

November 12, 2025

Toks Omishakin, Secretary
California State Transportation Agency
400 Capitol Mall, Suite 2340
Sacramento, CA 95814

Dear Secretary Toks Omishakin,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Transportation submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Ryan Dermody, Acting Chief Deputy Director, at (916) 654-6490, Ryan.Dermody@dot.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The State of California, Department of Transportation (Caltrans) through its strategic plan fulfills its mission, vision, goals, strategies, objectives, and key results by focusing in the areas of leadership, accountability, core values and workforce. The focus on leadership and accountability is especially critical to the success of meeting Caltrans' strategic performance objectives and program priorities while ensuring that all internal controls are functioning as intended. Objectives and key results assist in tracking progress that is in alignment with Caltrans' strategic goals, and the priorities of the California State Transportation Agency and Governor's Office.

Strategic Plan

Caltrans is operating under the 2024-2028 Strategic Plan, which is available on the Caltrans external website home page.

Vision

A thriving and connected California.

Mission

Improving lives and communities through transportation.

Values

- Collaboration — We inspire and motivate one another through effective communication, teamwork, transparency and partnership.
- Equity — We strive to eliminate disparities while improving outcomes for all.
- Innovation — We are empowered to seek creative solutions and take informed risks.
- Integrity — We promote trust and accountability through our consistent and ethical actions.
- People First — We consider how our work impacts people within the organization, within our communities, and throughout California.
- Pride — As one Caltrans family, we are proud of our work and strive for excellence in public service.
- Stewardship — We efficiently, effectively, and equitably deliver projects, services, and asset management.

Goals and associated Strategies

- Safety:
 - Leverage proven practices to guide safety investments.
 - Lead safety culture change.
 - Maximize use of advanced (safety) technologies.
 - Enhance collaboration with partners and underserved communities to improve safety.
 - Improve on-the-job safety and employee well-being.
- Equity:
 - Leverage investments to support, benefit, and connect underserved communities.
 - Integrate intentional engagement and collaboration throughout programs and projects.
 - Enhance opportunities for small and disadvantaged business and community-based organizations.
 - Integrate equity tools into our practices.
- Climate Action:
 - Decarbonizing Caltrans fleet, equipment, and facilities.
 - Prioritize transportation projects that provide multimodal options encouraging fewer and shorter car trips.

- Promote low carbon/zero emission practices in project development and construction.
- Facilitate the transition to zero emission vehicles and infrastructure across all transportation modes.
- Adapt state transportation assets and lands that are vulnerable to climate stressors.
- Proactively collaborate with external partners to lead on climate action.
- Prosperity:
 - Foster partnerships to maximize transportation investments that improve quality of life for all Californians.
 - Create opportunities for, and awareness of, transportation sector careers.
 - Advance equitable and reliable multi-modal transportation solutions that cultivate healthy and livable communities.
 - Maintain and improve existing transportation infrastructure and operations.
- Employee Excellence:
 - Improve organizational connection and workforce engagement.
 - Foster a culture of continuous employee improvement.
 - Improve diversity and equity in hiring, career advancement, training and retention.
 - Increase the knowledge and understanding of equity.

Equity Statement Acknowledgement Published: Dec 10, 2020

The California Department of Transportation (Caltrans) acknowledges that communities of color and under-served communities experienced fewer benefits and a greater share of negative impacts associated with our state's transportation system. Some of these disparities reflect a history of transportation decision-making, policy, processes, planning, design, and construction that "quite literally put-up barriers, divided communities, and amplified racial inequities, particularly in our Black and Brown neighborhoods."¹

Caltrans recognizes our leadership role and unique responsibility in State government to eliminate barriers to provide more equitable transportation for all Californians. This understanding is the foundation for intentional decision-making that recognizes past, stops current, and prevents future harms from our actions.

Statement of Commitment

We will achieve equity when everyone has access to what they need to thrive — starting with our most vulnerable— no matter their race, socioeconomic status, identity, where they live, or how they travel. To create a brighter future for all Californians, Caltrans will implement

concrete actions as outlined in our Race & Equity Action Plan (REAP), regularly update our Action Plan, and establish clear metrics for accountability to achieve the following commitments:

People — We will create a workforce at all levels that is representative of the communities we serve by improving our recruitment, hiring, contracting, and leadership development policies and practices.

