Memorandum

To:        LAWRENCE H. ORCUTT, Chief
           Division of Equipment
           BIJAN SARTIPI
           District Director
           District 4

           SHARRI BENDER-EHLERT
           District Director
           District 6

           CARRIE BOWEN
           District Director
           District 7

From:      WILLIAM E. LEWIS
           Assistant Director
           Audits and Investigations

Date:      May 14, 2015

File:      P3000-0424

Subject:   FINAL AUDIT REPORT OF THE HOME STORAGE PERMIT PROGRAM

Attached is Audits and Investigations’ (A&I’s) final audit report of the Home Storage Permit Program. Your response has been included as part of our final report. This report is intended for your information and for Department Management.

Please provide our office with status reports on the implementation of your audit finding dispositions 60-, 180-, and 360-day subsequent to the date of this transmittal memorandum. If all findings have not been corrected within 360 days, please continue to provide status reports every 180 days until the audit findings are fully resolved. As a matter of public record, this report and the status reports will be posted on Caltrans’ website.

We thank you and your staff for their assistance provided during this audit. If you have any questions or need additional information, please contact Laurine Bohamera, Chief, External Audits - Contracts, at (916) 323-7107, or Zilan Chen, Chief, Internal Audits at (916) 323-7877.

Attachment

"Provide a safe, sustainable, integrated and efficient transportation system
to enhance California’s economy and livability"
c: Rick Gilliam, Chief, Office of Audit Services, Department of General Services,
Malcolm Dougherty, Director
Kome Ajise, Chief Deputy Director
Steve Takigawa, Deputy Director, Maintenance and Operations
Premjit Rai, Deputy District Director, Administration, District 4
Lori Guinan, Deputy District Director, Administration, District 6
Duncan McIntosh, Deputy District Director, Administration, District 7
Samuel Pence, Acting Office Chief, Office of Budgets and Administration, Division of
   Equipment
Zilan Chen, Chief, Internal Audits, Audits and Investigations
Laurine Bohamera, Chief, External Audits - Contracts, Audits and Investigations
Kevin Yee, Audit Manager, Internal Audits, Audits and Investigations

"Provide a safe, sustainable, integrated and efficient transportation system
   to enhance California's economy and livability"
<table>
<thead>
<tr>
<th>P3000-0424</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Storage Permit Program</td>
</tr>
<tr>
<td>May 2015</td>
</tr>
</tbody>
</table>

William E. Lewis  
Assistant Director  
Audits and Investigations  
California Department of Transportation
## REPORT CONTENTS

### AUDIT REPORT

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary</td>
<td>1</td>
</tr>
<tr>
<td>Background</td>
<td>1</td>
</tr>
<tr>
<td>Objectives, Scope, and Methodology</td>
<td>2</td>
</tr>
<tr>
<td>Conclusion</td>
<td>3</td>
</tr>
<tr>
<td>Views of Responsible Officials</td>
<td>3</td>
</tr>
</tbody>
</table>

### FINDINGS AND RECOMMENDATIONS

#### STATEWIDE

1. Monitoring and Oversight Weaknesses Over the Home Storage Permit Program 4

#### DISTRICT SPECIFIC

2. Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form (PM-0041) Procedures Not Consistently Followed 7

3. Not All Home Storage Permits were Justified 8

4. Inadequate Record Keeping and Monitoring in Districts 6 and 7 9

### ATTACHMENTS

1. Division of Equipment Response
2. District 4 Response
3. District 6 Response
4. District 7 Response
Summary

The California Department of Transportation’s (Caltrans) Audit and Investigations (A&I) completed an audit of the Home Storage Permit (HSP) Program. The purpose of the audit was to evaluate the adequacy of internal controls over the HSP Program to determine whether Caltrans is in compliance with the established HSP policies, procedures, and guidelines.

Our audit disclosed that Caltrans’ established policies, procedures, and internal controls for the HSP Program are generally adequate, except for the issues noted below:

- Monitoring and Oversight Weaknesses Over the HSP Program.
- Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form (PM-0041) Procedures Not Consistently Followed.
- Not All Home Storage Permits were Justified.
- Inadequate Record Keeping and Monitoring in Districts 6 and 7.

Background

California Code of Regulations (CCR) section 599.808 requires that a HSP be issued in advance to employees who store state-owned vehicles at or in the vicinity of their home more than 72 nights over a 12-month period or more than 36 nights over any three-month period. Additionally, these regulations also require that each department maintain a vehicle travel log for state-owned vehicles recording the daily mileage traveled, date and time of travel, itinerary, and information regarding overnight storage and identity of the driver. Caltrans uses the Cartags system to track the required vehicle usage information.

The Division of Equipment (DOE) is responsible for the administration of state vehicle use for Caltrans. To meet this responsibility, the DOE develops, publishes, and maintains the HSP Guidelines and monitors statewide adherence to these policies and procedures.

In January 2011, Executive Order B-2-11 was issued by the Governor. This order required each state agency and department to conduct an analysis to determine the purpose of, the necessity for, and the cost-effectiveness of, the vehicles and equipment in their fleet. This order also required each agency secretary and department director to review their vehicle home storage permits and withdraw those that were non-essential or cost ineffective.

