



## Memorandum

**DATE:** September 16, 2016

**TO:** Randy Anderson, Contract Manager

**FROM:** Paula Rivera, Audit Office

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

**SUBJECT:** Pre-Award Review HSR 15-172

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The California High-Speed Rail Authority's (Authority) Audit Office has completed its review of the draft agreement and the cost proposals for geotechnical site investigation services, HSR15-172, between the Authority and Kleinfelder, Inc.

The scope was limited to reviewing the draft agreement and the cost proposals dated August 19, 2016. The objectives of the review were to determine if the necessary fiscal provisions were incorporated in the draft agreement and if 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 for which the objective is to express an opinion. Accordingly, this review report expresses no such opinion.

The Authority's 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 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 subconsultants proposed loaded hourly billing rates but could not support the actual hourly rates, which is the basis for the loaded hourly billing rate. Therefore, we determined the hourly prevailing wage rates is reasonable.

Company	Classification	Proposed Loaded Hourly Billing Rate (Straight Time)	Prevailing Wage Total Hourly Rate (Straight Time)
All Well Abandonment	Driller Helper	113.34	59.97
California Push Technologies, Inc.	Geotechnical Driller Group 3	124.00	65.20
	Driller Helper Group 4	114.05	59.97
Construction Area Signs, Inc.	Traffic Control Person	85.00	51.54
GREGG Drilling and Testing, Inc.	Geotechnical Driller Group 3	120.00	65.20
	Geotechnical Driller Helper Group 4	110.00	59.97
Middle Earth Geo Testing, Inc.	Driller Group 3	60.00	65.20
Moore Twining Associates	Geotechnical Driller Group 3	150.61	65.20
	Driller Helper Group 4	138.53	59.97
National EWP, Inc.	Driller Group 3	95.00	65.20
	Driller Helper Group 4	88.00	59.97
	Water Truck Driver	91.26	54.97
Ruen Drilling, Inc.	Geotechnical Driller	108.41	65.20
	Driller Helper	102.37	59.97
Taber Drilling	Driller	140.00	65.20
	Driller Helper	100.00	59.97
Technicon Engineering Services, Inc.	Driller Group 3	137.15	65.20
	Driller Helper Group 4	126.32	59.97
Woodward Drilling Co	Driller Group 3	94.00	65.20
	Helper #1 Group 4	86.00	59.97
	Supervisor (Driller) (Group 3)	94.00	65.20

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the applicable Prevailing Wage Rates.

**Issue 2**

The following subconsultants proposed loaded hourly billing rates. We identified their supported actual hourly rates as follows:

<b>Company</b>	<b>Classification</b>	<b>Supported Actual Hourly Rate (Straight)</b>
All Well Abandonment	Driller - Exempt	48.08
CAL Engineering and Geology, Inc.	Sr. Principal Phillip Gregory	86.54
	Sr. Associate Dan Peluso	69.23
	Principal Reid Risher	67.31
	Associate Engineer David Bushcheck	56.73
	Sr. Engineer Eli Zane	55.29
	Associate Engineer Chris Hockett	52.88
	Sr. Geologist David Burger	44.23
	Staff Engineer Mehal Vitthal	32.69
	Assistant Steve Hunter	23.75
	Sr. Administrative Kimberly Coleman	35.00
	CADD Katarzyna	25.00

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

**Issue 3**

The following companies proposed loaded hourly billing rates but could not support the actual hourly labor rates.

<b>Company</b>	<b>Classification</b>	<b>Proposed Hourly Billing Rate (Straight)</b>
Devico USA AS	Project Engineer Shift 1	118.00
	Project Engineer Shift 2	123.00
	Admin/Project Manager	90.00
GREGG Drilling and Testing, Inc.	Project Manager	105.00
	Project Assistant	70.00
	Admin Assistant	55.00
National EWP, Inc.	Admin/Project Supervisor	125.00
Ruen Drilling, Inc.	Safety Office	49.24
	Administrator	45.28
	Clerk	43.52
Technicon Engineering Services, Inc.	Administrative	72.82
Woodward Drilling Co.	Admin	30.00

**Recommendation:** The Contract Manager should verify the actual hourly labor rates before staff in these classifications perform work on the project or remove the classifications whose rates cannot be supported.

**Issue 4**

Kleinfelder, Inc. identified Bruce Hilton (Quality Management Fault Investigations) as an employee but he is an independent consultant. Also, GEOVision identified Robert Stellar (Senior Geophysicist) as an employee but he is an independent consultant.

**Recommendation:** The cost proposal should be revised to reflect Bruce Hilton and Robert Stellar as independent consultants and should be reimbursed for their hourly rates of \$180.00 and \$75.00, respectively and without overhead or fee applied.

**Issue 5**

The cost proposal identifies prevailing wage will be paid in accordance with the California Department of Industrial Relation’s Prevailing Wage Determination NC-63-3-9-2015-1. However, the following companies use different Determinations for their employee classifications noted as follows:

<b>Company</b>	<b>Correct Prevailing Wage Determination</b>
All Well Abandonment	Traffic Control NC-23-102-2015-2
Chaudhary & Associates	Surveying
Construction Area Signs, Inc.	Traffic Control NC-23-102-2015-2
Geotech Utility Locating, LLC	Surveying

**Recommendation:** The Contract Manager should have the cost proposal revised to reflect the appropriate Prevailing Wage Determination.

**Issue 6**

The following subconsultants were able to support their indirect cost rates as identified.

<b>Company</b>	<b>Proposed Indirect Rate</b>	<b>Evaluated Indirect Rate</b>
All Well Abandonment	Not stated	110%
Cadre Design Group, Inc.	115%	208%
CAL Engineering and Geology, Inc.	Not stated	227%
Construction Area Signs, Inc.	Not stated	43%
GEOVision, Inc.	125.43%	192%
Moore Twining Associates	Not stated	133%

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

**Issue 7**

Our review found the following subconsultants could not support the indirect cost portion of their proposed loaded hourly billing rates.

- California Push Technologies, Inc.
- Devico USA AS
- GREGG Drilling and Testing, Inc.
- National EWP, Inc.
- Taber Drilling
- Woodward Drilling Co.

**Recommendation:** The Contract Manager should not reimburse indirect costs for the subconsultants identified above.

**Issue 8**

Our review found the following subconsultants could not support the other direct cost rates proposed.

- Kleinfelder
- All Well Abandonment
- CA Push Technologies Inc.
- Construction Area Signs
- Devico
- Fugro
- Gregg Drilling and Testing
- Moore Twining Associates, Inc.
- National EWP Inc.
- Ruen Drilling
- Tabor Drilling

**Recommendation:** The Contract Manager should not allow the identified companies to incur other direct costs on this contract until they provide supporting documentation for the proposed other direct costs.

**Issue 9**

Geotech Utility Locating LLC proposed travel expenses at actual costs.

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

**Issue 10**

Crux Subsurface, Middle Earth Geo Testing, and Technicon Engineering Services, Inc., did not provide documentation to support their proposed costs.

**Recommendation:** Crux Subsurface, Middle Earth Geo Testing, and Technicon Engineering Services, Inc., should not perform work on this contract until they provide documentation supporting their proposed rates.