



CALIFORNIA
High-Speed Rail Authority

**Rail Delivery Partner
Contract Compliance Audit
Agreement # HSR 14-66**

February 2021

EXECUTIVE SUMMARY

The California High-Speed Rail Authority (Authority) Audit Office is conducting an interim contract compliance audit of the Authority's Agreement No. HSR 14-66 for a Rail Delivery Partner, with WSP USA, Incorporated (WSP). We have completed audits of the following WSP subconsultants for costs reimbursed applicable to services provided from July 1, 2015 through June 30, 2018:

- Paragon Partners, Ltd., total \$5,236,495
- Ascent Environmental, total \$3,326,745
- Alta Vista Solutions, Incorporated, total \$12,200,550
- SC Solutions, Incorporated, total \$11,874,593
- Intueor Consulting Incorporated, total \$7,262,749

We attempted an audit of WSP's subconsultant, Stephen J. Thoman Consulting, Inc. for costs billed and reimbursed during the audit period totaling \$1,031,835. However, this subconsultant denied the Audit Office access to the requested records.

The audit objective was to determine if subconsultants complied with the agreement provisions, the Code of Federal Regulations Title 48, Chapter 1, Part 31, Code of Federal Regulations Title 49, Part 19, and other federal and State rules and regulations as applicable.

The Audit Office examined accounting records maintained by WSP and the subconsultants identified above to determine whether claimed and reimbursed costs were reasonable, allowable, and appropriately supported. We also conducted inquiries and interviews to obtain an understanding of WSP and the subconsultants' accounting policies and procedures. Based on our examination, we identified:

- \$581,684 in overbilled subconsultant fully burdened labor costs due to inadequate documentation and noncompliance with the agreement provisions, and
- \$1,031,385 in unverified costs related to the denial of access to records by the subconsultant.

We recommend WSP reimburse the Authority in the amount of \$581,684 for overbilled subconsultant fully burdened labor costs. WSP should ensure subconsultants accurately bill fully burdened labor rates in accordance with Agreement No. HSR 14-66. In addition, due to the denial of access to records, we question reimbursed costs to Stephen J. Thoman Consulting, Inc., in the amount of \$1,031,835.

Paula Rivera

Paula Rivera, Audit Chief

2/24/21

Date

Audit Report

BACKGROUND

As part of the California High-Speed Rail Development Act of 1994, the California Legislature created the California High-Speed Rail Authority (Authority). The Authority is responsible for planning, designing, building and operation of the first high-speed rail system in the nation. California high-speed rail will connect the mega-regions of the state, contribute to economic development and a cleaner environment, create jobs, and preserve agricultural and protected lands. The Authority is responsible for overall management, oversight, and monitoring of state and federal awards received. This function requires accountability, transparency, and providing a means of tracking and monitoring program goals, accomplishments, and compliance with grant requirements.

The Authority entered into an agreement with WSP USA, Incorporated (WSP) to provide services as the Rail Delivery Partner for executive leadership, corporate support and implementation in the areas of program management, program integration and coordination, and program delivery. WSP is responsible for the controls in place in their organization that will ensure compliance with the terms of WSP's agreement with the Authority when billing for work performed by subconsultants.

We conduct subconsultant audits to ensure that the costs reimbursed to WSP by the Authority comply with the terms of the agreement, including compliance with the applicable cost and administrative principles. We believe these audits provide a basis for our opinion as to whether costs billed and reimbursed were materially compliant.

SCOPE, OBJECTIVE, and METHODOLOGY

The Audit Office is conducting an interim contract compliance audit of Agreement No. HSR 14-66. We have completed audits of the following subconsultants for costs reimbursed applicable to services provided during the audit period of July 1, 2015 through June 30, 2018:

- Paragon Partners, Ltd., total \$5,236,495
- Ascent Environmental, total \$3,326,745
- Alta Vista Solutions, Incorporated, total \$12,200,550
- SC Solutions, Incorporated, total \$11,874,593
- Intueor Consulting Incorporated, total \$7,262,749

We attempted an audit of WSP's subconsultant, Stephen J. Thoman Consulting, Inc. for costs billed and reimbursed from July 1, 2015 through June 30, 2018 totaling \$1,031,835. However, this subconsultant denied the Audit Office access to the requested records.

