



Florida Department of TRANSPORTATION

Office of Inspector General Memorandum

A handwritten signature in black ink, appearing to read "Kris Sullivan".

TO: Carla Perry, P.E., Manager, Procurement Office

FROM: Kris Sullivan, Inspector General

DATE: May 13, 2019

SUBJECT: Office of Inspector General (OIG) Engagement 19C-6002:
Atkins Interim Cognizant Review

COPY: Kevin J. Thibault, Secretary, P.E., Department of Transportation
Torey L. Alston, Chief of Staff
Stacy Miller, Assistant Secretary for Finance and Administration
Stephanie Iliff, Director of Administration
Jeffery Owens, CPA, Audit Administrator, Procurement Office
Melinda Miguel, Chief Inspector General, Executive Office of the Governor
Sherrill Norman, CPA, Auditor General, State of Florida
Jamie Christian, Florida Division Administrator, Federal Highway
Administration

What We Did

Our office has performed a cognizant review of the audit of the Statement of Direct Labor, Fringe Benefits, and General Overhead (Statement) of Atkins North America, Inc. (Atkins) for the nine months ended December 31, 2017, in accordance with our role as Cognizant Agency as defined in Title 23, Section 112(b)(2)(C), United States Code and Title 23, Part 172.3, Code of Federal Regulations.

The audit was performed by Squar Milner, LLP, independent Certified Public Accountants (CPA). The CPA represented the audit was conducted in accordance with the *Government Auditing Standards* as promulgated by the Comptroller General of the United States of America. The CPA asserted the audit was designed to obtain reasonable evidence about whether the Statement presents fairly the direct labor, fringe benefits, and general overhead costs incurred by the consultant for the nine months ended December 31, 2017, on a basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulation and other applicable federal and state regulations.

**Office of Inspector General
Florida Department of Transportation**

We performed our review following the American Association of State Highway and Transportation Officials' Guide (AASHTO)¹ and the *International Standards for the Professional Practice of Internal Auditing*, as published by The Institute of Internal Auditors.

The Florida Department of Transportation's (FDOT) Procurement Office accepted the rates as reported by Atkins on September 11, 2018. The OIG reviewed and accepted the following rates.²

Atkins Overhead and Direct Reimbursement Rates	OIG Audited Rates
General Overhead	
General Overhead Fringe Home	
General Overhead Home Rate	
General Overhead Combined Home Rate	
General Overhead Fringe Field	
General Overhead Field Rate	
General Overhead Combined Field Rate	
Florida Department of Transportation O	
FL DOT Fringe Benefit Home Rate	
FL DOT Overhead Home Rate	
FL DOT Combined Overhead Home Rate	
FL DOT Fringe Benefit Field Rate	
FL DOT Overhead Field Rate	
FL DOT Combined Overhead Field Rate	
Direct Expense Home Rate	
Direct Expense Field Rate	
Cost of Money	
Facilities Capital Cost of Money Home Rate Combined: .0551%	
Facilities Capital Cost of Money Field Rate Combined: .0551%	
TMC	
FL DOT Fringe Benefit TMC Rate	
FL DOT Overhead TMC Rate	
FL DOT Combined Overhead TMC Rate	
Direct Expense TMC	

¹ 2016 AASHTO Uniform Audit and Accounting Guide, Appendix A

² The FDOT OIG did not review the General Overhead Rates included in the table.

In July 2017, SNC-Lavalin (GB) Holdings Limited acquired WS Atkins Limited, the parent company of Atkins. Atkins and its subsidiaries changed their fiscal year-end from March 31st to December 31st effective January 1, 2018. This change in fiscal year-end resulted in a nine month transitional period running from April 1, 2017, to December 31, 2017. Our review consisted of a variance analysis year-over-year for the current versus prior year Indirect Cost Rate Schedule (annualized).³

The OIG issued a Cognizant Letter of FDOT's accepted rates on May 13, 2019.

What We Determined

Our analysis indicated there was a significant variance from the prior year, for the indirect cost account "Other Overhead," totaling \$9,819,116, or a 4,212% increase. We requested an explanation for the variance from the CPA. The CPA stated the reason for the significant change was a reclassification of cost from general ledger account "Corporate Allocations" to "Other Overhead Costs". Based on the CPA's explanation the OIG accepted the rates as reported in the Statement.

³ For comparison purposes, we adjusted prior year reported amounts to a nine month basis.