

December 31, 2025

Joe Stephenshaw, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the 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 Minerva Anguiano, Administration and Finance Manager, at (916) 206-7250, Minerva.Anguiano@calsta.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The California State Transportation Agency (CalSTA) mission is to lead people-first transportation programs and policies to enhance safety, equity, climate action, and economic prosperity for all Californians. The strategic plan includes several strategic goals and objectives related to components of its mission, including safety, equity, climate action, economic prosperity, along with strategic goals and objectives related to mobility and innovation:

Safety

Goal: Reduce fatalities and serious injuries for everyone on the transportation system.

Objectives:

- Advance departmental initiatives to expand and enhance data quality, availability and timeliness
- Advocate for a strong safety culture in our departments and communities that focuses on the Safe System Approach
- Collaborate and partner with stakeholders to identify, evaluate and implement advanced traffic safety technologies and initiatives
- Maximize the use of proven countermeasures targeted at our most significant traffic safety problems, including impaired driving, unsafe speeds and vulnerable road user safety

- Enhance worker safety and wellness

Equity

Goal: Embed equity in all our programs, policies and practices

Objectives:

- Create opportunities for meaningful community engagement in our planning, programming and project design decisions to maximize community input and benefits
- Promote and increase disadvantaged business participation in federal contracts and small business access to state procurement and contracting opportunities
- Prioritize investments and projects for communities that have been harmed by past transportation decisions
- Increase tribal government access to transportation programs and services
- Build, recruit and retain a diverse State workforce that is representative of all California's communities
- Lead an Agency Community of Practice committed to diversity, equity, inclusion and accessibility

Climate Action

Goal: Lead and advance climate action for a cleaner California

Objectives:

- Focus on transportation as a climate strategy by reducing dependence on driving, lowering vehicle miles traveled and promoting efficient land use
- Support California's transition to decarbonize transportation through the adoption of zero emission technologies and the empowerment of all Californians to benefit from these advancements
- Expand and strengthen California's engagement as a global leader in clean transportation by developing domestic and international partnerships that advance climate action
- Create a more climate-resilient state transportation system that supports the state's environmental and economic vitality.

Economic Prosperity

Goal: Promote sustainable and inclusive economic growth.

Objectives:

- Enhance supply chain resiliency, capacity and the efficient movement of goods throughout the state while minimizing harmful community impacts
- Support research and development to implement innovative and affordable clean freight technologies
- Strengthen the workforce pipeline to deliver billions of dollars' worth of multimodal transportation and other infrastructure projects
- Collaborate with federal and state partners to create pathways that advance high-quality construction, building trades and operator careers
- Connect all Californians by expanding access to high-speed internet
- Leverage state investments to maximize federal funding to create and maintain a world-class multimodal transportation system

Mobility

Goal: Create a seamless and connected multimodal transportation system with easy access to jobs and housing for all.

Objectives:

- Create a reliable, integrated high-speed and intercity rail system that seamlessly connects to transit and other mobility options
- Lead the effort to integrate multimodal trip planning and payment systems throughout the state
- Explore initiatives that more efficiently manage the existing highway system, prioritize the movement of transit and better address negative impacts of vehicle travel
- Create safe, convenient and connected complete streets and active transportation networks for all ages and abilities
- Support the long-term viability of public transit to grow ridership, improve the transit experience and address operational needs

Innovation

Goal: Foster innovation in our processes, systems and technology to enhance service for all Californians

Objectives:

- Support mobility innovations that have the potential to improve our transportation system.
- Bring services and programs closer to Californians through expanded and accessible digital services.
- Evaluate programs and projects to obtain the greatest public benefit from our funding and assets.
- Promote implementation of innovative data analytics and visualization tools to enhance decision-making processes for transportation projects and policy development
- Integrate artificial intelligence solutions into our transportation systems and processes to optimize efficiency, safety and user experience for all Californians.

To complement and implement its strategic plan, CalSTA coordinates policy and oversees the program administration of six entities, each with a focus on safety, mobility and sustainability as they relate to California's transportation system and the traveling public:

- The Department of Transportation (Caltrans)
- The Department of Motor Vehicles
- The Department of the California Highway Patrol
- The Board of Pilot Commissioners
- The High-Speed Rail Authority
- The California Transportation Commission

In addition to the entities above, the Office of Traffic Safety (OTS) and the New Motor Vehicle Board are operational transportation- related entities that reside within the CalSTA Office of the Secretary and Department of Motor Vehicles respectively.

