: \$15,500,000	300 Construction Award: \$	20	10
Shiloh MS Contractor - TBD Project Scope - Classroom Addition Project Brief Description - 2 story Classroom Addition only	Jan-24	Jan-25	2026 Project Budget: \$8,000,000	23,000 est. Construction Budget: \$7,000,000	250 Construction Award: \$	15	9
Central Gwinnett HS Contractor - TBD Build Vacant 4th Floor Includes 17 classrooms	Sep-21	Jul-24	2025 Project Budget: \$7,150,000	22,500 Construction Budget: \$4,900,000	350 Construction Award: \$	17	15
TOTAL:				284,090	2,325	127	

Source: Provided by the Executive Director of Facilities Planning & Construction

As illustrated above the construction, renovation, and remodeling activities accounted for approximately 9.14 of total SPLOST VI expenditures in FY 2023. The activities were composed of a large range of projects, including roofing, paving, and new construction projects. Exhibit 9 below presents a breakdown of the construction-related expenditures by project cost.

EXHIBIT 9 – CONSTRUCTION SPENDING BY PROJECT COST

Project Range	No. of Projects	Total Expenditures	% of Total Cost
Projects < 250K	56	\$3,835,447	26%
Projects \$250K > \$1M	6	\$2,260,368	15%
Projects \$1M to \$5M	1	\$1,784,514	12%
Projects > \$5M	1	\$6,715,772	46%
Total	64	\$14,596,102	1

Source: Created by MGT from data provided by the District

MGT performed interviews and reviewed documentation to gain an understanding of the procurement process. Gwinnett County Public Schools utilizes the design/bid/build construction delivery method for most of its capital improvement projects. Before any contractor is allowed to bid on a project, they are screened using a prequalification process. This typically involves ensuring that a contractor has the proper credentials and financial capability to complete a project. The prequalification requirements are laid out on the District’s website and also in the proposal requests for projects. The typical requirements are the standard AIA form 305A as well as proper insurance, bonding, and attendance at a pre-bid conference. This process is sufficient to ensure that contractors are sufficiently able to complete projects in a timely manner, and at a high level of quality.

Projects over \$100,000 are advertised on the District’s website for a 30-day time period. Bids are received and opened in a public opening attended by the project architect and all participating contractors. The bids are read aloud and recorded. The lowest responsive and responsible bidder is awarded the project and officially receives a contract once the Board approves the project and the bonds are verified.

Some projects are completed by contractors under unit price agreement contracts. Under these contracts, a contractor agrees to a certain rate for a specific type of work. These contracts are competitively bid similar to contracts for individual projects, and typically last three years. The District often uses these types of contracts for maintenance work such as painting, roofing, electrical, carpet replacement, etc. These types of contracts can be beneficial, as the District can utilize these agreements at specific rates when there is a high workload demand, such as during the summer when there is a heavy push to complete a large amount of work in a short time period.

On complicated projects, the District has utilized the construction manager at risk delivery method. In this method, the District advertises the project publicly and receives proposals from qualified firms. These proposals are independently scored by a team of professionals and the highest-scoring firms are shortlisted to present their qualifications, project team, and project approach for the project. The highest scoring firm is selected as a construction manager at risk. The successful firm is approved by the Board at a regularly scheduled meeting and awarded the project. This method is often beneficial to the District because the selected construction manager at risk is liable for any construction costs that exceed an agreed-upon guaranteed maximum price.

The District also works diligently to ensure that projects are completed on time. Before a contractor is selected, they are screened through the process described above to ensure that the selected contractor can produce quality work promptly. Many projects are bid well ahead of time, so the contractor has plenty of time to prepare. For new construction and addition projects, the District coordinates with the project contractors and architects daily in addition to a detailed monthly meeting to ensure that any potential issues are caught early, and there are no surprises. If a contractor does end up behind schedule on a project by 10 days or more, the

District requires them to revise the work plan and provide a recovery schedule to complete the work by the deadline.



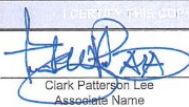

Furthermore, MGT filtered the SPLOST VI accounts payable data to only include construction-related expenditures. The accounts payable data included 64 unique construction-related projects. MGT selected 3 out of the 64 construction-related projects for testing. The three projects selected for testing were the three biggest projects by cost and accounted for approximately 61.7 percent of the total SPLOST VI construction-related expenditures in FY 2023. The three projects selected included the addition/renovation of Trickum Middle School, re-roofing in Grayson High School and Grayson Technical High School, and asphalt reconstruction at multiple locations throughout the District.

