



**CALIFORNIA**  
**High-Speed Rail Authority**

**Rail Delivery Partner  
Contract Compliance Audit  
Agreement # HSR 14-66**

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October 2022

## EXECUTIVE SUMMARY

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The California High-Speed Rail Authority (Authority) Audit Office conducted an interim contract compliance audit of the Authority's Agreement No. HSR 14-66 for a Rail Delivery Partner, with WSP USA, Incorporated (WSP). We have completed audits of WSP and the following WSP subconsultants for costs reimbursed applicable to services provided from July 1, 2015, through June 30, 2018:

- TEC Management Consultants, Inc., total \$6,511,860
- Padilla and Associates, total \$4,092,189
- Cordoba Corporation, total \$27,286,408
- Network Rail Consulting, total \$14,225,323
- National Constructors Group, total \$1,680,105
- Turner Engineering Corporation, total \$837,869
- Acosta Engineering Solutions, total \$1,267,855
- Joshi PMCM, total \$1,255,246
- WSP USA, Inc., total \$200,559,279
- Crowe Horwath LLP, total \$2,601,193
- LKG-CMC, Inc., total \$1,664,338
- Red River Inc. (Natomia Technologies), total \$6,401,642
- Zoon Engineering Inc., total \$3,828,073

The audit objective was to determine if WSP and its subconsultants complied with the agreement provisions, the Code of Federal Regulations Title 48, Chapter 1, Part 31, Title 49, Part 19, and other federal and State rules and regulations, as applicable.

The Audit Office examined accounting records maintained by WSP and the subconsultants identified above to determine whether claimed and reimbursed costs were reasonable, allowable, and appropriately supported. We also conducted inquiries and interviews to obtain an understanding of WSP's and the subconsultants' accounting policies and procedures. Based on our examination, we identified overbilled and over-reimbursed subconsultant costs and recommended WSP reimburse the Authority \$861,040. However, we subsequently were provided and reviewed additional information and audit reconciliations outside of our audit period. As a result, some issues were resolved and the identified overbilled and over-reimbursed subconsultant costs was reduced to \$498,901.

*Paula Rivera*

Paula Rivera, Audit Chief

October 10, 2022

Date

# Audit Report

## BACKGROUND

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As part of the California High-Speed Rail Development Act of 1994, the California Legislature created the California High-Speed Rail Authority (Authority). The Authority is responsible for planning, designing, building, and operation of the first high-speed rail system in the nation. California high-speed rail will connect the mega-regions of the state, contribute to economic development and a cleaner environment, create jobs, and preserve agricultural and protected lands. The Authority is responsible for overall management, oversight, and monitoring of state and federal awards received. This function requires accountability, transparency, and providing a means of tracking and monitoring program goals, accomplishments, and compliance with grant requirements.

The Authority entered into an agreement with WSP USA, Incorporated (WSP) to provide services as the Rail Delivery Partner for executive leadership, corporate support, and implementation in the areas of program management, program integration and coordination, and program delivery. WSP is responsible for the controls in place in their organization that will ensure compliance with the terms of WSP's agreement with the Authority when billing for work performed by subconsultants.

We conduct subconsultant audits to ensure that the costs reimbursed to WSP by the Authority comply with the terms of the agreement, including compliance with the applicable cost and administrative principles. We believe these audits provide a basis for our opinion as to whether costs billed and reimbursed were materially compliant.

## SCOPE, OBJECTIVE, and METHODOLOGY

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The Audit Office conducted a contract compliance audit of Agreement No. HSR 14-66. We have completed audits of WSP and the following subconsultants for costs reimbursed applicable to services provided during the audit period of July 1, 2015 through June 30, 2018:

- TEC Management Consultants, Inc., total \$6,511,860
- Padilla and Associates, total \$4,092,189
- Cordoba Corporation, total \$27,286,408
- Network Rail Consulting, total \$14,225,323
- National Constructors Group, total \$1,680,105
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- WSP USA, Inc., total \$200,559,279
- Crowe Horwath LLP, total \$2,601,193
- LKG-CMC, Inc., total \$1,664,338
- Red River Inc. (Natoma Technologies), total \$6,401,642
- Zoon Engineering Inc., total \$3,828,073

The scope of our audit was limited to an examination of accounting and internal control systems and supporting documentation for costs billed to and reimbursed by the Authority as of November 1, 2018, to obtain reasonable assurance of whether costs complied with the terms of the agreement. After this date, the Authority made payments to resolve disputes from the audit period. These payments are not included in this audit. In addition, WSP has invoiced the Authority for previously unbilled costs related to services provided during the audit period (true-up), which were not reimbursed before November 1, 2018, and are also excluded from our audit.

The audit objective was to determine if WSP and its subconsultants complied with the agreement provisions, the Code of Federal Regulations (CFR) Title 48, Chapter 1 Part 31, Title 49, Part 19, and other federal and State rules and regulations as applicable.

To accomplish our objectives, we examined evidence supporting amounts and disclosures in the data and records selected for review. We also assessed the accounting principles used and significant estimates made by WSP and their subconsultants, as well as evaluating the overall billed costs.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results of WSP and each subconsultant audit were discussed with WSP and subconsultant staff. A draft report was provided to the Authority Contract Manager, who provided the report to WSP for their response and identification of corrective actions. Their response is summarized in this report and is included in its entirety at the end of our report.

## **CONCLUSION**

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Based on our audit, WSP and their subconsultants identified above supported the costs billed and reimbursed in accordance with agreement provisions, the cost principles of 48 CFR Part 31, and administrative requirements of 49 CFR Part 19 except for \$861,040. Our subsequent review of additional information and audit reconciliations outside of our audit period resulted in the resolution of some issues and a reduction to \$498,901. Please see below for further details.

## **TEC Management Consultants Inc.**

### **Issue 1: Overstated and Overbilled Fully Burdened Labor Costs**

In fiscal year 2016-2017, the billed hourly labor rate was higher than the actual hourly labor rate for most staff. This also occurred in two instances in fiscal year 2017-2018. As a result of this overbilling, the subconsultant was over reimbursed \$110,016, except for fiscal year 2017-2018 costs which will be identified in Issue 2.

