

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

The School Board of Orange County, Florida

Site 133-K8-E-6 School Relief Project (Old Audubon Park)



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INDEPENDENT ACCOUNTANTS’ REPORT ON APPLYING AGREED-UPON PROCEDURES

Site 133-K8-E-6 School Relief Project (Old Audubon Park)

The School Board of Orange County, Florida
Orlando, Florida

We have performed the procedures enumerated below, which were agreed to by The School Board of Orange County, Florida (“OCPS” or the “District” and the “specified party”), solely to assist you in certifying the final contract value to Welbro Building Corporation (the “Construction Manager” and the “responsible party”), based upon the total costs of construction and final contract value, as presented by the Construction Manager, for the Site 133-K8-E-6 School Relief Project (Old Audubon Park) (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:

PROCEDURES	RESULTS
1. Inspect a copy of the Standard Construction Management Contract (the “Agreement”), dated May 27, 2015, between OCPS and the Construction Manager, and the Amendment #5, executed by the Board on March 17, 2017 (collectively referred to as the “contract documents”), relative to the construction of the Project. a. Provide recommendations to the contract documents.	<ul style="list-style-type: none"> o The contract documents were inspected by Carr, Riggs & Ingram, LLC (“CRI”) without exception. a. There are no recommendations relative to the contract documents.
2. Inquire of OCPS and the Construction Manager as to whether there are any disputed provisions between the two parties, relative to the contract documents or the Project’s costs as provided in 4. below., or if there are any other unresolved disputes.	<ul style="list-style-type: none"> o The Construction Manager and OCPS both stated there were no disputed provisions between the two parties, relative to the contract documents or the Project’s cost. There are no unresolved disputes on the Project.
3. Inquire of the Construction Manager as to whether there are any disputes between the Construction Manager and its subcontractors.	<ul style="list-style-type: none"> o The Construction Manager stated there are no unresolved disputes with its subcontractors.

PROCEDURES	RESULTS
4. Obtain from the Construction Manager, a copy of the final job cost detail, dated October 15, 2019 (the “final job cost detail”).	○ CRI obtained the final job cost detail without exception.
5. Obtain from the Construction Manager and OCPS, a copy of the final payment application request issued to OCPS, dated February 28, 2019 (“final pay application”).	○ The final pay application was obtained without exception.
6. Obtain from the Construction Manager a reconciliation between the final job cost detail and the final pay application.	○ The Construction Manager’s reconciliation between the final job cost detail and the final pay application was obtained. On the reconciliation, CRI observed unbillable costs of \$3,171, primarily in general requirements, that were deducted from the final job cost detail, as reported in Exhibit A. Additionally, the Construction Manager noted adjustments to the construction management fee as follows: <ul style="list-style-type: none"> • Construction Manager portion of damaged sidewalks (\$1,166) • Construction Manager portion of Quinco change order #14 relative to light pole bases (\$4,801) • Reimbursement for material testing (\$1,409) These adjustments are reported in Exhibit A.
7. From the final job cost detail, select all subcontractors with total costs listed per the job cost detail in excess of \$50,000 and perform the following: <ol style="list-style-type: none"> 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 the related change orders. b. Obtain the labor and material pricing estimates, vendor invoices, subcontractor markups, or other appropriate documentation (“supporting documentation”) for the subcontractor change orders in 7.a. above. Compare the change order amounts to the supporting documentation. 	<ol style="list-style-type: none"> a. The subcontract agreements and related change orders were obtained without exception. The amount of the original subcontract plus the related change orders for each selected subcontractor agreed with the amount in the final job cost detail without exception. b. CRI obtained supporting documentation for the subcontractor change orders and compared it to the change order amounts. CRI identified \$759 in subcontractor change order adjustments as reported in Exhibit A. These adjustments are summarized as follows: <ul style="list-style-type: none"> ○ Subguard charges included in a subcontractor change order of \$283. ○ Excess markup on subcontractor change orders of \$476.

