

Independent Accountant's Report
On Applying Agreed-Upon Procedures

Winegard Elementary School
December 12, 2014

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"), solely to assist you in certifying the final contract value (contract dated November 21, 2011) to McCree Design Builders, Inc. (the "Design Builder"), based upon the total costs of construction for the Winegard Elementary School (the "Project") and to certify certain other Project costs. 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 OCPS and the Design Builder and read the documents noting items of financial and attestation significance, including provisions relative to the cost of work, fee arrangements, bonds and insurance, owner direct purchases, and the owner controlled insurance program ("OCIP").
2. We inquired of the contracting parties to determine if there were any disputed provisions relative to the Project, or if there were any other unresolved disputes, including disputes between the Design Builder and their subcontractors. There were none brought to our attention.
3. We requested from the Design Builder a reconciliation of the final pay application to the job cost detail, which the Design Builder provided. However, the reconciliation did not tie out directly to the final pay application nor did it address inconsistencies between the final job cost detail and owner change order #9 (the project reconciliation). As a result, Carr, Riggs & Ingram LLC ("CRI") had to analyze and evaluate the differences between the job cost detail provided by the Design Builder and the amounts contained in the final pay application. As a result, we reduced the job costs to reflect agreement with the final pay application and the detail provided in owner change order #9. Please see Exhibit A.

4. We reviewed the construction costs, as documented by the Design Builder for compliance with the contract documents, including the following:
 - a. vouched all costs in excess of \$50,000 (as determined by phase totals on the Design Builder's job cost).
 - for subcontract costs that qualify, we examined the subcontract and all the change orders to the subcontract, comparing the adjusted contract amount to the amount in the Design Builder's job cost and the total of the Design Builder's payments to the subcontractor. Additionally, we traced owner direct purchase amounts per OCPS to deductive change orders to the subcontractor to ensure that such subcontracts had been reduced for the purchases.
 - for reimbursable labor costs, we chose a sample from the payroll line items in the Design Builder's job cost and traced each line item selected to time sheets and pay rate authorizations.
 - for other items that qualified, we traced the charge to vendor invoices and evidence of payment. We examined supporting documentation for bond charges.
 - b. reviewed the costing of change orders between OCPS and the Design Builder for conformity to the contract documents. We reconciled the owner direct purchases, per the "ODP Log" to deductive change orders to the guaranteed maximum price. Also, we obtained the summary of OCIP results from the insurance carrier and traced the OCIP credits to deductive change orders.
 - c. reviewed Design Builder labor burden percentage, if applicable, for appropriateness as well as conformity to the contract documents. The labor burden was established in the contract documents at 35%, we noted no instances of the Design Builder charging burden in excess of this agreed upon percentage.
 - d. reviewed and inquired of the Design Builder regarding related party charges to the Project. The Design Builder self-performed approximately \$60,000 of work, the majority of which was rough carpentry, doors and frames, and clean up, but also included costs that were charged to divisions of the work which were subcontracted, including final cleaning, structural steel, and sitework. There was no written authorization of this work by the Owner noted prior to the commencement of the work, as is required by the Agreement, paragraph 36.3. Owner change order #9 did include a letter sent after the completion of the Project to OCPS explaining that rough carpentry was self-performed and that an affiliate had been utilized for concrete and millwork (see below). It should be noted that the original schedule of values reported the Design Builder as the subcontractor for rough carpentry. Additionally, an affiliate, DBR, Inc., was utilized for precast concrete and millwork, totaling approximately \$492,000 and \$85,000, respectively. Neither of these scopes of work was approved in writing by the Owner prior to the commencement of the work, as is required by the Agreement, paragraph 36.3. However, DBR, Inc. is listed in the original schedule of values as the subcontractor for each of these divisions of the work.
 - e. reviewed posting dates in the job cost for charges incurred prior to the commencement date set forth in the contract amendments. There were no charges noted.

