



# CITY OF ST. LOUIS

**CITY OF ST. LOUIS**

**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**

**REVIEW OF COMMUNICATIONS MASTER PLAN SERVICES  
PSA-917**

**JUNE 5, 2002 THROUGH SEPTEMBER 30, 2009**

**PROJECT #2013-APC1**

**DATE ISSUED: MARCH 25, 2013**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

**FILE COPY**

March 26, 2013

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

RE: Review of Communications Master Plan Services for Lambert-St. Louis International Airport-  
Contract PSA-917 (Project #2013-APC1)

Dear Ms. Hamm-Niebruegge:

Enclosed is the Internal Audit Section's report for the review of the communications master plan services for Lambert-St. Louis International Airport for the period June 5, 2002 through September 30, 2009. A description of the scope of our work is included in the report.

Fieldwork was completed on February 26, 2013. Management's responses to the observations and recommendations noted in the report were received on March 4, 2013 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,

Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

Enclosure:

cc: Richard T. Bradley, P.E., President, Board of Public Service  
Gerard Slay, Senior Deputy Director, Lambert-St. Louis International Airport  
Cornell Mays, Deputy Director, Planning and Development Lambert-St. Louis International Airport  
Susan Kopinski, Deputy Director, Finance and Administration Lambert-St. Louis International Airport  
Henrietta Brown, MBA, Assistant Airport Director, Finance and Accounting  
James Fox, CPA, Airport Audit Supervisor

**CITY OF ST. LOUIS**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**REVIEW OF COMMUNICATIONS PLAN SERVICES PSA-917**  
**JUNE 5, 2002 THROUGH SEPTEMBER 30, 2009**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a review of the communications master plan services for Lambert-St. Louis International Airport between the City of St. Louis and Ross and Baruzzini, Inc. (consultant) and the following sub-consultants: David Mason and Associates, Arcturis, Inc. and Bayse and Associates. The purpose was to determine if the consultant and sub-consultants have adequate controls in place to provide reasonable assurance of the following:

- Accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies, procedures and contract terms.
- Reliability and integrity of financial and operational information.
- Economic and efficient use of resources.
- Safeguarding of assets.

**Scope and Methodology**

The review was limited to the review of the consultant and sub-consultants' compliance with the terms and conditions of the contract. Review procedures included inquiries of the management of the consultant and sub-consultants and the Airport Planning and Development department to evaluate the manner in which contract deliverables and compliance provisions were obtained. Total contract cost for the communication master plan services is \$1,018, 379. We expanded our testing of billings for the consultant and sub-consultants to \$366,074 in the aggregate for the period June 5, 2002 through September 30, 2009.

**Background**

PSA 917 is an agreement between the City of St. Louis and Ross and Baruzzini to provide items of work through the following projects: communications master plan, MUFIDS system (flight information and displays for all terminals), security notification system, conceptual and RFP development for installation of video advertising system, year 2000 testing, and study for the development of an airport-wide information system (AIS). Per Article V, the consultant is to provide all architectural and engineering services as needed for each project/task listed in the scope of work listed above.

## Exit Conference

An exit conference was held on Friday February 8, 2013. Consultant and Sub-Consultants were represented by their Managers. The Airport Planning and Development Office was represented by the Assistant Director Planning and Engineering. The Airport Finance and Accounting Section were represented by the Airport Assistant Director-Finance & Accounting and Airport Auditor. The Internal Audit Section was represented by the Internal Audit Executive and Auditor-in-Charge.

## Conclusion

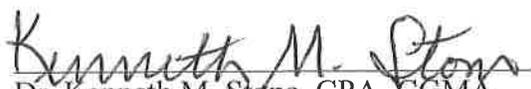
The opportunity exists for the consultant and sub-consultants to improve compliance with the agreement. The following are general observations resulting from the review:

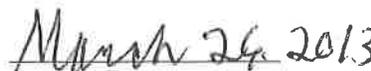
1. Opportunity to improve understanding of Federal Acquisition Regulation (FAR) Part 31.
2. Opportunity to improve compliance with Article X, Fees and Payment Provisions.

The opportunity exists for the sub-consultants to ensure compliance with the agreement. The following is the observation resulting from the review:

3. Indirect cost overcharges by sub-consultants (\$5,291).

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

  
Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
REVIEW OF COMMUNICATIONS PLAN SERVICES PSA-917  
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**TABLE OF CONTENTS**

<b>Description</b>	<b>Page(s)</b>
<b>OBSERVATIONS</b>	
Status of Prior Observations	1
Summary of Current Observations	1
<b>DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES</b>	<b>2-4</b>

## OBSERVATIONS

### Status of Prior Observations

This contract has not been previously reviewed by Internal Audit; therefore, there were no prior observations.

