



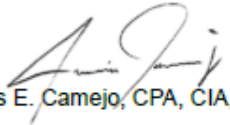
THE HONORABLE KELVIN SOTO, ESQ.

Clerk of Courts • County Comptroller • Auditor • Treasurer • Recorder
DIVISION OF INTERNAL AUDITING

Audit Report No. 25A-002
Facilities Management - Construction Contract

June 9, 2026

EXECUTIVE SUMMARY


Luis E. Camejo, CPA, CIA, CFE

Objective

The Osceola County (County) Clerk of the Circuit Court and Comptroller's Division of Internal Auditing (IA) reviewed the County's Construction Management at Risk (CMAR) program administered by the County's Public Works, Facilities Management Division. The review evaluated financial controls over the CMAR initiative to ensure objective contract-compliant disbursements and accurate well-supported cost adjustments.

The CMAR program consists of the County's pre-selection of six construction managers (CMs) to provide management services for future construction projects of up to \$4 million in value. CMs may self-perform the work or, most commonly, retain subcontractors and manage their performance.

To conduct the review, IA identified 87 closed Construction Authorizations (CAs) issued under the master Construction Service Agreement (CSA) PS-21-12415-TP, which took effect from October 11, 2021, through October 31, 2025. The review evaluated financial controls over:

- The CMAR program to ensure disbursements remain objective and free from conditions that could impair financial integrity; and
- Cost adjustments that may result in savings or in need of additional funding to ensure they are accurately reported, adequately supported, and consistent with contract terms.

Results

IA applied data analytics to 87 closed contracts and identified a pool of 19, from which it selected contracts based on the specific tests performed. IA noted:

- The Construction Contingency is sometimes used to fund expenditures disallowed in the CSA. The Construction Contingency is a reserve established at the start of a project to fund costs that could not reasonably be anticipated when the GMP was set. Subsection 7.3.3 of the CSA prohibits the use of the Construction Contingency for certain costs, including CM fees. During the review of 15 Pay Applications associated with 3 CAs, IA identified \$17,241.73 in CM fees funded by the Construction Contingency.

- Equipment rentals are not always supported with the County's prior written approval as stipulated in subsection 8.2.4.2 of the CSA. A review of 4 CAs containing 11 PayApplications revealed 16 invoices for CM equipment rentals lacking the County's prior written approval. The current process reviews equipment rentals at the time pertinent invoices are submitted for payment.
- CMs' reimbursement requests may be processed and paid without the Architect-Engineer's certificate of review. CMs submit reimbursement requests by compiling schedules of work and related invoices into document packages called Pay Applications. In the review of 15 Pay Applications requiring the Architect-Engineer certificate, IA identified one submission for \$138,000.83, processed and paid without the Certification.

Recommendation

To advance the success of the CMAR initiative, IA recommends the following:

- Management enforces Construction Contingency restrictions. Expenditures disallowed in the CSA should also apply to CAs;
- Revisiting controls governing CMs' use of rental equipment. The control in practice slightly differs from the controls described in subsection 8.2.4.2 of the CSA. Uniformity with the controls will facilitate pre-and-post reviews;
- Strengthening the review of payment applications to ensure all related requests are properly reviewed prior to disbursing funds; and
- Uploading approvals of changes to the Schedule of Values, use of contingencies, and other pertinent processes to Finance Enterprise to strengthen pre-audit reviews and maintain a proper audit trail of the review process.

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BACKGROUND AND INTRODUCTION

The County

Within The Department of Public Works, the Facilities Management Division (Division) plans, designs, constructs, and maintains the County’s portfolio of more than three million square feet of building assets. The Division’s objectives include executing countywide capital improvement projects; managing major repair and infrastructure replacement projects; maintaining County facilities; providing facility resources for public use; and using owner direct purchase to achieve tax savings on capital projects, among other responsibilities.¹

Supporting the Division’s purpose and objectives, on October 11, 2021, Osceola’s Board of County Commissioners (BoCC) authorized negotiations with six CMs to provide CMAR services under CSA PS-21-12415-TP for construction projects of up to \$4 million in value. A CSA is a master agreement between the County and CMs that establishes the terms and conditions for the execution of subsequent CAs.

