

La Porte Independent School District

Independent Accountant's Report On

Applying Agreed Upon Procedures

Tellepsen Builders L.P.

December 18, 2019

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Trustees of
La Porte Independent School District
La Porte, Texas

We have performed the procedures enumerated below, which were agreed to by the La Porte Independent School District (the District), solely to assist the District with respect to accounting for expenditures from the 2014 bond authorization for construction manager at risk contracts (the Bond Expenditures). The District's management is responsible for the Bond Expenditures. The sufficiency of these procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

Construction Manager: Tellepsen Builders L.P. (Tellepsen)

Project: Baker Sixth Grade Campus

Procedure: Read a copy of the executed contract between Tellepsen and the District and gain an understanding of the type of contract and two main classifications of work which are 1) cost of work and 2) general conditions.

Finding: We read a copy of the executed contract between the parties and determined that it is a guaranteed maximum price (GMP) contract for \$26,500,000. We also obtained an understanding of the cost of work and general conditions.

Procedure: Select a sample of the billings received by the District and obtain the schedule of values supporting each billing and determine if the schedule of values was approved by the architect and the District's representative.

Finding: We selected 12 contractor billings representing 52% of the total billings received by the District as well as the supporting schedule of values noting all were properly approved by the architect and the District's representative.

Procedure: Obtain a copy of the final job cost detail report.

Finding: We obtained a copy of the final job cost detail report noting total costs of \$25,812,957, which excludes the construction manager fee of 2.0% of the GMP.

Procedure: Select a sample of 20-25 expenditures from the job cost detail report and determine that supporting documentation exists for each expenditure.

Finding: We selected 25 expenditures from the job cost detail report and reviewed documentation supporting each expenditure. No exceptions noted.

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Procedure: Select a sample of payroll expenditures from the job cost detail report and determine that payroll is supported by an approved timesheet and actual pay rate.

Finding: We selected 10 pay periods from the job cost detail report and vouched the expense to the approved timesheet and the hourly billing rate per section 6.2 of the contract. We noted a variance for the pay period ending December 4, 2016 in which the superintendent was charged for 175 hours on the job but the timesheet was approved for only 24 hours. We noted this variance resulted in an overstatement of expense of \$16,640.

Procedure: Request documentation supporting the burden rate applied to employees and agree the burden rate to the amount charged in the job cost detail report.

Finding: The labor burden is included in the hourly billing rate as stated in section 6.2 of the contract.

Procedure: Recalculate the compensation to be paid to the construction manager under the terms of the contract.

Finding: We calculated the construction manager fee to be \$530,000 based on a fee of 2.0% of the contract GMP of \$26,500,000. We traced the construction manager fee to the final schedule of values without exception.

Procedure: Recalculate the total contract amount based on the total cost of work plus the total fee to the construction manager.

Finding: We calculated the total contract amount of \$26,342,957 based on the total cost of work from the job cost detail report of \$25,812,957 plus the construction manager's fee of \$530,000. We noted that the total amount billed to the District was \$26,342,227 which resulted in a difference of \$730 from our calculation.

Procedure: Determine that the total amount paid by the District did not exceed the GMP of the contract and that any savings were reflected in a deductive change order in accordance with the terms of the contract.

Finding: The amount paid by the District of \$26,342,227 did not exceed the GMP of the contract of \$26,500,000. We calculated the contract savings to the District by subtracting the total cost of work from the job cost detail report \$25,812,957 plus the construction manager fee of \$530,000 from the contract GMP of \$26,500,000. Our calculation of net savings to the District totaled \$157,043 which is a difference of \$730 from the amount recorded in the final pay application as a deductive change order of \$157,773.

Project: La Porte Elementary School

Procedure: Read a copy of the executed contract between Tellepsen and the District and gain an understanding of the type of contract and two main classifications of work which are 1) cost of work and 2) general conditions.

Finding: We read a copy of the executed contract between the parties and determined that it is a GMP contract for \$1,600,000. We also obtained an understanding of the cost of work and general conditions.

