



Webster School Modernization and Addition Audit Report

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Final Construction Audit Report

Seattle School District No. 1

GC/CM Contractor – BNBuilders, Inc.

Webster School – Modernization & Addition



Construction Audit Report Submitted By:

R. L. Townsend & Associates, LLC
P2065

December 14, 2023

*The contents of this report are based on our understanding of documents and other information provided to us as of the date of this report. If anyone has any questions regarding the contents of this report, please contact our office for clarification.
A revised report will be issued with a revised date if any material representation needs to be corrected.*

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EXECUTIVE SUMMARY

Audit Background

As a part of an overall program of controlling construction costs, Seattle School District No 1 (Seattle) engaged R. L. Townsend & Associates to perform a review of the contract and billing records associated with the Webster School Modernization and Addition project.

Webster School was constructed in 1908, served as an elementary school through 1979, and has been designated a historical landmark. The purpose of the project was to modernize the school to be in use as a school again by the district.

Seattle School District No. 1 contracted with BNBuilders, Inc. (BNB) on January 14, 2017, using an A133 – 2009 Standard Form of Agreement Between Owner and Construction Manager as Constructor where the basis of the payment is the Cost of the Work plus a Fee with a Guaranteed Maximum Price.

The objective of the audit was to ensure the project was billed in accordance with the contract terms. The procedures used during the audit were in accordance with the Proposal submitted February 1, 2023, and included a review of the labor, materials, equipment, subcontracts, and change orders. In addition, RCW 39.10 – Alternative Public Works Contracting Procedures were used to validate the procedures used by BNB.

The key financial terms included in the Contract for GC/CM Services date January 14, 2017, are summarized as follows:

- 1.0.8 The Construction Manager (CM) shall provide the services of a General Contractor/Construction Manager as defined in RCW 39.10.
- 1.0.14 The contract sum consisted of the sum of the Cost of The Work, (Negotiated Support Services (NSS) and Specified General Conditions as well as the Construction Manager’s Fee. Neither the Preconstruction Services Cost nor the sales tax was included in the Contract Sum.
- 5.1.1 The Construction Manager’s (CM) Fee for the Work shall be a fixed, lump sum amount calculated as 5% times the MACC, not including the Negotiated Support Services (NSS) and the Specified General Conditions. Fee shall not be applied to any use of Contingency.
- 5.1.2 For Additive Changes, the CM fee of 5% was to be used in the calculations.
- 5.1.6 The Specified General Conditions (SGC) were a fixed amount of \$1,346,075.
- 6.6.1 Premiums for bonds and insurance were to be included in the Fee.
- 6.10.2 If any of the costs to be reimbursed arise from a transaction between the CM and a related party, the CM shall notify the Owner of the specific nature of the contemplated transaction, including the identity of the related party and the anticipated cost to be incurred, before any such transaction was consummated or cost incurred.

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- 6.11 The CM and its Subcontractors shall preserve accounting records for a period of three years after final payment.

The 133 – 2009 Exhibit A – Guaranteed Maximum Price Amendment (GMP) was executed on June 28, 2019, in the amount of \$26,240,507.

- Tab 1 of the GMP is the Itemized Statement of the GMP which includes the Bid package/Subcontracting Plan Analysis Reconciled - See Exhibit A of the Report.
- The NSS budget was established to be \$1,153,029.

Summary of Final GMP and Billing as of January 5, 2022 (Payment Application (PA) 27)

Description	General Conditions (Fixed)	Negotiated Support Services	Direct Construction Costs	MACC Contingency	CM Fee	Total Construction
GMP Amendment	\$ 1,346,075	\$ 1,153,029	\$ 22,016,782	\$ 660,503	\$ 1,064,118	\$ 26,240,507
Changes & Use of Contingency	\$ 205,259	\$ 440,122	\$ 3,106,028	\$ (660,503)	\$ 163,666	\$ 3,254,572
Total Contract Value	\$ 1,551,334	\$ 1,593,151	\$ 25,122,810	\$ -	\$ 1,227,784	\$ 29,495,079
Total billed in pay app 27	\$ 1,551,334	\$ 1,593,151	\$ 25,122,810	\$ -	\$ 1,227,784	\$ 29,495,079

No retainage is remaining as of PA 27.

Conclusions

Observations related to the billing of costs to Seattle are noted in the report with applicable recommendations.

