

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

**The School Board of Orange County, Florida
Lake Weston Elementary School Replacement Project**



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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Lake Weston Elementary School Replacement Project

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” and the “specified party”), solely to assist you in certifying the final contract value to McCree Design Builders, 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 Lake Weston Elementary School Replacement 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:

PROCEDURES	RESULTS
<p>1. Obtain and read a copy of the Standard Construction Management Agreement (the “Agreement”), dated April 24, 2014, between The School Board of Orange County, Florida and the Construction Manager, and Amendment #1, dated August 19, 2014; Amendment #2, dated November 12, 2015; and Amendment #3, dated October 26, 2016 (collectively referred to as the “contract documents”), relative to the construction of the Project.</p>	<p>○ The documents were obtained and read by Carr, Riggs & Ingram, LLC (“CRI”) without exception.</p>
<p>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.</p>	<p>○ The Construction Manager and OCPS stated there were no disputed provisions between the two parties, relative to the contract documents and the Project’s cost. There are no unresolved disputes on the Project.</p>
<p>3. Inquire of the Construction Manager as to whether there are any disputes between the Construction Manager and its subcontractors.</p>	<p>○ The Construction Manager stated there were no disputed provisions between the Construction Manager and any of its subcontractors.</p>

PROCEDURES	RESULTS
<p>4. Obtain from the Construction Manager, a copy of the final job cost detail, dated November 6, 2017 (the “final job cost detail”).</p>	<p>○ CRI obtained a copy of 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 December 31, 2016 (“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 was obtained without exception. There were \$48,470 of costs identified as non-reimbursable items and these are reported in Exhibit A.</p>
<p>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:</p> <ul 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. 	<ul style="list-style-type: none"> a. The subcontract agreements and related change orders were obtained without exception. CRI identified differences between the job cost detail and the subcontractor totals and agreed the differences to the listing of non-reimbursable job costs provided by the Construction Manager. b. CRI obtained supporting documentation for the subcontractor change orders. There were approximately \$73,000 of subcontractor change orders for which the provided supporting documentation did not contain detail of labor, materials, equipment, or markup, but only a lump sum amount. <p>Additionally, CRI identified \$391 of subcontractor change orders for repair work, as well as, \$187 of subcontractor markup for overhead and profit in excess of contractual limits. Both of these amounts have been reported in Exhibit A.</p>

PROCEDURES	RESULTS
<ul style="list-style-type: none"> 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. 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. 	<ul style="list-style-type: none"> c. CRI obtained the executed final lien release and the signed and executed final pay applications for each of the selected subcontractors without exception. d. CRI obtained a listing of the owner direct purchases by subcontractor and compared the amounts to the selected subcontractors without exception.
<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>	<ul style="list-style-type: none"> o CRI selected 16 payroll transactions representing reimbursable payroll from the final job cost detail.
<p>9. From the items selected in 8. above, perform the following:</p> <ul style="list-style-type: none"> 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. b. Compare the amount listed for each sample in the final job cost detail to the items obtained in 9.a. above. 	<ul style="list-style-type: none"> a. CRI obtained the original timesheet and payroll register journal for six of the sixteen samples selected in 8. above. The remaining samples were determined to be part of the non-billable costs first noted in 6. above. b. For the six samples selected and tested, the actual amount paid to the employee was compared to the amount in the final job cost detail without exception.
<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>	<ul style="list-style-type: none"> o The labor burden contained in the job cost detail was 57.53%. As the reimbursable labor was contained in the general requirements, and the general requirements were significantly overspent by the Construction Manager (see step 21), there is no adjustment necessary beyond reducing the general requirements to the not-to-exceed value.

PROCEDURES	RESULTS
<p>11. From the final job cost detail, select any non-subcontractor line items that exceed \$50,000.</p>	<ul style="list-style-type: none"> ○ There were no non-subcontractor line items in excess of \$50,000.
<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. d. If applicable, recalculate the Construction Manager's internal allocations. 	<ul style="list-style-type: none"> a. Obtained invoices, internal allocations and cancelled checks relative to the costs for bond and insurances. A subguard program was not utilized on this Project. b. Compared the documentation obtained in 12.a. above to the amounts recorded in the final job cost detail. The Construction Manager's charge for insurances was reduced by \$5,104 as reported in Exhibit A. The bond documentation agreed to the final job cost detail without exception. However, the Construction Manager had not properly reflected the bond credit due as a result of the Project's savings – this credit of \$17,997 is reported in Exhibit A. c. Obtained third party documentation for general liability and worker's compensation rates. d. Recalculated the general liability and worker's compensation charges to the Project and noted the adjustment mentioned in 12.b. above.
<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>	<ul style="list-style-type: none"> ○ The Construction Manager self-performed various scopes of work including daily cleaning, final cleaning, and field office setup. These costs were properly approved by the District. <p>Additionally, the Construction Manager utilized an affiliated entity, DBR, Inc., to perform miscellaneous services across multiple scopes of work.</p> <p>Finally, the Construction Manager utilized its own labor forces throughout many of the subcontractor cost codes. These amounts were identified as non-billable by the Construction Manager and are included in the total credit of \$48,470 reported in Exhibit A.</p>

