



**CALIFORNIA**  
**High-Speed Rail Authority**

## Diversity, Equity, and Inclusion

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April 2021 – February 2022

October 2022

Prepared by the Audit Office

Report Number: 22-07

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# EXECUTIVE SUMMARY

The Audit Office of the California High-Speed Rail Authority (Authority) performed an audit to review the current Diversity, Equity, and Inclusion efforts at the department.

The purpose of the audit was to review the current activities of the Diversity Task Force. The objectives were to determine if the Authority:

- Has identified and established appropriate diversity, equity, and inclusion benchmarks
- Is communicating expectations of diversity, equity, and inclusion effectively; and
- Has established and met key performance indicators

The scope of the engagement included activity during the period of April 15, 2021, through February 28, 2022. Our audit included examining policies, procedures, and other relevant criteria, interviewing personnel, and conducting tests necessary to complete the objectives.

Our audit found that a task force has been set up to assist in Diversity, Equity, and Inclusion efforts, however, it lacks foundational documents and there are no performance measurements in place.

We recommend that the Authority develop a charter including definitions for diversity, equity, and inclusion, benchmarks, key performance indicators, and create a task force recruitment plan.

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Paula Rivera, Audit Chief

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Date

# Audit Report

## BACKGROUND

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The California High-Speed Rail Authority (Authority) is responsible for planning, designing, building, and operating the first high-speed rail system in the nation. California high-speed rail will connect the mega-regions of the state, contribute to economic development and a cleaner environment, create jobs, and preserve agricultural and protected lands.

To fulfill its responsibilities, the Authority has embarked on a mission to enhance the diversity, equity, and inclusion within the workplace through the engagement of staff to develop initiatives to improve diversity, equity, and inclusion practices. Through these practices, they seek to hire the best candidates while retaining their current excellent talent through diversity, equity, and inclusion efforts.

In 2014, a survey by Glassdoor showed that 67% of job seekers evaluate a company's diversity practices before accepting a job offer. In 2017, a poll conducted by Deloitte showed that 72% of working Americans would or may consider leaving an organization for one they think is more inclusive and 30% of millennial respondents left a job for a different organization with a more inclusive culture. As a state, the Governor proposed \$7.6 million in the Fiscal Year 2022-23 for the Department of Human Resources to find ways to make the state a better employer through a statewide diversity, equity, and inclusion strategy. These statistics show the importance for the Authority to develop its own Diversity, Equity, and Inclusion program to ensure they are hiring and retaining the best talent, and the ideas of diversity, equity, and inclusion are supported by our Governor and our CEO. California is a very diverse state, and the Authority is a vast enterprise with substantial development, both through our hiring, promotional opportunities and work with contractors; it has a responsibility to embrace diversity, equity, and inclusion.

The Office of Administration was tasked with spearheading the Authority's Diversity, Equity, and Inclusion efforts. In May 2022 at the direction of the CEO, the Diversity Task Force was moved within the Strategic Communications Office. A consultant was hired to help gauge where the Authority is currently and to facilitate the formation of a task force. To date, the task force has completed a department-wide Diversity, Equity, and Inclusion survey, conducted focus groups to further discuss the survey results, and provided a summary and analysis report of the survey to the Authority CEO. The task force intends to periodically solicit input using the department-wide Diversity, Equity, and Inclusion survey to measure progress.

## OBJECTIVES, SCOPE, and METHODOLOGY

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The purpose of the audit was to review the current activities of the Diversity Task Force. The objectives were to determine if the Authority

- Has identified and established appropriate diversity, equity, and inclusion benchmarks;
- Is communicating expectations of diversity, equity, and inclusion effectively; and
- Has established and met key performance indicators

The scope of the engagement included activity during the period of April 15, 2021, through February 28, 2022. Our audit included examining policies, procedures, and any other relevant criteria, interviewing personnel, and conducting tests necessary to complete the objectives.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The results of the audit were discussed with management on June 28, 2022. The Strategic Communications Office provided a response to the issues identified in the form of a corrective action plan, which is summarized in this report and included in its entirety as an attachment. This report is intended as information for management's use; however, this report is a public document, and its distribution is not limited.

We appreciate the Authority's time and cooperation throughout the audit and look forward to assisting the Diversity Task Force, and Management as needed.

