



**DATE:** August 8, 2022

**TO:** Denix Anbiah, Contract Manager

**FROM:** Paula Rivera, Chief Auditor *PR*

**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 22-02**

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 to progress the approximately 33.9-mile Merced to Madera project section, RFQ No.: HSR 22-02, between the Authority and Stantec Consulting Services Inc.

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, the cost proposal dated June 24, 2022, and supplemental cost proposal information dated July 1, 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 pre-award:

- Biggs Cardoso
- Systra Consulting
- NSI Engineering
- Quad Knopf
- Precision Civil Engineering
- Rincon Consultants Inc.
- Wilson & Company

Based on the review of the draft agreement and the cost proposals, 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 – Indirect Cost Rate for 2021 is not reported

Fiscal Year 2021 Indirect Cost Rates were not provided by the following subconsultants:

- NSI Engineering
- Precision Civic Engineering, Inc.
- Quad Knopf

**Recommendation:** By October 2022, the Contract Manager should request the subconsultants identified above provide Fiscal Year 2021 indirect rate schedule and supporting documentation for review and a true-up to actual.

### Issue 2 – Improper Mileage Rate Proposed

Vehicle mileage was not proposed at CalHR rates but at IRS mileage rates for the following subconsultants' Other Direct Costs:

- Stantec Consulting Services Inc.
- NSI Engineering
- Quad Knopf

**Recommendation:** The Contract Manager should have the mileage rate be revised to state CalHR rates.

### Issue 3 – Unsupported Proposed Other Direct Costs

*Systra Consulting, Inc.* proposed costs for Auto and Taxi/Transit at CalHR rates, but CalHR does not have rates for Auto and Taxi/Transit.

**Recommendation:** The Contract Manager should have the rates for Auto and Taxi/Transit revised to reflect actual costs.

### Issue 4 – Unsupported Proposed Other Direct Costs

The following subconsultants proposed the following improper Other Direct Costs and rates:

- Rincon Consultants Inc.:
  - Light-Duty Pass. Vehicle – CalHR Rate
  - 4WD/Off-Road Vehicle – CalHR Rate
  - Mileage – Fed Rate
  - Other Direct costs related to tasks with prior approval
- Quad Knopf:
  - Mileage - IRS Rate

- 7.50% - Cost
- Travel/Lodging – Cost
- Meals - Cost

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

- Rincon Consultants Inc.:
  - Light-Duty Pass. Vehicle – Actual
  - 4WD/Off-Road Vehicle – Actual
  - Mileage – CalHR Rate
- Quad Knopf:
  - Mileage - CalHR Rates
  - Travel/Lodging - CalHR Rates
  - Meals - CalHR Rates

Contract Manager should also request Rincon Consultants Inc. remove "Other direct costs related to tasks with prior approval" from Other Direct Costs and request clarification from Quad Knopf on their proposed ODC of “7.50%.”

#### **Issue 5 – Unsupported Hourly Classification Rate**

The following subconsultants and the respective classifications could not be supported with the submitted payroll registers:

- SYSTRA Consulting, Inc.
  - CAD Designer
- NSI Engineering
  - Quality Manager IV
- Stantec Consulting Services Inc.
  - Civil Designer – Junior
  - Civil Designer – Mid
  - Civil Engineer – Senior
  - Structural Designer – Junior
  - Transportation Planner – Senior
  - Environmental Planner – Senior
  - Administrative Assistant

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

- SYSTRA Consulting, Inc.
  - CAD Designer - \$36.18 - \$53.61
- NSI Engineering
  - Quality Manager IV - \$88.22 - \$92.30
- Stantec Consulting Services Inc.
  - Civil Designer – Junior - \$40.87

- Civil Designer – Mid - \$47.84 - \$69.21
- Civil Engineer – Senior - \$72.40 - \$122.30
- Structural Designer – Junior - \$42.26
- Transportation Planner – Senior - \$96.28 - \$98.56
- Environmental Planner – Senior - \$66.42
- Administrative Assistant - \$30.53 - \$43.18

**Issue 6 – Unsupported Hourly Rate**

*SYSTRA Consulting, Inc.* proposed hourly rates that could not be supported by their payroll registers for the following employees:

- Carlos Campillo
- Vincent Palacz
- Jerome Saubie

**Recommendation:** The Contract Manager should have the cost proposal updated with the following supported hourly rates:

- Carlos Campillo - \$112.98
- Vincent Palacz - \$100.21
- Jerome Saubie - \$100.62

**Issue 7 – Proposed Hourly Rate for Prevailing Wage Employees are Lower than the Required Minimum**

*Precision Civic Engineering, Inc.* proposed hourly rates lower than the minimum basic hourly rate confirmed by General Prevailing Wage Determination report for the following Prevailing Wage employees:

- Bobby Phillips-Chief of Party
- Bryan Cox-Chief of Party
- John Kimbler-Chief of Party
- Jose Gallardo-Chainman
- Richard Ballinger-Chainman
- Ryan Brosius-Chief of Party

**Recommendation:** The Contract Manager should have the basic hourly rate for individuals with prevailing wages be calculated in accordance with the prevailing wage determination. Also, the prevailing wage rate should be confirmed by the High-Speed Rail Authority Contract Compliance Unit.