Programs & Projects — We will meaningfully engage communities most impacted by structural racism in the creation and implementation of the programs and projects that impact their daily lives by creating more transparent, inclusive, and ongoing consultation and collaboration processes. We will achieve our equity commitments through an engagement process where everyone is treated with dignity and justice. We will reform our programs, policies, and procedures based on this engagement to avoid harm to frontline and vulnerable communities. We will prioritize projects that improve access for and provide meaningful benefits to underserved communities.

Partnerships — By leveraging our transportation investments, we also commit to increasing pathways to opportunity for minority-owned and disadvantaged business enterprises, and for individuals who face systemic barriers to employment.

Planet — We commit to combating the climate crisis and its disproportionate impact on frontline and vulnerable communities — such as Black and Indigenous peoples, communities of color, the people experiencing homelessness, people with disabilities, and youth. We will change how we plan, design, build, and maintain our transportation investments to create a more resilient system that more equitably distributes the benefits and burdens to the current and future generations of Californians.

1 California State Transportation Agency Secretary David Kim's Statement on Racial Equity, Justice and Inclusion in Transportation.

Districts and Programs

In accordance with Government Code section 14007, Caltrans is organized into twelve geographic districts and fifteen Budgetary Programs.

District 1: Eureka, District 2: Redding, District 3: Marysville, 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: Santa Ana

Budgetary Programs: Aeronautics, Capital Outlay Support, Capital Outlay Projects, Local Assistance, Program Development, Legal, Operations, Maintenance, State and Federal Mass Transit, Intercity Rail Passenger, Statewide Planning, Regional Planning, Equipment Services, Office of the Inspector General, and Administration.

Control Environment

Integrity and Ethical Values

Integrity is one of the core values that guides Caltrans management: "We promote trust and accountability through our consistent and ethical actions." All managers and supervisors are required to take the Attorney General's online ethics course every two years. All personnel are required to take a series of mandated trainings that cover topics including cyber security, workplace violence, sexual harassment, etc. that establish the professional culture at Caltrans. In addition, the Caltrans Leadership Training Series includes sections on ethical behavior.

Caltrans has a comprehensive set of Director's Policies that set the professional standards and expectations for acceptable behavior for all Caltrans employees and external stakeholders that partner with Caltrans. All employees are required to sign annual expectation memos that require employees to acknowledge and abide by the terms declared in the Director's Policies.

The Independent Office of Audits and Investigations maintains the Inspector General Hotline where employees and members of the public can anonymously report unethical or questionable behavior by Caltrans employees. The Hotline is open 24 hours a day, 365 days a year for employees and the public to report any of the following:

- Possible violations of any law, regulation, or rule, including safety or privacy violations, theft, or other criminal conduct.
- Possible fraud, financial misconduct, questionable practices, bribery, falsification of records or reports, and/or misuse or waste of state resources.

The Director, Chief Deputy Director, and Deputy Directors are responsible for the overall establishment and maintenance of internal control and monitoring systems. To discuss on-going investigations statewide, the Director and Chief Deputy Director meet quarterly with members of the Independent Office of Audits and Investigations (IOAI).

Oversight Design

The Caltrans Executive Board, whose members include the Director, Chief Deputy Director, Deputy Directors, and District Directors, maintains responsibility for the department's strategic direction, policy setting, and general oversight. The Executive Board meets on a weekly basis to share high-level timely updates, as well as quarterly to discuss topics of strategic significance. In addition, Caltrans has critical governance committees that exercise oversight over departmental policies and procedures.

Responsibility and Authority

Each program has a Deputy Director, and each District has a District Director who have responsibility and authority over the program or District. Policy is developed by the Director and Deputy Directives are issued by the Chief Deputy Director. The Department implements all Policies and Deputy Directives. Deputy Directors are supported by a management structure that goes from Division Chief, Office Chiefs, Managers, to Supervisors; each with the responsibility for ensuring their employees have the proper tools and training to accomplish their workload and assigned responsibilities.

The Department provides resources to assist managers and supervisors to assess and respond to employee performance. Performance review is also used at the executive level through Executive Annual Performance Plans that are agreed to and evaluated by the Director and Chief Deputy Director annually.

Commitment to Excellence

Since Caltrans is committed to establishing and maintaining a skilled and competent workforce, there is a dedicated workforce and succession planning function in the Division of Human Resources (DHR). In addition, there are units throughout the organization that work closely with DHR on workforce and succession planning matters. Caltrans has a large, diverse, and multi-disciplinary workforce. Workforce planning provides a strategic approach and set of procedures to assist in managing Caltrans talent pool of employees. The new 2025 Workforce Plan was submitted to the California Department of Human Resources (CalHR) in August of 2025 and is pending approval.

In addition, Caltrans has a Recruitment Program which provides leadership to the Recruitment Liaisons in the District Offices and Headquarters Divisions by identifying, developing, and coordinating recruitment strategies designed specifically to recruit qualified candidates and a diverse workforce.

The Division of Human Resources developed a comprehensive onboarding website that offers transparency to all employees. The website provides resources that guide new hires through their first year, helps supervisors navigate the onboarding process, and offers resources specifically for onboarding CEAs. With this onboarding website, DHR provides all employees with the support they need to succeed from day one.

To ensure competence and accountability, Supervisors' annual employee performance evaluations provide feedback and coaching related to an employees' performance according to their duty statement in alignment with Caltrans' values. Management is responsible to ensure that each program area delivers on their commitments and maintains a competent workforce. The hierarchy of management listed above use duty statements and

expectations memorandums to ensure staff members understand the expectations that come with their job and annual performance reviews are conducted to ensure these expectations are being met.

The Caltrans Transportation Asset Management Plan (TAMP) was updated in July of 2022. The Federal Highway Administration certified it on May 30, 2022, and California Transportation Commission approved it on August 18, 2022. The TAMP defines asset inventory, conditions, fiscal estimates, risks, climate resiliency and funding scenarios for the National Highway System (NHS). The NHS is jointly owned/operated by the State of California and hundreds of cities and county agencies in California. The TAMP requires considerable coordination with transportation partner agencies to produce a State of California plan. The TAMP satisfies several federal and state regulations.

Information and Communication

Caltrans employees and management are responsible for collecting and communicating relevant and reliable information needed for decision making across organizational lines and with external stakeholders. This process is accomplished primarily through research, regular reports, and other informational material and meetings, especially Executive Board, Executive Staff Meetings, and various Executive Committee and Council Meetings.

Relevant and Reliable Information

The responsibility for the quality and reliability of Caltrans' information is shared between the business area(s) responsible for the creation and maintenance of the underlying data assets and the business area conducting the analysis. Creation and maintenance of data assets is addressed through implementation of an enterprise data governance program that considers the people (data stewards and custodians), processes (practices, standards, and guidance), and technology (data governance, data management, and data analytics tools). Analytical capabilities are managed, in part, through implementation of a data literacy and analytics training program.

Internal Communication

Caltrans has an extensive set of both Director's Policies and Deputy Directives to communicate 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. 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, and promote an ethical culture that is aware of its risks. Additionally, LinkedIn Learning training courses covering all 9-leadership competencies are identified and promoted to staff regularly.

These Leadership Competencies are:

- Change Commitment
- Risk Appetite
- Self-Development/Growth
- Conflict Management
- Relationship Building
- Organizational Awareness
- Communication
- Strategic Perspective
- Results Driven

External Communication

Many of our stakeholders are local governmental organizations (such as cities, counties, and metropolitan planning organizations) and federal agencies and transportation associations. The Division of Local Assistance coordinates funding, projects, and oversight with local organizations. At the national level, Caltrans has a Federal Liaison that acts as a primary point of contact between Caltrans and the federal government, and representatives from both CalSTA and the Federal Highway Administration usually attend Caltrans Executive Board Meetings. These efforts improve internal and external relationships to help create beneficial solutions aligned with our statewide goals and objectives. Caltrans is a frequent participant in national transportation conferences, councils, and discussions.

The *Mile Marker* is an online performance magazine that is one of the tools Caltrans uses to highlight how it is improving the state travel network for the public and serves as a source of performance measurement and reporting. The *Mile Marker* is posted on Caltrans' website and distributed to employees, external partners, lawmakers and staff, and stakeholders.

Caltrans also uses other methods to communicate successes and challenges both internally and externally, including an enterprise-wide employee newsletter, regular updates to Caltrans' social media accounts, the Caltrans Annual Accomplishment Report, Caltrans Newsflash videos on Caltrans YouTube channel, and Director's Video Messages and Town Halls.

There are also many different channels through which Caltrans reports progress on many things—including addressing control vulnerabilities—to California's State Transportation Agency

(CalSTA), the California Transportation Commission (CTC), the Governor's Office, California's Legislature, and the Federal Government.

Employee Reporting

Caltrans employees have many 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 Program, Enterprise Risk Management, 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.

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

The Division of Risk and Strategic Management administers an annual process for programs and districts to report planned activities for the fiscal year aligned with the goals of the Caltrans Strategic Plan. By outlining the priorities of each program and district through this process, Caltrans has a more comprehensive understanding into the efforts being completed throughout the department to support our Goals. This also supports the communication of priorities at all levels.

In addition, the Division of Risk and Strategic Management works with management throughout Caltrans to monitor progress made in implementing the strategies outlined in Caltrans' Strategic Plan in pursuit of the goals and objectives that have been set.

Through ongoing monitoring processes, Caltrans reviews, evaluates, and improves its systems of internal controls. As a standard business practice, Caltrans develops, implements, and monitors internal controls through a variety of methods—including but not limited to management review, audits done by the Independent Office of Audits and Investigations, audits by Caltrans' Internal Audits Office, risk assessments by the Office of Enterprise Risk Management, and the work of units focused on specific areas of internal controls.

Various routine monitoring activities and tools are used by the management of the programs and districts, including regular meetings, performance progress tracking, and regular internal reports. Regular reporting and documentation of monitoring activities outside of expectations set by management in their respective business areas occurs through committees and

through external state and federal control agencies. The Caltrans Executive Board maintains oversight of broad operational policy and the department's strategic direction in quarterly meetings.

Weekly Executive Staff Meetings are used to share information that provides the opportunity to compare results with expectations and discuss control failures and other issues. The Inspector General in the Independent Office of Audits and Investigations ensures Caltrans, and external entities that receive state and federal transportation funds are spending those funds efficiently, effectively, and in compliance with applicable state and federal requirements.

The Inspector General is required to report a summary of investigation and audit findings and recommendations annually to the Governor, the Legislature, California's State Transportation Agency, and the California Transportation Commission. In addition, the California Transportation Commission oversees Caltrans' project programming and allocations.

Caltrans management analyzes the design of a control and its intended purpose to ensure that they are implemented and functioning as intended. If not, management adjusts and/or takes the issue with the internal control before the appropriate committee or council, who in-turn may refer it to the Executive Board for further response. Management may also be aware of a need for control that was not highlighted at the board level and—depending on scope—can either introduce or propose a control in their immediate scope or propose a wider-scale control to their management. If a control vulnerability or proposed control is enterprise in scope, it can be brought to the weekly Executive Staff Meetings or quarterly Executive Board Meetings for discussion.

Each Director's Policy and Deputy Directive is to be reviewed periodically for accuracy and relevance by the responsible Program.

Audit findings and legislative actions may 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' Chief Deputy Director meets regularly with the units primarily purposed with internal controls to review controls, processes, and trends. These internal control units include but are not limited to the Office of Disciplinary Services, the Equal Employment Opportunity Program's Discrimination Complaints Investigation Unit, the Caltrans Internal Audits Office, the Independent Office of Audits and Investigations and the Inspector General Hotline, the Office of Enterprise Risk Management SAM 20080 Loss or Error function. The Director gets information regarding controls through briefings from the responsible program leads.

The Innovation Branch in the Division of Research, Innovation, and System Information (DRISI) conducted a preliminary investigation about the efficiencies programs of other State Departments of Transportation and will assess implementation at Caltrans. The Branch is also developing performance measures to track innovative projects across the Department. The

Office of Enterprise Risk Management is responsible for both the biennial SAM 20080 Monitoring of Loss or Error and the Organizational Risk Assessment which supports the State Leadership Accountability Act, as well as other risk assessments as requested by programs, districts, and branches within the Department.

The processes of assigning ownership for addressing identified control vulnerabilities depends on whether the vulnerability was revealed through regular management review, audit, loss or error incident tracking, Executive Board discussion, or otherwise. Ownership for addressing the vulnerability often resides with the program, district, or other functional unit whose controls were found insufficient. Sometimes an enterprise-wide control—such as a new policy, program, or piece of equipment—is adopted.

All formal audits have review periods during which progress to reduce identified vulnerabilities are monitored. Many efforts to address vulnerabilities that were presented to the Executive Board have regular reporting cycles.

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.

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, questionnaires, consideration of potential fraud, and performance metrics.

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.

As part of the 2025 Organizational Risk Assessment, the Office of Enterprise Risk Management (ERM) facilitated separate Risk Assessment (RA) sessions to identify, assess, classify, and rank opportunities and threats (risks) to Caltrans. Attendees included Executive Board members and their designated leadership teams.

During the risk assessments, the ERM facilitator guided the group in an analytical risk-based framework discussion of their submitted risk registers. The objective was to ensure common understanding in a clear and concise manner, and to add relevant content to the context, scoring, controls, risk response ideas, and risk ownership. After each session, groups were given four weeks to complete and return their final risk register.

