



Airport Hourly Billing Rates Audit for Three Consultant Agreements

Office of the County Auditor

Audit Report

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OFFICE OF THE COUNTY AUDITOR

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Honorable Mayor and Board of County Commissioners

Pursuant to our Annual Audit Plan, we have conducted an Airport Hourly Billing Rates Audit.

The objectives of our audit were to determine whether hourly billing rates invoiced by the prime consultants and their subconsultants complied with the contracts, to determine whether the prime consultants complied with other applicable contract requirements, and to determine any Opportunities for Improvement.

We conclude that hourly billing rates invoiced by one prime consultant and one subconsultant did not consistently comply with the contracts. We conclude that one prime consultant and two subconsultants did not consistently comply with the contract requirements pertaining to reimbursable expenses and fringe and overhead factors. Opportunities for Improvement are included in the report.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation and assistance provided by the Broward County Aviation Department and consultants staff throughout our audit process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Andrew Meyers, County Attorney
Monica Cepero, Deputy County Administrator
Mark Gale, Director of Aviation

Broward County Board of County Commissioners

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INTRODUCTION

Scope and Methodology

The Office of County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship, and improving government operations.

We conducted an Airport Hourly Billing Rates Audit for three consultant agreements managed by the Broward County Aviation Department (BCAD). Our objectives were to determine whether:

1. Hourly billing rates invoiced by the prime consultants and their subconsultants complied with the contracts.
2. The prime consultants complied with other applicable contract requirements.
3. Any Opportunities for Improvement exist.

To determine whether hourly billing rates invoiced by the prime consultants and their subconsultants complied with the contracts, we reviewed contracts, Payment Application packages, prime consultants' and subconsultants' payroll and other records, BCAD's contract related records, and interviewed BCAD staff.

To determine whether the prime consultants complied with other applicable contract requirements, we reviewed consultants' Statements of Direct Labor, Fringe Benefits, and General Overhead certified by the independent Certified Public Accountants, Safe Harbor requests and BCAD's approval documentation, Section 112.061 of Florida Statutes, personal identification documents of consultants' employees, interviewed consultants' and BCAD's staff, and consulted with the County Attorney's Office. Additionally, we reviewed data from County's financial system and BCAD's contract related records.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. The audit period was October 1, 2018 through September 30, 2019 with the sample of five Payment Applications from the three selected consultant agreements. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that hourly billing rates invoiced by one prime consultant and one subconsultant did not consistently comply with the contracts. We conclude that one prime consultant and two subconsultants did not consistently comply with the contract requirements pertaining to reimbursable expenses and fringe and overhead factors. Opportunities for Improvement are included in the report.

Background

Overview of Selected Contracts

This audit was requested by BCAD management. We worked with BCAD staff to identify the following three consultant services contracts for the audit.

- ❖ On June 2, 2015, the Board of County Commissioners (Board) entered into a contract with **Cartaya and Associates, Architects, P.A. (Cartaya)** for Professional Consultant Services for Broward County's Fort Lauderdale-Hollywood International (FLL) and North Perry Airports, Building Projects (RFP No. Z1224902P1). Under the contract, Cartaya provides professional engineering, architectural, and other professional design services for new building construction and modifications, alterations and improvements to existing buildings, structures, offices, and accessory buildings that are landside and airside at the Fort Lauderdale-Hollywood International Airport and North Perry Airport. The original contract value was \$7.0 million, with an initial term of three years, expiring on June 1, 2018, and two optional one-year periods.

One contract amendment was approved by the Board on August 14, 2018, to add scope, extend the contract term by additional two one-year periods, which, if exercised, could extend the agreement up until June 1, 2022, and increase the total contract maximum amount to \$12.0 million. Currently, the contract is extended through the third optional one-year period expiring on June 1, 2021.

❖ On June 23, 2015, the Board entered into contracts with two consultants **Kimley-Horn and Associates, Inc. (Kimley-Horn)** and **Ricondo & Associates, Inc. (Ricondo)** for Consultant Services for Airport Planning Consultant Services (RFP No. R1277902P1). Under the contracts, Kimley-Horn and Ricondo each provide on-call planning services typically required to support the daily airside, landside, and general airport operations for FLL and North Perry airports. Their consultant services for airport-specific projects include technical studies, airport improvements, capacity recommendations, operational enhancements, capital program support, service upgrades, and other projects identified by the County, the airlines, tenants, airport customers, and stakeholders. The original value for each agreement was \$4.8 million, with an initial term of three years, expiring on June 22, 2018, and two optional one-year periods.

Both contracts were amended one time, with Board approval, to extend the contract terms by additional two one-year periods, which, if exercised, could extend the agreement up until June 22, 2022, and increase the total contract maximum amounts to \$7.4 million for each. Currently, the contracts are extended through the third optional one-year period expiring on June 22, 2021.

Figure 1 depicts the dates of the Board approvals and the maximum amounts not-to-exceed for the three contracts.