To assist with the implementation of this Executive Order, the Department of General Services issued Management Memorandum 13-03. This memorandum increased the number of emergency call outs to qualify for a home storage permit from a minimum of 12 emergency responses to a minimum of 24.
The Executive Order also prompted the Division of Maintenance to implement a Vehicle Reporting, Utilization and Reassignment Policy. This policy allows documented continual low use vehicles/equipment to be redistributed to other areas within the state. This policy has resulted in a substantial improvement in Cartags compliance since the last audit by introducing consequences for not reporting vehicle usage in Cartags.

The prior audit of the HSP Program in October 2012 determined, in part, that there was inadequate tracking of vehicles stored at home, specifically for individuals without permits. In response to this finding, DOE issued Deputy Directive - 111, Use of State Vehicles, and Use of State Vehicle Guidelines to outline employee and supervisor responsibilities in using state-owned vehicles. DOE also piloted a program to evaluate if installation of Global Positioning Systems (GPS) in state owned vehicles could be used to track required vehicle usage information. The pilot program was successful and DOE proceeded to install 7,700 GPS units in its light-duty fleet vehicles, off-road equipment, and additional types of equipment. DOE anticipates that the GPS program will eliminate the need for manual usage reporting in Cartags by automatically capturing required vehicle usage data. The DOE believes that this program will result in accurate data collection; improve operator safety through automatic alerts of vehicle diagnostics, vehicle locations, and travel speed; and improve fleet allocation and distribution throughout the state.

Additionally, subsequent to the prior audit, DOE made improvements to the permit application and PM-0041 forms in the HSP system. The improvements include capturing vehicle identification information, the number of emergency call outs, and number of nights vehicles are stored at home. The improvements should aid DOE in their oversight and monitoring effort by identifying permit holders that do not meet the criteria to hold a permit.

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:

- The HSP Program has adequate policies, procedures and guidelines in place.
- Policies, procedures, and guidelines are clearly communicated to those who have responsibility in the process.
- Permit issuance is in compliance with the criteria specified in the Vehicle Home Storage Permit Guidelines.
- Permits are warranted, current and justified on an on-going basis.
- Permits are updated or revoked when circumstances change.
Objectives, Scope, and Methodology (continued)

- Fleet users are in compliance with the Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form requirement.
- Fleet users are in compliance with vehicle travel log requirements.
- Permits are properly monitored and administered within Caltrans.

The audit covered the period January 1, 2013 through December 31, 2013. We conducted our review from May 27, 2014 through September 10, 2014. Changes after these dates were not tested, and accordingly, our conclusions do not pertain to changes arising after September 10, 2014. The audit focused on internal controls and procedural compliance as they related to the HSP functions. The audit included tests as we considered necessary to achieve the above audit objectives.

Conclusion

Our audit disclosed that Caltrans’ established policies and internal controls with respect to the HSP Program are generally adequate, except for the issues noted below:

- Monitoring and Oversight Weaknesses Over the HSP Program.
- Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form (PM-0041) Procedures Not Consistently Followed.
- Not All Home Storage Permits were Justified.
- Inadequate Record Keeping and Monitoring in Districts 6 and 7.

Views of Responsible Officials

We requested and received a response from the Chief of Division of Equipment and the Deputy District Director of Administration of Districts 4, 6, and 7. These officials have concurred with the findings and the majority of the recommendations. Please see the Attachments for their complete response.

WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

March 10, 2015
FINDINGS AND RECOMMENDATIONS

Finding 1 - Monitoring and Oversight Weaknesses Over the Home Storage Permit Program

Our review found that overall administration and management of the Home Storage Permit (HSP) Program needs improvement in enforcing established policies and procedures.

- Our testing of Cartags data for the 2013 calendar year revealed the following:
  - Out of 327 fleet users who stored vehicles at home more than 72 nights, 58 did not have an HSP.
  - Information contained in Cartags is inconsistent and incomplete. Out of 979,873 entries, 238,672 fields containing operator name were incomplete. The entries varied from operators' initials, first name only, last name only, to general descriptions such as the examples provided below.

<table>
<thead>
<tr>
<th>Operator Name</th>
<th>Number of Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Unknown&quot;</td>
<td>6,368</td>
</tr>
<tr>
<td>&quot;tmc&quot;</td>
<td>5,162</td>
</tr>
<tr>
<td>&quot;None&quot;</td>
<td>3,461</td>
</tr>
<tr>
<td>&quot;Various&quot;</td>
<td>2,966</td>
</tr>
</tbody>
</table>

- Our review of Personal Use of State Vehicle One-Way Commuting and/or Round Trip Forms (PM-0041) identified that 30 out of 40 permit holders erroneously claimed exclusions from fringe benefit tax reporting.

The California Code of Regulations (CCR) Section 599.808 (d) states “When a state-owned vehicle is to be stored frequently at or in the vicinity of an employee's home, regardless of the reason, a permit must be obtained in advance from his/her department... For the purpose of enforcing this rule, “frequently” is defined as storing a state-owned vehicle at an employee's home, or in the vicinity thereof, for more than 72 nights over a 12-month period or more than 36 nights over any three-month period.”