Procedure: Select a sample of the billings received by the District and obtain the schedule of values supporting each billing and determine if the schedule of values was approved by the architect and the District's representative.

Finding: We selected 7 contractor billings representing 54% of the total billings received by the District as well as the supporting schedule of values noting all were properly approved by the architect and the District's representative.

Procedure: Obtain a copy of the final job cost detail report.

Finding: We obtained a copy of the final job cost detail report noting total costs of \$1,554,061, which excludes the construction manager fee of 2.5% of the GMP.

Procedure: Select a sample of 5-10 expenditures from the job cost detail report and determine that supporting documentation exists for each expenditure.

Finding: We selected 8 expenditures from the job cost detail report and reviewed documentation supporting each expenditure. No exceptions noted.

Procedure: Select a sample of payroll expenditures from the job cost detail report and determine that payroll is supported by an approved timesheet and actual pay rate.

Finding: We selected 3 pay periods from the job cost detail report and vouched the expense to the approved timesheet and the hourly billing rate per section 6.2 of the contract. We noted one employee selected for two pay periods whose hourly billing rate was less than the agreed upon billing rate per the contract resulting in a \$2,124 favorable variance.

Procedure: Request documentation supporting the burden rate applied to employees and agree the burden rate to the amount charged in the job cost detail report.

Finding: The labor burden is included in the hourly billing rate as stated in section 6.2 of the contract.

Procedure: Recalculate the compensation to be paid to the construction manager under the terms of the contract.

Finding: We calculated the construction manager fee to be \$40,000 based on a fee of 2.5% of the contract GMP of \$1,600,000. We traced the construction manager fee to the final schedule of values without exception.

Procedure: Recalculate the total contract amount based on the total cost of work plus the total fee to the construction manager.

Finding: We calculated the total contract amount of \$1,594,061 based on the total cost of work from the job cost detail report of \$1,554,061 plus the construction manager fee of \$40,000. We noted that the total amount billed to the District was \$1,594,087 which resulted in a difference of \$26 from our calculation.

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Procedure: Determine the total amount paid by the District did not exceed the GMP of the contract and that any savings were reflected in a deductive change order in accordance with the terms of the contract.

Finding: The amount paid by the District of \$1,594,087 did not exceed the GMP of the contract of \$1,600,000. We calculated the contract savings to the District by subtracting the total cost of work from the job cost detail report of \$1,554,061 plus the construction manager fee of \$40,000 from the contract GMP of \$1,600,000. Our calculation of net savings to the District totaled \$5,939 which is a difference of \$26 from the amount recorded in the final pay application as a deductive change order of \$5,913.

Project: La Porte Middle School

Procedure: Read a copy of the executed contract between Tellepsen and the District and gain an understanding of the type of contract and two main classifications of work which are 1) cost of work and 2) general conditions.

Finding: We read a copy of the executed contract between the parties and determined that it is a GMP contract for \$14,500,000. We also obtained an understanding of the cost of work and general conditions.

Procedure: Select a sample of the billings received by the District and obtain the schedule of values supporting each billing and determine if the schedule of values was approved by the architect and the District's representative.

Finding: We selected 12 contractor billings representing 52% of the total billings received by the District as well as the supporting schedule of values noting all were properly approved by the architect and the District's representative.

Procedure: Obtain a copy of the final job cost detail report.

Finding: We obtained a copy of the final job cost detail report noting total costs of \$14,616,535, which excludes the construction manager fee of 2.5% of the GMP.

Procedure: Select a sample of 20-25 expenditures from the job cost detail report and determine that supporting documentation exists for each expenditure.

Finding: We selected 20 expenditures from the job cost detail report and reviewed documentation supporting each expenditure. No exceptions noted.

Procedure: Select a sample of payroll expenditures from the job cost detail report and determine that payroll is supported by an approved timesheet and actual pay rate.