## CONCLUSION

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Our audit found that a task force has been set up to assist in Diversity, Equity, and Inclusion efforts. However, it has not yet identified and established appropriate diversity, equity, and inclusion benchmarks; communicated expectations of diversity, equity, and inclusion, or established and met key performance indicators

The findings identified are detailed below.

### **Issue 1: Lack of Foundational Documents**

The Diversity Task Force has not created a charter, written definitions, or set up a recruitment plan for the task force. We recognize that the task force is still working through the development stage of being a new task force and lacks dedicated staffing. However,

- Without a charter, the members of the task force do not have an understanding of the purpose of the task force. A charter will unify the purpose, goals, scope, and objectives of the task force. Other items that can be included in the charter are timing of implementation, definitions, scope, responsibilities, and key performance indicators.
- Written definitions will allow consistent application within the task force and in employee surveys because diversity, equity and inclusion are very broad terms. Without definitions, the members of the Authority may not have the same understanding as the task force. By defining diversity, equity, and inclusion the task force, and the Authority as a whole, will have the same understanding of the terms used to implement Diversity, Equity, and Inclusion strategies.
- A recruitment plan would help in creating a diverse task force. During interviews, three of the task force members felt that more advertising could be done to recruit more members. From their recollection, only a few communications had been sent out to recruit task force members. Review of Weekly Communication updates and quarterly Newsletters found one instance where the Newsletter asked for volunteers specifically although the Diversity, Equity, and Inclusion task force was mentioned in several issues. Also, the task force should consider how they want the makeup of their group to be, such as recruiting for more executive, rank and file, or consultant staff. Not having a robust recruitment plan and diverse members can create a lack of perspective in the task force.

We used the Standards for Internal Control in the Federal Government by the Comptroller General of the United States, September 2014 (Greenbook), which have been adopted by the State, as a basis for our criteria:

#### Control Environment:

- Principle 3: Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.

#### Risk Assessment:

- Principle 6: Management should define objectives clearly to enable the identification of risks and define risk tolerances.

Information & Communication:

- Principle 14: Management should internally communicate the necessary quality information to achieve the entity's objectives.
- Principle 15: Management should externally communicate the necessary quality information to achieve the entity's objectives.

**Recommendations:**

We recommend the Strategic Communications Office should create a charter to have a defined mission, goals, definitions, scope (hiring, contracts, contractors) and how the mission will be achieved by the task force. We recommend the Strategic Communications Office should write definitions and set up a task force recruitment plan for the Authority. The Authority should consider dedicated staffing for this important endeavor.

**Response:**

The Office of Strategic Communication has secured final feedback from the CEO on the charter and has finalized the document. The Office has also convened the Diversity Task Force to re-engage the group, share the final charter, get any progress updates, and set a path forward. The Office has also met with the consultant to discuss recommendations for continuing outreach. Regarding staff, the Office is looking to secure a manager and two specialists to support this work, in the interim this work will be supported by the Chief of Strategic Communications and the Communications Manager.

**Analysis:**

We agree with the corrective actions identified.

**Issue 2: No Performance Measurements**

The Diversity Task Force has not created performance measures such as benchmarks and key performance indicators to track the progress of their Diversity, Equity, and Inclusion efforts. We recognize that the task force is still working through the development stage of being a new task force. However,

- If the task force does not have any benchmarks, then they will not have an organized goal to reach. An organized goal helps define actions.
- Key Performance Indicators set measurement of progress in meeting goals for the task force. Lacking key performance indicators prevents the task force from being able to measure and compare their progress over time.

We used the Greenbook as a basis for our criteria:

Control Environment:

- Principle 1.08: Management establishes processes to evaluate performance against the entity's expected standards of conduct and address any deviations in a timely manner

Risk Assessment:

- Principle 6.02: Management defines objectives in specific and measurable terms to enable the design of internal control for related risks. Specific terms are fully and clearly set forth

so they can be easily understood. Measurable terms allow for the assessment of performance toward achieving objectives. Objectives are initially set as part of the objective-setting process and then refined as they are incorporated into the internal control system when management uses them to establish the control environment.

