

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

**The School Board of Orange County, Florida
Site 52-M-SE-2 Middle School Relief Project
(Innovation Middle School)**



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RIGGS &
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INDEPENDENT ACCOUNTANTS’ REPORT ON APPLYING AGREED-UPON PROCEDURES

Site 52-M-SE-2 Middle School Relief Project (Innovation Middle School)

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”, the “District” and the “specified party”), solely to assist you in certifying the final contract value to Wharton-Smith, Inc. (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 Site 52-M-SE-2 Middle School Relief Project (Innovation Middle School) (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 October 12, 2015, between OCPS and the Construction Manager, and the Amendment No.1, signed February 29, 2019 (collectively referred to as the “contract documents”), relative to the construction of the Project.	<ul style="list-style-type: none"> ○ The contract documents were inspected by Carr, Riggs & Ingram, LLC (“CRI”) without exception.
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"> ○ The Construction Manager and OCPS stated there were no disputed provisions between the two parties, relative to the contract documents or the Project’s cost. Both parties stated there were 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"> ○ The Construction Manager stated there are no disputes with any of its subcontractors.

PROCEDURES	RESULTS
<p>4. Obtain from the Construction Manager, a copy of the final job cost detail, dated October 9, 2018 (the “final job cost detail”).</p>	<p>○ CRI obtained the final job cost detail without exception.</p>
<p>5. Obtain from the Construction Manager and OCPS, a copy of the final payment application request issued to OCPS, dated February 28, 2018 (“final pay application”).</p>	<p>○ The final pay application was obtained without exception.</p>
<p>6. Obtain from the Construction Manager a reconciliation between the final job cost detail and the final pay application.</p>	<p>○ The Construction Manager’s reconciliation between the final job cost detail and the final pay application was obtained without exception. The Construction Manager identified non-reimbursable costs included in the final job cost detail in the amount of \$36,641.</p>
<p>7. From the Construction Manager reconciliation obtained in 6. above, select all subcontractors with total costs listed per the job cost detail in excess of \$50,000 and perform the following:</p> <p>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.</p> <p>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.</p>	<p>a. The subcontract agreements and related change orders were obtained and compared with the amounts recorded in the final job cost detail, for the selected subcontractors, without exception.</p> <p>b. CRI obtained the supporting documentation for the subcontractor change orders without exception. We compared the change order amounts to the supporting documentation with the following exceptions, which are reported as adjustments in Exhibit A:</p> <ul style="list-style-type: none"> • An adjustment was made to remove the costs for sod rework in the amount of \$33,696. • Costs to supplement the plumbing scope of work in excess of the backcharges to the original plumbing subcontractor in the amount of \$27,562. • A backcharge to a subcontractor was \$3,399 less than the amount expended for materials provided by another subcontractor. • The steel subcontractor charged \$831 for rework due to a sequencing issue.

PROCEDURES	RESULTS
<p>c. Obtain from the Construction Manager, the final lien releases or individual payment lien releases, or cancelled checks, totaling the final subcontract value submitted by the selected subcontractor to the Construction Manager 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>Additionally, the subcontractors provided change orders for approximately \$102,000 of premium overtime which was funded with buyout.</p> <p>c. Obtained payment documentation and compared the documentation to the final subcontract amount and final job cost detail without exception.</p> <p>d. Obtained a listing of ODPs from the District and compared the amount to the sum of the deductive ODP change orders for the selected subcontractors, 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, 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 Reimbursable labor charges were identified related to scheduling, and a sample of 15 entries was selected.</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 for the time period of the selected transaction and the payroll register or similar report, showing the raw rate 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. Obtained the original timesheets and the Employee's Proof report (payroll register) for each of the selections.</p> <p>b. Compared the amount for each sample in the final job cost detail to the items obtained in 9.a. above 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 the reimbursable labor charges for each of the selections in 9. above and found that the labor rate used in calculating the charges to the final job cost detail was not in excess of 35%.</p>

