

Memorandum

*Serious drought.
Help save water!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: June 3, 2015

File: P4000-0392

From: 
THOMAS P. HALLENBECK
Chief
Division of Traffic Operations

Subject: **OUTDOOR ADVERTISING PERMITS AUDIT (P4000-0392) – 60-DAY CORRECTIVE ACTION STATUS REPORT**

Thank you for the opportunity to provide a 60-day status report on the corrective actions that the Division of Traffic Operations has taken since receiving the findings and recommendations in the Outdoor Advertising Permits Statewide Audit (P4000-0392). Included with the status report are copies of documents confirming actions completed since the March 9, 2015 report.

If you have any questions please contact Velessata Kelley, Chief, Office of Outdoor Advertising at (916) 653-4969.

Attachment(s)

- (1) Audits and Investigations (A & I) - 60-day Corrective Action Status Response to March 9, 2015 Final Report
- (2) Highway Beautification and Outdoor Advertising Workshop flyer
- (3) Accounting Bulletin (AB15-04)

c: Steve Takigawa, Deputy Director, Division of Maintenance and Operations
Jeanne Scherer, Acting Chief Counsel, Legal Division
Clark Paulsen, Chief, Division of Accounting
Laurine Bohamera, Supervising Management Auditor, Audits and Investigations
Kris Kuhl, Assistant Division Chief, Division of Traffic Operations
Katie Berringer, Acting Assistant Division Chief, Division of Traffic Operations
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Matthew George, Deputy Attorney, Legal Division
Velessata Kelley, Chief, Office of Outdoor Advertising, Division of Traffic Operations

Audits and Investigations (A & I) – 60-day Corrective Action Status Response to March 9, 2015 Final Report

Audit Name: Outdoor Advertising Permits Audit

Audit No. P4000-0392

Auditee: Office of Outdoor Advertising (ODA)

Audit Report Finding #1

Finding: Incomplete Permit Application Packages

A&I Audit Recommendation	Auditee Response to Final Report	Estimated Completion Date	Staff Responsible	60-day Status	A&I Analysis
1. Formalize the ODA Permit process.	<p>ODA currently has Visio Flow Chart that was created in-house and used to give a visual overview of the permit application process. A copy of the chart is attached. The program is currently soliciting for a consultant to complete a Business Process Review (BPR) and has included it as part of the scope of work requirements for the contractor to draft a fully documented "As-Is" process for all ODA business processes, functions and services. This would include flowcharts, swim lane diagrams and the accompanying narrative(s) for all program activities.</p>	<p>The final written process would be incorporated in the ODA operations guide that will be developed post the ODA BPR.</p> <p>The estimated completion of the BPR is 12-31-15.</p>	<p>ODA Office Chief ODA Northern & Southern Area Managers BPR Contractor</p>	<ul style="list-style-type: none"> BPR RFO was initiated on 3-10-15 and closed on 3-30-15 Final contract is expected to be executed by 6-30-15. 	
2. Provide training for all staff involved in the permit process.	<p>ODA HQ conducted its first Outdoor Advertising Academy July 8-10, 2014. All but one of the ODA's tenured staff attended the academy.</p> <p>The future plan is to conduct academies biennially (every two years). To develop a sustainable training program for ODA Field Inspectors, ODA has included as part of the scope of work for the BPR contractor to establish a "To-Be" business process that documents the optimal permit field review process that would be used to train staff in coordination with the biennial academies and on-the-job training field reviews with the more tenured ODA staff.</p>	<p align="center">7/31/2016</p>	<p>ODA Office Chief ODA Northern & Southern Area Managers</p>	<p>3-26-2015, ODA met with FHWA liaisons Melani Millard and Joseph Vaughn. FHWA offers a 2-day Outdoor Advertising workshop that is customized to fit CA state law and the representatives provide the training onsite. A copy of the flyer is attached that lists the topics covered.</p> <p>Proposed dates are for August or September in 2015. ODA is considering the feasibility of having Southern area staff visit HQ or if FHWA can provide training in D7 and HQ.</p> <p>Training specific to the internal permitting process will be provided upon completion of ODA's BPR.</p>	

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3. Include a checklist of required documents and approvals for each application file; and issue the permit only when the checklist has the required documents and approvals.	ODA has a process and worksheet that staff is currently using and the area manager reviews along with the permit application. The field inspector signs the form to confirm that all the related work and required documents are accounted for.	Current	ODA Office Chief ODA Northern & Southern Area Managers	No change in status necessary.	

