



Memorandum

DATE: June 29, 2015

TO: Lam Nguyen, Contract Manager

FROM: Frank DeMattos, Audit Division

CC: Finance and Audit Subcommittee of the Board
Jeff Morales, CEO
Zoe Bayar, A & E Procurement Manager

SUBJECT: Pre-award Review HSR14-66

The California High Speed Rail Authority (Authority) Audit Division has completed its review of the draft agreement and the cost proposals for HSR14-66 between the Authority and Parsons Brinckerhoff for Rail Delivery Partner services.

The scope was limited to reviewing the draft agreement and the cost proposals dated April 24, 2015. The objectives of the review were to determine if the necessary fiscal provisions were incorporated in the draft agreement and whether the proposed costs are reasonable and in compliance with the Code of Federal Regulations Title 48, Chapter 1, Part 31 for the purpose of accepting contract progress billings.

Except as noted in the following paragraph, our review was conducted in accordance with Government Auditing Standards for attestation engagement as issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objectives of which is the expression of an opinion on the proposed costs contained in the cost proposals, and accordingly, this review report expresses no such opinion.

The Authority Audit Division has not undergone a peer review as required by the Government Auditing Standards due to the recent formation of the Audit Division and the lack of a body of work to be reviewed. The Authority Audit Division is not yet eligible for a peer review for the reasons stated.

Based on the review of the cost proposals and the draft agreement, except as discussed in the issues and recommendations section below, no material deficiencies were noted.

This report is intended for the information and use of the management of the Authority. However, this report is a public document and its distribution is not limited.

ISSUES AND RECOMMENDATIONS

Parsons Brinckerhoff

Issue 1

The cost proposal contains only pay grades and ranges without identifying specific classifications and employees within the pay grades. The consultant has the flexibility to utilize staff from a pool of employees within the pay grade.

Recommendation: The Contract Manager should assure the pay rates for employees identified to perform work on this Agreement are within the proposed classification pay grades prior to reimbursement for costs. The Contract Manager should approve employees identified to fill positions and verify whether their actual pay rate and classification is within the proposed range for the pay grade.

Issue 2

The proposed overtime rates are not supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Issue 3

The proposed overhead cost rate 157.30% is overstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated rate of 153.11%.

Issue 4

The proposed vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Issue 5

The consultant proposed demobilization costs in Other Direct Costs is not necessary for the scope of work.

Recommendation: The Contract Manager should have the cost proposal revised to remove demobilization costs from the cost proposal.

Issue 6

PMIS costs are not supported. There is no specific identification of the scope of PMIS work to be performed by the consultant and another sub-consultant.

Recommendation: The Contract Manager should have the cost proposal revised to remove PMIS costs from the cost proposal.

Network Rail Consulting

Issue 1

The direct labor rates are not supported.

Recommendation: The Contract Manager should not reimburse labor costs until adequate support is provided.

Issue 2

The proposed overhead cost rate is not supported.

Recommendation: The Contract Manager should not reimburse indirect costs until adequate support is provided.

Alta Vista Solutions

Issue 1

The proposed overtime rates are not supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Issue 2

The proposed overhead cost rate of 151.30% is overstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated overhead cost rate of 145.63%.

Issue 3

The proposed vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Padilla & Associates

Issue 1

The proposed classifications for SB Compliance Deputy III, SB Compliance Deputy II, SB Compliance Deputy Outreach II, SB Compliance Deputy II, Sacramento, CBA/LC Deputy IT Project Manager, CBA/LC Compliance Deputy II, CBA/LC Compliance Deputy I, and SB Compliance Deputy I are not supported.

Recommendation: The Contract Manager should have the classifications removed from the cost proposal.

Issue 2

The proposed overhead cost rate of 138.86% is not supported.

Recommendation: The Contract Manager should not reimburse costs until adequate support for a combined field overhead cost rate is provided.

Issue 3

The proposed vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Cordoba Corporation

Issue 1

The proposed overtime rates cannot be supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Issue 2

The proposed overhead cost rate of 159.19% is overstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated field overhead cost rate of 90.27%.

Zoon Corporation

Issue 1

The proposed overtime rates are misstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect overtime rates be equivalent to the straight time hourly rates.

Issue 2

The proposed classifications of Project Construction Manager, Scheduling Engineer, Estimating Engineer, Oversight Construction Manager, Change Control Engineer, and Document Control Specialist are not supported.

Recommendation: The Contract Manager should have the classifications removed from the cost proposal.

LKG-CMC, Inc

Issue 1

The proposed pay range for the Configuration Manager/Document Control Supervisor is misstated. The supported range is \$47.42-\$48.73.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported pay range.

Issue 2

The proposed overtime rate for Claudia Elliot is not supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime pay rate for Claudia Elliot.

Leigh Fisher

Issue 1

The proposed rates for the following classifications are over stated as follows:

Name	Classification	Proposed Rate	Evaluated Rate
Kimmo Oostermeijer	Director	\$290.00	\$262.37
Paul Bews	Director	\$280.00	\$227.48
Xaf Utberg	Associate Director	\$250.00	\$216.70

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated rates, considering the employee's actual hourly rate, At-Site overhead of 169.25%, At-Office overhead of 198%, and negotiated fee of 9%.

Issue 2

The proposed classification ranges are misstated as follows:

Classification	Proposed Rate	Evaluated Rate
Director	\$260 – 310	\$227- 314
Associate Director	220 – 270	217 - 232
Principal Consultant	200 – 250	138 - 235
Senior Consultant	160 – 210	132 - 169
Consultant	120 – 160	60 - 111
Project Support	80 – 110	97.53

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated rates, considering the employee's actual hourly rate, At-Site overhead of 169.25%, At-Office overhead of 198%, and negotiated fee of 9%.

Issue 3

The Graphics Technical classification hourly rate range of \$109 – 115 was added after submission of the cost proposal.

Recommendation: The Contract Manager should determine if the Graphics Technical classification will be needed for this contract, and add the classification if appropriate.

Issue 4

The Senior Advisor classification is not supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the Senior Advisor classification.

Issue 5

John Boss, Associate Director, will not work on this contract.

Recommendation: The Contract Manager should have the cost proposal revised to remove John Boss, Associate Director.

Issue 6

The proposed overtime rates cannot be supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Issue 7

The proposed vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

All Transit Consultants, LLC

Issue 1

The billing rate is supported. However, an hourly rate and fixed fee were also proposed but not supported.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the proposed billing rate in the loaded billing rate column as it can be supported. The hourly rate and fixed fee should be eliminated as they are not supported.

Issue 2

The proposed overtime rates cannot be supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Gall Zeidler Consultants

Issue 1

The proposed rate of \$113.00 for the Principal Tunnel Specialist is overstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated hourly rate of \$70.42.

Issue 2

The proposed overtime rates cannot be supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Issue 3

The proposed overhead cost rate of 128.53% is overstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated overhead cost rate of 121.39%.

Issue 4

The proposed vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Gibson and Skordal

Issue 1

The proposed Senior Biologist classification is not supported.

Recommendation: The Contract Manager should have the Senior Biologist classification removed from the cost proposal.

Issue 2

The proposed vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Intueor Consulting, Inc.

Issue 1

The proposed Senior Principal Consultant classification is not supported.

Recommendation: The Contract Manager should have the Senior Principal Consultant classification removed from the cost proposal.

Issue 2

The proposed overtime rates cannot be supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Issue 3

The proposed overhead cost rate of 156.53% is misstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated overhead cost rate of 187.01%.

Luster National, Inc.

Issue 1

The proposed rate of \$60.10 for the Senior Controls Program Manager is overstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated hourly rate of \$52.88.

Issue 2

The proposed Program Controls Manager classification is not supported.

Recommendation: The Contract Manager should have the Program Controls Manager classification removed from the cost proposal.

Issue 3

The proposed overtime rates cannot be supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Issue 4

The proposed Printing and Reproduction costs of \$0.15 for black and white copies and \$1.00 for color copies are unsupported.

Recommendation: The Contract Manager should have the cost proposal revised to reflect actual costs for printing and reproduction that are supported by adequate documentation.

Natoma Technologies, Inc.

Issue 1

The proposed billing rates are not supported for the following classifications:

Classification	Proposed Rate	Evaluated Rate/Range
Project Director	\$260.00	\$236.00-281.00
Project Manager	140.00	210.12
Team Leader	200.00	134.00-163.00
IT Senior App. Specialist	255.00	135.53
IT Development Specialist	170.00	112.00-133.00
IT Consultant	145.00	118.00-152.00
Senior Prog./Analyst	140.00	104.00-112.00
Programmer Analyst	118.00	104.39

Classification	Proposed Rate	Evaluated Rate/Range
Documentation Analyst	97.00	35.00-63.00
Senior Systems Analyst	148.00	101.02
System Analyst	112.00	88.00-101.00

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated rate/ranges for the proposed classifications.

Issue 2

Proposed classifications of Senior Project Manager, IT Applications Specialist, IT Junior Applications Specialist, IT Senior Development Specialist, IT Senior Consultant, Programmer Analyst - Entry, Senior Business Analyst, Senior Technical Lead, Technical Lead, Test Engineer, Senior QA/Tester, and Support Staff are not supported.

Recommendation: The Contract Manager should have the classifications removed from the cost proposal.

Issue 3

The proposed overtime rates cannot be supported.

Recommendation: The Contract Manager should have the cost proposal revised to remove the overtime rates.

Issue 4

The proposed vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Paragon Partners Ltd.

Issue 1

Proposed classifications of Supervisor, Principal Acquisition Agent, Senior Acquisition Agent/Senior Analyst, Acquisition Agent/Analyst, Principal Relocation Agent, Senior Relocation Agent, Relocation Agent, Title Supervisor, Senior Title Agent, Title Agent, Project or Escrow Coordinator, Right of Way Engineer, P.E., Senior Right of Way Engineer/GIS Supervisor, Associate Right of Way Engineer/GIS Specialist, Right of Way Engineering Technician, Senior Appraiser, Associate Appraiser, Project Controls Specialist, Administrative Support, Office Clerk, IT Support, Depositions and Court Testimony are not supported.

Recommendation: The Contract Manager should have the classifications removed from the cost proposal.

Issue 2

The following classifications were supported by hourly rates but no current overhead cost rate supporting documentation was provided:

Name	Hourly Rates
Boss Michael Sr., Title Specialist	\$ 48.08
Jakemer Stephen, Senior Project Analyst	34.62
Jorgensen Kent, Project Director	96.15
McCawley William, Project Controls Lead	57.69
Nied Jeremy, Senior Acquisition / Relocation Agent	37.86
Perham Robert, GIS Specialist	43.27
Richardson Suzanne, Administrative Support	25.84
Samms Pamela, Acquisition Task Lead	60.00
Segawa Robert Sr., Programmer	48.08
Sewell Joel, Operations Mgr.	115.38
Taylor Sterling, Senior ROW Agent	37.14
Spitek Yvonne, Administrative Assistant	26.42

Recommendation: The Contract Manager should reimburse the hourly rate plus fee until adequate support for the overhead cost rate is provided.

Issue 3

The proposed Printing and Reproduction rates of \$0.15 for copies (Xerox) and \$5.00 for D&E Size Copies are unsupported.

Recommendation: The Contract Manager should have the cost proposal revised to reflect actual costs for printing and reproduction that are supported by adequate documentation.

Issue 4

The proposed vehicle expenses (mileage, parking, per diem & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Issue 5

Real Estate Data Services, Subs, and Other Expenses were proposed with 15% markup.

Recommendation: The Contract Manager should have the cost proposal revised to reflect Real Estate Data Services, Subs, and Other Expenses will be reimbursed at actual cost, and must be supported by an invoice.

SC Solutions, Inc.

Issue 1

The proposed rate of \$42.79 for the Engineer is overstated.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the evaluated hourly rate of \$39.42.

Issue 2

The proposed vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.

Issue 3

The proposed overhead cost rate is from a prior fiscal year. The 2015 proposed preliminary rate is 263.88%.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the 2015 proposed preliminary rate.