



HCSB 2018-002

APPROVED BY HAMILTON SCHOOL BOARD
ON 5/9/17
Re: L. Mitchell
SUPERINTENDENT

Carr, Riggs & Ingram, LLC
1031 West Morse Boulevard
Suite 200
Winter Park, FL 32789
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(407) 628-5277 (fax)
www.cricpa.com

April 5, 2017

The School Board of Hamilton County, Florida
5683 US Highway 129 South
Jasper, Florida 32052

The purpose of this letter is to confirm our understanding of the nature and limitations of the services we propose to provide for the School Board of Hamilton County, Florida (the "District").

We will apply the agreed-upon procedures detailed in Exhibit A-1 and A-2 to this letter relative to the construction costs for Hamilton County Elementary School – New K-6 School (the "Project"), with a contract value of approximately \$19,650,000, the Construction Manager being Parrish-McCall Constructors, Inc. (the "Construction Manager"). This engagement is for the purpose of assisting the District in evaluating the Construction Manager's compliance with the financial aspects of the contract documents, and to assist the District in determining the final payment to the Construction Manager. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached exhibit either for the purpose for which this report has been requested or for any other purpose.

Because the agreed-upon procedures listed in Exhibit A-1 and A-2 do not constitute an examination or review, we will not express an opinion or conclusion on the construction costs of the Project. In addition, we have no obligation to perform any procedures beyond those listed in the attached exhibits.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to the School Board of Hamilton County, Florida. If, for any reason, we are unable to complete any of the procedures, we will describe in our report any restrictions on the performance of the procedures or not issue a report and withdraw from this engagement. You understand that this report is intended solely for the use of the District, and should not be used by anyone else. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws and regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws or regulations affecting the construction costs for the Project that come to our attention. In addition, if in connection with this engagement matters come to our attention that contradict the construction costs presented by the Construction Manager, we will disclose those matters in our report. Such disclosures, if any, may not necessarily include all matters that might have come to our attention had we performed additional procedures or an examination or review.

The Construction Manager is responsible for the construction costs supporting the final contract value and that it is in accordance with the terms of the contract documents. You are responsible for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes.

Vic Incinelli is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

At the conclusion of our engagement, we will request certain written representations in the form of a representation letter from the Construction Manager that, among other things, will confirm their responsibility for the construction costs that support the final contract value in accordance with the terms of the contract documents.

Electronic Data Communication and Storage and Use of Third Party Service Provider

In the interest of facilitating our services to your company, we may send data over the Internet, securely store electronic data via computer software applications hosted remotely on the Internet, or allow access to data through third-party vendors' secured portals or clouds. Electronic data that is confidential to your company may be transmitted or stored using these methods. We may use third-party service providers to store or transmit this data. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and data access secure in accordance with our obligations under applicable laws and professional standards. We also require our third-party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or data once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us or our third-party vendors. You consent to our use of these electronic devices and applications and submission of confidential client information to third-party service providers during this engagement.

To enhance our services to you, we will use a combination of remote access, secure file transfer, virtual private network or other collaborative, virtual workspace or other online tools or environments. Access through any combination of these tools allows for on-demand and/or real-time collaboration across geographic boundaries and time zones and allows CRI and you to share data, engagement information, knowledge, and deliverables in a protected environment. In order to use certain of these tools and in addition to execution of this acknowledgement and engagement letter, you may be required to execute a separate client acknowledgement or agreement and agree to be bound by the terms, conditions and limitations of such agreement. You agree that CRI has no responsibility for the activities of its third-party vendors supplying these tools and agree to indemnify and hold CRI harmless with respect to any and all claims arising from or related to the operation of these tools. While we may back up your files to facilitate our services, you are solely responsible for the backup of your files and records; therefore, we recommend that you also maintain your own backup files of these records.

Dispute Resolution

In the event of a dispute between the parties which arises out of or relates to this contract or engagement letter, the breach thereof or the services provided or to be provided hereunder, and, if the dispute cannot be settled through negotiation, the parties agree that before initiating arbitration, litigation or some other dispute resolution procedure, they will first to try in good faith to resolve the dispute through non-binding mediation. The mediation will be administered by the American Arbitration Association under its *Dispute Resolution Rules for Professional Accounting and Related Services Disputes*. The costs of any mediation proceedings shall be shared equally by all parties.