Subconsultant credits in 2019 to WSP invoices for the overpayments occurred outside of our audit period and were not included in our audit.

### ***Recommendation***

WSP should reimburse the Authority \$110,016 in over-reimbursed fully burdened direct labor costs. Additionally, both companies should develop a system to confirm the billed and reimbursed base labor rate for each employee.

### ***Response***

1a. The total amount owed for Issues 1 and 2 is \$194,521. WSP reimbursed the Authority \$114,680 via a corrected supplemental billing. More details will be provided by WSP.

1b. TEC has made progress in developing a system to confirm billed and reimbursed base labor rates. WSP has also made a significant effort to vet subconsultant rates by implementing the following:

- The Master Resource Pool (MRP). The MRP is a SharePoint database specifically designed to maintain current and historical rates for individuals working for the RDP on the Project.
- Labor payroll verification is done by the WSP MRP Administrator when subconsultants submit payroll registers. In addition, when a new employee is approved or promotions occur, the MRP Administrator verifies by comparing the offer letter/promotion amount to MRP rates.
- WSP Senior Project Accounting Staff review WSP and subconsultant invoices and compare invoiced rates with current rates shown in the MRP to verify that the invoiced billing rate matches the actual rate shown in the MRP, confirming the accuracy of the rates.
- WSP designed a subconsultant invoicing template which has billing rates hardcoded into the template so that the rate can only be changed by a WSP Accountant.
- WSP continues to enhance and upgrade the subconsultant invoicing templates from past Work Plan periods, as well as implementing best practices for verification of rates.

### ***Analysis***

We agree with the corrective action identified. WSP provided the supplemental invoices and a breakdown of the \$114,680 net credit for review. We verified that WSP reimbursed the Authority

via supplemental billings in August and October 2019. WSP will reimburse the Authority for the balance of issue one and two for \$79,841 by 9/30/22 or 14 days after the final report is issued.

## **Issue 2: Overstated Overhead Rates**

During the audit period, the Subconsultant billed an overhead rate of 161.57% in fiscal year 2015-2016, while only supporting a lower overhead rate of 144.83%. As a result, the allowable invoices were reduced by \$45,295.

In fiscal year 2017-2018, the overhead rate contained unallowable entertainment costs. Disallowance of these costs resulted in a decrease in the overhead rate of 3.01 points. Thus, the original billed overhead rate of 147.20% decreased to 144.19%. The sum of the overbilled hourly labor rates from Issue 1 and the overbilled overhead from the rate changes equals \$39,210.

### ***Recommendation***

WSP should reimburse the Authority a total of \$84,505 for over-reimbursed overhead costs for the audit period and the over-reimbursed hourly labor costs for fiscal year 2017-2018. Additionally, both companies should review the overhead rates closely to ensure compliance with the federal regulations and, they should also develop a system to ensure the overhead rates are supported by actual costs.

### ***Response***

2a. The total amount owed for Issues 1 and 2 is \$194,521. WSP reimbursed the Authority \$114,680 via a corrected supplemental billing. The balance of \$79,841 will be reimbursed via a check to the Authority.

2b. TEC has made considerable efforts to vet unallowable costs in their overhead. In addition, WSP has done the following:

- Revised Indirect Cost Rate (ICR)
- Revised Subcontractor Invoice Template to include certification of accuracy of ICR.
- Implemented new policies, processes, and procedures to assist subcontractors in incorporating more accurate allowable and allocable indirect costs into their billing rates. These assessments are a cursory review to screen indirect costs that may be unallowable.
- If there is a “discrepancy” noticed, the subconsultant is notified by letter and can respond by supplying additional information. If they cannot, then their ICR is lowered for the upcoming year.

### ***Analysis***

We agree with the corrective action identified. As noted above in the analysis of issue one, WSP will reimburse the Authority for the balance of issue one and two for \$79,841 by 9/30/22 or 14 days after the final report is issued.

## **Padilla and Associates**

### **Issue 1: Overstated Direct and Indirect Costs**

Tests of indirect cost accounts in each fiscal year's billed overhead found that unsupported, unallowable, and unreasonable costs were included. As a result, we reduced the Subconsultant's actual overhead cost pools which resulted in the audited overhead rates and over reimbursed costs of \$164,646.

#### ***Recommendation***

WSP should reimburse the Authority for \$164,646 in over reimbursed overhead costs. The Subconsultant should ensure future indirect cost rates are adequately supported and comply with agreement and federal requirements.

#### ***Response***

1a. WSP will reimburse the Authority \$164,646.

1b. Subcontractor is no longer on the Project. WSP trained Padilla staff on the importance of having adequate documentation to support indirect costs. Due to changes in personnel, Padilla's new staff needed additional training, which was also completed.

#### ***Analysis***

We agree with the corrective action identified. WSP will reimburse the Authority \$164,646 by 9/30/22 or 14 days after the final report is issued.

## **Cordoba Corporation**

### **Issue 1: Over-Reimbursed Direct Labor Costs**

During the audit period, there were instances when employee actual hourly labor rates were less than the billed rate. The Subconsultant acknowledged that the billed rates exceeded the actual paid rates because annual pay increases were not given consistently to staff. The Subconsultant stated in March 2020, that they performed a reconciliation of the Master Resource Pool Rates (WSP approved billing rates) to actual paid rates; and retroactive payments were made to staff to agree the billed rates to paid rates. However, because this reconciliation and payment took place outside of our audit period, the retroactive payments were not included in the audit. Fully burdened labor rates were not supported by actual pay data, resulting in over billed and over reimbursed costs totaling \$154,294.

#### ***Recommendation***

The Subconsultant should ensure billed labor costs are incurred and paid prior to seeking reimbursement.

WSP should verify all billing rates to the approved amounts on the agreement compensation schedule or the rates listed in the Master Resource Pool and reimburse the Authority \$154,294 in over reimbursed fully burdened direct labor costs.

### ***Response***

- 1a. Please see Cordoba response to audit findings. (Exhibit 1)
- 1b. In addition to the corrective actions specified for TEC 1b above, WSP continues to enhance and upgrade the subconsultant invoicing templates from past Work Plan periods, as well as implementing best practices for verification of rates.
- 1c. Cordoba retroactively reimbursed their employees the amounts corresponding with the issue amount. Please see Cordoba response to these audit findings in Exhibit 1.

### ***Analysis***

We reviewed the exhibit and additional support documentation for retroactive payments to employees and determined that they are insufficient to fully reconcile the overpayment identified by the audit. We have identified a reduced over-reimbursed direct labor amount. We notified Cordoba and WSP of the reduction and received agreement that the outstanding issue amount of \$26,407 will be reimbursed to the Authority.

## **Network Rail Consulting**

### **Issue 1: Overstated and Overbilled Fully Burdened Labor Costs**

During the audit period, there were instances when employee actual hourly labor rates were less than the billed rate due to the billed rates not being reconciled to employee payroll registers. Fully burdened labor rates were not supported by actual pay data, resulting in over billed and reimbursed costs totaling \$140,626.

### ***Recommendation***

The Subconsultant should ensure billed labor costs are incurred, actual, and paid prior to seeking reimbursement.

WSP should verify all billing rates are properly supported by the Subconsultant and reconcile to the approved amounts on the agreement compensation schedule or the rates listed in the Master Resource Pool and reimburse the Authority \$140,626 in over reimbursed fully burdened labor costs.

### ***Response***

- 1a. Corrective Action is the same as Corrective Action response above in TEC 1b.



1b. In addition to the corrective actions specified for TEC 1b above, WSP continues to enhance and upgrade the subconsultant invoicing templates from past Work Plan periods, as well as implementing best practices for verification of rates.

1c. WSP will reimburse the Authority \$140,626.

### ***Analysis***

We agree with the corrective action identified. WSP will reimburse the Authority \$140,626 by 9/30/22 or 14 days after the final report is issued.

## **National Constructors Group**

### **Issue 1: Over-Reimbursed Fully Burdened Labor Costs**

The Subconsultant's current process of ensuring actual hours are billed is ineffective and lacks controls to ensure billed rates are properly supported by documentation. Also, WSP did not obtain payment information to verify actual hourly labor rates listed on the Master Resource Pool were what was paid to staff. Due to the lack of controls, the billed labor rate was higher than supportable for a portion of the audit period. The billed hours also exceeded supported hours for 19 of 30 months billed during the audit period. As a result of this overbilling, the Subconsultant was over reimbursed \$114,337.

### ***Recommendation***

WSP should reimburse the Authority \$114,337 in over-reimbursed labor costs. They should also develop a consistent process in verifying Subconsultant actual hourly labor rates when adding Subconsultants to the project. While the Subconsultant should develop improvements to their timekeeping and billing processes to confirm rates are actual, and actual hours are billed accurately.

### ***Response***

1a. WSP will reimburse the Authority \$114,337.

1b. WSP has implemented significant processes and procedures pertaining to labor rate verification. Please see Corrective Actions identified in TEC 1b above.

1c. WSP trained NCG accounting staff in 2018 and 2019 regarding the verification of rates and confirming actual rates are the rates billed.

### ***Analysis***

We have discussed the issue with NCG and WSP and reviewed additional information regarding the timing of settlement payments for outstanding billing disputes. We determined that payments were made outside our audit period in 2019. However, a portion of the payments was for work performed in the year the audit identified the overbilling occurred, in

2017. Therefore, we accounted for the applicable income in 2017 and verified an increased supported billing rate and identified a reduced overbilling. We notified NCG and WSP of the reduction and that WSP should reimburse the Authority \$71,772.

## **Issue 2: Inadequate Financial Management System**

Subconsultant did not create written policies, procedures, and did not maintain source documentation because of its small size and business structure; use of Subject Matter Experts with no employees. Therefore, a test walkthrough could not be performed to test controls in place to ensure that contract related costs incurred and billed are in accordance with FAR and fiscal provisions of agreement HSR 14-66.

### ***Recommendation***

Subconsultant should establish written policies, procedures, and maintain source documentation to support billed costs, as well as ensure the development of accounting and job costing policies and procedures to assure costs are properly segregated.

### ***Response***

This subconsultant is a retired sole proprietor and no longer working on the Project. WSP has made significant efforts to discuss these findings with NCG.

### ***Analysis***

We have discussed the issue with NCG, and they contend that they have an adequate financial management system and do not intend to make changes. We acknowledge that the subconsultant is a retired sole proprietor and is no longer on the Project. Therefore, no future costs will be billed to Authority by NCG, and we do not require further action.

## **Turner Engineering Corporation**

### **Issue 1: Over-Reimbursed Costs**

During the audit period, the Subconsultant's accounting and internal control systems did not adequately identify and segregate unallowable indirect costs. In addition, allocations to W-2 Burden and General and Administrative (G&A) pools were misapplied. Consequently, overhead rates were overstated. We found the Subconsultant included unallowable costs in the overhead calculations (Issue 2) and various cost allocation methodologies of labor costs were incorrectly applied (Issue 2). As a result, there were \$67,382 in over reimbursed costs.

### ***Recommendation***

WSP should reimburse the Authority \$67,382 in over-reimbursed fully burdened direct labor costs billed by the Subconsultant.

## ***Response***

WSP reimbursed the Authority \$67,382. Please see Check #1679049.

## ***Analysis***

We agree with the corrective action identified. The check has been received and processed by Authority's accounting department.

## **Issue 2: Unallowable Overhead Costs**

Tests of company-wide cost accounts in each fiscal year found the cost pools included unallowable and unallocable costs. After unallowable costs were removed from the company-wide overhead cost pool, the revised costs were allocated between the W-2 Burden and G&A Overhead Cost Pools. The associated costs are included in Issue 1.

## ***Recommendation***

Although the Subconsultant is no longer on the agreement, if WSP contracts with the Subconsultant in the future, WSP should ensure that the Subconsultant provides a schedule that demonstrates rates billed are in accordance with WSP and the Authority's agreed-upon convention and that the Subconsultant has made improvements to its accounting systems and maintains adequate support for overhead costs.

