DOAA
Georgia Department of Audits & Accounts

HB 1164 & SB 472

What the New School-System Oversight Law Means for DeKalb County

Required Board Training • Statutory Overview • DeKalb County Board of Education

Presented by the Georgia Department of Audits and Accounts

AGENDA

What We'll Cover Today

01

The Legislative Landscape

HB 1164 & SB 472 at a glance, and the new fiscal monitoring framework

02

DeKalb's Designation

How risk designations work now, and what the FY2025 audit found

03

Requirements & Next Steps

What a high-risk designation requires, and the timeline ahead

04

Looking Forward

Board accountability, corrective action, and what to expect from DOAA

PURPOSE

Why We're Here Today

This session serves two purposes:

Required Board Training

State law requires DOAA to provide training to board members and appropriate personnel addressing the deficiencies underlying a high-risk designation. This meets that requirement for DeKalb County BOE.

Legislative Overview

At the District's request, we're also providing a broader briefing on HB 1164 and SB 472 — the new laws reshaping DOAA's oversight role for every local school system in Georgia, effective July 1, 2026.

HB 1164 & SB 472 at a Glance

Effective July 1, 2026, these companion bills replace Senate Bill 68 (2019–2020) and significantly expand DOAA's oversight role.

HB 1164

- Progressive Fiscal Monitoring Program — a new four-tier framework for monitoring fiscal health
- New annual certification requirements (audit readiness & financial obligations)
- Auditor independence rule: the same CPA firm cannot both prepare financial statements and conduct the audit
- State Board of Education audit committee — meets at least 6x/year; reviews fiscal conditions and risk designations
- Superintendent contract limitations for high-risk systems (12-month extension cap)
- New investigation authority for the State Auditor over local school systems and state charter schools

SB 472

- Board member suspension provisions tied to the highest-risk tier or a finding of financial mismanagement
- New contract default/termination provisions for financial mismanagement (contracts entered/renewed on or after July 1, 2026)
- QBE advance distribution cap & state auditor override opinion process
- Independent school system petition threshold change

The Progressive Fiscal Monitoring Program

O.C.G.A. § 50-6-6.1 — DOAA to monitor every local school system and state charter school on a four-tier scale.

1

TIER 1

Fiscally Sound

No signs of fiscal stress. Routine monitoring only.

2

TIER 2

Fiscal Watch

Signs of fiscal stress. Corrective action & recovery plan required.

= MODERATE-RISK

3

TIER 3

Fiscal Distress

Comprehensive fiscal plan with a return-to-stability timeframe.

= HIGH-RISK

4

TIER 4

Critical Fiscal Emergency

Strict compliance with a state intervention plan.

= HIGH-RISK

Note: Detailed tier criteria and indicators are still being finalized through DOAA's rulemaking process with the State Board, GOEWS, and the State Charter Schools Commission.

How Risk Designations Work Now

O.C.G.A. § 20-2-67(a.3)

Local school systems with reported irregularities or budget deficits for three or more consecutive years require Tier 3 or Tier 4 monitoring — and are designated high-risk.

The practical standard is familiar:

- The same “three consecutive years” threshold that applied under the old law (SB 68) carries forward — it's simply now expressed through the four-tier framework.
- One or two consecutive years of a reported irregularity or budget deficit → Tier 2 → moderate-risk.
- Three or more consecutive years → Tier 3 or 4 → high-risk, and DOAA is required to conduct the system's audit going forward.

DeKalb County's Current Designation

HIGH-RISK

Effective July 1, 2026

Basis: three consecutive years of a reported federal award finding (FY2023–FY2025)

What this designation is — and isn't — based on:

- DeKalb's high-risk status reflects the same federal award finding — concerning internal controls over employee compensation in the Child Nutrition Cluster — reported for three straight fiscal years (FY2023, FY2024, FY2025), meeting the “three consecutive years” standard under § 20-2-67(a.3).
- This is not a designation tied to the District's overall financial condition. DeKalb's FY2025 financial statements received an unmodified (clean) opinion, with no material weakness or significant deficiency identified in internal control over financial reporting.

