



Review of Program Management Services for the Airport Expansion Program at Fort Lauderdale-Hollywood International Airport

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Report No. 06-17

Office of the County Auditor

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EXECUTIVE SUMMARY

The Office of the County Auditor conducted a review of the Program Management Services Phase III Agreement between Broward County and URS Corporation for the Airport Expansion Program (AEP) at Fort Lauderdale-Hollywood International Airport. This review was performed as part of an ongoing effort by our Office to assess construction related risk exposures. Our goal was to ensure that an internal control environment exists that is conducive to safeguarding and preserving the County's assets, improving the general effectiveness of operations, and maintaining compliance with applicable laws, rules and regulations.

Our current review of invoices and contract related documents found that in several areas available information was inadequate to properly verify and validate the services provided by the Program Manager and its subconsultants. Our review also disclosed that the Program Manager did not enforce several subconsultant agreement requirements. Additionally, we were not able to validate the cost-effectiveness of the Direct Labor Multiplier due to a lack of documentation. This review, in conjunction with our previous four AEP reviews, suggests that the Program Manager has not consistently provided cost-effective services to the County. We have included specific recommendations for each of our findings designed to improve program management performance on future construction projects.

SCOPE AND OBJECTIVE

The primary objective of the review was to determine if the Program Manager complied with the terms and provisions of their contract with the County for:

- Delivery of Basic and Optional Services
- Reimbursables
- Salary costs
- Insurance requirements
- Administration of subconsultant agreements

METHODOLOGY

To accomplish our objectives we reviewed:

- Phase I and II Agreements and Amendments
- Phase III Agreement and Amendments
- Basic and Optional service work authorizations and invoices
- Payroll registers and salary costs
- Subconsultant agreements
- Program management expenses
- Certificates of Insurance
- Previous AEP reviews

In addition to the review of the documents listed above, we:

- Conducted interviews with URS and BCAD staff
- Applied other auditing procedures as deemed necessary.

SUMMARY OF ISSUES

Over the past two years, the Office of the County Auditor has conducted four reviews related to the Airport Expansion Program (AEP) at Fort Lauderdale-Hollywood International Airport (FLL) examining individual AEP consultants, contractors and projects.¹ Taken together the four reports provide a general assessment of the performance of URS' services as Program Manager. This latest (fifth) review focuses on the Program Management Services Agreement between Broward County and URS Corporation. As such, this report provides a further analysis of URS' administrative role.

Viewed as a whole, the five reviews conducted by our office raise concerns regarding the cost-effectiveness of services provided by the Program Manager. URS, acting as an extension of Broward County Aviation Department (BCAD) staff, is contractually obligated to facilitate the completion of airport projects "in a timely, economical and prudent manner"² and "propose the most cost-effective and time-efficient staffing plan to provide the greatest benefit to the County".³

In summary, our observations regarding the Program Manager's compliance with contract terms and provisions are as follows:

1. The Program Manager has not submitted sufficient supporting documentation to validate staff activities billed to the County. (see page 6)
2. Subconsultant agreements and work authorizations do not provide adequate descriptions of the work necessary to validate contractually required services. (see page 9)
3. Subconsultant invoices are insufficient to properly verify and/or determine the cost-effectiveness of basic services provided. (see page 11)
4. The Program Manager did not enter into a subcontract agreement with a SDBE subconsultant as required by the contract. (see page 12)
5. The Program Manager did not require and enforce contractually mandated insurance coverage for its subconsultants which would mitigate risk to the County. (see page 13)

¹ Earlier reports completed are: PZA, 7/7/04; QORE, 8/13/04; Consolidated Car Rental Facility, 1/5/06; Airport Miscellaneous Construction Items, 2/23/06; all projects reviewed were subject to URS oversight and/or administration.

² Article 3.2 Program Management Plan of the agreement between URS and Broward County.

³ Article 3.4 On-Site Employees of the agreement between URS and Broward County.

6. We were unable to validate and determine the cost-effectiveness of Direct Labor Multiplier (DLM) rates paid to subconsultants due to insufficient data. (see page 15)

In addition, due to observed relationships between the Program Manager and its subconsultants we contacted the Office of Equal Opportunity (OEO) to evaluate the propriety of using these subconsultants in meeting MWBE/DBE goals. The Office of Equal Opportunity has undertaken a review of the issues.

