Cherokee County School District
Internal Audit Quarterly Status Report
October 15, 2026

CRI CARR RIGGS & INGRAM®
CRIadv.com

†This is not a CPA firm.
*Assurance, attest, and audit services provided by Carr, Riggs & Ingram, L.L.C.

"Carr, Riggs & Ingram" and "CRI" are the brand names under which Carr, Riggs & Ingram, L.L.C.* ("CRI CPA**"), CRI Advisors, LLC† ("CRI Advisors†" or "Advisors†"), and Capin Crouse, LLC* ("Capin Crouse CPA**"), and CRI Capin Crouse Advisors, LLC† ("Capin Crouse Advisors†") provide professional services. CRI CPA*, Capin Crouse CPA*, CRI Advisors†, Capin Crouse Advisors†, Carr, Riggs & Ingram Capital, LLC and their respective subsidiaries operate as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. CRI CPA* and Capin Crouse CPA* are licensed independent certified public accounting ("CPA") firms that separately provide attest services, as well as additional ancillary services, to their clients. CRI CPA* and Capin Crouse CPA* are independently-owned CPA firms that provide attestation services separate from one another. CRI Advisors† and Capin Crouse Advisors† provide tax and business consulting services to its clients. CRI Advisors† and its subsidiaries, including Capin Crouse Advisors†, are not licensed CPA firms and will not provide any attest services. The entities falling under the Carr, Riggs & Ingram or CRI brand are independently owned and are not responsible or liable for the services and/or products provided, or engaged to be provided, by any other entity under the Carr, Riggs & Ingram or CRI brand. Our use of the terms "CRI," "we," "our," "us," and terms of similar import, denote the alternative practice structure conducted by CRI CPA*, Capin Crouse CPA*, Capin Crouse Advisors†, and CRI Advisors†, as appropriate.

Transmittal Letter

October 15, 2026

Mary Elizabeth Davis, PhD
Superintendent of Schools
Cherokee County School District
1205 Bluffs Parkway, Canton, GA 30114

Dear Superintendent Davis,

Pursuant to the Risk Assessment and Internal Audit Plan Report dated June 23, 2026 ("the Report"), we are pleased to submit the status of the proposed internal audit plan for calendar year 2026.

As noted in the Report, Quarterly internal audit plan status reports will be submitted throughout each calendar year. These reports will be presented to the Board and provided to the Georgia Legislative Delegation ("Delegation" at the first Board meeting following the end of each quarter. This third quarterly status report is scheduled to be submitted to the Board and the House Delegation no later than the Board Work Session on October 15, 2026. CRI will present this quarterly report to the Board at the Board Work Session on October 15, 2026. Additionally, the internal audit reports completed to date are included as an Attachment to or along with this quarterly status report.

This report is intended solely for the use of Cherokee County School District, GA ("CCSD") and the Delegation. Accordingly, it is not intended to be, and should not be, used by any other specified party. We would like to express our appreciation to CCSD for their cooperation and assistance throughout this engagement. We hope you find results of the internal audit of value in managing your organization

Respectfully submitted,

CRI Advisors, LLC

CRI Advisors, LLC

OVERVIEW

- Internal Plan Status – Calendar Year 2026
- Internal Audit Report – Components
- Overall Control Environment Ratings
- Individual Observation Ratings
- Executive Summary – Completed Internal Audits
- Next Steps - Annual Report in January 2027

INTERNAL AUDIT PLAN STATUS – CALENDAR YEAR 2026

DIVISION	INTERNAL AUDIT	STATUS	OVERALL RATING
Governance & Superintendent	Annual Budget & Amendments Approvals	In-Process	
Financial Management	Budget Development (included above)	In-Process	
	Purchasing Card: Issuance	Completed	Needs Improvement
	Purchasing Card: Activity & Reconciliation	In-Process	
	Purchasing Card: Deactivation	Completed	Needs Improvement
	Competitive Procurement: Solicitation to PO	In-Process	
	Non-competitive Procurement: Solicitation to PO	In-Process	
Support Services	Capital Planning	Completed	Satisfactory
	Construction Management	Completed	Satisfactory
	Construction Project Closeout	In-Process	
	Operational Transportation: Inventory	In-Process	
	Operational Transportation: Fuel	In-Process	

INTERNAL AUDIT REPORT – COMPONENTS

- Transmittal Letter – Communication to CCSD Management, Board and the Delegation.
- Executive Summary - Summarizes observations, risk ratings and overall results.
- Testing Procedures & Results - Provides our testing procedures and results.
- Background - Provides a general overview of the function, personnel, relevant processes, etc.
- Objectives & Approach- Expands upon our internal audit objectives and our approach.
- Observations Matrix - Sets forth the results of our internal audit procedures, including any recommended actions and management response.

OVERALL CONTROL ENVIRONMENT RATINGS

Satisfactory: The control environment, risk management and control processes are well-designed and function effectively to manage the level of risk. Operating procedures support the activity's business objectives. There may be some minor corrective actions required that can be (generally) managed in the normal course of business.

Needs Improvement: The control environment contains several weaknesses that may prevent the District from achieving key business or control objectives and/or processes may not effectively manage some key areas of risk. The number and nature of deficiencies and/or recommendations require prompt management attention to reduce exposure to an acceptable level.

Unsatisfactory: The control environment contains critical or systemic deficiencies that can prevent the District from achieving its business or control objectives and may not prevent the occurrence of significant risk exposures or material errors. The number and nature of deficiencies and/or recommendations require substantial management attention and resources. Immediate corrective action is essential to prevent further deterioration.

INDIVIDUAL OBSERVATION RATINGS

To assist in analyzing individual observations and recommendations detailed below, each observation and recommendation includes suggestions for corrective action, based on the likelihood and impact of the underlying internal control issue as follows:

Low: Does not represent a significant issue or could be a best practice recommendation, but it should be addressed by management as time allows. There is either a remote chance that a negative event will occur, or that if the event does occur, the result of the event will not have a significant negative impact on the District.

Moderate: Represents an issue that should be addressed within sixty days or sooner. There is some potential for a negative event to occur. If the event does occur, there may be some mitigating controls to protect the District. However, there is a possibility that a negative event could cause some, although not substantial negative impact to the District.

High: Represents an issue that should be addressed immediately. There is either an increased potential for a negative event to occur in the immediate future, or there is likelihood that a negative event, even if it does not occur immediately, could have a substantial negative impact on the District.

EXECUTIVE SUMMARY – COMPLETED INTERNAL AUDITS

Review the results and some common themes included in the Executive Summary of the following completed internal audits:

- Capital Planning
- Construction Management
- Purchasing Card Issuance
- Purchasing Card Deactivation

Note: The Risk Assessment and development of the Internal Audit plan took place March – May 2026. For the internal audits, some planning took place at the end of the first quarter of calendar 2026 (March 2026); however, substantial fieldwork did not commence until the second quarter (April-June 2026).

NEXT STEPS – ANNUAL REPORT IN JANUARY 2027

At the January 21, 2027, Board Workshop we plan to present the following:

- ❑ Cumulative Results/Report for Calendar Year 2026
- ❑ Proposed Internal Audits for Calendar Year 2027

Cherokee County School District

Internal Audit: Purchasing Cards – Issuance Process

Table of Contents

Transmittal Letter 3

Executive Summary 4

Testing Procedures & Results 6

Background 8

Objectives & Approach 10

Observations Matrix 13

CRI CARR RIGGS & INGRAM
CRI ADVISORS, LLC

CRI Advisors, LLC
7506 Lynx Way
Suite 201
Melbourne, FL 32940

321.255.0088
386.336.4189 (fax)
CRIadv.com

September 4, 2026

Mary Elizabeth Davis, PhD
Superintendent of Schools
Cherokee County School District
1205 Bluffs Parkway, Canton, GA 30114

Dear Superintendent Davis,

Pursuant to the risk assessment and internal audit plan issued by CRI Advisors, LLC ("we", "our", CRI") dated June 23, 2026, we submit our internal audit of the Purchasing Card – Issuance Process ("P-Cards - Issuance") for the Cherokee County School District ("CCSD" or the "District").

Our procedures were performed in conformity with Statements on Standards for Consulting Services of the American Institute of Certified Public Accountants ("AICPA") and did not constitute an audit in accordance with generally accepted auditing standards ("GAAS"). Accordingly, we expressed no opinion from the results of our procedures. Our report is organized in the following sections:

Executive Summary	Summarizes our observations, risk ratings and overall results related to our internal audit.
Testing Procedures & Results	Provides our testing procedures and results.
Background	Provides a general overview of the purchasing card process.
Objectives & Approach	Expands upon our internal audit objectives and focus as well as an overview of our approach.
Observations Matrix	Sets forth the results of our internal audit procedures, including any recommended actions and management response.

This report is intended solely for the use of CCSD and the Georgia Legislative Delegation. Accordingly, it is not intended to be, and should not be, used by any other specified party. We would like to express our appreciation to CCSD for their cooperation and assistance throughout this engagement. We hope you find results of the internal audit of value in managing your organization.

Respectfully Submitted,

CRI Advisors, LLC

CRI Advisors, LLC

Executive Summary

Overview

The Cherokee County School District (CCSD) Purchasing Card (P-Card) Program is designed to provide authorized, full-time employees with a streamlined method for procuring goods and services required for official school district operations. The program seeks to improve purchasing efficiency while maintaining appropriate accountability, stewardship, and compliance with District policies and applicable regulations. The P-Card issuance process includes employee eligibility verification, management approval, execution of required agreements, training completion, and card setup by the P-Card Program Administrator.

We conducted an internal audit of the P-Card issuance process to evaluate whether controls were appropriately designed and operating effectively in the issuance of P-Cards only to eligible employees and that required approvals, training, and documentation are completed before cards are activated and used.

Objectives

We conducted an internal audit of the P-Card issuance process to inspect whether controls were appropriately designed and operating effectively to determine whether the District is consistently following procedures for the issuance of purchasing cards only to authorized employees, supported by appropriate approvals, documentation, training, and spending limits prior to granting purchasing authority.

Observations

Based on the testing procedures performed in support of the objectives outlined above, we identified the following observations:

Observation	Risk Rating
1. Purchasing Card Request Form Not Provided – Unable to determine if required management authorization occurred prior to card issuance because the New Purchase Card Request Form was not provided.	**Moderate**
2. Training Documentation Not Retained – Unable to determine if required cardholder training was completed prior to card issuance because supporting training records were not retained.	**Moderate**
3. Issued P-Cards with No Transaction Activity – Cardholders who maintained active P-Cards throughout the internal audit period but did not perform any purchasing activity.	**Low**

Executive Summary *(Continued)*

An overall rating of "**Needs Improvement"** was assigned based on the following criteria:

Satisfactory: The control environment, risk management and control processes are well-designed and function effectively to manage the level of risk. Operating procedures support the activity's business objectives. There may be some minor corrective actions required that can be (generally) managed in the normal course of business.

Needs Improvement: The control environment contains several weaknesses that may prevent the District from achieving key business or control objectives and/or processes may not effectively manage some key areas of risk. The number and nature of deficiencies and/or recommendations require prompt management attention to reduce exposure to an acceptable level.

Unsatisfactory: The control environment contains critical or systemic deficiencies that can prevent the District from achieving its business or control objectives and may not prevent the occurrence of significant risk exposures or material errors. The number and nature of deficiencies and/or recommendations require substantial management attention and resources. Immediate corrective action is essential to prevent further deterioration.

To assist in analyzing individual observations and recommendations detailed below, each observation and recommendation includes suggestions for corrective action, based on the likelihood and impact of the underlying internal control issue as follows:

Low: Does not represent a significant issue or could be a best practice recommendation, but it should be addressed by management as time allows. There is either a remote chance that a negative event will occur, or that if the event does occur, the result of the event will not have a significant negative impact on the District.

Moderate: Represents an issue that should be addressed within sixty days or sooner. There is some potential for a negative event to occur. If the event does occur, there may be some mitigating controls to protect the District. However, there is a possibility that a negative event could cause some, although not substantial negative impact to the District.

High: Represents an issue that should be addressed immediately. There is either an increased potential for a negative event to occur in the immediate future, or there is likelihood that a negative event, even if it does not occur immediately, could have a substantial negative impact on the District.

Refer to the *Observations Matrix* section of this report for detailed explanations of each observation, including associated risks, recommendations, and management responses.

Testing Procedures and Results

Detailed Testing

The internal audit scope was limited to the P-Card issuance process and did not include transaction testing, card usage, reconciliation procedures, monitoring activities, or card closure processes. We focused on the key controls governing the request, approval, training, agreement execution, setup, and issuance of purchasing cards.

The population for testing consisted of all employees who held an active P-Card at any time during the period March 1, 2025 through February 28, 2026. From this population, we selected a sample of 20 cardholders for detailed testing of issuance-related controls. The sample included five (5) cardholders who were newly issued a P-Card during the internal audit period and fifteen (15) cardholders whose cards were issued prior to the internal audit period but remained active during the period. Testing included verification of approved New Purchase Card Request Forms, evidence of Department Head/Principal and P-Card Program Manager approval, execution of Purchasing Card Cardholder Agreements, completion of required training, and compliance with documented issuance procedures.

Refer to the legend to understand the achieved results.

Legend:

✓ Attribute met without error or exception

✗ An error or exception was noted

A summary of our testing procedures and results related to the above objectives is presented below.

