

Memorandum

*Flex your power!
Be energy efficient!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: May 6, 2015

File: P4000-0391

From: 
BHAN SARTPI
District Director
District 4
FOR

Subject: **2014 ENCROACHMENT PERMITS STATEWIDE AUDIT (180 DAY STATUS UPDATE)**

District 4 provided a 60-day status update on January 20, 2015 that identified actions taken to enhance the Office of Encroachment Permits operations and activities in certain areas identified in the 2014 statewide Encroachment Permits audit. This 180-day status update identifies additional steps that have been taken to address the findings of the audit:

- All District 4 Encroachment Permits employees have taken and completed the online Ethics Training for State Officials.
- District 4 has developed a checklist for improved supervisory oversight of permit inspection documentation and closeout. A copy of the checklist is attached. We will work with Headquarters Office of Encroachment Permits to assess statewide implementation of this checklist through revisions in the Encroachment Permits Manual.
- Since the audit, we have made it a priority to closeout current permit files as construction is completed, or when permits expire, in a timely manner. Our current vacancies in the District 4, Encroachment Permits Office, have prevented us from addressing the backlog of previous projects. We will continue our efforts to backfill our vacancies and seek resources to address the backlog.
- The District 4 Encroachment Permits Storm Water Coordinator attended 32 hours of training, participating in the 2015 Caltrans Statewide Storm water Workshop.

In addition, District 4 will continue to collaborate with Headquarters Office of Encroachment Permits to address audit findings and recommendations, summarized below and attached, towards uniform Statewide guidance in the Encroachment Permits Manual and/or other formal documents. These include:

- Policy on denial of permits due to overdue balances;

WILLIAM E. LEWIS

May 6, 2015

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- Consideration of simplex stamping at initial time of receipt (vs. when the application is determined complete);
- Improvements in EPMS to track start and stop dates;
- Signatory authority;
- Confirmation that expediting permits is acceptable; and
- Procedures for streamlined (or expedited) permit review.

A final progress report on our work plan items to address the audit findings will be provided for the 360-day milestone.

If you have any questions or need additional information, please contact Sean Nozzari, Deputy District Director of Operations at (510) 286-6345.

Attachments:

1. 2014 Encroachment Permits Statewide Audit (60-Day Status Update) – District 4 Memo dated January 20, 2015
2. Senior Permit Engineer, Monthly Quality Assurance Review of Encroachment Permit Files
3. District 4 Audit, Follow-up with HQ Encroachment Permits (11-26-14)

c: Thomas P. Hallenbeck, Chief, Division of Traffic Operations
Dan McElhinney, Chief Deputy District Director, District 4
Sean Nozzari, Deputy District Director, Traffic Operations, District 4
Premjit Rai, Deputy District Director, Administration, District 4
David Salladay, Office Chief, Encroachment Permits, District 4

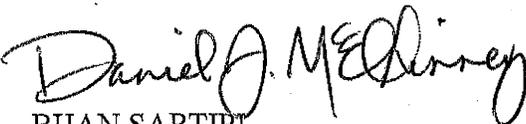
Memorandum

*Serious drought.
Help Save Water!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: January 20, 2015

File: P4000-0391

From: 
BIJAN SARTIPT
District Director

Subject: **2014 ENCROACHMENT PERMITS STATEWIDE AUDIT (60 DAY STATUS UPDATE)**

District 4 has taken the following steps to enhance the Office of Encroachment Permits operations and activities in certain areas identified in the 2014 statewide Encroachment Permits audit, including employee morale and internal communication; application of staff and supervisorial responsibilities relative to the Encroachment Permits Manual as well as the general Departmental policies; employee training; and billing and accounting.

- All Permit employees will be directed to take and complete Ethics Training online and review Director's Policy on Ethics. We hope to complete this training by June 30, 2015 or sooner and an update will be provided in the next report.
- All District 4 Encroachment Permits staff were provided with a reminder of the new Caltrans Ethics Helpline, as well as the Whistleblower Hotline, as a means for employees to safely, confidentially, and anonymously report suspected unethical behavior, and/or activities.
- On September 24, 2014, a meeting was held by the Deputy District Director, Traffic Operations, for all District 4, Office of Encroachment Permits staff to address the audit preliminary findings as well as the referenced employee morale and team building concerns.
- On November 6, 2014, a meeting was held for Office of Encroachment Permits Senior staff to review the audit findings, recommendations, and to develop District 4 work plan.
- On November 19 and 20, and December 2, 2014, staff meetings were held in each of the District 4 Office of Encroachment Permits Branches to review with, and remind staff of their responsibilities as stated in the Encroachment Permits Manual, and as highlighted by the audit.
- On November 25, 2014, the District 4 Chief, Office of Encroachment Permits met with the Headquarters Chief, Office of Permits, Division of Traffic Operations and her staff to discuss implementation options of audit recommendations. This meeting was followed with a memorandum summarizing the suggestions of District 4, as well as a request for direction to fully reconcile and implement the recommendations of the audit. The specific issues that were discussed included:

- Cost recovery (Finding 1)
 - Approval or denial of permits within the 60-day statutory requirement (Finding 3)
 - Segregation of duties (Finding 5)
 - Initial permit application screening process (Finding 6)
 - Expediting permits (Finding 10), and
 - Level of responsibility for reviewing and signing permits (Finding 11)
- Other districts were polled to find out their method of file control, and to determine if any changes would benefit District 4. Based on the feedback from the other districts, it was determined that the District's current process is consistent with the practice in other districts, and effective. All District 4 Encroachment Permits staff were issued a reminder of the file room procedures they are required to follow.
 - Other districts were polled to find out their method of date stamping applications. All districts that responded stated that they date stamp the original hard copy of the application upon receiving it at the counter or by mail. District 4 has now implemented this practice.
 - A memorandum dated December 5, 2014, from the Chief, Office of Permits, Division of Traffic Operations (copy attached) was distributed to all Senior staff reminding them of their responsibility to follow the procedures documented in the Encroachment Permits Manual along with all applicable Caltrans policies.
 - To ensure the Department's goals and values are met, all District 4 Encroachment Permits staff were issued expectation memorandums that reflected key Department policies.
 - Updated duty statements were issued to all District 4 Encroachment Permits Administrative staff.
 - All District 4 Encroachment Permits staff were sent a reminder to always use the latest version of the encroachment permit forms and standards. A link was provided to access and obtain the current forms.
 - The District 4 Encroachment Permits Storm Water Coordinator has taken 24 hours of training for the Construction General Permit, Qualified SWPPP Practitioner and Qualified SWPPP Developer. In addition, the Storm Water Coordinator has taken 42 hours of storm water training by attending modules 1, 2, 3, and 5.
 - Senior permit engineers have spot checked permit files, ensured close out documents are received, and permits are closed in a timely manner. A checklist is being developed to ensure future supervisory reviews are consistent, and documentation can be maintained.
 - Senior permit engineers have spot checked permit files, ensured proper benchmark inspection is performed, and documentation is placed in the permit files. A checklist is being developed to ensure future supervisory reviews are consistent, and documentation can be maintained.
 - The District 4 Encroachment Permits supervisory/management team meets weekly to ensure

the team is cohesive, and to provide a forum of training and sharing lessons learned on engaging and inspiring their workforce.

- The District 4 Senior permit engineers hold bi-weekly staff meetings, or more frequently if needed, to disseminate information and provide a forum of open communication.
- In addition to the actions identified above, the following procedures documented in the Encroachment Permits Manual and applicable Caltrans policies continue to be reinforced, including:
 - Acknowledgement letters are sent to all applicants after the initial screening process.
 - Simplex stamps are applied after permit applications are complete.
 - Checks are tracked, securely maintained, and submitted timely to the District Cashiers office.
 - Permit writers reflect the stop and start dates of permit applications in EPMS.
 - Estimated fees are collected before permits are issued.
 - Permittees are billed properly or issued a refund, prior to closing out permits.
 - Each permit gets a secondary review before issuance (e.g., Permit writers do not issue their own permits).
 - Senior permit engineers review all permit applications to help determine if the proposal should be handled as an oversight project.

District 4 will continue to collaborate with Headquarters Office of Permits to address other audit findings and recommendations towards uniform Statewide guidance in the Permit Manual and/or other formal documents. These include policy on denial of permits due to overdue balances; procedures for streamlined (or expedited) permit review; consideration of simplex stamping at initial time of receipt (vs. when the application is determined complete); improvements in EPMS to track start and stop dates; signatory authority; employee training; development of checklists for improved supervisory oversight of permit inspection documentation and closeout. Progress reports on our work plan items to address the audit findings will be provided for the 180- and 360-day milestones.

If you have any questions or need additional information, please contact Sean Nozzari, Deputy District Director of Operations at (510) 286-6345.

Attachment: Memo dated December 5, 2014, Office of Permits, Division OF Traffic Operations

- c: Thomas P. Hallenbeck, Chief, Division of Traffic Operations
Dan McElhinney, Chief Deputy District Director, District 4
Sean Nozzari, Deputy District Director, Traffic Operations, District 4
Premjit Rai, Deputy District Director, Administration, District 4
David Salladay, Office Chief, Encroachment Permits, District 4

Senior Permit Engineer Monthly Quality Assurance Review Of Encroachment Permit Files

Reviewers Name:

Permit Number:

Review Date:

Construction Completion Date:

Closeout Date:

| | Yes | No | N/A |
|--|-----|----|-----|
| Original Application with the Simplex Stamp | | | |
| Approved Plan Set or Drawing, Date Stamped | | | |
| Approved Local Entity Standards (if required) | | | |
| Cooperative Agreement (if required) | | | |
| Letter of Authorization (when Authorized Agent is used). | | | |
| Performance Bond (if required) | | | |
| Payment Bond (if required) | | | |
| Liability Insurance (if required) | | | |
| "Encroachment Permit Administrative Route Slip" (form TR-0154). | | | |
| Permit Writer's Encroachment Permit Reports (diaries) | | | |
| District Reviewer's Encroachment Permit Application Review Sheets | | | |
| District Reviewer's Comment Sheets | | | |
| | | | |
| Copy of the Issued Permit Package | | | |
| "Encroachment Permit" (form TR-0120) | | | |
| "General Provisions" (form TR-0045) | | | |
| Permit Special Provisions | | | |
| Inspector's Encroachment Permit Reports (diaries) | | | |
| Reviews prior to permit issuance. | | | |
| Preconstruction meeting | | | |
| Regular inspection | | | |
| Final inspection | | | |
| "Notice of Materials to be Used" (form CEM-3101) | | | |
| "Certification of Compliance with ADA" (form TR-0405), design | | | |
| "Certification of Compliance with ADA" (form TR-0405), post construction | | | |
| As-Built Plans. | | | |
| "Progress Billing/Permit Closure" (form TR-0129) | | | |

Notes:

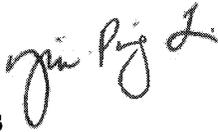
Memorandum

*Serious drought.
Help save water!*

To: DEPUTY DISTRICT DIRECTORS
DISTRICT PERMIT ENGINEERS

Date: December 5, 2014

File:

From: YIN-PING LI 
Chief
Office of Permits
Division of Traffic Operations

Subject: ENCROACHMENT PERMIT AUDIT

Findings in the Encroachment Permits Statewide Audit dated October 2014 (P4000-0391) indicated that districts were not implementing the existing policies uniformly statewide. This memorandum is to remind the districts that the District Permit Engineers are responsible for ensuring that their staff follow the procedures documented in the Encroachment Permits Manual along with all applicable Caltrans policies.

Please share with your staff the attached spreadsheet that summarizes the specific audit findings and recommendations and the associated existing policies and procedures that the district staff need to follow.

If you have any questions or need clarification, please contact Tom Franklin, chief of the Encroachment Permits Branch, at (916) 654-6232 or at <Thomas.Franklin@dot.ca.gov>.

Attachment: HQ Reminders to Districts on Existing Policies.pdf

c: Thomas P. Hallenbeck, Chief, Division of Traffic Operations
Andrew Brandt, Acting Assistant Division Chief, Division of Traffic Operations
Tom Franklin, Chief, Encroachment Permits Branch, Office of Permits

HQ Reminders to Districts on Existing Policies

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: Encroachment Permits Program

| A&I Audit Finding and Recommendation | References to Existing Policy and Guidance that Addresses the Recommendation |
|--------------------------------------|--|
|--------------------------------------|--|