## ***Response***

WSP has discussed this with the subconsultant on numerous occasions. The subconsultant changed their accounting practices and these were examined by both the HSR audit team and WSP project accountants and found to be acceptable.

## ***Analysis***

We agree with the corrective action identified. As associated costs for unallowable overhead costs were included in Issue one, the check has been received and processed by Authority's accounting department.

## **Acosta Engineering Solutions**

### **Issue 1: Over-Reimbursed Fully Burdened Labor Costs**

During the audit period, the billed labor rate was higher than the paid labor rate for both employees. As a result of this overbilling, the subconsultant was over reimbursed \$15,609. Please note that this cost includes costs due in Issue 2.

### ***Recommendation***

WSP should reimburse the Authority \$15,609 in over-reimbursed fully burdened direct labor costs and overhead costs (Issue 2) billed by the Subconsultant. Subconsultant should develop a system to confirm the billed and paid labor rates for each employee are accurate.

### ***Response***

WSP will reimburse the Authority \$15,609.

### ***Analysis***

We agree with the corrective action identified. WSP will reimburse the Authority \$15,609 by 9/30/22 or 14 days after the final report is issued.

### **Issue 2: Overstated Overhead Rate**

In fiscal year 2017-2018, the overhead rate contained unallowable meals & entertainment costs. Disallowance of these costs resulted in a decrease in the overhead rate of 3.43 points. As a result, the original billed overhead rate of 128.30% decreased to 124.87%. The cost impact is combined and noted in Issue 1.

### ***Recommendation***

The Subconsultant should develop a system to ensure the overhead rates are supported by actual costs. They should also review costs incurred closely to ensure compliance with the federal regulations to ensure unallowable costs do not skew future overhead rate calculations.

### ***Response***

Acosta's accounting system has improved significantly since starting with the RDP in 2015. WSP has conducted one-on-one training with Acosta during the annual overhead rate assessment process. WSP has also implemented the processes and procedures identified in the Corrective Actions for TEC 2b above.

### ***Analysis***

We agree with the corrective action identified.

### **Joshi PMCM**

### **Issue 1: Inadequate Accounting and Job Cost System**

The Subconsultant did not maintain an accounting and job cost system to accumulate and segregate direct, indirect, and unallowable costs. While there are controls over labor costs (3<sup>rd</sup> party payroll check processor and timecards), the overhead costs were not transparent or well documented. The 100% owner of the corporation can override controls without any mitigation.

### ***Recommendation***

The Subconsultant should ensure the development of accounting and job costing policies and procedures to assure costs are properly segregated between direct, indirect, and unallowable costs per project.

### ***Response***

This subconsultant is a sole proprietor and is no longer working on the Project. WSP conducted one-on-one training sessions to assist with the development of a robust accounting system that properly segregated costs, especially unallowable costs.

### ***Analysis***

We agree with the corrective action identified.

### **WSP USA, Inc.**

#### **Issue 1: Late Subconsultant Payments**

WSP did not pay 9 out of 10 sampled invoice payments to its subconsultants within ten days from receipt of each payment made to them by the Authority.

### ***Recommendation***

WSP should create procedures to ensure Subconsultants are paid within ten days from receipt of each payment made to them by the Authority.

### ***Response***

The audit period was July 1, 2015, through June 30, 2018. A contract payment tracker as well as updated processes have been implemented to assure contract guidelines are adhered to.

### ***Analysis***

We agree with the corrective action identified. Process PAT005 Subcontractor Payment was approved and released in June 2019 and establishes that payment from WSP is released within seven days of receiving a subcontractor invoice. The subcontractor payment process as identified is the most current process and is in their Task Management Manual.

#### **Issue 2: Late Invoice Submissions**

WSP did not submit 42 out of 90 tested invoices to the Authority within 45 days after the completion of each billing period.

## ***Recommendation***

WSP should create processes and procedures to ensure invoices are submitted no more than monthly in arrears and no later than 45 days after the completion of each billing period.

## ***Response***

The audit period was July 1, 2015, through June 30, 2018. Processes have been updated to assure contract guidelines are adhered to.

## ***Analysis***

We agree with the corrective action identified. WSP provided a revised workflow of the invoice submission process which identifies the 45-day period billing period as stated in the contract. The process has been updated on their SharePoint site as the most current process.

## **Crowe Horwath LLP**

Based on our audit, the subconsultant supported the costs incurred and reimbursed in accordance with Agreement requirements, the cost principles of 48 CFR Part 31, and administrative requirements of 49 CFR 19 as applicable. Our audit also determined that the subconsultant's accounting and internal control systems are adequate to accumulate and segregate allocable, reasonable, and allowable project costs.

## **LKG-CMC, Inc.**

Based on our audit, the subconsultant supported the costs incurred and reimbursed in accordance with Agreement requirements, the cost principles of 48 CFR Part 31, and administrative requirements of 49 CFR 19 as applicable. Our audit also determined that the subconsultant's accounting and internal control systems are adequate to accumulate and segregate allocable, reasonable, and allowable project costs.

## **Red River Inc. (Natoma Technologies)**

Based on our audit, the subconsultant supported the costs incurred and reimbursed in accordance with Agreement requirements, the cost principles of 48 CFR Part 31, and administrative requirements of 49 CFR 19 as applicable. Our audit also determined that the subconsultant's accounting and internal control systems are adequate to accumulate and segregate allocable, reasonable, and allowable project costs.

**Zoon Engineering, Inc.**

Based on our audit, the subconsultant supported the costs incurred and reimbursed in accordance with Agreement requirements, the cost principles of 48 CFR Part 31, and administrative requirements of 49 CFR 19 as applicable. Our audit also determined that the subconsultant's accounting and internal control systems are adequate to accumulate and segregate allocable, reasonable, and allowable project costs.



## *Memorandum*

**DATE:** September 30, 2022  
**TO:** Ms. Paula Rivera, Chief Auditor  
**FROM:** Darin Kishiyama, Director of Contract Management  
**CC:** Brian Kelly, Chief Executive Officer  
**SUBJECT:** Program Delivery Response to Audit Report 18-01

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Find attached a copy of the corrective action plan from WSP USA, Incorporated (WSP) in response to the Authority's draft audit Report Number 18-01 of the Rail Delivery Partner (RDP) contract number HSR14-66. In this audit, the Authority audited WSP and 12 of its subconsultants to determine compliance with the contract provisions, Code of Federal Regulations Title 48, Chapter 1, Part 31, Code of Federal Regulations Title 49, Part 19, and other federal and State rules and regulations as applicable.