Figure 1
Board Approvals and Maximum Amounts Not-to-Exceed

Prime Consultants (RFP No.)	Original Contract /Amendment	Date Approved by the Board	Maximum Amount Not-to-Exceed		
			Labor	Reimbursable Expenses	Total
Cartaya and Associates, Architects, P.A. (RFP No. Z1224902P1)	Original Contract	June 2, 2015	\$6,650,000	\$350,000	\$7,000,000
	First Amendment	August 14, 2018	\$11,300,000	\$700,000	\$12,000,000
Kimley-Horn and Associates, Inc. (RFP No. R1277902P1)	Original Contract	June 23, 2015	\$4,560,000	\$240,000	\$4,800,000
	First Amendment	April 7, 2020	\$7,060,000	\$340,000	\$7,400,000
Ricondo & Associates, Inc. (RFP No. R1277902P1)	Original Contract	June 23, 2015	\$4,560,000	\$240,000	\$4,800,000
	First Amendment	April 7, 2020	\$7,060,000	\$340,000	\$7,400,000

Source: Prepared by the Office of the County Auditor with information from executed contracts and amendments

Subconsultants

Each of the prime consultants, subcontracted with teams of subconsultant companies to perform various services. The numbers of subconsultants for each of the prime consultants are as follows:

- ❖ Cartaya and Associates, Architects, P.A. – 15 subconsultants;
- ❖ Kimley-Horn and Associates, Inc. – 9 subconsultants; and
- ❖ Ricondo & Associates, Inc. – 11 subconsultants.

Exhibit B “Salary Costs”

Broward County (County) compensates prime consultants and their subconsultants for services performed by their employees on an hourly rate basis. These rates are based upon actual costs plus a negotiated profit percentage. These hourly costs are comprised of the actual raw hourly labor rates paid to an employee, plus an allocation of overhead and fringe benefit costs, and profit. Regardless of the actual costs, the billable hourly rates are limited to negotiated maximum amounts.

Exhibit B “Salary Costs” of a contract provides a table listing the various components of the maximum billing rates. Specifically, the Exhibit details the maximum raw hourly labor, the applied multiplier, and computed maximum hourly billing rates for each personnel category anticipated to be assigned to the project. Additionally, the lower portion of the Exhibit B demonstrates the calculation of the multiplier, based upon overhead and fringe benefit factors and a negotiated profit percentage. This Exhibit B may also indicate if the Safe Harbor election is made (more details are discussed in the sections below). A separate Exhibit B is required for the prime consultant and each of the subconsultants. **Figure 2** represents an example of Exhibit B. The information on **Figure 2** is for illustrative purposes only and does not represent actual information from the contracts.

Figure 2
Example of Exhibit B “Salary Costs”

EXHIBIT B SALARY COSTS					
Project No: 1					
Project Title: Professional Consultant Services					
Prime Consultant: Prime 1					
Sub Consultant: N/A					
TITLE	MAXIMUM HOURLY RATE (\$/HR)	x	MULTIPLIER	=	MAXIMUM BILLING RATE (\$/HR)
TITLE 1	\$50.00		3.00		\$150.00
TITLE 2	\$35.00		3.00		\$105.00
NOTE: ALL INVOICES MUST REFLECT ACTUAL HOURLY RATES UP TO THE MAXIMUM					
Multiplier of 3.00 is calculated as follows:					
For calculation purposes only, MAXIMUM HOURLY RATE = \$1					\$1.00
ONLY use numbers with a maximum of 2 decimal places (x.xx - xx.xx - xxx.xx)					
OVERHEAD = HOURLY RATE x OVERHEAD (xxx)%					122.00% \$1.22
FRINGE = HOURLY RATE x FRINGE (xx)%					51.00% \$0.51
PROFIT = (HOURLY RATE + OVERHEAD+ FRINGE) x PROFIT (xx)%					10.00% \$0.27
MAXIMUM BILLING RATE					\$3.00
					Multiplier
MULTIPLIER = (HOURLY RATE + OVERHEAD + FRINGE + PROFIT) / HOURLY RATE					3.00

Source: Prepared by the Office of the County Auditor with information based on the contract

As required by the contracts, services are authorized through the issuance of Work Authorizations (WA). Section 3.9.1 of the contracts states that “Before any service is commenced pursuant to a Work Authorization, Consultant shall supply the Contract Administrator with a written proposal for all charges expected to be incurred for such service, which proposal shall be reviewed by the Contract Administrator.” A WA establishes the approved maximum not to exceed amount, including maximum billing rates, or lump sum amount payable for the services and scope of work for a prime and its subconsultants expected to perform the services.

Overhead and Fringe Benefit Factors

Overhead and fringe benefit factors are used to allocate allowable overhead and fringe benefit costs to raw hourly labor rates.

According to the terms of the agreements, the fringe benefit and overhead factors are required to be certified by an independent Certified Public Accountant in accordance with the Federal

Acquisition Regulation ("FAR") guidelines. The certification is required to be dated within one hundred eighty days after consultant's most recently completed fiscal year.

Alternatively, the contracts allow subconsultants who do not have a certification to elect to use a pre-established Safe Harbor Rate for their overhead and fringe benefit amounts.

