



Follow-up Review of Turner Construction
Company - Review of Overhead and Fringe
Benefit Factors - Consultant Services Contract
for Construction Management Terminal 4 Gate
Replacement Project (RFP N0923313P1)

Office of the County Auditor
Audit Report

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Report No. 18-8
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 Turner Construction Company for Construction Project Management Terminal 4 Gate Replacement Project (RFP N0923313P1) at the Fort Lauderdale-Hollywood International Airport. The purpose of our review is to determine the implementation status of our previous recommendations.

Management implemented both of the previous recommendations. We **commend** management for implementing the recommendations.

We appreciate the cooperation and assistance provided by the Broward County Aviation Department and Turner Construction Company 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 our review of the overhead and fringe benefit factors for the consultant services contract with Turner Construction Company (Turner) for Construction Project Management Terminal 4 Gate Replacement Project (RFP N0923313P1) at the Fort Lauderdale-Hollywood International Airport (Report No. 15-10). 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 Turner 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 Turner for Work Authorization No. WA001TC (Contract) between Broward County and Turner for consultant services for Construction Project Management Terminal 4 Gate Replacement Project, dated February 14, 2012.

Overall Conclusion

The two previous recommendations were implemented and no overbillings were identified. We commend management for implementing the recommendations.

Background

On May 19, 2009, the County contracted with Turner to provide construction management services for various projects at the Ft. Lauderdale-Hollywood International Airport (FLL). The contract was for three years and was extended to five years on December 6, 2011. Turner, in the role of Construction Project Manager (CPM), provides a broad range of construction management services on individual projects and oversees day to day field operations of general contractors. Turner is the management link between the project contractors and the Airport's Program Management Office (PMO).¹

¹ The Airport Program Management Office (PMO) is DMJM Aviation, Inc., which provides management services for the New South Runway, Terminal 4 Replacement, and Enabling Projects at FLL.

On February 14, 2012, Broward County Aviation Department (BCAD) issued Work Authorization No. WA001TC for Turner to provide construction management services for Terminal 4 Western-Side Expansion (WA). The Work Authorization was approved for a total payment in the amount of \$25,175,738 for services to include:

- Labor lump sum amount of \$2,180,561 ,
- Labor maximum not-to-exceed amount of \$20,625,880, and
- Reimbursable maximum not-to-exceed amount of \$2,369,297.

Subconsultants

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

Hourly Rates and Multipliers

Broward County (County) compensates Turner 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 L "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 L also shows an overall multiplier.

Based on the contract, BCAD supplies a field office located on Airport property for Turner 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 L of the contract for home and field employees range from 1.98 to 2.99 and 2.20 to 2.52, 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.

**Follow-up Review of Turner – Review of Overhead and Fringe Benefit Factors -
Consultant Services Contract for Terminal 4 Gate Replacement Project**

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 two of the three selected subconsultants included inconsistencies with FAR cost principles including unallowed, unsupported, questionable, and misallocated costs.

Based on our limited desk review procedures, nothing came to our attention that suggests Vertical V's uncertified overhead and fringe benefit factors do not comply with the FAR cost principles.

Our desk reviews identified inconsistencies with FAR cost principles in the certified Schedule provided for DeRose and the uncertified Schedule provided for Asset Builders. 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 these two subconsultant's Schedules.

Recommendations

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

1. Require Turner to provide certified Schedules for DeRose and Asset Builders that are compliant with FAR cost principles.
2. Upon receipt of the certified Schedules, require Turner 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.

- Turner submitted a certified Schedule for DeRose; however, DeRose's contract with Turner was lump sum, and hourly billing rates were not applicable. Therefore, no overpayment was identified.
- Turner did not submit a certified Schedule for Asset Builders. Asset Builders had a home and field rate. All billings were invoiced at the field rate which was lower the "Safe Harbor" rate (a rate offered to subconsultants without the requirement to provide a certified Schedule). Therefore, no overpayment was identified.