Testing Procedure	Results
a) Determine if the Cardholder Profile Form / New P-Card Request Form was completed & signed by the cardholder, approved by the Principal/Department Head, and then approved by the P-Card Manager.	✗ *Observation 1*
b) Determine if P-card training was completed prior to the execution of the Purchasing Card Cardholder Agreement evidenced by training records. Purchasing Card Cardholder Agreement includes training self-certification.	✗ *Observation 2*
c) Determine if the Purchasing Card Cardholder Agreement was completed & signed by the cardholder and then approved by the P-Card Manager. Purchasing Card Cardholder Agreement includes training self-certification.	✓
d) Determine if the Purchasing Card Cardholder Agreement was fully executed after the Cardholder Profile Form / New P-Card Request Form was fully executed.	✓
e) Determine if the single transaction (School-based only) and cycle limits were input into WellsOne as approved and that the limits comply with established District policy parameters.	✓

Testing Procedures and Results *(Continued)*

Data Analytics

Additionally, we performed data analytics over the population of active P-Card cardholders during the period March 1, 2025 through February 28, 2026 to assess the completeness and accuracy of the population used for testing and to identify potential indicators of inefficiency or increased program risk. Analytics were performed using available cardholder and transaction activity data.

First, we compared the population of cardholders with transaction activity during the internal audit period to the population used for issuance testing to determine completeness. This analysis was performed to determine whether all cardholders utilizing purchasing cards during the internal audit period were appropriately captured within the population. The results of the analytics performed verified that all cardholders with transaction activity during the period were included within the population considered for testing with no exceptions identified.

Second, we analyzed transaction activity for all active cardholders to determine whether issued and active purchasing cards were being utilized during the internal audit period. This analysis identified 26 cardholders who maintained issued and active P-Cards but had no transaction activity during the period. See Observation 3, "Active P-Cards with No Transaction Activity," for additional details and recommendations.

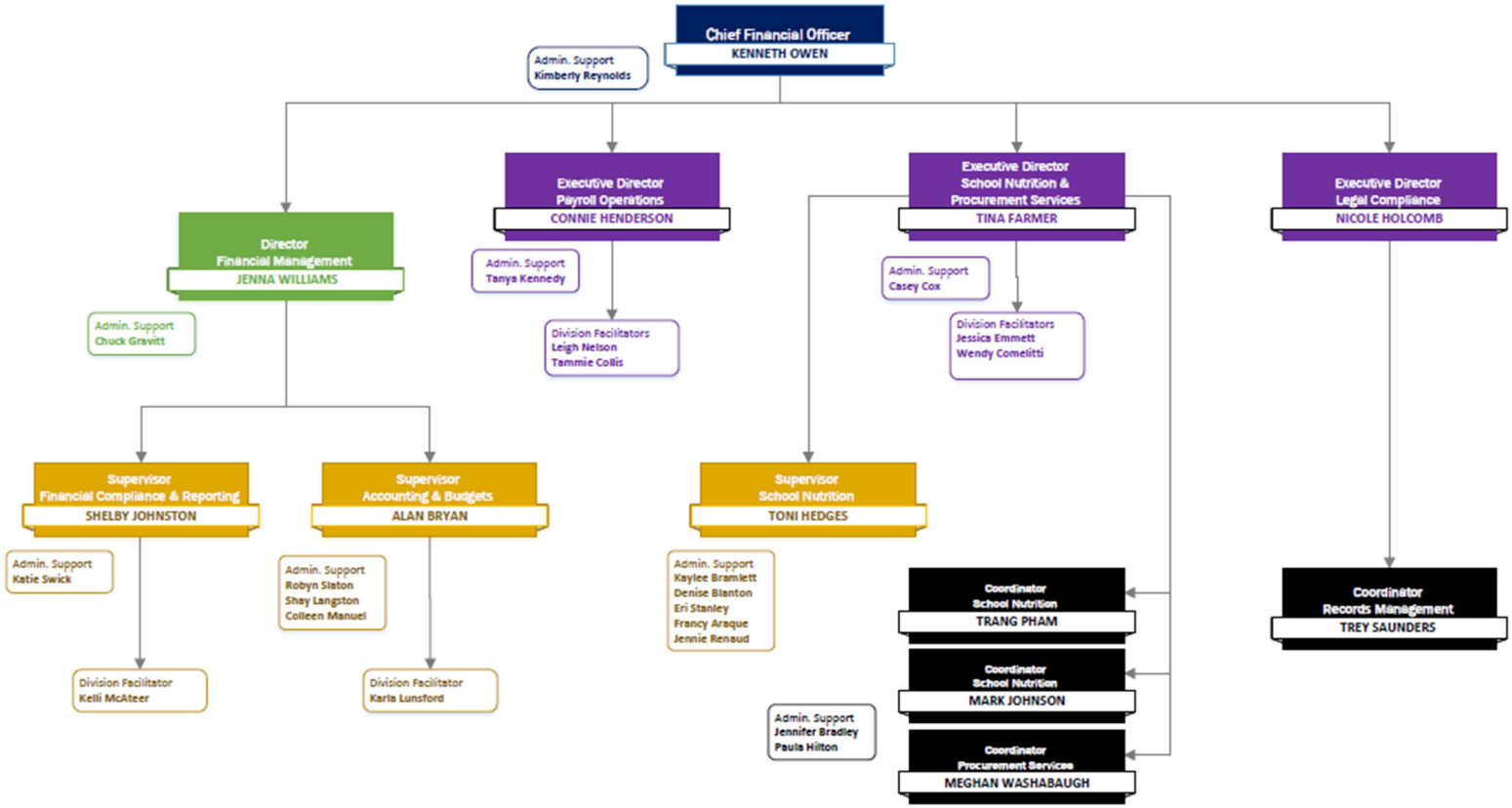
Internal audit procedures were performed through a combination of inquiry, walkthroughs, inspection of supporting documentation, sample-based testing, and data analytics to assess whether controls over P-Card issuance were appropriately designed and operating effectively during the internal audit period.

Detailed explanations of the exceptions identified are provided in the *Observations Matrix* section of this report.

Background

Staffing

The organizational chart below depicts the organizational structure in effect during the internal audit period. Procurement Services operated within the Division of Financial Management and reported to the Chief Financial Officer.



Background *(Continued)*

P-Card Issuance Process

CCSD's P-Card issuance process is designed so that purchasing authority is granted only to eligible employees with a valid business need and appropriate management approval. The process begins when a permanent, full-time employee submits a New Purchase Card Request Form through their Department Head or Principal. The Department Head/Principal evaluates the request to determine whether it is reasonable, necessary, and consistent with the objectives of the P-Card Program and District policy. Approved requests are then forwarded to the P-Card Program Manager for review and approval.

Once approved by the P-Card Program Manager, the request is forwarded to the P-Card Program Administrator for processing. The Program Administrator reviews the application for completeness and obtains a signed Purchasing Card Cardholder Agreement, which documents the cardholder's understanding of program requirements, responsibilities, and accountability expectations. Prior to card issuance, the cardholder is required to successfully complete P-Card training covering card usage, purchasing procedures, allowable purchases, and program restrictions. After the training has been completed and the Agreement has been executed, the Program Administrator coordinates card setup with Wells Fargo, assigns the approved spending limits, and issues the card to the employee. The employee then activates the card, and the card is then ready for use.

Objectives & Approach

Objectives

The primary objective of this internal audit was to evaluate the design and operating effectiveness of key controls governing CCSD's P-Card issuance process. Specifically, we sought to determine whether the District has established and is consistently following procedures for the issuance of purchasing cards only to authorized employees, supported by appropriate approvals, documentation, training, and spending limits prior to granting purchasing authority.

To accomplish this objective, we assessed whether:

Eligibility and Business Need – P-Cards are issued only to eligible, full-time CCSD employees whose job responsibilities require purchasing authority to effectively perform their duties. The review evaluated whether cardholders demonstrated a legitimate business need for a purchasing card and whether management's approval process provided reasonable assurance that purchasing authority was limited to authorized personnel.

Authorization and Approval – Requests for P-Cards are appropriately reviewed and approved by the employee's Department Head/Principal and the P-Card Program Manager prior to card issuance. The review evaluated whether management approvals occurred in accordance with District policy and whether sufficient evidence existed to demonstrate that requests were reviewed for reasonableness, necessity, and compliance with the intent of the P-Card Program before purchasing authority was granted.

Documentation and Record Retention – Required issuance documentation is properly completed, maintained, and retained within cardholder files. This included evaluating whether New Purchase Card Request Forms, Purchasing Card Cardholder Agreements, and other required supporting documentation were complete, appropriately authorized, and available for review. Effective documentation and retention practices are essential to demonstrating compliance with District policies and supporting management oversight of the P-Card Program.

Training and Cardholder Accountability – Cardholders complete required training and formally acknowledge their responsibilities before being granted purchasing authority. The internal audit evaluated whether employees received training regarding permissible purchases, cardholder responsibilities, program restrictions, and accountability requirements prior to card activation. In addition, the review assessed whether executed Cardholder Agreements were maintained to document each employee's understanding and acceptance of program requirements.

Spending Limits and Purchasing Authority – Single transaction limits and cycle credit limits are appropriately assigned, approved, and documented in accordance with District policy and program requirements. The review evaluated whether spending limits were approved by authorized personnel and aligned with the cardholder's job responsibilities and expected purchasing needs. Appropriate spending limits serve as a critical preventive control to reduce financial exposure and limit the risk of unauthorized or excessive spending.

Objectives & Approach *(Continued)*

Objectives *(Continued)*

Opportunities for Process Improvement **–** In addition to assessing compliance with established policies and procedures, this engagement was designed to identify opportunities to enhance the overall effectiveness and efficiency of the P-Card issuance process. CRI considered whether existing procedures promote adequate accountability, support effective oversight, and provide sufficient documentation to demonstrate compliance with program requirements.

We also evaluated opportunities to strengthen the control environment by reducing reliance on manual processes, improving record retention practices, enhancing supervisory review and approval controls, and increasing the consistency of documentation maintained within cardholder files. Where applicable, recommendations were developed to reduce operational risks associated with incomplete supporting documentation, inconsistent execution of procedures, and limited monitoring of key issuance controls. These improvements are intended to help safeguard District resources, support compliance with established policies, and promote responsible stewardship of public funds.

Approach

Our internal audit approach consisted of four phases.

Phase One – Planning

We held an initial entrance conference with the Executive Director of School Nutrition and Procurement Services, the Director of Financial Management and the Coordinator for Procurement Services to discuss the scope and objectives of the internal audit work, obtain preliminary data, and establish working arrangements. We reviewed policies and procedures, previously issued reports, and other relevant resources.

Phase Two – Understanding & Documentation of the Process

We gained an understanding of the processes performed within the purchasing cards as it relates to issuance. We conducted interviews with management and gathered evidence related to the key risks and related controls we identified. We updated our understanding of the processes and relevant controls.

Phase Three – Detailed Testing

To determine whether purchasing cards are issued only to authorized employees and in compliance with policy, we evaluated whether:

- The Cardholder Profile Form / New P-Card Request Form was completed & signed by the cardholder, approved by the Principal / Department Head, and then approved by the P-Card Manager.
- P-card training was completed prior to the execution of the Purchasing Card Cardholder Agreement and evidenced by training records.
- The Purchasing Card Cardholder Agreement was completed & signed by the cardholder and then approved by the P-Card Manager.

Objectives & Approach *(Continued)*

Approach *(Continued)*

Phase Three – Detailed Testing (Continued)

- The Purchasing Card Cardholder Agreement was fully executed after the Cardholder Profile Form / New P-Card Request Form.
- The single transaction (School-based only) and cycle limits were input into WellsOne as approved and that the limits comply with established District policy parameters.

Phase Four – Reporting and Recommendations

We documented our observations and recommendations and discussed them with management during an exit conference. Management responses have been incorporated into the report, and copies of the final report have been distributed to appropriate District personnel.

Observations Matrix

1. Purchasing Card Request Form Not Provided	***Rating:*** **Moderate**

Observation

For seven (7) of the twenty (20) selections sampled, the Cardholder Profile Form / New Purchase Card Request Form was requested and not provided. Consequently, we were unable to determine if the cardholder's request was properly authorized by the Department Head / Principal and approved by the P-Card Program Manager prior to issuance of the purchasing card.

Risk

Without a completed and approved request form, there is an increased risk that purchasing cards could be issued to employees without appropriate authorization or demonstrated business need. Missing authorization documentation also limits the District's ability to demonstrate compliance with established procurement policies, procedures, and controls while increasing the risk of unauthorized access to purchasing authority.

Recommended Actions

a. Management should require retention of all New Purchase Card Request Forms within a centralized electronic repository.
b. The P-Card Administrator should implement a file completeness review before card issuance and periodically review cardholder files to verify that all required authorization documents are maintained.
c. Additionally, consideration should be given to implementing a checklist that confirms required approvals have been obtained and retained prior to card setup.

Management Response

Management concurs with the finding and would like to note that all missing Purchasing Card Request Forms were associated with cards issued previously, and since then, updated procedures have been implemented. To strengthen internal controls and improve record retention, Management has implemented an electronic Card Request Form. This process eliminates the use of paper forms and incorporates an automated approval workflow to ensure all requests are properly documented and retained.