Audit Report Finding # 3

Encroachment Permits are not Approved or Denied within the 60-day Statutory Requirement

| Recommendations to District Permits Offices | |
|---|---|
| <p>1. Ensure that all permit applications are complete and contain all pertinent documentation prior to applying the simplex stamp.</p> | <p>Encroachment Permit Manual (EPM), Chapter 200, section 201.5 states:</p> <ul style="list-style-type: none"> • After performing an initial screening of the application submittal for completeness, the Permit Engineer will send out a letter to the applicant acknowledging its receipt and whether or not it has been rejected or conditionally accepted. • If the submittal was rejected, the letter will detail the reason(s) for the rejection and list the required item(s) to be included with the resubmittal. • If the submittal was conditionally accepted, the Permit Engineer will then simplex stamp and assign an Encroachment Permit number and then distribute it to the necessary Caltrans units to review it for compliance with policy, design, and construction standards. <p>Streets and Highways Code, section 671.5 says,</p> <p>Caltrans has 60 days to approve or deny a <i>completed</i> application. An application is <i>complete</i> when all other statutory requirements, including CEQA, have been met.</p> |
| <p>2. Remind Encroachment Permit staff about the requirement to start the 60-day time period once the permit application has been simplex stamped and all required documentation has been received.</p> | <p>EPM Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." This means the 60-day time period begins when a <i>complete</i> application is assigned a permit number.</p> <p>EPM Chapter 200, section 201.5 states, "The 60 calendar day clock stops when a denial letter is sent to the applicant (via registered mail) informing them of the denial. A new 60 calendar day clock begins upon receipt of the resubmittal from the applicant.</p> |
| <p>3. Consider documenting the stop and start dates on Encroachment Permits Management System (EPMS).</p> | <p>EPM Chapter 200, section 201.6, table 2.3, item 5 states, "Respond in writing to all applications requiring additional information after all reviews are returned. Enter into the database under "letter sent" the date that any letter is sent to an applicant." A denial letter stops the 60-day clock.</p> |

| HQ Reminders to Districts on Existing Policies | |
|---|---|
| Audit Name: <u>Encroachment Permit Audit</u> | Audit No. <u>P4000-0391</u> |
| Auditee: <u>Encroachment Permits Program</u> | |
| A&I Audit Finding and Recommendation | References to Existing Policy and Guidance that Addresses the Recommendation |
| Audit Report Finding # 6 | |
| Weakness in the Initial Screening Process of Permit Applications | |
| Recommendations to District Permits Offices | |
| 1. Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permits Manual. | EPM Chapter 200, section 201.5 states, "After performing an initial screening of the submittal for completeness, the Permit Engineer will send out a letter to the applicant acknowledging its receipt and whether or not it has been rejected or conditionally accepted." |
| 2. Ensure permit applications are complete prior to accepting them. | EPM Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." An Encroachment Permit Application Checklist (TR-0402) is also available to aid Staff in reviewing application completeness before accepting them. |
| 4. Adhere to the requirements for ensuring checks are tracked, securely maintained, and submitted timely to District Cashier's office. | EPM Chapter 200, section 201.2 states, "All payments (coin, currency, checks, or warrants) shall be logged and remitted to the District Cashier's Office by the next business day for deposit into the appropriate State Bank account." Encroachment Permit Log (form TR-0111) can be used to log permits and payments along with entering into EPMS. |
| Audit Report Finding # 8 | |
| Inconsistency in Using Standard Forms | |
| Recommendation to District Permits Offices | |
| We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permits Manual. | <p>EPM Chapter 100, section 108 states, "An application for an encroachment permit must be on a current 'Standard Encroachment Permit Application' (form TR-0100) and signed by the owner or an authorized representative whose authority is validated by a letter or contract."</p> <p>EPM Chapter 200, section 201 states, "Applicants (or their authorized representatives whose authority is validated by a letter or contract) must complete a 'Standard Encroachment Permit Application' (form TR-0100), attach supporting documentation and submit them to the appropriate District Encroachment Permits Office having jurisdictional authority over the proposed encroachment site for processing."</p> <p>EPM Chapter 200, section 201.1 states, "The 'Standard Encroachment Permit Application' (form TR-0100), instructions, plan set requirements, sample application checklist and all other related forms can be found at: http://www.dot.ca.gov/hq/traffops/developserv/permits/applications/index.html."</p> <p>The EP internet and intranet websites have the latest policies, guidance, information, forms, etc. At the bottom of the EP intranet website is "Hardcopies of this manual are no longer being published. Please use this website instead." All of the official forms are also located in the Caltrans Electronic Forms System (CEFS) and in the EPMS.</p> |

Audits and Investigations (A&I) - 180-Day Status to Encroachment Permit Audit Report

| Audit Name: <u>Encroachment Permit Audit</u> | | | | | | Audit No. <u>P4000-0391</u> | |
|---|---|---|--|---------------------------|-----------------------------|-----------------------------|--|
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | 180-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysis | |
| Audit Report Finding # 1 | | | | | | | |
| Under recovery of costs for administering the Encroachment Permit Program | | | | | | | |
| Recommendations to HQ Office of Permits | | | | | | | |
| 1. Follow up with the Legal Division to determine if regulations are necessary to increase the Standard Hourly Rate (SHR). If regulations are necessary, request that the Legal Division proceed with implementing regulations. | HQ EP will consult with the Legal Division as recommended to confirm the need of regulations to increase the Standard Hourly Rate. If regulations are necessary, HQ EP will consult with the Legal Division to assess the risks if Caltrans increases the Standard Hourly Rate prior to having regulations in place. | HQ EP contacted Legal and they recommend regulations. HQ EP has drafted regulations, initiated the process through Legal, and currently working on the Office of Administrative Law process. (DL) | Standard Hourly Rate (SHR) regulations are drafted. The Office of Administrative Law (OAL) has revised some of their forms and processes. The HQ Encroachment Permits Branch is revising and updating the regulations for submission to OAL. The Appeals regulations will be submitted first and then used as a guide for making appropriate revisions to the SHR regulations. (TF) | 1/31/2016 | HQ Traffic Ops-Tom Franklin | | |
| 2. Finalize the process for reviewing and revising the Standard Hourly Rate on an annual basis when necessary. | HQ EP will work with Accounts Receivable to finalize the process for reviewing and revising the SHR as recommended. | The process for reviewing and revising the Standard Hourly Rate (SHR) is complete and will be finalized when regulations are adopted. | The process for reviewing and revising the Standard Hourly Rate (SHR) has been completed. If process modifications are needed, they will be completed during updating and finalizing the SHR regulations through the OAL process. (TF) | 1/31/2016 | HQ Traffic Ops-Tom Franklin | | |
| 3. Determine the appropriate number of hours allowed for pre-conceptual meetings and provide guidance to the districts on how to charge the time spent. | HQ EP will convene a committee of District and HQ EP and other functional units to evaluate issues and propose solutions. | Finding 3, recommendation 1 and this item need to be combined and worked on together. (TF) A group consisting of HQ and three district staff has been assigned this task. (DL) | Meetings were held on January 27 and February 24, 2015. The team proposed that preliminary meetings need to be kept to a minimum, but these meetings assist in obtaining a more complete application submittal. The encroachment permit process is for projects where most of the lengthy reviews and documentation have been completed, such as: project approval, California Environmental Quality Act (CEQA), design exceptions, and plans. The team is proposing several possible changes to the Encroachment Permits Manual (EPM) that will assist Districts in determining the amount of effort to be spent on preliminary meetings. Districts will review and comment on all proposed changes before they are finalized. (TF) | 9/30/2015 | HQ Traffic Ops-Tom Franklin | | |
| 4. Require that utility companies, that are delinquent, pay in advance for their permits and require that they provide a central billing address. | HQ EP will meet with Accounts Receivable, District EP, Legal, and utilities to discuss issues and identify solutions. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss actions required to address this recommendation. (DL) | Meetings were held on January 27 and February 24, 2015. After reviewing and discussing delinquent accounts, the team is proposing a progressive enforcement plan that will allow flexibility when resolving issues with our partners. Districts will review and comment on all proposed changes before they are finalized. (TF) | 9/30/2015 | HQ Traffic Ops-Tom Franklin | | |
| Recommendations to District Permits Offices | | | | | | | |
| 1. Using D of A's aging report; identify permittees with overdue balances prior to accepting new applications. | To assist the Districts, HQ EP will take the lead and work with Accounts Receivable to provide Districts with a user friendly aging report to identify overdue balances. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss corrective actions required to implement this recommendation. (DL) | HQ is drafting proposed changes to the EPM that will clarify the Districts' responsibilities for taking appropriate actions to collect overdue balances prior to issuing new permits. (DL) | 9/30/2015 | HQ Traffic Ops-Tom Franklin | | |
| 2. Require applicants to pay overdue balances prior to accepting new application. | To assist the Districts, HQ EP will meet with Accounts Receivable and District EP to evaluate existing processes and update as required. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss corrective actions required to implement this recommendation. (DL) | HQ is drafting proposed changes to the EPM that will clarify the Districts' responsibilities for taking appropriate actions to collect overdue balances prior to accepting new application submittals. (DL) | 9/30/2015 | HQ Traffic Ops-Tom Franklin | | |
| 3. Close out permit files timely and ensure the required close out documents are received. | To assist the Districts, HQ EP will provide monthly performance reports to the District Directors, DDDs, and DPEs in a collaborative effort to timely close out permits that had been completed. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss corrective actions required to implement this recommendation. (DL) | HQ will finalize the monthly performance report to raise the Districts' awareness of the number of unclosed permits. HQ proposes that District Permit Engineers develop a plan to meet the timely close out of permits. (DL) | 9/30/2015 | HQ Traffic Ops-Tom Franklin | | |
| 4. Comply with the Encroachment Permits Manual for billable permitting activities and issue appropriate refunds. | Based on information provided by Accounts Receivable, the threshold on refund and billing has been established in the State Administrative Manual (SAM). HQ EP will work with Accounts Receivable, District EP, and Legal to establish a standard practice to be implemented consistently statewide. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss corrective actions required to implement this recommendation. (DL) | HQ will continue to work with Accounts Receivable, Districts, and Legal to establish a standard practice to be implemented consistently statewide. Districts will review and comment on all proposed EPM changes before they are finalized. (DL) | 9/30/2015 | HQ Traffic Ops-Tom Franklin | | |

Audits and Investigations (A&I) - 180-Day Status to Encroachment Permit Audit Report

| Audit Name: <u>Encroachment Permit Audit</u> | | Audit No. <u>P4000-0391</u> | | | | |
|---|--|---|--|---------------------------|---------------------------------------|--------------|
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | 180-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysis |
| Audit Report Finding # 2 | | | | | | |
| Hourly Rate for Film Permits is Less than the Standard Hourly Rate | | | | | | |
| Recommendation to HQ Office of Permits | | | | | | |
| We recommend the HQ Office of Permits adjust the hourly rate for film permits to the current standard hourly rate of \$82. If the standard hourly rate is increased in the future, the hourly rate for film permits should also be increased. | HQ EP will meet with District 7 and the California Film Commission to discuss the Standard Hourly Rate and how it applies to film permits. | 12-17-14 - Malcolm Dougherty, Director, Caltrans sent a letter to Amy Lemisch, Director, California Film Commission informing her that Caltrans will apply the same hourly rate to all permit types beginning December 31, 2014. (DL) | Completed - 12/17/2014 | 12/17/2014 - Completed | HQ Traffic Ops-Tom Franklin | |
| Audit Report Finding # 3 | | | | | | |
| Encroachment Permits are not Approved or Denied within the 60-day Statutory Requirement | | | | | | |
| Recommendations to HQ Office of Permits | | | | | | |
| Develop a standard letter for districts to use that clearly states that the application is denied and the clock will stop until the documentation is received. | HQ EP will develop and implement standard letters for application denials. Sample letters will be available on the EP intranet site for reference. | HQ EP has been assigned this task. The exact content of these letters will be determined. (AR) | Drafts of these letters have been developed and will be circulated for comments before they are implemented. (AR) | 9/1/2015 | HQ Traffic Ops-Alfredo Rodriguez, Jr. | |
| Recommendations to District Permits Offices | | | | | | |
| 1. Ensure that all permit applications are complete and contain all pertinent documentation prior to applying the simplex stamp. | HQ EP will send email to the Districts reminding them of the steps that had been incorporated into Section 201.5 of the EP Manual on 07/31/2013 to ensure that 1) an application is complete prior to it being simplex stamped and 2) Caltrans is in compliance with Section 671.5 of the California Streets and Highways Code. • After performing an initial screening of the application submittal for completeness, the Permit Engineer will send out a letter to the applicant acknowledging its receipt and whether or not it has been rejected or conditionally accepted. • If the submittal was rejected, the letter will detail the reason(s) for the rejection and list the required item(s) to be included with the resubmittal. • If the submittal was conditionally accepted, the Permit Engineer will then simplex stamp and assign an Encroachment Permit number and then distribute it to the necessary Caltrans units to review it for compliance with policy, design and construction standards. | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance EP Manual Chapter 200, section 201.5 and Streets and Highways Code, section 671.5. (DL) | Verified by Audits and Investigations on 01/06/2015 @ (A-1 p.9-11) The proposed actions for Finding # 1, recommendation # 3 to HQ should assist prospective applicants in producing a higher quality and complete EP application submittal. (TF) | 9/30/2015 | HQ Traffic Ops-Alfredo Rodriguez, Jr. | |
| 2. Remind Encroachment Permit staff about the requirement to start the 60-day time period once the permit application has been simplex stamped and all required documentation has been received. | HQ EP will assist the Districts by reminding them to simplex the application only after it has been accepted as complete. EP Manual Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance of EP Manual Chapter 200, section 201.4, 201.5, and only accepting complete applications, and use the "EP Application Checklist" (form TR-0402) as a tool to determine completeness. (AR, DL) | Verified by Audits and Investigations on 01/06/2015 @ (A-1 p.8) | 12/5/2014 - Completed | HQ Traffic Ops-Alfredo Rodriguez, Jr. | None |
| 3. Consider documenting the stop and start dates on EPMS. | HQ EP will assist the Districts by working with HQ IT to explore the possibility of enhancing EPMS to better document the 60 day clock. | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance EP Manual Chapter 200, section 201.6, table 2.3, item 5. (DL) An initial assessment of EPMS indicates that the enhancement might be more involved than previously determined. Further discussions will determine the feasibility of this proposed enhancement. (AR) | Due to the Encroachment Permit Management Systems' structure and limitations, an enhancement to start and stop the clock was deemed impractical. HQ Encroachment Permits will explore other options such as a stand alone tracking procedure. (AR) | TBD | HQ Traffic Ops-Alfredo Rodriguez, Jr. | None |

