

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

**The School Board of Orange County, Florida
Laureate Park (Site 44-E-SE-2 Relief) Elementary School Project**



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INDEPENDENT ACCOUNTANTS’ REPORT ON APPLYING AGREED-UPON PROCEDURES

Laureate Park (Site 44-E-SE-2 Relief) Elementary School 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”, the “District”, and the “specified party”), solely to assist you in determining the final contract value to The Morganti Group 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 Laureate Park (Site 44-E-SE-2 Relief) Elementary School 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 a copy of the Construction Management Contract (the “Agreement”), dated May 20, 2016, between The School Board of Orange County, Florida and the Construction Manager, and Amendment No. 1, dated November 11, 2016 (collectively referred to as the “contract documents”), relative to the construction of the Project.</p>	<p>○ The contract documents were obtained 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>○ Per inquiry of OCPS and the Construction Manager, there were no disputed provisions between the two parties, relative to the contract documents, the Project’s costs, or any other matters relating to the engagement.</p>

PROCEDURES	RESULTS
<p>3. Inquire of the Construction Manager as to whether there are any disputes between the Construction Manager and its subcontractors.</p>	<p>○ There were two subcontractor disputes on the project for CCS Mechanical, Inc. and W.D. Site Development, Inc. Both disputes were due to the subcontractors not being able to perform the work to the standards of the contract. CCS Mechanical, Inc.'s work was completed by other subcontractors and did not lead to the Owner paying additional costs on the project. W.D. Site Development, Inc.'s remaining work resulted in a \$16,349 credit to the final job cost detail as reported in Exhibit A.</p>
<p>4. Obtain from the Construction Manager, a copy of the final job cost detail reports, dated October 12, 2018, and October 25, 2018 (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 January 22, 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 was obtained. The Construction Manager identified an additional \$19,013 of non-reimbursable charges to the District. This amount was deducted from the Construction Manager's final job costs 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> <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>a. CRI obtained the subcontract and related change orders without exception.</p>

PROCEDURES	RESULTS
<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>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>b. CRI identified \$29,012 of change orders that had lump sum or unsupported unit pricing. \$11,068 of these amounts were approved through contingency.</p> <p>CRI observed \$792 for overtime labor that was not approved by the District and deducted this amount from the Construction Manager’s final job costs in Exhibit A.</p> <p>c. CRI obtained final lien releases and cancelled check copies from the Construction Manager. The final subcontract amount agreed to the final job cost detail, which agreed to the payment documentation without exception.</p> <p>d. CRI observed that the ODP deductions for the selected subcontractors agreed to the owner direct purchases listing from the District 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 did not observe any reimbursable labor in the final job cost detail; therefore, no selections were made.</p>
<p>9. From the final job cost detail, select any non-subcontractor line items that exceed \$50,000.</p>	<p>o CRI did not identify any non-subcontractor line items in excess of \$50,000.</p>

PROCEDURES	RESULTS
<p>10. From the final job cost detail, select all amounts for bond, insurance, and subguard charges.</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 10.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. CRI obtained invoices, the check stub, and bank statement relative to the costs for bond. CRI obtained a letter from the Construction Manager's provider regarding insurance. Subguard was not utilized on the Project. b. The documentation obtained in 10.a. above was compared to the amounts in the final job cost detail without exception. c. The rates charged were directly stated by the insurance provider. d. CRI adjusted the general liability rate based on accepted coverages according to the contract documents. This resulted in a \$8,482 deduction which is reported in Exhibit A.
<p>11. 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"> o Per inquiry of the Construction Manager, there were no expenditures to entities related by common ownership or management included in the final job cost detail.
<p>12. 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> <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 12.a. above. 	<ul style="list-style-type: none"> a. CRI obtained the Construction Manager's calculation for internal cell phone charges and miles reimbursement. Vehicle charges, which were also internal charges from the Construction Manager, are set by OCPS at a specific amount in the initial general requirements schedule of values. b. The internal charges for cell phones and mileage was compared to the final job cost detail without exception.