WSP provided a corrective action plan on August 23, 2022, that was subsequently updated on September 29, 2022. The corrective action plan responded to the issues identified by the audit that included a timeline for completion and identified an accountable WSP person to ensure completion of each corrective action. The issues identified are to be addressed and corrected within 90 calendar days of the original corrective action plan.

The Authority will request a status of the implementation of the corrective action plan after the 90th calendar day.





**WSP CORRECTIVE ACTION PLAN IN RESPONSE TO HSR CONTRACT COMPLIANCE AUDIT RE: CONTRACT NO. HSR 14-66 (9/28/22)**



HIGH-SPEED RAIL:  
CONNECTING AND  
TRANSFORMING CALIFORNIA

SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
<b>TEC MANAGEMENT CONSULTANTS</b>							
TEC MANAGEMENT CONSULTANTS	Issue 1 – Overstated and Overbilled Fully Burdened Labor Costs	1a- WSP should reimburse the Authority \$110,016 in over-reimbursed fully burdened direct labor costs.	The total amount owed for Issues 1 and 2 is \$194,521. WSP reimbursed the Authority \$114,680 via a corrected supplemental billing. More details will be provided by WSP.	09/30/22	Vinod Kambrath/ Suzette Sparrow	Please provide which invoice # pertaining to this reimbursement to the Authority in the amount of \$114,680. Please provide details.	Please see Invoice number 189201-Subs Rate Adj and S. Sparrow email (Exhibit L) for further detail.
TEC MANAGEMENT CONSULTANTS		1b - ...develop a system to confirm the billed and reimbursed base labor rate for each employee.	<p>TEC has made progress in developing a system to confirm billed and reimbursed base labor rates. WSP has also made a significant effort to vet subconsultant rates by implementing the following:</p> <ul style="list-style-type: none"> <li>The Master Resource Pool (MRP). The MRP is a SharePoint database specifically designed to maintain current and historical rates for individuals working for the RDP on the Project.</li> <li>Labor payroll verification is done by the WSP MRP Administrator when subconsultants submit payroll registers. In addition, when a new employee is approved or promotions occur, the MRP Administrator verifies by comparing the offer letter/promotion amount to MRP rates.</li> <li>WSP Senior Project Accounting Staff review WSP and subconsultant invoices and compare invoiced rates with current rates shown in the MRP to verify that the invoiced billing rate matches the actual rate shown in the MRP, confirming the accuracy of the rates.</li> </ul>	08/01/19	Vinod Kambrath	Please provide documentation.	Please refer to MRP in Sharepoint. The information was uploaded and system was activated in August 2018. WSP Representative is available to demonstrate the live database. Also refer to Exhibit B.
TEC MANAGEMENT CONSULTANTS			<ul style="list-style-type: none"> <li>WSP designed a subconsultant invoicing template which has billing rates hardcoded into the template so that the rate can only be changed by a WSP Accountant.</li> </ul>	08/01/19	Vinod Kambrath		Please refer to Exhibit C: Invoice Template.



**WSP CORRECTIVE ACTION PLAN IN RESPONSE TO HSR CONTRACT COMPLIANCE AUDIT RE: CONTRACT NO. HSR 14-66 (9/28/22)**



HIGH-SPEED RAIL:  
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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
TEC MANAGEMENT CONSULTANTS			<ul style="list-style-type: none"> <li>WSP continues to enhance and upgrade the subconsultant invoicing templates from past Work Plan periods, as well as implementing best practices for verification of rates.</li> </ul>				Please refer to Exhibit C: Invoice Template and Exhibits F through F3 which show the WSP ICR Submission Policy, Process, and Procedure, Certification Form, Assessment Form and Discrepancy Letter Template.
TEC MANAGEMENT CONSULTANTS	Issue 2 – Overstated Overhead Rates	2a - WSP should reimburse the Authority a total of \$84,505 for over-reimbursed overhead costs for the audit period and the over-reimbursed hourly labor costs for fiscal year 2017-2018.	The total amount owed for Issues 1 and 2 is \$194,521. WSP reimbursed the Authority \$114,680 via a corrected supplemental billing. The balance of \$79,841 will be reimbursed via a check to the Authority.	09/30/22	Vinod Kambrath	Please provide the status of the reimbursement to the Authority in the amount of \$79,841.	Per agreement between WSP and the Authority on September 28, 2022, WSP will submit payment within 14 days of the issuance of the Final Contract Compliance Audit Report, which is expected on October 7, 2022.
TEC MANAGEMENT CONSULTANTS		2b - Review the overhead rates closely to ensure compliance with the federal regulations. They should also develop a system to ensure the overhead rates are supported by actual costs.	TEC has made considerable efforts to vet unallowable costs in their overhead. In addition, WSP has done the following: <ul style="list-style-type: none"> <li>Revised Indirect Cost Rate (ICR) Submission annual Certification Form.</li> </ul>	07/01/20	Vinod Kambrath	Please provide documentation.	Please refer to Exhibit F and F1 through F3: Consultant ICR Policy, Process and Procedures, Certification and Assessment Forms.
TEC MANAGEMENT CONSULTANTS			<ul style="list-style-type: none"> <li>Revised Subcontractor Invoice Template to include certification of accuracy of ICR.</li> <li>Revised subcontract template Terms and Conditions to emphasize requirement to submit ICR based on FAR Part 31: (allowable and allocable costs.)</li> </ul>			Provide Documentation.	Please refer to new certification language on page 1 of the Invoice Template (Exhibit C) and Certification Certificate in Exhibit F1: Consultant Certification ICR Submission Form which is required of every subcontractor when they submit their ICR rates every year.



