DEPARTMENT OF TRANSPORTATION
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Serious drought
Help save water!

June 30, 2015

Mr. Jeffrey V. Brownfield
Chief
State Controller's Office
Division of Audits
Piost Office Box 942850
Sacramento, California 94250-5874

Dear Mr. Brownfield:

Enclosed is the California Department of Transportation's (Caltrans) final audit report on the CAL-Card program, as required by the Memorandum of Understanding dated March 1, 2013, with your office.

The purpose of the audit was to assess if Caltran's CAL-Card program complied with applicable state rules and regulations. Please see the attached report for specific findings and recommendations.

If you have any questions or need additional information, please call Zilan Chen, Chief, Internal Audits, at (916) 323-7877.

Sincerely,

WILLIAM E. LEWIS
Assistant Director

Enclosure

c: Francesca Negri, Chief, Division of Procurement and Contracts, Caltrans
Clark Paulsen, Chief, Division of Accounting, Caltrans
Zilan Chen, Chief, Internal Audits, Audits and Investigations, Caltrans

AUDIT REPORT

Department of Transportation
CAL-Card Audit

P3000-0425
June 2015

Prepared By:

Audits and Investigations

California Department of Transportation

"Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability"

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4) **Audit Response from Distric 4**
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Summary, Objectives, Methodology, Scope, Background and Conclusion

SUMMARY

Audits and Investigations (A&I) has completed an audit of the California Department of Transportation's (Caltrans) CAL-Card program. The purpose of the audit was to determine if CAL-Card internal controls and transactions comply with state requirements and Caltrans policies and procedures.

Our audit disclosed that Caltrans' policies, procedures, and internal controls for CAL-Card are generally adequate and that the Division of Procurement and Contracts (DPAC) has taken steps to improve CAL-Card processes. However, we found the following deficiencies that are similar to those noted in the last CAL-Card audit dated June 27, 2013:

- CAL-Card Transaction Deficiencies.
- Weaknesses in Tagging and Recording of Equipment Purchases.
- Inaccurate Vendor Transactions in Advantage/InfoAdvantage.

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing. The objectives of the audit were to determine whether:

- Caltrans complies with its memorandum of understanding with the State Controller's Office.
- Caltrans complies with its procurement policies and procedures.
- CAL-Card equipment purchases are properly tagged.

The audit focused on CAL-Card Right of Way, Facilities, and Maintenance transactions that occurred in Districts 4, 6, and 8 during the period July 1, 2012 to June 30, 2014. We conducted our field work from December 3, 2014 through April 28, 2015. Changes after these dates were not considered, and accordingly, our conclusion does not pertain to changes arising after April 28, 2015.

In order to achieve the audit objectives, we surveyed cardholders and card managers, interviewed officials in DPAC, as well as in the selected districts, to obtain an understanding of CAL-Card internal controls and processes. We also performed substantive tests on CAL-Card transactions.

BACKGROUND

CAL-Card is an alternative payment method used in the procurement of authorized goods and services. The California Department of General Services (DGS) developed the CAL-Card program to improve the efficiency of small purchases made by state departments. It designed the

CAL-Card program to facilitate the acquisition process by allowing the use of Visa cards to reduce paperwork, provide faster payment to suppliers, and improve the timely delivery of products and services.

In a memorandum of understanding (MOU) dated January 1, 1998, the State Controller's Office (SCO) delegated responsibility for the review and retention of CAL-Card purchasing documentation to Caltrans. This MOU was revised on March 1, 2013 to allow retention of purchasing documentation in the districts divisions and programs. As part of the MOU, A&I is required to biennially review internal controls and transactions paid through CAL-Card.

DPAC administers the CAL-Card program in Caltrans and is responsible for developing policies and procedures to ensure compliance with DGS requirements. DPAC is also responsible for training cardholders and card managers, and monitoring CAL-Card activity. Finally, DPAC applies certain control measures, such as cancelling a cardholder's card to enforce its policies and limit violations of the CAL-Card rules.

The CAL-Card Payments Section in Caltrans' Division of Accounting's (DofA) Office of Commodity and Contracts Payables is responsible for preparing claim schedules to the SCO for payment to US Bank for CAL-Card purchases. The CAL-Card Payments Section also reviews cardholders' statements of account (SOA) packages for accuracy and completeness, and reports questionable cardholder purchases to DPAC.

