

***Fulton County  
Board of Education***

**Performance Audit on SPLOST Program**  
**For the Fiscal Year Ended June 30, 2022**



**200 Galleria Parkway S.E., Suite 1700  
Atlanta, Georgia 30339-5946  
Phone: 770-955-8600  
Web: [www.mjcpa.com](http://www.mjcpa.com)**

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## Introduction

To the Members of the Board of Education  
Fulton County Board of Education  
Atlanta, 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:

- A. 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.
- B. 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 A above.
- C. Provide for issuance of periodic public recommendations, not less than annually for improvements in meeting the goal specified in item A above.

SPLOST, or “Special Purpose Local Option Sales Tax,” is a referendum voted and approved by Fulton County voters in which one percent is added to the local sales tax for the purpose of funding the Fulton County Board of Education’s (the “School District”) building and renovation projects that would otherwise require financing through increasing residents’ property taxes. SPLOST funds are also available for retiring general obligation bond debts incurred with respect only to capital outlay projects. The School District is also allowed to issue new general obligation bonds for specific capital outlay projects to be repaid with SPLOST funds.

The School District is in the third (3rd) year authorizing SPLOST V taxes and related projects, the seventh (7th) year of authorizing the SPLOST IV taxes and related projects, and is expending only residual funds from SPLOST III. The School District works under the direction of the Board of Education and its superintendent, and the projects selected for SPLOST funding are chosen by the Board of Education.

The Fulton County School District had two (2) SPLOST programs (SPLOST IV, and SPLOST V) during the period covered by this audit report from July 1, 2021 to June 30, 2022. The SPLOST programs were as follows:

### SPLOST IV (which commenced July 1, 2012 and expired on June 30, 2017) Program:

The Fulton County School District has approved the following capital outlay projects at a total maximum cost of \$895,855,718.

- 1) Acquiring land for, constructing and equipping 10 new or replacement schools or equivalent classroom capacity, and adding to, modifying or reconfiguring such schools to accommodate current and increased student enrollment, mandatory class-size reductions, and programmatic needs;

- 2) Adding to, renovating, modifying and equipping 6 existing schools;
- 3) Modifying, reconfiguring, equipping, upgrading, acquiring, and replacing, including any necessary future site preparation, if necessary, new and existing buildings and facilities (including buildings and facilities to be constructed pursuant to this resolution, once completed)—e.g., roofing, plumbing, wiring, painting, water piping, HVAC, ADA renovations, infrastructure improvements, repaving, school system safety and security, sports equity, physical education facilities, classroom additions, and program-driven modifications, as needed;
- 4) Acquisition of the replacement Banneker High School through payment or prepayment of purchasing price installments due under an intergovernmental agreement of sale;
- 5) Acquiring land and preparing sites for possible future schools and facilities;
- 6) Making system-wide technology improvements, including, but not limited to: acquisition and installation of instructional technology and information systems hardware, software, and infrastructure at all schools and selected other facilities, and surveillance upgrades at schools and facilities as needed;
- 7) Replacing, purchasing, upgrading or supplementing capital equipment including, but not limited to, desks, chairs, tables, school buses, support vehicles, books, laboratory equipment, etc.; and
- 8) Retirement of outstanding general obligation debt of the Fulton County School District previously incurred and issued with respect to capital outlay projects in the not-to-exceed principal and interest amount of \$57,000,000.

SPLOST V (which commenced July 1, 2017 and expires on June 30, 2022) Program:

The Fulton County School District has approved the following capital outlay projects at a total maximum cost of \$960,127,241.

- 1) Acquiring land for, constructing and equipping 7 new or replacement schools or equivalent classroom capacity, and adding to, modifying or reconfiguring such schools to accommodate current and increased student enrollment, mandatory class-size reductions, and programmatic needs;
- 2) Adding to, renovating, modifying and equipping 10 existing schools;