Responsible Party: Meghan Washabaugh, Supervisor of Procurement Services

Estimated Completion Date: Completed

Observations Matrix *(Continued)*

2. Training Documentation Not Retained	***Rating:*** **Moderate**

Observation

CRI noted that training records were not kept or retained for all twenty (20) sampled cardholders. As a result, we were unable to determine whether the required P-Card training was completed prior to execution of the Purchasing Card Cardholder Agreement and issuance of the purchasing card. District procedures require cardholders to complete training before a card is issued and activated.

Risk

Failure to implement and retain training documentation increases the risk that purchasing cards may be issued to employees who have not received adequate instruction regarding allowable purchases, cardholder responsibilities, approval requirements, and program restrictions. Additionally, the absence of supporting documentation limits management's ability to demonstrate compliance with established policies and may weaken accountability over the P-Card program.

Recommended Actions

a. Management should establish and consistently maintain centralized training records for all cardholders.
b. Documentation should clearly identify the training completion date and be retained in accordance with District record retention requirements.
c. Prior to card issuance, the P-Card Administrator should verify and document completion of required training.
d. A periodic review of cardholder files should be performed so that all required documentation is present and complete.

Management Response

Management concurs with the finding and is currently collaborating with the Technology Department to develop a digitally based training acknowledgment form. Upon completion of required P-Card training, cardholders will electronically sign the form to document training completion and ensure records are maintained in a centralized system.

Responsible Party: Meghan Washabaugh, Supervisor of Procurement Services

Estimated Completion Date: October 1, 2026

Observations Matrix *(Continued)*

3. Issued P-Cards with No Transaction Activity	***Rating:*** **Low**

Observation

Analytical procedures performed over the population of P-Cards issued and active during the internal audit period of March 1, 2025 through February 28, 2026 identified 26 cardholders with no transaction activity during the period despite having active P-Cards available for use.

While District policy permits eligible employees to maintain purchasing authority for legitimate business purposes, inactive cards may indicate that the original business need no longer exists or that purchasing responsibilities have changed. The current issuance process does not include a documented periodic review to assess whether cardholders continue to require an active P-Card based on their job responsibilities and purchasing activity.

Risk

Maintaining active P-Cards for employees who have little or no business need increases the District's exposure to unnecessary risk. Specifically, inactive cards may increase the likelihood of unauthorized use, misuse, fraudulent activity, or card compromise without providing a corresponding operational benefit. Additionally, retaining unused cards can hinder management's ability to effectively monitor and administer the P-Card Program and may result in unnecessary administrative effort associated with maintaining accounts that are not actively supporting District operations.

Recommended Actions

a. Management should implement a periodic review, at least annually, of all active P-Card accounts to assess continued business need and usage.
b. The review should include an evaluation of cardholder activity, job responsibilities, and purchasing requirements. Cards demonstrating prolonged inactivity should be reviewed with the applicable Department Head/Principal to determine whether spending limits should be reduced, the card should be temporarily frozen, or the account should be closed.
c. Documenting the results of these reviews would strengthen oversight of the P-Card Program so that purchasing authority is granted only to employees with an ongoing business need.

Management Response

Management concurs with the finding and will implement a quarterly review process to monitor Purchasing Card activity. Cards demonstrating little to no usage will be evaluated in consultation with the applicable Department Head or Principal to determine whether continued card issuance is justified. Decisions to deactivate or close cards due to insufficient usage will be documented to ensure appropriate accountability and recordkeeping.

Responsible Party: Meghan Washabaugh, Supervisor of Procurement Services

Estimated Completion Date: December 1, 2026

Cherokee County School District

Internal Audit: Purchasing Cards – Deactivation Process

Table of Contents

Transmittal Letter 3

Executive Summary 4

Testing Procedures & Results 6

Background 8

Objectives & Approach 10

Observations Matrix 13

CRI CARR RIGGS & INGRAM
CRI ADVISORS, LLC

CRI Advisors, LLC
7506 Lynx Way
Suite 201
Melbourne, FL 32940

321.255.0088
386.336.4189 (fax)
CRIadv.com

September 11, 2026

Mary Elizabeth Davis, PhD
Superintendent of Schools
Cherokee County School District
1205 Bluffs Parkway, Canton, GA 30114

Dear Superintendent Davis,

Pursuant to the risk assessment and internal audit plan issued by CRI Advisors, LLC ("we", "our", CRI") dated June 23, 2026, we submit our internal audit of the Purchasing Card – Issuance Process ("P-Cards - Issuance") for the Cherokee County School District ("CCSD" or the "District").

Our procedures were performed in conformity with Statements on Standards for Consulting Services of the American Institute of Certified Public Accountants ("AICPA") and did not constitute an audit in accordance with generally accepted auditing standards ("GAAS"). Accordingly, we expressed no opinion from the results of our procedures. Our report is organized in the following sections:

Executive Summary	Summarizes our observations, risk ratings and overall results related to our internal audit.
Testing Procedures & Results	Provides our testing procedures and results.
Background	Provides a general overview of the purchasing card process.
Objectives & Approach	Expands upon our internal audit objectives and focus as well as an overview of our approach.
Observations Matrix	Sets forth the results of our internal audit procedures, including any recommended actions and management response.

This report is intended solely for the use of CCSD and the Georgia Legislative Delegation. Accordingly, it is not intended to be, and should not be, used by any other specified party. We would like to express our appreciation to CCSD for their cooperation and assistance throughout this engagement. We hope you find results of the internal audit of value in managing your organization.

Respectfully Submitted,

CRI Advisors, LLC

CRI Advisors, LLC

Executive Summary

Overview

The Cherokee County School District (CCSD) Purchasing Card (P-Card) Program is designed to provide authorized, full-time employees with a streamlined method for procuring goods and services required for official school district operations. The program seeks to improve purchasing efficiency while maintaining appropriate accountability, stewardship, and compliance with District policies and applicable regulations. Given the purchasing authority granted through the program, timely deactivation and closure of P-Card accounts are critical controls designed to minimize the risk of unauthorized purchases, inappropriate access to District funds, and continued purchasing authority after an employee's responsibilities or employment status changes. The P-Card Program Manual assigns responsibility for card maintenance and closure to the P-Card Program Administrator and requires the closure of P-Card accounts when employees transfer to another department or school, move to a position that no longer requires a P-Card, or terminate employment with the District.

Objectives

We conducted an internal audit of the P-Card deactivation and account closure process to inspect whether controls were appropriately designed and operating effectively to determine whether purchasing cards are timely deactivated, collected, and closed when no longer required.

Observations

Based on the testing procedures performed in support of the objectives outlined above, we identified the following observations:

Observation	Risk Rating
1. Account Deactivation Documentation Not Provided – For four (4) out of five (5) samples selected for testing, we were unable to determine if P-Card accounts were properly authorized for closure and deactivated in a timely manner because the required Existing Cardholder Update Form was not provided.	**Moderate**
2. Lack of Documentation Evidencing P-Card Surrender – For all five (5) samples selected for testing, we were unable to determine whether physical Purchasing Cards were recovered upon account deactivation due to a lack of supporting documentation evidencing card return to District personnel.	**Moderate**

Executive Summary *(Continued)*

An overall rating of **"Needs Improvement"** was assigned based on the following criteria:

Satisfactory: The control environment, risk management and control processes are well-designed and function effectively to manage the level of risk. Operating procedures support the activity's business objectives. There may be some minor corrective actions required that can be (generally) managed in the normal course of business.

Needs Improvement: The control environment contains several weaknesses that may prevent the District from achieving key business or control objectives and/or processes may not effectively manage some key areas of risk. The number and nature of deficiencies and/or recommendations require prompt management attention to reduce exposure to an acceptable level.

Unsatisfactory: The control environment contains critical or systemic deficiencies that can prevent the District from achieving its business or control objectives and may not prevent the occurrence of significant risk exposures or material errors. The number and nature of deficiencies and/or recommendations require substantial management attention and resources. Immediate corrective action is essential to prevent further deterioration.

To assist in analyzing individual observations and recommendations detailed below, each observation and recommendation includes suggestions for corrective action, based on the likelihood and impact of the underlying internal control issue as follows:

Low: Does not represent a significant issue or could be a best practice recommendation, but it should be addressed by management as time allows. There is either a remote chance that a negative event will occur, or that if the event does occur, the result of the event will not have a significant negative impact on the District.

Moderate: Represents an issue that should be addressed within sixty days or sooner. There is some potential for a negative event to occur. If the event does occur, there may be some mitigating controls to protect the District. However, there is a possibility that a negative event could cause some, although not substantial negative impact to the District.

High: Represents an issue that should be addressed immediately. There is either an increased potential for a negative event to occur in the immediate future, or there is likelihood that a negative event, even if it does not occur immediately, could have a substantial negative impact on the District.

Refer to the *Observations Matrix* section of this report for detailed explanations of each observation, including associated risks, recommendations, and management responses.

Testing Procedures and Results

Detailed Testing

The internal audit scope was limited to the P-Card deactivation and account closure process and did not include card issuance, transaction testing, card usage, reconciliation procedures, or payment processing activities. The internal audit focused on controls governing the timely deactivation of purchasing cards, completion of required account closure documentation, approval of account closure requests, return of purchasing cards, and removal of purchasing authority when employees transfer, terminate employment, or no longer require a P-Card.

The population for testing consisted of all P-Card accounts deactivated during the period March 1, 2025 through February 28, 2026. A total of 17 card deactivations were identified during the testing period. From this population, we haphazardly selected a sample of five (5) deactivated P-Card accounts for detailed testing of account closure controls. Testing included verification of completed Existing Cardholder Update Forms, evidence of required approvals, timely account deactivation, and supporting documentation demonstrating compliance with established P-Card closure procedures.

Internal audit procedures were performed through a combination of inquiry, inspection of supporting documentation, walkthroughs of the account deactivation process, and sample-based testing to assess whether controls over P-Card deactivation and account closure were appropriately designed and operating effectively during the period.

Refer to the legend to understand the achieved results.

Legend:

✓ Attribute met without error or exception

✗ An error or exception was noted

A summary of our testing procedures and results related to the above objectives is presented below.

Testing Procedure	Results
a) Compare the card status against the P-Card usage file to determine whether the card was used after the closing date.	✓
b) Obtain the Existing Cardholder Update Form and determine whether: (1) the form was completed; (2) reviewed and approved by the Principal/Department Head, as evidenced by a signature and date; (3) reviewed and approved by the P-Card Manager, as evidenced by a signature and date; (4) the requested card deactivation was physically completed, as evidenced by the P-Card Program Administrator's signature and date; and (5) the card was closed/deactivated on or before the P-Card Program Administrator's "Changes Completed By" date documented on the form.	✗ *Observation 1*
c) Evidence exists that the physical P-Card was returned to the P-Card Delegate, Department Head/Principal, or P-Card Program Administrator.	✗ *Observation 2*

Testing Procedures and Results *(Continued)*

Data Analytics

Additionally, we performed data analytics to inspect the completeness of the P-Card deactivation process and identify instances where purchasing authority may not have been removed following employee status changes. The analysis focused on employees who terminated employment with the District or transferred to another position, department, or school during the period tested.

We obtained employee transfer and termination listings from Human Resources and Payroll and compared those populations to the active and deactivated P-Card cardholder listings. The purpose of the analysis was to identify employees who experienced a status change during the scope period while maintaining an assigned Purchasing Card.

For employees identified as cardholders, additional procedures were performed to determine whether transaction activity occurred following the employee's termination or transfer date. Transaction activity records were compared to employment status information to identify any instances of continued card usage after a cardholder was no longer authorized to maintain purchasing authority.

Finally, we compared the population of terminated and transferred cardholders to the P-Card deactivation records to determine whether applicable account closure actions were initiated, processed, and documented. This analysis was performed to assess the completeness of deactivation activities and identify any cardholders who may not have been included in the account closure process.

We did not identify any instances of Purchasing Card activity occurring after an employee's termination date or transfer-related deactivation. Additionally, terminated and transferred cardholders identified during testing were generally included within the P-Card deactivation population. No exceptions were identified.