Cardholders are responsible for using their cards within the procurement and contracting guidelines and obtaining approval prior to purchase. They are required to submit SOA packages monthly to DofA.

CAL-Card managers are responsible for reviewing the SOA packages before they are submitted to DofA. The review includes verifying that all required documents are attached, approvals are obtained, and purchases comply with stated requirements and Caltrans' policies and procedures.

In response to the findings in A&I's CAL-Card audit dated June 27, 2013, DPAC implemented the following corrective measures to improve compliance with the program:

- Updated and expanded its on-line CAL-Card training and re-certification program.
- Conducts monthly CAL-Card teleconferences and periodically issues e-blasts, in an effort to address and communicate various CAL-Card issues.
- Implemented use of a CAL-Card service agreement for transactions under $5,000. Under CAL-Card service agreements, contractors agree to provide agreed-upon goods or services for less than $5,000.
- Developed and implemented a CAL-Card Compliance Review process (Review) to determine if CAL-Card transactions comply with state requirements and Caltrans' policies and procedures. DPAC's CAL-Card Administration and Compliance Branch reviews selected cardholders and make recommendations to improve compliance. There have been five Reviews as of April 28, 2015.
- Issued detailed instructions on how to make information technology purchases with CAL-Card.

- Improved the DPAC website to allow easier navigation for users, including cardholders and card managers.
- Updated Chapter 12 of the Acquisition Manual.

Most of the corrective measures and changes occurred after June 30, 2014, which is outside our audit period. As such, we do not express an opinion on the effectiveness of the corrective measures.

CONCLUSION

Based on our tests, surveys, interviews, and observations, we found the following deficiencies in the CAL-Card program:

- CAL-Card Transaction Deficiencies.
- Weaknesses in Tagging and Recording of Equipment Purchases.
- Inaccurate Vendor Transactions in Advantage/InfoAdvantage.

VIEWS OF RESPONSIBLE OFFICIALS

We requested and received written responses to our findings from the Chiefs of DPAC, DofA, and the Directors of Districts 4, 6, and 8. These officials concurred with our findings. Please see Attachments 2 through 6 for their responses.

William E. Lewis
Assistant Director
Audits and Investigations

June 10, 2015

FINDING 1 – CAL-Card Transaction Weaknesses

We reviewed 145 statements of accounts (SOAs), with a total of 469 transactions (CAL-Card Purchase Orders or CPOs) by Districts 4, 6, and 8. The audit focused on CAL-Card Right of Way, Facilities, and Maintenance transactions that occurred in these districts. Although our review did not find any instances of prohibited purchases, our review disclosed 404 transactions, or 86 percent, had a total of 574 control deficiencies. Similar deficiencies were reported in the previous CAL-Card audit dated June 27, 2013. See Attachment 1 for a breakdown by district of the transactions tested and a summary of the types of deficiencies found.

Purchases lacking Adequate Justification

Of the 469 transactions tested, 256 (55 percent) CPOs did not have adequate justifications for the purchases and did not specify their benefits to the state. We found instances where justified purchases were questioned by the Division of Accounting (DofA) or by the Division of Procurement and Contracts (DPAC) because of insufficient narratives on the CPOs. Sections 12.3.2.C and F.8 of DPAC's Acquisition Manual require justification for purchases. Each justification should specify the benefit to the state (i.e, why the item or service is needed for the job and how it will be used).

District staff stated that the field space for justifications on the CPOs was not sufficient to enable adequate justification narratives. We understand that DPAC has expanded this field to allow more narrative.

Another reason given is that field staff, especially in Maintenance, may not have adequate training or awareness of the importance of justifications, leading to a lack of communication from the field. Some survey responses from CAL-Card holders and managers in Districts 4, 6 and 8 indicated that they thought they did not receive adequate training.

CAL-Card Purchase Orders Not Properly Completed

The audit disclosed 34 (7 percent) of the CPOs tested were not properly completed. Specifically, we found CPOs that lacked the approvers' signatures or the dates approved. In addition, we identified CPOs that did not have signatures or dates acknowledging receipt of goods or services. Twelve of the CPOs had more than one of these deficiencies.

