



**Review of Hourly Billing Rates – DMJM Aviation, Inc. Contract
for Program Management Services for New South Runway,
Terminal 4 Replacement and Enabling Projects at the Fort
Lauderdale-Hollywood International Airport**

March 17, 2014

Report No. 14-07



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 program management services contract between Broward County and DMJM Aviation, Inc. (DMJM) executed January 6, 2009. The purpose of the reviews was to determine whether hourly billing rates invoiced by DMJM for their services and the services of its subconsultants were in compliance with contract requirements. To accomplish our objective, we reviewed hourly billing rates invoiced by DMJM and its six subconsultants for the time periods of August through September, 2011, October through November 2011, and August through September 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 DMJM overbilled the County \$3,055 in sampled invoices for one subconsultant whose multiplier increased more than the 3% permitted by the contract. We found no exceptions pertaining to hourly billing rates for the services performed by DMJM.

To address the issues raised in this report, we recommend the Board of County Commissioners direct the County Administrator to require DMJM to remit identified overbillings, review and remit any additional overbillings from all prior and subsequent invoices, and ensure that increases to the multipliers for the subconsultants do not exceed those permitted under the contract. Detailed recommendations are listed on page 7.

Purpose and Scope

The purpose of the review was to determine whether hourly billing rates invoiced by DMJM for their services and the services of its subconsultants complied with contract requirements. Our review covered three pay application numbers 38, 40 and 50 for the time periods of August through September, 2011, October through November 2011, and August through September 2012.

Methodology

To accomplish our objective, we:

- Reviewed
 - The program management services contract between DMJM and Broward County dated January 6, 2009 (including Amendments I and II),

- Selected pay applications, including supporting invoices from DMJM and its subconsultants,
- Payroll registers and other supporting documentation from DMJM and its subconsultants, and
- Financial Schedules and Reports certified by an Independent Certified Public Accountant (CPA) for DMJM and its subconsultants for 2010 and 2011.
- Interviewed Broward County Aviation Department (BCAD) staff, and
- Consulted with the County Attorney's Office.

Background

Program Management Service Contract

DMJM Aviation, Inc. (DMJM) was selected to provide program management services for the airport development program, estimated to last 10-years. On January 6, 2009, the Board of County Commissioners (Board) approved the project management services contract with DMJM for the New South Runway and Terminal 4 Replacement and Enabling Projects, RLI No. 20080317-0-AV-01. The "Maximum Not-to-Exceed" amount was approximately \$5.97 million for basic and optional services including reimbursable expenses for the period of January 7 to December 31, 2009.

Over the next 3 years, the Board approved three amendments to increase the contract by \$59.24 million, to a "Maximum Not-to-Exceed" amount of \$65.21 million, expiring in December, 2015. The original contract and three amendments are summarized in Table 1 below:

Table 1 – Summary of DMJM's Contract and Three Amendments

Contract/ Amendments	Approved Date	"Maximum Not to Exceed" Amount	Comment
Original Contract	1/6/2009	\$5.97 million	First year costs
1 st Amendment	2/9/2010	\$5.65 million	Second year costs
2 nd Amendment	12/7/2010	\$21.16 million	Years three and four costs
3 rd Amendment	12/4/2012	\$32.43 million	Years five through seven costs
Total		\$65.21 Million	

Source: Prepared by the Office of the County Auditor with information obtained from DMJM's contract and amendments

Program Manager

The contract defines DMJM and its subconsultants as the Program Manager (PM) for the New South Runway, Terminal 4 Replacement, and Enabling Projects. The PM is as an extension of County staff, assisting in the coordination of planning, public outreach, budget development, design, construction, and commissioning to meet the County's needs.

Subconsultants

DMJM contracted with six subconsultants to perform program management services (see Table 2 on page 5 for a list of subconsultants). DMJM and its subconsultants' hourly billing rates are established in Exhibit I of the contract.

Exhibit I Salary Costs

Broward County compensates DMJM 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 I "Salary Costs" provides the maximum raw hourly salary, overhead, fringe benefit, profit and total hourly rates for personnel categories anticipated to be assigned to the project. Exhibit I 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.

Exhibit I of the contract include both home and field rates for DMJM and its subconsultants for off-site and on-site employees assigned to the contract. On-site employees work from a field office provided by BCAD and located at the Airport, while off-site employees work directly with the program but are not located on-site at the Airport.

Invoice Process

DMJM submits invoices to the County for hours incurred by its staff at its contract rates and reimbursable expenses. DMJM's invoices also include amounts billed to DMJM by its subconsultants at the subconsultants' contract rates and reimbursable expenses. DMJM 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 DMJM's invoice package, the project administrator compares the billing rates to the contract and agrees reimbursable amounts to the supporting documentation. The invoices are further reviewed by the Contract

Administrator / Director of Airport Expansion Program (AEP) prior to forwarding to BCAD's Finance Division for process. After BCAD Finance processes the invoice, the complete invoice package is scanned by the Airport's Document Control and sent to the County's Accounting Division for payment.

Invoice Sampling

We reviewed three pay application numbers 38, 40 and 50 for the time periods of August through September, 2011, October through November 2011 and August through September 2012. DMJM invoiced the County approximately \$1.61 million during our review periods. Table 2 below shows a summary of pay applications reviewed for DMJM and its subconsultants.

Table 2
Pay Applications Reviewed for DMJM and Its Subconsultants

Consultant/Subconsultants	Pay Application Reviewed	Amounts Reviewed
DMJM Aviation, Inc.	#38 & #50	\$ 477,190
The Corradino Group, Inc.	#38 & #50	386,810
T.Y. Lin International	#38 & #50	344,472
Garth Business Solutions, Inc.	#38 & #50	143,248
Sharpton, Brunson & Company, PA	#38 & #50	120,665
Nova Consulting Inc.	#38 & #50	93,201
U.S. Cost, Inc. ¹	#40	41,478
Total Amounts Paid		\$1,607,064

Source: BCAD and DMJM and Its Subconsultants' Invoices

¹ DMJM's subconsultant, U.S. Cost, Inc. did not bill the County for the two pay applications 38 and 50 initially selected. We selected additional pay application #40 and reviewed one invoice (No. 21661) for U.S. Cost, Inc. totaling \$41,478 for the period of October through November 2011.

Finding

DMJM overbilled the County \$3,055 for one subconsultant whose multiplier increased more than the 3% permitted by the contract.

Section 6.3.4 of the original contract requires that the overhead and fringe benefit factors shall be certified by a CPA or an agency of the Federal Government.² Section 6.3.3 of the 2nd amendment requires the Program Manager to submit an annual certified FAR audit to BCAD and allows their overhead and fringe rates to be adjusted annually based on the FAR audit, provided that the adjusted multiplier cannot exceed three percent (3%) of the baseline multiplier. The contract permits the adjusted overhead rate to be approved at the sole discretion of the Contract Administrator.³ These contract provisions apply to all of DMJM's subconsultants by virtue of the flow-down section 9.10.4 of the contract.

We reviewed and compared the overhead and fringe rates for DMJM and the six subconsultants listed in Exhibit I to their certified FAR reports for the time periods covered by our sample.

We found that one subconsultant, Garth Business Solutions, Inc (Garth)'s field multiplier increased by 7.7%, from 2.59 to 2.79 during our sample period⁴ (see Exhibit I in Appendix A and B on pages eight and nine), which was more than the 3% increase permitted by the contract. This multiplier was applied to the subconsultants' hourly rates invoiced to the County. As a result, the County overpaid DMJM \$3,055 for Garth representing (2%) of the \$143,248 reviewed. Table 3 on the next page shows the calculation of the \$3,055 overpayments.

² Section 6.3.4 of the original contract states that "the breakdown of overhead and fringe benefit factors shall be certified by a CPA. Otherwise, if the consulting firm has been audited by an agency of the Federal Government within the previous 12 months, the overhead rate determined by this audit may be used."

