

**HOUSTON COUNTY
BOARD OF EDUCATION
PERFORMANCE AND OPERATIONAL REVIEW
EDUCATION SPECIAL PURPOSE
LOCAL OPTION SALES TAX
(E-SPLOST)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

HOUSTON COUNTY BOARD OF EDUCATION
PERFORMANCE AND OPERATIONAL REVIEW

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EXECUTIVE SUMMARY

January 5, 2018

Houston County Board Of Education
1100 Main Street
Perry, Georgia 31069

Ladies and Gentlemen:

Georgia Code Section 20-2-491 requires public school systems to obtain continuing performance reviews for expenditures of sales tax for capital outlay if the tax generates \$5 million or more annually. The independent performance review shall:

- Include a goal of ensuring, to the maximum extent possible, that the tax funds are expended efficiently and economically so as to ensure that the school district receives the maximum benefit for the dollars collected.
- Provide for issuance of periodic reports, not less than once annually, with respect to the extent to which the expenditures are expended efficiently and economically as outlined above.
- Provide for issuance of periodic public recommendations, not less than annually, for improvements in meeting the goal specified above.

The Education Special Purpose Local Option Sales Tax (E-SPLOST) is a referendum voted and approved by the Houston County voters in which one percent is added to the local sales tax for the purpose of funding building and renovation projects that would otherwise require financing through other sources. E-SPLOST funds are also available for retiring general obligation bond debts incurred with respect only to capital outlay projects and to issue new general obligation bonds for specific capital outlay projects. The E-SPLOST funds under review were originally approved by the voters in 1997 and re-imposed and reapproved in 2001, 2005, 2011 and 2017.

During the fiscal year ended June 30, 2017, E-SPLOST expenditures were as follows:

	<u>E-SPLOST EXPENDITURES</u>
Acquiring, constructing, repairing, improving, renovating, extending, upgrading and equipping school buildings and support facilities in the Houston County School District	\$ 10,963,230
General obligation debt payments and bond issuance costs	<u>10,953,590</u>
Total E-SPLOST Expenditures	<u><u>\$ 21,916,820</u></u>

The schedule above reflects total expenditures relative to E-SPLOST proceeds for fiscal year ending June 30, 2017.

The schedule below reflects total expenditures and funding for the Houston County Board of Education E-SPLOST Projects for the fiscal year ending June 30, 2017.

Total Houston County E-SPLOST Project Expenditures	\$ 21,916,820
Funded by:	
E- SPLOST proceeds	(21,916,820)
State Entitlements	-
	<hr/>
	\$ -
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HOUSTON COUNTY BOARD OF EDUCATION
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REVIEW SCOPE, OBJECTIVES AND METHODOLOGY

Review Scope

Clifton, Lipford, Hardison & Parker, LLC was engaged to conduct a performance and operational review of the E-SPLOST program for the year ended June 30, 2017. The review focused on the School System's compliance with the state legislation and the receipt and expenditures of sales tax proceeds for allowable E-SPLOST educational purposes.

Review Objectives

Based on the requirements of Georgia Code Section 20-2-491, we identified the following objectives of the operational review:

1. To the maximum extent possible, the tax funds are being expended efficiently and economically, so as to secure the maximum possible benefit from the tax dollars collected.
2. The sales tax proceeds are being disbursed in a fiscally responsible manner.
3. The School System has established adequate administrative controls to ensure the proper management of the sales tax proceeds received.
4. The Schools' technology and transportation expenditures are reasonable.
5. Investment of the sales tax proceeds received by the School System has been conducted in a sound fiscal manner.

Review Methodology

The following details some of the significant phases of the engagement:

- Plan the engagement and obtain a written understanding of the scope and objectives of the review.
- Document our understanding of the internal control environment related to the expenditures of the E-SPLOST funds.
- Prepare a review program based on review objectives and the control environment to include the following steps:
 - a. Conduct interviews with staff members responsible for the E-SPLOST program.
 - b. Review proposal procedures to ensure that there are a variety of contractors, architects and vendors used, they are qualified, and that contracts are awarded to the responsible and responsive offer or whose proposal is determined in writing to be the most advantageous to the Board.
 - c. Review a majority of the E-SPLOST expenditures.
- Conclude the review and prepare a draft report.
- Obtain management input and representation and finalize report.

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PROCEDURES, FINDINGS, CONCLUSIONS AND CLOSING

Objective #1: To the maximum extent possible, the tax funds are being expended efficiently and economically, so as to secure the maximum possible benefit from the tax dollars collected.

