



**Presentation of 2020
Auditor's Discussion and Analysis**
Atlanta Independent School System
Audit Committee Meeting





Auditor's Discussion and Analysis

- Engagement Team
- Results of the 2020 Audit
- Comments, Recommendations, and Other Issues
- Questions





Engagement Team

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

General Information:

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

Governmental Sector:

- Largest specific industry niche served by Firm representing 28% 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 500 total governments in the Southeast, including approximately:
 - √ 126 Cities √ 75 Counties √ 62 School Systems and 450 charter schools √ 48 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

Engagement Team Leaders for the Atlanta Independent School System:

- Doug Moses, Engagement Partner – 21 years experience, 100% governmental
- Meredith Lipson, Quality Assurance Review Partner – 30 years experience, 100% governmental
- Derek Foster, Engagement Manager – 5 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)
- Agri-Businesses
- Professional Services
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Long-term Healthcare
- Individuals, Estates and Trusts
- SEC Registrants
- Wholesale Distribution
- Manufacturing
- Employee Benefit Plans
- Non-Profit Organizations
- Retail Businesses
- Construction & Development
- Real Estate Management

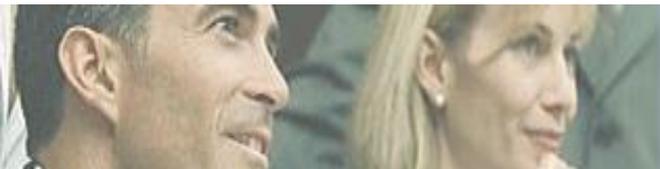




Results of June 30, 2020 Audit

- **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 2020 Basic Financial Statements of the School System**
 - Unmodified (“clean”) opinion on the basic financial statements. Audit report date was January 25, 2021.
 - 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.





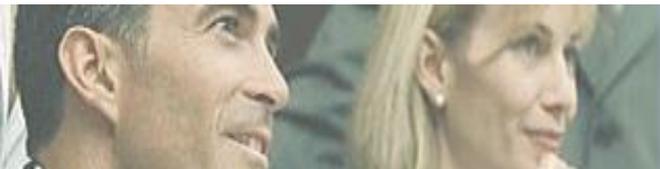
Results of June 30, 2020 Audit (Continued)

■ Report on 2020 Federal Award Programs

- Unmodified opinion or clean opinion on major federal award programs (Title I, Part A, and Title II) audited in accordance with Uniform Guidance Audit report date was January 25, 2021. At June 30, 2020, the School System had a total of approximately \$70.7 million in federal awards. We audited approximately \$33.5 million or 47% 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 12 SPLOST Contracts for proper board approval, procurement servicers approval, and for evidence of multiple bids obtained prior to award.





Results of June 30, 2020 Audit (Continued)

■ Significant Accounting Policies

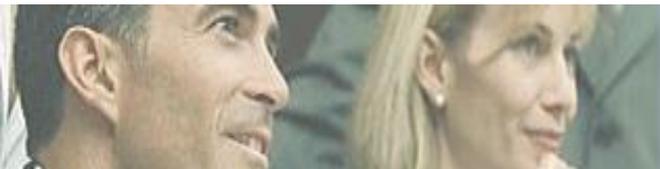
- The significant accounting policies used by the School System are described in Note 1 to the basic financial statements.
- The policies used by the School System are in accordance with generally accepted accounting principles and similar government organizations with no significant new policies to 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, 2020 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.

■ 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, 2020 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.

