Internal Audit Report: SMART Bond Program Pay Applications and General Conditions Analysis

Broward County Public Schools

November 6, 2026

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TRANSMITTAL LETTER

November 6, 2026

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Pursuant to the approved internal audit scope of work, dated February 24th, 2026, we hereby submit our SMART Bond Program Pay Application and General Conditions Analysis. Our report is organized in the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our SMART Bond Program Pay Applications and General Conditions Analysis.
Background	This provides an overview of the function, as well as relevant background information.
Objectives and Approach	The internal audit objectives are expanded upon in this section, as well as a summation of the various phases of our approach.
Observations Matrix	This section includes a description of the observations noted during our review and recommended actions, as well as Management's response, including the responsible party, and estimated completion date.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

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EXECUTIVE SUMMARY

Background

Broward County Public Schools ("District" or "BCPS") operates a large public education system and is responsible for maintaining schools, administrative facilities, and related infrastructure throughout Broward County. To support facility improvements, modernization efforts, and other capital needs, the District implemented the Safety, Music & Art, Athletics, Renovations, and Technology ("SMART") Bond Program, which funded construction, renovation, and infrastructure improvement projects across the District.

The size and complexity of the SMART Program require effective oversight of construction costs throughout the life of each project. Construction projects include a variety of cost components, such as general conditions, insurance, bonds, change orders, and other project-related expenditures that must be reviewed and approved in accordance with contractual requirements and District procedures. To support this oversight, the District maintains construction project records in Trimble, which serves as the repository for documentation related to contract administration, pay applications, project monitoring, and payment approval.

Pay applications serve as the primary mechanism through which contractors request payment, while general conditions represent a significant category of project costs. Effective review and monitoring of these areas are important to help ensure project expenditures are adequately supported, appropriately approved, and consistently administered across SMART Program projects. Consistent administration of general conditions and thorough review of pay applications promote transparency, accountability, and compliance with contractual requirements and District procedures.

Overall Summary / Highlights

Internal audits provide insight into an organization's culture, policies, and procedures and aids Management in oversight by verifying internal controls are operating effectively, and adequately mitigating risk, and are in compliance with relevant laws, regulations and policies.

The observations detailed in the pages that follow represent only the instances where exceptions were noted, and do not detail the instances where testing resulted in no reportable observations. For each observation, we discuss the relevant risks, which may include financial, operational, and/or compliance, as well as public perception or brand risks.

Objectives and Scope

The primary objective of this internal audit was to evaluate the consistency and reasonableness of general conditions, insurance, and bonds across SMART bond construction projects, and to assess whether pay applications are adequately reviewed, supported, and approved in accordance with contractual requirements and District standard operating procedures ("SOPs").

We identified and selected a sample of projects for general conditions and pay application analysis, limited to SMART Program projects in Project Phase 8 (Financial Closeout) or Phase 9 (Closed) with a final contract value exceeding $1 million. For these samples, our procedures included, but were not limited to:

- Preconstruction and General Conditions Analysis
  - Reviewed contract agreements and amendments.
  - Compared the percentages and dollar amounts of general conditions, insurance, and bonds.
  - Assessed consistency in the treatment of general conditions.
- Pay Application Review
  - Verified pay application included the required documentation and assessed PMOR review of unsupported or questionable costs.
  - Confirmed evidence of District oversight and approval prior to payment.
- CPCM and PM/OR Invoice Review
  - Reviewed CPCM and PM/OR monthly invoices to assess compliance with applicable contractual requirements, adequacy of supporting documentation, and mathematical accuracy.

At the conclusion of our procedures, we summarized our findings into this written report. We have reviewed the results of our testing with OCA and PM/OR teams, and incorporated managements response herein.

Summary of Observation Ratings
(See page 4 for risk rating definitions)

	High	Moderate	Low
Pay Applications and General Conditions Analysis	-	1	1

We would like to thank all District team members who assisted us throughout this internal audit.

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Executive Summary (Continued)

Observations Summary

Below is a summary listing of the observations that were identified during this internal audit. Detailed observations are included in the observation matrix section of the report. Definitions of the rating scale are included below.

Summary of Observations	
Observations	**Rating**
1. Pay Application Review and Approval	Moderate
2. Evaluation and Benchmarking of General Conditions Within CSMP Projects	Low

Risk Rating Definitions

Provided below are the observation risk rating definitions for the detailed observations.

Observation Risk Rating Definitions	
Rating	**Definition**
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.