BACKGROUND

I. Contract History

In order to effectively manage, operate, and maintain the airport, Broward County Aviation Department (BCAD) contracted with URS Corporation to act as Program Manager. The County's goal was to engage the services of an entity that could provide the expertise necessary to successfully implement airport improvements in accordance with the Airport's Master Plan Update.^{4,5}

The URS Corporation⁶ has contracted with Broward County to provide Program Management services at FLL since 1995. The original contract comprises what is referred to as Phases I and II of the AEP Agreement. The second contract, signed in November 2002, commenced Phase III of the AEP Agreement. Each agreement has been amended several times.⁷

II. Program Manager Responsibilities

The Program Manager, contracted by Broward County, is to provide professional services necessary to implement the series of construction and terminal improvement projects that comprise the 'Program' (Airport Expansion Program). As outlined in the contract, URS is to accomplish its tasks as Program Manager through:

- the establishment and execution of a comprehensive Program Management Plan ("Plan"), including a 'Program' schedule,
- development of procedures and standards for the planning, coordination and administration of the 'Program',
- the provision of overall organizational management and guidance for AEP construction projects.

Article 3 and Exhibit B of the contract describe in detail the Scope of Service deliverables for the Program Manager. The contract also contains several exhibits

⁴ The Master Plan Update for Ft. Lauderdale – Hollywood International Airport was developed in accordance with FAA Advisory Circular 150-5070-A Airport Master Plans.

⁵ Appendix A (page 17) provides a listing of current AEP projects.

⁶ In 1999, O'Brien-Kreitzberg Corporation was acquired by the URS Corporation who became the assignee for the AEP Program Management Services contract.

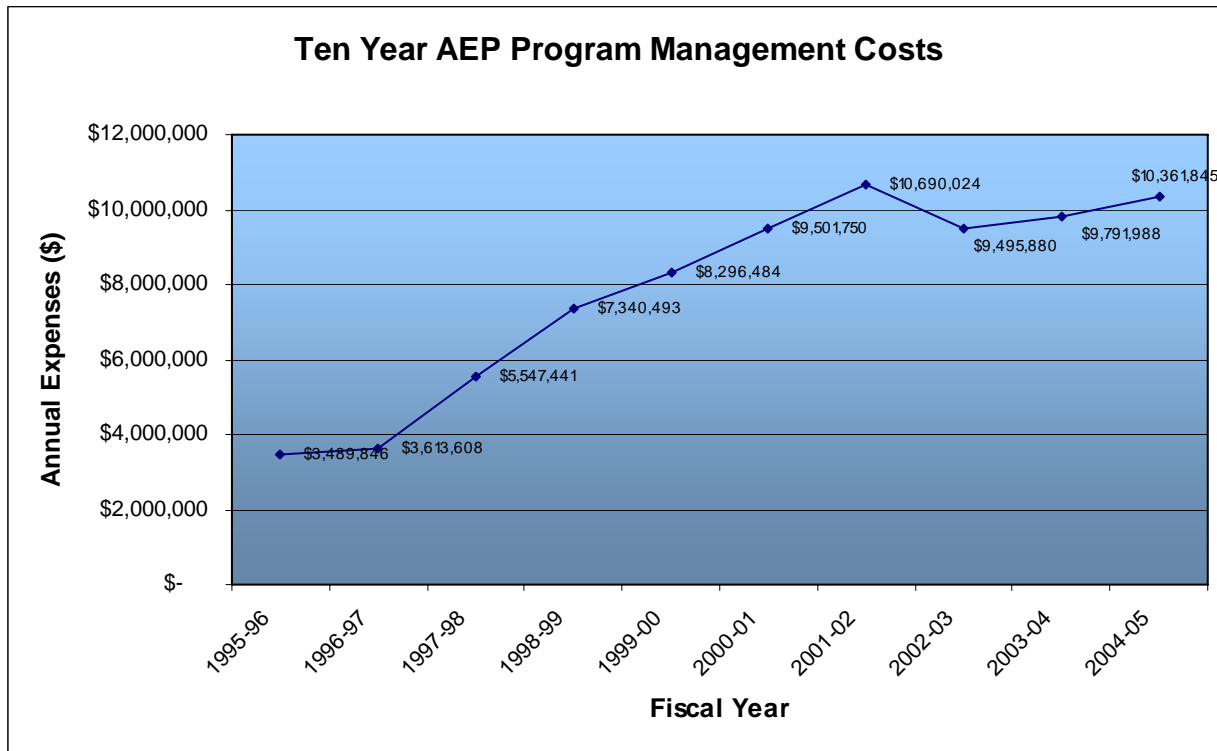
⁷ Appendix B (page 17) provides a chronology of URS AEP contracts and amendments.

outlining program elements, optional services, staffing plans, salary rates, reimbursable expenses, and a schedule of Small Disadvantaged Business Enterprise (SDBE) participation. As necessary, the Program Manager is permitted to use subconsultants to supplement its own staff and meet assigned SDBE goals. A pre-approved list of subconsultants is found in Exhibit H of the contract (see Appendix C, page 18 for a list of approved subconsultants). Acting as an extension of the Program Manager’s staff, each subconsultant is required to be bound to the terms of the contract between URS and Broward County.⁸

III. Program Management Expenditures

As of November 7, 2005, the County has expended over \$78,000,000⁹ for Program Management Services. This sum represents program management expenses that are approximately 11% of total AEP construction contract costs.¹⁰ Exhibit 1 below displays annual program management expenses for the past ten years.

