

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



TO: Board of Education

THROUGH: M. Ann Levett, Ed.D., Superintendent of Schools
Darrell Boazman, Chief of ESPLOST/Capital Projects

FROM: Leah Underwood, Acting Director, Internal Audit

DATE: August 26, 2021

SUBJECT: Report on ESPLOST Audit of White Bluff Elementary School –
Final Review (#21-07)

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

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

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:

- A. Determine that the District and the Design Professional (DP) are in compliance with their responsibilities as defined in the DP contract.
- B. Determine that the District and the Construction Management Agent (CMA) are in compliance with their responsibilities as defined in the CMA contract
- C. Determine that the District and the General Contractor (GC) are in compliance with their responsibilities as defined in the GC contract.
- D. Review invoices to ensure expenditures are appropriate, properly authorized, adequately supported, and timely.
- E. Review change orders to ensure they are properly authorized, adequately supported, and reported to the Board as defined in Board Policy.

II. AUDIT SCOPE

The ESPLOST Audit of White Bluff Elementary School – Final Review was completed by reviewing project documentation maintained in BoardDocs®, CDMS, e-Builder®, and Capital Projects from October 2019 until final completion of the project. e-Builder® is the cloud-based, construction Program Management Information Solution (PMIS) used by the District. In meeting our audit objectives, we reviewed the following:

- Board policies and administrative regulations.
- DP, CMA, and GC contracts.
- Insurance Certificates on file for the DP, CMA, and GC.
- DP and CMA invoices (25% of invoices).
- GC Payment Applications.
- Construction Change Orders (25% of change orders).
- Monthly Reports.
- Inspections.
- Punch Lists.
- Project Close-Out Documentation.

We also held discussions with the Capital Projects Department and the Accounts Payable Department.

Our fieldwork was conducted during the period of June 2021 through August 2021.

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 effectively, efficiently, economically, and equitably (4E's).

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

III. BACKGROUND

The replacement of White Bluff Elementary School (WBES) was included on the ESPLOST III Project Schedule that was approved by the Board on December 7, 2016. We performed an initial review of White Bluff Elementary School in October 2019. This review consisted of reviewing documentation during the beginning stages on the project. The final review of WBES focused on the close-out process. 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 November 1, 2017, the Board of Education awarded the contract for Design Professional (DP) Services to James W. Buckley & Associates, Inc. The total contract amount was \$885,000 including allowances and reimbursable expenses. The DP responsibilities included managing the close-out process and assisting the District with final acceptance of the WBES project. Two change orders were processed for the project and reported to the Board. A total amount of \$880,830 was expended as of July 30, 2021. The Certificate of Final Completion was completed by the DP on July 9, 2021, and a final invoice was submitted to the District for payment at this time.

On July 11, 2018, the Board approved the award for Construction Management Agent (CMA) Services to four firms to provide required services on selected construction projects. The contract agreement between Brownstone Construction Group and the District was executed on October 10, 2018 for WBES. The CMA's contract ended on August 31, 2020, and they provided services for the project until October 31, 2020. The CMA was responsible for coordinating final punch lists and obtaining final close-out documentation for the project. The current contract commitment amount is \$210,188 including two change orders and reimbursable costs. The total amount expended as of July 30, 2021 is \$199,760.33.

On January 9, 2019, the Board approved the award for the construction of WBES to TQ Constructors, Inc. (GC) in the amount of \$18,177,625. Twenty-seven change orders were processed for the project and reported to the Board. The last change order was a Lump Sum Allowance Credit issued to the District for (\$360,579). A total amount expended as of July 20, 2021 is \$18,034.650. The final payment application was submitted to the District on June 16, 2021 for the remaining retainage of \$20,000.

We would like to thank District management and staff for their assistance during our audit and recognize the following areas of compliance and cost savings by the District:

- All invoices and change orders reviewed were properly authorized and adequately supported.
- The Capital Projects Department successfully transitioned the WBES project into e-Builder.
- The project was completed under budget and is eligible for \$5,114,880 in State Capital Outlay Funds.

IV. OBSERVATIONS

Close-Out Process *(DAS Goal V)*

The close-out process for the White Bluff Elementary School project was not completed timely to ensure contract requirements were met.

Our observations include:

1. Final close-out documents were not completed and submitted within the timeframe required by the contract.
2. The material completion payment was made prior to District's receipt of final documents as required by the contract.
3. Punch list items were not addressed in a timely manner and some items were not documented during reinspection; therefore, causing a delay in final completion.
4. Final completion was not obtained within 30 days of material completion as required by the contract.