- Principle 6.04: Management defines objectives in measurable terms so that performance toward achieving those objectives can be assessed.
- Principle 6.07: Management determines whether performance measures for the defined objectives are appropriate for evaluating the entity's performance in achieving those objectives. For quantitative objectives, performance measures may be a targeted percentage or numerical value. For qualitative objectives, management may need to design performance measures that indicate a level or degree of performance, such as milestones.

**Monitoring:**

- Principle 16: Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

**Recommendations:**

We recommend the Strategic Communications Office should create benchmarks and key performance indicators for the Authority. Benchmarks will help stakeholders know what the goal and objectives are for Diversity, Equity, and Inclusion at the Authority. Key performance indicators measure the progress of the actions taken to carry out Diversity, Equity, and Inclusion efforts and meet benchmarks. In addition, continuous re-evaluate key performance indicators is necessary to ensure they are in line with established benchmarks.

**Response:**

The Office received feedback and progress updates from both the Diversity Task Force members and the consultants and will take this feedback to develop a series of benchmarks and key performance indicators for this important endeavor.

**Analysis:**

We agree with the corrective action identified.



# CALIFORNIA High-Speed Rail Authority

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## Memorandum

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**DATE:** October 10, 2022

**TO:** Paula Rivera, Chief Auditor

**FROM:** Melissa Figueroa, Chief of Strategic Communications

**CC:** Annie Parker, Communications Manager

**SUBJECT:** Response to Audit Office Diversity, Equity and Inclusion Audit Report (22-07)

The California High-Speed Rail Authority (Authority) Office of Strategic Communications appreciates the opportunity to provide a response to the Authority's Audit Office *Diversity, Equity and Inclusion Audit Report (22-07)*.

We appreciate that the audit recognized that the Authority's Diversity Task Force is still working through its development stage and lacks dedicated staffing. Over the last few months, the Office of Strategic Communications has worked closely with the Authority's Financial Office and the Administration Office to identify the addition of a Staff Services Manager I position that will serve as the Authority's Diversity, Equity and Inclusion Manager. We are currently working through that staffing process with the Department of Finance for FY 23-24. The Office of Strategic Communications has also identified two Associate Governmental Program Analysts that will serve as Diversity, Equity and Inclusion specialists and will work with the Department of Finance on staffing these positions for FY 24-25. Pending Governor's Office and Legislative approval, this additional staffing is consistent with the direction given to the Task Force by the Authority's CEO, and, as the audit noted, is consistent with the direction provided by the Governor to find ways to make the state a better employer through a statewide diversity, equity and inclusion strategy.

The audit noted two areas of improvement: A lack of foundational documents and no performance measurements. The Office of Strategic Communications concurs with the recommendations and provides the following responses:

### **Issue 1: A Lack of Foundational Documents**

We recommend the Strategic Communications Office should create a charter to have a defined mission, goals, definitions, scope (hiring, contracts, contractors) and how the mission will be achieved by the task force. We recommend the Strategic Communications Office should write definitions and set up a task force recruitment plan for the Authority. The Authority should consider dedicated staffing for this important endeavor.

### **Recommendation:**

The Office of Strategic Communications agrees with and supports this recommendation. The Office has secured final feedback from the CEO on the Diversity, Equity and Inclusion charter and has finalized the document. The Office has also convened the Diversity Task Force to re-engage the group, share the final



charter, get any progress updates, and set a path forward. The Office has also met with the consultant that helped the Authority develop previous Diversity, Equity and Inclusion surveys to discuss recommendations for continuing this outreach. Regarding staff, as mentioned earlier, Office is looking to secure a manager and two specialists to support this work, in the interim this work will be supported by the Chief of Strategic Communications and the Communications Manager.

## **Issue 2: No Performance Metrics**

We recommend the Office of Strategic Communications should create benchmarks and key performance indicators for the Authority. Benchmarks will help stakeholders know what the goal and objectives are for Diversity, Equity and Inclusion at the Authority. Key performance indicators measure progress of the actions taken to carry out Diversity, Equity and Inclusion efforts and meet benchmarks. In addition, continuous re-evaluation of key performance indicators is necessary to ensure they are in line with established benchmarks.

### **Recommendation:**

The Office of Strategic Communications agrees with and supports this recommendation. The Office received feedback and progress updates from both the Diversity Task Force members and the consultants and will take this feedback to develop a series of benchmarks and key performance indicators for this important endeavor.