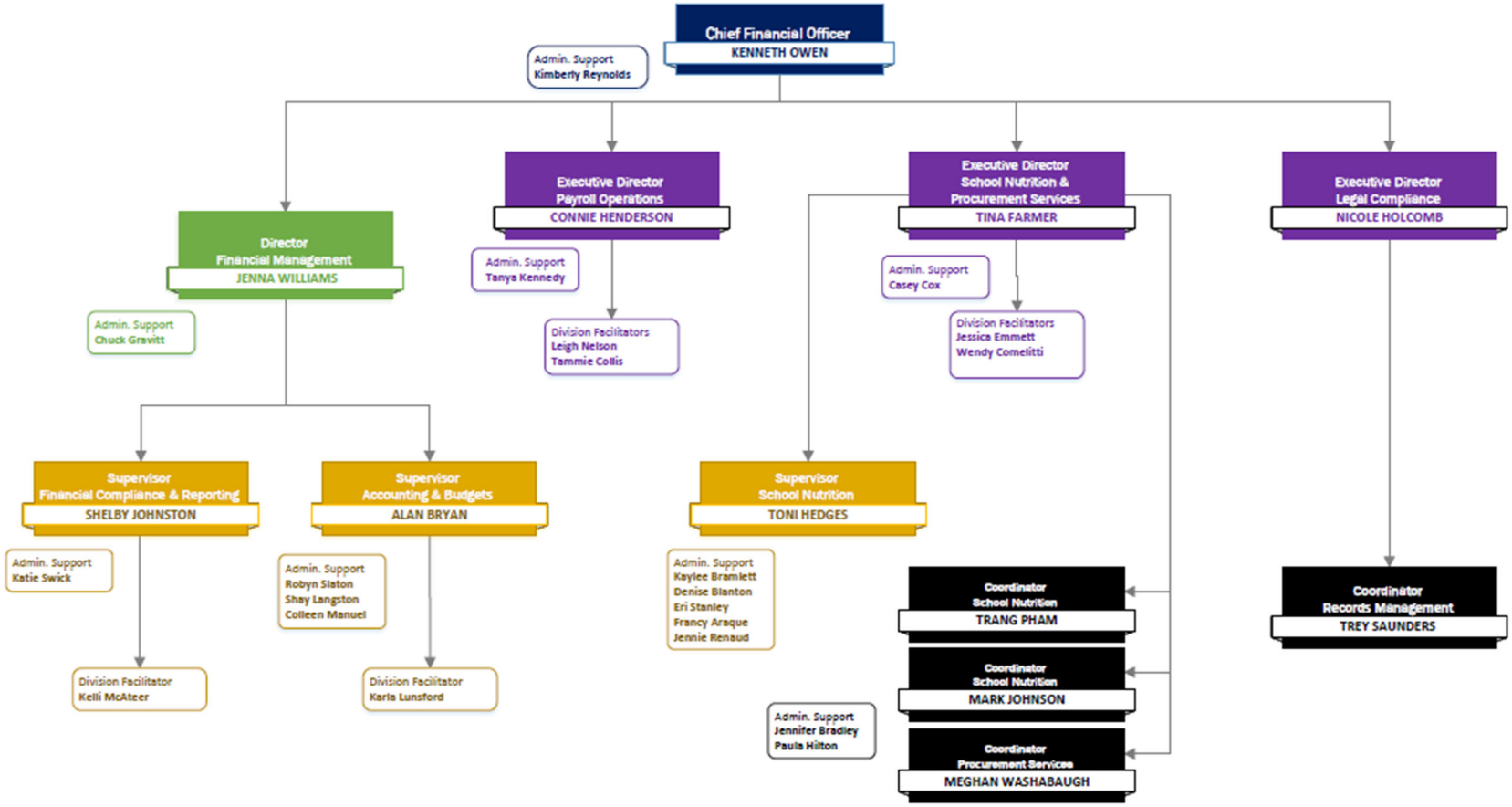
Internal audit procedures were performed through a combination of inquiry, walkthroughs, inspection of supporting documentation, sample-based testing, and data analytics to assess whether controls over P-Card deactivation were appropriately designed and operating effectively during the internal audit period.

Detailed explanations of the exceptions identified are provided in the *Observations Matrix* section of this report.

Background

Staffing

The organizational chart below depicts the organizational structure in effect during the internal audit period. Procurement Services operated within the Division of Financial Management and reported to the Chief Financial Officer.



Background *(Continued)*

P-Card Deactivation Process

The Cherokee County School District's P-Card deactivation process is designed so that purchasing authority is removed promptly when an employee no longer requires a Purchasing Card due to termination, transfer, position change, or other business circumstances. Responsibility for overseeing account maintenance and closure resides primarily with the P-Card Program Administrator, while Department Heads / Principals are responsible for initiating closure requests and notifying the District of changes affecting cardholder status.

The deactivation process begins when a cardholder separates from employment, transfers to another department or school, moves into a position that no longer requires a Purchasing Card, reports a lost card, or requires updates to existing cardholder information. In these situations, the Department Head / Principal completes and submits an Existing Cardholder Update Form, indicating the nature of the requested change, including account closure when applicable. The form serves as the official record documenting the requested action and includes approval by the Department Head / Principal and the P-Card Program Manager.

Upon receipt of an approved account closure request, the P-Card Program Administrator is responsible for processing the deactivation, updating cardholder records, and coordinating account closure with Wells Fargo. District procedures also require the return of physical Purchasing Cards when employees terminate employment or transfer within the District. P-Card Delegates are responsible for returning surrendered cards to the P-Card Program Administrator and assisting with communication regarding cardholder status changes.

The deactivation process serves as an important preventive control designed to remove purchasing authority from individuals who no longer have a legitimate business need for a P-Card. Timely closure of accounts reduces the risk of unauthorized purchases, inappropriate access to District funds, and continued use of purchasing authority following an employee's departure or change in responsibilities. Maintaining complete documentation of account closures also provides an audit trail demonstrating that deactivations were appropriately authorized, processed, and monitored in accordance with District policy.

Additionally, District procedures require the P-Card Program Administrator to maintain oversight of cardholder accounts and to close accounts when employees transfer, move to positions where a P-Card is no longer required, or terminate employment. These responsibilities, coupled with management approval requirements and card recovery procedures, provide a framework for maintaining appropriate oversight of active cardholder accounts and restricting purchasing authority to employees with a valid business need.

Objectives & Approach

Objectives

The primary objective of this internal audit was to inspect the design and operating effectiveness of key controls governing CCSD's P-Card deactivation process. Specifically, we sought to determine whether controls over the P-Card deactivation process are appropriately designed and operating effectively to facilitate the timely removal of purchasing authority when employees separate from employment, transfer positions, or otherwise no longer require a P-Card to perform their job responsibilities.

To accomplish this objective, we assessed whether:

Timely Deactivation and Closure of P-Card Accounts – The internal audit inspected whether P-Card accounts are timely deactivated and closed when a cardholder transfers to another department or school, moves into a position that no longer requires purchasing authority, or terminates employment with the District. Effective deactivation controls are critical to preventing unauthorized purchases and ensuring former employees or employees with changing responsibilities do not retain unnecessary access to District purchasing resources. The internal audit focused on whether account closures were initiated and processed in accordance with established procedures and within a reasonable timeframe following the triggering event.

Completion and Retention of Required Closure Documentation – The internal audit assessed whether the Existing Cardholder Update Form is properly completed, approved, and maintained to support account closure activities. This objective was designed to determine whether sufficient documentation exists to demonstrate that account deactivation requests were appropriately authorized and processed in accordance with District requirements. Effective documentation serves as evidence of management oversight and provides an audit trail supporting account maintenance activities.

Authorization and Approval of Account Closure Requests – The internal audit inspected whether account closure requests and cardholder status changes receive the required approvals from the Department Head/Principal and the P-Card Program Manager prior to processing. This internal audit focused on whether management approval controls are functioning as intended and that changes to purchasing authority are reviewed by individuals with appropriate supervisory responsibility before implementation. Proper approval controls promote accountability and reduce the risk of unauthorized modifications to cardholder accounts.

Recovery and Return of Physical P-Cards – The internal audit assessed whether physical P-Cards are returned to designated District personnel when employees transfer, terminate employment, or no longer require a card. Recovering purchasing cards reduces the risk of unauthorized use after employment or job status changes and supports the District's ability to maintain control over purchasing instruments issued to employees. The internal audit considered whether card recovery procedures were documented and consistently followed during the closure process.

Objectives & Approach *(Continued)*

Objectives *(Continued)*

Administration of Account Maintenance and Closure Activities – The internal audit inspected whether the P-Card Program Administrator performs account maintenance, deactivation, and closure activities in accordance with established District procedures. This included observing whether the Program Administrator fulfilled responsibilities related to maintaining account records, processing closure requests, securing revoked cards, and coordinating account updates with the card issuer. Effective administration is essential to ensuring purchasing authority is properly managed throughout the card lifecycle.

Opportunities for Process Improvement – In addition to evaluating compliance with established policies and procedures, the engagement was designed to identify opportunities to strengthen the overall account closure process. We assessed whether current practices provide oversight, support management's ability to monitor account status changes, and maintain sufficient documentation to demonstrate compliance with District requirements. Particular attention was given to opportunities to improve documentation retention, enhance monitoring controls, standardize closure procedures, and reduce risks associated with delayed deactivation or unauthorized retention of purchasing authority. Recommendations resulting from this internal audit are intended to strengthen the control environment, improve accountability, and support effective stewardship of District resources.

We also inspected opportunities to strengthen the control environment by reducing reliance on manual processes, improving record retention practices, enhancing supervisory review and approval controls, and increasing the consistency of documentation maintained within cardholder files. Where applicable, recommendations were developed to reduce operational risks associated with incomplete supporting documentation, inconsistent execution of procedures, and limited monitoring of key issuance controls. These improvements are intended to help safeguard District resources, support compliance with established policies, and promote responsible stewardship of public funds.

Approach

Our internal audit approach consisted of four phases.

Phase One – Planning

We held an initial entrance conference with the Executive Director of School Nutrition and Procurement Services, the Director of Financial Management and the Coordinator for Procurement Services to discuss the scope and objectives of the internal audit work, obtain preliminary data, and establish working arrangements. We inspected policies and procedures, previously issued reports, and other relevant resources.

Phase Two – Understanding & Documentation of the Process

We gained an understanding of the processes performed within the purchasing cards as it relates to deactivation. We conducted interviews with management and gathered evidence related to the key risks and related controls we identified. We updated our understanding of the processes and relevant controls.

Objectives & Approach *(Continued)*

Approach *(Continued)*

Phase Three – Detailed Testing

To determine whether Purchasing Cards were deactivated in compliance with District policy and procedures, the following procedures were performed:

a) Compare the card status against the P-Card usage file to determine whether the card was used after the closing date.

b) Obtain the Existing Cardholder Update Form and determine whether: (1) the form was completed; (2) reviewed and approved by the Principal/Department Head, as evidenced by a signature and date; (3) reviewed and approved by the P-Card Manager, as evidenced by a signature and date; (4) the requested card deactivation was physically completed, as evidenced by the P-Card Program Administrator's signature and date; and (5) the card was closed/deactivated on or before the P-Card Program Administrator's "Changes Completed By" date documented on the form.

c) Evidence exists that the physical P-Card was returned to the P-Card Delegate, Department Head/Principal, or P-Card Program Administrator.

Phase Four – Reporting and Recommendations

We documented our observations and recommendations and discussed them with management during an exit conference. Management responses have been incorporated into the report, and copies of the final report have been distributed to appropriate District personnel.

Observations Matrix

1. Account Deactivation Documentation Not Provided	***Rating:*** **Moderate**

Observation

For four (4) of the five (5) deactivated cards sampled, the Existing Cardholder Update Form could not be provided for inspection. As a result, we were unable to determine whether the account closure request was properly completed, whether required approvals were obtained from the Department Head/Principal and P-Card Program Manager, or whether the account was deactivated in a timely manner following the employee's status change. District procedures require the use of the Existing Cardholder Update Form to process account closures and identify the approvals necessary to support deactivation activities.

Risk

Failure to maintain account closure documentation increases the risk that purchasing authority could remain active longer than intended, resulting in unauthorized purchases or continued access to District funds after an employee transfers, changes positions, or separates from employment. In addition, missing documentation limits management's ability to demonstrate compliance with established P-Card procedures and reduces the effectiveness of oversight and monitoring controls over the deactivation process.

Recommended Actions

a. Management should require all Existing Cardholder Update Forms and supporting deactivation documentation to be maintained within a centralized electronic repository.

b. The P-Card Program Administrator should implement a file completeness review to determine if all account closures are supported by approved documentation prior to processing.

c. Additionally, management should periodically reconcile deactivated accounts to support closure forms and personnel records to verify that account closures are properly authorized, documented, and processed in a timely manner.

Management Response

Management concurs with Observation 1 and would like to note that the four missing Existing Cardholder Update Forms occurred prior to changes to the process. Since then, in partnership with the Technology Department, an electronic form and approval workflow process to strengthen controls, improve documentation retention, and reduce the risk of missing records in the future is in development.

Responsible Party: Meghan Washabaugh, Supervisor of Procurement Services

Estimated Completion Date: December 31, 2026

Observations Matrix *(Continued)*

2. Lack of Documentation Evidencing P-Card Surrender	***Rating:*** **Moderate**

Observation

CRI noted that for all five (5) sampled deactivated cardholders, no documentation was maintained to demonstrate that the cardholder surrendered the physical Purchasing Card upon termination, transfer, or account closure. While District procedures require cardholders to return their P-Card when terminating employment or transferring within the District and require P-Card Delegates to return surrendered cards to the P-Card Program Administrator, evidence supporting completion of this control was not retained. Consequently, we were unable to determine that the card was physically recovered in accordance with District procedures.

Risk

Failure to document the return of physical P-Cards weakens accountability and reduces the District's ability to demonstrate that purchasing instruments were properly recovered when accounts were closed. Although the account was deactivated, the absence of a documented chain of custody limits management's ability to validate compliance with established procedures and may complicate future investigations or inquiries regarding card disposition.

Recommended Actions

Management should implement a documented card recovery process requiring evidence that the physical P-Card was surrendered upon account closure. This could include a card return log, acknowledgment form, checklist, or notation on the Existing Cardholder Update Form documenting the date the card was returned and the individual receiving the card. Retaining evidence of card surrender would strengthen accountability, improve the audit trail, and provide support that account closure procedures were completed in accordance with District requirements.

Management Response

Management concurs with Observation 2 and would like to note the card closure process for most of the cards occurred prior to changes to the process. Since then, management has partnered with the Technology Department to implement electronic forms and approval workflows for card administration activities. Management is also working with Technology on establishing a centralized document repository to improve record retention, accessibility, and overall program compliance.

Responsible Party: Meghan Washabaugh, Supervisor of Procurement Services

Estimated Completion Date: December 31, 2026

Cherokee County School District

Internal Audit of the Capital Planning Function

Table of Contents

Transmittal Letter 3

Executive Summary 4

Testing Procedures & Results 6

Background 8

Objectives & Approach 10

Observations Matrix 12

CRI CARR RIGGS & INGRAM
CRI ADVISORS, LLC

CRI Advisors, LLC
7506 Lynx Way
Suite 201
Melbourne, FL 32940

321.255.0088
386.336.4189 (fax)
CRIadv.com

July 10, 2026

Mary Elizabeth Davis, PhD
Superintendent of Schools
Cherokee County School District
1205 Bluffs Parkway, Canton, GA 30114

Dear Superintendent Davis,

Pursuant to our risk assessment and internal audit plan dated June 23, 2026, we submit our internal audit of the Capital Planning Function ("Capital Planning") for the Cherokee County School District ("CCSD" or the "District").

Our procedures were performed in conformity with Statements on Standards for Consulting Services of the American Institute of Certified Public Accountants ("AICPA") and did not constitute an audit in accordance with generally accepted auditing standards ("GAAS"). Accordingly, we expressed no opinion from the results of our procedures. Our report is organized in the following sections:

Executive Summary	Summarizes our observations, risk ratings and overall results related to our internal audit.
Testing Procedures & Results	Provides our testing procedures and results.
Background	Provides a general overview Capital Planning, including personnel, relevant processes, and systems.
Objectives & Approach	Expands upon our internal audit objectives and focus as well as an over of our approach.
Observations Matrix	Sets forth the results of our internal audit procedures, including any recommended actions and management response.

This report is intended solely for the use of CCSD and the Georgia Legislative Delegation. Accordingly, it is not intended to be, and should not be, used by any other specified party. We would like to express our appreciation to CCSD for their cooperation and assistance throughout this engagement. We hope you find results of the internal audit of value in managing your organization.

Respectfully submitted,

CRI Advisors, LLC

CRI Advisors, LLC

Executive Summary

Overview

The District's Capital Planning process is a structured, multi-year governance framework designed to identify, validate, fund, and authorize major facility projects through a combination of independent needs assessment, regulatory review including the Georgia Department of Education ("DOE"), competitive procurement, and formal Board oversight.

On a recurring five-year cycle, the District works with an external architect/engineer firm to assess facility condition and document project needs, incorporates validated priorities into the DOE-approved five-year facilities plan and Education Special Purpose Local Option Sales Tax ("ESPLOST") program, and advances projects through site due diligence, architect selection, phased design, and progressive cost estimating. Funding is confirmed through local capital sources and, where applicable, DOE capital outlay support, while key decisions such as plan adoption, property acquisition, and contractor awards are subject to Board approval in public meetings.

Overall, the process, which is managed by the District's Division of Support Services, is intended to mitigate the risk of unsupported project initiation, funding gaps, noncompetitive selections, and inadequate documentation by relying on third-party assessments, stage-gated controls, independent scoring, and centralized record retention.

Objectives

The internal audit focused on the effectiveness of key operational, financial, and system controls for Capital Planning. The engagement assessed whether the identified key risks are addressed by existing internal controls and comply with District policies to support management's objectives related to the Capital Planning process.

In addition, the engagement was designed to identify opportunities to improve operational efficiency, strengthen the control environment, and/or reduce risks arising from manual processes, incomplete documentation, and inadequate monitoring and approval activities.

Observations

Our internal audit of the Capital planning resulted in the following two observations:

Ratings by Observation	Risk Rating
1. Job Descriptions – Enhance clarity, consistency, and alignment of job descriptions with assigned responsibilities and organizational needs.	**Moderate**
2. Cost Estimating – Establish formalized, approved, and executed project cost estimate packages to support planning and funding decisions.	**Low**

Executive Summary *(Continued)*

An overall rating of **"Satisfactory"** was assigned based on the following criteria:

Satisfactory: The control environment, risk management and control processes are well-designed and function effectively to manage the level of risk. Operating procedures support the activity's business objectives. There may be some minor corrective actions required that can be (generally) managed in the normal course of business.

Needs Improvement: The control environment contains several weaknesses that may prevent the District from achieving key business or control objectives and/or processes may not effectively manage some key areas of risk. The number and nature of deficiencies and/or recommendations require prompt management attention to reduce exposure to an acceptable level.

Unsatisfactory: The control environment contains critical or systemic deficiencies that can prevent the District from achieving its business or control objectives and may not prevent the occurrence of significant risk exposures or material errors. The number and nature of deficiencies and/or recommendations require substantial management attention and resources. Immediate corrective action is essential to prevent further deterioration.

To assist in analyzing individual observations and recommendations detailed below, each observation and recommendation includes suggestions for corrective action, based on the likelihood and impact of the underlying internal control issue as follows:

Low: Does not represent a significant issue or could be a best practice recommendation, but it should be addressed by management as time allows. There is either a remote chance that a negative event will occur, or that if the event does occur, the result of the event will not have a significant negative impact on the District.

Moderate: Represents an issue that should be addressed within sixty days or sooner. There is some potential for a negative event to occur. If the event does occur, there may be some mitigating controls to protect the District. However, there is a possibility that a negative event could cause some, although not substantial negative impact to the District.

High: Represents an issue that should be addressed immediately. There is either an increased potential for a negative event to occur in the immediate future, or there is likelihood that a negative event, even if it does not occur immediately, could have a substantial negative impact on the District.

Refer to the *Observations Matrix* section of this report for detailed explanations of each observation, including associated risks, recommendations, and management responses.

Testing Procedures and Results

We inspected the applicable Board policies, State Superintendent Guidelines, DOE requirements, and other governing laws and documents, and conducted discussions with the Division of Support Services Chief Support Services Officer, the Executive Director of Capital Planning & Facilities, and their respective administrative assistant. This work enabled us to document the processes associated with the Capital Planning function and phase.

We selected two recent major projects for testing: Cherokee High School, with a total project cost of $215,023,162, and Free Home Elementary School, with a total project cost of $38,763,340. The component costs for each project are presented below (Source: District management; unaudited):

Associated Costs by Project		
Cost Type	**Cherokee High School**	**Free Home Elementary School**
Site Acquisition	$7,721,185	$1,634,836
Site Development	$22,831,697	$5,885,356
Building Construction Package	$179,095,765	$30,058,261
Furniture, Fixtures and Equipment	$5,374,515	$1,184,887
Total Project Costs	**$215,023,162**	**$38,763,340**

Table Notations

Cherokee High School:

- Site Acquisition represents the actual purchase price of the land.
- Site Development represents the site contractor's actual cost.
- Building Construction Package represents the general contractor's proposal amount (actual cost is pending project final close out).
- Furniture, Fixtures and Equipment represent actual purchase cost.

Free Home Elementary School:

- Site Acquisition represents the actual purchase price of the land.
- Site Development represents site work value in proposal.
- Building Construction Package represents the general contractor's actual cost – less site work value in proposal.
- Furniture, Fixtures and Equipment represent actual purchase cost.

Total project costs exclude design and engineering costs for both projects.

Testing Procedures and Results *(Continued)*

Refer to the legend to understand the achieved results. Detailed explanations of the exceptions identified are provided in the *Observations Matrix* section of this report.

Legend:

✓ Procedure met without error or exception.

✗ An error or exception was noted.

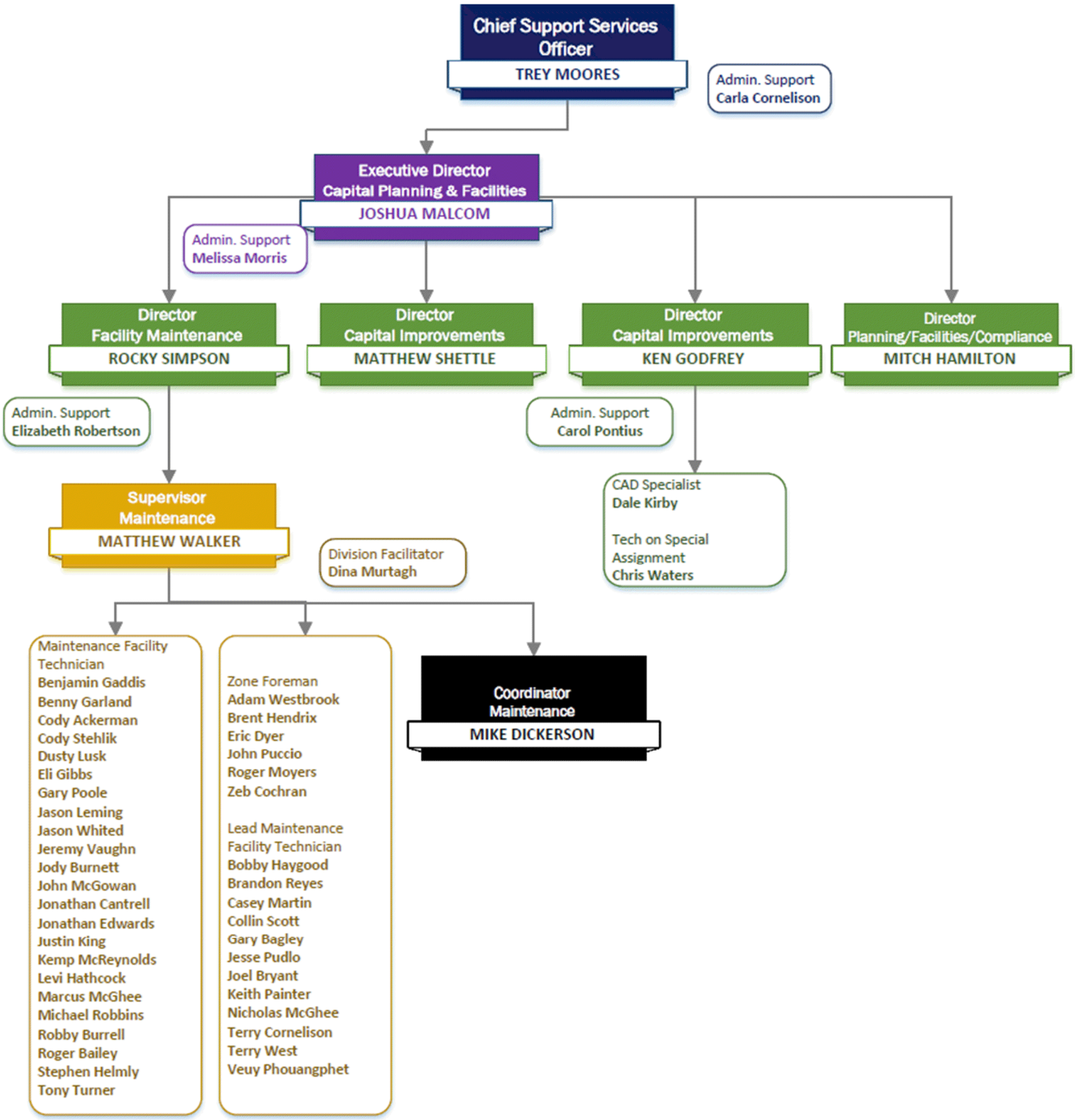
A summary of our testing procedures and results related to the above objectives is presented below.

