



DATE: June 6, 2024

TO: Bruce Roberts, Contract Manager

FROM: ^{PR} Paula Rivera, Chief Auditor

CC: Finance and Audit Subcommittee of the Board
Brian Kelly, Chief Executive Officer
Rachael Wong, Capital Procurements

SUBJECT: Pre-award Review of HSR 23-32

The Audit Office of the California High-Speed Rail Authority (Authority) has completed its review of the draft agreement and cost proposal for Track Design and Overhead Contact Systems elements that cover the entire guideway from Merced to Bakersfield, RFQ No.: HSR 23-32, between the Authority and SYSTRA|TYPESA Joint Venture.

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 May 8, 2024. 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.

This pre-award was completed after Notice of Proposed Award was issued to the most qualified proposer. We reviewed the entire initial cost proposal submission from SYSTRA|TYPESA Joint Venture to ensure a complete submission. We noted that the initial cost proposal package was not complete, however, SYSTRA|TYPESA Joint Venture later provided the requested documents and information for a complete initial submission.

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

- NSI Engineering, Inc.
- RSE Corporation
- Acumen Building Enterprise, Inc.
- Turner Engineering Corporation
- Unico Engineering, Inc.
- Leland Saylor Associates
- Mott MacDonald Group, Inc.
- Wilson Ihrig

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

Cost Proposal

Issue 1 – Field Rate Not Shown

SYSTRA Consulting, Inc.'s and Unico Engineering, Inc.'s cost proposal rate sheet does not include the field office indirect rate, even though the field rate will apply to key personnel working out of the Authority office.

Recommendation:

The Contract Manager should have SYSTRA Consulting, Inc. and Unico Engineering, Inc. identify the field office indirect rate, in addition to the home office indirect rate, on the cost proposal rate sheet and include a note stating, “*Key Personnel will charge the field rate, as applicable, while working out of the Authority office.”

Issue 2 – Miscalculated Loaded Hourly Billing Rates

Subconsultants' proposed Loaded Hourly Billing Rates were miscalculated when the proposed fee and proposed indirect rate were applied to the actual hourly rate.

Recommendation:

The Contract Manager should have the subconsultants recalculate the proposed Loaded Hourly Billing Rates and revise the cost proposal to reflect the recalculated Loaded Hourly Billing Rates for the subconsultants shown below:

Firm	Classification	Recalculated Range of Hourly Rates for Classifications	
		Low	High
NSI Engineering, Inc.	Project Specialist	\$ 146.03	\$ 349.20
NSI Engineering, Inc.	Project Manager	\$ 297.71	\$ 330.78
NSI Engineering, Inc.	Director	\$ 306.66	\$ 306.66
NSI Engineering, Inc.	Executive	\$ 347.32	\$ 347.32
Wilson Ihrig	Principal Engineer	\$ 365.69	

Issue 3 – Independent Consultants

Turner Engineering Corporation proposed a range of actual hourly rates for the proposed Independent Consultants (IC). Turner Engineering Corporation also calculated the Loaded Hourly Billing Rate using the General Administrative portion of their indirect cost rate and the fee for the proposed independent consultants. In addition, the proposed actual hourly rate range for the Independent Consultant and W2 employees were proposed on the same row on the cost proposal rate sheet.

Recommendation:

The Contract Manager should have Turner Engineering Corporation enter all Independent Consultants (IC) classifications as separate line items for the low and high of the range. Turner Engineering Corporation should remove the fee and recalculate the Loaded Hourly Billing Rates with only the General Administrative percentage rate for all Independent Consultants. Additionally, they should include a note on the rate sheet to explain that the Loaded Hourly Rate calculation only includes the General Administrative rate for Independent Consultants.

Direct Labor

Issue 4 – Unsupported Hourly Labor Rates

Acumen Building Enterprise, Inc and Turner Engineering Corporation proposed hourly rates higher than what was supported.

Recommendation:

The Contract Manager should have the subconsultants revise the cost proposal for the employee/classifications identified below to reflect the supported hourly rates:

1. Acumen Building Enterprise, Inc.:
 - [REDACTED]: \$61.09
2. Turner Engineering Corporation:
 - BIM/CAD Designer (low range): \$50.00
 - BIM/CAD Designer (high range): \$70.00
 - Project Control Specialist (high range): \$40

Issue 5 – Rate Ranges Incorrectly Proposed

Subconsultants proposed a range of Actual Hourly rates for classifications using a single rate.

Recommendation:

The Contract Manager should have subconsultants revise the cost proposal to remove the proposed ranges and propose a single rate for each of the following classifications:

1. Leland Saylor Associates:
 - Senior Mechanical Estimator
 - Senior Scheduler
 - Estimates Coordinator

2. Mott MacDonald Group, Inc.:
 - Designer V
 - Designer IV
 - Principal Geologist
 - Senior Project Geologist

3. NSI Engineering, Inc.:
 - Director
 - Executive

4. Turner Engineering Corporation, Inc.:
 - BIM/CAD Manager

Issue 6 – Overstated Overtime Loaded Hourly Billing Rate

Wilson Ihrig and Unico Engineering, Inc. proposed overtime Loaded Hourly Billing Rates that were overstated.

