

BOB ALVARADO, Chair
FRAN INMAN, Vice Chair
YVONNE B. BURKE
JAMES EARP
JAMES C. GHIEMMETTI
LUCETTA DUNN
CARL GUARDINO
JAMES MADAFFER
JOSEPH TAVAGLIONE
CHRISTINE KEHOE
PAUL VAN KONYNENBURG

STATE OF CALIFORNIA

EDMUND G. BROWN Jr., Governor



SENATOR JIM BEALL, Ex Officio ASSEMBLY
MEMBER JIM FRAZIER, Ex Officio

WILL KEMPTON, Executive Director

CALIFORNIA TRANSPORTATION COMMISSION

1120 N STREET, MS-52
SACRAMENTO, CA 95814
P. O. BOX 942873
SACRAMENTO, CA 94273-0001
FAX (916) 653-2134
(916) 654-4245
<http://www.catc.ca.gov>

December 26, 2017

Brian Kelly, Secretary
California State Transportation Agency
915 Capitol Mall, Suite 350-B
Sacramento, CA 95814

Dear Secretary Kelly,

In accordance with the State Leadership Accountability Act (SLAA), the California Transportation Commission submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2017.

Should you have any questions please contact Mitch Weiss, Chief Deputy Director, at (916) 654-4245, mitch.weiss@catc.ca.gov.

BACKGROUND

The California Transportation Commission (Commission) is an independent public agency dedicated to ensuring a safe, financially sustainable, world-class multimodal transportation system that reduces congestion, improves the environment, and facilitates economic development through the efficient movement of people and goods. The Commission consists of eleven voting members and two nonvoting ex-officio members. Of the eleven voting members, nine are appointed by the Governor, one is appointed by the Senate Rules Committee, and one is appointed by the Speaker of the Assembly. The two ex-officio non-voting members are appointed from the State Senate and Assembly, usually the respective chair of the transportation policy committee in each house.

The Commission is a part-time body that meets on a regular basis to formally review, approve and/or adopt state policy. The Commission is responsible for programming and allocating funds

used in the construction of highway, intercity passenger rail, transit and active transportation improvements throughout California.

The Commission is statutorily responsible for making specific decisions in the programming and allocating of state transportation funds for the following programs: State Transportation Improvement Program; State Highway Operation and Protection Program; Active Transportation Program; Solutions for Congested Corridors Program; Local Partnership Program; Trade Corridor Enhancement Account; Propositions 1A, 1B, and 116; Traffic Congestion Relief Program; Local Assistance; Aeronautics and other programs.

The Governor signed Senate Bill (SB) 1 - the Road Repair and Accountability Act of 2017 last April. The Administration estimates this legislation will increase state revenues for California's transportation system by an average of \$5.2 billion annually over the next decade. SB 1 provides the first significant, stable, and on-going increase in state transportation funding in more than two decades. SB 1, "presents a balance of new revenues and reasonable reforms to ensure efficiency, accountability, and performance from each dollar invested to improve California's transportation system." Among other goals, SB 1 seeks to:

1. Direct increased revenue to the state's highest transportation needs; and
2. Fairly distribute the economic impact of increased funding between all users.

SB 1 creates the Road Maintenance and Rehabilitation Account and the Road Maintenance and Rehabilitation Program. Programs funded by this account include the Local Partnership Program, the Active Transportation Program, the State Highway Operation and Protection Program (SHOPP), and Local Streets and Roads apportionments.

SB 1 also creates two new registration fees, the Transportation Improvement Fee imposed on all motor vehicles, and the Road Improvement Fee imposed on zero-emission motor vehicles. Revenues from the Road Improvement Fee will be deposited in the Road Maintenance and Rehabilitation Account. Revenues from the Transportation Improvement Fee will be deposited in the Public Transportation Account to fund the Transit and Intercity Capital Program and the State Transit Assistance Program, in the State Highway Account to fund the Solutions for Congested Corridors Program, and in the Road Maintenance and Rehabilitation Account.

SB 1 states that "it is the intent of the Legislature that the California Department of Transportation (Caltrans) and local governments are held accountable for the efficient investment of public funds to maintain the public highways, streets, and roads, and are accountable to the people through performance goals that are tracked and reported."

Recognizing the emphasis SB 1 places on accountability, the Commission has incorporated measures in its adopted guidelines for the individual programs under its purview to promote efficiency, accountability, and performance from each dollar invested.

