



**Review of Hourly Billing Rates – The Urban Group, Inc.  
Consultant Services Contract for Noise Mitigation Program  
Assistance at the Fort Lauderdale-Hollywood International  
Airport**

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**March 17, 2014**

**Report No. 14-04**



**Office of the County Auditor**

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## **Executive Summary**

This report presents the results of our desk reviews of hourly billing rates invoiced under the consultant services contract between Broward County and The Urban Group, Inc. (TUG) for Airport Noise Mitigation Program Assistance executed on November 27, 2006. The purpose of the reviews was to determine whether hourly billing rates invoiced by TUG for their services and the services of its subconsultants complied with contract requirements. To accomplish our objective, we reviewed hourly billing rates invoiced by TUG and its 13 subconsultants for the time periods of January through April 2012 and September through October 2012. Hourly billing rates consist of actual hourly salary, overhead, and fringe benefit cost elements plus a negotiated profit. Consultants are required to certify that the cost elements billed reflect their actual costs and provide supporting documentation to enable verification and recalculation.

Our reviews disclosed that:

- TUG and its six subconsultants invoiced the County at hourly rates in excess of the allowable contract rates, for fringe benefits not actually paid and for unallowable markup of independent contractors' costs. The resultant overbillings of \$24,645 represents 6% of the \$419,300 in our test sample of invoices, and
- Three subconsultants did not comply with the overhead and fringe benefit reporting requirements resulting in unsupported overhead and fringe benefit billing rates.

We summarized noncompliance issues by TUG and its subconsultants in Appendix A on page 10.

Desk reviews are intended to be performed early in the contract term in order to identify errors and compliance issues timely and 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 the date of this report, the County has recovered \$167,744 in past overbillings inclusive of the \$19,662 (Finding #1) identified in this review and has revised hourly billing rates over the remainder of the contract.

To address the remaining issues raised in this report, we recommend the Board of County Commissioners direct the County Administrator to require TUG to remit identified overbillings, review and remit any additional overbillings from all prior and subsequent invoices, and ensure that hourly rates billed comply with all contractual requirements and for BCAD to improve oversight of overhead and

fringe benefit reporting requirements. Detailed recommendations are listed on page 9. Further, our office has initiated additional reviews to verify the unsupported fringe benefit and overhead rates identified in Finding 4 of this report.

## **Purpose and Scope**

The purpose of our review was to determine whether hourly billing rates invoiced by TUG for their services and the services of its subconsultants complied with contract requirements. Our review covered invoices (pay applications) numbered 78, 81, 82 and 92 submitted by TUG for the time periods of January through April 2012 and September through October 2012.

## **Methodology**

To accomplish our objective, we:

- Reviewed
  - The contract between TUG and Broward County dated November 27, 2006 (Including Amendments I through V),
  - Selected pay applications, including supporting invoices from TUG and its subconsultants,
  - Payroll registers and other supporting documentation from TUG and its subconsultants, and
  - Financial Schedules or Reports certified by an Independent Certified Public Accountant (CPA) for TUG and its subconsultants.
- Interviewed Broward County Aviation Department (BCAD) staff, and
- Consulted with the County Attorney's Office.

## **Background**

On November 27, 2006, the Board of County Commissioners entered into a consultant services contract with The Urban Group, Inc. (TUG) for Noise Mitigation Program Assistance (Program) at the Fort Lauderdale-Hollywood International Airport (FLL). The Program has three Phases. The original contract was approved for a total maximum amount not-to-exceed \$280,203 for Phase I. Phases II and III were subsequently approved through contract amendments. Table 1 on the next page shows the scope of services and contract amounts for the original contract and five amendments. As of the date of our review the County had paid TUG approximately \$7.7 million.

**Table 1 – Summary of TUG’s Contract and Five Amendments**

<b>Contract/ Amendments</b>	<b>Approved Date</b>	<b>Scope of Services</b>	<b>Contract Amounts</b>
Original Contract	11/27/2006	Phase I - Noise Mitigation Program Assistance	\$280,203
1 <sup>st</sup> Amendment	8/5/2008	Phase II - Management and Implementation of the Voluntary Residential Sound Insulation Pilot Program	1,912,868
2 <sup>nd</sup> Amendment	11/9/2010	Phase II - Management and Implementation of the Voluntary Residential Sound Insulation Pilot Program	419,624
3 <sup>rd</sup> Amendment	7/28/2011	Revision to the reimbursable expenses Form D-1	-
4 <sup>th</sup> Amendment	10/25/2011	Phase IIA - Management and Implementation of the 80 unit Voluntary Residential Sound Insulation Program	2,863,791
5 <sup>th</sup> Amendment	6/26/2012	Five year extension to the existing contract Phase III – Implementation of the County-approved Noise Mitigation Program	34,088,463
<b>Total</b>			<b>\$39,564,949</b>