PROCEDURES	RESULTS
<p>11. Inspect the final job cost detail for any non-subcontractor line items that exceed \$50,000.</p>	<ul style="list-style-type: none"> o CRI did not identify any non-subcontractor vendors for which the costs exceed \$50,000.
<p>12. From the final job cost detail, select amounts for the payment and performance bond costs and workers compensation costs and perform the following:</p> <ul style="list-style-type: none"> a. Relative to payment and performance bond costs, 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. b. Relative to workers compensation, obtain the Burden Register from the Construction Manager. Compare the amount of the workers compensation costs for the project on the Burden Register to the amount in the final job cost detail. 	<ul style="list-style-type: none"> a. Obtained the original invoices and the cancelled checks relative to the payment and performance bond costs and compared the documentation to the amounts recorded in the final job cost detail without exception. b. Obtained the Burden Registers (detail of workers compensation charges for the Project, reflecting a .78% rate) from the Construction Manager and compared the workers compensation costs per the Burden Registers to the amount in the final job cost detail. The workers compensation costs in the final job cost detail were higher than the costs in the Burden Registers by \$12,071, which has been reported as an adjustment in Exhibit A.
<p>13. From the final job cost detail, select amounts for general liability insurance and perform the following:</p> <ul style="list-style-type: none"> a. Where applicable, obtain the Construction Manager's internal allocation for general liability insurance charges. 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. c. If applicable, obtain third party invoices for internal allocation amounts. d. If applicable, obtain supporting documentation for the allocation base, i.e. annual Company revenue. 	<ul style="list-style-type: none"> a. Obtained the Construction Manager's internal allocation for general liability insurance charges without exception. b. Inspected the internal allocation method and the calculation and compared to the amounts in the final job cost detail. CRI compared the calculations to the final job cost detail, and inquired of the Construction Manager, to identify that the internal allocation received was used to support the amounts in the final job cost detail. c. Obtained insurance policy premium statements and invoices for all applicable coverages included in the general liability insurance charges without exception. d. Obtained a copy of the annual audited income statement to support the allocation base for the general liability insurance cost calculation, which was the Construction Manager's annual revenue.

PROCEDURES	RESULTS
<p>e. If applicable, recalculate the Construction Manager's internal allocations and compare the recalculation to the amounts in the final job cost detail.</p>	<p>e. Recalculated the Construction Manager's internal allocations of general liability insurance charges and compared the recalculation to the amounts in the final job cost detail, resulting in an adjustment to reduce the charges in the final job cost detail by \$34,014, as reported in Exhibit A.</p>
<p>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.</p>	<p>o The Construction Manager stated there were no related entities used on this Project.</p>
<p>15. From the final job cost detail, 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 final job cost detail to the supporting documentation obtained in 15.a. above.</p>	<p>a. CRI selected all vehicle and computer charges. Vehicle charges are allowed at \$850 per month for a stated number of vehicles and duration. Regarding computer charges, CRI obtained internal invoices, which contained itemized rates for computer equipment used on the project. CRI vouched these charges to external invoices.</p> <p>b. Compared the internal charge rates in the final job cost detail to the supporting documentation without exception.</p>
<p>16. Obtain the Project's Notice to Proceed ("NTP") from OCPS 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.</p>	<p>o Obtained the NTP and inspected the dates of the charges in the final job cost detail for costs with dates prior to the date on the NTP without exception.</p>
<p>17. Inquire of the Construction Manager to determine whether they are using a subcontractor default insurance program ("subguard") for subcontractor bonding requirements.</p>	<p>o The Construction Manager did not utilize a subcontractor default insurance program on this Project.</p>
<p>18. Obtain all signed and executed change orders between OCPS and the Construction Manager for the duration of the Project.</p>	<p>o Obtained all change orders between OCPS and the Construction Manager for the duration of the Project. However, the copy we received of change order #4, which was the final change order, was not signed by OCPS.</p>

PROCEDURES	RESULTS
<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 obtained the ODP log from the District without exception. We recalculated the percentage of the total owner direct purchases plus sales tax savings, per the ODP log, as a percentage of the original contract value plus or minus any change orders (including ODPs). b. The results from the recalculation in a. above indicated the Construction Manager achieved the goal of at least 25%; therefore, inquiry of the District was not necessary.
<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"> o The total reported for owner direct purchases plus the related sales tax savings was compared to the net deductible change orders to the guaranteed maximum price, without exception.
<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"> o Compared the not-to-exceed for general requirements per the contract documents with the actual general requirements amounts in the final job cost detail. CRI identified the actual general requirements per the final job cost detail were in excess of the not-to-exceed amount by \$354, which is reported in Exhibit A.
<p>22. Recalculate the adjusted guaranteed maximum price ("GMP") as follows:</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> a. The original GMP amount was obtained without exception.

