State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

Flex your power!
Be energy efficient!

To: SHARON SCHERZINGER
Chief (Interim)
Division of Transportation Planning

Date: November 19, 2009

File: P3000-388

From: GERALD A. LONG
Deputy Director
Audits and Investigations

Subject: Final Report – Division of Transportation Planning Program Evaluation

Attached is Audits and Investigations' final program evaluation report of the Division of Transportation Planning. Your response has been included as part of our final report. This report is intended for your information and Department Management. As a matter of public record, the report will be included on the Reporting Transparency in Government Web site.

Please provide our office with status reports on the implementation of your audit finding dispositions 60, 180, and 360 days subsequent to the report date. If all findings have not been corrected within 360 days, please continue to provide status reports every 180 days until the audit findings are fully resolved.

We thank you and your staff for their assistance provided during this audit. If you have any questions or need additional information, please call Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

Attachment

c: Randell H. Iwasaki, Director
Cindy McKim, Chief Deputy Director
Gerald A. Long, Deputy Director, Audits and Investigations
Brenda Schimpf, Bond Program Manager, Proposition 1B Office
Jody Jones, District Director, District 3
Bijan Sartipi, District Director, District 4
Rich Krumholz, District Director, District 5
Ross Chittenden, District Director, District 10
Laurie Berman, District Director, District 11
Laurine Bohamera, Chief, Internal Audits, Audits and Investigations
Douglas Gibson, Audit Manager, Proposition 1B, Audits and Investigations

P3000-388
Division of Transportation Planning Program Evaluation Report
November 2009

Gerald A. Long
Deputy Director
Audits and Investigations
California Department of Transportation

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ATTACHMENT

Division of Transportation Planning's Response to the Draft Report

Summary

Audits and Investigations (A&I) has completed a program evaluation of the California Department of Transportation's (Department) Division of Transportation Planning (DOTP). The purpose of the review was to perform a risk assessment of DOTP's internal controls to determine whether policies, procedures, and processes are in place to meet the program's requirements. Based on our risk assessment, the review focused on the Office of Regional and Interagency Planning (ORIP) and its oversight of the districts' regional planning offices.

Our review disclosed that the DOTP's oversight of the districts' regional planning offices is generally adequate, except for the following:

- Inadequate Support for Requests for Reimbursement.
- Conflict of Interest/Economic Interest Issues.
- Lack of Training for District Regional Planners.

Background

DOTP plays a critical role for the Department. The division, which consists of nine offices responsible for different aspects of the planning function, articulates a long-term vision while supporting transportation service, project selection, project delivery, and system operations. On a daily basis, staff collects and presents data, analyzes alternatives, drafts plans to guide and protect State transportation investments, and makes presentations to internal managers and decision-makers.

ORIP, the focus of our review, actively engages in the regional transportation planning process with California's Metropolitan Planning Organizations (MPOs), Regional Transportation Planning Agencies (RTPAs), federal, State, and local government agencies. This office also administers funding, advocates the Department's regional interests, provides legislative comment, and works to incorporate interested parties, such as Native American Tribal Governments, and advocacy groups in the transportation planning process. In addition, participation on special projects, such as the Tri-Agency Partnership and the Partnership for Integrated Planning: Merced Pilot, are collaborative planning efforts undertaken by ORIP. Finally, ORIP is responsible for preparing and updating the Regional Planning Handbook. The handbook is used by the districts to monitor MPOs and RTPAs.

Objectives, Scope, and Methodology

We performed this review in accordance with the International Standards for the Professional Practice of Internal Auditing. The objectives of the review were to determine if:

Objectives, Scope, and Methodology (Continued)

- DOTP has policies and procedures in place to carry out its function.
- DOTP is satisfying Deputy Directive (DD)-09-R3 on incompatible activities and conflict of interest.
- There is sufficient oversight of MPOs and RTPAs.

To achieve the objectives of the review, we performed the following:

- Interviewed DOTP's management to gain an understanding of its roles and responsibilities within the Department.
- Reviewed policies and procedures applicable to the Department's Conflict of Interest and Economic Interest Directives.
- Reviewed and evaluated the policies and procedures issued by ORIP to Districts 3, 4, 5, 10, and 11 for monitoring of the MPOs and RTPAs.
- Interviewed and discussed the monitoring process and guidelines with appropriate staff in the regional planning offices at Districts 3, 4, 5, 10, and 11.

