



KENTUCKY TRANSPORTATION CABINET
Department of Highways
DIVISION OF PROFESSIONAL SERVICES
ENGINEERING AND RELATED SERVICES FEE PROPOSAL

TC 40-2
 Rev. 08/2017
 Page 1 of 1

SECTION 1: PROJECT INFORMATION

| | | | | | |
|-----------------|--|----------------|---------|----------------|--|
| DATE: | Jan 16, 2019 | COUNTY: | Fayette | ITEM #: | |
| PROJECT: | Town Branch Commons - Contract Mod #3- Zone 7 ROW Revisions due to Dorma Parcel (Parcel #53) | | | | |

SECTION 2: BUDGET INFORMATION

| FEE CONSIDERATIONS | PROPOSED MAN HOURS | NEGOTIATED MAN HOURS | AVERAGE RATE | ESTIMATED COST |
|--------------------------------|-----------------------|-------------------------|-----------------|-------------------|
| Project Management | 6 | | \$ 62.29 | \$ 373.74 |
| | | | | \$ - |
| | | | | \$ - |
| | | | | \$ - |
| | | | | \$ - |
| | | | | \$ - |
| | | | | \$ - |
| | | | | \$ - |
| | | | | \$ - |
| | | | | \$ - |
| TOTAL PRODUCTION HOURS | 6 | | | |
| TOTAL DIRECT PAYROLL | | | | \$ 373.74 |
| OVERHEAD (161.52 %) | | | | \$ 603.66 |
| PROFIT (15.00 %) | | | | \$ 146.61 |
| COST OF MONEY (0.44 %) | | | | \$ 1.64 |


| DIRECT COSTS | AMOUNT |
|---------------------------|--------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| TOTAL DIRECT COSTS | \$ - |

| SUBCONSULTANTS | AMOUNT |
|-----------------------------|-------------|
| Strand - ROW Revisions | \$ 7,038.00 |
| | |
| | |
| | |
| | |
| TOTAL SUBCONSULTANTS | \$ 7,038.00 |

| | |
|------------------|-----------------|
| TOTAL FEE | \$ 8,164 |
|------------------|-----------------|

*Rounded to the nearest dollar

SECTION 3: SIGNATURE

| | | | |
|---|-----------|--------------------------------|--|
| FIRM NAME: Gresham Smith | | SIGNED BY: David Stills | |
|  | Principal | 1/17/2019 | |
| CONSULTANT SIGNATURE | TITLE | DATE | |
| PROFESSIONAL SERVICES SIGNATURE | TITLE | DATE | |



KENTUCKY TRANSPORTATION CABINET
Department of Highways
DIVISION OF PROFESSIONAL SERVICES
ENGINEERING AND RELATED SERVICES FEE PROPOSAL

TC 40-2
 Rev. 08/2017
 Page 1 of 1

SECTION 1: PROJECT INFORMATION

| | | | | | |
|-----------------|---|----------------|---------|----------------|----------|
| DATE: | Jan 15, 2019 | COUNTY: | Fayette | ITEM #: | 7-3710.4 |
| PROJECT: | Town Branch Commons Zone 7 - Contract Modification Request for ROW Revision | | | | |

SECTION 2: BUDGET INFORMATION

| FEE CONSIDERATIONS | PROPOSED MAN HOURS | NEGOTIATED MAN HOURS | AVERAGE RATE | ESTIMATED COST |
|-------------------------------|-----------------------|-------------------------|--------------------------------|-------------------|
| Survey | 0 | | | \$ - |
| Preliminary Line and Grade | 0 | | | \$ - |
| Utility Coordination | 0 | | | \$ - |
| Right of Way | 0 | | | \$ - |
| Final Plan Preparation | 39 | | \$ 53.10 | \$ 2,070.90 |
| Meetings | 4 | | \$ 48.79 | \$ 195.16 |
| Public Involvement | | | | \$ - |
| QA/QC | 0 | | | \$ - |
| | | | | \$ - |
| | | | | \$ - |
| TOTAL PRODUCTION HOURS | 43 | | | |
| | | | TOTAL DIRECT PAYROLL | \$ 2,266.06 |
| | | | OVERHEAD (150.46 %) | \$ 3,409.51 |
| | | | PROFIT (15.00 %) | \$ 851.34 |
| | | | COST OF MONEY (1.88 %) | \$ 42.60 |

| DIRECT COSTS | AMOUNT |
|---|-----------|
| Computer/Technology - 30 hours at \$15/Hour | \$ 450.00 |
| 11x17 Prints - 40 each at \$0.45 | \$ 18.00 |
| | |
| | |
| | |
| TOTAL DIRECT COSTS | \$ 468.00 |


| SUBCONSULTANTS | AMOUNT |
|-----------------------------|--------|
| | |
| | |
| | |
| | |
| TOTAL SUBCONSULTANTS | \$ - |