The scope of our audit was limited to an examination of accounting and internal control systems and supporting documentation for costs billed to and reimbursed by the Authority as of November 1, 2018 to obtain reasonable assurance whether costs complied with the terms of the agreement. After this date, the Authority made payments to resolve disputes from the audit period. These payments are not included in this audit. In addition, WSP has invoiced the Authority for previously unbilled costs related to services provided during the audit period (true-up), which were not reimbursed before November 1, 2018 and are also excluded from our audit.

The audit objective was to determine if subconsultants complied with the agreement provisions, the Code of Federal Regulations (CFR) Title 48, Chapter 1 Part 31, CFR Title 49, Part 19, and other federal and State rules and regulations as applicable.

To accomplish our objectives, we examined evidence supporting amounts and disclosures in the data and records selected for review. We also assessed the accounting principles used and significant estimates made by the subconsultants, as well as evaluating the overall billed costs.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of each subconsultant audit were discussed with the subconsultant staff and WSP. We provided a draft of this report to the Authority Contract Manager, who provided the report to WSP for their response and identification of corrective actions. Their response is included in its entirety at the end of our report.

CONCLUSION

Based on our audit, the subconsultants identified above supported the costs billed and reimbursed in accordance with agreement provisions, the cost principles of 48 CFR Part 31, and administrative requirements of 49 CFR Part 19 except for \$1,613,519. Please see below for further details by subconsultant.

Paragon Partners, Ltd

Issue 1 - Over Reimbursed Costs

During the audit period, the subconsultant's accounting and internal control systems did not adequately identify and segregate unallowable costs. In addition, overhead allocations to in-lieu and home office pools were misapplied. Consequently, overhead rates and direct labor were overstated. The subconsultant included unallowable costs in the overhead calculations and the various cost allocation

methodologies were incorrectly applied to the in-lieu and home office pools (Issue 2). We also identified instances of unsupported direct labor (Issue 3). The subconsultant billed and was over reimbursed costs in each fiscal year for a total of \$457,276.

Recommendation

WSP should reimburse the Authority \$457,276 in over reimbursed fully burdened direct labor costs billed by the subconsultant.

Issue 2- Unallowable Overhead Costs and Misapplied Overhead Allocations

During each fiscal year of the audit period, the subconsultant's cost pools included unallowable and unallocable costs per 48 CFR Part 31. The allowability of costs was not adequately addressed and unallowable costs were not segregated. Also, between calendar years 2014 and 2015, the subconsultant changed their cost allocation methodology resulting in separate overhead rates for in-lieu, home office and High-Speed Rail. This new allocation methodology also inconsistently assigned costs to the different pools using various bases.

Recommendation

To comply with the federal regulation, the subconsultant should develop a process to ensure unallowable costs are excluded from the overhead cost pools and rate calculations and costs are properly allocated.

Issue 3 – Overstated Direct Labor

We found instances of overstated direct labor. Specifically, nine fully burdened labor rates were not supported, and one employee billed holiday hours that were not worked. As a result, the direct labor cost billed for July 2016 and December 2017 were overstated by \$1,265 and \$219, respectively. The unsupported direct labor costs are accounted for in the calculation of the subconsultant over reimbursed costs detailed in Issue 1.

Recommendation

The subconsultant should ensure billed labor costs are incurred and paid prior to seeking reimbursement. WSP should verify all billing rates to the approved amounts on the agreement compensation schedule or the rates included in the Master Resource Pool.

Auditee Response

The Subconsultant does not agree with the Authority's determination that they owe \$457,276.

Ascent Environmental

Issue 1 – Over Reimbursed Costs

During the audit period, the subconsultant's accounting and internal control systems were not adequate to accumulate and segregate allocable, reasonable and allowable project costs. Consequently, overhead

rates were overstated, and fully burdened labor rates were not billed according to the approved rates in each fiscal year. The subconsultant invoiced the indirect rate applicable to FY 15/16 for the first six months of FY 16/17 and invoiced the indirect rate applicable to FY 16/17 for the remainder of the audit period. Audit tests and review of actual costs resulted in reducing the overhead pool (Issue 2) and recalculating the subconsultant's actual overhead rates, including revised facilities capital cost of money (Issue 3). The subconsultant billed and was over reimbursed costs in each fiscal year for a total of \$114,017.

Recommendation

WSP should reimburse the Authority \$114,017 in over reimbursed fully burdened direct labor costs. The subconsultant should continue to implement improvements to their accounting and internal control systems to ensure allocable, reasonable and allowable project costs are properly accumulated, segregated and billed to WSP.