CCR Section 599.807 (a) states “Each state agency shall maintain the following records for state-owned automobiles under its control... (a) An automobile travel log for each automobile in a form approved by the Department of General Services. Such form shall include, among other information, a record of daily mileage traveled, date and time of travel, itinerary, and information regarding overnight storage and shall identify the driver. The record shall be completed on a daily basis.”
Finding 1 - (continued)

The Division of Equipment (DOE) does not review Cartags data to determine if individuals without permits are storing vehicles at home more than the allotted number of nights. Additionally, they do not review the data to ensure that it is complete and consistent. Some fleet users claimed that they did not store vehicles at home, but failed to change the storage location in Cartags which auto-populates this field based on previous entries.

Although DOE anticipates that the Global Positioning Systems (GPS) program will eventually eliminate the need for Cartags, continued improvement and monitoring of Cartags is advised until DOE is confident of the reliability and reporting of the new GPS system. Cartags will not be a reliable monitoring tool for the HSP program without complete and consistent operator information.

Currently, DOE does not verify if exclusions to fringe benefit reporting claimed by permit holders are valid. Our interview of supervisors and HSP Coordinators in the districts revealed that there is confusion regarding the exclusion rules. IRS regulations generally consider the value of personal use of employer provided vehicles as taxable income, however; they do provide exclusions based on specific circumstances such as use of a qualified nonpersonal use vehicle, for example, a bucket truck or cement mixer. The majority of permit holders who erroneously claimed exclusions cited response to emergency call outs as the reason; however, the IRS does not identify emergency call outs as an exclusion.

Further, noncompliance with IRS fringe benefit reporting exposes California Department of Transportation (Caltrans) to potential findings as Caltrans has oversight responsibilities for reporting taxable fringe benefits.

Recommendations

We recommend that DOE:

1. Require fleet users to use “S” numbers in Cartags for the operator name field and ensure that the system validates the numbers. Additionally, we recommend DOE remove auto-population capabilities for the operator name and storage location fields in Cartags.

2. Review Cartags data to determine if fleet users without permits are storing vehicles at home more than the allotted number of nights. Additionally, review the data to ensure that it is consistent and complete.

3. Provide districts with a category or list of vehicles that are considered qualified nonpersonal use vehicles.
4. Request a change in the HSP system to ensure exclusions to fringe benefit reporting claimed on the PM-0041 forms are validated. Until system controls are in place, review exclusions claimed to ensure they are valid.

5. Determine how data will be obtained from the new GPS system to monitor vehicle use by individuals without permits and provide guidance to districts to support the districts' monitoring efforts.

We recommend district HSP coordinators:

1. Review Cartags data to determine if fleet users without permits are storing vehicles at home more than the allotted number of nights. Additionally, review the data to ensure that it is complete and consistent and if not, notify the responsible fleet users and supervisors.

2. Review exclusions claimed to ensure they are valid and notify permit holders and supervisors of errors.

3. Obtain GPS system training from DOE in order to monitor home storage of vehicles by individuals without permits.

DOE agrees with recommendations 3 and 4 above and is exploring options for addressing the issue. However, DOE does not agree with recommendations 1 and 2. DOE believes that reprogramming Cartags according to recommendation 1 is no longer necessary as the GPS system has replaced Cartags. Additionally, DOE believes that supervisors are responsible for reviewing Cartags data as outlined in recommendation 2.

While A&I agrees that supervisors have a responsibility in monitoring for compliance, the ultimate responsibility for oversight and monitoring lies with DOE as the program administering the use of state vehicles. As such, DOE is responsible for determining how data will be obtained from the new GPS system to monitor vehicle use by individuals without permits and provide guidance to supervisors to support their monitoring efforts, therefore, recommendation 5 is added.

The districts were in agreement with the recommendations and have agreed to implement processes to address the findings. District 4 will continue to review Cartags for compliance and provide training to permit holders and supervisors on the exclusion guidelines. District 6 will carefully monitor employees without permits and review PM-0041 forms for completeness, accuracy, and exclusions claimed. District 7 will provide training to HSP coordinators regarding the exclusion rules and staff will review Cartags data on a quarterly basis.
Finding 2 -
Personal Use of
State Vehicle
One-Way
Commuting and/or
Round Trip Form
Procedures Not
Consistently
Followed

The value of the personal use of state-owned vehicles must be reported on the PM-0041 form monthly. HSP holders must submit the PM-0041 electronically through the HSP system.

The Vehicle Home Storage Permit (VHSP) Guidelines state that all HSP permit holders are required to complete and submit the PM-0041 by the last working day of each month to their supervisors and the supervisors are responsible for ensuring that the form is completed accurately and is approved by the third business day of the subsequent month.

Our testing of the PM-0041 forms for 19 permit holders in Districts 4, 6, and 7 identified 112 of 195 (57 percent) PM-0041 forms were submitted late. The District specific finding is as follows:

- 44 from District 4 were an average of 37 days late
- 12 from District 6 were an average of 8 days late
- 56 from District 7 were an average of 20 days late

The lack of timely submission appears to be due to inadequate monitoring of HSP holders’ compliance with guidelines by supervisors and management. Noncompliance with the Personal Use of State Vehicle reporting requirements exposes Caltrans to potential findings by the IRS as Caltrans has oversight responsibilities for reporting.

