

Memorandum

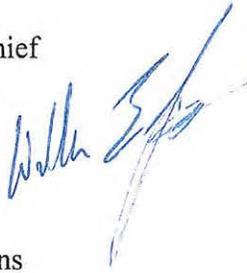
*Serious drought.
Help save water!*

To: TONY TAVARES, Chief
Division of Maintenance

Date: January 14, 2015

CLARK PAULSEN, Chief
Division of Accounting

File: P3000-0422

From: WILLIAM E. LEWIS 
Assistant Director
Audits and Investigations

Subject: **FINAL AUDIT REPORT ON THE SIGNALS AND LIGHTING PROGRAM**

Attached is Audits and Investigations' (A&I's) final audit report on the Signals and Lighting 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-days 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 A&I's 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, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

Attachment

c: Malcolm Dougherty, Director
Kome Ajise, Chief Deputy Director
Steve Takigawa, Deputy Director, Maintenance and Operations
Laurine Bohamera, Chief, Internal Audits, Audits and Investigations
Agustin Rosales, Chief, Office of Roadway Maintenance, Division of Maintenance
Gonzalo Gomez, Senior Electrical Engineer, Office of Roadway Maintenance, Division of Maintenance
Frank Garcia, Chief, Office of Receivables, Systems, & Administration,
Division of Accounting

P3000-0422
Signals and Lighting Program
January 2015

**Laurine Bohamera, Chief
Internal Audits
Audits and Investigations
California Department of Transportation**

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Summary

Audits and Investigations completed an audit of the California Department of Transportation's (Caltrans') Signals and Lighting Program. The purpose of the audit was to determine whether local agencies are properly billed for the shared costs of signals and lighting maintained by Caltrans.

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

- Signals and Lighting Program Weaknesses
- Improvement Opportunity for the Signals and Lighting Program
- Opportunity for Additional Spending Capacity
- Improvements Needed in the Signals and Lighting Billing Process
- Incomplete Recovery of Signals and Lighting Costs

Background

California Streets and Highways Code Section 130 grants Caltrans the authority to enter into agreements with local agencies to recover a portion of construction, improvement, or maintenance expenses of a state highway within a city or county. Although Caltrans has the authority to enter into such agreements, there is no requirement for local agencies to do so. Electrical maintenance agreements enable Caltrans to share the cost of operating and maintaining flashing beacons, traffic signals, traffic signal systems, safety lighting, and sign lighting, also known as electrical assets, in place at intersections of any state highway route and any city and/or county street or road. The need for a new or amended agreement is typically triggered by the completion of a new project or contract that adds new structures.

When there is an agreement in place, the maintenance and energy costs of traffic signals and highway lighting facilities at intersections of county roads and/or city streets with a conventional state highway is shared proportionately between the agencies. Each district's maintenance agreement coordinator is responsible to determine if an agreement is appropriate.

The Division of Maintenance administers the Signals and Lighting Program and is responsible for maintaining electrical assets, developing written policies, procedures, and control measures to ensure compliance with requirements. To recover the local share of costs for operating and maintaining electrical assets, Caltrans may enter into electrical maintenance agreements with local agencies. For the April through June 2013 quarter, Caltrans billed 303 agencies a total of \$1,260,004.

**Background
(continued)**

Caltrans Division of Accounting is responsible for paying utility invoices for electrical assets, preparing invoices to cities and counties, and collecting and depositing the payments.

**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:

- A process exists to identify and establish signal and lighting that require billing of shared costs.
- Procedures are established for recording, billing, and collecting signals and lighting receivables.
- Adequate separation of duties exist over the receivable function.
- Accounts receivable journals and ledger accounts are posted accurately and promptly.
- Agencies are properly billed per existing agreements.
- Account adjustments are reviewed, approved, and supported by adequate description and documentation.
- Uncollectable accounts receive appropriate action prior to being written-off and are subsequently accounted for.
- The new manual process captured all of the signals and lighting accounts from the Transportation Accounting Management System and Signals and Lighting Billing subsystem.