Sections 12.3.2.F.1 of DPAC's Acquisitions Manual requires the printed name of the requestor of the product or service purchased. Sections 12.3.2.F.11, 12.3.5.B, and 12.3.7.B.1 of DPAC's Acquisitions Manual require the requestor or manager verify receipt of goods or services by signing and dating the CPO.

Based on our survey and interviews, field staff, especially in Maintenance, may not have adequate training or awareness of the importance of completing the CPOs.

CAL-Card Purchase Orders Prepared Late
The districts did not always prepare and approve the CPOs timely, i.e., within five business days after the date of purchase. Of the 469 transactions tested, 179 CPOs (38 percent) were prepared late. Section 12.3.2 (D) of DPAC's Acquisitions Manual requires that CPOs be prepared prior to making purchases or, if an emergency has occurred, within five working days of the transaction.

CAL-Card holders and managers stated that, depending on the nature of their work, they delay preparing CPOs until some time prior to preparing their Statements of Account packages.

CPOs Approved Late
The districts did not always approve CPOs timely. Our audit showed 49 (10 percent) CPOs tested were approved late. California Government Code 13402(a) requires government agencies to have internal accounting and administrative controls that include "...A system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures."

CPOs are frequently prepared late by cardholders, consequently, card managers cannot approve the CPOs timely. The lack of sufficient justifications, incomplete CPOs, and delays in preparing and approving CPOs could result in inappropriate or unauthorized purchases, loss of state assets, and revocation of Caltrans' delegated CAL-Card authority.

RECOMMENDATION

We recommend management in Districts 4, 6, and 8:

1. Continually remind their CAL-Card holders and managers to observe and fully comply with the requirements of DPAC's Acquisition Manual with respect to CAL-Card purchases, with particular emphasis regarding:

    - Properly justifying purchases by including a full descriptions of the goods and services, the reason for the purchases, and the benefit to the state. If the "Extended Description" field in Advantage/InfoAdvantage is not sufficient, cardholders could consider attaching additional documents.
    - Obtaining and documenting prior approvals of purchases.
    - Preparing and approving CPOs completely and timely.

2. Work with DPAC and DofA to identify ways to improve the CAL-Card process to overcome the difficulties experienced by field staff.

We recommend DPAC work continually with the districts and programs to understand their issues, evaluate the CAL-Card process, and make improvements that will assist district and program staff in complying with CAL-Card requirements.

DIVISION OF PROCUREMENT AND CONTRACTS RESPONSE

The Division of Procurement and Contracts concurs with the finding and recommendations. Please see Attachment 2 for details of the response and action plan.

DISTRICT 4 RESPONSE

District 4 concurs with the finding and recommendations. Please see Attachment 4 for details of the response and action plan.

DISTRICT 6 RESPONSE

District 6 concurs with the finding and recommendations. Please see Attachment 5 for details of the response and action plan.

DISTRICT 8 RESPONSE

District 8 concurs with the finding and recommendations. Please see Attachment 6 for details of the response and action plan.

FINDING 2 – Weaknesses in Tagging and Recording Equipment Purchases

We reviewed CAL-Card equipment purchases of $500 or more in Districts 4, 6, and 8 and found inconsistencies in the property control and recordkeeping. Specifically, of the eight equipment purchases identified in our test sample, we found three instances for which property control practices were not consistently or properly followed in all three districts. We found an ice machine in District 8 was not tagged until A&I conducted the audit. We noted a similar situation for a heavy-duty document shredder in District 4. Furthermore, we could not verify if and when another ice machine was recorded by the property controller in District 6.

State Administrative Manual (SAM), Section 8651, Identification and Tagging, requires the tagging of all state property. SAM Section 8650 requires that departments keep track of state property. In addition, Caltrans Property Control Manual (PCM), Section 1.3, Responsibilities, states that property controllers in the districts are responsible for tagging, monitoring, and inventorying all expendable and nonexpendable state property in their districts. PCM, Section 2.2, Controlling, Identifying, and Tagging Equipment, requires the CAL-Card Unit to notify property controllers monthly of equipment purchases made with CAL-Card. Finally, Section 12.4.6 of DPAC's Acquisition Manual states that all equipment costing $500 or more must be controlled, identified, and tagged in Caltrans' property database.