In addition, a HSP allows the permit holder to commute in a departmental vehicle that is maintained and fueled at Caltrans’ expense. The cost of providing the vehicle for personal commute far exceeds the permit holder’s obligation to pay tax on $1.50 per one-way commute or on $3.00 per round trip. The permit holder’s personal financial benefit and the lack of review and follow-up of PM-0041 submittal increases the opportunity for improper use of an HSP.

Recommendation

District 4, 6, and 7 HSP supervisors and managers should ensure that PM-0041 forms are completed, reviewed, and approved by the third calendar day of the subsequent month.

District 4, 6, and 7 Responses

The districts were in agreement with the recommendations and have agreed to implement processes to address the findings. District 4 will review the guidelines with supervisors and managers and require weekly review of the PM-0041. District 6 supervisors will review the monthly PM-0041 submittals for completeness and accuracy. District 7 will review this requirement with permit holders and delinquent reports will be shared during monthly manager’s meetings to facilitate corrective action.
Finding 3 - Not All Permits Were Justified

We reviewed a total of 19 permit holders to determine if the permits were issued in accordance with the Department of General Services (DGS) Management Memorandum (MM) 13-03. Our audit results determined that seven out of the 19 permit holders did not meet the criteria for permit issuance. One of five permit holders in District 4, two of five permit holders in District 6, and four of nine permit holders in District 7 either did not meet the minimum number of 24 emergency call outs per year and/or did not store the vehicle at home over 72 nights in a 12-month period or 36 nights over a 3-month period.

CCR Section 599.808 (d) states “When a state-owned vehicle is to be stored frequently at or in the vicinity of an employee's home, regardless of the reason, a permit must be obtained in advance from his/her department... For the purpose of enforcing this rule, “frequently” is defined as storing a state-owned vehicle at an employee's home, or in the vicinity thereof, for more than 72 nights over a 12-month period or more than 36 nights over any three-month period.”

DGS issued MM 13-03 to provide criteria for issuance of essential and cost-effective permits. One of the criteria for essential or emergency permits is responding to a minimum of 24 emergency responses.

Staff holding permits that do not meet the established criteria is caused by poor screening and monitoring of HSP applicants’ compliance with guidelines by supervisors and management. Staff interviewed at the districts stated that competing workload priorities prevent them from closely monitoring the number of emergency call outs.

The issuance of permits to individuals that do not qualify limits the number available to applicants who legitimately need a permit in the course of their daily work.

Recommendations

District 4, 6, and 7 VHSP supervisors and managers should:

1. Monitor the emergency call outs by permit holders on a monthly basis to ensure they have a minimum of two call outs per month to meet the annual minimum of 24 emergency call outs. Request DOE cancel any permits not meeting the minimum monthly call out requirement.
2. Review Cartags data for permit holders on a monthly basis to determine if the permit holders still meet the HSP requirements. Request cancellation if the permit issuance is not supportable.
3. Review the Log of Emergency Trips – Before/After Hours Call Out (DM-0090) in conjunction with the PM-0041 form to ensure that the emergency call outs are properly recorded in the HSP system to support DOE’s monitoring and oversight responsibilities.
Recommendations (continued)

4. Obtain GPS system training from DOE in order to monitor the number of nights vehicles are stored at home by permit holders in order to support permit issuance. Request cancellation if the permit issuance is not supportable.

District 4, 6, and 7 Responses

The districts were in agreement with the recommendations and have agreed to implement processes to address the findings.

A&I Analysis of Response

Based on DOE’s response to recommendations 1 and 2 under Finding 1, A&I has included an additional recommendation above regarding the GPS system.

Finding 4 - Inadequate Record Keeping and Monitoring in District 6 and 7

A review of 179 Log of Emergency Trips – Before/After Hours Call Out forms revealed inadequate record keeping as follows:

- 14 were not completed or retained consisting of 3 from District 6 and 11 from District 7.
- 7 were missing permit holder signature consisting of 6 from District 6 and 1 from District 7.
- 20 were missing supervisor signature consisting of 9 from District 6 and 11 from District 7.

The VHSP guidelines state that employees must record call-outs on the DM-0090 within 24 hours of the emergency incident and supervisors must review and approve the call-out logs monthly.

Inadequate record keeping by staff is caused by poor screening and monitoring of HSP applicants’ compliance with guidelines by supervisors and management. Staff interviewed at the districts stated that competing workload priorities prevent them from closely monitoring the number of emergency call outs.

Without ongoing monitoring of the DM-0090, the supervisor cannot determine if the HSP holder has responded to the 24 minimum number of call outs required to substantiate the need for a permit.

Recommendation

The supervisors should require the HSP holder to complete a DM-0090 on a monthly basis and submit it for approval.

District 6, and 7 Responses

The districts were in agreement with the recommendations and have agreed to implement processes to address the findings.
Audit Team

Laurine Bohamera, Chief, External Audits - Contracts
Kevin Yee, Audit Manager
Veronica Kaldani, Auditor
Jose Camacho, Auditor
Memorandum

To: WILLIAM E. LEWIS
Assistant Director
Audits and Investigations

From: LAWRENCE H. ORCUTT
Chief
Division of Equipment

Date: March 24, 2015

Subject: RESPONSE TO DRAFT AUDIT REPORT VEHICLE HOME STORAGE PERMIT

I am pleased to provide Division of Equipment's response to Audits and Investigations' draft report entitled P3000-0424 Home Storage Permit Program March 2015.