TOTAL FEE \$ 7,038

*Rounded to the nearest dollar

SECTION 3: SIGNATURE

| | |
|-------------------|-------------------|
| FIRM NAME: | SIGNED BY: |
|-------------------|-------------------|

| | | |
|---|----------------|-----------|
|  | Vice President | 1/16/2019 |
| CONSULTANT SIGNATURE | TITLE | DATE |

| | | |
|---------------------------------|-------|-------|
| _____ | _____ | _____ |
| PROFESSIONAL SERVICES SIGNATURE | TITLE | DATE |

PRODUCTION-HOUR WORKSHEET (revised 7/14)

| | | | |
|--------|--------------------------|--------------|------------------------|
| COUNTY | FAYETTE | PROJECT TYPE | |
| ROUTE | KY 922 | CONSULTANT | Strand Associates, Inc |
| DESC | TOWN BRANCH TRAIL ZONE 7 | REVIEWED BY | MAW |
| | | PREPARED BY | CKW 1/16/19 |

SURVEY

| No. | ITEM | CREW | UNIT | AMOUNT | HRS/UNIT | HOURS |
|---|---|------|------|--------|----------|----------|
| RECONNAISSANCE | | | | | | |
| CONTROL | | | | | | |
| PLANIMETRIC SURVEY | | | | | | |
| 7 | Planimetric location <i>(pickup)</i> | 2 | Mile | | | |
| 11 | Process data | 1 | Mile | | | |
| TERRAIN SURVEY | | | | | | |
| 20 | Additional necessary DTM data <i>(pickup)</i> | 2 | Acre | | | |
| 21 | Process data | 1 | Mile | | | |
| ESTABLISH PROPERTY LINES & OWNERSHIP | | | | | | |
| STAKING | | | | | | |
| SURVEY MISCELLANEOUS | | | | | | |
| SURVEY TOTAL | | | | | | 0 |

| PRODUCTION-HOUR WORKSHEET (revised 7/14) | | | | | |
|---|---|--------------|------------------------|----------|----------|
| COUNTY | FAYETTE | PROJECT TYPE | | | |
| ROUTE | KY 922 | CONSULTANT | Strand Associates, Inc | | |
| DESC | TOWN BRANCH TRAIL ZONE 7 | REVIEWED BY | MAW | | |
| | | PREPARED BY | CKW | | |
| | | | 1/16/19 | | |
| PRELIMINARY LINE AND GRADE | | | | | |
| No. | ITEM | UNIT | AMOUNT | HRS/UNIT | HOURS |
| | PRELIMINARY LINE & GRADE MISCELLANEOUS | | | | |
| | PRELIMINARY LINE AND GRADE TOTAL | | | | 0 |

PRODUCTION-HOUR WORKSHEET (revised 7/14)

| | | | |
|--------|--------------------------|--------------|------------------------|
| COUNTY | FAYETTE | PROJECT TYPE | |
| ROUTE | KY 922 | CONSULTANT | Strand Associates, Inc |
| DESC | TOWN BRANCH TRAIL ZONE 7 | REVIEWED BY | MAW |
| | | PREPARED BY | CKW 1/16/19 |

UTILITY COORDINATION

| No. | ITEM | PERSONS | UNIT | AMOUNT | HRS/UNIT | HOURS |
|---|------|---------|------|--------|----------|----------|
| UTILITY COORDINATION MISCELLANEOUS | | | | | | |
| 59 | | | | | | |
| UTILITY COORDINATION TOTAL | | | | | | 0 |

RIGHT OF WAY PLANS

| No. | ITEM | UNIT | AMOUNT | HRS/UNIT | HOURS | |
|---------------------------------|---|--------|--------|----------|-------|----------|
| 62 | Calculate Right of Way | Parcel | | | | |
| 63 | Prepare legal descriptions | Parcel | | | | |
| 64 | Complete Right of Way summary sheet | Parcel | | | | |
| 65 | Generate Right of Way strip map (scale 1" = 40') | Sheet | | | | |
| 66 | Prepare Right of Way Plans Submittal | LS | | | | |
| 67 | Right of Way revisions after Right of Way submittal | LS | | | | |
| R/W PLANS MISCELLANEOUS | | | | | | |
| RIGHT OF WAY PLANS TOTAL | | | | | | 0 |

PRODUCTION-HOUR WORKSHEET (revised 7/14)

| | | | |
|--------|--------------------------|--------------|------------------------|
| COUNTY | FAYETTE | PROJECT TYPE | |
| ROUTE | KY 922 | CONSULTANT | Strand Associates, Inc |
| DESC | TOWN BRANCH TRAIL ZONE 7 | REVIEWED BY | MAW |
| | | PREPARED BY | CKW |
| | | | 1/16/19 |