Audits and Investigations (A&I) - 180-Day Status to Encroachment Permit Audit Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | 180-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysis |
|--|--|--|--|---------------------------|-------------------------------|--------------|
| Audit Report Finding # 4 Project Inspections are not Consistently Performed | | | | | | |
| Recommendation to HQ Office of Permits | | | | | | |
| The HQ Office of Permits make a determination as to when to perform inspections and require consistency among all districts. | HQ EP will assist the Districts by consulting with Districts to determine what obstacles might be contributing to this finding and what actions can be implemented on a statewide basis to meet this recommendation. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | The first meeting was held on 1/23/15. The finding and several alternative solutions were discussed. The second meeting was held on 4/7/15. The team proposed changes to the EPM to clarify that documentation is required to show when inspections are performed, and when and why they are not performed. Other changes may include guidelines specifying when inspections should be performed. Another considered alternative is guidance in the form of a list of permit types versus how many hours should be spent on inspection. The District Permit Engineers (DPE) may be provided a tool in the form of a sample memorandum to communicate 'expectations' and time reporting information to the inspector. Districts will review and comment on all proposed changes before they are finalized. (DL) | 9/30/2015 | HQ Traffic Ops-David Lassiter | |
| Recommendation to District Permits Offices | | | | | | |
| 1. Ensure that required inspections are performed, and are consistently documented in the permit file. | HQ EP will assist the Districts by consulting with Districts to determine what obstacles might be contributing to this finding and what actions can be implemented on a statewide basis to meet this recommendation. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | The first meeting was held on 1/23/15. The finding and several alternatives were discussed. A second meeting was held on 4/7/15. In addition to the EPM changes, HQ also recommends strategies the Districts may use to increase inspection documentation which include: distribute tablets, provide laptops with internet connections, or provide administrative assistance for data entry. DPEs may also meet with inspectors prior to field work to review expectations, including time charging practices and inspection documentation. A transmittal memorandum can be used in lieu of a face-to-face meeting. The Encroachment Permit Report (Diary)(form TR-0130) should be included in the permit file prior to closing and archiving. Districts will review and comment on all proposed changes before they are finalized. (DL) | 9/30/2015 | HQ Traffic Ops-David Lassiter | |
| 2. Require that documentation be included in the permit file when inspections are not required. | HQ EP will assist the Districts by consulting with Districts to determine what obstacles might be contributing to this finding and what actions can be implemented on a statewide basis to meet this recommendation. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | The first meeting was held on 1/23/15. The problem and several alternatives were discussed. A second meeting was held on 4/7/15. In addition to the EPM changes, HQ also suggests distributing tablets, providing laptops with internet connections, and assisting with data entry to increase inspection documentation. DPEs may also meet with inspectors prior to field work to review documentation and resource expectations. A transmittal memorandum can be used in lieu of a face-to-face meeting. The Diary should be included in the permit file prior to closing and archiving. Districts will review and comment on all proposed changes before they are finalized. (DL) | 9/30/2015 | HQ Traffic Ops-David Lassiter | |

Audits and Investigations (A&I) - 180-Day Status to Encroachment Permit Audit Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | 180-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysis |
|--|--|--|---|------------------------------|-------------------------------|--------------|
| Audit Report Finding # 5 Lack of Segregation of Duties in Processing and Approving Permit Applications | | | | | | |
| Recommendation to HQ Office of Permits | | | | | | |
| The HQ Office of Permits provide specific guidance to all districts regarding the requirements to process and approve permit applications. | HQ EP will prepare (1) an interim guidance to the Districts while working to develop (2) a statewide policy. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | The first meeting was held on 1/23/15. The team discussed the existing guidance in the EPM and alternatives to clarify the process and approval of permit applications. Process and approval questions can be addressed to the Encroachment Permits Branch Chief. A Proposed Revisions to EPM Form can be used to address clarity issues and to suggest EPM changes. At a second meeting held on 4/7/15, the team decided to increase internal controls by revising the EPM to specify that one individual will review and write the permit, while a second individual will review and approve the permit. Also, HQ Encroachment Permits Branch will work towards formalizing the delegation authority. Districts will review and comment on all proposed changes before they are finalized. (DL) | (1) 9/30/2015 (2) TBD | HQ Traffic Ops-David Lassiter | |
| Recommendation to District Permits Offices | | | | | | |
| Districts 3 and 4 Encroachment Permit Offices assign the responsibility for reviewing and approving permits to individuals one level above the permit writers until they receive further guidance from the HQ Office of Permits. | HQ EP will assist the Districts by issuing a memorandum providing an interim guidance. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | Two meetings were held, one on 1/23/15 and the second on 4/7/15. Standard practice among the Districts is to control the issuance of permits by having at least two individuals involved with writing and issuing an encroachment permit. The proposed EPM changes will help to clarify this ongoing practice. Districts will review and comment on all proposed changes before they are finalized. (DL) | 9/30/2015 | HQ Traffic Ops-David Lassiter | |

Audits and Investigations (A&I) - 180-Day Status to Encroachment Permit Audit Report

| Audit Name: <u>Encroachment Permit Audit</u> | | | | | | Audit No. <u>P4000-0391</u> | |
|---|--|--|---|---------------------------|---------------------------|-----------------------------|--|
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | 180-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysis | |
| Audit Report Finding # 6 | | | | | | | |
| Weakness in the Initial Screening Process of Permit Applications | | | | | | | |
| Recommendations to HQ Office of Permits | | | | | | | |
| If a change in policy is necessary, the change be communicated to all the districts by the HQ Office of Permits. | If the HQ Office of Permits determines that a change in policy is necessary, the change will be communicated to all the districts. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) New or changes in policy, if necessary, will be updated in the EP Manual. (DT) | The team met on 1/28/15 to discuss Finding #6. Some changes or clarification in policies are necessary to address the weakness in the initial screening process of permit applications. Those changes are discussed in Finding #6, Recommendations 1-4 to the District Permits Offices. Proposed changes are drafted and are included in Chapter 200, sections 201.2, 201.5, and 201.6. Districts will review and comment on all proposed changes before they are finalized. (DT) | 9/30/2015 | HQ Traffic Ops-Darren Tam | | |
| Recommendations to District Permits Offices | | | | | | | |
| 1. Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permits Manual. | HQ EP will work with the Districts to draft a standard acknowledgement letter acknowledging receipt of application and to notify applicant whether the application had been conditionally accepted or rejected. Acknowledgement letter will be available on the EP intranet site for reference. | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance EPM Chp 200, section 201.5. (DL) The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL)Drafted letter templates for District review and concurrence. (DT) | The team met on 1/28/15 to discuss Finding #6. Existing policy in the EPM requires that acknowledgement letters be sent to all applicants after the initial screening process to inform applicants of application status, however, there is no uniformity among Districts. For consistency, standard acknowledgement letter templates had been drafted, and the team had reviewed and revised them. The templates will be circulated to the rest of the Districts for concurrence, then placed on the intranet for statewide use. At the team's recommendation, emails should be allowed as an acceptable form of communication with applicants. Emails that include the standard letter template and kept in the permit file will be considered an alternative to the acknowledgement letter. (DT) | 9/30/2015 | HQ Traffic Ops-Darren Tam | | |
| 2. Ensure permit applications are complete prior to accepting them. | HQ EP will send email or memo to remind the Districts that they need to adhere to the EP Manual guidelines. The EP Manual Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." An Encroachment Permit Application Checklist (TR-0402) is also available to aid Staff in reviewing application completeness before accepting them. If additional clarification is warranted, the EP Manual and/or the Application Checklist will be updated accordingly. | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance EPM Chp 200, section 201.4 which states that only completed applications be accepted and assigned a permit number. Also recommended Districts to utilize the Encroachment Permit Application Checklist in reviewing application completeness. (DT) (DL) | The team met on 1/28/15 to discuss Finding #6. Policies and guidance are already in place in the EPM to preliminarily review applications to accept only complete applications, and then assign a permit number. A memorandum re-emphasizing that importance had been sent to Districts on 12/5/2014. The EPM will be updated to show that EP staff should reference the Encroachment Permit Application Check List (TR-0402) in determining whether an application is complete. In addition, the team suggested to explore options in requiring applicants to complete the checklist and include it in the application submittal. (DT) | 9/30/2015 | HQ Traffic Ops-Darren Tam | | |
| 3. Date stamp applications at the time they are received. | HQ EP will work with the Districts to draft policy making it standard practice to date stamp application at the time they are received, whether received at District office or Field office. HQ EP will work with HQ IT to explore options to provide an additional field in database for data input. | Initiated contact with HQ IT for database enhancement. A Service Desk Ticket # 00994559 was created on December 4, 2014. (DT) The first meeting will be scheduled for late January to discuss this finding and recommendation. (DT) | The team met on 1/28/15 to discuss Finding #6. Although not specifically required, Districts are already date stamping applications as they are received. 1) EPM Section 201.6 will be updated to adopt this best practice into policy requiring date stamping applications as part of the application intake process. The date stamp to every encroachment permit application provides the capability to monitor the time between when the District Encroachment Permit Office receives the application and when it performs the cursory review. 2) As part of the Encroachment Permits Management System (EPMS) enhancement, HQ EP has requested a data field, "Application Received Date," be added in EPMS for inputting the application date stamp. IT has not started on the EPMS enhancement due to resource constraints. (DT) | (1) 9/30/2015 (2) TBD | HQ Traffic Ops-Darren Tam | | |
| 4. Adhere to the requirements for ensuring checks are tracked, securely maintained, and submitted timely to District Cashier's office. | HQ EP will send an email or memo to the Districts to remind them of the current practice as stated in EP Manual Chapter 200, Section 201.2, "All payments (coin, currency, checks, or warrants) shall be logged and remitted to the District Cashier's Office by the next business day for deposit into the appropriate State Bank account." | 12/5/2014 - Yin-Ping sent Districts a memo re-emphasizing the accounting procedure when handling all payments at District level and recommended they adhere to EPM Chapter 200, Section 201.2 and use the Encroachment Permit Log (form TR-0111). (DT) (DL) | The team met on 1/28/15 to discuss Finding #6. Districts agreed that guidelines in EPM Chapter 200, Section 201.2 are generally followed to timely submit payments to the District Cashier's office. Districts do not seem to make use of the Encroachment Permit Log (Form TR-0111). Particularly the districts participated in the team were not familiar with that form. As the Encroachment Permit Log is used to chronologically log accepted applications, payments, and refunds, Districts are reminded to use this useful tool for tracking any amount of deposit or fee paid to the District Cashier. EPM Section 201.2 will be updated to reference the Encroachment Permit Log (TR-0111) to log in all payments to the District Cashier. | 9/30/2015 | HQ Traffic Ops-Darren Tam | | |

| Audits and Investigations (A&I) - 180-Day Status to Encroachment Permit Audit Report | | | | | | |
|--|--|---|---|-----------------------------|---------------------------------------|--------------|
| Audit Name: <u>Encroachment Permit Audit</u> | | | | Audit No. <u>P4000-0391</u> | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | 180-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysis |
| Audit Report Finding # 7 | | | | | | |
| Lack of Reconciliation for Encroachment Permit Fees Collected | | | | | | |
| Recommendation to D of A Headquarters Cashier | | | | | | |
| 1. Work with HQ Office of Permits to establish a process for validating fee payments collected to the permits the districts issued including fees collected by the district cashiers and the California Film Commission. | HQ EP will assist the Cashiering office in communicating with the Districts the appropriate actions required to validate payments. | HQ has consulted with Jenny Wong, Cashiering Office, to meet and begin formulating a solution. The draft proposals will be shared with the Districts for their input prior to implementation. | HQ Cashiering Office has produced a report that can be used by District 7 to validate fee payments and balance permittee accounts with respect to the California Film Commission. The report is sent by HQ Cashiering Office on a monthly basis. HQ continues to work with HQ Cashiering and Accounts Receivable to have the ability to extend a similar report to all permittee accounts. The Districts will review and comment on the process prior to finalizing EPM changes. (DL) | 9/30/2015 | HQ Traffic Ops-Tom Franklin | |
| 2. Provide districts with appropriate information so they can validate the payments posted and acknowledge the permit fees collected. | HQ EP will assist the Cashiering office in communicating with the Districts the appropriate actions required to validate payments. | HQ has consulted with Jenny Wong, Cashiering Office, to meet and begin formulating a solution. The draft proposals will be shared with the Districts for their input prior to implementation. | The monthly reports will provide the Districts with the appropriate information so they can validate the payments posted and acknowledge the permit fees collected. (DL) | 9/30/2015 | HQ Traffic Ops-Tom Franklin | |
| Audit Report Finding # 8 | | | | | | |
| Inconsistency in Using Standard Forms | | | | | | |
| Recommendation to District Permits Offices | | | | | | |
| We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permits Manual. | HQ EP will send email to the Districts to re-emphasize the importance that only current standard forms should be used. Official forms are located in the Caltrans Electronic Forms System (CEFS), the EP intranet and internet websites and in the Encroachment Permits Management System (EPMS). | 12/5/2014 - Yin-Ping sent Districts a memo re-emphasizing the importance of using only current standard forms and the location of where these are available. Referenced EP Manual Chapter 100, section 108; Chapter 200, section 201 and 201.1; internet and intranet sites; CEFS and EPMS. (DL) (AR) | Verified by Audits and Investigations on 01/06/2015 @ (A-1 p.9-11) | 12/5/2014 - Completed | HQ Traffic Ops-Alfredo Rodriguez, Jr. | |

**DEPARTMENT OF TRANSPORTATION
DISTRICT 3**

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*Serious drought.
Help save water!*

May 4, 2015

Mr. William E. Lewis
Assistant Director
Audits and Investigations
1304 "O" Street Suite 200
Sacramento, CA 95814

Dear Mr. Lewis:

As a follow up to the audit the Encroachment Permits offices completed on November 5, 2014, this is the 180-day status update for District 3. Below is a summary of actions taken as a result of and in response to audit recommendations.

- The District 3 Encroachment Permits office continues to aggressively prosecute our effort to close expired permit files. While this will be a long-term effort, we have continued to show a net reduction in the number of expired permits on a monthly basis. Since our last report, District 3 reviewed the criteria that was used to identify expired permits. This resulted in an increase in permits needing to be closed. In October 2014 there were 884 permits which had been expired for six (6) or more months. As of our last report (dated March 2015), this number has been reduced by 208 permits to a total of 676 permits.
- As stated in the 60-day status update to this audit, staff has been provided an in-house-developed charging practices booklet to facilitate correct time charging. This charging practices booklet is currently being updated and clarified in an on-going effort to ensure that staff charges time in accordance with DD-108 and the Encroachment Permits manual.
- Permit staff continue to be provided guidance and instruction to ensure that permit applications are complete prior to a permit number being assigned via simplex stamp. Appropriate guidance is being obtained using a variety of methods including (but not limited to): referencing the Encroachment Permits manual; communication with Headquarters (HQ) Encroachment Permits staff and individual, group, or unit meetings to resolve issues which are particularly complex or unusual in nature. In conjunction with addressing outstanding issues, unit staff meetings are being used as training opportunities with final decisions being implemented throughout the unit as the standard of expectation. The extensive depth of experience of unit staff facilitates our being able to work collaboratively to resolve these issues without adversely affecting permit timelines. Upon identification of the preferred solution to an issue or initiation of a local policy, direction to implement these decisions is issued via e-mail to staff after being initiated

Mr. William E. Lewis

5/4/2015

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verbally. Upon proving the efficacy of these decisions, they will be reiterated and further documented through Process Guidance Memos issued to unit staff and inclusion in the D3 Encroachment Permits Practices manual (currently in draft form).