PROCEDURES	RESULTS
<p>b. Add the initial GMP amount (from 1. above) plus additive change orders and minus deductive change orders from 18. above to get to the "Adjusted guaranteed maximum price".</p>	<p>b. The net amount of change orders was deducted from the original GMP amount and is reported in Exhibit A. Additionally, per the letter dated June 19, 2018, from Wharton-Smith, Inc. ("WSI") to the District (approximately 4 months after the date of the final pay application), WSI provided a credit of \$54,691. The credit was the result of an adjustment by the Construction Manager in their general liability insurance percentage, as noted in a previous "audit". The letter and the related credit invoice is attached to this report in Exhibit B. After application of the credit, the amount is reported in Exhibit A as the "Adjusted guaranteed maximum price".</p>
<p>23. Obtain the final contract value, per the final pay application (noted in 5. above) and compare it to the adjusted GMP amount recalculated in 22.b. above.</p>	<p>o Obtained the final contract value per the final pay application and compared it to the adjusted GMP without exception. The "Contract Sum to Date" per the final pay application agrees to the amount prior to the credit, and the "Total Completed and Stored to Date" agrees to the amount after the application of the credit.</p>
<p>24. Recalculate the construction costs plus fee as follows:</p> <p>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.</p> <p>b. Utilizing the final job cost detail, add any fixed fees or lump sum amounts to reach the construction cost plus fee.</p> <p>c. Compare the adjusted GMP amount calculated in 22.b. above to the construction cost plus fee amount from 24.b. above.</p>	<p>a. The results of performing this procedure are reported in Exhibit A as "Adjusted final job costs".</p> <p>b. The results of performing this procedure are reported in Exhibit A as "Construction costs plus fee". CRI has reported reimbursement for materials testing of \$90 as an adjustment to the construction management fee in Exhibit A.</p> <p>c. The results of this procedure are reported in Exhibit A.</p>
<p>25. Using the General Conditions attachment in the contract documents, obtain the raw rates for the Construction Manager's personnel.</p>	

PROCEDURES	RESULTS
<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. c. Compare the actual pay rate obtained in 25.b. above to the raw rate included in the General Conditions attachment. 	<ul style="list-style-type: none"> a. The listing of the Construction Manager general conditions personnel was obtained without exception. b. CRI selected 15 samples and obtained the Proof Report for each of the selected persons' actual pay rate for the period selected without exception. c. The results of the procedure indicate the actual pay rate is less than the raw rate per the General Conditions attachment ("raw rate") for all employees selected. Overall, the average actual pay rate is 24% under the raw rate per the contract documents for the samples selected. CRI did not see evidence OCPS was notified the labor rates paid were lower than the raw rates, in accordance with Section 5.A.1.d. of the Agreement.
<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>	<ul style="list-style-type: none"> o CRI obtained the Project's contingency log and usage documents and observed that all the contingency usage forms showed approval from an OCPS designated representative.
<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>	<ul style="list-style-type: none"> o The remaining balances in the contingency funds were returned to OCPS in the final change order (change order #4).
<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>	<ul style="list-style-type: none"> o Obtained a listing of assets which verified the assets were moved to another OCPS project, except for two items that were stolen from the site. A police report was filed relative to the theft.
<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>	<ul style="list-style-type: none"> o Obtained the Certificate of Substantial Completion without exception. The substantial completion date, as reported on the Certificate, was compared to the time requirements contained in the contract documents without exception.

PROCEDURES	RESULTS
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.	<ul style="list-style-type: none"> ○ The final completion date, as reported on the Certificate of Final Inspection, indicated the Construction Manager achieved final completion 33 days after the contractually required date. Final completion is to be achieved within 120 days after the date of substantial completion, which for this Project was October 20, 2017. The Certificate of Final Inspection was signed by the Architect on November 22, 2017.
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"> ○ CRI inspected the dates of the charges in the final job cost detail and observed charges dated shortly after the date the Certificate of Final Inspection was signed by the Architect. However, CRI observed that these amounts related to the timing of invoices received for subcontracted costs and did not relate to work being completed after the final completion date.
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"> ○ CRI 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 prior to the receipt of the credit mentioned in 22.b. above. Additionally, the SAP/Purchase Order reconciliation notes the credit as a balance remaining on the purchase order.

