



**Independent Accountants' Report
On Applying Agreed-Upon Procedures**

**The School Board of Osceola County, Florida
New Middle School (AA) Project**

Close-Out Procedures

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

New Middle School (AA) Project Close-Out Procedures

The School Board of Osceola County, Florida
Kissimmee, Florida

We have performed the procedures enumerated below, which were agreed to by The School Board of Osceola County, Florida ("SBOC", the "District" and the "specified party"), solely to assist you in determining the final contract value to Moss & Associates, LLC (the "Construction Manager" and the "responsible party"), based upon the total costs of construction and final guaranteed maximum price, as presented by the Construction Manager, for the New Middle School (AA) Project (the "Project"). The sufficiency of these procedures is solely the responsibility of the specified party. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures applied and the related findings are as follows:

1. Obtain a copy of the Construction Management Agreement (the "Agreement"), dated June 6, 2017, between The School District of Osceola County, Florida (the "District") and Moss & Associates (the "Construction Manager") and exhibits, attachments, and amendments to the Agreement (collectively referred to as the "contract documents"), relative to the New Middle School (AA) Project (the "Project").

Results:

- The contract documents were inspected by Carr, Riggs & Ingram, LLC ("CRI") without exception.
2. Inquire of the District and the Construction Manager as to whether there are any disputed provisions between the two parties, relative to the contract documents, or if there are any other unresolved disputes. Inquire of the Construction Manager as to whether there are any disputes between the Construction Manager and its subcontractors.

Results:

- The Construction Manager and the District stated there were no disputed provisions between the two parties, relative to the contract documents or any other unresolved disputes. The Construction Manager stated there were no disputes between it and its subcontractors.

3. Obtain from the Construction Manager, a copy of the final job cost detail, dated June 17, 2020 (the “final job cost detail”).

Results:

- Obtained the final job cost detail without exception.

4. Obtain from the Construction Manager and the District, a copy of the final payment application request issued to the District, dated March 31, 2020 (“final pay application”).

Results:

- Obtained the final pay application from the District without exception.

5. Obtain from the Construction Manager a reconciliation between the final job cost detail and the final pay application.

Results:

- Obtained the Construction Manager's reconciliation between the final job cost detail and the final pay application without exception.

6. From the final job cost detail, select (using computer assisted techniques as necessary) all subcontractors with total costs listed in excess of \$25,000 (“selected subcontractors”) and perform the following:

Results:

- Selected 29 subcontractors with total costs in excess of \$25,000.

- a. Obtain the subcontract and related change orders, executed between the selected subcontractors and the Construction Manager. Compare the total amount recorded in the final job cost detail to the original subcontract amount plus/minus the related change orders.

Results:

- Obtained the subcontract agreements and the related change orders and compared the documentation with the amounts recorded in the final job cost detail for all selected subcontractors without exception.

- b. Obtain the applicable labor, equipment, and material pricing estimates, vendor invoices, subcontractor markups, or other appropriate documentation (“supporting documentation”) for the subcontractor change orders in 6.a. above. Compare the change order amounts to the supporting documentation.

Results:

- Obtained supporting documentation for the subcontractor change orders and observed lump sums totaling \$126,876, of which \$42,403 were approved by the District through owner change orders or contingency usages. Additionally, CRI noted the following adjustments which are reported in Exhibit A:

- Markup for overhead and profit in excess of contractual limits, of \$2,399.
- Subcontractor change orders charged against CM fee, of \$5,900.
- Subcontractor costs to replace lost materials, of \$742.
- Subcontractor change orders for unapproved repair work, of \$3,500.

- Subcontractor change orders for additional overhead and profit above contractual limits, of \$1,127.
 - Accountant error, of \$811.
- c. Obtain from the Construction Manager the final lien releases or individual payment lien releases totaling the final subcontract value submitted by the selected subcontractor to the Construction Manager. If the Construction Manager does not have the lien releases available, for those payments where the lien release is not available, obtain cancelled checks reflecting such payments made by the Construction Manager to the selected subcontractor (collectively the “payment documentation”). If the Construction Manager provides no lien releases for the selected subcontractors, obtain a check register reflecting all payments to the selected subcontractors and choose a sample (at least 20) of cancelled checks. Compare the final subcontract amount to the payment documentation.
- Results:**
- Obtained partial and final lien releases as payment documentation and compared the documentation to the final subcontract amount without exception.
- d. Obtain a listing of owner direct purchases (“ODP”) from the District related to each selected subcontractor. Compare the ODP amounts to the sum of the deductive ODP change orders, per the selected subcontractor.
- Results:**
- Obtained the listing of ODPs from the District and compared the amount to the sum of the deductive ODP change orders for each of the selected subcontractors without exception.
7. Trace and agree subcontractor costs and credits included in Owner change orders and contingency usage to corresponding change orders with the subcontractor, which have been reviewed in accordance with 6. above.
- Results:**
- Traced and agreed subcontractor costs and credits included in Owner change orders and contingency usages to corresponding selected subcontractors' change orders without exception.
8. If there are reimbursable labor charges included in the final job cost detail, from the total number of Construction Manager employee payroll transactions listed in the final job cost detail, select a sample of at least 25 Construction Manager payroll transactions. Each sampled payroll transaction will be for a specific, identified time period of the Project.
- Results:**
- Selected a sample of 25 Construction Manager payroll transactions from the final job cost detail.