Finding: We selected 10 pay periods from the job cost detail report and vouched the expense to the approved timesheet and the hourly billing rate per section 6.2 of the contract. We noted a variance for the pay period ending July 5, 2015 in which the project manager was charged for 32 hours on the job but the timesheet was approved for only 24 hours. We noted this variance resulted in an overstatement of job costs of \$688.

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Procedure: Request documentation supporting the burden rate applied to employees and agree the burden rate to the amount charged in the job cost detail report.

Finding: The labor burden is included in the hourly billing rate as stated in section 6.2 of the contract.

Procedure: Recalculate the compensation to be paid to the construction manager under the terms of the contract.

Finding: We calculated the construction manager fee to be \$377,314 based on a fee of 2.5% of the contract GMP of \$14,500,000 plus \$592,551 of additive change orders. We traced the construction manager fee to the final schedule of values noting a construction manager fee of \$376,723. We noted a difference of \$591 between our recalculation and the amount in the final schedule of values.

Procedure: Recalculate the total contract amount based on the total cost of work plus the total fee to the construction manager.

Finding: We calculated the total contract amount of \$14,993,849 based on the total cost of work from the job cost detail report of \$14,616,535 plus the construction manager's fee of \$377,314. We noted that the total amount billed to the District was \$14,993,203 which resulted in a difference of \$646 from our calculation.

Procedure: Determine the total amount paid by the District did not exceed the GMP of the contract and that any savings were reflected in a deductive change order in accordance with the terms of the contract.

Finding: The amount paid by the District of 14,993,203 did not exceed the GMP of the contract of \$14,500,000 plus net change orders of \$583,123. We calculated the contract savings to the District by subtracting the total cost of work from the job cost detail report of \$14,616,535 plus the construction manager fee of \$377,314 from the contract GMP of \$14,500,000 plus net change orders of \$583,123. Our recalculation of net savings to the District totaled \$89,274 which is a difference of \$646 from the amount recorded in the final pay application as a deductive change order of \$89,920.

Project: Lomax Elementary School

Procedure: Read a copy of the executed contract between Tellepsen and the District and gain an understanding of the type of contract and two main classifications of work which are 1) cost of work and 2) general conditions.

Finding: We read a copy of the executed contract between the parties and determined that it is a GMP contract for \$22,000,000. We also obtained an understanding of the cost of work and general conditions.

Procedure: Select a sample of the billings received by the District and obtain the schedule of values supporting each billing and determine if the schedule of values was approved by the architect and the District's representative.

Finding: We selected 14 contractor billings representing 50% of the total billings received by the District as well as the supporting schedule of values noting all were properly approved by the architect and the District's representative.

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Procedure: Obtain a copy of the final job cost detail report.

Finding: We obtained a copy of the final job cost detail report noting total cost of work of \$21,137,352, which excludes the construction manager fee of 2.0% of the GMP.

Procedure: Select a sample of 20-25 expenditures from the job cost detail report and determine that supporting documentation exists for each expenditure.

Finding: We selected 23 expenditures from the job cost detail report and reviewed documentation supporting each expenditure. No exceptions noted.

Procedure: Select a sample of payroll expenditures from the job cost detail report and determine that payroll is supported by an approved timesheet and actual pay rate.

Finding: We selected 10 pay periods from the job cost detail report and vouched the expense to the approved timesheet and the hourly billing rate per section 6.2 of the contract. We noted no exceptions.

Procedure: Request documentation supporting the burden rate applied to employees and agree the burden rate to the amount charged in the job cost detail report.

Finding: The labor burden is included in the hourly billing rate as stated in section 6.2 of the contract.

Procedure: Recalculate the compensation to be paid to the construction manager under the terms of the contract.

Finding: We calculated the construction manager fee to be \$440,000 based on a fee of 2.0% of the contract GMP of \$22,000,000. We traced the construction manager fee to the final schedule of values noting a construction manager fee of \$431,373. We noted a variance of \$8,627 between our calculation and the amount in the final schedule of values.

Procedure: Recalculate the total contract amount based on the total cost of work plus the total fee to the construction manager.

