

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

**The School Board of Osceola County, Florida
NeoCity Academy Project
Selected Pay Application**



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

NeoCity Academy Project Selected Pay Application

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 (the "District" and the "specified party"), solely to assist you in determining compliance with certain contract provisions through the selected pay application ("payment application #5"), dated February 25, 2019, of Gilbane Building Company (the "Construction Manager" and the "responsible party"), based upon the costs of construction and payment application #5, as presented by the Construction Manager, for the NeoCity Academy 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:

1. Obtain a copy of the Construction Management Agreement (the "Agreement"), dated February 20, 2018, between the District and the Construction Manager, along with the related exhibits and attachments, and Guaranteed Maximum Price Amendment #1 dated August 21, 2018 to the Agreement (collectively referred to as the "contract documents"), relative to the Project.

Results:

- Carr, Riggs & Ingram ("CRI") obtained the contract documents without exception.

2. Obtain the pay application as selected by the District and perform the following:
 - a. Agree the schedule of values on the selected pay application to the guaranteed maximum price proposal submitted by the Construction Manager.

Results:

- CRI agreed the schedule of values on payment application #5 to the guaranteed maximum price summary in the contract documents without exception.

- b. Vouch to invoices or other supporting documentation all charges to general conditions and general requirements in excess of \$250.

Results:

- General conditions consists of the Construction Manager's labor costs, which are included in 2.d. below. CRI vouched invoices for items over \$250 within general requirements without exception.

- c. Identify any items that represent internal charges from the Construction Manager.

Results:

- CRI observed cellular and vehicle internal charges included in the selected pay application. No other internal charges were identified.
- Obtain from the Construction Manager supporting documentation for all items that reflect internal charges, such as vehicles, computers, and other equipment.

Results:

- CRI obtained the following for supporting documentation for items that reflect internal charges:
 - For cellular charges, CRI obtained invoices and a listing of the employees and hours worked on the project without exception.
 - For vehicle charges, the monthly vehicle allowance stated in the Guaranteed Maximum Price Summary was an agreed upon fixed rate of \$857.
 - No computer charges or other equipment were observed in the selected pay application.
- Compare the supporting documentation to the charges included in the pay application.

Results:

- CRI compared the supporting documentation obtained above to the internal charges included in the selected pay application as follows:
 - For cellular charges, the invoices and listing of the employees and hours worked on the project agreed to the amount charged in the selected pay application without exception.
 - For vehicle charges, the fixed vehicle allowance agreed to the amount charged in the selected pay application without exception. Additionally, CRI did not identify any other vehicle related costs charged to the Project.
- d. If the pay application includes payroll amounts for the Construction Manager, select a sample of payroll items (at least 7 items) and compare with the Construction Manager's payroll records to ensure the charges reflect actual compensation.

Results:

- CRI selected 7 payroll items from the selected pay application. CRI obtained time sheets and payroll registers for the period of January 21 – February 3, 2019. All selected payroll records reflected actual compensation without exception. Also, CRI observed that paid time off is being charged to the Project.

3. If the labor burden is not a fixed percentage, obtain a detail of the components of the labor burden rate from the Contractor.

Results:

- The labor burden rate is set at a fixed 40% in the contract documents.

4. Obtain the Project's Notice to Proceed ("NTP") from the District and inspect the dates of the charges in the current job cost dated May 21, 2019, for recorded costs with dates prior to the date on the NTP.

Results:

- CRI identified charges included in the current job cost detail prior to the NTP date. After inquiry with the Construction Manager, it was observed that the items identified were not properly dated when entered into the accounting system. CRI observed invoices for the items identified which confirmed that the items were for costs incurred after the NTP date.

5. Select the highest 10 subcontract amounts identified in the original schedule of values ("selected subcontract amounts").

- a. Compare the selected subcontract amounts to the Construction Manager's vendor/bidder report and the Guaranteed Maximum Price ("GMP") Summary to assist the District in identifying buyout funds.