In addition to implementing SB 1, the Commission continues to work with Caltrans and other partners to address SB 486 (DeSaulnier, 2014). SB 486 modified the process for developing California's Transportation Plan, Interregional Transportation Strategic Plan, Interregional Transportation Improvement Program, and State Highway Operation and Protection Program.

To implement the provisions of SB 486, the Commission adopted guidelines that prescribe areas of analysis to guide Caltrans' preparation of the California Transportation Plan, the Transportation Asset Management Plan and the State Highway Operation and Protection Program.

The Commission also provided a public venue for the review and approval of the Interregional Transportation Strategic Plan. Public venues are also planned for the Interregional Transportation Improvement Program, the State Transportation Improvement Program, the Asset Management Plan, and the State Highway Operation and Protection Program. The Commission also adopted targets and performance measures for pavement, bridges, culverts and transportation management system assets and is in the process of reviewing Caltrans' draft Asset Management Plan.

Additionally, the Commission is preparing to review the State Highway Operation and Protection Program relative to its overall adequacy and consistency with the Asset Management Plan and the funding priorities established in Streets and Highway Code Section 167, the level of annual funding needed to implement the program, and the impact of those expenditures on the State Transportation Improvement Program. This review is necessary since the Commission is now required to adopt the State Highway Operation and Protection Program and submit it to the Legislature and the Governor - or decline to adopt the State Highway Operation and Protection Program if it finds it inconsistent with the Asset Management Plan.

The Commission is supported by an organization headed by an Executive Director who oversees a staff of 26 authorized positions and an annual budget of \$5.625 million. The Executive Director acts as a liaison to the State Transportation Agency Secretary, the Caltrans Director, and regional agency executive directors and their respective staff. The Executive Director also acts as a liaison between the Commission and the Legislature and its staff, interpreting actions taken by the Legislature and reporting to the Commission on areas of concern to the Legislature. Further, the Executive Director serves as a member of the Toll Bridge Program Oversight Committee and the California Transportation Financing Authority.

The Commission, including staff, has accomplished an outstanding record of fulfilling its responsibilities, gaining the respect of successive Administrations and Legislatures, and earning a reputation as an effective and well-functioning organization. Commission staff is guided by a set of core values that promote integrity, transparency, accountability and innovation. Roles and responsibilities are well established and strong lines of authority, collaboration, communication, teamwork and problem solving are fostered and maintained throughout the organization.

RISK ASSESSMENT PROCESS

The Commission relies on a system of continuous assessment and evaluation of its internal control structure that includes weekly staff meetings, weekly executive management meetings, and continuous communication, monitoring and reporting. For example, through periodic meetings, management is kept apprised by staff of risks and corresponding mitigation methods. Follow-up work, including executive management involvement, is initiated to formulate and implement response strategies to minimize risks of greater threat.

As risks are identified, corresponding existing controls are identified that, if working as intended, provide reasonable assurance that risks are mitigated. For other risks, staff identifies controls for implementation that, once established, would help mitigate such risks.

EVALUATION OF RISKS AND CONTROLS

Operations - Internal- Staff—Key Person Dependence, Succession Planning. The Commission's staff is comprised of high-level professionals, many of which are at or near retirement status. Given the policy-level nature of the Commission's responsibilities, and the limited pool of qualified candidates, replacing these individuals will be difficult. SB 1 and the resulting increases in Commission roles and responsibility have magnified the importance of succession planning. Although the Commission received five additional positions in FY 2016-17 to address the increase in workload to implement SB 1, it is incumbent on the Commission to ensure the new staff are adequately trained and are able to participate in promotional opportunities within the Commission.

Compliance - External- Funding—Sources, Levels, Legislative Responsibilities. In recent years, the Legislature has assigned increasing workload and oversight responsibilities to the Commission. Responsibilities include, but are not limited to, adopting the State Highway Operation and Protection Program and the Active Transportation Program; consulting on the development of and approving the state Asset Management Plan; adopting guidelines for new and augmented SB 1 funding programs; allocating Caltrans' capital and capital outlay support funding; issuing action oriented and pragmatic recommendations to improve the transportation program for the Legislature's consideration; convening a technical advisory committee to help direct the development of legislative recommendations related to a road charge as a replacement to the gas tax, and approving applications to operate toll facilities on the state highway system, among others. Through this increased authority, the Legislature has clearly indicated its desire for the Commission to serve as a leader in accountability and transparency in delivering mobility solutions efficiently and effectively.

