



**Presentation of 2019  
Auditor's Discussion and Analysis**  
Atlanta Independent School System  
Audit Committee Meeting



## Auditor's Discussion and Analysis



- Engagement Team
- Results of the 2019 Audit
- Comments, Recommendations, and Other Issues
- Questions





### MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

#### General Information:

- Founded in 1918, large regional firm serving the Southeastern United States
- Offices located in Macon, GA, Atlanta, GA, Albany, GA, Savannah, GA, Birmingham, AL, Chattanooga, TN, Columbia, SC, and Bradenton, FL with firm governmental leadership positioned in the Atlanta and Macon offices.

#### Governmental Sector:

- Largest specific industry niche served by Firm representing 25% of Firm practice.
- Serve 9 of the largest 30 school districts in Georgia and Florida combined.
- Serve more governmental entities in Georgia than any other certified public accounting firm requiring over 100,000 hours of service on an annual basis.
- Serves over 130 governments receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Auditor of a substantial part of the State of Georgia including: approximately 25% of the State's General Fund; 13 of the State of Georgia's component units, and 2 State of Alabama entities.
- Approximately 100 professional staff persons with current governmental experience.
- Current auditor for over 480 total governments in the Southeast, including approximately:
  - ✓ 120 Cities    ✓ 55 Counties    ✓ 55 School Systems and 45 charter schools    ✓ 40 State entities
  - ✓ 165 Special Purpose Entities (housing, industrial development, health & welfare, other educational retirement, libraries, and etc.)    ✓ 100 Water & Sewer Systems, 20 airport operations, 10 gas systems, 15 electrical utilities, and 10 transit services





### Engagement Team Leaders for the Atlanta Independent School System:

- Doug Moses, Engagement Partner – 20 years experience, 100% governmental
- Joel Black, Audit & Assurance Partner (**the next Chairman of GASB**) - 27 years experience, 100% governmental
- James Bence, Quality Assurance Review Partner – 15 years experience, 100% governmental
- Derek Foster, Engagement In-charge – 4 years experience, 100% governmental

### Mauldin & Jenkins – Additional Information

#### Other Industries & Services by Mauldin & Jenkins:

Each of Mauldin & Jenkins' offices provides a wide variety of services to a broad range of clientele. We have partners and managers who are responsible for specialized practice areas of auditing and accounting, taxes and management advisory services. Their purpose, as leaders in the particular practice area, is to establish policies with respect to technical matters in these specific areas and ensure that the quality of the Firm's practice is maintained.

**Industries Served:** Over the years our partners have developed expertise in certain industries representative of a cross section of the Georgia economy, including:

- |   |                              |
|---|------------------------------|
| - Governmental Entities (state entities, cities, counties, school systems, business type operations, libraries, and other special purpose entities) | - SEC Registrants            |
| - Agri-Businesses   | - Wholesale Distribution     |
| - Professional Services   | - Manufacturing              |
| - Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)                      | - Employee Benefit Plans     |
| - Long-term Healthcare  | - Non-Profit Organizations   |
| - Individuals, Estates and Trusts   | - Retail Businesses          |
|   | - Construction & Development |
|   | - Real Estate Management     |





## Results of June 30, 2019 Audit



### ■ Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS)

- We considered the internal control structure for the purpose of expressing our opinion on the School System's basic financial statements and not providing assurance on the internal control structure.
- Our audit was performed in accordance with GAAS.
- Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
- The basic financial statements are the responsibility of the School System's management.

### ■ Report on 2019 Basic Financial Statements of the School System

- Unmodified ("clean") opinion on the basic financial statements. **Audit report date was December 18, 2019.**
- Presented fairly in accordance with accounting principles generally accepted in the United States of America.
- Our responsibility does not extend beyond financial information contained in our report.



## Results of June 30, 2019 Audit (Continued)



### ■ Report on 2019 Federal Award Programs

- Unmodified opinion or clean opinion on major federal award programs (Title I, Part A, Child Nutrition Cluster, and Title VI, Part B) audited in accordance with Uniform Guidance Audit report date was December 18, 2019. At June 30, 2019, the School System had a total of approximately \$74.8 million in federal awards. We audited approximately \$65.9 million or 88% of the total federal awards.