As mandated by Section 20000 of the State Administrative Manual, this internal audit was performed for the 2012-2013 cycle. The resulting draft report yielded the following four findings in regards to the Vehicle Home Storage Permit Program:

Finding 1 – Monitoring and Oversight Weakness Over the Home Storage Permit Program.

Finding 2 – Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form (PM-0041) Procedures Not Consistently Followed.

Finding 3 – Not All Home Storage Permits were Justified.

Finding 4 – Inadequate Record Keeping and Monitoring in Districts 6 and 7.

We have addressed the findings in the attached.

Attachment

c: Laureine Bohamera, Chief, Internal Audits, Audits and Investigations
   Permjit Rai, Deputy District Director, Administration, District 4
   Lori Guinan, Deputy District Director, Administration, District 6
   Duncan McIntosh, Deputy District Director, Administration, District 7
   Keith Duncan, Chief, Office of Budgets and Administration, Division of Equipment
   Kevin Yee, Audit Manager, Internal Audits, Audits and Investigations

"Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability"
Finding 1 - Monitoring and Oversight Weakness Over the Home Storage Permit Program

Recommendation:

We recommend that Division of Equipment (DOE):

- Require fleet users to use “S” numbers in Cartags for the operator name field and ensure that the system validates the numbers. Additionally, we recommend DOE remove auto-population capabilities for the operator name and storage location fields in Cartags.
- Review Cartags data to determine if fleet users without permits are storing vehicles at home more than the allotted number of nights. Additionally, review the data to ensure that it is consistent and complete.
- Provide districts with a category or list of vehicles that are considered qualified non-personal use vehicles.
- Request a change in the HSP system to ensure exclusions to fringe benefit reporting claimed on the PM-0041s are validated. Until system controls are in place, review exclusions claimed to ensure they are valid.

We recommend that HSP Coordinators:

- Review Cartags data to determine if fleet users without permits are storing vehicles at home more than the allotted number of nights. Additionally, review the data to ensure that it is complete and consistent and if not, notify the responsible fleet users and supervisors.
- Review exclusions claims to ensure they are valid and notify permit holder and supervisors of errors.

DOE Response:

- The reprogramming of Cartags to include “S” numbers is no longer necessary. The Cartags system will be replaced by the Global Positioning System (GPS) in the near future, and will require employees to use key fobs when driving the vehicle. The key fobs will identify the employee by unique driver identification number.

- In regards to DOE coordinators’ review of equipment usage to ensure compliance with California Code Regulations (CCR) 599.808, the Department policy is for the program supervisor to review equipment usage. Per the VHSP Guidelines, page 7, it is the supervisor’s responsibility to:

"Provide a safe, sustainable, integrated and efficient transportation system to enhance California’s economy and livability"
- Request cancellation of the VHSPs that no longer meet the required criteria.
- Approve the completed PM-0041 form by the third business day of each month, and promptly cancel VHSPs with delinquent PM-0041 filing.
- Review and approve the VHSP holders' Log of Emergency Trips – Before/After Hour Call-Out (DM-0090) form on a monthly basis.

- DOE is in the process of exploring different methodology to validate the fringe benefit reporting on the PM-0041 form. There are over 500 maintenance classes that need to be reviewed and to determine the fringe benefit applicability of equipment used by VHSP holders.

Finding 2 – Personal Use of State Vehicle One-Way Commuting and/or Round Trip Form Procedures Not Consistently Followed

Recommendation:

Districts 4, 6, and 7 VHSP supervisors and managers should ensure that PM-0041s are completed, reviewed, and approved by the third calendar day of the subsequent month.

DOE Response:

Addressed to the appropriate Districts for response.

Finding 3 – Not All Permits were Justified

Recommendation:

Districts 4, 6, and 7 VHSP supervisors and managers should:

- Monitor the emergency call outs by permit holders on a monthly basis to ensure they have a minimum of two call outs per month to meet the annual minimum of 24 emergency call outs. Request DOE cancel any permits not meeting the minimum monthly call out requirement.
- Review Cartags data for permit holders on a monthly basis to determine if the state-owned vehicle is stored at home frequently enough to support the need for permit issuance. Request cancellation if the permit issuance is not supportable
- Review the Log of Emergency Trips – Before/After Hours Call Out (DM-0090) in conjunction with the PM-0041 form to ensure that the emergency call outs are properly recorded in the VHSP system to support DOE’s monitoring and oversight responsibilities.

"Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability."
DOE Response:
Addressed to the appropriate Districts for response.

Finding 4 – Inadequate Record Keeping and Monitoring in Districts 6 and 7.

Recommendation:
Supervisors should require the VHSP holder to complete a DM-0090 on a monthly basis and submit for approval.