Finding: We calculated the total contract amount of \$21,577,352 based on the total cost of work from the job cost detail report of \$21,137,352 plus the construction manager fee of \$440,000. We noted that the total amount billed to the District was \$21,568,725 which resulted in a difference of \$8,627 from our calculation.

Procedure: Determine the total amount paid by the District did not exceed the GMP of the contract and that any savings were reflected in a deductive change order in accordance with the terms of the contract.

Finding: The amount paid by the District of \$21,568,725 did not exceed the GMP of the contract of \$22,000,000. We calculated the contract savings to the District by subtracting the total cost of work from the job cost detail report of \$21,137,352 plus the construction manager fee of \$440,000 from the contract GMP of \$22,000,000. Our recalculation of net savings to the District totaled \$422,648 which is a difference of \$8,627 from the amount recorded in the final pay application as owner savings of \$431,275.

Project: La Porte High School

- Procedure:** Read a copy of the executed contract between Tellepsen and the District and gain an understanding of the type of contract and two main classifications of work which are 1) cost of work and 2) general conditions.
- Finding:** We read a copy of the executed contract between the parties and determined that it is a GMP contract for \$95,897,052, including change orders. We also obtained an understanding of the cost of work and general conditions.
- Procedure:** Select a sample of the billings received by the District and obtain the schedule of values supporting each billing and determine if the schedule of values was approved by the architect and the District's representative
- Finding:** We selected 25 contractor billings representing 50% of the total billings received by the District as well as the supporting schedule of values noting all were properly approved by the architect and the District's representative.
- Procedure:** Obtain a copy of the final job cost detail report.
- Finding:** We obtained a copy of the final job cost detail report noting total cost of work of \$98,047,811, which excludes the construction manager fee of 2.0% of the GMP.
- Procedure:** Select a sample of 30-40 expenditures from the job cost detail report and determine that supporting documentation exists for each expenditure.
- Finding:** We selected 40 expenditures from the job cost detail report and reviewed documentation supporting each expenditure. No exceptions noted.
- Procedure:** Select a sample of payroll expenditures from the job cost detail report and determine that payroll is supported by an approved timesheet and actual pay rate.
- Finding:** We selected 5 pay periods from the job cost detail report and vouched the expense to the approved timesheet and the hourly billing rate per section 6.2 of the contract. We noted no exceptions.
- Procedure:** Request documentation supporting the burden rate applied to employees and agree the burden rate to the amount charged in the job cost detail.
- Finding:** The labor burden is included in the hourly billing rate as stated in section 6.2 of the contract.
- Procedure:** Recalculate the compensation to be paid to the construction manager under the terms of the contract.
- Finding:** We calculated the construction manager fee to be \$2,065,864 based on a fee of 2.0% of the contract GMP of \$95,897,052 plus additive change orders of \$7,396,150. We traced the construction manager fee to the final schedule of values of \$1,959,119. We noted the final schedule of values reported \$106,745 less than our calculation.

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Procedure: Recalculate the total contract amount based on the total cost of work plus the total fee to the construction manager.

Finding: We calculated the total contract amount of \$100,113,675 based on the total cost of work from the job cost detail report of \$98,047,811 plus the construction manager fee of \$2,065,864. We noted that the total amount billed to the District was \$99,837,565 which resulted in a difference of \$276,110 from our calculation.

Procedure: Determine the total amount paid by the District did not exceed the GMP of the contract and that any savings were reflected in a deductive change order in accordance with the terms of the contract.

Finding: The amount paid by the District of \$99,837,565 did not exceed the GMP of the contract of \$95,897,052 plus net change orders of \$3,940,513. We calculated the contract savings to the District by subtracting the total cost of work from the job cost detail report of \$98,047,811 plus the construction manager fee of \$2,065,864 from the contract GMP of \$95,897,052 plus net change orders of \$3,940,513. Our recalculation of net savings to the District totaled \$0 which agrees to the final pay application.

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, respectively, on the Bond Expenditures. 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 District and is not intended to be and should not be used by anyone other than the District.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
December 18, 2019