

December 27, 2019

David S. Kim, Secretary
California State Transportation Agency
915 Capitol Mall, Suite 350-B
Sacramento, CA 95814

Dear Mr. David S. Kim,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California Transportation Commission submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact
Zilan Chen, Deputy Director of Administration and Financial Management, at (916) 654-4245,
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GOVERNANCE

Mission and Strategic Plan

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. It is a part-time body that meets on a regular basis to formally review, approve and/or adopt state policy.

Senate Bill (SB) 486, enacted in 2014, requires the California Department of Transportation (Caltrans) to work with the Commission to prepare a “robust” Transportation Asset Management Plan to inform and guide the project selection for the State Highway Operation and Protection Program; SB 1, enacted in 2017, assigned the Commission increased oversight responsibility including requiring Caltrans to report annually to the Commission on its progress in achieving performance targets. 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 Program; Propositions 1A, 1B, and 116; Traffic Congestion Relief Program; Local Assistance; Aeronautics and other programs.

Since enactment of SB 1, the Commission funded critical rehabilitation, preservation, and safety projects to improve roads, bridges, transit systems, ports, railroads, and active transportation across California. These projects, which benefit every city and county in California, will improve trade corridors; reduce congestion in the most heavily used corridors of the state; provide safe routes to schools; improve and expand transit; and reduce greenhouse gas emissions and community impacts.

Control Environment

The Commission is governed by a body of commission members. It is composed of eleven voting members and two non-voting 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 one each from the State Senate and Assembly.

The Commission is supported by an organization headed by an Executive Director who oversees a staff of 37 authorized positions and an annual budget of \$8.8 million. The Executive Director reports to the Commission body and acts as a liaison with the State Transportation Agency (CalSTA) Secretary, the California Department of Transportation (Caltrans) Director, regional agency executive directors and others. 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.

The Commission creates and demonstrates integrity and ethical values in all aspects of its operation. The tone is set by executive management through the Commission's ethics policy and discussed with staff during its on-going meetings. 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.

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. Its organizational structure is evaluated on an on-going basis as new legislation is enacted that modifies and expands responsibilities. The structure is also re-evaluated annually to ensure that it is effective and efficient in meeting the Commission's commitments.

The Commission has significant documentation to ensure adequate controls are in place to meet its commitments. There is an agenda and meeting minutes prepared for each Commission meeting, including any required follow-up actions. For each transportation program, there are guidelines on how funds will be allocated, how projects are selected, and how recipient agencies are held accountable. Any action taken is documented through a resolution adopted by the Commission. The Commission also maintains an internal operating procedures manual to guide staff on day to day operating responsibilities.

To ensure the Commission has and maintains a competent workforce, a workforce development plan is being prepared. The plan includes an annual assessment of employee training needs, work shadowing, and contracting for specialized training such as negotiation and facilitation, and 360 Leadership Evaluation and Training. Employee training is tracked individually and assessed annually.

To ensure accountability is in place, managers are required to annually assess the performance of their staff, including reviewing employee expectations, reviewing and signing updated policies, evaluating performance, and identifying training needs. All employee assessments are reviewed and signed by the responsible Deputy Director, and the Chief Deputy Director or the Executive Director.

Information and Communication

The Commission submits an annual report to the Legislature summarizing decisions in allocating

transportation funds, identifying relevant transportation issues facing California, providing a summary of major policies and decisions adopted, and any significant upcoming transportation issues. The report includes recommendations to advise and assist the CalSTA Secretary and the Legislature in formulating and evaluating state policies and plans. The Executive Director also meets with key partners, stakeholders, and the Legislature to address transportation related issues.

The Commission communicates information to achieve its objectives through scheduled meetings open to the public, and other events or meetings with stakeholders and partners. The Commission also uses its web-site to post meeting agendas and materials, program descriptions and guidelines, upcoming meetings and events, reports and resources, and legislation affecting transportation. Internally, the Commission's executive management sets the tone for an ethical and open environment. Employees are encouraged to report inefficiencies or inappropriate actions through their chain of command, during all staff meetings, weekly meetings, or directly to the Chief Deputy Director and/or Executive Director.

Caltrans provides Information Technology (IT) systems and support for the Commission's operational and programmatic information. The Commission utilizes the California State Multi-Modal Accountability Reporting Tool (CalSMART), developed and maintained by Caltrans, to collect project status and expenditure information for the Local Streets and Roads Program. This tool will be used for other programs in the future. Other operational and programmatic information is maintained on the server and accessible to Commission staff, as designated. Caltrans' Staff Central system is used for timekeeping and leave balances and excel spreadsheets are used to capture pertinent management information. The Commission also uses FI\$CAL for financial information through a contract with the Department of General Services.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the California Transportation Commission monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Susan Bransen, Executive Director; Mitchell Weiss, Chief Deputy Director; and Zilan Chen, Deputy Director of Administration and Financial Management.

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

Susan Bransen serves as the 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. Zilan Chen, Deputy Director Administration and Financial Management, is responsible for compiling risk reports quarterly based on risks identified by executive management and submitted to the Chief Deputy Director for evaluation, mitigation when possible, and monitoring for organizational impact.

