



## Memorandum

**DATE:** November 10, 2021

**TO:** Jose DeAlba, Contract Manager

**FROM:** Paula Rivera, Chief Auditor

**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 20-36

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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 Historic Fresno Station Seismic and Accessibility Renovations, RFQ No.: HSR20-36, between the Authority and Page & Turnbull.

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 October 18, 2021. 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.

Based on the review of the draft agreement and the cost proposal, 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 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 Indirect Cost Rate

*Visual Terrain, Inc.*'s proposed indirect rate of 253% was unsupported.

**Recommendation:** The Contract Manager should have the consultant revise the proposed indirect rate to the supported rate of 201.63%, as supported by *Visual Terrain, Inc.*'s indirect rate schedule.

### Issue 2 – Indirect Cost Rate Not Provided

*Selbert Perkins*' Fiscal Year End 2020 indirect rate calculation has not been finalized.

**Recommendation:** The Contract Manager should provide the final Fiscal Year End 2020 indirect rate schedule to the Audit Office for review when received.

### Issue 3 – Unsupported Overtime Indirect Rate

*Selbert Perkins* does not maintain separate cost pools for regular and overtime indirect costs, therefore they could not support the overtime indirect rate proposed.

**Recommendation:** The Contract Manager should have the consultant remove the overtime indirect rate from the cost proposal.

### Issue 4 – Unsupported Proposed Hourly Rates

*Visual Terrain, Inc.* proposed rates were not supported for the following employees, based on current conditions, as follows:

- Lisa Passamonte Green
- Michael Mahlum
- Nicole Eng

**Recommendation:** The Contract Manager should verify current actual rates before the above listed employees perform work on the contract.

### Issue 5 – Unsupported Proposed Hourly Rates

The proposed hourly rates were overstated for the following consultant employees/classifications:

*BSK Associates*

- Staff Engineer I
- Project Administrator
- Group 3 – Regular Shift

*Aliquot Associates, Inc.*

- Adam Xu

**Recommendation:** The Contract Manager should have the consultants revise the proposed hourly rates, as follows:

- Staff Engineer I - \$17-\$24
- Project Administrator - \$24
- Group 3 – Regular Shift - \$42.84
- Adam Xu - \$49.17.

### **Issue 6 – Unsupported Proposed Overtime**

The following salaried employees do not receive overtime pay, therefore the proposed overtime loaded rates for salaried employees are unsupported:

*Aliquot Associates, Inc.*

- Robert Wong
- Vincent D’Alo
- Ferdinand Ciceron
- Adam Xu
- Kevin Chung
- Mason Chin
- John Santos
- Michael Mussari
- Mark Hill
- John Braswell
- Jared D’Alo

*Selbert Perkins*

- Robin Perkins
- Clifford Selbert
- Andrew Davey
- Paul Nagakura
- Carl Crooks
- Brandon Reeves
- Zhuoyue "Rikki" Zhang
- Edgar Godoy

*Visual Terrain, Inc.*

- Lisa Passamonte Green
- Michael Muhlum
- Kathryn Furst
- Nicole Eng
- Brittany Patterson

*BSK Associates*

- On Man Lau
- Neva Popenoe

**Recommendation:** The Contract Manager should have the consultants remove the proposed overtime loaded rates for all salaried employees from the cost proposal.

### **Issue 7 – Unsupported Proposed Overtime**

*Aliquot Associates, Inc.* misstated the proposed loaded overtime rates for prevailing wage for the following employees:

- Alex Nicoli
- Michael Brandt
- Michael Mussari
- Mark Hill
- John Braswell
- Jared D’Alo

**Recommendation:** The Contract Manager should have the consultant calculate the above employees’ loaded overtime hourly rate in accordance with the prevailing wage determination.

### **Issue 8 – Unsupported Classification**

*BSK Associates* would like to remove the proposed Staff Engineer II classification from the cost proposal.

**Recommendation:** The Contract Manager should have the consultant remove Staff Engineer II from the cost proposal.

### **Issue 9 – Improper Travel Reimbursement Rates**

Travel expenses, vehicle mileage, hotel, and meals for the following consultants were proposed at cost, IRS travel rates, or GSA per diem:

- *Aliquot Associates, Inc.*
- *BSK Associates*
- *Page & Turnbull*
- *Selbert Perkins*
- *Visual Terrain, Inc.*

Vehicle mileage, hotel, and meals for *Rutherford & Chekene* were proposed at IRS travel rates and GSA per diem.

**Recommendation:** The Contract Manager should have the consultants revise the proposed travel expenses, vehicle mileage, hotel, and meal rates to follow the California Department of Human Resources rates for non-exempt employees.

### **Issue 10 – Unsupported Escalation on ODCs**

The proposed 5% escalation for each of the proposed Other Direct Costs (ODC) for the two consecutive years (2022 & 2023) was unsupported for the following consultants:

- *Aliquot Associates, Inc.*
- *BSK Associates*
- *Page & Turnbull*
- *Rutherford & Chekene*
- *Selbert Perkins*
- *Visual Terrain, Inc.*

**Recommendation:** The Contract Manager should have the consultants remove the proposed ODC escalation from the cost proposal.

### **Issue 11 – Unsupported Proposed ODCs**

Proposed costs for photocopies are not independent from the indirect cost pool and are included in the proposed indirect rate for the following consultants:

- *BSK Associates*
- *Selbert Perkins*

**Recommendation:** The Contract Manager should have the consultants remove the proposed photocopy costs from the cost proposal.

### **Issue 12 – Unsupported Proposed ODCs**

*BSK Associates* included CME 95 Drill Rig, Utility Scan, and Grout Backfill in their ODCs, which were not supported as internal costs and will be completed by third-party vendors.

Proposed rates for photocopies and plotting are unsupported for the following consultants:

- *Page & Turnbull*
- *Rutherford & Chekene*
- *Visual Terrain*

**Recommendation:** The Contract Manager should have the consultants revise the cost proposal to reflect the above ODCs to be billed at actual cost, supported by third-party vendor invoice.

### **Issue 13 – Unsupported Proposed ODCs**

*BSK Associates'* proposed rate for the pH material testing is overstated.

**Recommendation:** The Contract Manager should have the consultant adjust the cost proposal to reflect the supported rate of \$23.10.