



Review of Hourly Billing Rates – Atkins North America, Inc. (f/k/a PBS&J) Consultant Services Contract for Expansion of Runway 9R/27L at the Fort Lauderdale-Hollywood International Airport

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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 Atkins North America, Inc. (Atkins, f/k/a PBS&J) for Expansion of Runway 9R/27L. The objective of our reviews was to determine whether hourly billing rates invoiced by Atkins for their services and the services of its subconsultants complied with contract requirements. To accomplish our objective, we reviewed hourly billing rates invoiced by Atkins and their 15 subconsultants for the time periods of July 30, 2012 through September 2, 2012 and October 1, 2012 through October 28, 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 Atkins invoiced the County for a subconsultant's employee at an inappropriate rate resulting in an overbilling of \$1,549 in our sample period. The subconsultant's employee was billed at the home office hourly billing rate rather than the field office rate. We found no exceptions pertaining to hourly billing rates for the services performed by Atkins.

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 BCAD has recovered \$8,304 in past overbillings inclusive of the \$1,549 identified in this review and has revised hourly billing rates over the remainder of the contract.

Purpose and Scope

The purpose of our review was to determine whether hourly billing rates invoiced by Atkins for their services and the services of its subconsultants complied with contract requirements. We reviewed pay applications numbered 29 and 31 submitted by Atkins for the time periods of July 30, 2012 through September 2, 2012 and October 1, 2012 through October 28, 2012.

Methodology

To accomplish our objective, we:

- Reviewed
 - The contract between Atkins and Broward County executed April 6, 2010 (including Amendments I, II, III and IIII),
 - Pay applications numbered 29 and 31, including supporting invoices from Atkins and its subconsultants,
 - Selected subconsultant payment summary spreadsheets,
 - Payroll registers and other supporting documentation from Atkins and its subconsultants, and
 - Audited Financial Schedules and Reports for Atkins and its subconsultants for 2008 and 2009, and Audit Waiver Request for subconsultants to the County Auditor's Office.
- Interviewed Broward County Aviation Department (BCAD) staff, and
- Consulted with the County Attorney's Office.

Background

On April 6, 2010, the Board of County Commissioners entered into a consultant services contract with Atkins North America, Inc. (Atkins, f/k/a PBS&J) for Expansion of Runway 9R/27L at the Fort Lauderdale-Hollywood International Airport (FLL). The contract was approved for a total maximum amount not-to-exceed \$18,378,474 for services to include:

- Labor lump sum amount of \$9,846,562,
- Labor maximum not-to-exceed amount of \$6,623,906,
- Reimbursable maximum not-to-exceed amount of \$563,006, and
- Optional Services maximum not-to-exceed amount of \$1,345,000.

Under the contract, Atkins provides professional services for complete design, construction documents, bid and award services, and construction phase services for Expansion of Runway 9R/27L.

On November 12, 2010, the Director of Purchasing approved the 1st amendment to authorize incorporation of the Federal Acquisition Regulations (FAR) audited salary rates for DeRose Design Consultants, Inc., and to replace Exhibit B Salary Costs with an updated Exhibit B. On March 8, 2011, the Board approved the 2nd amendment, which increased the total contract amount to \$19,768,474 to provide funding for additional and future design work. The Director of Purchasing approved the 3rd amendment on May 18, 2011 to revise Atkins's Exhibit B Salary Costs to include three new job titles. On December 6, 2011, the Board approved the 4th amendment to increase the total contract amount to \$22,587,006.

Subconsultants

Atkins contracted with fifteen subconsultants to perform consultant services for Expansion of Runway 9R/27L project (see Table 1 on page 5 for a list of subconsultants). Atkins and its subconsultants' billing rates are established in Exhibit B of the contract.

Exhibit B Salary Costs

Broward County (County) compensates Atkins 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, overhead, fringe, profit and maximum total billing rates for each personnel category 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.

Based on the contract, BCAD supplies a field office located on Airport property for Atkins and its subconsultants. Home employees are engaged directly in the work of the program but are not deemed to be located on-site at the Airport. Field employees are personnel working from a field office located at the Airport. Exhibit B of the contract specifies that the overall multipliers for home and field employees cannot exceed 2.90 and 2.45, respectively.

Invoice Process

Atkins submits invoices to the Airport Program Management Office¹ (PMO) for hours incurred by its staff at its contract rates and reimbursable expenses. Atkins' invoices also include amounts billed to Atkins by its subconsultants at the subconsultants' contract rates and reimbursable expenses. Atkins is responsible for review of invoices from its subconsultants for accuracy and completeness before including them in their invoice package to the County.

