

December 21, 2017

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

Dear Mr. Brian Kelly,

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

Should you have any questions please contact Laurie Berman, Acting Chief Deputy Director, at (916) 654-5791, laurie.berman@dot.ca.gov.

BACKGROUND

Description

The State of California, Department of Transportation (Caltrans) is responsible for the design, construction, maintenance, and operation of the California State Highway System, as well as that portion of the Interstate Highway System within the state's boundaries. Alone and in partnership with Amtrak, Caltrans is also involved in the support of intercity passenger rail service in California, and is a leader in promoting the use of alternative modes of transportation. The organization is the inheritor of several Bureaus, Departments, and Commissions of Highways and Engineering over the years since 1895. The current framework of Caltrans was set down by Assembly Bill 69 in 1972.

Districts and Programs

In accordance with Government Code section 14007, Caltrans is organized into twelve geographic districts and ten programs.

District 1: Eureka, District 2: Redding, District 3: Marysville/North Region, District 4: Oakland, District 5: San Luis Obispo, District 6: Fresno, District 7: Los Angeles, District 8: San Bernardino, District 9: Bishop, District 10: Stockton, District 11: San Diego, District 12: Irvine

Programs: Administration, External Affairs, Finance Program, Information Technology, Maintenance & Operations, Planning & Modal, Project Delivery, Audits & Investigations, Business & Economic Opportunity, and Legal.

Caltrans' Mission

Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability.

Caltrans' Vision

A performance-driven, transparent and accountable organization that values its people, resources and partners, and meets new challenges through leadership, innovation and teamwork. To achieve our mission and vision, Caltrans has established the following goals and values:

Goals:

- **Safety and Health:** Provide a safe transportation system for workers and users, and promote health through active transportation and reduced pollution in communities.
- **Stewardship and Efficiency:** Money counts. Responsibly manage California’s transportation-related assets.
- **Sustainability, Livability and Economy:** Make long-lasting, smart mobility decisions that improve the environment, support a vibrant economy, and build communities, not sprawl.
- **System Performance:** Utilize leadership, collaboration and strategic partnerships to develop an integrated transportation system that provides reliable and accessible mobility for travelers.
- **Organizational Excellence:** Be a national leader in delivering quality service through excellent employee performance, public communication, and accountability.

Strategic Objectives

Safety and Health

- Zero worker fatalities
- Reduce employee injury and illness rates
- Reduce user fatalities and injuries by adopting a “Toward Zero Deaths” practice.
- Promote community health through active transportation and reduced pollution in communities.

Stewardship and Efficiency

- Effectively manage transportation assets by implementing the asset management plan, embracing a fix-it-first philosophy.
- Effectively manage taxpayer funds and maximize the use of available financial resources.
- Efficiently deliver projects, products, and services on time and on budget.
- Efficiently manage operations of the transportation system.
- Assign ownership of transportation facilities, including roads and streets, to the appropriate level of government.

Sustainability, Livability, and Economy

- **People:** Improve the quality of life for all Californians by providing mobility choice, increasing accessibility to all modes of transportation and creating transportation corridors not only for conveyance of people, goods, and services, but also as livable public spaces.
- **Planet:** Reduce environmental impacts from the transportation system with emphasis on supporting a statewide reduction of greenhouse gas emissions to achieve 80% below 1990 levels by 2050.
- **Prosperity:** Improve economic prosperity of the State and local communities through a resilient and integrated transportation system.

System Performance

- Improve travel time reliability for all modes.
- Reduce peak period travel times and delay for all modes through intelligent transportation systems, operational strategies, demand management, and land use/ transportation integration.
- Increase the number of Complete Streets features on the State Highway System.
- Develop integrated corridor management strategies for those of highest statewide significance.

Organizational Excellence

- Positive Work Environment - Promote a positive work environment and implement a management system to maximize accomplishments, encourage innovation and creativity, and ensure staff performance is aligned with Department and State strategic goals.
- Customer Service - Continuously increase customer satisfaction.
- Lean Six Sigma - Employ Lean 6-Sigma methodologies to reduce waste, delays, defects, and variance in Department processes to ensure resources are used effectively.
- Communication - Improve internal and external communication to better demonstrate professionalism and service levels to the public and other stakeholders, including use of The Mile Marker as a performance journalism tool, and to positively affect employee morale.
- Risk Management and Ethics - Cultivate an environment that encourages proper identification, management, and communication of risk across all levels of the organization and makes intelligent decisions based on that analysis.
- Improve national engagement and participation to influence transportation policy and research at all levels of government and within the private sector.