**WSP CORRECTIVE ACTION PLAN IN RESPONSE TO HSR CONTRACT COMPLIANCE AUDIT RE: CONTRACT NO. HSR 14-66 (9/28/22)**



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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
			<ul style="list-style-type: none"> <li>Implemented new policies, processes, and procedures to assist subcontractors in incorporating more accurate allowable and allocable indirect costs into their billing rates. These assessments are a cursory review to screen indirect costs that may be unallowable.</li> </ul>			Please provide new policies and processes, and procedures. Please provide documentation.	Please refer to RDP Subcontractor ICR Submission Policy, Process, and Procedures in Exhibit F, and F1 through F3.
			<ul style="list-style-type: none"> <li>If there is a “discrepancy” noticed, the subconsultant is notified by letter and can respond by supplying additional information. If they cannot, then their ICR is lowered for the upcoming year.</li> </ul>			Provide documentation.	Please refer to Exhibit F3: Discrepancy Letter Template.
<b>PADILLA AND ASSOCIATES</b>							
PADILLA AND ASSOCIATES	Issue 1 – Overstated Direct and Indirect Costs	1a - WSP should reimburse the Authority for \$164,646 in over reimbursed overhead costs.	WSP will reimburse the Authority \$164,646.	09/30/22	Vinod Kambrath	Please provide status.	Per agreement between WSP and the Authority on September 28, 2022, WSP will submit payment within 14 days of the issuance of the Final Contract Compliance Audit Report, which is expected on October 7, 2022.
PADILLA AND ASSOCIATES		1b - The Subconsultant should ensure future indirect cost rates are adequately supported and comply with agreement and federal requirements.	Subcontractor is no longer on the Project. WSP trained Padilla staff on the importance of having adequate documentation to support indirect costs. Due to changes in personnel, Padilla's new staff needed additional training, which was also completed.	01/20/21	Vinod Kambrath	Please provide documentation.	Please refer to Exhibit F and F1 through F3: Consultant ICR Policy, Process and Procedures, Certification and Assessment Forms.
<b>CORDOBA CORPORATION</b>							
CORDOBA CORPORATION	Issue 1 – Over-Reimbursed Direct Labor Costs	1a -The Subconsultant should ensure billed labor costs are incurred and paid prior to seeking reimbursement.	Please see Cordoba response to audit findings. (Exhibit 1)		Vinod Kambrath	Where is Exhibit 1? Please provide documentation.	Please refer to Exhibit K for Cordoba’s response to audit. This letter will be revised after the Final Audit report has been issued and Cordoba has official notification of the



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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
							exact amount owed. Cordoba paid its employees the actual amounts billed, but the payments were made outside of the audit period. The HSR Audit Team took this into account. WSP is now waiting for official notification of the new amount owed.
CORDOBA CORPORATION		1b - WSP should verify all billing rates to the approved amounts on the agreement compensation schedule or the rates listed in the Master Resource Pool.	<p>WSP has also made a significant effort to vet subconsultant rates by implementing the following:</p> <ul style="list-style-type: none"> <li>The Master Resource Pool (MRP). The MRP is a SharePoint database specifically designed to maintain current and historical rates for individuals working for the RDP on the Project.</li> <li>Labor payroll verification is done by the WSP MRP Administrator when subconsultants submit payroll registers. In addition, when a new employee is approved or promotions occur, the MRP Administrator verifies by comparing the offer letter/promotion amount to MRP rates.</li> <li>WSP Senior Project Accounting Staff review WSP and subconsultant invoices and compare invoiced rates with current rates shown in the MRP to verify that the invoiced billing rate matches the actual rate shown in the MRP, confirming the accuracy of the rates.</li> </ul>	08/01/19	Vinod Kambrath	Please provide documentation.	Please refer to MRP in Sharepoint. The information was uploaded and system was activated in August 2018. WSP Representative is available to demonstrate the live database. Please also refer to Exhibit B: MRP Snapshot.
CORDOBA CORPORATION		1c - WSP should reimburse the Authority \$154,249 in over reimbursed fully burdened direct labor costs.	Cordoba retroactively reimbursed their employees the amounts corresponding with the \$154,249. Please see Cordoba response to these audit findings in	03/01/20	Vinod Kambrath	Please provide documentation.	Please refer to Exhibit K for Cordoba response to audit. Cordoba paid its employees the actual



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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
			Exhibit 1. After analysis by the Authority, it was found that Cordoba owes \$26,408 and WSP will reimburse the Authority this amount.				amounts billed, but the payments were made outside of the audit period. The HSR Audit Team took this into account, but there is still an amount owed. WSP is now waiting for official notification of the new amount owed.
<b>NETWORK RAIL CONSULTING</b>							
NETWORK RAIL CONSULTING	Issue 1 – Overstated and Overbilled Fully Burdened Labor Costs	1a - The Subconsultant should ensure billed labor costs are incurred, actual, and paid prior to seeking reimbursement.	<p>WSP has also made a significant effort to vet subconsultant rates by implementing the following:</p> <ul style="list-style-type: none"> <li>The Master Resource Pool (MRP). The MRP is a SharePoint database specifically designed to maintain current and historical rates for individuals working for the RDP on the Project.</li> <li>Labor payroll verification is done by the WSP MRP Administrator when subconsultants submit payroll registers. In addition, when a new employee is approved or promotions occur, the MRP Administrator verifies by comparing the offer letter/promotion amount to MRP rates.</li> <li>WSP Senior Project Accounting Staff review WSP and subconsultant invoices and compare invoiced rates with current rates shown in the MRP to verify that the invoiced billing rate matches the actual rate shown in the MRP, confirming the accuracy of the rates.</li> </ul>	06/01/21	Vinod Kambrath	Please provide documentation.	Please refer to MRP in Sharepoint. The information was uploaded and system was activated in August 2018. WSP Representative is available to demonstrate the live database. Please also refer to Exhibit B.