- Permit staff are continuing to work with Headquarters and support staff (primarily via email or phone contact) to ensure that information is input into EPMS and our local production database accurately and appropriately. This is an ongoing effort as issues continue to be identified which adversely affect permit issuance timelines, expired permits, and other performance metrics. These issues may result in adjustments or changes being made in how specific information is input in the databases to allow more accurate tracking of permit information. Ultimately, these issues may require that modifications be made in the appropriate database to facilitate input and tracking of the permit information. As HQ has stated that resources are not available to facilitate updates to EPMS, additional training of unit staff is necessary to compensate for identified issues which will continue to persist in EPMS. We are pursuing development of formalized training for our local production database with the goal of increased consistency and standardization. Multiple units statewide have inquired into the availability of EPMS training and we remain hopeful that HQ will facilitate pursuing this topic.
- At present, the Permits Engineer reviews all outgoing permits prior to their being issued to ensure they are quality documents which are consistent and conform with policy, procedures, and the Encroachment Permits manual. Following all reviews the Permits Engineer signs all permits. As quality and consistency are achieved and meet requirements and expectations, the Permits Engineer may delegate signatory authority to permit writers on an individual basis.
- Permits staff is actively working to ensure that all forms utilized by the unit and permit applicant are the most current revisions available. This is being accomplished by updating the appropriate forms when notified by either HQ or other Department staff of an update to an existing form or when it is found in an online resource. Currently, forms are being checked on a monthly basis to see if there is a revised version available. This is being checked on the Caltrans CEFS website as well as with HQ Encroachment Permits' website and the online Encroachment Permits manual. Our database memorandum and letter templates are also checked monthly against HQ and District 3 versions available on the respective intranet sites to ensure that we are using the appropriate versions for all communication internally and externally.
- The workload for the unit continues to be re-evaluated on, at minimum, a monthly basis to ensure that all permit writers and permit inspectors have equitable workloads. Given the nature of the permits environment this will continue to be necessary to ensure that appropriate service continues to be provided to all customers.

Mr. William E. Lewis

5/4/2015

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Thank you for allowing us to be part of this audit process. The audit results and recommendations have resulted in substantial improvements in the District 3 Encroachment Permits office and the Encroachment Permits process throughout the Department. We will provide the next update to our efforts at the 360-day audit status update due no later than October 31, 2015.

If you have any questions, please contact Charles Laughlin at (530) 741-4408.

Sincerely,



ANDREW BRANDT

Deputy District Director

District 3 – Division of Maintenance and Traffic Operations

c: Yin-Ping Li
Mike Bauer
Chuck Laughlin

| Audits and Investigations (A&I) - Response to Draft Report | | | |
|---|--|---------------------------|-----------------------------------|
| Audit Name: Encroachment Permit Audit | | Audit No. _____ | |
| Auditee: District 07 | | | |
| Audit Report Finding # <u>1</u> | | | |
| List Finding Here: Under Recovery of cost for administering the Encroachment Permit Program | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | Estimated Completion Date | Staff Responsible |
| 1. Establish a list of delinquent applicants using DofA's aging report to identify permittees with overdue balances prior to accepting new applications | That is good only for current fiscal year. | one year | District: Front counter and admin |
| 2. Collect the overdue balance from the applicant prior to accepting the new application | This recommendation will be quite problematic and contrary to the current policy of partnership. Almost all of the overdue balances are from the applications from the utility companies which are most likely over one year old. In order to recover the charges and once a "request to pay" is made; these companies need to send the bill to their accounting office and that could take months before and if we are paid. Our experience is that the utility companies close and reconcile their accounting every year and it would be very hard to reopen old accounts. Because of this very issue, Dist 07 has stopped the "deferment". We only defer the payment from the application submittal date to the permit issuance date. This practice will, not only ensure payment and eliminate overdue balances, but also saves a lot of admin time and minimizes refunds. DofA should go thru a collection process for aged bills over one year in a manner that would not interfere with current utility work. | one year | District: Front counter and admin |
| 3. Close out permit files timely and ensure the required close out documents are received. | Larger districts may not be adequately resourced to manage the large backlog of close-out permits. Workload standard (WLS) is not adequately identified to assess the extent of work involved, including but not limited to file library management, microfilming, cataloging, billing, and purging extraneous material. | ongoing | Inspectors and admin. |
| 4. Comply with the Encroachment Permits Manual for billable permitting activities and issue appropriate refunds. | | ongoing | all staff |
| Audit Report Finding # <u>3</u> | | | |
| List Finding Here: Encroachment permits are not issued or denied within the 60-days Statutory requirements | | | |
| 1. Ensure that all permit applications are complete and contain all all pertinent documentation prior to applying the simplex | agree | ongoing | Front Counter |

| Audits and Investigations (A&I) - Response to Draft Report | | | |
|---|---|---------------------------|--|
| | Audit Name: Encroachment Permit Audit | Audit No. _____ | |
| Auditee: District 07 | | | |
| Audit Report Finding # _1_ | | | |
| List Finding Here: Under Recovery of cost for administering the Encroachment Permit Program | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | Estimated Completion Date | Staff Responsible |
| 2. Establish a consistent process to start the 60-day time period once the permit application has been simplex stamped | agree | ongoing | Front Counter, Permit writer, reviewers, admin |
| Audit Report Finding #4 | | | |
| List Finding Here: Project Inspections are not consistently performed. | | | |
| We recommend that District Encroachment Permit Offices ensure that required inspections are performed and are consistent with the specified permit requirements | strongly agree. Of course there are a number of permits that do not require inspections or pre-job like "time extensions" or "Riders" and I hope and trust that those were not among the files audited ??.. Inspection requests are rejected sometimes based on budget limitations. Our opinion is that per Section 206 of the EP Manual, as stated above - Inspection is necessary and is owed to the applicants because: 1) they have paid for it in advance and they count on our inspectors to be there, and 2) lack of presence and inspection deteriorates our authority out there and would not best protect the state highway facilities and increases the exposure to the State. | ongoing | Inspectors to perform inspection - supervisors to approve overtime for inspection if needed. |
| Audit Report Finding #6 | | | |
| List Finding Here: weakness in the initial screening process of Permit Applications | | | |
| 1. Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permit Manual | This was probably drafted before we even had computers or fax machines. It needs to be revisited. Generally speaking; if some things are not being done over 95% of the times, it only means that policy needs to be revised. A copy of the fee sheet of the application with "PAID" stamp while they are waiting at the counter or email to the applicant should suffice in lieu of an acknowledgement letter. | ongoing | Front counter |
| 2. Ensure permit applications are complete prior to accepting them | strongly agree. | ongiong | Front counter, permit writers, inspectors |
| 3. Date stamp applications at the time they are received. | That's ok if also noted on the stamp wheather the application is complete or incomplete. If incomplete this date stamp should not constitute the date to be used for the 60 days policy. In dist. 07, once the application is complete and ready for acceptance, we date it, log it in, give it a number and the 60 days clock starts running from then on. | ongoing | Front counter |

| Audits and Investigations (A&I) - Response to Draft Report | | | |
|--|----------------------------------|---------------------------|-------------------|
| Audit Name: Encroachment Permit Audit | | Audit No. _____ | |
| Auditee: District 07 | | | |
| Audit Report Finding # 1 | | | |
| List Finding Here: Under Recovery of cost for administering the Encroachment Permit Program | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | Estimated Completion Date | Staff Responsible |
| 4. Adhere to the requirements for ensuring checks are tracked, securely maintained and submitted timely to District Cashier's office. | agree | ongoing | front counter |
| Audit Report Finding #8 | | | |
| List Finding Here: Inconsistency in using Standard forms | | | |
| We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permit Manual | agree | 3/1/2015 | Chief, Seniors, |
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| 60 days status report - Dist. 07 | 180 days status report - Dist.07 | |
| The list has been provided to the front counter staff to be vigilant of previously delinquent applicants | The list has been provided to the front counter staff to be vigilant of previously delinquent applicants | |
| The above list is being used for this purpose. | The above list is being used for this purpose. | |
| There has not been measurable progress yet, working on it. | There has not been measurable progress yet, working on it. Lack of adequate resources to catch up is missing. | |
| on going | on going | |
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| We have assigned a focal point to screen and filter issues prior to acceptance. | We have assigned a focal point to screen and filter issues prior to acceptance. It is working well. | |

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| 60 days status report - Dist. 07 | 180 days status report - Dist.07 | |
| the above focal point also ensures timely distribution to the reviewers and prevent time delays and lags. | the above focal point also ensures timely distribution to the reviewers and prevent time delays and lags. We have assigned a staff to monitor inactive files nearing 45 and 60 days. | |
| | | |
| | | |
| Thanks to our deputy and his knowledge of permit function and the criticality of inspection, the requests for OT to perform inspections are being approved and we have had very good coverage in this area. | Thanks to our deputy and his knowledge of permit function and the criticality of inspection, the requests for OT to perform inspections are being approved and we have had very good coverage in this area. This practice is being continued with success. | |
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| See Auditee response. This section of the Manual needs to be revised to keep up with the new era of how the world is communicating and conducting business -- and it is not via "mail" | Applicants are receiving emails acknowledging receipt of their applications. | |
| See response to audit #3, item 1 | See response to audit #3, item 1 | |
| We do that. On-going. | on going | |

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| 60 days status report - Dist. 07 | 180 days status report - Dist.07 | |
| The front counter staff are responsible for their assigned area. The checks that are received over the counter are deposited with the cashier by the applicant. We do not have a mechanism for tracking the checks that are received by mail yet. | We are discussing this matter with the cashier's office for safekeeping of the checks until such time that they are ready to be accepted and deposited. This will create a defacto tracking as they are all in one place. | |
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| | | |
| Still working on it. No measurable progress. | Still working on it. No measurable progress. | |
| | | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 1

| A&I Audit Recommendation | Auditee Response to Draft Report | Estimated Completion Date | Staff Responsible | A&I Analysis |
|--|--|---------------------------|-------------------|--------------|
| <p>Establish a list of delinquent applications using DofA's aging report to identify permittees with overdue balances prior to accepting new applications.</p> | <p>D of A's aging reports have only been provided to the Districts for a few months.</p> <p>Collections is a centralized activity, so action will be required of HQ and status of billing/collections reported to Districts. Additional clarification is needed from HQ.</p> | <p>Ongoing</p> | <p>DPE</p> | |
| <p>Collect the overdue balance from the applicant prior to accepting the new application.</p> | <p>District will defer to HQ Permits on how to identify/collect overdue balances. Many of the Utility companies on the aging list have deferred billing accounts. Without status, the District is not aware of what billing cycle they may be on.</p> <p>Upon obtaining clarification, District 11 will implement this practice.</p> | <p>Ongoing</p> | <p>DPE</p> | |
| <p>Close out permit files timely and ensure the required close out documents are received.</p> | <p>District will remind all permit inspectors to ensure the required close out documents are received, and permit files are closed in a timely manner, in cooperation with Permit Writers. Implement regular close-out status meetings to track outstanding closures.</p> | <p>Ongoing</p> | <p>DPE</p> | |
| <p>Comply with the Encroachment Permits Manual for billable permitting activities and issue appropriate refunds.</p> | <p>Concur. District business practice is to currently collect estimated review and inspection hours prior to issuance of permit. Prior to closing out permits, District will ensure permittees have been billed properly, or issued a refund.</p> | <p>Ongoing</p> | <p>DPE</p> | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 3

Finding: Encroachment permits are not approved or denied within the 60-day statutory requirement

| | | | | |
|--|--|----------------|------------|--|
| <p>Ensure that all permit applications are complete and contain all pertinent documentation prior to applying the simplex stamp.</p> | <p>Concur.</p> | <p>Ongoing</p> | <p>DPE</p> | |
| <p>Remind Encroachment Permit staff about the requirement to start the 60-day time period once the permit application has been simplex stamped and all required documentation has been received.</p> | <p>Staff will be reminded of the 60-day time period.</p> | <p>Ongoing</p> | <p>DPE</p> | |
| <p>Consider documenting the stop and start dates on EPMS.</p> | <p>Concur. District will ensure that each correspondence is input in EPMS so that identify if waiting on District or Applicant response.</p> | <p>Ongoing</p> | <p>DPE</p> | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 4

Finding: Project inspections are not consistently performed

| | | | | |
|--|---|----------------|------------|--|
| <p>Ensure that required inspections are performed, and are consistently documented in the permit file.</p> | <p>Concur. Permit Inspectors will spot check to ensure that proper bench mark inspection is performed, and documentation is placed in the permit files.</p> | <p>Ongoing</p> | <p>DPE</p> | |
| <p>Require that documentation be included in the permit file when inspections are not required.</p> | <p>Concur. District will remind staff to capture this information on Permit Progress Billing/Closure Notice form.</p> | <p>Ongoing</p> | <p>DPE</p> | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 6

Finding: Weakness in initial screening process of permit applications

| | | | | |
|---|--|---------|-----|--|
| Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permit Manual. | Concur. This practice will be reinforced. | Ongoing | DPE | |
| Ensure permit applications are complete prior to accepting them. | Concur. This practice will be reinforced. | Ongoing | DPE | |
| Date stamp applications at the time they are received. | Concur. This practice will be reinforced. The District stamps applications as 'received', then once all information is collected and conditionally complete, the application is Simplex stamped. | Ongoing | DPE | |
| Adhere to the requirements for ensuring checks are tracked, securely maintained and submitted timely to District Cashier's office. | Concur. This practice will be reinforced. | Ongoing | DPE | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 8

Finding: Inconsistency in using standard forms

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|---|---|---------|-----|--|
| We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permit Manual. | Concur. Staff will be reminded to use the latest version of encroachment permit forms. In addition, the Administration Senior will forward updated electronic forms to all staff. | Ongoing | DPE | |
|---|---|---------|-----|--|

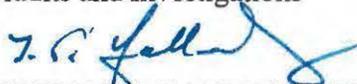
Memorandum

*Serious drought.
Help save water!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: December 23, 2014

File:

From: 
THOMAS P. HALLENBECK
Chief
Division of Traffic Operations

Subject: **60-DAY STATUS OF CORRECTIVE ACTIONS-ENCROACHMENT PERMIT AUDIT REPORT (P4000-0391)**

Thank you for the opportunity to provide a 60-day status report on the corrective actions the Division of Traffic Operations has taken based on the recommendations in the Encroachment Permits Statewide Audit (P4000-0391). Attached is the report and copies of the correspondence documenting the actions taken.

