

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

**The School Board of Osceola County, Florida  
Denn John Middle School Comprehensive Renovations Project  
Selected Pay Application**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

### Denn John Middle School Comprehensive Renovations Project Selected Pay Application

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" or the "District", and the "specified party"), solely to assist you in determining compliance with certain contract provisions through payment application #5 ("pay application" and the "selected pay application"), dated February 28, 2019, for Pirtle Construction Company (the "Construction Manager" and the "responsible party"), based upon the costs of construction and payment application #5, as presented by the Construction Manager, for the Denn John Middle School Comprehensive Renovations 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 November 14, 2017, between the District and the Construction Manager, and exhibits, attachments, including the Guaranteed Maximum Price Amendment #1, dated October 2, 2018, to the Agreement (collectively referred to as the "contract documents"), relative to the Project.

**Results:**

- Carr, Riggs & Ingram ("CRI") obtained the contract documents without exception.
2. Obtain the pay application as selected by the District and perform the following:
    - a. Agree the schedule of values on the selected pay application to the guaranteed maximum price proposal submitted by the Construction Manager.

**Results:**

- CRI agreed the schedule of values on payment application #5 to the guaranteed maximum price summary in the contract documents without exception.
- b. Vouch to invoices or other supporting documentation all charges to general conditions and general requirements in excess of \$250.

**Results:**

- Only labor was included in general conditions (See results for labor in d. below).

CRI vouched invoices for all items over \$250 within general requirements. CRI observed that renter's insurance was charged on the Project outside of the insurance program for the entire Project without evidence of approval by the Owner as stated in section 3.7.3 (p)(xii) of the Agreement.

- c. Identify any items that represent internal charges from the Construction Manager.

**Results:**

- CRI observed cellular, computer equipment, and vehicle internal charges included in the selected pay application.

- Obtain from the Construction Manager supporting documentation for all items that reflect internal charges, such as vehicles, computers, and other equipment.

**Results:**

- For cellular charges, CRI obtained invoices and a listing of the employees and hours worked on the project without exception.
- For vehicle charges, CRI obtained the vehicle allocation, vehicle invoice, and additional breakdown for maintenance and miscellaneous vehicle costs without exception.
- For computer charges, CRI obtained a schedule of hardware and software costs without exception.

- Compare the supporting documentation to the charges included in the pay application.

**Results:**

- For cellular charges, CRI compared the supporting documentation to the internal charges in the selected pay application without exception.
- For vehicle charges, CRI compared the supporting documentation to the internal charges in the selected pay application without exception.
- For computer charges, CRI compared the schedule to the internal charges in the selected pay application without exception.

- d. If the pay application includes payroll amounts for the Construction Manager, select a sample of payroll items (at least 11 items) and compare with the Construction Manager's payroll records to ensure the charges reflect actual compensation.

**Results:**

- CRI selected all general conditions labor included in the selected pay application (from the Payroll Summary Report), which included all 11 employees. CRI observed that 3 of the 11 employees selected from the Payroll Summary Report had incorrect hours stated on the report when compared against the hours stated on timesheets provided. However, CRI observed that the total dollar amount stated on the Payroll Summary Report

was not calculated on the incorrect hours stated. Therefore, the labor charged to the Project was correctly calculated based on the hours observed from the timesheets and rates provided from the Payroll Register reports.

3. If the labor burden is fixed, compare the fixed labor burden percentage with the labor burden being applied to the labor in the pay application.

**Results:**

- CRI observed the labor burden is a fixed percentage set at 40% in the contract documents. CRI compared the fixed labor burden rate with the labor burden being applied to the labor in the pay application without exception.

4. Obtain the Project's Notice to Proceed ("NTP") from the District and inspect the dates of the charges in the current job cost dated May 5, 2019, for recorded costs with dates prior to the date on the NTP.

**Results:**

- CRI did not identify any charges included in the current job cost prior to the NTP date.

5. 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, no related entities were used on the Project.