After PMO receives Atkins' invoice package, PMO's financial staff and project manager review the invoices by comparing labor rates billed to the contract rates and reconciling the reimbursable amounts to the supporting documentation. After the PMO's project manager approves the invoice, the entire package is forwarded to the BCAD staff that spot check the invoice for accuracy and review

¹ DMJM Aviation, Inc. is the Airport Program Management Office (PMO), which provides management services for the New South Runway, Terminal 4 Replacement, and Enabling Projects at FLL.

the small business utilization reports for contract compliance. The Director of Airport Expansion Program provides final approval prior to forwarding to BCAD's Finance Division.

After BCAD Finance approves the invoice, the complete invoice package is scanned by the Airport's Document Control and then sent to the County's Accounting Division for payment.

Invoice Sampling

Our review covered pay applications numbers 29 and 31. Atkins invoiced the County \$1,088,722 during our sample period, in which Atkins billed for \$371,239 and the remaining \$717,483 was billed by ten of fifteen subconsultants. Five of fifteen subconsultants did not bill the County for services during our review period. Table 1 below shows a breakdown of amounts billed by Atkins and its subconsultants for two pay applications reviewed.

Table 1
Pay Applications Reviewed for Atkins and Its Subconsultants

Consultant/Subconsultants	Pay Application Reviewed	Amounts Reviewed
Atkins North America, Inc. (f/k/a PBS&J)	#29 & #31	\$ 371,239
Reynolds, Smith And Hills, Inc.	#29 & #31	504,574
Keith & Associates, Inc.	#29 & #31	72,627
Hillers Electrical Engineering, Inc.	#29 & #31	42,375
Construction Management Services, Inc. ²	#29	33,500
Tierra South Florida, Inc.	#29 & #31	26,518
Advance Consulting Engineering Services, Inc.	#29 & #31	13,970
Brindley Pieters & Associates, Inc. ²	#31	9,807
Aylward Engineering & Surveying, Inc. ²	#31	4,959
Basulto Management Consulting ²	#31	4,641
Miller Legg (ML)	#29 & #31	4,512
Cartaya Associates Architects, PA		-
DeRose Design Consultants, Inc.		-
Heath and Lineback, Inc.		-
QED Consultants, Inc		-
Weidlinger Associates, Inc		-
Total Amounts Paid		\$1,088,722

Source: BCAD and Atkins and its Subconsultants' Invoices

² The subconsultant billed the County a lump sum amount for the pay application reviewed and the labor rate and employee hours were not shown separately. Therefore, no procedures were performed relative to the review of hourly rates.

Finding

Atkins invoiced the County for a subconsultant's employee at an inappropriate rate resulting in an overbilling of \$1,549 in our sample period.

The contract provides both home and field office rates. Home office rates are generally used for employees who work on the project from the consultant's home office. Field office rates are used for employees using an on-site (field) office. Generally field office rates are lower than home office rates. Atkins and its subconsultants are required to use the appropriate home or field rate to bill the County depending on the employee's actual work location.

We reviewed pay applications numbered 29 and 31 that covered invoice dates of July 30, 2012 through September 2, 2012 and October 1, 2012 through October 28, 2012, respectively. We compared the amounts billed for each job classification to the rates shown in Exhibit B and applicable payroll registers provided by Atkins and its subconsultants.

We found no exceptions between the raw hourly rates billed and actual rates paid per the payroll register for the periods reviewed, and the salary rates invoiced were equal or less than the maximum allowable rates. However, our review disclosed one Keith & Associates, Inc. (K & A) employee, who was billed using the home office rate when the employee was actually working in the Airport field office and should have been billed at the field office rate. As a result, Atkins overbilled the County \$1,549 for its subconsultant K & A. Table 2 below shows the calculation of the overbilling during our sample period.

Table 2
Computation of Overbilling Due to Inappropriate Office Rate
Pay Applications 29 and 31

Title	Pay Application	Invoiced Rate	Allowable Rate ³	Difference	Actual Billed Hours	Overbilled Amount
		a	b	c = a - b	d	e = c * d
Construction Manager	29	\$139.15	\$134.75	\$4.40	200	\$880
Construction Manager	31	\$139.15	\$134.75	\$4.40	152	\$669
Total Overbilling						\$1,549

Source: Atkins Pay Application 29 and 31 and Exhibit B of the contract

As the prime consultant, Atkins 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

³ The allowable billing rate is the actual raw hourly salary paid to the employee times the field office multiplier of 2.45 as listed in K & A's Exhibit B.

by their subconsultants. To fulfill its responsibilities, Atkins needs to take steps to ensure that its subconsultants are complying with all contractual requirements.

Recommendation

None, subsequent to our field work BCAD recovered \$8,304 in past overbillings inclusive of the \$1,549 identified above and has revised hourly billing rates over the remainder of the contract.