



OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift
Inspector General

Parsons Brinckerhoff, Inc.
Advisory Report No. 13C-3004

February 12, 2014

EXECUTIVE SUMMARY

As part of the Office of Inspector General's (OIG) annual Audit Plan we individually reviewed the Florida Turnpike Enterprise's five General Engineering Consultants (GEC)¹ to assess if their specific companies' internal controls over their labor charging and timekeeping system are effective, complete and sufficiently detailed to detect time recording and billing errors. Historically, labor costs represent the most significant costs incurred by engineering firms in the performance of government contracts and typically comprise the base used to allocate indirect costs. This report provides the results directly pertaining to Parsons Brinckerhoff Inc. (Parsons or Consultant).²

Our review consisted of assessing the presence and effectiveness of the Consultant's internal controls over labor charging and timekeeping. The Consultant's policies and procedures were reviewed for conformity with recommended criteria as established by the American Association of State Highway and Transportation Officials (AASHTO). We then reviewed information gathered from conducting employee interviews and inspecting timecards to determine consistency with the Consultant's timekeeping policies and procedures.

Based upon our review, we determined the Consultant's internal controls over its labor charging and timekeeping system associated with Florida Department of Transportation (department) contracts are not sufficient to detect time recording and billing errors. Although the Consultant has provided employees with timekeeping policies and procedures, the guidelines governing timekeeping were not consistently practiced among those employees we interviewed. Several concerns were noted in our review of Parsons' timekeeping practices.

¹ GEC contracts reviewed: URS Corporation Southern (C8Y59); HNTB Corporation (C8Q39); Parsons Brinckerhoff, Inc. (C8W64); Jacobs Engineering Group, Inc.(C8X77); Atkins North America, Inc. (C8Q53)

² Separate reports will be provided for each GEC reviewed.

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BACKGROUND AND INTRODUCTION

Under Contract C8W64, between the department and Parsons, the Consultant is responsible for providing Construction and Materials Engineering Consulting Services to include a wide range of construction and materials engineering, architectural, landscape architectural, registered land survey, inspection, testing, laboratory services, technical, management, public information and administrative services to assist in the completion of projects within the Turnpike. The contract is a professional services agreement executed on December 29, 2009, and terminating on December 28, 2014, with a current amount totaling \$45,000,000.

RESULTS OF REVIEW

The purpose of our review was to assess the Consultant's internal controls over its labor charging and timekeeping system to determine if they are effective, complete and sufficiently detailed to detect time recording and billing errors. To accomplish our objective, we reviewed the Consultant's timekeeping practices to determine if they were in conformance with AASHTO's recommended criteria for effective internal controls over labor charging.

The AASHTO Uniform Audit and Accounting Guide (AASHTO Guide)³ states the key link in any sound labor time charging system is the individual employee. The guidance also underscores the importance of management's role in indoctrinating employees on their independent responsibilities for accurately recording time charges and in continually promoting awareness of timekeeping policies and procedures. We reviewed Parsons' policies and procedures over timekeeping to establish whether they were evident, clear-cut and reasonable to ensure employees had no confusion as to what is and is not permissible. To determine if the Consultant has clearly communicated its timekeeping policies to employees, we analyzed employee interview responses and timecards to establish whether they were consistent with the guidance contained in the policies and procedures and whether those directives were uniformly applied and practiced throughout the organization.

Based upon our review, **we determined the Consultant's internal controls over its labor charging and timekeeping system are not fully effective, complete and sufficiently detailed to detect time recording and billing errors.** Although the Consultant has provided employees with timekeeping policies and procedures, these requirements governing timekeeping are not uniformly practiced across the organization. Three areas of concern were identified during our review of Parsons' timekeeping practices.

³ Although use of the AASHTO Guide is not required by Federal law or regulation, most State DOTs expect engineering consultants to comply with minimum procedures and techniques discussed therein. AASHTO criteria referenced in this report were extracted from the Defense Contractor Audit Agency Contract Audit Manual No.7641.90.

1. Not all employees recorded time on a daily basis. During our interviews, we learned one-third of employees fill out their timesheets only once a week for the entire week. We were also informed by a Parsons manager that, although employees are required to input time daily, “this is not always done.” The AASHTO Guide states the employee is personally responsible for recording his or her time on a daily basis, as work is performed. Per Parsons’ policies and procedures, all employees must fill out their timesheet after the completion of each day’s activities regardless of whether the charges are for direct or indirect projects. Failure to enter time on a daily basis increases the risk that timecards do not accurately reflect activities in which employees are engaged throughout the course of the day, which can lead to billing errors.