If you have any questions please contact Yin-Ping Li, Chief, Office of Permits at (916) 654-5548.

Attachments

- (1) 60-Day Status EP Audit, P4000-0391
- (2) Director's Letter to California Film Commission dated 12-17-2014
- (3) EP Audit Reminder Memorandum to Districts
- (4) EP Audit Response Teams

c: Steve Takigawa, Deputy Director, Maintenance and Operations
Clark Paulsen, Chief, Division of Accounting
Jeanne Scherer, Deputy Chief Counsel, Legal Division
Andrew Brandt, Deputy District Director, Maintenance and Operations, District 3
S. Sean Nozzari, Deputy District Director, Traffic Operations, District 4
Ali Zaghari, Deputy District Director, Traffic Operations, District 7
Marcelo Peinado, Deputy District Director, Traffic Operations, District 11
Kris Kuhl, Assistant Chief, Division of Traffic Operations, Headquarters
Yin-Ping Li, Chief, Office of Permits, Division of Traffic Operations, Headquarters

HQ Division of Traffic Operations
60-Day Status Report

| Audits and Investigations (A&I) - Response to Draft Report | | | | | |
|---|---|---|---------------------------|-----------------------------------|--------------|
| Audit Name: <u>Encroachment Permit Audit</u> | | Audit No. <u>P4000-0391</u> | | | |
| Auditee: <u>Encroachment Permits Program</u> | | | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysts |
| Audit Report Finding # 1 | | | | | |
| Under recovery of costs for administering the Encroachment Permit Program | | | | | |
| Recommendations to HQ Office of Permits | | | | | |
| 1. Follow up with the Legal Division to determine if regulations are necessary to increase the Standard Hourly Rate (SHR). If regulations are necessary, request that the Legal Division proceed with implementing regulations. | HQ EP will consult with the Legal Division as recommended to confirm the need of regulations to increase the Standard Hourly Rate. If regulations are necessary, HQ EP will consult with the Legal Division to assess the risks if Caltrans increases the Standard Hourly Rate prior to having regulations in place. | HQ EP contacted Legal and they recommend regulations. HQ EP has drafted regulations, initiated the process through Legal, and currently working on the Office of Administrative Law process. (DL) | 1/31/2016 | HQ Traf Ops-Tom Franklin | |
| 2. Finalize the process for reviewing and revising the Standard Hourly Rate on an annual basis when necessary. | HQ EP will work with Accounts Receivable to finalize the process for reviewing and revising the SHR as recommended. | The process for reviewing and revising the Standard Hourly Rate (SHR) is complete and will be "finalized" when regulations are adopted. | TBD | HQ Traf Ops-Tom Franklin | |
| 3. Determine the appropriate number of hours allowed for pre-conceptual meetings and provide guidance to the districts on how to charge the time spent. | HQ EP will convene a committee of District and HQ EP and other functional units to evaluate issues and propose solutions. | Finding 3, recommendation 1 and this item need to be combined and worked on together. (TF) A group consisting of HQ and three district staff has been assigned this task. (DL) | 3/1/2015 | HQ Traf Ops-Alfredo Rodriguez, Jr | |
| 4. Require that utility companies, that are delinquent, pay in advance for their permits and require that they provide a central billing address. | HQ EP will meet with Accounts Receivable, District EP, Legal, and utilities to discuss issues and identify solutions. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss actions required to address this recommendation. (DL) | TBD | HQ Traf Ops-Tom Franklin | |
| Recommendations to District Permits Offices | | | | | |
| 1. Using ID of A's aging report, identify permittees with overdue balances prior to accepting new applications. | To assist the Districts, HQ EP will take the lead and work with Accounts Receivable to provide Districts with a user friendly aging report to identify overdue balances. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss corrective actions required to implement this recommendation. (DL) | TBD | HQ Traf Ops-Tom Franklin | |
| 2. Require applicants to pay overdue balances prior to accepting new application. | To assist the Districts, HQ EP will meet with Accounts Receivable and District EP to evaluate existing processes and update as required. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss corrective actions required to implement this recommendation. (DL) | TBD | HQ Traf Ops-Tom Franklin | |
| 3. Close out permit files timely and ensure the required close out documents are received. | To assist the Districts, HQ EP will provide monthly performance reports to the District Directors, DDDs, and DPEs in a collaborative effort to timely close out permits that had been completed. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss corrective actions required to implement this recommendation. (DL) | TBD | HQ Traf Ops-Tom Franklin | |
| 4. Comply with the Encroachment Permits Manual for billable permitting activities and issue appropriate refunds. | Based on information provided by Accounts Receivable, the threshold on refund and billing has been established in the State Administrative Manual (SAM). HQ EP will work with Accounts Receivable, District EP, and Legal to establish a standard practice to be implemented consistently statewide. | A group consisting of HQ and three District Staff has been assigned this task. Future meetings will be scheduled to discuss corrective actions required to implement this recommendation. (DL) | TBD | HQ Traf Ops-Tom Franklin | |

HQ Division of Traffic Operations
60-Day Status Report

| Audits and Investigations (A&I) - Response to Draft Report | | | | | |
|---|---|---|---------------------------|------------------------------------|-------------|
| Audit Name: <u>Encroachment Permit Audit</u> | | Audit No. <u>P4000-0391</u> | | | |
| Auditee: <u>Encroachment Permit Division</u> | | | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | Estimated Completion Date | Staff Responsible | A&I Analyst |
| Audit Report Finding # 2 Hourly Rate for Film Permits is Less than the Standard Hourly Rate | | | | | |
| Recommendation to HQ Office of Permits | | | | | |
| We recommend the HQ Office of Permits adjust the hourly rate for film permits to the current standard hourly rate of \$82. If the standard hourly rate is increased in the future, the hourly rate for film permits should also be increased. | HQ EP will meet with District 7 and the California Film Commission to discuss the Standard Hourly Rate and how it applies to film permits. | 12-17-14 - Malcolm Dougherty, Director, Caltrans sent a letter to Amy Lemisch, Director, California Film Commission informing her that Caltrans will apply the same hourly rate to all permit types beginning December 31, 2014. (DL) | 12/17/2014 - Completed | HQ Traf Ops-Tom Franklin | |
| Audit Report Finding # 3 Encroachment Permits are not Approved or Denied within the 60-day Statutory Requirement | | | | | |
| Recommendations to HQ Office of Permits | | | | | |
| Develop a standard letter for districts to use that clearly states that the application is denied and the clock will stop until the documentation is received. | HQ EP will develop and implement standard letters for application denials. Sample letters will be available on the EP intranet site for reference. | A group consisting of HQ and three District Staff has been assigned this task. First meeting will be scheduled for late January to discuss the exact content of these letters. (AR) | 3/1/2015 | HQ Traf Ops-Alfredo Rodriguez, Jr. | |
| Recommendations to District Permits Offices | | | | | |
| 1. Ensure that all permit applications are complete and contain all pertinent documentation prior to applying the simplex stamp. | HQ EP will send email to the Districts reminding them of the steps that had been incorporated into Section 201.5 of the EP Manual on 07/31/2013 to ensure that 1) an application is complete prior to it being simplex stamped and 2) Caltrans is in compliance with Section 671.5 of the California Streets and Highways Code. * After performing an initial screening of the application submittal for completeness, the Permit Engineer will send out a letter to the applicant acknowledging its receipt and whether or not it has been rejected or conditionally accepted. * If the submittal was rejected, the letter will detail the reason(s) for the rejection and list the required item(s) to be included with the resubmittal. * If the submittal was conditionally accepted, the Permit Engineer will then simplex stamp and assign an Encroachment Permit number and then distribute it to the necessary Caltrans units to review it for compliance with section 201.4 and 201.5 of the EP Manual. | Finding 1, recommendation 3 and this item need to be combined and worked on together. (TF) 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance EPM Chp 200, section 201.5 and Streets and Highways Code, section 671.5 (DL) | 3/1/2015 | HQ Traf Ops-Alfredo Rodriguez, Jr. | |
| 2. Remind Encroachment Permit staff about the requirement to start the 60-day time period once the permit application has been simplex stamped and all required documentation has been received. | HQ EP will assist the Districts by reminding them to simplex the application only after it has been accepted as complete. The EPM Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance of EPM Chp 200, section 201.4, 201.5, and only accepting complete applications, and use the "EP Application Checklist" (form TR-0402) as a tool to determine completeness. (AR, DL) | 12/5/2014 - Completed | HQ Traf Ops-Alfredo Rodriguez, Jr. | None |
| 3. Consider documenting the stop and start dates on EPMS. | HQ EP will assist the Districts by working with HQ IT to explore the possibility of enhancing EPMS to better document the 60 day clock. | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance EPM Chp 200, section 201.6, table 2.3, item 5. (DL) An initial assessment of EPMS indicates that the enhancement might be more involved than previously determined. Further discussions will determine the feasibility of this proposed enhancement. (AR) | TBD | HQ Traf Ops-Alfredo Rodriguez, Jr. | None |

HQ Division of Traffic Operations
60-Day Status Report

| Audits and Investigations (A&I) - Response to Draft Report | | | | | |
|--|--|--|---------------------------|----------------------------|--------------|
| Audit Name: <u>Encroachment Permit Audit</u> | | Audit No. <u>P4000-0391</u> | | | |
| Auditee: <u>Encroachment Permits Program</u> | | | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysis |
| Audit Report Finding # 4 | | | | | |
| Project Inspections are not Consistently Performed | | | | | |
| Recommendation to HQ Office of Permits | | | | | |
| The HQ Office of Permits make a determination as to when to perform inspections and require consistency among all districts. | HQ EP will assist the Districts by consulting with Districts to determine what obstacles might be contributing to this finding and what actions can be implemented on a statewide basis to meet this recommendation. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | 5/31/2015 | HQ Traf Ops-David Lassiter | |
| Recommendation to District Permits Offices | | | | | |
| 1. Ensure that required inspections are performed, and are consistently documented in the permit file. | HQ EP will assist the Districts by consulting with Districts to determine what obstacles might be contributing to this finding and what actions can be implemented on a statewide basis to meet this recommendation. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | 5/31/2015 | HQ Traf Ops-David Lassiter | |
| 2. Require that documentation be included in the permit file when inspections are not required. | HQ EP will assist the Districts by consulting with Districts to determine what obstacles might be contributing to this finding and what actions can be implemented on a statewide basis to meet this recommendation. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | 5/31/2015 | HQ Traf Ops-David Lassiter | |
| Audit Report Finding # 5 | | | | | |
| Lack of Separation of Duties in Processing and Approving Permit Applications | | | | | |
| Recommendation to HQ Office of Permits | | | | | |
| The HQ Office of Permits provide specific guidance to all districts regarding the requirements to process and approve permit applications. | HQ EP will prepare (1) an interim guidance to the Districts while working to develop (2) a statewide policy | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | (1) 3/31/2015 (2) TBD | HQ Traf Ops-David Lassiter | |
| Recommendation to District Permits Offices | | | | | |
| Districts 3 and 4 Encroachment Permit Offices assign the responsibility for reviewing and approving permits to individuals one level above the permit writers until they receive further guidance from the HQ Office of Permits. | HQ EP will assist the Districts by issuing a memorandum providing an interim guidance. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) | 3/31/2015 | HQ Traf Ops-David Lassiter | |

HQ Division of Traffic Operations
60-Day Status Report

| Audits and Investigations (A&I) - Response to Draft Report | | | | | |
|---|--|--|---------------------------|------------------------|-------------|
| Audit Name: <u>Encroachment Permit Audit</u> | | Audit No. <u>P4000-0391</u> | | | |
| Auditee: <u>Encroachment Permits Program</u> | | | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | Estimated Completion Date | Staff Responsible | A&I Analyst |
| Audit Report Finding # 6 | | | | | |
| Weakness in the Initial Screening Process of Permit Applications | | | | | |
| Recommendations to HQ Office of Permits | | | | | |
| If a change in policy is necessary, the change be communicated to all the districts by the HQ Office of Permits. | If the HQ Office of Permits determines that a change in policy is necessary, the change will be communicated to all the districts. | A group consisting of HQ and three District Staff has been assigned this task. The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) New or changes in policy, if necessary, will be updated in the EP Manual. (DT) | 6/1/2015 | HQ Traf Ops-Darren Tam | |
| Recommendations to District Permits Offices | | | | | |
| 1. Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permits Manual. | HQ EP will work with the Districts to draft a standard acknowledgement letter acknowledging receipt of application and to notify applicant whether the application had been conditionally accepted or rejected. Acknowledgement letter will be available on the EP intranet site for reference. | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance EPM Chp 200, section 201.5. (DL) The first meeting will be scheduled for late January to discuss this finding and recommendation. (DL) Drafted letter templates for District review and concurrence. (DT) | 3/16/2015 | HQ Traf Ops-Darren Tam | |
| 2. Ensure permit applications are complete prior to accepting them. | HQ EP will send email or memo to remind the Districts that they need to adhere to the EP Manual guidelines. The EP Manual Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." An Encroachment Permit Application Checklist (TR-0402) is also available to aid Staff in reviewing application completeness before accepting them. If additional clarification is warranted, the EP Manual and/or the Application Checklist will be updated accordingly. | 12/5/2014 - Yin-Ping sent districts a memo re-emphasizing the importance EPM Chp 200, section 201.4 which states that only completed applications be accepted and assigned a permit number. Also recommended Districts to utilize the Encroachment Permit Application Checklist in reviewing application completeness. (DT) (DL) | 4/16/2015 | HQ Traf Ops-Darren Tam | |
| 3. Date stamp applications at the time they are received. | HQ EP will work with the Districts to draft policy making it standard practice to date stamp application at the time they are received, whether received at District office or Field office. HQ EP will work with HQ IT to explore options to provide an additional field in database for data input. | Initiated contact with HQ IT for database enhancement. A Service Desk Ticket # 00994559 was created on December 4, 2014. (DT) The first meeting will be scheduled for late January to discuss this finding and recommendation. (DT) | TBD | HQ Traf Ops-Darren Tam | |
| 4. Adhere to the requirements for ensuring checks are tracked, securely maintained, and submitted timely to District Cashier's office. | HQ EP will send an email or memo to the Districts to remind them of the current practice as stated in EP Manual Chapter 200, Section 201.2, "All payments (coin, currency, checks, or warrants) shall be logged and remitted to the District Cashier's Office by the next business day for deposit into the appropriate State Bank account." | 12/5/2014 - Yin-Ping sent Districts a memo re-emphasizing the accounting procedure when handling all payments at District level and recommended they adhere to EPM Chapter 200, Section 201.2 and use the Encroachment Permit Log (form TR-0111). (DT) (DL) | 12/5/2014 | HQ Traf Ops-Darren Tam | |