Results:

- CRI compared the selected subcontract amounts to the GMP Summary without exception. CRI compared the selected subcontract amounts to the vendor/bidder report with two exceptions. CRI's comparisons are reported in Exhibit A.
- b. Identify the lowest bid in the Construction Manager's vendor/bidder report for the portion of work relating to the selected subcontract amounts. If the lowest bid identified is not the subcontractor selected, inquire with the Construction Manager why the lowest bidder indicated on the Construction Manager's vendor/bidder report was not selected.

Results:

- CRI observed that 5 of the 10 subcontractors were the lowest bids identified in the Construction Manager's vendor/bidder report. CRI inquired of the Construction Manager regarding why the lowest bidders were not selected for the 5 other selected subcontractors. See Exhibit A for explanation provided by the Construction Manager.

6. Agree the amounts requested by subcontractors on the selected pay application to the corresponding pay applications from the subcontractors.

Results:

- CRI agreed the subcontract amounts on the selected pay application to the corresponding pay applications from the subcontractors without exception.

7. If such items are not charged at an agreed upon amount or percentage, obtain from the Construction Manager supporting documentation for the payment and performance bond, subguard, and insurances. If the insurances are self-insured by the Construction Manager, obtain the calculation of the insurance allocation to the Project.

- a. Trace the bond cost to an invoice.

Results:

- The bond costs charged to the Project as of the pay application date were traced to a third-party bond invoice without exception.

- b. Trace the general liability insurance to the allocation calculation prepared by the Construction Manager.

Results:

- CRI inspected the liability insurance rate provided in writing by the insurance agent and recalculated the liability insurance costs based on the original

schedule of values. It was observed that the Construction Manager has charged the entire general liability amount to the Project based on the third-party rate. CRI will recalculate the final general liability amount based on the final contract value during our close-out engagement for the Project.

CRI also observed that the general liability letter attached to the Guaranteed Maximum Price Amendment #1, as part of the contract documents, included a component breakdown of general liability insurance being charged to the Project. CRI observed that some components being charged to the Project are not required by the Agreement, such as directors & officers, crime, employment practices, and contractor's property & inland marine.

- c. If applicable, trace the subguard charges to the schedule prepared by the Construction Manager detailing the subcontracts included in the subguard program multiplied by the rate for subguard. Agree the subguard rate to third party supporting documentation.

Results:

- o A schedule could not be provided for the Project. Per the Construction Manager, subguard is charged to the Project based on the amount stated in the initial schedule of values and is reconciled at the end of the Project. CRI will receive a schedule of the subcontractors included in the subguard program at the end of the Project.

8. If the Construction Manager is using a subguard program, obtain the schedules of values for a sample of seven subcontractors and determine that there are no subcontractor bond costs included.

- a. Inspect bid instructions or subcontract agreements to see if they specifically state the subcontractor is not to include bond costs.

Results:

- o CRI performed testing on the subcontractors selected in 5. above and observed that payment and performance bond requirements were deleted from the subcontract agreements.

- b. Obtain written representation from the Construction Manager that the subcontractors have not included bond costs in their subcontracts.

Results:

- o A written representation was obtained without exception.

9. Obtain documentation from the District relative to owner direct purchases to date and agree the amounts purchased, plus the related sales tax savings, to deductive change orders to the guaranteed maximum price.

Results:

- o CRI observed that the owner direct purchase log amount did not agree to the deductive change orders related to owner direct purchases, plus the related sales tax savings, due to timing differences between the change orders to date and the amounts on the owner direct purchase log. CRI will agree the final owner direct purchases, plus related sales tax savings, to the total related deductive change orders at the end of the project during our close out engagement.

10. Inquire of the District and the Construction Manager as to whether there are any disputed provisions between the two parties, relative to the contract documents, or if there are any other unresolved disputes. Inquire of the Construction Manager as to whether there are any disputes between the Construction Manager and its subcontractors.