- 3) Adding to, renovating, modifying, reconfiguring, equipping, upgrading, acquiring, and replacing, including any necessary future site preparation, if necessary, new and existing buildings and facilities (including buildings and facilities to be constructed pursuant to this resolution, once completed)—e.g., roofing, plumbing, wiring, painting, water piping, HVAC, ADA renovations, infrastructure improvements, repaving, school system safety and security, physical education facilities, playgrounds, classroom additions, and program-driven modifications, as needed;
- 4) Acquiring land and preparing sites for possible future schools and facilities; adding to, modifying, replacing, reconfiguring schools and/or facilities to accommodate current and future student enrollment and to provide classroom capacity; including, but not limited to, site preparation and the demolition of all or portions of existing structures as needed;
- 5) Making technology improvements, and replacing, purchasing, installing, upgrading or supplementing various technology as needed, such as but not limited to: instructional technology, professional learning technology, information security, process automation and data utilization systems, disaster recovery systems, communication systems, information systems, technology hardware, enterprise content management solutions, enterprise resource planning solutions, data storage systems, and related hardware, software, and infrastructure at some or all of FCS Schools and Facilities, upgrades to wireless communication infrastructure and technology, emergency response technology, access control technology and equipment, security cameras and surveillance upgrades at some or all of FCS Schools and Facilities as needed;
- 6) Replacing, purchasing, upgrading or supplementing capital equipment such as: classroom furniture, desks, chairs, tables, instructional equipment, equipment that supports learning, school nutrition equipment, school buses, school bus equipment, school bus lifts, school police vehicles, school police equipment, support vehicles, support vehicle equipment, fuel management systems, medical, emergency and evacuation equipment, and similar equipment at some or all of FCS Schools and Facilities;
- 7) Acquiring, modifying, replacing and/or supplementing capital equipment and technology, and modifying, reconfiguring, and equipping, existing buildings, schools and facilities (including buildings and facilities to be constructed pursuant to this resolution, once completed), for minor projects, as necessary to implement instructional program-driven modifications and/or programmatic innovations identified by various local schools and approved by FCS;
- 8) Making existing or new lease/purchase payments or payment with respect to the acquisition of schools, facilities, school buses, school police vehicles; transportation vehicles, or other capital acquisitions, as needed;
- 9) Acquisition of replacement Banneker High School by making installment purchase payments related to Qualified School Construction Bonds; and

- 10) Retirement of outstanding general obligation debt of Fulton County School District previously incurred and issued with respect to capital outlay projects in the not-to-exceed principal and interest amount of \$48,509,069.

## Audit Scope, Objectives, and Methodology

### Audit Scope

Mauldin & Jenkins, LLC 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 SPLOST program from July 1, 2021 to June 30, 2022. From a listing of all disbursements made during the specified time frame, we selected 86 disbursements to test (26 from the SPLOST IV Program and 60 from the SPLOST V program), totaling \$8,517,237 of the total disbursements for the audit period.

### Audit Objectives

The overall objective of the performance audit was to evaluate whether the tax funds were expended efficiently and economically so that the School District is receiving maximum benefit from the dollars collected. The specific audit objectives were:

- 1) To determine whether the schedule of projects adheres to the approved resolutions adopted by the Fulton County Board of Education;
- 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;
- 3) To determine the reliability of the monitoring function to verify that actual project expenditures are not exceeding budgeted amounts;
- 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;
- 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;
- 6) To determine whether effective procedures exist to verify that design and construction of capital projects adhered to applicable quality control standards;
- 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; and

- 8) To determine whether the 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 perform 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.

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**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. We also completed questionnaires to further document an understanding of the School District's internal controls over the expenditures of the SPLOST program. Utilizing our understanding of the control environment, we tested certain internal controls to provide further support for the audit.

**Preparation of a Tailored Audit Program**

Based upon preliminary analytical review, control documentation and testing, 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 Fulton County Board of Education's SPLOST Program is operating in compliance with all applicable laws and regulations as well as the referendums approved by the School District's citizens. The objectives, procedures, and results on the following pages are the specific results of our audit.

**Objective #1:** To determine whether the schedule of projects adheres to the approved resolutions adopted by the Fulton County Board of Education.

**Procedures:** We obtained a copy of the SPLOST IV Resolution and the SPLOST V Resolution as approved by the Board of Education of the School District and the voters of Fulton County. We then conducted tests of disbursements made during the audit fiscal year for SPLOST IV and SPLOST V to ensure that the projects for which expenditures were incurred were included in the approved resolution. We selected a sample of one hundred twenty (86) expenditures made during the fiscal year ended June 30, 2022, with sixty (26) from SPLOST IV expenditures and sixty (60) from SPLOST V expenditures. A sample size of sixty (60) was determined to be sufficient in order to test the transaction's processing and compliance with the approved SPLOST resolution for SPLOST V and also for SPLOST IV. We then conducted a disbursement test for each of the selected disbursements to ensure that the projects for which selected expenditures were incurred were included in the approved resolution and supported by documentation such as a vendor invoice.

**Results:** Based on the results of our disbursement test, the expenditures tested were related to projects approved in the SPLOST resolutions.



**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 various personnel across multiple departments. The Fulton County Board of Education has contracted with a third party management company to perform program management for its SPLOST program. Based on our discussions with management, the Capital Programs Department prepares project status summaries each month which are presented to and reviewed by the Board of Education. Furthermore, as a part of these monthly packages, the Program Controls Manager prepares Change Order reports for the Board of Education to approve when change orders are required to the various contracts in operation. These Change Order reports include the project, the amount, and the reason for the change order. We reviewed the Board packages submitted to the Board for all months during the fiscal year ended June 30, 2022 as well as the Change Order reports noting that all packages communicated the status of the capital outlay projects to the Board of Education.