Operations - Internal- FISCAL Conversion. With the implementation of the State's FISCAL system, the Commission is experiencing accounting system weaknesses. To avoid excessive staffing levels, the Commission contracts with the Department of General Services (DGS) for its accounting functions instead of hiring internal accounting experts. As a result, the Commission is reliant upon the expertise and diligence of the DGS accounting office for the processing of its accounting activities in a timely, accurate, and comprehensive manner. The Commission receives expenditure reports on average one month late. This delay causes difficulty for Commission staff to determine budget balances in a timely fashion. Additionally, since the Commission contracts with DGS for its accounting services and does not have its own staff with accounting and budgeting expertise to handle operational matters, it has experienced difficulty timely compiling the accounting information received into informative budgetary reports.

ONGOING MONITORING

Through our ongoing monitoring processes, the California Transportation Commission reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

Roles and Responsibilities. Susan Bransen serves as Executive Director for the California Transportation Commission and is responsible for the overall establishment and maintenance of internal control systems. Mitch Weiss, Chief Deputy Director, is designated as agency monitor.

Frequency of Monitoring Activities. The Commission relies on a system of continuous assessment and evaluation of its control structure. Identified risks, internal controls, and mitigation measures are to be recorded and reported monthly to Executive Management. Through each subsequent State Leadership Accountability Act cycle, staff continues to reassess the risks and their corresponding controls. The Executive Director and Chief Deputy Director meet with the Commissioners regularly to discuss issues and risks to the organization as well as methods to identify measures to prevent or minimize risks. All Commission staff meet weekly to discuss ongoing issues, and to identify internal controls and implementation measures to address identified risks. In addition, the Chief Deputy Director meets weekly with Commission Deputy Directors. Together, these meetings are used to monitor implementation measures to mitigate known risks and to identify new risks that arise requiring mitigation measures. In addition, Deputy Directors are assigned responsibility for implementing mitigation measures to address identified risks and reporting back to Executive Management on the progress made.

Reporting and Documenting Monitoring Activities. Mitch Weiss, the Commission's Chief Deputy Director and designated agency monitor, will monitor the risks through the aforementioned process and document via a report on a monthly basis to the Commission's Executive Director.

Procedure for Addressing Identified Internal Control Deficiencies. While the Commission is in compliance with the State Leadership Accountability Act (Government Code section 13400 et. seq.), staff will continue to monitor the progress of mitigation measures to address the aforementioned risks and will implement additional measures as necessary. Regular meetings, assignment of responsibilities and the monitoring process as described above are used as the primary method for identifying and addressing internal control deficiencies.

CONCLUSION

The California Transportation Commission strives to reduce the risks inherent in our work through ongoing monitoring. The California Transportation Commission accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

 FOR

SUSAN BRANSEN,
Executive Director

c: Department of Finance
Legislature
State Auditor
State Library
State Controller
Secretary of Government Operations

Risk Aggregation Worksheet

v. 8.24.17

Notes: Cells containing titles, examples, and instructions are locked to maintain consistency with the Department of Finance, SLAA Risk Catalog.
 Worksheets may be consolidated by cutting and pasting risks (column headers and examples are locked and cannot be copied).
 Drop down options extend to row 170 allowing users to continue adding risks to this worksheet.

What is being affected?	Internal or External?		What is or may be the risk?	Describe the Risk.	Impact to the Agency	Likelihood of Occurrence	Control	Status	
C O M P L I A N C E	E X T E R N A L	1	Responsibilities of Laws or Regulations Clarification	The Commission does not have a permanent general counsel that can translate and advise Government Laws and Regulations.	Low	Low	Recruit counsel from the Department of Justice as outside counsel for the more complex and sensitive issues. Utilize a retired annuitant as an in-house counsel for on-going routine issues	Implemented	
		2							
		3							
		4							
		5							
		6							
		7							
		8							
		9							
		10							
		11							
		12							
		13							
		14							
		15							
		16							
		17							
		18							
		19							

Risk Aggregation Worksheet

v. 8.24.17

Notes: Cells containing titles, examples, and instructions are locked to maintain consistency with the Department of Finance, SLAA Risk Catalog.

Worksheets may be consolidated by cutting and pasting risks (column headers and examples are locked and cannot be copied).

Drop down options extend to row 170 allowing users to continue adding risks to this worksheet.