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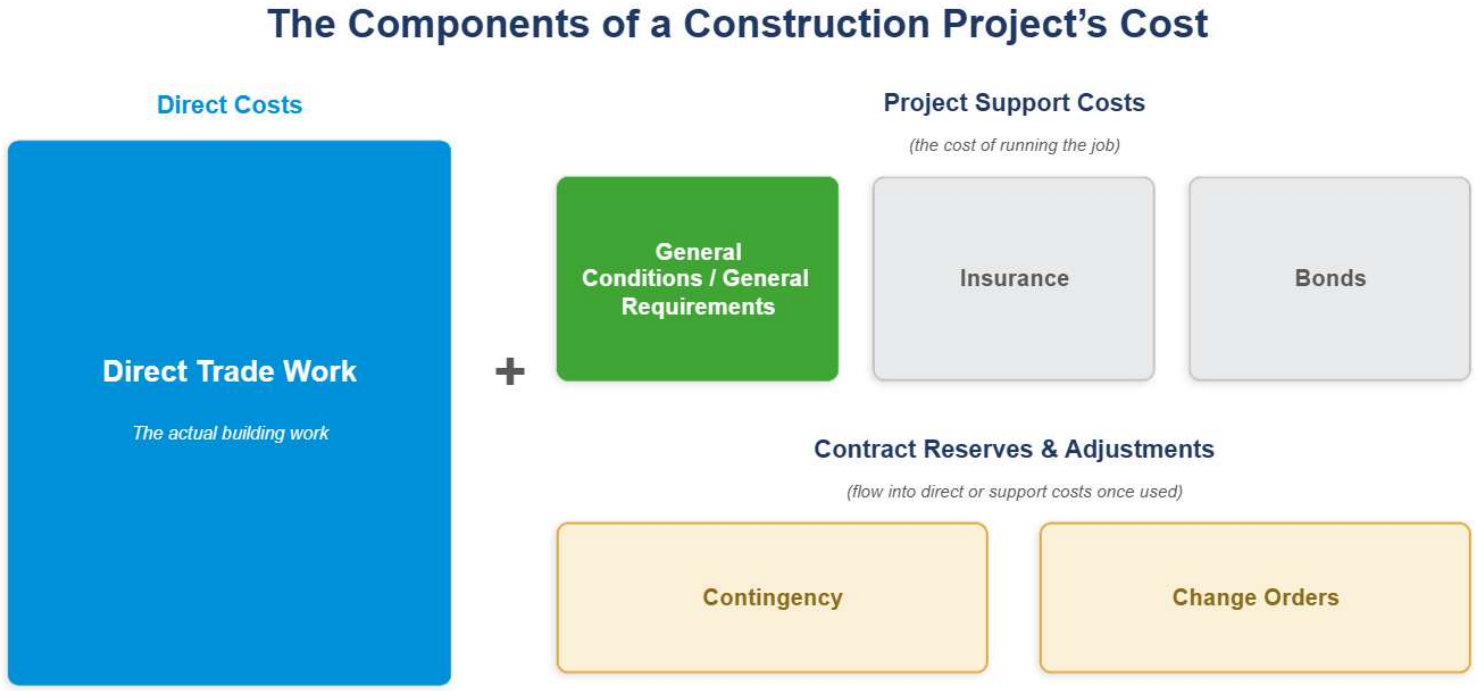
BACKGROUND

Overview

Broward County Public Schools (the "District" or "BCPS") operates a large public education system and is responsible for maintaining schools, administrative buildings, and related facilities throughout Broward County. These buildings require ongoing repair, which the District funds through capital programs such as the Safety, Music & Art, Athletics, Renovations, and Technology ("SMART") Bond Program. Work performed under the program has included roofing, HVAC, electrical, and technology improvements across the District.

Each project is made up of cost components, including direct trade work, general conditions, insurance, bonds, contingency, owner-directed purchases, and change orders. These costs should be tracked, reviewed, and approved in line with contractual requirements and District procedures, so that payments stay supported by documentation and spending stays in line with what the District and its contractors agreed to.

To support this oversight, the District uses Trimble (formerly e-Builder), its project management platform, as the system of record for construction project management. Trimble maintains the contracts, schedules of values, pay applications, and change order documentation used to administer projects and approve payments. Because these records are the evidence behind each payment, complete and accessible documentation is an important part of the District's ability to confirm that billed amounts are accurate and appropriate. The review that follows focuses on two closely connected areas, whether pay applications were adequately reviewed, supported, and approved, and whether general conditions and related costs were treated consistently and reasonably across projects.



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BACKGROUND (CONTINUED)

Pay Application Oversight

Construction projects are paid for through periodic payment requests, known as pay applications, that the construction manager submits as the work progresses. Each pay application bills the District for the work completed during that period and is supported by documentation that substantiates the amounts requested. Reviewing and approving these requests is one of the District's most important cost controls, because it is the point at which billed amounts are confirmed against the contract and the work carried out before money gets released.

The projects reviewed were delivered under three methods, Hard Bid (Design-Bid-Build), Construction Services Minor Projects ("CSMP"), and Construction Management at Risk ("CMAR"). Because each method structures project costs differently, the support required in each pay application package also differs. At a minimum, every package should include an updated Schedule of Values ("SOV") that agrees to the approved contract value, and the District uses a checklist specific to each delivery method to guide its review.

