

**HOUSTON COUNTY  
BOARD OF EDUCATION**

**PERFORMANCE AND OPERATIONAL REVIEW  
SPECIAL PURPOSE LOCAL OPTION SALES TAX  
(SPLOST 2007)**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

HOUSTON COUNTY BOARD OF EDUCATION  
PERFORMANCE AND OPERATIONAL REVIEW

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EXECUTIVE SUMMARY

November 8, 2010

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 Special Purpose Local Option Sales Tax (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. 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 SPLOST funds under review were originally approved by the voters in 2001 and re-imposed and reapproved in 2005. During the fiscal year ended June 30, 2010, SPLOST expenditures were as follows:

	<u>SPLOST EXPENDITURES</u>
Acquiring land, constructing new schools, equipping new schools, renovating, repairing, improving and equipping existing schools.	\$ 14,256,649
General obligation debt payments	<u>14,005,925</u>
 Total SPLOST Expenditures	 <u>\$ 28,262,574</u>

The schedule above reflects total expenditures relative to SPLOST proceeds for fiscal year ending June 30, 2010.

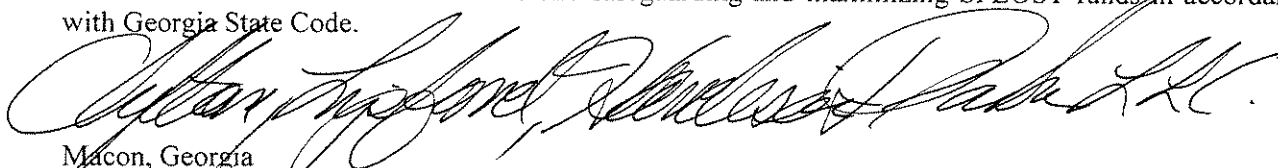
The schedule below reflects total expenditures and funding for the Houston County Board of Education SPLOST Projects for the fiscal year ending June 30, 2010.

Total Houston County SPLOST Project Expenditures	\$ 29,104,924
Funded by:	
SPLOST proceeds	(28,262,574)
State entitlements received	<u>(842,350)</u>
	<u>\$ -</u>

We reviewed approximately 99.97% of all expenditures for construction and equipping of the Houston County schools.

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 SPLOST funding. The HCSS employs a Director of Facilities and a complete facilities staff to oversee all SPLOST and capital outlay projects. Due to the internal expertise on staff, most of the large projects use the *Design-Sealed Proposals with Pre-qualified Contractors-Build* model. The facilities department oversees construction progress.

Based on our procedures for the year ended June 30, 2010, we have identified no instances of non-compliance with applicable laws and regulations that apply to capital outlay expenditures funded by the SPLOST, and have concluded that the Houston County School System is operating the SPLOST program in an economical and efficient manner and safeguarding and maximizing SPLOST funds in accordance with Georgia State Code.



Macon, Georgia  
November 8, 2010

HOUSTON COUNTY BOARD OF EDUCATION  
PERRY, GEORGIA

**REVIEW SCOPE, OBJECTIVES AND METHODOLOGY**

Review Scope

Clifton, Lipford, Hardison & Parker, LLC. was engaged to conduct a performance and operational review of the SPLOST program for the year ended June 30, 2010. The review focused on the School System's compliance with the state legislation and the receipt and expenditures of sales tax proceeds for allowable 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 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 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 offereor whose proposal is determined in writing to be the most advantageous to the Board.
  - c. Review a majority of the SPLOST expenditures.
- Conclude the review and prepare a draft report.
- Obtain management input and representation and finalize report.

HOUSTON COUNTY BOARD OF EDUCATION  
PERRY, GEORGIA

**PROCEDURES, FINDINGS AND CONCLUSIONS**

**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 99.97% of the SPLOST projects.

Conclusion: Based on our procedures, there were no findings and we conclude that the HCSS 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 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 SPLOST, were properly reviewed and authorized by appropriate personnel, and were properly coded to a 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 SPLOST program is following sound procurement procedures. The various project models include *Construction Manager at Risk*, and *Design-Sealed Proposals with Pre-qualified Contractors-Build*. Based on conversations with the Director of Facilities, the decision to use the *Design-Sealed Proposals with Pre-qualified Contractors-Build* model for the large projects 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.

HOUSTON COUNTY BOARD OF EDUCATION  
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**PROCEDURES, FINDINGS AND CONCLUSIONS (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 Georgia Fund 1 statements to verify monthly deposits.

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

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

- Items are purchased in large quantities and warehoused at the HCSS warehouse (e.g., furniture & fixtures, equipment and technology purchases) until construction/RMA is complete. This method of purchasing and warehousing allows the school system to have items readily available when needed. There were no SPLOST proceeds spent on technology or transportation during the year under review.

**Conclusion:** Based on our review procedures we noted no technology or transportation expenditures.

**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 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 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.