Testing Procedures	Results
1. Determine if the five-year facilities plan (2023–2027) was performed and if a Statement of Need was produced for all state-funded projects.	✓
2. Determine if the five-year facilities plan was submitted to and approved by the DOE and the Board.	✓
3. Determine if ESPLOST funding was properly voted on, approved, and applied to eligible projects.	✓
4. Determine if applicable DOE due diligence site selection documents (including floodplain determinations, hazard assessments, and other site approval requirements) were properly executed and approved.	✓
5. Determine if property acquisitions were approved by the Board and if such approval occurred prior to execution of related Professional Services Agreements.	✓
6. Determine if the Architect RFP was issued, scoring tabulations were documented, and the Architect contract was properly executed.	✓
7. Determine if formal, documented cost estimate packages approved by the Architect exist for each project milestone.	✗ *Observation 1*
8. Determine if Capital Outlay application packages were properly prepared and approved by the appropriate parties, including the Superintendent and DOE.	✓
9. Determine if minimum qualifications align with assigned duties and responsibilities and are clearly defined and measurable.	✗ *Observation 2*

Background

Staffing

Capital Planning is managed by the Chief Support Services Officer and is under the Division of Support Services as indicated in the chart below:



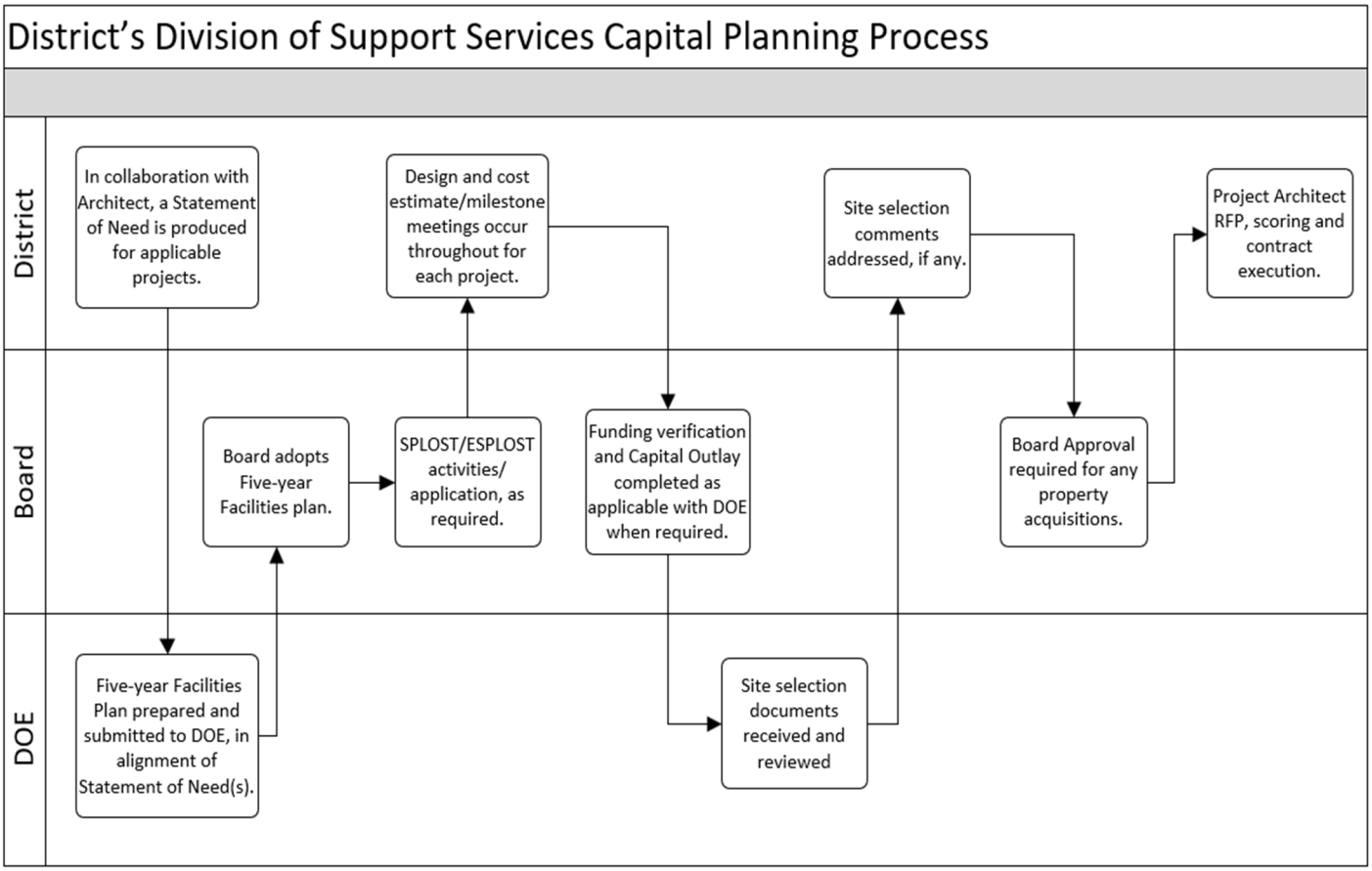
Background *(Continued)*

Capital Planning Process

Capital Planning governance is anchored in a DOE-required five-year facility plan that is validated by the DOE and Board. For major projects such as Cherokee High School (replacement), the contracted architect and District prepare and execute a project-specific Statement of Need to document the replacement rationale and to align the scope to available funding (including proceeds from general obligation bonds, ESPLOST and, where eligible, state capital outlay reimbursement).

For site selection and property acquisition, the District completes DOE site-selection documentation (including hazard/floodplain and mitigation considerations) and obtains Board approval for any real estate transaction. The District uses progressive estimating across design milestones and the use of designer estimates and contractor market input to validate affordability and manage scope prior to procurement.

The following flow chart was created by CRI based on Board policies, and the Division of Support Services management procedures and discussion to document the capital planning process:



Note: Some of the above processes may happen concurrently and/or continuously and involve numerous other entities. The high-level, one-way flow presented here is for simple illustration purposes only. Some processes are general processes, and some are project specific.

Objectives & Approach

Objectives

The primary objective of this engagement was to assess the effectiveness of key operational, financial, and system controls within the associated Capital Planning function of the District. This included assessing the adequacy and appropriateness of controls designed to support management's objectives related to the following key risks:

- *Identify Needs* – Determine whether capital project needs are adequately supported and documented.
- *DOE / Governance* – Determine compliance with State DOE planning requirements and timely Board approval.
- *ESPLOST Alignment* – Determine whether capital projects are aligned with the authorized ESPLOST scope and supported by appropriate transparency.
- *Site Selection* – Determine whether site selection activities comply with applicable regulatory, environmental, and engineering requirements.
- *Property Acquisition* – Determine whether property acquisitions are appropriately authorized and approved by the Board.
- *Architect Selection* – Determine compliance with applicable procurement policies, procedures, and statutory requirements.
- *Cost Estimating* – Determine whether formal project cost estimates are prepared, adequately supported, and used to facilitate effective project planning and funding.
- *DOE Capital Outlay* – Determine whether Capital Outlay funding approvals from the Georgia Department of Education (DOE) were obtained, adequately supported, and properly documented before being relied upon for project funding.
- *Job Descriptions* – Determine whether job descriptions are current, complete, clearly defined, and aligned with assigned responsibilities to support consistent hiring practices, transparent candidate evaluations, the selection of qualified candidates, and alignment between position requirements and organizational needs.

Approach

Our internal audit approach consisted of four phases:

Phase One – Planning

We held an initial entrance conference with the Chief Support Services Officer and the Executive Director of Capital Planning & Facilities responsible for the Division of Support Services to discuss the scope and objectives of the internal audit, obtain preliminary data, and establish working arrangements. We inspected policies and procedures, previously issued reports, and other relevant resources.

Phase Two – Understanding & Documentation of the Process

We gained an understanding of the processes performed within Capital Planning. We conducted interviews with management and gathered evidence related to the key risks and related controls we identified. We updated our understanding of the processes and relevant controls.

Objectives & Approach *(Continued)*

Phase Three – Detailed Testing

The purpose of this phase was the execution of the work plan developed from phases one and two. Our detailed procedures included inquiry, walk-throughs, and substantive testing in the following areas:

Identify Need

- Statement of Need exists for major projects
- Five-year facilities plan/assessment performed

DOE/Board governance

- DOE request and approval obtained (of 5-year plan)
- Board adoption documented; dates align to plan cycle

ESPLOST alignment

- Evidence of ESPLOST public transparency, voting and Board Approvals
- Funded projects appear in five-year plan and Board materials

Site selection

- Required DOE/site due diligence documents completed (Flood Plains Determination, Risk Hazard Assessment/Mitigation, Site Approval)

Property acquisition

- Board approval for property acquisition documented
- Approval date precedes PSA/closing

Architect selection

- Architect RFP issued
- Scoring documented
- Selection traceable to pool
- Contract executed

Cost estimating

- Estimates exist for milestones
- Verifiable versions and dates- include assumptions and that updates are retained

DOE capital outlay

- Superintendent signature present on Capital Outlay contract
- DOE approval present

Job descriptions

- Minimum qualifications align with representative duties and responsibilities of the position
- Minimum qualifications are consistent, up-to-date, clearly defined and measurable

Phase Four – Reporting and Recommendations

We documented our observations and recommendations and discussed them with management during an exit conference. Management responses have been incorporated into the report, and copies of the final report have been distributed to appropriate District personnel.

Observations Matrix

1. Job Descriptions – Enhance clarity, consistency, and alignment of job descriptions with assigned responsibilities and organizational needs.	**Moderate**

Observations

Our inspection of job descriptions within Support Services identified various inconsistencies and areas lacking clarity related to minimum qualifications. We observed this across multiple positions, including Chief Support Services Officer, Executive Director – Capital Planning & Facilities, Director – Capital Planning & Facilities, and Director – Planning/Facilities/Compliance.

We identified the following themes:

- Lack of clear categorization of minimum qualifications (Education, Experience, and Certification/Licensure), resulting in ambiguity in determining candidate eligibility.
- Inconsistent use of 'required' versus 'preferred' qualifications, including contradictions within the same job description.
- Limited or absent certification/licensure requirements despite the technical and specialized nature of the roles.
- Use of vague terminology (e.g., professional credentials') that is not clearly defined or measurable

We also noted role-specific observations:

- Chief Support Services Officer: The minimum qualifications are not clearly delineated by category. Additionally, the job description contains contradictory language by stating that a bachelor's degree is required while later indicating that a bachelor's degree is preferred. No specific certification or licensure requirements are identified.
- Executive Director, Capital Planning & Facilities: While educational requirements are defined, certification/licensure requirements are listed only as preferred, and include vague terminology such as 'professional credentials.' The educational requirements are not specifically aligned with technical disciplines commensurate with the representative duties and responsibilities of the position.
- Director, Capital Planning & Facilities: Similar to the Executive Director position, certification/licensure is not required and includes ambiguous language. Additionally, the job description allows substitution of experience in lieu of a degree without clearly defining equivalency standards.
- Director, Planning/Facilities/Compliance: The minimum qualifications do not distinguish between education, experience, and certification/licensure. The description requires a degree but does not specify the field or level.

These inconsistencies increase the risk of uneven hiring practices, hiring underqualified candidates, less transparent candidate evaluations, and misalignment between job requirements and organizational needs.

1. Job Descriptions – Enhance clarity, consistency, and alignment of job descriptions with assigned responsibilities and organizational needs.	**Moderate**

Recommendations

We recommend that Support Services management, in collaboration with Human Resources, enhance the clarity, consistency, and alignment of job descriptions. Specifically, we recommend the following actions:

a. **Standardize Minimum Qualifications -** Establish a consistent format for the *Minimum Qualifications* section across all job descriptions by clearly separating the following components: Education, Experience, and Certification/Licensure.

b. **Eliminate Contradictory Language -** Remove inconsistencies within job descriptions, including instances where qualifications are identified as both "required" and "preferred." Ensure that mandatory requirements are clearly distinguished from optional qualifications.

c. **Align Education and Credential Requirements with Role Responsibilities -** Define and enforce minimum education and certification/licensure requirements that align with the technical complexity and responsibilities of each role, including:

   1) **Chief Officer and Executive Director Positions -** For positions with significant facilities, construction, or engineering oversight:
      - Require relevant degrees (e.g., construction management, engineering, architecture)
      - Require applicable professional credentials (e.g., Professional Engineer (PE), Registered Architect (RA), Certified Construction Manager (CCM)
      - Require commensurate, relevant experience

   2) **Director-Level Positions -** For roles with substantial facilities, construction, or engineering oversight:
      - Prefer relevant degrees (e.g., construction management, engineering, architecture)
      - Prefer applicable credentials (e.g., PE, RA, CCM)
      - Require relevant, hands-on experience

d. **Replace Vague Terminology -** Eliminate ambiguous phrases such as "professional credentials" and replace them with clearly defined, measurable certification or licensure requirements.

e. **Conduct Comprehensive Review -** Review all Support Services job descriptions to:
   - Facilitate alignment with industry best practices
   - Promote internal consistency across roles and departments
   - Confirm alignment with organizational expectations
   - Prioritize positions with significant technical, operational, or regulatory oversight

Implementing these recommendations will improve hiring transparency, strengthen qualification standards, and reduce organizational risk.

1. Job Descriptions – Enhance clarity, consistency, and alignment of job descriptions with assigned responsibilities and organizational needs.	**Moderate**

Management's Response

Management concurs with the findings and will collaborate with Human Resources to implement the following actions:

a. **Standardization of Minimum Qualifications**
Standardize the *Minimum Qualifications* section across all job descriptions by clearly delineating categories for Education, Experience, and Certification/Licensure.

b. **Elimination of Contradictory Language**
Remove inconsistencies and contradictions within job descriptions, including references to "preferred" qualifications when the same criteria are stated as mandatory.

c. **Align Education and Credential Requirements with Role Responsibilities**
Define and enforce minimum education and certification/licensure requirements that are appropriately aligned with each role's technical responsibilities, ensuring consistency with documented duties and expectations consistent with c. 1) and c.2.) above.

d. **Replace Vague Terminology**
Replace vague terminology (e.g., "professional credentials") with specific, measurable, and verifiable certification or licensure requirements.

e. **Conduct Comprehensive Review**
Conduct a comprehensive review of all Support Services job descriptions to facilitate alignment with industry best practices, internal consistency, and organizational standards. Priority will be given to positions with significant technical complexity or operational oversight.

Responsible Parties: Chief Support Services Officer; Chief Human Resources Officer

Estimated Completion Date: February 1, 2027

2. Cost Estimating – Establish formalized, approved, and executed project cost estimate packages to support planning and funding decisions.	**Low**

Observations

Management did not prepare formal executed/signed cost estimate packages for either project for the appropriate construction document review milestones. However, management provided informal documentation (e.g. unsigned Schematic Design Analysis, email correspondence regarding cost estimates for some of the milestones) as evidence that certain milestone meetings occurred and that collaboration took place with the contracted architects.