AUDIT OBSERVATIONS

1. Self-Performed Work (SPW) Labor Factors on Change Orders

Change Orders including SPW labor included an associated Equipment cost factor which BNB stated was intended to cover the cost of tools and equipment used in the performance of the change work that exceeds the \$500 small tool allowance covered by the fee. In addition, BNB separately charged for applicable rental equipment used on change work.

Based on the change orders reviewed, the "Equipment" charges shown on changes totaled \$63,080 including the applicable fees.

See below example from CP (Change Proposal) 5121. The "Equipment" charges totaling \$1,554 are shown in the "C. Equipment" column and include the charges discussed above which total \$1,054 and the lifts which are noted separately totaling \$500.

COP Cost Breakdown													
Project Name: Modernization & Addition @ Webster School										Cost Event #: 5121			
Project No. 117066										CP #: 5121			
Subcontractor: BNB Builders - BP 3.00 Structures										Document #: PR 05 R.1			
Work Description: South Wall Framing Changes per PR 05 R.1										Date: 9/20/2019			
Spec Section	Description	Quantity	Unit	Prod. Hours	A. Labor		B. Material		C. Equipment		D. Contract		
					\$/hour	Cost	\$/Unit	Costs	\$/Unit	Costs	Unit Price	Cost	
	Carpenter Foreman - Sr	4	HR	1	4	87.00	\$ 348	\$ -	\$ -	\$ 70	\$ -	\$ -	
	Carpenter Journeyman - Lead	20	HR	1	20	86.00	\$ 1,720	\$ -	\$ -	\$ 340	\$ -	\$ -	
	Carpenter Journeyman	20	HR	1	20	89.00	\$ 1,800	\$ -	\$ -	\$ 320	\$ -	\$ -	
	Carpenter Apprentice	20	HR	1	20	75.00	\$ 1,500	\$ -	\$ -	\$ 300	\$ -	\$ -	
					0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Laborer Foreman - Sr	2	HR	1	2	87.00	\$ 174	\$ -	\$ -	\$ 35	\$ -	\$ -	
	Laborer Foreman	9	HR	1	9	77.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Laborer Journeyman	9	HR	1	9	67.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Laborer Apprentice	9	HR	1	9	62.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
					0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	GLULAM	30	LF	0		\$ -	\$ -	59.35	\$ 1,691	\$ -	\$ -	\$ -	
	Misc Wood Hoisting	1	LS	0		\$ -	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ -	
	H2.5	24	EA	0		\$ -	\$ -	0.37	\$ 9	\$ -	\$ -	\$ -	
	A35	20	EA	0		\$ -	\$ -	0.50	\$ 10	\$ -	\$ -	\$ -	
	CB14 Strap	60	LF	0		\$ -	\$ -	\$ -	\$ 121	\$ -	\$ -	\$ -	
	HR56	20	EA	0		\$ -	\$ -	1.71	\$ 34	\$ -	\$ -	\$ -	
	SDS Screws	1	LS	0		\$ -	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ -	
	Nails	2	LS	0		\$ -	\$ -	\$ -	\$ 25	\$ -	\$ -	\$ -	
	Consumables	1	LS	0		\$ -	\$ -	\$ -	\$ 50	\$ -	\$ -	\$ -	
	Lifts	2	EA	0		\$ -	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ -	
					0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
					0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
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					0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
					0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
					0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Cost of Work						A. \$ 5,322		B. \$ 2,039		C. \$ 1,554			
Total Cost of Unit Price Work												D. \$ 8,926	

Recommendation: Any add on cost without supporting documentation or a specific description should be questioned.

2. NSS Fees on Change Orders

BNB acknowledged that the 5% fee was incorrectly added to NSS on CP's.

Based on the change orders reviewed, the excess fee totaled \$20,770.

BNB stated that the CM Fee was understated by \$22,895 which offset the overbilling of \$20,770, therefore no credit is due. The BNB calculation provided is shown below:

Direct Cost	\$ 25,013,570
Fee	5%
Calculated Fee	\$ 1,250,679
Billed Fee	\$ 1,227,784
Difference	\$ 22,895

It appears that the incorrect amount billed for fee of \$1,227,784 may have resulted from incorrect calculations in the original GMP.

Recommendation: CP's should be reviewed for incorrect charges such as the Fee on NSS charges when they are submitted for review.

3. Change Order Pricing – Items Covered by Fee

BNB included charges which may be considered covered by the Fee. These charges included, but are not limited to: Superintendent, Foreman Coordination, and Contract Admin.

