

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

**The School Board of Osceola County, Florida
The Center for Employee Health –
Post-Construction, Amendment #1, Amendment #2 and Hard Bid**



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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Center for Employee Health – Post-Construction, Amendment #1, Amendment #2 And Hard Bid

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 Wharton-Smith, Inc. (the “Construction Manager”), based upon the total costs of the Center for Employee Health – Post-Construction, Amendment #1 and Amendment #2 (the “Project”). The report also includes the costs associated with the hard bid portion of the work (interior buildout) constructed by Axios Constructions Services, LLC. 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 (31 items) from the payroll line items and traced each line item selected to time sheets and pay rate authorizations. In a number of the items, we noted that paid time off was included in the labor costs. These amounts have been adjusted as noted in Exhibit A to this report.
 - for other items that exceed \$25,000, we vouched the charge to vendor invoices or other supporting documentation. We examined supporting documentation for bond, general liability insurance, and subguard charges 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 include an agreed upon labor burden percentage of 40%. We recalculated the labor burden charges for compliance with this fixed percentage without exception.
 - 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 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. There were none identified.
 - Since the Construction Manager did not use a subguard program for this Project, we did not perform the testing relative to subguard costs.
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 that there was proper resolution of the 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 reviewed the hard bid contract between SBOC and the general contractor for the interior buildout, as well as any change orders to that contract. We have reported the final contract amount for this portion of the work as a line item in Exhibit A to this report.

10. 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. The contractually required date for substantial completion for both the Construction Manager and the hard bid contractor was March 30, 2016. However, substantial completion was not achieved until April 13, 2016. Additionally, the contractually required date of final completion was July 18, 2016, but the Certificate of Final Inspection was dated October 18, 2016. The contract documents allow for liquidated damages of \$750 per day for untimely substantial completion and final completion for the Construction Manager, and \$1,500 per day for the hard bid contractor. There have been no liquidated damages assessed at this time to the Construction Manager or the hard bid contractor.
- we examined the Certificate of Substantial Completion and the Certificate of Final Inspection signed by the Architect and SBOC, verifying that the Project was completed in accordance with the terms of the contract.

We have noted additional matters for consideration on 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.

Carri Riggs & Ingram, L.L.C.

Orlando, Florida
October 5, 2016

**The School Board of Osceola County, Florida
The Center for Employee Health –
Post-Construction, Amendment #1, Amendment #2 and Hard Bid**

Exhibit A – Project Costs

Calculation of construction cost plus fee:

Construction Manager's job costs:

Amendment #1:

Construction Manager job cost detail	\$ 160,584
Actual cost - general condition payroll	16,128
General liability insurance	1,438
	178,150

Amendment #2:

Construction Manager job cost detail	923,840
Non-reimbursable items per the Construction Manager	(3,380)
Actual cost - general condition payroll	174,105
General liability insurance	6,073
	1,100,638

Axios contract value	1,583,840
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Calculation of the construction manager's fee:

Original amount - Amendment #1	16,785
Original amount - Amendment #2	50,818
Amount of construction manger's fee from contingency use	2,927
Adjustment to 5% of contractually defined amounts	(956)
	69,574

Construction cost plus fee	\$ 2,932,202
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Calculation of guaranteed maximum price:

Amendment #1	\$ 357,440
Adjustments from change orders	(162,273)
	195,167

Amendment #2	1,401,600
Adjustments from change orders	(227,918)
	1,173,682

Axios contract value	1,583,840
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Adjusted guaranteed maximum price	\$ 2,952,689
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Amount the cost plus fee is less than the adjusted guaranteed maximum price	\$ 20,487
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**The School Board of Osceola County, Florida
The Center for Employee Health –
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Exhibit B – Schedule of Comments and Recommendations

Owner Direct Purchases

Comment:

We noted that there were no owner direct purchases made for the hard bid portion of the work. Upon inquiry of the Construction Manager, they stated that the time frame for the construction of that portion of the work became compressed and, therefore, there was not enough time to use the owner direct purchase process. This potentially resulted in SBOC losing the opportunity to save the sales tax that was paid on the purchase of materials for that portion of the work.

Calculation of Construction Manager's fee

Comment:

We noted that the wording used to define the base for calculation of the Construction Manager's fee was different in the two Amendments, as well as the Agreement. The differing wording is as follows:

In the Agreement at 3.7.4, "The Construction Manager's Fee is hereby established as a percentage of the sum of the following: Direct Costs (materials, labor, equipment and subcontracts); accepted cost savings deductions, additional project savings program deductions; allowances; and excluding contingencies and general conditions."

In Amendment #1, Exhibit C, II, "This Amendment establishes the Construction Manager's Fee in this GMP as 5% of the sum of the following: Direct costs (materials, labor, equipment and subcontracts); allowances; and excluding all contingencies and General Conditions."

In Amendment #2, Exhibit C, II, "This Amendment establishes the Construction Manager's Fee in this GMP as 5% of the sum of the following: Direct costs (materials, labor, equipment and subcontracts); allowances; and excluding all contingencies and General Conditions and General Requirements.

We recommend the wording in each of these contractual provision be the same and reflect the intent of SBOC to prevent confusion. It is our understanding that the intent of SBOC is reflected in the wording in Amendment #2.

Facilities Division Response to the Report provided by Carr, Riggs & Ingram, LLC.

Center for Employee Health Project

Report Dated: October 5, 2016

The following report includes a comments and recommendations provided by Carr, Riggs & Ingram, LLC (CRI) for the Center for Employee Health Project. This report also includes a response from the Facilities Division for the Calculation of Construction Manger's Fee Recommendation.

Owner Direct Purchases

CRI Comment:

We noted that there were no owner direct purchases made for the hard bid portion of the work. Upon inquiry of the Construction Manager, they stated that the time frame for the construction of that portion of the work became compressed and, therefore, there was not enough time to use the owner direct purchase process. This potentially resulted in SBOC losing the opportunity to save the sales tax that was paid on the purchase of materials for that portion of the work.

CRI Recommendation:

No recommendation from CRI.

Calculation of Construction Manager's Fee

CRI Comment:

We noted that the wording used to define the base for calculation of the Construction Manager's fee was different in the two Amendments, as well as the Agreement. The differing wording is as follows:

1. In the Agreement at 3.7.4, "The Construction Manager's Fee is hereby established as a percentage of the sum of the following: Direct Costs (materials, labor, equipment and subcontracts); accepted cost savings deductions, additional project savings program deductions; allowances; and excluding contingencies and general conditions."
2. In Amendment #1, Exhibit C, II, "This Amendment establishes the Construction Manager's Fee in this GMP as 5% of the sum of the following: Direct costs (materials, labor, equipment and subcontracts); allowances; and excluding all contingencies and General Conditions."
3. In Amendment #2, Exhibit C, II, "This Amendment establishes the Construction Manager's Fee in this GMP as 5% of the sum of the following: Direct costs (materials, labor, equipment and subcontracts); allowances; and excluding all contingencies and General Conditions and General Requirements."

CRI Recommendation:

We recommend the wording in each of these contractual provision be the same and reflect the intent of SBOC to prevent confusion. It is our understanding that the intent of SBOC is reflected in the wording in Amendment #2.

Facilities Services Response:

Referencing item #1 in CRI's Comment, this is the standard language in the body of the Construction Management Agreement.

The difference in the language between the 2 amendments (Items #2 and #3 above), clearly shows that our intent was to document that Amendment #1 did not have any General Requirements. We believe that this change to the language for Amendment #1 was acceptable and did not cause any confusion. However, we do not accept the recommendation for keeping the language as it is stated in the actual agreement, as CRI has recommended.