

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

**The School Board of Osceola County, Florida
St. Cloud Middle School Comprehensive Renovations Project**

Selected Pay Application



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INGRAM

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

St. Cloud Middle School Comprehensive Renovations 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 ("SBOC" or the "District", and the "specified party"), solely to assist you in determining compliance with certain contract provisions through payment application #4 ("pay application" and the "selected pay application"), dated August 26, 2019, for Clancy & Theys Construction Company (the "Construction Manager" and the "responsible party"), based upon the costs of construction and payment application #4, as presented by the Construction Manager, for the St. Cloud Middle School Comprehensive Renovations 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 October 16, 2018, between the District and the Construction Manager, and exhibits, attachments, and amendments 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 #4 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:

- Only labor was included in general conditions (see results for labor testing in d. below).

CRI vouched invoices for all items over \$250 within general requirements without exception.

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

Results:

- There were no internal charge items noted in pay application #4.

- d. If the pay application includes payroll amounts for the Construction Manager, select a sample of payroll items (at least 15 items) and compare with the Construction Manager's payroll records to ensure the charges reflect actual compensation.

Results:

- CRI selected all general conditions labor included in the selected pay application (from the General Conditions: Labor Rates & Burden Summary included in the pay application), which included all 11 employees with charges included in pay application #4. The raw labor rate charged to the Project agreed with the Construction Manager's payroll records. However, we noted that the charges to the Project included \$1,935 of paid time off, which should be included in the fixed labor burden cost.

- 3. If the labor burden is a fixed percentage, compare the fixed labor burden percentage with the labor burden being applied to the labor in the pay application.

- a. Compare the components of the labor burden rate with the terms of the contract documents.

Results:

- CRI observed that the labor burden is charged at a fixed percentage of 40% per the contract documents. CRI compared the fixed labor burden percentage with the percentage being applied to the labor in the pay application without exception. (See results above at 2.d. regarding paid time off.)

- 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 November 20, 2019, for recorded costs with dates prior to the date on the NTP.

Results:

- CRI did not identify any charges included in the current job cost dated prior to the NTP.

- 5. 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.

Results:

- Per inquiry of the Construction Manager, there were no expenditures to related entities on this Project.

6. Trace the highest 10 subcontract amounts to the related subcontractor bid documents and observe evidence the lowest bidder was chosen. If not, obtain explanation from the Construction Manager as to why the lowest bidder was not chosen. Compare the subcontracted amounts with the original schedule of values to assist the District in identifying buyout funds.

Results:

- CRI traced the highest ten subcontract amounts to the related subcontractor bid documents (Bid Vendor report) and observed evidence of the bid results. CRI identified the lowest bidder per the Bid Vendor Report and found, based on the original bids, in 5 instances the initial low bidder was not selected for the Project.

Additionally, CRI compared the selected subcontractor bid amounts with the original schedule of values. In those instances where the amounts were not the same, CRI received explanations as reported in Exhibit A.

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

Results:

- CRI agreed the amounts requested by subcontractors on pay application #4 to the corresponding subcontractor pay applications without exception.

8. 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 cost had already been charged to the Project and paid. CRI traced the bond cost to an invoice without exception.

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

Results:

- Although no general liability insurance has been charged to the Project as of pay application #4, CRI obtained a letter from the Construction Manager's insurance agent stated the general liability insurance rates per dollar of revenue. When that rate is multiplied by the original GMP, the result is \$5,183 less than the general liability line item in the original schedule of values. The general liability charges will be reconciled to actual cost during the close out of the Project.

- 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:

- The Construction Manager is not using a subguard program on this Project.

9. 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.

Results:

- The Construction Manager is not using a subguard program on this Project.

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 and both stated there were no current disputed provisions relative to the contract documents, or any other current unresolved disputes. Additionally, the Construction Manager stated there were no current disputes between the Construction Manager and its subcontractors.

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 costs of construction and payment application #4. 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.

Carly Riggs & Ingram, L.L.C.

Orlando, Florida
January 27, 2020

The School Board of Osceola County, Florida
St. Cloud Middle School Comprehensive Renovations Project
Selected Pay Application

**Original Schedule of Values vs. Bidder/Vendor
Report**

Lowest Bidder Analysis

Division	Contractor	Report			Was the selected subcontractor the lowest bidder?	Amount	Explanation per Clancy & Theys Construction Company
		Original SoV	Bid	Difference			
Site & Civil Work	Riverstone	\$ 2,446,517	\$ 2,479,432	\$ (32,915)	Yes	N/A	-
Tilt Wall Construction and Site Concrete	OLP	2,465,623	2,438,987	26,636	No, BNG Construction	2,248,950	The Schedule of Values ("SOV") amount incorporates scope items that were not purchased within the subcontractor's scope at the time of award, such as locker bases, misc. equipment pads, temporary sidewalks, etc. The bid amounts shown on the vendor report represent initial bids prior to final scope review for all of the subcontractors and vendors. Once final scope review was completed OLP was the lowest responsive bidder and was awarded the project.
Structural Steel	Industrial Steel, Inc.	1,236,200	1,212,400	23,800	No, Capital Steel	1,131,338	The SOV amount incorporates scope items that were not purchased within the subcontractor's scope at the time of award, such as potential need for a second erection crew if needed to maintain the schedule. The bid amounts shown on the vendor report represent initial bids prior to final scope review for all of the subcontractors and vendors. Once final scope review was completed, Industrial Steel was lowest responsive bidder and was awarded the project. Also, we have experience working with Capital Steel and felt that this project was too large for them to properly handle.
Roofing	Hartford South	1,150,000	No bid	N/A	No, Atlas-Apex Roofing	1,115,000	Hartford's South bid was initially late but was received the same day as the bid opening. We reviewed the late bid with the District which provided a substantial savings to the Project and it was then decided to include their bid in the final scope review.

