



**DATE:** August 9, 2022

**TO:** Denix Anbiah, Contract Manager

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

**CC:** Finance and Audit Subcommittee of the Board  
Brian Kelly, Chief Executive Officer  
Rachel Wong, Capital Procurements  
Della Leong, Capital Procurements

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

The Audit Office of the California High-Speed Rail Authority (Authority) has completed its review of the draft agreement and cost proposal for Design Services for Fresno to Bakersfield Locally Generated Alternative (LGA) Project Section, RFQ No.: HSR 22-01, between the Authority and HNTB Corporation (Consultant).

A preaward 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. The preaward review 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 July 20, 2022 and the supplemental cost proposal dated July 25, 2022. 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 subcontractors and determined the following subcontractors would be reviewed for this preaward:

- Jacobs Engineering Group, Inc.
- NCM Engineering Corporation
- SENER Engineering and Systems, Inc.
- V&A Inc.
- MA Engineering
- Earth Mechanics, Inc.
- Ramos Consulting Services, Inc.

Based on the review of the draft agreement and the cost proposal, except as discussed in the *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

### Issue 1 – Unsupported Hourly Classification Rates

The following consultant and subconsultants could not support the respective classification rates and ranges with the submitted payroll registers:

1. Ramos Consulting Services proposed the following unsupported classifications rates and ranges:
  - Sr. Utilities Coordinator / Cost Estimator III was proposed at \$60.00-\$90.00.
  - Project Engineer / Sr Project Analyst was proposed at \$55. 00-\$85.00.
  - Principal Utilities Coordinator/Principal Cost Estimator was proposed at \$70.00-\$100.00.
  - Engineer II was proposed at \$35.00-\$65.00.
  - Senior Engineer was proposed at \$65.00-\$95.00.
  - Utilities Coordinator/Sr. Project Engineer was proposed at \$60.00-\$90.00.
  - Project Engineer was proposed at \$45.00-\$75.00.
2. HNTB proposed the following unsupported classification ranges:
  - Utilities Coordinator - High Rate of \$ 58.80.
  - Senior Utilities Coordinator - High Rate of \$ 69.12.
3. Jacobs Engineering Group, Inc. overstated the actual low rates and Loaded Hourly Billing Rate (LHBR) with 7.5% and 9% fixed fee for Engineer, Document Controls III, & Sr. Utilities Coordinator.

**Recommendation:** The Contract Manager should have the classifications revised to reflect the supported hourly ranges for the following:

1. Ramos Consulting Services:
  - Sr. Utilities Coordinator / Cost Estimator III \$67.20.
  - Project Engineer / Sr Project Analyst range of \$57.00-\$82.00.
  - Principal Utilities Coordinator/Principal Cost Estimator range of \$78.75-\$92.82.
  - Engineer II range of \$44.24-\$65.00.
  - Senior Engineer range of \$ 70.25-\$111.00.
  - Sr. Utilities Coordinator/Sr. Project Engineer range of \$ 76.80-\$91.45.
  - Project Engineer range of \$ 54.55-\$75.00.
2. HNTB:
  - Utilities Coordinator - High Rate of \$ 75.92.
  - Senior Utilities Coordinator - High Rate of \$ 91.36
3. The Contract Manager should have Consultant revise the cost proposal for Jacobs Engineering Group, Inc., to change the actual rate (low) and the LHBR with 7.5% & 9% fixed fees for the following:

- Technician I revise low actual to \$35.25; add LHBR (7.5%) to \$76.83; add low LHBR (9%) to \$77.90
- Engineers revise low actual to \$30.59; revise down LHBR (7.5%) to \$66.67; revise down LHBR (9%) to \$67.60
- Document Controls III revise low actual to \$49.52; add LHBR (7.5%) to \$107.94; low add LHBR (9%) to \$109.44
- Sr. Utilities Coordinator revise low actual to \$80.98: add LHBR (7.5%) to \$176.49; add low LHBR (9%) to \$178.96

When individuals are identified for classifications the Contract Manager should request an offer letter or payroll register to verify actual labor cost.

## **Issue 2 – Unnecessary Rates on Cost Proposal**

Employees proposed with actual hourly rates also identified rates proposed for Classification Range for all three Cost Proposals (Transitional Period, Initial Rates, Adjusted Rates) provided by HNTB.

**Recommendation:** We recommend the Contract Manager have the classification range rates removed for all employees proposed with actual hourly rates for all three cost proposals (Transitional Period, Initial Rates, Adjusted Rates) provided by HNTB.

## **Issue 3 – Use of Prior Year OH Rate in Proposal**

NCM Engineering provided FY 2020 indirect rate schedule.

**Recommendation:** By October 2022, the Contract Manager should have the Consultant provide indirect cost rate schedules and supporting documentation for 2021 rates for NCM Engineering.

## **Issue 4 – Unsupported Proposed Overtime**

Earth Mechanics miscalculated overtime rate. Proposed loaded overtime hourly billing rate was miscalculated and unsupportable for the following classifications:

- Senior Engineer (P.E. #77983)
- Project Engineer
- Senior Staff Engineer
- Senior Technician

**Recommendation:** The Contract Manager should have the Consultant revise the cost proposal for the proposed loaded overtime hourly billing rate to reflect the same rate as the proposed loaded hourly billing rate for straight time for the following classifications:

- Senior Engineer (P.E. #77983)
- Project Engineer
- Senior Staff Engineer
- Senior Technician

## Issue 5 – Incorrect Overtime Rate Calculation

V&A's cost proposal included an incorrect formula for calculating overtime rates for non-exempt employees. The Consultant provided the subconsultant with the rate sheet file with the incorrect overtime rate formula.

