



MEMORANDUM

Date: June 7, 2017 File No.: 7121

To: Malcolm Dougherty, Director
California Department of Transportation
P.O. Box 942873
Sacramento, CA 94273-0001

From: Department of General Services
Office of Audit Services

Subject: **AUDIT REPORT: COMPLIANCE WITH STATE BUSINESS
MANAGEMENT POLICIES**

Attached is the final report on our compliance audit of the business management functions and services of the California Department of Transportation (Caltrans). The objective of our audit was to determine compliance with policies set forth in the State Administrative Manual, and the terms and conditions of any specific delegations of authority or exemptions from approval granted by the Department of General Services (DGS).

The Caltrans' written response to our draft report is included in the final report. The report also includes our evaluation of the response. We are pleased with the actions being taken to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations. Therefore, please submit a status report on the implementation of the recommendations to us by December 7, 2017. The necessity of any further status reports will be determined at that time. Please transmit your status report to: DGS - Office of Audit Services, 707 3rd Street, 8th Floor, West Sacramento, CA 95605 or via e-mail to Dennis.Miras@dgs.ca.gov.

We greatly appreciated the cooperation and assistance provided by Caltrans' personnel.

If you need further information or assistance on this report, please call / e-mail me at (916) 376-5064 / Dennis.Miras@dgs.ca.gov, or Monica De La Rosa, Management Auditor-in-Charge, at (916) 376-5050 / Monica.DeLaRosa@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: William Lewis, Assistant Director, Audits and Investigations
Cristiana Rojas, Deputy Director, Administration
Angela Shell, Division Chief, Division of Procurement and Contracts
Cheryl McNulty, Chief, Safety and Management Services
Steve Takigawa, Deputy Director, Maintenance and Operations

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA DEPARTMENT
OF TRANSPORTATION**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 7121**

OFFICE OF AUDIT SERVICES

DECEMBER 2016

**CALIFORNIA DEPARTMENT OF TRANSPORTATION
COMPLIANCE AUDIT
REPORT NO. 7121**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: June 7, 2017

TO: **MALCOLM DOUGHERTY**, Director
California Department of Transportation

This report presents the results of our compliance audit of the business management functions and services of the California Department of Transportation (Caltrans). These audits are routinely performed under the authority granted to the Department of General Services (DGS) by Government Code Sections 14615 and 14619. The objective of our audit was to determine compliance with policies set forth in the State Administrative Manual, and the terms and conditions of any specific delegations of authority or exemptions from approval granted by DGS. As applicable, the scope of our audits of state agencies includes, but is not limited to, compliance with policies governing fleet administration, small business (SB) and disabled veteran business enterprises (DVBE) usage, driver safety and insurance, surplus property and real estate. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

While in most areas we concluded that Caltrans is conducting its business management functions and services in accordance with state requirements, our review disclosed the following areas of noncompliance with state requirements that should be addressed by Caltrans' management. The implementation of the recommendations presented in this report will assist Caltrans in addressing these issues.

- Motor vehicle accidents are not being reported to the DGS' Office of Risk and Insurance Management within 48 hours of the accident.
- The Caltrans' driver safety and insurance program is not ensuring that employees who use their own vehicle to conduct State business complete and annually update a vehicle certification form. Further, policies and procedures are not ensuring that frequent drivers attend a defensive driver training course every four years.
- The Caltrans' fleet administration program is not ensuring compliance with state policies and procedures for establishing controls that would help prevent abusive fleet card practices.

During our review we also identified other matters requiring attention that we discussed with Caltrans' management but are not included in this report.

We are pleased with the commitment shown to improve compliance with state requirements. It should be noted that when advised of areas for improvement during our audit fieldwork, Caltrans' management took prompt actions to address our concerns. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. The Caltrans' management has the ongoing responsibility for ensuring that its business management policies and procedures are functioning as prescribed and are modified, as appropriate, for changes in conditions.

Your response to each of our recommendations as well as our evaluation of the response is included in this report.