Conclusion

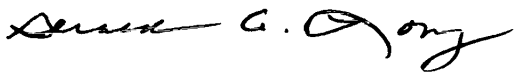
Our review disclosed that ORIP has clearly defined roles and responsibilities that agree with the Department's mission of safety and mobility and that ORIP has guidelines and procedures in place. However, we noted the following issues:

- Inadequate Support for Requests for Reimbursement.
- Conflict of Interest/Economic Interest Issues.
- Lack of Training for District Regional Planners.

ORIP should address the deficiencies outlined in the bullets above, and in more specific detail, in the findings and recommendations section of this report.

Views of Responsible Officials

We requested and received a response from the Chief, Division of Transportation Planning. The Chief has concurred with the findings and recommendations. Please see the attachment for the complete response.



GERALD A. LONG
Deputy Director
Audits and Investigations

December 16, 2008
(Last Day of Field Work)

FINDINGS AND RECOMMENDATIONS

Finding 1 – Inadequate Support for Requests for Reimbursement

Each Metropolitan Planning Organization (MPO)/Regional Transportation Planning Agency (RTPA) develops an annual Overall Work Program (OWP). OWP is a scope of work for transportation planning activities, including estimated costs, funding sources, and completion schedules.

The Office of Regional and Interagency Planning (ORIP) and districts are responsible for monitoring the regional transportation planning process through the OWP and Regional Transportation Plan (RTP).

During our evaluation we found:

- The regional planners that liaison with MPOs and RTPAs are not requesting supporting documents for the Requests for Reimbursement (RFRs) from MPOs and RTPAs (14 of 20).
- All deliverables are not verified as part of the monitoring process (3 of 20).
- There was no Indirect Cost Rate Proposal (ICRP) on file, so indirect labor costs could not be supported (1 of 20).
- Closeout invoice was not processed timely, within 60 days following June 30, 2008 (1 of 20).
- Quarterly progress reports are not always received by the district (3 of 20).
- Cost breakdown was not included on the invoice (1 of 20).

The 2008 Regional Planning Handbook, (Revised February 2009), (RPH), section 6.04F, Contract Monitoring and Evaluation, states approval of RFRs without invoices and supporting documentation is prohibited.

The RPH states that it is the districts' responsibility to review all RFRs for deliverables in accordance with the work elements in OWP.

The regional planners did not believe that they had the authority to request additional supporting documentation and deliverables from MPOs and RTPAs.

Without adequate monitoring and supporting documents, the RFR could contain unallowable or improper costs.

Recommendation

ORIP require that RFRs be fully supported prior to any payment being made. All supporting documents be verified by both the district offices and ORIP prior to approval for payment. The verification of supporting documents can be made either by having the MPO/RTPA send in the documents or the regional planners can verify the support at the MPO/RTPA.

DOTP's Response

The Division of Transportation Planning (DOTP) agreed with the finding and is working towards implementing the recommendation. For DOTP's complete response, please see attachment.

Finding 2 – Conflict of Interest/Economic Interest Issues

According to the Incompatible Activities and Conflict of Interest directive (Deputy Directive (DD)-09-R3), State officers or employees shall not engage in any employment, activity or enterprise that is clearly inconsistent, incompatible, in conflict with, or inimical to his or her duties as a State officer or employee. Our review found the following conflict of interest issues:

- Conflict of Interest Statement Certificates (ADM 3043), Statement of Economic Interest (Form 700), and ethics training for designated staff have not been kept current or were unavailable for review.
- A departmental employee located at a MPO has become so close with the MPO that she is incapable of separating her job from the job of the MPO. In interviewing the employee, she spoke of "us" (the MPO) and "them" (the Department). Due to this close working relationship, the employee has lost the ability to effectively monitor and review the work of the MPO.

The California Fair Political Practices Commission requires that the Form 700, be filled out yearly and kept on file at the place of employment. Additionally, each employee required to fill out the Form 700 must take an ethics class every two years.