6. Select the highest 10 subcontract amounts identified in the original schedule of values ("selected subcontract amounts").

- a. Compare the selected subcontract amounts to the Construction Manager's Bidder/Vendor Report.

**Results:**

- CRI compared the selected subcontract amounts to the Construction Manager's Bidder/Vendor Report without exception.

- b. Identify the lowest bid in the Construction Manager's Bidder/Vendor Report for the portion of the work relating to the selected subcontract amounts. If the lowest bid identified is not the subcontractor selected from the original schedule of values, inquire with the Construction Manager why the lowest bidder indicated on the Construction Manager's Bidder/Vendor Report was not selected.

**Results:**

- CRI identified the lowest bid in the Construction Manager's Bidder/Vendor report for the portion of the work relating to the selected subcontract amounts. All of the selected subcontract amounts were ultimately determined to be the lowest bidders. Regarding the earthwork, paving and site utilities portion of the work, one bidder was originally the low bidder, but when that bidder revised their bid to match the full scope of work, it was determined that the subcontractor chosen was the lowest bidder. See Exhibit A for results of our comparison.

7. Agree the amounts requested by subcontractors on the selected pay application to the corresponding pay applications from the subcontractors.

**Results:**

- CRI agreed the amounts on the selected pay application to the corresponding subcontractor pay applications without exception.

8. If such items are not charged at an agreed upon amount or percentage, obtain from the Construction Manager supporting documentation for the payment and performance bond, subguard, and insurances. If the insurances are self-insured by the Construction Manager, obtain the calculation of the insurance allocation to the Project.

- a. Trace the bond cost to an invoice.

**Results:**

- CRI agreed the bond cost currently charged to the Project to the bond invoice without exception.

- b. Trace the general liability insurance to the allocation calculation prepared by the Construction Manager.

**Results:**

- CRI traced the general liability insurance allocation prepared by the Construction Manager without exception.

- c. If applicable, trace the subguard charges to the schedule prepared by the Construction Manager detailing the subcontracts included in the subguard program multiplied by the rate for subguard. Agree the subguard rate to third party supporting documentation.

**Results:**

- CRI traced the subguard calculation for the project to the original GMP summary. The subguard rate utilized by the Construction Manager agreed to third party supporting documentation (policy declaration page) without exception. CRI observed that all subcontractors except Triangle Construction are enrolled in the subguard program.

9. If the Construction Manager is using a subguard program, obtain the schedules of values for a sample of ten subcontractors and determine that there are no subcontractor bond costs included.

- a. Inspect the Bidder/Vendor Report or subcontract agreement to observe if bond costs are included in the subcontractor's contract amount.

**Results:**

- CRI inspected the Bidder/Vendor Report and observed that bond was deducted from all bids except for Triangle Construction for the samples selected. Triangle Construction was excluded from the subguard program by the Construction Manager.

CRI observed that the bond rate for Triangle Construction was 2.4%, as compared to the subguard rate of 1.25%, or \$16,570 more than the amount it would cost if Triangle Construction was included in the subguard program.

- b. If the Bidder/Vendor Report includes bond costs that were removed and are not included in the schedule of values, calculate the rate implicit in the bond costs and compare that rate with the subguard rate.

**Results:**

- o CRI performed this procedure and observed that some subcontractors have a lower bond rate than the subguard rate of 1.25%. The average implicit bond percentage of the subs included in the subguard program that were tested totaled to 1.15% which is .10% less than the subguard percentage charged on the Project. Our results are as follows:

<b>Subcontractor</b>	<b>Implicit bond rate</b>	<b>Variance to subguard rate</b>
OLP Construction, Inc.	1.14%	-.11%
Industrial Steel, Inc.	.80%	-.45%
Hartford South	1.52%	+.27%
Perfection Architectural System	1.00%	-.25%
Clark Food Service	1.20%	-.05%
Heichel Plumbing	1.48%	+.23%
Westbrook Service Corporation	1.00%	-.25%
Terry Electric, Inc.	.70%	-.55%
Lundquist Excavating, Inc.	1.53%	+.28%

- c. Obtain written representation from the Construction Manager that the subcontractors have not included bond costs in their subcontracts.