PROCEDURES	RESULTS
<p>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, or a sample of cancelled checks (at least 30) for payments made by the Construction Manager to the selected subcontractor (“payment documentation”). Compare the final subcontract amount to the final job cost detail to the payment documentation.</p> <p>d. Obtain a listing of owner direct purchases (“ODP”) from the District related to each subcontract selected. Compare the ODP amounts to the sum of the deductive ODP change orders, per the selected subcontractor.</p>	<p>c. CRI obtained payment documentation and compared the payment documentation to the final job cost detail without exception. However, two checks to Atlas Apex Roofing totaling \$39,798 have not been picked up by the subcontractor, and the corresponding lien releases have not been provided to the Construction Manager. The Construction Manager has agreed to provide the executed lien releases for these checks to OCPS after the checks have been picked up. If the checks are not picked up, the Construction Manager must reimburse OCPS for any amounts that are not subsequently evidenced by executed lien releases.</p> <p>d. CRI obtained the ODP listing and was able to trace the total for each selected subcontractor’s ODPs to the ODP log without exception.</p>
<p>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, we will haphazardly select a sample of at least 15 Construction Manager payroll transactions. Each sampled payroll transaction will be for a specific, identified time period of the Project.</p>	<p>o CRI selected 15 payroll transactions representing reimbursable payroll from the final job cost detail.</p>
<p>9. From the items selected in 8. above, perform the following:</p> <p>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.</p> <p>b. Compare the amount listed for each sample in the final job cost detail to the items obtained in 9.a. above.</p>	<p>a. CRI obtained the original timesheet and payroll register for each of the samples selected in 8. above, without exception.</p> <p>b. The actual amount paid to the employee was compared to the amount in the final job cost detail without exception.</p>
<p>10. If labor burden is included in reimbursable labor (if any), recalculate the labor burden percentage and compare it to the fixed rate per the contract documents, of 35%.</p>	<p>o CRI recalculated labor burden charged on the reimbursable labor transactions. CRI observed that labor burden was charged in accordance with the contract documents.</p>
<p>11. From the final job cost detail, select any non-subcontractor line items that exceed \$50,000 and perform the following:</p>	

PROCEDURES	RESULTS
<ul style="list-style-type: none"> a. Obtain a copy of or access to, the original invoice, pricing document, and a copy of the cancelled check for each item selected. If there are more than 10 entries for the non-subcontractor in the final job cost detail, select a sample of at least 5 items. b. Compare the documents obtained in 11.a. to the amount recorded in the final job cost detail. 	<ul style="list-style-type: none"> a. CRI identified Waste Management, Inc. as non-subcontract costs that exceeded \$50,000, and selected a sample of 7 items. CRI obtained invoices and cancelled checks for all items selected, without exception. b. The invoices and cancelled checks obtained were compared to the final job cost detail without exception.
<p>12. From the final job cost detail, select all amounts for bond, insurance, and subguard charges and perform the following:</p> <ul style="list-style-type: none"> 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 items paid directly to a third party. b. Compare the documentation obtained in 12.a. above to the amounts recorded to the final job cost detail. For amounts charged via an internal allocation, inspect the internal allocation method. c. If applicable, obtain third party invoices for internal allocation amounts. 	<ul style="list-style-type: none"> a. CRI obtained a copy of, or access to: <ul style="list-style-type: none"> o Invoices and cancelled checks for the bond costs included in the Project. o The internal allocation calculations for general liability insurance from the Construction Manager, as well as, third party documentation supporting the internal allocation including: premium invoices, insurance rate sheets, and the "Indicated Loss Funding Deductible Reimbursement Policy for the policy period July 1, 2017 to June 30, 2018. o For subguard costs, a schedule of subguard charges and evidence of the subguard rates from the captive insurance company. b. The results from comparing the documentation listed above are as follows: <ul style="list-style-type: none"> o The invoice for the bond was compared to the amounts in the final job cost detail without exception. o General liability insurance was compared to the Construction Manager's internal allocation calculation to the final job cost detail without exception. o The subguard rate was obtained from a third-party rate sheet. This rate was then multiplied by the final contract values for all subcontractors enrolled in the subguard program. This calculated total was then compared against the subguard amount included in the final job cost detail without exception. c. CRI obtained third party documentation for liability insurance (see 12.b. results above).