Hourly Rates and Multipliers

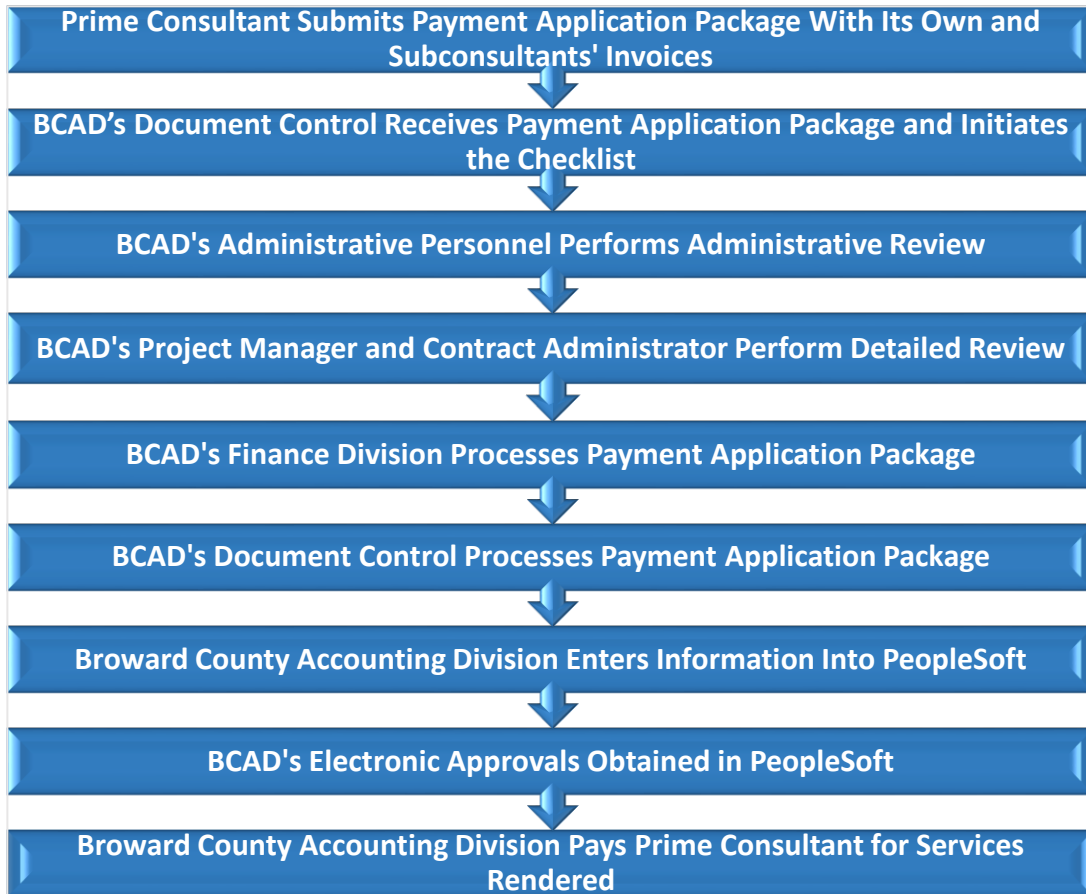
The actual billing rate invoiced to the County is determined by applying the negotiated multiplier, from the Exhibit B to the raw hourly labor rate.

The overhead factor, fringe benefit factor, and profit percentage are combined to calculate an overall multiplier, which is applied to the raw hourly labor rates. For example, a consultant that has a 3.0 multiplier as established in the Exhibit B and pays their employee \$50 per hour and may bill the County \$150 per hour. For an illustration, refer to **Figure 2**. However, all billing rates are subject to the maximum amounts established in the contract. Establishing maximum rates helps the County ensure that the amounts paid to employees for services, are reasonable, and reflective of market rates for comparable positions.

Invoice Process

BCAD is responsible for review and approval of consultants' Payment Application (Pay App) packages, which include invoices from the prime and each subconsultant, as well as underlying documentation required to support all requests for payment. **Figure 3** provides the flowchart demonstrating the invoice submission, review, and approval process.

Figure 3
Invoice Process



Source: Prepared by the Office of the County Auditor with information provided by BCAD

According to BCAD, a prime consultant submits a Pay App package to the County with underlying invoices for hours worked by its employees (payable at actual rates, subject to the contractual maximum billing rates), and reimbursable expenses as defined in the contract. The prime consultant’s Pay App packages also include amounts billed to the prime by its subconsultants (also subject to maximum contract rates) and for incurred reimbursable expenses. The prime consultant is responsible for a review of invoices from its subconsultants for accuracy and completeness before including them in the Pay App packages to the County.

After BCAD receives the prime consultant’s Pay App package, BCAD’s Document Control initiates a checklist and furnishes the Pay App package to BCAD’s Administrative staff for the administrative review. Then, the documents are furnished to the BCAD Project Manager. The BCAD Project Manager reviews the package in detail, including a comparison of the hourly rates billed to the contract rates and reconciliation of reimbursable amounts to the supporting documentation. Then the package is submitted to the BCAD Contract Administrator, who

provides the final approval prior to forwarding the package to BCAD’s Finance Division. To ensure that the contract not-to-exceed amount approved by the Board, as well as the authorized amounts of individual Work Authorizations are not exceeded, the Project Manager enters total amounts approved for each Pay App into a contract tracking workbook, which is manually maintained.

Once BCAD’s Finance Division processes a Pay App package, including an update of the BCAD’s Finance’s payment tracking schedules for the individual Work Authorization (not for entire contract as a whole), a complete Pay App package is sent to BCAD’s Document Control. Then, due to the system attachment size limitation, only a few summary pages from a Pay App package are sent to the County’s Accounting Division for entry into PeopleSoft, the County’s financial system, followed by obtaining of electronic approvals in the system, and issuance of a payment.

Payment History and Invoice Sampling

As of April 30, 2020, BCAD issued and authorized the Work Authorizations and maximum budgeted amounts for each of the three contracts as shown in **Figure 4** below.

Figure 4

Number of Work Authorizations Issued and Total Authorized Amounts as of April 30, 2020

Prime Name on Contract	BCAD Issued	
	Number of Work Authorizations	Total Authorized Amounts of Work Authorizations (in Millions)
Cartaya and Associates, Architects, P.A.	27 ⁽¹⁾	\$ 7.1 ⁽¹⁾
Kimley-Horn and Associates, Inc.	17	2.9
Ricondo & Associates, Inc.	21	5.1

Source: Prepared by the Office of the County Auditor with information provided by BCAD.

