

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: August 23, 2018

SUBJECT: Report on Audit of May Howard Elementary School – ESPLOST / Final Review (#18-04)

We have completed our Audit of May Howard 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 May Howard 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 April 2018 through June 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).

At the end of each Condition statement, we have identified the DAS goals 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.

III. BACKGROUND

May Howard 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 9, 2014, the Board of Education approved the contract for the Design Professional (DP), and the contract was awarded to Cogdell & Mendrala Architects, P.C in the amount of \$865,045. The original design was for a 900 FTE school that would include the reuse and renovation of a classroom wing and existing gym. On December 10, 2014, the design was updated and approved by the Board for a 750 FTE new replacement school with core spaces for 900 students. On May 6, 2015, a change order in the amount of \$207,263 was approved by the Board. The amended design services fee for the project was increased to \$1,072,308, which included a \$52,890 increase in the cost of design, and a payment of \$154,483 that was previously paid for design services completed prior to the change in design. There was a total of eleven change orders for the project increasing the contract amount to \$1,115,324. A total amount of \$1,079,211 has been paid to the DP as of June 21, 2018.

On May 7, 2014, the Board of Education approved the award for Construction Manager at Risk (CMR) Services to AJAX Building Corporation of Georgia. The Initial Guaranteed Maximum Price (GMP) was \$14,910,000. The Board approved one GMP change order increasing the contract amount to \$22,244,229. The CMR costs have been finalized with a total amount of \$22,244,229 paid to the CMR on June 26, 2018.

IV. AUDIT CONDITION

Condition A. Staffing Plan, Wage and Salary Schedules (DAS Goal V)

Staffing Plan, Wage and Salary Schedules were not properly reviewed for approval or to ensure that employees and salary rates listed corresponded to the salary documentation submitted with payment applications.

Details of Condition A

We reviewed salary documentation included with seven payment applications. We compared wage rates and employees in each application to the corresponding CMR Staffing Plan, Wage and Salary Schedule, which is a list of employees who are assigned to the performance of the work or services under the contract with salary, wage rates, taxes, and benefits of each position. A total of four updated wage and salary schedules were submitted to Parsons by the CMR. The contract requires all Staffing Plan, Wage and Salary Schedules to be approved by District officials when they are submitted to Parsons by the CMR. We identified the following exceptions during our review:

- The Staffing Plan, Wage and Salary Schedule submitted to Parsons by the CMR on June 15, 2017 was not approved by District officials. This wage and salary schedule was used in three payment applications. There is no indication that the wage and salary schedule was sent to District officials for proper approval once received by Parsons.
- Six salary rates exceeded the rate approved and one employee was not listed on the Staffing Plan, Wage and Salary Schedule included in one payment application.

Note: Two out of seven payment applications were processed prior to a Management Action Plan (MAP) for Audit #16-10 that was in place as of September 2016 for Staffing Plan, Wage and Salary Schedules. We did not document any exceptions identified prior to the time of the September 2016 MAP.

Recommendation

Operations Division:

Enhance the review and approval process of Staffing Plan, Wage and Salary Schedules to ensure they are effectively monitored when submitted by the CMR. The CMR should also be reminded that the wage and salary schedules must be submitted in advance for proper approval prior to updating salary rates in payment applications.

V. OTHER MATTERS

During the course of this audit, we determined an additional area of risk that was impacted by May Howard Elementary School – ESPLOST / Final Review. While we did not include this area in our audit program and did not conduct extensive tests in this area, we believe that District management should consider further review of this area to mitigate possible risk.

During our review of Staffing Plan, Wage and Salary Schedules, we discovered that vehicle allowances were listed for the project manager, assistant project manager, and project engineer as part of an employee compensation package. Our initial review indicated that five vehicle allowances in four payment applications exceeded the monthly amount allowed per the wage and salary schedules. We performed additional research and found that the vehicle allowances included mileage reimbursement for job travel and exceeded the monthly amount allowed in 19 of the 22 payment applications.

Recommendation

Operations Division:

Ensure that vehicle allowances are adequately monitored when included on the Staffing Plan, Wage and Salary Schedule.

MANAGEMENT ACTION PLAN
Audit of May Howard Elementary School - ESPLOST / Final Review (#18-04)
Management's Response and Action Plan

Comment or Condition Description	Recommendation	Responsible Area(s)	Action	Current Estimated Completion
Condition A.	Staffing Plan, Wage and Salary Schedules were not properly reviewed for approval or to ensure that employees and salary rates listed corresponded to the salary documentation submitted with payment applications.			
<i>To: Operations Division:</i>				
A.1.	Enhance the review and approval process of Staffing Plan, Wage and Salary Schedules to ensure they are effectively monitored when submitted by the CMR. The CMR should also be reminded that the wage and salary schedules must be submitted in advance for proper approval prior to updating salary rates in payment applications.	Program Management	Wage and Salary Schedules will be added to the CMR payment checklist to verify they have been checked and approved as submitted. Project Managers will remind CMR that these schedules must be submitted in advance to allow for approval.	Ongoing
Other Matters.	Vehicle Allowances exceeded the monthly amount allowed in Staffing Plan, Wage and Salary Schedules.			
<i>To: Operations Division:</i>				
	Ensure that vehicle allowances are adequately monitored when included on the Staffing Plan, Wage and Salary Schedule.	Program Management	Training session will be held by Program Director with all Project Managers to review the importance of strict adherence to the Staffing Plan, Wage and Salary Schedule; and to review the proper review and approval procedures for monitoring and reviewing the Schedules noted in Condition A and in Other Matters .	August 31, 2018