



DATE: April 14, 2023

TO: Taylor Rutsch, Contract Manager

FROM: Paula Rivera, Chief Auditor

CC: Finance and Audit Subcommittee of the Board
Brian Kelly, Chief Executive Officer
Richard Yost, Capital Contracts Procurement Manager

SUBJECT: Pre-award Review of HSR 22-09

The Audit Office of the California High-Speed Rail Authority (Authority) has completed its review of the draft agreement and cost proposal for Sustainability Services, RFQ No.: HSR 22-09, between the Authority and Arup US, Inc.

A pre-award review is performed when an agreement for architectural and engineering services is to be awarded based on qualifications. In accordance with Title 40, United States Code, Section 1104 and California Government Code Title 1, Chapter 10 Section 4528(a)(1), fair and reasonable compensation is negotiated. A pre-award review is not an audit; however, it is performed to assist in negotiations with the most qualified proposer.

The scope of the review was limited to examining the draft agreement and the cost proposal dated March 13, 2023. For the purpose of accepting contract progress billings, the objectives of the review were to determine if:

- The necessary fiscal provisions were incorporated in the draft agreement.
- The proposed costs are reasonable and in compliance with the Code of Federal Regulations, Title 48, Chapter 1, Part 31 and the agreement.

We completed a risk assessment of the subconsultants and determined the following subconsultants would be reviewed for this pre-award:

- Global ASR Consulting, Inc.
- ICF Jones & Stokes, Inc.
- OCMI, Inc.
- Polytechnique Environmental, Inc.
- TerraVerde Energy, LLC

Based on the review of the draft agreement and the cost proposal, except as discussed in the following *Issues and Recommendations* section, no material deficiencies came to our attention.

Our review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing for consulting engagements.

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

ISSUES and RECOMMENDATIONS

Cost Proposal

Issue 1 – Missing/Incorrect Loaded Billing rates

The following firms did not provide classification loaded hourly billing rates, straight (and overtime, if applicable), as required per RFQ instructions for completing the Cost Proposal/Rate Sheet Form:

1. Arup US, Inc.
2. ICF Jones & Stokes, Inc.
3. OCMI, Inc.
4. Terraverde Energy, LLC

Number seven in the instructions states in part, “Loaded Hourly Billing Rate: Under the “Loaded Hourly Billing Rates” column list the straight time (and overtime, if applicable) rates for named employees and the range for job classifications.”

Recommendation: The Contract Manager should have the Consultant revise the cost proposal to include the Loaded Hourly Billing Rate ranges for each proposed classification.

Direct Labor

Issue 2 – Overtime Issues

Arup US proposed overtime for three named employees that do not receive overtime and did not propose overtime for seven classifications that do receive overtime at straight time pay.

Global ASR Consulting proposed overtime for Berwyn Salazar, however because she is a salaried exempt employee, the company does not pay overtime to this employee. The subconsultant also proposed overtime at straight time for Allan Guia and Albert Sumera when their company pays at 1.5 times rate for these individuals.

Polytechnique Environmental inaccurately proposed overtime rates for all proposed employees, as they are all exempt.

Recommendation: The Contract Manager should have the consultants revise the cost proposal for the following consultants and proposed positions:

1. Arup US should remove overtime for the following proposed positions:
 - Raphael Sperry
 - Sahar Abbaszadeh
 - Jack (John) Hogan

Arup US should include overtime at straight time for the following classifications:

- Senior Consultant/Planner/Engineer (low)
- Consultant/Planner/Engineer (low)
- Senior BIM Technician (low)
- BIM Technician (low and high)
- Senior Project Controls (low)
- Project Controls (low and high)
- Project Administration (low and high)

2. Global ASR Consulting:
 - Berwyn Salazar: remove the overtime rate and write “n/a” instead
 - Allan Guia: revise to reflect a 1.5x overtime rate
 - Albert Sumera: revise to reflect a 1.5x overtime rate
3. Polytechnique Environmental should remove the overtime rates for all proposed employees from their cost proposal.

Issue 3 – Overstated Actual Labor Rates Proposed

ICF Jones & Stokes overstated the raw hourly rate for three classifications:

- Associate Consultant III
- Assistant Consultant
- Administrative Technician

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported rate for the following classifications:

Classification	Proposed Rate	Evaluated Hourly Rate
Associate Consultant III (high)	\$ 67.87	\$ 45.24
Assistant Consultant (high)	\$ 30.78	\$ 28.28
Administrative Technician (low)	\$ 41.16	\$ 35.10
Administrative Technician (high)	\$ 52.66	\$ 41.16

Issue 4 – Understated Actual Labor Rates Proposed

Arup US understated the actual hourly rates on their cost proposal. Their payroll registers can support a higher rate.

Recommendation: The Contract Manager should have Arup US update their cost proposal to reflect the supported rate for the following classifications:

Classification	Proposed Rate	Evaluated Hourly Rate
Senior Consultant/Planner/Engineer (high)	\$ 82.78	\$ 94.85
Consultant/Planner/Engineer (high)	\$ 52.88	\$ 60.10
BIM Technician (high)	\$ 45.75	\$ 46.95
Project Administration (high)	\$ 45.21	\$ 56.73

Issue 5 – Improper 1099 Contractor Proposed

TerraVerde Energy proposed an expected employee for Associate Principal who is an independent consultant. Rate was proposed without an overhead rate and fee. Jen Petherick is an independent consultant and their rate is not subjected to the overhead rate and fee application.

Recommendation: The Contract Manager should have TerraVerde Energy revise the cost proposal and identify Jen Petherick on an individual line and indicate "Independent Consultant", an N/A in the Loaded Hourly Billing Rate column. Ensure that an agreement (new or revised) is entered with independent consultant to reflect work for this project.

Issue 6 – Range Proposed for Expected Salary Increases

TerraVerde Energy included a range of rates classifications to reflect an upcoming rate increase in April 2023 payroll as the high range. They can identify expected employees list but did not add the names to the cost proposal. The low range is the supported and is the actual base hourly rate.

Recommendation:

The Contract Manager should have the Consultant revise the cost proposal with the following information:

Classification	Name	Evaluated Hourly Rate
Principal-Project Director	Ali Chehrehsez	\$ 157.21
Associate Principal - Project Manager	Daniel Postoian	\$ 86.54
Associate Principal	David Burdick	\$ 132.21
Project Manager	Steven Chan	\$ 67.31
Senior Engineer	Miya Lee	\$ 69.71
Junior Engineer	JP Bourquin	\$ 50.48

Indirect Costs

Issue 7 – Indirect Rate Schedule Not Provided

Global ASR Consulting and Polytechnique Environmental did not provide a Fiscal Year 2021 indirect cost rate.

Recommendation:

The Contract Manager should request Global ASR Consulting and Polytechnique Environmental to provide a Fiscal Year 2021 indirect cost rate, supporting trial balance, and update their cost proposal, as applicable, by the end of April 2023 and May 2023, respectively.

When the Contract Manager receives the updated indirect rate and trial balances, they should forward it to the Audit Office for evaluation.

Issue 8 – Unsupported Indirect Rate

TerraVerde Energy provided an audited overhead rate report, however, additional documentation requested was not provided.

OCMI provided a 2021 Indirect Rate Schedule; however, additional documentation requested was not provided.

Recommendation:

The Contract Manager should request TerraVerde Energy and OCMI provide the supporting documentation requested if they submit billings for this Fiscal Year. If work and billings begin next Fiscal Year, then provide the Contract Manager the 2022 overhead rate.

When the Contract Manager receives the updated indirect rate and trial balances, they should forward it to the Audit Office for evaluation.