According to the Support Services management of Capital Planning and Facilities, formal cost estimate documentation at each of the appropriate milestones was not prepared. Project costs were generally developed using square foot-based estimates, with cost-per-square assumptions applied due to significant pricing volatility and material shortages during COVID-19 period.

Recommendations

We recommend going forward that management perform the following:

a. Obtain formal, documented preliminary cost estimates from a cost estimator and / or architect and the milestone project cost estimates from the architect of record in keeping with the milestones identified for the applicable project.

b. Utilize and document internal benchmarking based on Cherokee High School, Free Home Elementary School and external benchmarking for other similar projects for other school districts.

Management's Response

a. We concur with the recommendation and will require detailed, documented estimates from the design team at the following intervals:

   i. 25% construction document review
   ii. 50% construction document review
   iii. 80% construction document review

b. We concur with the recommendation, and we will document when benchmarking is achieved with other school districts, design professionals, and construction companies concerning current market conditions.

Responsible Party: Chief Support Services Officer

Estimated Completion Date: July 28, 2026 *(completion of design phase of the next construction project - Canton Elementary School)*

Cherokee County School District

Internal Audit of the Construction Function

Table of Contents

Transmittal Letter 3

Executive Summary 4

Testing Procedures & Results 6

Background 8

Objectives & Approach 10

Observations Matrix 12

CRI ADVISORS, LLC

CRI Advisors, LLC
7506 Lynx Way
Suite 201
Melbourne, FL 32940

321.255.0088
386.336.4189 (fax)
CRIadv.com

August 28, 2026

Mary Elizabeth Davis, PhD
Superintendent of Schools
Cherokee County School District
1205 Bluffs Parkway, Canton, GA 30114

Dear Superintendent Davis,

Pursuant to our engagement letter dated June 23, 2026, we submit our internal audit of the Construction Function (or "Construction") for the Cherokee County School District ("CCSD" or the "District").

Our procedures were performed in conformity with Statements on Standards for Consulting Services of the American Institute of Certified Public Accountants ("AICPA") and did not constitute an audit in accordance with generally accepted auditing standards ("GAAS"). Accordingly, we expressed no opinion from the results of our procedures. Our report is organized in the following sections:

Executive Summary	Summarizes our observations, risk ratings and overall results related to our internal audit.
Testing Procedures & Results	Provides our testing procedures and results.
Background	Provides a general overview of Construction, including personnel, relevant processes, and systems.
Objectives & Approach	Expands upon our internal audit objectives and focus as well as an overview of our approach.
Observations Matrix	Sets forth the results of our internal audit procedures, including any recommended actions and management response.

This report is intended solely for the use of CCSD and the Georgia Legislative Delegation. Accordingly, it is not intended to be, and should not be, used by any other specified party. We would like to express our appreciation to CCSD for their cooperation and assistance throughout this engagement. We hope you find results of the internal audit of value in managing your organization.

Respectfully submitted,

CRI Advisors, LLC

CRI Advisors, LLC

Executive Summary

Overview

The District's Capital Project construction process spans from contract award through final closeout, using a request for proposal procurement method. Clearly defined roles across the general contractor, site contractor, architect, construction management, third-party inspectors, and finance ensure accountability throughout the lifecycle, supported by formal governance structures and Board oversight for key financial decisions.

A central feature of the process is the establishment of a detailed Schedule of Values ("SOV"), which serves as the financial and progress baseline for all construction activity. This baseline underpins the monthly pay application cycle, a highly controlled process involving iterative submissions, multi-layered reviews, and formal approvals prior to payment.

Financial stewardship remains a key priority throughout construction. The District employs ongoing budget monitoring, allowance tracking, and coordination with finance leadership to manage cash flow and fiscal-year planning. Fixed-price contract provisions mitigate exposure to cost escalation during construction, transferring this risk to contractors. Change order governance requires documented review and approval by Capital Planning and Support Services, facilitating internal control over scope and budget modifications.

Objectives

The internal audit focused on assessing the effectiveness of key operational, financial, and system controls for the Construction function. The engagement assessed whether the identified key risks are addressed by existing internal controls and comply with District policies to support management's objectives related to the Construction function. In addition, the engagement was designed to identify potential opportunities to improve operational efficiency, strengthen the control environment, and/or reduce risks arising from manual processes, incomplete documentation, and inadequate monitoring and approval activities.

Observations

Our internal audit of the Construction function resulted in the following four observations:

Ratings by Observation	Risk Rating
1. ***Pay Application* – Waiver/Release –** the General Contractor Affidavit and Waiver/Release was not included with each payment application.	**Moderate**
2. ***Pay Application* – Change Order Summary** – the "Change Order Summary" table was not completed on the Cover Page/AIA G702 for each Pay Application.	**Low**
3. ***Pay Application* – Retainage** – the retainage column was not properly included in the SOV/AIA G703 and the retainage column's grand total did not agree to line 5 of the Cover Page/AIA G702.	**Low**
4. **Subcontractor payment** – proof of subcontractor payment was not provided for any pay apps, as indicated by the contract.	**Low**

An overall rating of **"Satisfactory"** was assigned based on the following criteria:

Satisfactory: The control environment, risk management and control processes are well-designed and function effectively to manage the level of risk. Operating procedures support the activity's business objectives. There may be some minor corrective actions required that can be (generally) managed in the normal course of business.

Needs Improvement: The control environment contains several weaknesses that may prevent the District from achieving key business or control objectives and/or processes may not effectively manage some key areas of risk. The number and nature of deficiencies and/or recommendations require prompt management attention to reduce exposure to an acceptable level.

Unsatisfactory: The control environment contains critical or systemic deficiencies that can prevent the District from achieving its business or control objectives and may not prevent the occurrence of significant risk exposures or material errors. The number and nature of deficiencies and/or recommendations require substantial management attention and resources. Immediate corrective action is essential to prevent further deterioration.

To assist in analyzing individual observations and recommendations detailed below, each observation and recommendation includes suggestions for corrective action, based on the likelihood and impact of the underlying internal control issue as follows:

Low: Does not represent a significant issue or could be a best practice recommendation, but it should be addressed by management as time allows. There is either a remote chance that a negative event will occur, or that if the event does occur, the result of the event will not have a significant negative impact on the District.

Moderate: Represents an issue that should be addressed within sixty days or sooner. There is some potential for a negative event to occur. If the event does occur, there may be some mitigating controls to protect the District. However, there is a possibility that a negative event could cause some, although not substantial negative impact to the District.

High: Represents an issue that should be addressed immediately. There is either an increased potential for a negative event to occur in the immediate future, or there is likelihood that a negative event, even if it does not occur immediately, could have a substantial negative impact on the District.

Refer to the *Observations Matrix* section of this report for detailed explanations of each observation, including associated risks, recommendations, and management responses.

Testing Procedures and Results

We inspected applicable Board policies, statutory requirements, contract documents, the CCSD standardized closeout checklist and other governing laws and documents, and we conducted discussions with the Division of Support Services Chief Support Services Officer, the Executive Director of Capital Planning & Facilities, and their respective administrative assistant. This work enabled us to document the processes associated with the Construction function and phase.

We selected two recent major projects for testing: Cherokee High School, with a total project cost of $215,023,162, and Free Home Elementary School, with a total project cost of $38,763,340. The component costs for each project are presented below (Source: District management; unaudited):

Associated Costs by Project		
Cost Type	**Cherokee High School**	**Free Home Elementary School**
Site Acquisition	$7,721,185	$1,634,836
Site Development	$22,831,697	$5,885,356
Building Construction Package	$179,095,765	$30,058,261
Furniture, Fixtures and Equipment	$5,374,515	$1,184,887
Total Project Costs	**$215,023,162**	**$38,763,340**

Table Notations

Cherokee High School:

- Site Acquisition represents the actual purchase price of the land.
- Site Development represents the site contractor's actual cost.
- Building Construction Package represents the general contractor's proposal amount (actual cost is pending project final close out).
- Furniture, Fixtures and Equipment represent actual purchase cost.

Free Home Elementary School:

- Site Acquisition represents the actual purchase price of the land.
- Site Development represents site work value in proposal.
- Building Construction Package represents the general contractor's actual cost – less site work value in proposal.
- Furniture, Fixtures and Equipment represent actual purchase cost.

Total project costs exclude design and engineering costs for both projects.

Testing Procedures and Results *(Continued)*

Refer to the legend to understand the achieved results. Detailed explanations of the exceptions identified are provided in the *Observations Matrix* section of this report.

Legend:

✓ Procedure met without error or exception.

✗ An error or exception was noted.

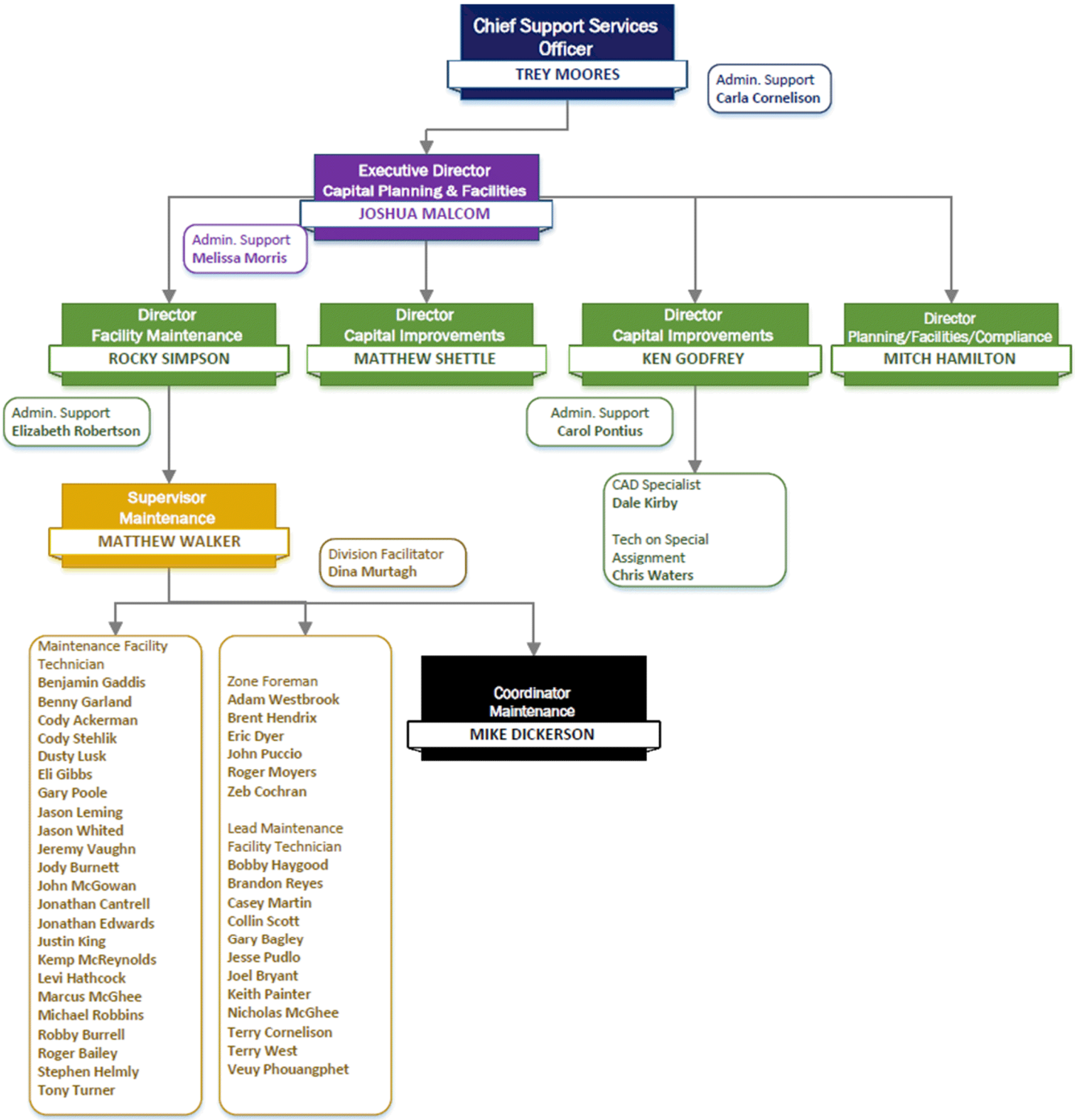
A summary of our testing procedures and results is presented below.