Hard Bid and CSMP projects are awarded at a fixed contract sum, so their packages focus on billing against the approved SOV. CSMP invoices must also reference the related purchase order and include actual cost support for reimbursable items such as bonds, permits, and testing. CMAR projects require the most support because they are built on a Guaranteed Maximum Price ("GMP") which are made up of trade buyouts, a construction manager fee, contingency, and allowances. Each CMAR package must include invoices, subcontractor pay applications, subcontractor lien releases, a buyout savings reconciliation, and allowance and contingency usage logs.

General Conditions Analysis

Alongside direct construction costs, projects carry the cost of running the job itself. These are the general conditions and general requirements, and they include the items needed to keep the project moving. This includes components like supervision, temporary field offices, temporary utilities, safety, insurance, and bonds. Because these costs can represent a decent chunk of a project's value, we evaluated whether they were treated consistently and reasonably across sampled projects. The table below summarizes the general conditions/general requirements (“GC/GRs”) categories mentioned above; however, these are just a few components of GC/GRs and does not include everything housed within them.

Comparing these costs across projects is not straightforward, because each delivery method accounts for them differently. Some contracts break out insurance, bonds, or a preconstruction fee as separate line items, while others fold them into general conditions or general requirements. Preconstruction fees, for example, are generally only seen on CMAR projects.

These differences sets the stage for the data analytics that follow. By determining how each delivery method structures its costs, we were able to combine general conditions, general requirements, insurance, bonds, and preconstruction into a single, comparable figure and evaluate general conditions on a consistent basis across the sampled projects.

Project supervision On-site project manager, superintendent, and field staff who direct the work.	**Office & facilities** Temporary trailers, utilities, and equipment needed to run the job site.	**Safety & site security** Fencing, site protection, and safety activities during construction.	**Insurance & bonds** Coverage required by the contract to protect the District.	**Preconstruction** Early planning and estimating fees, generally only on CMAR projects.

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Background (Continued)

Sampling and Testing Approach

Our analysis focused on the highest-value SMART Bond Program construction projects for which complete supporting documentation was available to evaluate the project lifecycle from initiation through closeout. Beginning with the District's full population of 523 construction projects, we narrowed the scope to projects in Phase 8 (Financial Closeout) or Phase 9 (Closed) with a final contract value exceeding $1 million, with the exception of two CSMP projects. Projects outside the SMART Bond Program and component carve-outs were excluded. This approach prioritized projects with greater financial exposure while ensuring that each selected project had a complete, final set of pay applications, change orders, and other supporting documentation necessary to perform our review.

The District delivers construction projects through various methods, including hard bid, Construction Services Minor Projects (CSMP), and Construction Manager at Risk (CMAR). From the population identified above, we selected a risk-based, judgmental sample to evaluate the District's practices across these delivery methods. Sample selection considered factors such as project delivery method, contract value, and contractor to promote coverage across different project types and avoid concentrating the review within a single contract type or contractor. This approach also enabled us to assess how general conditions were applied and treated across different contract structures. Below is the listing of our final sample selections based upon the methodology described above:

Sample #	Project / School	Project #	Contractor	Delivery Method	Contract Value	Phase
1	**Dania ES**	P.002061	LEGO Construction Co.	RFQ - CSMP	$2,713,139.26	Financial Closeout
2	**Nova Eisenhower ES**	P.002145	LEGO Construction Co.	RFQ - CSMP	$2,585,645.72	Financial Closeout
3	**Sunshine ES**	P.002079	LEGO Construction Co.	RFQ - CSMP	$3,233,261.08	Closed
4	**Heron Heights ES**	P.002147	FHP Tectonics Co.	RFQ - CSMP	$473,010.96	Closed
5	**Lauderhill CS**	P.002092	Grace & Naeem Uddin, Inc.	RFQ - CSMP	$898,084.71	Financial Closeout
6	**Cresthaven ES**	P.001676	State Contracting & Eng.	RFQ - CMAR	$6,372,559.57	Financial Closeout
7	**Endeavour PLC**	P.002111	D. Stephenson Construction, Inc.	RFQ - CC CMAR	$1,921,595.01	Financial Closeout
8	**J.P. Taravella HS**	P.001942	The Morganti Group, Inc.	RFQ - CMAR	$10,205,696.39	Final Completion
9	**C. Robert Markham ES**	P.001920	Burke Construction Group, Inc.	RFQ - DBB	$3,368,454.45	Closed
10	**Stirling ES**	P.001905	Anatom Construction Co.	CCA - DBB	$2,835,928.43	Financial Closeout
11	**Lakeside ES**	P.002070	Advanced Roofing, Inc.	RFQ - DBB	$2,961,161.00	Closed
12	**Sawgrass Springs MS**	P.001841	LEGO Construction Co.	RFQ - DBB	$9,353,644.92	Financial Closeout

