

Independent Accountant's Report
On Applying Agreed-Upon Procedures

Hickory Tree Elementary School Classroom Building Addition Project
June 8, 2015

The School Board of Osceola County, Florida
Kissimmee, Florida

We have performed the procedures enumerated below, which were agreed to by The School Board of Osceola County, Florida ("SBOC"), solely to assist you in determining the final contract value to Pirtle Construction Company (the "Construction Manager"), based upon the total costs of the Hickory Tree Elementary School Classroom Building Addition Project (the "Project"). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. 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:

1. We obtained copies of the contract documents between SBOC and the Construction Manager relative to the construction of the Project. We read the contract documents provided by SBOC noting items of financial and attestation significance.
2. We inquired of the contracting parties to determine if there were any disputed provisions in the contract or if there are any other unresolved disputes, including disputes between the Construction Manager and the subcontractors. There were none brought to our attention.
3. We obtained from the Construction Manager a reconciliation between the final job cost detail and the final pay application and reviewed the reconciliation for unusual items.
4. We reviewed the construction costs, as documented by the Construction Manager in the job cost detail, for compliance with the contract, including the following:
 - vouched costs as follows:
 - for subcontract costs in excess of \$25,000, we reviewed the subcontract and the related change orders to the subcontractor, comparing the adjusted contract amount to the amount recorded in the Construction Manager's job cost and the total of the Construction Manager's payments to the subcontractor. Additionally, we traced the owner direct purchases per subcontractor to the deductive change orders for the applicable subcontractor.
 - relative to the Construction Manager's reimbursable payroll, we chose a sample (17 items) from the payroll line items and traced each line item selected to time sheets and pay rate authorizations.
 - for other items that exceed \$25,000, we vouched the charge to vendor invoices or other supporting documentation. We examined supporting documentation for bond, subguard and general liability insurance, regardless of the amount.

- reviewed the Construction Manager's labor burden charges for appropriateness of items included in the burden percentages, as well as conformity to the contract documents. The contract documents included an agreed upon labor burden percentage of 35%. We recalculated the labor burden charges for compliance with this fixed percentage and noted no exceptions.
 - reviewed the job costs for, and inquired of the Construction Manager regarding expenditures to entities related by common ownership or management to the Construction Manager. No such expenditures were noted or brought to our attention.
 - reviewed supporting documentation and allocations for a sample of internal charges from the Construction Manager for reasonableness.
 - reviewed the job cost for charges incurred prior to the Notice to Proceed, and charges after the date of final completion.
 - tested 5 subcontractors and verified bond costs had not been included in the subcontract cost. Additionally, we confirmed with the Construction Manager that subcontractors have not included bond costs in their pay applications.
5. We reviewed the costing of change orders between SBOC and the Construction Manager for conformity to the contract documents. Additionally, we agreed the owner direct purchases plus sales tax savings to the related reduction to the guaranteed maximum price.
 6. We reviewed the Construction Manager's fee and the general conditions for conformity to the contract documents.
 7. We reviewed the contingency logs and usage documents for proper approval, and determined proper resolution of any remaining balances in the contingency funds.
 8. We recalculated the guaranteed maximum price and contract value, based upon the Construction Manager's costs plus any fixed fees. See Exhibit A – Project Costs.
 9. We determined if the Project was completed within the time constraints established in the contract by:
 - we inquired and examined support that the Project was completed on time and therefore, no liquidated damages were incurred.
 - we examined the Certificates of Substantial Completion and the Certificate of Final Inspection signed by the Architect, and verified that the Project was completed in accordance with the contract.

We have included additional comments for your consideration as Exhibit B to this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. 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 Osceola County, Florida, and is not intended to be and should not be used by anyone other than the specified party.

Carrie Riggs & Insman LLC

June 8, 2015

The School Board of Osceola County, Florida
Hickory Tree Elementary School Classroom Building Addition Project

Exhibit A – Project Costs

Calculation of construction cost plus fee:

Construction Manager's job costs	\$ 2,002,274
Reduction for non-reimbursable job costs	(15,941)
Double charged project vehicle	(2,100)
Adjustment to general liability insurance charges	(1,262)
Adjustment to subguard charges	(496)
Small tools in excess of contractual limit	(388)
	<u>1,982,087</u>

Calculation of construction management fee:

Original construction management fee	113,238
Additional fee through contingency	3,203
Adjust fee to 5% of direct costs	(3,768)
	<u>112,673</u>

Construction cost plus fee \$ 2,094,760

Calculation of guaranteed maximum price:

Original guaranteed maximum price	\$ 2,615,606
Adjustments from change orders per the Construction Manager	(514,861)

Adjusted guaranteed maximum price \$ 2,100,745

Lesser of construction cost plus fee and adjusted
guaranteed maximum price 2,094,760

Difference between the adjusted guaranteed maximum price and the
construction cost plus fee \$ 5,985

**The School Board of Osceola County, Florida
Hickory Tree Elementary School Classroom Building Addition Project**

Exhibit B – Schedule of Comments and Recommendations

General conditions

Comment:

During Carr, Riggs, and Ingram, LLC's ("CRI") review of the contract documents and costs for Hickory Tree Elementary School Classroom Building Addition Project (the "Project"), it was noted the general conditions for the Project were contracted as a cost of the work. Although it is our understanding that it was the intention of The School Board of Osceola County, Florida ("SBOC") to make the general condition a not-to-exceed amount, the agreement does not specifically identify the treatment of general conditions as a not-to-exceed amount.

Recommendation:

CRI would recommend the general conditions be treated as a not-to-exceed item of the work. Additionally, we would recommend the general conditions continue to be listed in detail as an attachment to the Exhibit C. The following contract language would establish this number as a not-to-exceed: "The Construction Manager's compensation for general conditions, listed in detail in Attachment 2 to Exhibit C, shall be an amount that shall not exceed \$XXX,XXX."

A not-to-exceed general conditions offers several advantages to the Owner. First of all, it caps the amount that can be paid for the Construction Manager's personnel costs and prevents the shifting of savings from other line items to cover personnel overages. This is important as the personnel costs can fluctuate greatly based on the Construction Manager's staffing decisions on a Project. Additionally, it provides incentive for the Construction Manager to exercise budgetary control over these costs or be required to undergo the process of requesting additional funds from the Owner to cover overages.