We greatly appreciated the cooperation and assistance provided by Caltrans' personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Monica De La Rosa, at (916) 376-5050.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Staff: Monica De La Rosa, Management Auditor-in-Charge
Eric Kim, Management Auditor

cc: William Lewis, Assistant Director, Audits and Investigations
Cristiana Rojas, Deputy Director, Administration
Angela Shell, Division Chief, Division of Procurement and Contracts
Cheryl McNulty, Chief, Safety and Management Services
Steve Takigawa, Deputy Director, Maintenance and Operations

CALIFORNIA DEPARTMENT OF TRANSPORTATION COMPLIANCE AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our review of the business management functions and services of the California Department of Transportation (Caltrans) for compliance with policies set forth in the State Administrative Manual (SAM), and the terms and conditions of any specific delegations of authority or exemptions from approval granted by the Department of General Services (DGS). This report presents information on areas of noncompliance with policies governing the: timely reporting of all motor vehicle accidents; annual certification and authorization to use privately owned vehicles on state business; attendance of a defensive driver training course by frequent drivers; and, adequate control of state fleet cards.

This information was developed based on our fieldwork conducted over the period September 8, 2016 through December 22, 2016. To determine compliance, we reviewed policies and procedures, interviewed parties involved, tested records and transactions and performed other tests as deemed necessary. The period covered by our testing varied depending upon the area of review and the type of transactions involved; however, the emphasis of our review and testing was with current procedures and transactions completed during the 2015/16 fiscal years.

REPORTING OF VEHICLE ACCIDENTS

The Caltrans has not implemented policies and procedures which ensure that motor vehicle accidents are reported to the DGS' Office of Risk and Insurance Management (ORIM) in a timely fashion. Specifically, we determined that eight of nine accident reports included in our sample tests were not submitted to ORIM within 48 hours. The degree as to how tardy these accident reports were ranged from a few days to 154 days late. To allow it to effectively administer the state's motor vehicle self-insurance program, SAM Section 2430 provides that a Report of Vehicle Accident, STD. 270, form be submitted to ORIM within 48 hours of an accident.

It should be noted that, although having the responsibility for tracking accident reports, at the time of our review, Caltrans' Office of Health and Safety Services' responsibilities did not include monitoring to ensure compliance with the state's motor vehicle accident reporting requirements. The Caltrans' managers and supervisors are responsible for compliance with the state's accident reporting requirements.

Recommendation

1. Implement policies and procedures which ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident. This process should include the annual notification of managers and supervisors of their accident reporting and review responsibilities. Further, if deemed feasible, policies should provide that the Office of Health and Safety Services monitor to ensure compliance with the state's motor vehicle accident reporting requirements.

DRIVER SAFETY AND INSURANCE PROGRAM

The Caltrans needs to strengthen its driver safety and insurance program to assist in preventing and controlling the costs of vehicle accidents. Collectively, such accidents cost the state millions of dollars each year including liability to other parties for damages, repairs to state vehicles, workers' compensation claims and lost productivity. For maximum containment of these costs, each state agency is expected to actively participate in the state's driver safety program. The following areas need strengthening:

- **Vehicle Authorizations** – current policies and procedures are not ensuring that a form authorizing an employee to use their own vehicle to conduct State business is completed and annually updated. The Caltrans uses a form entitled “Authorization to Use Privately-Owned Vehicles on State Business”, Form FA-0205A, to obtain the authorization. At the time of our audit tests, an authorization form was not available for three (23%) of the 13 employees included in our sample tests who used their own vehicle on State business¹; at our request, the required authorizations were obtained for these three employees. The Caltrans' travel policies provide that managers and supervisors are to monitor their employees for the proper and timely completion of the authorization forms. As shown by the results of our review, these policies have not been entirely effective.

SAM Section 0753 requires that a privately-owned vehicle authorization form be completed and annually updated by each employee who uses his or her own vehicle to conduct state business. In addition, this section provides that an employee's travel expense claim for private vehicle mileage should not be approved by a supervisor prior to verification that a current authorization form is on-file for the employee. The completion of the authorization form accomplishes the objective of having the employee certify in writing that the vehicle used will always be:

- Covered by liability insurance for the minimum amount prescribed by law;
 - Adequate for work performed;
 - Equipped with safety belts; and,
 - In safe mechanical condition.
- **Defensive Driver Training** – our review of a sample of 28 frequent drivers found that six (21%) of them had not attended a defensive driver training course within the last four years¹. SAM Section 0751 provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years. At Caltrans, the responsibility for ensuring that employees attend a driver training course rests with managerial/supervisory personnel. As shown by the results of our tests, these employees are not consistently enforcing this requirement.