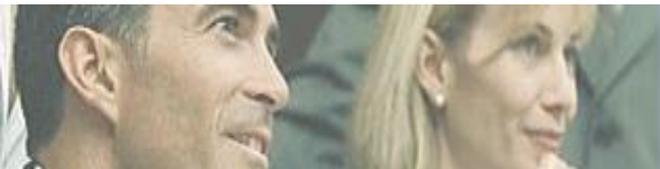
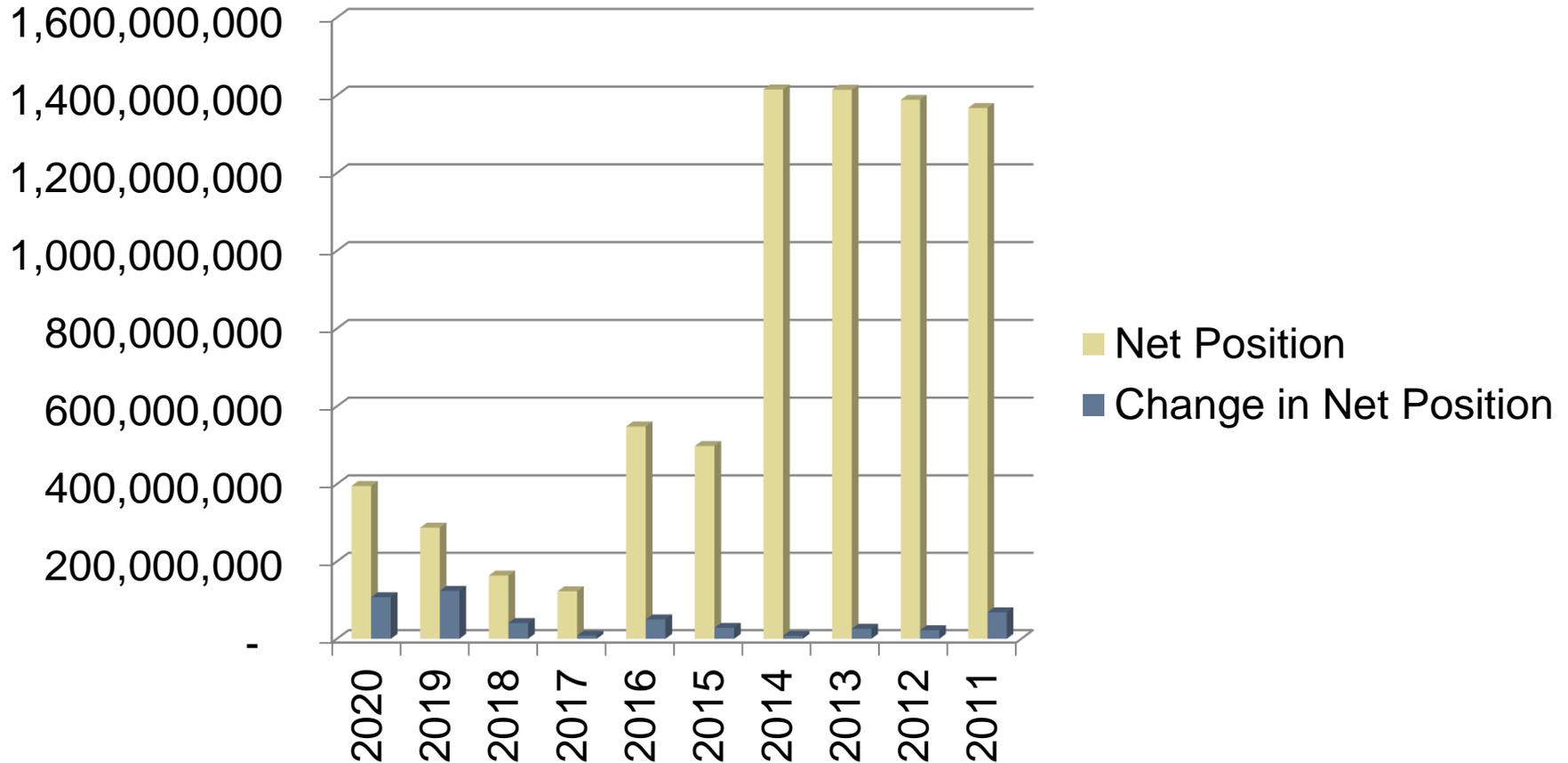
■ Auditor Independence

- 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 2020 that might effect our independence as auditors.