Based on the changes reviewed, the questioned charges totaled \$45,681 including applicable fee.

Per 7.5.6 of the A201, Subcontractors Fee:

“This is the allowance for all combined overhead, profit and other costs, including ... home office and **site overhead** (including facilities, purchasing, clerical, project manager, project engineer, other engineers, **project foreman, estimator, superintendent and their vehicles and clerical assistant**).

BNB stated that the Foremen were working foremen, and the other charges were warranted based on the scope of the change.

Examples of two CP's presented to BNB for review are shown below:

COP Cost Breakdown												
Project Name: Modernization & Addition @ Webster School										Cost Event #:		
Project No. 117006										CP #: 5460		
Subcontractor: BNBuilders - Structures										Document # N/A		
Work Description: Contract, Coordinate & Supervise Sub										Date: 4/21/2020		
Spec Section	Description	Quantity	Unit	Prod.	Hours	A. Labor		B. Material		C. Equipment		D. Contract
						\$/hour	Cost	\$/Unit	Costs	\$/Unit	Costs	Unit Prices
	<u>Coordination & Supervision</u>											
	Carpenter Foreman	8	HR	1	8	88.00	\$ 704	\$ -		\$ 176		\$ -
	Contract Admin	8	HR	1	8	125.00	\$ 1,000	\$ -		\$ 250		\$ -
Total Cost of Work						A	\$ 1,704	B	\$ -	C	\$ 426	
Total Cost of Unit Price Work											D	\$ 2,130

COP Cost Breakdown												
Project Name: Modernization & Addition @ Webster School										Cost Event #:		
Project No. 117006										CP #: 5156		
Subcontractor: BNBuilders - BP 3.00 Structures										Document # RFI 112		
Work Description: Per Structural Field Report and confirming RFI 112, modify existing framing and install headers at existing door openings in wood framed bearing walls, main corridor L2 and L3.										Date: 9/23/2019		
Spec Section	Description	Quantity	Unit	Prod.	Hours	A. Labor		B. Material		C. Equipment		D. Contract
						\$/hour	Cost	\$/Unit	Costs	\$/Unit	Costs	Unit Prices
	<u>11 EA @ L2 and 13 EA @ L3</u>											
	Superintendent	8	HR	1	8	110.00	\$ 880	\$ -		\$ 176		\$ -
	Carpenter Foreman	56	HR	1	56	85.00	\$ 4,760	\$ -		\$ 952		\$ -
	Carpenter Journeyman	56	HR	1	56	80.00	\$ 4,480	\$ -		\$ 896		\$ -
	Carpenter Apprentice	36	HR	1	36	75.00	\$ 2,700	\$ -		\$ 540		\$ -
					0	\$ -		\$ -		\$ -		\$ -

Recommendation: CP’s should be reviewed for charges covered by the fee as they are submitted for review. These questions may be avoided if the CM would notate the reason for these charges on the CP in advance.

4. Related Parties

BNB used a related party, Gizzly Rentals, for tool & equipment rentals and purchases. BNB provided a listing showing the 75% cost of the equipment vs. what had been billed. The schedule did not reflect any material errors.

The contract included several clauses regarding equipment and related parties as delineated below:

6.5.1 – Costs of materials, supplies, temporary facilities, machinery, equipment and tools that are not fully consumed shall be based on the cost or value of the item at the time it is first used on the project site less the value of the item when it is no longer used at the Project site. Costs for items not fully consumed by the CM shall mean fair market value.

6.5.2 – The total rental cost of any CM owned item may not exceed 75% of the purchase price of any comparable item. Rates of CM owned equipment and quantities of equipment shall be subject to the Owner’s prior approval.

Rentals from the CM or any entity in which the CM or one or more of its owners has a direct or indirect ownership interest shall be separately accounted for and the rental costs shall not exceed

the Rental Rate Blue Book by Data Quest, San Jose, California or fair market rental costs, which ever are lower.

6.10.2 – If any of the costs to be reimbursed arise from a transaction between the CM and a related party, the CM shall notify the Owner of the specific nature of the contemplated transaction, including the identity of the related party and the anticipated cost to be incurred, before any such transaction is consummated or cost incurred.

Recommendation: Seattle may want to ask respondents to an RFP to document any related parties they may use for the project. In addition, the contract language above should be used to ensure full transparency regarding the cost and Fair Market value of any CM purchased or rented tools or equipment.