PROCEDURES	RESULTS
<p>14. If there are expenditures to entities related by common ownership or management noted in 13. above, perform the following:</p> <ul style="list-style-type: none"> a. Report the entity and volume of the transactions to OCPS. b. Determine if such transactions are properly authorized by OCPS, in accordance with the contract documents. 	<ul style="list-style-type: none"> a. The Construction Manager self-performed approximately \$30,500. Additionally, through its affiliate DBR, Inc., the Construction Manager incurred \$37,140 of charges. However, \$30,921 of these charges were backcharged to subcontractors on the Project. The remaining \$6,219 was for specialties work that was charged to the Project. b. The Construction Manager provided a letter it stated was submitted to OCPS, dated November 18, 2015, which detailed all of the self-performed charges with the exception of the \$6,219 for specialties work that is noted above.
<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> <ul style="list-style-type: none"> a. Obtain vendor invoices and Construction Manager calculations for internal charge rates. b. Compare the internal charge rates recorded in the job cost detail to the supporting documentation obtained in 15.a. above. 	<ul style="list-style-type: none"> a. CRI obtained, for the five selected transactions, the Construction Manager’s calculation for equipment rentals (generator, skid steer), computers, and office furniture. All five transactions were internal charges from the Construction Manager, so no invoices were obtained. The charges for these items were compared to market rental rates in the area. The internal charges appeared to be lower than the market rental rates. b. The internal charges for computer hardware and software were compared to the final job cost detail without exception.
<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"> o CRI obtained the Notice to Proceed. We did not identify job cost charges dated prior to the date of the Notice to Proceed.

PROCEDURES	RESULTS
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:	○ CRI received written representation from the Construction Manager that no subguard program was utilized on this Project.
18. Obtain all signed and executed change orders between OCPS and the Construction Manager for the duration of the Project.	○ Signed and executed change orders between OCPS and the Construction Manager were obtained without exception.
19. Obtain from OCPS, a log of the owner direct purchases plus sales tax savings for the Project.	○ The owner direct purchase log was obtained from OCPS without exception.
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.	○ 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.
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.	○ Compared the general requirements charges on the final job cost detail to the original not-to-exceed amount from the contract documents. The charges exceeded the not-to-exceed amount by \$65,009; this amount is reported in Exhibit A.
22. 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. b. Add the initial GMP amount (from 1. above) plus additive change orders and minus deductive change orders from 18. above to get the "Adjusted GMP per the Construction Manager".	a. The initial GMP amount was obtained and is reported in Exhibit A. b. CRI added the initial GMP amount plus additive change order and minus deductive change orders, as reported in Exhibit A as the "adjusted guaranteed maximum price".
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.	○ No exceptions were found as a result of performing this procedure.

PROCEDURES	RESULTS
<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 final job cost detail, add any fixed fees or lump sum amounts to reach the "Construction costs plus fee". c. Compare the "Adjusted GMP per the Construction Manager" calculated in 22.b. above to the "Construction costs 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 performing 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 12 payroll entries and obtain documentation of the selected persons actual pay rate for the period selected. c. Compare the actual pay rate obtained in b. above to the raw rate included in the General Conditions attachment. 	<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 a sample of 12 payroll entries (this was two entries from each employee charged to the Project) and obtained documentation of the selected persons' actual pay rate for the periods selected. c. The results of the testing indicate the actual pay is less than the raw rate per the General Conditions attachment ("raw rate") in 6 of the 12 samples tested. Overall, the average actual pay is 10% under the raw rate per the contract documents for the samples tested. However, the Project Manager's actual pay (the Project Manager is also an Owner) exceeded the raw rate by 90%. When removing this outlier from the group, the remaining rates were on average 22% under the raw rate. <p>CRI did not see evidence that 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>

PROCEDURES	RESULTS
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.	<ul style="list-style-type: none"> ○ Obtained all of the Project's contingency logs and usage documents. During inspection, CRI noted contingency usage #1 was approved by the OCPS Facilities Director and should have been approved by the OCPS Senior Facility Program Director as it exceeded \$10,000.
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.	<ul style="list-style-type: none"> ○ The remaining balances in the contingency funds were returned to OCPS in the final change order (#8).
28. 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.	<ul style="list-style-type: none"> ○ Obtained the Project's Certificate of Substantial Completion. The substantial completion date indicated that the Construction Manager achieved substantial completion in accordance with the contractual requirements.
29. 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 that the Construction Manager achieved final completion 475 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 July 8, 2015. The Certificate of Final Inspection was signed by the Architect on February 22, 2017.
30. Utilizing the Certificate of Final Inspection obtained in 29. 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. There were no charges noted after the date of final completion.
31. 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 on the total construction costs and final guaranteed maximum price. 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
June 10, 2019

**The School Board of Orange County, Florida
Lake Weston Elementary School Replacement Project**

Exhibit A – Project Costs

Calculation of the construction costs plus fee

Calculation of the adjusted final job costs:

Construction Manager job costs	\$ 7,954,112
Reductions:	
General requirements in excess of the not-to-exceed total	(65,009)
Other non-billable costs as indicated by the Construction Manager	(48,470)
Credit to the Project's charges for bond	(17,997)
Credit to the Project's liability insurance and worker's compensation insurance	(5,104)
Non-reimbursable subcontractor charge for repair work	(391)
Subcontractor markup in excess of contractual limits	(187)
Adjusted final job costs	<u>7,816,954</u>

Original lump sum general conditions	<u>473,720</u>
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Calculation of the construction management fee:

Original construction management fee from Amendment #1	518,058
Additional construction management fee from contingency use	2,251
Reimbursement for materials testing	(1,104)
	<u>519,205</u>

Construction costs plus fee	<u><u>\$ 8,809,879</u></u>
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Calculation of adjusted guaranteed maximum price

Original guaranteed maximum price per Amendment #1	\$12,377,841
Adjustments from change orders per the Construction Manager	<u>(3,585,354)</u>

Adjusted guaranteed maximum price	<u><u>\$ 8,792,487</u></u>
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Construction costs, lesser of construction costs plus fee and adjusted guaranteed maximum price per the Construction Manager	\$ 8,792,487
Owner direct purchases	<u>3,051,090</u>

	<u><u>\$11,843,577</u></u>
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