MGT reviewed accounting records/reports for the three projects selected for testing and compared work completed to date with funds expended to date. MGT also reviewed supporting documentation associated with the contracting process for all work, labor, and materials contracts to determine if the process complied with best practices and industry standards, including:

- ◆ Public bid advertisement.
- ◆ Pre-qualification of bidders.
- ◆ Competitively solicited from qualified service providers.
- ◆ Selection of the lowest, responsible, responsive provider – bond and insurance provisions.
- ◆ Compliance with statutory competitive award requirements.

The supporting documentation reviewed includes the bid advertisement, invitation to bid, and bid tabulation form. Exhibit 10 provides an example of the bid tabulation for the Trickum Middle School addition/renovation project.

EXHIBIT 10 – BID TABULATION EXAMPLE

BID TABULATION											
	Advertiser: Clark Patterson Lee 3011 Sutton Gate Drive, Ste 130, Suwanee, GA 30024 (404) 733-5493	Project Location:	Trickum Middle School 130 Killian Hill Road, Lilburn, GA 30047								
Advertiser Phone:	Project Name:	Project Dates:		Project Location:							
(770) 513-6628	Addition and Renovations	Thursday, August 25, 2022 3:00 PM		130 Killian Hill Road, Lilburn, GA 30047							
RANK	BIDDERS	ADD 1	ADD 2	IMM AFF	BID AFF	BID BOND	BASE BID PROPOSAL	ADD ALT 1	ADD ALT 2	REMARKS	TOTAL BASE BID
1	Amacher Brothers 3988 Flowers Rd., Suite 680 A Atlanta, GA 30360	✓	✓	✓	✓	✓	\$12,200,000.00	299,700 deduct 79,000 = 220,700	303,000 deduct 56,000 = 247,000	deduct 1,255,000 base	\$10,945,000.00
2	Bowen & Watson Construction PO Box 877 Toccoa, GA 30577	✓	✓	✓	✓	✓	\$11,293,000.00	250,000	310,000	deduct 34,000 base	\$11,259,000.00
	Cooper & Company 304 Tribble Gap Rd., Suite 100 Cumming, GA 30040	✓	✓	✓	✓	✓	\$12,600,000.00	330,000	370,000	deduct 124,000 base	\$12,476,000.00
3	Kevin Price Construction 2500 Daniels Bridge Rd., Bldg 100 Athens, GA 30606	✓	✓	✓	✓	✓	\$12,500,000.00	239,955	320,500	deduct 878,000 base	\$11,622,000.00
	Reeves Young 45 Peachtree Indust. Blvd., NW Ste 200 Sugar Hill, GA 30518	✓	✓	✓	✓	✓	\$11,747,000.00	186,817	248,815		\$11,747,000.00
THE APPARENT LOW BIDDER IS:		SIGNATURE OF BIDDER AND CONTACT COPY OF BID TO BE RETURNED TO:								IMPORTANT NOTICE:	
Amacher Brothers		 Clark Patterson Lee Associate Name Date: 8/25/2022									
		 Gwinnett County Public Schools Coordinator Name Date: 8/25/2022									

Source: Assistant Director of Budgets & Finance.

MGT found that there were no major changes to the GCPS bidding and construction process and practices between FY 2022 and FY 2023.

MGT also visited the location of the construction projects selected for testing to verify that the work was in progress or was completed. Exhibit 11 provides an example of the images taken during MGT's visit to the construction sites.

EXHIBIT 11 – TRICKUM ADDITION/RENOVATION & MC CONNELL MIDDLE SCHOOL PAVEMENT



Source: Taken by MGT during the site visit.

AUDIT OBSERVATION(S)

Observation 3.1: District records/reports for projects in progress and/or completed appeared adequate when compared to work completed to date with funds expensed to date and project schedules appeared to be reasonable. Additionally, construction-related projects were publicly advertised, and the District selected the lowest responsible bidder as determined by their review of the submitted proposals and complied with statutory competitive award requirements.