5. Competitive Bids for Self-Performed Work

BNB provided competitive bids for all subcontractors, however, even though the Self-Performed Work (SPW) was advertised, there were no competitive bids received. The amount billed in the final Payment Application for SPW is shown below by Scope of Work:

PA ITEM Number	Description of Work	Amount Billed
3.00	Structures	\$5,679,325
4.22	Masonry Restoration	\$863,788
8.10	Doors, Frames and Hardware	\$449,446
8.45	Window Restoration	\$169,041
9.10	GWB Assemblies	\$2,060,961
10.01	Specialties - DIV 10	\$628,028
	Total SPW	\$9,850,589

According to BNB, they were not successful obtaining competitive bids for the SPW packages as the work was complicated and subcontractors don't like the procedures involved with GC/GM. BNB also stated they receive better subcontractor participation with a SPW package because they remove the barriers to bidding that exist with prime GC/CM bid packages.

Based on the language in the A133 contract clause 23.2.1.5 regarding SPW and the RCW 39.10 on bidding SPW, BNB appeared to be in compliance with the following criteria:

- The subcontract bid package is customarily performed by the CM
- The CM has aggressively sought competition
- The bid opening is managed by the Owner
- The CM's intention to bid is included in the public solicitation
- The CM otherwise is compliant with RCW 39.10

Recommendations: Seattle may want to consider the following:

- Reviewing bid packages for logical scopes consistent with industry practice to maximize participation and competition across all trades.
- In cases where CM’s proposing SPW without any other bidders, Seattle may want to ask the CM to provide detailed estimates including material quantities, and unit costs, labor positions, rates and estimated hours, equipment descriptions, rental period and cost, subcontract cost, overhead, etc. An alternative is to have a 3rd party estimator review the scope and proposed cost for verification purposes.
- Make NSS a true allowance and review any additional costs to ensure they meet the Matix of Cost definition.
- Establish programs and practices which encourage subcontractors’ participation.

6. 30% Maximum for Self Performed Work

RCW 39.10.390 states the following: “The value of subcontract work performed and equipment and materials supplied by the general contractor/construction manager may not exceed 30 percent of the negotiated maximum allowable construction cost.”

At the time the Bid Package Subcontracting Plan (See Exhibit A) was provided, the percentage of BNB self- performed was shown to be 29.8%. However, by the end of the project, the percentage had increased to 40%.

PA ITEM Number	Description of Work	Bid Package - Subcontracting Plan	Amount Billed
3.00	Structures	\$ 4,834,370	\$5,679,325
4.22	Masonry Restoration		\$863,788
8.10	Doors, Frames and Hardware		\$449,446
8.45	Window Restoration		\$169,041
9.10	GWB Assemblies	\$ 1,503,519	\$2,060,961
10.01	Specialties - DIV 10		\$628,028
14.2	Elevator	\$ 223,994	\$232,663
	Total SPW	\$ 6,561,883	\$10,083,252
	Max Allow Contract Costs	\$ 22,016,781	\$25,122,810
	% of SPW	29.80%	40%

When this was discussed with the CM, their response was that the 30% Not to Exceed percentage was based on the numbers at the time the Maximum Allowable Contract Cost (MACC) was established.

However, according to Seattle, public owners are required to track and monitor payments for self-performed work to ensure compliance with the 30% threshold, which has been exceeded.

Recommendation: Seattle may want to re-evaluate the percentage threshold when adding additional self-performed scope to the project.

7. Allowances Inside Subcontracts

Although there were no exceptions noted with BNB allowances, the following practice has been adopted by many owners.

Recommendation: Include the allowances to be maintained on the Schedule of Values where the use of funds can be easily tracked.

