

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

**The School Board of Osceola County, Florida
Poinciana High School Classroom Building Addition**



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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Poinciana High School Classroom Building Addition

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 Wharton-Smith, Inc. (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 Poinciana High School Classroom Building Addition (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 January 17, 2017, between The School District of Osceola County, Florida (the “District”) and Wharton-Smith, Inc. (the “Construction Manager”) (referred to as the “contract documents”), relative to the construction of Poinciana High School Classroom Building Addition (the “Project”).

Results:

- No exceptions were found as a result of applying the procedure.

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:

- We identified no disputes as a result of these procedures.

3. Obtain from the Construction Manager, a copy of the final job cost detail, dated March 12, 2018 (the “final job cost detail”).

Results:

- No exceptions were found as a result of applying the procedure.

4. Obtain from the Construction Manager and the District, a copy of the final payment application request issued to the District, dated January 31, 2018 (“final pay application”).

Results:

- No exceptions were found as a result of applying the procedure.

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

Results:

- As a result of applying this procedure, we identified several items that are not billable which were included in the final job cost detail. These costs have been adjusted in the calculation of the Construction Manager job cost total in Exhibit A.

6. From the final job cost detail obtained in 3. above, select all subcontractors with total costs listed per the job cost detail in excess of \$25,000 and perform the following:

- a. Obtain the subcontract and related change orders, executed between the selected subcontractors and the Construction Manager.

Results:

- No exceptions were found as a result of applying the procedure.

- b. Compare the total amount recorded in the job cost detail obtained in 3. above to the original subcontract amount plus the related change orders obtained in 6.a. above.

Results:

- No exceptions were found as a result of applying the procedure.

- c. Obtain the labor and material pricing estimates, vendor invoices, subcontractor markups, or other appropriate documentation (“supporting documentation”) for the subcontractor change orders in 6.a. above.

Results:

- We identified mathematical errors in markups along with items that were not in accordance with the contract documents (see 6.d. below) in the amount of \$1,649. These adjustments have been reflected in Exhibit A.

- d. Compare the change order amounts listed as part of 6.a. above to the supporting documentation obtained in 6.c. above.

Results:

- We identified errors in certain subcontractor change orders as follows:
 - Markups in excess of contractual limits
 - Percentage warranty costs that were not allowed by the contract documents.

These adjustments have been reflected in Exhibit A.

- e. Obtain from the Construction Manager, the final lien releases submitted by the selected subcontractor to the Construction Manager or cancelled checks for payments made by the Construction Manager to the selected subcontractor (“payment documentation”).

Results:

- We observed that final lien releases were not yet submitted from the subcontractors to the Construction Manager. Instead, we obtained executed lien releases, but for pay applications where lien releases were not yet obtained, we observed the Construction Manager's accounts payable listing for the Project and agreed the amounts.

- f. Compare the payment amount recorded to the final job cost detail noted in 3. above to the payment documentation obtained in 6.e. above.

Results:

- We agreed the final contract value for each selected subcontractor to executed lien releases and the Construction Manager's accounts payable listing for the Project. The listing of accounts payable has been reported in Exhibit B. The Construction Manager will be required to provide the District with proof of payments of these amounts. If the Construction Manager does not pay any of the amounts in full, the amount not paid should be refunded to the District.

- g. Obtain a listing of owner direct purchases from the District related to each subcontract selected.

Results:

- No exceptions were found as a result of applying the procedure.

- h. Compare the purchase amount obtained in 6.g. above to the sum of the deductive owner direct purchase change orders, per the selected subcontractor, obtained in 6.a. above.

Results:

- No exceptions were found as a result of applying this procedure.

7. From the total number of Construction Manager employee payroll transactions listed in the final job cost detail in 3. above, haphazardly select a sample of 21 Construction Manager payroll transactions. Each sampled payroll transaction will be for a specific, identified time period of the Project.

Results:

- No exceptions were found as a result of applying the procedure.

8. From the items selected in 7. 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:

- No exceptions were found as a result of applying the procedure.

- b. Compare the amount listed for each sample in the final job cost detail obtained in 3. above to the items obtained in 8.a. above.

Results:

- No exceptions were found as a result of applying the procedure.

