

SAVANNAH-CHATHAM COUNTY BOARD OF EDUCATION
Internal Audit Department



TO: Board of Education

THROUGH: M. Ann Levett, Ed.D., Superintendent of Schools
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FROM: Marshall Withers, Senior Director, Internal Audit

DATE: December 17, 2020

SUBJECT: Report on Audit of Islands High School Athletic Complex – ESPLOST
(#20-05)

We have completed our Audit of Islands High School Athletic Complex – ESPLOST. Our audit report is presented in the sections listed below:

- I. AUDIT OBJECTIVES**
- II. AUDIT SCOPE**
- III. BACKGROUND**
- IV. FINDINGS**

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. Design Professional (DP) Services
 - 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 the District and the DP are in compliance with their responsibilities as defined in the DP contract.
 - D. Determine that charges are appropriate, adequately supported, and timely.

- II. Construction Management Agent (CMA)
 - 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 the District and the CMA are in compliance with their responsibilities as defined in the CMA contract.
 - D. Determine that charges are appropriate, adequately supported, and timely.

- III. General Contractor (GC)
 - 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 the District and the GC are in compliance with their responsibilities as defined in the GC contract.
 - D. Determine that charges are appropriate, adequately supported, and timely.

II. AUDIT SCOPE

The Audit of Islands High School Athletic Complex was completed by reviewing internal controls to ensure District Policies, Administrative Regulations, and procedures were followed. Our scope included reviewing project documentation maintained in the ClickON® Document Management System, IMPACT®, e-Builder®, BoardDocs® Pro, Capital Projects, and the Purchasing Department. We reviewed Applications for Payment, vendor invoices, change orders, insurance documentation, bid documentation, and other information related to the project. We performed various tests on the Applications for Payment to determine if the expenditures were complete, accurate, and properly authorized prior to payment. We conducted interviews with various staff during our audit.

We also increased the scope of our audit to include a review of vendor services provided for the testing of unsuitable soil. We reviewed the contract, scope of services, invoices, and soil testing reports. We found reasonable assurance that the District and vendor were in compliance with their responsibilities for soil testing.

IMPACT® is a system supported by Parsons that maintains documents and contract information for ESPLOST projects and e-Builder® is the new Construction Management Software used by the District. Parsons provides Program Management Services to the District. Our fieldwork was conducted during the period of June 2020 through August 2020.

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 Improvement Plan/District Accountability System (DIP/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 effectively, efficiently, economically, and equitably.

At the end of each finding, we have identified the DIP/DAS goal that is most likely affected by the finding. Internal Audit has made recommendations to help support the achievement of this goal.

III. BACKGROUND

The continuation of ESPLOST was approved by the voters on November 8, 2016. The ESPLOST III Project Schedule was approved by the Board of Education on December 7, 2016 and included Islands High School Site Work Phase III – Physical Education/Athletics Field House & Track. A change order was approved by the Board of Education on September 6, 2017 for the design of Phase III, the Islands High School Athletic Complex. Phase III was funded by ESPLOST II and ESPLOST III funds.

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 September 11, 2013, the Board approved the award of RFQ #C14-06 Design Professional Services for Islands Complex Planning and Design to Thomas & Hutton Engineering Company. The initial phases of the project were funded by ESPLOST II funds. On September 6, 2017, the Board approved the issuance of Change Order 4 to the contract for Thomas & Hutton Engineering Company under RFQ #C14-06 in the amount of \$245,500 for design of the final phase (Phase III) of the Islands Athletic Complex. Three additional change orders were processed totaling \$96,548. The total amount expended as of July 31, 2020 is \$337,213. The DP contract was reviewed to obtain guidance on certain areas of the project; however, the change order was used for the basis of our review. The change order included a letter of agreement with fee details and scope of services.

On July 11, 2018, the Board approved the award for Construction Management Agent Services to four firms to provide required services on selected construction projects. The contract agreement between The Polote Corporation and the District was executed on April 3, 2019 in the amount of \$53,000 for the Islands High School Athletic Complex project. Two change orders were processed totaling \$8,323, which included additional CMA Services and automobile insurance reimbursable costs. The total amount expended as of July 31, 2020 is \$61,323.

On January 20, 2019, the Board approved the award for Bid C19-19 - Islands High School Campus Track and Multi-Purpose Field (Phase III) to John E. Lavender & Associates, Inc. at a total cost of \$3,243,000. Twenty-eight change orders were processed through July 20, 2020 totaling \$763,239. The contract amount increased to \$4,006,239, an increase of 25 percent. The change orders were relatively high for this project; however, a majority of the change orders were due to unforeseen soil conditions and site improvements. Fifteen pay applications have been processed for the General Contractor, and the total amount expended as of August 25, 2020 is \$3,805,927.

The material completion date was scheduled for December 31, 2019, but it was delayed until May 28, 2020 due to unforeseen soil conditions and site improvements.

This project has not been closed out as of August 31, 2020.