Recommendation:

The Contract Manager should ensure a revision to the cost proposal for overtime Loaded Hourly Billing Rates and have the following changes:

Wilson Ihrig:

1. Associate:
 - Low - \$179.45
 - High – \$204.45

2. Assistant:
 - Low – \$161.85

3. Technical:
 - Low – \$145.61

4. Project Assistant:
 - Low - \$145.61
 - High - \$250.14

5. Project Controls Specialist:
 - Low - \$145.61
 - High - \$221.95

For Unico Engineering, Inc., the Contract Manager should have the subconsultant revise the cost proposal and list Loaded Hourly Billing rates for the exempt employees at straight time.

Indirect Cost

Issue 7 – Use of Prior Year Indirect Rate

Consultant and subconsultants provided Indirect Cost Rates for the year ended December 31, 2022.

Recommendation:

The Contract Manager should ensure the following consultant and subconsultants provide the current indirect rate schedule and financial supporting documents for the year ended December 31, 2023, by October 2024:

1. Acumen Building Enterprise
2. Mott MacDonald Group, Inc.
3. NSI Engineering
4. Unico Engineering
5. Turner Engineering Corporation
6. Aztec Engineering Group, Inc. dba TYPSA
7. RSE Corporation
8. Leland Saylor Associates

Issue 8 – Unsupported Indirect Rate

Unico Engineering, Inc. proposed an indirect cost rate of 144.92% that is unsupported because their 2023 financial support is currently unavailable.

In addition, Wilson Ihrig initially provided a 2022 Independent Auditor's report, but during the review they provided a 2023 Independent Auditor's report with the current indirect cost rate.

Recommendation:

The Contract Manager should ensure Unico Engineering, Inc. revise their indirect cost rate to reflect their 2022 indirect rate of 143.42%. Wilson Ihrig should revise the indirect cost rate to 185.04%, based on the 2023 Independent Auditor's Report.

Other Direct Cost

Issue 9 – Incorrect Other Direct Cost Rate

The following consultants and subconsultants proposed incorrect other direct cost rates:

Firm	Type of Cost	Proposed	Evaluated
SYSTRA Consulting, Inc.	Vehicle Rental	Actual Cost	See Note 4
SYSTRA Consulting, Inc.	Airfare	Actual Cost	See Note 4
SYSTRA Consulting, Inc.	Taxi/Transit	Actual Cost	See Note 4
Aztec Engineering Group, Inc. dba TYP SA	Vehicle Rental	Actual Cost	See Note 4
Aztec Engineering Group, Inc. dba TYP SA	Airfare	Actual Cost	See Note 4
Aztec Engineering Group, Inc. dba TYP SA	Taxi/Transit	Actual Cost	See Note 4
Acumen Building Enterprise, Inc.	Mileage	\$0.67	See Note 4
Acumen Building Enterprise, Inc.	Vehicle Rental/month	\$1200	See Note 4
Acumen Building Enterprise, Inc.	Fuel/month	\$700	At Cost
Acumen Building Enterprise, Inc.	Copies, tel/ miscl/mo	\$1000	Remove from Schedule of Other Direct Cost Items
Mott MacDonald Group, Inc.	Mileage-Personal Vehicle	IRS Rate	See Note 4
Mott MacDonald Group, Inc.	Mileage-Company Vehicle	IRS Rate	See Note 4
Mott MacDonald Group, Inc.	Rental Car	IRS Rate	Remove from Schedule of Other Direct Cost Items

Firm	Type of Cost	Proposed	Evaluated
Mott MacDonald Group, Inc.	Rental Car Lease	Actual	See Note 4
Mott MacDonald Group, Inc.	Travel/Per Diem	GSA	See Note 4
Mott MacDonald Group, Inc.	Travel/Air	Actual	See Note 4
Mott MacDonald Group, Inc.	Travel/Land	Actual	See Note 4
Mott MacDonald Group, Inc.	Hotel	GSA	See Note 4
UNICO Engineering, Inc.	Car Rental	Actual	See Note 4
UNICO Engineering, Inc.	Airfare at	Actual	See Note 4
NSI Engineering, Inc.	Travel - can't price without location		Remove from Schedule of Other Direct Cost Items

Recommendation:

The Contract Manager should ensure the consultants and subconsultants revise their Schedule of Other Direct Cost Items as noted above in the “Evaluated” column.

Issue 10 – Proposed Software

SYSTRA Consulting, Inc and Aztec Engineering Group, Inc. dba TYPASA proposed Other Direct Cost of “Other Software (PMIS, BIM, Cloud)”.

Recommendation:

The Contract Manager should require the consultants include a note in the Schedule of Other Direct Cost Items that proposed software is subject to prior approval by the Contract Manager and must be compliant with the terms of the contract.