Fees

Based on our understanding of the size and nature of the Project, and other information you have supplied, we estimate our fees for these services not-to-exceed \$12,400 for the interim procedures; and \$18,900 for the close-out procedures, for a total of \$31,300, plus out-of-pocket expenses. Should you decide not to have us perform the interim procedures, our not-to-exceed fee for the close out procedures would be \$22,400, plus out of pocket expenses. If significant additional time is needed we will discuss it with you immediately and arrive at a new fee estimate before we incur additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

We appreciate the opportunity to assist you and believe that this letter accurately summarizes the significant terms of our engagement. If you have any questions, please don't hesitate to contact me. If you agree with the terms of the engagement as described in the letter, please sign the enclosed copy and return it to us.

If the need for additional services arises, our engagement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of the procedures.

Sincerely,

CARR, RIGGS & INGRAM, LLC



Victor J. Incinelli, CPA
Partner

Enclosures

Accepted by: The School Board of Hamilton County, Florida

Signature: _____

Title: _____

Date: _____

EXHIBIT A-1

**The School Board of Hamilton County, Florida
Hamilton County Elementary School – New K-6 School
Agreed Upon Procedures – Interim**

1. We will obtain copies of the contract between the School Board of Hamilton County, Florida (the "District") and the Construction Manager for the construction of Hamilton County Elementary School – New K-6 School (the "Project"). We will review the contract documents noting items of financial and attestation significance.
2. We will inquire of the contracting parties to determine if there are any disputed provisions relative to the Project, or if there are any other unresolved disputes, including disputes between the Construction Manager and their subcontractors.
3. We will identify reports that are available from the Construction Manager for the purpose of analyzing the costs.
4. We will select five subcontractors whose contract value is in excess of \$50,000, we will examine the subcontract, comparing the original contract amount to the corresponding amount in the subcontractor's pay application to the Construction Manager. For each subcontract selected, we will review the supporting documentation for the change orders to that subcontractor to date, and report on the compliance to contractual requirements.
5. We will obtain the Construction Manager's most recent job cost detail and review the detail for odd or unusual items. Items identified will be vouched to supporting documentation.
6. We will perform a general review of the most recent pay application for items which may have been billed in advance of the work in place. We will specifically examine the billing of general conditions, general requirements, insurances, and fees.
7. We will review the costing of change orders to date between the District and the Construction Manager for conformity to the contract documents, proper approval, and ensure they are supported by adequate documentation. We will agree the contract value on the latest change order to the contract value on the most recent pay application.
8. We will review contingency usage documents to date for proper authorization.
9. It is our understanding that the general conditions costs for the project are a lump sum. However, if there are reimbursable labor charges to the Construction Manager included in the job costs, we will review the Construction Manager's labor charges for appropriateness of items included in the billings, as well as conformity to the contract documents. We will select a sample of 20 payroll items and trace each sample item to the original timesheet and the Construction Manager's pay register. We will review the application of labor burden and verify that it conforms to the contract provisions and industry standards.

EXHIBIT A-1

**The School Board of Hamilton County, Florida
Hamilton County Elementary School – New K-6 School
Agreed Upon Procedures – Interim (Continued)**

10. If there are charges included in the reimbursable costs for items that are internally costed by the Construction Manager (i.e. not sourced in a third party invoice), we will review supporting documentation and allocations for a sample of Internal charges for reasonableness, propriety of allocation amounts and methods, and compliance with contract documents.
11. We will review the job costs for and inquire of the Construction Manager regarding expenditures to entities related to the Construction Manager and self-performed work. Transactions with related parties will be investigated for authenticity and proper pricing. We will evaluate self-performed work for proper authorization and competitive pricing.
12. We will review the job cost for charges incurred prior to the Notice to Proceed.
13. We will prepare a report of our procedures and findings and review the results of the above procedures with appropriate persons representing the District.

