



Follow-up Review of Hourly Billing Rates – The  
Urban Group, Inc. Consultant Services Contract  
for Noise Mitigation Program Assistance 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  
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**Report No. 18-4**  
**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 The Urban Group, Inc. for Noise Mitigation Program Assistance at the Fort Lauderdale-Hollywood International Airport. The purpose of our review is to determine the implementation status of our previous recommendations.

The five recommendations were implemented with \$340,508 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 The Urban Group, Inc. (TUG) for Noise Mitigation Program Assistance at the Fort Lauderdale-Hollywood International Airport (Report No. 14-04). 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 TUG 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 invoices (pay applications) numbered 78, 81, 82 and 92 submitted by TUG for the time periods of January through April 2012 and September through October 2012.

## Overall Conclusion

The five previous recommendations were implemented and \$340,508 of overpayments were remitted to the County. We commend management for implementing the recommendations.

## Background

On November 27, 2006, the Board of County Commissioners entered into a consultant services contract with The Urban Group, Inc. (TUG) for Noise Mitigation Program Assistance (Program) at the Fort Lauderdale-Hollywood International Airport (FLL). The Program has three Phases. The original contract was approved for a total maximum amount not-to-exceed \$280,203 for Phase I. Phases II and III were subsequently approved through contract amendments. As of the date of our review the County had paid TUG approximately \$7.7 million.

### Subconsultants

TUG contracted with 13 subconsultants to perform consultant services for Noise Mitigation Program Assistance. TUG and its subconsultants' billing rates are established in Exhibit B of the contract.

**Salary Costs**

Broward County compensates TUG 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.

In the 5th amendment, Exhibit B established two separate rates for home and field employees. Home employees are engaged directly in the work of the program but are not deemed located on-site at the Airport. Field employees are personnel working from a field office located 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.

## **Finding #1**

**TUG and five of its subconsultants billed the County \$19,662 at hourly rates in excess of the allowable contract rates.**

As required by the contract, the hourly rates billable to the County are the actual hourly rates paid by TUG and its subconsultants to their employees' times the multiplier established in the Exhibit B of the contract.

We reviewed pay applications numbered 78, 81, 82 and 92 for the time periods January through April 2012 and September through October 2012 totaling \$419,300. We compared the amounts billed for each employee to the rates shown in Exhibit B and applicable payroll registers provided by TUG and its subconsultants. Our review found that hourly rates charged by TUG and five subcontractors for certain employees were higher than the actual rates paid to the employees times the contract multiplier resulting in \$19,662 in overbillings by TUG and five subcontractors during our sample period.

## **Finding #2**

**One subconsultant billed for fringe benefits which were not paid by the company.**

Our review of payroll documentation for Creative Edge, Inc. (Creative Edge) disclosed that the County was billed for a part-time employee who was not paid medical, vacation or holiday benefits. Therefore, the fringe benefit rate charged to the County for this employee was overstated. However, because Creative Edge's Exhibit B has a combined rate for both overhead and fringe benefit, we were unable to determine the amount of actual overbilling. As a result, our finding includes disallowance of \$1,145 representing the combined fringe benefit and overhead payments for this employee.

### **Finding #3**

**TUG overbilled the County \$3,838 for unallowable markup of non-employees.**

Contracted staff and independent contractor's salary costs shall be billed to the County in the actual amount paid by the subconsultants.

Our review disclosed that four of TUG's subconsultants billed the County for three contracted staff and one independent contractor at the maximum allowable rate under the contract. However, the actual hourly costs to the subconsultants for the contracted staff and independent contractor were much lower than the rates billed. The four subconsultants should have billed the actual costs without additional charge (markup) to the County. The County was overbilled \$3,838 by TUG during our sample period for the unallowable markup by its four subconsultants.

### **Finding #4**

**Three subconsultants did not comply with the overhead and fringe benefit reporting requirements resulting in unsupported overhead and fringe benefit billing rates.**

Section 5.2.2 of the contract states that "The breakdown of overhead and fringe benefit factors shall be certified by a Certified Public Accountant (CPA). Said certification shall be dated within ninety (90) days after subconsultant's just completed fiscal year. The subconsultant may seek assistance or a waiver of this requirement by written request to the County Auditor." The contract also requires that the detailed breakdown of these costs shall be kept current and readily accessible to the County.

We reviewed and compared TUG and thirteen subconsultants' overhead and fringe benefit rates as listed in Exhibit B of the original contract and amendments to their financial schedules or reports certified by a CPA. Our review found that three subconsultants had not provided required support for their overhead and fringe benefit rates.

As a result, we could not readily verify the overhead and fringe benefit factors for these subconsultants. Because overhead and fringe benefit rates generally comprise more than 50% of the total billing rate, overstatement of these rates could result in significant overbillings to the County.

## Recommendations

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

1. Require TUG to:
  - Remit the overpayments identified in our review to the County,
  - Review without cost to the County, all prior and subsequent invoices to ensure the rates billed comply with the contract, and remit any additional overpayments identified to the County,
  - Ensure that hourly rates billable to the County are the actual hourly rates paid by TUG and its subconsultants to their employees times the multiplier established in the Exhibit B of the contract, and
  - Ensure that future services performed by independent contractors and contracted staff are billed on a reimbursement basis without markup.
2. Require BCAD to take all necessary steps to ensure that all future Exhibit B rates are supported by CPA audits at the time of negotiation, or a request for a waiver has been made to and approved by the County Auditor.

## Status

Implemented.

- TUG provided a schedule identifying \$167,280 in overbillings pertaining to hourly rates in excess of contract rates, inclusive of the \$19,662 identified in the report, and provided credits to subsequent invoices.
- TUG provided credits to subsequent invoices for the \$1,145 and \$3,838 identified in the report and a schedule identifying an additional \$168,245 pertaining to unallowable markup of non-employees. TUG credited \$52,591 to subsequent invoices and BCAD is holding the remaining \$115,654 in retainage.
- 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 15-13, dated May 14, 2015.