FINAL PLAN PREPARATION

| No. | ITEM | UNIT | AMOUNT | HRS/UNIT | HOURS |
|-------------------------------|---|-------|--------|----------|-------|
| 80 | Computer setup | LS | | | |
| 81 | Update existing topography and terrain model | Mile | | | |
| 82 | Refine alignments (horizontal & vertical) | Mile | | | |
| 83 | Develop pavement design | No. | | | |
| 84 | Finalize templates & transitions | No. | | | |
| 85a | Develop final roadway model | Mile | | | |
| 86 | Develop proposed design | Mile | | | |
| 87 | Generate plan sheets | Sheet | | | |
| 87h | Landscape (2 Meetings and Plan Notes) | LS | | | |
| 87j | Generate Electrical/Lighting Plan Sheets (scale 1"=20') | Sheet | | | |
| 88 | Generate profile sheets (scale 1" = 20') | Sheet | | | |
| 89 | Detail cross sections (scale 1" = 5') | No. | 14 | 0.5 | 7 |
| 90 | Design entrances | No. | | | |
| DRAINAGE | | | | | |
| 92 | Develop pipe sections (< 54") | No. | 2 | 2 | 4 |
| 93 | Develop drainage system map | Mile | | | |
| 98 | Drainage analysis (A < = 200 acres) | No. | | | |
| 105 | Develop Erosion Control Plan | Mile | 0.12 | 20 | 2 |
| 106 | Inlet spacing calculations | No. | | | |
| 107 | Storm sewers calculations | No. | 2 | 1 | 2 |
| 109 | Assemble preliminary and final drainage folders | LS | | | |
| DRAINAGE MISCELLANEOUS | | | | | |
| | | | | | |

PRODUCTION-HOUR WORKSHEET (revised 7/14)

| | | | |
|--------|--------------------------|--------------|------------------------|
| COUNTY | FAYETTE | PROJECT TYPE | |
| ROUTE | KY 922 | CONSULTANT | Strand Associates, Inc |
| DESC | TOWN BRANCH TRAIL ZONE 7 | REVIEWED BY | MAW |
| | | PREPARED BY | CKW 1/16/19 |

FINAL PLAN PREPARATION (Continued)

| No. | ITEM | UNIT | AMOUNT | HRS/UNIT | HOURS |
|----------------------------------|---|------|--------|----------|-----------|
| 116 | Prepare layout sheet | LS | | | |
| 117 | Prepare typical sections | No. | | | |
| 122 | Prepare striping plan | No. | 1 | 2 | 2 |
| 123 | Calculate final quantities <i>(for Modifications)</i> | Mile | 0.12 | 24 | 3 |
| 124 | Complete general summary <i>(for Modifications)</i> | Each | 1 | 1 | 1 |
| 125 | Complete paving summary | Each | 1 | 1 | 1 |
| 126 | Complete drainage summary | Each | 1 | 1 | 1 |
| 127 | Complete pavement under-drain summary | Each | | | |
| 128 | Prepare cost estimate | Each | 1 | 2 | 2 |
| 129 | Plot/print copies of plans | LS | | | |
| 130 | Plan revisions | LS | | | |
| 131 | Prepare final construction plans submittal | LS | | | |
| MAINTENANCE OF TRAFFIC | | | | | |
| 132 | Write maintenance of traffic notes (TCP) | LS | | | |
| 133 | Prepare construction phasing plans | Mile | | | |
| FINAL PLANS MISCELLANEOUS | | | | | |
| 143a | Assist in the Development of the Bid Advertisement Package Zone 7 | LS | | | |
| 145 | Oliver Lewis Way Rail and Drop Off Detail and Notes | LS | | | |
| 149b | Detection Modification <i>(By LFUCG)</i> | Each | | | |
| 149c | Intersection layout modifications and grading plan updates | Each | 2 | 6 | 12 |
| 149d | Site visit to review Columbia Gas facility | LS | 1 | 2 | 2 |
| FINAL PLANS TOTAL | | | | | 39 |

PRODUCTION-HOUR WORKSHEET (revised 7/14)

| | | | |
|--------|--------------------------|--------------|------------------------|
| COUNTY | FAYETTE | PROJECT TYPE | |
| ROUTE | KY 922 | CONSULTANT | Strand Associates, Inc |
| DESC | TOWN BRANCH TRAIL ZONE 7 | REVIEWED BY | MAW |
| | | PREPARED BY | CKW 1/16/13 |

MEETINGS

| No. | ITEM | PERSONS | UNIT | AMOUNT | HRS/UNIT | HOURS |
|-------------------------------|---|---------|------|--------|----------|----------|
| 152 | Final inspection | 3 | No. | | | |
| MEETINGS MISCELLANEOUS | | | | | | |
| 157 | Railroad Coordination Meeting | 2 | No. | | | |
| 158 | LFUCG Review Meetings (1 initial/1 final) | 1 | No. | 2 | 2 | 4 |
| MEETINGS TOTAL | | | | | | 4 |