HQ Division of Traffic Operations
60-Day Status Report

| Audits and Investigations (A&I) - Response to Draft Report | | | | | |
|--|--|--|-----------------------------|-------------------------------|--------------|
| Audit Name: <u>Encroachment Permit Audit</u> | | | Audit No. <u>P4006-0391</u> | | |
| Auditee: <u>Encroachment Permits Program</u> | | | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | 60-Day Status | Estimated Completion Date | Staff Responsible | A&I Analysis |
| Audit Report Finding # 7 | | | | | |
| Lack of Reconciliation for Encroachment Permit Fees Collected | | | | | |
| Recommendation to DoFA Headquarters Cashier | | | | | |
| 1. Work with HQ Office of Permits to establish a process for validating fee payments collected to the permits the districts issued including fees collected by the district cashiers and the California Film Commission. | HQ EP will assist the Cashiering office in communicating with the Districts the appropriate actions required to validate payments. | HQ has consulted with Jenny Wong, Cashiering Office, to meet and begin formulating a solution. The draft proposals will be shared with the Districts for their input prior to implementation. | 12/31/2015 | HQ Traf Ops-Tom Franklin | |
| 2. Provide districts with appropriate information so they can validate the payments posted and acknowledge the permit fees collected. | HQ EP will assist the Cashiering office in communicating with the Districts the appropriate actions required to validate payments. | HQ has consulted with Jenny Wong, Cashiering Office, to meet and begin formulating a solution. The draft proposals will be shared with the Districts for their input prior to implementation. | 12/31/2015 | HQ Traf Ops-Tom Franklin | |
| Audit Report Finding # 8 | | | | | |
| Inconsistency in Using Standard Forms | | | | | |
| Recommendation to District Permits Offices | | | | | |
| We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permits Manual | HQ EP will send email to the Districts to re-emphasize the importance that only current standard forms should be used. Official forms are located in the Caltrans Electronic Forms System (CEFS), the EP intranet and internet websites and in the Encroachment Permits Management System (EPMS). | 12/5/2014 - Yin-Ping sent Districts a memo re-emphasizing the importance of using only current standard forms and the location of where these are available. Referenced EPM Chp 100, section 108; Chp 200, section 201 and 201.1, internet and intranet; CEFS; and EPMS. (DL) (AR) | 2/1/2015 | HQ Traf Ops-Alfredo Rodriguez | |

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE DIRECTOR
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www.dot.ca.gov



*Serious drought.
Help save water!*

December 17, 2014

Ms. Amy Lemisch
Director
California Film Commission
7080 Hollywood Boulevard, Suite 900
Hollywood, CA 90028

Dear Ms. Lemisch:

Please be advised that a recent California Department of Transportation (Caltrans) internal audit revealed that the hourly rate used to calculate fees for a filming permit has been less than the hourly rate used for other encroachment permits. Caltrans will begin applying the same standard hourly rate to all encroachment permit applications received after December 31, 2014.

The Caltrans *Encroachment Permits Manual*, section 207, Accounting and Record Keeping, states, "Districts are not delegated authority to waive or reduce fees and should recover all costs of administering chargeable permits." The standard hourly rate multiplied by the total number of staff hours is a portion of the total encroachment permit fees. Therefore, applying the current standard hourly rate to filming permits will result in a fee increase. The fee varies depending on the complexity of the project and the number of staff hours required for review and inspection. For additional information, please visit our Web site at <<http://www.dot.ca.gov/hq/traffops/developserv/permits/>>.

We will continue to provide any updates as they become available. If you have any questions or need additional information, please contact Yin-Ping Li, chief of the Office of Permits, at (916) 654-5548 or by e-mail sent to <yin-ping.li@dot.ca.gov>.

Sincerely,

Kome Ajise
for MALCOLM DOUGHERTY
Director

c: Yin-Ping Li, Chief, Office of Permits, Division of Traffic Operations, Caltrans
Ferdinand Ordon, Statewide Film Coordinator, Office of Permits,
Division of Traffic Operations, Caltrans District 7

Memorandum

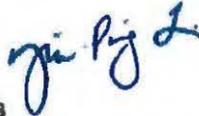
*Serious drought.
Help save water!*

**To: DEPUTY DISTRICT DIRECTORS
DISTRICT PERMIT ENGINEERS**

Date: December 5, 2014

File:

From: YIN-PING LI
Chief
Office of Permits
Division of Traffic Operations



Subject: ENCROACHMENT PERMIT AUDIT

Findings in the Encroachment Permits Statewide Audit dated October 2014 (P4000-0391) indicated that districts were not implementing the existing policies uniformly statewide. This memorandum is to remind the districts that the District Permit Engineers are responsible for ensuring that their staff follow the procedures documented in the Encroachment Permits Manual along with all applicable Caltrans policies.

Please share with your staff the attached spreadsheet that summarizes the specific audit findings and recommendations and the associated existing policies and procedures that the district staff need to follow.

If you have any questions or need clarification, please contact Tom Franklin, chief of the Encroachment Permits Branch, at (916) 654-6232 or at <Thomas.Franklin@dot.ca.gov>.

Attachment: HQ Reminders to Districts on Existing Policies.pdf

c: Thomas P. Hallenbeck, Chief, Division of Traffic Operations
Andrew Brandt, Acting Assistant Division Chief, Division of Traffic Operations
Tom Franklin, Chief, Encroachment Permits Branch, Office of Permits

| | |
|--|--|
| HQ Reminders to Districts on Existing Policies Audit Name: <u>Encroachment Permit Audit</u> Audit No. <u>P4000-0391</u> | |
| Auditee: <u>Encroachment Permit Program</u> | |
| A&I Audit Finding and Recommendation | References to Existing Policy and Guidance that Addresses the Recommendation |
| Audit Report Finding # 3 Encroachment Permits are not Approved or Denied within the 60-day Statutory Requirement | |
| Recommendations to District Permits Offices | |
| 1. Ensure that all permit applications are complete and contain all pertinent documentation prior to applying the simplex stamp. | Encroachment Permit Manual (EPM), Chapter 200, section 201.5 states: <ul style="list-style-type: none"> • After performing an initial screening of the application submittal for completeness, the Permit Engineer will send out a letter to the applicant acknowledging its receipt and whether or not it has been rejected or conditionally accepted. • If the submittal was rejected, the letter will detail the reason(s) for the rejection and list the required item(s) to be included with the resubmittal. • If the submittal was conditionally accepted, the Permit Engineer will then simplex stamp and assign an Encroachment Permit number and then distribute it to the necessary Caltrans units to review it for compliance with policy, design, and construction standards. <p>Streets and Highways Code, section 671.5 says,</p> <p>Caltrans has 60 days to approve or deny a <i>completed</i> application. An application is <i>complete</i> when all other statutory requirements, including CEQA, have been met.</p> |
| 2. Remind Encroachment Permit staff about the requirement to start the 60-day time period once the permit application has been simplex stamped and all required documentation has been received. | EPM Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." This means the 60-day time period begins when a <i>complete</i> application is assigned a permit number. <p>EPM Chapter 200, section 201.5 states, "The 60 calendar day clock stops when a denial letter is sent to the applicant (via registered mail) informing them of the denial. A new 60 calendar day clock begins upon receipt of the resubmittal from the applicant.</p> |
| 3. Consider documenting the stop and start dates on Encroachment Permits Management System (EPMS). | EPM Chapter 200, section 201.6, table 2.3, item 5 states, "Respond in writing to all applications requiring additional information after all reviews are returned. Enter into the database under "letter sent" the date that any letter is sent to an applicant." A denial letter stops the 60-day clock. |

| | |
|---|---|
| HQ Reminders to Districts on Existing Policies | |
| Audit Name: <u>Encroachment Permit Audit</u> Audit No. <u>P4000-0391</u> | |
| Auditee: <u>Encroachment Permits Program</u> | |
| A&J Audit Finding and Recommendation | References to Existing Policy and Guidance that Addresses the Recommendation |
| Audit Report Finding # 6 | |
| Weakness in the Initial Screening Process of Permit Applications | |
| Recommendations to District Permits Offices | |
| 1. Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permits Manual. | EPM Chapter 200, section 201.5 states, "After performing an initial screening of the submittal for completeness, the Permit Engineer will send out a letter to the applicant acknowledging its receipt and whether or not it has been rejected or conditionally accepted." |
| 2. Ensure permit applications are complete prior to accepting them. | EPM Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." An Encroachment Permit Application Checklist (TR-0402) is also available to aid Staff in reviewing application completeness before accepting them. |
| 4. Adhere to the requirements for ensuring checks are tracked, securely maintained, and submitted timely to District Cashier's office. | EPM Chapter 200, section 201.2 states, "All payments (coin, currency, checks, or warrants) shall be logged and remitted to the District Cashier's Office by the next business day for deposit into the appropriate State Bank account." Encroachment Permit Log (form TR-0111) can be used to log permits and payments along with entering into EPMS. |
| Audit Report Finding # 8 | |
| Inconsistency in Using Standard Forms | |
| Recommendation to District Permits Offices | |
| We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permits Manual. | <p>EPM Chapter 100, section 108 states, "An application for an encroachment permit must be on a current 'Standard Encroachment Permit Application' (form TR-0100) and signed by the owner or an authorized representative whose authority is validated by a letter or contract."</p> <p>EPM Chapter 200, section 201 states, "Applicants (or their authorized representatives whose authority is validated by a letter or contract) must complete a 'Standard Encroachment Permit Application' (form TR-0100), attach supporting documentation and submit them to the appropriate District Encroachment Permits Office having jurisdictional authority over the proposed encroachment site for processing."</p> <p>EPM Chapter 200, section 201.1 states, "The 'Standard Encroachment Permit Application' (form TR-0100), instructions, plan set requirements, sample application checklist and all other related forms can be found at: http://www.dot.ca.gov/hq/traffops/developserv/permits/applications/index.html."</p> <p>The EP internet and intranet websites have the latest policies, guidance, information, forms, etc. At the bottom of the EP intranet website is "Hardcopies of this manual are no longer being published. Please use this website instead." All of the official forms are also located in the Caltrans Electronic Forms System (CEFS) and in the EPMS.</p> |

EP Audit Response Teams
Encroachment Permits Audit, 2014 (P4000-0391)

12/23/2014

| Name of District Team Members | | | | | | | | | | | | Audit Report Finding No. | Recommendation to HQ Office of Permits | HQ Response to Recommendations | Responsible HQ Staff | |
|-------------------------------|---------------|-------------------|------------------|------------|--------------|-----|-------------|----------------|----------------|-----|-------------------|--------------------------|--|--|--|--------------------------------|
| D01 | D02 | D03 | D04 | D05 | D06 | D07 | D08 | D09 | D10 | D11 | D12 | | | | | |
| | | | | Alan Kwong | Joe Espinosa | | Richard Goh | | | | | | 1 | 3. Determine the appropriate number of hours allowed for pre-conceptual meetings and provide guidance to the districts on how to charge the time spent. 1 4. Require that utility companies, that are delinquent, pay in advance for their permits and require that they provide a central billing address. | 3. HQ EP will convene a committee of District and HQ EP and other functional units to evaluate issues and propose solutions. 4. HQ EP will meet with Accounts Receivable, District EP, Legal, and utilities to discuss issues and identify solutions. | Tom Franklin |
| | | Berinder Dhaliwal | | | | | Ghaemi Omid | Kurt Weiermann | | | | | 3 | Develop a standard letter for districts to use that clearly states that the application is denied and the clock will stop until the documentation is received. | HQ EP will develop and implement standard letters for application denials. Sample letters will be available on the EP intranet site for reference. | Alfredo Rodriguez, Jr. |
| | Fred Chaffin | | Sunny Mantravadi | | | | | | | | Rahi Nikraves | | 4 | The HQ Office of Permits makes a determination as to when to perform inspections and require consistency among all districts. | HQ EP will assist the Districts by consulting with Districts to determine what obstacles might be contributing to this finding and what actions can be implemented on a statewide basis to meet this recommendation. | David Lassiter Walter Kumin |
| | Stacey Barnes | | David Salladay | | | | | | | | Ann Fox | | 5 | The HQ Office of Permits provide specific guidance to all districts regarding the requirements to process and approve permit applications. | HQ EP will prepare (1) an interim guidance to the Districts while working to develop (2) a statewide policy. | David Lassiter |
| Keith Witte | | | | | | | | | Paul Cavanaugh | | Farid Nowshiravan | | 6 | If a change in policy is necessary, the change be communicated to all the districts by the HQ Office of Permits. | If the HQ Office of Permits determines that a change in policy is necessary, the change will be communicated to all the districts. | Darren Tam |

DEPARTMENT OF TRANSPORTATION**DISTRICT 3**

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FAX (530) 741-4245
TTY 711
www.dot.ca.gov/dist3



*Serious drought.
Help save water!*

January 16, 2015

Mr. William E. Lewis
Assistant Director
Audits and Investigations
1304 "O" Street Suite 200
Sacramento, CA 95814

Dear Mr. Lewis:

As a follow up to the audit of Encroachment Permits offices completed on November 5, 2014, this is the 60-day status update for District 3. Below is a summary of actions taken as a result of and in response to audit recommendations.