PROCEDURES	RESULTS
13. 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.	o CRI obtained the Notice to Proceed. We did not identify job cost charges dated prior to the date of the Notice to Proceed.
14. Inquire of the Construction Manager to determine whether they are using a subguard program for subcontractor bonding requirements.	o Per inquiry of the Construction Manager and inspection of the final job cost detail, a subguard program was not utilized on the Project.
15. Obtain all signed and executed change orders between OCPS and the Construction Manager for the duration of the Project.	o Obtained signed and executed change orders between OCPS and the Construction Manager without exception.
16. Obtain from OCPS, a log of the owner direct purchases plus sales tax savings for the Project.	o Obtained the owner direct purchase log from OCPS without exception.
17. Compare the owner direct purchase log plus tax savings amount obtained in 16. above, to the total signed and executed change orders amounts obtained in 15. above relative to owner direct purchases.	o 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.
18. 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.	o The Construction Manager did not exceed the not-to-exceed total for general requirements. CRI observed that the original not-to-exceed amount for general requirements was increased by \$3,166 through contingency. This is reported in Exhibit A.
19. Recalculate the adjusted 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 15. above.	a. The initial GMP amount was obtained without exception. b. The net amount of change orders were deducted from the initial GMP amount as reported in Exhibit A as "Adjusted guaranteed maximum price".
20. Obtain the final contract value, per the final pay application (noted in 5. above) and compare it to the adjusted GMP amount recalculated in 19.b. above.	o The final contract value and the adjusted GMP amount agreed without exception.

PROCEDURES	RESULTS
<p>21. 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 final GMP amount calculated in 19.b. above to the construction costs plus fee amount from 21.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>22. 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. 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. CRI obtained a listing of the personnel that filled the positions listed on the General Conditions attachment. b. CRI selected a sample of 15 payroll entries and obtained documentation of the selected persons actual pay rate for periods selected. c. The results of the testing indicate that the actual pay rate can vary by being more or less than the raw rate per the General Conditions attachment. 7 out of 15 samples had lower pay rates than the raw rate stated in the General Conditions attachment. Overall, the average actual pay was 8% lower than the contract documents for the sample selected. 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.

PROCEDURES	RESULTS
<p>23. 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"> ○ CRI obtained all of the Project's contingency logs and usage documents and found no exceptions when inspecting usage documents for OCPS's designated representative's signature of approval.
<p>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 OCPS, as obtained in 15. above.</p>	<ul style="list-style-type: none"> ○ The remaining balances in the contingency funds were returned to OCPS in the final change order.
<p>25. 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"> ○ The Construction Manager provided a listing of purchased assets which indicated that all items were turned over to OCPS.
<p>26. 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"> ○ CRI obtained the Certificate of Substantial Completion. The substantial completion date of June 27, 2017, as reported on the Certificate indicated that the Construction Manager achieved substantial completion 60 days after the agreed upon date of April 28, 2017.
<p>27. 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>	<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 187 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 October 25, 2017. The Certificate of Final Inspection was signed by the Architect on April 30, 2018.
<p>28. Utilizing the Certificate of Final Inspection obtained in 27. 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.</p>	<ul style="list-style-type: none"> ○ CRI 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 included final settlement charges with some of the subcontractors and charges which were adjusted out of the final job costs as being non-reimbursable.

PROCEDURES	RESULTS
<p>29. 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.</p>	<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 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 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
July 24, 2019

**The School Board of Orange County, Florida
Laureate Park (Site 44-E-SE-2 Relief) Elementary School Project**

Exhibit A – Project Costs

Calculation of the construction costs plus fee

Calculation of the adjusted final job costs:

Construction Manager subcontractor job costs	\$ 9,764,153
Construction Manager bonds and insurance job costs	211,264
Adjustment for subcontractor scope of work not performed	(16,349)
Adjustment to eliminate non-reimbursable costs	(19,013)
Adjustment to eliminate overtime not approved by OCPS	(792)
Adjustment to general liability insurance	(8,482)
Adjusted final job costs	9,930,781

Original lump sum general conditions	571,042
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Calculation of general requirements:

Original not-to-exceed general requirements per Amendment #1	269,429
Additional general requirements through contingency	3,166
	272,595

Calculation of the construction management fee:

Original construction management fee from Amendment #1	656,722
Additional construction management fee from change orders	1,218
Reimbursement for materials testing	(864)
	657,076

Construction costs plus fee	\$ 11,431,494
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Calculation of adjusted guaranteed maximum price

Original guaranteed maximum price per Amendment #1	\$ 15,635,581
Adjustments from change orders per the Construction Manager	(4,213,066)
	\$ 11,422,515

Adjusted guaranteed maximum price	\$ 11,422,515
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Construction costs, lesser of construction costs plus fee and adjusted guaranteed maximum price	\$ 11,422,515
Owner direct purchases	3,752,172

	\$ 15,174,687
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