Exhibit 1: Annual Program Management Costs for AEP projects



Source: Office of the County Auditor Analysis

⁸ Article 10.8.4 of the agreement between URS and Broward County states “Program Manager shall bind each and every approved subconsultant to the terms stated in this Agreement...”

⁹ November 7, 2005 Monthly Program Management Services report denotes \$78,129,360 was paid for Program Management Services including \$1,919,866 for Non-Airport Expansion Projects.

¹⁰ During this period, AEP construction contract expenditures were \$700,615,153 (Source: September 2005 AEP Consolidated Financial Overview report).

IV. Billable Expenses

The Phase I, II and III agreements have consistently categorized Program Management services into three types of billable categories: Basic Services, Optional Services¹¹ and Reimbursables. The following sections describe each of the categories and summarize their respective expenditures.

A. Basic Services

Basic Services can be described as fundamental, routine services which are anticipated to be performed by the Program Manager on a regular basis. Basic services are carried out by URS staff and its subconsultants, and are primarily performed by ‘on-site’ employees.¹² Basic services provide for the overall organizational management of projects within the contract scope, or outside the scope if agreed to by both parties.¹³ In FY 2004-05, URS employed as many as 30 staff persons and nine subconsultant firms to carry out basic services. Exhibit 2 displays Basic Service expenses paid to URS and its subconsultants for the past ten years.

Exhibit 2: Basic Services	
Labor	\$64,413,620
Reimbursables	\$4,840,409
Total	\$69,254,029

Source: URS Monthly Program Management Services Report

B. Optional Services

Optional Services can be described as supplemental assignments that require additional effort on behalf of the Program Manager beyond the scope of work already described under Basic Services. Appendix D (page 18) provides a listing of FY 2006 Optional Services. Exhibit 3 displays Optional Service expenses paid to URS and its subconsultants for the past ten years.

Exhibit 3: Optional Services	
Labor	\$8,175,606
Reimbursables	\$699,725
Total	\$8,875,331

Source: URS Monthly Program Management Services Report

C. Reimbursable Expenses

Reimbursable expenses are direct non-salary expenses attributable to basic or optional services and are charged at actual cost.¹⁴ Examples of reimbursable items included in the contract are: transportation, travel, communication, reproduction, testing, permits, computer hardware and software, office equipment and furniture expenses.¹⁵ Exhibit 4 displays Reimbursable Expenses paid to URS and its subconsultants for the past ten years.

Exhibit 4: Reimbursable Expenses	
Basic Services	\$4,840,409
Optional Services	\$699,725
Total	\$5,540,134

Source: URS Monthly Program Management Services Report

¹¹ Basic and Optional Services are based on hourly staff wages.

¹² Article 3.4 On-Site Employees of the agreement between URS and Broward County states “The parties intend that the Basic Services shall be primarily performed by On-Site Employees of the Program Manager or its subconsultants.”

¹³ Exhibit B, Article 1.1 Basic Services of the agreement between URS and Broward County.

¹⁴ Article 7.4.1 of the agreement between URS and Broward County.

¹⁵ Reimbursable items are referenced in Article 7.4 and Exhibit G of the agreement between URS and Broward County.

Observations and Discussion

The following sections provide detailed information regarding observations made during this review. As necessary, additional background information is provided preceding the observations and in referenced exhibits throughout the report.

Program Management Services

In the construction industry, program management services typically focus on “the planning, design and construction of a building program involving multiple projects and multiple phases...”¹⁶ By providing oversight for an entire program, the Program Manager ensures to the Owner that the awarding of contracts, procuring of materials, and monitoring of costs and schedules is performed in an efficient manner from project conception through completion.¹⁷ At FLL, the Program Manager is to provide overall organizational management of AEP projects within the scope of work identified in the program elements.¹⁸

The Scope of Services outlined in Exhibit B of the agreement delineates the responsibilities of the Program Manager for construction related activities. By entering into agreement with Broward County, URS represented that they were experienced, technically proficient, and fully qualified to administer the projects in the Program.¹⁹ It is the intent of the County that AEP projects “be administered and implemented in a cost effective, timely and efficient manner.”²⁰

1. The Program Manager has not submitted sufficient supporting documentation to validate staff activities billed to the County.