Issue 2 -Overstated Indirect Costs

Tests of indirect cost accounts in each fiscal year's proposed overhead cost pools found that the cost pools included unsupported, unallowable, and unreasonable costs per the cost principles of 48 CFR Part 31. There were also cost discrepancies between the subconsultant's overhead schedules. As a result, we reduced the subconsultant's actual overhead cost pools by \$176,134, \$360,843 and \$315,549 for invoicing in fiscal years 2015/16, 2016/17 and 2017/18, respectively, which resulted in the over reimbursed costs detailed in Issue 1.

Recommendation

To ensure future indirect cost rates are adequately supported and comply with the agreement and federal requirements, the subconsultant should incorporate a process that assesses and accounts for year-end account adjustments when preparing annual overhead schedules, develop a process to ensure federally unallowable costs are excluded from the overhead calculations, ensure claimed labor costs are reconciled to payroll and tax records, and assess the reasonableness of paid executive compensation and remove any excess amounts from the indirect cost pool.

Issue 3 – Unsupported Facilities Capital Cost of Money

For each month of the audit period, the subconsultant applied and billed a facilities capital cost of money rate of .44% to fully burdened direct labor (including fee). However, the rate was not supported by the subconsultant and should not have fee applied. The subconsultant's facilities capital cost of money was recalculated based on the actual net asset balances in each year's trial balance accounts. The recalculated rate was less than the billed rates and the audited rates and overbilled amounts are included in over reimbursed costs detailed in Issue 1.

Recommendation

The subconsultant should ensure future facilities capital cost of money rates are properly calculated

based on supporting financial information and correctly applied to burdened labor, exclusive of fee. Supporting calculations should be maintained for audit purposes.

Auditee Response

The Subconsultant agrees to reimburse the Authority the amount identified but would like the Authority to consider alternative methodologies.

Alta Vista Solutions, Incorporated

Issue - Overstated and Overbilled Fully Burdened Labor Costs

We tested billed direct labor costs to ensure direct labor rates were supported. We noted two instances when an employee's actual hourly labor rate was less than the billed rate. The overbilling occurred as billed rates were not reconciled to employee payroll registers. Fully burdened labor rates were not supported by actual pay data, resulting in overbilled and reimbursed costs totaling \$10,391.

Recommendation

WSP should reimburse the Authority \$10,391 in over reimbursed fully burdened direct labor costs. The subconsultant should ensure billed labor costs are incurred and paid prior to seeking reimbursement. WSP should verify rates billed to the approved fully burdened billing rates.

Auditee Response

The Subconsultant agrees with the findings and will reimburse the Authority.

SC Solutions, Incorporated

Based on our audit, the subconsultant supported the costs incurred and reimbursed in accordance with Agreement requirements, the cost principles of 48 CFR Part 31, and administrative requirements of 49 CFR 19 as applicable. Our audit also determined that the subconsultant's accounting and internal control systems are adequate to accumulate and segregate allocable, reasonable and allowable project costs.

Auditee Response

The Subconsultant agrees and there is no reimbursement owed to the Authority.

Intueor Consulting, Incorporated

Based on our audit, the subconsultant supported the costs incurred and reimbursed in accordance with Agreement requirements, the cost principles of 48 CFR Part 31, and administrative requirements of 49 CFR Part 19 as applicable. Our audit also determined that the subconsultant's accounting and internal control systems are adequate to accumulate and segregate allocable, reasonable and allowable project costs.

Auditee Response

The Subconsultant agrees and there is no reimbursement owed to the Authority.

Stephen J. Thoman Consulting, Incorporated

Issue – Lack of Access to Accounting Records

We attempted an audit for costs billed and reimbursed during the audit period totaling \$1,031,835. However, this subconsultant denied the Audit Office access to the requested records. WSP provided limited information obtained during their subconsultant monitoring processes, however this limited information did not support the costs billed and reimbursed.

Recommendation

Based on the lack of access to records and the limited information provided by WSP, we were unable to verify \$1,031,835 reimbursed to WSP for costs billed by the subconsultant. As such, WSP should reimburse the Authority for questioned costs in the amount of \$1,031,835.

Auditee Response

The Subconsultant does not agree and WSP would like to discuss with the Audit Review Committee.



DATE: January 26, 2021

TO: Joseph Hedges, Chief Operating Officer

FROM: Darin Kishiyama, Contract Manager
June Landry, Chief of Contract Management Administration
Chris Rice, Deputy Contract Manager

CC: Brian Kelly, Chief Executive Officer
Paula Rivera, Chief Auditor

SUBJECT: Process Improvement Measures in response to – Interim Reporting for Contract Compliance Audit of Agreement No. HSR 14-66, Rail Delivery Partner

In conjunction with the contract audit that was performed on the Rail Delivery Partner (RDP) contract (HSR 14-66) improvements have been made in the management of the contract.

RDP improvements:

- Verifies subconsultant payroll records before onboarding resources.
- Designed a subconsultant invoicing template with all bill rates hardcoded into the template. Rates can only be changed by a WSP Accountant.
- Reviews subconsultant invoiced rates for accuracy prior to submitting invoice to the Authority.
- Employed an outside Federal Acquisition Regulations (FAR) consultant to examine subconsultant overhead calculations, specifically examining cost areas deemed high risk for FAR-unallowable costs.

Authority improvements:

- Development and implementation of a database to track RDP resources, deliverables, and invoices.
- Complete documentation including payroll records, time sheets and overhead reports required when the RDP invoices for any escalation true-up/down.
- Current overhead reports required before annual raw rate escalations can be invoiced.
- If updated overhead report is not provided in a timely manner, a portion of the invoice will be disputed until the overhead report is provided.

Communications improvements:

- Weekly meeting on status of deliverables management.
- Weekly meeting on status of invoices and resolution of outstanding disputes.

Direct questions to:

June Landry (916) 669-6563 or via email june.landry@hsr.ca.gov

Chris Rice (916) 403-0616 or via email chris.rice@hsr.ca.gov

EXECUTIVE SUMMARY

The California High-Speed Rail Authority (Authority) Audit Office conducted an interim contract compliance audit (Audit) of the Authority's Agreement No. HSR 14-66 for certain subconsultants of Rail Delivery Partner, WSP USA Inc. The Audit concluded the following:

- \$581,684 in subconsultant fully burdened labor costs that had insufficient supporting documentation per the Agreement, and
- \$1,031,835 in questioned costs related to the lack of access to records by one SBE subconsultant.

The Auditors' findings as they pertain to the respective subconsultants are described below:

Alta Vista Solutions, Inc.

The Auditors identified fully burdened labor rates were not supported by actual pay data, resulting in questioned billed and reimbursed costs totaling \$10,391.

Alta Vista agrees with the findings and will reimburse the Authority \$10,391.

SC Solutions, Inc.

This Subconsultant's accounting and internal control systems were found by the Auditors to be adequate to accumulate and segregate allocable, reasonable and allowable project costs, and no unsupported costs were identified.

SC Solutions agrees with the findings and there are no reimbursements owed to the Authority.

Intueor Consulting, Inc.

The Auditors determined that the subconsultant's accounting and internal control systems were adequate to accumulate and segregate allocable, reasonable and allowable project costs, and no unsupported costs were identified.

Intueor agrees with the findings and there are no reimbursements owed to the Authority.

Paragon Partners, Ltd.

The Auditors identified that this subconsultant's accounting and internal control systems did not adequately identify and segregate unallowable costs and that overhead allocations were misapplied. The subconsultant included unallowable costs in the overhead calculations and the various cost allocation methodologies were incorrectly applied to the in-lieu and home office pools. Instances of unsupported direct labor were also identified.

As a result, the Auditors found the subconsultant's overhead rates and direct labor were overstated in the amount of \$457,276.

Paragon does not agree with the Authority's determination that they owe \$457,276.

Ascent Environmental

The Subconsultant's accounting and internal control systems were deemed inadequate to accumulate and segregate allocable, reasonable and allowable project costs. As a result, the Auditors found the subconsultant had overbilled and owed the Authority \$114,017.

Ascent agrees to reimburse the Authority the amount owed but would like the Authority to consider alternative methodologies which are explained in their audit response letter.

Stephen J. Thoman Consulting, Inc. (SJTC)

SJTC was a small veteran owned business enterprise having a single individual who performed direct effort in support of RDP. SJTC did not provide documentation supporting actual amounts incurred for labor and related indirect expenses plus fee that were billed by and reimbursed to SJTC. Lacking adequate documentation of actual amounts incurred, an audit could not be completed. Consequently, the Audit Report identifies \$1,031,835 as being "Questioned". This represents One-Hundred Percent (100%) of the amounts reimbursed to SJTC for his significant leadership role supporting RDP. The report seeks a full refund of all amounts reimbursed relative to the Sub-consulting agreement with SJTC.