Audit Report Finding #2

Finding: Permit Payment Processing Issues

A&I Audit Recommendation	Auditee Response to Final Report	Estimated Completion Date	Staff Responsible	60-day Status	A&I Analysis
1. Develop procedures for submitting application fees to Accounting for processing that include: - Timeframes for submitting checks and credit card logs to accounting for processing. - Maintaining and filing copies of all check and credit card logs; and record the date check and credit card logs are sent to Accounting. - Performing a monthly reconciliation of deposit ticket sheets with check and credit card logs to ensure payments are processed for each application and following up on outstanding transactions. - Assess the current application receiving process to determine if all payments should be sent directly to Accounting for processing.	In the Division of Accounting's report, they have indicated that written procedures for processing Outdoor Advertising Permit fees have been and continue to be in existence. As it relates to ODA, the program has included as part of the scope of work requirements for the BPR contractor to establish a "To-Be" business process that documents the desired future state of the ODA business and technical processes.	Current	ODA Office Chief ODA Northern & Southern Area Managers Division of Accounting	ODA currently adheres to the cash handling policy outlined in AB 15-04 issued 1-2-2015 and attached for review. ODA currently and regularly receives ARS reports on the status of ODA deposits. ODA recommends that distribution of this report be included in Accounting's written procedures.	

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Audit Report Finding #2

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A&I Audit Recommendation	Auditee Response to Final Report	Estimated Completion Date	Staff Responsible	60-day Status	A&I Analysis
<p>2. Evaluate policies to determine whether all permit fees are non-refundable, or implement a process to refund permit fees to applicants when applications are denied.</p>	<p>For consideration, there is no statutory or regulatory mandate that would require the program to issue a permit refund or to issue a refund if requested. Issuing permit refunds upon request has just been a long standing practice and policy of the program. Application fees are non-refundable. This is clearly stated on the application.</p> <p>In the Division of Accounting's report, they have indicated that accounting will work with ODA to implement a fee refund process for denied permit applications.</p> <p>Currently, the only conditions under which an outdoor advertising entity is eligible for a refund would be a permit refund for a denied application and possibly a permit that has been revoked but the permit renewal fee(s) had been paid in pro-rata.</p> <p>Currently, ODA has a process in place to obtain a refund check from accounting if requested, but not a process to notice persons that, under certain conditions, are eligible for a permit fee refund.</p> <p>Effective immediately, ODA will incorporate language in two forms of correspondence that will notify persons of their eligibility to receive a permit fee refund upon written request. The two forms of correspondence would include the notice of receipt of the application and fees, and the notice of denial of an application. Any other methods or changes to ODA forms would require adoption of regulations.</p> <p>Legal has advised that it would be prudent to codify this practice through administrative rulemaking. This process could conceivably take one year.</p>	<p>The final written process would be incorporated in the ODA operations guide that will be developed post the ODA BPR.</p> <p>The estimated completion of the BPR is 12-31-15.</p>	<p>ODA Office Chief ODA Northern & Southern Area Managers BPR Contractor</p>	<p>Business & Professions Code §5486 authorizes ODA to retain the application fee.</p> <p>CCR Section 2424 (a) (8) authorizes permit fee refunds for revoked permits.</p> <p>As of March 26, 2015, ODA implemented the following process for issuing refunds as follows:</p> <ul style="list-style-type: none"> • All refund requests must be initiated as an email from ODA to Accounts Receivable, Revenue (Shuwan Chuang). • The name of the person to whom the refund check will be issued (payer, unless documented otherwise). • A copy of the original check or credit card account that was used, which will be accepted electronically. • The mailing address to where the refund check should be sent. • The dollar amount to refund. • Other items such as the customer or vendor #, original deposit slip #, and application # may be included in the refund request, but are not required. 	