Results:

- CRI inquired of the District and the Construction Manager regarding any disputed provisions between the two parties. No such disputes were stated by either party. CRI inquired of the Construction Manager as to whether there are any disputes between them and any subcontractors on the Project. Per the Construction Manager, there are no disputes between them and any subcontractors assigned to the Project.

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 Construction Manager's compliance with certain contract provisions through the date of payment application #5. 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 Osceola 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
August 30, 2019

**The School Board of Osceola County, Florida
NeoCity Academy Project
Selected Pay Application**

Exhibit A – Subcontractor Bid Analysis

**Guaranteed Maximum Price ("GMP")
Summary in contract documents Vs. Original
Schedule of Values ("SoV")** **Original SoV vs. Vendor/Bidder Report
from Gilbane Building Company, Inc.**

Lowest Bidder Analysis

Division	Contractor	GMP Summary			Do amounts agree?			Lowest Bidder?	If not, who?	Lowest Bidder Amount	Explanation per Gilbane Building Company, Inc.
		SoV	Difference	Bid	Difference	Difference					
Concrete	Randall Tilt Structures	\$ 1,381,104	\$ 1,381,104	\$ -	\$ 1,381,104	Yes	\$ -	Yes	N/A	N/A	-
Structural Steel / Miscellaneous Metals	Fabco Metal Products	889,100	889,100	-	889,100	Yes	-	No	Petersen Metals	122,192	Petersen Metals did not provide a full scope of work.
Roofing	P&A Roofing	334,000	334,000	-	331,800	No	2,200	Yes	N/A	N/A	-
Doors, Frames, and Hardware	Taylor Cotton Ridley	227,113	227,113	-	224,003	No	3,110	No	AG Mauro	168,509	The lowest quote shown from A.G. Mauro was for materials only. This was not a complete scope of work.
Aluminum Storefront	Countryside Glass	541,448	541,448	-	541,448	Yes	-	Yes	N/A	N/A	-
Framing/Drywall/ACT/Stucco	Acousti Engineering	1,027,000	1,027,000	-	1,027,000	Yes	-	No	CCF Acoustical Systems	136,000	CCF provided a price for a portion of the scope. This portion was slightly less than Acousti's scope for that portion of the work however, once the package scope discount was applied, Acousti was the lowest bidder.
Plumbing	Modern Plumbing	868,700	868,700	-	868,700	Yes	-	Yes	N/A	N/A	-
HVAC	Energy Air	1,941,000	1,941,000	-	1,941,000	Yes	-	Yes	N/A	N/A	-
Electrical	Terry's Electric	1,584,943	1,584,943	-	1,584,943	Yes	-	No	BACO	232,290	BACO provided a price for a portion of the work. This portion was completed as a subtier contractor under Terry's Electrical Services.
Earthwork	Allstate Paving	897,152	897,152	-	897,152	Yes	-	Yes	N/A	N/A	-

**Facilities Division Response to the Accountant's Report related to the
NeoCity Academy Project
Review of Pay Application #5, dated April 8, 2019**

The following report includes Procedures Applied and Related Findings provided by Carr, Riggs & Ingram, LLC (CRI) for the NeoCity Academy Project, Pay Application #5 Review. This report also includes a response from the Facilities Division for each of the "Results" provided by CRI.

Procedure 2d. If the pay application includes payroll amounts for the Construction Manager, select a sample of payroll items (at least 7 items) and compare with the Construction Manager's payroll records to ensure the charges reflect actual compensation.

Results: CRI selected 7 payroll items from the selected pay application. CRI obtained time sheets and payroll registers for the period of January 21 – February 3, 2019. All selected payroll records reflected actual compensation without exception. Also, CRI observed that paid time off is being charged to the Project.

Facilities Response:

2d CRI observed that paid time off is being charged to the Project. CRI and Facilities staff agree that paid time off should be accounted for in the Construction Manager's Labor Burden. However, the Construction Management Agreement does not detail what should be included in Labor Burden or charged to direct labor. Also, there is no written rule, guideline or statute that details what should be included in Labor Burden or charged to direct labor. In order to address this particular issue, on May 17, 2019 Facilities staff has added the following language to the Construction Management Agreement.