- **The Program Manager’s direct service activities invoiced to the County for both basic and optional services have not been adequately documented.**

The Program Manager submits invoices to the County on a monthly basis for basic and optional services provided by both the Program Manager’s staff and its subconsultants. Supporting documentation for the Program Manager’s basic services portion of the invoice typically consists of (1) a listing of total hours spent by all staff for all service categories; and (2) a listing of total hours spent by each staff member for all basic services. Supporting documentation for optional services lists the total number of hours spent by each staff member for the specific work authorization.

¹⁶ <http://www.sundt.com/work/constructionmgr.jsp>

¹⁷ Ibid

¹⁸ Program Elements are the ongoing airport projects listed in Exhibit A of the agreement between URS and Broward County.

¹⁹ Articles 3.11 and 3.12 of the Phase III Agreement.

²⁰ Article 3.3.1 of the Phase III Agreement.

This level of documentation does not provide sufficient detail to identify the types of activities performed by each staff member throughout the course of the project. For example, it is not known how many hours were spent in tasks such as staff meetings, contract negotiations, invoice review, invoice development, contractor oversight, County meetings, Commission meeting attendance, etc. Without this information, a determination of the cost-effectiveness or efficiency of services cannot be made by our Office.

It is important to note that Article 7.5.1 of the Phase III Agreement states “When requested, Program Manager shall provide backup for past and current invoices that records hours and Salary Costs by employee category, Reimbursables by category, and subconsultant fees on a task basis so that total hours and costs by task may be determined.” Based upon the information submitted with each invoice and subsequently approved by BCAD, it appears that this required level of documentation has never been requested by BCAD nor provided by the Program Manager.

- **The Program Manager billed BCAD for costs associated with the re-review of contractor invoices and claims directly attributable to the faulty work of the Program Manager.**

Article 1.4.8 of Exhibit B, Scope of Services provides extensive detail regarding the Program Manager’s responsibilities for the review of the contractors’ applications for payment. Upon review, the Program Manager either approves the invoice submitted by the Contractor; or, if the invoice is not approved, notifies the Contractor in writing the reasons for withholding payment. Also Article 1.4.21, Claims Prevention and Settlement, specifically describes the Program Manager’s responsibilities in the review, evaluation and analysis of any potential disputes or claims²¹ as a basic service.

As discussed in our Airport Miscellaneous Construction Items Report,²² the Program Manager’s failure to properly review the contractor’s invoices culminated in the need for an extensive re-review of previously approved invoices. This process resulted in \$44,077 of previously approved contractor costs disallowed by the Program Manager.²³

In addition, during the course of this review, we noted another instance where the Program Manager was asked to review and comment on a consultant’s report. This report, requested by the County Attorney’s Office, was regarding a delay claim for which the Program Manager was partly responsible. In each of these instances, the Program Manager did not keep track of staff time spent in invoice review or re-review activities.

Therefore, we were unable to determine the extent of time spent by the Program Manager’s staff or its subconsultants in order to correct or re-review information

²¹ Article 1.4.21 states “Claims, disputes and other matters in question....shall be referred initially to Program Manager for decision, which it shall render, in writing within the time specified....In addition, Program Manager shall identify potential disputes claims, prepare an evaluation and analysis of claims and disputes, and recommend action”.

²² Report No. 06-09 dated February 23, 2006.

²³ \$38,030 was paid by check in July 2005 and the balance of \$6,047 was deducted from pending invoices.

previously approved by the Program Manager. It is inappropriate for the County to pay the Program Manager for additional staff hours necessitated by their faulty work.

Recommendations:

We recommend that the Board direct the County Administrator to take steps to ensure that in the future:

- All Program Manager invoicing contains sufficient supporting documentation to validate the work performed, including but not limited to itemized listing of activities and projects invoiced during the completion of program specific deliverables as applicable.
- The Program Manager and its subconsultants track the number of hours spent re-reviewing documents for possible future costs reimbursement.
- Program Manager contracts clearly state documentation requirements for labor costs.

Subconsultant Agreements and Services

One of the goals of this review was to verify and validate the provision of contractual services performed by the Program Manager and its subconsultants. In order to accomplish this, a thorough review of the Phase III Agreement and subsequent amendments was conducted. The supporting documentation examined during this process includes subconsultant agreements, basic and optional service work authorizations and invoices from the subconsultants and the Program Manager.