9. From the items selected in 8. above, perform the following:
- a. Obtain copy of or access to, the original timesheet and a payroll register, for the time period of the selected transaction, showing gross pay to the employee for each employee selected.
Results:
 - Obtained access to the original timesheets and a payroll register for each selection in 8. above without exception.
 - b. Compare the amount listed for each sample in the final job cost detail to the items obtained in 9.a. above.
Results:
 - Compared the amount listed for each sample in the final job cost detail to the items obtained in 9.a. above, without exception.
10. If the labor burden percentage is fixed, agree the labor burden rate applied in the final job cost detail to the fixed percentage per the contract documents.
Results:
 - The Construction Manager applied the fixed labor burden rate of 40%, stated in the contract documents, without exception.
11. From the final job cost detail, select all non-subcontractor vendors for which the costs exceed \$25,000 and perform the following:
Results:
 - Selected five line items for each of the vendors in excess of \$25,000.
 - a. For each non-subcontractor vendor selected, obtain a copy of or access to at least 5 of the original invoices or pricing documents reflected in the final job cost detail, and a copy of the cancelled check or other proof of payment for each item selected.
Results:
 - Obtained the invoices, copies of cancelled checks, and Disbursed Payment and Remittance Reports (ACH Payments) for each of the selections, without exception.
 - b. Compare the documents obtained in 11.a. to the amount recorded in the final job cost detail.
Results:
 - The invoices, cancelled checks, and Disbursed Payment Remittance Reports (ACH Payments) were compared to the amounts recorded in the final job cost detail without exception.
12. From the final job cost detail, select amounts for payment and performance bond costs and builder's risk insurance (as applicable) and perform the following:
Results:
 - Selected all amounts for payment and performance bond costs and builder's risk insurance costs without exception.

- a. Obtain a copy of or access to the original invoices and a copy of the cancelled check or other proof of payment paid directly to a third party. Compare the documentation obtained to the amounts recorded in the final job cost detail.

Results:

- Obtained the invoice and ACH Payment for the payment and performance bond and compared the amounts to the final job cost detail without exception. Obtained the invoice and cancelled check copy for the builder's risk insurance and compared the amounts to the final job cost detail without exception.

The Construction Manager noted a credit to the payment and performance bond costs of \$2,795, as reported in Exhibit A.

13. From the final job cost detail, select amounts for general liability insurance and perform the following:

Results:

- Selected all amounts for general liability insurance costs without exception.
- a. Where applicable, obtain the Construction Manager's internal allocation for general liability insurance charges.

Results:

- Obtained the Construction Manager's internal allocation for general liability insurance charges without exception.

- b. Inspect the internal allocation method and calculation. Compare the documentation obtained in 13.a. above to the amounts recorded to the final job cost detail to identify that the internal allocation received was used to support the amounts in the final job cost detail.

Results:

- Inspected the allocation method and calculation. The Construction Manager's calculation of charges did not support the amount included in the final job cost detail. An adjustment of \$44,458 is required to bring the allocation to actual costs. CRI added \$1,527 to the credit for a coverage, cyber liability, included which was not required by the contract documents. The total credit amount is \$45,985 as reported in Exhibit A.

- c. If applicable, obtain third party invoices for internal allocation amounts of insurance charges greater than \$50,000.

Results:

- Obtained third party invoices for internal allocation amounts with the exception of the supporting documentation for "deductible buydowns", noted in 13.d. below.

- d. If there is a self-insured portion of the premium, inquire regarding the calculation methodology for the self-insured portion of the premium. Obtain third party invoices or documentation for the calculation of the self-insured portion of the premium. Specifically inquire if that portion of the premium is based on actuarial calculations. If so, obtain the actuarial report supporting the calculation.

Results:

- The supporting documentation provided for "deductible buydowns" were invoices to Providence Insurance, Inc. CRI inquired regarding this entity, and the Construction Manager stated the entity was a captive insurance company, sharing common ownership with the Construction Manager.

Per the Construction Manager, the captive insurance company operates a "retro insurance program", meaning premiums are adjusted downward or upward post policy expiration to reflect the actual claim history. The Construction Manager's Director of Risk Management stated the premium for this Project was not adjusted downward.