³ Section 6.3.3 of the second amendment states that "Program Manager shall submit to BCAD an annual certified FAR audit from the segment of AECOM Technology Corporation that contains DMJM Aviation, Inc., and which FAR audit shall be acceptable, in writing, by the Defense Contract Audit Agency, for use as overhead rate, provided that the annual FAR audit submitted annually from the segment does not exceed the baseline rate of 2.26 for On-Site staff or 2.56 for Off-Site staff by 3% (0.03). The use of such adjusted overhead rate will be approved at the sole discretion of the Contract Administrator.... Program Manager shall be paid retroactively, starting May 1, 2010, pursuant to this paragraph."

⁴ We reviewed a sample of two invoices for Garth totaling \$143,248. The 7.7% increase of the field multiplier pertained to one invoice for the period of August through September 2011.

Table 3 - Computation of \$3,055 Overpayments

Period Review Covered	Position	Billed Rate	Allowable Rate ⁵	Difference	Actual Billed Hours	Overbilling
		a	b	c = a - b	d	e = c * d
8/27/2011-9/30/2011	Administrative Assistant "A"	\$69.97	\$66.96	\$3.01	183	\$551
	Administrative Assistant "B"	\$69.75	\$66.75	\$3.00	192	\$576
	Administrative Assistant "C"	\$78.51	\$75.13	\$3.38	192	\$649
	Desk Support Systems	\$100.44	\$96.12	\$4.32	180	\$778
	Document Control Specialist	\$61.71	\$59.06	\$2.65	189	\$501
Total Overbillings						\$3,055

Source: Prepared by the Office of the County Auditor based on the contract, 2nd amendment Exhibit I, the invoice and payroll registers reviewed.

As the prime consultant, DMJM 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, DMJM needs to take steps to ensure that its subconsultants are complying with all contractual requirements.

Recommendations

To address the issues raised in this report, we recommend the Board of County Commissioners direct the County Administrator to:

Require DMJM to:

- Remit the \$3,055 in overbilled amounts identified in this report,
- Review without cost to the County the invoices from the subconsultant during the 2nd amendment, and remit to the County any additional overpayments, and
- Ensure that increases to the multipliers of subconsultants do not exceed those permitted under the contract.

⁵ The allowable rate is the actual raw hourly salary rate paid to the employees multiplied by the adjusted multiplier of 2.67.

Appendix A

Taken from Amendment 2

EXHIBIT "I-2"

PROGRAM MANAGEMENT SERVICES FOR NEW SOUTH RUNWAY, TERMINAL 4 REPLACEMENT AND ENABLING PROJECTS -
FORT LAUDERDALE HOLLYWOOD INTERNATIONAL AIRPORT

SALARY COSTS

The following rates are the maximum rates that may be charged for various employee titles and grades. For fees based on time charges, the actual rates for each employee will be used. During the multi-year Airfield Development Program, these maximum rates may be adjusted by mutual agreement between the County and the Consultant, but not sooner than 12 months from the date this Agreement is executed.

Profit calculation formula: Profit = (Raw Salary + Overhead + Fringe) x (% Profit)

Overall Fixed Fee calculation formula: Overall Fixed Fee = Total Hourly Rate / Raw Salary

Company: Garth Business Solutions, Inc. (FIELD STAFF)						
Employee Title	Grade	Maximum Raw Salary \$/Hour	Overhead \$/Hour 98.05%	Fringe \$/Hour 37.17%	Profit \$/Hour 10.00%	Total Hourly Rate \$/Hour*
Administrative Assistant I		\$21.26	\$20.85	\$7.90	\$5.00	\$55.01
Administrative Assistant II		\$25.08	\$24.59	\$9.32	\$5.90	\$64.89
Administrative Assistant III		\$28.14	\$27.59	\$10.46	\$6.62	\$72.81
Receptionist/Administrative Support		\$26.75	\$26.23	\$9.94	\$6.29	\$69.21
DBE Report Coordinator		\$30.29	\$29.70	\$11.26	\$7.12	\$78.37
DBE Report Supervisor		\$35.33	\$34.64	\$13.13	\$8.31	\$91.41
DBE Compliance Manager		\$52.38	\$51.36	\$19.47	\$12.32	\$135.53
SIDA Badging Coordinator		\$30.29	\$29.70	\$11.26	\$7.12	\$78.37
SIDA Badging Supervisor		\$35.33	\$34.64	\$13.13	\$8.31	\$91.41
Community Outreach Manager		\$38.56	\$37.81	\$14.33	\$9.07	\$99.77
Document Control Specialist		\$28.14	\$27.59	\$10.46	\$6.62	\$72.81
Supervisor		\$38.56	\$37.81	\$14.33	\$9.07	\$99.77
Manager		\$52.38	\$51.36	\$19.47	\$12.32	\$135.53
Principal		\$76.41	\$74.92	\$28.40	\$17.97	\$197.70
Office Services Support		\$18.00	\$17.65	\$6.69	\$4.23	\$46.57
Architecture/Engineering Support		\$60.00	\$58.83	\$22.30	\$14.11	\$155.25
Program Developer / Architect		\$81.71	\$80.12	\$30.37	\$19.22	\$211.42
Desktop Support Systems Technician		\$51.50	\$50.50	\$19.14	\$12.11	\$133.25
Graphics/Technical Support		\$38.00	\$37.26	\$14.12	\$8.94	\$98.32
Overall Fixed Fee =						2.59