### ■ SPLOST Performance Audit

- Performance audit performed on the Fulton SPLOST and DeKalb SPLOST Programs.
- Tested a total of 85 SPLOST Expenditures (60 from Fulton SPLOST and 25 from DeKalb SPLOST Programs). All were expended on allowable costs in accordance with SPLOST Referendums.
- Reviewed 5 SPLOST Contracts for proper board approval, procurement servicers approval, and for evidence of multiple bids obtained prior to award.



## Results of June 30, 2019 Audit (Continued)



### ■ Significant Accounting Policies

- The significant accounting policies used by the School System are described in Note 1 to the basic financial statements.
- The policies used by the School System are in accordance with generally accepted accounting principles and similar government organizations with no significant new policies to qualitative aspects of its policies. The School System is not involved in any controversial or emerging issues for which guidance is not available.
- In considering the qualitative aspects of its policies, the School System is not involved in any controversial or emerging issues for which guidance is not available.

### ■ Management Judgment/Accounting Estimates

- The School System uses various estimates as part of its financial reporting process – including valuation of accounts receivable and depreciation expense for its capital assets and the net pension liability.
- Management's estimates used in preparation of financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management's calculations in evaluating the School System's significant accounting estimates.

### ■ Financial Statement Disclosures

- The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit.



## Results of June 30, 2019 Audit (Continued)



### ■ Relationship with Management

- We received full cooperation from the School System's management, staff, and others.
- There were no disagreements with management on accounting issues or financial reporting matters.

### ■ Audit Adjustments

- Adjustments were proposed to the records of the School System and have been recorded in the School System's financial statements. The School System's accounting director has copies of these audit entries and will have available with this presentation. In addition, we had one (1) proposed audit adjustment that was deemed to be immaterial and not posted to the School System's accounts. We have obtained representation regarding the immateriality of these adjustments from management.

### ■ Representation from Management

- We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.





## Results of June 30, 2019 Audit (Continued)



### ■ Consultation with Other Accountants

- To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.

### ■ Significant Issues Discussed with Management

- There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.

### ■ Information in Documents Containing Audited Financial Statements

- Our responsibility for other information in documents containing the School System's basic financial statements and our report thereon does not extend beyond the information identified in our report. If the School System intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers' proof for our review and approval before printing. The School System must also provide us with a copy of the final reproduced material for our approval before it is distributed.