- e. If applicable, obtain supporting documentation for the allocation base, i.e. annual Company revenue.

Results:

- Obtained supporting documentation for the allocation base without exception.

- f. If applicable, recalculate the Construction Manager's internal allocations and compare the recalculation to the amounts in the final job cost detail.

Results:

- Recalculated the Construction Manager's internal allocations and agreed with the credit calculated, as reported in 13.b.

14. Inquire of the Construction Manager to determine if there are any expenditures, in the final job cost detail, to entities related by common ownership or management to the Construction Manager.

Results:

- Per inquiry of the Construction Manager, there were no expenditures to entities related by common ownership or management to the Construction Manager included in the final job cost detail.

As noted in 13. above, the Construction Manager utilized a captive insurance company with common ownership for the deductible portion of its insurance program. The total charged to the Project from the related entity is \$285,530.

15. From the final job cost detail, select at least five transactions (unless internal charges total less than \$3,000) determined to be the Construction Manager's internal charges to the Project, and perform the following:

Results:

- Selected 6 internal charges from the final job cost detail.

- a. Obtain calculations for internal charge rates and vendor invoices that support the calculation of the Construction Manager's internal rates.

Results:

- Observed invoices for the laptop, vehicle lease payments, copier and office supplies. CRI observed a vehicle Analysis Report and observed the internal allocation method without exception.

- b. Compare the internal charge rates recorded in the final job cost detail to the supporting documentation obtained in 15.a. above.

Results:

- Compared the internal charges selected to the supporting documentation obtained in 15.a. without exception.

16. Obtain the Project's Notice to Proceed ("NTP") from the District and inspect the dates of the charges in the final job cost detail for recorded costs with dates prior to the date on the NTP.

Results:

- Obtained the NTP and did not identify any charges in the final job cost detail prior to the NTP date.

17. Inquire of the Construction Manager to determine whether they are using a subcontractor default insurance program ("subguard") for subcontractor bonding requirements. If so, perform the following:

Results:

- Per inquiry of the Construction Manager, a subguard program was utilized for this Project.

- a. Inspect the final job cost detail, as well as, subcontracts and change order line items for the selected subcontractors noted in 6. above, for line items described as subcontractor bond costs.

Results:

- Inspected the final job cost detail and selected subcontractors' original subcontract and change orders, and no subcontractor bond charges were identified.

As part of testing of the selected subcontractors in 6. above, CRI noted bond costs for one of the subcontractors. Upon inquiry of the Construction Manager, it was noted there were multiple vendors and subcontractors that were not included in the subguard program. As a result, CRI recalculated the subguard charges presented by the Construction Manager, and noted a credit of \$11,654, as reported in Exhibit A.

- b. Obtain an invoice and cancelled checks for the subguard charges found in the final job cost detail, if paid to a third party.

Results:

- Obtained cancelled check copy and a letter from the Construction Manager's insurance provider stating the amount to be applied to subcontractor value for the subguard coverage.

- c. Obtain written representation that the subcontractors on the Project, enrolled in subguard, have not included bond costs in their payment applications.
Results:
 - Obtained written representation from the Construction Manager that subcontractors enrolled in the subguard program did not include bond costs in their payment applications.
18. If the Project utilizes a Contractor Controlled Insurance Program (“CCIP”), perform the following:
- a. Obtain the CCIP manual from the Construction Manager.
Results:
 - Obtained the CCIP manual from the Construction Manager without exception.
 - b. Obtain the Construction Manager’s allocation/calculation of CCIP costs to the Project. Obtain third party invoices and supporting documentation for the individual CCIP coverages, where the coverage total exceeds \$50,000.
Results:
 - Obtained the Construction Manager's allocation and calculation of CCIP costs to the Project without exception. See 13. above for results of the testing of individual coverages.
 - c. Obtain a listing of the CCIP credits from a summary provided by the insurance carrier or the Construction Manager and compare to deductive subcontractor change orders.
Results:
 - Obtained a listing of CCIP credits from the Construction Manager and compared to the deductive subcontractor change orders without exception.
19. Obtain all signed and executed change orders between the District and the Construction Manager for the duration of the Project.
Results:
 - Obtained signed and executed change orders between the District and the Construction Manager.
20. Obtain from the District, a log of the ODPs plus sales tax savings for the entirety of the Project.
Results:
 - Obtained the ODP log from the District without exception.
21. Compare the ODPs plus sales tax savings amount per the log obtained in 20. above, to the total change order amounts obtained in 19. above relative to ODPs.
Results:
 - Compared the ODPs plus sales tax savings per the ODP log to the total signed and executed change order amounts relative to ODPs without exception.

