



MEMORANDUM

Date: January 4, 2022

File No.: 1121

To: **Toks Omishakin, Director**
California Department of Transportation
1120 N Street
Sacramento, CA 95814

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).

Caltrans' written response to our draft report is included in this final report. The report also includes our evaluation of the response. We are pleased with the actions taken or proposed and commitments made to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations and will require a six-month status report on the implementation of each. Therefore, please submit to us on your department's official letterhead the status report by July 5, 2022.

To the extent that it is practicable, proof-of-practice and supporting documentation should be specific and include excerpts, samples, screenshots, and/or copies of the following: new and updated policies and procedures related to motor vehicle accident reporting and annual update of its FA-0205A certification forms (Authorization to Use Privately Owned Vehicle); "refresher", training, and/or reminder components included as part of other "teaching" opportunities; periodic notifications and reminders sent out to staff, supervisors and managers relative to their responsibilities over accident reporting and review as well as completion and updating of FA-0205A certification forms; and quarterly emails sent out relative to State Fleet Card Program compliance.

The necessity of any further actions or additional support will be determined at that time. Please transmit your proof-of-practice documentation and/or status report to: DGS – Office of Audit Services, 707 3rd Street, 8th Floor, West Sacramento, CA 95605 or preferably via e-mail to Dennis.Miras@dgs.ca.gov.

We sincerely appreciate all the cooperation and assistance provided by Caltrans' personnel.

If you need further information on or assistance with this report, please call/e-mail me at (916) 376-5064/Dennis.Miras@dgs.ca.gov, or Susan Mitchel, Management Auditor, at (916) 376-1909/Susan.Mitchel@dgs.ca.gov.

Dennis M Miras

DENNIS M. MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Michael E. Keever, Chief Deputy Director (Acting)
Cory Binns, Deputy Director, Maintenance & Operations
Diana Antony, Inspector General (Acting), Independent Office of Audits and Investigations (IOAI)
Frances Parmelee, Chief Deputy Inspector General (Acting), IOAI
Aaron Ochoco, Deputy Director, Administration
David Prizmich, Chief, Division of Procurement and Contracts
Andrea Vine, Chief, Division of Safety and Management Services
Juanita Baier, Audit Chief, Financial and Operations, IOAI

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA DEPARTMENT
OF TRANSPORTATION**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 1121**

OFFICE OF AUDIT SERVICES

SEPTEMBER 2021

**CALIFORNIA DEPARTMENT OF TRANSPORTATION
(Caltrans)**

**COMPLIANCE AUDIT
REPORT NO. 1121**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: January 4, 2022

TO: **TOKS OMISHAKIN**, 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 this audit included, but was not limited to, compliance with policies and procedures governing Caltrans' fleet and travel services administration, driver safety and insurance, surplus property, and real estate programs. 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, we identified the following areas for improvement. The implementation of the recommendations presented in this report will assist Caltrans in addressing these issues:

- Caltrans' driver safety program is not ensuring that motor vehicle accidents are reported to DGS' Office of Risk and Insurance Management in a timely manner. Additionally, supervisors are not always completing a report containing an evaluation of the cause of the accident.
- Current policies and procedures are not ensuring that employees who use their own vehicle to conduct state business complete and annually update a vehicle certification form.
- Caltrans' fleet administration program is not ensuring full compliance with the State Fleet Card Program.

During our review we also identified other matters requiring attention, but that did not pose a significant risk to the business management functions, which were discussed with Caltrans' management and are not further detailed 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. 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 our recommendation as well as our evaluation of the response are included in this report.

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

If you need further information on or assistance with this report, please call/e-mail me at (916) 376-5064/Dennis.Miras@dgs.ca.gov, or Susan Mitchel, Management Auditor, at (916) 376-1909/Susan.Mitchel@dgs.ca.gov.

Dennis M Miras

DENNIS M. MIRAS, CIA
Manager, Office of Audit Services

Staff: Susan Mitchel, Management Auditor

cc: Michael E. Keever, Chief Deputy Director (Acting)
Cory Binns, Deputy Director, Maintenance & Operations
Diana Antony, Inspector General (Acting), Independent Office of Audits and Investigations (IOAI)
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Aaron Ochoco, Deputy Director, Administration
David Prizmich, Chief, Division of Procurement and Contracts
Andrea Vine, Chief, Division of Safety and Management Services
Juanita Baier, Audit Chief, Financial and Operations, IOAI

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 and evaluation of vehicle accidents; annual certification and authorization to use privately owned vehicles on state business; and adequate control of state fleet cards.

This information was developed based on our fieldwork conducted over the period of January 21, 2021 through September 27, 2021. In addition to this written report, as findings were observed and developed during our audit fieldwork, Caltrans' management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, on September 27, 2021 Caltrans was provided a detailed written summary of issues noted during our review.

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 2019-20 and 2020-21 fiscal years.