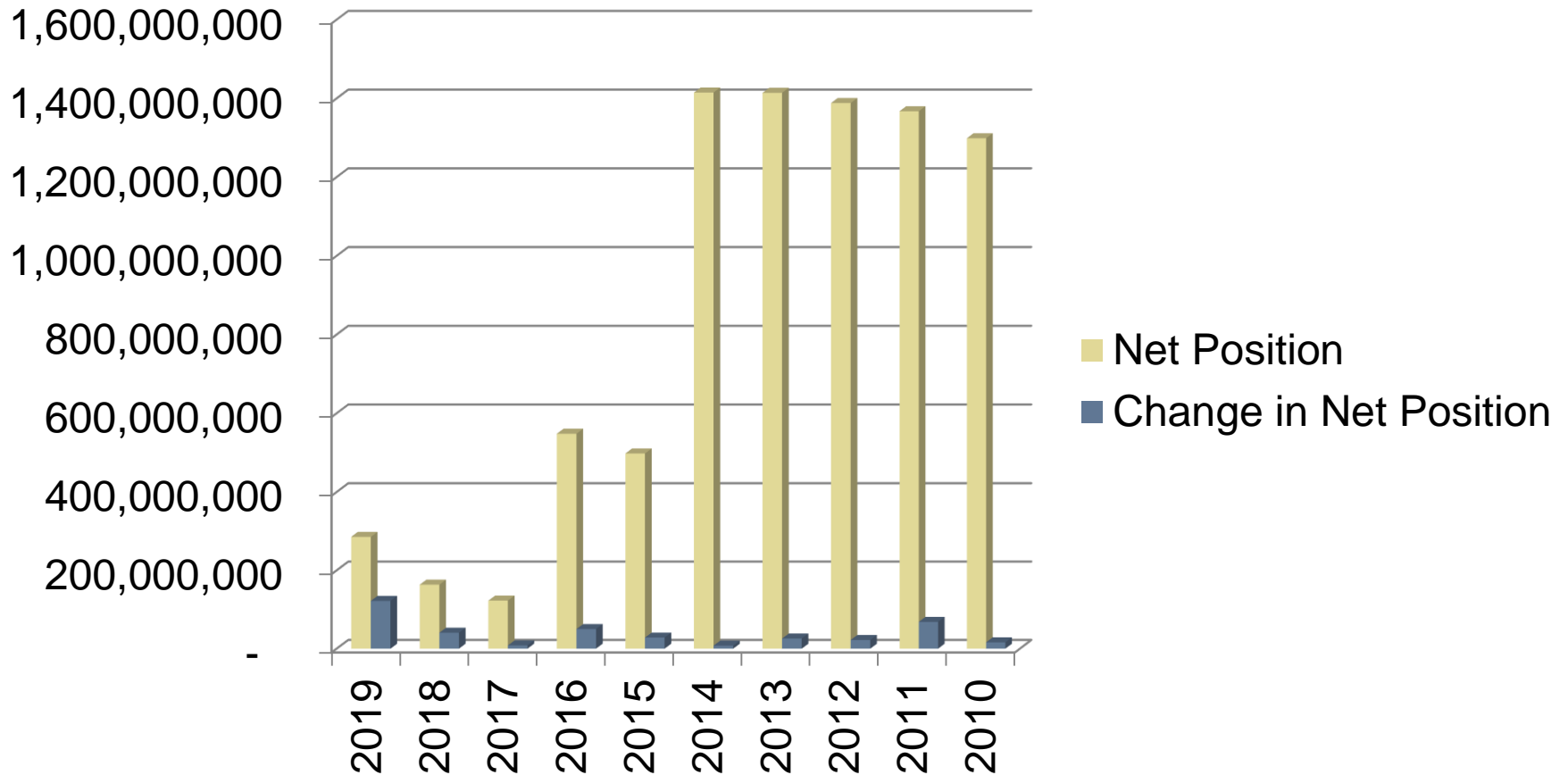
### ■ Auditor Independence

- In accordance with AICPA professional standards, M&J is independent with regard to the School System and its financial reporting process.
- There were no fees paid to M&J for management advisory services during fiscal year 2019 that might effect our independence as auditors.