The Commission's organizational structure sets the framework for assigning responsibilities for monitoring activities and addressing vulnerabilities. All programs that the Commission is responsible for are assigned to a Deputy Director who ensures program requirements are met. Responsible managers conduct meetings with staff and determine the effectiveness of baseline internal controls

over their responsible program areas. They conduct periodic detailed reviews of work, make necessary changes, and perform on-going evaluation and monitoring to ensure objectives are met. Further, the Deputy Director of Administration and Financial Management conducts independent reviews of functional program areas on a sample basis to ensure adequate controls are in place.

The Commission relies on a system of continuous assessment and evaluation of its control structure. Identified risks, internal controls, and mitigation measures are 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 biweekly 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 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.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California Transportation Commission risk assessment process: executive management, and middle management.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: potential impact to mission/goals/objectives, potential impact of remediation efforts, and tolerance level for the type of risk.

The Commission relies on a system of continuous assessment and evaluation of its internal control structure that includes biweekly 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.

RISKS AND CONTROLS

Risk: Organizational Structure and Staff Development

SB 1 significantly increased the Commission's budget and oversight responsibilities. To fulfill these increased responsibilities, the Commission's fiscal year 2019-20 budget included 11 new positions, resulting in a 31 percent staffing increase. This rapid growth has created a number of risks including

establishing an organizational structure to carry out increased programs and responsibilities; transitioning high level professional staff from being directly responsible for program activities to managing a staff to effectively carry out those activities; recruiting and hiring staff; and training and developing staff on all aspects of their responsibilities. As of November 2019, 52 percent of current Commission staff had been with the Commission less than two years, in addition to 11 vacancies. This creates an overall risk that the Commission does not have adequate, knowledgeable staff to effectively fulfill the Commission's mission.

Control: A

- The Commission is in the process of developing a Workforce Plan to ensure the organizational structure and staffing are in place to effectively accomplish the Commission responsibilities.
- The Commission is developing a Staff Manual as a resource tool for all staff.

Control: B

- The Commission is conducting a 360 Leadership evaluation of the management team and key staff. The results of the evaluation will be utilized to design training classes for staff development.

Control: C

- The Commission will require employees and their supervisors to complete the Career Development Assessment annually. The Assessment will identify expectations and competencies related to the Commission's business goals and establish the employees' individual action plan.

Control: D

- The Commission will ensure new staff are mentored by experienced staff.
- The Commission will borrow staff from Caltrans to help meet short-term needs.

Risk: Facilities

The Commission's staff has increased 31 percent, which has resulted in the need for additional facility space. The Commission is currently located on the second floor of the Caltrans headquarters building and has requested Caltrans to provide additional contiguous office space, so all staff can be in the same location for the purposes of fulfilling its programing, oversight and other statutory responsibilities. To date, Caltrans has not accommodated the request. Given the Commission's small organizational structure and the nature of its responsibilities, accomplishing the increased workload requires daily interaction of most staff. Housing staff in one continuous location is critical to the efficient and effective operation of the Commission.

Control: A

- The Commission will coordinate with Caltrans for additional space, so all Commission staff can be in one contiguous location.

Risk: ADA Accessibility Website

The Commission's website is an essential element of its on-going business operations. Information Technology (IT) contains information accessed by others including federal, state and local agencies, the legislature, and general public. It is used to communicate Commission meeting or event dates and locations, agenda items and meeting results; key information about the Commission's mission and program responsibilities; the annual mandated report to the Legislature; and legislation affecting transportation. Assembly Bill (AB) 434 required each state agency or state entity's director and chief information officer to post a signed certification of ADA Accessibility Website compliance biennially beginning July 1, 2019. The Commission worked with Caltrans to ensure compliance for 145,000 existing documents that resided on the Commission's website. During this process, a large amount of historical information was removed from the Commission's website. On-going remediation efforts will be required for documents placed on the website. However, the Commission does not have the in-house expertise or resources to ensure compliance. Caltrans currently provides IT support to the Commission, but the services provided do not include on-going remediation efforts. In the interim, the Commission obtained a contract with existing resources for on-going remediation services.

Control: A

- The Commission met with the CalSTA and Caltrans Chief Information Officer to request Caltrans provide remediation services as part of the IT support it currently provides the Commission. This will ensure the Commission is in compliance with AB 434.

Risk: Road Charge Technical Advisory Committee

SB 1328 continued the Commission's Road Charge Technical Advisory Committee (TAC). The TAC is to assess other mechanisms, including a mileage-based revenue collection system, as alternatives to the existing gas tax revenue system used to maintain and operate the state's transportation system. The intended result is to develop sound policy recommendations for future, on-going transportation funding. The complex nature of developing a road charge program policy recommendation requires the Commission to seek a technical consultant with expertise in inter-state, national and international road charge matters. A consultant with this expertise is critical to ensure that the TAC is provided comprehensive information and advice on complex and technical matters as it develops sound policy recommendations.

Control: A

- The Commission has hired a staff and a Retired Annuitant to assist the TAC as an interim measure.
- The Commission will continue to work with CalSTA and Caltrans to ensure the TAC has access to the technical assistance required to formulate sound policy recommendations.

CONCLUSION

The California Transportation Commission strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Susan Bransen, Executive Director

CC: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency