



CALIFORNIA
High-Speed Rail Authority

Work Plan Development Process

Fiscal Year 2019/2020

April 2020

EXECUTIVE SUMMARY

The Audit Office of the California High-Speed Rail Authority (Authority) completed its audit of the Authority's work plan development process.

To help manage the contractual work, the Rail Delivery Partner, Project Construction Management, and Regional Consultant contracts required the contractors to submit a work plan for the Authority's review and approval. These work plans typically cover a one-year period. Currently, the Strategic Delivery requires task orders from the Regional Consultants. Although there are differences between work plans and task orders, they both serve the same function. For the purpose of this audit, task orders are synonymous with work plans, and will not be mentioned unless there is a need for distinction.

The purpose of our audit was to review the work plan development process. Our audit objectives were to determine if:

- The work plan development process complies with policies and procedures established by the Authority and other relevant criteria.
- Roles and responsibilities of those involved in the work plan development process are defined.
- Work plans define scopes of work and deliverables expected as well as details estimated levels of efforts (i.e., work force labor hours and costs).

At the request of the Authority's Chief Operating Officer, a fourth audit objective was added to determine if:

- The work plans are being used to manage the work.

The scope of the audit focused on current work plans limited to contracts for the Project and Construction Management of each active construction package, the Rail Delivery Partner, and the Regional Consultants.

We found that roles and responsibilities are defined for the work plan development, the work plans have defined scope of work and the contract managers were able to demonstrate that they are using the work plans to manage the work of the contractors. Contract managers do have a process for the development of work plans.

However, there are no official policies or procedures that specifically govern the work plan development. Authority officials voiced that policies and procedures may be too limiting for varying types of contracts. In addition, we found that the contracts with the three Southern Region's Regional Consultants required an annual work program while the current practice is that task orders are submitted, which are not prepared annually. The Authority was not adhering to or enforcing the contract provision.

We recommend the Program Delivery Office implement guidelines/desk procedures tailored to each type of contract. We also recommend that the Authority amend the Southern Region Regional Consultant contracts, or find other legally acceptable means, to include the option of choosing either an annual work program or a task order, whichever is more suitable for each specific contract and/or phase of a contract.

Paula Rivera, Audit Chief

Date

Audit Report

BACKGROUND

As part of the California High-Speed 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. A 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.

To accomplish this, the Authority entered into various agreements with contractors. The agreement for Rail Delivery Partner stipulates that they are to provide oversight of the functional component of program management, program coordination, and program delivery. The agreement for the Project and Construction Management stipulate that they will perform engineering and construction oversight and monitor and track the performance of the design-builders. The agreements with the Regional Consultants stipulate that they will perform preliminary engineering and project specific environmental work.

In November 2018, the California State Auditor issued an audit of the Authority with a focus on contract management. The Auditor pointed to several deficiencies in the Authority's management of contracts. To address the contract management risks the California State Auditor identified, the Authority developed and revised policies, procedures, and tools for managing contracts.

To help provide reasonable assurance that contractors are performing their contracted services, each contractor must provide a work plan. For the purpose of our audit, we considered a work plan to be an outline that segments the overall contractual work into manageable and achievable tasks and time periods. Essentially, a work plan is a tool the contract manager uses to help manage the work.

Additionally, the Strategic Delivery Office currently requires task orders in lieu of work plans. Although there are differences between them, they both serve the same function. For the purpose of this audit, task orders are synonymous with work plans, and will not be mentioned unless there is a need to distinguish between them.

The contract managers we interviewed expressed that a work plan is a useful tool. In general, based on our discussions and observations with those involved in the work plan development process, contract managers and their teams appear to have functioning processes and tools to manage contracts and the contractors. Along with a work plan, the Authority's contract managers and their teams use other tools (e.g., evaluations, tracking reports, monthly and weekly meetings with the contractors) to manage their contracts. As the scope of our audit was limited to the work plan development process, we did not audit the other functional processes and tools.

OBJECTIVES, SCOPE, and METHODOLOGY

The purpose of our audit was to review the work plan development process. Our audit objectives were to determine if:

- The work plan development process complies with policies and procedures established by the Authority and other relevant criteria.
- Roles and responsibilities of those involved in the work plan development process are

- defined.
- Work plans define scopes of work and deliverables expected as well as detail the estimated levels of efforts (i.e., work force labor hours and costs).
 - The work plans are being used to manage the work.

The scope of the audit was limited to reviewing the most current work plans for the following contractors: Rail Delivery Partner, Project and Construction Management, and Regional Consultants.

To accomplish our objectives, we reviewed applicable criteria, interviewed staff involved in the work plan development process, and tested deliverables derived from the work plans. We conducted our audit in accordance with the Standards for the International Professional Practice of Internal Auditing.

