



Florida Department of TRANSPORTATION

Office of Inspector General
Kristofer B. Sullivan, Inspector General

January 15, 2019

Audit Report No. 18C-3005
HNTB Corporation
Contains Confidential Information¹

What We Did

The Office of Inspector General (OIG) conducted a post audit of Standard Professional Services Agreement C9D29 between the Florida Department of Transportation (department) and HNTB Corporation (HNTB) for the period of October 31, 2013, through October 16, 2017. We conducted the audit as part of the Fiscal Year 2018-2019 annual audit plan.

We reviewed the contract, procurement documents, HNTB records, and invoices paid by the department. Our analysis compared the agreement’s total contractually “allowed” amounts for compensation, amounts “invoiced” by the consultant, and actual costs “incurred” and recorded in HNTB’s job cost accounting records. We also compared the personnel who performed the scope of services to those individuals proposed during the initial procurement and negotiation process.

What We Found

We determined HNTB’s job cost report was adequate to enable us to rely upon transactions related to the amounts invoiced and incurred. Table 1 provides the combined reporting of total contract amount and hours allowed, invoiced, and incurred. In addition, we observed:

- 61 percent of hours were performed by staff initially proposed; and
- all seven individuals proposed as key personnel charged time to the project and incurred 76 percent of the total labor hours proposed.

Table 1: Total Cost and Hours

	Allowed	Invoiced	Incurred
Total Lump Sum and Limiting Amount	\$ 5,475,436	\$ 4,698,236	\$ 4,763,598
Total Hours	56,728	37,569	37,570

Source: Contract C9D29, HNTB invoices and job cost

¹ See page 11 regarding restriction on use.

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BACKGROUND AND INTRODUCTION

On October 13, 2013, HNTB entered into Standard Professional Services Agreement C9D29 with the department. The purpose of this agreement was for the Construction Engineering Inspection (CEI) services of SR-105/ Hecksher Drive, Sister Creek Bridge Replacement.

The original anticipated length of service was 37 months. The consultant agreed to complete scheduled project services within 30 calendar days following completion of the construction contracts with which consultant services were associated. For satisfactory completion of service authorized under this agreement, the department agreed to pay a Total Maximum Limiting Amount not to exceed \$4,450,663. There was one amendment which increased the maximum amount to \$5,475,436. See Table 2.

Table 2: Contract Summary

HNTB Corporation C9D29 SR-105/Hecksher Drive, Sister Creek Bridge Replacement			
Original Contract 10/31/13	Amendment 1 12/8/14	Amendment 2 6/15/16	Total Contract Value
Construction Engineering and Inspection services to replace the Sister Creek Bridge/ SR 105. Salary related costs, aerial photography, survey services, underwater bridge inspection, and field office expense are all limiting amount. Fixed fee which is a percent of direct salary related costs are lump sum elements.	Adding of Design-Build project 428796-2-52-01/Wonderwood Expressway Drainage Improvements.	The removal of the contract fee limitation for TRS Consultants, Inc.	
\$ 4,450,663.00	\$ 1,024,773.00	\$ -	\$ 5,475,436.00

Source: Contract C9D29, FDOT District 2 Professional Services Unit, and Florida Accountability Tracking System.

Our analysis compared the agreement’s total contractually “allowed” cost and hours to the cost and hours “invoiced” by the consultant and to actual costs and hours “incurred”² and recorded in the consultant’s job cost accounting records. Allowable compensable costs are defined in the agreement’s Exhibit B – Method of Compensation. Supporting the compensation amounts are “Audit Fee” schedules submitted to the department at the time of negotiations, which include payroll registers and labor costs by job class.

² The cost driver for the method of compensation is direct labor, which is burdened with approved overhead, direct expense, facilities capital cost of money (FCCM), and operating margin mark ups. Our reporting of incurred costs in the cost analyses relied upon contractually allowed mark ups of direct labor in calculating the amounts.

RESULTS OF REVIEW

We determined HNTB’s job cost report was adequate to enable us to rely upon the project detail and transactions related to the amounts invoiced and incurred. Below is the combined reporting of total contract amount and hours allowed, invoiced, and incurred. See Table 3.

Table 3: Total Cost and Hours

	Allowed	Invoiced	Incurred
Total Lump Sum and Limiting Amount	\$ 5,475,436	\$ 4,698,236	\$ 4,763,598
Total Hours	56,728	37,569	37,570

Source: Contract C9D29, HNTB invoices and job cost

In addition, we observed:

- 61 percent of hours were performed by staff initially proposed; and
- all seven individuals proposed as key personnel charged time to the project and incurred 76 percent of the total labor hours proposed.

Nothing came to our attention that would indicate HNTB did not comply with applicable laws, rules, or terms of the agreement. See our analysis below for a breakdown of contractually allowed, invoiced, and incurred costs by lump sum and limiting amount services.

Analysis of Allowed, Invoiced, and Incurred Costs and Hours

Our analysis compared the agreement’s total contractually allowed costs and hours to costs and hours invoiced by the consultant and to actual costs and hours incurred and recorded in the consultant’s job cost accounting records. The total amount invoiced was supported by the job costs provided by HNTB.

Our review determined the invoiced amount did not exceed the contractually allowed amount. HNTB invoiced 66 percent of allowed hours, or 37,569 hours, and 86 percent of allowed cost, or \$4,698,236. See Table 4.