The lack of sufficient property control processes and procedures prevents Caltrans from adequately safeguarding equipment, increasing the risk of loss of state assets.

RECOMMENDATION

We recommend management in Districts 4, 6, and 8 continually remind CAL-Card holders and managers of the property control requirements and ensure that equipment are tagged and recorded.

We recommend DPAC:

- Continually remind CAL-Card holders and managers of the requirements for tagging and recording equipment.
- Ensure that its CAL-Card Compliance Review process addresses the tagging and recording of CAL-Card equipment purchases.

DIVISION OF PROCUREMENT AND CONTRACTS RESPONSE

The Division of Procurement and Contracts concurs with the finding and recommendations. Please see Attachment 2 for details of the response and action plan.

DISTRICT 4 RESPONSE

District 4 concurs with the finding and recommendations. Please see Attachment 4 for details of the response and action plan.

DISTRICT 6 RESPONSE

District 6 concurs with the finding and recommendations. Please see Attachment 5 for details of the response and action plan.

DISTRICT 8 RESPONSE

District 8 concurs with the finding and recommendations. Please see Attachment 6 for details of the response and action plan.

FINDING 3 – Inaccurate Vendor Transaction Reports in Advantage/InfoAdvantage

Our tests of the 469 district transactions disclosed 86 instances where vendors were combined on expenditure reports. These instances occurred because the Advantage/InfoAdvantage system occasionally combines vendor transactions with the same standard industry classification code under one vendor when it batches vendor transactions. Combining vendor transactions results in inaccuracies in vendor expenditure reports, with some vendors showing overstated expenditures while others may be understated. Inaccurate vendor transaction reports makes it difficult to track or audit payments made to a specific vendor.

RECOMMENDATION

We recommend DofA continue working with the Division of Information Technology and the Advantage/InfoAdvantage consultant to implement the needed changes to ensure accurate vendor transaction reporting.

DIVISION OF ACCOUNTING RESPONSE

The Division of Accounting concurs with the finding and recommendations. Please see Attachment 3 for details of the response and action plan.

Audit Team

Zilan Chen, Chief, Internal Audits

Douglas Gibson, Audit Manager

Emilio Flores, Auditor-in-Charge

Fifie King, Auditor

Attachment 1

LISTING OF TRANSACTIONS AND DEFICIENCIES FOUND

ATTACHMENT 1

Listing of Transactions Tested and Deficiencies Found

Transactions Tested				Deficiencies Found				
District	**Number of Transactions Tested**	**Number of Transactions with Deficiencies**	**Percentage**	**Total Deficiencies**	**Purchases Lacking Justification**	**CPOs Not Properly Completed**	**CPOs Prepared Late**	**CPOs Approved Late**
4	227	186	82%	245	179	7	48	11
6	81	73	90%	120	33	32	42	13
8	161	145	90%	209	44	53	89	23
Total	**469**	**404**	**86%**	**574**	**256**	**92**	**179**	**47**

Attachment 2

DIVISION OF PROCUREMENT AND CONTRACTS RESPONSE TO DRAFT REPORT

Attachment 2

State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought. Help save water!

To: WILLIAM E. LEWIS
ASSISTANT DIRECTOR
AUDITS AND INVESTIGATIONS

Date: June 24, 2015

File: P3000-0425

From: FRANCESCA NEGRI
Division Chief
Division of Procurement and Contracts

Megan Rettke

Subject: **DRAFT RESPONSE-CAL-CARD SCO MANDATED BIENNIAL AUDIT**

The Division of Procurement and Contracts has attached the Draft Audit Response on the implementation of audit finding dispositions for the CAL-Card Program Audit dated June 9, 2015. We have successfully implemented changes to satisfy all recommendations and will continue to work with CAL-Card holders and managers within the districts and programs regarding compliance with CAL-Card requirements.

If you have any questions regarding the status report, please contact Megan Rettke at (916) 227-6082.

