OFFICE OF INSPECTOR GENERAL REPORT 2026-INV-08

Authority Response to the Inspector General Report

Consultant Travel Expenses

BOARD OF DIRECTORS MEETING
OCTOBER 09, 2026

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

Summary of findings by contract

Contract	Total Travel Payments Identified by OIG	Travel Expenses Reviewed by OIG	Finding 1: No documented advance approval by OIG	Finding 2: Appears ineligible, state rules by OIG	Finding 3: Not allowed, contract terms by OIG
Financial Advisor (2 contracts)	$488.0K	$487.9K	$486.7K	$46.9K	$15.7K
Legal Services	$127.0K	$40.8K	$37.0K	$3.9K	$0
Program Delivery Support	$883.0K	$141.6K	$69.0K	$4.5K	$379.6K
Track and OCS Designer	$515.0K	$482.1K	$208.2K	$25.7K	$148.1K
Totals	**$2.01M**	**$1.15M**	**$800K**	**$81.0K**	**$543.4K**

Sources: Inspector General Report 2026-INV-08, Tables 1-3, as printed; Contract Manager invoice records (contract amounts and total payments).

Most findings fall into two categories

PROCESS AND DOCUMENTATION ISSUES

$800K

No documented advance approval

- OIG deemed documentation provided by the Authority to satisfy this requirement not to be sufficient even if approval was provided after travel, IG concentrated on the Financial Advisor contract with $488K or 61% of this finding.
- The Authority's process did include advance approval for travel through RFP terms, contract scope of work, and then separately assessed and approved through the annual workplan.

$543.4K

Travel expenses not allowable under contract

- Concentrated on processes managing the PDS contract $380K or 70% of this finding.
- OIG deemed the annual PDS workplan not sufficient to satisfy this requirement even if Task Managers approved travel due to lack of specific delegation for approval from the CM.

POTENTIALLY INELIGIBLE IDENTIFIED BY OIG

$81K OF TRAVEL IDENTIFIED APPEARS TO BE INELIGIBLE PER STATE REGULATIONS BY OIG

- OIG report states there appears to be $81K in unallowable travel payments made per state regulation.
- OIG did find instances of contract managers disputing unallowable costs.

WHY THIS MATTERS Any expense confirmed ineligible will be recouped by the Authority from the respective consultant contract.

Source: Office of Inspector General Report 2026-INV-08, Tables 2 and 3, as printed. Amounts overlap: the same trip can appear in more than one category.

The Authority will implement all recommended corrective actions

#	RECOMMENDED CORRECTIVE ACTION	COMPLETION	AUTHORITY CORRECTIVE ACTION
1	The Authority should establish a uniform travel request form requiring explanation of the business need for travel and the reason why remote technology does not suffice. The form should have dedicated fields for the expected costs of the travel, explanations of why the work cannot be done remotely, and if applicable, why travel must be booked at short notice.	**1/29/2027**	The Authority does not concur with the OIG's position that remote work remains the default method of conducting state business, thereby necessitating justification for in person activities. Further this requirement is inconsistent with intent of Executive Order N-22-25. However, the Authority supports establishing a consistent, uniform process for approving business related travel in advance.
2	The Authority should update its travel policy to provide direction and criteria for contract managers regarding when travel is considered to be necessary and how to sufficiently document the explanation of the need for travel.	**12/31/2026**	The Authority is developing a new form for Contract Managers and Task Managers to use when approving travel, which will require the necessary detail in order to justify the travel.
3	The Authority should distribute to Authority staff from the CEO a memorandum that clarifies expectations that all travel, including when requested by the CEO or member of the executive office, must comply with regulatory and contract requirements that travel be necessary for state business and approved in writing in advance by the contract manager.	**2/26/2027**	The Authority will issue a memorandum at the appropriate executive level and will provide additional training to support implementation.
4	The Authority should enforce contract requirements for obtaining written advance approval of travel by the contract manager and reimbursing travel expenses only from the consultant's approved office location.	**1/29/2027**	The Authority will review its procedures for potential improvements to consultant travel office location requirements and resulting reimbursement expenses.
5	The Authority should approve office locations for all consultants and maintain a list of approved office locations to support its review of travel expense claims.	**1/29/2027**	The Authority will implement office location lists.
6	The Authority should enforce requirements in state regulation and the contracts regarding allowable travel expenses, including that the mode of travel must be in the best interest of the state, that reimbursements for consultants cannot exceed those for non-represented and excluded employees, and that all travel must be for state business purposes.	**3/31/2027**	Yes we will enforce requirements regarding allowable travel expenses, including the mode of travel, that reimbursements cannot exceed those for non-represented and excluded employees, and that all travel must be for state business purposes. The Authority is developing automated tools to review travel invoices to flag potential issues in these areas for contract and task manager review. However, while the IG report identified deficiencies in each of these areas, the findings focused more on the level of documentation needed to satisfy each requirement, which the Authority will seek to improve.
7	The Authority should review the travel expense claims for the four consulting firms and seek reimbursement for unallowable expenses paid.	**3/31/2027**	The Authority has already begun the effort to re-review unallowable expenses dating back to the start of each contract idenfitied. In the event unallowable expenses are discovered the Authority will seek reimbursement/credits.