Control Environment

CalSTA's executive leadership has established and demonstrates integrity and ethical values in the organization. CalSTA worked closely with all members of its organization along with stakeholders to develop its first strategic plan, which was released in April of 2024. Collectively, the following organizational values were established through the strategic planning process:

- **People First**—Every facet of what we do in transportation is about serving people. When people are not the central focus in our planning and operations, communities suffer. We have the opportunity every single day to improve people's lives. The difference we can make is astounding.
- **Inclusivity**—We recognize the diverse needs of our state and commit to all Californians having equitable access to our transportation services and systems. Within CalSTA and our transportation organizations, we fully embrace Governor Newsom's vision of a California for All and strive to represent all Californians.
- **Collaboration**—To achieve a safe multi-modal, zero-emission transportation future, we know we cannot do this alone. Achieving our goals requires the support and effort of our collective organizations, stakeholders, and our state, federal and local partners. Collaboration and partnership is essential to this success.
- **Accountability**—Our goals are meaningless without follow-through. To maintain trust as a public-facing organization, we must be accountable to our commitments, maintain transparency and act as responsible stewards of billions of dollars in annual funding.
- **Passion**—We live and breathe our goals to improve mobility, safety, equity, the climate and our economy. We bring an innovation-focused mindset to our work and welcome new ideas and approaches. We are enthusiastic about the future of transportation and committed to achieving our vision.

The Secretary, Undersecretary and the OTS Director exemplify integrity and ethics in their everyday actions and communications and provide oversight to CalSTA. CalSTA's top executives clearly communicate their expectations and ensure accountability through frequent interactions with staff while conducting the business of the agency. The civil service employees that work at CalSTA are scheduled to receive regular performance evaluations annually on their anniversary dates. Moreover, the Secretary and Undersecretary, working with the Governor's Office, have determined the appropriate organizational structure for CalSTA to ensure that its form fits its function and have recruited appointees best suited to carry out the agency's responsibilities and achieve CalSTA's vision and mission. CalSTA's recruitment, human resources, and workforce development functions are also supported by Caltrans to ensure organizational structure is consistent with CalHR requirements and that CalSTA employees are up to date on required training. Additionally, Administrative Policy Memorandums are developed to maintain documentation of CalSTA's control system.

Information and Communication

CalSTA holds weekly senior staff meetings to provide an opportunity for regular internal communication on policy and administrative issues. Because CalSTA is an agency, the

majority of staff within its organization are senior staff and attend this meeting. Only 8 out of 31 positions in the agency are not invited to attend the senior staff meeting. These staff perform administrative and IT support. Relevant topics discussed at senior staff meetings are shared with administrative support and IT positions through regular meetings with their supervisors.

In addition to the weekly senior staff meetings, CalSTA holds quarterly all-staff meetings, which are run by the Secretary and Undersecretary. The meetings are used to communicate relevant programmatic and administrative information to all staff in the organization. These meetings also typically include training and updates on the agency's progress on its strategic goals and other operational initiatives.

To record pertinent operational, programmatic and financial information, CalSTA uses Issue Memorandums, which are managed through a cloud-based issue memo tracking system. The issue memo tracking system is the platform used by the entities in CalSTA's jurisdiction to formally request CalSTA approval for administrative, financial, and statutory deliverables that require agency approval. Issue memos are assigned to policy deputy secretaries for review and then routed through the Undersecretary for final approval. This process ensures that all information communicated to internal and external parties is accurate, appropriate, and based on reliable and relevant sources.

In addition, the Secretary, Undersecretary and OTS Director have created an atmosphere of transparency and openness by ensuring all staff know that all executive staff and supervisors are accessible for staff to report inefficiencies and inappropriate actions, if necessary. Further, the State Auditor's notice regarding whistleblower reporting and protections is prominently posted throughout the agency. Lastly, CalSTA also welcomes communications with external stakeholders and provides its contact information on its website for external inquiries.

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 Transportation monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: James Hacker, Undersecretary.

CalSTA and OTS individually hold regular management meetings. Meeting topics include discussion of current and potential internal control issues. These meetings allow senior level management to engage directly with the review, evaluation, and improvements to systems of internal control. Additionally, OTS Grant Coordinators monitor potential grantee risks through ongoing grantee performance reviews.

Over the past two years, CalSTA has established and monitors 47 Objectives and Key Results (OKRs) across all CalSTA departments. The OKRs are actively monitored by a Deputy Secretary and progress is regularly shared with senior staff through emails and at meetings. The active monitoring and update sharing allows CalSTA to identify potential problems and to engage with other senior staff to address vulnerabilities.

Through ongoing monitoring processes, CalSTA and OTS review, evaluate, and improve systems of internal controls.

RISK ASSESSMENT PROCESS

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

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, and external stakeholders.

