



DRAFT

FINANCE AND AUDIT COMMITTEE MEETING MINUTES

August 18, 2022

Webcast at:

www.hsr.ca.gov

The meeting of the California High-Speed Rail Authority (Authority) Finance and Audit Committee Meeting was called to order on August 18th at 8:30 A.M. via webinar due to Governor Newsom's State of Emergency declaration regarding the COVID-19 outbreak and in accordance with Executive Order N-25-20 and the Guidance for Gatherings issued by the California Department of Public Health. The Meeting Minutes were prepared in the order items were presented during the meeting.

Committee Members Present:

Mr. Tom Richards, Committee Chair
Ms. Nancy Miller, Vice Committee Chair
Mr. Ernest Camacho, Committee Member
Mr. Jim Ghielmetti, Committee Member

Staff Present:

Mr. Brian Kelly, Chief Executive Officer
Ms. Paula Rivera, Chief Auditor
Mr. Brian Annis, Chief Financial Officer
Mr. Daniel Horgan, Deputy Chief Operating Officer
Ms. Alicia Fowler, Chief Counsel
Mr. Moamen Ramadan, Board Secretary

Public Comment

An opportunity for public comment was made at the outset of the meeting.

Item #1 – March Meeting Minutes

The March 17, 2022 Meeting Minutes were moved for approval by F&A Committee Member Ghielmetti and seconded by Committee Member Camacho and approved unanimously by all members.

Item #2 – F&A Committee Chairman's Remarks, Initiatives, and Updates

Committee Chair Richards had no remarks, initiatives, or updates to present.

Item #3 – Audit Updates

Chief Auditor Paula Rivera presented various audit reports to the F&A Committee Members.

Question:

Member Ghielmetti asked what differences were found between right-of-way data in geoAMPS compared to source documents?

Response:

Ms. Rivera responded that the differences were found when something was recorded as required or completed. Sometimes there was a document and sometimes there was an email. If the document, the construction memo, or the deed said "September 10" and it was emailed to somebody and it said "September 14", September 14 was recorded as the date it was acquired. So, there were just minor differences. Right-of-way has addressed this and they now have a procedure to identify what the source documents are to use as system data.

Question:

Chair Richards asked if these commitments that have been made to third parties with regards to the environmental mitigation types of issues; is that correct?

Response:

Ms. Rivera responded yes. The things that we say we will do in the environmental documents, we looked to see that there was a process for identifying those from the environmental document into the system of record that is used, EMMA, the Environmental Mitigation Management system. We found that every instance the information in the environmental document matched what was in EMMA.

Question:

Chair Richards asked how determinations are made as to how many different commitments were looked at? And how were they chosen?

Response:

Ms. Rivera responded that there are 14 categories of commitments, and we selected one from each category.

Question:

Member Camacho asked for confirmation that the objective of the audit was to ensure the Authority was complying with the project commitments and nothing out of the ordinary was found?

Response:

Ms. Rivera confirmed that they were looking for evidence of compliance in the EMMA system and nothing out of the ordinary was found.

Question:

Member Camacho asked how do you go back and reexamine commitments that have no proof of compliance because they were not scheduled or initiated? Are you satisfied with the process in place?

Response:

Ms. Rivera replied that the Audit Office is satisfied with the process in place. The Authority has the ability to track commitments in the EMMA system. Our purpose was to be sure that there wasn't a gap between environmental documents and the system we use to track them. The information is available, there is a process in place, and those commitments are being managed.

Question:

Chair Richards asked if there has been a response to the Contract Management audit recommendations?

Response:

Ms. Rivera replied yes. The right-of-way and infrastructure delivery offices provided a response. We looked at those responses, and they seem reasonable. We will go back within 90 days and ask for evidence that they've implemented those corrective actions.

Question:

Chair Richards asked if the Contract Management audit was compliant with generally accepted auditing standards with regards to the population of the data that you're looking at in order to make a judgement as to whether or not there's compliance or any issues?

Response:

Ms. Rivera replied yes. We didn't select based on a random sample, but we picked two types of contracts that can affect project delivery.

Question:

Member Camacho asked if the narrative in the Pre-award Review of HSR21-17 audit, under *Issues and Recommendations - Direct Labor - Issue 1*, regarding Fluor proposed escalated labor rates from March 2023 through August 2023 was part of the PDS contract?