Following contract execution, the Program Manager engaged several subconsultants to assist it in the completion of both basic and optional services. Each subconsultant is required to enter into an agreement with the Program Manager for the services they provide. At the onset of each subconsultant agreement and annual renewal, work authorizations were issued by the Program Manager.

Typically, County consultant agreements require that work authorizations contain, at a minimum, a description of the work to be undertaken, the amount and method of compensation, the time established for completion of the work, and other additional instructions or provisions relating to the work authorized pursuant to the Agreement.²⁴ Under this agreement, Work Authorizations issued for Optional Services may be generated by BCAD or by the Program Manager as applicable, throughout the year. Each month, subconsultants submit invoices to the Program Manager for payment. The Program Manager reviews and approves these invoices and includes the approved invoices in its monthly pay application to the County.

The observations below detail deficiencies within this process.

2. Subconsultant agreements and work authorizations do not provide adequate descriptions of the work necessary to validate contractually required services.

As part of this review, agreements for nine subconsultants were examined. In all nine cases, the Scope of Services in the agreements were identical, describing the contracted services as “program management/construction management” regardless of the nature of services provided by the subconsultant. This language does not adequately describe the services being purchased on behalf of the County.

Following subconsultant contract execution and prior to the subconsultant commencing work, the Program Manager typically issues a work authorization further detailing the scope of work. However, the descriptions in the subconsultant work authorizations do not provide the reader a clear understanding of the professional services being acquired by the Program Manager on behalf of the County (see Exhibit 5 on the following page). While this additional effort on behalf of the Program Manager is recognized, it is noted that the language contained in the work authorizations does not adequately compensate for the lack of information in the original agreements, nor does it provide the reader with a sufficient description of the work to be performed.

²⁴ Excerpt from a Broward County Consultant Services Agreement.

Non-specific and open ended language found in these work authorizations does not satisfactorily delineate the actual task to be performed by the subconsultant. As result of not having the necessary detail describing the work to be performed, we were unable to validate the provision of contractually required services by the Program Manager or its subconsultants. Without appropriate validation of services, we cannot determine if the Program Manager has been effective in its role as AEP Program Manager, or if the services provided to BCAD have been necessary, reasonable and cost-effective.

Exhibit 5: Subconsultant Work Authorization Descriptions	
Subconsultant	Typical Work Authorization Description
ACAI Associates	"...architectural and engineering, design and other services as agreed"
Craven Thompson and Associates	"...engineering and technical inspection services, and other services as agreed"
Dickey Consulting Services Inc.	"...program management/construction services, general administration and engineer related services"
EAC Consulting, Inc.	"...general administration and engineer related services"
Info-TechSystems	"MIS and communication services, and other services as agreed"
Keith & Associates	"...engineering and technical inspection services, and other services as agreed"
LPE Enterprises	"...general administration and engineering support services and other services as agreed"
PGS Graphics	"...services and personnel for graphics design and other services as agreed"
Xiomal Rapid Mobility	"...transportation and other courier services as agreed"

Source: URS subconsultant work authorizations

Recommendations:

We recommend that the Board direct the County Administrator to ensure that in the future:

- The definition and requirements for work authorizations are clearly identified in all future consultant and subconsultant agreements.
- All subconsultant agreements and work authorizations include details regarding the work to be performed (i.e. listing of specific tasks or deliverables, number and title and/or qualifications of staff to be assigned to the program).

3. Subconsultant invoices are insufficient to properly verify and/or determine the cost-effectiveness of basic services provided.

The Program Manager routinely approved payment to subconsultants without sufficient supporting documentation to effectively verify the work performed. The subconsultant invoices submitted to the County as part of the Program Manager’s pay applications do not contain the appropriate level of documentation required by the contract.²⁵ Subconsultant invoices typically contain a list of staff members performing the work, the total number of hours worked, and their hourly rates. However, the FY 05 invoices reviewed by our office did not include contractually required supporting documentation such as daily work logs, and/or time sheets containing descriptions of work performed²⁶. This deficiency was discussed with Program Management staff who stated that basic service providers do not need a monthly work plan or record of routine activities.

As the Program Manager’s basis of payment to subconsultants is time driven rather than task driven, we were not able to determine the cost-effectiveness of the services provided. This hourly payment methodology is typically characteristic of employee rather than subconsultant relationships. Without the required supporting documentation to supplement the total number of hours worked, we cannot verify if the subconsultant services listed below are cost-effective.