EXHIBIT A-2

The School Board of Hamilton County, Florida Hamilton County Elementary School – New K-6 School Agreed Upon Procedures – Close out

1. We will update the review of the contract between the School Board of Hamilton County, Florida (the "District") and the Construction Manager for the construction of Hamilton County Elementary School – New K-6 School (the "Project") for any documents added or revised from our previous Interim procedures. If the interim procedures are not done, we will review the contract documents noting items of financial and attestation significance.
2. We will inquire of the contracting parties to determine if there are any disputed provisions relative to the Project, or if there are any other unresolved disputes, including disputes between the Construction Manager and its subcontractors.
3. We will request the job cost information from the Construction Manager in or convert the information to, a format whereby we can apply computer assisted auditing techniques. Items determined to be unusual or unreasonable, and are not tested elsewhere, will be selected for additional investigation and testing.
4. We will request from the Construction Manager a reconciliation between the final job costs and the final pay application and review the reconciliation for unbilled costs included in the job cost.
5. We will review the construction costs, as documented by the Construction Manager, for compliance with the contract documents, including the following:
 - a. vouch construction costs as follows:
 - for subcontractors whose value is in excess of \$50,000, we will examine the subcontract, comparing the adjusted contract amount to the amount in the Construction Manager's job cost and the total of the Construction Manager's payments to the subcontractor, including a review of lien waivers between the Construction Manager and the subcontractor. For each subcontractor selected, we will review the supporting documentation for the change orders to that subcontractor, examining pricing for reasonableness and markups for compliance with contract documents. We will reconcile owner direct purchases as provided by the District to reductions to the applicable subcontractors. Additionally, for each reduction of scope to a subcontractor (excluding backcharges), we will examine evidence the reduction was properly reflected in an Owner change order or contingency, or obtain an explanation.
 - we will trace and agree subcontractor costs included in Owner change orders and contingency usage to corresponding change orders with the subcontractor, which have been reviewed in accordance with the previous procedure.
 - relative to the Construction Manager's reimbursable payroll, if any, we will choose a sample of at least 35 items from the payroll line items in the Construction Manager's job cost and trace each line item selected to time sheets and pay registers. (If all Construction Manager labor is included in a lump sum, we will not perform this step.)

EXHIBIT A-2

**The School Board of Hamilton County, Florida
Hamilton County Elementary School – New K-6 School
Agreed Upon Procedures – Close out (Continued)**

- for other vendors not examined during the steps noted above that exceed \$50,000, we will vouch the charge to invoices or other supporting documentation. If there are over 10 line items for a vendor selected, we will choose a sample of line items and vouch each line item to supporting documentation. We will examine supporting documentation for bond, subguard, and general liability insurance, if applicable, regardless of the amount.
 - we will randomly select 5 disbursements between the amounts of \$15,000 and \$50,000 from the job cost report, which have not been previously tested, and review supporting documentation to ensure that the item is properly substantiated and verify that it is a cost of the project.
6. We will review the costing of change orders between the Owner and the Construction Manager, that have not already been reviewed during the interim procedures, for conformity to the contract documents, proper approval, and are supported by adequate documentation (see specific procedures related to subcontractor changes in a. above). Additionally, we will reconcile owner direct purchases per the District's records to the deductive change orders to the guaranteed maximum price.
 7. We will update the Construction Manager's labor burden charges for appropriateness of items included in the burden percentages, as well as conformity to the contract documents. If the contract documents include an agreed upon labor burden percentage, we will agree the labor burden charges in the job cost to the agreed upon percentage. (If all Construction Manager labor is included in a lump sum, we will not perform this step.)
 8. We will review the job costs for, and inquire of the Construction Manager regarding, expenditures to related entities to the Construction Manager or self-performed work. If the Construction Manager made expenditures to a related party, or if they self-perform portions of the work, we will investigate the expenditures for authenticity and proper pricing. Also, we will examine evidence that the Owner was properly notified, and will report the volume of such expenditures in our report.
 9. We will review supporting documentation and allocations for a sample of internal charges from the Construction Manager for reasonableness, propriety of allocation amounts and methods, and compliance with contract documents. For purchased equipment, we will verify the equipment was turned over to the Owner or a credit was given to the Owner reflective of the fair market value of the equipment.
 10. We will update the review of the job cost for charges incurred prior to the Notice to Proceed, and review charges after the date of final completion.
 11. We will review all cost items fixed by lump sum or percentage against the provisions of the contract. We will also update our review of general conditions and other contract provisions, as necessary.
 12. We will review all allowance and contingency usage logs, determining that the funds were used in accordance with contractual requirements and were reconciled, with unspent amounts returned to the Owner. We will review contingency usage forms for proper approval.