CONCLUSION

The Audit Office found that the contract managers have working practices for work plan development. In the contracts, roles and responsibilities are generally defined for the work plan development process, the work plans have defined scopes of work and the contract managers were able to demonstrate that they are using the work plans to manage the work of the contractors. However, there are two issues that came to our attention:

Issue 1: Need for Guidance

The Audit Office found that the Authority has no policy or procedure specific to the development of work plans. Except for what is required in the contracts, the Authority has no established, official document that guide the work plan development process. There is no document that articulates what specific information should be included in the work plans that assist contract managers to better manage their contracts. New contract managers rely on their individual experience and the knowledge and experience their team members provide them. Policies, procedures, guidelines, and/or desk procedures would allow for consistency among contracts or tasks for similar scopes of work.

Our interview with the contract managers for the Regional Consultants revealed that they are in the process of creating guidance for developing task orders. This informal guidance is specific to the Strategic Delivery Branch. During an interview with a contract manager for one of the construction packages, he mentioned that he would like the three contract managers of the construction packages to have better communication and sharing of information, e.g., general lessons learned. The contract manager and his team for the Rail Delivery Partner contract also have desk procedures for the development of work plans but are still in draft form and not formalized.

Not having established policies and procedures is a sign of internal control weakness according to the Committee of Sponsoring Organizations of the Treadway Commission (COSO). They are an internationally recognized consortium and their internal control model is considered best practices. COSO specifically mentions that it is a best practice to establish policies for what is expected and create procedures for how to put those policies into action.

As Authority officials voiced that policies and procedures may be too limiting for varying types of contracts, they suggested that guidelines/desk procedures would be more appropriate.

Recommendation:

We recommend that the Program Delivery Office implement formal guidelines/desk procedures for work plan development that is tailored to each type of contract. The guidelines should identify the purpose of the work plan and identify requirements and steps for reviews/approvals.

Issue 2: Not Enforcing Contract Provision

The contract requirement for the three Regional Consultants in the Southern Region are not being adhered to or enforced. In Exhibit A, under scope of work for each of their contract, Regional Consultants are required to submit an annual work plan (referred to as “work programs” in the contacts). Initially, this was being followed. To better manage the contracts and to be consistent with the Northern Region contracts, the contract managers transitioned the annual work plans for these three Southern Regional Consultant contracts into “task orders.” Whereas an annual work plan covers a twelve-month period, a task order is milestone based. Task orders, although anticipated to cover roughly one year, do not have a defined termination date, but rather, an estimated date.

While contract managers were verbally able to explain why annual work programs were replaced with task orders, they were not able to provide documentation for the transition nor were contracts amended to reflect the technical change.

Recommendation:

We recommend the Authority amend the three Southern Regional Consultant contracts, or to find other legally acceptable means, to include the option of choosing either an annual work program or a task order, whichever is more suitable for each specific contract and/or phase of a contract.

The results of the audit were discussed with management on January 24, 2020, and on February 3, 2020.

Our report is intended as information for management’s use; however, this report is a public document and its distribution is not limited.

We appreciate the time and cooperation the Authority’s Program Delivery staff accorded us throughout the audit. We look forward to assisting the Program Delivery Office as needed.



Memorandum

DATE: March 26, 2020
TO: Ms. Paula Rivera, Chief Auditor
FROM: Joe Hedges, Chief Operating Officer
CC: Brian Kelly, Chief Executive Officer
SUBJECT: Program Delivery Response to Draft Audit Report 19-01, Work Plan Development Process

The Authority's Program Delivery Office is in receipt of the draft report of the Authority's Work Plan Development Process. The Authority's Audit Office found that the contract managers have working practices for work plan development, roles and responsibilities are generally defined, work plans have defined scopes of work and that contract managers used plans to manage the work of the contractors.

In regards to the recommendations provided with this audit, the Program Delivery Office concurs with the recommendations and provides the following responses:

Recommendation 1: *We recommend that the Program Delivery Office implement formal guidelines/desk procedures for work plan development that is tailored to each type of contract. The guidelines should identify the purpose of the work plan and identify requirements and steps for reviews/approvals.*

Response to Recommendation 1: The Program Delivery Office recognizes the importance of establishing proper guidance in the development of work plans and created draft guidance for contract managers. The draft work plan guidance is intended to: identify the purpose of a work plan; establish the work plan requirements; and the procedures to follow for during the review and approval of a work plan. The Program Delivery Office will finalize the guidance and make it available to the contract managers to use and modify to fit their contract needs.

Recommendation 2: *We recommend the Authority amend the three Southern Regional Consultant contracts, or find other legally acceptable means, to include the option of choosing either an annual work program or a task order, whichever is more suitable for each specific contract and/or phase of a contract.*

Response to Recommendation 2: The Project Delivery Office acknowledges that the current practice for the three Southern Regional Consultant contracts using task orders is not in compliance with the contract terms. After reviewing the facts, and consultation with Authority Legal Office, the Program Delivery Office will amend the three Southern Regional Consultant contracts. One of the Southern Regional Consultant contracts was amended in October 2019, the two remaining will be amended following the Authority's processes.

If you have any further questions, please contact Joe Hedges, Chief Operating Officer, at 916-403-2688 or at Joe.Hedges@hsr.ca.gov.

Original Signed March 26

Joe Hedges
Chief Operating Officer