- We conducted interviews with the Assistant Superintendent for Finance and Business Operations, and the Director of Facilities to understand how projects are chosen and how priorities are made among projects.
- We reviewed board minutes to verify that projects were brought before the board and were voted on before the start of the project.
- We reviewed the Five Year Local Facilities Plan that includes county growth projections, projected student populations, projected priorities, and a facilities outline by school.
- We reviewed 98% of the E-SPLOST projects.

Conclusion: Based on our procedures, there were no findings and we conclude that the HCSS E-SPLOST funds are being expended efficiently and economically, so as to secure the maximum possible benefit from the tax dollars collected.

Objective #2: The sales tax proceeds are being disbursed in a fiscally responsible manner.

- We conducted interviews with the Assistant Superintendent for Finance and Business Operations, the Director of Facilities and the Director of Accounting to identify how costs and use of funding of E-SPLOST monies are determined, how it is classified, and ultimately recorded in the general ledger.
- We reviewed a sample of disbursements to verify that costs were properly identified as E-SPLOST, were properly reviewed and authorized by appropriate personnel, and were properly coded to an E-SPLOST account.
- We gained an understanding of the prequalification and sealed proposal process for contracts.
- We gained an understanding of the various project models to ensure that the best method is used and sound procurement policies are followed.

Conclusion: Based on our procedures, there were no findings and we conclude that the HCSS E-SPLOST program is following sound procurement procedures. Per discussion with the Director of Facilities, HCSS uses the *Construction Manager at Risk* model. This model is appropriate and in accordance with program objectives. Because architect contracts are service oriented, they are not required to go through the proposal process. HCSS has developed prototypical plans for new schools (except high schools) and have determined that it is more cost effective to use the same proto-type plan on these new school construction projects.

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PROCEDURES, FINDINGS, CONCLUSIONS AND CLOSING (CONTINUED)

Objective #3: Adequate administrative controls have been established to ensure the proper management of the sales tax proceeds received by the School System.

- We conducted interviews with the Assistant Superintendent for Finance and Business Operations and the Director of Accounting to identify how funds are received and recorded from the State.
- We reviewed the general ledger accounts and Office of Treasury & Fiscal Services, Georgia Fund 1 statements to verify monthly deposits.

Conclusion: Based on our review procedures we conclude that the HCSS E-SPLOST program has adequate administrative controls over the receipt of sales tax proceeds.

Objective #4: The Schools' technology and transportation expenditures are reasonable.

- During 2017, E-SPLOST technology expenditures were \$846,950. We reviewed 70% of the technology expenditures. Transportation expenditures were \$91,464. We reviewed 100% of the transportation expenditures.

Conclusion: Based on our procedures we concluded that there were no findings and that the technology expenditures were in accordance with the referendum.

Objective #5: Investment of the sales tax proceeds received by the School System has been conducted in a sound fiscal manner.

- We conducted interviews with the Assistant Superintendent for Finance and Business Operations and the Director of Accounting to identify how funds are invested.
- We reviewed the Board's investment policy. The School System invests monies in the Office of Treasury & Fiscal Services, Georgia Fund 1. These funds are the combined state general fund and local government investment pool managed by the Office of Treasury and Fiscal Services. The Fund was formerly known as the "Local Government Investment Pool".
- We compared the investment earnings to average yields of the Office of Treasury & Fiscal Services, Georgia Fund 1 and S&P's Rated Government Investment Index.

Conclusion: Based on our review procedures, we conclude that the sales tax proceeds are being invested in a sound fiscal manner.

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CLOSING

We reviewed approximately 98% of all expenditures for construction and equipping of the Houston County schools, the general obligation debt payments and bond issuance costs.

The Houston County School System (“HCSS”) works under the direction of the School Board (“the Board”) and its Superintendent. The Board approves projects selected for E-SPLOST funding. The HCSS employs a Director of Facilities and a complete facilities staff to oversee all E-SPLOST and capital outlay projects. Due to the internal expertise on staff, most of the large projects use the *Construction Manager at Risk* model. The facilities department oversees construction in progress.

Based on our procedures for the year ended June 30, 2017, we have identified no instances of non-compliance with applicable laws and regulations that apply to capital outlay expenditures funded by the E-SPLOST, and have concluded that the Houston County School System is operating the E-SPLOST program in an economical and efficient manner and safeguarding and maximizing E-SPLOST funds in accordance with Georgia State Code.

This report is intended solely for the information and use of the Board of Education of the Houston County School System and its management and other officials, and is not intended to be and should not be used by anyone other than these specified parties.



Macon, Georgia
January 5, 2018