Exhibit 6: FY 05 Subconsultant Work Authorization Limits		
Subconsultant	Services Provided	Authorized Limit
ACAI Associates	Architectural and Engineering Services	\$465,210
Craven Thompson and Associates	Engineering and Technical Inspection Services	\$1,223,929
Dickey Consulting Services Inc.	Program Management/Construction Services	\$502,072
EAC Consulting, Inc.	General Administration Services	\$106,500
Info-TechSystems	MIS and Communication Services	\$517,821
Keith & Associates	Engineering and Technical Inspection Services	\$480,373
LPE Enterprises	General Administration	\$767,020
PGS Graphics	Graphics Design	\$188,966
Xiomal Rapid Mobility	Courier Services	\$105,562

Source: URS subconsultant work authorizations

Recommendation:

We recommend that the Board direct the County Administrator to ensure that:

- All subconsultant invoices for basic services are submitted with accompanying supporting documentation sufficient to validate and support performance of the

²⁵ Article 7.3.3 of the Phase III Agreement states “Salary costs are payable only for time directly attributable to the program...”

²⁶ Article 7.3.4 states “On site Employees shall keep daily time sheets generally describing the work performed each day, which shall be provided monthly to the Contract Administrator with the Program Manager’s invoice.”; Exhibit B Scope of Services, Article 1.3.3 states “Program manager shall review consultant invoices and compare actual work done to what is being invoice[d]. If work performed is consistent with the invoiced amount Program Manager shall recommend payment by the County.”

details provided in the scope of work, including but not limited to daily work logs, monthly productivity reports, itemized listings of activities and progress on the completion of program specific deliverables as applicable.

4. The Program Manager did not enter into a subcontract agreement with a SDBE subconsultant as required by the contract.

Article 10.5.3 states "...Program Manager agrees to enter into a formal contract with the SDBE subconsultants listed on Exhibit H upon execution of this Agreement by the Program Manager and the County". Our review of the ten subconsultants listed in Exhibit H-3 of the Phase III Agreement (Amendment 3) indicated that the Program Manager did not enter into a subcontract agreement with one subconsultant.²⁷ In a written response to a request from our Office to provide the subconsultant agreement, a representative of the Program Manager stated "URS does not have a blanket agreement with them [the subconsultant]. Each request for staff is done on a case by case basis and a work authorization is prepared".

Article 10.8.5 of the agreement between the Program Manager and the County requires that "If any of the services outlined in this Agreement are furnished by Program Manager by obtaining the services of subconsultants, Program Manager shall provide County with proposals and contracts between the subconsultants and Program Manager outlining the services to be performed and the charges for same..." The Program Manager did not enter into a 'formal contract' with its subconsultant contrary to the terms of the agreement that requires the Program Manager to "bind each and every approved subconsultant to the terms stated in this agreement..." and "enter into a formal contract with the SDBE subconsultants..." By entering into a contract with its subconsultants the Program Manager ensures that matters relating to the project are memorialized, so that if disputes arise there is written evidence of the agreement between the two parties. In addition, if there is a breach of contract, the law provides remedy to the party which failed to perform their duty under the agreement.

Recommendation:

We recommend that the Board direct the County Administrator to ensure that:

- All subconsultants engaged to perform work for the Program Manager are bound to the terms of a properly executed subconsultant agreement.

²⁷ Exhibit H URS Corporation – List of Subconsultants AEP Phase III lists Employment Resources as an SDBE subconsultant. Employment Resources was paid \$102,002 in FY 2005.

5. The Program Manager did not require and enforce contractually mandated insurance coverage for its subconsultants which would mitigate risk to the County.

Article 10.8.4 of the Phase III Agreement requires the Program Manager to bind all subconsultants to the terms of the agreement between the Program Manager and Broward County;²⁸ however, the Program Manager did not require its subconsultants to maintain the same insurance coverage as the Program Manager is contractually required to maintain. As displayed in Exhibit 7 below, the Program Manager's agreements with its subconsultants require significantly reduced levels of professional and automobile liability insurance than specified in the Phase III Agreement.

Exhibit 7: Program Manager and Subconsultant Insurance Requirements		
Agreement	Professional Liability	Automobile Liability
County and Program Manager	\$10,000,000	\$5,000,000
Program Manager and Subconsultant	\$1,000,000	\$1,000,000

Source: Office of the County Auditor Analysis

In addition, a review of the subconsultant insurance certificates maintained by the Program Manager reveals that the Program Manager did not consistently require the submission of current Certificates of Insurance (COI) from its subconsultants. We reviewed ten subconsultant files and six of the files contained outdated/expired insurance certificates. By failing to require subconsultants to submit updated insurance certificates in a timely manner, the Program Manager cannot ensure that its subconsultants are maintaining required insurance coverage as required by the contract. Exhibit 8 below identifies the discrepancies in subconsultant COIs.

