



Memorandum

DATE: June 3, 2016

TO: Scott Rothenberg, Contract Manager

FROM: Paula Rivera, Audit Division

CC: Finance and Audit Subcommittee of the Board
Jeff Morales, CEO
Domonique Wilson, Contract Analyst

SUBJECT: Pre-award Review HSR 15-108

The Authority Audit Office has completed its review of the draft agreement and the cost proposals for environmental Services for the Fresno to Bakersfield Project Section, RFQ HSR15-108, between the California High-Speed Rail Authority (Authority) and Environmental Services Associates (ESA).

The scope was limited to reviewing the draft agreement and the cost proposals dated May 17, 2016. The objectives of the review were to determine if the necessary fiscal provisions were incorporated in the draft agreement and whether the proposed costs are reasonable and in compliance with the Code of Federal Regulations Title 48, Chapter 1, Part 31 for the purpose of accepting contract progress billings.

Except as noted in the following paragraph, our review was conducted in accordance with Government Auditing Standards for attestation engagements as issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objectives of which is the expression of an opinion on the proposed costs submitted by the Contractor, and accordingly, review reports express no such opinion.

The Authority Audit Office has not undergone a peer review as required by the Government Auditing Standards due to the recent formation of the Audit Division and the lack of a body of work to be reviewed. The Authority Audit Division is not yet eligible for a peer review for the reasons stated.

Based on the review of the cost proposals and the draft agreement, except as discussed in the issues and recommendations section below, no material deficiencies came to our attention.

This report is intended for the information and use of the management of the Authority. However, this report is a public document and its distribution is not limited.

ISSUES AND RECOMMENDATIONS

Issue 1

The following proposed indirect cost rates were misstated:

Firm	Proposed	Supported
Bender Rosenthal, Inc.	108.04%	104.07%
Fehr & Peers	176.17	178.54
WRECO	135.84	131.80
Precision Civil Engineering, Inc.	190.00	98.86
Central California EHS, LLC	167.48	164.00

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported indirect cost rates.

Issue 2

The proposed hourly rates were misstated for the following employees:

Employee	Proposed Rate	Supported Rate	Firm
Andrew Russell	\$24.00	\$20.00	Parus Consulting
Mark Kile	32.00	30.00	Parus Consulting
Ed Dunkel Jr.	58.84	57.69	Precision Civil Engineering, Inc.
Ken Vang	55.29	57.29	Precision Civil Engineering, Inc.
Craig Roberts	43.27	38.47	Precision Civil Engineering, Inc.
David Schwegel	45.00	36.50	Precision Civil Engineering, Inc.
Julio Padilla	33.08	31.50	Precision Civil Engineering, Inc..

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported hourly rates.

Issue 3

The hourly rate of \$64.18 was misstated for the Senior Geologist proposed classification by WRECO.

Recommendation: The Contract Manager should have the cost proposal revised to reflect the supported rate of \$55.19 for the proposed Senior Geologist classification.

Issue 4

The hourly rates were not supported for the following proposed classifications:

Classification	Proposed Rate	Supported Rate	Firm
Senior Environmental Planner	\$135.00		Cross-Spectrum Acoustics
Environmental Planner	85.00		Cross-Spectrum Acoustics

Recommendation: The Contract Manager should review supporting documentation in conjunction with the Audit Office when received from Cross-Spectrum Acoustics, prior to performing work on this contract.

Issue 5

The following proposed employees are independent consultants:

Name	Classification	Firm
Sue Goodkin	Project Administrator	Parus Consulting
Steven White	Senior Industrial Hygienist/Safety Consultant II	Central California EHS, LLC

Recommendation: The Contract Manager should have the cost proposal revised to reflect that these classifications are reimbursed at actual cost.

Issue 6

The proposed computer software and AT&T conference call other direct costs, by Precision Civil Engineering, Inc. did not identify that these items will be reimbursed at actual cost.

Recommendation: The Contract Manager should have the cost proposal revised to reflect that computer software and AT&T conference call expenses will be reimbursed at actual cost supported by vendor invoice.

Issue 7

The proposed miscellaneous travel and vehicle expenses (mileage, parking, & rental car) did not identify that these expenses will be reimbursed in accordance with the State of California Travel policy and guidelines for the following firms:

- Environmental Services Associates (ESA)
- Central California EHS, LLC
- Cross-Spectrum Acoustics
- Fehr & Peers
- H.T. Harvey and Associates
- Parus Consulting
- Precision Civil Engineering, Inc.
- WRECO

Recommendation: The Contract Manager should have the cost proposal revised to reflect that travel and vehicle expenses will be reimbursed in accordance with the State of California Travel policy and guidelines.