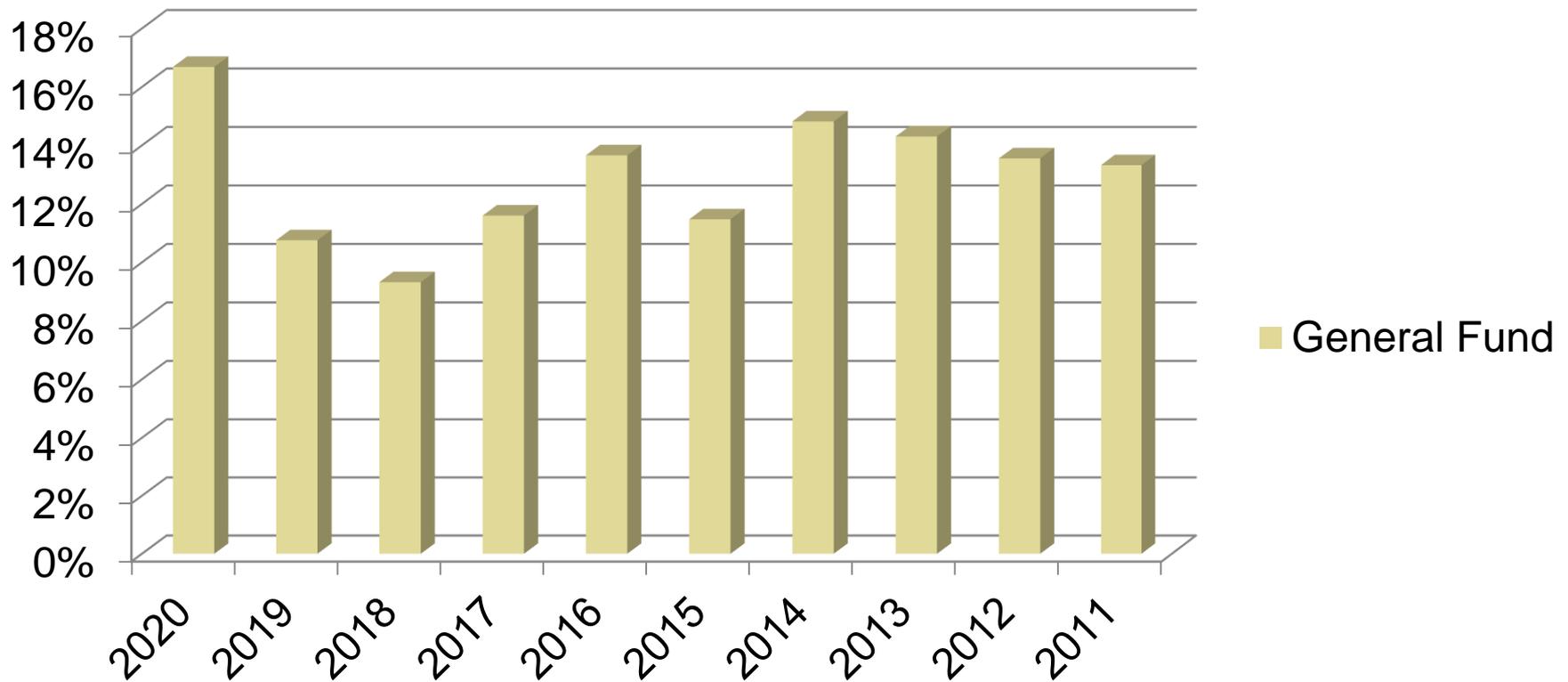
Financial Trends – Governmental Activities – Net Position vs. Change in Net Position