*Source: TUG’s original contract and five amendments*

### **Subconsultants**

TUG contracted with 13 subconsultants to perform consultant services for Noise Mitigation Program Assistance (see Table 2 on page 5 for a list of subconsultants). TUG and its subconsultants’ billing rates are established in Exhibit B of the contract.

### **Exhibit B Salary Costs**

Broward County compensates TUG and its subconsultants on an hourly basis at actual hourly costs plus a negotiated profit percentage. Actual hourly costs are comprised of the actual hourly salary rates paid to an employee plus an allocation of actual overhead and fringe benefit costs. Regardless of actual costs, the billable hourly rates are limited to negotiated maximums.

Exhibit B Salary Costs of the contract provides the raw hourly salary, combined overhead rate, profit and maximum rates for personnel categories anticipated to be assigned to the project. Exhibit B also shows an overall multiplier, which is computed by dividing the maximum billing rate by the maximum hourly salary rate. For example, a position with a maximum hourly salary rate of \$25 per hour and billed to the County at a maximum billing rate of \$75 (after adding fringe benefit, overhead, and profit) equates to a 3.0 multiplier. The established multiplier is applied to the actual hourly salary rate for each of the consultant’s employees to determine the billing rate invoiced to the County.

In the 5<sup>th</sup> amendment, Exhibit B established two separate rates for home and field employees. Home employees are engaged directly in the work of the program but are not deemed located on-site at the Airport. Field employees are personnel working from a field office located at the Airport.

### Invoice Process

TUG submits invoices to the County for hours incurred by its staff at its contract rates and reimbursable expenses. TUG's invoices also include amounts billed to TUG by its subconsultants at the subconsultants' contract rates and reimbursable expenses. TUG is responsible for review of invoices from its subconsultants for accuracy and completeness before including them in their invoice package to the County.

After BCAD receives the invoice package, the project manager spot checks the labor rates billed against the contract rates and the reimbursable amounts against the supporting documentation. The invoices are then submitted for further processing through the Project Administrator to the Contract Administrator (CA). After the CA approves the invoice, the invoice package is sent to BCAD's Finance Division, which processes the invoice and sends the completed package to the County's Accounting Division for payment.

### Invoice Sampling

Our review covered \$419,300 in payments to TUG for pay applications numbered 78, 81, 82 and 92 for the time periods January through April 2012 and September through October 2012. Table 2 below shows a summary of pay applications reviewed for TUG and its subconsultants.

**Table 2**  
**Pay Applications Reviewed for TUG and Its Subconsultants**

Consultant/Subconsultants	Pay Application Reviewed	Amounts Reviewed
The Urban Group, Inc. (TUG)	#78 & #92	\$ 87,041
The Jones Payne Group, Inc. (JPG)	#78 & #92	171,262
RCT Engineering, Inc. (RCT)	#78 & #92	27,533
Gartek Engineering, Inc. (Gartek)	#92	47,059
AirQuest Environmental, Inc. (AirQuest)	#81	18,654
Harris, Miller, Miller & Hanson, Inc. <sup>1</sup> (HMMH)	#78	16,732
Landrum and Brown	#81	16,228
Keith and Associates, Inc.	#82	14,735
The Sun Group, Inc.	#92	8,402
Creative Edge, Inc. (Creative Edge)	#92	4,942
W D Schock Company	#92	3,931
Dickey Consulting Services, Inc. (Dickey)	#78	2,781
AECOM <sup>2</sup>	-	-
Adrian Gonzalez & Associates, PA <sup>2</sup>	-	-
<b>Total Amounts Paid</b>		<b>\$ 419,300</b>

Source: BCAD and TUG and Its Subconsultants' Invoices

<sup>1</sup> During our sample period, HMMH only billed for retainage in one pay application. Therefore, no procedures were performed relative to the review of hourly salary rates.

<sup>2</sup> AECOM and Adrian Gonzalez & Associates, PA did not bill the County during our sample period. Therefore, no procedures were performed relative to the review of hourly rates.