SJTC does not agree with this finding and WSP would like to discuss this with the Audit Review Committee.

CORRECTIVE ACTION PLAN

SUBCONSULTANT:	ALTA VISTA SOLUTIONS, INC.
Issue 1	Fully burdened labor costs were overstated and overbilled. Actual hourly labor rate was less than billed rate because the billed rates did not reconcile to payroll registers.
Authority Recommendation 1a	WSP should reimburse the Authority \$10,391.
Corrective Action 1a	The Authority will be reimbursed \$10,391.
Completion Date	WSP will work with the Authority to determine the appropriate timeline for reimbursement.
Accountable Person	Vinod Kambrath
Authority Recommendation 1b	The subconsultant should ensure billed labor costs are incurred and paid prior to seeking reimbursement. WSP should verify rates are billed to the approved fully burdened billing rates.
Corrective Action 1b	<ul style="list-style-type: none"> ▪ Subconsultant is no longer an active subconsultant on the RDP Project. However, WSP did discuss the requirement to bill the Authority the same labor rate as shown on payroll registers. ▪ WSP has made a significant effort to vet subconsultant's rates in the Master Resource Pool (MRP.) The MRP is a SharePoint database specifically designed to maintain current and historical rates for all individuals working on the RDP Project. ▪ Labor payroll verification is done by the WSP MRP Administrator when all subconsultant's submit payroll registers. In addition, when a new employee is approved or promotions occur, the MRP Administrator verifies by comparing the offer letter amount to the payroll register and/or the approved promotion amount to the payroll register. ▪ As a further attempt to verify fully burdened labor rates, WSP has a process in place whereby its Senior Staff review all WSP and subconsultant invoices and compare invoiced rates with the current rates shown in the MRP to verify that the invoiced rate reflects the amount depicted in the MRP. ▪ WSP designed a subconsultant invoicing template which has all the bill rates hardcoded into the template to ensure the rate can only be changed by a WSP Accountant.

SUBCONSULTANT:	ALTA VISTA SOLUTIONS, INC.
	<ul style="list-style-type: none"> ▪ WSP continues to enhance and upgrade the subconsultant invoicing templates considering lessons learned from past Work Plan periods, as well as implementing best practices to ensure verification of rates.
Completion Date	Completed
Accountable Person	Vinod Kambrath

SUBCONSULTANT	PARAGON PARTNERS, LTD.
Issue 1	Subconsultant billed and was paid for over reimbursed costs
Authority Recommendation 1	WSP should reimburse the Authority \$457,276 for over reimbursed fully burdened direct labor costs by subconsultant.
Corrective Action 1	WSP will work with the Authority and Subconsultant to discuss the difference of opinion regarding the methodology utilized to determine “approved” billing rates and reconciliation to appropriate indirect cost rate periods.
Completion Date	January 2021 contingent upon discussions with the Authority. Copy for all Paragon.
Accountable Person	Vinod Kambrath
Issue 2	Subconsultant’s cost pools included unallowable and unallocable costs.
Authority Recommendation 2a	Subconsultant should develop a process to ensure unallowable costs are excluded from the overhead cost pools.
Corrective Action 2a	<p>Please see Subconsultant’s audit response letter and addendum for a complete description of what they have done and will do to exclude unallowable costs from their indirect cost rate. Some of the actions Subconsultant has taken to address this issue and avoid its recurrence in future audits are:</p> <ul style="list-style-type: none"> ▪ Established separate accounts in its Trial Balance for the exclusion of unallowable costs. ▪ Employed an outside Federal Acquisition Regulations (FAR) consultant, Dan Purvine of A/E Clarity, to examine overhead calculations, specifically examining cost areas deemed high risk for FAR-unallowable costs. ▪ A/E Clarity will perform sampling of transactions using a combination of statistical sampling, judgmental sampling, and the selection of all items over an established significant dollar amount threshold to determine if FAR-unallowable costs have been properly identified and segregated. If the sample demonstrates areas of concern, the sampling procedure is expanded as necessary. ▪ Subconsultant has separate Trial Balance accounts for segregating unallowable costs. It has expanded its procedures for identifying, sampling and testing unallowable costs. These expanded procedures began with the preparation of its Indirect Cost Rate Schedule based on the December 31, 2019 Trial Balance.