Values:

- Integrity – We promote trust and accountability through our consistent and honest actions.
- Commitment – We are dedicated to public service and strive for excellence and customer satisfaction.
- Teamwork – We inspire and motivate one another through effective communication, collaboration, and partnership.
- Innovation – We are empowered to seek creative solutions and take intelligent risks.

The goals and values provide the foundation for Caltrans' strategic planning efforts including the development and implementation of the 2015-2020 Strategic Management Plan.

Statutory Duties and Critical Business Functions

Caltrans derives statutory authority from California Government Code section 14001-14016. Caltrans is responsible for management of the California highway and freeway system, and the overall movement of people, goods, and commerce within California's transportation system.

ONGOING MONITORING

As the head of Department of Transportation, Malcolm Dougherty, Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

Executive Monitoring Sponsor(s)

The executive monitoring sponsor responsibilities include facilitating and verifying that the

Department of Transportation internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to: Laurie Berman, Acting Chief Deputy Director.

Monitoring Activities

Through our ongoing monitoring processes, the Department of Transportation reviews, evaluates, and improves our systems of internal controls and monitoring processes. As a standard business practice, Caltrans develops, implements, and monitors internal controls through a variety of methods—including but not limited to management review, risk assessment, and the work of units focused on specific areas of internal controls. Regular reporting and documentation of monitoring activities outside of expectations set by management in their respective business areas occurs through committees. The Caltrans Executive Board, a body comprised of the Director, Chief Deputy Director, Program Deputies, and District Directors, maintains oversight of broad operational policy and the department's strategic direction in monthly meetings. The Director, Chief Deputy, and all Deputy Directors meet weekly at Executive Staff meetings to keep one another informed; this provides them the opportunity to discuss control failures and other issues frequently. Caltrans also maintains twenty additional headquarters committees that exercise oversight over departmental policy and procedure. These committees include bodies such as the Financial Policy Board, IT Executive Steering Committee, SHOPP Executive Committee, and Project Delivery Advisory Committee. The California Transportation Commission oversees Caltrans' project programming and allocations. The head of the Independent Office of Audits and Investigations trains the Executive Board on fraud risks and internal controls and also reports at quarterly briefings made to the Audit Committee on all audits in-progress. Auditors, both internal and external, play the role of ensuring the procedures set out in the internal control system are functioning correctly. Caltrans management review is one of the primary methods of monitoring internal controls. Management analyzes the design of a control and what its intended purpose is to ensure that they match. If not, management makes adjustments or takes it before the Executive Board. Management may also be aware of a need for control that was not highlighted at the board level. Management review is also a part of the Managerial Performance Reviews that members of the Executive Board receive from the Director. The Managerial Performance Reviews are further given to the Executive Board members' direct reports, to execute in an Expectations Memorandum that supervisors and managers give to their staff. Every Director's Policy and Deputy Directive is reviewed at least every four years—or more as necessary—for accuracy and relevance by the responsible Program. Audit findings and legislative events may also trigger a review and adjustment by the responsible Program. These reviews allow for the opportunity to edit policies and directives, in addition to the normal process for adding them. Caltrans' Director and Chief Deputy Director meet monthly with the units primarily purposed with internal controls to review controls, processes, and trends. These internal control units include the Office of Disciplinary Services, Equal Employment Opportunity, the Independent Office of Audits and Investigations, Ethics, and the Discrimination Complaints Investigation Unit. The robust work of our Innovative Business Solutions unit—with Lean 6 Sigma as it's hallmark—helps assess current controls for efficacy as part of its evaluation of processes throughout the Department. The Enterprise Risk Management unit is responsible for both the biennial SLAA enterprise risk assessment (detailed in this report), as well as smaller risk assessments as requested by Programs, Districts, Offices, Divisions, and other groups within the Department.