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Table 4: Cost Analysis

HNTB Corporation C9D29			
	<u>Allowed</u>	<u>Invoiced</u>	<u>Incurred</u>
Total Hours Limiting Amount	56,728	37,569	37,570
Basic CEI Services- HNTB			
Direct Labor	\$		
Overhead			
Operating Margin- Lump Sum			
FCCM			
Direct Expense			
Premium Overtime			
Field Office Expense- LA			
HNTB Subtotal	█	█	█
Subconsultants			
Bottomley Aviation, Inc.	\$ 2,761	\$ 2,760	\$ 2,761
Bradley Surveying & Mapping, Inc.	34,863	14,635	14,635
Ellis & Associates, Inc.	104,674	301,407	320,793
GPI Southeast, Inc.	72,898	0	0
TRS Consultants, Inc.	474,833	658,330	686,334
Underwater Engineering Services, Inc.	47,402	23,701	23,701
VIA Consulting Services, Inc.	97,024	77,638	86,763
Subconsultant total	\$ 834,456	\$ 1,078,471	\$ 1,134,988
Total Lump Sum and Limiting Amount	\$ 5,475,436	\$ 4,698,236	\$ 4,763,598

Source: Contract C9D29, HNTB invoices and job costs

It should be noted that while the sub-consultant limiting amount invoiced value is higher than allowed, the total limiting amount invoiced remains within allowed. This is due to a reassignment of work from what was originally proposed. The district disclosed that the reallocation of work is a standard practice that is allowed per contract provision, Section 2.2, Compensation, which states:

For the following elements which are established as reimbursables, the Department will compensate the Consultant, subject to the total established limiting amount, for all reasonable, allocable and allowable costs incurred in the categories defined below. The reasonableness, allocability and allowability of compensation sought under this agreement is expressly made subject to the terms of this Agreement; Federal Acquisition Regulations; Office of Management and Budget Circulars A-21, A-87, A-102, A-110; and any pertinent Federal and State Law.

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Utilization of Labor Resources

From a post-contract performance perspective, we compared consultant personnel who performed the scope of services versus those individuals proposed during the initial procurement and negotiation process.

To conduct this work, we compared the list of HNTB individuals and the hours proposed to those recorded in consultant job cost records. As reported in Table 5, we determined 61 percent of hours incurred were performed by staff initially proposed.

Table 5: Utilization of Labor Resources Proposed

HNTB Corporation Labor Utilization Analysis		
	Hours Incurred	Percentage Utilized
Proposed Staff	22,790	61%
Other Staff	14,779	39%
Total Hours Expended	37,569	100%

Source: HNTB job costs records- labor hours incurred

We also conducted an analysis of HNTB key individuals included in the original proposal to determine the firm's utilization of these individuals. We found that all seven HNTB individuals proposed as key personnel charged time to the project and incurred 76 percent of the total labor hours proposed.

APPENDIX A – Purpose, Scope, and Methodology

The **purpose** of this engagement was to conduct an analytical review to determine:

- and compare contractually (negotiated) allowed, invoiced, and incurred hours and costs;
- percentage of total work performed by employees initially proposed for the project;
- utilization of key qualifying personnel; and
- compliance with applicable laws, rules, regulations, and procedures.

The **scope** of this audit included the contract agreement between the department and HNTB for Agreement C9D29, for construction engineering and inspection services to replace the Sister Creek Bridge/ SR 105, from October 31, 2013, through October 16, 2017, as amended.

The **methodology** included:

- reviewing applicable laws, rules, and regulations, including 48 Code of Federal Regulations (C.F.R.), Part 31, Contract Cost Principles and Procedures; and section 112.061, Florida Statutes;
- examining and testing HNTB's job cost records, invoices submitted through the department's Consultant Invoice Transmittal System, and other direct cost documents;
- comparing the personnel who performed the scope of services to those individuals proposed during the initial procurement and negotiation process; and
- reviewing department negotiation documents required by Procedure Topic No. 375-030-004, Audit Process for Professional Services Consultants and Contracts, requirements of Rule 14-75, Florida Administrative Code, Consultant Qualification Process.

APPENDIX B – Affected Entity Response

On December 21, 2018, HNTB stated they did not have any comments to the post audit of the Standard Professional Services Agreement C-9D29 between the department and HNTB.

APPENDIX C – Management Response

On January 10, 2019, the District Two Procurement Office stated they did not have any comments to the post audit of the Standard Professional Services Agreement C-9D29 between the department and HNTB.

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PROJECT TEAM

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STATEMENT OF ACCORDANCE

The department's mission is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.

The Office of Inspector General's mission is to promote integrity, accountability, and process improvement in the Department of Transportation by providing objective, fact-based assessments to the DOT team.

This work product was prepared pursuant to section 20.055, Florida Statutes, in accordance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General*, and conforms with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.

RESTRICTION ON USE

The cost information presented in this report is subject to certain disclosure requirements contained in 23 United States Code §112(b)(2)(e).³ Release of this information (in response to a public information request) must be coordinated with the Florida Department of Transportation's Office of General Counsel to ensure appropriate steps are taken to ensure compliance with these requirements and the requirements of state law.⁴

³ 23 U.S.C. §112(b)(2) (E) PRENOTIFICATION; CONFIDENTIALITY OF DATA.—A recipient of funds requesting or using the cost and rate data described in subparagraph (D) shall notify any affected firm before such request or use. Such data shall be confidential and shall not be accessible or provided, in whole or in part, to another firm or to any government agency which is not part of the group of agencies sharing cost data under this paragraph, except by written permission of the audited firm. If prohibited by law, such cost and rate data shall not be disclosed under any circumstances.

⁴ Pursuant to the Supremacy Clause of the United States Constitution, Art. VI, U.S. Constitution, the state must keep the records confidential.