



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

The School Board of Orange County, Florida

Site 49-E-W-4 (Water Spring) Elementary School – Relief Project



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INDEPENDENT ACCOUNTANTS’ REPORT ON APPLYING AGREED-UPON PROCEDURES

Site 49-E-W-4 (Water Spring) Elementary School – Relief Project

The School Board of Orange County, Florida
 Orlando, Florida

We have performed the procedures enumerated below, which were agreed to by The School Board of Orange County, Florida (“OCPS” or the “District” and the “specified party”), solely to assist you in certifying the final contract value to Welbro Building Corporation (the “Construction Manager” and the “responsible party”), based upon the total costs of construction and final contract value, as presented by the Construction Manager, for the Site 49-E-W-4 (Water Spring) Elementary School – Relief 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:

PROCEDURES	RESULTS
1. Inspect a copy of the Agreement (the “Agreement”), dated January 30, 2018, between OCPS and the Construction Manager, and Amendment No. 1, dated May 31, 2018 (collectively referred to as the “contract documents”), relative to the construction of the Project.	<ul style="list-style-type: none"> ○ The contract documents were inspected by Carr, Riggs & Ingram, LLC (“CRI”) without exception.
2. Inquire of OCPS and the Construction Manager as to whether there are any disputed provisions between the two parties, relative to the contract documents or the Project’s costs as provided in 4. below, or if there are any other unresolved disputes.	<ul style="list-style-type: none"> ○ The Construction Manager and OCPS stated there were no disputed provisions between the two parties, relative to the contract documents or the Project's costs. There are no unresolved disputes on the Project.
3. Inquire of the Construction Manager as to whether there are any disputes between the Construction Manager and its subcontractors.	<ul style="list-style-type: none"> ○ Per inquiry of the Construction Manager, there are no disputes between the Construction Manager and its subcontractors.

PROCEDURES	RESULTS
<p>4. Obtain from the Construction Manager, a copy of the final job cost detail, dated June 18, 2020 (the “final job cost detail”).</p>	<p>○ Obtained the final job cost detail without exception. However, CRI identified \$365 of preconstruction costs and \$2,760 of non-reimbursable costs in the final job cost detail which have been reported as an adjustment in Exhibit A.</p>
<p>5. Obtain from the Construction Manager and OCPS, a copy of the final payment application request issued to OCPS, dated February 29, 2020 (“final pay application”).</p>	<p>○ Obtained the final payment application without exception.</p>
<p>6. Obtain from the Construction Manager a reconciliation between the final job cost detail and the final pay application.</p>	<p>○ Obtained the Construction Manager's reconciliation without exception.</p>
<p>7. From the final job cost detail, select all subcontractors with total costs in excess of \$50,000 and perform the following:</p> <ul style="list-style-type: none"> 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 the related change orders. b. Obtain the labor and material pricing estimates, vendor invoices, subcontractor markups, or other appropriate documentation (“supporting documentation”) for the subcontractor change orders in 7.a. above. Compare the change order amounts to the supporting documentation. c. Obtain from the Construction Manager, the final lien releases and final payment applications totaling the final subcontract value submitted by the selected subcontractor to the Construction Manager. Compare the final subcontract amount to the final job cost detail to the payment documentation. d. Obtain a listing of owner direct purchases (“ODP”) from the District related to each subcontract selected. Compare the ODP amounts to the sum of the deductive ODP change orders, per the selected subcontractor. 	<p>○ Selected all 22 subcontractors with total costs in excess of \$50,000.</p> <ul style="list-style-type: none"> a. Obtained the subcontract agreements and the related change orders, and totaled the original subcontract amount, plus change orders, for each of the selected subcontractors. Compared these amounts to the amounts recorded in the final job cost detail for all selected subcontractors without exception. b. Obtained supporting documentation for the subcontractor change orders without exception. Compared the change order amounts to the supporting documentation without exception. c. Obtained payment documentation and compared the documentation to the final subcontract amount with one exception. A subcontractor was not paid \$894 for an amount related to warranty/punch list, which was not to be billed to OCPS. An adjustment has been reported in Exhibit A. d. 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 without exception.

