



Follow-up Review of Gresham, Smith and Partners
- Review of Overhead and Fringe Benefit Factors -
Consultant Services Contract for Airport Terminals
1, 2, and 3 Modernization

Office of the County Auditor
Audit Report

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County Auditor

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Report No. 18-6
September 27, 2017



OFFICE OF THE COUNTY AUDITOR

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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 Gresham, Smith and Partners for Airport Terminals 1, 2, and 3 Modernization 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 \$128,270 of overpayments remitted to the County. We **commend** management for implementing the recommendations.

We appreciate the cooperation and assistance provided by the Broward County Aviation Department during the course of our 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 Gresham, Smith and Partners (GSP) for Airport Terminals 1, 2, and 3 Modernization at the Fort Lauderdale-Hollywood International Airport (Report No. 15-14). 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 GSP 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 GSP for the contract between Broward County and GSP for consultant services for Airport Terminals 1, 2, and 3 Modernization, dated January 31, 2012.

Overall Conclusion

The two previous recommendations were implemented and \$128,270 of overpayments were remitted to the County. We commend management for implementing the recommendations.

Background

On January 31, 2012, the Board of County Commissioners entered into a consultant services contract with Gresham, Smith and Partners (GSP) for Terminals 1, 2 and 3 Modernization at the Fort Lauderdale-Hollywood International Airport (FLL). The contract was approved for a total maximum amount not-to-exceed \$14.0 million, which included \$13.1 million for labor and \$900,000 for reimbursables. Under the contract, GSP provides professional architectural, engineering and construction administration services for:

- Modifications and improvements to optimize the use of the existing Terminal 1, 2, and 3, and
- Coordination of the new configuration of Terminal 4, adjacent roadway system, and parking garages to provide a more efficient and useful service.

The contract was amended one time in 2014, with no change to the contract award amount or agreement term.

Subconsultants

GSP contracted with fifteen subconsultants to perform consultant services for this contract. GSP and its subconsultants' 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 GSP 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 factors 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, which range from 2.49 to 2.90 for GSP and the subconsultants.

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.

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 one of the three selected subconsultants included inconsistencies with FAR cost principles including form and content of schedule and unallowed direct costs.

Our desk reviews identified inconsistencies with FAR cost principles in the certified Schedule provided for DeRose. 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 DeRose's Schedule.

Recommendations

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

1. Require GSP to provide a certified Schedule for DeRose that is compliant with FAR cost principles.
2. Upon receipt of the certified Schedules, require GSP 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.

- GSP submitted a certified Schedule for DeRose that supports a multiplier that is less than the contract multiplier and GSP calculated \$128,270 was overbilled, which was remitted to the County.