**Results:**

- o CRI obtained written representation from the Construction Manager without exception.

10. 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:**

- o CRI inquired with the District and the Construction Manager regarding any disputed provisions between the two parties. No such disputes were stated by either party. CRI inquired with the Construction Manager as to whether there are any disputes between them and any subcontractors on the Project. Per the Construction Manager, there are no disputes between them and any subcontractors assigned to the Project.

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 Construction Manager’s compliance with certain contract provisions through the date of payment application #5, February 28, 2019. Accordingly, we do not express such an opinion or conclusion. 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  
August 27, 2019

**The School Board of Osceola County, Florida  
Denn John Middle School Comprehensive Renovations Project  
Selected Pay Application**

**Exhibit A – Subcontractor Bid Analysis**

**Original Schedule of Values vs.  
Bidder/Vendor Report**

**Lowest Bidder Analysis**

<u>Division</u>	<u>Contractor</u>	<u>Original SoV</u>			<u>Was the selected subcontractor the lowest bidder?</u>	<u>Explanation per Pirtle Construction, Inc.</u>	
		<u>Original SoV</u>	<u>Bid</u>	<u>Difference</u>		<u>Amount</u>	<u>Inc.</u>
Aluminum Walkway Covers	Perfection Architectural Systems LLC	\$ 505,402	\$ 505,402	\$ -	Yes	N/A	-
Concrete, Masonry & Site Concrete	OLP Construction Inc.	2,970,100	2,970,100	-	Yes	N/A	-
Drywall	M.B. Drywall Solutions	1,407,171	1,407,171	-	Yes	N/A	-
Earthwork, Paving & Site Utilities	Lundquist Excavating, Inc.	5,170,600	5,170,600	-	No, Cronin Industries, Inc.	4,197,435	After Cronin Industries, Inc. revised their bid for final evaluation, their price increased to \$5,260,218 therefore, the lowest bid was selected.
Electrical	Terry Electric Inc.	4,305,610	4,305,610	-	Yes	N/A	-
Food Service Equipment	Clark Food Service	936,977	936,977	-	Yes	N/A	-
Framing, Drywall & Insulation	Triangle Construction Inc.	1,440,880	1,440,880	-	Yes	N/A	-
HVAC	Westbrook Service Corporation	3,683,694	3,683,694	-	Yes	N/A	-
Plumbing	Heichel Plumbing	2,042,240	2,042,240	-	Yes	N/A	-
Roofing	Hartford South	1,083,620	1,083,620	-	Yes	N/A	-
Structural & Miscellaneous	Industrial Steel, Inc.	1,319,257	1,319,257	-	Yes	N/A	-



**Facilities Division Response to the Accountant's Report related to the  
Denn John Middle School Comprehensive Renovation Project  
Review of Pay Application #5, dated April 5, 2019**

The following report includes Procedures Applied and Related Findings provided by Carr, Riggs & Ingram, LLC (CRI) for the Denn John Middle School Comprehensive Renovation Project, Pay Application #5 Review. This report also includes a response from the Facilities Division for each of the "Results" provided by CRI.

**Procedure 2b.** Vouch to invoices or other supporting documentation all charges to general conditions and general requirements in excess of \$250.

**Results:** CRI observed that renter's insurance was charged on the Project outside of the insurance program for the entire Project without evidence of approval by the Owner as stated in section 3.7.3 (p)(xii) of the Agreement.