WHY THIS MATTERS The Authority is acting quickly to implement the stated corrective actions, and the above completion dates only reflect the latest possible dates to fully complete the corrective actions.

CEO halted reimbursements and directed a thorough review, mandatory attendance for additional training and resubmission of travel expenses

01

Travel payments paused

On all four contracts until claims are re-reviewed and training is complete

02

Consultant attestation

Consultant Principals certify travel compliance on every invoice

03

Leadership direction

Chief Financial Officer briefed all four Contract Managers of immediate actions one day after exit interview with OIG

04

Firms notified

All four firms first, then every consultant contract with travel

05

Travel claims re-review

Re-review of each invoice since start of contract underway

06

Training

All 59 Contract Managers, Authority executives and Consultant Principals trained September 29, 2026 (163 attendees)

07

Centralized system for approving travel and Automated invoice review

Tools under development will systematically support approving travel in advance and flag ineligible charges

08

Repayment

Consultants will repay any expense confirmed ineligible

WHY THIS MATTERS The Authority also required management changes at consultant firms and decided to reprocure the Financial Advisor contract early, reflecting how seriously it treats potential overbilling.

Under their contracts, consultant firms are responsible for accurate billing and the quality of what they submit

01

Accurate billing

Consultants must bill accurately and support every charge with receipts.

Unsupported or inaccurate charges are disputed, not paid.

02

State reimbursement rules

Travel is reimbursed at state allowable rates and the Authority endeavors to catch any noncompliance.

Anything above those rates is the consultant's cost.

03

Quality of submittals

Consultants own the quality and technical accuracy of their work.

The Authority does not pay to fix errors or redo work.

WHY THIS MATTERS The contracts make consultants answerable for accurate, allowable charges; Authority review is the check.

The Authority takes a proactive approach to internal controls and a robust system of governance. Three lines of defense model

CONTRACT MANAGERS

59

Contract Managers oversee 217 active Authority contracts

CONTRACTS WITH TRAVEL

109

of 217 active contracts reimburse travel

GOVERNANCE AND CONTROL ENVIRONMENT · ALIGNED WITH FEDERAL INTERNAL CONTROL STANDARDS

Board of Directors

Chief Executive Officer

Authority governance committees

- Business Oversight Committee
- Change Control Committee

1ST LINE OF DEFENSE

Management and staff

Own day-to-day controls, including travel approval and invoice review

CONTRACT MANAGERS SIT HERE

2ND LINE OF DEFENSE

Enterprise Risk Management function

Quality Management Program (ISO9001 certified)

Set standards, monitor risk and test that controls work

3RD LINE OF DEFENSE

Internal Audit Function

Office of Inspector General for High-Speed Rail

Independent assurance to the Board

State and federal regulators

Vast majority of controls are operating effectively

EXISTING CONTROLS

STEP 1

Invoice received

Accounts Payable logs it and notifies the Contract Manager.

STEP 2

Invoice reviewed by Contract Managers

Invoice checked against the contract and receipts within 7 business days.