**Results:** Based on the results of the inquiries made and review of reports submitted to the Board, the School District has an effective method in place to communicate with the Board in regard to the 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 management. Per discussion with the Accounting Services Executive Director, each SPLOST has an overall budget that does not exceed the maximum amount of net proceeds per the applicable SPLOST IV and SPLOST V resolutions. Furthermore, budget to actual performance is monitored on a project basis and changes to preliminary budgets as well as to approved project budgets require approval in accordance with the Board of Education's purchasing policy. Finally, as part of the monthly reporting packages delivered to the Board of Education, Change Order reports are included that require Board of Education approval.

**Results:** Based on the results of inquiries made, review of reports prepared, and review of disbursements, an adequate process is 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 management and reviewed the project timelines for SPLOST IV and SPLOST V projects. Additionally, we conducted a disbursement test (the same disbursement test and samples selected as discussed in Objective #1 above) to ensure that the Board 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. Each project is now set up using a construction manager at risk format. Under this format, the construction manager has the potential to lose profits if the project comes in over budget or is completed past the Guaranteed Delivery Date (GDD).

**Results:** Based on the results of inquiries made, review of the approved pay requests, and review of project timelines, the Board has an effective program in place to monitor program performance and to ensure the timely completion of each capital project. Additionally, the Board has policies and procedures in place to ensure that expenditures incurred and paid are valid.

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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, we obtained the SPLOST IV and SPLOST V Cash Projections as of June 30, 2022 and compared the forecasted collections to the actual collections. Furthermore, we compared forecasted expenditures for SPLOST IV and SPLOST V to actual expenditures from inception through June 30, 2022 and noted that actual expenditures did not exceed actual collections (for SPLOST IV) or forecasted collections (for SPLOST V). We also reviewed the SPLOST IV and SPLOST V Financial Reports for each month of the fiscal year ended June 30, 2022 presented to the Board of Education noting “Revenues Summary” and “Expenditures Summary” portions of the report that include original budgets, current budgets, and actual amounts to date.

**Results:** Based on the results of inquiries made and review of reports prepared (SPLOST IV Financial Report and SPLOST V Financial Report), there is an adequate process in place to monitor cash flows through financial analysis to verify 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 adhere to applicable quality control standards.

**Procedures:** We discussed procedures in place to monitor the design and construction of capital projects with management. Per review of proposals submitted, the Board did pre-qualify architects for the projects to ensure the architects used were familiar with standards and specifications necessary for schools. Additionally, they work together to perform on-site visits to ensure that the construction adheres to the specifications for that project and that work performed is correct and of good quality. We reviewed field reports prepared by the architect after construction site visits noting that someone does monitor and document its assessment of the work performed (to ensure quality and that work meets the project specifications) and the status of the project with respect to the projected timeline to ensure that the project meets the deadline for completion. In addition, when a pay application is submitted, the architect reviews the pay application to ensure that the work indicated as performed had been performed.

**Results:** Based on the results of inquiries made and review of reports compiled by the architect documenting its assessment of work performed and the review of a sample of approved pay applications, 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 Accounting Services Executive Director. With regard to the receipt of SPLOST funds, we obtained a schedule of receipts from the Georgia Department of Revenue of the revenues collected for the fiscal year ended June 30, 2022 and reconciled those receipts to the sales tax revenues reported in the 2017 SPLOST Capital Projects Fund per the Annual Comprehensive Financial Report as of and for the fiscal year ended June 30, 2022. With regard to the expenditure of tax revenue funds, we performed disbursement testing for SPLOST IV and SPLOST V separately to ensure the Board of Education's purchasing policy was adhered to. As part of our disbursement tests, as detailed in Objective #1, we reviewed disbursements for proper approval and to verify that the disbursements were related to projects approved as per the SPLOST resolution.

**Results:** Based on the results of inquiries made, review of pay applications, and results of our disbursement tests, effective financial controls are in place to ensure that the receipt and disbursements of tax revenue funds are in compliance with applicable laws and regulations.

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**Objective #8:** To determine whether management of the School District is following the Board approved procurement policies and procedures.

**Procedures:** In order to test the procurement practices of the SPLOST program, we obtained a copy of Board policy in regard to bids and procurements and held discussions with the Accounting Services Executive Director and documented our understanding of the process. We then reviewed the procurement process and related documents, denoting evidence that Board approved procurement policies and procedures were followed, for all projects procured in the audit period.

**Results:** Based on inquiries made and our review of bid documents, 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 Board of Education of the Fulton 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 16, 2022