In a related issue, we found 36% of employee timecards sampled were approved prior to completion of approved work activities. The Consultant’s timekeeping policies and procedures state timesheets are not to be pre-approved prior to the end of the day period. We were informed by Parsons management that employees are permitted to submit their timecards in advance of the company’s Friday deadlines. Management added this is typically done by employees going on vacation the following week but can occur if employees “are confident their work schedule is predictable over the next few days.” We asked management to explain what happens if an employee’s timecard is approved in advance of the work being performed and an unforeseen absence or change to his schedule subsequently occurs. In response, management communicated employees are expected to self-detect and declare any corrections required following timecard submission.

In accordance with AASHTO guidance, it is critical to labor charging internal control systems that management indoctrinates employees on their independent responsibilities for accurately recording time charges. The Consultant’s policies and procedures clearly state employees are required to record time daily. We were also informed by Parsons management that all employees are required to take a course on proper timecard completion through “PB University,” the company’s online training system. Although Parsons’ employees have been provided with timekeeping policies and procedures, it appears some employees are not complying with company guidelines. **We recommend** Parsons management strengthen efforts to continuously educate its employees on the importance of proper timecard preparation and to reinforce the consequences of improper or careless preparation of timecards.

2. Supervisors did not approve and cosign all employee timecards. According to the AASHTO Guide, supervisors must approve and cosign all timecards. In our review of Parsons’ timecards, we found multiple timecards that were approved by an individual other than the employees’ supervisor. We discovered that, although a supervisor’s name was indicated as the approver on

these timecards, the approving supervisor was on vacation during the time period in question. Parsons management explained the supervisor delegated approval authority to his Administrative Assistant in his absence. Additionally, Parsons management stated that “this is not in accordance with Parsons’ procedure, which is to designate an alternate supervisor approver, or let the timesheets roll over to be approved by the Timesheet Administrator in Tampa.” A manager explained the Administrative Assistant was much more familiar with employees and their assigned project duties and, in the interests of accuracy and timeliness, the supervisor authorized his Administrative Assistant to approve the timecards. We are not certain the Administrative Assistant was allowed access to the supervisor’s profile or given security permissions to approve the employees’ timecards.

Parsons’ timekeeping policies and procedures state supervisors are responsible for reviewing and approving time charges of employees under their supervision. The policies also state if a supervisor is going to be absent on timesheet submission day, arrangements should be made to proxy with another supervisor to sign timesheets, and supervisors should not proxy down to employees of a lower grade level of corporate responsibility.

Supervisor approval of timecards is a control to help ensure employee time charges are accurate and reflective of work performed by the employee. The individual who approves an employee’s timecard should be the person most familiar with the employee’s work activities and schedule. To make certain supervisors are the only timecard approvers, **we recommend** Parsons establish embedded system controls in which timecards are automatically delegated up to a supervisor’s supervisor if the immediate supervisor is unable to approve timecards. **We also recommend** Parsons strengthen efforts to educate its employees on the importance of safeguarding and restricting access to their labor charging credentials. In accordance with AASHTO guidelines, controls should be in place to ensure only the employee uses his or her labor charging instrument to access the labor system.

3. Employees are not required to record all hours worked whether they are compensated or not. We were informed by Parsons management that exempt employees do not record all hours worked. The AASHTO Guide states employees should record all hours worked whether they are paid or not because labor costs and associated overhead costs are affected by the total hours worked. Parsons’ policies and procedures do not address this responsibility. To mitigate the risk of inaccurate labor and overhead calculations, **we recommend** Parsons include this requirement in its policies and procedures in accordance with AASHTO. **We also recommend** management reinforce this provision through regular training and education.

Although there is room for improvement in some areas, a few noteworthy practices were identified during our review:

- All Parsons' employees are required to take online training courses on timekeeping procedures through the company's extensive learning management system "PB University."
- Multiple levels of review are in place to ensure that project codes are correct and charged only by authorized employees.
- Parsons has established a system of feedback in which employees can seek help or report suspected time charging violations to their supervisor or the Global Compliance Officer. Employees may also call the Ethics Helpline.

APPENDIX A – Purpose, Scope and Methodology

The **purpose** of this engagement was to determine whether the Consultant's internal controls over its labor charging and timekeeping system are effective, complete and sufficiently detailed to detect time recording and billing errors.

The **scope** of the advisory included a review of the internal controls over time reporting for the three-year period beginning January 1, 2010 through December 31, 2012.

The **methodology** included:

- Reviewing the Consultant's policies and procedures over its timekeeping practices to determine if they are well-documented, clear-cut and complete;
- Conducting interviews with employees and supervisors;
- Inspecting a sample of employee timecards; and
- Determining if the guidance contained in the policies and procedures was consistently reflected in the interview responses, management questionnaire and timecards.

To select a sample of employees to interview, we requested a copy of the Consultant's job cost ledger for the period January 1, 2010 to December 31, 2012. Using judgmental sampling methods, we selected a sample of five employees to interview who had been employed by the Consultant for a total of 30 months or more. We also interviewed each employee's current supervisor.