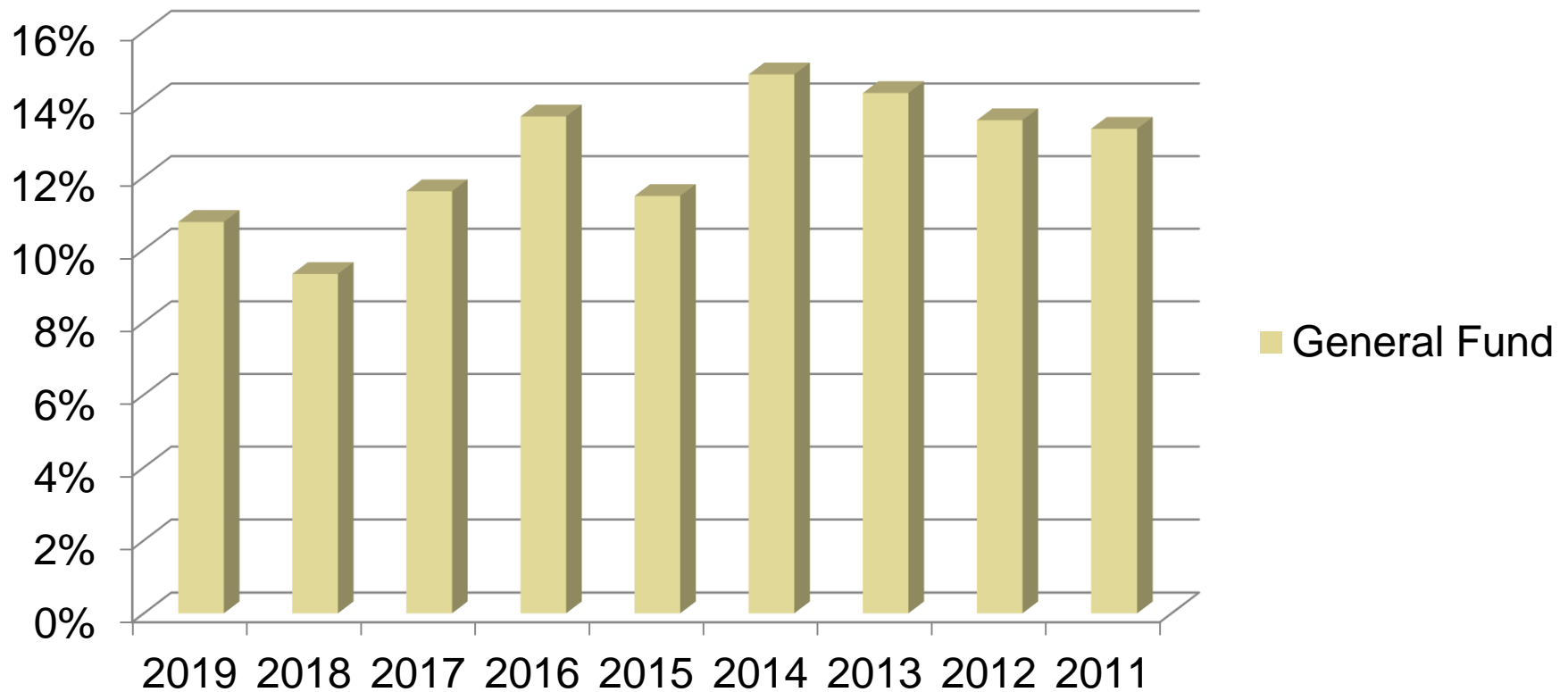
## Financial Trends – Governmental Activities – Net Position vs. Change in net position



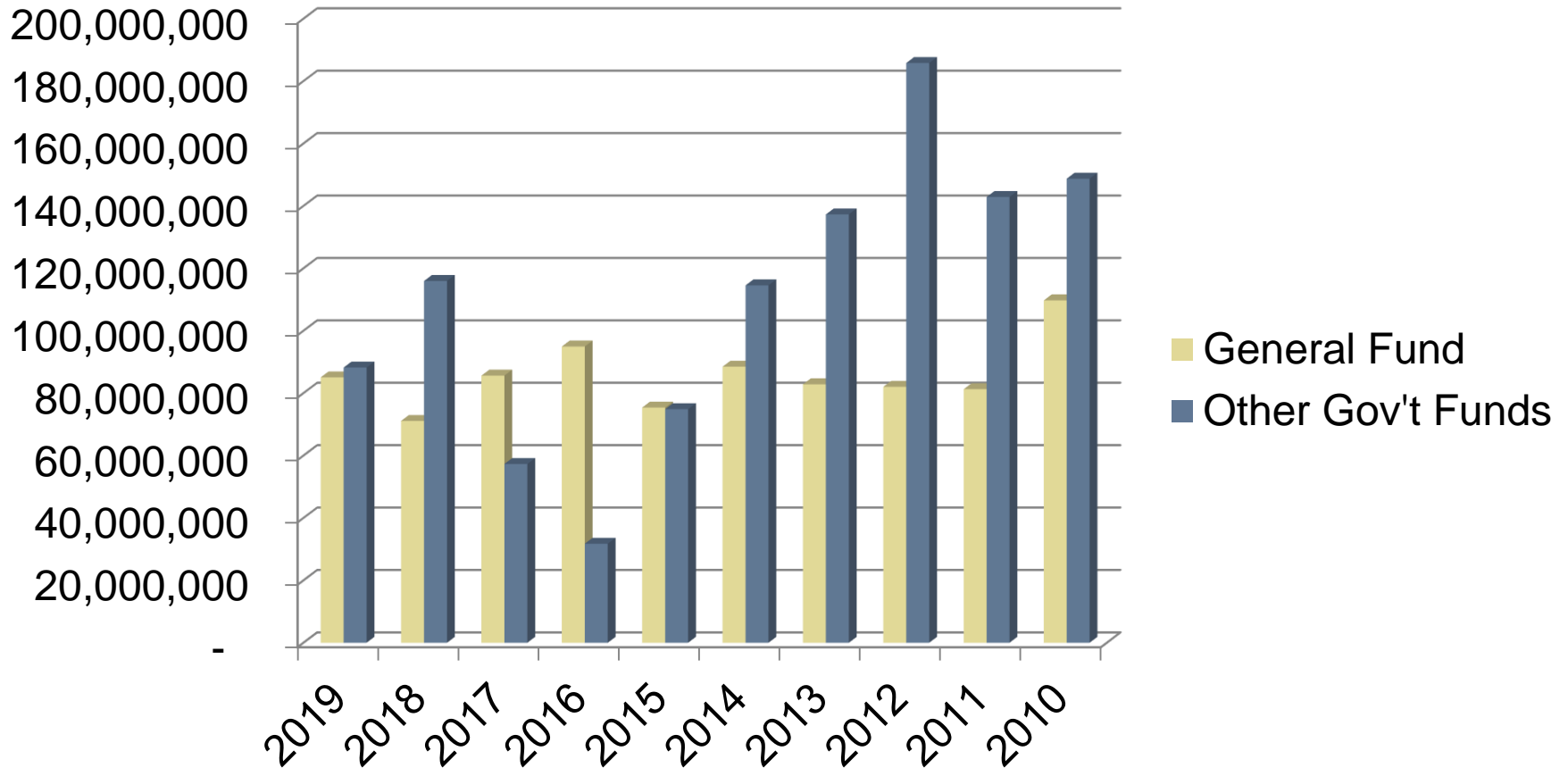
## Fund Balance as a Percentage of Total Expenditures