DD-09-R3 states in part, departmental employees do not willfully engage in any activities that are or give the appearance of being incompatible or in conflict with their duties as State employees. Employees must be able to perform their duties and responsibilities honestly, objectively, and free of interest-conflicting activities.

ADM-3043 states, Staff involved in soliciting bids, preparing procurement documents, approving procurement documents, receiving goods/services, approving payment, and/or making the payment are required to maintain this signed Conflict of Interest Statement Certification on file for review.

Finding 2 – (Continued)

There is a lack of due diligence by management in monitoring that employees are following departmental policy regarding conflict of interest/economic interest and taking the required ethics training.

Without adequate monitoring, there could be loss of State funds through employee malfeasance.

Recommendation

The Division of Transportation Planning enforce departmental policy that requires strict adherence with the conflict of interest policy including:

- Require that all employees who meet the criteria fill out the conflict of interest forms and take the required ethics training.
- Require that the employee assigned and located at the MPO be relocated to the district office to provide adequate separation of duties.

DOTP's Response

DOTP agreed with the finding and is working towards implementing the recommendation. For DOTP's complete response, please see attachment.

Finding 3 – Lack of Training for District Regional Planners

Regional planners located in the district planning offices are responsible for oversight of the Master Fund Transfer Agreements (MFTA) between the State and MPOs and RTPAs. During our evaluation, we found that some of these regional planners have not had contract manager training.

Good business practices require that any regional planner in the role of contract manager have sufficient training in monitoring and managing the MFTA between the State and MPOs and RTPAs.

ORIP and the districts have not provided adequate training to the regional planners. Without adequate training on monitoring and/or managing contracts, there is no assurance that requirements of the MTFAs are being met, which could result in a loss of State monies through improper payments.

Recommendation

ORIP ensure that regional planners with contract management responsibilities be provided with contract management training.

DOTP's Response

DOTP agreed with the finding and is working towards implementing the recommendation. For DOTP's complete response, please see attachment.

Audit Team	Laurine Bohamera, Chief, Internal Audits Kevin Yee, Audit Supervisor Sharon Stewart, Auditor Kathy Brooks, Auditor Laddavanh Southiyanon, Auditor Marie Salvacion, Auditor

ATTACHMENT

DIVISION OF TRANSPORTATION PLANNING
RESPONSE TO DRAFT REPORT

State of California
DEPARTMENT OF TRANSPORTATION

Business, Transportation and Housing Agency

Memorandum

Flex your power!
Be energy efficient!

To: GERALD A. LONG
Deputy Director
Audits and Investigations

Date: November 10, 2009

From: SHARON SCHERZINGER
Chief (Interim)
Division of Transportation Planning

Subject: Response to the Draft Division of Transportation Planning Program Evaluation

In 2008, Audits and Investigations conducted a draft program evaluation for the Division of Transportation Planning. The Office of Regional and Interagency Planning (ORIP) has reviewed the report for fairness and accuracy and concur with claims made therein regarding deficiencies within their administrative purview. We believe the findings and recommendations of the report can be addressed through a series of actions included in the attached response.

Within the response, we have identified steps to be undertaken in the form of a work plan. This plan identifies corrective actions, time frames, and the ORIP manager and staff responsible for completing identified activities. We hope these actions alleviate the concerns expressed in the draft evaluation report.

We greatly appreciate the work of Audits and Investigations staff in identifying problems and recommending solutions in the draft evaluation. We will gratefully seek, as offered in your transmittal memo, consultation from your staff in the early implementation phase of our proposed work plan.

If additional information is required, please contact Garth Hopkins of my staff at (916) 654-8175.

Attachment:
(1) Response to the Draft Division of Transportation Planning Program Evaluation Report

Response to the Draft Division of Transportation Planning Program Evaluation Report

November 10, 2009

Response Contents

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Summary

Ending in 2008, Audits and Investigations conducted a draft evaluation report of the California Department of Transportation's (Caltrans) Division of Transportation Planning (DOTP), focusing on the Office of Regional and Interagency Planning (ORIP) and their oversight of the district's regional planning offices. The purpose of the review was to ensure that:

- DOTP has policies, procedures, and processes in place to meet the requirements imposed upon the program.
- DOTP is satisfying Deputy Directive (DD) 09-03 on incompatible activities and conflict of interest.
- There is sufficient oversight of Metropolitan Planning Organizations (MPO) and Regional Transportation Planning Agencies (RTPA).

