



FACT SHEET

Date: April 29, 2010

Report: 2009-106

The California State Auditor released the following report today:

High-Speed Rail Authority

It Risks Delays or an Incomplete System Because of Inadequate Planning,
Weak Oversight, and Lax Contract Management

BACKGROUND

In 1996 the Legislature created the nine-member High-Speed Rail Authority (Authority) and charged it with the development and implementation of intercity high-speed rail service. In November 2008 voters approved the Safe, Reliable, High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A), providing \$9 billion from the sale of general obligation bonds for construction of a high-speed rail network (program).

KEY FINDINGS

During our review of the Authority to determine its readiness to manage funds for the program, we noted the following:

- The Authority's 2009 business plan lacks detail regarding how it proposes to finance the program. For example, the Authority estimates it needs \$17 billion to \$19 billion in federal funds. However, the Authority has no federal commitments beyond \$2.25 billion from the American Recovery and Reinvestment Act of 2009 (Recovery Act) and two other potential federal grants are small.
- The Authority's plan for spending includes almost \$12 billion in federal and state funds through 2013, more than 2.5 times what is now available.
- Although state law limits the portion of bond funds from Proposition 1A the Authority can use for administration and preconstruction costs, it lacks a system for tracking expenditures by such categories. It therefore risks prematurely running out of bond funds for these purposes.
- The Program Manager's monthly progress reports, a primary document summarizing the program's progress on a regional and program level, have contained inaccurate and inconsistent information.
- The Authority does not generally ensure invoices reflect the work performed by contractors. During the period of our review, Authority staff paid invoices from regional contractors totaling \$4 million without documenting written notification from the Program Manager that the work claimed had actually been performed, even though this was a stated control.
- The Authority paid more than \$268,000 for tasks not included in the contractors' work plans and misused public funds when it purchased \$46,000 in furniture for one of its contractors.

KEY RECOMMENDATIONS

- Develop and publish alternative funding scenarios that address the potential for reduced or delayed funding from planned sources.
- Track administrative and preconstruction expenditures and develop a long-term spending plan for them.
- Critically review the Program Manager's progress reports and request that they include information on the status of promised products and services.
- Adhere to controls for processing invoices to ensure that payment is made only for invoices that accurately reflect work performed.
- Adhere to the provisions and conditions included in its contracts and work plans, and make any amendments or modifications to contracts or work plans in writing.