Addressing Vulnerabilities

As a standard business practice, Caltrans develops, implements, and monitors internal controls through a variety of methods—including but not limited to management review, risk assessment, and internal audit. The above-mentioned systems for monitoring internal controls (Executive Board and Executive

Staff meetings, the various committees, Managerial Performance Reviews, and policy review) often have internal systems of assigning responsibility for actions responding to vulnerabilities and monitoring the progress of those activities. Another part of our system for addressing vulnerabilities is the planning and result-tracking of activities that will help us achieve the Goals, and thus the mission, of our Strategic Management Plan (SMP) 2015-2020. These activities help us fill in the gaps that have been identified between what we are doing and what we want to accomplish. Overall tracking and accountability is done by the Director's Office of Innovation, Risk, and Strategic Management, but each Goal—along with its associated Objectives and Performance Measures—has an associated Goal Team. These Goal Teams are comprised of two Executive Board members (Goal Team Leads), Division Chiefs, data owners, and subject matter experts. The Goal Teams were created early in this SMP process, and played a key role in assigning responsibility for the abovementioned activities; they continue this role into the present. Goal Teams have quarterly meetings to discuss issues with performance data and strategies to achieve targets. They also provide quarterly updates to performance measures and provide input to the SMP updates. Another significant part of our system to address vulnerabilities is the Enterprise Risk Management unit. This unit is responsible for facilitating and tracking response actions to our top enterprise-wide risks identified in our biennial enterprise risk assessment for SLAA (detailed in this report), as well as smaller risk assessments as requested by Programs, Districts, Offices, Divisions, and other groups within the Department. It is also responsible for facilitating and tracking all enterprise-wide risks approved by the Executive Board, as well as the actions taken to respond to them. Internal Audits is a significant part of our accountability system for addressing vulnerabilities that have been identified. Whenever the Independent Office of Audits and Investigations section completes an internal audit, they request the auditee to respond to the draft audit report with an action plan that indicates: the steps to be taken to address the findings the names of the staff responsible for implementing the recommendations the expected dates of completion In addition, they ask auditees to provide them with 60-, 180-, and 360-day status reports on their action plans. In some cases, they might request a 720-day status report. They analyze all status reports for action taken and review support, such as new policies or procedures or other corroborating evidence, to determine whether the recommendations they made were implemented. If, for example, the recommendation is to instruct staff on following certain procedures, they would request and analyze a copy of the memo outlining those procedures that was sent to the staff.

Communication

Caltrans utilizes duty statements and expectations memorandums for every position, along with organizational charts for the entire enterprise as well as every branch, office, division, district, and program. Both of these tools communicate the level of responsibility that a unit, classification, or individual has. This includes description of the areas they are responsible to manage and review, including monitoring internal controls. Duty statements sometimes describe what those monitoring activities might look like. Managerial Performance Reviews are further given to the Executive Board members' direct reports, to execute in an Expectations Memorandum that supervisors and managers give to their staff. Caltrans also has a wide set of both Director's Policies and Deputy Directives to highlight controls and explain roles of responsibility in implementing and monitoring those controls. Deputy Directives further interpret and explain policies and communicate a deeper level of guidance around them. Caltrans also has a robust training program for new supervisors that includes units on risk management, monitoring internal controls, process improvement, and the policies and internal controls for which all supervisors share responsibility. There are also training programs available to all staff and supervisors that standardize the communication of proper internal controls, facilitate and encourage compliance with them, as well as to promote an ethical culture that is aware of its risks. One such course, Risk Management Strategies, has been used to equip over 500 employees at many

levels on principles and methods of risk management and the monitoring of internal controls. Another course focuses on training field staff to know and implement ethics policies. The training work of our Innovative Business Solutions unit—with Lean 6 Sigma as its hallmark—has helped well over 150 staff and management understand their roles in assessing current controls for efficacy. Some of the most common channels for communicating control monitoring roles, activities, and results are the specific meetings identified in the Monitoring Activities section. Caltrans employees also have avenues to communicate vulnerabilities and control inefficiencies through the various internal units that monitor compliance with controls, such as the Independent Office of Audits and Investigations, the Office of Disciplinary Services, Equal Employment Opportunity, Ethics, and the Discrimination Complaints Investigation Unit. Most of these functions serve both as a place to report vulnerability or violation concerns as well as to ask questions and clarify confusion. These communication channels are essential for personnel to be able to go around the approved communication channels when they do not feel comfortable sharing with the management above them. There are also many different channels through which Caltrans reports progress on a number of things—including addressing control vulnerabilities—to California's Transportation Agency and the California Transportation Commission.

Ongoing Monitoring Compliance

The Department of Transportation has implemented and documented the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the Department of Transportation systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Department of Transportation risk assessment process: Executive Management, Middle Management, Front Line Management, and Staff.

Risk Identification

Caltrans continues to use the Risk Management Standards from the International Standards Organization (ISO 31000) to develop our risk assessment process. The risk assessment team consisted of one manager and, for the latter half of the process, two risk analysts from Caltrans' Director's Office of Innovation, Risk, and Strategic Management (DOIRSM). In early May of 2017, the Executive Board was briefed on the purpose of enterprise-wide risk assessments, the process we would be following, and our integration of Enterprise Risk Management and Strategic Management. We also asked them to propose any new enterprise-level risks while giving them instructions for identifying, analyzing, and proposing such risks. The risk assessment meetings that would generate these proposed enterprise level risks would be conducted in May and early June of 2017.

Some of these meetings were facilitated by the Enterprise Risk Management (ERM) manager, while others were led by the leaders of each district and headquarters program. Each risk assessment meeting included executive and senior management from the respective district or program, and their key staff. Because we knew that the five risks from the SLAA report of 2015 were expansive, we advised participants to primarily focus on risks coming from changes to internal and external factors since 2015. We explained some of the Executive Board approval process for enterprise risks, as well as our qualifications for enterprise risks (as opposed to program- or district-level risks). In order to qualify as an enterprise risk, it must meet one or more of the following qualifications:

- Has the potential to have a high impact on the Department's Mission, Vision, or Goals.

- Is systemic and requires a statewide coordination of treatment response.
- Be proven untreatable by existing program or district management policies and resources.

Because we would be creating response plans and monitoring progress for every risk in the Register, to be on our Enterprise Risk Register a risk should also:

- Be a true risk with uncertainty built into it and potential solutions, not simply an issue, problem, or irritation.
- Have a Caltrans-centric scope—something that Caltrans can address or respond to, not requiring substantive change by the legislature, unions, state civil service limitations, etc.

When establishing the context, our objectives were defined as the Caltrans Strategic Management Plan Mission, Goals, and Values. During these risk assessment meetings, participants were asked for nine key pieces of information regarding each proposed risk, including:

- the risk statement,
- whether it was an opportunity or a threat,
- the likelihood, impact, and velocity,
- which part of Caltrans' responsibility it most affected (Caltrans as an organization, the physical transportation system itself, or California as a whole),
- the current controls influencing the risk, including human and cultural factors as well as legal and procedural controls.
- response/mitigation ideas (or sources for response ideas), and
- who, ultimately, was responsible for the risk.

Participants then submitted their proposed risks to the ERM manager, who compiled obviously similar risks, clarified language, and then presented the remaining risks to the Executive Board at the next Executive Board meeting.

Caltrans' Audits & Investigations program was given the lists of all proposed and then all approved enterprise risks to gain a better understanding of the organization's risks in order to spur control testing and future audit planning.

Risk Ranking

Once controls were identified, attendees rated the likelihood, impact, and velocity of each risk. The rating for each factor was done on a five-point scale, the simplicity of which helps keep meetings dynamic. Various tools accompanied the rating process, including further explanation of the scales used.

Once all proposed risks were submitted to the Executive Board, it reviewed the proposed risks, eliminated some that were not enterprise risks, combined like risks, and adjusted, added to, or approved the remaining risks. The Executive Board was later polled—using a simple electronic survey—to identify and prioritize the enterprise risks they thought most important for inclusion in the SLAA report. During this survey, Executive Board members were reminded that risk response plans are created for all enterprise risks, and that the selection determined which risks would be prioritized, not which would be addressed.

Using both summaries and original documents from the Risk Assessments of 2015 and 2017, the Executive Board members reviewed, selected, and ranked those risks using a scale of 1-5 with 1 indicating highest priority. The Enterprise Risk Management team then compiled and scored the results using a weighted format. The results of this survey were used as a foundation to the Board's

discussion and actual SLAA risk selection.

At a special Executive Board session the results of the survey were presented to the Executive Board. The Executive Board discussed the various risks and then selected the five enterprise risks to be included in the 2017 SLAA Report.

Caltrans has completed the risk identification process and is currently evaluating risks to determine appropriate treatment. In some cases, treatment has already begun or has been identified. For other risks, the treatment plan is in development.

RISKS AND CONTROLS

Risk: Operation-Internal-Physical Resources - Maintenance, Upgrades, Replacements, Security

Asset Management - If Caltrans does not effectively operate, maintain, upgrade, and expand physical transportation assets through guidelines established in the Caltrans Transportation Asset Management Plan (TAMP) as a result of application of "worst-first" repair priorities, outdated project implementation methodologies, and not leveraging technology to obtain consistent data, then Caltrans may not properly direct resources to prioritize preservation of assets and meet performance targets in alignment with the organizational mission and goals.

Control A

Caltrans has drafted the California **Transportation Asset Management Plan (TAMP)**, a coordinated plan by Caltrans and its partner agencies to maintain California's highway infrastructure assets. The TAMP focuses on preventative maintenance through stewardship activities, also known as a "fix it first" approach. The TAMP addresses assets on two overlapping highway systems: the California State Highway System (SHS) and the National Highway System (NHS). The Federal Highway Administration requires a state's TAMP include a summary list of NHS pavements and bridges and their conditions, while California guidelines require that our TAMP include selected asset classes on the SHS. The TAMP establishes baseline inventories, benchmarks existing condition, establishes performance targets and quantifies performance gaps. Gaps identified in the TAMP are used to develop performance requirements necessary to achieve defined target conditions. With the ultimate goal of allocating resources to deliver the best asset performance, the strategies in the TAMP prioritize preservation activities, seek progress toward broad goal areas, focus on selected asset classes, implement sustainable practices, and promote bicycle, pedestrian, and transit modes.

Control B

Caltrans' **State Highway System Management Plan (SHSMP)** integrates maintenance, rehabilitation, and operation into a single management plan that implements a number of key federal asset management requirements. The SHSMP introduces new performance measures for pavement and bridges, presents performance targets approved under provisions of California Senate Bill 486, implements the results of the Automated Pavement Condition Survey (APCS) and pavement management system with unprecedented transparency. It includes both a Needs Assessment and

Investment Plan that will guide the management of the SHS and related infrastructure. The new management methodology allows Caltrans to better integrate multimodal transportation options into traditional rehabilitation work to provide a cost-effective way to expand mode choice and reduce transportation related emissions. Preventive maintenance is the most cost-effective means of protecting the state's infrastructure investment by slowing deterioration and extending asset life at the lowest possible long-term cost.

Control C

Establish baselines and targets for the condition of Caltrans physical assets. The Caltrans 2015-2020 Strategic Management Plans' Stewardship and Efficiency goal contains the objective: "effectively manage transportation assets by implementing the asset management plan, embracing a fix-it-first philosophy." The anticipated adoption of the TAMP will establish baseline inventories, conditions and performance targets that satisfy Federal and State laws consistent with the Caltrans Strategic Management Plan. Providing a transparent quantification of the SHS, establishing current conditions, and defining performance targets builds accountability that when met will build trust in Caltrans and help us operate, maintain, and upgrade our physical assets.

Risk: Operations-External-Staff - Recruitment, Retention, Staffing Levels

Hiring and Workforce and Succession Planning - If Caltrans is unable to quickly recruit, hire, train and retain well-qualified staff because of recruitment, hiring, retention, knowledge transfer, and other workforce and succession planning methods that are still being developed and improved, then this may lead to a less effective workforce, low morale, diminished work output, inability to meet SB-1 mandates, and criticism from external agencies and the public.

Control A

Caltrans is a large organization of over 18,000 people spread across the State; it also faces the challenges of large numbers of retirements, as well as ramping up our workforce to meet the demands of an increased workload as a result of SB-1. To help meet these needs, Caltrans is conducting a **general review and update of the hiring and recruitment processes** in an effort to find efficiencies, particularly to make the hiring process faster while remaining compliant with CalHR policies. Increasing the speed of our hiring process, and the scope of our recruitment, without compromising in regard to compliance or quality will help us effectively pursue our goals and mandates in accordance with internal and external timelines.

Control B

One of the biggest challenges in preparing a workforce and succession plan for Caltrans is the sheer size and complexity of the organization, it determined that the most effective approach was to create separate plans by occupational grouping or similar classification series. This is exceedingly important now due to the sustained, advanced rates of retirements the department is experiencing.

A significant revamp of the department's training curriculum, reinstatement of the Leadership Training Program (LTP) and Managerial Training Program (MTP) training series for middle management, and the introduction of knowledge transfer and motivation (employee engagement) initiatives and guidebook resources (formal Mentorship Program, Executive Leadership Interview Series, Brown Bag/ WebUcation sessions.

Ongoing, integrated, and competency-based initiatives provide necessary discussion of and utilization of skills to employees so they can perform at their present level – while also efficiently preparing more seasoned staff to eventually assume responsibilities at higher supervisory and

managerial levels.

Control C

The **Organizational Health Assessment** identified organizational strengths and weaknesses, measured employees' perceptions and level of satisfaction, evaluated progress in improving Caltrans' culture, establishes benchmark comparisons with institutions similar to Caltrans, incorporates the organizational health improvement process into management systems, and identifies specific actions to achieve optimal impact and improve organizational health.

Caltrans gains the ability -using employee survey(s)- to align, execute, and renew itself in response to strategic priorities and changing environmental conditions.

Control D

State of California Government Code - CHAPTER 6. Training 19995.4 requires the department to devise plans for and conduct supervisor and career executive assignment employee training programs. The purpose of this 2016 statute is for the quality of leadership services rendered by persons in those positions may be continually improved and succession planning supported. Upon completion of initial appointment training, **supervisory employees shall be provided biennially a minimum of 20 hours of leadership training and development**, as prescribed by the department. Caltrans' Learning and Development Office (LDO) is leading the effort to provide and track supervisory and leadership training for this purpose.

Caltrans's ongoing, integrated, and leadership-based training programs provide necessary skill-set training for those in a supervisory role, and career executive assignment employees, to chart a pathway of continued growth in their role. This greatly helps with succession planning and retention, but can also have impacts on recruitment in the long-term.

Risk: Operations-External-Staff - Recruitment, Retention, Staffing Levels

SB-1 Coordination - If Caltrans does not develop a coordinated strategy to implement Senate Bill 1, the Road Repair and Accountability Act of 2017, through a lack of coordinated execution and leadership, then Caltrans may be unable to meet legislative expectations, may create confusion and inefficiencies, and may experience poor public perception.

Control A

Identified the need for, and then created, a statewide **SB-1 Program Manager** position to help coordinate SB-1 efforts to ensure projects being funded by SB-1 are delivered and tracked on time. This will include internal and external communication, hiring for capital outlay and maintenance, and mapping. Both the Capitol Program and Division of Maintenance created SB-1 Program Manager positions. Division of Maintenance established an SB-1 Program Manager to act as single focal point on all SB-1 related issues. The Project Delivery Program established an SB-1 Coordinator for capital projects. All of these roles help manage the delivery of performance targets for pavement, bridges, culverts, transportation management system elements, and various other SB-1 funded maintenance activities. These roles also establish accountability for delivery of SB-1 performance goals, and will ensure all information relating to SB-1 funded activities is properly vetted and consistent before dissemination. Baselines and tracking tools for measuring progress towards meeting SB-1 performance targets are being developed, which will help experts, executives, and SB-1 program/project managers communicate and coordinate more effectively.

Control B

The Road Repair and Accountability Act of 2017, (SB-1) established an **Independent Office of Audits and Investigations** within the department. This role is vested with the full authority to exercise all responsibility for maintaining a full scope, independent, and objective audit and investigation program. The Inspector General shall report all audit and confidential investigation findings and recommendations made under her jurisdiction to the Secretary of Transportation and Caltrans director and chief deputy director on an ongoing and current basis. The Inspector General adds accountability, and is required to report to the Governor, Legislature and the California Transportation Commission. The Inspector General shall report at least annually, or upon request, to the Governor, the Legislature, and the California Transportation Commission with a summary of his or her investigation and audit findings and recommendations. The summary shall include, but need not be limited to, significant problems discovered by the Inspector General and whether the Inspector General's recommendations relative to audits and investigations have been implemented by the affected units and programs of the department or affected external entities.

Control C

Targeted Workspace Capacity Increases: Caltrans Division of Business Operations, Statewide Office Facilities has identified employee physical space and office furniture needs for projected increased staffing resulting from SB-1 funded activities. As a part of a coordinated effort with the districts and with the Department of General Services (DGS), Caltrans Statewide Office Facilities have identified strategies to address resource needs based on current availability and hiring projections. By proactively coordinating physical space to allocate for newly hired team members, Caltrans can effectively maintain optimal business operations and onboard in a timely manner. Advanced preparation of a modified Budget Change Proposal (BCP) saves time and provides the greatest likelihood of approval.

Risk: Operations-External-Staff - Recruitment, Retention, Staffing Levels

If we don't help lead the necessary shift to multi-modal transportation by enhancing accessibility for non-auto modes of transportation, thereby reducing the carbon footprint of greenhouse gas emissions, because of both insufficient resources for development, implementation, and monitoring and because of a lack of internal and external coordination, then the movement away from non-auto modes in California may stagnate, and transportation may continue to be a primary driver of climate change and other negative impacts.

Control A

Caltrans' implementation of the **California Transportation Plan (CTP) 2040** and its goals, policies and strategies related to multimodal transportation; development and implementation of associated Caltrans Modal Plans; initiate development of CTP 2050. The CTP and its associated modal plans provide a framework to meet the state's mobility needs and reduce greenhouse gas emissions. Along with the Caltrans Strategic Management Plan, they define goals, performance-based policies and strategies to achieve our collective vision for California's future statewide, integrated, multimodal transportation system. Implementation and systematic departmental use of the CTP and associated modal plans, of assessment/reporting tools and of performance-based planning processes will increase the percentage of people traveling using non-auto modes for: bicycle, pedestrian, and transit.

Control B

The purpose of the **Bicycle and Pedestrian Safety Improvement Monitoring (Pilot) Programs** is to identify and address bicycle and pedestrian related high collision concentration locations. Improvements initiated by the Programs with the long-term goal of substantially reducing bicycle and

pedestrian fatalities and injuries on the California State Highway System.

Control C

The **Complete Streets Implementation Plan 2.0** describes the current complete streets policy framework and provides an overview of Caltrans' continued efforts, laying out the structure for monitoring, reporting, and overcoming barriers to further integrate complete streets into all Caltrans functions and processes. A Complete Street is a transportation facility that is planned, designed, operated, and maintained to provide safe mobility for all users, including bicyclists, pedestrians, transit vehicles, truckers, and motorists, appropriate to the function and context of the facility. Complete street concepts apply to all roadways in all contexts. Caltrans develops integrated multimodal projects in balance with community goals, plans, and values. Addressing the safety and mobility needs of bicyclists, pedestrians, motorists, and transit users in all projects, regardless of funding, is implicit in these objectives. Motorist, bicycle, pedestrian, and transit travel is facilitated by creating "complete streets" beginning early in system planning and continuing through project delivery, maintenance, and operations. Developing a network of complete streets requires collaboration among all Caltrans functional units and stakeholders.

Risk: Operations-External-Staff - Recruitment, Retention, Staffing Levels

Legacy IT Systems - If Caltrans does not modernize our technology systems because we are prioritizing maintenance of legacy systems that do not meet business needs, then we risk system failures and may reduce our ability to transact business such as making vendor payments, processing contracts, or managing inventory timely and accurately.

Control A

Caltrans is initiating an **Application Architecture Roadmap Strategic study** covering applications supported by the Information Technology Application Development and Support Division. The focus of this study is to develop a future state application roadmap that aligns with Caltrans' application strategic direction and with the goals established in the California Department of Technology Vision 2020 Statewide Technology Strategic Plan and Caltrans Strategic Plan. This roadmap will be used to prioritize and guide future application efforts. A key component of the study will be to identify risk factors for legacy systems and to recommend a future state strategy that mitigates identified application risk areas. The department will have a strategy to guide future efforts to mitigate legacy system risk.

Control B

Caltrans is initiating **upgrade and replacement projects of legacy applications** in coordination with the IT Project Management Office (PMO) and business owners. The focus of these efforts is on departmental mission critical systems such as Advantage, Project Resourcing and Schedule Management and Integrated Maintenance Management System. Currently, the department has the following legacy system replacement projects in the PAL process: Transportation System Network Refresh, Transportation Asset Management System, and Contract Administrative Tracking System. These projects are being managed by the IT PMO with the collaboration of the business application owners and the Application Development and Support Division. The replacement of legacy IT systems reduces potential vulnerabilities associated with outdated and unsupported technologies. Vulnerabilities may result in data loss, system downtime, unauthorized information access, inefficiencies and unexpected expenditures. As each legacy system replacement project progresses, these activities reduce potential risk exposure. In addition, upgrading the hardware infrastructure and software of departmental mission critical systems reduces the risk of failure associated with those systems.

Control C

Caltrans IT is **restricting all changes to the most vulnerable legacy systems** to limit their risk of failure. This is accomplished by increasing awareness and understanding of proposed changes and ensuring that all changes are made in a rigorous way that minimize negative impact to services and customers. Limiting changes reduces the risk of unwittingly creating vulnerabilities and ensures no unauthorized changes are made to the legacy systems.

CONCLUSION

The Department of Transportation strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Malcolm Dougherty, 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