REPORTING AND REVIEW OF VEHICLE ACCIDENTS¹

Current policies and procedures in place designed to ensure the sufficient and timely reporting of vehicle accidents to DGS' Office of Risk and Insurance Management (ORIM) are not operating as intended. Specifically, during our review of Caltrans' accident reporting process for the period of January through December 2020, from the approximately 390 reportable accidents identified during this timeframe, 46 were sampled; from these tested, all 46 (100%) were found to have not been reported to ORIM in a timely fashion.

¹ This condition previously existed and was included in our audit report to Caltrans dated December 2016.

To allow it to effectively administer the state's motor vehicle self-insurance program, SAM Section 2430 (as well as Caltrans' own policies and procedures) provide that a Report of Vehicle Accident (STD. 270) form be submitted to ORIM within 48 hours of an accident.

To highlight the significance of this condition, as noted above, we identified nearly 400 reportable accidents during the 2020 calendar year. Of the 46 vehicle accidents tested and found reported late, 13 were reported to ORIM within a week; 17 took between one week to a month to be reported; 16 took more than one month to be reported; and seven were reported more than three months after the accident occurred. It should be noted that these accidents were reported late anywhere from two to 328 days late, with the average days late being 37.

Additionally, ORIM informed us that Caltrans does not always report an accident. When such instances occur, ORIM will first learn of the accident after the attorney representing the other party, or the other party's insurance carrier, reports the accident and/or files a claim. ORIM must then contact Caltrans to obtain the related accident reporting documentation. We were witness to three such instances just from our sample of 46 accidents tested. Clearly, none of the above noted conditions should ever occur, and Caltrans needs to thoroughly evaluate and overhaul its current systems and processes in place to ensure the complete and timely reporting of all vehicle accidents.

We also determined that a report containing a supervisor's evaluation of an accident's cause was not always on-file for the accidents reported. SAM Section 2440 and Caltrans' policies and procedure require that the supervisor of an employee involved in an accident prepare a Review of State Driver Accident (STD. 274) supervisor's report, take any appropriate corrective action, and forward copies of the report to both ORIM and the agency's safety coordinator.

A variety of contributing factors have led to the above conditions, including: a general lack of understanding of reporting requirements to DGS (e.g., form was completed but not forwarded to ORIM); lack of knowledge about reporting requirements (e.g., STD. 270 and STD. 274 were not completed at the time of the accident); inconsistencies in communication between supervisory/managerial personnel and the Safety Office, causing delays in reporting; and a lack of prioritizing the completion of accident reporting documentation (e.g., employee/supervisor may not believe the STD. 270 and STD. 274 are required for what they may consider to be a minor accident).

Recommendations

1. Enforce existing and establish new policies and procedures to ensure that all Caltrans personnel are aware of the need to report (STD. 270) all motor vehicle accidents to ORIM within 48 hours and that supervisors complete the review (STD. 274) containing an evaluation of the cause of the accident.
2. Due to its high vehicle accident rate, it is further recommended that Caltrans include a “refresher”, training, and/or reminder component as part of its other “teaching” opportunities (e.g., defensive driver and/or new supervisor training, etc.) in order to broadcast out to as wide an audience as possible drivers' mandated vehicle accident reporting protocols that are in place. This process should include the periodic notification to staff, supervisors and managers of their accident reporting and review responsibilities.

DRIVER SAFETY AND INSURANCE PROGRAM ²

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, repairs to state vehicles, workers' compensation, and lost work time of employees. 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 an Authorization to Use Privately Owned Vehicle (STD. 261) certification form is completed and annually updated by all employees who use their own vehicle to conduct state business. Caltrans uses its own internal certification form and refers to this document as the Form FA-0205A (Rev. 01/2021).

Specifically, at the time of our audit testing of employees who claimed reimbursement for private car usage during the period January through February 2021, a current FA-0205A was not available for five (83%) of the six employees included in our sample prior to using their own vehicle on state business.

² This condition previously existed and was included in our audit report to Caltrans dated December 2016.

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
- In safe mechanical condition

Recommendation

3. Strengthen current policies and procedures that ensure the completion and annual update of an FA-0205A certification form by employees prior to using their own vehicle to conduct state business. This process should include taking inventory of these types of drivers and ensuring a Form FA-0205A is on file for each as well as periodic notifications to all operating units regarding their responsibilities for ensuring the completion and updating of the form.

STATE FLEET CARD PROGRAM³

Existing processes do not fully 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, SAM Section 4108 and Caltrans Deputy Directive 111-2 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: (1) implementing written oversight procedures; (2) designating a coordinator to closely manage the use of the program; (3) submitting to OFAM an annual certification that the department has executed required procedures; and (4) requiring card users to sign an agreement addressing compliance with usage policies and procedures.

³ This condition previously existed and was included in our audit report to Caltrans dated December 2016.

Specifically, our review of 12 employees with frequent access to using a state fleet card revealed that 11 (92%) did not have an agreement on file prior to our request acknowledging they understand the policies and procedures regarding usage. Caltrans uses its own internal agreement, referred to as the DME-0310 "State-Owned Vehicle and Voyager Fuel Credit Card Form" (Rev. 12-2018).

