

School Board of Broward County

December 10, 2013

EXHIBIT 2

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December 10, 2013

Shelley N. Meloni

Task Assigned Chief Facilities & Construction Officer

1400 NW 14th Court, Ft. Lauderdale, FL 33311

Dear Ms. Meloni:

We are enthusiastic about the prospect of serving you ("Client", "you", or "your"). The purpose of this engagement letter is to document your agreement for McGladrey LLP ("McGladrey", "we", "us", or "our") to consult with and assist you with consulting services.

Our Understanding of Your Needs

As an Awardee of and pursuant to the scope of services, pricing and terms / conditions of **RFP11-013V**, we understand that it is your desire to engage us to perform various consulting services for the Facilities Department related to assisting you in the monitoring of your third-party Program Manager.

Client Acceptance of Work

At the conclusion of each phase of work, we will review with you the intended scope of work and deliverables set out in this document to confirm we have met the defined project expectations. If you believe the deliverables do not conform, you will notify us in writing within thirty (30) days of receiving the deliverables that they do not conform. We will then have a reasonable period of time, based upon its severity and complexity, to correct the nonconformity. If you use the deliverables before acceptance or if you fail to notify us of the nonconformance within the thirty (30) day period, the deliverables will be considered accepted.

- A. **Project Description:** Ongoing assistance to the Office of Facilities and Construction in monitoring the Program Manager and related activities.

B. *Services and Scope of Work:*

The scope of our services is to assist management in the ongoing monitoring of the third party Program Manager, as requested by the School Board of Broward County, Office of Facilities and Construction.

C. *Objectives:*

Objectives of our Program Manager monitoring services would include:

1. To provide ongoing monitoring and internal control review of the Program Manager and assess compliance as applicable, with recommendations identified in our previous report, Operational Review of Facilities and Construction Management, dated June 21, 2012.
2. To determine, for specified projects requested by the Client, the propriety and validity of payments to contractor based on our review of Contractor's monthly pay applications.
3. To determine the propriety and validity of payments to Program Manager and whether payments and those projected are in compliance with the agreement between the Program Manager and the Client.
4. To determine for specified projects requested by the Client, contractor compliance with specific contract terms.
5. To assist the Board in assessing the progress and performance of the Program Manager.
6. To keep Facilities Task Force informed as to progress and performance of the Program Manager.

D. *Approach:*

Through interviews with the Program Manager, review of the applicable contract provisions and the relevant supporting documentation, we will perform the following key tasks (as applicable):

Task 1 – Program Manager Monitoring & Review

1. We will meet with the Program Manager and review the Program Manager's policies and procedures manual etc. for compliance with our previous report's recommended best practices.
2. We will provide ongoing monitoring and internal control review of the Program Manager and assess compliance as applicable, with industry practice, Client policy, and recommendations identified in our previous report. Our work plan for the following major processes would include interviews of applicable Program Manager personnel, as well as review and testing of internal controls, and testing of compliance with Client policies & procedures, industry best practice, recommendations identified in our previous report, and Florida Statutes (as applicable):
 - 1) Architect contract development
 - 2) Design Oversight
 - 3) Contractor contract development
 - 4) GMP Development Process / Construction Budget
 - 5) Project Scheduling, including critical path
 - 6) Owner Project Management
 - 7) Change order review and approval

8) Project Close out

3. We will perform a review, for specified projects requested by the client, of the approved monthly pay applications to validate that invoices and other supporting documentation were submitted in accordance with contract terms and amounts were allowable, complete and accurate.

Major Work Steps:

We will review the Program Manager activities as it pertains to following:

- Contractor fees and general conditions against contract provisions
 - General conditions / general requirement costs for proper support
 - Change orders and contingency change requests for proper pricing documentation
 - Construction costs for proper support by reviewing and agreeing billed amounts per the contractor's pay application to the respective subcontractor pay applications
4. We will determine the propriety and validity of payments to Program Manager to date for specified projects as identified by the Client, and whether payments to date and those projected are in concert with the Program Manager master contract and as related to individual project budget and timelines.

Major Work Steps:

- We will review the Program Manager master agreement to gain an understanding of the payment terms and conditions
- We will review the Program Manager billings for proper support by reviewing and agreeing billed amounts per the invoice to the payment terms and conditions specified in the master agreement
- We will obtain the Program Manager labor reports and reconcile to billings in total in the final or most recent Program Manager billing (as applicable based upon the provisions of the agreement)

Task 2 – Construction Contract Compliance Reviews

We will perform a Construction Contract Compliance Review for specified projects as requested by the Client. This review will include contractor compliance with specific contract terms related to inclusive costs and procedures for usage of Owner funds, allowances, contingencies and other provisions as applicable, and quantifying any identified contractor overcharges as applicable.

Major Work Steps:

- We will review the applicable agreement in order to facilitate contractor compliance with the terms of the contract and perform sample basis testing where applicable, for the following cost classifications:

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- Contractor fees (Overhead and Profit); Labor and labor burden charges
- General conditions and general requirement costs
- Change orders and contingency change requests
- Construction costs subcontractor pay applications
- Other costs
- We will obtain the job cost report from the contractor and reconcile to billings in total in the final or most recent pay application and scheduled values.
- We will review the calculation of sales tax savings and any usage of the savings for appropriateness in accordance with the provisions of the contract, proper approval and mathematical accuracy.
- We will reconcile the Pay Applications and sample project disbursements to Capital Payments records for completeness and accuracy.
- We will compare a sample of payments made by the Construction Manager on the larger subcontracts to the payments made by the Owner to the Construction Manager for those contract line items and vouch to cancelled checks obtained from the CM (Validate payments to the subcontract - Compare the CM GMP vs. actual payments to subcontractors)
- We will review the GMP and other applicable cost proposal documents and compare to our previous analysis in which we assisted SBBC Facilities and Construction management in the Architect and Construction contract negotiation process and identify any variances