9. If the labor burden is not a fixed percentage, obtain a detail of the components of the labor burden rate from the Contractor.
- a. Compare the components of the labor burden rate with the terms of the contract documents.
Results:
 - The labor burden rate was a fixed percentage of 40% in accordance with the contract documents.
 - b. Obtain supporting documentation for each component of the labor burden detail obtained in 9.a. above. (The specific supporting documentation will be named in an addendum to CRI's engagement letter once the specific supporting documentation is identified and provided.)
Results:
 - This procedure was not performed as the labor burden rate was a fixed percentage.
 - c. Compare the supporting documentation obtained in 9.b. above to each component's rate obtained in 9. above.
Results:
 - This procedure was not performed as the labor burden rate was a fixed percentage.
10. From the final job cost detail obtained in 3. above, select any non-subcontractor line items that exceed \$25,000 and perform the following:
- a. Obtain a copy of or access to, the original invoice, pricing document, and a copy of the cancelled check for each item selected.
Results:
 - There were no non-subcontractor line items that exceeded \$25,000.
 - b. Compare the documents obtained in 10.a. to the amount recorded in the final job cost detail obtained in 3. above.
Results:
 - There were no non-subcontractor line items that exceeded \$25,000.
11. From the final job cost detail obtained in 3. above, select all amounts for bond, insurance, and subguard charges and perform the following:
- a. Obtain a copy of or access to, the original invoices, internal allocation calculation from the Construction Manager (if applicable), and a copy of the cancelled check for each item selected.
Results:
 - No exceptions were found as a result of applying the procedure.
 - b. Compare the documentation obtained in 11.a. above to the amounts recorded to the final job cost detail in 3. above.
Results:
 - We vouched the bond premium included in the final job cost detail to the invoice. We inspected the allocation of general liability insurance cost to the

Project and recalculated the cost. The result of our recalculation is reported in Exhibit A. A subguard program was not utilized on this Project.

12. 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:

- No exceptions were found as a result of applying the procedure.

13. If there are expenditures to entities related by common ownership or management noted in 12. above, perform the following:

- a. Report the entity and volume of the transactions to the District.

Results:

- The Construction Manager did not identify any expenditures to entities related by common ownership or management.

- b. Determine if such transactions are properly authorized by the District, in accordance with the contract documents.

Results:

- The Construction Manager did not identify any expenditures to entities related by common ownership or management.

14. From the final job cost detail obtained in 3. above, haphazardly selected at least two transactions determined to be the Construction Manager's internal charges to the Project, and perform the following:

- a. Obtain vendor invoices and Construction Manager calculations for internal charge rates.

Results:

- No exceptions were found as a result of applying the procedure.

- b. Compare the internal charge rates recorded in the job cost detail noted in 3. above to the supporting documentation obtained in 14.a. above.

Results:

- Three internal charges were selected, all relating to vehicle charges. No exceptions were found as a result of applying the procedure.

15. Obtain the Project's Notice to Proceed ("NTP") from the District and inspect the dates of the charges in the job cost detail noted in 3. above for recorded costs with dates prior to the date on the NTP.

Results:

- No exceptions were found as a result of applying the procedure.

16. Inquire of the Construction Manager to determine whether they are using a subguard program for subcontractor bonding requirements. If so, select a sample of five subcontractors from the final job cost detail in 3. above and perform the following:

- a. Inspect the final job cost detail noted in 3. above, as well as, subcontracts and change order line items noted in 6. above, for line items described as bond costs. All of these bond costs should be deducted from the subcontract.

Results:

- The Construction Manager did not utilize a subguard program. Therefore, this procedure is not applicable to the Project.

- b. Obtain written representation from the Construction Manager that the subcontractors on the Project, enrolled in subguard, have not included bond costs in their pay applications.

Results:

- The Construction Manager did not utilize a subguard program. Therefore, this procedure is not applicable to the Project.

17. Obtain all signed and executed change orders between the District and the Construction Manager for the duration of the Project.

Results:

- No exceptions were found as a result of applying the procedure.

18. Obtain from the District, a log of the owner direct purchases plus sales tax savings for the entirety of the Project.

Results:

- No exceptions were found as a result of applying the procedure.

19. Compare the owner direct purchase log plus tax savings amount obtained in 18. above, to the total signed and executed change order amounts obtained in 17. above relative to owner direct purchases.

Results:

- No exceptions were found as a result of applying the procedures.

20. Recalculate the final guaranteed maximum price ("GMP") as follows:

- a. Obtain the initial GMP amount, including any fixed or percentage-based Construction Manager fees or lump sums from the contract documents noted in 1. above.