PUBLIC INVOLVEMENT

| No. | ITEM | PERSONS | UNIT | AMOUNT | HRS/UNIT | HOURS |
|---|--|---------|------|--------|----------|----------|
| 160 | Develop and Maintain Mailing List | | LS | | | 0 |
| 161 | Prepare for Advisory Committee/Officials Meeting | | No. | | | 0 |
| 162 | Attend Advisory Committee/Officials Meeting | 1 | No. | | | 0 |
| 163 | Prepare for Public Meetings/Hearings | | No. | | | 0 |
| 164 | Attend Public Meetings/Hearings | 1 | No. | | | 0 |
| 165 | Prepare and Distribute Newsletter | | No. | | | 0 |
| 166 | Property owner coordination | | No. | | | 0 |
| PUBLIC INVOLVEMENT MISCELLANEOUS | | | | | | |
| PUBLIC INVOLVEMENT TOTAL | | | | | | 0 |

QA/QC

| No. | ITEM | UNIT | AMOUNT | HRS/UNIT | HOURS |
|--------------------|-------------|------|--------|----------|----------|
| 180 | Plan review | LS | | | |
| QA/QC TOTAL | | | | | 0 |

| PRODUCTION-HOUR WORKSHEET (revised 7/14) | | |
|---|--------------------------|------------------------|
| COUNTY | FAYETTE | PROJECT TYPE |
| ROUTE | KY 922 | CONSULTANT |
| DESC | TOWN BRANCH TRAIL ZONE 7 | REVIEWED BY |
| | | PREPARED BY |
| | | Strand Associates, Inc |
| | | MAW |
| | | CKW |
| | | 1/16/19 |
| PRODUCTION-HOUR SUMMARY | | |
| SURVEY TOTAL | | 0 |
| LINE AND GRADE TOTAL | | 0 |
| UTILITY COORDINATION TOTAL | | 0 |
| RIGHT OF WAY PLANS TOTAL | | 0 |
| FINAL PLANS TOTAL | | 39 |
| MEETINGS TOTAL | | 4 |
| PUBLIC INVOLVEMENT TOTAL | | 0 |
| QA/QC TOTAL | | 0 |
| GRAND TOTAL | | 43 |

CLASSIFICATIONS AND PERCENTAGES

Fayette
 Sitrand Associates, Inc.
 Town Branch Commons Zone 7

COUNTY
 CONSULTANT
 PROJECT
 ITEM NO.

Escalation Rate: 2.83%
 Estimated Midpoint: 9/1/2018
 Period(s) 2.17
 Factor: 6.13%

Based on July 1, 2016 Approved Rates

=26 Months/12

| POSITION | AVG. RATE | ESCALATED RATE | CLASSIFICATIONS AND PERCENTAGES | | | | | | | | | | |
|------------------------|-----------|----------------|---------------------------------|---------------------------|-------------------------------------|----------------------------------|-----------------------|---------------------|-----------------------------------|--------------------|--------|--------|------|
| | | | SURVEY ITEM I | LINE AND GRADE ITEM II | UTILITY COORDINATION ITEM III | RIGHT OF WAY PLANS ITEM IV | FINAL PLANS ITEM V | MEETINGS ITEM VI | PUBLIC INVOLVEMENT ITEM VII | QA/QC ITEM VIII | | | |
| Senior Project Manager | \$73.37 | \$77.87 | \$0.00 | \$0.00 | \$0.00 | \$7.79 | 10.0% | \$19.47 | 25.0% | \$0.00 | 0.0% | \$0.00 | 0.0% |
| Project Engineer/PLS | \$45.97 | \$48.79 | \$0.00 | \$0.00 | \$0.00 | \$43.91 | 90.0% | \$21.95 | 45.0% | \$48.79 | 100.0% | \$0.00 | 0.0% |
| Senior Technician | \$39.60 | \$42.03 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0% | \$8.41 | 20.0% | \$0.00 | 0.0% | \$0.00 | 0.0% |
| Engineer-in-Training | \$30.84 | \$32.73 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0% | \$3.27 | 10.0% | \$0.00 | 0.0% | \$0.00 | 0.0% |
| Office Production | \$31.02 | \$32.92 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0% | \$0.00 | 0.0% | \$0.00 | 0.0% | \$0.00 | 0.0% |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| TOTAL | | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0.0% | \$53.10 | 100.0% | \$48.79 | 100.0% | \$0.00 | 0.0% |



Matthew G. Bevin
Governor

COMMONWEALTH OF KENTUCKY
TRANSPORTATION CABINET
Frankfort, Kentucky 40622
www.transportation.ky.gov/

Greg Thomas
Secretary

MEMORANDUM

TO: Eric Pelfrey, Director
Division of Professional Services

FROM: Carly Cockley, Audit Manager *CC* 7/27/18
External Audit Branch

DATE: July 27, 2018

SUBJECT: Gresham, Smith and Partners
Acceptance of Cognizant Rate

We have received a cognizant letter for Gresham, Smith and Partners' (Company) year ended December 31, 2017 Statement of Direct Labor, Fringe Benefits, and General Overhead calculated in accordance with the Federal Acquisition Regulation Part 31 from the Tennessee Department of Transportation.

We have verified the Company's pay rates per classification to their payroll register dated July 10, 2018 and noted the pay rates in the Attachment.