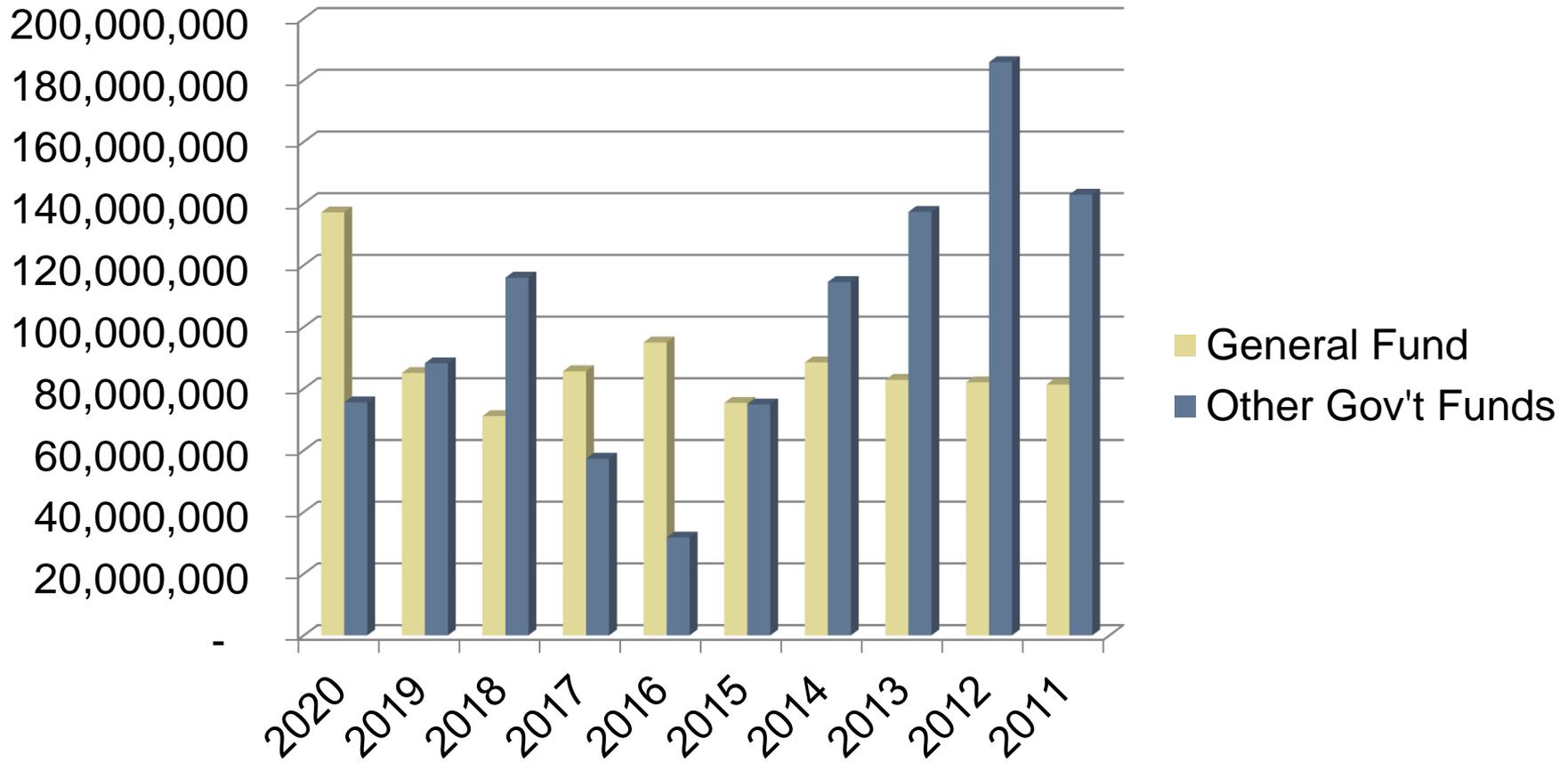
Fund Balance as a Percentage of Total Expenditures

General Fund





Financial Trends – Fund Balances



Comments, Recommendations, & Other Issues

■ Finding 2020-001 – Material Weakness

Restatement of Prior Period Balances - Internal controls should be in place to ensure that all amounts reported within the financial statements are accurate and have been reconciled to subsidiary ledgers and underlying accounting records. During the prior fiscal year, the School System overaccrued \$1,899,442 of expenditures for one of its vendors. As a result, the School Nutrition Fund's beginning fund balance was understated by \$1,899,442 and its beginning accounts payable balance was overstated by \$1,899,442. Additionally, beginning government-wide net position was understated by \$1,899,442 and beginning government-wide accounts payable was overstated by \$1,899,442. The above accrual was due to an oversight by management related to the recording of accrued invoices. Adjustments totaling \$1,899,442 were required for governmental activities and for the School Nutrition Fund as detailed above. We recommend the School System implement a procedure to monitor the recording of invoices more closely to ensure that all invoices are accurately recorded and that there are no duplicate items in the accounting records at the end of the fiscal year.



