

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

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



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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

### NeoCity Academy Project

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", the "District" and the "specified party"), solely to assist you in determining the final contract value to Gilbane Building Company (the "Construction Manager" and the "responsible party"), based upon the total costs of construction and final guaranteed maximum price, 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. Inspect any updates to the Construction Management Agreement (the "Agreement"), dated February 20, 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:**

- The contract documents were inspected by Carr, Riggs & Ingram, LLC ("CRI") without exception.
2. 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:**

- The Construction Manager and the District stated there were no disputed provisions between the two parties, relative to the contract documents or any other unresolved disputes. The Construction Manager stated there were no disputes between it and its subcontractors.

3. Obtain from the Construction Manager, a copy of the final job cost detail, dated January 16, 2020 (the “final job cost detail”).

**Results:**

- Obtained the final job cost detail without exception.

4. Obtain from the Construction Manager and the District, a copy of the final payment application request issued to the District, dated January 25, 2020 (“final pay application”).

**Results:**

- Obtained the final payment application from the District without exception.

5. Obtain from the Construction Manager a reconciliation between the final job cost detail and the final pay application.

**Results:**

- Obtained the Construction Manager's reconciliation between the final job cost detail and the final pay application without exception.

6. From the final job cost detail, select (using computer assisted techniques as necessary) all subcontractors with total costs listed in excess of \$25,000 (“selected subcontractors”) and perform the following:

- 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/minus the related change orders.

**Results:**

- The subcontract agreements and the related change orders were obtained and were compared with the amounts recorded in the final job cost detail for all selected subcontractors without exception.

- b. Obtain the applicable labor, equipment, and material pricing estimates, vendor invoices, subcontractor markups, or other appropriate documentation (“supporting documentation”) for the subcontractor change orders in 6.a. above. Compare the change order amounts to the supporting documentation.

**Results:**

- Obtained supporting documentation for the subcontractor change orders and observed lump sums totaling \$266,847, which were all approved by the District through owner change orders or contingency usages. Additionally, CRI noted subcontractor pricing adjustments, as a result of markup for overhead and profit in excess of contractual limits, of \$5,036, as reported in Exhibit A.

- 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. If the Construction Manager does not have the lien releases available, for those payments where the lien release is not available, obtain cancelled checks reflecting such payments made by the Construction Manager to the selected subcontractor (collectively the “payment documentation”). If the Construction Manager provides no lien releases for the selected subcontractors, obtain a check register reflecting all payments to the selected subcontractors and choose a sample (at least 20) of cancelled checks. Compare the final subcontract amount to the payment documentation.

**Results:**

- o Obtained payment documentation and compared the documentation to the final subcontract amount without exception.

- d. Obtain a listing of owner direct purchases (“ODP”) from the District related to each selected subcontractor. Compare the ODP amounts to the sum of the deductive ODP change orders, per the selected subcontractor.

**Results:**

- o Obtained the listing of ODPs from the District and compared the amount to the sum of the deductive ODP change orders for each of the selected subcontractors. CRI noted Urban Solar had \$14,892 of ODPs that were not included in the ODP log provided by the District. Per inquiry of the Construction Manager, Urban Solar was given back the tax on materials because this subcontractor is tax exempt and no sales tax on materials was included in its original bid.

Per inquiry of the District, Owner change order #8 was for the ODP reconciliation and was approved by the School Board on November 15, 2019. The Facilities Accountant personnel referred to this ODP log to approve Owner change order #8. The ODP log provided to CRI was prepared after the ODP reconciliation, and the Facilities Accountant personnel was not informed of the change made to the ODP log by the Construction Manager.

7. Trace and agree subcontractor costs and credits included in Owner change orders and contingency usage to corresponding change orders with the subcontractor, which have been reviewed in accordance with 6. above.

**Results:**

- o Traced and agreed subcontractor costs and credits included in Owner change orders and contingency usages to corresponding change orders to selected subcontractors without exception.

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, select a sample of at least 25 Construction Manager payroll transactions. Each sampled payroll transaction will be for a specific, identified time period of the Project.

**Results:**

- Selected a sample of 25 Construction Manager payroll transactions from the final job cost detail.

9. From the items selected in 8. above, perform the following:

- 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.

**Results:**

- Obtained access to the original timesheets and a payroll register for each selection in 8. above without exception.

- b. Compare the amount listed for each sample in the final job cost detail to the items obtained in 9.a. above.

**Results:**

- Compared the amount listed for each sample in the final job cost detail to the items obtained in 9.a. above, and noted the following exception. Two of the Project Executives labor rates included an auto benefit in the base rate. The Construction Manager agreed to issue a credit to the District in the amount of \$711 as reported in Exhibit A.

10. If the labor burden percentage is fixed, agree the labor burden rate applied in the final job cost detail to the fixed percentage per the contract documents.