Attachments:

(1) Response to Draft Report
(2) CAL-Card Program - E – Blast
(3) CAL-Card Compliance Review Process Finding Report and Recommendations 15-6
(4) Procurement File Checklist for CAL-Card
(5) Statement of Account Checklist for CAL-Card
(6) CAL-Card Liaison Monthly Teleconference Agenda (June 24, 2015)
(7) CAL-Card Liaison Teleconference Notes (April 29, 2015)

c: Megan Rettke, Assistant Division Chief, Division of Procurement and Contracts
Louise Lozoya, Office Chief, Division of Procurement and Contracts
Mari Jo Snider, Branch Chief, Division of Procurement and Contracts

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

Attachment 2

Audit Name: CAL-Card **Audit No.: P3000-0425**

Auditee: Division of Procurement and Contracts

Audit Report Finding 1

CAL-Card Transaction Weaknesses

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
Continually work with the districts and programs to understand their issues, evaluate the CAL-Card process, and make improvements that will assist district and program staff in complying with the CAL-Card requirements.	DPAC will continue to analyze, design, develop, implement, and evaluate processes and improvements along with ensuring compliance with all applicable laws and regulations, prior to using CAL-Card as payment mechanism. On 6/22/2015, DPAC communicated to the district and frogram staff through an E-Blast (attached). Samples of past communication withCAL-Card Holders, CAL-Card Liaisons, and CAL-Card Managers such as Compliance Reviews, training, website tools, and monthly meetings are attached.	6/22/2015; This is an on-going process.	Mari Jo Snider	The attachmenst referred to by DPAC were reviewed. DPAC's corrective action plan is sufficient. No additiional follow-up is necessary.

Audit Report Finding 2

Weaknesses in Tagging and Recording Equipment Purchases

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
Remind CAL-Card holders and managers of the requirements for tagging and recording equipment.	DPAC will continue to direct CAL-Card Holders, CAL-Card Liaisons, and CAL-Card Managers of the appropriate process concerning property control (monthly teleconference, training, website tools, monthl Statement of Account reviews, and E-Blasts) while partnering with Property Control. On 6/22/2015, DPAC reminded CAL-Card Holders, CAL-Card Liaisons, and CAL-Card Managers of the requirements for tagging and recording equipment by sending an E-Blast. During June 2015 Teleconference with the districts, the topic will be discussed and has been distributed on the agenda.	6/23/2015; This is an on-going process.	Mari Jo Snider	DPAC's corrective action plan is sufficient. No additional follow-up is necessary.
During the Compliance Review process, address the tagging and recording of CAL-Card equipment purchases.	This is a new process initiated January 6, 2015 and on-going. Utilizing the Procurement File Checklist for CAL-Card along with the Statement of Account Checklist (posted on DPAC website and attached), DPAC will continue to review procurement filesthrough the Compliance REview process and address the appropriate process concerning the tagging and recording of equipment when applicable.	1/6/2015; This is an onm-going process.	Mari Jo Snider	DPAC's corrective action plan is sufficient. No additional follow-up is necessary.

Attachment 3

DIVISION OF ACCOUNTING
RESPONSE TO DRAFT REPORT

Attachment 3

State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
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To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: June 17, 2015

From: CLARK PAULSEN Clark Paulsen
Chief
Division of Accounting

Subject: **Division of Accounting Response – CAL-Card Audit (P3000-0425)**

The attached worksheet contains the Division of Accounting's response to the findings noted in the draft audit report discussed at the exit conference held June 10, 2015.

If you have any questions or need additional information, please contact Gilbert Petrissans at (916) 227-9279.

c: Norma Ortega, Chief Financial Officer
Zilan Chen, Chief Internal Audits, Audits and Investigations
Douglas Gibson, Manager, Internal Control Audits, Audits and Investigations
Gilbert Petrissans, Chief, Office of Commodity and Contract Payables, Division of Accounting
Monica Cummings, Chief, Commodity and CAL-Card Payments Branch, Division of Accounting
Nicole Felcher, Audit Coordinator, Division of Accounting

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

Attachment 3

Audit Name: CAL-Card **Audit No.: P3000-0425**

Auditee: Division of Accounting

Audit Report Finding 3

Inaccurate Vendor Trnascation Reports in Advantage/InfoAdvantage

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion	Staff Responsible	A&I Analysis
Continue working with the Division of Information Technology and the Advantage/InfoAdvantageconsultant to implement the needed changes to ensure accurate vendor transaction reporting.	Accounting has requested a change in Advantage to correct the Vendor Transaction History reporting. Programming changes were completed and the dat tested. The test data results identified error with the programming change. The consultant, CGI, is activiely working with Accounting and Information Technology on the analysis of various test cases and issues.	December 31, 2015	Cindy Buhagiar	DofA's corrective action plan is sufficient. Upon review of DofA's 60-day status report, we will determine if additional follow-up is necessary.