PROJECT COMPLETION TIMELINE

Contract Requirement	Actual Completion	Action
<i>July 15, 2020</i>	<i>July 28, 2020</i>	<i>Material Completion by General Contractor Note: A Temporary Certificate of Occupancy (TCO) was issued. The Certificate of Occupancy (CO) was delayed by the City of Savannah due to a new design requirement for the radio signal system.</i>
<i>July 28, 2020</i>	<i>September 28, 2020</i>	<i><u>Certificate of Material Completion</u> issued by the DP and the CO was issued by the City of Savannah. Note: Final Documents were not obtained by the DP. (Observation 1)</i>
<i>September 21, 2020 (7 days prior to <u>Material Completion</u> by DP)</i>	<i>May 11, 2021</i>	<i>Final Close-Out documents submitted to the District and the DP. Note: Documents were submitted to the CMA on December 17, 2020; however, the District and DP did not receive the final documents until a later date. (Observations 1 and 2)</i>
<i><u>At Material Completion</u> (After Receipt of Payment Application and Final Documents)</i>	<i>December 18, 2020</i>	<i>The District issued the payment to the GC for Material Completion. (Observation 2) Note: Final Documents were not received by the District and DP prior to payment; however, retainage was not released at this time.</i>
<i><u>At Material Completion</u></i>	<i>February 12, 2021</i>	<i>Retainage Payment approved and paid by the District to the GC. Note: \$20,000 withheld by the District pending receipt of final documents and completed punch lists.</i>
<i>October 28, 2020 (No later than 30 days after <u>Material Completion</u>)</i>	<i>February 22, 2021</i>	<i>Completion of Final Punch Lists. (Observation 3)</i>
<i>October 28, 2020 (No later than 30 days after <u>Material Completion</u>)</i>	<i>July 9, 2021</i>	<i><u>Certificate of Final Completion</u> issued by the DP. (Observation 4)</i>
<i><u>At Final Completion</u></i>	<i>In Process</i>	<i>Final Retainage Payment of \$20,000 currently in process as of July 30, 2021.</i>

The review of WBES consisted of ensuring all steps of the close-out process met the requirements of the contract. All parties have a responsibility to ensure final documents are completed timely. Final documents consist of affidavits, warranties, certificates, operation and maintenance manuals, marked-up construction documents, and any other required close-out documents. The GC's contract requires that final close-out documents be submitted to the DP at least seven days prior to the scheduled inspection for material completion. The DP should obtain and review the final documents prior to issuing the Certificate of Material Completion. The CMA also has a responsibility for

obtaining final close-out documentation. Final documents were not submitted by the GC or obtained by the CMA, DP, or District prior to material completion. Final close-out documentation was submitted to the CMA in December 2020; however, the CMA only provided services until October 31, 2020. There was no evidence to indicate that the CMA sent the final documents to the District or DP. All final documents were received by the District in May 2021. (Observation 1)

Payment for material completion is made once all final documents have been submitted by the GC and received by the District. The contract states, "Payment shall be made by a check payable jointly to the contractor and the surety and shall be mailed to the surety." The material completion payment was made prior to District's receipt of final documents. The payment was also sent directly to the contractor for material completion. (Observation 2)

All punch list items must be completed by the GC and inspected by the DP prior to final completion of the project. The CMA is also responsible for coordination of final punch lists and inspections. We reviewed six punch lists documented by the DP. It took several months for outstanding items on the architectural, civil, and landscaping punch lists to be corrected by the GC. The punch lists did not include a deadline for outstanding items to be addressed by the contractor as required by the contract. Final punch list items were not corrected by the GC until February 2021. This caused a delay in the final completion of the project. We also found two items on the civil punch list that were not addressed when the school site was reinspected by the engineer. When the reinspection occurred, the engineer did not utilize a previous punch list completed by another engineer assigned to the project. (Observation 3)

The contract requires final completion to be obtained no later than 30 days after material completion. The construction contract states, "Should final completion not be achieved within the time specified, the Owner will issue to the contractor a fourteen (14) day notice as a final warning to complete the work." We found follow-up emails documented by the District regarding close-out documentation and punch lists; however, we did not find evidence that the District issued a notice of final warning to the contractor. Monitoring of program management milestones needs to be strengthened to ensure contract compliance. (Observation 4)

Based on our observations, we recommend the following:

To the Division of Operations:

1. Review construction contracts to determine if close-out timelines should be extended based on industry best practices.
2. Develop a close-out process in e-Builder to monitor deadlines as required by the contract, including, but not limited to final document submittals, inspections, and completed punch lists.
3. All parties with assigned responsibilities for project completion should have access to the close-out process in e-Builder.