IV. FINDINGS

Invoice Processing

There was a delay in five invoices being processed for the Design Professional.
(DIP/DAS Goal V)

We reviewed a judgmental sample of 11 out of 32 invoices documented in ClickON®. The invoices were submitted to the attention of Accounts Payable by the Design Professional. When invoices are received by Accounts Payable, they are scanned into ClickON® and sent to Capital Projects and/or Parsons for approval. We were unable to determine that five invoices were received by Capital Projects and/or Parsons after they were scanned into ClickON® by Accounts Payable. The Design Professional had to resubmit the invoices to Parsons. This caused a delay in payment processing (Table 1).

During our discussion with management and review of BoardDocs® Pro, we found that multiple staff changes occurred in Capital Projects and Parsons during this time period.

Table 1. DP Invoices

Invoice #	Amount of Invoice	Date of Invoice	Initial Invoice received by Accounts Payable	Invoice Received by Parsons	Date Authorized for Payment	Date Paid by Accounts Payable	# of days between initial receipt and payment
164658	\$1,440.00	1/31/2018	2/22/2018	1/3/2019	2/1/2019	2/5/2019	348
166398	\$2,724.30	3/31/2018	5/1/2018	8/28/2018	9/28/2018	10/16/2018	168
167153	\$975.00	4/30/2018	5/30/2018	1/3/2019	1/31/2019	2/5/2019	251
168088	\$600.00	5/31/2018	6/20/2018	1/3/2019	1/31/2019	2/5/2019	230
170330	\$10,140.00	7/31/2018	8/17/2018	1/3/2019	1/31/2019	2/5/2019	172

Current invoices are now received via email by Capital Projects and Parsons and routed through e-Builder® for processing.

Recommendation

To the Division of Operations and Capital Projects:

1. Review the current process to determine if increased monitoring and oversight are needed during receipt of invoices to ensure timely payment.

Project Charges

Project charges incurred by the General Contractor were not properly documented.
(DIP/DAS Goal V)

The following project charges were initiated by the General Contractor in August 2019 and paid by the District in October 2019:

- \$5,961 – Test Pad Installation
- \$6,329 – Add Geotextile Under Fill

The project charges were initially documented as Change Orders 07 and 10 by the General Contractor. Management determined the change orders were not required and the charges were paid out of the sitework allowance under the supplemental contingency line item in the August 2019 pay application. The project charges were then added back into the remaining pay applications by the General Contractor as Change Orders 07 and 10 without any additional documentation. The change orders were documented as paid in the June 2020 pay application. It appeared that the project charges were paid twice; however, the amount of the last change order was reduced to incorporate Change Orders 07 and 10.

During our discussion with management, we found that the project charges were incorrectly added to e-Builder® as approved change orders. This inadvertently showed an unbilled amount of \$12,290 for the change orders when the amount had already been paid from the supplemental contingency. When the General Contractor submitted the last change order in June 2020, it was reduced to incorporate the \$12,290 for Change Orders 07 and 10. We reviewed supporting documentation on file for the last change order that was submitted.

As of September 2020, Change Orders 07 and 10 have been approved.

Recommendation

To the Division of Operations and Capital Projects:

1. Review and strengthen the internal controls currently in place to ensure project charges are properly documented.

MANAGEMENT ACTION PLAN
Audit of Islands High School Athletic Complex - ESPLOST (#20-05)
Management's Response and Action Plan

Comment or Finding Description	Recommendations	Responsible Area(s)	Action	Current Estimated Completion
Finding 1. There was a delay in five invoices being processed for the Design Professional.				
<i>To the Division of Operations and Capital Projects:</i>				
1.	Review the current process to determine if increased monitoring and oversight are needed during receipt of invoices to ensure timely payment.	Capital Projects	All invoices are now processed through e-Builder instead of through multiple systems. In time, we are adding all of our design professionals and contractors in e-Builder so that they can submit invoices directly to the district through e-Builder further reducing the time for processing and eliminating the chance of losing or misplacing the invoice. Many projects have multiple contractors or vendors who have a short work duration and may have a single bill at the completion of their work. For invoices related to these types of contractors and vendors, they will be clearly informed where to submit the invoice if it is found to be impractical or unfeasible to provide access to e-Builder for these type of contracts. As a further safeguard to prevent an invoice from being lost or misplaced, an administrative email group is being considered for receipt of these invoices that are not entered directly into e-Builder by the contractor.	June 2021 All contractors and vendors will be setup in e-Builder or provided an administrative email group to submit invoices.
Finding 2. Project charges incurred by the General Contractor were not properly documented.				
<i>To the Division of Operations and Capital Projects:</i>				
1.	Review and strengthen the internal controls currently in place to ensure project charges are properly documented.	Capital Projects	The finding was caused in part by transferring the project from Parsons IMPACT® program management system to e-Builder. All projects are now being managed out of e-Builder which provides the safeguards to ensure all change orders and project charges are properly accounted for and documented.	December 2020