The Owner will not pay for any labor burden costs that would cause the burden rate set to be exceeded; for example, none of the following labor burden items are separately reimbursable: payroll taxes, medical, vision and dental insurance, workers' compensation insurance, pension, stock and retirement plans, any adjustments to the base compensation, bonus or incentive pay, paid holidays, sick pay and vacation pay, and any other expenses for employee benefits.

Procedure 5. Select the highest 10 subcontract amounts identified in the original schedule of values ("selected subcontract amounts").

5(a) Compare the selected subcontract amounts to the Construction Manager's vendor/bidder report and the Guaranteed Maximum Price ("GMP") Summary to assist the District in identifying buyout funds.

Results: CRI compared the selected subcontract amounts to the GMP Summary without exception. CRI compared the selected subcontract amounts to the vendor/bidder report with two exceptions. CRI's comparisons are reported in Exhibit A.

Facilities Response: Through the bidding process, the Construction Manager (CM) performs their due diligence to ensure the subcontractor with the lowest bid also includes the entire scope of work required. The CM is also required to review all bids to ensure that the scope of work meets the design intent as to ensure that bids are responsive. The lowest bid is not always the most complete bid.

Bidder/Vendor Report Management.

Per the Construction Management Agreement, the CM is required to provide a Bidder/Vendor Report with the Guaranteed Maximum Price (GMP) Proposal. This first report allows the CM to summarize the bids received, identify the bid amount for each trade while indicating which company the CM intends to contract with after the GMP Amendment is approved by the School Board. Within five (5) days after the complete execution of the GMP Amendment the CM is required to provide the Owner's Project Representative with an updated Bidder/Vendor Report that summarizes the final negotiations with each of the subcontractors and the amount of each contract. This second report is evidence of the CM's final negotiations with each of the subcontractors. The CM is then required to update the Bidder/Vendor Report during the construction process and submit a final report at Substantial Completion. This third report allows for the final update to the report to show any subcontractors that may have been replaced during the construction process.

Buyout Savings Management.

As an added process for the management of the direct cost of work, which is mostly the cost of the subcontractors performing the work, the CM is responsible for the tracking and reporting of Buyout Savings to the Owner's Project Representative. After the GMP Amendment has been approved and has been "bought out", the Construction Manager is required to modify the Schedule of Values to include a "Buyout Savings" line item. Prior to the use of Buyout Savings, the Construction Manager must submit a request to the Owner's Project Representative for approval. All remaining Buyout Savings are returned to the District as Project Savings.

New Process- Subcontractor Bid Review Management.

Facilities Services staff members are currently in the process of implementing a new process for the management of the subcontractor costs. This new process will require the Construction Manger to submit a form that summarizes the subcontractor bid details. The form will include the following fields: Construction Division, Description, Bidders, Bid Amount, Scope Adjust, Reason, Bond, Total Bid, CM Selection, Dollar Amount, SDOC Comments. See attached Subcontractor Bid Review Form. This form is required to be submitted with the Monthly Report and/or Application for Payment. The following language has been added to the Construction Management Agreement and replaces the previous Bidder/Vendor Reporting Process.

The Construction Manager's "Subcontractor Bid Review Form" that summarizes the subcontractor bid details shall be provided at the time the GMP is submitted to the Owner's Project Representative. The Subcontractor Bid Review Form shall include the following fields: Construction Division, Description, Bidders, Bid Amount, Scope Adjust, Reason, Bond, Total Bid, CM Selection, Dollar Amount, SDOC Comments. The Construction Manager must submit all supporting documentation when a detailed explanation for the "reason for scope adjust" is necessary or required by the Owner's Project Representative. The Subcontractor Bid Review Form must be updated as changes occur and the form must be submitted along with the Monthly Report and/or Application for Payment.