What is being affected?	Internal or External?	What is or may be the Risk?	Describe the Risk.	Impact to the Agency	Likelihood of Occurrence	Control	Status	
C O M P L I A N C E	I N T E R N A L		Staff Adherence to Policies, Procedures, or Standards	Commission rank-and-file staff belong to several bargaining units with different MOUs. Each new staff member is provided with a Duty Statement upon starting at the Commission. It is incumbent upon Commission managers to ensure these Duty Statements are kept up to date as employee responsibilities may change. Beginning in 2017, the Commission provided each employee with an Employee Expectation Memo in compliance with State Human Resources policy.	Medium	High	Inform managers on the union bargaining agreements, Provide all new employees with the Commission's Employee Expectation Memo. Ensure duty statements are maintained for all employees.	Partially Implemented
		1						
		2						
		3						
		4						
		5						
		6						
		7						
		8						
		9						
		10						
		11						
		12						
		13						
		14						
		15						
		16						
		17						
		18						
19								

Risk Aggregation Worksheet

v. 8.24.17

Notes: Cells containing titles, examples, and instructions are locked to maintain consistency with the Department of Finance, SLAA Risk Catalog.
 Worksheets may be consolidated by cutting and pasting risks (column headers and examples are locked and cannot be copied).
 Drop down options extend to row 170 allowing users to continue adding risks to this worksheet.

What is being affected?	Internal or External?	What is or may be the Risk?	Describe the Risk.	Impact to the Agency	Likelihood of Occurrence	Control	Status		
R E P O R T I N G	I N T E R N A L	1	Information Collected—Adequacy, Accuracy, Interpretation, Timeliness	The Budget Report is a tool used by executive management to forecast and assist in the preparation of the Commission's strategic plans. To avoid excessive staff levels, the Commission has contracted its fiscal services with the Department of General Services (DGS) instead of hiring an Internal expert. As a result, the Commission relies upon timely reporting from DGS accounting officers. DGS' Internal fiscal process prevents them from delivering a monthly report promptly to the Commission. This delay has impacted the Commission's ability to address budget Issues in a timely manner.	Medium	High	Create an invoice tracking spreadsheet to capture prospective payments during the month in combination with the accounting balance from the previous month.	Partially Implemented	
		2	Information Communicated—Adequacy, Accuracy, Interpretation, Timeliness	Commission staff lacks skills necessary to timely prepare Internal financial reports to inform executive management of the Commission's operations to make effective business decisions.	High	High	Hold specific staff members accountable for the timely preparation of internal financial reports. Ensure staff are provided adequate training and are performing within the specifications of their positions	Partially Implemented	
		3							
		4							
		5							
		6							
		7							
		8							
		9							
		10							
		11							
		12							
		13							
		14							
		15							
		16							
		17							
		18							
		19							

Risk Aggregation Worksheet

v. 8.24.17

Notes: Cells containing titles, examples, and instructions are locked to maintain consistency with the Department of Finance, SLAA Risk Catalog.

Worksheets may be consolidated by cutting and pasting risks (column headers and examples are locked and cannot be copied).

Drop down options extend to row 170 allowing users to continue adding risks to this worksheet.

What is being affected?	Internal or External?		What is or may be the Risk?	Describe the Risk.	Impact to the Agency	Likelihood of Occurrence	Control	Status	
O P E R A T I O N S	E X T E R N A L	1	Staff—Recruitment, Retention, Staffing Levels	Adequate training is necessary to ensure hiring managers are prepared to adhere to proper hiring procedures and to function as a manager within state government.	Medium	Medium	The Commission will focus on providing a hiring check list to familiarize managers with the proper hiring documents and prepare for justifications if necessary.	Partially Implemented	
		2	FISCAL Implementation, Maintenance, Functionality, or Support	The Commission is in the second year Implementing FISCAL, and has experienced some difficulty in getting support from the FISCAL services center. For example, on average It may take two to four weeks to add roles for current or new staff. The Commission may Incur a high risk of delay in invoice payment resulting in late penalties.	High	High	When issues have not been able to be addressed at the staff level, Commission administration staff elevate the issue to Commission executive management to resolve the Issue.	Implemented	
		3	Political, Reputation, Media	There has been a significant Increase in interest related to transportation funding issues following the passage of SB 1. The Commission has given a number of presentations throughout the state regarding SB 1 and the benefits to California. This interest in SB 1 also Included an increase in media Inquiries; however, the Commission does not possess staff skilled in public affairs matters.	High	High	The Commission will recruit an Information Officer to assist with media outreach and public presentations.	Partially Implemented	
		4	Business Interruption, Safety Concerns	With the increased workload and staff shortage, there Is a risk of additional leave time due to stress.	Medium	High	Management encourages staff to provide help to others as necessary and distribute workload to avoid overwork. Management Is in the process of firing which will serve to better distribute workload and minimize stress to employees.	Partially Implemented	
		5							
		6							
		7							
		8							
		9							
		10							
		11							
		12							
		13							
		14							
		15							
		16							
		17							
		18							
		19							