Appendix B

FIELD Year 2010 Audited Overhead Salary Cost As of 5/1/2011 to 4/30/2012

EXHIBIT "I-2"

PROGRAM MANAGEMENT SERVICES FOR NEW SOUTH RUNWAY, TERMINAL 4 REPLACEMENT AND ENABLING PROJECTS -
FORT LAUDERDALE HOLLYWOOD INTERNATIONAL AIRPORT

SALARY COSTS

The following rates are the maximum rates that may be charged for various employee titles and grades. For fees based on time charges, the actual rates for each employee will be used. During the multi-year Airfield Development Program, these maximum rates may be adjusted by mutual agreement between the County and the Consultant, but not sooner than 12 months from the date this Agreement is executed.

Profit calculation formula: Profit = (Raw Salary + Overhead + Fringe) x (% Profit)

Overall Fixed Fee calculation formula: Overall Fixed Fee = Total Hourly Rate / Raw Salary

Company: Garth Solutions, Inc. (FIELD STAFF)						
Employee Title	Grade	Maximum Raw Salary \$/Hour	Overhead \$/Hour 113.01%	Fringe \$/Hour 40.32%	Profit \$/Hour 10.00%	Total Hourly Rate \$/Hour*
Administrative Assistant I		\$21.26	\$24.03	\$8.57	\$5.39	\$59.24
Administrative Assistant II		\$25.08	\$28.34	\$10.11	\$6.35	\$69.89
Administrative Assistant III		\$28.14	\$31.80	\$11.35	\$7.13	\$78.42
Receptionist/Administrative Support		\$26.75	\$30.23	\$10.79	\$6.78	\$74.54
DBE Report Coordinator		\$30.29	\$34.23	\$12.21	\$7.67	\$84.41
DBE Report Supervisor		\$35.33	\$39.93	\$14.25	\$8.95	\$98.45
DBE Compliance Manager		\$52.38	\$59.19	\$21.12	\$13.27	\$145.96
SIDA Badging Coordinator		\$30.29	\$34.23	\$12.21	\$7.67	\$84.41
SIDA Badging Supervisor		\$35.33	\$39.93	\$14.25	\$8.95	\$98.45
Community Outreach Manager		\$38.56	\$43.58	\$15.55	\$9.77	\$107.45
Document Control Specialist		\$28.14	\$31.80	\$11.35	\$7.13	\$78.42
Supervisor		\$38.56	\$43.58	\$15.55	\$9.77	\$107.45
Manager		\$52.38	\$59.19	\$21.12	\$13.27	\$145.96
Principal		\$76.41	\$86.35	\$30.81	\$19.36	\$212.93
Office Services Support		\$18.00	\$20.34	\$7.26	\$4.56	\$50.16
Architecture/Engineering Support		\$60.00	\$67.81	\$24.19	\$15.20	\$167.20
Program Developer / Architect		\$81.71	\$92.34	\$32.95	\$20.70	\$227.70
Desktop Support Systems Technician		\$51.50	\$58.20	\$20.76	\$13.05	\$143.51
Graphics/Technical Support		\$38.00	\$42.94	\$15.32	\$9.63	\$105.89
Overall Fixed Fee =						2.79