Deliverables: Throughout our review(s), we will summarize our results into quarterly reports and conduct conferences with the Office of Facilities and Construction management to discuss our findings identified during the reporting period, including:

- Internal control deficiencies and / or recommendations for process and control improvements
- Deficiencies related to compliance with Client policies & procedures and / or Florida Statutes
- Quantifications related to identified internal control and / or policy & procedures deficiencies
- Identification of areas that may commend additional procedures and follow-up

Staffing

Rob Broline will be responsible for overseeing the engagement and the delivery of all services to you. Other professionals at the necessary skill and experience levels may be called upon to assist in this project as appropriate. While we will attempt to comply with your requests for certain individuals, we retain the right to assign and reassign our personnel, as appropriate, to perform the services.

Engagement Assumptions and Client Responsibilities

Our services, fees and work schedule are based upon the following assumptions, representations and information supplied by you in **RFP11-013V**. Client will determine the extent of services it wishes McGladrey to provide and ensure our company has access to key people and data.

If circumstances arise relating to the availability of sufficient, competent evidence or information which, in our professional judgment, prevents us from completing the engagement, we retain the unilateral right to take any course of action permitted to us, including withdrawal from the engagement.

In the event we are requested or authorized by Client or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Client, Client will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, including the fees and expenses of our counsel, incurred in responding to such requests.

You agree to furnish personnel, facilities and resources, and undertake the responsibilities set forth in this engagement letter. You also agree to cause all levels of your employees and contractors to cooperate fully and timely with us. You will designate an employee or employees within your senior management who will make or obtain all management decisions with respect to this engagement on a timely basis. You also agree that all assumptions set forth in this engagement letter are accurate and agree to provide us with such further information we may need and which we can rely on to be accurate and complete. We will be entitled to rely on all of your decisions and approvals made independently and we will not be obligated to evaluate, advise on, confirm or reject such decision and approvals. You will evaluate the adequacy and results of services and will let us know immediately of any problems or issues you perceive in our personnel, services or deliverables. We will also let you know where we feel we are not getting the appropriate cooperation or direction and advise you of any other issues related to this engagement. The success of this engagement is dependent upon full openness, communications, cooperation and timely direction. The fulfillment of these responsibilities is critical to the success of this engagement. The successful delivery of our services, and the fees charged, are also dependent on your timely and effective completion of your responsibilities, the accuracy and completeness of the assumptions, and timely decisions and approvals by your management. You will be responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in the assumptions or in carrying out your responsibilities.

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In connection with the performance of these services, Client agrees to make all management decisions and perform all management functions; designate an individual who possesses suitable skills, knowledge, and/or experience, preferably within senior management, to oversee such services; evaluate the adequacy and results of the services performed; accept responsibility for the results of the services; and establish and maintain internal controls, including monitoring ongoing activities. We will not perform any management functions, make management decisions, or otherwise perform in a capacity equivalent to that of an employee or officer of Client.

As you know, Client's management is responsible for: (1) establishing and maintaining effective internal control over financial reporting and safeguarding assets; (2) identifying and ensuring that Client complies with the requirements of the Sarbanes-Oxley Act and other laws and regulations applicable to Client's activities; (3) informing us of all significant deficiencies and material weaknesses in internal controls of which Client has knowledge; and (4) making all financial records and related information, including existing internal control documentation and management's evaluation of design and operating effectiveness, available to us.

Fees and Expenses

Our fees for the services described in this engagement letter will be billed based upon the following discounted rates pursuant to our proposal response dated April 19, 2010 to RFP11-013V:

<u>Title</u>	<u>Hourly Rate</u>
Partner/Principal	\$200.00
Director	\$175.00
Manager	\$175.00
Senior Associate	\$150.00
Associate	\$125.00

Tasks	Total Estimate
Task 1 - Program Manager Monitoring & Review	\$105,000
Task 2 - Construction Contract Compliance Reviews - (as requested)	\$65,000

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Fees for services of this type are always difficult to estimate. If circumstances are encountered that affect our ability to proceed according to the plan outlined above, such as major scope changes, loss of key Client personnel, unavailable information or undetermined or requested scope changes during our scoping efforts, we will inform you promptly and seek your approval for any changes in scope, timing or fees that may result from such circumstances.

Invoices, unless otherwise indicated, must show purchase order numbers and shall be submitted in duplicate to the Accounts Payable Department of The School Board of Broward County, Florida, 600 S.E. 3rd Avenue, Fort Lauderdale, Florida 33301. Payment will be made a minimum of 30 days after delivery, authorized inspection and acceptance. When vendors are directed to send invoices to a school, the school will make direct payments to the vendor.

Conditions and Specifications

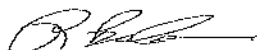
The conditions and specifications of RFP11-013V apply to this engagement and are part of our agreement. Please indicate your agreement to these arrangements by signing and returning to me the enclosed copy of this engagement letter.

We appreciate the opportunity to be of service to you and look forward to working with you on this project. You will receive our closest attention. If at any time you have questions, concerns, or issues with our services, billings or anything else related to our service, please call me at 321.751.6238.

Sincerely,

McGladrey LLP

By:



Rob Broline, Director

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This engagement letter and the conditions and specifications correctly set forth our understanding and acceptance of this agreement.

Acknowledged and accepted:

School Board of Broward County

By:

Date:

Office of Facilities & Construction