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A&I Audit Recommendation	Auditee Response to Final Report	Estimated Completion Date	Staff Responsible	60-day Status	A&I Analysis
3. Work with Accounting to develop a process to identify annual permits that are not renewed.	Accounting currently has its own internal process. Through the BPR, ODA may identify a more optimal process to work with accounting and incorporate it into the "To-Be" processes. Additionally, the program is working to secure a new database platform that would allow for web-based accounting and payment processing for ODA.	The estimated completion of the BPR is 12-31-15. Implementation of ODA's new system database is estimated for early 2017.	ODA Office Chief ODA Northern & Southern Area Managers BPR Contractor	No change in status since the final report on March 9, 2015. A final written process would be incorporated in the ODA operations guide that will be developed post the ODA BPR.	
4. Develop follow-up procedures for permits that are not renewed to either collect renewal fees or issue a violation notice.	ODA has follow-up procedures for non-renewed permits, collecting renewal fees, and issuing violation notices. ODA anticipates that a better process will be identified during the BPR, including documented written procedures. Currently, the program does have flowcharts staff can refer to in order to monitor the stages of a permit. A copy is included. Additionally, once the program has completed its BPR, ODA will take progressive steps to publish an operational guide that would provide basic, instructional processes and timelines	The final written process would be incorporated in the ODA operations guide that will be developed post the ODA BPR. The estimated completion of the BPR is 12-31-15.	ODA Office Chief ODA Northern & Southern Area Managers BPR Contractor	No change in status since the final report on March 9, 2015. A final written process would be incorporated in the ODA operations guide that will be developed post the ODA BPR.	

Audit Report Finding #3

Finding: Untimely Follow-up of an Illegal Display

A&I Audit Recommendation	Auditee Response to Final Report	Estimated Completion Date	Staff Responsible	60-day Status	A&I Analysis
1. Finalize the Violation Process, including Legal's involvement when issuing violation notices.	ODA has included as part of the scope of work requirements for the BPR contractor to establish a "To-Be" business process that documents the desired future state of the ODA business and technical processes. The "To-Be" process will include finalizing the violation process, including Legal's involvement, prior to issuing violation notices.	The final written process would be incorporated in the ODA operations guide that will be developed post the ODA BPR. The estimated completion of the BPR is 12-31-15.	ODA Office Chief ODA Northern & Southern Area Managers BPR Contractor	Since the final report, ODA's Legal Coordinator has reviewed all active violations in the database to reconcile outstanding violations between default cases, cases pending an OAH hearing, and cases pending assignment of an attorney from Caltrans' legal division. Currently all active violations have been processed to the extent possible.	

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Audit Report Finding #3

Finding: Untimely Follow-up of an Illegal Display

A&I Audit Recommendation	Auditee Response to Final Report	Estimated Completion Date	Staff Responsible	60-day Status	A&I Analysis
<p>2. Monitor current violations and enforce the penalties in the Notice of Violations.</p>	<p>Currently, the program has a process for following up with violations, particularly those violations that have been appealed to the department and are pending an appeal hearing. The program intends to implement a tracking method that will notice the inspectors to recheck the status of the displays once the appeal period has been satisfied. This process will also be addressed in the scope of work for the BPR contractor.</p> <p>Additionally, the program would continue to cooperate with Legal to enforce penalties sought in violation notices and subject to formal adjudication in an administrative forum as well as those subject to review by superior courts on writs of mandate.</p>	<p>The final written process would be incorporated in the ODA operations guide that will be developed post the ODA BPR.</p> <p>The estimated completion of the BPR is 12-31-15.</p>	<p align="center">ODA Office Chief ODA Northern & Southern Area Managers BPR Contractor</p>	<p>Since the final report, ODA's Legal Coordinator did review all active violations in the database to reconcile outstanding violations and distinguish between default cases, cases pending an OAH hearing, and cases pending assignment of an attorney from Caltrans' legal division. Currently all active violations have been processed to the extent possible.</p>	

Note: The Office of Outdoor Advertising listed the Business Process Review (BPR) as the means by which the program will correct many of the findings in the A&I final audit report; as such, the following is the status of the BPR:

- BPR RFO initiated 3-10-15
- BPR RFO Closed 3-30-15
- BPR RFO Response Evaluations 4-9-15
- Interviewed BPR RFO Responders 4-16-15
- BPR RFO Final Evaluation 4-20-15
- DPAC processing BPR RQS 5115*022 4-27-15
- DPAC processed purchase order (PO5115*019) 5-26-15
- PO approved 5-27-15 and returned to DPAC
- Final contract to execute before 6-30-15.