MANAGEMENT ACTION PLAN
ESPLOST Audit of White Bluff Elementary School - Final Review (#21-07)
Management's Response and Action Plan

8/20/2021

Comment or Observation Description	Recommendations	Responsible Area(s)	Action	Current Estimated Completion
Observation The close-out process for the White Bluff Elementary School project was not completed timely to ensure contract requirements were met.				
<i>To the Division of Operations:</i>				
1.	Review construction contracts to determine if close-out timelines should be extended based on industry best practices.	Capital Construction Team / Legal Advisor	The Team will research industry best practices and recommend action. If extended time is deemed necessary, proposed changes can be incorporated into upcoming construction contracts, upon legal review.	12/31/2021
		Capital Construction Team / Design Professional	For existing open contracts, at the current 30 day deadline, SCCPSS project manager will prepare note to file, incorporating DP's punch list, which will enumerate all unfinished work and the estimated value of this work.	Process to be implemented immediately
2.	Develop a close-out process in e-Builder to monitor deadlines as required by the contract, including, but not limited to final document submittals, inspections, and completed punch lists.	Capital Construction Team / eBuilder Technical Advisor	The Team has incorporated the close-out process into eBuilder - see attached checklist. The Team has worked with our eBuilder technical advisor to incorporate all aspects of close-out documentation, and include deadline notifications, so that contract obligations are met by all parties in a timely manner.	Process to be implemented immediately
3.	All parties with assigned responsibilities for project completion should have access to the close-out process in e-Builder.	Capital Construction Team / eBuilder Technical Advisor	All parties on current projects have access to eBuilder. The Capital Construction Team will ensure that all have knowledge of process, and will actively monitor usage for compliance..	Process to be implemented immediately

Project Closeout - Material Completion (PCMC)

Start Process

Print Check Spelling Submit Save Draft Cancel

Project:	White Bluff ES - NS
Process:	Project Closeout - Material Completion

Details Attached Documents (0) Attached Processes (0) Attached Forms (0)

CONSTRUCTION MATERIAL COMPLETION CHECKLIST

* Construction Professional: [Lookup]

This checklist completed by the undersigned is provided as a guide to assist in the compilation of documents required for Material Completion. Any exceptions of incomplete items shall be identified and explained in Part D. Refer to the executed contract documents for complete details on Material Completion Requirements and additional requirements associated with services of Commissioning Authority and Executive Administrator if applicable.


The Construction Professional affirms completion, transmittal, or provision of the following Material Completion contract requirements:

Part A - Submittals and Requirements prior to Notice of Readiness for Inspection for Material Completion:

* Correction of all non-compliant or incomplete work:	<input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> Not Applicable
* Preparation of an initial punch list of Minor Items and Permitted Incomplete Work:	<input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> Not Applicable
* Copy of the initial test and balance report on HVAC systems:	<input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> Not Applicable
* Completion of all coordination and work requirements associated with Commissioning Authority:	<input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> Not Applicable
* Certificate of Contractor that all building systems are operational:	<input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> Not Applicable
* All permits/certificates for operation from regulatory agencies required by the Contract Documents:	<input type="radio"/> Yes <input type="radio"/> No <input type="radio"/> Not Applicable

SAMPLE : Closeout Procedure from eBuilder

Part B – Inspections for Material Completion


* Contractor Requested Material Completion:	<input type="checkbox"/> Yes
* Request Date:	<input type="text"/> 
* Conducted Inspection for Material Completions:	<input type="checkbox"/> Yes
* Conducted Interim Inspection for Punchlist Completion:	<input type="checkbox"/> Yes

Part C – Final Documents – forms and delivery method in the Contract Documents

All certificates, manuals, instruction, and documents required by the Contract Documents:	<input type="checkbox"/> Yes
Non-Influence Affidavit:	<input type="checkbox"/> Yes
Statutory Affidavit:	<input type="checkbox"/> Yes
Five Year Bond of Roofs and Walls:	<input type="radio"/> Yes <input type="radio"/> Not Applicable
Bond to Discharge Claim:	<input type="radio"/> Yes <input type="radio"/> Not Applicable
All warranties and guarantees required by the Contract Documents:	<input type="checkbox"/> Yes
Receipts verifying transmittal of Marked-Up Construction Documents:	<input type="checkbox"/> Yes

Operation and Maintenance Manuals:	<input type="checkbox"/> Yes
Certification of Building Systems Operations:	<input type="checkbox"/> Yes
Certificates of Manufacturers for Major Components:	<input type="checkbox"/> Yes
Certification of Manufacturers for Products:	<input type="checkbox"/> Yes
Final Certification of Costs:	<input type="checkbox"/> Yes
Key Schedule and Receipt verifying transmittal of keys:	<input type="checkbox"/> Yes
Other deliverables specified in Contract Documents:	<input type="radio"/> Yes <input type="radio"/> Not Applicable

Receipt verifying transmittal or provision of:

Proper written instructions on operation and maintenance of all mechanical and electrical equipment:	<input type="checkbox"/> Yes
Training to the Owner in operation and maintenance of all mechanical and electrical systems:	<input type="checkbox"/> Yes
Complete brochures/data prepared/published by the manufacturer of mechanical or electrical equipment: 	<input type="checkbox"/> Yes

Part D – Exceptions (State Paragraph reference and explanation):

Exceptions:	<div style="border: 1px solid black; height: 50px;"></div>
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