STEP 3

Approve or dispute

The Contract Manager approves with the invoice in full or partially, when partial approval given, Dispute Invoice Report Form is filled with Contractor/Consultant

STEP 4

Review complete

Contract Managers submit approved invoice, along with Project and Contract Manager's Invoice Approval Checklist Form.

STEP 5

Payment approved

Accounts Payable approves payment and routes it to the State Controller's Office for final payment.

WHY THIS MATTERS The Authority's own Independent Auditor identified more than $3 million in questioned costs, overbillings and recommended financial adjustments over the past two years.

NEWLY ADDED CONTROLS

Additional training

For Contract Managers, consultants and executives

Attestation checklist

Consultants certify compliance

Policies updated

Travel criteria and Contract Management responsibilities

Internal audit

Added to the upcoming contract management audit

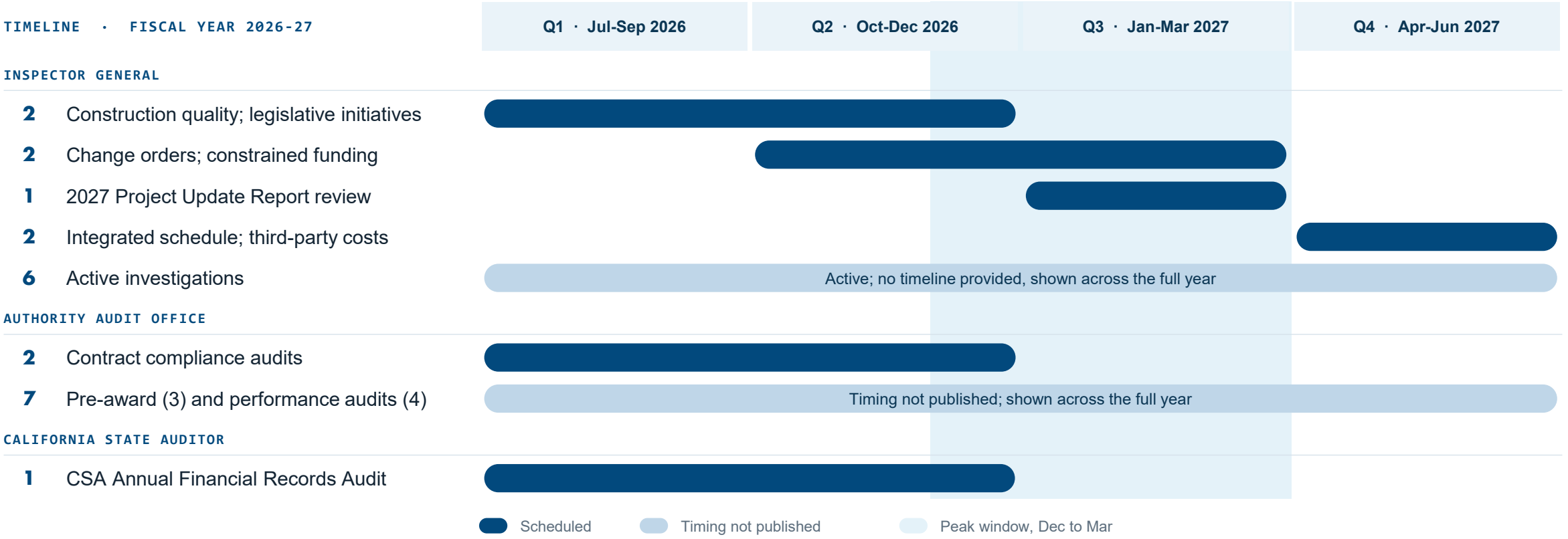
The Authority remains committed to transparency and accountability

23 Audits, reviews and investigations in 2026-27

13 Office of Inspector General reviews and investigations

9 Independent Audit Office audits

1 California State Auditor audit



WHY THIS MATTERS Despite the Inspector General's concerns about the Authority's culture of compliance, the Authority maintains a strong culture of high standards and ethics.

Sources: Inspector General Report 2026-INV-08, pages 10-11; Inspector General Annual Report 2025-26 (active investigations as of August 2026); Audit Office Audit Plan 2026-27 (Board, June 24, 2026).

