



## *Memorandum*

**DATE:** June 6, 2016

**TO:** Scott Rothenberg, Contract Manager

**FROM:** Paula Rivera, Audit Office

**CC:** Finance and Audit Subcommittee of the Board  
Jeff Morales, CEO  
Kimberly Gilles, Contract Analyst

**SUBJECT:** Pre-award Review HSR 15-107

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The California High-Speed Rail Authority (Authority) Audit Office has completed its review of the draft agreement and cost proposals for Environmental Services for the Merced to Fresno Project Section, RFQ HSR15-107, between the Authority and PlaceWorks.

The scope was limited to reviewing the draft agreement and the cost proposals dated April 15, 2016. 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 engagements 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 submitted by the Contractor, and accordingly, review reports express no such opinion.

The Authority Audit Office has not undergone a peer review as required by the Government Auditing Standards due to the recent formation of the Audit Office and the lack of a body of work to be reviewed. The Authority Audit Office 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 came to our attention.

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

### Issue 1

The following proposed indirect cost rates were misstated:

| Firm                   | Proposed | Supported |
|------------------------|----------|-----------|
| DRMcNatty & Associates | 273.20%  | 186.84%   |
| Virtek Company         | 110.00   | 94.00     |
| GCM Consulting Inc.    | 142.00   | 123.00    |
| Circlepoint            | 219.76   | 188.64    |
| ICF                    | 164.32   | 168.00    |

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported indirect cost rates.

### Issue 2

The proposed indirect rate for ENGEO Incorporated is not supported.

**Recommendation:** The Contract Manager should review supporting documentation in conjunction with the Audit Office when received from ENGEO Incorporated, prior to ENGEO Incorporated performing work on this contract.

### Issue 3

The proposed hourly rates were misstated for the following employees:

| Employee/Classification | Proposed Rate | Supported Rate | Firm                      |
|-------------------------|---------------|----------------|---------------------------|
| Phil Stuechieli         | 57.69         | 55.29          | ENGEO Incorporated        |
| Janet Kan               | 57.69         | 52.88          | ENGEO Incorporated        |
| Paul Cottingham         | 38.46         | 37.02          | ENGEO Incorporated        |
| Shawn Munger            | 61.94         | 57.69          | ENGEO Incorporated        |
| Marco Torres            | 26.44         | 23.00          | ENGEO Incorporated        |
| Daine Johnson           | 59.62         | 55.80          | BFK                       |
| Mike Vidra              | 48.00         | 46.00          | BFK                       |
| Taide Rodriguez         | 37.00         | 36.00          | BFK                       |
| Clara Lindberg          | 33.00         | 30.50          | BFK                       |
| Bob Thorpe              | 40.00         | 44.00          | Epic Land Solutions, Inc. |
| Kwan Luu                | 28.85         | 26.44          | Epic Land Solutions, Inc. |

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported hourly rates.

#### Issue 4

The proposed hourly rate of \$64.90 for the Senior Transportation Engineer classification for TJKM was misstated. The supported hourly rate is \$52.32.

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported hourly rates.

#### Issue 5

The hourly ranges were not supported for the following proposed classifications:

| Classification                        | Proposed Range  | Supported Rate/Range | Firm               |
|---------------------------------------|-----------------|----------------------|--------------------|
| CAD Specialist                        | \$26.00 – 41.83 | \$24.50 – 40.38      | ENGEO Incorporated |
| Project Assistant                     | 22.00 – 63.94   | 21.00 – 60.10        | ENGEO Incorporated |
| Senior Engineer/Geologist             | 39.90 – 45.19   | 40.87                | ENGEO Incorporated |
| Project Engineer                      | 32.21 – 38.46   | 31.25                | ENGEO Incorporated |
| Staff Engineer                        | 24.04 – 38.47   | 23.08 – 34.62        | ENGEO Incorporated |
| Construction Services Manager         | 35.00 – 47.50   | 31.00 – 46.00        | ENGEO Incorporated |
| Field Representative                  | 18.00 – 29.00   | 17.00 – 29.00        | ENGEO Incorporated |
| Senior Field Representative I         | 26.00 – 35.50   | 25.00 – 34.50        | ENGEO Incorporated |
| Senior Field Representative II        | 39.00 – 50.00   | 38.00 – 48.00        | ENGEO Incorporated |
| Principal/Director                    | 70.00 – 85.00   | 71.11 – 81.73        | TJKM               |
| Transportation Planner                | 30.00 – 40.00   | 30.00 – 38.53        | TJKM               |
| Assistant Transportation Planner      | 20.00 – 30.00   | 20.00 – 28.00        | TJKM               |
| Assistant Transportation Engineer     | 25.00 – 35.00   | 25.00 – 31.07        | TJKM               |
| Principal-In-Charge                   | 80.00 – 89.00   | 76.48 – 102.75       | BKF                |
| Project Manager                       | 55.00 – 59.00   | 51.00 – 60.00        | BKF                |
| Engineer 3                            | 45.00 – 49.00   | 43.50 – 50.00        | BKF                |
| Engineer 2                            | 37.00 – 38.00   | 35.00 – 44.75        | BKF                |
| Engineer 1                            | 33.00 – 34.00   | 30.00 – 35.00        | BKF                |
| Survey Manager                        | 54.00 – 57.00   | 51.00 – 60.00        | BKF                |
| Party Chief                           | 42.00 – 47.00   | 38.75 – 41.25        | BKF                |
| Survey Crew                           | 33.00 – 36.00   | 32.78 – 33.78        | BKF                |
| Senior Environmental Planner          | 45.00 – 65.00   | 45.67 – 61.00        | Circlepoint        |
| Associate Environmental Planner       | 28.00 – 45.00   | 28.00 – 39.42        | Circlepoint        |
| Environmental Planner                 | 20.00 – 31.00   | 19.50 – 28.85        | Circlepoint        |
| Senior Environmental Scientist (Sup)  | 38.00 – 65.00   | 38.00 – 62.50        | Circlepoint        |
| Senior Environmental Scientist (Spec) | 28.00 – 45.00   | 28.00 – 36.16        | Circlepoint        |
| Environmental Scientist               | 20.00 – 35.00   | 20.00 – 30.00        | Circlepoint        |
| Project Admin (Admin3)                | 70.00 – 85.00   | 79.33                | Circlepoint        |
| Project Admin 2 (Admin 2)             | 40.00 – 55.00   | 45.27                | Circlepoint        |
| Project Admin 1 (Admin 1)             | 23.00 – 40.00   | 23.00 – 33.65        | Circlepoint        |
| Clerical 2 (Clrc 2)                   | 20.00 – 30.00   | 23.91                | Circlepoint        |

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the supported rates/ranges.

#### **Issue 6**

The overtime rates for the three Field Representative classifications proposed by ENGEO Incorporated were miscalculated.

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect that overtime for the three Field Representative classifications be calculated at 1.5 and 2 times the Hourly Billing Rate.

#### **Issue 7**

The classifications of Assistant Transportation Planner and Assistant Transportation Engineer were proposed by TJKM with overtime rates, which was in error.

**Recommendation:** The Contract Manager should have the overtime rates removed from the cost proposal for the Assistant Transportation Planner and Assistant Transportation Engineer for TJKM.

#### **Issue 8**

Strada E.C, Inc was unable to support the proposed labor rate or the proposed indirect rate at this time.

**Recommendation:** Strada E.C., Inc. should provide to the Contract Manager by August 2016, documentation to support the reasonableness of the proposed rates.

#### **Issue 9**

The Assistant Engineer classification for ENGEO Incorporated was not supported:

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