Results:

- No exceptions were found as a result of applying the procedure.

- b. Add the initial GMP amount plus additive change orders and minus deductive change orders from 17. above.

Results:

- No exceptions were found as a result of applying the procedure.

21. For the final GMP amount recalculated in 20.b. above, perform the following:

- a. Obtain the final contract value, per the final pay application, noted in 4. above.

Results:

- No exceptions were found as a result of applying the procedure.

- b. Compare the final GMP amount recalculated in 20.b. above to the final contract value noted in 21.a. above.

Results:

- The results of this procedure are presented in Exhibit A.

22. Recalculate the Construction Manager's construction costs plus fee as follows:
- a. Starting with the final job cost detail from 3. above, adjust for any reductions identified in the application of the above procedures (i.e. subcontractor markup differences, non-reimbursable items, repair/rework items, etc., as applicable) to reach the adjusted final job cost.
Results:
 - The results of this procedure are presented in Exhibit A.
 - b. Utilizing the final job cost detail, add the fixed lump sum amounts to reach the construction cost plus fee.
Results:
 - We recalculated the Construction Manager fee earned through contingency usage resulting in a reduction in fee by \$1,118. The adjustment reduced the Construction Manager fee from \$5,591 to \$4,473.
 - c. Compare the final GMP amount calculated in 20.b. above to the adjusted final job cost amount from 22.b. above.
Results:
 - The results of this procedure are presented in Exhibit A.
23. 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:
 - No exceptions were found as a result of applying the procedure.
24. Compare the ending balances in the contingency funds, per the contingency logs obtained in 23. above, to the change order amount of the funds returning to the District, as obtained in 17. above.
Results:
 - No exceptions were found as a result of applying the procedure.
25. 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:
 - No exceptions were found as a result of applying the procedure.

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 21, 2018

**The School Board of Osceola County, Florida
Poinciana High School Classroom Building Addition**

Exhibit A – Project Costs

| | |
|---|---------------------|
| Calculation of the construction cost plus fee: | |
| Construction Manager job cost total | \$ 4,177,462 |
| General liability insurance as billed by the Construction Manager | 23,824 |
| Adjust general liability insurance cost to actual | (8,598) |
| Adjustments from subcontractor change orders | (1,649) |
| | <u>4,191,039</u> |
| Preconstruction costs not to exceed | <u>14,000</u> |
| General conditions not to exceed | <u>287,412</u> |
| Calculation of construction management fee: | |
| Original Agreement | 259,808 |
| Additional fee through change orders | 381 |
| Additional fee through contingency | 4,473 |
| | <u>264,662</u> |
| Construction cost plus fee | <u>\$ 4,757,113</u> |
| Calculation of guaranteed maximum price: | |
| Original Agreement | \$ 6,005,964 |
| Adjustments from change orders per the Construction Manager | (1,237,362) |
| | <u>\$ 4,768,602</u> |
| Final guaranteed maximum price | <u>\$ 4,768,602</u> |
| Difference between the final guaranteed maximum price and the construction cost plus fee | <u>\$ 11,489</u> |

**The School Board of Osceola County, Florida
Poinciana High School Classroom Building Addition**

Exhibit B – Listing of Accounts Payable

| | |
|----------------------------------|-------------------|
| Acousti Engineering Co. | \$ 1,485 |
| All-Rite Fence Services Inc. | 878 |
| Architectural Aluminum | 4,071 |
| BNG Construction, Inc. | 36,369 |
| Bright Future Electric LLC | 41,763 |
| Core Roofing Systems, Inc. | 5,241 |
| Daisy Fresh Commercial | 374 |
| Dunkman Paint & Wallcovering | 2,288 |
| Energy Air, Inc. | 26,418 |
| Epoxy, Inc. | 737 |
| Fire & Life Safety America, Inc. | 2,514 |
| Florida Visual Display Products | 900 |
| Garrard Framing & Drywall, Inc. | 12,981 |
| General Caulking & Coatings Co. | 1,002 |
| GW Systems, Inc. | 514 |
| Heichel Plumbing, Inc. | 16,927 |
| HMB Steel Corporation | 10,917 |
| HZ Construction, Inc. | 320 |
| Interior Specialists, Inc. | 250 |
| Mardale Specialties Direct, Inc. | 1,562 |
| Overhead Door Co. | 375 |
| Perfection Architectural Systems | 4,016 |
| PK Flooring, Inc. | 3,152 |
| Southern Storage Systems | 368 |
| Steve Ward & Associates, Inc. | 5,655 |
| Vital Signs of Orlando | 341 |
| Wayne Automatic Sprinklers, Inc. | 15,627 |
| Wild Oak Holding, Inc. | 242 |
| Wootton & Wootton Associates | 430 |
| | <u>\$ 197,717</u> |

