

SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION
Internal Audit Department



TO: Board of Education

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

FROM: Marshall Withers, Senior Director, Internal Audit

DATE: April 26, 2018

SUBJECT: Report on Audit of Haven Elementary School – ESPLOST / Final Review
(#18-06)

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

- I. AUDIT OBJECTIVES**
- II. AUDIT SCOPE**
- III. BACKGROUND**
- IV. AUDIT CONDITION**
- V. 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. AUDIT OBJECTIVES

Our audit was designed to meet specific objectives. Within those objectives, we focused on areas where we identified opportunities for improvement. The objectives of our audit were as follows:

I. Internal Controls

A. Determine that reports are accurate, complete and compared 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. Construction Manager at Risk

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. Validate the accuracy of CMR reports related to Local, Minority, and Women Owned Businesses.

G. Validate timely and accurate payments to subcontractors.

H. Determine that the CMR has an adequate safety program in place and holds regular safety meetings.

I. Review change orders for appropriate approval and documentation of necessity.

II. AUDIT SCOPE

The Audit of Haven Elementary School – 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 Construction Manager at Risk (CMR) and the Design Professional (DP). We also reviewed invoices maintained by Accounts Payable, documentation regarding the Request for Qualifications (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. We also conducted interviews with various staff during our audit.

Our fieldwork was conducted during the period of February 2018 through April 2018.

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 supportive learning environment that is conducive to teaching and learning.
- III. To maximize family and community engagement that contributes to the advancement of student success.
- IV. To build professional capacity in order to achieve a premier student-focused workforce.
- V. To maximize resource stewardship and fiscal responsibility by ensuring District resources are used efficiently, effectively, economically, and equitably (4E's).

III. BACKGROUND

Haven Elementary School was funded by ESPLOST II funds and was completed in July 2017. 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 April 1, 2015, the Board of Education approved the contract for the Design Professional (DP), and the contract was awarded to James W. Buckley and Associates, Inc. in the amount of \$837,500. One change order was processed increasing the contract amount to \$840,650. A total amount of \$832,505 has been paid to the DP as of April 5, 2018.

On June 10, 2015, the Board of Education approved the award for Construction Manager at Risk (CMR) Services to CPPI of Georgia, LLC for the construction of Haven Elementary School. The Initial Guaranteed Maximum Price (GMP) was \$16,000,000. The Board approved two GMP change orders increasing the contract amount to \$18,624,667. A total amount of \$18,083,569 has been paid to the CMR as of April 5, 2018.

The Haven Elementary School project has not been finalized.

IV. AUDIT CONDITION

Condition A. Change Order Monitoring Process

The purchase order modification was not completed for the GMP Change Order that was approved by the Board on August 9, 2017.

Details of Condition A

Policy FGG, Facilities Projects Change Orders, states, "All change orders, including Component Change Orders, must be reviewed by the project Architect/Engineer, appropriate District and Program Management staff as designated by the Superintendent before being recommended for further approval. The Superintendent is delegated authority to approve and sign Change Orders which will change the overall amount of a contract by \$50,000 or less, but cannot approve and sign Change Orders in excess of \$50,000 or Change Orders that would exceed the GMP approved by the School Board. All Change Orders which will change the overall amount of a contract by more than \$50,000 or increase the GMP must be documented as a Board Resolution. Upon approval by the Board, a Change Order may be signed by the Board President, the Superintendent, or the Chief Financial Officer."

GMP Change Order number 02 was approved by the Board on August 9, 2017 for \$129,632 as required by policy. Once a GMP change order is approved by the Board, the purchase order for the contract must be modified in the District's Mainframe system to update the amount. This modification is entered into the system by the Contract Administrator in Facilities Management and Support Services to allow for required approvals to be applied. We found that the purchase order modification was not entered into the District's Mainframe system after the Board approved the GMP change order. This caused a delay in processing of the final payment application.

During our discussion with Parsons and the Contract Administrator, we found that the following steps should occur after a GMP change order is approved by the Board to initiate the purchase order modification process:

- The Notice of Acceptance of GMP Change Order forms and supporting documentation should be reviewed and initialed by District Management and signed by the Superintendent. This process is initiated by Parsons and includes four original forms.

- Once the Notice of Acceptance of GMP Change Order forms are reviewed and signed, the original documents are returned to the Contract Administrator.
- The Contract Administrator distributes the completed Notice of Acceptance of GMP Change Order forms to Parsons and other areas.
- Parsons then prepares a requisition detail form and submits it to the Contract Administrator to initiate the purchase order modification in the District's Mainframe system.
- The modification is entered into the system by the Contract Administrator to allow for required approvals to be applied.

Upon our review, Parsons concluded that the original change order documentation was started but then misplaced during the review process. They started the process again, and the purchase order modification for this change order was entered into the District's Mainframe system on April 5, 2018. The final payment application has been submitted by the CMR; however, the payment cannot be processed until the purchase order modification is finalized in the system.

Recommendation

Operations Division:

An effective monitoring process should be established for all change orders to ensure purchase order modifications are completed timely.

V. OTHER MATTERS

CMR Report of Contracts Awarded

We found that the report presented at the January 2018 Capital Improvements Committee (CIC) meeting did not have complete street addresses documented for some of the subcontractors. The address section only included the city, state, and zip code or had a P.O. Box documented on the report.

Recommendation

Operations Division:

Ensure that all future reports to the CIC have complete physical addresses documented for all subcontractors listed on the CMR Report of Contracts Awarded.

MANAGEMENT ACTION PLAN
Audit of Haven Elementary School - ESPLOST / Final Review (#18-06)
Management's Response and Action Plan

Comment or Condition Description	Recommendation	Responsible Area(s)	Action	Current Estimated Completion
Condition A.	Change Order Monitoring Process - The purchase order modification was not completed for the GMP Change Order that was approved by the Board on August 9, 2017.			
<i>To: Operations Division:</i>				
A.1.	An effective monitoring process should be established for all change orders to ensure purchase order modifications are completed timely.	Facilities/Program Management	Parsons will submit change order and purchase order requests to be routed internally for signatures. A modification will be generated in LEAFS and put in "HELD" status until appropriate approvals are obtained. Facilities team is working with IT to generate a weekly report to track and monitor all purchase and change orders.	Parsons will begin the procedure immediately. Request has been submitted to IT to generate a report. Sample template attached.
Other Matters.	CMR Report of Contracts Awarded - The report presented at the January 2018 Capital Improvements Committee (CIC) meeting did not have complete street addresses documented for some of the subcontractors.			
<i>To: Operations Division:</i>				
	Ensure that all future reports to the CIC have complete physical addresses documented for all subcontractors listed on the CMR Report of Contracts Awarded.	Program Management	All future reports to CIC will have complete physical addresses listed for all subcontractors as provided by the CMR.	Ongoing



SCCPSS-Operations

Change Order Workflow

Originating Department

Program Manager (Parsons) or Project Manager (Facilities) initiates a change order request. Submit four (4) sets of the Change Order (CO) to the Contract Administrator (CA). CA verifies documentation and ensures funding is in place. Forward to the approvers for signature.

Less than \$50,000*	Greater than \$50,000 and/or Change to GMP
- Senior Director	- Senior Director
- Deputy Superintendent	- Deputy Superintendent
- Superintendent or Chief Financial Officer	- Superintendent or Chief Financial Officer
	- Board Resolution

*if less than \$50,000 and changes the Guaranteed Maximum Price (GMP), Change Order requires Board Resolution per policy FGG.



Board Approval Not Required (Less than \$50,000)*

- A modification to the contract is generated in LEAFS and the Purchase Order is put in “HELD” status until all approval signatures have been obtained.
- Four sets of the Change Orders are disseminated to
 - Originating Department
 - Purchasing
 - Superintendent
 - Vendor (with a “Notice to Proceed”)
- Purchase Order is taken off of “HELD” status and processed
- *Even if the change is less than \$50,000.00, Board Resolution is required if the Change Order exceeds the Guaranteed Maximum Price (GMP), based on policy FGG.



Board Approval Required (Greater than \$50,000)

- A modification to the contract is generated in LEAFS and the Purchase Order is put in “HELD” status until approved by the Board and all approval signatures have been obtained.
- Operations prepares a consent agenda to be presented to the Board for approval
- Four sets of the Change Orders are disseminated to
 - Originating Department
 - Purchasing
 - Superintendent
 - Vendor (with a “Notice to Proceed”)
- Purchase Order is taken off of “HELD” status and processed



Facilities Management – Purchase & Change Orders Status Report

Weekly report generated by IT reviewed by Contract Administrator and Parsons.

Facilities Management - Purchase & Change Orders Status Report

Fund	Area	Org	Prog	Object	PO	PO Date	Vendor Number	Vendor Name	PO Amount	Status	Error Description	Curr
311	711	8132	4600	5500	462672	171030	13548	Dabbs-Williams General	\$ 855,523.00		Ready for approval	5
306	706	8132	4600	5500	477826	180419				HELD		
311	711	8133	4600	5500	477827	180419				HELD		
312	712	8132	4600	5500	477828	180419				HELD		