PROCEDURES	RESULTS
<p>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, haphazardly select a sample of at least 15 Construction Manager payroll transactions. Each sampled payroll transaction will be for a specific, identified time period of the Project.</p>	<ul style="list-style-type: none"> ○ Selected a sample of 15 Construction Manager reimbursable payroll transactions from the final job cost detail.
<p>9. From the items selected in 8. above, perform the following:</p> <ol style="list-style-type: none"> 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. b. Compare the amount listed for each sample in the final job cost detail to the items obtained in 9.a. above. 	<ol style="list-style-type: none"> a. Obtained access to the original timesheets and a payroll register for each selection in 8. above without exception. b. Compared the amount listed for each sample in the final job cost detail to the items obtained in 9.a. above without exception.
<p>10. If labor burden is included in reimbursable labor (if any), recalculate the labor burden percentage and compare it to the fixed rate per the contract documents, of 35%.</p>	<ul style="list-style-type: none"> ○ Recalculated the labor burden percentage included in the final job cost detail and compared it to the fixed rate per the contract documents (35%) without exception.
<p>11. From the final job cost detail, select any non-subcontractor line items that exceed \$50,000 and perform the following:</p> <ol style="list-style-type: none"> a. Obtain a copy of or access to, the original invoice, pricing document, and a copy of the cancelled check for each item selected. If there are more than 10 entries for the non-subcontractor in the final job cost detail, select a sample of at least 5 items. b. Compare the documents obtained in 11.a. to the amount recorded in the final job cost detail. 	<ul style="list-style-type: none"> ○ Selected five line items for each non-subcontractor vendor (there were 3) that had costs in the final job cost detail in excess of \$50,000. a. Obtained the invoices and copies of cancelled checks for each of the selections without exception. b. Compared the documents obtained in 11.a. with the amounts recorded in the final job cost detail without exception.
<p>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:</p> <ol style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> ○ Selected all amounts for payment and performance bond costs. There were no costs in the final job cost detail for builder's risk insurance. a. Obtained the bond invoices and cancelled check copies without exception. Compared the documentation obtained with the amounts recorded in the final job cost detail without exception.

PROCEDURES	RESULTS
<p>13. From the final job cost detail, select amounts for general liability insurance and perform the following:</p> <ul style="list-style-type: none"> a. Where applicable, obtain the Construction Manager's internal allocation for general liability insurance charges. b. Inspect the internal allocation method and calculation. Compare the documentation obtained in 13.a. above to the amounts recorded to the final job cost detail to identify that the internal allocation received was used to support the amounts in the final job cost detail. c. If applicable, obtain third party invoices for internal allocation amounts. d. If there is a self-insured portion of the premium, inquire regarding the calculation methodology for the self-insured portion of the premium. Obtain third party invoices or documentation for the calculation of the self-insured portion of the premium. Specifically inquire if that portion of the premium is based on actuarial calculations. If so, obtain the actuarial report supporting the calculation. e. If applicable, obtain supporting documentation for the allocation base, i.e. annual company-wide revenue for the Construction Manager. f. If applicable, recalculate the Construction Manager's internal allocations and compare the recalculation to the amounts in the final job cost detail. 	<ul style="list-style-type: none"> o Selected all amounts for general liability insurance from the final job cost detail. a. Obtained the internal allocation worksheet from the Construction Manager without exception. b. Inspected the internal allocation methods and calculation and compared the allocation calculation to the amounts recorded in the final job cost detail. CRI identified that the internal allocation received was used to support the amounts in the final job cost detail. c. Obtained copies of the following: <ul style="list-style-type: none"> • For the premium amounts used in the allocation, CRI obtained the Premium Summary and invoices from Brown & Brown. • For the allocation base (estimated revenue), CRI obtained the schedule of estimated sales volume used in the calculations of the general liability insurance costs. • For the actuarial estimated loss costs, CRI obtained the Indicated Expected Loss Costs schedule prepared by Fort Maitland Assurance, Inc. d. Inquired regarding the methodology for the portion of the insurance premium that is paid to a captive insurance company, which is a related party to the Construction Manager. CRI obtained portions of the actuarial report relative to the general liability loss exposure, as stated in 13.c. above. e. Obtained the schedule of estimated sales volume (allocation base) used in the calculations of the general liability insurance costs. f. Recalculated the Construction Manager's internal allocations and compared the recalculations to the amounts in the final job cost detail. CRI's recalculation resulted in an adjustment to the final job costs in the amount of \$30,611, as reported in Exhibit A.

