

December 29, 2021

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

Dear Secretary 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, 2021.

Should you have any questions please contact
Zilan Chen, Deputy Director of Administration and Financial Management, at (916) 654-4245,
zilan.chen@catc.ca.gov.

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 and 1B; Local Assistance; Aeronautics and other programs.

The Commission funds 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. In Fiscal Year 2020-21, the Commission allocated \$7.1 billion in transportation funds, creating over 79,000 jobs and leading to diverse transportation improvements throughout the state. Altogether since SB 1 passed, Commission-approved projects funded from this legislation and other sources have created over 420,000 jobs.

The Commission is continuing its commitment to enhance equity considerations in transportation decision making. In January 2021, the Commission adopted a Racial Equity Statement condemning all forms of racism and vowing action to create mobility opportunities, and address investment inequities, so all Californians, especially those from underserved communities, can thrive in all aspects of life. The Commission's programming and planning guidelines continue to consider equity as a priority outcome, and the Commission is committed to including the expertise of equity experts and advocates to help shape future planning and program guidelines. Stakeholders and the public are valued partners in shaping the future of transportation equity work within the Commission.

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 non-voting ex-officio 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 34 authorized positions and an annual budget of \$7.5 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 or 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, the Commission adopts guidelines for 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 has been prepared. The plan is evaluated annually for effectiveness and new initiatives. The plan

includes an annual assessment of employee training needs, work shadowing, and contracting for specialized training such as negotiation and facilitation, diversity and equity, 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. In 2021, the Commission continued to utilize web-based platforms for its meetings, workshops, and public and stakeholder engagement, in accordance with public health guidance related to the COVID-19 pandemic. The Commission began transitioning back to in-person meetings at the end of year, holding its December 8-9, 2021 Commission meeting through a hybrid in-person and virtual format. The Commission also uses its website 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 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 all programs. Other operational and programmatic information is maintained on a 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: Tanisha Taylor, 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.

Mitch Weiss serves as the Executive Director for the California Transportation Commission and is responsible for the overall establishment and maintenance of internal control systems. Tanisha Taylor, Chief Deputy Director, is designated as agency monitor. Zilan Chen, Deputy Director Administration and Financial Management, is responsible for compiling risk reports based on risks identified by executive management via the weekly deputy director meeting, providing mitigation strategies 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 to Executive Management. Through each subsequent State Leadership Accountability Act cycle, staff continue 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, middle management, front line management, and staff.

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

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, 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: Transportation Equity and Multimodal Planning

There is a significant risk that the Commission will not be able to complete its new equity policy work, in addition to the required multimodal planning and interagency coordination activities the Commission is statutorily responsible for performing, without additional permanent staff.

The Newsom Administration committed to a “California for All” agenda in the Fiscal Year 2019-20 state budget, articulating that the State plays a critical role and holds unique responsibility to reduce barriers and create equitable opportunities for all Californians. In his response to demonstrations across the state, Governor Newsom stated: “What are we going to do differently foundationally, fundamentally? Not in the short run, but in the long run to do justice to this moment? If leaders are going to meet this moment in front of us... Each and every one of us has to do more and do better.”

The Commission mobilized quickly to meet federal and state direction for transportation equity policies. This enhanced workload was delivered by repurposing a position to lead the critical work in this area, but not without an impact to existing workload. The remaining workload was added to an existing Senior Transportation Planner’s workload. To offset the extreme workload, the Commission borrowed a staff from Caltrans for a one-year rotation which ended in October 2021.

Implementing transportation equity policies to fulfill ongoing statutory requirements for the development and oversight of statewide multimodal planning policies also required coordination across state agencies to ensure that the Commission’s policies, programs, and investments meet state goals. The Commission’s workload associated with the development and implementation of transportation equity and community engagement policies, including establishment of an Equity Advisory Roundtable and adoption of a Racial Equity Statement, has resulted in a significant new work stream. To undertake implementation efforts outlined in the Commission’s Racial Equity Statement, the Commission has shifted workload focus within existing staff to address the new policy direction and activities. This is not a sustainable long-term solution. It is critical the Commission receive additional resources to replenish the Supervising Transportation Planner position that was repurposed to conduct equity work as well as obtain a position to support both equity and multimodal planning work that is foundational to the Commission’s mission.

Control: A

- The Commission will hire a student assistant to assist with the additional workload.

Control: B

- The Commission will borrow staff from Caltrans to meet short-term needs.

Control: C

The Commission will work with the Department of Finance and the California State Transportation Agency to address the increased workload issue.

Risk: Staff Development and Pandemic

The Commission is losing knowledgeable, well-trained staff because there is not a natural line of promotional opportunities for analysts. The Commission faces unique challenges due to its small size, recent growth, and classification profile. There is not a natural career pathway for entry/journey levels analysts to be promoted to management level due to the small staff size, specific job duties, and lack of development and supervisory opportunities. The Commission invests in training new entry level staff and since internal opportunities are not as vast, the Commission has begun to lose staff to Caltrans or other agencies when they are ready for development or promotional opportunities. On-going turnover of trained and knowledgeable staff impacts the Commission's ability to efficiently and effectively accomplish its mission, goals, and objectives.

In addition, the Covid-19 Pandemic disrupted the Commission's normal internal operating functions, which has impacted internal communication methods and timing, collaboration, and teamwork. The Commission, composed of 11 Commissioners, had five new Commissioners appointed during the Pandemic and two others are up for reappointment on February 1, 2022. One of the two Commissioners has indicated they will not seek re-appointment. The Commission typically meets in person, allowing for personal interaction and the ability to build personal relationships with each other. During the Pandemic, meetings have been conducted remotely, until December 2021, when they returned to a hybrid virtual and in-person meeting format.

