

December 27, 2023

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, 2023.

Should you have any questions please contact Minerva Anguiano, Administration and Finance Manager, at (916) 206-7250, [Minerva.Anguiano@calsta.ca.gov](mailto:Minerva.Anguiano@calsta.ca.gov).

## **GOVERNANCE**

### **Mission and Strategic Plan**

The mission of the California State Transportation Agency (CalSTA) is to develop and coordinate the policies and programs of the state's transportation entities to achieve the state's mobility, safety and air quality objectives from its transportation system. However, CalSTA has been working on developing a strategic plan for 2024 through 2026, which is expected to be complete in February 2024.

CalSTA coordinates policy and oversees the program administration of seven 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
- The New Motor Vehicle Board

In addition to the entities above, the Office of Traffic Safety (OTS) is an operational transportation-related entity that resides within the CalSTA Office of the Secretary.

CalSTA is responsible for:

- Acting as a conduit between the Governor's Office and the departments, boards, commissions and offices within its jurisdiction in terms of policy and program development and execution.
- Overseeing the management of its departments, boards, commissions and offices to

ensure they are operating efficiently and performing to expectations of the Agency, the Governor's Office, the Legislature, and taxpayers.

- Working with its departments, boards, commissions and offices to develop and execute policies designed to maximize the potential for the State's transportation system to reach its safety, mobility and sustainability objectives.
- Enhancing communication and coordination between departments, boards, commissions and offices to maximize the efficiency and effectiveness of policy and program execution.
- Being the primary communicator on statewide transportation matters with the media, the Legislature, the public and its stakeholders.
- Effectively and efficiently administering traffic safety grant funds to reduce traffic deaths, injuries and economic losses through its Office of Traffic Safety.
- Operating ethically, efficiently and professionally in carrying out its mission and performing its functions and duties.

## **Control Environment**

CalSTA's executive leadership has developed an effective control environment and consistently demonstrate integrity and ethical values. For example, CalSTA has engaged with all members of the organization to collaborate on the development of CalSTA's first strategic plan. This process has been inclusive of all CalSTA staff and several diverse external stakeholders to develop a strategic plan that is endorsed and supported by both internal and external stakeholders. This collaborative process has allowed CalSTA to define its core values that describe its culture. CalSTA's values are People-First, Inclusivity, Collaboration, Accountability, and Passion.

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 receive regular performance evaluations. Moreover, the Secretary and Undersecretary, in concert with the Governor's Office, have determined the appropriate organizational structure for CalSTA to ensure that form fits function and have meticulously recruited appointees best suited to carry out the responsibilities of the agency's positions and achieve the CalSTA 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 promulgated 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 7 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.

To record pertinent operational, programmatic and financial information, CalSTA uses Issue Memorandums, which are managed through a cloud-based issue memo tracking system. Staff and management work collaboratively to ensure all information communicated to both 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: Mark Tollefson, 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.

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 traffic safety grant funds through the Office of Traffic Safety, the areas of potential risk are limited to:

- Administrative
- Information security
- Operations of the Office of Traffic

Within each of the three 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 significant.
- 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 significant.
- 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: Staff Recruitment**

CalSTA and OTS have difficulties recruiting experienced staff to perform administrative grant management functions for numerous grants and contracts with numerous recipients.

Due to the need of specialized knowledge and experience with the State's contracting process, skilled professionals are challenging to find.

### **Control: Recruitment Activities**

Continue civil service hiring process initiatives in partnership with other state departments to announce upper mobility opportunities with the department.

### **Risk: Supporting a Hybrid Work Environment**

OTS have adopted a hybrid work environment and have faced impacts to internal communication, collaboration, teamwork, camaraderie, and morale due to the lack on in person employee engagement.

#### **Control: Technology and Required In-Office Workdays**

To mitigate this risk, OTS distributed laptops and cellphones or softphones to all employees, which allows staff to be mobile. Microsoft Teams and SharePoint are implemented for all employees, so communication and files are available from inside or outside the office. Management from IT and Business met to discuss business process automation to see what paper processes could be turned digital so the process could be completed and supported while teleworking. These tools allow for telework, but the in-person aspect was still missing. All staff are required to work from the office at minimum once a week. Managers and supervisors are required to work from the office at minimum twice a week. All staff come in quarterly for an in-person meeting with the entire office.

### **Risk: Contract Delegation Authority**

CalSTA's budget has increased significantly from historic investments in the state's transportation system. Specifically, the transportation budget has grown by over \$16 billion in one-time funding for transportation infrastructure. CalSTA does not have the resources or expertise necessary to oversee implementation of this funding and must rely on contractors to assist with program implementation. These contracts are well above CalSTA's contract delegation authority and must go through the Department of General Services for additional review and approval. The additional review and approvals have resulted in a protracted approval process and delay CalSTA's ability to begin work that has been statutorily authorized with tight statutory deadlines

#### **Control: Engaging with DGS and Requesting Expedited Review**

To mitigate this risk, the CalSTA Undersecretary has engaged with GovOps to request an expedited review process to help CalSTA meet statutory deadlines.

### **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