SUBCONSULTANT	PARAGON PARTNERS, LTD.
	<p>Besides the efforts Subconsultant has made to exclude unallowable costs from the ICR, WSP has done the following:</p> <p>Established policies and procedures to conduct assessments of subconsultant’s ICR submittals during the annual submittal period (July-August). These assessments are a cursory review to screen indirect costs that may include unallowable. If there is a “discrepancy” noticed, the subconsultant is notified by letter and can respond by supplying additional information. If they cannot, then their ICR is lowered for the upcoming year.</p>
Completion Date	Completed
Accountable Person	Vinod Kambrath
Authority Recommendation 2b	Subconsultant should develop a process to ensure rate calculations and costs are properly allocated.
Corrective Action 2b	<p>Paragon follows an established methodology for consistently allocating overhead costs between Home Office and In Lieu Staff cost pools; this methodology has been accepted by the auditors for the California High Speed Rail Authority. All costs included in overhead are allocated to the appropriate cost pools based on this established methodology.</p> <p>Paragon has separate Trial Balance accounts for segregating unallowable costs. It has expanded its procedures for identifying, sampling and testing unallowable costs. These expanded procedures began with the preparation of its Indirect Cost Rate Schedule based on the December 31, 2019 Trial Balance. The Vice President of Finance and Administration is responsible for the implementation of these procedures working in conjunction with the company's FAR consultant, Dan Purvine of A/E Clarity.</p> <p>In response to the current audit, Paragon has vigorously disputed (and in some or most instances continue to disagree with) specific audit findings that costs treated as indirect should have been classified as direct. In its response to the audit Paragon stated that it did not concur with those findings. Paragon is certain its interpretation is in full compliance with FAR, although it recognizes that the auditor takes a different position.</p>
Completion Date	Completed
Accountable Person	Vinod Kambrath
Issue 3	Direct labor costs were overstated by \$1,265 and \$219.

SUBCONSULTANT	PARAGON PARTNERS, LTD.
Authority Recommendation 3	The subconsultant should ensure billed labor costs are incurred and paid prior to seeking reimbursement. WSP should verify rates billed to the approved fully burdened billing rates.
Corrective Action 3	<ul style="list-style-type: none"> ▪ WSP has made a significant effort to vet subconsultant's rates in the Master Resource Pool (MRP.) The MRP is a SharePoint database specifically designed to maintain current and historical rates for all individuals working on the RDP Project. ▪ Labor payroll verification is done by the WSP MRP Administrator when all subconsultant's submit payroll registers. In addition, when a new employee is approved or promotions occur, the MRP Administrator verifies by comparing the offer letter amount to the payroll register and/or the approved promotion amount to the payroll register. ▪ As a further attempt to verify fully burdened labor rates, WSP has a process in place whereby its Senior Staff review all WSP and subconsultant invoices and compare invoiced rates with the current rates shown in the MRP to verify that the invoiced rate reflects the amount depicted in the MRP. ▪ WSP designed a subconsultant invoicing template which has all the bill rates hardcoded into the template to ensure the rate can only be changed by a WSP Accountant. ▪ WSP continues to enhance and upgrade the subconsultant invoicing templates considering lessons learned from past Work Plan periods, as well as implementing best practices to ensure verification of rates.
Completion Date:	Completed
Accountable Person:	Vinod Kambrath