The Commission has also hired ten permanent staff, two retired annuitants and two student assistants during the Pandemic. This represents approximately one third of the Commission's workforce. The new staff have limited opportunities to meet in person with existing staff, which limits staff engagement and teamwork opportunities. The logistics of working remotely has also made training, developing, and integrating new staff into the Commission work environment a challenge. It is unknown when staff will return to an in person office environment.

Control: A

- The Commission prepared a Workforce Development and Succession Plan to develop and implement initiatives to address identified workforce gaps, including staff retention.

Control: B

- The Commission will request staff to turn on computer cameras during meetings when feasible.

Control: C

- The Commission will schedule regular team building meetings for staff with the option of virtual or in-person attendance.

Risk: Commissioner & Committee Compensation Resource

Compensation for serving on the Commission or one of its unpaid advisory committees is inadequate to attract a broad spectrum of participants because financial constraints may affect an individual's ability to serve.

The Commission has eleven voting members and the oversight responsibility for advisory committees established to address transportation issues. Government Code authorizes each member of the Commission to receive a compensation of \$100 per day, not to exceed \$800 for any Commission business during any one month. Per diem compensation was established in 1977, and the monthly compensation maximum was last adjusted in 1984. Compensation rates have not been adjusted for inflation since that time. According to the California Department of Industrial Relations Consumer Price Index, the adjusted Per Diem Rate for 2021 would be \$480 and the adjusted maximum monthly Commissioner Compensation would be \$3,838.

The Commission lacks statutory authority to provide a per diem to members of advisory committees. Other state agencies have statutory authority to do so. The Health and Safety Code authorizes the California Air Resources Board to compensate members of advisory groups serving the California Air Resources Board \$100 per day. The Public Utilities Code also authorizes members of the California Public Utility Commission's and California Energy Commission's Disadvantaged Community Advisory Group to receive per diem.

The Commission is responsible for allocating billions of dollars in transportation funds annually and setting policy for the state's transportation system, which significantly impacts all Californians. Commissioner and advisory committee compensation has been raised as a concern recently by various climate, equity, environmental justice, and active transportation advocacy organizations, who have requested policies to ensure Commissioners and advisory committee members are not financially prohibited from participating.

The Commission must be able to adequately compensate its Commissioners and committee members to perform the expected duties and to mitigate any financial burdens to serve the state. The Commission must also ensure it can attract and retain advisory committee members with the appropriate expertise by mitigating the potential for financial constraints that may impact an individual's ability to serve.

Control: A

The Commission will work with the Department of Finance and the California State Transportation Agency to address the issue.

Risk: Clean Freight Corridor Efficiency Assessment

The Clean Freight Corridor Efficiency Assessment (SB 671), signed into law on October 9, 2021, requires the Commission to develop an Assessment, in coordination with four other state

agencies. Without adequate resources, there is a risk that the Commission will not be able to successfully fulfill the requirements of SB 671.

The Assessment must identify freight corridors and infrastructure needed to support the deployment of medium- and heavy-duty zero-emission vehicles while considering many other factors identified in the legislation. The Commission is required to submit a report detailing the Assessment and its recommendations for deployment of zero-emission medium- and heavy-duty vehicles to the Legislature by December 1, 2023. The provisions of SB 671 support the zero-emission infrastructure necessary to comply with the Governor's September 2020 Executive Order No. N-79-20 establishing goals for decarbonization of vehicles.

Recognizing the effort required to implement the provisions of SB 671 by December 1, 2023, adequate resources will be required to complete the SB 671 Assessment and ensure follow-through on the incorporation of the Assessment's finding into other Commission programs.

Control: A

- The Commission will hire a Retired Annuitant immediately to assist as an interim measure.

Control: B

- The Commission will work with the Department of Finance and the California State Transportation Agency to address the increased workload issue.

Risk: Transportation Funding & Road Charge Pilot Program

A significant risk exists to long-term transportation funding using the existing state and federal gas tax structure. Gas tax revenues are projected to steadily decrease as vehicles become more fuel efficient and as the use of alternatively fueled vehicles increases. This transition was heightened recently due to the issuance of Executive Order N-79-20, in September 2020, which requires a fully zero-emission new passenger vehicle auto market by 2035. As a result, the gas tax will not be a sustainable financing mechanism for transportation in the coming decade.

Implementation of a road usage charge as a replacement for the gas tax is under evaluation to address the transportation funding risk. The Commission and CalSTA previously completed a road usage charge pilot program in 2017 which established the Road Usage Charge Technical Advisory Committee (TAC) and required it to evaluate the potential for mileage-based revenue collection as an alternative to the gas tax system. The pilot program concluded in 2017 and recommended a future study to evaluate the actual flow of revenue. The Governor signed SB 339 (Wiener, Chapter 309, Statutes of 2021) on September 24, 2021, which enacted the recommendation to implement a pilot program to charge a mileage-based fee to pilot participants.

The TAC is charged with making recommendations to CalSTA on the design of the pilot to test revenue collection by July 1, 2023. CalSTA must submit interim and final reports to the Legislature on the status of the pilot by July 1, 2024 and December 31, 2026, respectively, and must consult with the Commission and TAC on these reports.

Implementation of this pilot program is critical to the future of transportation funding. It requires a dedicated, focused effort and technical expertise that cannot be accomplished with existing Commission staff.

Control: A

- The Commission will hire a student assistant to assist with the additional workload.

Control: B

- The Commission will work with the Department of Finance and the California State Transportation Agency to address the increased workload issue.

Control: C

- 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.

Mitch Weiss, 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