Before signing CSAs, the County solicits proposals from contracting firms, which undergo a screening process that includes an evaluation committee. Subsequently, BoCC makes the final selection, creating a pool of preselected contractors for future construction projects. By signing the CSA, CMs agree to provide efficient business administration and superintendence, and to make their best efforts to complete all work in the most expeditious, economic, and sound manner, consistent with the County’s best interests.

With the issuance of CAs project managers contract CMs for specific construction projects from the pool of preselected firms. While CAs bind CMs to a defined scope, price, and schedule, they are governed by the terms and conditions pre-established in the CSA. **Table 1** summarizes statistical data associated with the selected 87 closed contracts identifying the CAs awarded to each CM between October 11, 2021, and September 30, 2025.

Table 1. CAs awarded to CMs

Construction Management Firm	PO	Dollar
Arnco Construction Inc.	37	\$ 12,189,828.06
Quinn Commercial Inc.	27	\$ 10,503,852.77
T&G Corporation	11	\$ 4,865,366.41
Wharton Smith Inc.	10	\$ 5,081,084.95
H J High Construction Company	1	\$ 7,038.95
Johnson Laux Construction LLC	1	\$ 72,924.76
Total	87	\$ 32,720,095.90

Source: IA developed. Data compiled from Finance Enterprise.

¹ Mission and Objectives paraphrased from FY 25 Budget.

Construction Managers (CM)

The County retains an Architect-Engineer, when applicable, to begin the design of a construction project. Once the design is substantially complete, the County fully engages a CM selected from the pool of pre-authorized contractors. The CM reviews the design developed by the Architect-Engineer and submits a GMP proposal, which includes the scope of work, costs, project schedule, CM fees, and contingencies. Once the County accepts the proposal, the CM assumes financial responsibility for any costs that may exceed the GMP, thereby reducing the County's financial risk. The CM is contractually responsible for costs, schedule, and construction performance.

The CSA establishes two methods for contracting and paying CM fees:

- **Stipulated Sum.** Under this method, the sum specified in the CA is subject to increases and deductions and it identifies all alternates, unit prices, allowances, and assumptions or qualifications.
- **Cost of the Work plus CM Fees with a GMP.** Under the cost of the work method, the CM is paid based on the cost of the work plus the CM's fee with a GMP.

The 19 contracts selected for review use the Cost of the Work plus CM Fee with a GMP method. Because reimbursements under this method are based on actual costs, the CSA sets forth strict requirements for CM compensation under section 7.3.

Subcontractors

While CMs may self-perform work, they more commonly contract and manage subcontractors to complete construction projects. The CSA establishes provisions governing the subcontractor selection process. Subsection 2.4.4(a) states, "*The Construction Manager shall prepare invitations for bids, or requests for proposal when applicable, for all procurement of long lead items, materials, and services, for Subcontractor contracts and for site utilities...*" Subsection 2.4.4(e) adds, "*The Construction Manager shall not enter into contracts without the Owner reviewing the proposed successful bidder...*" These provisions align with statutory requirements in Florida Statutes, subsection 287.001, promoting processes that foster open competition. CMs are responsible for overseeing the work performed by subcontractors. A part of the oversight includes CMs reviewing the costs incurred by subcontractors and the timely submission to the County for reimbursement.

Contingencies

Even though the price of a GMP is guaranteed, a Construction Contingency is established at the beginning of a project to account for costs not reasonably inferable from the agreement. Written County approval is required before the Construction Contingency is used. Subsection 7.3.3 of the CSA explains the contingency, and it lists disallowed expenses, "*The Construction Contingency **shall NOT** be utilized for*

misinterpretation of the plans, specifications, or Contract Documents; missed scope; risks assumed by Construction Manager; Construction Manager's Fee; or any staffing/overhead..."