⁽¹⁾ For this consultant, the Contract Administrator was able to provide data as of May 16, 2020.

We reviewed a sample of five Pay App packages for five different Work Authorizations. These five Pay Apps included invoices submitted by three prime consultants and six subconsultants totaling \$629,164:

- ❖ for Cartaya and its subconsultants, we reviewed Pay Apps from September through November 2018, and March 2019;
- ❖ for Kimley-Horn, we reviewed a Pay App from May 2019 (none of the subconsultants invoiced for services on the selected Pay App);

- ❖ for Ricondo and its subconsultants, we reviewed Pay Apps from December 2017 through September 2018, and September 2018 through January 2019.

Figure 5 represents a summary of invoices reviewed for the three prime consultants and selected subconsultants. The remaining subconsultants did not invoice for services on the selected Payment Applications and were not included in our samples.

Figure 5
Invoices Reviewed for Prime Consultants and Selected Subconsultants

Prime Consultants and Selected Subconsultants	Invoice Number	Work Authorization Number	Invoice Amount
Cartaya and Subconsultants			
Cartaya and Associates, Architects, P.A.	10 & 13	12 & 8	\$ 87,319
RS&H, Inc.	10R & 7R, 8, 9	12 & 8	212,616
Tierra South Florida, Inc.	12347	12	8,565
CMS-Construction Management Services, Inc.	10728	8	12,439
HDR Engineering, Inc.	1200164936	8	1,874
Subtotal - Cartaya and Subconsultants			\$ 322,813
Kimley-Horn			
Kimley-Horn and Associates, Inc.	13973825	KH-T2-04-18	\$ 5,247
Subtotal - Kimley-Horn			\$ 5,247
Ricondo and Subconsultants			
Ricondo & Associates, Inc.	21779A & 22947	RA-T2-01-17 & RA-T2-02-18	\$ 148,155
Cartaya and Associates, Architects, P.A.	1	RA-T2-01-17	136,871
Nova-Consulting, Inc.	30201-0303, 30201-0304, & 30201-0305	RA-T2-02-18	16,078
Subtotal - Ricondo and Subconsultants			\$ 301,104
Total Audited Amount for Three Agreements			\$ 629,164

Source: Prepared by the Office of the County Auditor with information obtained from selected invoices

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Hourly Billing Rates Invoiced by Prime Consultant and Subconsultant Should Comply with the Contract Requirements.

One prime consultant and one subconsultant invoiced the County at hourly billing rates, which were inconsistent with the actual raw hourly rates paid to their employees and resulted in improper billings to the County. During our audit, we identified the following:

- A.** One of four sampled subconsultants to Cartaya overbilled the County by \$9,071 for one employee, using raw hourly labor rates in excess of the actual raw hourly labor rates paid to the employee.

We reviewed the labor total of \$320,147 invoiced by Cartaya and its four subconsultants on two Payment Applications for the time periods of September through November 2018, and March 2019. As part of our review, we compared the amounts billed for each employee to the rates shown in Exhibits B and applicable payroll registers provided by Cartaya and its subconsultants. Our review revealed that one subconsultant, CMS-Construction Management Services, Inc. (CMS), was billing the County for one employee based on raw hourly labor rates in excess of actual raw hourly labor rates paid to the employee.

Based on the issue identified during our sample review, we requested BCAD to ask the prime consultant to perform an audit of the invoicing by CMS since the inception of the contract. The prime consultant's analysis of billings for this employee, since the inception of the contract through April 2020, identified a total overbilling to BCAD of \$9,071. We validated consultant's analysis by performing a sample review. Subsequently, the prime consultant issued a check to the County for the full amount of this overbilling.

Due to the same issue, BCAD staff requested another prime consultant, Gresham, Smith, and Partners (GSP), which also utilizes CMS as a subconsultant to perform a similar review of the invoices for the entire agreement to ensure the rates billed comply with the contract. Based on the review, there was a total overbilling of \$11,869 by CMS. As a

result, the prime consultant issued a check to the County for the full amount of this overbilling.

Section 5.2.2 of the contract states that “Salary Costs for Consultant and subconsultants as shown in Exhibit B are the Maximum Billing Rates which are provisional, subject to audit of actual costs, and if the audit discloses that the actual costs are less than the costs set forth on Exhibit B for the Consultant or any subconsultant, the Consultant shall reimburse the County based upon the actual costs determined by the audit.” Therefore, if the raw hourly labor rates paid by the consultants to their employees are lower than the maximums established in the contract, the hourly billing rates to the County should be the actual raw hourly labor rates paid to employees’ times the multiplier established in the Exhibit B of the contract. Further, Section 10.5 of the contract holds the prime consultant responsible for the “overpricing or overcharges to County of any nature by the Consultant or its Subconsultants.”

- B.** Ricondo, the prime consultant, underbilled the County by \$14,089 on total reviewed labor costs of \$146,616 due to the consultant’s errors on the improperly updated invoice template.

We reviewed the labor total of \$146,616 invoiced by Ricondo on two Payment Applications for the time periods of December 2017 through September 2018, and September 2018 through January 2019. As part of our review, we compared the amounts billed for each employee to the rates shown in Exhibit B and applicable payroll registers provided by Ricondo. Our review revealed that the prime consultant was billing the County for six employees based on raw hourly labor rates below the actual raw hourly labor rates paid to the employees or had inaccurately computed the billing rate. The correct billing rates are equal or below the maximum rates on the approved Exhibit B. The differences resulted in the total underbilling of \$14,089 for the selected invoices.