Attachment 4

DISTRICT 4
RESPONSE TO DRAFT REPORT

Attachment 4

State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help Save Water!

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: June 24, 2015

File: P3000-0425

From: BIJAN SARTIPI
District Director
District 4

Subject: **D4 Response to Draft Audit Report # P3000-0425 Regarding Cal-Card Audit**

As a result of reviewing the draft audit report and participating in the exit conference, attached is District 4 plan to address the findings of the audit.

If you have any questions or need additional information, please contact Premjit Rai, Deputy District Director of Administration at (510) 286-5894.

Attachment
Auditee (D4) response to draft audit report June 2015

c: Premjit Rai, Deputy District Director, Administration, District 4
Jeffrey Armstrong, Staff Services Manager II, Office of Budgets, District 4
Zilan Chen, Supervising Management Auditor, Audits & Investigations
Sunthari Pongpairoj, District CAL-Card Liaison, Office of Budgets, District 4
Douglas Gibson, Audit Manager, Internal Audits, Audits & Investigations
Emilio Flores, Staff Management Auditor, Audits & Investigations
Fifie King, Associate Management Auditor, Audits & Investigations

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

Attachment 4

Audit Name: CAL-Card **Audit No.: P3000-0425**

Auditee: District 4

Audit Report Finding 1

CAL-Card Transaction Weaknesses

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
1. Remind cardholders and card managers to observe and fully comply with the requirements of the DPAC's Acquisition Manual with respect to CAL-Card purchases, with particular emphasis regarding:	District will issue a memo to all Cardholder and Approving Officals reminding them to ensure full compliance with DPAC's requirements with respct to CAL-Card purchases and emphasize:	August 30, 2015	District 4, Administration	District 4's corrective action plan is sufficient. A&I further recommends that District management periodically remind CAL-Card cardholders and card managers to fully comply with the requirements of DPAC's Acquisition Manual. Upon review of the 60-day status report, A&I will determine whether the District fully implemented the recommendation.
• Properly justifying purchases by including a full description of goods and services, the reason for the purchases, and the benefit to the state. If the "Extended Description" field in Advantage/InfoAdvantage is not sufficient, cardholders could consider attaching additional documents.	• Properly justifying purchases by including a full description of goods and services, the reason for the purchases, and the benefit to the state. If the "Extended Description" field in Advantage/InfoAdvantage is not sufficient, cardholders could consider attaching additional documents	August 30, 2015	District 4, Administration	District 4's corrective action plan is sufficient. A&I will determine whether the District fully implemented the recommendation after reviewing the 60-day status report.
• Obtaining and documenting prior approvals of purchases.	• Obtaining and documenting prior approvals of purchases.	August 30, 2015	District 4, Administration	District 4's corrective action plan is sufficient. A&I will determine whether the District fully implemented the recommendation after reviewing the 60-day status report.
• Preparing and approving CPOs completely andtimely.	• Preparing and approving CPOs completely andtimely.	August 30, 2015	District 4, Administration	District 4's corrective action plan is sufficient. A&I will determine whether the District fully implemented the recommendation after reviewing the 60-day status report.
2. Work with DPAC and DofA to identify ways to improving the CAL-Card process and overcome the difficulties experience by staff.	District 4 will continue to work withDPAC in an effort to further improve the CAL-Card process.	August 30, 2015	District 4, Administration	District 4's corrective action plan is sufficient. A&I will determine whether the District fully implemented the recommendation after reviewing the 60-day status report.