Not all contingencies are reserved at the beginning of a project. Unlike the Construction Contingency, the Owner's Buyout Contingency is not established at the beginning of the GMP. It builds overtime from savings generated by scope reductions or subcontractor work. Because the CM guarantees the maximum price when the GMP is established, the County is the only beneficiary of the savings that accumulate in the Owner's Buyout Contingency. Said funds cannot be used by CMs for items included in the GMP.

The CA establishes the project's scope, price, schedule, and CM fee. The progress of work is evaluated by project managers and by the Architect-Engineer. The CM submits Pay Applications to the County to recover costs incurred during a specific period. Pay Applications are documentation packets of actual payments incurred by the CM or its subcontractors. These may include payrolls, petty cash accounts, receipted invoices, and checks. As per the CSA, the CM submits Payment Applications to the Architect-Engineer for review and certification. Once the Pay Application is certified by the Architect-Engineer, the County may disburse the requested funds.

Risks

The CMAR program brings forth great benefits to the County providing availability of contractors when the need arises by maintaining a pool of preselected CMs. To support the continued success of the CMAR initiative, during its review, IA contemplated some of the program's most relevant risks, including:

Overreliance. During the review, IA contemplates the risk of relying too heavily on CMs to control costs, scope, and project performance, potentially reducing independent oversight and increasing exposure to scope gaps, change orders, or unauthorized cost reallocations.

Cost Overruns Beyond the GMP. The review also contemplates the risk of not fully defining the scope during the design phase which may lead to actual costs exceeding the GMP during the construction phase. This situation may lead to future disputes.

Questionable use of Contingencies. Unclear justification for the use of contingencies may lead to disputes over cost responsibility. Oversight of contingency restrictions.

Design Changes. Because CMAR involves CM input during design, there is a risk that ongoing design evolution after GMP is agreed may lead to costly design modifications.

Objectives

IA gained an understanding of the relevant processes and identified associated risks, including those noted above, to develop objectives and testing procedures designed to assess the most significant risks. The following objectives guided this engagement:

- Determine whether financial controls within the CMAR program ensure disbursements are objective and free from conditions that could impair financial integrity; and
- Determine whether cost savings/overruns are accurately reported in the general ledger, adequately supported, and in line with contract terms.

The terms and conditions set forth in the CSA and applicable regulations are the primary governing authority referenced for this review.

FINDINGS

Finding 1 – Financial Integrity in CMAR Disbursements

Issue: Disbursement controls in the CMAR program may require further review to support continued financial integrity and alignment with the stipulations established in the CSA.

Condition: To evaluate the design and operating effectiveness of disbursement controls that ensure financial integrity in the CMAR program, IA reviewed data and processes governing the relationship among the County, CMs, and subcontractors, and noted:

Construction Contingency

The construction contingency is set up at the beginning of the GMP to contemplate costs required to produce the work but not reasonably inferable at the start of a project. County approval is required to use construction contingency funds. There are certain expenditures; however, disallowed from construction contingency usage as established by the CSA. IA's review of 15 PayApplications revealed 6 included CM fees funded by the construction contingency for a total of \$17,241.73.

Rental Equipment

CMs budget for the potential need to rent equipment during construction and include a line for such purpose in the proposed GMP. The County reviews and subsequently accepts the proposed GMP before signing the CA.

Although the County approves the GMP in its entirety, the CSA requires that certain budgeted line items -such as equipment rentals- receive prior written approval before they are utilized.

IA reviewed 11 PayApplications and identified 16 invoices for equipment rental which did not include the County's prior written approval. **See table 2** for details.