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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
NETWORK RAIL CONSULTING		1b - WSP should verify all billing rates are properly supported by the Subconsultant and reconcile to the approved amounts on the agreement compensation schedule or the rates listed in the Master Resource Pool.	In addition to the corrective actions specified for TEC 1b above, WSP continues to enhance and upgrade the subconsultant invoicing templates from past Work Plan periods, as well as implementing best practices for verification of rates.	08/01/19	Vinod Kambrath	Please provide documentation.	Please refer to MRP in Sharepoint. The information was uploaded and system was activated in August 2018. WSP Representative is available to demonstrate the live database. Please also refer to Exhibit B.
<b>NATIONAL CONSTRUCTORS GROUP</b>							
NATIONAL CONSTRUCTORS GROUP	Issue 1 – Over Reimbursed Fully Burdened Labor Costs	1a - WSP should reimburse the Authority \$114,337.08 in over-reimbursed labor costs.	WSP will reimburse the Authority \$114,337. See revised action below under Issue 2.	09/30/22	Vinod Kambrath	Please provide status.	Due to additional work by the Authority's Audit Team, the amount owed by NCG has changed since WSP submitted the Corrective Action Plan (CAP) on July 15, 2022. Per agreement between WSP and the Authority on September 28, 2022, WSP will submit payment within 14 days of the issuance of the Final Contract Compliance Audit Report, which is expected on October 7, 2022.
NATIONAL CONSTRUCTORS GROUP		1b - WSP should develop a consistent process in verifying Subconsultant actual hourly labor rates when adding Subconsultants to the project.	WSP has implemented significant processes and procedures pertaining to labor rate verification.		Vinod Kambrath	Please provide documentation.	Please refer to MRP in Sharepoint. The information was uploaded and system was activated in August 2018. WSP Representative is available to demonstrate the live database. Please also refer to Exhibit B
NATIONAL CONSTRUCTORS GROUP		1c - The Subconsultant should develop improvements to their timekeeping and billing processes to confirm rates	WSP trained NCG accounting staff in 2018 and 2019 regarding the verification of rates and confirming actual rates are the rates billed.		Vinod Kambrath	Please provide documentation.	This training consisted of one-on-one phone conversations between the WSP Project Accounting Lead and Mr. Paul Silvestri. These were





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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
		are actual, and actual hours are billed accurately.					conducted on an ad hoc basis.
NATIONAL CONSTRUCTORS GROUP	Issue 2 – Over Reimbursed Second Tier Subconsultant Cost.	2a - WSP should reimburse the Authority \$9,625 in over reimbursed second tier subconsultant costs.	WSP will reimburse the Authority \$9,625. Along with the amount owed pertaining to Issue 1, the total is \$123,962. After more analysis by the Authority, NCG was allowed to add disputed amounts paid as revenue, making the total amount owed \$71,772.	09/30/22	Vinod Kambrath	Please provide status.	Due to additional work by the Authority's Audit Team, the amount owed by NCG has changed since WSP submitted the Corrective Action Plan (CAP) on July 15, 2022. Per agreement between WSP and the Authority on September 28, 2022, WSP will submit payment within 14 days of the issuance of the Final Contract Compliance Audit Report, which is expected on October 7, 2022.
NATIONAL CONSTRUCTORS GROUP		2b - WSP should verify billed second tier subconsultant costs are properly supported by the Subconsultant.	2b -This subconsultant is a retired sole proprietor and no longer working on the project. WSP has made every effort to discuss these findings with NCG.	05/30/19	Vinod Kambrath	Please provide documentation.	The WSP MRP Administrator collects all direct and indirect rates from both the subconsultant and the second tiered subconsultants and uploads this data to the MRP in Sharepoint. Please refer to Exhibit B: Master Resource Pool Snapshot. The information was uploaded and system was activated in August 2018. WSP Representative is available to demonstrate the live database. In addition, please see Exhibit J: WSP Revised Subcontract Template which shows changes to the 2 <sup>nd</sup> tier



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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
							subcontractor requirements.
NATIONAL CONSTRUCTORS GROUP		2c - The Subconsultant should develop improvements to their billing and payment processes to ensure billed second tier subconsultant costs are actual and supported prior to seeking reimbursement.	This subconsultant is a retired sole proprietor and no longer working on the Project. WSP has made significant efforts to discuss these findings with NCG.	05/19/19	Vinod Kambrath		WSP has extended its RDP Subcontractor ICR Submission Policy, Process, and Procedures as well as its Assessment Program to all 2nd tier subconsultants. Please refer to Exhibits F through F3.
NATIONAL CONSTRUCTORS GROUP	Issue 3 – Inadequate Financial Management System	Subconsultant should establish written policies, procedures, and maintain source documentation to support billed costs, as well as ensure the development of accounting and job costing policies and procedures to assure costs are properly segregated.	This subconsultant is a retired sole proprietor and no longer working on the Project. WSP has made significant efforts to discuss these findings with NCG.	10/20/19	Vinod Kambrath	Please provide documentation.	This subconsultant has not worked on the project since Feb. 2019; however, WSP has implemented the Assessment Program which also entails significant training for those subconsultants who do not have adequate accounting systems. Refer to Exhibits F through F3 which show the WSP ICR Submission Policy, Process, and Procedure, Certification Form, Assessment Form and Discrepancy Letter.
<b>TURNER ENGINEERING CORPORATION</b>							
TURNER ENGINEERING CORPORATION	Issue 1-Over-Reimbursed Costs	WSP should reimburse the Authority \$67,382 in over-reimbursed fully-burdened direct labor costs billed by the Subconsultant.	WSP reimbursed the Authority \$67,382. Please see Check #1679049.	07/19/21	Vinod Kambrath	Please provide documentation of this check# 1679049 in the amount of \$67,382 that was submitted to Authority on 7/19/2021.	Exhibit M shows a snapshot of the WSP check and the Fed Ex receipt submitted on 7/19/22.