We recommend the Kentucky Transportation Cabinet use the following rates:

Indirect Costs:

| | |
|---------------|---------|
| Home Office: | 161.52% |
| Field Office: | 120.94% |

Facilities Capital Cost of Money:

| | |
|--------|-------|
| Home: | 0.44% |
| Field: | 0.28% |

This memorandum is intended solely for the use and information of the Company and the Kentucky Transportation Cabinet related to contracts employing the cost principles of the Federal Acquisition Regulations and should not be used for any other purpose.

Attachment



An Equal Opportunity Employer M/F/D

Gresham, Smith and Partners
Attachment

Average Pay Rates

We have verified Gresham, Smith and Partners' pay rates per classification as of July 10, 2018:

| <u>Classification</u> | <u>Hourly Rate</u> |
|-------------------------------------|--------------------|
| Electrical Engineer..... | \$54.93 |
| Engineer in Training | \$31.85 |
| Principal | \$92.79 |
| Project Engineer..... | \$48.59 |
| Project Manager | \$71.87 |
| Senior Project Engineer | \$72.12 |
| Senior Structural Engineer..... | \$69.55 |
| Senior Technician | \$40.15 |
| Senior Transportation Planner | \$63.22 |

The average pay rates per classification have increased an average of 3.37% over the last two years.



**STATE OF TENNESSEE
DEPARTMENT OF TRANSPORTATION**

FINANCE DIVISION
SUITE 800 JAMES K. POLK BUILDING
505 DEADERICK STREET
NASHVILLE, TN 37243-0329
(615) 741-2261

JOHN C. SCHROER
COMMISSIONER

BILL HASLAM
GOVERNOR

June 14, 2018

Gresham Smith and Partners
222 Second Ave. South, Suite 1400
Nashville, Tennessee, 37201

Attn.: Board of Directors

We have performed a cognizant review of the examination, and supporting work papers, of the Indirect Cost Rate of Gresham Smith and Partners., as presented in the Statement of Direct Labor, Fringe Benefits, and General Overhead for the year ended December 31, 2017 in accordance with our role as Cognizant Agency as defined in 23 U.S.C. 112(b)(2)(c) and 23 CFR 172.3 and 172.7. The audit was performed by the independent CPA firm of LBMC, PC. The CPA represented that the audit was conducted in accordance with Government Auditing Standards as promulgated by the Comptroller General of the United States of America, and the audit was designed to determine that the indirect cost rate was established in accordance with Cost Principles contained in the Federal Acquisition Regulation, 48 CFR Part 31. Our cognizant review was performed in accordance with the AASHTO Review Program for CPA Audits of Consulting Engineers' Indirect Cost Rates.

In connection with our cognizant review, nothing came to our attention that caused us to believe that the examination, and supporting work papers for the Indirect Cost Rate(s), and the related Accountant's Report, we reviewed did not conform in all material respects to the aforementioned regulations and auditing standards.

This report is issued by a public employee in the performance of duties as such pursuant to Tenn. Code Ann. § 62-1-113(a) and GAGAS 3.75.

We recommend acceptance of the following rate:

| | |
|--|---------|
| Combined/Corporate | 160.99% |
| Home Office: | 161.52% |
| Field Office | 120.94% |
| Combined/Capital Cost of Money (FCCM): | 0.44% |
| Home Capital Cost of Money (FCCM): | 0.44% |
| Field Capital Cost of Money (FCCM): | 0.28% |

Sincerely,

Carla Spann
Fiscal Director 1
Tennessee Department of Transportation
Phone 615.253.1040
Carla.Spann@tn.gov

GRESHAM, SMITH AND PARTNERS

**Statement of Direct Labor, Fringe Benefits and
General Overhead for
Federal Acquisition Regulations**

Year Ended December 31, 2017

(With Independent Auditors' Report Thereon)

LBMC

**MAKE A GOOD
BUSINESS BETTER**

GRESHAM, SMITH AND PARTNERS

Table of Contents

| | <u>Page</u> |
|---|--------------|
| Independent Auditors' Report | 1 - 2 |
| Statement of Direct Labor, Fringe Benefits and General Overhead | 3 - 4 |
| Notes to the Statement of Direct Labor, Fringe Benefits and General Overhead | 5 - 7 |
| Independent Auditors' Report on Internal Controls | 8 - 9 |

INDEPENDENT AUDITORS' REPORT

The Partners

Gresham, Smith and Partners

Report on the Statement of Direct Labor, Fringe Benefits and General Overhead

We have audited the accompanying Statement of Direct Labor, Fringe Benefits and General Overhead (the "Statement") of Gresham, Smith and Partners (the "Partnership"), for the year ended December 31, 2017 and the related notes to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulation (FAR). Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the direct labor, fringe benefits, and general overhead of the Partnership for the year ended December 31, 2017 on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2, which describes the basis of accounting. As described in Note 2, the Statement is prepared by the Partnership on the basis of accounting prescribed by Part 31 of the FAR, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and the use of the Partnership and government agencies or other customers related to contracts employing the FAR cost principles and is not intended and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 4, 2018 on our consideration of the Partnership's internal control over financial reporting as it relates to the Statement and on our tests of its compliance with certain provisions of laws, regulations and contracts, including provisions of the applicable sections of Part 31 of the FAR. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal controls over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
May 4, 2018

