



DATE: June 30, 2023

TO: Ruben Aparacio, 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: Pre-award Review of HSR22-46

The Audit Office of the California High-Speed Rail Authority (Authority) has completed its review of the draft agreement and cost proposal for Right-of-Way (ROW) Engineering and Survey Support Services (Merced to Madera), RFQ No.: HSR22-46, between the Authority and O'Dell Engineering, Inc.

A pre-award 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. A pre-award review is not an audit; however, it 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 June 5, 2023. 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 reviewed the entire initial cost proposal submission from O'Dell Engineering Inc. to ensure a complete submission. We noted several missing documents, however O'Dell Engineering later provided the requested documents and information for a complete initial submission.

We completed a risk assessment of the subconsultants and determined the following subconsultants would be reviewed for this pre-award:

- Bennett Engineering
- GIS Surveyors, Inc.
- ESP Surveying, Inc.

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

Indirect Costs

Issue 1 – Revisions to the Indirect Rate Needed

The following firms require revisions to the indirect rates due to unallowable costs identified:

Firm Name	Proposed Indirect Cost Rate	Evaluated Indirect Cost Rate
O'Dell Engineering Inc.	120.84%	118.84%
Bennett Engineering	174.46%	171.62%
ESP Surveying	204.00%	200.00%
GIS Surveyors, Inc.	124.00%	122.78%

Recommendation: The Contract Manager should request an updated cost proposal with evaluated rates as stated above for O'Dell Engineering, Bennett Engineering, ESP Surveying, and GIS Surveyors.

Issue 2 – Proposed 2021 Indirect Rate

ESP Surveying does not have a finalized FY 2022 indirect rate.

Recommendation: The Contract Manager should obtain the FY 2022 indirect rate schedule for ESP Surveying by October 2023, and use the evaluated FY2021 in the interim.

The Contract Manager should forward the FY 2022 indirect schedule to the Audit Office for review.

The Contract Manager should address any differences between the FY 2021 and FY 2022 rate with a true up.

Cost Proposal

Issue 3 – Incorrect Overtime Calculation Rates

Bennett Engineering's cost proposal had a formula error on 12 employee's overtime rate calculations.

Recommendation: The Contract Manager should have Bennett Engineering update the cost proposal to reflect the correct calculations for Premium Overtime.

Issue 4 – Missing Notes on Cost Proposal of Other Direct Cost

The Schedule of Other Direct Costs for GIS Surveyors, Inc does not include the relevant notes.

Recommendation: The Contract Manager should have GIS Surveyors, Inc. add back notes #1-4 for the Schedule of Other Direct Cost. Specifically, they are:

1. List applicable direct cost items with cost per unit. These rates should be supported with appropriate documentation.
2. Items should be consistently billed directly to all clients (including commercial entities and federal/state/government agencies), and not just when the client will pay for them as direct costs.
3. Items listed when incurred for the same purpose, in like circumstances, should not be included in any indirect cost pool or in the overhead rate.
4. Travel-related costs are reimbursed in accordance with State of California travel reimbursement rates and guidelines for excluded/non-represented State employees.

Other Direct Costs

Issue 5 – Incorrect Other Direct Cost Reference

The following consultant/subconsultant proposed other direct costs at the following rates:

1. O'Dell Engineering
 - Chax Training and Consulting – \$10 per sheet
2. GIS Surveyors, Inc.
 - Title Reports – \$1000 per report
 - Mileage – \$0.655 per mile
 - Meals, Incidental, lodging – \$136 per day
3. Bennett Engineering Services, Inc.
 - Mileage – No cost proposed

Recommendation: The Contract Manager should have the cost proposal revised as follows:

1. O'Dell Engineering
 - Chax Training and Consulting – Actual Cost
2. GIS Surveyors, Inc.:
 - Title Reports – Actual Cost
 - Mileage – Note 4
 - Meals, Incidental, Lodging – Note 4
3. Bennett Engineering Services, Inc.
 - Mileage – Note 4

Issue 6 – ODC Billed Through Indirect Rate

ESP Surveying proposed Mileage on the cost proposal however, the mileage cost is recovered through the indirect rate.

Recommendation: The Contract Manager should have ESP Surveying remove the proposed mileage cost from the cost proposal.

Direct Labor

Issue 7 – Unsupported Proposed Individuals

The following firms proposed unsupported individuals:

1. O'Dell Engineering: The proposed prevailing wage rates for two employees, Zaida Munoz, and Christopher Armstrong could not be supported.
2. GIS Surveyors, Inc.:
 - a) The prevailing wage rates proposed for two classifications are below the 2023 Prevailing Wage Determination for Madera and Merced County.
 - b) Overtime rates were proposed for three salaried employees, Shawn Bondly, Erik Eilers, and Mark Steele however, GIS Surveyors stated overtime is not applicable to salaried employees.

Recommendation: The Contract Manager should have the following firms revise the cost proposal as follows:

1. O'Dell Engineering should remove Zaida Munoz and Christopher Armstrong from the cost proposal.

2. GIS Surveyors, Inc.:

- a) Revise the cost proposal to the most current Prevailing Wage Determination for Madera and Merced County.
- b) Remove the proposed overtime rates for Shawn Bondly, Erik Eilers, and Mark Steele.