



Follow-up Review of Hourly Billing Rates –
Gresham, Smith and Partners Contract for
Consultant Services for Terminal Modernization
at the Fort Lauderdale-Hollywood International
Airport

Office of the County Auditor
Audit Report

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Report No. 18-3
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 hourly billing rates for the consultant services contract with Gresham, Smith and Partners (GSP) for Terminal 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 \$41,580 of overpayments remitted to the County. We **commend** management for implementation of our recommendations.

We appreciate the cooperation and assistance provided by the Broward County Aviation Department and GSP 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 Gresham, Smith and Partners (GSP) for Terminal Modernization at the Fort Lauderdale-Hollywood International Airport (Report No. 14-03). 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 GSP 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 twelve invoices for GSP and its subconsultants for the time periods of April through July 2012 and September through October 2012.

Overall Conclusion

The two previous recommendations were implemented and \$41,580 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.

Subconsultants

GSP contracted with 17 subconsultants to perform architectural, engineering and construction administration services for Terminals 1, 2 and 3 Modernization. GSP and its subconsultants' hourly billing rates are established in Exhibit B of the contract.

Salary Costs

Broward 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. Regardless of actual costs, the billable hourly rates are limited to negotiated maximums.

The contract provides the maximum hourly salary, overhead, fringe benefit, profit and maximum billing rates for each personnel category anticipated to be assigned to the project. Exhibit B of 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.

As required by the contract, services are authorized through the issuance of Work Authorizations (WA). The WA includes the fee proposal from GSP and its subconsultants expected to perform the services contemplated by the WA. The fee proposal establishes the maximum billing rates for the personnel categories, which may be equal to or less than the maximum allowable rates in the Exhibit B of the contract.

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 #1

GSP invoiced the County \$15,781 for unallowable markup of independent contractors' costs by two of its subconsultants, representing an overbilling of 8.8% of \$178,318 in sampled invoices.

We reviewed twelve invoices for GSP and eight subconsultants billed and paid during our review period. We compared the rates billed for each job classification to the Exhibit B and to the actual rates paid to the individuals on the payroll registers or other supporting payroll documentation.

Our review disclosed that two of GSP's subconsultants, Lakdas/Yohalem Engineering Inc. (Lakdas) and PMCM², LLC. (PMCM²) billed their respective maximum hourly rates for work performed by independent contractors. However, Lakdas and PMCM² should have only billed their actual costs, without additional charge, for the work performed by independent contractors. The invoices reviewed totaled \$35,358 for Lakdas and PMCM². The County was overbilled \$15,781 during our sample period for the unallowable markup of independent contractors' by Lakdas and PMCM².

Finding #2

13 of 17 subconsultants to GSP did not comply with overhead and fringe benefit reporting requirements, resulting in unsupported overhead and fringe benefit billing rates.

We reviewed and compared the overhead and fringe benefit rates listed in Exhibit B of the contract for GSP and its 17 subconsultants to the FAR reports certified by CPA. Our review found no issue with GSP's rates, however we noted noncompliance by 13 (76%) of its subconsultants:

1. Three subconsultants' overhead and fringe benefit rates listed in the contract are higher than their actual rates, which resulted in overstated multipliers and an overbilling of \$1,979 during our sample period.
2. Twelve subconsultants (including two subconsultants noted above) did not provide required support for their overhead and fringe benefit rates.

Recommendations

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

1. Require GSP to:
 - Remit the overbilled amounts identified in this report to the County,
 - Submit a revised Exhibit B for Tierra, Lakdas and PMCM² reflecting their actual overhead and fringe benefit rates identified in this report,
 - Review without cost to the County all prior and subsequent invoices from Lakdas and PMCM², and remit any additional overpayments identified to the County, and
 - Ensure that future services performed by independent contractors are billed on a reimbursement basis without markup.
2. Require Broward County Aviation Department (BCAD) to take all necessary steps to ensure that all future Exhibit B rates are supported by a FAR report that was certified by a CPA and dated within the required time period after the just completed fiscal year at the time of negotiation, or a request for a waiver has been made to and approved by the County Auditor.

Status

Implemented.

- GSP submitted revised Exhibit B's for Tierra, Lakdas and PMCM² reflecting actual overhead and fringe benefit rates.
- BCAD provided a schedule identifying overbillings and negotiated a recovery of \$7,382 for Lakdas and \$34,198 for PMCM², inclusive of amounts identified in the report.
- The recommendation for BCAD to take all necessary steps to ensure that all future Exhibit B rates are supported by a FAR report that was certified by a CPA was addressed in subsequent audit report 15-14, dated May 14, 2015.