

**SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION**  
**Internal Audit Department**



TO: Board of Education

THROUGH: Ann Levett, Ed.D., Superintendent  
Larry Jackson, Interim Chief Financial Officer  
Vanessa Miller-Kaigler, Deputy Superintendent Chief Operations Officer

FROM: Marshall Withers, Senior Director, Internal Audit

DATE: June 22, 2017

SUBJECT: Report on Audit of the Coastal Middle School Gymnasium Addition –  
ESPLOST / Final Review (#17-06)

---

We have completed our Audit of the Coastal Middle School Gymnasium Addition –  
ESPLOST / Final Review. Our audit report is presented in the sections listed below:

- I. SUMMARY OF AUDIT CONDITIONS**
- II. AUDIT OBJECTIVES**
- III. AUDIT SCOPE**
- IV. BACKGROUND**
- V. AUDIT CONDITION**
- VI. OTHER MATTERS**

Management's response to our report is attached in its entirety. In addition, the specific action that management has agreed to take in response to each recommendation is included in the Management Action Plan, along with who is responsible for the action and when it will be completed.

## **I. SUMMARY OF AUDIT CONDITIONS**

Our Audit of the Coastal Middle School Gymnasium Addition – ESPLOST / Final Review (#17-06) has identified one condition where improvement is needed. This condition is stated below with the identified pages where details of the condition are presented.

### **Condition A. Local, Minority, and Women Owned Business Enterprises (LMWBE) Reporting (Pages 4-5)**

Reports that list contracts awarded for the Coastal Middle School Gymnasium Addition did not accurately reflect the local and non-local status of three businesses.

*(DAS Goal V)*

## **II. AUDIT OBJECTIVES**

Our audit was designed to meet specific objectives. Within those objectives, we focused on areas where we identified opportunities for improvement in the Coastal Middle School Gymnasium Addition – ESPLOST / Final Review. The objectives of our audit were as follows:

- I. Internal Controls
  - A. Determine that reports are accurate, complete, and comparable to the master plan/budget.
- II. Design Team (Architect and Engineers)
  - A. Determine that all District Policies, Administrative Regulations, and processes were followed during the award of the contract.
  - B. Determine that the contract is complete in all material respects.
  - C. Determine that charges are appropriate, adequately supported, and timely.
  - D. Determine that the work performed was in accordance with the contract provisions, and that all the work in the contract was completed.
- III. General Contractor
  - A. Determine that all District Policies, Administrative Regulations, and processes were followed during the award of the contract.
  - B. Determine that the contract is complete in all material respects.
  - C. Determine that charges are appropriate, adequately supported, and timely.
  - D. Determine that the work performed was in accordance with the contract provisions, and that all the work in the contract was completed.
  - E. Determine compliance with Board Policy FG related to Local, Minority, and Women Owned Businesses.
  - F. Review General Contractor reports related to LMWBE status to determine the accuracy of reports.
  - G. Determine that the General Contractor (GC) has an adequate safety program in place and holds regular safety meetings.
  - H. Review change orders for appropriate approval and documentation of necessity.

### **III. AUDIT SCOPE**

The Audit of the Coastal Middle School Gymnasium Addition – ESPLOST / Final Review was completed by reviewing internal controls to ensure District Policies, Administrative Regulations, and processes were followed. We reviewed contract files held by the Facilities Construction Department for the General Contractor (GC) and the Design Professional (DP). We also reviewed invoices maintained by Accounts Payable, documentation regarding the Request for Proposal/Request for Qualifications (RFP/RFQ) process maintained by the Purchasing Department, and project information found in Impact®. Impact® is a system used by Parsons that maintains documents and contract information for ESPLOST projects. Parsons provides Program Management Services to SCCPSS.

We selected several judgmental samples of Applications for Payment, vendor invoices, change orders, and Requests for Information (RFI's) for the entire project. We performed various tests on the Applications for Payment and vendor invoices to determine if the expenditures were complete, accurate, and properly authorized prior to payment.

Our fieldwork was conducted during the period of February 2017 through May 2017.

We conducted interviews with various staff in the Finance Division and Operations Division.

Internal Audit conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Details of each area tested and recommendations for strengthening the internal controls in that area are listed below.

The Board's District Accountability System (DAS) lists five goals:

- I. To ensure all students are college and career ready.
- II. To provide a safe, healthy, and clean environment that is conducive to teaching and learning.
- III. To maximize and promote opportunities to build strong relationships with stakeholders that contribute to the advancement of student success and community pride.
- IV. To build capacity to achieve a premier workforce that fosters a professional and supportive teaching and learning environment.
- V. To maximize resource stewardship and fiscal responsibility by ensuring District resources are used efficiently, effectively, economically, and equitably.

At the end of each Condition statement, we have identified the DAS goal(s) that are most likely affected by the findings identified in the Condition. Internal Audit has made recommendations to help support the achievement of these goals.

#### **IV. BACKGROUND**

The Coastal Middle School Gymnasium Addition was funded by ESPLOST II funds and was completed in March 2015. Internal Audit conducted this review as part of the Board of Education's continuing oversight of the ESPLOST program. The Board of Education, as part of their fiduciary responsibility to the citizens of Chatham County, has requested periodic internal audits of ESPLOST. The goal of these audits is to provide transparency and confidence in the construction and renovation processes, and to ensure the effective and efficient use of funding.

On July 10, 2013, the Board of Education approved the contract for the Design Professional (DP), and the contract was awarded to James W. Buckley and Associates, Inc. The contract amount was \$194,595 for basic services plus \$15,000 for allowances and reimbursable expenses for a total of \$209,595. Two change orders were processed for the project. This included a credit of \$13,835 that was issued at the end of the project for reimbursable expenses. The final amount paid to the DP was \$235,760.

On April 2, 2014, the Board of Education approved the award of General Contracting Services for the Coastal Middle School Gymnasium Addition to Dabbs-Williams General Contractors, LLC in the amount of \$3,000,000. Sixteen change orders were processed totaling \$323,958. One of the change orders included a renovation to the existing gymnasium. This project was closed out in April 2016 and the final amount paid to the GC was \$3,323,958.

#### **V. AUDIT CONDITION**

##### **Condition A. Local, Minority, and Women Owned Business Enterprises (LMWBE) Reporting**

Reports that list contracts awarded for the Coastal Middle School Gymnasium Addition did not accurately reflect the local and non-local status of three businesses.

*(DAS Goal V)*

##### **Details of Condition A**

We reviewed the LMWBE process performed by the GC to solicit business and related reports for the Coastal Middle School Gymnasium Addition project. During our review of the Capital Improvement Committee (CIC) Report dated August 19, 2015 and the GC Report dated November 30, 2015 of all contracts awarded for the Coastal Middle School Gym Addition, we verified the status of all 37 businesses listed on the reports. Two out of the 37 businesses were reported as MWBE, 13 were reported as local, and

22 were reported as non-local. We did not find any discrepancies during our review of the two businesses that were reported as MWBE. We reviewed the location of the 13 local businesses to ensure the businesses were located in the Metropolitan Statistical Area (MSA). The MSA consists of Bryan, Chatham, and Effingham counties. We also reviewed the location of the 22 non-local businesses to determine if the status should have been documented as local.

Two out of the 13 local businesses should have been documented as non-local:

- Contract amount \$48,769 – business located in Statesboro, GA (Bulloch County)
- Contract amount \$39,100 – business located in Statesboro, GA (Bulloch County)

One out of the 22 non-local businesses should have been documented as local:

- Contract amount \$1,239 – local office located in Rincon, GA (Effingham County)

### **Recommendations for Condition A**

Based on our findings, we recommend the following:

#### Operations Division

1. Reports submitted by the GC should be verified by Parsons to ensure they are accurate prior to dissemination. The businesses that were reported incorrectly should be updated as needed on any active projects.

### **VI. Other Matters**

During the course of this audit, we determined two additional areas of risk that were impacted by the Coastal Middle School Gymnasium Addition – ESPLOST / Final Review. One area of risk was identified in a previous audit and a management action plan is already in place. We also identified another area of risk where improvement should be considered by District management.

#### **Insurance Coverage for the General Contractor**

Employers Liability coverage did not meet the minimum limit required by the contract. The contract required a \$1,000,000 policy limit for Employers Liability. We found that the GC had a \$500,000 limit for Employers Liability when the contract was signed on April 2, 2014. The insurance coverage increased to \$1,000,000 in July 2015. We also found that the GC maintained a Commercial Umbrella Liability Insurance policy with a limit of \$9,000,000 during the project (The contract requirement was \$5,000,000).

### **Recommendations**

No additional recommendation is required as this matter is addressed as part of the Management Action Plan (MAP) that is already in place as of April 2017 resulting from the Audit of Brock Elementary School (17-04).

### Finance Division

1. The Purchasing Department should ensure that minimum insurance requirements are met during the RFP/RFQ process. The Finance Division should review insurance requirements to determine if Umbrella Coverage should be considered in future contracts and if the remarks or notes section should be used as suggested by the Georgia School Board Association (GSBA) Risk Management area when the policy does not meet the minimum requirements.

### Operations Division

1. Maintain all required insurance certificates on file as required by the contract and review coverage to ensure minimum insurance requirements are met.

### **Contractor Performance Evaluations**

Contractor Performance Evaluations are not being fully utilized during construction projects. We found that the forms are generally completed by Project Managers at the end of each project to document the level of performance. The final evaluation for the Coastal Middle School Gymnasium Addition was completed in March 2016. There are six categories included on the evaluation forms:

1. Quality,
2. Timeliness,
3. Price/Budget,
4. Business Relations/Customer Service,
5. Deliverables/Requirements, and
6. Local and Minority Business Development.

The contractors receive one of the following ratings in each category: Exemplary, Proficient, Needs Development, or Ineffective. An area for a brief explanation is also included on the forms.

During our review, we located a Contractor/Vendor Performance Evaluation & Rating Handbook that was last revised in March 2013. The handbook documents procedures that should be followed when an evaluation form is completed including, but not limited to the following:

- Performance evaluations will occur regularly throughout the contract period and final evaluations are required of all contracts with a value greater than \$100,000,
- Final evaluation ratings on ESPLOST projects will be reported to the Board's Capital Improvement Committee (CIC), and
- If an Ineffective rating is given, the Director of Purchasing should be notified as quickly as possible after the rating has been determined.

### **Recommendations**

Based on our findings, we recommend the following:

### Operations Division

1. Revise the Contractor/Vendor Performance Evaluation & Rating Handbook to include updated procedures.

2. Create a plan to disseminate the revised handbook to all employees who are required to complete Contractor Performance Evaluations.

#### Finance Division

1. The Purchasing Department should use the Contractor Performance Evaluations to verify past performance as part of the internal reference check during the RFP/RFQ process for future projects. The completed evaluation forms can be found on ACORN under the following: Resources>Workflows>Contractor Performance Evaluation and Rating.