Although the department's Office of Learning and Development maintains a database that includes records on driver training attendees, the responsibility for ensuring that employees attend a driver training course rests with managerial/supervisory personnel. As shown by the results of our tests, these employees are not consistently enforcing this requirement.

¹ This condition previously existed and was included in our audit report to Caltrans dated August 2008.

CALIFORNIA DEPARTMENT OF TRANSPORTATION
Findings and Recommendations, Cont'd

Recommendations

2. Implement policies and procedures that ensure the completion and annual update of a private-vehicle authorization form by employees who use their own vehicle to conduct State business. This process should include an annual notification to managers and supervisors of their responsibility for ensuring the completion and updating of the form. Procedures should ensure these employees update and sign the certification form prior to travelling.
3. Periodically reemphasize to operating unit managers and supervisors their responsibility for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years. Frequent drivers that have not taken this course within the last four years should be scheduled to do so as soon as possible. Appoint a person to be responsible for tracking course enrollment and completion.

FLEET ADMINISTRATION

The Caltrans has not implemented policies and procedures that ensure the adequate control of state fleet cards. Fleet cards are primarily used by state employees to purchase fuel for vehicles used for official state business. In brief, Management Memo 12-08, dated December 26, 2012, was issued by DGS to establish controls that would help prevent abusive fleet card practices, including but not limited to fraud and abuse. The State Fleet Card Program requires that participating departments comply with a number of requirements including requiring card users to sign an agreement addressing compliance with usage policies and procedures. Specifically, our review of 20 employees with access to use a state fleet card indicated that nine (45%) did not have an agreement on file acknowledging they understand the policies and procedures regarding usage.

Recommendation

4. Implement policies and procedures that ensure the adequate control of State Fleet Cards. This process should ensure compliance with the State Fleet Card Program requirement that fleet card users sign an agreement addressing compliance with usage policies and procedures.

CONCLUSION

Our findings and recommendations are presented to aid Caltrans in administering its business management functions and services. The Caltrans should address the reported issues to assist in ensuring compliance with applicable state laws, policies and procedures.

DEPARTMENT OF TRANSPORTATION

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*Making Conservation
a California Way of Life.*

June 2, 2017

Mr. Dennis M. Miras, Manager
Office of Audit Services
Department of General Services
707 3rd Street – 8th Floor
West Sacramento, CA 95605

Dear Mr. Miras:

I am pleased to provide the California Department of Transportation's (Caltrans) response to the California Department of General Services' (DGS) draft report of its compliance audit of Caltrans' business management functions and services. DGS noted findings in the following areas:

- Reporting of Vehicle Accidents
- Driver Safety and Insurance Program Requirements – Vehicles Authorizations
- Driver Safety and Insurance Program Requirements – Defensive Driver Training
- Fleet Administration

Reporting of Vehicle Accidents

Caltrans has not implemented policies and procedures which ensure motor vehicle accidents are reported to the DGS Office of Risk and Insurance Management (ORIM) in a timely fashion.

Recommendations:

Implement policies and procedures which ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident. This process should include the annual notification of managers and supervisors of their accident reporting and review responsibilities. Further, if deemed feasible, policies should provide that the Office of Health and Safety Services monitor to ensure compliance with the state's motor vehicle accident reporting requirements.

Mr. Dennis Miras

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CALTRANS Response:

Caltrans has policies and procedures in place to inform staff of the requirement to submit accident reports to ORIM within 48 hours. Caltrans will review and update procedures, as necessary, for reporting accidents and remind all staff of the reporting requirement by June 30, 2017. In addition, Caltrans will annually provide notification to all employees to remind them of their accident reporting and review responsibilities. The Office of Health and Safety will explore an IT solution for effective statewide monitoring with an estimated completion date of June 30, 2018.

Driver Safety and Insurance Program Requirements – Vehicles Authorizations

Current policies and procedures are not ensuring that a form authorizing an employee to use their own vehicle to conduct State business is completed and annually updated.