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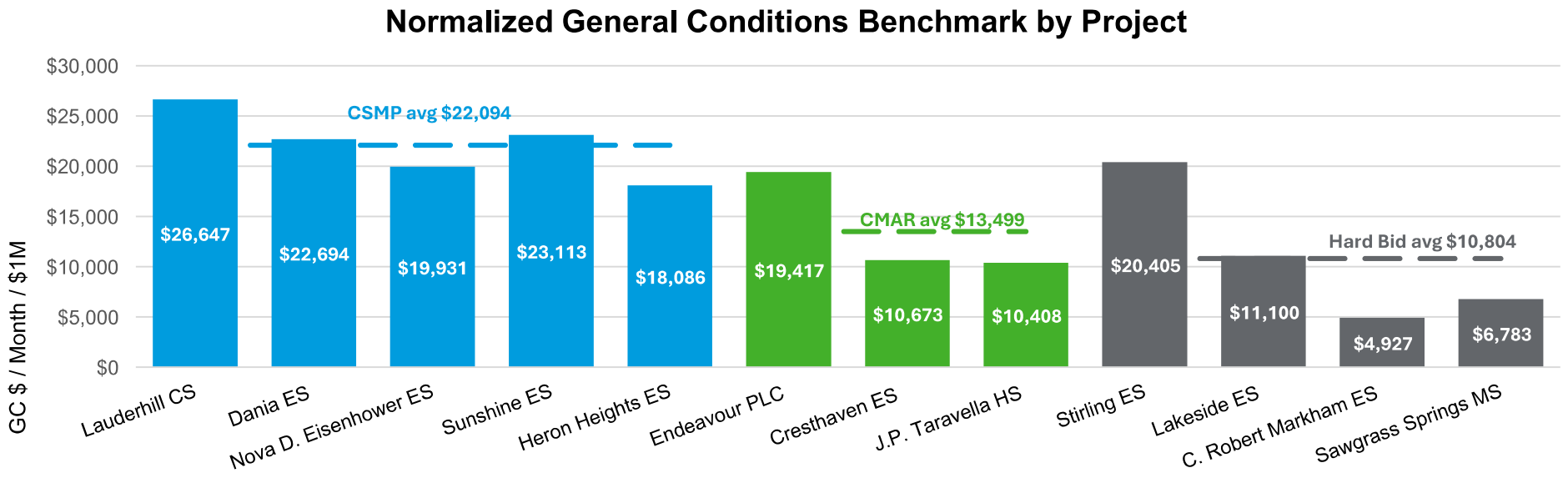
BACKGROUND (CONTINUED)

Project Normalization

In addition to the analyses performed to support sample selection, we conducted analytical procedures to evaluate how general conditions, insurance, bonds, and preconstruction fees were treated across the sampled projects. Contract structures vary, with some projects identifying insurance, bonds, and preconstruction fees as separate line items and others incorporating these costs into general conditions or general requirements. For example, preconstruction fees are generally associated with CMAR projects. To facilitate consistent comparisons, we aggregated general conditions, general requirements, insurance, bonds, and preconstruction fees into a single cost measure, referred to as general conditions throughout this analysis. This approach establishes a consistent definition of project support costs across all sampled projects, regardless of how individual contracts categorize these expenses.

Because projects also varied in contract value and duration, we developed a normalization methodology to facilitate comparisons. As part of this process, we adjusted each project's value for factors such as direct owner purchases (DOP), tax savings credits, and returned contingency, which affect the relationship between reported project value and construction costs. The resulting adjusted project value provides a consistent, delivery-method-neutral basis for comparing projects. Using the adjusted project value, we evaluated general conditions in two ways. First, we calculated general conditions as a percentage of adjusted project value to assess the proportion of project costs attributable to support activities rather than direct trade work. Second, we calculated general conditions cost per month for every $1 million of adjusted project value. This measure accounts for the time-dependent nature of many general conditions expenses and facilitates comparisons across projects of different sizes and durations by normalizing costs for both project value and time.

Finally, we grouped the results by delivery method, CSMP, CMAR, and Hard Bid, to evaluate general conditions costs within and across contract types. The data analytics were not intended to independently determine whether project costs were appropriate or inappropriate. Rather, they were used to provide a program-level perspective of construction cost and assist in identifying patterns, trends, and variations that could be further evaluated through review of project documentation, contractual requirements, and pay applications. The chart below summarizes the normalized monthly general conditions cost per $1 million of adjusted project value for each sampled project, with the average for each delivery method provided as a reference point.



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Objectives and Approach

Objectives

The primary objective of this internal audit was to evaluate the consistency and reasonableness of general conditions, insurance, and bonds across SMART bond construction projects, and to assess whether pay applications are adequately reviewed, supported, and approved in accordance with contractual requirements and District standard operating procedures ("SOPs").

Approach

The purpose of this phase was to perform detailed testing and analysis of SMART Bond Program construction projects, with a focus on preconstruction and general conditions costs, pay applications, and program management invoices. Based on our understanding of the underlying processes obtained during the first phase, we applied risk- and sample-based testing, document review, data analytics, recalculation, and reconciliation procedures to meet the audit objectives outlined above.