DOE Response:
Addressed to the appropriate Districts for response.
Memorandum

To: WILLIAM E. LEWIS
   Assistant Director
   Audits and Investigations

Date: April 14, 2015

From: PREMJIT RAI
   Deputy District Director of Administration
   District 4

File: P3000-0424

Subject: D4 Response to Draft Audit Report # P3000-0424 Regarding Home Storage Permit Program

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

If you have any questions or need additional information, please contact Adam Steiger at (510) 614-5965.

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

cc: Nader Eshghipour, Deputy District Director, District 4, Maintenance
Laura Horan, Maintenance Manager II, District 4, Maintenance
Adam Steiger, Caltrans Maintenance Area Superintendent, District 4, Maintenance
Zilan Chen, Supervising Management Auditor, Audits & Investigations
Kevin Yee, Senior Management Auditor, Audits & Investigations
Veronica Kaldani, Staff Management Auditor, Audits & Investigations

"Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and viability"
### Audit Report Finding #1
**List Finding Here**
Monitoring and oversight weakness over the Home Storage Permit Program

<table>
<thead>
<tr>
<th>A&amp;I Audit Recommendation</th>
<th>Auditee Response to Draft Report</th>
<th>Estimated Completion Date</th>
<th>Staff Responsible</th>
<th>A&amp;I Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>We recommend district HSP coordinators: Review Cartags data to determine if fleet users without permits are storing vehicles at home more than the allotted number of nights. Additionally, review the data to ensure it is complete and consistent and if not, notify the responsible fleet users and supervisors.</td>
<td>The District will continue to review Cartags to ensure compliance with existing guidelines. In the future, the reports generated by the GPS database should eliminate the need for this process.</td>
<td>6/1/2015</td>
<td>District 4 Maintenance</td>
<td>For A&amp;I Use</td>
</tr>
</tbody>
</table>

2. Review exclusions claimed to ensure they are valid and notify permit holders and Supervisors of errors

<table>
<thead>
<tr>
<th>A&amp;I Audit Recommendation</th>
<th>Auditee Response to Draft Report</th>
<th>Estimated Completion Date</th>
<th>Staff Responsible</th>
<th>A&amp;I Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>The District will provide additional training for all permit holders and approving Supervisors to ensure the exclusion is only being claimed for the guideline approved vehicles.</td>
<td>The District will continue to review Cartags to ensure compliance with existing guidelines. In the future, the reports generated by the GPS database should eliminate the need for this process.</td>
<td>6/1/2015</td>
<td>District 4 Maintenance</td>
<td>For A&amp;I Use</td>
</tr>
</tbody>
</table>

### Audit Report Finding #2
**List Finding Here**
Personal use of State Vehicle one-way and/or round trip form procedures not consistently followed

<table>
<thead>
<tr>
<th>A&amp;I Audit Recommendation</th>
<th>Auditee Response to Draft Report</th>
<th>Estimated Completion Date</th>
<th>Staff Responsible</th>
<th>A&amp;I Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>District 4, 6, and 7 HSP supervisors and managers should ensure that PM-0041s are completed, reviewed, and approved by the third calendar day of the subsequent month.</td>
<td>The District will review with all Managers and Supervisors the guidelines for PM-0041 submission. A new District Maintenance guideline will be implemented to have PM-0041 submitted and reviewed for compliance on a weekly basis.</td>
<td>6/1/2015</td>
<td>District 4 Maintenance</td>
<td>For A&amp;I Use</td>
</tr>
</tbody>
</table>

### Audit Report Finding #3
**List Finding Here**
Not all permits justified

<table>
<thead>
<tr>
<th>A&amp;I Audit Recommendation</th>
<th>Auditee Response to Draft Report</th>
<th>Estimated Completion Date</th>
<th>Staff Responsible</th>
<th>A&amp;I Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>District 4, 6, and 7 VHSP supervisors and managers should: Monitor the emergency call outs by permit holders on a monthly basis to ensure they have a minimum of two call outs per month to meet the annual minimum of 24 emergency call outs. Request DOE cancel any permits not meeting the minimum monthly call out requirement.</td>
<td>The District will review with all VHSP Supervisors the guidelines for minimum callouts per year and the procedures for reviewing and approving the VHSP and PM-0041. We have no control over the amount of emergency callouts per month. The Supervisor will monitor on a monthly basis to ensure the permit holder meets the 24 callouts per year criteria.</td>
<td>6/1/2015</td>
<td>District 4 Maintenance</td>
<td>For A&amp;I Use</td>
</tr>
</tbody>
</table>
## Audit Report Finding # 1

<table>
<thead>
<tr>
<th>Audit Report Finding # 1</th>
<th>Monitoring and oversight weakness over the Home Storage Permit Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A&amp;I Audit Recommendation</strong></td>
<td><strong>Audittee Response to Draft Report</strong></td>
</tr>
<tr>
<td>Review Cartage data for permit holders on a monthly basis to determine if the state-owned vehicle is stored at home frequently enough to support the need for permit issuance. Request cancellation if the permit issuance is not supportable.</td>
<td>The District will review with all VHSP Supervisors the guidelines for minimum callouts per year, the procedures for reviewing and approving the VHSP and PM-0041 including the procedures for canceling a permit.</td>
</tr>
<tr>
<td>Review the Log of Emergency Trips, Before/After Hours Call Out (DM-0090) in conjunction with the PM-0041 form to ensure that the emergency call outs are properly recorded in the HSP system to support DOE's monitoring and oversight responsibilities.</td>
<td>The District will review with all VHSP Supervisors the guidelines of DM-0090 and PM-0041 to ensure all forms are filled out appropriately and are in compliance.</td>
</tr>
</tbody>
</table>
Memorandum