- The District 3 Permits Office assigned two permit writers to help close permit files in order to reduce the backlog of permits with completed work. While this remains an ongoing effort, to date we have reduced the backlog from 288 permits in October, 2014 to 174 Permits in January, 2015.
- Clear direction and guidance has been sent to Permits staff in regards to billable permit activities. This direction was provided via e-mail with attachment of the charging practices booklet.
- Permit writers have been given instruction in staff meetings to ensure permit applications are complete before applying a simplex stamp.
- Permit writers are aware and have been reminded in staff meetings the 60-day time period to respond to permit applications begins when the simplex stamp is applied to permit applications.
- In staff meetings EPMS training has been conducted by more experienced staff members to ensure that all permit writers use this tool for permits tracking, including start and stop dates.
- During staff meetings as well as per written direction sent via e-mail, permit inspectors have been given clear direction to document all inspections by completing diaries for inclusion into the permit file. If no diaries are needed this is documented in the completion notice. Also, the Permit's office is producing a monthly report to track diary submittals by permit inspectors so that we can ensure diaries from the field are included in the permit file.
- The Permits Engineer is reviewing all outgoing permits before they are issued to ensure quality and consistency with policy, procedures, and the Permits Manual. Once a permit is reviewed, the Permits Engineer delegates the authority to sign the permit to the permit writer.

Mr. William E Lewis

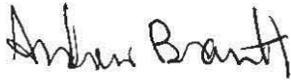
1/16/2015

Page 2

- The Permits staff is using the latest versions of permits encroachment forms and is aware of where to get any updates to these forms.
- The workload for the permit writers has been re-distributed to better balance workload. Before this change, the two electrical permit writers only had one county each, and the two civil permit writers covered the other nine counties. We have moved all the PG&E permits from the civil permit writers to the electrical permit writers to better balance the workload.

Thank you for allowing us to be part of this audit process. We will provide the next update to our efforts at the 180-day audit status update due May 5, 2015. If you have any questions please contact Sergio Aceves at (530) 741-5728.

Sincerely,



ANDREW BRANDT

Deputy District Director

District 3 - Division of Maintenance and Traffic Operations

Memorandum

*Serious drought
Help Save Water!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: January 20, 2015

File: P4000-0391

From: 
BIJAN SARTIPI
District Director

Subject: **2014 ENCROACHMENT PERMITS STATEWIDE AUDIT (60 DAY STATUS UPDATE)**

District 4 has taken the following steps to enhance the Office of Encroachment Permits operations and activities in certain areas identified in the 2014 statewide Encroachment Permits audit, including employee morale and internal communication; application of staff and supervisorial responsibilities relative to the Encroachment Permits Manual as well as the general Departmental policies; employee training; and billing and accounting.

- All Permit employees will be directed to take and complete Ethics Training online and review Director's Policy on Ethics. We hope to complete this training by June 30, 2015 or sooner and an update will be provided in the next report.
- All District 4 Encroachment Permits staff were provided with a reminder of the new Caltrans Ethics Helpline, as well as the Whistleblower Hotline, as a means for employees to safely, confidentially, and anonymously report suspected unethical behavior, and/or activities.
- On September 24, 2014, a meeting was held by the Deputy District Director, Traffic Operations, for all District 4, Office of Encroachment Permits staff to address the audit preliminary findings as well as the referenced employee morale and team building concerns.
- On November 6, 2014, a meeting was held for Office of Encroachment Permits Senior staff to review the audit findings, recommendations, and to develop District 4 work plan.
- On November 19 and 20, and December 2, 2014, staff meetings were held in each of the District 4 Office of Encroachment Permits Branches to review with, and remind staff of their responsibilities as stated in the Encroachment Permits Manual, and as highlighted by the audit.
- On November 25, 2014, the District 4 Chief, Office of Encroachment Permits met with the Headquarters Chief, Office of Permits, Division of Traffic Operations and her staff to discuss implementation options of audit recommendations. This meeting was followed with a memorandum summarizing the suggestions of District 4, as well as a request for direction to fully reconcile and implement the recommendations of the audit. The specific issues that were discussed included:

- Cost recovery (Finding 1)
 - Approval or denial of permits within the 60-day statutory requirement (Finding 3)
 - Segregation of duties (Finding 5)
 - Initial permit application screening process (Finding 6)
 - Expediting permits (Finding 10), and
 - Level of responsibility for reviewing and signing permits (Finding 11)
- Other districts were polled to find out their method of file control, and to determine if any changes would benefit District 4. Based on the feedback from the other districts, it was determined that the District's current process is consistent with the practice in other districts, and effective. All District 4 Encroachment Permits staff were issued a reminder of the file room procedures they are required to follow.
 - Other districts were polled to find out their method of date stamping applications. All districts that responded stated that they date stamp the original hard copy of the application upon receiving it at the counter or by mail. District 4 has now implemented this practice.
 - A memorandum dated December 5, 2014, from the Chief, Office of Permits, Division of Traffic Operations (copy attached) was distributed to all Senior staff reminding them of their responsibility to follow the procedures documented in the Encroachment Permits Manual along with all applicable Caltrans policies.
 - To ensure the Department's goals and values are met, all District 4 Encroachment Permits staff were issued expectation memorandums that reflected key Department policies.
 - Updated duty statements were issued to all District 4 Encroachment Permits Administrative staff.
 - All District 4 Encroachment Permits staff were sent a reminder to always use the latest version of the encroachment permit forms and standards. A link was provided to access and obtain the current forms.
 - The District 4 Encroachment Permits Storm Water Coordinator has taken 24 hours of training for the Construction General Permit, Qualified SWPPP Practitioner and Qualified SWPPP Developer. In addition, the Storm Water Coordinator has taken 42 hours of storm water training by attending modules 1, 2, 3, and 5.
 - Senior permit engineers have spot checked permit files, ensured close out documents are received, and permits are closed in a timely manner. A checklist is being developed to ensure future supervisory reviews are consistent, and documentation can be maintained.
 - Senior permit engineers have spot checked permit files, ensured proper benchmark inspection is performed, and documentation is placed in the permit files. A checklist is being developed to ensure future supervisory reviews are consistent, and documentation can be maintained.
 - The District 4 Encroachment Permits supervisory/management team meets weekly to ensure

the team is cohesive, and to provide a forum of training and sharing lessons learned on engaging and inspiring their workforce.

- The District 4 Senior permit engineers hold bi-weekly staff meetings, or more frequently if needed, to disseminate information and provide a forum of open communication.
- In addition to the actions identified above, the following procedures documented in the Encroachment Permits Manual and applicable Caltrans policies continue to be reinforced, including:
 - Acknowledgement letters are sent to all applicants after the initial screening process.
 - Simplex stamps are applied after permit applications are complete.
 - Checks are tracked, securely maintained, and submitted timely to the District Cashiers office.
 - Permit writers reflect the stop and start dates of permit applications in EPMS.
 - Estimated fees are collected before permits are issued.
 - Permittees are billed properly or issued a refund, prior to closing out permits.
 - Each permit gets a secondary review before issuance (e.g., Permit writers do not issue their own permits).
 - Senior permit engineers review all permit applications to help determine if the proposal should be handled as an oversight project.

District 4 will continue to collaborate with Headquarters Office of Permits to address other audit findings and recommendations towards uniform Statewide guidance in the Permit Manual and/or other formal documents. These include policy on denial of permits due to overdue balances; procedures for streamlined (or expedited) permit review; consideration of simplex stamping at initial time of receipt (vs. when the application is determined complete); improvements in EPMS to track start and stop dates; signatory authority; employee training; development of checklists for improved supervisory oversight of permit inspection documentation and closeout. Progress reports on our work plan items to address the audit findings will be provided for the 180- and 360-day milestones.

If you have any questions or need additional information, please contact Sean Nozzari, Deputy District Director of Operations at (510) 286-6345.

Attachment: Memo dated December 5, 2014, Office of Permits, Division OF Traffic Operations

- c: Thomas P. Hallenbeck, Chief, Division of Traffic Operations
Dan McElhinney, Chief Deputy District Director, District 4
Sean Nozzari, Deputy District Director, Traffic Operations, District 4
Premjit Rai, Deputy District Director, Administration, District 4
David Salladay, Office Chief, Encroachment Permits, District 4

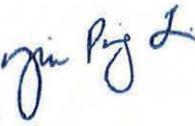
Memorandum

*Serious drought.
Help save water!*

To: DEPUTY DISTRICT DIRECTORS
DISTRICT PERMIT ENGINEERS

Date: December 5, 2014

File:

From: YIN-PING LI 
Chief
Office of Permits
Division of Traffic Operations

Subject: ENCROACHMENT PERMIT AUDIT

Findings in the Encroachment Permits Statewide Audit dated October 2014 (P4000-0391) indicated that districts were not implementing the existing policies uniformly statewide. This memorandum is to remind the districts that the District Permit Engineers are responsible for ensuring that their staff follow the procedures documented in the Encroachment Permits Manual along with all applicable Caltrans policies.

Please share with your staff the attached spreadsheet that summarizes the specific audit findings and recommendations and the associated existing policies and procedures that the district staff need to follow.

If you have any questions or need clarification, please contact Tom Franklin, chief of the Encroachment Permits Branch, at (916) 654-6232 or at <Thomas.Franklin@dot.ca.gov>.

Attachment: HQ Reminders to Districts on Existing Policies.pdf

c: Thomas P. Hallenbeck, Chief, Division of Traffic Operations
Andrew Brandt, Acting Assistant Division Chief, Division of Traffic Operations
Tom Franklin, Chief, Encroachment Permits Branch, Office of Permits

| HQ Reminders to Districts on Existing Policies | |
|--|---|
| Audit Name: <u>Encroachment Permit Audit</u> | Audit No. <u>P4000-0391</u> |
| Auditee: <u>Encroachment Permits Program</u> | |
| A&I Audit Finding and Recommendation | References to Existing Policy and Guidance that Addresses the Recommendation |
| Audit Report Finding # 3 Encroachment Permits are not Approved or Denied within the 60-day Statutory Requirement | |
| Recommendations to District Permits Offices | |
| 1. Ensure that all permit applications are complete and contain all pertinent documentation prior to applying the simplex stamp. | Encroachment Permit Manual (EPM), Chapter 200, section 201.5 states: <ul style="list-style-type: none"> • After performing an initial screening of the application submittal for completeness, the Permit Engineer will send out a letter to the applicant acknowledging its receipt and whether or not it has been rejected or conditionally accepted. • If the submittal was rejected, the letter will detail the reason(s) for the rejection and list the required item(s) to be included with the resubmittal. • If the submittal was conditionally accepted, the Permit Engineer will then simplex stamp and assign an Encroachment Permit number and then distribute it to the necessary Caltrans units to review it for compliance with policy, design, and construction standards. Streets and Highways Code, section 671.5 says, Caltrans has 60 days to approve or deny a <i>completed</i> application. An application is <i>complete</i> when all other statutory requirements, including CEQA, have been met. |
| 2. Remind Encroachment Permit staff about the requirement to start the 60-day time period once the permit application has been simplex stamped and all required documentation has been received. | EPM Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." This means the 60-day time period begins when a <i>complete</i> application is assigned a permit number. EPM Chapter 200, section 201.5 states, "The 60 calendar day clock stops when a denial letter is sent to the applicant (via registered mail) informing them of the denial. A new 60 calendar day clock begins upon receipt of the resubmittal from the applicant." |
| 3. Consider documenting the stop and start dates on Encroachment Permits Management System (EPMS). | EPM Chapter 200, section 201.6, table 2.3, item 5 states, "Respond in writing to all applications requiring additional information after all reviews are returned. Enter into the database under "letter sent" the date that any letter is sent to an applicant." A denial letter stops the 60-day clock. |

| | |
|---|---|
| HQ Reminders to Districts on Existing Policies | |
| Audit Name: <u>Encroachment Permit Audit</u> | Audit No. <u>P4000-0321</u> |
| Auditee: <u>Encroachment Permits Program</u> | |
| A&I Audit Finding and Recommendation | References to Existing Policy and Guidance that Addresses the Recommendation |
| Audit Report Finding # 6 | |
| Weakness in the Initial Screening Process of Permit Applications | |
| Recommendations to District Permits Offices | |
| 1. Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permits Manual. | EPM Chapter 200, section 201.5 states, "After performing an initial screening of the submittal for completeness, the Permit Engineer will send out a letter to the applicant acknowledging its receipt and whether or not it has been rejected or conditionally accepted." |
| 2. Ensure permit applications are complete prior to accepting them. | EPM Chapter 200, section 201.4 states, "A permit number is assigned when an application is accepted as complete." An Encroachment Permit Application Checklist (TR-0402) is also available to aid Staff in reviewing application completeness before accepting them. |
| 4. Adhere to the requirements for ensuring checks are tracked, securely maintained, and submitted timely to District Cashier's office. | EPM Chapter 200, section 201.2 states, "All payments (coin, currency, checks, or warrants) shall be logged and remitted to the District Cashier's Office by the next business day for deposit into the appropriate State Bank account." Encroachment Permit Log (form TR-0111) can be used to log permits and payments along with entering into EPMS. |
| Audit Report Finding # 8 | |
| Inconsistency in Using Standard Forms | |
| Recommendation to District Permits Offices | |
| We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permits Manual. | <p>EPM Chapter 100, section 108 states, "An application for an encroachment permit must be on a current 'Standard Encroachment Permit Application' (form TR-0100) and signed by the owner or an authorized representative whose authority is validated by a letter or contract."</p> <p>EPM Chapter 200, section 201 states, "Applicants (or their authorized representatives whose authority is validated by a letter or contract) must complete a 'Standard Encroachment Permit Application' (form TR-0100), attach supporting documentation and submit them to the appropriate District Encroachment Permits Office having jurisdictional authority over the proposed encroachment site for processing."</p> <p>EPM Chapter 200, section 201.1 states, "The 'Standard Encroachment Permit Application' (form TR-0100), instructions, plan set requirements, sample application checklist and all other related forms can be found at: http://www.dot.ca.gov/hq/traffops/developserv/permits/applications/index.html."</p> <p>The EP internet and intranet websites have the latest policies, guidance, information, forms, etc. At the bottom of the EP intranet website is "Hardcopies of this manual are no longer being published. Please use this website instead." All of the official forms are also located in the Caltrans Electronic Forms System (CEFS) and in the EPMS.</p> |

DEPARTMENT OF TRANSPORTATION

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*Flex your power!
Be energy efficient!*

January 14, 2014

WILLIAM E. LEWIS
Assistant Director
Audits and Investigations
Sacramento, CA

Re: 60 days status report on Audit of Encroachment Permit Office, Dist. 07

Dear Mr. Lewis,

Attached, please find the 60 days status report for the audit of District 07's Office of Permits. The progress/status is shown on the last column of the attached spreadsheet.