ORIP consists of four branches: The Air Quality Branch, the Collaborative Planning Branch, the Native American Liaison Branch, and the Regional Outreach Branch. Every one of these branches perform some degree of monitoring, collaboration, or training to the districts but most district oversight responsibilities fall within the Regional Outreach Branch. This branch administers the Consolidated Planning Grant and Rural Planning Assistance, a mixture of federal and State funds that flow through the Master Fund Transfer Agreement (MFTA) for planning. The Overall Work Program (OWP) and OWP Agreement serve as supplements to the more general MFTA and complete the contracts once they are processed within ORIP. The Regional Outreach Branch ensures that the requirements of the MFTA are satisfied at all times.

The draft evaluation report has provided an opportunity to strengthen some of the areas where DOTP has deficiencies. The draft review found that DOTP's oversight of Caltrans' districts is "generally adequate," but that the following areas need to be addressed:

- Inadequate support for Requests for Reimbursement.
- Conflict of interest/Economic interest issues.
- Lack of training for District Regional Planners.

It is the belief of DOTP that these findings can be addressed at the district level through increased training, highlighting policies that are already in place, and giving particular attention to issues that are found in the draft evaluation report. Our response will consider each of the findings and remedial recommendations, as well as, give a synopsis of what ORIP has already done in anticipation of this report.

Comments Regarding Findings

ORIP concurs with all findings specified in the report and has the following comments with respect to our assessment of the errors and deficiencies.

1. Inadequate support for Requests for Reimbursement

The structure of the current contract and invoicing process relies on district monitoring of MPO/RTPA activities and subsequent reporting to headquarters. All districts are required to properly track the status of projects funded through the OWP Agreement, obtain quarterly reports from the local agencies, and conduct mid-year review meetings. In addition, districts have specific responsibilities regarding Requests for Reimbursement (RFR). It is documented in ORIP's Regional Planning Handbook that it is the district's responsibility to review all RFRs for deliverables in accordance with the work elements in the OWP. It is also clearly stated that invoices and supporting documentation are required prior to payment of RFRs, and that district or headquarters staff can file a dispute notification at any time to request more information from a billing agency.

While the bulk of these responsibilities lie at the district level, it is incumbent upon ORIP to provide enough guidance that these policies are universally understood, as well as monitor the progress of local agencies through quarterly report review and tracking spreadsheets. The draft evaluation report states: "Without adequate monitoring and supporting documents, the RFR could contain unallowable or improper costs." This sets an important benchmark when deciding how much supporting documentation should be included in a RFR file, and will be reiterated in communications between headquarters and the districts.

2. Conflict of interest/Economic interest issues

Considering the importance of employee ethics, it is imperative that every effort is made to ensure that required forms are signed and available for review, and that required ethics training has been completed. The Conflict of Interest Statement Certificate (ADM 3043), Statement of Economic Interest (Form 700), and ethics training certifications are means by which Caltrans can ensure that its employees are operating to the standards of State service, and outside parties can verify that these requirements have been met. Currently, there is no process by which DOTP has knowledge of completion of these certifications at the district level.

3. Lack of training for District Regional Planners

District staff has many responsibilities with regard to oversight of the MFTA between the State and regional agencies. While guidance tools exist for reference to help new grant managers become acquainted with the monitoring process, the weight of responsibility and the possibility of staff attrition at the district level demands a proactive training approach be taken by ORIP. There have been robust training plans in the past, but the propensity for new planners to be hired into grant manager positions requires that training be offered more regularly to ensure that the newest planners are familiar with procedures relating to the MFTA.