**Facilities Division Response to the Accountant's Report related to the
Poinciana High School Classroom Building Addition Project**

The following report includes Procedures Applied and Related Findings provided by Carr, Riggs & Ingram, LLC (CRI) for the Poinciana High School Classroom Building Addition Project. This report also includes a response from the Facilities Division for each of the "Results" provided by CRI.

CRI is responsible for completing each of the procedures detailed in their report in order to determine the final contract value to the Construction Manager (CM), which is based upon the total cost of construction and the final guaranteed maximum price. To do this, CRI requests a copy of the Final Job Cost Detail from the CM, and then compares this detail to the contract documents and all supporting documentation. The Final Job Cost Detail provided by the CM to CRI includes all of their costs for the project and often includes costs that are considered non-billable to the District.

Result #5

Response: As a result of applying this procedure, CRI identified several items in the CM's Final Job Cost Detail that are not billable. Example of items considered not billable include meals, software, other staff not listed in the negotiated General Conditions and General Requirements. As a result of this procedure, the Final Job Cost Detail was reduced from \$4,534,934.63 to \$4,177,462; See Exhibit A. These items were not billed to the District.

Result #6c

Response: Items are noted in #6d.

Result #6d

Response: This finding includes Warranty Costs (2%) that were found in subcontractor's proposals to the Construction Manager and subcontractor markups in excess of contractual limits. As a result of this finding, staff will make improvements to the Contingency Transfer, Buyout Transfer, and Change Order review process by adding this review requirement to the checklist in the e-Builder Process Workflow.

Result #6e

Response: The Final Application for Payment was approved by the School Board on April 3, 2018. The check was prepared for the Construction Manager on April 6, 2018. It typically takes 30 days for the Construction Manager to receive the release of liens from their subcontractors and then provide the same to our office. As of June 6, 2018, staff has confirmed that the release of liens for this project have been provided to the Facilities Services office and uploaded to the project management system.

Result #6f

Response: See response to Result #6e above.

Result #11b

Response: Through CRI’s testing and review of the Final Job Cost Detail presented by the CM to CRI, the General Liability Insurance was found to be overpaid in the amount of \$8,598. The CM billed .41% and CRI’s testing found the correct calculation to be .31%.

The CM informed staff that the insurance is based on their estimate of revenue at the beginning of each year. The GMP for this project was negotiated in December 2016 and the CM’s insurance costs were based on the following year’s revenue projections.

As a result of this finding, staff will make improvements to the Application for Payment review process by requiring the CM to provide an updated Insurance Provider Affidavit, which is also required at time of GMP. This improvement will be completed by adding this requirement to the checklist in the e-Builder Process Workflow.

Result #22b

Response: The Construction Manager’s Fee for “Changes to the Work” was negotiated at 4%. The Construction Manager invoiced the District for work to be completed through the use of Contingency Transfers at 5%. As a result of this finding, staff will make improvements to the Contingency Transfer review process by adding this review requirement to the checklist in the e-Builder Process Workflow.

Project Cost Summary

The following summarizes the Project Savings to be returned to the District.

Contracted GMP: \$6,005,963.65
Construction Cost: \$4,757,113.15

Project Savings Returned:

- 1. General Conditions ----- \$0.80
 - 2. Direct Cost-----\$11,722.60
 - 3. Allowances-----\$12,259.00
 - 4. GL Insurance-----\$11,049.54
 - 5. P&P Bond----- \$7,158.95
 - 6. Contingency ----- \$30,906.06
 - 7. Buyout Savings -----\$21,416.43
- \$94,513.38**

Audit Services Cost Summary

The following summarizes the Audit Services Cost and the amount billed to the Construction Manager to be returned to the District, as a result of the procedures performed.

Amount billed to the Construction Manager: \$14,508.15
Audit Services Cost:..... \$11,650.00
\$2,858.15