**Results:**

- The Construction Manager applied the fixed labor burden rate stated in the contract documents without exception.

11. From the final job cost detail, select all non-subcontractor vendors for which the costs exceed \$25,000 and perform the following:

- a. For each non-subcontractor vendor selected, obtain a copy of or access to at least 5 of the original invoices or pricing documents reflected in the final job cost detail, and a copy of the cancelled check or other proof of payment for each item selected.

**Results:**

- Selected five line items for each of the vendors in excess of \$25,000 and obtained the invoices, copies of cancelled checks, and Disburser Payment and Remittance Reports (ACH Payments) for each of the selections, without exception.

- b. Compare the documents obtained in 11.a. to the amount recorded in the final job cost detail.

**Results:**

- The invoices, Disburser Payment Remittance Reports (ACH Payments), and the cancelled checks were compared to the amounts recorded in the final job cost detail without exception.

12. From the final job cost detail, select amounts for payment and performance bond costs and builder's risk insurance (as applicable) and perform the following:

- a. Obtain a copy of or access to the original invoices and a copy of the cancelled check or other proof of payment paid directly to a third party. Compare the documentation obtained to the amounts recorded in the final job cost detail.

**Results:**

- Obtained the invoice and cancelled check for the payment and performance bond and compared the amounts to the final job cost detail without exception.

There were no charges for builder's risk insurance included in the final job cost detail.

13. From the final job cost detail, select amounts for general liability insurance and perform the following:

- a. The contract documents established a rate for the general liability insurance charges. Utilizing this rate, recalculate the general liability insurance charges in the final job cost detail.

**Results:**

- Inspected the liability insurance rate, provided in writing by the insurance agent, and recalculated the liability insurance costs in the final job cost detail without exception.

CRI observed the general liability letter in Exhibit B of GMP Amendment #1, which included a component breakdown of general liability insurance being charged to the Project.

14. 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:**

- Inquired of the Construction Manager regarding expenditures in the final job cost detail to entities related by common ownership or management to the Construction Manager. The Construction Manager utilized a related entity, G.O. Construction Services, LLC.

15. If there are expenditures to entities related by common ownership or management noted in 14. above, perform the following:
- a. Report the entity and volume of the transactions to the District.  
**Results:**
    - o G.O. Construction Services, LLC was utilized for temporary labor in the amount of \$2,437 in the final job cost detail.
  - b. Determine if such transactions are properly authorized by the District, in accordance with the contract documents.  
**Results:**
    - o No evidence of prior written approval was provided by the Construction Manager, as required by Article 5.4 of the Agreement.
16. From the final job cost detail, select at least five transactions (unless internal charges total less than \$3,000) determined to be the Construction Manager's internal charges to the Project, and perform the following:
- a. Obtain calculations for internal charge rates and vendor invoices that support the calculation of the Construction Manager's internal rates.  
**Results:**
    - o Observed invoices for the cellphone charges and observed the monthly vehicle allowance stated in the contract documents.
  - b. Compare the internal charge rates recorded in the final job cost detail to the supporting documentation obtained in 16.a. above.  
**Results:**
    - o Compared the internal charges for the cell phones and vehicles to the supporting documentation in 16.a. without exception.
17. Obtain the Project's Notice to Proceed ("NTP") from the District and inspect the dates of the charges in the final job cost detail for recorded costs with dates prior to the date on the NTP.  
**Results:**
  - o Obtained the NTP and did not identify any charges in the final job cost detail prior to the NTP date.
18. Inquire of the Construction Manager to determine whether they are using a subcontractor default insurance program ("subguard") for subcontractor bonding requirements. If so, perform the following:
- a. Inspect the final job cost detail, as well as, subcontracts and change order line items for the selected subcontractors noted in 6. above, for line items described as subcontractor bond costs.  
**Results:**
    - o Inspected the final job cost detail and selected subcontractors' original subcontract and change orders, and no bond charges were identified.

- b. Obtain an invoice and cancelled checks for the subguard charges found in the final job cost detail, if paid to a third party.

**Results:**

- Obtained a letter from the Construction Manager's insurance provider stating the rate to be applied to subcontractor value for the subguard coverage.

- c. Obtain written representation that the subcontractors on the Project, enrolled in subguard, have not included bond costs in their payment applications.

**Results:**

- Obtained written representation from the Construction Manager that subcontractors enrolled in the subguard program did not include bond costs in their payment applications.

19. Obtain all signed and executed change orders between the District and the Construction Manager for the duration of the Project.

**Results:**

- Obtained signed and executed change orders between the District and the Construction Manager.

20. Obtain from the District, a log of the owner direct purchases plus sales tax savings for the entirety of the Project.

**Results:**

- Obtained the ODP log from the District without exception.