To: VERONICA KALDANI
Staff Management Auditor
Audits and Investigation

From: LORI GUINAN
Deputy District Director
Administration

Date: April 14, 2015

Subject: VEHICLE HOME STORAGE PERMIT AUDIT--RESPONSE TO DRAFT REPORT

District 6 Maintenance Branch – Vehicle Home Storage Permit Policies and Procedures

The following actions have been taken in response to recommendations made by Caltrans Audits and Investigations following an internal audit of District 6 Maintenance Branch’s Vehicle Home Storage Permit (VHSP) approval and reporting procedures. The District has followed the basic VHSP procedures, but we will make the changes listed below to ensure complete compliance with the program.

Maintenance staff have reviewed our ongoing procedures and identified the following areas that need to be upgraded:

Finding 1—Monitoring and Oversight Weaknesses

- Approving supervisors will carefully monitor PM-0041 and DM-0090 ‘Log of Emergency Trips’ forms for accuracy and verify any apparent data errors or discrepancies. Managers will confirm that all PM-0041 forms are approved by the 3rd working day of the month.
- Employees without a VHSP taking a vehicle home for an extended period will be monitored monthly by the Region Office to ensure that the number of trips does not exceed the maximum of 36 per quarter or 72 per year.
- Each month Region Office staff will login completed DM-0090 forms for each permit holder. Region office staff will check the form for completeness (signatures, etc.) and notify the appropriate supervisor if the forms have not been turned in or are not completed properly.

Finding 2—PM-0041 Procedures

- Approving supervisors will carefully review the monthly PM-0041 and DM-0090 submittals, verifying that the information on the forms is complete and is consistent with the employee’s permit conditions.

"Provide a safe, sustainable, integrated and efficient transportation system to enhance California's economy and livability"
• Quarterly, management will review PM-0041 records to determine if each permit holder is on track to meet a minimum of 24 call-outs per year. The attached spreadsheet is an example of District 6 permit holder's call-back records for the first quarter of 2015 (sorted for total call-backs). This information will give management a method to monitor call-backs on a regular basis.

Finding 3—Permit Justification

• Each VHSP in District 6 includes a complete justification, including written descriptions and maps of the area of responsibility. Each permit is reviewed at several levels of management. District management will commit to ensure that the permits are evaluated throughout the year. All levels of management will be informed of changes to personnel or circumstances that may alter or negate the need for the VHSP.

Finding 4—Record Keeping

• Managers will monitor the VHSP record packages quarterly for accuracy and completeness to ensure that DM-0090 forms have been completed and approved by the supervisors on a monthly basis.
MEMORANDUM

To: WILLIAM E. LEWIS  Date: April 21, 2015
Assistant Director
Audits and Investigations

From: CARRIE L. BOWEN  District Director
District 7

Subject: Response to 2015 Draft Audit Report on Home Storage Permit Program (P3000-0424)

Attached is the District 7 response to audit P3000-0424, 2015 Draft Audit Report on the Home Storage Permit Program. Findings and recommendations in the draft report to be addressed by District 7 include:

Audit Report Finding #1
Monitoring and Oversight Weaknesses over the Home Storage Permit Program

Audit Report Finding #2
Personal Use of State Vehicle One-way Commuting and/or Round Trip Form Procedures Not Consistently Followed

Audit Report Finding #3
Not All Permits were justified

Audit Report Finding #4
Inadequate Record Keeping and Monitoring in District 6 and 7

Progress reports providing feedback on the status of the work plan items will be provided at 60-day, 180-day and 360-day milestones.

If you have any questions or need additional information, please contact Duncan McIntosh, Deputy District Director of Administration at (213) 897-0362.

c: Shirley Choate, Chief Deputy District Director
   Duncan McIntosh, Deputy District Director, Administration
   Debbie Wong, Deputy District Director, Maintenance
   Ali Zaghari, Deputy District Director, Operations

"Caltrans improves mobility across California"
## Audits and Investigations (A&I) - Response to Draft Report

