

Independent Accountant's Report
On Applying Agreed-Upon Procedures

Central Avenue Elementary School Classroom Building Addition Project
May 20, 2015

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"), solely to assist you in determining the final contract value to Ajax Building Corporation (the "Construction Manager"), based upon the total costs of the Central Avenue Elementary School Classroom Building Addition Project (the "Project"). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. 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. We obtained copies of the contract documents between SBOC and the Construction Manager relative to the construction of the Project. We read the contract documents provided by SBOC noting items of financial and attestation significance.
2. We inquired of the contracting parties to determine if there were any disputed provisions in the contract or if there are any other unresolved disputes, including disputes between the Construction Manager and the subcontractors. There were none brought to our attention.
3. We obtained from the Construction Manager a reconciliation between the final job cost detail and the final pay application and reviewed the reconciliation for unusual items.
4. We reviewed the construction costs, as documented by the Construction Manager in the job cost detail, for compliance with the contract, including the following:
 - vouched costs as follows:
 - for subcontract costs in excess of \$25,000, we reviewed the subcontract and the related change orders to the subcontractor, comparing the adjusted contract amount to the amount recorded in the Construction Manager's job cost and the total of the Construction Manager's payments to the subcontractor. Additionally, we traced the owner direct purchases per subcontractor to the deductive change orders for the applicable subcontractor. It was noted the Construction Manager has a remaining payable with Gravity-Ratterman, LLC of \$17,806 related to settlement of costs surrounding this subcontractor's default on this Project. The Construction Manager has represented this amount remains due and will inform SBOC when the funds are disbursed. Should the Construction Manager not satisfy the remaining payable, this amount should be refunded to SBOC.

- relative to the Construction Manager's reimbursable payroll, we chose a sample (34 items) from the payroll line items and traced each line item selected to time sheets and pay rate authorizations.
 - for other items that exceed \$25,000, we vouched the charge to vendor invoices or other supporting documentation. We examined supporting documentation for bond and general liability insurance, regardless of the amount.
 - reviewed the Construction Manager's labor burden charges for appropriateness of items included in the burden percentages, as well as conformity to the contract documents. The contract documents included an agreed upon labor burden percentage of 40%. We recalculated the labor burden charges for compliance with this fixed percentage and noted no exceptions.
 - reviewed the job costs for, and inquired of the Construction Manager regarding expenditures to entities related by common ownership or management to the Construction Manager. No such expenditures were noted or brought to our attention.
 - reviewed supporting documentation and allocations for a sample of internal charges from the Construction Manager for reasonableness.
 - reviewed the job cost for charges incurred prior to the Notice to Proceed, and charges after the date of final completion.
 - it was noted the Project did not utilize a subguard program.
5. We reviewed the costing of change orders between SBOC and the Construction Manager for conformity to the contract documents. Additionally, we agreed the owner direct purchases plus sales tax savings to the related reduction to the guaranteed maximum price.
 6. We reviewed the construction management fee and the general conditions for conformity to the contract documents. The general conditions were contracted as cost of the work, see Exhibit B for our recommendation regarding this.
 7. We reviewed the contingency logs and usage documents for proper approval, and determined proper resolution of any remaining balances in the contingency funds.
 8. We recalculated the guaranteed maximum price and contract value, based upon the Construction Manager's costs plus any fixed fees. See Exhibit A – Project Costs.
 9. We determined if the Project was completed within the time constraints established in the contract by:
 - we inquired and examined support that the Project was completed on time and therefore, no liquidated damages were incurred.
 - we examined the Certificates of Substantial Completion and the Certificate of Final Inspection signed by the Architect, and verified that the Project was completed in accordance with the contract.

We have included additional comments for your consideration as Exhibit B to this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. 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.

Case Riggs & Dorman LLC

May 20, 2015

**The School Board of Osceola County, Florida
Central Avenue Elementary School Classroom Building Addition Project**

Exhibit A – Project Costs

Calculation of construction cost plus fee:	
Construction Manager's job costs	\$ 2,344,796
Reduction of insurance charges	(6,939)
Labor transfer adjustment	<u>(214)</u>
	<u>2,337,643</u>
Original construction management fee	<u>132,074</u>
Construction cost plus fee	<u><u>\$ 2,469,717</u></u>
Calculation of guaranteed maximum price:	
Original guaranteed maximum price	\$ 3,114,599
Adjustments from change orders per the Construction Manager	<u>(637,686)</u>
Adjusted guaranteed maximum price	<u><u>\$ 2,476,913</u></u>
Lesser of construction cost plus fee and adjusted guaranteed maximum price	<u>2,469,717</u>
Difference between the adjusted guaranteed maximum price and the construction cost plus fee	<u><u>\$ 7,196</u></u>