- f. reviewed Design Builder fees and general conditions for conformity to the contract documents. We reviewed the Design Builder's actual compensation for a sample of general conditions labor (included in the lump sum general conditions) for accuracy of base salary, application of contracted labor burden percentage, and personnel appropriateness to the Project. We found in all instances the actual compensation matched the base rate included in the detail of labor for general conditions in Amendment #1.
- g. reviewed actual contingency costs, and reviewed the contingency log for proper authorization and resolution of final balances.
- h. recalculated the contract guaranteed maximum price and actual costs of construction based upon the Design Builder's records.

The results are shown in Exhibit A – Project Costs.

5. Regarding the completion of the Project, we performed the following:
 - a. we inquired and examined support that the Project was completed within the time constraints stated in the contract.
 - b. we examined the Certificate of Substantial Completion and the Certificate of Final Inspection, signed by the Architect, verifying that the Project was completed in accordance with the contract. We noted that the date of the Architect's sign off on the Certificate of Final Completion was May 7, 2013, in excess of 30 days after the date of substantial completion by 59 days. No provision was noted stating liquidated damages for non-compliance with the date of final completion.
6. We obtained evidence of the SAP/Purchase order reconciliation from OCPS and ensured the final contract value to the Design Builder was accurate and reflected final pre-attestation adjustments.
7. We obtained a representation from the Design Builder that the job cost is complete and represents properly reimbursable and paid costs under the terms of the contract. The CM also represented that all related party transactions have been disclosed to us.

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 Orange County, Florida, and is not intended to be and should not be used by anyone other than the specified party.

Carole Riggs & DeGruy LLC

Orlando, Florida
December 12, 2014

**Orange County Public Schools
Winegard Elementary School**

Exhibit A - Project Costs

Calculation of the construction cost plus fee:	
Design Builder job costs - Amendment #1	\$ 2,419,305
Non-reimbursable job cost overages	<u>(30,139)</u>
	<u>2,389,166</u>
Design phase fee - Amendment #1	<u>9,904</u>
Original lump sum general conditions - Amendment #1	<u>189,648</u>
Calculation of design builder's fee:	
Original design builder's fee - Amendment #1	181,032
Additional design builder's fee through change orders	<u>1,642</u>
	<u>182,674</u>
Construction cost plus fee	<u><u>\$ 2,771,392</u></u>
Calculation of adjusted guaranteed maximum price:	
Amendment #1	\$ 3,550,291
Adjustments from change orders per the Construction Manager	<u>(788,738)</u>
Adjusted guaranteed maximum price	<u><u>\$ 2,761,553</u></u>
Construction cost, lesser of construction cost plus fee and guaranteed maximum price	\$ 2,761,553
Owner direct purchases	<u>633,631</u>
	<u><u>\$ 3,395,184</u></u>

Management Response to Audit Report for Winegard ES Design Build Project

ISSUES NOTED	AREA	MANAGEMENT RESPONSE
<p>The design build firm executed self-performed work without prior written authorization</p>	<p>Facilities Services</p>	<p>The PM Team has cautioned CMs to abide by the contract requirement of not executing self-preformed work without prior written approval. This is taken into consideration during the review of the contractors' payment application and the associated values dis-allowed if not conforming to the contract.</p>
<p>Subcontractor performing specified scope of work was changed during construction without prior written approval</p>	<p>Facilities Services</p>	<p>The PM Team has added a second layer of oversight to the review process of contractors' payment application. This, in an effort to prevent processing of payment that may not comply with the contract requirements. In addition, the CM is cautioned not to change from sub-contractors who are slated to execute the work to that of self-performed work without prior approval from the Owner.</p>
<p>The date of the Architect's sign off on the Certificate of Final Completion was in excess of 30 days after substantial completion.</p>	<p>Facilities Services and Facilities & Construction Contracting</p>	<p>This DB contract allowed for liquidated damages to be assesses as a result of the work not being substantially complete by the contract completion date. Stating a penalty for not achieving final acceptance within thirty days of substantial completion was absent from the agreement. Subsequent agreements have been amended to allow the provision for Owner to assess liquidated damages as a result of the contractor not achieving timely final acceptance. In addition subsequent agreements reflect an increase in the period (substantial completion thru' final completion) to 120 days.</p>