GRESHAM, SMITH AND PARTNERS

STATEMENT OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD

YEAR ENDED DECEMBER 31, 2017

| | Total Costs | FAR Ref. | Unallowable Costs | Total Proposed Costs | Allocations | | Percent to Field Office |
|--|---------------|----------|-------------------|----------------------|-------------------|--------------------|-------------------------|
| | | | | | Home Office Costs | Field Office Costs | |
| Direct labor | \$ 42,680,106 | | \$ - | \$ 42,680,106 | \$ 42,130,095 | \$ 550,011 | 1.29% |
| Fringe benefits: | | | | | | | |
| Employer FICA | \$ 5,347,751 | (1) | \$ (53,414) | \$ 5,294,337 | \$ 5,226,040 | \$ 68,297 | 1.29% |
| FUTA | 41,396 | | - | 41,396 | 40,862 | 534 | 1.29% |
| SUTA | 78,552 | | - | 78,552 | 77,539 | 1,013 | 1.29% |
| Group insurance | 6,180,264 | | - | 6,180,264 | 6,100,539 | 79,725 | 1.29% |
| Partnership contribution to 401(k) plan | 2,525,847 | | - | 2,525,847 | 2,493,264 | 32,583 | 1.29% |
| Workers compensation | 148,455 | | - | 148,455 | 146,540 | 1,915 | 1.29% |
| Compensatory bonuses | 1,699,614 | | - | 1,699,614 | 1,677,689 | 21,925 | 1.29% |
| Other employee benefits | 2,315,378 | (7) | (129,907) | 2,185,471 | 2,157,278 | 28,193 | 1.29% |
| Total fringe benefits | \$ 18,337,257 | | \$ (183,321) | \$ 18,153,936 | \$ 17,919,751 | \$ 234,185 | |
| Fringe benefit rate (as percentage of direct labor) | | | | 42.53% | 42.53% | 42.58% | |
| General overhead: | | | | | | | |
| Indirect labor - home | \$ 31,531,546 | (1) | \$ (698,222) | \$ 30,833,324 | \$ 30,577,407 | \$ 255,917 | 0.83% |
| Indirect labor - field | 62,898 | | - | 62,898 | - | 62,898 | 100% |
| Advertising | 13,965 | (1) | (13,965) | - | - | - | 0.00% |
| Books and publications | 110,106 | (1) | (12,027) | 98,079 | 97,265 | 814 | 0.83% |
| Consultants | 165,996 | (1), (9) | (113,600) | 52,396 | 51,966 | 435 | 0.83% |
| Continuing education | 168,772 | | - | 168,772 | 167,371 | 1,401 | 0.83% |
| Contributions - charitable | 295,280 | (5) | (295,280) | - | - | - | 0.00% |
| Contributions - political | 8,550 | (5) | (8,550) | - | - | - | 0.00% |
| Data communication and supplies | 888,521 | | - | 888,521 | 881,146 | 7,375 | 0.83% |
| Data processing services | 24,601 | | - | 24,601 | 24,397 | 204 | 0.83% |
| Depreciation and amortization | 2,726,941 | | - | 2,726,941 | 2,704,307 | 22,634 | 0.83% |
| Employment expense | 549,494 | | - | 549,494 | 544,933 | 4,561 | 0.83% |
| Fines and penalties | 14,272 | (8) | (14,272) | - | - | - | 0.00% |
| General insurance | 1,864,338 | | - | 1,864,338 | 1,848,864 | 15,474 | 0.83% |
| HR employee merit program | 132,471 | (1) | (442) | 132,029 | 130,933 | 1,096 | 0.83% |
| Legal and professional | 976,200 | (1), (2) | (6,158) | 970,042 | 961,991 | 8,051 | 0.83% |
| Meals and entertainment | 728,425 | (7) | (119,119) | 609,306 | 604,249 | 5,057 | 0.83% |
| Miscellaneous general and admin | 139,832 | | - | 139,832 | 138,671 | 1,161 | 0.83% |
| Office supplies | 682,436 | (1) | (17,952) | 664,484 | 658,969 | 5,515 | 0.83% |
| Parking | 158,409 | | - | 158,409 | 158,409 | - | 0.00% |
| Postage and freight | 122,578 | | - | 122,578 | 121,561 | 1,017 | 0.83% |
| Printing | 56,687 | | - | 56,687 | 56,216 | 471 | 0.83% |
| Property and business tax | 383,685 | (10) | (15,397) | 368,288 | 365,231 | 3,057 | 0.83% |
| Public relations | 465,570 | (1) | (465,570) | - | - | - | 0.00% |
| Registrations and dues | 876,955 | (11) | (32,955) | 844,000 | 836,995 | 7,005 | 0.83% |
| Relocation | 40,802 | | - | 40,802 | 40,463 | 339 | 0.83% |
| Rent - office | 5,640,662 | | - | 5,640,662 | 5,640,662 | - | 0.00% |
| Rent - equipment | 17,383 | | - | 17,383 | 17,239 | 144 | 0.83% |
| Rent - storage/warehouse | 329,363 | | - | 329,363 | 329,363 | - | 0.00% |
| Repairs and maintenance | 306,056 | | - | 306,056 | 303,516 | 2,540 | 0.83% |
| Telephone | 511,061 | | - | 511,061 | 506,819 | 4,242 | 0.83% |
| Temporary personnel | 597,068 | (1) | (13,152) | 583,916 | 579,069 | 4,847 | 0.83% |
| Travel | 2,063,338 | (6) | (357,911) | 1,705,427 | 1,691,272 | 14,155 | 0.83% |
| Utilities | 21,304 | | - | 21,304 | 21,304 | - | 0.00% |
| Vehicle operation | 76,707 | (12) | (9,711) | 66,996 | 66,440 | 556 | 0.83% |
| Vehicle tax and licenses | 589 | | - | 589 | 584 | 5 | 0.83% |
| Total general overhead | \$ 52,752,861 | | \$ (2,194,283) | \$ 50,558,578 | \$ 50,127,607 | \$ 430,971 | |
| General overhead rate (as percentage of direct labor) | | | | 118.46% | 118.99% | 78.36% | |
| Total indirect costs | | | | \$ 68,712,514 | \$ 68,047,358 | \$ 665,156 | |
| Combined overhead rate | | | | 160.99% | 161.52% | 120.94% | |
| Facilities capital cost of money | | | | \$ 188,645 | \$ 187,079 | \$ 1,566 | |
| Facilities capital cost of money rate | | | | 0.44% | 0.44% | 0.28% | |