Currently, I am the acting chief of this Office and our Senior T.E. for Ventura County has retired which we have not been able to backfill his position. As such, I am wearing three hats and some of the areas that needed attention, as per the Audit Report, has not received the attention that they deserve.

Our initial feedback included some of the areas that were recommended for Manual revision. It is our hope that this Audit will be used to support those changes as well.

Again, thank you for the opportunity and feedback to improve the operation and efficiency of the Permit process.

Sincerely,

A handwritten signature in black ink, appearing to read "Omid Ghaemi".

Omid Ghaemi, PE
Acting District Permit Engineer
District 07

cc: Yin-Ping Li, Chief – Headquarter Permits
Ali Zaghari, DDD, Traffic Operations, District 07

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No.

Auditee: District 07

Audit Report Finding # 1

List Finding Here: Under Recovery of cost for administering the Encroachment Permit Program

| A&I Audit Recommendation | Auditee Response to Draft Report | Estimated Completion Date | Staff Responsible | progress report as of 1/12/2015 |
|---|--|---------------------------|-----------------------------------|--|
| 1. Establish a list of delinquent applicants using DofA's aging report to identify permittees with overdue balances prior to accepting new applications | That is good only for current fiscal year. | one year | District: Front counter and admin | The list has been provided to the front counter staff to be vigilant of previously delinquent applicants |
| 2. Collect the overdue balance from the applicant prior to accepting the new application | This recommendation will be quite problematic and contrary to the current policy of partnership. Almost all of the overdue balances are from the applications from the utility companies which are most likely over one year old. In order to recover the charges and once a "request to pay" is made; these companies need to send the bill to their accounting office and that could take months before and if we are paid. Our experience is that the utility companies close and reconcile their accounting every year and it would be very hard to reopen old accounts. Because of this very issue, Dist 07 has stopped the "deferment". We only defer the payment from the application submittal date to the permit issuance date. This practice will, not only ensure payment and eliminate overdue balances, but also saves a lot of admin time and minimizes refunds. DofA should go thru a collection process for aged bills over one year in a manner that would not interfere with current utility work. | one year | District: Front counter and admin | The above list is being used for this purpose. |
| 3. Close out permit files timely and ensure the required close out documents are received. | Larger districts may not be adequately resourced to manage the large backlog of close-out permits. Workload standard (WLS) is not adequately identified to assess the extent of work involved, including but not limited to file library management, microfilming, cataloging, billing, and purging extraneous material. | ongoing | Inspectors and admin. | There has not been measurable progress yet, working on it. |
| 4. Comply with the Encroachment Permits Manual for billable permitting activities and issue appropriate refunds. | | ongoing | all staff | on going |

Audit Report Finding # 3

List Finding Here: Encroachment permits are not issued or denied within the 60-days Statutory requirements

| | | | | |
|---|-------|---------|---------------|---|
| 1. Ensure that all permit applications are complete and contain all all pertinent documentation prior to applying the simplex | agree | ongoing | Front Counter | We have assigned a focal point to screen and filter issues prior to acceptance. |
|---|-------|---------|---------------|---|

| Audits and Investigations (A&I) - Response to Draft Report | | | | | |
|---|---|---------------------------|--|---|--|
| Audit Name: Encroachment Permit Audit | | | Audit No. | | |
| Auditee: District 07 | | | | | |
| Audit Report Finding # 1 | | | | | |
| List Finding Here: Under Recovery of cost for administering the Encroachment Permit Program | | | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | Estimated Completion Date | Staff Responsible | progress report as of 1/12/2015 | |
| 2. Establish a consistent process to start the 60-day time period once the permit application has been simplex stamped | agree | ongoing | Front Counter, Permit writer, reviewers, admin | the above focal point also ensures timely distribution to the reviewers and prevent time delays and lags. | |
| Audit Report Finding #4 | | | | | |
| List Finding Here: Project Inspections are not consistently performed. | | | | | |
| We recommend that District Encroachment Permit Offices ensure that required inspections are performed and are consistent with the specified permit requirements | strongly agree. Of course there are a number of permits that do not require inspections or pre-job like "time extensions" or "Riders" and I hope and trust that those were not among the files audited ??.. Inspection requests are rejected sometimes based on budget limitations. Our opinion is that per Section 206 of the EP Manual, as stated above - Inspection is necessary and is owed to the applicants because: 1) they have paid for it in advance and they count on our inspectors to be there, and 2) lack of presence and inspection deteriorates our authority out there and would not best protect the state highway facilities and increases the exposure to the State. | ongoing | Inspectors to perform inspection - supervisors to approve overtime for inspection if needed. | Thanks to our deputy and his knowledge of permit function and the criticality of inspection, the requests for OT to perform inspections are being approved and we have had very good coverage in this area. | |
| Audit Report Finding #6 | | | | | |
| List Finding Here: Weakness in the initial screening process of Permit Applications | | | | | |
| 1. Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permit Manual | This was probably drafted before we even had computers or fax machines. It needs to be revisited. Generally speaking; if some things are not being done over 95% of the times, it only means that policy needs to be revised. A copy of the fee sheet of the application with "PAID" stamp while they are waiting at the counter or email to the applicant should suffice in lieu of an acknowledgement letter. | ongoing | Front counter | See Auditee response. This section of the Manual needs to be revised to keep up with the new era of how the world is communicating and conducting business -- and it is not via "mail" | |
| 2. Ensure permit applications are complete prior to accepting them | strongly agree. | ongoing | Front counter, permit writers, inspectors | See response to audit #3, item 1 | |
| 3. Date stamp applications at the time they are received. | That's ok if also noted on the stamp whether the application is complete or incomplete. If incomplete this date stamp should not constitute the date to be used for the 60 days policy. In dist. 07, once the application is complete and ready for acceptance, we date it, log it in, give it a number and the 60 days clock starts running from then on. | ongoing | Front counter | We do that. On-going. | |

| Audits and Investigations (A&I) - Response to Draft Report | | | | |
|--|----------------------------------|---------------------------|-------------------|---|
| Audit Name: Encroachment Permit Audit | | Audit No. | | |
| Auditee: District 07 | | | | |
| Audit Report Finding # <u>1</u> | | | | |
| List Finding Here: Under Recovery of cost for administering the Encroachment Permit Program | | | | |
| A&I Audit Recommendation | Auditee Response to Draft Report | Estimated Completion Date | Staff Responsible | progress report as of 1/12/2015 |
| 4. Adhere to the requirements for ensuring checks are tracked, securely maintained and submitted timely to District Cashier's office. | agree | ongoing | front counter | The front counter staff are responsible for their assigned area. The checks that are received over the counter are deposited with the cashier by the applicant. We do not have a mechanism for tracking the checks that are received by mail yet. |
| Audit Report Finding #8 | | | | |
| List Finding Here: Inconsistency in using Standard forms | | | | |
| We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permit Manual | agree | 3/1/2015 | Chief, Seniors, | Still working on it. No measurable progress. |
| | | | | |

Memorandum

*Serious drought.
Help Save Water!*

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: January 5, 2015

File: P4000-0391

From: MARCELO PEINADO *Marcelo Peinado*
District Division Chief
Traffic Operations
District 11

Subject: ENCROACHMENT PERMITS STATEWIDE AUDIT 60 DAY STATUS REPORT

The District's 60 Day Status Report, to the Encroachment Permits Statewide Audit, dated November 5, 2014, is attached.

If you have any questions, please contact Ann Fox, District 11 Permit Engineer at (619) 688-3276.

Attachment(s) under separate cover
District 11 60 Day Status Report

c: Yin-Ping Li, Chief, Office of Permits, Division of Traffic Operations, Headquarters
Cory Binns, Chief Deputy District Director, District 11
Ann Fox, District Permit Engineer, District 11

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 1

Finding: Under recovery of costs for administering the Encroachment Permit Program

| A&I Audit Recommendation | Auditee Response to Draft Report | Estimated Completion Date | Staff Responsible | A&I Analysis | 60-Day Response | Attachment |
|---|---|---------------------------|-------------------|--------------|--|------------|
| Establish a list of delinquent applications using DofA's aging report to identify permittees with overdue balances prior to accepting new applications. | D of A's aging reports have only been provided to the Districts for a few months. Collections is a centralized activity, so action will be required of HQ and status of billing/collections reported to Districts. Additional clarification is needed from HQ. | Ongoing | DPE | | If collections is to remain a HQ-centralized activity, and the District's role is to receive the delinquent report to refer to when determining application acceptance eligibility, then the list of aging reports should be prepared and sorted 'by Applicant' and identify Permit number in order for it to be searchable/useful in the districts. | |
| Collect the overdue balance from the applicant prior to accepting the new application. | District will defer to HQ Permits on how to identify/collect overdue balances. Many of the Utility companies on the aging list have deferred billing accounts. Without status, the District is not aware of what billing cycle they may be on. Upon obtaining clarification, District 11 will implement this practice. | Ongoing | DPE | | Currently, the collection of overdue balances is handled through HQ. The Districts will only be able to identify if an overdue balance exists, when provided the prepared report identified above. | |
| Close out permit files timely and ensure the required close out documents are received. | District will remind all permit inspectors to ensure the required close out documents are received, and permit files are closed in a timely manner, in cooperation with Permit Writers. Implement regular close-out status meetings to track outstanding closures. | Ongoing | DPE | | District has implemented weekly DPE/Permit Inspector meetings to discuss on-going permit work in addition to status of each inspector's list of completed, un-closed permits. DPE regularly shares expectations in timeliness of permit close out and the HQ documents showing monthly percent change in our permit close out. | |
| Comply with the Encroachment Permits Manual for billable permitting activities and issue appropriate refunds. | Concur. District business practice is to currently collect estimated review and inspection hours prior to issuance of permit. Prior to closing out permits, District will ensure permittees have been billed properly, or issued a refund. | Ongoing | DPE | | District business practice is to currently collect estimated review and inspection hours prior to issuance of permit. Prior to closing out permits, District will ensure permittees have been billed properly, or issued a refund. | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 3

Finding: Encroachment permits are not approved or denied within the 60-day statutory requirement

| | | | | | |
|--|--|----------------|------------|--|---|
| <p>Ensure that all permit applications are complete and contain all pertinent documentation prior to applying the simplex stamp.</p> | <p>Concur.</p> | <p>Ongoing</p> | <p>DPE</p> | <p>DPE continues to work with Counter Staff to ensure that the Permit Application checklist is followed and completed for consistency and then a copy of the checklist included in the Permit's file for Writer to reference.</p> | |
| <p>Remind Encroachment Permit staff about the requirement to start the 60-day time period once the permit application has been simplex stamped and all required documentation has been received.</p> | <p>Staff will be reminded of the 60-day time period.</p> | <p>Ongoing</p> | <p>DPE</p> | <p>Staff has been made and continues to be aware of the 60-day time period. This reminder has been made part of the weekly DPE/staff meeting agenda.</p> |  |
| <p>Consider documenting the stop and start dates on EPMS.</p> | <p>Concur. District will ensure that each correspondence is input in EPMS so that identify if waiting on District or Applicant response.</p> | <p>Ongoing</p> | <p>DPE</p> | <p>DPE continues to work with staff to ensure correspondence is properly documented in EPMS, starting and stopping the 60-day time period. Additionally, the District has implemented an "Email to Applicant" in EPMS to document electronic correspondence.</p> | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 4

Finding: Project inspections are not consistently performed

| | | | | | |
|---|--|---------|-----|--|--|
| Ensure that required inspections are performed, and are consistently documented in the permit file. | Concur. Permit Inspectors will spot check to ensure that proper bench mark inspection is performed, and documentation is placed in the permit files. | Ongoing | DPE | District refers to the Permits Inspection Booklet (v. September 2007) for consistency on inspection requirements. | |
| Require that documentation be included in the permit file when inspections are not required. | Concur. District will remind staff to capture this information on Permit Progress Billing/Closure Notice form. | Ongoing | DPE | DPE has ongoing communication with inspection staff regarding timeliness and accuracy of information on Permit Progress Billing/Closure Notice form. | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 6

Finding: Weakness in initial screening process of permit applications

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|---|--|---------|-----|---|---|
| Remind permit staff to send acknowledgment letters to all applicants after the initial screening process as required by the Encroachment Permit Manual. | Concur. This practice will be reinforced. | Ongoing | DPE | District has developed a template to follow for both formal letter acknowledgment and via email. |  |
| Ensure permit applications are complete prior to accepting them. | Concur. This practice will be reinforced. | Ongoing | DPE | DPE is reinforcing this practice by incorporating use of 'checklist' when reviewing initial application submittal and then making part of permit record for reference. | |
| Date stamp applications at the time they are received. | Concur. This practice will be reinforced. The District stamps applications as 'received', then once all information is collected and conditionally complete, the application is Simplex stamped. | Ongoing | DPE | The District stamps applications as 'received' when accepted across counter, then once all information is collected and conditionally complete, the application is Simplex stamped and a letter sent to the Applicant acknowledging conditional acceptance. | |
| Adhere to the requirements for ensuring checks are tracked, securely maintained and submitted timely to District Cashier's office. | Concur. This practice will be reinforced. | Ongoing | DPE | The District logs any checks received, provides a copy in the permit file, and submits immediately to Cashier. If Cashier is unavailable, the DPE maintains a locked bag to hold checks until Cashier returns. | |

Audits and Investigations (A&I) - Response to Draft Report

Audit Name: Encroachment Permit Audit

Audit No. P4000-0391

Auditee: District 11 - Traffic Operations

Audit Report Finding # 8

Finding: Inconsistency in using standard forms

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|--|--|----------------|------------|---|---|
| <p>We recommend Districts ensure that the latest version of encroachment permit forms are used as indicated in the Encroachment Permit Manual.</p> | <p>Concur. Staff will be reminded to use the latest version of encroachment permit forms. In addition, the Administration Senior will forward updated electronic forms to all staff.</p> | <p>Ongoing</p> | <p>DPE</p> | <p>DPE has assigned a staff lead to review current forms used in District and replace with latest version. Reinforcing use of latest version of forms has also been an agenda item of staff meetings.</p> |  |
|--|--|----------------|------------|---|---|