



Memorandum

DATE: July 18, 2017

TO: David Kwalwasser, Contract Manager

FROM: Paula Rivera, Chief Auditor

CC: Finance and Audit Subcommittee of the Board
Tom Fellenz, Interim Chief Executive Officer
Domonique Wilson, Acquisition Specialist

SUBJECT: Preaward Review of HSR 16-11

The California High-Speed Rail Authority's (Authority) Audit Office has completed its review of the draft agreement and cost proposals for right-of-way engineering and survey support services for Pacheco Pass, RFQ HSR 16-11, between the Authority and Towill, Inc.

The scope of the review was limited to reviewing the draft agreement and the cost proposal dated May 12, 2017. 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.

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.

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

Parus Consulting could not support the proposed hourly rates for the following employees and classification:

- W.E. Haas
- Mark Kile
- Alex Walton
- Sue Goodkin
- Project Surveyor

Recommendation: The Contract Manager should have the cost proposal revised removing the identified employees and classification from the proposal for Parus Consulting.

Issue 2

Parus Consulting proposed a billing rate of \$24.00/hour for Jackie Putman. However, the supported rate was \$22.00/hour.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported hourly rate of \$22.00/hour for Jackie Putnam of Parus Consulting.

Issue 3

Telamon Engineering Consulting, Inc. could not support the proposed upper range of the proposed rates for Office Surveyor and CAD Drafter classifications. Also, the proposed rates for Survey Party Chief, Survey Instrumentman, and Survey Chainman were not within the hourly rates specified by the Operating Engineers – Local 3 or the prevailing wage rates of the Department of Industrial Relations.

Recommendation: The Contract Manager should have the cost proposal revised removing the Office Surveyor and CAD Drafter classifications and reflecting the hourly rates specified by the Operating Engineers – Local 3 or the prevailing wage rates of the Department of Industrial Relations for the Survey Party Chief, Survey Instrumentman, and Survey Chainman classifications for Telamon Engineering Consulting, Inc.

Issue 4

Blair, Church & Flynn Consulting Engineers proposed a range of \$25.00 (low) -- \$37.00 (high) per hour for Assistant Land Surveyor classification and \$18.00 (low) -- \$25.00 (high) for Land Survey Technician classification. The supported rates for the high range were \$31.88 for Assistant Land Surveyor classification and \$22.25 for Land Survey Technician classification.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported rates for the high range of \$31.88 for the Assistant Land Surveyor classification and \$22.25 for the Land Survey Technician classification for Blair, Church & Flynn Consulting Engineers.

Issue 5

The proposed indirect cost rate was misstated, as follows:

Company	Proposed Indirect Rate	Evaluated Indirect Rate
Towill, Inc.	182.11%	185.08%
Mark Thomas and Company, Inc.	159.33%	157.83%
Telamon Engineering Consulting, Inc.	153.48%	177.72%

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

Issue 6

Parus Consulting proposed an indirect cost rate of 184.27%. However, the supported indirect cost rate is 172.9% for non-prevailing wage employees. For prevailing wage employees, the evaluated general and administrative cost rate is 139.5% with a fixed \$29.93 per hour for fringe benefits.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported indirect cost rate of 172.9% for non-prevailing wage employees and the evaluated general and administrative cost rate of 139.5% with a fixed \$29.93 per hour for fringe benefits for prevailing wage employees of Parus Consulting.

Issue 7

Parus Consulting proposed other direct costs according to their 2017 schedule of fees. However, other direct costs for this agreement should be reimbursed at actual cost.

Recommendation: The contract manager should have the cost proposal revised to reflect the reimbursement of other direct costs at actual cost, supported by vendor receipts.

Issue 8

Blair, Church & Flynn Consulting Engineers proposed an overtime indirect rate, which was not supported.

Recommendation: The contract manager should have the cost proposal revised to remove the overtime indirect rate.

Issue 9

Towill, Inc., and its subconsultants proposed a fee of 12%.

Recommendation: The fee should be negotiated by the Authority and Towill, Inc.