Exhibit 8: Subconsultant Insurance		
Subconsultant Agreement Requirement	# of Subconsultants Compliant	# of Subconsultants Not Compliant
County to be named as an additionally insured ²⁹	2	7
30 Day notice of cancellation provision ³⁰	4	5
Worker's Compensation Insurance ³¹	5	4

Source: Office of the County Auditor Analysis

²⁸ Article 10.8.4 states "Program manager shall bind each and every approved subconsultant to the terms stated in this Agreement and shall require the proper licensing of such subconsultants."

²⁹ Article 8.C Additional Insured Endorsement of the Subconsultant agreements state "By means of policy endorsement, the subconsultant's General Liability policy shall name URS, Client, their officers, employees and Agents as additional Insureds as respects operations performed by or on behalf of the Subconsultant in the performance of this subcontract."

³⁰ Article 8.D Notice of Cancellation of the Subconsultant agreements states "Policies and/or certificates must specifically provide to URS a thirty (30) day notice of cancellation, non renewal or material change."

³¹ Article 8.A.1 of the Subconsultant agreements states "Worker's Compensation Insurance as statutorily required, insuring against any and all claims of workers for compensation arising out of workers' compensation claims."

An insurance policy by definition is “a contract under which the insurer promises, for consideration, to assume financial responsibility for a specified loss or liability”³². By requiring insurance coverage from its consultants, the County mitigates its risk of serious financial loss. The enforcement of contractual insurance requirements by the Program Manager is essential in the County’s comprehensive risk management plan.

Recommendations:

We recommend that the Board direct the County Administrator to ensure that:

- All subconsultants comply with the insurance requirements of the prime consultant agreement.
- Program Manager maintains current copies of all subconsultant COIs.
- All subconsultant COIs name Broward County as additionally insured for all forms of coverage, contain 30 day cancellation provisions and include worker’s compensation insurance as applicable.

³² Clough, R.H. & Sears, G.A. (1994). *Construction Contracting* (sixth edition). Canada: John Wiley & Sons, Inc.

Direct Labor Multiplier

Hourly reimbursements for all URS employees and subconsultants are subject to a Direct Labor Multiplier (DLM). The DLM is utilized to compensate contractors for fringe benefits, overhead and profit. As stated in Article 7.3.3 of the Phase III Agreement, audited DLM rates are required to be prepared annually and in accordance with Federal Acquisition Regulation (FAR Guidelines)³³. The agreement also states in Article 10.8.4 that the Program Manager “shall bind each and every approved subconsultant to the terms stated in this Agreement...”

According to Article 3.4 of the Phase III Agreement, the Program Manager is required to “propose the most cost-effective and time-efficient staffing plan to provide the greatest benefit to the County”. Furthermore, Article 10.17 of the agreement contains a Truth in Negotiation Certificate provision, binding the Program Manager to ensure “that wage rates and other factual unit costs supporting the compensation of this Agreement are accurate, complete and current at the time of contracting”. Based on these combined contract clauses, the County relies upon the Program Manager to evaluate the appropriateness of compensation rates for subconsultant staff.

In contrast to the Truth in Negotiation Article, the contract was negotiated allowing the Program Manager to apply its own DLM rate to subconsultant agreements. Throughout the term of the agreement, subconsultant (‘on-site’)³⁴ employee salary rates were multiplied by the Program Manager’s DLM. As a result, the County has paid for negotiated subconsultant rates which were not based on factual unit costs as otherwise required by the contract.

6. We were unable to validate and determine the cost-effectiveness of Direct Labor Multiplier (DLM) rates paid to subconsultants due to insufficient data.

Although the Program Manager submitted to the County annual audited statements for its own overhead costs, the Program Manager did not enforce the same requirement of its subconsultants. Information regarding overhead costs was last obtained from subconsultants by the Program Manager in 2002. Furthermore, the information compiled at that time was incomplete; not all subconsultants submitted audited statements. Instead of negotiating subconsultant contracts based on actual expenses of the individual subconsultants, the Program Manager applied its own DLM rate to the majority of subconsultant agreements.³⁵ Without audited statements or other acceptable

³³ Article 7.3.3 of the Phase III Agreement states “The breakdown of overhead and fringe benefit factors shall be certified by a Certified Public Accountant. Said certification shall be dated within ninety (90) calendar days after Program manager’s just completed fiscal year. Program Manager certifies that all rates and multipliers set forth herein are consistent with the Federal Acquisition Regulation (FAR) Guidelines for Cost & Pricing Data.”