See accompanying notes to the statement

GRESHAM, SMITH AND PARTNERS

STATEMENT OF DIRECT LABOR, FRINGE BENEFITS, AND GENERAL OVERHEAD, Cont.

YEAR ENDED DECEMBER 31, 2017

FAR references:

| | | | |
|-----|--|------|--|
| (1) | 31.205-1(f) Public relations and advertising costs | (7) | 31.205-14 Entertainment costs |
| (2) | 31.205-47 Legal and other professional fees | (8) | 31.205-15 Fines and penalties |
| (3) | 31.205-6(b) Exceeding reasonable compensation | (9) | 31.205-33 Professional consultant expenses |
| (4) | 31.205-3 Bad debts | (10) | 31.205-41(b)(1) Taxes |
| (5) | 31.205-8 Contributions or donations | (11) | 31.205-43 Trade, business, and technical activity costs |
| (6) | 31.205-46(a)(2) Travel costs | (12) | 31.205-6(m)(2) Fringe benefits, personal use of company-furnished auto |

See accompanying notes to the statement

GRESHAM, SMITH AND PARTNERS

Notes to the Statement of Direct Labor, Fringe Benefits, and General Overhead

Year Ended December 31, 2017

(1) Nature of operations

Gresham, Smith and Partners (the "Partnership") provides full-service architectural, engineering, interior design and planning services primarily for healthcare, commercial, governmental and institutional entities. The Partnership's offices are located in Tennessee, Alabama, Florida, Missouri, Kentucky, Georgia, Virginia, Texas, Ohio, Mississippi, North Carolina, Louisiana, Dubai UAE and Shanghai China. All partners in the Partnership are corporations.

(2) Basis of accounting

The Partnership's policy is to prepare its overhead schedules, which support the Statement of Direct Labor, Fringe Benefits and General Overhead, on the basis of accounting practices prescribed by Part 31 of the Federal Acquisition Regulations. Accordingly, the above mentioned schedule is not intended to present results of operations of the Partnership in conformity with accounting principles generally accepted in the United States of America.

All costs are determined on a Partnership-wide basis and all costs are allocated based on direct labor cost. The Partnership utilizes a dual rate structure for home office projects and field office projects.

Field office fringe benefit costs are allocated using the ratio of field office direct labor to total proposed direct labor. Field office general overhead costs are allocated using the ratio of field office direct and indirect labor to total proposed direct and indirect labor. General overhead costs with no allocation to field office have been specifically identified as home office only.

(3) Description of accounting systems

The Partnership maintains a job cost accounting system for the recording and accumulation of costs incurred under its contracts. Each project is assigned a project number so that costs can be segregated and accumulated in the Partnership's job cost accounting system. The Partnership maintains a financial accounting system for recording all financial transactions on the accrual basis.

The Partnership's method of estimating costs for pricing purposes during the proposal process is consistent with the accumulation and reporting of costs under its job cost accounting system.