PROGRAM AREA OUTDOOR ADVERTISING

Highway Beautification and Outdoor Advertising Workshop

LENGTH
2 DAYS

CLASS SIZE
20-25

Who should attend?

Federal, State, and local government employees and consultants who work in the transportation decision making process and others who acquire real estate for federally funded transportation projects.

This includes:

- Right-of-way administrators
- Outdoor advertising control agents
- Outdoor advertising control managers
- Local government officials involved with the Outdoor Advertising Program on the national highway system in their jurisdictions

Contact:

MARSHALL WAINRIGHT
404.562.3692
marshall.wainright@dot.gov

MICHELE PALICKA
404.562.3918
michele.palicka@dot.gov

About the Workshop

This is an introductory course that explores the Federal Highway Beautification Act (HBA) requirements and the role States and local agencies have in demonstrating effective control of the program in their specific State. The workshop will begin with an overview of the HBA past to present and the effects that recent MAP-21 legislation has had on the program.

Topics Covered:

- HBA law and Federal regulations
- The Federal-aid primary system, zoning and permitting
- Classification of signs
- Federal funding, acquisition and removal of signs
- Scenic Byway prohibitions
- Junkyard control

The Bonus State system will be covered, if applicable. Workshop participants will walk away with a clear sense of their role in administering the requirements of the HBA.

Note: Early coordination will be needed to design the workshop to each State's laws, rules and agreements.

This workshop can be customized to fit your State or local government's needs.

ACCOUNTING BULLETIN

BULLETIN #: AB 15-04

ISSUE DATE: January 2, 2015

TERM DATES: January 2, 2015 - Until Rescinded

TO: All Department Employees

SUBJECT: Cash Handling Policy

PURPOSE: This bulletin is a reminder of the requirements and responsibilities for handling cash, which is defined as coin, currency, checks and warrants, that belongs to the Department. All cash received must be deposited in a State bank account promptly as required by SAM 8032.1. Therefore, it is imperative that you are aware of the proper channels and procedures to follow when handling cash.

Anyone receiving cash as a result of the department's operations must promptly remit the cash to the headquarters' or district's cashiering office for deposit into the appropriate State bank account. Failure to remit such cash is a violation of state law. Furthermore, the deposit of such cash in non-state bank accounts is a violation of state law, even if the funds in the account are used for department operations. The law is very clear on these points and there are no exceptions. This requirement applies to, but is not limited to, Right of Way rental receipts, proceeds from auctions, encroachment permits, jury duty fees, publications, sales of scrap metal, materials or equipment disposed of at the end of its useful life, proceeds from recycling, refunds or deposits, proceeds from the return of material or equipment, payments from employees to clear advances, and all other checks made out to the Department (Caltrans). Whenever possible, it is preferable to have payments sent directly to headquarters' cashier. If a check or money order is received in a field location, it should be mailed on the same day received to the headquarters' cashiering office below:

US Postal Service
Department of Transportation
Attention: Cashiering
P.O. Box 168019
Sacramento, CA 95816-8019

Overnight Courier
Department of Transportation
Attention Cashiering
1820 Alhambra Blvd., MS58
Sacramento, CA 95816

If currency and coins are received, it may be taken in person to the headquarters' or district's cashiering office. If currency or coin must be remitted through the mail, the money must be converted by purchasing a money order or a cashier's check and then immediately forwarding to the headquarters' or district's cashiering office. The cost of a money order or cashier's check shall not be deducted from the amount remitted, but the purchaser can be reimbursed by submitting Form FA-0302, *Travel Expense Claim*.

If you receive cash or checks on behalf of Caltrans and need assistance, please contact Jenny Wong in headquarters' cashiering.

CONTACT: Jenny Wong at (916) 227-9220, for questions and/or concerns regarding cash handling policies.

This Accounting Bulletin has been approved for distribution by Clark Paulsen, Division Chief.