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Exhibit A – Bid Package/Subcontracting Plan Analysis - Reconciled

BID PACKAGE / SUBCONTRACTING PLAN ANALYSIS - RECONCILED						CONFIDENTIAL	
PROJECT: WEBSTER SCHOOL RENOVATION					ESTIMATE TYPE:	GMP	
OWNER: SEATTLE PUBLIC SCHOOLS					ISSUE DATE:	5/1/2019	
ARCHITECT: TCF							
BID PACKAGE NUMBER	BID PACKAGE TITLE	BID EXPIRATION DATE	E ACTUAL BID	F POST BID BOL ADJUSTMENTS	G PROJECTED CONTRACT	J SUCCESSFUL TRADE CONTRACTOR	K SELF-PERFORMED PACKAGE % OF MACC
02.40	Demolition and Abatement	05/08/19	\$ 1,160,708	\$ (82,000)	\$ 1,078,708	Ascendent	---
14.20	Elevator	05/10/19	\$ 223,994	\$ -	\$ 223,994	BNB/TKE	1.02%
21.00	Fire Protection	05/17/19	\$ 340,520	\$ 16,855	\$ 357,375	Columbia	---
22.00	Mechanical & Plumbing	05/17/19	\$ 3,256,500	\$ (17,000)	\$ 3,239,500	Roblson	---
04.21	Masonry	05/31/19	\$ 887,000	\$ -	\$ 887,000	R&D	---
09.10	GWB Assemblies	06/07/19	\$ 1,787,788	\$ (284,269)	\$ 1,503,519	BNB	6.83%
09.50	Acoustical Assemblies	06/14/19	\$ 240,265	\$ -	\$ 240,265	Treble	---
09.68	Carpet	06/21/19	\$ 84,000	\$ -	\$ 84,000	Great Floors	---
03.00	Structures	06/28/19	\$ 4,833,500	\$ 870	\$ 4,834,370	BNB	21.96%
11.00	Food Service Equipment	07/05/19	\$ 203,184	\$ -	\$ 203,184	Smith & Green	---
32.90	Irrigation & Landscaping	07/05/19	\$ 171,231	\$ -	\$ 171,231	Specialized	---
26.00	Electrical RE-BID	07/12/19	\$ 3,769,250	\$ 8,772	\$ 3,778,022	Ewing	---
06.40	Architectural Casework - RE-BID	07/17/19	\$ 618,500	\$ -	\$ 618,500	Skagit	---
07.51	Roofing & Flashings - RE-BID	07/24/19	\$ 783,676	\$ 61,155	\$ 844,831	Stanley	---
31.00	Civil & Site Concrete RE-BID	07/31/19	\$ 1,164,265	\$ -	\$ 1,164,265	Johansen	---
07.52	Siding & Flashings - RE-RE-BID	08/02/19	\$ 245,530	\$ 7,200	\$ 252,730	AM Contracting	---
08.42	Storefront & Interior Glazing - RE-BID	08/02/19	\$ 139,859	\$ -	\$ 139,859	Mission Glass	---
08.43	Polycarbonate - RE-BID	08/02/19	\$ 64,341	\$ -	\$ 64,341	Rouxie Glass	---
08.44	Wood Windows - RE-BID	08/02/19	\$ 398,930	\$ -	\$ 398,930	Sargent	---
09.62	Floor Coverings - RE-BID	08/02/19	\$ 346,000	\$ -	\$ 346,000	Great Floors	---
09.64	Wood Flooring - RE-BID	08/02/19	\$ 111,500	\$ -	\$ 111,500	Gifford	---
09.90	Painting & Coatings - RE-BID	08/02/19	\$ 334,700	\$ (1,090)	\$ 333,610	Fawcett**	---
08.10	Doors, Frames and Hardware - RE-BID	TBD	\$ 301,419	\$ -	\$ 301,419		---
10.01	Specialties - DIV 10	TBD	\$ 391,948	\$ -	\$ 391,948		---
10.02	Specialties - Misc	TBD	\$ 147,683	\$ -	\$ 147,683		---
04.22	Masonry Restoration - Allowance	TBD	\$ 231,610	\$ (81,610)	\$ 150,000		---
08.45	Window Restoration - Allowance	TBD	\$ 169,921	\$ (19,921)	\$ 150,000		---
MAXIMUM ALLOWABLE CONTRACT COSTS (MACC)					\$ 22,016,781	29.80%	
NEGOTIATED SUPPORT SERVICES (est detail)				\$ 41,717	\$ 1,153,029		
MACC "RISK" CONTINGENCY 3.00%					\$ 660,503		
CONTRACTORS FEE 5.00%					\$ 1,100,839		
FEE REDUCTION					\$ (36,721)		
SPECIFIED GENERAL CONDITIONS LUMP SUM					\$ 1,346,075		
TOTAL CONTRACT COST (TCC)					\$ 26,240,507		
WA STATE SALES TAX 10.10%					\$ 2,650,291		
TCC + SALES TAX					\$ 28,890,798		