Upon the completion of all RA sessions, ERM combined the final risk registers into a single risk register containing all risk statements. ERM staff individually and then collectively conducted analysis and achieved consensus on all risk statements and their relation to transportation risk categories, Caltrans 2024-2028 Strategic Plan's Goals and Strategies in support of performance objectives.

After further priority analysis ERM surveyed members the Caltrans Administrative Governance Council (AGC) regarding the top enterprise risk statements and asked them to select the risk statements to nominate for inclusion in the 2025 State Leadership Accountability Act Report. In the survey, AGC members were also provided the opportunity to write in a separate risk statement if they deemed it necessary. The AGC selected the three risks in August of 2025 for inclusion in the 2025 State Leadership Accountability Act Report.

The Office of Enterprise Risk Management also wrote the 2025 Enterprise Risk Assessment Report to describe trends identified in the risk assessment and facilitate enterprise decision making. This Report was shared with Executive Board members and their direct reports, who formed the Organizational Risk Assessment leadership participant teams.

RISKS AND CONTROLS

Risk: Hiring, Recruitment and Retention

If Caltrans does not modify and improve its workforce planning, including its processes for recruiting and hiring new employees and retaining existing ones, then this could result in small and possibly less qualified candidate pools, continued staff shortages and turnover, and continued negative impact on project and program delivery.

Control: Workforce Planning 5-Year Schedule Implementation

The Division of Human Resources (DHR) will implement a 5-year Workforce Planning schedule to identify and address skill and knowledge gaps across occupational groups. The schedule will establish a structured process for conducting annual gap analyses between current workforce supply and projected needs, highlighting shortages in key classifications. Findings will update

recruitment priorities and professional development strategies. By adding this cycle into ongoing workforce planning, Caltrans will align talent needs with future vacancies to improve succession readiness, and to mitigate talent and skill shortages.

Control: Retention and Talent Acquisition

To strengthen workforce retention, DHR will implement integrated strategies focused on retention and recruitment. This includes expanding career development pathways, supporting mentorship and knowledge transfer, leveraging career counseling, upward mobility programs, and addressing barriers to recruitment through targeted outreach. By coordinating recruitment efforts with professional development and engagement initiatives, Caltrans will mitigate high turnover, will broaden candidate pools, and will improve career readiness.

Risk: Contracting and Procurement Processes

If Caltrans does not continue to improve its contracting and procurement processes and contract management, it may negatively impact the Department's workflow efficiency, jeopardize delegations of authority, ultimately cost more money, incur contract award protests, and limit the pool of companies and experts willing to work with Caltrans, all of which can limit our procurement options and efficiency.

Control: Partnerships, Training and Processes

The Division of Procurements and Contracts (DPAC) will work to maintain current and develop new partnerships with key stakeholders to plan, to educate, and to create clarity surrounding procurement needs. These partnerships with customers are essential when planning procurements for leveraging the various ways of

procuring goods and services. DPAC will update and improve both mandatory and non-mandatory training to better align with proper procurement methods in acquiring goods and services. By providing more tools and education early in the process, it will better align customers behaviors in relation to proper procurement methodologies. These new processes will allow several divisions to have touch points concerning procurement of goods and services. DPAC, Legal, and the Division of Information Technology are often reliant on each other to provide services for programs, districts, and divisions.

Risk: Return-to-Office

If Caltrans does not secure additional office space before July 1, 2026, then Caltrans will be unable to accommodate all staff returning to the office 4 days per week, which may result in Caltrans becoming noncompliant with the Governor's Return-to-Office Executive Order.

Control: Monitor and Track Staffing and Office Space Needs

The Division of Business Operations (DBO) will coordinate with each district and headquarters to identify and assess office space needs against occupancy and current capacity. Space assessments will be conducted annually to provide an accurate statewide inventory of Caltrans' office space needs. DBO will also maintain ongoing communication with districts to identify and to address changes in space needs as they arise. The annual space assessments will assist in proactively addressing space needs and keeping an accurate record of building occupancy and capacity.

Control: Address Space Needs with Districts/Headquarters through Leased Projects

DBO will work with the Department of General Services (DGS) and the Real Estate Services Division (RESD) to accommodate additional space needs through a combination of amending existing leases for additional space or executing new office leases.

Control: Optimize Existing Space Utilization

DBO will work with districts and headquarters to identify and implement opportunities that maximize use of existing space, where feasible. Strategies may include reconfiguration projects, restacking (box moves), or other facility improvements.

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 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.

Dina El-Tawansy, Director

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