PROCEDURES	RESULTS
<p>d. If applicable, recalculate the Construction Manager's internal allocations.</p>	<p>d. CRI recalculated the general liability insurance allocation, with changes to the actuarial loss estimates and a more accurate estimate of Construction Manager revenues, resulting in an adjustment to reduce the general liability insurance costs in the amount of \$68,151, which is reported as an adjustment in Exhibit A.</p>
<p>13. 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.</p>	<p>o The deductible portion of the subcontractor default insurance (subguard) is insured through a captive insurance company that shares ownership with the Construction Manager.</p>
<p>14. If there are expenditures to entities related by common ownership or management noted in 13. above, perform the following:</p> <p>a. Report the entity and volume of the transactions to OCPS.</p> <p>b. Determine if such transactions are properly authorized by OCPS, in accordance with the contract documents.</p>	<p>a. The amount paid to the entity described in 13. above was \$207,462 for the deductible portion of the subguard.</p> <p>b. The Construction Manager did not provide notification to OCPS that they were expending Project funds with a related entity. Per the Construction Manager, OCPS is aware of the related party transaction from previous projects.</p>
<p>15. From the final job cost detail, we will haphazardly select at least five transactions determined to be the Construction Manager's internal charges to the Project, and perform the following:</p> <p>a. Obtain vendor invoices and Construction Manager calculations for internal charge rates.</p> <p>b. Compare the internal charge rates recorded in the job cost detail to the supporting documentation obtained in 15.a. above.</p>	<p>a. CRI selected a computer/network charge, 24 automobile allowance charges, and 23 truck billing charges (all of the vehicle charges were selected). CRI obtained the Construction Manager's calculation for internal computer/software charges. Vehicle charges are set by OCPS at a specific amount in the initial general requirements schedule of values.</p> <p>b. The internal charges for computer/software were compared to the final job cost detail without exception. However, CRI observed \$4,500 in computer network charges to the Project. These costs were deducted from the final job costs as reported in Exhibit A. Additionally, CRI calculated \$9,704 of vehicle costs above the not to exceed amount set by OCPS.</p>

PROCEDURES	RESULTS
<p>16. Obtain the Project’s Notice to Proceed (“NTP”) from OCPS and inspect the dates of the charges in the job cost detail for recorded costs with dates prior to the date on the NTP.</p>	<ul style="list-style-type: none"> ○ CRI obtained the Notice to Proceed and did not identify job cost charges dated prior to the Notice to Proceed date.
<p>17. 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 and perform the following:</p> <ul style="list-style-type: none"> a. Inspect the final job cost detail, as well as, subcontracts and change order line items noted in 7. above, for line items described as bond costs. All of these bond costs should be deducted from the subcontract. 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. 	<ul style="list-style-type: none"> a. Inspected the final job cost detail, as well as subcontract and subcontractor change orders, and identified no line items described as subcontractor bond costs for those subcontractors included in the subguard program. b. Obtained written representation from the Construction Manager that no subcontractors enrolled in the subguard program included bond costs in their payment applications.
<p>18. Obtain all signed and executed change orders between OCPS and the Construction Manager for the duration of the Project.</p>	<ul style="list-style-type: none"> ○ Obtained signed and executed change orders between OCPS and the Construction Manager without exception.
<p>19. Obtain from OCPS, a log of the owner direct purchases plus sales tax savings for the Project and perform the following:</p> <ul style="list-style-type: none"> a. Recalculate the total owner direct purchases, from the log obtained above, by taking the actual ODPs spent on the Project and comparing them to the original contract value (including ODPs) plus or minus any change orders (not including ODP change orders). b. If the above recalculated percentage is below 25% (as per section 20.3 of the General Conditions to the Agreement), inquire of the District regarding whether it was determined the Construction Manager failed to obtain any tax savings that could have been achieved. If so, inquire if the District will seek to recover the amount of any such missed tax savings from the Construction Manager. 	<ul style="list-style-type: none"> a. CRI recalculated without exception. b. The recalculated percentage of owner direct purchases as a percentage of the original contract value was in excess of 25%.
<p>20. Compare the owner direct purchase log plus tax savings amount obtained in 19. above, to the total signed and executed change orders amounts obtained in 18. above relative to owner direct purchases.</p>	<ul style="list-style-type: none"> ○ The total reported for owner direct purchases plus the related sales tax savings was compared to the net deductive change orders to the guaranteed maximum price without exception.