The School Board of Osceola County, Florida
St. Cloud Middle School Comprehensive Renovations Project
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**Original Schedule of Values vs. Bidder/Vendor
Report**

Lowest Bidder Analysis

<u>Division</u>	<u>Contractor</u>	<u>Original SoV</u>	<u>Bid</u>	<u>Difference</u>	<u>Was the selected subcontractor the lowest bidder?</u>	<u>Amount</u>	<u>Explanation per Clancy & Theys Construction Company</u>
Drywall / Framing /Stucco	MB Drywall	2,094,050	Not listed/no bid	N/A	No, Kenpat USA	1,535,675	MB Drywall's bid was initially late, but was received the same day as the bid opening. We reviewed the late bid with the District and it was then decided to include their bid in the final scope review. The bid amounts shown on the vendor report represent initial bids, prior to final scope review, for all of the subcontractors and vendors. Once final scope review was completed, MB Drywall was the lowest responsive bidder and was awarded the Project.
Carpet/ Tile	Spectra Flooring	546,500	542,000	4,500	Yes	N/A	-
Food Service Equipment	Clark Food Services	621,473	617,017	4,456	No, Johnson Lancaster & Associates	596,544	The bid amounts shown on the vendor report represent initial bids prior to final scope review for all of the subcontractors and vendors. The largest scope item that was missing was the residential appliances. Once final scope review was completed, Clark Food Services was the lowest responsive bidder and was awarded the project.
Plumbing	Heichel	1,445,692	1,445,700	(8)	Yes	N/A	-
HVAC	Westbrook	2,878,710	2,830,000	48,710	Yes	N/A	The SOV amount incorporates scope items that were not purchased within the subcontractor's scope at the time of award, such as temporary chiller relocation & chilled water piping to support the phasing of the project.
Electrical	Terry's Electrical	3,847,400	3,750,000	97,400	Yes	N/A	The SOV amount incorporates scope items that were not purchased within the subcontractor's scope at the time of award, such as electrical work to support the temporary chillers and allowances included for undefined scope for bldg. #5, security upgrades, redundant hangers for light fixtures, and ASI #1.

**Facilities Division Response to the Accountant's Report related to the
St. Cloud Elementary School Comprehensive Renovation Project
Review of Pay Application #4 to GMP #2, dated August 26, 2019**

The following report includes Procedures Applied and Related Findings provided by Carr, Riggs & Ingram, LLC (CRI) for the St. Cloud Elementary School Comprehensive Renovation Project, Pay Application #4 to GMP #2 Review. This report also includes a response from the Facilities Division for each of the "Results" provided by CRI.

CRI Procedure 2d. If the pay application includes payroll amounts for the Construction Manager, select a sample of payroll items (at least 15 items) and compare with the Construction Manager's payroll records to ensure the charges reflect actual compensation.

CRI Results: CRI selected all general conditions labor included in the selected pay application (from the General Conditions: Labor Rates & Burden Summary included in the pay application), which included all 11 employees with charges included in pay application #4. The raw labor rate charged to the Project agreed with the Construction Manager's payroll records. However, we noted that the charges to the Project included \$1,935 of paid time off, which should be included in the fixed labor burden cost.

Facilities Response 2(d): 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.

CRI Procedure 6. Trace the highest 10 subcontract amounts to the related subcontractor bid documents and observe evidence the lowest bidder was chosen. If not, obtain explanation from the Construction Manager as to why the lowest bidder was not chosen. Compare the subcontracted amounts with the original schedule of values to assist the District in identifying buyout funds.

CRI Results: CRI traced the highest ten subcontract amounts to the related subcontractor bid documents (Bid Vendor report) and observed evidence of the bid results. CRI identified the lowest bidder per the Bid Vendor Report and found, based on the original bids, in 5 instances the initial low bidder was not selected for the Project.

Additionally, CRI compared the selected subcontractor bid amounts with the original schedule of values. In those instances where the amounts were not the same, CRI received explanations as reported in Exhibit A.

Facilities Response 6: 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.

CRI reviewed the Bidder/Vendor Report that was provided at GMP. As noted in the Bidder/Vendor Report Management Process below, the CM is required to provide a Bidder/Vendor Report with the Guaranteed Maximum Price (GMP) Proposal knowing that the lowest bid is not always the most complete bid. Then within five (5) days after the complete execution of the GMP Amendment, the CM is required to provide an updated Bidder/Vendor Report that summarizes the final negotiations with each of the subcontractors and the amount of each contract.

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.

New Process- Subcontractor Bid Review Management.

Facilities Services staff members have implemented a new process for the management of the subcontractor costs. This new process requires the Construction Manger to submit a form that summarizes the subcontractor bid details. The form includes 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 Report Management 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.

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.

END OF REPORT

Project Name:

Subcontractor Bid Review Form



The School District of Osceola County
Facilities Division
809 Bill Beck Blvd.
Kissimmee, Florida 34744

Date: [Construction Management Firm Name]
Revised:

DIV.	DESCRIPTION	BIDDERS	BID AMOUNT	SCOPE ADJUST	REASON FOR ADJUSTMENT	BOND	CONTRACT AMOUNT	AWARDED BIDDER	Local Vendor (Yes/No)	ADDITIONAL COMMENTS
							\$ -			
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