PROCEDURES	RESULTS
<p>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.</p>	<ul style="list-style-type: none"> ○ 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 deductible portion of the general liability coverage and the subcontractor default insurance program is insured through a captive insurance company that shares ownership with the Construction Manager.
<p>15. If there are expenditures to entities related by common ownership or management noted in 14. above, perform the following:</p> <ul style="list-style-type: none"> a. Report the entity and volume of the transactions to OCPS. b. Determine if such transactions are properly authorized by OCPS, in accordance with the contract documents. 	<ul style="list-style-type: none"> a. The amount paid to the entity described in 14. above was \$207,691 for subcontractor default insurance premiums and \$89,757 for general liability insurance paid to a captive insurance company related to the Construction Manager. b. The Construction Manager did not provide notification to OCPS that they were expending Project funds with a related entity. Per the Construction Manager, OCPS is aware of transactions with the related captive insurance company from previous projects.
<p>16. From the final job cost detail, haphazardly select at least five transactions determined to be the Construction Manager’s internal charges to the Project, and perform the following:</p> <ul style="list-style-type: none"> a. Obtain vendor invoices and Construction Manager calculations for internal charge rates. b. Compare the internal charge rates recorded in the job cost detail to the supporting documentation obtained in 16.a. above. 	<ul style="list-style-type: none"> ○ Selected a computer/network charge, 2 cellphone charges, and 2 vehicle billing charges. a. Obtained the Construction Manager’s calculation for internal computer/ software charges, as well as third party supporting documentation and internal allocations based on time anticipated to be spent on the Project. For cellphone charges, CRI obtained third party invoices and internal allocations based on actual time spent on the project. Vehicle charges are set by OCPS at a specific amount in the initial general requirements schedule of values. b. Compared the internal charge rate per the supporting documentation noted in 16.a., as follows: <ul style="list-style-type: none"> • For the computer/network charge, CRI observed \$2,976 in computer network charges to the Project. These costs are not considered reimbursable and were reported as an adjustment to the final job costs in Exhibit A.

PROCEDURES	RESULTS
	<ul style="list-style-type: none"> • For cellphone charges, compared the internal charge rates per the supporting documentation noted in 16.a. to the amounts in the final job cost detail without exception. • Compared the vehicle costs per the final job cost detail to the not-to-exceed amount in the initial general requirements schedule of values and observed that \$1,567 of vehicle costs were included in the final job cost detail above the not-to-exceed amount, resulting in an adjustment to the final job costs as reported in Exhibit A.
<p>17. Obtain the Project’s Notice to Proceed (“NTP”) from OCPS 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.</p>	<ul style="list-style-type: none"> ○ Obtained the NTP and did not identify any charges in the final job cost detail prior to the NTP date.
<p>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:</p> <p>a. Inspect the final job cost detail, as well as, subcontracts and change order line items for the selected subcontractors noted in 7. above, for line items described as subcontractor bond costs.</p> <p>b. If the charges for subguard are the result of an internal allocation, obtain the internal allocation calculations that support the amounts in the final job cost detail and compare the calculations to the amounts in the final job cost detail.</p>	<ul style="list-style-type: none"> ○ Per inquiry of the Construction Manager, a subguard program was utilized for the Project. a. Inspected the final job cost detail and subcontractor change orders for subcontractor bond costs and identified no items described as subcontractor bond costs. Additionally, CRI observed the subcontract agreements and noted the agreements stated that a subguard program was being used for this Project and, therefore, no bond costs were to be included in the subcontractor's costs. b. Obtained the internal allocation calculations that support the amounts in the final job cost detail and compared the calculation to the amounts in the final job cost detail without exception.

PROCEDURES	RESULTS
<ul style="list-style-type: none"> c. If there is a self-insured portion of the premium, inquire regarding the calculation methodology for the self-insured portion of the premium. Obtain third party invoices or documentation for the calculation of the self-insured portion of the premium. Specifically inquire if that portion of the premium is based on actuarial calculations. If so, obtain the actuarial report supporting the calculation. d. If internal allocation are used, recalculate the internal allocations and compare the recalculation to the charges in the final job cost detail. e. Obtain written representation that the subcontractors on the Project, enrolled in subguard, have not included bond costs in their payment applications. 	<ul style="list-style-type: none"> c. Inquired regarding the calculation methodology for the self-insured portion of the subguard premium. Obtained the supporting documentation for the subguard costs, including the Binder document for the fixed premium portion of the subguard costs from Hudson Insurance Group. Additionally, relative to the Policy Retention Aggregate Rate portion of the subguard costs, CRI obtained the SDI Enrollment - Coverage Terms document for Fort Maitland Assurance, Inc., a related captive insurance company, and the supporting actuarial report from Financial Risk Analysts, LLC. d. Recalculated the internal allocations and compared the recalculation to the charges in the final job cost detail, resulting in an adjustment in the amount of \$60,582, as reported on Exhibit A. e. Obtained written representation from the Construction Manager that no subcontractors enrolled in the subguard program included bond costs in their payment applications.
<p>19. Obtain all signed and executed change orders between OCPS and the Construction Manager for the duration of the Project.</p>	<ul style="list-style-type: none"> o Obtained all signed and executed change orders between OCPS and the Construction Manager without exception.
<p>20. Obtain from OCPS, a log of the ODPs plus sales tax savings for the Project and perform the following:</p> <ul style="list-style-type: none"> a. Recalculate the total ODPs, from the log obtained above, by taking the actual ODPs spent on the Project and comparing them to the original contract value (including ODPs) plus or minus any change orders (not including ODP change orders). b. If the above recalculated percentage is below 25% (as per section 20.3 of the General Conditions to the Agreement), inquire of the District regarding whether it was determined the Construction Manager failed to obtain any tax savings that could have been achieved. If so, inquire if the District will seek to recover the amount of any such missed tax savings from the Construction Manager. 	<ul style="list-style-type: none"> a. Obtained the ODP log from the District without exception. CRI recalculated the percentage of the total ODPs plus sales tax savings, per the ODP log, as a percentage of the original contract value (including ODPs) plus or minus any change orders (not including ODP change orders). b. The recalculated percentage of ODPs as a percentage of the original contract value was in excess of 25%.

