



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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April 7, 2015

Rhonda Hamm-Niebruegge, Director of Airports
Lambert–St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

RE: Professional Service Agreement Review, PSA 1097 (Project #2014-APC04)

Dear Ms. Hamm-Niebruegge:

The Comptroller's Internal Audit Section has completed a contract review of the professional service agreement with Crawford, Murphy and Tilly for the design of the reconstruction of runway 12R-30L and taxiways at Lambert-St. Louis International Airport. Enclosed is the report covering the period June 1, 2010 through July 31, 2013. A description of the scope of our work is included in the report.

Fieldwork was completed on March 4, 2015. The Consultant and Airport management responses to the observations and recommendations noted in the report were received March 13, and March 18, 2015, and have been incorporated in the report.

This review was made under the authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with *the International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Mohammad H. Adil, CPA, CGMA
Internal Audit Supervisor

Enclosure:

CC: Richard T. Bradley, PE, President, Board of Public Service
Gerald Beckmann, Deputy Director, Airport Planning and Development
Antonio Strong, CPA, Assistant Director, Airport Finance and Accounting
James Fox, CPA, Auditor, Airport Finance and Accounting



CITY OF ST. LOUIS

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

PROFESSIONAL SERVICE AGREEMENT REVIEW (PSA 1097)

CRAWFORD, MURPHY AND TILLY, INC

JUNE 1, 2010 THROUGH JULY 31, 2013

PROJECT #2014-APC04

DATE ISSUED: APRIL 7, 2015

Prepared by:

The Internal Audit Section



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
PROFESSIONAL SERVICE AGREEMENT REVIEW (PSA 1097)
CRAWFORD, MURPHY AND TILLY
JUNE 1, 2010 THROUGH JULY 31, 2013**

TABLE OF CONTENTS

SUMMARY.....	1
Background	1
Purpose	1
Scope and Methodology	1
Conclusion.....	1
Current Observations.....	1
Management Response.....	2
Detailed Observations and Recommendations	3-5

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
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JUNE 1, 2010 THROUGH JULY 31, 2013**

SUMMARY

Background

The purpose of this professional service agreement (the Agreement) was for the design of the reconstruction of runway 12R-30L and taxiways at Lambert-St. Louis International Airport. The Agreement was awarded to Crawford, Murphy and Tilly Inc. (the Consultant) on June 1, 2010, and approved by the City through the Board of Public Service and Airport Director. The total amount of the professional service agreement for the period of our review was \$2,354,827 including change orders of \$405,859.

Purpose

The purpose of Internal Audit's review was to determine if the Consultant and sub-consultants complied with the terms and conditions and various provisions of the Agreement.

Scope and Methodology

Inquiries were made and tests procedures were performed regarding the Consultants and sub-consultants compliance with the terms and conditions and various provisions of the Agreement. The scope of the review was June 1, 2010 through July 31, 2013.

Conclusion

The Consultant's and sub-consultants' were not in compliance with the Federal Acquisition Regulations specific to general and administrative overhead costs (G&A) rate determination.

Current Observations

We noted the following observations and opportunities for improvement:

1. G&A Rate Not in Compliance with Federal Acquisition Regulations (FAR), Part 31 Requirements
2. G&A Costs overcharges by Consultant (\$1,495)
3. G&A Costs overcharges by Sub-Consultants (\$7,949)

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
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SUMMARY

Management Response

An exit conference was conducted with the Airport, Consultant and Sub-consultants on Thursday, March 5, 2015. In attendance from Airport were:

- Airfield Engineer
- DBE Program Compliance Officer
- Airport Auditor

The Consultant was represented at the exit conference by:

- Group Manager, Aviation

Sub-consultants present at the exit conference included:

- Vice President of Finance, David Mason & Associate, Inc.
- Accounting Manager, TSI Engineering
- President, EDSI Engineering

Internal Audit Section was represented at the exit conference by:

- Internal Audit Supervisor
- Internal Auditor

The report observations and recommendations were discussed at the exit conference.

