



Follow-up Review of Atkins North America, Inc.
(f/k/a PBS&J) - Review of Overhead and Fringe
Benefit Factors - Consultant Services Contract
for Expansion of Runway 9R/27L at the Fort
Lauderdale-Hollywood International Airport

Office of the County Auditor
Audit Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Audit Conducted by:
Jed Shank, CPA, Audit Manager
Dirk Hansen, CPA, Audit Supervisor

Report No. 18-5
September 27, 2017



OFFICE OF THE COUNTY AUDITOR

115 S. Andrews Avenue, Room 520 • Fort Lauderdale, Florida 33301 • 954-357-7590 • FAX 954-357-7592

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Honorable Mayor and Members of the Board of County Commissioners

We have conducted a follow-up review of the overhead and fringe benefit factors for the consultant services contract with Atkins North America, Inc. (f/k/a PBS&J) for expansion of Runway 9R/27L at the Fort Lauderdale-Hollywood International Airport. The purpose of our review is to determine the implementation status of our previous recommendations.

The two recommendations were implemented with \$10,297 of overpayments remitted to the County. We **commend** management for implementing our recommendations.

We appreciate the cooperation and assistance provided by the Broward County Aviation Department and Atkins North America, Inc. during the course of our follow-up review.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Joni Armstrong Coffey, County Attorney
Andrew Meyers, Chief Deputy County Attorney

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INTRODUCTION

Scope and Methodology

We conducted a follow-up review of the overhead and fringe benefit factors for the 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 (Report No. 15-12). The purpose of our follow-up review is to determine the status of previous recommendations.

The purpose of the original review was to determine whether the overhead and fringe benefit factors used to calculate the hourly rates billed by Atkins for their services and the services of its subconsultants comply with the Federal Acquisition Regulation (FAR) cost principles as required by the contract.

Our follow-up review included such tests of records and other auditing procedures as we considered necessary in the circumstances. The status of our previous recommendations was determined as of August 2017. The original review scope was overhead and fringe benefit factors submitted by Atkins for the contract between Broward County and Atkins for consultant services for Expansion of Runway 9R/27L, dated April 6, 2010.

Overall Conclusion

The two previous recommendations were implemented, and \$10,297 of overpayments were remitted to the County. We commend management for implementing our recommendations.

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.

The contract was subsequently amended seven times, increasing the total contract amount to \$26,880,693.

Subconsultants

Atkins contracted with sixteen subconsultants to perform consultant services for this contract. Atkins and its subconsultant's hourly billing rates, which are based, in part, on the overhead and fringe benefit factors, are established in Exhibit B of the contract.

Hourly Rates and Multipliers

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.

The application of overhead, fringe benefits and profit to the hourly labor rate is typically referred to as a "multiplier." For example, a consultant that pays their employee \$50 per hour and bills the County \$150 per hour (after applying overhead and fringe benefit factors, along with a negotiated profit percentage) equates to a 3.0 multiplier ($\$150 \div \50).

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.

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. The multipliers on Exhibit B of the contract for home and field employees range from 2.264 to 2.90 and 2.355 to 2.45, respectively.

Overhead and Fringe Benefit Factors

Overhead and fringe benefit factors are used to allocate allowable overhead and fringe benefit costs to hourly rates. The factors are determined by totaling the consultant's allowable overhead and fringe benefit costs and dividing by direct labor dollars. FAR cost principles define allowable and unallowable costs.

A Statement of Direct Labor, Fringe Benefits, and General Overhead (hereinafter referred to as Schedule) is the primary document used to show the calculation of overhead and fringe benefit factors. The Schedule must be prepared based on the consultant's actual costs. Since the overhead and fringe benefit factors are computed as the ratio of allowable indirect costs to total allocable direct labor costs, the Schedule must identify direct labor cost as a separate line item.

When a company uses Field Office rates in addition to Home Office rates, costs and labor amounts for both rates should be displayed on the Schedule. The rate structure and allocation methodology should be clearly explained in the notes to the Schedule.

The FAR cost principles define the costs that are allowed in County contracts. A consultant is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable FAR cost principles.

STATUS OF RECOMMENDATIONS

This section reports follow-up on actions taken by management on the Findings in our previous review. The issues and recommendations contained herein are those of the original review, followed by the current status of the recommendations.

Finding

The Schedules provided for three of the four selected subconsultants included inconsistencies with FAR cost principles including form and content of schedule and unallowed, unsupported, questionable, and misallocated costs.

Our desk reviews identified inconsistencies with FAR cost principles in the certified Schedule provided for DeRose and the uncertified Schedules provided for ACES and Hillers. This is significant because overhead and fringe benefit factors are calculated from the Schedules and generally comprise more than 50% of the hourly billing rates. The exceptions detected from our limited desk review procedures raise concern relative to the potential for other errors within the subconsultant's Schedules.

Recommendations

We recommended the Board of County Commissioners to direct the County Administrator to:

1. Require Atkins to provide certified Schedules that are compliant with FAR cost principles for three of the four subconsultants: ACES, DeRose, and Hillers.
2. Upon receipt of the certified Schedules, require Atkins to review and amend all prior and subsequent invoices to reflect revised salary costs, as applicable, and remit to the County any overpayments identified by September 30, 2015.

Status

Implemented.

- Atkins submitted supporting Schedules for the three subconsultants.
 - Two of the Schedules support multipliers that are greater than the contract multipliers and no overpayments occurred.
 - The Schedule for DeRose supports a multiplier that is less than the contract multiplier and Atkins calculated \$10,297 was overbilled, which was remitted to the County.