**Recommendation:** The Contract Manager should have the overtime rates updated to ensure that the formula for calculating overtime has been corrected.

## Issue 6 – Unsupported Other Direct Costs

- HNTB proposed rates for Airfare, Mileage, Lodging, and Meals. Refreshments were proposed at actual.
- Ramos Consulting Services proposed travel expenses at cost. Mileage was proposed at the federal rate. Vehicle lease proposed at industry standard of \$1,400.
- NCM Engineering proposed IRS mileage rates for use of Personal Vehicles and Company Vehicles. Additionally Travel/per Diem are proposed at actual.
- SENER Engineering and Systems, Inc proposed IRS mileage rates for use of Personal Vehicles and Company Vehicles. Additionally, Travel/per Diem was proposed at actual costs.
- Jacobs Engineering Group, Inc proposed IRS mileage rates for use of Personal Vehicles and Company Vehicles. Additionally, "Travel/per Diem" is proposed at actual.
- Earth Mechanics proposed unsupported rates for: Outside Printing and Reproduction, Mileage-Personal Vehicle, Company Vehicle, Travel/Per Diem, FED EX/ US Postal/ UPS, Courier Service.
- MA Engineering proposed Mileage-personal Vehicle and Company Vehicle at IRS rates and Travel/Per Diem at Actual. Also, the subconsultant did not specify what the proposed rates are for Outside Printing and Repo, Postage and Courier Service.

**Recommendation:** The Contract Manager should have the following subconsultants change the Other Direct Costs to the following:

- HNTB should revise their Airfare to be reimbursed at actual, Mileage, Lodging, and Meals at CalHR rates. Refreshments should be removed from the Other Direct Cost schedule.
- Ramos should revise Travel Expenses and Mileage at CalHR rates, and vehicle lease should be changed to actual cost.
- NCM Engineering Corporation should revise their Personal Vehicles and Company Vehicles and Travel/Per Diem at CalHR rates.
- SENER should revise Personal/Company Vehicles and Travel/Per Diem at CalHR rates.
- Jacobs Engineering Group should revise their Travel/Per Diem and all Mileage rates proposed at CalHR rates.
- Earth Mechanics should revise their Mileage-Personal Vehicle, Company Vehicle, Travel/Per Diem at CalHR rates, and FED EX/ US Postal/ UPS, Courier Service and Outside Printing and Reproduction at actual cost.

- MA Engineering should revise their Outside Printing & Repo, Postage and Courier Service at actual cost and Mileage-Personal Vehicle, Mileage-Company Vehicle, Travel/Per Diem at CalHR rates.

### **Issue 7 – Miscalculated Loaded Hourly Billing Rates (OT)**

For Cost Proposal provided by HNTB at 7.5% fee, Loaded Hourly Billing Rates (OT) for the following employees are miscalculated:

1. Robert Kennah
2. Amjad Hussain
3. Suresh Kataria
4. Hadi Samii
5. Stephen Bray

For Cost Proposal provided by HNTB at 9% fee, Loaded Hourly Billing Rates (OT) for all employees and classifications except Intern are miscalculated.

**Recommendation:** At 7.5% Fee, the Contract Manager should have the Consultant recalculate the cost proposal to correctly reflect loaded hourly billing rates (OT) for the employees identified above.

At 9% fee, the Contract Manager should have the Consultant recalculate the cost proposal to correctly reflect loaded hourly billing rates (OT) for all employees and classifications.

### **Issue 8 – Classification Rates Not Included on Proposal**

Jacobs Engineering Group’s cost proposal rate sheets (7.5% & 9% fixed fees) did not have classification ranges accurately recorded. Seven of eight classifications had the same rate for actual and low & high range. The documentation provided could support a low & high range for each proposed classification.

Also, the Senior Project Engineer classification had two payroll registers, but the classification was not included on the rate sheets.

**Recommendation:** The Contract Manager should have the cost proposals revised for Jacobs Engineering Group, Inc and revise the high ranges for the following:

- Technician III revise up to \$69.43
- Engineer revise up to \$50.07
- Engineer II revise up to \$73.55
- Project Engineer revise up to \$95.67
- Utilities Coordinator revise up to \$65.01
- Senior Project Engineer add ranges: low of \$100.05 and high of \$113.02

### **Issue 9 – Change in Cost Proposal**

During the course of the pre-award, V&A proposed a change to their rate sheet from eight classifications to 13 named employees and changed their indirect rate to the audited 2019 home

rate of 194.53%.

**Recommendation:** The Contract Manager should evaluate the new cost proposal with 13 named employees with the use of the provisional audited 2019 OH home rate of 194.53%, contingent upon obtaining the most current V&A Inc. 2021 audited OH home rate with supporting documentation October 2022.

#### **Issue 10 – Unsupported Indirect Rate**

Due to time constraints, we were unable to complete our evaluation of the indirect cost rate for Earth Mechanics for the year ended January 31, 2022.

**Recommendation:** The Contract Manager should have the indirect cost rate for Earth Mechanics revised, if applicable, with information to be provided by the Audit Office by August 16, 2022.