## Findings

### Finding 1: TUG and five of its subconsultants billed the County \$19,662 at hourly rates in excess of the allowable contract rates.

As required by the contract, the hourly rates billable to the County are the actual hourly rates<sup>3</sup> paid by TUG and its subconsultants to their employees times the multiplier established in the Exhibit B of the contract.

We reviewed pay applications numbered 78, 81, 82 and 92 for the time periods January through April 2012<sup>4</sup> and September through October 2012 totaling \$419,300. We compared the amounts billed for each employee to the rates shown in Exhibit B and applicable payroll registers provided by TUG and its subconsultants. Our review found that hourly rates charged by TUG and five subcontractors for certain employees were higher than the actual rates paid to the employees times the contract multiplier.

Table 3 below shows the summary of \$19,662 overbillings by TUG and five subcontractors during our sample period.

**Table 3 - Summary of \$19,662 Overbillings**  
**Hourly Rate Billed in Excess of Allowable Hourly Rate**

Consultant/ Subconsultants	Pay Application	Number of Positions Overbilled	Overbilled Amounts
<b>TUG</b>	#78	1	\$879
<b>Gartek</b>	#92	3	\$8,026
<b>JPG</b>	#78 & #92	4	\$5,825
<b>AirQuest</b>	#81	4	\$3,581
<b>RCT</b>	#92	3	\$695
<b>Dickey</b>	#78	2	\$656
<b>Total</b>			<b>\$19,662</b>

*Source: Prepared by the Office of the County Auditor based on TUG's contract, amendments, invoices and payroll registers reviewed*

As noted previously in the Executive Summary, the County has recovered approximately \$167,744 in past overbillings inclusive of the \$19,662 identified above and has revised hourly billing rates over the remainder of the contract.

<sup>3</sup> Section 5.2.2 (ii) of the contract states that "the rates in Exhibit B for subconsultants are provisional, subject to audit of actual costs."

<sup>4</sup> Pay application 78 covered the month of February and parts of January and March 2012. Pay applications 81 and 82 covered April 2012.

**Finding 2: TUG's subconsultant, Creative Edge, Inc., billed for fringe benefits which were not paid by the company.**

Our review of payroll documentation for Creative Edge, Inc. (Creative Edge) disclosed that the County was billed for a part-time employee who was not paid medical, vacation or holiday benefits. Therefore, the fringe benefit rate charged to the County for this employee was overstated. However, because Creative Edge's Exhibit B has a combined rate for both overhead and fringe benefit, we were unable to determine the amount of actual overbilling. As a result, our finding includes disallowance of \$1,145 representing the combined fringe benefit and overhead payments for this employee.

**Finding 3: TUG overbilled the County \$3,838 for unallowable markup of non-employees.**

Contracted staff and independent contractor's salary costs shall be billed to the County in the actual amount paid by the subconsultants.<sup>5</sup>

Our review disclosed that four of TUG's subconsultants billed the County for three contracted staff<sup>6</sup> and one independent contractor at the maximum allowable rate under the contract. However, the actual hourly costs to the subconsultants for the contracted staff and independent contractor were much lower than the rates billed. The four subconsultants should have billed the actual costs without additional charge (markup) to the County. As shown in Table 4 below, the County was overbilled \$3,838 by TUG during our sample period for the unallowable markup by its four subconsultants.

**Table 4 – Summary of \$3,838 Overbillings  
Unallowable Markup of Contracted Staff and Independent Contractor Costs**

Subconsultant	Pay Application	Number of Individuals Overbilled	Overbilled Amounts
RCT	#92	1 Contracted Staff	\$1,383
JPG	#78	1 Contracted Staff	\$1,155
Creative Edge	#92	1 Independent Contractor	\$1,068
AirQuest	#81	1 Contracted Staff	\$232
<b>Total</b>			<b>\$3,838</b>

*Source: Prepared by the Office of the County Auditor based on TUG's contract, amendments, invoices and payroll registers reviewed*

<sup>5</sup> Section 5.2.3 of the contract states that "Subconsultant Salary Costs shall be billed to County in the actual amount paid by Consultant" and Section 10.6.2 of the contract states that "Pay applications which include billing for any services performed by any subconsultants shall be passed through to COUNTY without additional charge by the CONSULTANT."

<sup>6</sup> Individuals are contracted and paid through a staffing agency.