### General Fund



## Financial Trends – Fund Balances





### ■ Management Letter Comments and Recommendations

#### 1) During our testing of P-cards transactions during fiscal year 2019, we noted the following:

For four (4) out of sixty (60) transactions tested, we noted that the cardholder was approving his or her own transactions. Even if the cardholder is a principal or department head, there should still be someone reviewing their P-card transactions due to the risk of fraud.

For fifteen (15) out of sixty (60) transactions tested, we noted that no one approved the transaction. All P-card transactions should be reviewed to mitigate the risk of fraud.

For one (1) out of sixty (60) transactions tested, we noted that someone other than the cardholder used the card to make the purchase. This goes against the School District's P-card policy. APS should ensure that whoever reviews the P-card transactions verifies that the P-card policies were followed.

For two (2) out of sixty (60) transactions tested, we noted that the expenditure was higher than the single transaction limit per APS' P-card policy. APS should ensure that whoever reviews the P-card transactions verifies that the P-card policies were followed.

For one (1) out of sixty (60) transactions tested, we noted that the supporting documentation for the purchase was not kept on file by the cardholder, who had to reach out to the vendor and request the receipt after we had asked for the support.







### ■ Management Letter Comments and Recommendations (Continued)

In addition to these issues, we also noted the following issues per review of the detail of all P-card transactions for the fiscal year:

- Per review of the detail of all P-card transactions for the fiscal year, we noted that there were many other individual purchases that exceeded APS' limit for a single transaction.
- Per review of the detail of all P-card transactions for the fiscal year, we noted that there were several instances where we found multiple purchases by the same cardholder on the same day to the same vendor totaling more than the single purchase transaction limit. This is not allowable per APS' P-card policy. The policy states that you cannot split up a purchase into multiple transactions in order to get around the single purchase limit.

We recommend the School System implement much more robust procedures to ensure that all P-Card transactions are properly authorized, card limits are enforced and monitored, and statements are reconciled by individuals other than the card users so as to ensure that the P-Cards are less susceptible to fraudulent activity.





### ■ Management Letter Comments and Recommendations (Continued)

- 2) Review of Capital Outlays** - During our testing of capital assets, we noted that \$2,157,104 of repairs & maintenance balances were being recorded in capital outlay accounts and needed to be reclassified during the audit. We recommend the School System review its capital outlay balances at year-end to ensure that only capital outlay items are recorded in these balances.
- 3) Update of Investment Policy** - During our review of the investment footnotes of the School System, the School System's investment management policy limits investment maturities to 3 years as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the U.S. Treasury Bond has a maturity of February 15, 2025 which is greater than the School System's investment maturities limit of 3 years. We recommend the School System either update its investment policy or ensure that investments are in accordance with the School System's investment policy.