In response to our inquiry, the consultant confirmed that the invoice templates were inaccurately updated, and the errors will be corrected in the future. As advised by BCAD staff, they will work with the prime consultant to resolve the issue if the work underbilled is within the scope of services and authorized not-to-exceed amount.

As discussed above, Section 5.2.2 of the contract states that the consultants should bill based on the actual costs, but not in excess of the provisional Maximum Billing Rates as shown on the Exhibit B.

In both instances, the prime consultant and subconsultant should have invoiced the County at the hourly rates based on the actual raw hourly labor rates paid to the employees and capped by

the maximum billing rates in the contract. Failure to comply with the contract requirements resulted in improper billings to the County.

We recommend management:

- A. Require BCAD staff to work with Ricondo to evaluate whether the work underbilled is within the scope of services and authorized not-to-exceed amount and resolve the underbilling issue according to the evaluation results.
- B. For future invoices, ensure prime consultants and their subconsultants consistently bill at the hourly rates based on actual raw hourly labor rates paid to the employees and capped by the maximum billing rates in the contract.

2. Fringe Benefit and Overhead Rates Used for Exhibit B Salary Costs Should be Supported by Underlying FAR Schedule.

Fringe Benefit and Overhead Rates represented in the Exhibit B for one of Cartaya's subconsultants were in excess of the rates on the underlying FAR Schedule, resulting in an overpayment of \$2,299 to the subconsultant.

As part of our review, we compared overhead and fringe benefit rates shown on Exhibit B to the rates certified by independent Certified Public Accountants. Our review revealed that for one of Cartaya's subconsultants, HDR Engineering, Inc. (HDR), the fringe and overhead rates used on the approved Exhibit B were higher than the rates on the underlying certified Statement of Direct Labor, Fringe Benefits, and General Overhead (FAR Schedule) submitted at the time of contracting.

Based on the issue identified, we directed BCAD to request the prime consultant to perform an analysis of payments to HDR, applying what would be the corrected audited rates. The analysis identified a total overbilling of \$2,299 since the contract inception. These amounts were based upon billings for two Work Authorizations (WA 8 and WA 21), for which the subconsultant was engaged under the contract. Subsequently, the prime consultant issued a check to the County for the full amount of this overbilling.

As advised by BCAD staff, Exhibit B for subconsultant HDR Engineering, Inc. was amended on February 26, 2020 to reflect the corrected rates. Additionally, for subconsultants not selected for the audit of this contract, the BCAD Contract Administrator performed a verification of the fringe and overhead rates approved on the Exhibit B against the underlying certified FAR Schedules and recalculated multipliers, identifying no other issues resulting in overpayments or

underpayments by the County. We validated both the consultant's analysis and the Contract Administrator's review by performing a sample review.

Section 5.2. of the contract requires "The fringe benefit and overhead factors shall be certified by an independent Certified Public Accountant in accordance with the Federal Acquisition Regulation ("FAR") guidelines." Therefore, as part of the Exhibit B approval, BCAD Management should ensure that the rates on the Exhibit B agree to the rates on the respective FAR Schedules.

Fringe benefit and overhead rates used for Exhibit B Salary Costs should be supported by the underlying FAR schedule as required by the contract. The subconsultant's failure to comply with the contract requirements resulted in improper billings to the County.

We recommend management:

- A. Ensure that overhead and fringe benefit rates on Exhibit Bs agree with, or do not exceed, the rates on the underlying Statements of Direct Labor, Fringe Benefits, and General Overhead certified by independent Certified Public Accountants in accordance with the Federal Acquisition Regulation ("FAR") guidelines prior to the Exhibit B approvals.
- B. For the other current agreements utilizing HDR, require BCAD staff to perform a review to ensure accuracy of overhead and fringe benefit rates on Exhibit Bs, and require HDR to remit any additional overpayments identified to the County.

3. Travel Related Reimbursable Expenses Should be Paid in Compliance with Contract Requirements.

Our review revealed that \$1,586 of travel related reimbursable expenses sampled for Ricondo and its subconsultant Nova Consulting, Inc. (WA RA-T2-01-17) did not comply with the contract requirements. Specifically:

- A. \$1,586 or 100% of travel expenses sampled did not have adequate documentation to demonstrate the start and end time of the trips, which should be used as a basis to determine correct meal reimbursement amounts.
- B. Out of \$1,586 of travel expenses, \$216 were meal reimbursements that included billings in excess of the maximum daily meal allowance per Florida Statutes. Further, some of the meal reimbursements included costs not associated with the traveler.

During our audit, we communicated the issues to BCAD staff and consulted with the County Attorney's Office regarding the statutory requirements for meal reimbursements based on the concerns raised by BCAD staff. BCAD staff requested Ricondo to perform a self-audit of the

reimbursable meal expenses since the inception of the contract. A similar self-audit was also requested to be performed by Kimley-Horn, the prime for another contract also covered by this audit, as it is supervised by the same Contract Administrator. We did not identify any issues in relation to the contract with Kimley-Horn, as no reimbursable expenses were submitted on the invoice selected for the audit. Based on the self-audits, there was a total overbilling of \$814 by Ricondo and Kimley-Horn. As a result, the consultants issued checks for the overbilled amounts to the County.

Section 5.3 of the contract requires the consultant to adhere to Section 112.061, Florida Statutes (Statute), "...for reimbursement of any travel costs, travel-related expenses, or other direct nonsalary expenses directly attributable to this Project permitted under this Agreement..."

The Statute establishes standard travel reimbursement guidelines including the per diem and subsistence allowances during the travel away from official headquarters (directly and indirectly requiring an overnight stay) and short or day trips not away from the official headquarters, by authorized persons whose travel is authorized and paid by a public agency:

- ❖ For travel that includes an overnight stay, the maximum limits are either (a) \$80.00 per diem, which covers meals and lodging, and reimbursement at this amount does not need submission of receipts; or (b) \$36.00 per day for meals, plus actual expenses for lodging at a single-occupancy rate, to be substantiated by paid bills. For partial days, the traveler shall be reimbursed at either one fourth of the authorized rate of per diem for each quarter or fraction thereof, or the established amount for a meal (i.e., breakfast \$6, lunch \$11, dinner \$19).
- ❖ For short- or single-day trips, a traveler is only entitled to the allowance for meals of a maximum \$36.00 per day. The receipts are not required.
- ❖ For both types of travel, a consultant needs to provide sufficient detail to allow review and approval of the reimbursement request under the statutory guidelines, i.e., start and end times, and dates of travel, hotel statements, etc.

Travel related reimbursable expenses should be paid in compliance with contract requirements. The prime consultant and subconsultant's failure to comply with the contract requirements resulted in improper billings to the County.

We recommend management ensure future reimbursable expenses are in compliance with contract requirements.

4. BCAD Should Improve Standard Contract Language for Timesheet Requirements and Implement Adequate Contract Administration Over Timely Approval of Work Authorizations and Payment Tracking Process.

Our review identified costs invoiced by the prime consultant Ricondo on two Payment Applications selected for the audit were approved without supporting timesheets. We also found a lack of adequate contract administration and management oversight in the areas of timely approval of work authorizations and payment tracking. We noted the following concerns:

- A. \$146,616 in labor costs invoiced by Ricondo on two of the Payment Applications selected for the audit were approved without supporting timesheets, whereas subconsultants' labor billed on the same Payment Applications was supported by the timesheets.

In addition to the Pay Apps selected for the audit, we also reviewed three Pay Apps for three other Work Authorizations (Pay App No. 1 RA-T3-11-18, Pay App No. 3 for WA RA-T3-14-18, Pay App No. 1 for WA RA-T3-09-18), which were approved by BCAD. We identified that it is the consultant's common practice not to submit timesheets for this contract, as none of the Pay App packages included Ricondo's timesheets.

These five Payment Applications were for services performed under the not-to-exceed method of compensation, which is based on actual hours and costs incurred. The contract with Ricondo does not clearly require the submission of the underlying timesheets. However, other BCAD agreements with the not-to-exceed compensation model, including the selected WA for the agreement with Cartaya, clearly require the timesheet submission as part of the Payment Application packages and include a timesheet template as a contract Exhibit. Further, the agreement with Kimley-Horn does not clearly require the submission of the underlying timesheets similarly to the agreement with Ricondo; however, the Pay App we selected was supported by the timesheets. Upon our request, Ricondo provided timesheets to us to support labor hours billed. This documentation was not requested by BCAD during their invoice review process. Some of these timesheets provided to us included very limited descriptions of the services performed.

Hours billed should be supported by timesheets or other activity logs that document the nature of services or tasks performed and number of hours worked prior to approval for payment. Absence of the timesheets does not allow BCAD to determine for what specific services the hours are billed for and whether they are reasonable to ensure accurate billing. Inadequate review of timesheets could result in overbillings or undetected errors.

BCAD staff advised that currently BCAD is working on a consistent agreement format that will include timesheet requirements for the new agreements.

B. BCAD did not timely execute work authorizations and notices to proceed authorizing service start dates as required by the contracts. For two of the audited contracts, services commenced before authorization documentation was finalized, specifically:

1. In relation to the agreement with Kimley-Horn, the notice to proceed (NTP) for the selected Work Authorization (original WA KH-T2-04-18) was issued on September 4, 2018, for the services to commence on June 25, 2018, which is approximately two months retroactively. The Work Authorization itself was issued on July 24, 2018, which is one month after the service start date.
2. In relation to the contract with Ricondo, the NTPs for both selected Work Authorizations (RA-T2-02-18 and RA-T2-01-17), were issued four and a half to six months after the service commencement dates authorized by these Work Authorizations. Further, the Work Authorization RA-T2-01-17 itself was issued on February 27, 2017, for services commencing on January 3, 2017, which is almost two months after the service start date.

Figure 6 below summarizes the dates of Work Authorization executions by the Contract Administrator, notices to proceed dates and start dates of services.

Figure 6
Dates of Work Authorization and Notices To Proceed and Start Dates of Services

Work Authorization No.	Pay App No.	Description	WA Executed Date	NTP Date	Start Date of Services per NTP	Number of Months
Kimley-Horn and Associates, Inc.						
KH-T2-04-18	7	Original WA	07/24/2018	09/04/2018	06/25/2018	NTP dated over 2 months after start date. WA executed one month after start date.
Ricondo & Associates, Inc.						
RA-T2-02-18	1	Original WA	05/16/2018	02/15/2019	10/01/2018	NTP dated 4.5 months after start date.
RA-T2-01-17	4	Original WA	02/23/2017	06/23/2017	01/03/2017	NTP dated 6 months after start date. WA executed almost 2 months after start date.
		Supplement #1	11/15/2017	05/30/2018	12/29/2017	NTP dated 5 months after start date.

Source: Prepared by the Office of the County Auditor with information provided by BCAD

BCAD staff advised that this is not a common practice and that this situation may occur if the terms are already negotiated, but a Purchase Order is taking a longer time. However, our analysis is based on the dates of the WA execution and NTP issuance, which occurs before the Purchase Order issuance. Additionally, BCAD staff advised that the issuance of Work Authorization RA-T2-01-17 under the contract with Ricondo may have been delayed due to the January 6, 2017 mass shooting at the airport.

The contracts have multiple references to the requirement for a Work Authorization and/or Notice to Proceed to be issued before the services can commence multiple times, including:

- ❖ Section 1.12 states that “Notice To Proceed means a written notice to proceed, authorizing the Consultant to commence work under this Agreement, or to proceed with a subsequent phase or task of work under this Agreement. The written Notice to Proceed that authorizes the Consultant to commence work under this Agreement shall be issued by the Contract Administrator.”
- ❖ Section 3.9 specifies that “The issuance of a Work Authorization by the Contract Administrator in substantially the form of Exhibit E shall be required before services may begin.”
- ❖ Section 4.2 states that “Consultant shall perform the services described in Exhibit A or any Work Authorization within the time periods specified therein. Such time periods shall commence from the date of the Notice to Proceed for such services.”
- ❖ Section 4.4 requires “Prior to beginning the performance of any services and any subsequent phases under this Agreement, Consultant must receive a Work Authorization and Notice to Proceed.”

Lack of timely approvals of the service start dates could result in the improper billings for services that were not authorized. Also, it is inappropriate to have work commence prior to executed WAs.

C. PeopleSoft is not consistently utilized as a centralized source and tool to review, record, and track the contracts as a whole. During the audit, we noted that BCAD staff creates its own Excel spreadsheets and manually tracks information. The following are the major issues in the current process:

1. Issues related to data in PeopleSoft: Some payment transactions are entered into PeopleSoft without Contract identifier (such as RFP/RLI number), Purchase Order numbers, or Project numbers. Therefore, we could not determine if the

payment history report in PeopleSoft include all transactions for a specific contract. Further, some payment transactions are entered into PeopleSoft without Work Authorization numbers, periods of services, and other necessary fields used by Contract Administrators/Project Managers (CAs/PMs) to track each Work Authorization individually and the contract as a whole.

2. Issue related to BCAD Finance's internal tracking schedules: BCAD Finance does not track authorized budgets and actual payments for a contract as a whole and generates multiple queries to manually track amounts paid under individual Work Authorizations in Excel.
3. Issue related to BCAD Contract Administrator/Project Manager internal tracking schedules: CAs/PMs track budgets and approved payments for Pay App totals in Excel schedules, which are not reconciled to PeopleSoft. The schedules are designed to track only the authorized totals for the contract as a whole and by Work Authorization to ensure that the authorized budget is not exceeded. However, CAs/PMs do not have sufficient information on whether or not, or for how much the payments were issued.

Financial reports are intended to meet the needs of decision makers. To accomplish this objective, accurate financial information about the contracts must be available in time to inform decision makers and with adequate details to enable correct decision making.

We recommend management:

- A.** Ensure that the new contracts include, and existing contracts are amended to include, a requirement to submit timesheets or other activity logs that document the nature of services or tasks performed and number of hours worked.
- B.** Perform adequate contract administration to ensure that the services are authorized via executed work authorizations and notices to proceed before the actual service commencement dates.
- C.** Work with ETS staff, if applicable, to design a process and a query allowing utilization of PeopleSoft as a centralized source and tool to accurately review, record, and track the contracts as a whole, ensuring that:
 1. All contracts are set-up in PeopleSoft using a unique contract identifier, such as RFP/RLI number, assigned to each contract during the procurement process.

2. Work Authorization and Purchasing Order references are unified and entered in PeopleSoft, along with other fields necessary for BCAD Contract Administrator/Project Manager to properly administer and monitor budget and actual expenses for each Work Authorization individually and each contract as a whole.
3. Payments processed in PeopleSoft are properly linked to the contract with the unique contract identifier, and the payment history report for each contract is readily available to be generated from PeopleSoft and used by BCAD Contract Administrator/Project Manager to track payments for the contract.

APPENDIX A – MANAGEMENT’S RESPONSE



BERTHA W. HENRY, County Administrator
115 S. Andrews Avenue, Room 409 • Fort Lauderdale, Florida 33301 • 954-357-7362 • FAX 954-357-7360

MEMORANDUM

DATE: January 29, 2021
TO: Robert Melton, County Auditor
FROM: Bertha W. Henry, County Administrator
SUBJECT: Management Response to Office of the County Auditor's Audit of Airport Hourly Billing Rates Audit for Three Consultant Agreements

The Broward County Aviation Department (BCAD) has reviewed the above referenced Office of the County Auditor's Audit of Airport Hourly Billing Rates and submits the following as Management's response. This audit was performed at the request of BCAD as a quality control measure, and to ensure compliance with its agreements.

In summary, Management acknowledges the Auditor's overall conclusion that BCAD hourly billing rates invoiced by one prime consultant and one subconsultant did not consistently comply with the contracts. Further, Management accepts the Auditor's opportunities for improvement and BCAD has already implemented many new procedural enhancements and is working on others.

Below please find the detailed responses to each of the Auditor's opportunities for improvement and recommendations.

Opportunity 1: Hourly Billing Rates Invoiced by Prime Consultant and Subconsultants Should Comply with the Contract Requirement.

Recommendations:

- A. Require BCAD staff to work with Ricondo to evaluate whether the work underbilled is within the scope of services and authorized not-to-exceed amount and resolve the underbilling issue according to the evaluation results
- B. For future invoices, ensure prime consultants and their subconsultants consistently bill at the hourly rates based on actual raw hourly labor rates paid to the employees and capped by the maximum billing rates in the contract.