**Audit Name:** AUDIT REPORT OF THE HOME STORAGE PERMIT PROGRAM  
**Audit No.:** P3000-0424

### Auditor: District 7

#### Audit Report Finding #1

**Monitoring and Oversight Weaknesses Over the Home Storage Permit Program**

<table>
<thead>
<tr>
<th>A&amp;I Audit Recommendation</th>
<th>Auditee Response to Draft Report</th>
<th>Estimated Completion Date</th>
<th>Staff Responsible</th>
<th>A&amp;I Analysis</th>
</tr>
</thead>
</table>
| Review exclusions claimed to ensure they are valid and notify permit holders and supervisors of errors | District HIP coordinators will receive training on the fringe benefit claim rules from Division of Equipment to evaluate exclusion determinations. | 7/1/2015 | Division of Equipment  
Operations: Joe Venegas  
Maintenance: Anna Parker | For A&I Use |
| Review exclusions claimed to ensure they are valid and notify permit holders and supervisors of errors | District Home Storage Permit coordinators in areas that have Home Storage Permits assigned, will review exclusions claimed monthly to ensure they are valid and notify permit holders and supervisors of errors. | September 1, 2015 bef procedure will be fully implemented | Operations: Joe Venegas  
Maintenance: Anna Parker | For A&I Use |
| Review Cartags data to determine if fleet users without permits are storing vehicles at home more than the allotted number of nights. Additionally, review the data to ensure that it is complete and consistent and if not, notify the responsible fleet users and supervisors. | District 7 will identify staff responsibility to review cartag system data dump provided by DOE. | 7/1/2015 | EDDA | For A&I Use |
| Review Cartags data to determine if fleet users without permits are storing vehicles at home more than the allotted number of nights. Additionally, review the data to ensure that it is complete and consistent and if not, notify the responsible fleet users and supervisors. | District 7 staff assigned to the California Code of Regulations (CCR) Section 599.808 (72 night rule) assessment & reporting will review cartag data provided by DOE on quarterly basis. Review data by employee to determine “home storage” and report to District Management. Please note this review requires assessment of approximately 2100 District Employees. District 7 will continue to work with DOE to facilitate reporting and review as GPS program is implemented. | 12/1/2015 | TBD | For A&I Use |
District 4, 6, and 7 HSP supervisors and managers should ensure that PM-0041’s are completed, reviewed, and approved by the third calendar day of the subsequent month.

Division of Ops is in full compliance.

Maintenance Manager 2s with HSP staff: James Fowler, Alphonso Sanchez, Jerry Gonzalez, Marvin Pruitt, and East Region manager 2

For A&I Use
**Audit Report Finding #3**

**Disturit 4, 6, and 7 VHSP supervisors and managers should:**

1. Monitor the emergency call outs by permit holders on a monthly basis to ensure they have a minimum of two call outs per month to meet the annual minimum of 24 emergency call outs. Request DOE cancel any permits not meeting the minimum monthly call out requirement.

2. Review Cartags data for permit holders on a monthly basis to determine if the state-owned vehicle is stored at home frequently enough to support the need for permit issuance. Request cancellation if the permit issuance is not supportable.

3. Review the Log of Emergency Trips - Before/After Hours Call Out (DM-0090) in conjunction with the PM-0041 form to ensure that the emergency call outs are properly recorded in the HSP system to support DOE's monitoring and oversight responsibilities.

<table>
<thead>
<tr>
<th>Division of Ops TMT Home Storage Permit are justified per the HSP Guidelines.</th>
<th>All Division of Ops TMT Home Storage Permit are justified per the HSP Guidelines.</th>
<th>All TMT HSP holders are meeting the requirements of a minimum of 24 Emergency Call Outs per year.</th>
<th>Operations: Joe Venegas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division of Ops is in full compliance</td>
<td>For A&amp;I Use</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**District 4, 6, and 7 VHSP supervisors and managers should:**

1. Monitor the emergency call outs by permit holders on a monthly basis to ensure they have a minimum of two call outs per month to meet the annual minimum of 24 emergency call outs. Request DOE cancel any permits not meeting the minimum monthly call out requirement.

2. Review Cartags data for permit holders on a monthly basis to determine if the state-owned vehicle is stored at home frequently enough to support the need for permit issuance. Request cancellation if the permit issuance is not supportable.

3. Review the Log of Emergency Trips - Before/After Hours Call Out (DM-0090) in conjunction with the PM-0041 form to ensure that the emergency call outs are properly recorded in the HSP system to support DOE's monitoring and oversight responsibilities.

| Maintenance Division will collect the completed DM-0090 form in the District office. The MM2 Review and the Equipment manager will review Cartags data with the Equipment manager and provide the DDIRM a list of state-owned HSP holders that may not meet the minimum annual callouts. The list will be shared and the monthly region manager meeting held by the DDIRM. | For A&I Use |
| July 1, 2015 the procedure will be fully implemented | MM2 Anna Parker and the Equipment Manager, Marcoz Hernandez |

For A&I Use
**Audit Report Finding #4**

**Inadequate Record Keeping and Monitoring in Districts 6 and 7**

The supervisors should require the HSP holder to complete a DM-0090 on a monthly basis and submit it for approval. A form DM-0090 "Log of Emergency Trips" is submitted monthly as per the HSP Guidelines, to Joe Venegas (Senior Engineer TMT), by all Div of Ops HSP holders documenting all emergency Call Outs.

**Maintenance Division will collect the completed form DM-0090 in the District office and keep track on a spreadsheet for monthly updating.** The MM2 in charge of the Equipment manager will review Callout data with the Equipment manager and provide the DDOM a list of at-risk HSP holders that may not meet the annual minimum of callouts. The list will be shared and the monthly region manager meeting held by the DDOM.

**Operations:** Joe Venegas  
**Division of Ops is in full compliance.**

**July 1, 2015 the procedure will be fully implemented.**

**For A&I Use**

| MM2: Anna Parker and the Equipment Manager, Marcel Hernandez |
| For A&I Use |