Table 2 – Rental Equipment

Project	Equipment Rented	Amount
QC4M-CA-10	Forklist/Boom	\$ 12,313.92
QC4M-CA-19	Forklist/Boom	\$ 19,057.53
WS4M-CA-02	Modular Fence/Pressure Washer	\$ 2,015.91
WS4M-CA-02	Forklift	\$ 1,471.20
Total		\$ 34,858.56

Source: IA compiled data from Finance Enterprise

CMs Reimbursements – Payment Applications

Payment Applications are document packages submitted periodically by CMs to the County to request reimbursement for costs incurred as the project progresses. During the construction phase of a project, Payment Applications are reviewed by the Architect-Engineer who signs the face of the package certifying accuracy for the County to process the reimbursement. IA reviewed 15 Payment Applications and identified one was processed and paid while missing the Architect-Engineer Certification. Said submission was for \$138,003.83.

Criteria:

Regarding the use of the Construction Contingency, CSA 7.3.3 states, *“Included in the GMP will be a Construction Contingency, which is included for use as outlined herein, with the Owner’s advance written consent. The Construction Contingency is only to be used for costs required to produce the Work which were not reasonably inferable from the Contract Documents at the time the GMP is established. **The Construction Contingency shall NOT be utilized** for misinterpretation of the plans, specifications, or Contract Documents; missed scope; risks assumed by Construction Manager; **Construction Manager’s Fee; or any staffing/overhead or other type costs incurred by Construction Manager**, except when Construction Manager is self-performing the work. The Construction Manager will be required to furnish documentation evidencing expenditures charged to the Construction Contingency prior to the release of funds by the Owner...”*

The CSA also incorporates a provision on equipment rental. Subsection 8.2.4.2, states *“Rental charges, at standard industry rates for the area, for temporary facilities, machinery, equipment, and hand tools not customarily owned by the construction workers, which are provided by Construction Manager at the Project site, whether rented from Construction Manager or others, and costs of transportation, installation, minor repairs and replacements, dismantling and removal thereof. Rates and quantities of all equipment rented, whether from Construction Manager or others, shall be subject to Owner’s prior written approval.”*

On the submission of CMs’ pay applications for reimbursements, CSA, section 10.3 assigns the Architect-Engineer review responsibilities prior to processing disbursements when it states, *“Construction Manager shall submit a notarized original of its monthly Application for Payment to the Architect-Engineer on or before the day of the month specified in the Construction Authorization... Within seven calendar days after receipt of each Application for Payment, the Architect-Engineer shall submit to Owner’s Representative a certification of the Application for Payment in the amount recommended by the Architect-Engineer as being due and owing Construction Manager...”*

Cause: Due to the nature of CMAR contracts, where contractors assume a significant portion of the financial risk, management may place a degree of reliance on the contractor's processes and controls. While discussions and evaluations appear to occur during the development of the GMP, documentation of key decisions and approvals during the construction phase is less consistently maintained. As a result, auditors were unable to identify sufficient evidence of approval for certain processes that may have been informally addressed during earlier project planning stages.

Effect: IA's analysis resulted in the following:

- Insufficient oversight or a potential misunderstanding of the intent of the CSA may have resulted in CMs utilizing construction contingency funds for items specifically disallowed under the master agreement;
- There appears to be a disconnect between management practices and the requirements outlined in the CSA. While the CSA indicates County approval for individual equipment rentals, management may be relying on discussions held with CMs during the development of the GMP. This suggests the need to revisit and clarify relevant GMP language to ensure alignment with the CSA and to support consistent application of established controls; and
- Out of 15 Payment Applications reviewed, one was missing the Architect-Engineer Certification, QC4M-CA06 PayApp. 13, for \$138,000.83.