22. Recalculate the adjusted guaranteed maximum price ("GMP") as follows:
- a. Obtain the original GMP amount, including any fixed or percentage-based Construction Manager fees or lump sums from the contract documents noted in 1. above.
Results:
 - Obtained the original GMP amount without exception.
 - b. Add to the original GMP amount the additive change orders and subtract the deductive change orders from 19. above to get the adjusted guaranteed maximum price ("adjusted GMP").
Results:
 - Deducted the net amount of change orders from the original GMP amount, reported in Exhibit A as the "adjusted guaranteed maximum price".
23. For the adjusted GMP amount recalculated in 22.b. above, perform the following:
- a. Obtain the final contract value, per the final pay application, noted in 4. above.
Results:
 - Obtained the final contract value amount without exception.
 - b. Compare the adjusted GMP amount recalculated in 22.b. above to the final contract value noted in 23.a. above.
Results:
 - Compared the adjusted guaranteed maximum price to the final contract value, per the final pay application, without exception.
24. Recalculate the construction costs plus fee as follows:
- a. Starting with the final job cost detail, adjust for any reductions identified in the application of the above procedures (e.g. subcontractor markup differences, non-reimbursable items, repair/rework items, etc., as applicable) to reach the adjusted final job costs.
Results:
 - The results of performing this procedure are reported in Exhibit A as "adjusted final job costs".
 - b. Utilizing the adjusted final job costs, add the fixed lump sum amounts to reach the construction costs plus fee.
Results:
 - The results of performing this procedure are reported in Exhibit A as "construction costs plus fee".
 - c. Compare the adjusted GMP amount calculated in 22.b. above to the construction costs plus fee amount from 24.b. above.
Results:
 - The results of this procedure are reported in Exhibit A.

25. Obtain, from the District and/or the Construction Manager, all of the Project's contingency logs and usage documents and inspect all contingency usage forms for the District's designated representative's signature of approval.

Results:

- Obtained the Project's contingency log and usage documents and observed that all the contingency usage forms evidenced approval of a District designated representative.

26. Compare the ending balances in the contingency funds, per the contingency logs obtained in 25. above, to the change order amount of the funds returning to the District, as obtained in 19. above.

Results:

- Unused contingency funds totaling \$126,805 were returned to the District in change order #6. CRI noted the Construction Manager did not return \$940 of unused contingency funds.

27. Obtain the Certificates of Substantial Completion and the Certificates of Final Inspection (or similar documents), signed by the Architect, and compare the dates of these documents to the time requirements contained in the contract documents.

Results:

- Obtained the Certificate of Substantial Completion and Certificate of Final Completion without exception. The substantial completion and final completion dates, as reported on the Certificates, were compared to the time requirements contained in the contract documents. CRI observed the final completion occurred 187 days after the contractually required date.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion or conclusion, respectively, on the construction costs or final contract value for the Project. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of The School Board of Osceola County, Florida, and is not intended to be and should not be used by anyone other than the specified party.

Carri Riggs & Ingram, L.L.C.

Orlando, Florida
May 11, 2021

The School Board of Osceola County, Florida
New Middle School (AA) Project
Close-Out Procedures

Exhibit A – Project Costs

Calculation of the construction costs plus fee

Construction Manager job cost total	\$ 23,634,573
Adjust insurance charges to actual costs	(45,985)
Adjust subguard charges for subcontractors and vendors excluded from the program	(11,654)
Subcontractor repair item	(3,500)
Payment and performance bond credit	(2,795)
Subcontractor markup for overhead and profit in excess of contractual limits	(2,399)
Subcontractor markup for warranty	(1,127)
Subcontractor accounting error	(811)
Subcontractor cost to replace lost materials	(742)
Adjusted final job costs	<u><u>23,565,560</u></u>

Calculation of construction management fee:	
Original construction management fee - Amendment #1	1,296,258
Additional fee through contingency	20,123
Subcontractor costs offset against construction management fee	(5,900)
Reduce fee to 4.5% of the cost of the work	(10,689)
	<u><u>1,299,792</u></u>

Construction costs plus fee **\$ 24,865,352**

Calculation of guaranteed maximum price

Original guaranteed maximum price - Amendment #1	\$ 33,750,445
Adjustments from change orders per the Construction Manager	<u>(8,810,856)</u>

Adjusted guaranteed maximum price **\$ 24,939,589**

Difference between the adjusted guaranteed maximum price and the construction costs plus fee **\$ 74,237**

* As noted in the results of procedure #26, the Construction Manager did not return \$940 of unused contingency funds. As a result, the final change order to the Project should have contained a further reduction of \$940. Ultimately, as noted above, the Project's final guaranteed maximum price will be reduced to the Construction costs plus fee of \$24,865,352.