



CALIFORNIA
High-Speed Rail Authority

Year-End Close Process

Fiscal Year 2017/2018

August 2019

EXECUTIVE SUMMARY

The Audit Office of the California High-Speed Rail Authority (Authority) completed its audit of the Authority's financial year-end close process for fiscal year 2017/2018. The Authority is responsible for the overall management, oversight, and monitoring of state and federal funds received. This function requires accountability and transparency, and must provide a means of tracking and monitoring program goals, accomplishments, and compliance with grant requirements. In 2013 and prior, the Authority outsourced its accounting need with various other state agencies. During fiscal year 2013/14, the Authority took direct control of these responsibilities and created the Authority's Financial Office. During this time, the State of California required all departments to report their financial records through the then current financial management system, the California State Accounting and Reporting System (CALSTARS). However, the State of California was also transitioning state departments to a new, statewide accounting program, the Financial Information System for California (FI\$Cal). Fiscal year 2016/17 is the first year in which the Financial Office reported its financial information through FI\$Cal.

The purpose of our audit was to review the year-end close process and assess the Financial Office's fiscal compliance. Our audit objectives were to determine:

- If the year-end process is adequate to ensure there are no material misstatements in the fiscal year 2017/2018 financial statements.
- If the accruals adhere to the Government Accounting Standards Board's and the State's year-end close requirements.

The scope of the audit scope of the audit included year-end close activities relevant fiscal year 2017/18.

We found that the Financial Office has an adequate year-end close process in place that should ensure no material misstatements were made in fiscal year 2017/2018. Accruals are accounted for according to GASB and the State's year-end close requirements.

Paula Rivera

Paula Rivera, Audit Chief

8/28/19

Date

Audit Report

BACKGROUND

The California High-Speed Rail Authority (Authority) is responsible for the overall management, oversight, and monitoring of state and federal funds received. This function requires accountability and transparency and must provide a means of tracking and monitoring program goals, accomplishments, and compliance with grant requirements. In 2013 and prior, the Authority outsourced its accounting need with various other state agencies. During fiscal year 2013/14, the Authority took direct control of these responsibilities and created the Authority's Financial Office. During this time, the Financial Office was reporting through the California State Accounting and Reporting System (CALSTARS). However, beginning fiscal year 2016/17, the State of California was transitioning state departments to a new, statewide accounting program, the Financial Information System for California (FI\$Cal). Fiscal year 2016/17 is the first year in which the Financial Office reported through FI\$Cal.

State departments are required to submit their financial year-end reports to the State Controller's Office. The State Controller's Office uses the cash basis of accounting while the Authority uses the modified accrual basis of accounting. Therefore, the Authority must reconcile each of the fund accounts between FI\$Cal and the State Controller's Office. However, as FI\$Cal is still maturing, the Authority's Financial Office utilizes a logging and reviewing process as a safeguard against inaccuracies.

An accrual is an expense or revenue that has been incurred but has not yet been realized. At the end of each fiscal year, programs within the Authority determine their accruals and submit them to the Financial Office. The Financial Office logs and reviews these accruals then enters them through FI\$Cal. Once the Authority's funds are reconciled, the financial statements are prepared and sent to the State Controller's Office.

OBJECTIVES, SCOPE, and METHODOLOGY

The purpose of our audit was to review the Financial Office's year-end close process and to assess its fiscal compliance. Our audit objectives were to:

- Evaluate the year-end close process and determine if the process is adequate to ensure there are no material misstatements in the 2017/18 financial statements.
- Review the accrual procedures to determine adherence with the Governmental Accounting Standards Board (GASB) and the state year-end close requirements.

The scope of the audit included year-end close activities relevant to fiscal year 2017/18. To accomplish our objectives, we reviewed applicable criteria, interviewed staff involved in the year-end close process, and reviewed and/or tested relevant transactions and documents. This audit was conducted in accordance with the Standards for the International Professional Practice of Internal Auditing.

CONCLUSION

We found that the Financial Office has in place an adequate year-end close process providing reasonable assurance that no material misstatements were made in fiscal year 2017/2018 and accruals are accounted for according to GASB and the State's year-end close requirements.

The results of the audit were discussed with management on August 6, 2019.

Our 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 time and cooperation the Authority's Financial Office's staff accorded us throughout the audit and look forward to assisting the Financial Office and management as needed.