Recommendations: To strengthen financial controls, IA recommends the following:

- Management enforces Construction Contingency restrictions. Expenditures disallowed in the CSA should also apply to CAs;
- Revisiting controls governing CMs' use of rental equipment. The control in practice slightly differs from the controls described in subsection 8.2.4.2 of the CSA. Uniformity with the controls will facilitate pre and post reviews;
- Strengthening the review of PayApplications to ensure all related requests are properly reviewed prior to disbursing funds; and
- Uploading approvals of changes to the Schedule of Values, use of contingencies, and other pertinent processes to Finance Enterprise to strengthen pre-audit reviews and maintain a proper audit trail of the review process.

APPENDIX A – Management Response

From: [Jamie Rowland](#)
To: [Luis Camejo, CPA, CIA, CFE](#)
Cc: [Amanda Clavijo](#); [Curt Diehl](#); [Shannon Chambers](#)
Subject: Responses to Construction Contract Audit
Date: Monday, June 8, 2026 1:37:51 PM
Attachments: [image001.png](#)

This sender is trusted.

Good afternoon Luis,

Below are our responses to the Audit of Construction Contracts.

Construction Contingency

Response: We concur. For context, the \$17,241.73 in CM fees were a result of owner (County) directed changes and not the result of errors or omissions by the CM. We are in the process of amending the contract language clarifying such justifiable uses of Construction Contingency. Additionally, we conducted staff training to ensure Construction Contingency is used in accordance with the contract until such amendment is made.

-

Equipment Rentals

Response: We concur. We are in the process of amending the contract language and the GMP template for the CM to disclose known rentals when the GMP is submitted to the County; subsequent rentals will be approved through the change order process. Both corrective actions will clarify expectations and strengthen compliance.

-

CMs Reimbursements – Payment Applications

Response: We concur. Corrective action has already been taken; staff were given additional training to ensure applicable pay applications receive the Architect-Engineer certification.

-

Additional Documents Uploaded with Pay Application

Response: We concur. We will upload documentation to each Pay Application that may improve pre-audit reviews.

Have a wonderful day!



Jamie L. Rowland, CIA, CGAP, LSSBB
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Be first to what's next.

DISTRIBUTION

County Administration:

Donald S. Fisher, County Manager
Beth Knight, Chief Operating Officer
Amanda Clavijo, Assistant County Manager
Mehul Parekh, Public Works Director
Curt Diehl, Deputy Public Works Director
Shannon Chambers, Business Manager
Jamie Rowland, Manager, Audit & Operational Improvement

Clerk's Office:

Kelvin Soto, Esq. Clerk of the Circuit Court & County Comptroller
Cynthia Vazquez, Chief of Staff
Diana Rodriguez, Chief Financial Officer
Denise Gomez, Accounting Manager

Division of Internal Auditing:

Luis Camejo, Internal Audit Director
Edward Glines, Auditor in Charge
Bill Napolitano, Auditor

PROJECT TEAM

Engagement was conducted by:
Edward Glines, Auditor in Charge
Juanito Senarillos, Former Auditor

Under the supervision of:
Luis Camejo, CPA, CIA, CFE, Internal Audit Director

Approved by:
Luis Camejo, CPA, CIA, CFE, Internal Audit Director

STATEMENT OF ACCORDANCE

The Clerk and Comptroller's mission is to advance the well-being of all, one person at a time. This commitment is achieved by serving with care, committing to excellence, and driving with efficiencies.

The purpose of the Division of Internal Auditing (Division) is to provide independent, objective assurance, and consulting services designed to add value by improving the operations of Osceola's Board of County Commissioners (BoCC) and the Clerk of the Circuit Court and Comptroller (Clerk & Comptroller) offices. The Division helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes.

The mission of the Division is to enhance and protect organizational value by providing risk based and objective assurance, advice, and insight to the Clerk & Comptroller and to BoCC.

We conducted this engagement under the authority of Sections 1(d), Article VIII, and 16, Article V, of the Florida State Constitution and in conformance with the Institute of Internal Auditors' Global Internal Audit Standards.

Please address inquiries regarding this report to the Division of Internal Auditing at (407) 742-3688.