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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
TURNER ENGINEERING CORPORATION	Issue 2 – Unallowable Overhead Costs	If WSP contracts with the Subconsultant in the future, WSP should ensure that the Subconsultant provides a schedule that demonstrates rates billed are in accordance with WSP and the Authority’s agreed-upon convention and that the Subconsultant has made improvements to its accounting systems and maintains adequate support for overhead costs.	WSP has discussed this with the subconsultant on numerous occasions. The subconsultant changed their accounting practices and these were examined by both the HSR audit team and WSP project accountants and found to be acceptable.	03/30/22	Vinod Kambrath	Please provide documentation	If WSP ever contracts with this subconsultant again, WSP will require certification of rates. Please refer to Exhibit F1. WSP will also review the Subcontractor’s ICR in accordance with the new policy implemented in July 2020. Please refer to Exhibits F through F3. During the Assessment Program process, the WSP Project Accountant works closely with the subconsultant to determine any potentially "unallowable" costs and that an accounting system is in place with backup documentation for overhead costs.
<b>ACOSTA ENGINEERING SOLUTIONS</b>							
ACOSTA ENGINEERING SOLUTIONS	Issue 1-Over-Reimbursed Fully Burdened Labor Costs	WSP should reimburse the Authority \$15,609 in over-reimbursed fully burdened direct labor costs and overhead costs billed by the Subconsultant.	WSP will reimburse the Authority \$15,609.	09/30/22	Vinod Kambrath	Please provide status.	Per agreement between WSP and the Authority on September 28, 2022, WSP will submit payment within 14 days of the issuance of the Final Contract Compliance Audit Report, which is expected on October 7, 2022.



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ACOSTA ENGINEERING SOLUTIONS	Issue 2 – Overstated Overhead Rate	The Subconsultant should develop a system to ensure the overhead rates are supported by actual costs. They should also review costs incurred closely to ensure compliance with the federal regulations to ensure unallowable costs do not skew future overhead.	Acosta’s accounting system has improved significantly since starting with the RDP in 2015. WSP has conducted one-on-one training with Acosta during the annual overhead rate assessment process. WSP has also implemented the processes and procedures identified in the Corrective Actions for TEC 2b above.	Subconsultant: 1/1/2017 WSP: 7/01/2020	Vinod Kambrath	Please provide documentation	Please refer to Exhibit F and F1 through F3: Consultant ICR Policy, Process and Procedures, Certification and Assessment Forms.
<b>JOSHI PMCM</b>							
JOSHI PMCM	Issue 1 – Inadequate Accounting and Job Cost System	The Subconsultant should ensure the development of accounting and job costing policies and procedures to assure costs are properly segregated between direct, indirect, and unallowable costs per project.	This subconsultant is a sole proprietor and is no longer working on the Project. WSP conducted one-on-one training sessions to assist with the development of a robust accounting system that properly segregated costs, especially unallowable costs.	09/15/19	Vinod Kambrath	Please provide documentation	Please refer to Exhibit F and F1 through F3: Consultant ICR Policy, Process and Procedures, Certification and Assessment Forms.



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SUB CONSULTANT	AUTHORITY ISSUE	RECOMMENDATION	CORRECTIVE ACTION	COMPLETION DATE	PERSON ACCOUNTABLE	Authority Comments to WSP	WSP RESPONSE
<b>WSP USA, INC.</b>							
WSP, USA INC	Issue 1 – Late Subconsultant Payments	1- WSP should create procedures to ensure Subconsultants are paid within ten days from receipt of each payment made to them by the Authority.	1 - The audit period was July 1, 2015 through June 30, 2018. A contract payment tracker as well as updated processes have been implemented to assure contract guidelines are adhered to. below is the link to the subcontractor payment process as identified in the Task Management Manual  <a href="#">PAT005 Subcontractor payment</a>			Authority verified on 9/15/2022. Looks complete.	N/A
	Issue 2 – Late Invoice Submissions	2- WSP should create processes and procedures to ensure invoices are submitted no more than monthly in arrears and no later than 45 days after the completion of each billing period.	2- The audit period was July 1, 2015 through June 30, 2018. Processes have been updated to assure contract guidelines are adhered to. Attached is the revised workflow to the invoice submission process.  <a href="#">PAT001 Invoice submission process</a>			Authority verified on 9/16/2022. Looks complete.	N/A
	Issue 3 - Required Contract Language Not Present	3- WSP should revise Subconsultant contracts already in place and ensure the required verbiage is included in the contracts in the future.	3- The required verbiage is already in place as a flow down clause from the prime agreement between WSP and the Authority. Article 1 of all WSP RDP subcontracts states that ... “Subcontractor expressly acknowledges the incorporation verbatim of the following Prime Agreement provisions, and that Subcontractor is subject to and obligated to comply with the terms thereof: ...Exhibit F Section 16.” Exhibit F Section 16 is the clause in question which incorporates verbatim the applicable Fraud and False Claims Act.			Authority verified on 9/16/2022. Looks complete.	N/A



CORDOBA CORPORATION

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September 8, 2022

Nancie Boccio  
Subcontracts Manager  
California High-Speed Rail Program  
WSP USA  
770 L St., Ste 620  
Sacramento, CA 95814

Re: CAHSR FY 15/16 – 17/18 Audit Findings

Dear Ms. Boccio,

As you know the California High-Speed Rail Authority (“Authority”) conducted an Incurred Cost Audit of Cordoba Corporation (“Cordoba”) under Agreement No. HSR 14-66 (“Prime Agreement”) for the period of July 1, 2015 through June 30, 2018. Upon completion of the audit the Authority issued its preliminary findings and concluded that Cordoba overbilled the Authority \$154,294. This letter represents Cordoba’s formal request for further consideration of the audit findings for the reasons stated below.

While Cordoba does not dispute the accuracy of the Authority’s finding, we would like to highlight the retroactive payments made by Cordoba to its employees in May and June of 2020 reflecting approved escalation rates. As part of its own internal reconciliation, a process that began in October 2019, Cordoba discovered that it had underpaid some of its employees in comparison to the approved rates under the Prime Agreement for FY 16/17 and FY17/18. To rectify the issue, Cordoba made retroactive payments to these employees.

Cordoba notified the Authority of these retroactive payments and provided the proof of payment during the audit. The Authority’s findings do not take these payments into consideration as the auditors considered them outside the audit period. However, we ask that the findings be reconsidered as the timing of the retroactive payments was impacted by extenuating circumstances.

Based on the foregoing we request the Authority reconsider and reduce its findings of \$154,294 to reflect only the amount owed of \$26,407.

Please do not hesitate to contact me with any questions or concerns.

Regards,

A blue ink signature of Narbeh Issagholian-Havai.

Narbeh Issagholian-Havai