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April 18, 2016

Jeff Morales, Chief Executive Officer
California High-Speed Rail Authority
770 L Street, Suite 800
Sacramento, California 95814

Dear Mr. Morales,

Macias Gini and O'Connell LLP (MGO) has been engaged to conduct the annual Statewide Federal Compliance Audit of the State of California on behalf of the California State Auditor's Office. The audit will include selected transactions and accounts maintained by the California High-Speed Rail Authority's (Authority) administration for selected federal programs for fiscal year 2015-16. MGO will perform work related to the compliance review of the selected federal programs.

As part of our audit procedures performed in accordance with the provisions of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), MGO will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with laws regulations, contracts and grants applicable to each major federal program.

Compliance with laws, regulations, contracts and grants applicable to the major federal programs administered by the Authority is the responsibility of management. MGO will perform tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants that we determine necessary based on the OMB's *Compliance Supplement*. The procedures outlined in the *Compliance Supplement* are those suggested by each federal agency, but do not cover all areas regulations governing each major federal program. Program reviews conducted by federal agencies may identify additional instances of noncompliance.

Authority management is responsible for identifying and ensuring compliance with laws, regulations, contracts, and grant agreements applicable, to its activities, and for informing us of any known material violations of such laws and regulations and provisions of contracts and grant agreement. Authority management is responsible for identifying new federal awards received after December 26, 2014 and additional funding to existing awards received after that date, which are subject to the new Uniform Guidance set forth in Title 2 CFR, Subtitle A, Chapter II, Part 200. Authority management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for establishing and maintaining effective internal controls over compliance. Authority management also is responsible for informing us, of which it has knowledge, of all significant deficiencies and material weaknesses in the design or operation of such controls. A material weakness is a deficiency, or combination of deficiencies,

provided on a timely basis prior to release of the report, the report will indicate the status of management's responses.

The California Government Code, Section 8545.2, gives the California State Auditor, and thereby MGO complete access to all records and property of state agencies; public entities including any city, county, and school or special district; and private entities or persons to the same extent that employees of state agencies and public entities have access to these records. However, we assure you that we respect the legal confidentiality of these records and will not publicly release them when legal restrictions prohibit such release.

The statewide federal compliance audit will be coordinated by our audit partners Kevin Starkey and David Bullock. If you have any questions during the review, please do not hesitate to contact us at (619) 618-7211 or kstarkey@mgocpa.com or (925) 395-2808 or dbullock@mgocpa.com.

Very truly yours,



Kevin K. Starkey
Partner
Macias Gini & O'Connell LLP

cc: Michael R. Tritz, Deputy Secretary
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