The procedures performed included, but were not limited to, the following:

- Preconstruction and General Conditions Analysis
  - Performed data analytics over the population of SMART Bond Program projects to identify projects that were in Phase 8 (Financial Closeout) or Phase 9 (Closed) and had a final contract value exceeding $1 million.
  - Selected 10 SMART Bond Program construction projects for detailed review, consisting of three Construction Manager Special Projects (CSMP), three Construction Manager at Risk (CMAR), and four Design-Bid-Build (DBB) projects. The review was designed to assess the consistency and reasonableness of general conditions, insurance, bonds, and related fees across projects and delivery methods.
  - Because all three CSMP projects selected under the original sampling parameters were managed by the same construction manager, two additional CSMP projects were selected for supplemental analysis. This expanded the analysis to determine whether elevated general conditions costs observed within the original CSMP sample were indicative of a broader trend associated with the CSMP delivery method rather than circumstances specific to a single construction manager.
  - For the projects selected for detailed and supplemental review, procedures included:
    - Reviewed contracts and applicable amendments to understand how general conditions were structured and reimbursed, including whether costs were established as lump sum, percentage-based, or actual-cost reimbursable.
    - Developed a normalized cost basis to facilitate meaningful comparisons of general conditions, insurance, and bond costs across projects with differing contract structures and characteristics. The analysis considered factors including project duration, direct owner purchases, tax-saving credits, and returned contingency. Using this normalized basis, we compared cost percentages and dollar amounts across projects and delivery methods to identify variances, outliers, and trends for further evaluation.
    - Evaluated whether the treatment and application of general conditions were consistent with applicable contractual provisions and across comparable projects.
    - Assessed factors considered in establishing preconstruction fee structures.
    - Reviewed change orders to determine how general conditions were treated and whether related adjustments were appropriately reflected in project billings, including identifying instances in which costs may have been omitted or duplicated.
- Pay Application Review
  - Selected two pay applications from each of the 10 projects in the core sample, resulting in a total of 20 pay applications for detailed testing. The sample included one pay application from approximately the midpoint of each project and one from near project completion.

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OBJECTIVES AND APPROACH (CONTINUED)

- For each sampled pay application:
  - Evaluated whether monitoring and review controls were sufficient to verify that pay applications were accurate, appropriately supported, and consistent with contractual requirements.
  - Verified the presence of required supporting documentation, as applicable, including subcontractor invoices, lien releases, schedules of values, and certified payroll documentation.
  - Confirmed evidence of District review and approval prior to payment.
  - Performed selected recalculations and reconciliations to assess mathematical accuracy and agreement of billed amounts to supporting documentation.

- CPCM and PM/OR Invoice Testing
  - Reviewed CPCM and PM/OR monthly invoices issued between January 2026 and June 2026 to assess compliance with applicable contractual requirements, adequacy of supporting documentation, and mathematical accuracy.

Reporting

At the conclusion of this internal audit, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel and have incorporated Management's response into this report.

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Observations Matrix

1. Pay Application Review and Approval	Risk Rating: Moderate

Observation

Our review identified that pay application review procedures did not consistently identify and resolve discrepancies between approved contract documentation, Schedules of Values ("SOVs"), and supporting records prior to approval. Pay applications serve as the basis for contractor payment; therefore, the contract and line items included within the pay application package should agree to approved project documentation and be supported before the payment is approved. If these are incorrect, there is an increased risk that billings can exceed agreed-upon line items for budgets and/or contract totals. Specifically, we observed the following:

- For 3 of the 10 samples, pay application values did not agree to approved GMP or Notice to Proceed ("NTP") documentation.
- For 1 of the 3 CMAR samples, there were changes/transfers to SOV line items without a clear audit trail or documented approval.
- For 3 of the 3 CMAR samples, supporting documentation was not always sufficient to fully validate contractor billings, including subcontractor support and lien release documentation.

These issues indicate that pay application review procedures do not consistently identify and resolve discrepancies before pay application approval. Although certain discrepancies were subsequently corrected and some items did not impact the total contract value, approving pay applications with unresolved inconsistencies may limit the District's ability to demonstrate that construction payments were reviewed against approved contract terms and supporting documentation.

An important control currently in place is the checklist reviewers use to assist with invoice package reviews; however, the invoice review workflow does not differentiate between CMAR, CSMP, and DBB projects, which have different documentation expectations. As a result, discrepancies may not be identified or resolved before payment, increasing the risk of unsupported or inaccurate contractor billings and limiting management's ability to monitor contract changs and reviewer follow-through.

Pay Application Values Did Not Agree to Approved GMP or NTP Documentation

A key part of the pay application review process is confirming that the values billed by the contractor agree to the approved contract documents, including the GMP, NTP, and approved SOV. Discrepancies between these documents and the pay application increase the risk that payments are approved using values that are inconsistent with the approved project value allocation and can increase the risk of front loading.

During our testing, we identified:

- **Cresthaven Elementary School's (Project P.001676):** General Conditions included in Pay Application No. 1 totaled $1,042,148, while the executed GMP established General Conditions at $914,740, resulting in a difference of $127,408. The discrepancy was corrected in Pay Application No. 2, and the revised amount agreed to the GMP; however, Pay Application No. 1 was approved before the discrepancy was identified and resolved.

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OBSERVATIONS MATRIX (CONTINUED)

1. Pay Application Review and Approval (continued)	Risk Rating: Moderate

Observation (continued)

- **Dania Elementary School (Project P.002061):** Per discussions with management and District standard operating procedures ("SOP"), the District does not accept an SOV at NTP that does not match the contracted amount. However, after the Board approved additional funding for the project in November 2023, the District executed the NTP in December 2023 without an updated SOV. The NTP and Pay Application 1 both showed a contract value of $2,331,381, but the SOV within the NTP totaled $1,747,777. The additional $583,604 was not allocated to SOV line items until the Trimble Unity Construct ("TUC") SOV process started in January 2024. Because the NTP represents the approved contract value allocation, the first pay application should align to the approved NTP detail or include documentation explaining the difference.

- **C. Robert Markham Elementary School (Project P.001920):** Although the NTP SOV and the SOV within the first pay application both total $5,288,026, values were reallocated across lines including bonds, insurance, and general requirements, and the checklist step requiring review of the SOV against the original approved SOV was marked "N/A" within the first pay application.

SOV Changes were Processed Without a Clear Audit Trail

For CMAR projects, the SOV reflects the approved GMP, including General Requirements and General Conditions amounts. The contractor should support any changes to those values with a potential change order ("PCO"), change order, or approved SOV revision that explains the reason for the adjustment. Without that support, the District cannot easily confirm that dollar amounts weren't shifted into categories outside the GMP terms. During our testing, we identified:

- **J.P. Taravella High School (Project P.001942):** The General Requirements line increased by $240 between Pay Applications 11 and 12, offset by a decrease to the Building 01 Plumbing Specialties line. General Requirements then decreased by $2,000 between Pay Application 16 and 17. No supporting change order or other formal documentation was identified to support the adjustment. Furthermore, the Time Dollar Graph included in the Pay Application 17 support package continued to reflect the old General Requirements value of $2,130,068 rather than the updated value of $2,128,068.

Although the individual dollar amounts were not significant, these adjustments indicate that SOV values could change without a clear audit trail showing why the changes occurred, who approved them, and how the revised values were reconciled. If this occurs with larger amounts, the District may have reduced visibility into how project values are being adjusted and whether those changes are appropriate.

Supporting Documentation Was Not Always Sufficient to Validate Contractor Billing

The District relies on the pay application package to confirm that billed amounts reflect work performed and payments made to subcontractors. For CMAR projects, Section 01290 of the contract requires the prime contractor to provide a complete accounting of payments to subcontractors and their remaining balances.

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OBSERVATIONS MATRIX (CONTINUED)

1. Pay Application Review and Approval (continued)	Risk Rating: Moderate

Observation (continued)

Article 8 of CMAR contracts requires data such as invoices, pay applications, subcontractors release of lien, buyout savings, and contingency log be included in the applications for payment to the construction manager. Each package should include subcontractor pay applications that support the billed work and lien releases that confirm subcontractors received payment. When these documents are missing or don't agree to the amounts billed, the District can't verify that it paid only for completed work. This also exposes the District to the possibility of unsupported billings and lien claims.

During our testing, we identified:

- **Cresthaven Elementary School (Project P.001676):** Subcontractor pay applications included in Pay Application 6, did not support $16,169.66 of the prime contractor's Pay Application 6 billing. In addition, MBR Solutions lien release was $1,371.19 less than its payment due, and Pay Application 7 did not include a lien release for Powertech Specialists Pay Application 6 payment of $9,336.17.
- **Endeavour Primary Learning Center (Project P.002111):** Pay Application 7 included $23,152.50 in payments due to three subcontractors (PacMan Data, Voice & Electric, $6,916.50; Thermal Concepts, $7,114.50; and Weather Guard Industries, $9,121.50), but no lien release supported these amounts. Because lien releases can be submitted one billing period later, we also reviewed Pay Application 8, and no lien support was identified there either. Instead, the contractor resubmitted the same lien releases included in Pay Application 7, therefore, no lien releases supported the subcontractor payments billed in Pay Application 7. In addition, the checklist step confirming that subcontractor lien releases were attached was marked as “Yes” for Pay Application 8; however, incorrect support was included.
- **J.P. Taravella High School (Project P.001942):** Pay Application 14 included $43,943.68 in payments due to three subcontractors (Tropic Fence, $4,852.60; D&D Quality Constructors, $38,731.98; and Atlas Apex Roofing, $359.10), but no lien release supported these amounts. Because lien releases can be submitted one billing period after payment, we also reviewed Pay Application 15, and no lien support was identified there either. In addition, the checklist step confirming that subcontractor lien releases were attached was marked as "N/A" for both Pay Applications 14 and 15.

