

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: October 26, 2017

SUBJECT: Report on Audit of the Hubert Middle School Addition and Modification –
ESPLOST / Final Review (#17-08)

We have completed our Audit of the Hubert Middle School Addition and Modification –
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 Hubert Middle School Addition and Modification – ESPLOST / Final Review (#17-08) 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 did not accurately reflect the MWBE status of two 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 Hubert Middle School Addition and Modification – 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 (LMWBEs).
 - 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 per the contract requirement.
 - H. Review change orders for appropriate approval and documentation of necessity.

III. AUDIT SCOPE

The Audit of the Hubert Middle School Addition and Modification – 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 June 2017 through August 2017.

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.

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 Hubert Middle School Addition and Modification was funded by ESPLOST II funds and was completed in July 2016. 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 2, 2014, the Board of Education approved the award for Design Professional Services to CDH Partners, Inc. in the amount of \$165,350. Three change orders were processed for the project. One change order included the removal and installation of a new roof for the entire school, which was originally planned as an additional project. The final amount paid to the DP was \$249,112.

On August 5, 2015, the Board of Education approved the award of General Contracting Services for the Hubert Middle School Addition and Modification to Dabbs-Williams General Contractors, LLC in the amount of \$4,155,750. The project consisted of the demolition and construction of a new cafeteria, a new roof to the existing school, and site drainage improvements. Thirty change orders were processed totaling \$143,472. This project was closed out in December of 2016 and the total amount paid to the GC was \$4,299,222.

V. AUDIT CONDITION

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

Reports that list contracts awarded did not accurately reflect the MWBE status of two local 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 Hubert Middle School Addition and Modification project. During our review of the Capital Improvement Committee (CIC) Report dated July 21, 2016 and the GC Report received on June 26, 2017, we verified the status of all 32 businesses listed on the reports.

The GC reported \$2,733,075 (64%) in local business contract awards, \$115,687 (3%) in local MWBE contract awards, \$1,566,147 (36%) in non-local contract awards, and \$39,800 (1%) in non-local MWBE contract awards.

Two out of the 14 local businesses with contract amounts totaling \$385,732 should have been documented as a MWBE in addition to being documented as local.

Recommendations for Condition A

Based on our findings, we recommend the following:

Operations Division

1. Action plan already in place for previous audits (#16-08, #17-02, and #17-06) - Reports submitted by the GC should be reviewed by Parsons to ensure they are accurate prior to dissemination.
2. Compare the GC reports to the City of Savannah MWBE Certified Portal Listing to identify businesses that have been qualified as a MWBE, but not reported as a MWBE by the GC.
3. Update the LMWBE Participation Report that is presented in the CIC Meeting to reflect the correct percentages for businesses reported as local MWBE.
4. Review active projects to determine if the businesses are reported correctly and update as needed.

VI. Other Matters

During the course of this audit, we determined one additional area of risk that was impacted by the Hubert Middle School Addition and Modification – ESPLOST / Final Review. This area of risk was identified in a previous audit and a management action plan is already in place.

Change Orders

Two change orders were not properly documented in a summary to the Board of Education as required by policy.

(DAS Goal V)

Details of Other Matters

We reviewed a sample of eight change orders for this project. All change orders were properly approved. We also reviewed the Quarterly Change Order Reports to determine if the change orders were documented as required by policy. Policy FGG, Facilities Projects Change Orders states, “A summary of all approved change orders will be provided to the Board of Education quarterly as an information item.” During our review of the quarterly reports, we found the following:

- Change order 002 dated October 7, 2015 in the amount of (\$35,000) was not listed on the fourth quarter 2015 report.
- Change order 012 dated April 14, 2016 in the amount of \$37,528 was listed incorrectly on the second quarter 2016 report. It was listed as \$27,528 instead of \$37,528.

Recommendations

Based on our findings, we recommend the following:

Facilities Management:

1. No additional recommendation is required as an action plan is already in place as of June 2016 from the Audit of Hesse K-8 School – ESPLOST / Final Review (#16-08) - Parsons should put a system in place to verify that all approved change orders in Impact® correspond to the Quarterly Change Order Report to ensure they are accurately reported.

MANAGEMENT ACTION PLAN
Audit of the Hubert Middle School Addition and Modification - ESPLOST / Final Review (#17-08)
Management's Response and Action Plan

Comment or Condition Description	Recommendation	Responsible Area(s)	Action	Current Estimated Completion
Condition A.	Reports that list contracts awarded did not accurately reflect the Minority, and Women Business Enterprise (MWBE) status of two local businesses.			
<i>To: Operations Division:</i>				
A.1.	Action plan already in place for previous audits (#16-08, #17-02, and #17-06) - Reports submitted by the GC should be reviewed by Parsons to ensure they are accurate prior to dissemination.	Program Management	Reports submitted by GC's are reviewed.	Complete and Ongoing
A.2.	Compare the GC reports to the City of Savannah MWBE Certified Portal Listing to identify businesses that have been qualified as a MWBE, but not reported as a MWBE by the GC.	Program Management	Reports submitted by GC's will be compared against the City of Savannah MWBE Certified Portal Listing, the contractor will be notified of this finding, asked to verify his report and make corrections if needed.	October 2017
A.3.	Update the LMWBE Participation Report that is presented in the CIC Meeting to reflect the correct percentages for businesses reported as local MWBE.	Program Management	LMWBE Participation Reports are updated monthly and contain the reported information received by the Contractors.	Complete
A.4.	Review active projects to determine if the businesses are reported correctly and update as needed.	Program Management	All reported information has been checked with each contractor.	Complete