GRESHAM, SMITH AND PARTNERS

Notes to the Statement of Direct Labor, Fringe Benefits, and General Overhead

Year Ended December 31, 2017

(4) Labor related costs

Labor is charged to projects at job cost rates ("JCR") (equivalent hourly rates) applied to the hours worked on the projects. Hourly employees who are eligible to receive overtime pay for hours worked in excess of 40 hours per week have two components to their extra pay: (1) straight time (JCR times 1.0) and (2) premium portion of overtime (JCR times 0.5) related to Department of Labor regulations for hourly employees; both components are charged to Direct Labor based on hours worked on the regular project or to Indirect Labor if overhead. The premium portion of overtime totaled \$82,012 for 2017, of which \$55,606 was charged to Direct Labor and \$26,406 was charged to Indirect Labor.

Salaried employees who are eligible to receive pay in excess of their base salary for hours worked in excess of pay period base hours have only one component to their extra pay: (1) salary premium (JCR times 1.0) which is charged to Direct Labor based on hours worked on the regular project or to Indirect Labor if overhead. For salaried employees who are not eligible to receive salary premium, variances between amounts paid to such employees and amounts charged to projects as a result of hours worked in excess of pay period base hours are captured and applied to Indirect Labor and result in a reduction of overhead costs.

The Partnership performed an analysis of executive compensation in accordance with Chapter 7 of the American Association of State Highway and Transportation Officials ("AASHTO") Audit Guide. The analysis included an examination of the activities performed by the Partnership's executives, and the forms of compensation paid to executives. The total amount of compensation disallowed as a result of the evaluation of unallowable public relations and advertising activities is \$681,503. The analysis also included an evaluation of compensation reasonableness as described in AASHTO Audit Guide Chapter 7.5, using information from the National Compensation Matrix. The reasonable compensation amounts developed using survey data did not exceed the applicable Benchmark Compensation amount of \$487,000. Remaining compensation amounts paid to executives were not in excess of the FAR 31.205-6(p) limit.

Employees earn paid time off hours that are included in indirect labor cost. The Partnership operates a 401(k) employee savings and profit sharing plan meeting the requirements of FAR 31.205-6(j), to which it makes matching cash contributions not exceeding 2 percent of participating employees' base earnings. Additional discretionary profit sharing contributions are determined annually by the Partnership.

(5) Depreciation and leasing policies

Certain assets are purchased and depreciated, while others are leased and considered operating leases and the annual lease costs are included in the overhead pool. The depreciation reflected on the Partnership's financial statements differs from the acceptable depreciation for Federal income tax purposes. No such amounts were considered unallowable under FAR 31.205-11(c) for the year ended December 31, 2017.

GRESHAM, SMITH AND PARTNERS

Notes to the Statement of Direct Labor, Fringe Benefits, and General Overhead

Year Ended December 31, 2017

(6) Facilities cost of money rate

The facilities capital cost of money ("FCCM") rate was calculated in accordance with FAR 31.205-10, using average net book values of property and equipment multiplied by the average Federal Prompt Payment Act Interest Rate for the year ended December 31, 2017. Property and equipment include leasehold improvements, survey and drafting equipment, computer and other equipment, furniture and fixtures and vehicles. The calculation of the FCCM rate is as follows:

| | |
|--|----------------------|
| Net book value of property and equipment - December 31, 2017 | \$ 11,981,832 |
| Net book value of property and equipment - December 31, 2016 | <u>3,480,905</u> |
| Average net book value | \$ 7,731,369 |
| Multiplied by: average treasury rate during 2017 | <u>2.44 %</u> |
| Equals: facilities capital cost of money | 188,645 |
| Divided by: direct labor cost | <u>42,680,106</u> |
| Equals: facilities capital cost of money rate | <u><u>0.44 %</u></u> |

Total facilities capital cost of money is allocated to Home Office and Field Office as follows:

| | <u>Home Office</u> | <u>Field Office</u> |
|---|----------------------|---------------------|
| Total facilities capital cost of money | \$ 188,645 | \$ 188,645 |
| Percent allocation | <u>99.17 %</u> | <u>0.83 %</u> |
| Equals: allocated FCCM | 187,079 | 1,566 |
| Divided by: direct labor cost | \$ <u>42,130,095</u> | \$ <u>550,011</u> |
| Equals: facilities capital cost of money rate | <u>0.44 %</u> | <u>0.28 %</u> |

(7) Management's evaluation of subsequent events

The Partnership has evaluated subsequent events through May 4, 2018, the date upon which the statement was available for issuance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

The Partners of
Gresham, Smith and Partners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Controller General of the United States, the Statement of Direct Labor, Fringe Benefits, and General Overhead (the "Statement") of Gresham, Smith and Partners (the "Partnership") for the fiscal year ended December 31, 2017 and the related notes to the Statement and have issued our report thereon dated May 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the Statement, we considered the Partnership's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Partnership's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's Statement is free from material misstatement, we performed tests of the Partnership's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of the applicable sections of 48 CFR Part 31, noncompliance with which could have a direct and material effect on the determination of amounts reported on the Statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control and compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control and compliance. This report is intended solely for the use and information of the Partnership and government agencies or other customers related to contracts employing the cost principles of the Federal Acquisition Regulation, and should not be used for any other purpose.

LBMC, PC

Brentwood, Tennessee
May 4, 2018