PROCEDURES	RESULTS
<p>21. Compare the ODP log plus sales tax savings amount obtained in 20. above, to the total signed and executed change orders amounts obtained in 19. above relative to ODPs.</p>	<ul style="list-style-type: none"> ○ Compared the ODPs plus sales tax savings per the ODP log to the total signed and executed change order amounts relative to ODPs. The deductive change orders to the guaranteed maximum price relative to ODPs and sales tax were \$1,276 higher than the total of the ODP log.
<p>22. Utilizing the not-to-exceed general requirements detail from the contract documents in 1. above, compare to the general requirements charges noted in the final job cost detail.</p>	<ul style="list-style-type: none"> ○ Compared the not-to-exceed ("NTE") general requirements per the contract documents with the actual general requirements charged noted in the final job cost detail and noted the actual general requirements charged did not exceed the NTE amount set forth in the contract documents. However, as mentioned above, vehicle costs exceeded the NTE by a total of \$1,567. This adjustment is reported in Exhibit A.
<p>23. Recalculate the adjusted guaranteed maximum price ("GMP") as follows:</p> <ul style="list-style-type: none"> 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. b. Add the original GMP amount (from 1. above) plus additive change orders and minus deductive change orders from 19. above. 	<ul style="list-style-type: none"> a. Obtained the original GMP amount without exception. b. 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 ("adjusted GMP").
<p>24. Obtain the final contract value, per the final pay application (noted in 5. above) and compare it to the adjusted GMP amount recalculated in 23.b. above.</p>	<ul style="list-style-type: none"> ○ Obtained the final contract value, per the final pay application, and compared it to the adjusted GMP without exception.
<p>25. Recalculate the final construction costs as follows:</p> <ul style="list-style-type: none"> a. Starting with the final job cost detail, adjust for any reductions identified in the application of the above procedures (i.e. subcontractor markup differences, non-reimbursable items, repair/rework items, etc., as applicable) to reach the "adjusted final job costs". b. Utilizing the final job cost detail, add any fixed fees or lump sum amounts to reach the "final construction costs". 	<ul style="list-style-type: none"> a. The results of performing this procedure are reported in Exhibit A as adjusted final job costs. b. The results of performing this procedure are reported in Exhibit A as final construction costs.