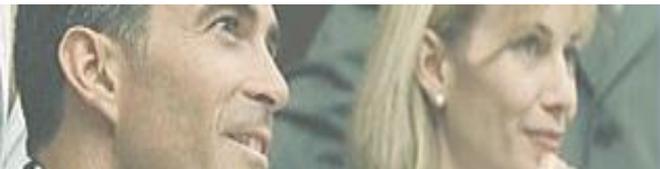
Comments, Recommendations, & Other Issues (Continued)

■ Finding 2020-002 – Material Weakness

Time & Effort Logs - In accordance with the terms of the Title I, Part A and 2 CFR Part 200, specific documentation must be maintained to support salaries and wages charged to the federal program. The School System's policy includes a process where employees who are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, the School System's policy requires a distribution of their salaries or wages be supported by personnel activity reports or equivalent documentation.

For the fiscal year ended June 30, 2020, internal controls over compliance were not sufficient to ensure the School System maintained the semi-annual periodic certifications for some employees who worked solely on the Title I, Part A program. In our sample of forty-eight (48) employees who were paid with Title I, Part A funds, we noted twelve (12) instances in which the School System could not provide evidence that semi-annual periodic certifications had been completed timely for employees who worked solely on Title I, Part A. The signature lines on the periodic certifications provided for these twelve employees were dated after the date of our request for these certifications. The School System's internal controls were not sufficient to ensure that semi-annual periodic certifications were completed and signed for all employees who worked solely on the Title I, Part A program. Not completing semi-annual periodic certifications can result in spending Federal funds on unallowable costs.

We recommend the School System take steps to ensure that semi-annual periodic certifications are completed and signed timely for all employees that worked solely on one cost objective or program.





Comments, Recommendations, & Other Issues (Continued)

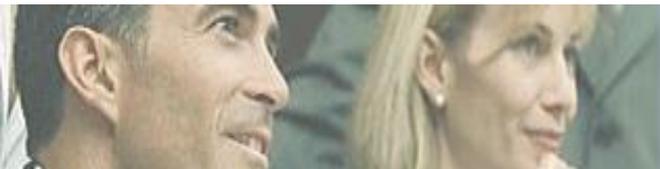
■ Management Letter Comments and Recommendations

Property Taxes

During our testing of property taxes, we noted the School System had received property tax revenues totaling \$1,972,626 that were received in September of 2020. This amount was recorded as revenue rather than unavailable revenue in accordance with the School System's policy. We recommend the School System implement a procedure to ensure revenues recorded in the accounting records are properly classified at the end of the fiscal year.

Schedule of Expenditures of Federal Awards (SEFA)

During our testing of the Schedule of Expenditures of Federal Awards (SEFA), we noted \$307,151 of Federal revenues and related expenditures had not been recorded in the accounting records/general ledger of the School System as of June 30, 2020 and were therefore omitted from the SEFA we were initially provided. We recommend the School System implement a procedure to ensure all Federal revenues and expenditures are correctly accrued for and captured in the SEFA at the end of the fiscal year.





Comments, Recommendations, & Other Issues (Continued)

■ Management Letter Comments and Recommendations (Continued)

P-Cards

During our testing of P-cards transactions during fiscal year 2020, we noted the following:

- For eleven (11) out of sixty (60) transactions tested, we noted that the cardholder did not reconcile/sign the statement. All cardholders should sign the statements per the cardholder policy.
- For fifteen (15) out of sixty (60) transactions tested, we noted that no secondary individual approved the transaction. All P-card transactions should be reviewed to mitigate the risk of fraudulent charges.
- For one (1) out of sixty (60) transactions tested, we noted the purchase was for a gift card which is prohibited per the cardholder policy. Cardholders should not make purchases of items that are prohibited.
- For one (1) out of sixty (60) transactions tested, we noted that the purchase was for an iPad, which is prohibited per the cardholder policy. We also noted this transaction was split into multiple purchases to exceed the single limit transaction, which is also prohibited per the cardholder policy. Cardholders should not make purchases of items that are prohibited and transactions should not be split into multiple transactions to avoid the single transaction limit.
- For nine (9) out of sixty (60) transactions tested, we noted that the purchase was made several months before the actual approval was documented. All purchases should be documented in a timely manner.
- For one (1) out of sixty (60) transactions tested, we noted that there was no documentation maintained for the purchase. We observed an email from the vendor that was obtained after we requested the documentation. Documentation for purchases should be kept on file and retained for seven years per the cardholder policy.