What a High-Risk Designation Requires

1 **Mandatory DOAA Audit**

DOAA conducts the District's annual financial audit going forward, regardless of prior rotation.

2 **Monthly Board Reporting**

A monthly anticipated-expenditures report, signed and acknowledged by every board member, by the 10th business day of each month.

3 **September 30 Publication**

Two consecutive weeks of published financial operations statements, signed by the board and superintendent.

4 **Corrective Action Plan**

A board-approved CAP addressing the underlying finding, submitted to GaDOE, DOAA, and GOEWS.

5 **Superintendent Contract Cap**

Contract extensions for the superintendent are limited to 12 months while the designation is in effect.

6 **Board & Staff Training**

Board members and appropriate personnel must participate in training addressing the deficiencies — what this session fulfills.

FY2025 Audit Results — Financial Statements

UNMODIFIED OPINION

Governmental activities and each major fund

- ✓ No material weakness identified in internal control over financial reporting
- ✓ No significant deficiency reported in internal control over financial reporting
- ✓ No noncompliance material to the financial statements

Key Financial Highlights

$1.85B	General fund expenditures, FY2025
$1.07B	Total governmental fund balance, June 30, 2025
$435.85M	Unassigned general fund balance — 23.5% of FY2025 expenditures

The District's fund balance and overall financial position are not the basis for its high-risk designation.

FY2025 Audit Results — Federal Award Finding

FA 2025-001	Improve Controls over Employee Compensation — Child Nutrition Cluster
Program	Child Nutrition Cluster (School Breakfast & National School Lunch)
Nature	Significant deficiency in internal control over compliance; nonmaterial noncompliance
Condition	Of 60 employees tested: pay-scale and documentation errors on a small number of payroll transactions
Questioned Costs	$7,474 identified; ~$93,759 projected across the full personnel population
Repeat History	Third consecutive year — FA 2023-004, FA 2024-001, FA 2025-001

District context: the identified error represents roughly 0.036% of the $20.6M in tested personnel expenditures — a 99.64% accuracy rate. The threshold is a fixed statutory amount and doesn't scale with district size.

HOW WE GOT HERE

A Three-Year Pattern — and Why It Matters

The same underlying control gap has now been reported for three consecutive fiscal years — which is precisely the threshold that triggers a high-risk designation under § 20-2-67(a.3).

FY2023

FA 2023-004

Allowable Costs

Reported

→

FY2024

FA 2024-001

Improve Controls over Employee Compensation

Unresolved

→

FY2025

FA 2025-001

Improve Controls over Employee Compensation

3rd consecutive year

Corrective Action Already Underway

Per the District's own corrective action plan submitted with the FY2025 audit:

- ✓ Corrected pay-scale deficiencies to ensure employees receive proper compensation
- ✓ Implemented additional review controls to prevent future errors
- ✓ Strengthened account coding procedures so compensation charges post to the correct funding source
- ✓ Updated the digital time-tracking approval workflow to require contemporaneous authorization

Estimated Completion

March 31, 2026

Responsible Contact

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DOAA will follow up on this finding during the FY2026 audit to confirm it has been resolved.

What's Required Next

Ongoing — Monthly anticipated-expenditures report presented to and signed by every board member (by the 10th business day)

Sept 30, 2026 — Two consecutive weeks of published financial operations statement in the official county organ

Within statutory window — Corrective action plan approved by the Board and submitted to GaDOE, DOAA, and GOEWS

Dec 31, 2026 — First Audit Readiness & Financial Obligations Certifications due to DOAA

Board Accountability — and What to Expect from DOAA

SB 472 Board Suspension Provision

Applies only to a Tier 4 (Critical Fiscal Emergency) designation, or an independent State Auditor finding of financial mismanagement or misconduct.

DeKalb is currently designated high-risk but would most closely align to Tier 3 — this provision does not apply to the District today.

The Board should understand the escalation path even though it isn't a present concern.

What to Expect from DOAA

DOAA already conducts DeKalb's annual financial audit — this relationship continues without disruption.

Same audit standards, professionalism, and judgment your team already knows.

A named point of contact for questions throughout the year — not just at audit time.

Questions?

We're here as a partner throughout this process — not just at audit time.

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