PROCEDURES	RESULTS
<p>c. Compare the adjusted GMP amount calculated in 23.b. above to the final construction costs amount from 25.b. above.</p>	<p>c. The results of this procedure are reported in Exhibit A.</p>
<p>26. Using the General Conditions attachment in the contract documents, obtain the raw rates for the Construction Manager’s personnel.</p> <p>a. Obtain from the Construction Manager a listing of the personnel that filled the positions listed in the General Conditions attachment.</p> <p>b. From the listing of Construction Manager personnel that filled the positions in the General Conditions attachment, choose a sample of at least 15 payroll entries and obtain documentation of the selected persons actual pay rate for the period selected.</p> <p>c. Compare the actual pay rate obtained in 26.b. above to the raw rate included in the General Conditions attachment.</p>	<p>a. Obtained a listing of the personnel that filled the positions listed in the General Conditions attachment from the Construction Manager.</p> <p>b. From the listing of Construction Manager personnel entries, CRI chose a sample of 15 payroll entries and obtained the Payroll Register Report for each of the items selected.</p> <p>c. The results of this procedure indicate the actual pay rate is less than the raw rate per the General Conditions attachment ("raw rate") in 13 of the 15 samples tested. Overall, the average actual pay rate is 13% under the raw rate for the samples selected. However, 2 of the selected samples were for the Safety Director, who was included in the blended rate for "Project Oversight". The Safety Director's hourly rate was more than 50% less than the Project Oversight rate. If the Safety Director is removed from the sample, the average actual pay rate is 9% under the raw rate.</p> <p>CRI did not see evidence OCPS was notified the labor rates paid were lower than the raw rates, in accordance with Section 5.A.1.d. of the Agreement.</p>
<p>27. Obtain, from OCPS and/or the Construction Manager, all of the Project’s contingency logs and usage documents and inspect all contingency usage forms for OCPS’s designated representative’s signature of approval.</p>	<p>o Obtained the Project's contingency log and usage documents and observed that all the contingency usage forms evidenced approval from an OCPS designated representative.</p>
<p>28. Compare the ending balances in the contingency funds, per the contingency logs obtained in 27. above, to the change order amount of the funds returning to OCPS, as obtained in 19. above.</p>	<p>o The remaining balances in the contingency funds were returned to OCPS in the final change order without exception.</p>

PROCEDURES	RESULTS
29. Obtain a listing of assets acquired by the Construction Manager for the Project and verify the assets were turned over to OCPS.	○ Obtained a listing of assets which verified the assets were transferred to another OCPS project without exception.
30. Obtain the Certificate of Substantial Completion, signed by the Architect, and compare the date of this document to the time requirements contained in the contract documents.	○ Obtained the Certificate of Substantial Completion without exception. The substantial completion date, noted to be August 2, 2019 as reported on the Certificate, was compared to the time requirements contained in the contract documents without exception.
31. Obtain the Certificate of Final Inspection, signed by the Architect, and compare the date of this document to the time requirements contained in the contract documents.	○ Obtained the Certificate of Final Inspection without exception. The final completion date, as reported on the Certificate of Final Inspection, indicated the Construction Manager achieved final completion 40 days after the contractually required date. Final completion is to be achieved within 120 days after the date of substantial completion, which for this Project was November 30, 2019. The Certificate of Final Inspection was signed by the Architect on January 9, 2020.
32. Utilizing the Certificate of Final Inspection obtained in 31. above, inspect the dates of the charges in the final job cost detail for recorded costs with dates subsequent to the date of the Certificate of Final Inspection.	○ Inspected the dates of the charges in the final job cost detail for recorded costs with dates subsequent to the date of the Certificate of Final Inspection and noted no costs occurred after the final inspection date.
33. Obtain the SAP/Purchase Order reconciliation from OCPS and compare the guaranteed maximum price on the reconciliation to the guaranteed maximum price on the Construction Manager's final pay application, as noted in 5. above.	○ Obtained the SAP/Purchase Order reconciliation from OCPS and agreed the guaranteed maximum price on the reconciliation to the guaranteed maximum price on the final pay application 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 final construction costs and final contract value. 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 Orange 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
April 30, 2021

**The School Board of Orange County, Florida
Site 49-E-W-4 (Water Spring) Elementary School – Relief Project**

Exhibit A – Project Costs

Calculation of the final construction costs

Calculation of adjusted final job costs:	
Construction Manager job costs	\$ 11,703,741
Preconstruction costs included in the final job cost detail	(365)
Non-reimbursable costs included in the final job cost detail	(2,760)
Subcontractor change order for warranty work	(894)
Adjustment to general liability insurance cost allocation	(30,611)
Adjustment to eliminate overhead computer network charges	(2,976)
Adjustment to reduce vehicle costs to the not-to exceed amount	(1,567)
Adjustment to subcontractor default insurance cost allocation	(60,582)
Adjusted final job costs	<u>11,603,986</u>
Original lump sum general conditions	<u>781,383</u>
Calculation of the construction management fee:	
Original construction management fee	759,677
Construction management fee earned on contingency	498
Reimbursement for material testing	(966)
	<u>759,209</u>
Final construction costs	\$ 13,144,578

Calculation of adjusted guaranteed maximum price

Original guaranteed maximum price	\$ 18,048,328
Adjustments from change orders per the Construction Manager	(4,803,527)
	<u>(4,803,527)</u>
Adjusted guaranteed maximum price	\$ 13,244,801
Construction costs, lesser of final construction costs and adjusted guaranteed maximum price	\$ 13,144,578
Owner direct purchases	4,500,405
	\$ 17,644,983