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

Because CalSTA's critical business function consists of (a) providing administrative and policy guidance and oversight to constituent transportation-related entities and (b) administering grant funds, the areas of potential risk are limited to:

- Funding
- Staffing

Within each of the two areas, management conducted a risk assessment to identify the highest risks and associated internal controls and monitoring processes.

More specifically, in conducting the risk assessment, CalSTA managers were asked to:

- List the principal functions
- Rate each function/requirement as low, moderate or high, based on its impact on CalSTA in terms of accomplishing the organization's mission and goals.
- Determine and identify the risks associated with each function/requirement determined to have a moderate or high impact.
- Rate the probability that each risk will occur as either low (remote), moderate (reasonably possible) or high (probable).
- Identify the controls that exist to prevent the risk from occurring and to help detect the occurrence of each risk determined to be potentially significant (i.e., with an

impact/ probability of occurrence combination of high/high, high/moderate or moderate/ high).

- Describe the regular and ongoing monitoring processes that are in place to ensure that the controls are functioning properly for each risk determined to be potentially
- Identify (1) where the design of current controls may not be sufficient to mitigate risk, and where existing controls may not be operating effectively, and/or (2) where regular and ongoing monitoring processes require strengthening for each risk determined to be potentially
- List the corrective action(s) to be taken, the date by which the corrective action(s) will be complete, and who will be responsible for implementing the action(s), based on the identified control deficiencies.

Risks were evaluated and prioritized based on likelihood and impact, followed by consideration of the controls that are in place or should be in place to mitigate the risks.

RISKS AND CONTROLS

Risk: Loss of Federal Funding

In 2023, CalSTA awarded billions in grants for high priority transit, rail, port, freight, goods movement, and zero-emission infrastructure projects. The state grants were intended to leverage billions in available federal funding for transportation infrastructure. However, since the Trump administration took office in 2025, the federal administration has taken several actions that have impacted available funding for state transportation programs and previously awarded federal funding for high-speed rail, electronic vehicles, and climate investments. It is uncertain whether additional federal funding could be rescinded by the federal government, which could jeopardize transportation projects that are planning on using those funds to complete their projects.

OTS is majority federally funded through grant funding from the National Highway Traffic Safety Administration. If these funds were withheld, OTS would have to immediately reduce or terminate grant awards to state and local subrecipients as well as not be able to pay the administrative costs to run the OTS.

Control: Monitoring

1. Monitor federal actions related to transportation grant funding in the event there are further reductions to prepare a state response.
2. Monitor outcomes of existing lawsuits over federal transportation funding for federal actions that have already been implemented

Control: Communication

1. Maintain regular communication with grant awardees to ensure transparency about potential loss of federal funding.
2. Discuss options for potential changes of scope to projects that are dependent on federal funding in the event of federal funding loss.

Risk: Insufficient Office Space

The administration issued an executive order requiring departments to return to office a minimum of four days per week. CalSTA currently does not have sufficient office space to comply with this executive order and is currently in a firm lease until July 2027. Moving to a larger space will require CalSTA to break its lease and pay hundreds of thousands of dollars to relocate.

Control: Evaluate and revise in-office schedule to maximize office space

1. Assign in-office days to all staff
2. Eliminate permanent office assignments to free up offices for employees that are in-office

3. Continue to leverage telework

Control: Develop strategy to work toward compliance with executive order

1. Continue conversations with the Department of General Services to evaluate options for acquiring additional space
2. Seek additional resources through the budget to relocate

Risk: : Key Person Dependence

CalSTA is at risk of losing institutional knowledge and experience in key program areas. This is a result of the Agency's organizational structure, which includes a large percentage of employees that are executive staff who are the sole subject matter experts in their field. These executive staff are appointed by the Governor and typically have higher turnover rates than career state employees. CalSTA regularly operates with key executive positions vacant, due to the limited number of staff in the Agency, the high volume of work, and the likelihood of key executive personnel leaving the Agency. If not properly mitigated, this risk could impact CalSTA's ability to appropriately fulfill its mission and goals. This risk is further elevated with a new administration beginning in 2027.

Control: Training and Workforce Development

1. Provide cross-training opportunities for deputy secretaries and permanent civil service employees to learn about specialized transportation programs
2. Develop a workforce succession plan

Control: Establish permanent civil service policy support positions to reduce key person dependence at the executive level

1. Evaluate and repurpose existing vacancies to provide policy support for Governor appointee positions to retain institutional knowledge at CalSTA
2. Request additional civil service positions through the state's budget process

CONCLUSION

The 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.

Toks Omishakin, Secretary

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