

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

**The School Board of Orange County, Florida
Tangelo Park Elementary School Replacement Project**



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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Tangelo Park 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” or the “District” and the “specified party”), solely to assist you in determining the final contract value to Clancy & Theys Construction Company, 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 the Tangelo Park 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 a copy of the Standard Construction Management Contract (the “Agreement”), dated March 30, 2015, between The School Board of Orange County, Florida and the Construction Manager and Amendment No. 1, dated June 29, 2015 (collectively referred to as the “contract documents”), relative to the construction of the Project.</p>	<p>○ The 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>○ The Construction Manager 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 is one dispute between the Construction Manager and one of its subcontractors. Per the Construction Manager, this dispute does not have a financial impact on OCPS.</p>

PROCEDURES	RESULTS
<p>4. Obtain from the Construction Manager, a copy of the final job cost detail which did not have a date indicated (the “final job cost detail”).</p>	<p>○ CRI obtained a copy of the final job cost detail without exception. CRI observed that the final job cost detail included \$74,747 of non-reimbursable items and \$617,638 of lump sum general conditions. These amounts are adjusted out of the Construction Manager’s final job costs in Exhibit A.</p>
<p>5. Obtain from the Construction Manager and OCPS, a copy of the final payment application request issued to OCPS, dated May 25, 2017 (“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.</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> <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. 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. 	<ol 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. CRI made \$41,688 in subcontractor change order adjustments. These adjustments are summarized as follows: <ul style="list-style-type: none"> • Items not properly backcharged relative to damages, rework or uncompleted scope • Re-cleaning costs by final cleaning subcontractor • Improper subcontractor markups c. CRI obtained the executed final lien release and the signed and executed final pay applications for each of the selected subcontractors without exception.

PROCEDURES	RESULTS
<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>d. CRI obtained a listing of the owner direct purchases by subcontractor and compared the amounts to 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, 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 copies of the original timesheet and payroll register journals without exception.</p> <p>b. The amounts agreed 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 Construction Manager’s reimbursable labor burden rate and observed that the labor burden amount charged on the project exceeded the fixed rate per the contract documents. CRI adjusted the labor burden rate by \$2,636 to reflect the 35% fixed rate stated per the contract documents.</p>
<p>11. From the final job cost detail, select any non-subcontractor line items that exceed \$50,000.</p>	<p>o There were no non-subcontractor line items in excess of \$50,000.</p>
<p>12. From the final job cost detail, select all amounts for bond, insurance, and subguard charges and perform the following:</p> <p>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.</p>	<p>a. CRI obtained invoices, internal allocations and cancelled checks relative to the costs for bond and insurances.</p>

PROCEDURES	RESULTS
<p>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.</p> <p>c. If applicable, obtain third party invoices for internal allocation amounts.</p> <p>d. If applicable, recalculate the Construction Manager's internal allocations.</p>	<p>b. CRI observed that bond amounts included in the final job cost detail agreed with the invoices and cancelled checks inspected. CRI observed the internal allocation for excess liability insurance and noted that the Construction Manager charged less in the final job cost detail than its allocation calculation allowed.</p> <p>c. CRI observed a letter from the Construction Manager's insurance provider which stated the allocation base and insurance premium amounts for the time period in which the project began.</p> <p>d. CRI recalculated the excess liability allocation without exception. The excess liability allocation consisted of equipment insurance, auto insurance, umbrella and control insurance.</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 There were no expenditures in the final job cost detail to entities related to the Construction Manager by common ownership or management.</p>
<p>14. 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 job cost detail to the supporting documentation obtained in 14.a. above.</p>	<p>a. CRI selected at least 5 internal charges related to data, cell phones and vehicle costs included in the job cost detail. CRI obtained invoices and internal charge rate calculations for data and cell phone charges without exception. Vehicle costs are set at an agreed-upon monthly allowance in the contract documents.</p> <p>b. CRI did not identify any differences when comparing the internal charge rates for cell phones and data. CRI compared the vehicle charges in the final job cost detail to the allowance stated in the contract documents and observed a \$12 difference. This is reported in Exhibit A along with general requirement costs in excess of the not-to-exceed amount.</p>

PROCEDURES	RESULTS
15. 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.	o CRI obtained the Notice to Proceed. CRI identified \$24 of costs included prior to the NTP date related to small tools. A \$24 adjustment will be reported in Exhibit A.
16. Inquire of the Construction Manager to determine whether they are using a subguard program for subcontractor bonding requirements.	o The Construction Manager is not utilizing a subguard program on the Project.
17. Obtain all signed and executed change orders between OCPS and the Construction Manager for the duration of the Project.	o Signed and executed change orders between OCPS and the Construction Manager were obtained without exception.
18. Obtain from OCPS, a log of the owner direct purchases plus sales tax savings for the Project.	o The owner direct purchase log was obtained from OCPS without exception.
19. Compare the owner direct purchase log plus sales tax savings amount obtained in 18. above, to the total signed and executed change orders amounts obtained in 17. 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.
20. 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 CRI 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 \$25,278, and this amount is reported in Exhibit A.
21. 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 17. above to get the "Adjusted guaranteed maximum price".	a. The initial GMP amount was obtained and is reported in Exhibit A. b. CRI added the initial GMP amount plus additive change orders and minus deductive change orders, as reported in Exhibit A as the "Adjusted guaranteed maximum price".
22. Obtain the final contract value, per the final pay application (noted in 5. above) and compare it to the adjusted GMP amount recalculated in 21.b. above.	o No exceptions were found as a result of performing this procedure.