Ten improvements, including two new technology initiatives, modernize the Authority's framework from travel request to payment

Governance

CLARITY

Travel policy and procedure update	Completed
Approved office location register	In progress
Clear delegation of approval authority to Task Managers	Completed

Templates and tools

ONE PROCESS

Uniform travel request form	In progress
Invoice checklist with consultant certification	Complete

People

CONSISTENCY

Travel rules training for Contract Managers and Executives	Completed
Travel rules training for consultants	Completed
Memo clarifying expectations	Completed

TECHNOLOGY INITIATIVE 1

Automated invoice review

Flags travel charges that break state or contract rules before an invoice is approved.

WHAT IT CHECKS

Advance approval · starting location · state rates · fare class · receipts

Pilot and target date: In Progress

TECHNOLOGY INITIATIVE 2

Review Approval System (RAS)

Records who can approve travel. Being expanded so every consultant trip is approved in advance, in one place.

REQUIRED FOR EACH TRIP

Business need · cost estimate · origin · approved office · sign-off

Target: March 2027

The Authority's re-review tracking in progress

FINAL DATA TBD

Contract	Total Travel Expenses Paid	Initially disputed	Re-review value supported	Re-review value not supported	Reimbursement / credit
Financial Advisor	$488.0K	$[TBD]	$[TBD]	$[TBD]	$[TBD]
Legal Services	$127.0K*	$[TBD]	$[TBD]	$[TBD]	$[TBD]
Program Delivery Support	$883.0K	$4.7K	$[TBD]	$[TBD]	$[TBD]
Track and OCS Designer	$515.0K	$19.3K	$[TBD]	$[TBD]	$[TBD]
Total	**$2.01M**	**$[TBD]**	**$[TBD]**	**$[TBD]**	**$[TBD]**

*Legal Services travel includes $86.5K of consultant travel time billed at 50% of the hourly rate (report p.10).

WHY THIS MATTERS Any expense confirmed ineligible will be repaid by the responsible consultant.

Since 2024 the Authority has cut $68M from consultant contracts

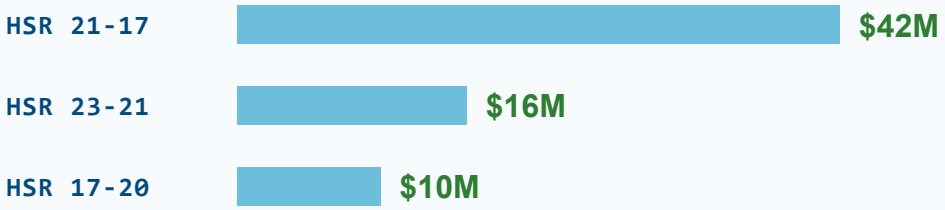
Under the CFOs direction, the Authority undertook a Financial Efficiency review that resulted in reduced consultant costs.

PHASE 1 · 2024-25

$68M

in consultant contract savings, complete

3 consultant contracts right-sized



PHASE 2 · 2026-27

Tens of Millions in potential savings

Ongoing analysis

32 contracts under review

WHY THIS MATTERS Management has taken a prudent, focused approach to protect our Program for strategic preservation of limited funding.

Operating more like a business: earned fees that protect program dollars

Key Performance Indicators

Delivery support contracts now measure consultant performance against program delivery milestones, including contract management and project management.

IN PLACE

EXAMPLE

1 Contract management KPIs, scored in four categories

Quality · Single source of truth · Hold contractor accountable · Stay ahead of contractor

EXAMPLE

2 Project Management KPIs

Construction Progress to Achieve Substantial Completion

CONTRACT AMENDMENTS COMPLETED

Delivery Support

Program delivery support contractor

Accountable performance

SAVINGS **$6.2M**

Construction Package 1 (PCM)

Tied to physical delivery

SAVINGS **$361.2K**

Construction Package 2-3 (PCM)

Tied to physical delivery

SAVINGS **$268.2K**

Construction Package 4

New strategy for maintenance and security management

SAVINGS **$3.3M annually**

WHY THIS MATTERS Consultants' fees at risk and measured against clear Key Performance Indicators