Audit Report Finding 2

Weaknesses in Tagging and Recording Equipment Purchases

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
District management should continually remind CAL-Card holders and managers of the requirements for tagging and recording equipment.	District will issue a memo to all Cardholder and Approving Officials reminding them of the requirements for properly tagging and recording equipment (over $500.00).	August 30, 2015	District 4, Administration	District 4's corrective action plan is sufficient. A&I will determine whether the District fully implemented the recommendation after reviewing the 60-day status report.

Attachment 5

DISTRICT 6
RESPONSE TO DRAFT REPORT

State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help save water!

To: EMILIO FLORES
Staff Management Auditor
Audits and Investigations

Date: June 24, 2015

File:

From: SHARRI BENDER EHLERT
Deputy District Director
District 6

Subject: **Cal-Card Draft Audit – District 6 Response (P3000-0425)**

The following are in response to the Audit and Investigations recommendations provided in the Cal-Card Audit Draft Report.

Finding 1 – Cal-Card Transaction Weaknesses

- Continue to remind cardholders and managers to observe and fully comply with the requirements of DPAC's Acquisition Manual with respect to Cal-Card purchases.
- Request DPAC to provide monthly summary of errors committed by D6 cardholders. This list will be used to notify the Cal-Card managers which individuals are out of compliance.
- Request DPAC to develop a comprehensive face-to-face cardholder training for staff for whom on-line training is not sufficient.
- The maintenance has instituted more stringent controls for Cal-Card managers to monitor procurement documents to ensure purchases include appropriate justification as well as to ensure purchases have prior approval.
- Maintenance Division has changed their process to ensure CPO's are created in a timely manner.

Finding 2 – Weaknesses in Tagging and Recording Equipment Purchases

- Remind Cal-Card holders and Cal-card managers to comply with Caltrans guidelines and policies for tagging state owned property as outlined in SAM Sections 8650-8652, and Chapters 6.2, 12.4.6 of the DPAC Acquisition Manual.
- District Property Controller will create and generate a monthly listing of all procurement and confirm that items requiring tagging are issued tags in accordance with SAM.

The District would like to thank the Auditors for the opportunity to discuss the Cal-Card program and document the feedback from the District to help enrich the program.

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

Attachment 5

Audit Name: CAL-Card **Audit No.: P3000-0425**

Auditee: District 6

Audit Report Finding 1

CAL-Card Transaction Weaknesses

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
1. Remind cardholders and card managers to observe and fully comply with the requirements of the DPAC's Acquisition Manual with respect to CAL-Card purchases, with particular emphasis regarding:	Continue to remind cardholders and managers to observe and fully comply with the requirements of DPACs Acquisition Manual with respect to CAL-Card purchases. Request DPAC to provide a monthly summary of errors committed by D6 cardholders. This list will be used to notify theCAL-Card managers which individuals are out of compliance. Request DPAC to develop a comprehensive face-to-face cardholder training for staff whom on-line training is not sufficient.	Ongoing, monthly with the CAL-Card Liaison Meeting notes 08/01/15 Effective 06/01/15 and ongoing	CAL-Card Liaison & CAL-card Managers CAL-Card Liaison Maintenance Manager II	D6's corrective action plan is sufficient. A&I will review the 60-day status report to determine if additional follow-up is necessary.
• Properly justifying purchases by including a full description of goods and services, the reason for the purchases, and the benefit to the state. If the "Extended Description" field in Advantage/InfoAdvantage is not sufficient, cardholders could consider attaching additional documents.	See box 1 above Also, MTCE division has instituted more stringent controls for CAL Card Managers to monitor procurement documents to ensure purchases include appropriate justification.	Effective 06/01/015	Cal Card Managers	D6's corrective action plan is sufficient. A&I will review the 60-day status report to determine if additional follow-up is necessary.
• Obtaining and documenting prior approvals of purchases.	See box 1 above Also, MTCE division has instituted more stringent controls for CAL-Card managers to ensure purchases have prior approval.	Effective 06/01/015	CAL-card Holders, CAL-Card Managers	D6's corrective action plan is sufficient.
• Preparing and approving CPOs completely andtimely.	See box 1 above Also, MTCE division has their process to ensure CPOs are created in a timely manner.	Effective 06/01/015	CAL-card Holders, CAL-Card Managers	D6's corrective action plan is sufficient.
2. Work with DPAC and DofA to identify ways to improving the CAL-Card process and overcome the difficulties experience by staff.	Continue to invite cardholders and CAL-Card managers to CAL-Card Liaison meetings so they can learn about trending issues directly from DPAC and bring questions forward as they arise. See box 1 above, request for monthly error report & DPAC training.	Effective 06/01/15 and ongoing 08/01/15	CAL-Card Liiaison CAL-Card Liaison	D6's corrective action plan is sufficient. A&I will review the 60-day status report to determine if additional follow-up is necessary.