PROCEDURES	RESULTS
<p>23. 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 costs plus fee". c. Compare the "Adjusted guaranteed maximum price" calculated in 21.b. above to the "Construction costs plus fee" amount from 23.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". In addition to the adjustments mentioned in the procedures above, CRI also reported adjustments for temporary labor costs above the amount authorized by the District included in Division 6 in the amount of \$22,752, and warranty costs in the amount of \$191. 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>24. 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 24.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 personnel's actual pay rate for the periods selected. c. The results of the testing indicate the actual pay is more than the raw rate per the General Conditions attachment ("raw rate") in 11 of the 15 samples tested. However, the average actual pay is 2% below the raw rate per the contract documents for the samples tested. These results are skewed by one of the Superintendent's actual pay rates which was less than the raw rate by 71%. When removing this outlier from the group, the raw general condition rates were on average 3% higher than the actual pay 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
25. 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"> ○ CRI obtained all of the Project's contingency logs and usage documents without exception.
26. Compare the ending balances in the contingency funds, per the contingency logs obtained in 25. above, to the change order amount of the funds returning to OCPS, as obtained in 17. above.	<ul style="list-style-type: none"> ○ The remaining balances in the contingency funds were returned to OCPS in the final change order (#7).
27. Obtain a listing of assets acquired by the Construction Manager for the Project and verify the assets were turned over to OCPS.	<ul style="list-style-type: none"> ○ CRI obtained a listing of assets which verified that the assets were turned over to OCPS or transferred to another OCPS project without exception.
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"> ○ CRI obtained the Project's Certificate of Substantial Completion for Phase #1, Phase #2A and Phase #2B. The substantial completion dates indicated that the Construction Manager achieved substantial completion in accordance with the contractual requirements for all phases, except for Phase #1. For Phase #1, the Certificate of Substantial Completion was completed on July 29, 2016, however the agreed upon date was adjusted to June 9, 2016 on owner change order #2. Therefore, substantial completion for Phase #1 was achieved 50 days after the contractually required date.
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 174 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 September 16, 2016. The Certificate of Final Inspection was signed by the Architect on July 7, 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"> ○ CRI inspected the final job cost detail for job charges after the date of final completion as evidenced on the Certificate of Final Inspection. CRI identified \$191 that related to non-reimbursable warranty expenses. This amount was deducted in Exhibit A.

PROCEDURES	RESULTS
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"> ○ 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 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
 April 23, 2019

**The School Board of Orange County, Florida
Tangelo Park Elementary School Replacement Project**

Exhibit A – Project Costs

Calculation of the construction costs plus fee

Calculation of the adjusted final job costs:	
Construction Manager final job costs	\$ 10,336,469
Adjustments per the Construction Manager:	
Non-reimbursable expenses	(74,747)
General conditions included in the job cost detail	(617,638)
Adjustments resulting from CRI procedures:	
Difference from CRI calculation of reimbursable labor burden	(2,636)
Adjustment for general requirements above the not-to-exceed not otherwise deducted by the Construction Manager	(25,278)
Adjustments for items not properly backcharged relative to damages, rework, or uncompleted scope	(36,303)
Adjustment for temporary labor in Division 6 costs	(22,752)
Reduction for re-cleaning costs by final cleaning subcontractor	(5,255)
Reduction for non-reimbursable warranty costs	(191)
Adjustment for improper subcontractor markups	(130)
Adjustments for costs incurred prior to the Notice to Proceed date	(24)
Adjusted final job costs	9,551,515
Original lump sum general conditions	593,355
Calculation of the construction management fee:	
Original construction management fee	527,299
Adjustment to fee for contingency usage	6,261
Material testing reimbursement	(280)
	533,280
Construction costs plus fee	\$ 10,678,150
<u>Calculation of adjusted guaranteed maximum price</u>	
Original guaranteed maximum price per Amendment #1	\$ 13,337,328
Adjustments from change orders per the Construction Manager	(2,559,092)
	\$ 10,778,236
Adjusted guaranteed maximum price	\$ 10,778,236
Construction costs, lesser of construction costs plus fee and adjusted guaranteed maximum price	\$ 10,678,150
Owner direct purchases	2,739,304
	\$ 13,417,454