Response:

- A. **Agree.** BCAD has confirmed the work underbilled was within the work authorization scope of work and is currently working with Ricondo to resolve the underbillings. In one

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instance where a work authorization is already closed, a check is being issued to the consultant. In the second instance where the work authorization is active, the consultant is preparing a stand-alone invoice to address the underbilled amount. Both are expected to be resolved within the next 60 days.

B. Agree. BCAD staff will continue to periodically request copies of payroll registers and verify that the Prime consultants and Subconsultants comply with the contract requirements and consistently bill at hourly rates based on actual raw hourly labor rates paid to the employees and capped by the contract's maximum billing rates. Specifically, BCAD staff will continue to generally request and review copies of payroll registers in the following circumstances:

- When the Prime consultant or Subconsultants are billing at the maximum rates pursuant to the relevant agreement and its exhibits (generally Exhibit B).
- When a new subconsultant is added to the Prime's agreement.
- When there are new agreements for Prime and Subconsultant.

Opportunity 2: Fringe Benefit and Overhead Rates Used for Exhibit Bs Salary Costs Should be Supported by Underlying FAR Schedule.

Recommendation:

- A. Ensure that overhead and fringe benefit rates on Exhibit Bs agree with, or do not exceed, the rates on the underlying Statements of Direct Labor, Fringe Benefits, and General Overhead certified by independent Certified Public Accountants in accordance with the Federal Acquisition Regulation ("FAR") guidelines prior to the Exhibit B approvals.
- B. For the other current agreements utilizing HDR, require BCAD staff to perform a review to ensure accuracy of overhead and fringe benefit rates on Exhibit Bs, and require HDR to remit any additional overpayments identified to the County.

Response:

- A. Agree.** BCAD staff will continue to ensure that overhead and fringe benefits rates on Exhibit B's are supported by the underlying FAR schedule submitted by the Prime consultants and Subconsultants and the FAR information complies with the contract requirements.
 - For each new agreement, staff will review that the multiplier factor listed in the agreement and its exhibits, and that the underlying FAR schedule supports the overhead and fringe benefits rates in the agreement and its exhibits (Exhibit B).
- B. Agree and completed.** BCAD staff has reviewed other current agreements utilizing HDR and concluded that overhead and fringe benefits comply with contract requirements.

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Opportunity 3: Travel Related Reimbursable Expenses Should be Paid in Compliance with Contract Requirement.

Recommendation: We recommend Management ensure future reimbursable expenses are in compliance with contract requirements.

Response: Agree. BCAD staff will continue to ensure that the Prime consultants and Subconsultants comply with the contract requirements for all reimbursement expenses. Furthermore, BCAD has taken the following additional steps:

- Internal training has occurred with several project managers related to travel requirements.
- Vendors were notified that a project identification or work authorization number must be included in expense backup documentation. During the review of the pay applications, staff checks that a project identification or work authorization number is listed on the backup documentation.
- Vendors were reminded to provide start and end times of the travel so that meal allowances are paid correctly.

Opportunity 4: BCAD Should Improve Standard Contract Language for Timesheet Requirement and Implement Adequate Contract Administration Over Timely Approval of Work Authorizations and Payment Tracking Process.

Recommendation:

- A. Ensure that the new contracts include, and existing contracts are amended to include, a requirement to submit timesheets or other activity logs that document the nature of services or tasks performed and number of hours worked.
- B. Perform adequate contract administration to ensure that the services are authorized via executed work authorizations and notices to proceed before the actual service commencement dates.
- C. Work with ETS staff, if applicable, to design a process and a query allowing utilization of PeopleSoft as a centralized source and tool to accurately review, record, and track the contracts as a whole, ensuring that:
 1. All contracts are set-up in PeopleSoft using a unique contract identifier, such as RFP/RLI number, assigned to each contract during the procurement process.
 2. Work Authorization and Purchasing Order references are unified and entered in PeopleSoft, along with other fields necessary for BCAD Contract Administrator/Project Manager to properly administer and monitor budget and actual expenses for each Work Authorization individually and each contract as a whole.

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3. Payments processed in PeopleSoft are properly linked to the contract with the unique contract identifier, and the payment history report for each contract is readily available to be generated from PeopleSoft and used by BCAD Contract Administrator/Project Manager to track payments for the contract.

Response:

- A. **Agree and completed.** BCAD has reviewed all current agreements for compliance. BCAD ensures that all invoices of not to exceed work authorizations include timesheets or activity logs are provided to support invoices. BCAD staff will continue to ensure that new contracts include the requirement to submit timesheets that document the work performed and support the hours billed.
- B. **Agree.** BCAD will continue to ensure that services are authorized via executed work authorizations and notices to proceed are issued before work commences unless there is an emergency or a special need that will be documented.
- C. **Agree in part.** BCAD staff will coordinate with Broward County ETS staff to discuss the recommendations regarding the possible use and capabilities of PeopleSoft.

Thank you for the opportunity to respond and provide Management's comments to the audit. If there are any additions, deletions/omissions, or other changes or modifications to Management's response, please provide us the opportunity to review prior to issuance. Should you have any questions or require additional information, please do not hesitate to contact me.

cc: Mayor and Board of County Commissioners
Monica Cepero, Deputy County Administrator
Andrew Meyers, County Attorney
Mark Gale, CEO/Director of Aviation
Marc Gambrell, Aviation Chief Development Officer
Kevin Kelleher, Assistant County Administrator