**Facilities Response:**

We agree with CRI's finding; however, the Facilities Division's Accountant is aware that the Construction Manager (CM) has invoiced the District for "Missing Certificates". The Accountant has questioned the CM what the Missing Certificates are. As of August 28, 2019 the CM has not responded. In the meantime, the Accountant has found that the Missing Certificates are actually Certificates of Insurance for the CM's Office Trailers and are not to be reimbursed to the CM. The Accountant has commented (to the CM) on the District's Project Management Solution as follows:

*"Please remove the 'Missing Prop Damage Cert Fee' and the 'Missing Liability Cert Fee' from the Williams Scotsman invoices as this is not a fee that the District reimburses. Please also go through the previous pay applications and provide a credit in this pay application in the General Requirements Line for all previous Williams Scotsman invoices that show these two fees."*

**Procedure 6b.** Select the highest 10 subcontract amounts identified in the original schedule of values ("selected subcontract amounts").

Identify the lowest bid in the Construction Manager's Bidder/Vendor Report for the portion of the work relating to the selected subcontract amounts. If the lowest bid identified is not the subcontractor selected from the original schedule of values, inquire with the Construction Manager why the lowest bidder indicated on the Construction Manager's Bidder/Vendor Report was not selected.

**Results:** CRI identified the lowest bid in the Construction Manager's Bidder/Vendor report for the portion of the work relating to the selected subcontract amounts. All of the selected subcontract amounts were ultimately determined to be the lowest bidders. Regarding the earthwork, paving and site utilities portion of the work, one bidder was originally the low bidder, but when that bidder revised their bid to match the full scope of work, it was determined that the subcontractor chosen was the lowest bidder. See Exhibit A for results of our comparison.

**Facilities Response:** CRI's finding is typical, especially in the early stages of the project. Through the bidding process, the Construction Manager (CM) performs their due diligence to ensure the subcontractor with the lowest bid also includes the entire scope of work required. The CM is also required to review all bids to ensure that the scope of work meets the design intent so as to ensure that bids are responsive. The lowest bid is not always the most complete bid.

**Procedure 6b.** If the Construction Manager is using a subguard program, obtain the schedules of values for a sample of ten subcontractors and determine that there are no subcontractor bond costs included.

- a. Inspect the Bidder/Vendor Report or subcontract agreement to observe if bond costs are included in the subcontractor's contract amount.

**Results:** CRI inspected the Bidder/Vendor Report and observed that bond was deducted from all bids except for Triangle Construction for the samples selected. Triangle Construction was excluded from the subguard program by the Construction Manager. CRI observed that the bond rate for Triangle Construction was 2.4%, as compared to the subguard rate of 1.25%, or \$16,570 more than the amount it would cost if Triangle Construction was included in the subguard program.

**Facilities Response:** Similar to the Results of Procedure 6b, CRI's finding is typical, especially in the early stages of the project. Through the bidding process, the Construction Manager (CM) performs their due diligence to ensure the subcontractor with the lowest bid also includes the entire scope of work required. The CM is also required to review all bids to ensure that the scope of work meets the design intent so as to ensure that bids are responsive. The lowest bid is not always the most complete bid.

As a result of this finding by CRI, Facilities staff asked if CRI contacted the CM to provide an explanation as to why Triangle Construction was excluded from the subguard program, which required the firm to carry a P&P bond. CRI responded that they did not. Facilities staff contacted the CM to ask the same question. The response from the CM is acceptable and detailed below. This certainly proves that the CM has the best interest of the District in mind when they were performing their due diligence review of the subcontractor bids.

*The reason we did not include Triangle Construction in the subguard program was as a result of the % difference between them and the next lowest bidder. If you recall when we initially submitted the GMP we carried Acousti for the Framing / Drywall scope of work. As part of our negotiations we were instructed to utilize the bid received by Triangle Construction which was approximately 18% lower than that of Acousti. In order to mitigate our risk and the risk to the project provided their bid was so substantially lower than that of the next competitive number we requested Triangle Construction carry a P&P bond for project. Couple that with our review of their financial statements we felt it was in the best interest to not only Pirtle but also to you as the client to have them carry the bond rather than include them in our subguard program.*

*In the end, the total value of Triangles contract including the bond was \$1,440,880. This resulted in just a little under 250K of savings on the overall cost of drywall / framing scope of work.*