Recommendations:

Implement policies and procedures that ensure the completion and annual update of a private-vehicle authorization form by employees who use their own vehicle to conduct State business. This process should include an annual notification to managers and supervisors of their responsibility for ensuring the completion and updating of the form. Procedures should ensure these employees update and sign the certification form prior to traveling.

CALTRANS Response:

Caltrans has policies and procedures in place to inform staff of the requirement to ensure an "Authorization to Use Privately Owned Vehicles on State Business" form is completed by employees on an annual basis. Caltrans will emphasize and remind its employees at least annually of their responsibility to complete this form as follows:

- The Division of Accounting's intranet site contains a travel guide that clearly identifies policies and procedures for Private Vehicle Use and the Authorization form required.
- A Personnel Information Bulletin is issued on an annual basis to all staff with a reminder to update their employee information. The Authorization to Use Privately Owned Vehicles on State Business is specifically identified.

Mr. Dennis Miras
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- An annual calendar for managers and supervisors is distributed statewide as a tool to remind Manager and Supervisors of their responsibilities to complete annual trainings and administrative processes. In addition, the annual calendar is provided to all new supervisors in the mandatory 80-hour Supervisory Training Program provided by Caltrans.
- Caltrans provides an orientation booklet to all new supervisors and managers starting employment with Caltrans. The booklet contains the Authorization to Use Privately-Owned Vehicles on State Business form and instructions.

Driver Safety and Insurance Program Requirements – Defensive Driver Training

Employees had not attended and successfully completed an approved defensive driver training course at least once every four years.

Recommendations:

Periodically reemphasize to operating unit managers and supervisors their responsibility for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years. Frequent drivers that have not taken this course within the last four years should be scheduled to do so as soon as possible. Appoint a person to be responsible for tracking course enrollment and completion.

CALTRANS Response:

Caltrans has a policy in place that states employees are to complete Defensive Driver Training prior to operating a state vehicle, and ensure that the training course is repeated every four years in accordance with the State Administrative Manual Section 751. The policy further states that managers and supervisors are responsible to ensure employees have completed Defensive Driver Training within the last four years prior to operating a state vehicle. Caltrans will send an email by May 31, 2017, to remind all employees to complete a defensive drivers training course at least once every four years. In addition, Caltrans will annually provide notification to all employees to remind them of the Defensive Driver Training requirement. Caltrans has assigned a coordinator to annually run reports on course completion and provide the reports to Districts and Divisions for follow-up.

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Fleet Administration

Caltrans has not implemented policies and procedures to ensure the adequate control of state fleet cards. Employees did not have an agreement on file acknowledging they understand the policies and procedures regarding usage.

Recommendations:

Implement policies and procedures that ensure the adequate control of state fleet cards. This process should ensure compliance with the State Fleet Card Program requirement that fleet card users sign an agreement addressing compliance with usage policies and procedures.

CALTRANS Response:

- Caltrans has revised the "State-Owned Vehicle and Voyager Fuel Credit Card User Agreement" (DME-0310) form to include responsibilities associated with driving a state owned vehicle. In addition, the distribution now includes the employee's Official Personnel File, the District Fuel Card Administrator, and the supervisor.
- On January 3, 2017, Caltrans issued an all-employee memorandum requiring all employees who could potentially drive a state-owned vehicle to complete, sign and comply with the provisions of the DME-0310.
- Caltrans will send an all-employee e-mail annually near the beginning of the calendar year as a reminder that each affected employee must have a current DME-0310 on file.
- Caltrans has added the DME-0310 to the annual calendar for managers and supervisors.
- Caltrans will work to add the DME-0310 to the Supervisor's New Employee Orientation Checklist.

Caltrans appreciates the opportunity to provide our response to the draft report. If you have any questions or require further information, please contact William E. Lewis, Assistant Director, Audits and Investigations at (916) 323-7122.

Sincerely,



MALCOLM DOUGHERTY
Director

**CALIFORNIA DEPARTMENT OF TRANSPORTATION
COMPLIANCE AUDIT**

EVALUATION OF CALTRANS' RESPONSE

We have reviewed the response by the California Department of Transportation (Caltrans) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by Caltrans to improve its business management functions and services.