## Comments, Recommendations, & Other Issues (Continued)



### ■ New GASB Pronouncements

- **GASB Statement No. 84, *Fiduciary Activities***, This statement establishes criteria for identifying fiduciary activities with a focus on: 1) whether a government is controlling the assets of the fiduciary activity; and, 2) the beneficiaries with whom a fiduciary relationship exists. Applicable for June 30, 2020.
- **GASB Statement No. 87, *Leases***, will require all lease agreements to be recorded as a liability under full accrual accounting. Many of these leases were previously considered operating leases and payments were expensed as incurred with no liability accrued. Applicable for June 30, 2021.
- **GASB Statement No. 89, *Capitalized Interest***, requires that construction period interest no longer be capitalized for proprietary funds. This statement is only applied prospectively in the year implemented. Applicable for June 30, 2021.
- **GASB Statement No. 90, *Majority Equity Interests***, will change the accounting for a government's investment in another entity in which it acquires a majority equity interest in that entity. Certain investments will be measured using the equity method, some at fair value, and some will result in the acquired entity be reported as a component unit. Applicable for June 30, 2020.
- **Statement 91, *Conduit Debt*** was issued in May 2019, and is effective for reporting periods beginning after December 15, 2020 (meaning June 30, 2022). Under this standard, GASB has re-defined conduit debt and clarified the circumstances under which it is to be recorded as well as the related disclosures that are required.



## Comments, Recommendations, & Other Issues (Continued)



- **Other Pending or Current GASB Projects** - As noted by the numerous pronouncements issued by GASB over the past decade, the GASB continues to research various projects of interest to governmental units. Subjects of note include:
  - *Re-examination of the Financial Reporting Model* - GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability. GASB anticipates a final standard expected in early 2022.
  - *Conceptual Framework* - A constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense things such as supplies and prepaid assets at acquisition. Will look into which balances (at all statement levels) are measured at acquisition and which need to be re-measured at year-end. Project placed on hold for now.
  - *Revenue and Expense Recognition* - Another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions. The final standard is expected in 2023.



## Comments, Recommendations, & Other Issues (Continued)



### FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS

#### FOR GOVERNMENTAL CLIENTS

**Free Continuing Education.** We provide free quarterly continuing education for all of our governmental clients. Each quarter we pick a couple of significant topics tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking among our governmental clients. Examples of subjects addressed in the past few quarters include:

- CAFR Preparation - GASB Updates - Grant Accounting Processes and Controls - GASB 68 (Pensions)
- Internal controls over revenue and cash receipting and accounts payable, payroll, and cash disbursements
- American Recovery & Reinvestment Act (ARRA) information, issues and updates - Single audits for auditees
- Collateralization of Deposits and Investments - Internal Controls over Accounts Payable, Payroll and Controls
- Policies and Procedures Manuals - Segregation of Duties – GASB 75 (OPEB) – GASB 87 (Leases)
- Data Security and General Information Technology Controls and Best Practices

**Communication.** In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at [pvercoe@mjcpa.com](mailto:pvercoe@mjcpa.com) (send corresponding copy to [dmoses@mjcpa.com](mailto:dmoses@mjcpa.com)), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.





## Comments, Recommendations, & Other Issues (Continued)



### FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS

#### FOR GOVERNMENTAL CLIENTS (Continued)

**Governmental Newsletters.** We produce newsletters tailored to meet the needs of governments. The newsletters have addressed a variety of subjects and are intended to be timely in their subject matter. The newsletters are authored by Mauldin & Jenkins partners and managers, and are not purchased from an outside agency. The newsletters are produced and delivered periodically, and are intended to keep you informed of current developments in the government finance environment.

**Communication.** In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpc.com (send corresponding copy to dmoses@mjcpc.com), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.





## Questions & Comments

We appreciate the opportunity to serve the  
Atlanta Independent School System and look  
forward to continuing to work with the  
District in upcoming years!