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 on the total costs of construction 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.

Carri Riggs & Ingram, L.L.C.

Orlando, Florida
May 27, 2020

**The School Board of Orange County, Florida
Site 52-M-SE-2 Middle School Relief Project
(Innovation Middle School)**

Exhibit A – Project Costs

Calculation of the construction costs plus fee

Calculation of adjusted final job costs:

Construction Manager final job cost detail	\$ 16,883,627
Non-reimbursable costs and adjustments per the Construction Manager	(36,641)
Adjustment to remove sod rework costs	(33,696)
Costs to supplement plumbing subcontractor above the related backcharges	(27,562)
Material costs above the related backcharge to subcontractor	(3,399)
Rework due to sequencing error	(831)
Reduce workers compensation insurance costs to actual	(12,071)
Reduce general liability insurance costs to actual	(34,014)
Actual general requirements in excess of the not-to-exceed amount	(354)
Adjusted final job costs	<u>16,735,059</u>

Original lump sum general conditions	<u>1,101,385</u>
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Calculation of construction management fee:

Original construction management fee	1,113,673
Reimbursement for materials testing	(90)
	<u>1,113,583</u>

Construction costs plus fee	<u>\$ 18,950,027</u>
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Calculation of adjusted guaranteed maximum price

Original guaranteed maximum price	\$ 26,526,295
Adjustments from change orders per the Construction Manager	(7,408,155)
Adjusted guaranteed maximum price per the final pay application	19,118,140
General liability adjustment after final close out	(54,691)
	<u>(54,691)</u>

Adjusted guaranteed maximum price	<u>\$ 19,063,449</u>
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Construction costs, lesser of construction costs plus fee and adjusted guaranteed maximum price	\$ 18,950,027
Owner direct purchases	6,618,836

	<u>\$ 25,568,863</u>
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The School Board of Orange County, Florida
Site 52-M-SE-2 Middle School Relief Project
(Innovation Middle School)

Exhibit B



Wharton-Smith, Inc.
CONSTRUCTION GROUP

June 19, 2018

Mr. Maher Chatila
Orange County Public Schools
6501 Magic Way, Bldg. 200
Orlando, FL 32809

**Re: Innovation Middle School (Site 52-M-SE-2)
General Liability Insurance Reconciliation**

Dear Mr. Chatila:

Please accept this letter and accompanying credit invoice as formal request for the reconciliation of the general liability insurance value at the above referenced project.

As previously discussed, during the Wharton-Smith, Inc. audit it was noted that the general liability premium percentage was reduced for fiscal year 2016 because of the overall volume of work completed during that time frame. This reduction in the premium affects the overall costs of work at the above referenced project and this reduction is being forwarded to the Client via the proposed reconciliation.

Please let me know should you have any further questions or concerns.

Sincerely,

Wharton-Smith, Inc.

Larry Sease
Sr. Project Manager

cc: File C-10
Darin Crafton, Wharton-Smith, Inc.
Tom Widener, Wharton-Smith, Inc.
Krista McArthur, OCPS
Brian Smith, OCPS

750 Monroe Road, Sanford, FL 32771 | Phone: (407) 321-8410 | Fax: (407) 829-4453
Mailing Address: P.O. Box 471028, Lake Monroe, FL 32747-1028

AL - 45684 | FL - CG C032669 | GA - GCCO 001333 | LA - 52227 | MS - 18232MC | NC - 38755 | SC - G97817 | TN - 62419 | VA - 2705121584A

The School Board of Orange County, Florida
 Site 52-M-SE-2 Middle School Relief Project
 (Innovation Middle School)

Exhibit B (Continued)



WHARTON-SMITH, INC.
 INTRA-COMPANY JOB INVOICE

DATE: 6/19/2018

Debit:

Job	Activity	Ty
16-001	01-1-033	S

or

Account	Description
Comm	General Liability

DESCRIPTION		AMOUNT	
Project:	Site 52-M-SE-2 Innovation MS		
General Liability Compensation			
TOTAL COST	91,203.86		
Previous Billed	145,895.00		
Current Billing		(54,691.14)	(54,691.14)
Balance to Bill	0.00		
Authorized By: Larry Sease		SUB TOTAL	(54,691.14)
Processed By: Devon Lewis		TOTAL AMOUNT	(54,691.14)