


Office of the County Auditor

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May 7, 2014

TO: Mayor and Broward County Board of County Commissioners

 FROM: Evan A. Lukic, County Auditor 

SUBJECT: Agenda Item 45 - May 13, 2014 – County Auditor's Report Review of Hourly Billing Rates for Aviation Contracts

My office performed a series of desk reviews of hourly billing rates for five airport contracts resulting in the issuance of five audit reports placed on the May 13, 2014 agenda. The purpose of the reviews was to determine whether hourly billing rates invoiced by consultants for their services and the services of their subconsultants complied with contract requirements.

To accomplish our objective, we reviewed hourly billing rates for five prime consultants and their 57 subconsultants totaling 62 entities. As of August 2013, the County had paid the five prime consultants approximately \$63 million. Our review covered a sample of invoices totaling \$4.2 million during calendar years 2011 and 2012. The table below shows the five prime consultants, scope of services, number of subconsultants and invoice amounts reviewed.

Table 1 – Summary of Entities and Invoice Amounts Reviewed

Prime Consultants	Scope of Services	Number of Subconsultants	Invoice Amounts Reviewed
Gresham, Smith and Partners (GSP)	Terminals 1, 2 and 3 Modernization	17	\$178,318
DMJM Aviation, Inc. (DMJM)	Program management services	6	\$1,607,064
The Urban Group, Inc. (TUG)	Airport noise mitigation program assistance	13	\$419,300
Turner Construction Company (Turner)	Contract construction management services for Terminal 4 expansion	6	\$944,148
Atkins North America, Inc. (Atkins)	Expansion of Runway 9R/27L	15	\$1,088,722
Total Reviewed		57	\$4,237,552

Source: Prepared by the County Auditor's Office with information obtained from BCAD, contracts and invoices

Our test samples disclosed **\$47,245** in salary rate overbillings and seventeen instances of unsupported overhead and fringe benefit rates discussed below.

- **Salary Rate Issues**

We reviewed salary rates for 37¹ of the 62 entities. We found that 12 (32%) of the 37 entities reviewed charged higher salary rates than permitted by the contracts resulting in \$47,245 overbillings.

- **Overhead and Fringe Benefit Rate Issues**

We reviewed overhead and fringe benefit rates for 43² of the 62 entities. We found that 17 (40%) of the 43 entities reviewed did not comply with the overhead and fringe benefit reporting requirements resulting in unsupported overhead and fringe benefit billing rates. As a result, we were unable to determine whether the County was billed the correct overhead and fringe benefit rates. This is significant as overhead and fringe benefit rates generally comprise more than 50% of the total billing rate.

The above issues are important because they result in:

- Recoveries of identified salary rate overbillings totaling \$47,245.
- Additional recoveries by extending our findings beyond the sampled periods to include all months in the entire contract period.
- Potential future cost savings because the billing rates in these contracts will be corrected going forward.
- Potential future cost avoidance across other contracts and agencies as many of the entities reviewed have similar contracts to perform work for other County agencies.

A summary of these issues by contract is presented in Appendix A of this transmittal. Specifics of these issues are explained in greater detail within the individual five reports.

The desk reviews were designed to be performed early in the course of the contract in order to identify errors and issues timely and thereby provide management and the consultants with opportunities to address any issues during the contract term. Consistent with this concept, our preliminary findings and recommendations were provided to Broward County Aviation Department (BCAD) management as the reviews progressed so appropriate actions could be taken quickly. As of this date BCAD has recovered **\$250,917** in overbillings including \$34,576 of the \$47,245 specifically identified in our reviews and has revised the hourly billing rates for the remainder of the contracts.

My office has initiated a second series of reviews to address fringe benefit and overhead rates that were either unsupported or waived in this review.

¹ The 37 entities reviewed include five prime consultants and 32 subconsultants. The remaining 25 entities either did not bill or billed as lump sum or flat rates during our sample period. Therefore, no procedures were performed relative to the review of salary rates.

² The 43 entities reviewed include five prime consultants and 38 subconsultants. The remaining 19 entities either requested a waiver from providing required supporting documentation or had a flat rate during our review period. Therefore, we deferred review of their overhead and fringe benefit rates.

Appendix A
Summary of Issues and Overbillings
and Number of Noncompliant Entities by Contract

Findings		Overbillings and Number of Noncompliant Entities					
		GSP	DMJM	TUG	Turner	Atkins	Total
Salary Rate Issues	Higher hourly rates billed than actually paid to the employees			\$19,662			\$19,662
	Unallowable markup of independent contractors/contracted staff	\$15,781		\$3,838			\$19,619
	Higher fringe benefit rates billed for part-time employees than actually paid			\$1,145	\$2,215		\$3,360
	Home office rate billed for one employee who actually worked in the field office at the Airport					\$1,549	\$1,549
	Higher multiplier increase than permitted by the contract		\$3,055				\$3,055
	Overbillings	\$15,781	\$3,055	\$24,645	\$2,215	\$1,549	\$47,245
	Number of Noncompliant Entities	2 Subs	1 Sub	Prime & 6 Subs	Prime	1 Sub	12 Entities
Overhead and Fringe Benefit Issues	17 entities did not comply with the overhead and fringe benefit reporting requirements.	13 Subs	-	3 Subs	Prime	-	17 Entities

Source: Prepared by the County Auditor's Office