EXHIBIT A-2

**The School Board of Hamilton County, Florida
Hamilton County Elementary School – New K-6 School
Agreed Upon Procedures – Close out (Continued)**

13. We will recalculate the guaranteed maximum price and the actual cost plus fee, based upon the Construction Manager's records and the results of the procedures above.
14. We will compare the general liability insurance requirements per the contract documents to the certificate of insurance obtained from the Construction Manager, ensuring that appropriate coverage was maintained throughout the term of the contract.
15. Regarding the completion of the Project, we will perform the following:
 - a. we will inquire and examine support that the Project was completed within the time constraints stated in the contract.
 - b. we will examine the Certificates of Substantial Completion and Final Inspection (or similar document), signed by the Architect, evidencing that the Project was completed in accordance with the terms of the contract.
16. We will review our conclusions with District personnel and will prepare a report of our procedures and findings.

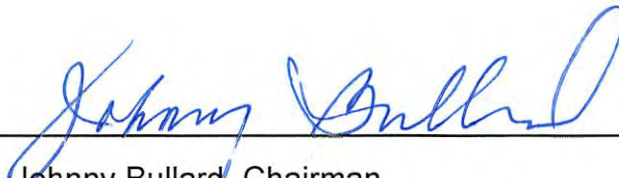
The foregoing engagement of Carr Riggs and Ingram by The School Board of Hamilton County, Florida is made subject to Carr Riggs and Ingram also being bound by the provisions of the following additional attached Exhibits:

-Exhibit B, Maintenance and Public Access to Records; and

-Exhibit C The School Board of Hamilton County, Florida, Insurance Rider for engagement of Carr Riggs and Ingram.

Accepted by The School Board of Hamilton County, Florida

by:


Johnny Bullard, Chairman

Attest:



Rex L. Mitchell, Superintendent

Approved as to form and content:

by:



James Estes Willingham, Jr.

Attorney for The School Board of Hamilton County, Florida

Exhibit B
Maintenance and Public Access to Records

In compliance with Section 119.0701 Florida Statutes (2016) Carr Riggs and Ingram ("CRI") shall:

- A. Keep and maintain public records that would ordinarily and necessarily be required by The School Board of Hamilton County, Florida, ("HCSB") in order to perform the services provided by CRI. Any documents created by CRI related to this contract shall be considered a Public Record. This includes, without limitation, any and all financial, accounting, instructional, curriculum, testing, operational or service records or reports kept, generated or issued as a normal part of the services provided.
- B. Upon request from HCSB's custodian of public records, provide HCSB with a copy of the requested records or allow the records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in Chapter 119, Florida Statutes or as otherwise provided by law.
- C. Ensure that public records that are exempt or confidential and exempt from public records disclosure requirements are not disclosed except as authorized by law for the duration of the Agreement term and following completion of the Agreement if CRI does not transfer the records to HCSB.
- D. Upon completion of the Agreement, transfer, at no cost, to HCSB all public records in possession of CRI or keep and maintain public records required by HCSB to perform the service. If CRI transfers all public records to HCSB upon completion of the Agreement, CRI shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. If CRI keeps and maintains public records upon completion of the Agreement, CRI shall meet all applicable requirements for retaining public records. All records stored electronically must be provided to HCSB, upon request from HCSB's custodian of public records, in a format that is compatible with the information technology systems of the HCSB. In any event, upon completion of the Agreement, CRI will transfer to HCSB any Education Records, as defined under the Family Educational Rights and Privacy Act ("FERPA"), which may be in CRI's possession and then destroy any copies of said Education Records in CRI's possession as required under FERPA by 34 CFR 99.31.
- E. If CRI does not comply with a public records request, HCSB shall be entitled to enforce these contract provisions by any legal or equitable means available, including, without limitation, damages, injunctive relief or both.