Risk Aggregation Worksheet

v. 8.24.17

Notes: Cells containing titles, examples, and instructions are locked to maintain consistency with the Department of Finance, SLAA Risk Catalog.
 Worksheets may be consolidated by cutting and pasting risks (column headers and examples are locked and cannot be copied).
 Drop down options extend to row 170 allowing users to continue adding risks to this worksheet.

What is being affected?	Internal or External?	What is or may be the Risk?	Describe the Risk.	Impact to the Agency	Likelihood of Occurrence	Control	Status	
OPERATIONS	INTERNAL	1 Program/Activity—Changes, Complexity	Senate Bill 1 signed by the Governor in April 2017, increased the level of oversight of transportation funds by the Commission. Workload Increased correspondingly following the passage of the bill. In addition to augmenting existing funding programs such as the State Transportation Improvement Program; Active Transportation Program; and the State Highway Operation Protection Program; SB 1 created new funding programs under Commission purview such as the Local Partnership Program, Solutions for Congested Corridors, and the Trade Corridor Enhancement Program. These new oversight and funding programs have considerably strained Commission resources.	High	Medium	In order to develop proper guidelines, the Commission plans to organize multiple workshops and invite a wide range of transportation partners such as cities, counties, advocacy groups, regional and local agencies. Each workshop will focus on a particular program to solicit the funding opportunity, encourage input from partners which will help with the development of guidelines for each new, or augmented SB 1 funding program.	Implemented	
		2 Staff—Key Person Dependence, Workforce Planning	Even though the legislature approved five additional positions, the Commission has difficulty in obtaining a qualified pool of candidates to fill advertised positions. The constraint in filling vacant positions may create obstacles during the administration of the augmented and new SB 1 funding programs.	High	Medium	In order to address immediate workforce demands, the Commission has been investigating alternative methods to augment existing staffing. This has included the use of student interns and retired annuitants.	Partially Implemented	
		3 Staff—Training, Knowledge, Competence	As mentioned above, the Commission has been receiving a lower than expected number of applications for job openings. There is a potential risk of hiring inexperienced staff that may not be able to acquire necessary knowledge in a short period.	Medium	Low	If necessary, the Commission has re-advertised job vacancies to obtain a larger pool of candidates.	Partially Implemented	
		4 Oversight, Monitoring, Internal Control Systems	Due to recent increased staffing levels, the Commission experiences additional workload that is necessary to maintain fiscal integrity, proper procurement processes, records of mandatory training and other staff development documents. Commission Program Managers and Deputy Directors may not keep up with proper procedures in compliance with federal and state requirements.	Medium	High	Commission administrative staff will create desk manuals and tracking systems that will assist managers and deputies to ensure compliance and meet the deadlines for required processes, i.e. probation reports/IDPs/training courses.	Partially Implemented	
		10 Oversight, Monitoring, Internal Control Systems	The Commission must program funds for the new SB 1 programs by May 2018. Failure to meet these deadlines may result in postponement on the allocation of these funds to regional and local agencies. Construction projects would be delayed.	High	Medium	Commission staff has begun to organize potential workload needs in the <i>January-May 2018</i> timeframe. Temporary staff may be utilized from Caltrans to handle workload.	Partially Implemented	
		11						
		12						
		13						
		14						
		15						
		16						
17								
18								
19								

Risk Aggregation Worksheet

v. 8.24.17

Agency

California Transportation Commission

Unit

Name

Mitch Weiss

Title

Chief Deputy Director

Phone Number

916-654-4245

E-mail

mitch.weiss@catc.ca.gov

Notes:

This document is written to correspond to the State Leadership Accountability Act (SLAA) Risk Catalog.

Each tab is labeled according to the corresponding category and subcategory combination.

Column D of each tab is a drop down menu with the list of risk factors within the category and subcategory combination.

Column E allows users to provide details of the risk.

Columns F and G allow users to indicate the likelihood and impact of each risk.

Users can sort or filter this document to aid in consolidating common risks and prioritizing risk responses.