### Summary of Current Observations

The opportunity exists for the consultant and sub-consultant to improve compliance with terms and conditions for the professional services of the communications master plan for Lambert St. Louis International Airport. The following are observations resulting from the review:

1. Opportunity to improve understanding of Federal Acquisition Regulations (FAR) Part 31.
2. Opportunity to improve compliance with Article X, Fees and Payment provisions.

The opportunity exists for the sub-consultants to ensure compliance with terms and conditions for the professional services of Communications Master Plan Services at Lambert St. Louis International Airport. The following is the observation resulting from the review:

3. Indirect cost overcharges by Arcturis, Inc., (\$5,291).

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

# DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

## *General Observations*

### **1. Opportunity To Improve Understanding Of Federal Acquisition Regulations (FAR) Part 31**

There is a general misunderstanding regarding how the General Administrative (G/A) and Salary and Related Expense (SRE) rates should be computed according to FAR Part 31. It was noted, that cost items used for determining the SRE rate were also used in determining the G/A rate. The G/A and SRE rates submitted for billing did not agree to the G/A and SRE rates listed in the schedule of rate computations.

Article X of the Professional Service Agreement (PSA)-917 outlines cost components for the SRE and G/A rates which are in compliance with the FAR Part 31. Payment under provisions of this contract is limited to cost incurred as restricted by generally accepted accounting principles.

The consultant and sub-consultants do not have an adequate working knowledge of how reimbursable rates are determined per FAR Part 31.

Rates applied to direct labor hours were not supported by accounting records.

#### **Recommendation**

It is recommended that the consultant and sub-consultants improve their understanding of FAR Part 31 regarding developing the reimbursable rates for G/A and SRE.

#### **Management's Response**

*The prime and sub-consultants agree with the observation and are planning for training on FAR Part 31.*

### **2. Opportunity To Improve Compliance With Article X Fees And Payment Provisions**

Reviews of billings noted several instances where the consultant's billings were inconsistent with actual cost being incurred. Billings submitted by the consultant did not reflect actual cost incurred and did not comply with the provisions for determining productive salary costs. Specifically, the direct labor hours were not multiplied by accurate SRE and G/A rates to ensure the contractor was reimbursed for only actual cost incurred.

## 2. *Continued*

Article X of the Professional Service Agreement (PSA)-917 requires the consultant's actual cost to include hourly salary for each office, associate and employee, salary related expense, and general and administrative overhead cost, and direct out of pocket cost which are authorized under this contract.

The consultants internal controls for billings of actual cost incurred is not operating at effective and efficient levels.

The consultant closed out the project without properly billing for cost incurred and compliance with Article X Fees and Payment Provisions PSA 917.

### **Recommendation**

It is recommended the consultant improve compliance with the Fees and Payments Provisions, specifically:

- Billings are in compliance with provisions regarding productive salary costs methods.
- Rates submitted for billing are reflective of actual cost, and rates are determined in compliance with the FAR Part 31.
- Costs incurred have been reimbursed prior to submitting request for release of retainage and close-out of project.

### **Management's Response**

*The prime and sub-consultants agree with the observation and recommendations. They are making plans to work closely with CPA firms to improve their billing procedures and rate determinations.*

**Observations Relative to Sub Consultants**

**3. Indirect Cost Overcharges By Sub-Consultant (\$5,291)**

The sub-consultant’s SRE and G&A rates billed were either not based upon the audited rates or did not agree to their accounting records. The variances between the billed and the audited or actual rates, calculated based on their accounting records, resulted in unsupported billings to the City for \$5,291 as follows:

A	B	C	D	E
Sub-Consultant	Indirect Cost Category	Amount Billed	Amount Based on Accounting Records	Unsupported Billings (C-D)
Arcturis, Inc.	G/A	\$47,793	\$42,502	\$5,291

According to the contract standards, SRE and G&A OH rates shall be verified by an audit preferred by a governmental agency in accordance with the Code of Federal Regulations (CFR) requirements. Rates other than those verified by an audit are provisional and should be adjusted when audited rates are available.

The sub-consultant did not have a system of internal controls in place to ensure compliance with the contract’s SRE and G&A rates.

Audit procedures performed to evaluate the sub-consultant’s accounting system indicated that their accounting system included cost for determining the SRE rate into the cost for the G/A rate.

The sub-consultant did not comply with the contract’s SRE and G&A rates determination requirements. The non-compliance with this requirement resulted in the City paying \$5,291 for indirect labor costs that it did not incur.

**Recommendation:**

It is recommended the City of St. Louis Board of Public Service pursue cost recovery of \$5,291 for indirect costs billed in excess of actual costs.

**Management’s Response**

*The sub-consultant has agreed to repay the City of St. Louis \$5,291.*