³⁴ Article 1.15 of the Phase III Agreement defines On-Site Employees as the personnel of Program Manager and Program Manager’s subconsultants identified as “On-Site” on Exhibit E, “Staffing Plan,” or otherwise approved in writing by the Contract Administrator, which personnel are engaged directly in the work of the Program and perform such services from an office located at the Airport.

³⁵ Exception: As noted in Exhibit F of the contract: Interns, Clerical and Document Control Clerk positions received DLM rates less than URS.

evidence of actual expenses, the DLM rates indicated in the subconsultant contracts cannot be validated or evaluated for cost-effectiveness.

The validation of overhead expenses is critical since several of the companies contracted by the Program Manager are small businesses. Some of these subconsultants are sole proprietorships, or home based businesses that do not maintain separate commercial offices. For these small organizations the Program Manager may be the primary, if not the only, client. As a result, the subconsultants incur little or no overhead expenses as they perform their daily functions utilizing materials and office space provided for by the County through the Program Manager. Therefore, the County may be paying a higher DLM rate in these instances than would be supported by the requisite audited statements.

In addition, due to observed relationships between the Program Manager and its subconsultants we contacted the Office of Equal Opportunity (OEO) to evaluate the propriety of using these subconsultants in meeting MWBE/DBE goals. The Office of Equal Opportunity has undertaken a review of the issues.

Recommendations:

We recommend that the Board direct the County Administrator to:

- Require the Program Manager to obtain and submit annual audited overhead rates from each subconsultant.
- Ensure that a complete DLM cost analysis is provided for all subconsultants prior to completing future contract negotiations.
- Ensure that all future subconsultant DLMs reflect no more than actual overhead and fringe benefit factors for each subconsultant.
- Ensure that the Office of Equal Opportunity completes a review of the relationships between the Program Manager and its subconsultants to determine the propriety of using these subconsultants in meeting MWBE/DBE goals and submit a report to the Board.

Appendix A

Ongoing Airport Expansion Projects
Terminal 4 Development
Exit Roadways
Automated People Mover and Intermodal Center
Pedestrian Bridges – T2, T3, and T4
Terminal 1 – Concourse A
Cruise and Passenger Baggage Processing Facility
Long Term Sanitary Sewer Development
Miscellaneous Airfield Work
Rental Car Center
Roadway Improvements
Terminals 1, 2, and 3 – Interim Baggage Solution
Taxiway “C”
Westside Infrastructure Development
Runway 9R/27L Extension
Permanent TSA In-Line System Facility Design and Construction
Rental Car Center Remediation
Sprinkler Palm and Hibiscus Garages
Automated Parking System
South Runway Enabling Projects
10 th Street Extension
New Maintenance Facility
Airport “Cell Phone” and Parking Lot
Ramp Control Tower Concourse A-C
Maintenance Control Center
Aviation Administration Building
Eastside Engineering
Loop and High Speed Taxiways

Source: Phase III Agreement, Amendment 3, Exhibit A-3, AEP Program Elements FY 2005/2006

Appendix B

Contract Timeline	
Contract / Amendment	Date Signed by County
First – Phases I & II	11/7/95
Amendment 1	7/9/96
Amendment 2	9/24/96
Amendment 3	4/29/97
Amendment 4	10/7/97
Amendment 5	9/28/98
Amendment 6	9/21/99
Amendment 7	9/19/00
Amendment 8	10/2/01
Amendment 9	5/21/02
Amendment 10	8/27/02
Second – Phase III	11/19/02
Amendment 1	9/16/03
Amendment 2	9/28/04
Amendment 3	9/27/05

Source: Signed contracts and amendments between Broward County and URS, 1995-2005

Appendix C

AEP Approved Sub-Consultants
ACAI Associates
Craven Thompson and Associates
Dickey Consulting Services, Inc.
EAC Consulting
Employment Resources
Info TechSystems
Keith and Associates, Inc.
LPE Enterprises
PGS Graphics
Xiomal Rapid Mobility

Source: Phase III Agreement, Amendment 3, Exhibit H-3, AEP List of Subconsultants FY 2005/2006

Appendix D

Optional Services
Special Advisory Services
Public Information Support
Tenant & Miscellaneous Space Programming, Relocation & Coordination
Technical and Project Management Assistance to BCAD
Sub-Consultant Design Services
Auditing and/or Support for AEP and/or OCIP Programs
Development of a Standardized Program Documentation Manual
Value Engineering Services
Cost Estimating
Financial Management
Support Services for Airport Cellular Phone Parking Lot
Peer Reviews
Formal Design Review
Airport Planning and Environmental Studies

Source: Phase III Agreement, Amendment 3, Exhibit D-3, AEP Optional Services FY 2006