



**OFFICE OF THE
INSPECTOR GENERAL**
CALIFORNIA HIGH-SPEED RAIL

WORK PLAN

Fiscal Year 2024-2025

July 2024

VISION

The Office of Inspector General, High-Speed Rail (OIG-HSR) is a team of professionals that leverages a clear understanding of the High-Speed Rail project to conduct rigorous, unbiased reviews to improve the project and keep project stakeholders appropriately informed.

VALUES

The Office of Inspector General, High-Speed Rail's team members conduct themselves in accordance with the highest degree of professional standards and the following values:

- Building Trust – We cultivate trust by conducting every review in an open, objective manner and by effectively managing conflict using a respectful and productive approach.
- Producing Results – We continually develop our understanding of the High-Speed Rail project so that our reviews address the practical realities of the project, increase clarity for decision makers, and result in measurable progress.
- Fostering Growth – We continually improve as a team and as individual team members by holding ourselves to high standards of performance, by seeking and effectively responding to feedback, by trusting one another to make decisions and learn from mistakes, and by fostering professional growth in a way that respects the need for work-life balance.

OIG-HSR's Statutory Role: The Inspector General may, under policies developed by the Inspector General, initiate an audit or review of the Inspector General's own accord regarding oversight related to delivery of the project, and the selection and oversight of contractors related to the project. Following a completed audit or review, the Inspector General may perform a follow-up audit or review to determine what measures the High-Speed Rail Authority (Authority) implemented to address the Inspector General's findings and to assess the effectiveness of those measures. In considering what audits and reviews to perform, the Inspector General may consider input received from the Legislature, the Governor, and the High-Speed Rail Authority. *Public Utilities Code 187030 (a)*

OIG-HSR Planning Process: The OIG-HSR has adopted the Association of Inspectors General’s *Principles and Standards for Offices of Inspector General*. To implement these standards, the OIG-HSR maintains a planning system for assessing the nature, scope, trends, vulnerabilities, special problems, and inherent risks of the High-Speed Rail project’s programs and operations, and uses that system in establishing the goals, objectives, and tasks to be accomplished by the OIG-HSR within the subsequent year. The OIG-HSR’s goals and objectives are documented in this work plan. The OIG-HSR has developed a strategy for screening those programs and operations identified as potential subjects for review by assessing the likelihood, impact, and timing of their associated risks. We then evaluate these risks in consideration of OIG-HSR’s capabilities, programs, and resources so that we manage the office’s resources effectively and maximize the positive impact of our work.

Work plan for fiscal year 2024-25

Note: This work plan was informed by a formal risk assessment completed in June 2024.

Project Funding for Merced-to-Bakersfield Operating Segment (M-B): July 2024 to Sept. 2024	
<i>Background and Purpose</i>	<i>Objectives</i>
In the 2023 Project Update Report (PUR), the Authority identified a funding gap for the Merced-to-Bakersfield segment (M-B) of between roughly \$8 billion and \$10 billion. In so doing, the Authority set a goal of obtaining \$8 billion in federal funds to fill most of that gap. To date, the Authority has been awarded approximately \$3.3 billion toward its goal amount. This engagement will assess federal funding options and their likelihood of filling the remaining gap in time to keep the project on schedule.	<ul style="list-style-type: none"> • Evaluate the Authority’s efforts to obtain federal funds and the likelihood that federal funds will be received in time and in sufficient amounts to keep M-B on schedule. • Determine the likelihood and timing of the Authority’s need for state funds to complete M-B on schedule and the impact—in time and cost—of any unresolved funding gap. • Describe alternative strategies that the Legislature could consider should funding not be secured for M-B as currently planned.

Early Works for the Merced and Bakersfield Extensions: October 2024 to December 2024	
<i>Background and Purpose</i>	<i>Objectives</i>
<p>The Authority has committed to addressing right-of-way acquisition and utility relocation before beginning construction on the Merced and Bakersfield extensions. However, its ability to complete those activities as scheduled depends on timely and successful coordination with third parties and acquisition of needed right-of-way. This engagement will assess the Authority’s efforts to detect and mitigate third-party issues.</p>	<ul style="list-style-type: none"> • Evaluate the Authority’s policies and procedures for identifying and managing third-party issues. • For any unresolved issues identified, evaluate their potential adverse impacts to the project. • Recommend possible solutions, including those that could be implemented by state lawmakers, to improve the timeliness and efficiency of preparing the extensions for construction.

Project Schedule for M-B: October 2024 to December 2024	
<i>Background and Purpose</i>	<i>Objectives</i>
<p>By March 2025, the Authority must publish its next PUR, in which it plans to provide an updated project schedule for M-B.</p> <p>This engagement will examine the Authority’s process for updating the schedule, as well as examine risks to the current schedule and the Authority’s efforts to mitigate those risks.</p>	<ul style="list-style-type: none"> • Evaluate the strength and completeness of the Authority’s policies and procedures for tracking project schedules as well as for identifying and mitigating the risk of schedule delays. • Determine which project components have been delayed compared to the 2023 PUR schedule or are at the greatest risk of delay, what the Authority has done to mitigate these risks, and how the Authority will account for any corresponding cost increases in its estimates. • Identify any improvements the Authority should make to its process for managing the project schedule, including mitigating the impacts of potential or likely delays.

During the months of December, January, and February, all staff will be focused on reviewing the 2025 PUR.

Cost Controls and Estimates for M-B: March 2025 to June 2025	
<i>Background and Purpose</i>	<i>Objectives</i>
In April 2024, the Authority established a policy outlining the circumstances under which it will update the project’s capital cost estimates, which remained unchanged from the 2023 PUR to the 2024 Business Plan. This engagement will examine the Authority’s efforts to keep the various project components within the existing cost estimates. It will also assess the quality and consistency Authority’s process for developing and updating cost estimates and assess the reasons for the significant changes to the existing estimates in the 2025 PUR.	<ul style="list-style-type: none"> • Evaluate the Authority’s policies and procedures for establishing and tracking project cost estimates, as well as for identifying and mitigating the risk of cost increases. Identify areas for improvement. • Determine which project components have the greatest risk of cost overruns and what the Authority has done to mitigate these risks. Identify which costs, if any, the Authority adjusted upward in the 2025 PUR and evaluate the causes and impacts of these cost increases. • Where needed, develop recommendations for improving the accuracy and reliability of cost estimates, as well as for controlling costs, in order to ensure stakeholders have accurate and reliable information upon which to base decisions.
Procurement and Contracting: March 2025 to June 2025	
<i>Background and Purpose</i>	<i>Objectives</i>
The design and construction of the high-speed rail project is conducted by contractors. Therefore, the Authority’s effectiveness at procuring—and then securing through contractual agreements—these services at a reasonable price and under beneficial terms is critical to the success of the project. This engagement will examine the effectiveness of the procurement and contracting practices the Authority uses to control risk and obtain best value from its contractors.	<ul style="list-style-type: none"> • Evaluate the Authority’s policies and procedures for procuring capital and construction services and determine how the Authority develops and enforces agreements that protect the interests of the State. • Review a selection of procurements and contracts to determine whether Authority personnel followed established policies and procedures designed to protect the interests of the State and guard against fraud, waste, and abuse. • Develop recommendations for ensuring best value and reasonable risk from large upcoming procurements.

During May and June 2025, the OIG-HSR will update this risk assessment to be used in developing the office’s work plan for fiscal year 2025-26.

In addition to this planned work, the OIG-HSR investigates whistleblower complaints and conducts ad hoc reviews, including those requested by the Legislature, the Governor, or the Authority (Public Utilities Code 187030 (a)).