Aligned Objective and Testing Procedure	Result
1. *Award / NTP / mobilization* –the process requires verification of contract execution, bonding/insurance, permits, and a pre-construction alignment meeting prior to mobilization.	✓
2. *SOV baseline* – pay apps are not accepted until SOV is detailed and approved by owner and architect (Pay App #1 baseline), and that change orders are appended as separate line items.	✓
3. *Pay application – progress validation* – the pay apps are properly prepared and that the process includes multi-layer review and executed signatures prior to submission for payment.	✗ *Observations 1, 2 and 3*
4. *Pay application – system tie-out* – a defined tie-out step exists between executed pay apps and MUNIS invoice entry before Finance processing.	✓
5. *Prompt payment compliance* – payments for proper pay apps are processed within the time frame given by statutory requirements.	✓
6. *Budget monitoring / forecasting* – internal trackers and recurring OAC meetings/forecasting routines exist and incorporate allowances and contingencies.	✓
7. *Cost escalation exposure* – contracts include fixed price/no escalation language and define escalation risk allocation.	✓
8. *Subcontractor payment* – lien waiver/affidavit requirements are included in pay app and closeout processes.	✗ *Observation 4*
9. *Change orders*– policy/practice requires Owner/Support Services & Facilities approval for all cost-bearing AIA change orders and documentation for no-cost changes.	✓

Background

Staffing

Construction is managed by the Chief Support Services Officer and is under the Division of Support Services as indicated in the chart below:



Background *(Continued)*

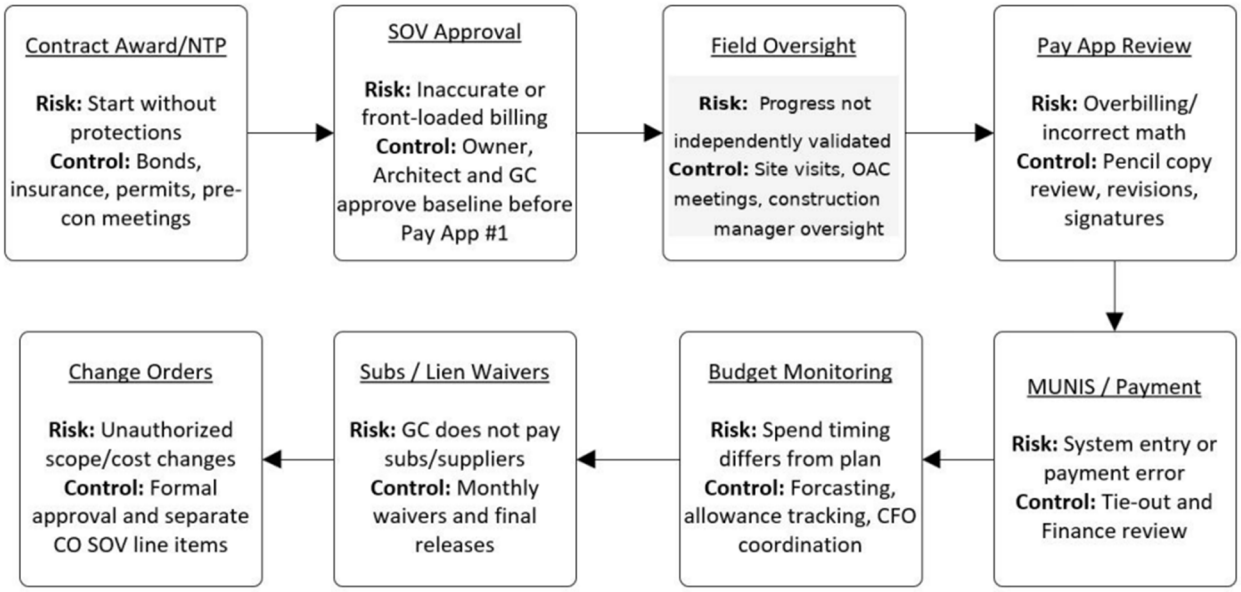
Construction Process

The construction process includes key control points beginning with contract award and notice to proceed, followed by SOV approval, field oversight, pay app review, payment processing, budget monitoring, subcontractor/lien waiver review, and change order administration. Initial controls help mitigate the risk of work commencing without appropriate protections by requiring bonds, insurance, permits, and pre-construction meetings. SOV approval further reduces the risk of inaccurate or front-loaded billing by requiring the owner, architect, and GC to approve the baseline billing structure before the first pay app.

Ongoing monitoring controls are designed to validate construction progress, payment accuracy, and budget alignment. Site visits, OAC meetings, and Capital Improvements Director oversight provide independent support for reported progress prior to payment. Pay apps are reviewed through pencil-copy procedures, revisions, and signature approvals to mitigate overbilling and calculation errors, while MUNIS/payment processing includes tie-out procedures and Finance review to reduce system entry or payment errors. Budget monitoring through forecasting, allowance tracking, and CFO coordination provides additional oversight of spend timing and variances from plan.

Monthly lien waivers and final releases help mitigate the risk that subcontractors or suppliers are not paid by the GC. Formal change order approval requirements and separate change order SOV line items help ensure scope and cost changes are properly authorized, documented, and tracked. Overall, the process reflects a control framework focused on authorization, independent validation, financial accuracy, and documentation throughout the construction lifecycle.

The following flow chart was created by CRI based on Board policies and the Division of Support Services management procedures and discussions, to document the Construction process:



Note: Some of the above processes may happen concurrently and/or continuously and involve numerous other entities. The high-level, one-way flow presented here is for simple illustration purposes only.

Objectives & Approach

Objectives

The primary objective of this engagement was to assess the effectiveness of key operational, financial, and system controls within the associated Construction function of the District. This included assessing the adequacy and appropriateness of controls designed to support management's objectives related to the following key risks:

- *Award / NTP / mobilization* – Determine whether the contractor mobilizes without required risk protections or permits, increasing legal/financial exposure.
- *SOV baseline* – Determine if the SOV lacks sufficient detail, which enables front-loading or inaccurate percent-complete billing.
- *Pay Application* – progress validation – Determine if the GC bills for work not performed or overstates completion, leading to overpayment.
- *Pay Application* – system tie-out – Determine if approved pay app amounts were entered incorrectly into the financial system, resulting in incorrect payment.
- *Prompt payment compliance* – Determine if there was any noncompliance with prompt payment requirements, which result in statutory violations or vendor disputes.
- *Budget monitoring / forecasting* – Determine if spend timing deviated from fiscal-year planning, creating cash flow and budget amendment risk.
- *Cost escalation exposure* – Determine if any cost escalation occurred, as material price escalation increases total cost during construction.
- *Subcontractor payment risk* – Determine if any subcontractors/suppliers were not paid by GC, creating reputational risk and project disruption.
- *Change Orders* – Determine if any unauthorized scope/cost changes occur without governance, increasing cost and weakening transparency.

Approach

Our internal audit approach consisted of four phases:

Phase One – Planning

We held an initial entrance conference with the Chief Support Services Officer and the Executive Director of Capital Planning & Facilities responsible for the Division of Support Services to discuss the scope and objectives of the internal audit, obtain preliminary data, and establish working arrangements. We inspected policies and procedures, previously issued reports, and other relevant resources.

Phase Two – Understanding & Documentation of the Process

We gained an understanding of the processes performed within Construction. We conducted interviews with management and gathered evidence related to the key risks and related controls we identified. We updated our understanding of the processes and relevant controls.

Objectives & Approach *(Continued)*

Phase Three – Detailed Testing

The purpose of this phase was the execution of the work plan developed from phases one and two. Our detailed procedures included inquiry, walk-throughs, and substantive testing in the following areas:

Award / NTP / mobilization

- Prerequisites complete
- Dates precede mobilization
- Executed contract, bonds, COI and permits retained

SOV baseline

- SOV approved before pay apps
- Adequate detail
- CO line items appended.

Pay Application – progress validation

- Properly identified, dated, approved, certified, and notarized
- GC Affidavits/Lien Waivers included
- G702 and G703 mathematically and contractually accurate.

Pay Application – system tie-out

- MUNIS amount equals executed pay app
- Discrepancies resolved prior to payment.

Prompt payment compliance

- Executed approval date documented
- Payment date documented
- Payment was processed in compliance with prompt payment related statutory requirements

Budget monitoring / forecasting

- OAC minutes retained and assumptions/forecasting documented
- OAC minutes reflect that Chief Support Services Officer present

Cost escalation exposure

- Contract executed with clause present
- enforcement evidenced when applicable.

Subcontractor payment

- Subcontractor Affidavit/Lien Waiver included with Pay Applications

Change Orders

- Owner/Support Services & Facilities approval documented before execution
- CO package complete
- Pay App integration documented

Phase Four – Reporting and Recommendations

We documented our observations and recommendations and discussed them with management during an exit conference. Management responses have been incorporated into the report, and copies of the final report have been distributed to appropriate District personnel.

Observations Matrix

1. ***Pay Application* – Waiver/Release –** the General Contractor Affidavit and Waiver/Release was not included with each payment application.	**Moderate**

Observations

For Free Home Elementary School, the General Contractor did not include the Affidavit and Waiver of Lien ("Affidavit") with any Pay Application.

However, with each pay app the contractor included a Certificate of the Contractor or His Duly Authorized Representative ("Certificate") form and the Architect's Certification on the G702/Cover Page. Additionally, liens do not apply to the public sector. The following represents what the Affidavit and the Certificate have in common:

- The Certificate states that outstanding contractor claims for labor, materials, and expendable equipment have been paid in full, except for listed outstanding claims.
- The Affidavit states that labor, materials, and services have been fully paid and related indebtedness discharged.

The primary difference is that the Affidavit includes an express waiver, release, and relinquishment of the right to pursue future claims, while the Certificate does not. The Certificate verifies the amount due, contractual performance, payment of claims, and ownership of stored materials. The Affidavit provides the strongest evidence that all project participants have been paid and have relinquished their rights to pursue further claims.

Recommendations

We recommend that management:

- Require the General Contractor to submit all contractually required Affidavits with each Pay Application.
- Retain the required Affidavits as part of the official project records.
- Continue obtaining the Certificate and the architect's certification.
- Refrain from accepting these certifications as substitutes for Affidavits, as they do not expressly represent that project participants have been paid and have relinquished their rights to pursue further claims.

Management's Response

Processes have been improved. Have double-checked on current project employee is responsible for and releases are included for each payment application. This observation has been noted, reviewed with Capital Planning staff, and corrected for current projects under construction. Additionally, we obtained the Affidavit and Final Waiver of Lien and provided to CRI on August 28, 2026.

Responsible Party: Chief Support Services Officer

Estimated Completion Date: Completed.

2. ***Pay Application* – Change Order Summary** – the "Change Order Summary" table was not completed on the Cover Page/AIA G702 for each Pay Application.	**Low**

Observations

For numerous Free Home Elementary School Pay Applications reviewed, the Change Order Summary table on the G702/Cover Page was not completed. This table is intended to separately present additive and deductive change orders, as well as the net change resulting from all approved change orders. However, for all Free Home Elementary School Pay Applications sampled, the net change order amount reported on Line 2 of the G702/Cover Page was accurate and agreed with the corresponding amount on the G703/SOV and the supporting executed change order documentation without exception.

Recommendations

We recommend that, going forward, management require completion of the Change Order Summary table on the G702/Cover Page for each Pay Application, separately identifying additive and deductive change orders and the resulting net change to the contract amount to provide greater transparency.

Management's Response

This observation has been noted, reviewed with Capital Planning staff, and will be implemented for future projects, beginning with the Twin Forks Facility Improvements project.

Responsible Party: Chief Support Services Officer

Estimated Completion Date: October 29, 2026 (NTP anticipation issue date).

***3. Pay Application* – Retainage** – the retainage column was not properly included in the SOV/AIA G703 and the retainage column's grand total did not agree to line 5 of the Cover Page/AIA G702.	**Low**

Observations

On numerous Pay Applications for Cherokee High School on the G702/Cover Page, the total Retainage amount withheld on Line 5 did not agree to the total Retainage amount withheld on the G703/SOV (column I). There were retainage miscalculations for some of the individual line items on the G703/SOV. However, the total retainage was accurate for the project as calculated on the G702/Cover Page and was properly billed.

For all Free Home Elementary School Pay Applications, this retainage column on the G703/SOV was excluded from the SOV table, and therefore unable to be agreed to line 5 of the G702/Cover Page. However, the total retainage for the project as calculated on the G702/Cover Page was accurate and was properly billed.

Recommendations

We recommend that management properly document the withholding of retainage and separately present retainage for each line item on the G703/SOV to provide transparency and accuracy at the individual subcontractor level.

Management's Response

In progress. This observation has been noted, reviewed with Capital Planning staff, and will be implemented for future projects, beginning with the Twin Forks Facility Improvements project.

Responsible Party: Chief Support Services Officer

Estimated Completion Date: October 29, 2026 (NTP anticipation issue date).

Observations Matrix *(Continued)*

4. **Subcontractor payment** – proof of subcontractor payment was not provided for any pay apps, as indicated by the contract.	**Low**

Observations

For all Pay Applications sampled for Cherokee High School and Free Home Elementary School, the required Subcontractor Affidavits or Waivers of Lien demonstrating proof of payment to subcontractors were not included, as stipulated in Article V, Section 2.05 of the applicable contracts. Management acknowledged that the contracts require subcontractor proof of payment but indicated that the provisions were intended to make such documentation optional rather than mandatory.

Recommendations

We recommend that management coordinate with Legal to revise future contracts so that subcontractor proof-of-payment documentation requirements accurately reflect the District's intent. For existing contracts, management should obtain and retain the required Subcontractor Affidavits or Waivers of Lien with each Pay Application or formally amend the applicable contract provisions before treating such documentation as optional.

Management's Response

Although our intent was to have the ability to require general contractors to provide subcontractor proof of payment when requested, the current language requires this proof of payment. As with other items noted, we will take the opportunity to improve our processes and have this language adjusted to meet our intent (shall vs. may). This observation has been noted, reviewed with legal counsel and Capital Planning staff, and will be implemented for future projects, beginning with the Twin Forks Facility Improvements project.

Responsible Party: Chief Support Services Officer

Estimated Completion Date: October 29, 2026 (NTP anticipation issue date).