Recommendation

4. Enforce existing policies and procedures to ensure the adequate control of all state fleet cards. Such efforts should result in full compliance with State Fleet Card Program requirements, which include requiring all card users to sign the agreement addressing compliance with usage practices.

CONCLUSION

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

California Department of Transportation

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December 15, 2021

Mr. Dennis Miras, CIA
Manager, Office of Audit Services
Department of General Services
707 3rd Street West Sacramento, California 95605

Dear Mr. Miras:

The Department of Transportation (DOT) appreciates the opportunity to respond to the Department of General Services (DGS) draft report titled "Compliance with State Business Management Policies," dated November 19, 2021. DOT agrees with the DGS findings and recommendations and recognizes that opportunities exist to further improve DOT's state business management policies.

We appreciated the ongoing communication, professionalism and collaboration of the DGS audit team. If you have any questions or concerns, please contact Ben Shelton, Chief - Office of Internal Audits, Division of Risk and Strategic Management, at (916) 858-9694 or ben.shelton@dot.ca.gov.

The DGS findings and recommendations and DOT's responses are as follows:

FINDING #1 – REPORTING AND REVIEW OF VEHICLE ACCIDENTS

Enforce existing and establish new policies and procedures to ensure that all Caltrans personnel are aware of the need to report (STD. 270) all motor vehicle accidents to ORIM within 48 hours and that supervisors complete the review (STD. 274) containing an evaluation of the cause of the accident.

Due to its high vehicle accident rate, it is further recommended that Caltrans include a "refresher", training, and/or reminder component as part of its other "teaching" opportunities (e.g., defensive driver and/or new supervisor training, etc.) in order to broadcast out to as wide an audience as possible drivers' mandated vehicle accident reporting protocols that are in place. This process should include the periodic notification to staff, supervisors and managers of their accident reporting and review responsibilities.

"Provide a safe and reliable transportation network that serves all people and respects the environment"

FINDING #2 – DRIVER SAFETY AND INSURANCE PROGRAM

Strengthen current policies and procedures that ensure the completion and annual update of an FA-0205A certification form by employees prior to using their own vehicle to conduct state business. This process should include taking inventory of these types of drivers and ensuring a Form FA-0205A is on file for each as well as periodic notifications to all operating units regarding their responsibilities for ensuring the completion and updating of the form.

FINDINGS #1 and #2 – DEPARTMENT OF TRANSPORTATION'S RESPONSE

The Office of Employee Health and Safety (OEHS) will partner with and support the Division of Equipment (DOE), as the process owner, to ensure compliance with reporting requirements and to review vehicle accidents for driver safety. To do this, OEHS will:

- Continue to implement the Employee Injury and Accident Reporting Lean 6 recommended process
- Educate managers and supervisors on process – incorporate into Manager/Supervisor Training that OEHS will be piloting February 2022
- Coordinate quarterly check-ins between OEHS and DOE (will include the Division Chiefs)
- OEHS will create a dashboard for check and balance to ensure proper reporting

FINDINGS #3 – STATE FLEET CARD PROGRAM

Enforce existing policies and procedures to ensure the adequate control of all state fleet cards. Such efforts should result in full compliance with State Fleet Card Program requirements, which include requiring all card users to sign the agreement addressing compliance with usage practices.

FINDINGS #3 – DEPARTMENT OF TRANSPORTATION'S RESPONSE

The Department of Transportation supports the recommendation for the State Fleet Card Program and will develop a corrective action plan to address the deficiency.

Mr. Dennis Miras, CIA
December 15, 2021
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Sincerely,

A handwritten signature in blue ink, appearing to be 'TOKS OMISHAKIN', with a long horizontal flourish extending to the right.

TOKS OMISHAKIN
Director

- c: Michael E. Keever, Chief Deputy Director (Acting)
Cory Binns, Deputy Director, Maintenance & Operations
Aaron Ochoco, Deputy Director, Administration
David Prizmich, Chief, Division of Procurement and Contracts
Andrea Vine, Chief, Division of Safety and Management Services
Blair Thompson, Chief, Division of Risk and Strategic Management
Ben Shelton, Chief, Caltrans Internal Audits Office

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**CALIFORNIA DEPARTMENT OF TRANSPORTATION
(CALTRANS)**

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 and we appreciate the efforts taken or being taken by Caltrans to improve its business management functions and services.

As part of its operating duties, we are responsible for following up on audit recommendations and will require a six-month status report on the implementation of each. To the extent that it is practicable, proof-of-practice and supporting documentation should be specific and include excerpts, samples, screenshots, and/or copies of the following: training that is being piloted in February 2022 to educate managers/supervisors on their responsibilities over accident reporting and review as well as completion and updating of FA-0205A certification forms (Authorization to Use Privately Owned Vehicle); newly created dashboard to ensure proper accident reporting; corrective action plan designed to address State Fleet Card Program compliance; and update on the employee injury and accident reporting Lean 6 process.