Comments, Recommendations, & Other Issues (Continued)

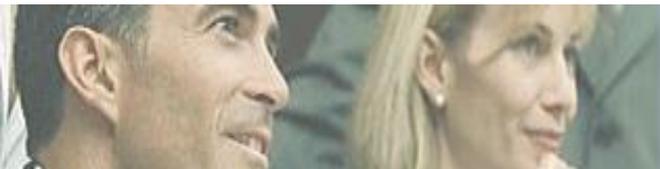
■ Management Letter Comments and Recommendations (Continued)

Review of Capital Outlays

During our testing of Capital Assets, we noted that many repairs & maintenance balances were being recorded in capital outlay accounts or that certain capitalized items were recorded in accounts other than capital outlay. 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 and that all capital outlays are recorded in these accounts.

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. Early implemented during Fiscal Year June 30, 2021.
- **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, 2022.
- **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, 2022.
- **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, 2021.
- **GASB Statement No. 91, *Conduit Debt*** was issued in May 2019, and is effective for reporting periods beginning after December 15, 2021 (meaning June 30, 2023). 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.

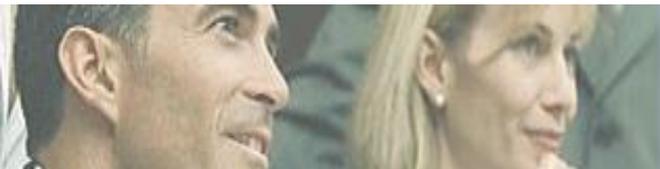




Comments, Recommendations, & Other Issues (Continued)

■ New GASB Pronouncements

- **GASB Statement No. 92, Omnibus 2020**, this statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. Applicable for June 30, 2022.
- **GASB Statement No. 93, Replacement of Interbank Offered Rates**, This statement removes LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Applicable for June 30, 2021 and June 30, 2022.
- **GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements**, addresses a gap in generally accepted accounting principles: how do we account for these type arrangements that do not meet the definition of a service concession arrangement (SCA) covered by GASB Statement No. 60? Applicable for June 30, 2023.
- **GASB Statement No. 96, Subscription-Based Information Technology Arrangements**, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Applicable for June 30, 2023.
- **GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans**, increases consistency and comparability related to the reporting of fiduciary component units. Applicable for June 30, 2022.





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* - is 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. Final standard is expected in 2022.
 - *Revenue and Expense Recognition* - is 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.
 - *Compensated Absences* - is technical topic being examined by the GASB currently due to significant changes in benefits offered by governmental employers. Current GAAP does not address certain items such as paid time off (PTO) and there is a wide divergence in practice. A final standard on this topic is expected towards the end of 2021.
 - *Prior-Period Adjustments, Accounting Changes, and Error Corrections* - is a technical topic being examined by the GASB due to a wide diversity in practice regarding required presentation on the face of the financial statements, disclosures, etc. A final standard on this topic is expected in early 2022.





Comments, Recommendations, & Other Issues (Continued)

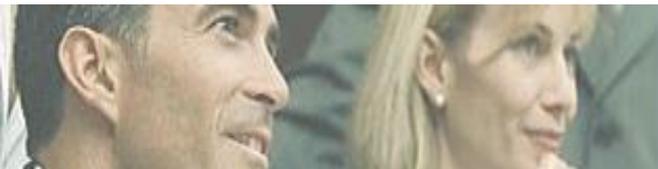
FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS

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 (send corresponding copy to 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@mjcpa.com (send corresponding copy to 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.





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!

