



Follow-up 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

Office of the County Auditor
Audit Report

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Report No. 18-2
September 27, 2017



COUNTY AUDITOR

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September 27, 2017

Honorable Mayor and Members of the Board of County Commissioners

We have conducted a follow-up review of the hourly billing rates for the consultant services contract with DMJM Aviation, Inc. for Program Management Services for New South Runway, Terminal 4 Replacement and Enabling Projects at the Fort Lauderdale-Hollywood International Airport. The purpose of our review is to determine the implementation status of our previous recommendations.

The three recommendations were implemented with \$32,288 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 hourly billing rates for the consultant services contract with DMJM Aviation, Inc. (DMJM) for Program Management Services for New South Runway, Terminal 4 Replacement, and Enabling Projects at the Fort Lauderdale-Hollywood International Airport (Report No. 14-07). 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 hourly billing rates invoiced by DMJM for their services and the services of their subconsultants complied with contract requirements.

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 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.

Overall Conclusion

The three previous recommendations were implemented and \$32,288 of overpayments were remitted to the County. We commend management for implementing the recommendations.

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.

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. DMJM and its subconsultants' hourly billing rates are established in the contract.

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.

The contract provides the maximum raw hourly salary, overhead, fringe benefit, profit and total hourly rates for personnel categories anticipated to be assigned to the project. The contract 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.

The contract includes 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.

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.

Findings

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. 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. 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 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 period, 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.

Recommendations

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

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

Status

Implemented.

- Overbilled amounts identified in the report were remitted to the County.
- DMJM provided a schedule identifying overbillings of \$32,288, inclusive of amounts identified in the report, and provided a credit to a subsequent pay application.
- DMJM provided assurances that invoices are diligently reviewed for contract compliance.