21. Compare the owner direct purchase plus tax savings amount, per the log obtained in 20. above, to the total change order amounts obtained in 19. above relative to owner direct purchases.

**Results:**

- Compared the owner direct purchases plus tax savings per the ODP log to the total signed and executed change order amounts relative to owner direct purchases. CRI noted the guaranteed maximum price has been reduced by \$2,589,062 through change orders #1, #2, and #8. The ODP log contained a total of \$2,587,991. The credit difference applied to the guaranteed maximum price through change orders is greater by \$1,071. The reason for this difference is not clear from the documentation. There were several, differing versions of the ODP log presented by the District and the Construction Manager, in response to CRI's request.

22. Recalculate the adjusted guaranteed maximum price ("GMP") as follows:

- a. Obtain the original GMP amount, including any fixed or percentage-based Construction Manager fees or lump sums from the contract documents noted in 1. above.

**Results:**

- Obtained the original GMP amount without exception.



- b. Add to the original GMP amount the additive change orders and subtract the deductive change orders from 19. above to get the adjusted guaranteed maximum price ("adjusted GMP").

**Results:**

- o The net amount of change orders was deducted from the original GMP amount and is reported in Exhibit A as the "adjusted guaranteed maximum price".

23. For the adjusted GMP amount recalculated in 22.b. above, perform the following:

- a. Obtain the final contract value, per the draft final pay application, noted in 4. above.

**Results:**

- o Obtained the final contract value amount without exception.

- b. Compare the adjusted GMP amount recalculated in 22.b. above to the final contract value noted in 23.a. above.

**Results:**

- o The adjusted guaranteed maximum price was compared to the final contract value, per the final pay application, without exception.

24. Recalculate the construction costs plus fee as follows:

- a. Starting with the final job cost detail, adjust for any reductions identified in the application of the above procedures (e.g. subcontractor markup differences, non-reimbursable items, repair/rework items, etc., as applicable) to reach the adjusted final job cost.

**Results:**

- o The results of performing this procedure are reported in Exhibit A as "Adjusted final job costs".

- b. Utilizing the adjusted final job cost, add the fixed lump sum amounts to reach the construction costs plus fee.

**Results:**

- o The results of performing this procedure are reported in Exhibit A as "Construction costs plus fee".

- c. Compare the adjusted GMP amount calculated in 22.b. above to the construction costs plus fee amount from 24.b. above.

**Results:**

- o The results of this procedure are reported in Exhibit A.

25. Obtain, from the District and/or the Construction Manager, all of the Project's contingency logs and usage documents and inspect all contingency usage forms for the District's designated representative's signature of approval.

**Results:**

- o Obtained the Project's contingency log and usage documents and observed that all the contingency usage forms evidenced approval of a District designated representative.

26. Compare the ending balances in the contingency funds, per the contingency log obtained in 25. above, to the change order amount of the funds returning to the District, as obtained in 19. above.

**Results:**

- Observed an amount in the final change order for "Subcontractor/buyout savings", a credit of \$781. The \$676 of remaining contingency was returned through this credit amount.

27. Obtain the Certificates of Substantial Completion and the Certificates of Final Inspection (or similar documents), signed by the Architect, and compare the dates of these documents to the time requirements contained in the contract documents.

**Results:**

- Obtained the Certificate of Substantial Completion and Certificate of Final Completion without exception. The substantial completion and final completion dates, as reported on the Certificates, were compared to the time requirements contained in the contract documents 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 specified elements, accounts, or items. Accordingly, we do not express such an opinion or conclusion, respectively, on the total costs of construction and final guaranteed maximum price for the Project. 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  
June 10, 2020

The School Board of Osceola County, Florida  
NeoCity Academy Project  
Close-Out Procedures

Exhibit A – Project Costs

**Calculation of the construction costs plus fee**

Calculation of the adjusted final job costs:	
Construction Manager final job cost detail	\$ 10,760,579
Subcontractor pricing adjustments	(5,036)
Labor adjustment	(711)
General conditions costs	(784,376)
Adjusted final job costs	<u>9,970,456</u>
Original not-to-exceed general conditions	<u>754,752</u>
Calculation of construction management fee:	
Original construction management fee	547,027
Additional fee through change orders	8,447
Additional fee through contingency	23,353
	<u>578,827</u>
<b>Construction costs plus fee</b>	<b><u>\$ 11,304,035</u></b>
<b><u>Calculation of adjusted guaranteed maximum price</u></b>	
Original guaranteed maximum price	\$ 13,282,448
Adjustments from change orders per the Construction Manager	<u>(1,973,846)</u>
<b>Adjusted guaranteed maximum price</b>	<b><u>\$ 11,308,602</u></b>
<b>Difference between the adjusted guaranteed maximum price and the construction costs plus fee</b>	<b><u>\$ 4,567</u></b>