APPENDIX B – Parsons Brinckerhoff, Inc. Management Response



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October 30, 2013

Mr. Robert Clift
Inspector General
Office of Inspector General
Florida Department of Transportation
605 Suwannee St.
Tallahassee, Florida 32399-0450

Re: Parsons Brinckerhoff, Inc.
Advisory Report 13C-3004

Subject: Internal Controls over Labor Charging and Timekeeping Procedures

Dear Mr. Clift:

We are in receipt of your above referenced report dated October 4th, 2013 and would like to take the opportunity to provide you with our response to the four primary issues outlined. They are as follows:

1. Employees not recording their time on a daily basis.
2. Early submission of timesheets.
3. Supervisors not approving and cosigning all employee timecards.
4. Employees are not required to record all hours worked whether they are compensated or not.

1 Recording of time on a daily basis:

As you are aware from the time keeping policy provided to your audit staff at the time of the review, all employees working for Parsons Brinckerhoff are required to record their time on a daily basis regardless of whether the charges are for direct or indirect projects. In addition to being addressed in the policy provided, this requirement to record time on a daily basis is covered in our Oracle Timecard Overview training, which is incorporated into our Business Management Systems documents, as well as in other guidance provided to employees periodically. While the percentage of sampled employees on contract C8W64 who failed to record their on a daily basis represent a small fraction of our overall employee population, we take these findings seriously and will institute a remedial plan to correct any areas of non-compliance.

2. Early Submission of Timesheets

On the issue of employees projecting their time charges on a Friday before the close of the business day, it is the organization's position that this practice is necessary in order for us to process our payroll in a timely manner. This practice is not unique to Parsons Brinckerhoff.



With over 5,000 employees in the United States, it is not possible to process our payroll after the close of the pay period and still pay our employees by established pay dates. It is impracticable to have supervisors approve timesheets on the Monday (next business day) after the close of the pay period, and have those timesheets processed through payroll with payments processed through employee's banks and credited to individual's accounts in a timely manner.

We recognize that there could be changes in circumstance after an employee submits a timesheet with projected hours but we have in place procedures to mitigate the risk of any of improper time charging. Our current procedure requires employees and their managers to reconcile any changes that occur after the submission of timesheets and make transfers to appropriate direct or indirect final cost objectives. The transfer process allows for the movement of hours from task to task, from direct to indirect projects or indirect to indirect projects. As part of our remedial plan we will conduct in person training of all staff performing work on Florida Turnpike projects on our timekeeping requirements, including the transfer process, within 60 days, and we will conduct periodic reviews of compliance with required transfer procedures.

3. Timesheets not signed by Supervisors

Our policy requires all employee timesheets to be approved by their supervisor. If the supervisor is not available, the supervisor's supervisor is required to approve the timesheets. If the supervisor's supervisor is unavailable a peer with knowledge of the project is required to approve the timesheet. These procedures help to ensure the accuracy of charges to direct and indirect projects. As part of our remedial action we will continue to reinforce with our managers the importance of proper delegation of approval responsibilities, and we will periodically review timesheet approvals to assure that our policies are being followed.

4. Employees are not required to record all hours worked whether they are compensated or not.

We have reviewed your findings in this area and are currently evaluating our policy related to the recording of time worked, including overtime. However, it should be noted that the response provided to the OIG, that exempt employees do not record all hours worked, is not consistent with our current timekeeping practices. Parsons Brinckerhoff's timekeeping and compensation systems are structured to pay employees for all hours recorded on their timesheet, regardless of status under the Fair Labor Standards Act. Parsons Brinckerhoff incurs considerable overtime and overtime premium expenses on an annual basis associated with overtime hours worked and recorded by both exempt and non-exempt employees. Based on actual overtime incurred we believe that employees are recording all hours worked. However, there are instances where the policy is not understood or followed correctly. It is unfortunate that one or more employees interviewed during this review were unaware of Parsons Brinckerhoff's practices with respect to recording overtime hours worked, and we will address that issue with continued guidance and training regarding the proper recording of time. We do



inform our employees of our policies and practices, and will take additional steps to ensure that all of our employees in the Americas, including employees in our Florida offices, are made fully aware of our timekeeping requirements.

Please advise if any additional information is required.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Christopher Kidd".

Christopher Kidd
Vice President
Parsons Brinckerhoff, Inc.

APPENDIX C – Turnpike Enterprise Management Response



*Operates the statewide
Turnpike System as
part of the Florida
Department of
Transportation*

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DATE: February 6, 2014

TO: Robert E. Clift, Inspector General
Office of Inspector General

FROM: Diane Gutierrez-Scaccetti 
Executive Director and Chief Executive Officer

SUBJECT: Parsons Brinckerhoff, Inc.
Advisory Report No. 13C-3004

We have reviewed Advisory Report No. 13C-3004, and we concur with the findings and the recommendations.

DGS:cms

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

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Statement of Accordance

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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 mission of the Office of Inspector General is
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