The Consultant and Airport management subsequently provided written responses to the Internal Audit Section on March 13, and March 18, 2015, which have been incorporated into this report.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
PROFESSIONAL SERVICE AGREEMENT REVIEW (PSA 1097)
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DETAILED OBSERVATIONS AND RECOMMENDATIONS

1. G&A Rates Not in Compliance with Federal Acquisition Regulations (FAR), Part 31 Requirements

The cost component of the G&A rates used by the Consultant and sub-consultants to bill the City did not comply with the requirements of FAR, Part 31 and in some instances did not agree to the underlying accounting records.

G&A costs, expressed as a percentage of the productive salary, are defined as those general office operating expenses and administrative costs which are necessary to the proper performance of the work but which cannot be effectively allocated to the project. Article XII of the Agreement outlines cost components of G&A, which are in compliance with the FAR, Part 31.

Article II of the Agreement further states that payment under provisions of this agreement is limited to those costs incurred and in accordance with the generally accepted accounting principles and to the extent that they are considered necessary to the execution of the items of the services.

The errors in the Consultant's and sub-consultants' calculated G&A billed rates resulted in overcharges of the G&A costs to the City (see Observations 2 and 3 below).

Recommendation

Internal Audit recommends that the Consultant and sub-consultants establish a system of internal controls to ensure that G&A rates are determined in accordance with FAR Part 31 and are in agreement with the underlying accounting records.

Consultant Response

The Consultant and Sub-Consultants agree with the recommendations and have contracted with CPA firms to assist in the understanding of FAR Part 31.

Management Response

Airport Engineering acknowledges the findings and recommendations submitted.

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PROFESSIONAL SERVICE AGREEMENT REVIEW (PSA 1097)
CRAWFORD, MURPHY AND TILLY, INC
JUNE 1, 2010 THROUGH JULY 31, 2013**

DETAILED OBSERVATIONS AND RECOMMENDATIONS

2. G&A Costs Overcharges By Consultant (\$1,495)

We re-calculated the Consultant's G&A rate based on the requirements of FAR, Part 31 and compared it to their billed G&A rate. The variances between the billed and the recalculated G&A rates resulted in unsupported billings to the City of \$1,495 as follows:

G&A costs billed	\$73,051
Less: G&A costs based on recalculated G&A rate	<u>\$71,556</u>
Unsupported billings	<u>\$1,495</u>

Recommendation

Internal Audit recommends that the Airport pursue cost recovery of \$1,495 for G&A costs billed in excess of the actual costs.

Consultant Response

The Consultant agreed with the recommendations, has attended seminars on FAR Part 31 and is currently working with a CPA firm to improve rate development.

Management Response

Airport Engineering acknowledges the findings and recommendations submitted. Overhead rates for future professional services agreements are being reviewed by Airport Finance and Accounting prior to acceptance.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

3. G&A Costs Overcharges by Sub-Consultants (\$7,949)

We re-calculated the sub-consultants' G&A rates based on the requirements of FAR, Part 31 and compared them to their billed G&A rates. The variances between the billed and the recalculated G&A rates resulted in unsupported billings to the City of \$7,949 as follows:

Sub-Consultant	Billed G&A	Recalculated G&A	Unsupported Billings
David Mason & Associates	\$43,149	\$ 42,234	\$915
TSI Engineering	\$98,631	\$96,928	\$1,703
EDSI Engineering	\$187,641	\$182,310	\$5,331
Total	\$329,421	\$321,472	\$7,949

Recommendation

Internal Audit recommends that the Airport pursue cost recovery of \$7,949 for G&A costs billed in excess of actual costs.

Consultant Response

The sub-consultants agree with the recommendations. We commend TSI Engineering, Inc. in their proactive approach during the fieldwork stage of the review and addressing the findings and recommendations.

Management Response

Airport Engineering acknowledges the findings and recommendations submitted. Overhead rates for future professional services agreements are being reviewed by Airport Finance and Accounting prior to acceptance.