



**DATE:** November 22, 2024

**TO:** Joy Pinne, Contract Manager

**FROM:** Paula Rivera, <sup>PR</sup> Chief Auditor

**CC:** Ian Choudri, Chief Executive Officer  
Christine Inouye, Director of Strategic Delivery  
Darin Kishiyama, Director of Contract Management  
Clay Lomax, Engineering Project Manager

**SUBJECT: Interim Review of HSR 22-01**

The Authority's Audit Office of the California High-Speed Rail Authority (Authority) has completed its contract compliance review of Agreement No. HSR 22-01, Amendment 2 with HNTB Corporation. The review was conducted in accordance with The Institute of Internal Auditors' Global Internal Audit Standards for consulting engagements.

The objective of the review was to determine whether HNTB Corporation and its subconsultants complied with the requirements of the agreement, including but not limited to cost compliance with applicable Code of Federal Regulations Title 48, Part 31, Contract Cost Principles and Procedures. The scope of the review was limited to verifying costs proposed in the Master Resource Pool for Fiscal Year (FY) 24/25 were supported.

We completed a risk assessment and identified the following 21 subconsultants to be reviewed:

- Anser Advisory Management, LLC
- AimTD LLC
- BESS Testlab
- Calvada Surveying
- FMF Pandion
- IDC Consulting Engineers
- Jacobs Engineering Group
- JMA Civil
- Lynn Capouya
- MA Engineering
- MGE Engineering
- Monument Row

- NCM Engineering Corp
- Ramos Consulting Services
- Ruettggers & Schuler Civil Engineers
- Sapphos Environmental
- Sener Engineering & Systems
- V&A Inc
- Value Management Strategies
- Wagner Engineering & Survey
- Zephyr Rail

Based on the review of the Master Resource Pool for FY24/25, 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 management in support of contract management and management of the Authority. However, this report is a public document, and its distribution is not limited.

## **Issues and Recommendations**

### **Direct Labor**

**Issue #1** – We reviewed 483 raw labor rates and found 260 were overstated on FY24/25 Master Resource Pool.

**Recommendation** – The Contract Manager should have HNTB Corporation adjust the overstated raw rates on the FY24/25 Master Resource Pool to the verified payroll rates.

### **Indirect Cost Rate**

**Issue #2**– Discrepancies were identified between the indirect cost rates on the FY24/25 Master Resource Pool and what was verified to be actual indirect cost rates for 19 out of 22 firms reviewed.

**Recommendation** – The Contract Manager should have HNTB Corporation adjust the indirect cost rates on the FY24/25 Master Resource Pool for all firms per verified actual indirect cost rates.

**Issue #3** – MGE Engineering was not able to provide a supportable FY 2023 Indirect Cost Rate Schedule and FY 2023 Trial Balance; therefore, their indirect rate could not be verified to be actual.

**Recommendation** – The Contract Manager should follow Exhibit B, section 2.2 of the contract regarding updated Indirect cost rates prior to the annual escalation until MGE Engineering can provide a supportable indirect cost rate for FY 2023. HNTB Corporation should work with MGE Engineering to develop their FY 2023 indirect cost rate.

**Issue #4** – AimTD LLC's financial management system does not allow for hourly billing rates to be calculated.

**Recommendation** –The Contract Manager should work with HNTB to amend the contract to allow for AimTD LLC's appropriate billing method.