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OBSERVATIONS MATRIX (CONTINUED)

1. Pay Application Review and Approval (continued)	Risk Rating: Moderate

Recommendation

The following is recommended:

- Strengthen the pay application review and approval process by enhancing the existing review checklist and establishing documentation requirements specific to each construction delivery method (e.g., CMAR, CSMP, and DBB). At a minimum, the enhanced review process should:
  - Require reviewers to complete checklist steps based on evidence of the review performed, including documenting the basis for items marked "Yes" or "N/A," where appropriate, rather than relying solely on the presence of documents within the pay application package.
  - Require a step for CMAR projects where reviewers compare the current SOV to the prior approved SOV and verify that any changes to line item values are supported by an executed change order or contingency use directive, and return the pay application for correction when a change is not supported.
  - Implement a lien release tracking process that ties each subcontractor's net payment to a lien release in the current or following pay application, verifies the amount and period covered by each release, and withholds payment when required releases are not provided.

Management's Response

Response: Management agrees with the recommendation.

- The Office of Capital Programs will strengthen the review process by conducting additional training on how to perform the Schedule of Values (SOV) review against the established checklist by Q2 2027. Training will be conducted by incoming Cost and Program Controls vendor.
- Management agrees with the recommendation. The Office of Capital Programs has already made process improvements and updated workflows to address changes to the SOV. The projects sampled for this audit were prior to the change in the workflow.
- The Office of Capital Programs has implemented a tracking tool within the SOV process for new projects. The tool links each subcontractor to its SOV line items, so reviewers are able to see which subcontractor releases are due in each pay application. Reviewers will use the tool to confirm that each subcontractor's net payment is matched by lien release in the current or following pay application. Releases are typically provided after payment is made. If a required release for a prior payment is not provided with the following pay application, the reviewer does not approve payment until received. Staff will be trained on the tool and review steps. Training will be provided by incoming (CPCM).

Responsible Party: The Office of Capital Programs

Estimated Completion Date: Q2 2027

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Observations Matrix (Continued)

2. Evaluation and Benchmarking of General Conditions Within CSMP Projects	Risk Rating: Low

Observation

Through our analysis, we identified that the combined GC/GR costs within the sampled CSMP were higher than those observed across the CMAR and Hard Bid projects included in our sample. While CSMP contracts are awarded on a lump-sum basis, management does not currently maintain a documented framework for evaluating whether General Requirements allocations are reasonable, consistent, and supported by project-specific circumstances. As a result, the District may have limited ability to assess whether high General Requirements costs are justified and appropriately allocated.

To provide a normalized basis for comparison, project values were adjusted for duration, owner-directed purchases, tax savings credits, returned contingency, bonds, insurance, and related factors. Under this methodology, the general requirements costs for sampled CSMP projects remained the highest projects reviewed, with normalized General Requirements costs ranging from $18,086 to $23,113 per month per $1 million of adjusted project value, compared to a sample-wide median of $18,751. The table below summarizes the average GC/GR costs among the various types of delivery method.

Delivery Method	Number of Projects	Average Project Value	Average Duration of Project (NTP)	Average GC/GR % of Adjusted Project Value	Average per Month per $1M
CSMP	5	$2,031,734	14.9	32.64%	$22,094
CMAR	3	$7,215,703	14.9	18.65%	$13,499
DBB (Hard Bid)	4	$5,426,126	14.3	13.94%	$10,804

Competitive bidding can serve as an important control over CSMP pricing because competition among contractors provides a market-based mechanism for evaluating proposed costs, particularly when multiple bids are received and the lowest responsive bid is selected. For the five (5) CSMP projects reviewed, the District solicited three to six contractors for each project. However, each solicitation resulted in only one Form 800B return estimate. Although multiple contractors were invited to bid, the District did not have the benefit of competitive pricing among bidders. The District prepared independent estimates before receiving contractor proposals and compared the proposals received against those estimates.

Our analysis of these five (5) projects identified the following:

- For three (3) of the five (5) projects (Nova Eisenhower, Heron Heights, and Lauderhill), the contractor's 800B was below the District's estimate by 3.8% to 14.4%.
- For the remaining two (2) projects (Dania and Sunshine), the 800B exceeded the District's estimate by 9.7% and 23.6%.

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OBSERVATIONS MATRIX (CONTINUED)

2. Evaluation and Benchmarking of General Conditions Within CSMP Projects (continued)	Risk Rating: Low

Observation

The table below summarizes the contractor's 800B estimate against what the District's internal estimate valued the project at. It also captures what the final project expenditure was by the end of the project so that a comparison could be made between estimates.