Procedure 5 (cont.)

- 5(b)** Identify the lowest bid in the Construction Manager's vendor/bidder report for the portion of work relating to the selected subcontract amounts. If the lowest bid identified is not the subcontractor selected, inquire with the Construction Manager why the lowest bidder indicated on the Construction Manager's vendor/bidder report was not selected.

Results: CRI observed that 5 of the 10 subcontractors were the lowest bids identified in the Construction Manager's vendor/bidder report. CRI inquired with the Construction Manager regarding why the lowest bidders were not selected for the 5 other selected subcontractors. See Exhibit A for explanation provided by the Construction Manager.

Facilities Response: Refer to the response for Procedure 5(a).

Procedure 7. If such items are not charged at an agreed upon amount or percentage, obtain from the Construction Manager supporting documentation for the payment and performance bond, subguard, and insurances. If the insurances are self-insured by the Construction Manager, obtain the calculation of the insurance allocation to the Project.

7(b) Trace the general liability insurance to the allocation calculation prepared by the Construction Manager.

Results: CRI inspected the liability insurance rate provided in writing by the insurance agent and recalculated the liability insurance costs based on the original schedule of values. It was observed that the Construction Manager has charged the entire general liability amount to the Project based on the third-party rate. CRI will recalculate the final general liability amount based on the final contract value during our close-out engagement for the Project.

CRI also observed that the general liability letter attached to the Guaranteed Maximum Price Amendment #1, as part of the contract documents, included a component breakdown of general liability insurance being charged to the Project. CRI observed that some components being charged to the Project are not required by the Agreement such as directors & officers, crime, employment practices, and contractor's property & inland marine.

Facilities Response:

7(b) CRI reviewed the general liability letter attached to the Construction Manager's proposal that includes a component breakdown of general liability insurance being charged to the Project. CRI takes exception to the letter by stating that some components being charged to the Project are not required by the Agreement. We agree with the exception taken by CRI and have commented to CRI that in past negotiations with the larger Construction Management firms, we have found that their insurance provider offers the Construction Manager with a "package" policy for all projects, which in turn makes it impossible to remove insurances that are not required by our agreement.

Procedure 7 (cont.)

7(c) If applicable, trace the subguard charges to the schedule prepared by the Construction Manager detailing the subcontracts included in the subguard program multiplied by the rate for subguard. Agree the subguard rate to third party supporting documentation.

Results: A schedule could not be provided for the Project. Per the Construction Manager, subguard is charged to the Project based on the amount stated in the initial schedule of values and is reconciled at the end of the Project. CRI will receive a schedule of the subcontractors included in the subguard program at the end of the Project.

Facilities Response:

- 7(c) Facilities staff agree that subguard is charged to the Project based on the amount stated in the initial schedule of values and is reconciled by the Facilities Accountant and Senior Facilities Manager at the end of the Project. The schedule of values presented in the Guaranteed Maximum Price proposal is based on the Construction Manager's estimate of costs for each of the trades before the Construction Manager completes their due diligence review, contracts with each of the subcontractors, and completes the subcontract buyout process.

Procedure 9. Obtain documentation from the District relative to owner direct purchases to date and agree the amounts purchased, plus the related sales tax savings, to deductive change orders to the guaranteed maximum price.

Results: CRI observed that the owner direct purchase log amount did not agree to the deductive change orders related to owner direct purchases, plus the related sales tax savings, due to timing differences between the change orders to date and the amounts on the owner direct purchase log. CRI will agree the final owner direct purchases, plus related sales tax savings, to the total related deductive change orders at the end of the project during our close out engagement.

Facilities Response: The Construction Manager is required to submit a copy of the Owner Direct Purchase (ODP) Log with each monthly Application for Payment. ODPs are processed only when required and not once a month. Each Change Order for ODP includes the required summary of costs for the project and is presented to the School Board for approval. The ODPs are reviewed and summarized along with the final reconciliation of the project.