PROCEDURES	RESULTS
<p>21. Utilizing the not to exceed general requirements detail from the contract documents in 1. above, compare to the general requirements charges noted in the final job cost detail.</p>	<ul style="list-style-type: none"> ○ The Construction Manager did not exceed the not to exceed general requirements and returned \$33,108 of general requirements savings in the final change order.
<p>22. Recalculate the final guaranteed maximum price (“GMP”) as follows:</p> <ul style="list-style-type: none"> 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. b. Add the initial GMP amount (from 1. above) plus additive change orders and minus deductive change orders from 18. above. 	<ul style="list-style-type: none"> a. The initial GMP amount was obtained without exception. b. The net amount of change orders was deducted from the initial GMP amount and is reported in Exhibit A as “Adjusted guaranteed maximum price”.
<p>23. Obtain the final contract value, per the final pay application (noted in 5. above) and compare it to the final GMP amount recalculated in 22.b. above.</p>	<ul style="list-style-type: none"> ○ The “Adjusted guaranteed maximum price” was compared to the final contract value, per the final pay application, without exception.
<p>24. Recalculate the construction costs plus fee as follows:</p> <ul style="list-style-type: none"> a. Starting with the final job cost detail, 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”. b. Utilizing the adjusted final job cost, add any fixed fees or lump sum amounts to reach the “construction cost plus fee”. c. Compare the adjusted guaranteed maximum price amount calculated in 22.b. above to the construction cost plus fee amount from 24.b. above. 	<ul style="list-style-type: none"> a. The results of performing this procedure are reported in Exhibit A as “Adjusted final job costs”. b. The results of performing this procedure are reported in Exhibit A as “Construction costs plus fee”. c. The results of this procedure are reported in Exhibit A.
<p>25. Using the General Conditions attachment in the contract documents, obtain the raw rates for the Construction Manager’s personnel.</p> <ul style="list-style-type: none"> a. Obtain from the Construction Manager a listing of the personnel that filled the positions listed in the General Conditions attachment. b. From the listing of Construction Manager personnel that filled the positions in the General Conditions attachment, choose a sample of at least 15 payroll entries and obtain documentation of the selected persons actual pay rate for the period selected. 	<ul style="list-style-type: none"> a. Obtained a listing of the personnel that filled the positions listed on the General Conditions attachment. b. Selected 15 payroll entries and obtained the payroll register for each selected payroll entry without exception.