**Finding 4: Three subconsultants did not comply with the overhead and fringe benefit reporting requirements resulting in unsupported overhead and fringe benefit billing rates.**

Section 5.2.2 of the contract states that “The breakdown of overhead and fringe benefit factors shall be certified by a Certified Public Accountant (CPA). Said certification shall be dated within ninety (90) days after subconsultant’s just completed fiscal year. The subconsultant may seek assistance or a waiver of this requirement by written request to the County Auditor.” The contract also requires that the detailed breakdown of these costs shall be kept current and readily accessible to the County.

We reviewed and compared TUG and thirteen subconsultants’ overhead and fringe benefit rates as listed in Exhibit B of the original contract and amendments to their financial schedules or reports certified by a CPA. Our review found that three subconsultants had not provided required support for their overhead and fringe benefit rates (Detailed noncompliant issues are listed in Appendix A on page 10).

As a result, we could not readily verify the overhead and fringe benefit factors for these subconsultants. Because overhead and fringe benefit rates generally comprise more than 50% of the total billing rate, overstatement of these rates could result in significant overbillings to the County. Therefore, we have initiated a subsequent review to further address the overhead and fringe benefit rate issues noted during the review.

As the prime consultant, TUG is solely responsible for compliance with their contract with the County. This responsibility encompasses financial accountability for invoicing of project costs including amounts billed through them by their subconsultants. To fulfill its responsibilities, TUG needs to take steps to ensure that all its subconsultants are complying with all contractual requirements.

## **Recommendations**

As mentioned in the executive summary, BCAD management has recovered the overbillings identified in this report and additional overbillings from prior and subsequent invoices. Therefore, we recommend the Board of County Commissioners direct the County Administrator to:

1. Require TUG to:
  - Remit the overpayments identified in our review to the County,
  - Review without cost to the County, all prior and subsequent invoices to ensure the rates billed comply with the contract, and remit any additional overpayments identified to the County,
  - Ensure that hourly rates billable to the County are the actual hourly rates paid by TUG and its subconsultants to their employees times the multiplier established in the Exhibit B of the contract, and
  - Ensure that future services performed by independent contractors and contracted staff are billed on a reimbursement basis without markup.
2. Require BCAD to take all necessary steps to ensure that all future Exhibit B rates are supported by CPA audits at the time of negotiation, or a request for a waiver has been made to and approved by the County Auditor.

## Appendix A

### Summary of Issues by TUG and Its Subconsultants

Consultant/ Subconsultants	Billing Reflects Actual Hourly Rates			Support for Overhead & Fringe Benefit Rates		
	Not Reviewed	Compliant	Noncompliant (See Finding #1)	Not Reviewed	Compliant	Noncompliant (See Finding #2)
The Urban Group, Inc.			Overbilled \$879 for billing rates exceed actual		✓	
The Jones Payne Group, Inc.			Overbilled \$6,980 for billing rates exceed actual and unallowable markup for contracted staff			No CPA report or waiver request for the original contract
RCT Engineering, Inc.			Overbilled \$2,078 for billing rates exceed actual and unallowable markup for contracted staff			No CPA report or waiver request for the 1 <sup>st</sup> Amendment
Gartek Engineering, Inc.			Overbilled \$8,026 for billing rates exceed actual		✓	
Dickey Consulting Services, Inc.			Overbilled \$656 for billing rates exceed actual		✓	
AirQuest Environmental, Inc.			Overbilled \$3,813 for billing rates exceed actual and unallowable markup for contracted staff		✓	
Creative Edge. Inc.			Overbilled \$2,213 for unallowable mark up for independent contractor and part-time employee		✓	
W D Schock Company		✓				No support for field rate in 5 <sup>th</sup> Amendment
Harris, Miller, Miller & Hanson, Inc.	Only billed retainage				✓	
AECOM	Did not bill				✓	
Landrum as Brown	Flat rates			Flat rates		
Adrian Gonzalez & Associates, PA	flat rate and did not bill			Flat rates		
Keith and Associates, Inc.		✓			✓	
The Sun Group, Inc.		✓			✓	
<b>Total 14 Entities Reviewed</b>	<b>4 N/A</b>	<b>3 Compliant</b>	<b>7 Noncompliant</b>	<b>2 N/A</b>	<b>9 Compliant</b>	<b>3 Noncompliant</b>

Source: Prepared by the County Auditor's Office