Specific Steps Taken Prior to the Draft Report

In anticipation of these findings, initial steps to correct the deficiencies identified commenced in June 2009 with our first district training session. This included a general history of the division, an overview of the documents that ORIP keeps on file, a section on the quarterly reporting process, and step-by-step instruction on the invoicing process. Additionally, the training sessions cover oversight of Regional Transportation Plans, audits, and grant management; focusing on indirect cost allocation plans and general audit policies and procedures. Since then, four other trainings have been given, with three scheduled through the end of this calendar year. It is the hope and intent of DOTP that these training sessions give a general sense of the duties for new planners while reiterating that monitoring and reviewing of work program activities is of utmost priority.

Next Steps to be Taken Based on the Draft Report

While the concerns related in the draft evaluation report have been addressed on a preliminary basis though the training program, there are further steps that must be taken in order to fully alleviate those concerns.

Since the receipt of this report, the following have been targeted prior to the 60-day audit review:

1) Contract training is available through the Division of Procurement and Contracts. ORIP will ensure that this training is announced to district staff and, when available, it will be provided to regional planners at the district level to the extent feasible.

2) To address the finding of a potential district-level conflict of interest, the following actions will be taken by that district:

    - Invoice processing is handled centrally by an Associate Governmental Program Analyst with review by the Regional Planners.

    - To increase the engagement with district staff beyond regularly scheduled meetings, the supervisor has established an expectation for regular employee visits to the district office. In consideration of the employee's planned retirement at the end of 2010, the home office for the position is likely to be restored to the district office.

3) An e-mail has been drafted and addressed to all district regional planners statewide reminding them of their primary responsibilities. The areas identified by the report will be highlighted, and it is expected that this communication will compliment the scheduled district training sessions.

4) Training sessions for Districts 2, 3, 4, 9, and 10 have been completed with three more sessions scheduled in Districts 1, 5, and 11 by the end of the calendar year. The remaining district training sessions will be delivered by ORIP staff in early 2010.

5) District managers will be responsible for ensuring that Forms 700 and ADM 3043 are signed according to Caltrans and State policy. Monitoring will be in the form of written confirmation to Caltrans ORIP management.

Responses to Draft Evaluation Report Recommendations

Inadequate support for requests for reimbursement

The draft evaluation report suggests that:

- ORIP require that RFRs be fully supported prior to any payment being made.
- All supporting documents are verified by both the district offices and ORIP prior to approval for payment. The verification of supporting documents can be made either by having the MPO/RTPA send in the documents or the regional planners can verify the support at the MPO/RTPA.

  Response: Currently, the RFR form states that a district regional planner's signature certifies the information in the RFR to be accurate and the proper supporting documents have been secured. To check every invoice for supporting documentation would be more work than the ORIP fund specialist can perform, considering that there are 43 regional agencies often invoicing simultaneously. ORIP plans to address this concern by working with the district regional planning staff to highlight the need to request supporting documentation if it is insufficient upon receipt of the RFR. There are existing procedures in place that are not being followed, therefore, it is the opinion of DOTP staff that a change in policy is not needed at this time, but that existing procedures can be highlighted as an elevated priority to alleviate this concern.

Conflict of Interest/Economic Interest Issues

The draft evaluation report suggests that DOTP enforce departmental policy that requires strict adherence with the conflict of interest policy including:

- Require that all employees who meet the criteria fill out the Conflict of Interest forms and take the required ethics training.

  Response: This is already a requirement at the district and headquarters levels. ORIP will reiterate to the district managers that these forms must be kept on file at all times and pursue written confirmation this has been done.

- Require the employee assigned and located at the MPO be relocated to the district to provide adequate separation of duties.

  Response: The district to which this item pertains offered the following solution: To increase the engagement with district staff beyond regularly scheduled meetings, the supervisor has established an expectation for regular employee visits to the district office. In consideration of the employee's planned retirement at the end of 2010, the home office for the position is likely to be restored to the district office.

  DOTP believes this action will be sufficient to restore the integrity of the position. Similar arrangements will be monitored closely in the future to ensure that district staff perform their duties as assigned.

Lack of Training for District Regional Planners

The draft evaluation report suggests that:

- ORIP ensure that regional planners with contract management responsibilities are provided with contract management training.

  Response: ORIP concurs and has begun training which will encompass all districts. Furthermore, training from the Division of Procurement and Contracts will be made available to the districts in the future.