SUBCONSULTANT	ASCENT ENVIRONMENTAL
Issue 1	Fully burdened direct labor costs were over reimbursed.
Authority Recommendation 1	WSP should reimburse the Authority \$114,017 in over reimbursed fully burdened direct labor costs.
Corrective Action 1	The Authority will be reimbursed the \$114,017.
Completion Date:	30 days after receipt of Final Audit Report, contingent upon instructions from Authority.
Person Responsible:	Vinod Kambrath
Issue 2	Indirect cost accounts in overhead cost pools showed that cost pools included unsupported, unallowable, and unreasonable costs.
Authority Recommendation 2a	Subconsultant should incorporate a process that assesses and accounts for year-end account adjustments when preparing annual overhead schedules.
Corrective Action 2a	<p>Please see Subconsultant’s audit response letter for a complete description of what they have done and will do for all corrective actions. Some of the actions Subconsultant has taken to address this issue and avoid its recurrence in future audits are:</p> <ul style="list-style-type: none"> ▪ Subconsultant has contracted with Instatera who prepares our ICR schedule and reviews our executive compensation. Where appropriate, excess amounts are removed from the indirect cost pool. All General Ledger accounts are reviewed monthly and at year-end to ensure costs are appropriately allocated. ▪ Subconsultant has implemented both electronic invoicing software and expense software to ensure accurate year end account adjustments: <ul style="list-style-type: none"> ○ The electronic invoicing software is EleVia invoicing software: (eleviasoftware.com) which integrates with Deltek Vision®, improves workflow, streamlines processes, and accelerates time to invoice; increases vendor payment accuracy and improves cost tracking; automation and process improve efficiency, accuracy, consistency, and compliance. ○ The expense software is Concur (concur.com/en-us/expense-management) which provides automated and integrated expense management, captures spend from multiple sources, improves business decisions based on accurate data, simplifies the expense process, allows better management of expense data, allows better enforcement of spending policies, and automatically captures receipts and process reports.

SUBCONSULTANT	ASCENT ENVIRONMENTAL
	<ul style="list-style-type: none"> ▪ Subconsultant also added two additional project accountants and hired Jennifer Rowe of Instatera Consultants, LLC who has a background in FAR Compliance accounting.
Completion Date:	Completed
Accountable Person	Vinod Kambrath
Authority Recommendation 2b	Develop process to ensure federally unallowable costs are excluded from overhead calculations.
Corrective Action 2b	Subconsultant has established new accounts in their General Ledger that segregate unallowable expenses, and these expenses are allocated to these accounts at the time they are incurred. As described above, Subconsultant has contracted with Instatera who prepares their ICR schedule and reviews executive compensation. Where appropriate, excess amounts are removed from the indirect cost pool.
Authority Recommendation 2c	Ensure claimed labor costs are reconciled to payroll and tax records.
Corrective Action 2c	<ul style="list-style-type: none"> • WSP has made a significant effort to vet subconsultant's rates in the the Master Resource Pool (MRP.) The MRP is a SharePoint database specifically designed to maintain current and historical rates for all individuals working on the RDP Project. • Labor payroll verification is done by the WSP MRP Administrator when all subconsultant's submit payroll registers. In addition, when a new employee is approv or promotions occur, the MRP Administrator verifies by comparing the offer letter amount to the payroll register and/or the approved promotion amount to the payroll register. • As a further attempt to verify fully burdened labor rates, WSP has a process in place whereby its Senior Staff review all WSP and subconsultant invoices and compare invoiced rates with the current rates shown in the MRP to verify that the invoiced rate reflects the amount depicted in the MRP. • WSP designed a subconsultant invoicing template which has all the bill rates hardcoded into the template to ensure the rate can only be changed by a WSP Accountant. • WSP continues to enhance and upgrade the subconsultant invoicing templates considering lessons learned from past Work Plan periods, as well as implementing best practices to ensure verification of rates.
Completion Date	Completed

SUBCONSULTANT	ASCENT ENVIRONMENTAL
Person Accountable	Vinod Kambrath
Authority Recommendation 2d	Assess reasonableness of paid executive compensation and remove any excess amounts from the indirect cost pool.
Corrective Action 2d	With the additional accounting and outside consultant assistance, Subconsultant will ensure reasonableness of executive compensation and that excess costs be removed from the indirect cost pool.
Completion Date	Completed
Accountable Person	Vinod Kambrath
Issue 3	Subconsultant applied and billed a facilities capital cost of money (FCCOM) rate to fully burdened direct labor (including fee). However, the rate was not supported by the subconsultant and should not have fee applied.
Authority Recommendation 3	Subconsultant should ensure FCOM rate is properly calculated, supported and correctly applied to burdened labor.
Corrective Action 3	As of 2017, Subconsultant no longer included FCCOM in its overhead.
Completion Date	Completed
Person Accountable	Vinod Kambrath

SUBCONSULTANT	STEPHEN J. THOMAN CONSULTING (SJTC)
Issue 1:	Lack of Access to Records
Authority Recommendation 1	WSP should reimburse the Authority for questioned costs in the amount of \$1,031,835.
Corrective Action #1:	WSP is currently working with SJTC and the Authority to resolve these issues.
Completion Date:	December 2020 and/or Dependent upon Audit Committee Authority Recommendation.
Accountable Person	Vinod Kambrath