PROCEDURES	RESULTS
<p>c. Compare the actual pay rate obtained in b. above to the raw rate included in the General Conditions attachment.</p>	<p>c. The results of the procedure indicate that the actual pay rate is less than the raw rate per the General Conditions attachment (“raw rate”) in 8 of 15 samples tested. Overall, the average actual pay rate is 6% under the raw rate per the contract documents for the samples selected.</p> <p>CRI did not see evidence that OCPS was notified that the labor rates were paid lower than the raw rates, in accordance with Section 5.A.1.d. of the Agreement.</p>
<p>26. Obtain, from OCPS and/or the Construction Manager, all of the Project’s contingency logs and usage documents and inspect all contingency usage forms for OCPS’s designated representative’s signature of approval.</p>	<p>o Obtained all of the Project’s contingency logs and usage documents and observed that all the contingency usage forms showed approval from an OCPS designated representative.</p>
<p>27. Compare the ending balances in the contingency funds, per the contingency logs obtained in 26. above, to the change order amount of the funds returning to OCPS, as obtained in 18. above.</p>	<p>o The remaining balances in the contingency funds were returned to OCPS in the final change order.</p>
<p>28. Obtain a listing of assets acquired by the Construction Manager for the Project and verify the assets were turned over to OCPS.</p>	<p>o CRI obtained a listing of assets which verified the assets were turned over to OCPS or transferred to another OCPS project without exception.</p>
<p>29. Obtain the Certificate of Substantial Completion, signed by the Architect, and compare the date of this document to the time requirements contained in the contract documents.</p>	<p>o CRI obtained the Certificate of Substantial Completion. The substantial completion dates, as reported on the Certificate, indicated that the Construction Manager achieved substantial completion in accordance with the contractual requirements.</p>
<p>30. Obtain the Certificate of Final Inspection, signed by the Architect, and compare the date of this document to the time requirements contained in the contract documents.</p>	<p>o The final completion date, as reported on the Certificate of Final Inspection, indicated that the Construction Manager achieved final completion 85 days after the contractually required date. Final completion is to be achieved within 120 days after the latest substantial completion date, which for this Project was November 21, 2018. The Certificate of Final Inspection was signed by the Architect on February 14, 2019. The Construction Manager was assessed \$39,000 of liquidated damages.</p>

PROCEDURES	RESULTS
31. Utilizing the Certificate of Final Inspection obtained in 30. above, inspect the dates of the charges in the final job cost detail for recorded costs with dates subsequent to the date of the Certificate of Final Inspection.	<ul style="list-style-type: none"> ○ Inspected the final job cost detail for job charges after the date of final completion as evidenced on the Certificate of Final Inspection. The only charges dated after the date of final completion were \$204 of cell phone charges. This is reflected as an adjustment in Exhibit A.
32. Obtain the SAP/Purchase Order reconciliation from OCPS and compare the guaranteed maximum price on the reconciliation to the guaranteed maximum price on the Construction Manager's final pay application, as noted in 5. above.	<ul style="list-style-type: none"> ○ Obtained the SAP/Purchase Order reconciliation from OCPS and agreed the guaranteed maximum price on the reconciliation to the guaranteed maximum price on the final pay application without exception.

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 final construction costs and final contract value. 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 Orange County, Florida, and is not intended to be and should not be used by anyone other than the specified party.

Carr, Riggs & Ingram, L.L.C.

Orlando, Florida
January 15, 2020

**The School Board of Orange County, Florida
Site 133-K8-E-6 School Relief Project (Old Audubon Park)**

Exhibit A – Project Costs

Calculation of the construction costs plus fee

Calculation of adjusted final job costs:

Construction Manager job costs	\$ 19,630,269
Other unbilled costs, as identified by the Construction Manager	(3,171)
Subguard charges included in subcontractor change order	(283)
Subcontractor change order markup in excess of contractual limits	(476)
Adjustment to insurance costs allocation	(68,151)
Adjustment to eliminate overhead network charges	(4,500)
Adjustment to reduce vehicle costs to not to exceed	(9,704)
Cell phone charges after final inspection date	(204)
Adjusted final job costs	19,543,780

Original lump sum general conditions 1,069,478

Calculation of the construction management fee:

Original construction management fee	1,302,271
Construction management fee earned on contingency	1,683
Liquidated damages assessed	(39,000)
Construction Manager portion of damaged sidewalks	(1,166)
Construction Manager portion of Quinco change order #14 relative to light pole bases	(4,801)
Reimbursement for material testing	(1,409)
	1,257,578

Construction costs plus fee \$ 21,870,836

Calculation of adjusted guaranteed maximum price

Original guaranteed maximum price	\$ 30,730,309
Adjustments from change orders per the Construction Manager	(8,790,345)

Adjusted guaranteed maximum price \$ 21,939,964

Construction costs, lesser of construction costs plus fee and adjusted guaranteed maximum price	\$ 21,870,836
Owner direct purchases	8,021,738

\$ 29,892,574