Project	800B Estimate	Internal Estimate	Difference	Final Project Value
Dania ES (P.002061)	$2,331,381.00	$2,125,820.17	$205,560.83	$2,713,139.26
Nova Eisenhower ES (P.002145)	$2,524,777.00	$2,676,084.88	($151,307.88)	$2,585,645.72
Sunshine ES (P.002079)	$3,299,185.33	$2,668,281.45	$630,903.88	$3,233,261.08
Heron Heights ES (P.002147)	$554,780.00	$576,893.19	($22,113.19)	$473,010.96
Lauderhill CS (P.002092)	$1,042,787.00	$1,217,494.97	($174,707.97)	$898,084.71

Because competitive bidding did not provide a market-based comparison in the projects sampled, the District's review of the reasonableness of proposed cost components became particularly important. The District does not currently retain a documented framework for evaluating General Requirements allocations against project-specific factors or other relevant benchmarks. This limits management's ability to determine whether higher allocations reflect legitimate project requirements or contractor pricing that could warrant further challenge or negotiation.

As a result, when sufficient bid competition is not achieved, the District has limited mechanisms beyond its independent estimate to evaluate whether General Requirements costs are reasonable. This may limit the District's ability to identify and challenge unusually high General Requirements allocations, evaluate the distribution of costs between General Requirements and trade-specific scope, and consistently compare contractor pricing across projects.

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OBSERVATIONS MATRIX (CONTINUED)

2. Evaluation and Benchmarking of General Conditions Within CSMP Projects (continued)	Risk Rating: Low

Recommendation

The following is recommended:

- Develop a formal framework for evaluating GC/GRs on CSMP proposals that require contractors to itemize General Requirements costs within a documented form and compares proposed amounts to historical benchmarks for projects of similar size, duration, and delivery method.
- Establish additional review procedures when only one Form 800B is received, including documenting the comparison to the District's independent estimate, explaining variances above a threshold defined by management, and recording any negotiations performed prior to award.
- Enhance the independent estimating process by establishing a management set threshold between the District's independent estimate and the contractor's 800B Form, and require management to document the justification for any variance that exceeds the threshold.

Management's Response

Response: Management agrees with the recommendation.

- The Office of Capital Programs (OCP) will update the 800B to breakdown GCs/GRs' by the Q2 of 2027. The detail will be compared through historical benchmarks.
- The Office of Capital Programs (OCP) has implemented workflows to address submission of only one Form 800B. Negotiations are captured via email, however OCP will implement a process to record any negotiations immediately. The current process includes a negotiations step where details are recorded.
- OCP's current workflow requires reviewers to compare the District's independent estimate to the contractors Form 800B against a variance threshold of 5% percent.

Responsible Party: Office of Capital Programs

Estimated Completion Date: Q2 2027

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PM/OR AND CPCM INVOICE TESTING RESULTS

Background

As part of our cycle audit procedures, RSM detail tests 100% of PM/OR and CPCM invoices for contractual compliance, proper supporting documentation, and mathematical accuracy. Considering the ongoing nature of our testing, RSM will continue to report exceptions as identified, in this separately titled "PM/OR and CPCM Invoice Testing Results" section. Findings will be communicated to and vetted with District staff, the CPCM, and PM/OR in real-time, and will be included within each internal audit report, as applicable.

Testing Results

RSM performed detailed testing of eighteen (18) AECOM labor invoices, twelve (12) AECOM expense invoices, and seven (7) Atkins labor invoices as part of our cycle and follow-up testing procedures. Through our review of the monthly invoices, we noted the following:

AECOM:

1. For two (2) of the eighteen (18) AECOM labor invoices reviewed, we identified instances in which the labor rates billed differed from the corresponding rates specified in the staffing rate sheet, resulting in a potential overbilling of $788 and an underbilling of approximately $1,676. Management confirmed that Year 6 contract rates were inadvertently applied to both positions and provided an updated summary reflecting the appropriate Year 7 contract rates.

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Glossary of Acronyms

A/E – Architect/Engineer

BCPS – Broward County Public Schools

CMAR – Construction Manager at Risk

CPCM – Cost and Program Controls Manager (Atkins)

CS – Community School

CSMP – Continuing Services Minor Projects, construction contracting methodology

DBB – Design, Bid, Build, construction approach methodology meaning that 100% drawings from an Architect are used to solicit hard bids from construction contractors

DOP – Direct Owner Purchase

District – Broward County Public Schools

ES – Elementary School

GC – General Contractor, prime contractor procured for construction management activities

GC/GR – General Conditions/General Requirements

GMP – Guaranteed Maximum Price, construction contracting methodology

Hard Bid – construction contracting methodology for competitive bidding among

HS – High School

MS – Middle School

NTP – Notice to Proceed, District document authorizing the construction contractor to begin work

OCA – Office of the Chief Auditor, District Office

OCP – Office of Capital Programs, District Office

PCO – Potential Change Order

PM/OR – Program Manager / Owner's Representative (AECOM)

SMART – Safety, Music & Art, Athletics, Renovation, Technology

SOP – Standard Operating Procedures

SOV – Schedule of Values, line-item detail within a construction contract and invoice detailing budgets and billings for various cost categories

TUC – Trimble Unity Construct

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