**The School Board of Osceola County, Florida
Central Avenue Elementary School Classroom Building Addition Project**

Exhibit B – Schedule of Comments and Recommendations

General conditions

Comment:

During Carr, Riggs, and Ingram, LLC's ("CRI") review of the contract documents and costs for Central Avenue Elementary School Classroom Building Addition Project (the "Project"), it was noted the general conditions for the Project were contracted as a cost of the work. Although it is our understanding that it was the intention of The School Board of Osceola County, Florida ("SBOC") to make the general condition a not-to-exceed amount, the agreement does not specifically identify the treatment of general conditions as a not-to-exceed amount.

Recommendation:

CRI would recommend the general conditions be treated as a not-to-exceed item of the work. Additionally, we would recommend the general conditions continue to be listed in detail as an attachment to the Exhibit C. The following contract language would establish this number as a not-to-exceed: "The Construction Manager's compensation for general conditions, listed in detail in Attachment 2 to Exhibit C, shall be an amount that shall not exceed \$XXX,XXX."

A not-to-exceed general conditions offers several advantages to the Owner. First of all, it caps the amount that can be paid for the Construction Manager's personnel costs and prevents the shifting of savings from other line items to cover personnel overages. This is important as the personnel costs can fluctuate greatly based on the Construction Manager's staffing decisions on a Project. Additionally, it provides incentive for the Construction Manager to exercise budgetary control over these costs or be required to undergo the process of requesting additional funds from the Owner to cover overages.

Facilities Division Response to the Report provided by Carr, Riggs & Ingram, LLC.

Central Avenue Elementary School Classroom Building Addition Project

May 29, 2015

The following report includes a comment and recommendation provided by Carr, Riggs & Ingram, LLC (CRI) for the Central Avenue Elementary School Classroom Building Addition Project. This report also includes a response from the Facilities Division for the recommendation.

General conditions

CRI Comment:

During Carr, Riggs, and Ingram, LLC's ("CRI") review of the contract documents and costs for Central Avenue Elementary School Classroom Building Addition Project (the "Project"), it was noted the general conditions for the Project were contracted as a cost of the work. Although it is our understanding that it was the intention of The School Board of Osceola County, Florida ("SBOC") to make the general conditions a not-to-exceed amount, the agreement does not specifically identify the treatment of general conditions as a not-to-exceed amount.

CRI Recommendation:

CRI would recommend the general conditions be treated as a not-to-exceed item of the work. Additionally, we would recommend the general conditions continue to be listed in detail as an attachment to Exhibit C. The following contract language would establish this number as a not-to-exceed: "The Construction Manager's compensation for general conditions, listed in detail in Attachment 2 to Exhibit C, shall be an amount that shall not exceed \$XXX,XXX."

Facilities Division Response:

This recommendation has been addressed by language changes to the Construction Management Agreement. As noted in CRI's recommendation, the specific contract language in the Agreement has been modified. The General Conditions are required and listed in detail in Attachment 2 to Exhibit C in the Agreement. Staff also recognizes that the General Requirements are to also be listed in detail to Attachment 2. The following language includes specific language changes to the Agreement to ensure the General Conditions and General Requirements are considered not-to-exceed amounts.

Attachment 2 to Exhibit C of the Agreement reads as follows:

The amounts included in the GMP for General Requirements and General Conditions are considered not-to-exceed, fixed amounts. The GMP must include a certified statement that the labor costs represent those amounts that are actually paid to the persons that are to be working on the Project. Provide the labor burden for each of the submitted staffing, in accordance with Paragraph 3.7.3(q)(iii) of the Agreement. General Requirements and General Conditions are not to be considered a lump sum amount and are auditable. At the time of payment application submission, and in accordance with paragraph 3.15 of this Article, the Construction Manager must provide backup supporting the General Requirements and General Conditions expended. No General Requirements or General Conditions line item can result in costs to the Project that are unreasonable and not cost effective.

Labor Burden is defined as a fixed percentage of Construction Manager's direct labor costs and is not subject to audit. The Labor Burden Rate for this Project is agreed to by the Construction Manager and Owner as _____%.

The Construction Manager's compensation for General Conditions, listed in detail in this Attachment 2, shall be an amount that shall not exceed \$_____.

The Construction Manager's compensation for General Requirements, listed in detail in this Attachment 2, shall be an amount that shall not exceed \$_____.