Audit Report Finding 2

Weaknesses in Tagging and Recording Equipment Purchases

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
District management should continually remind CAL-Card holders and managers of the requirements for tagging and recording equipment.	Remind CAL-card holders and CAL-Card managers to comply with Caltrans guidelines and policies for tagging State owned property as outlined in SAM Sections 8650-8652, and Chapters 6.2 & 12.4.6, of the DPAC Acquisition Manual District Property Controller will create and generate a monthly listing of all procurement and confirm that items requiring tagging are issue tags in accordince with SAM	08/01/15 Monthly effective 07/01/15	District Property Control Officer District Property Control Officer	D6's corrective action plan is sufficient. A&I will review the 60-day status report to determine if additional follow-up is necessary.

Attachment 6

DISTRICT 8
RESPONSE TO DRAFT REPORT

Memorandum

Serious drought.
Help Save Water!

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

Date: June 23, 2015

File:

From: KEVIN M. STROUGH
Deputy District Director, Administration
District 8

Subject: **TRANSMITTAL MEMORANDUM**

Attached is District 8's response to the Draft Cal-Card Audit Report P3000-0425. If you have questions or need additional information, please contact me at (909) 383-4576.

Attachment
District 8 Response to Draft Cal-Card Audit Report

c: Zilan Chen, Chief, Internal Audits, Audits and Investigations
Douglas Gibson, Manager, Internal Control Audits, Audits and Investigations

LRB

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

Attachment 6

Audit Name: CAL-Card **Audit No.: P3000-0425**

Auditee: District 8

Audit Report Finding 1

CAL-Card Transaction Weaknesses

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
1. Remind cardholders and card managers to observe and fully comply with the requirements of the DPAC's Acquisition Manual with respect to CAL-Card purchases, with particular emphasis regarding:	D8 will provide quarterly training to cardholders and card managers on topics that the CalCard liaison deems pertinent to District 8 issues. The liaison will forward the handouts from the monthly CalCard Liaison Teleconference to cardholders and card managers.	To begin July 2015, monthly and quarterly.	Corina Harriman	District 8's corrective action plan is sufficient. A&I will review the 60-day status report to determine whether additional follow-up is necessary.
• Properly justifying purchases by including a full description of goods and services, the reason for the purchases, and the benefit to the state. If the "Extended Description" field in Advantage/InfoAdvantage is not sufficient, cardholders could consider attaching additional documents.	see above			District 8's corrective action plan is sufficient. A&I will review the 60-day status report to determine whether additional follow-up is necessary.
• Obtaining and documenting prior approvals of purchases.	see above			District 8's corrective action plan is sufficient. A&I will review the 60-day status report to determine whether additional follow-up is necessary.
• Preparing and approving CPOs completely andtimely.	see above			District 8's corrective action plan is sufficient. A&I will review the 60-day status report to determine whether additional follow-up is necessary.
2. Work with DPAC and DofA to identify ways to improving the CAL-Card process and overcome the difficulties experience by staff.	D8 Liaison will work with DPAC and DofA with any issues that staff experience.	as needed	Corina Harriman	District 8's corrective action plan is sufficient. A&I will review the 60-day status report to determine whether additional follow-up is necessary.

Audit Report Finding 2

Weaknesses in Tagging and Recording Equipment Purchases

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
District management should continually remind CAL-Card holders and managers of the requirements for tagging and recording equipment.	D8 PropertyController will notify Cal Card holders and managers of changes to the Equipment Tagging Requirements as directed by HQ.	As needed per DPAC Property Control updates	Yvette Kearns	District 8's corrective action plan is sufficient. A&I will review the 60-day status report to determine whether additional follow-up is necessary.