

**Purchase Request #2**  
**Regular Board Meeting September 25, 2018**  
**Consideration of Approval to Contract**  
**for Construction Audit Services**

**ADMINISTRATION RECOMMENDATION/REPORT**

The District President recommends the Board of Trustees engage the Certified Public Accounting firm of Matson, Driscoll and Damico, LLC (“MDD”) to perform construction audit services on monthly pay applications (“PayApps”) submitted by construction managers at risk (“CMAR”) for payment of costs and fees related to the 2017 CIP.

**BACKGROUND**

The scope of work will generally consist of the following, and will be done independently for each project audit requested:

- I. Overview of Entire Project
  - a. Review of contract between owner and CMAR
  - b. Review of initial project budget
  
- II. Review of monthly PayApps from CMAR. This shall include:
  - a. Review of General Conditions
    - i. Review of all general conditions budgets at beginning of project and subsequent revisions, if any.
    - ii. Comparison of actual general conditions costs to budget to identify areas of focus
    - iii. Review of any cost allocations
    - iv. Confirm that all general conditions costs charged in the PayApps are fully and properly supported
    - v. Confirm all costs are charged in compliance with the construction contract.
  
- III. Subcontractors
  - a. Review subcontractor invoices and reconcile to CMAR PayApps (will include search for clerical errors and duplications)
  - b. Review change orders and confirm that all approvals were issued and that subcontractor costs were billed in accordance with change orders
  - c. Review contracts between CMAR and subcontractors
  - d. Review of CMAR accounts payable ledgers to confirm payments to subcontractors for amounts invoiced.
  - e. Review details of subcontractor billings on a sample basis to confirm roll up to invoice total:
    - i. Daily job reports confirming labor hours, equipment and material usage
    - ii. Sample of certified payroll reports to confirm labor rates
    - iii. Review of burden to ensure compliance
    - iv. Compliance with rates per contract

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IV. Change Orders and Contingencies

- a. Review of all change order and contingency logs
- b. Review of change orders impacting general conditions costs
- c. Determine actual charges against approved amounts
- d. Confirm that proper owner authorization was received for all change orders

V. Retainage Billings

- a. Review of retainage billings to determine that all work has been approved and all adjustments have been credited.

Reference number (REF) 4195 was issued to track the volume of spend for construction audit services. Tracking of spend volume is accomplished through the Purchasing Department's eProcurement system. The system is set to automatically notify the contract owner when 85% of the approved expenditure is reached, which triggers the contract owner to analyze current and future spend.

Accounting/fiscal agent services are classified as professional services pursuant to Section 2254 of the Texas Government Code and are exempt from competitive bidding per Section 44.031(f) of the Texas Education Code.

**IMPACT OF THIS ACTION**

The process by which CMAR's apply for construction progress payments is generally described as Application for Certificate of Payment (or "PayApp"). At the conclusion of each month during the construction project the CMAR will complete American Institute of Architects ("AIA") Documents G-702 and G-703 to request payment for costs expended. The architect of record is required to certify the percentage of completion upon which the payment request is based.

Form G-702 is a pre-approved form that requires the contractor to show the status of the contract sum to date, including the total dollar amount of the work completed and stored to date, the amount of retainage (if any), the total of previous payments, a summary of change orders, and the amount of current payment requested.

AIA Document G703-1992 breaks the contract sum into portions of the work in accordance with a schedule of values prepared by the contractor as required by the general conditions. The schedule of values is a categorical listing of project cost components developed by the CMAR and included in the GMP contract as budget components of the construction process.

Because the review and certification of the PayApp (collectively the G-702 and G-703) only deal with categorical numbers, a further review of documents supporting the categorical expenses is requested. The construction audit services requested to be provided by MDD will examine the subcontractor supporting documents upon which the CMAR's categorical

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request for reimbursement is based, providing a much deeper analysis of the propriety of the costs claimed as reimbursable.

**BUDGET INFORMATION (INCLUDING ANY STAFFING IMPLICATIONS)**

Fees will be charged on an hourly basis as incurred at the rates of \$265 per hour for the partner-in-charge and other firm professionals at a range from \$110 to \$170. Fees and expenses will be billed on a monthly basis. This request is for spend authorization for construction audit services for the period October 1, 2018 to May 31, 2022 not to exceed \$350,000.00 which will be funded by 2017 CIP funds, in accordance with Board Policy CF (Local) and Texas Education Code Section 44.031.

**RESOURCE PERSONNEL**

Ken Lynn

Chief Financial Officer

972-758-3831