Failure of CRI to abide by the terms of this provision shall be deemed a material breach of this Agreement. This provision shall survive any termination or expiration of this Agreement. In the event a civil action is filed against CRI to compel production of public records where CRI has unlawfully refused to comply with the public records request within the time required by law, the Plaintiff may be entitled to recover its reasonable costs of enforcement, including reasonable attorney's fees from CRI as authorized by Section 119.0701, Florida Statutes (2016).

IF CRI HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO CRI'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS AGREEMENT, CRI MUST CONTACT THE CUSTODIAN OF PUBLIC RECORDS FOR THE SCHOOL BOARD OF HAMILTON COUNTY, FLORIDA, SUPERINTENDENT REX L. MITCHELL, TELEPHONE NUMBER

(386) 792-7802, EMAIL ADDRESS: Rex.Mitchell@hamiltonfl.com; MAILING ADDRESS: THE SCHOOL DISTRICT OF HAMILTON COUNTY, FLORIDA, 5683 SOUTH US HIGHWAY 129, SUITE 1, JASPER, FLORIDA 32052.

Exhibit C. The School Board of Hamilton County, Florida, Insurance Rider for engagement of Carr Riggs and Ingram ("CRI")

GENERAL LIABILITY

1. CRI shall maintain commercial general liability insurance with a minimum limit of \$1,000,000 per occurrence, \$2,000,000 general aggregate, and \$2,000,000 Products/Completed Operations Aggregate for bodily injury and property damage.
2. If work performed under the contract will require contact with students coverage must include sexual abuse and molestation.
3. The policy must name The School Board of Hamilton County, Florida, its Officers, Employees, Volunteers and Agents as additional insured using ISO additional insured endorsement CG 20 26 or its equivalent.
4. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs available to The School Board of Hamilton County, Florida using ISO endorsement CG 20 01 or its equivalent.

AUTOMOBILE LIABILITY

1. CRI shall maintain automobile liability insurance with a minimum limit of \$1,000,000 each accident for bodily injury and property damage.
2. Coverage must include all owned, leased, hired, non-owned, and employee non-owned vehicles and, where applicable, provide personal injury protection.

WORKERS' COMPENSATION/EMPLOYERS' LIABILITY

1. CRI agrees to maintain workers compensation coverage in accordance with Chapter 440, Florida Statutes as may be amended from time to time, including employer's liability insurance.
2. The minimum Employers' Liability limits required are \$500,000/\$500,000/\$500,000.
3. Coverage will apply to all those persons rendering services to CRI for The School Board of Hamilton County, Florida.
4. The policy will provide a Waiver of Subrogation endorsement in favor of The School Board of Hamilton County, Florida, its Officers, Employees, Volunteers and Agents.

NOTICE OF CANCELLATION:

1. Each insurance policy required by the insurance provisions of this contract shall provide the required coverage and shall not be suspended, voided, or canceled except after thirty (30) days' prior written notice has been given to The School Board of Hamilton County, Florida, except when cancellation is for non-payment of premium; then ten (10) days' prior notice may be given.
2. Such notice shall be sent directly to The School Board of Hamilton County, Florida.
3. If any insurance company refuses to provide the required notice, the CRI or its insurance broker shall notify The School Board of Hamilton County, Florida of any cancellation, suspension, or non-renewal of any insurance within seven (7) days of receipt of insurer's notification to that effect.

PROFESSIONAL LIABILITY INSURANCE:

CRI shall maintain professional liability insurance with a minimum limit of \$1,000,000 each claim and \$2,000,000 aggregate covering professional misconduct or lack of ordinary skill for those positions defined in the scope of services in the contract.

Proof of Insurance:

1. The CRI agrees to provide the Board with a certificate or certificates of insurance evidencing the required insurance. Compliance with the requirements of this paragraph

shall not relieve the CRI of its liability and obligations under this Agreement. CRI must provide proof of coverage for up to three (3) years after the completion of the project.