Response:

Ms. Rivera responded that the escalation that was proposed by AECOM and Fluor and their 18 subs was set to begin in October. There's a contract provision that identifies escalation will begin July 1st of 2023. This is a cleanup finding.

Question:

Member Camacho asked the Chief Counsel Alicia Fowler if the Board should move forward with approving the Program Delivery Service contract with the issues pending from the audit?

Response:

Ms. Fowler responded that the audit findings are information for the Committee.

Question:

Member Ghielmetti asked how long in advance did the contract managers have the recommendations from the Audit Office?

Response:

Ms. Rivera replied that the recommendations were provided on the 9th of August, so they had them for about a week and a half.

Question:

Member Ghielmetti asked if the contract managers have made the necessary adjustments?

Response:

Ms. Rivera responded yes. After we issued our preaward, the Authority went back and redlined the cost proposals, which they gave us to review last Friday. We reviewed that all the recommendations had been taken into account. There will be a final cost proposal that is submitted by the primes prior to execution.

Item #4 – Financial Reports Executive Summary

Chief Financial Officer Brian Annis presented the Financial Report Executive Summary to the F&A Committee Members.

Question:

Chair Richards asked if the May Cap-and-Trade auction proceeds received expedited processing by the Department of Finance and the Controller due to fiscal year-end?

Response:

Mr. Annis responded that he is not sure. In the past, it hasn't always been done within the fiscal year, but it is helpful to know that if we do have a need, we can work with our control agencies and do it in as little as four or five weeks.

Question:

Member Ghielmetti asked if we are required to track vacant and filled positions at the Authority?

Response:

Mr. Annis responded that we are not required to report them to the Board. However, we do so to highlight where we're resourced appropriately and where we might have resource challenges in delivering our task. He believes that is the reason to report this to the Board.

Question:

Member Camacho and Member Ghielmetti asked if we have improved the schedule, budget, and percentage of completion tracking for CP1 and CP2-3 now that the final designs are in? They would like a realistic estimate of the cost to complete so they know what direction the project is going and if we have enough money to complete the project.

Response:

Mr. Annis responded that some of that reporting is in our Central Valley Construction Status Report for CP 4. He believes most of the major design changes have been put into the contracts, but there are a few more left which are expected to be complete in the next month and a half. His understanding is, by the month of October we should start being able to show some additional data for CP1 and CP2-3 that is similar to what you're seeing with CP4.

Question:

Member Ghielmetti asked when we are going to have an update on the status of LA Metro? When are they starting and when are they going to finish?

Response:

Mr. Annis replied that he believes there are periodic updates for both Caltrain and LA Metro.

Item #4 – Central Valley Update

Deputy Chief Operating Officer Daniel Horgan presented the Central Valley Status Report to the F&A Committee Members.

Question:

Member Camacho asked if the utility designs have been completed?

Response:

Mr. Horgan responded that design has been completed for all the permanent structure, permanent guideway, permanent bridges, and permanent viaducts, but we still have some outstanding design approvals for our utility relocations.

Question:

Member Camacho asked how many design approvals for our utility relocations are outstanding?

Response:

Mr. Horgan replied that there's probably about 30 percent of the utility relocations that are not started. So, with all that we probably have 10-15 percent of the utility designs that need to be completed. We are close to complete, but we are not complete.

Question:

Member Camacho asked if we are able to monetarily quantify what has not been completed so we know the dollar amount we are looking at?

Response:

Mr. Horgan responded that we can certainly provide the outstanding designs and provide the value of the utility relocations that have not been completed.

Question:

Member Ghielmetti asked if there is a timeline for completion of the utility relocations design work?

Response:

Mr. Horgan replied that he thinks the bulk of it will be completed in the next 12 months, but some may take slightly longer.

Question:

Chair Richards and Mr. Kelly asked for clarification on what elements will take 12 months or longer to complete?

Response:

Mr. Horgan replied the utility design.

Question:

Member Camacho asked if we anticipate construction labor continuing its current downward trend.

Response:

Mr. Horgan stated that we have preliminary figures for July, and they're pretty much the same as June.

Having no further business, the meeting was adjourned at 11:05 AM.

The Authority additionally posts on its website a link to a recording of the F&A meeting, which detail the discussion, questions, and answers from the meeting.