The audit covered the period July 1, 2010, through June 30, 2013. We conducted our review from October 2, 2013 through March 17, 2014. Changes after these dates were not tested, and accordingly, our conclusions do not pertain to changes arising after March 17, 2014. The audit focused on internal controls and procedural compliance as they related to the signals and lighting billing function. 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 for the Signals and Lighting Program are generally adequate, except for the issues noted below:

- Signals and Lighting Program Weaknesses
- Improvement Opportunity for the Signals and Lighting Program
- Opportunity for Additional Spending Capacity
- Improvements Needed in the Signals and Lighting Billing Process
- Incomplete Recovery of Signals and Lighting Costs

**Views of
Responsible
Officials**

We requested and received responses from the Chiefs of Division of Maintenance and Division of Accounting. These officials have concurred with the findings and recommendations. Please see the Attachments for their complete response.

Laurine A. Bohamera

**Laurine A. Bohamera
Chief, Internal Audits
Audits and Investigations**

November 25, 2014

FINDINGS AND RECOMMENDATIONS

Introduction

Our audit of the Signals and Lighting Program (Program) identified a number of weaknesses in the overall program management for billing shared signal and lighting electrical assets and cost recovery from local agencies. We found that there is not an adequate process in place to account for all signal and lighting accounts that are subject to billing, to update agreements with local agencies, that billings do not contain all recoverable costs, and that billings are issued quarterly instead of monthly as required by the agreements. As a result, there is no assurance that Caltrans is maximizing its cost recovery or is in compliance with local agency agreement terms for their share of signal and lighting expenses. The specific details are discussed in the Findings below.

Our audit also identified an opportunity for consideration by Division of Maintenance (Maintenance) that, if successful, could streamline the Program and potentially reduce costs for both Caltrans and local agencies as discussed in Finding 2.

Finding 1 – Signals and Lighting Program Weaknesses

Our review of the signals and lighting policies and procedures, interviews of Maintenance staff; and a survey of district signals and lighting coordinators and maintenance agreement coordinators revealed that existing policies and procedures lack the following:

- A requirement to monitor shared electrical assets to ensure that agreements are in place, as appropriate.
- A requirement to verify the agreement information entered into the Integrated Maintenance Management System (IMMS).
- Detailed roles and responsibilities for district maintenance agreement coordinators.
- A requirement to update old agreements and add or remove electrical assets (flashing beacons, traffic signals, traffic signal systems, safety lighting, and sign lighting) when changes occur.
- Record retention requirements for agreements.

Our review also found that the overall administration and management of the Program needs improvement in monitoring, oversight, and enforcing established policies and procedures.

Based on our audit testing of Districts 3 and 4, we found that Program weaknesses in the existing policies and procedures and lack of monitoring and oversight identified above resulted in statewide inconsistencies as follows:

**Finding 1 -
(continued)**

District 4

- Of the 796 electrical assets billed to local agencies only one asset matched an agreement.
- The District could not provide copies of agreements for five out of nine agencies billed.
- The District does not update agreements or exhibits to add or delete electrical assets when changes occur. Most of the agreements tested were entered into in 1974.

District 3

- We found that agreements were in place for the local agencies tested. However, not all electrical assets billed were listed on the agreement exhibits; and some of the assets listed on the exhibits were not being billed as noted below:
 - 126 of 760 electrical assets (17 percent) were listed on the agreement, but were not entered into IMMS as shared assets, and therefore, were not billed.
 - 76 of 760 electrical assets (10 percent) were entered into IMMS and billed as shared assets, but were not identified in agreements.
- We also found that the District entered incorrect information into IMMS as follows:
 - 50 of 760 electrical assets (7 percent) did not have the correct sharing percentages.
 - 23 of 760 electrical assets (3 percent) did not have the correct agreement type entered.
 - 12 of 760 electrical assets (2 percent) had the wrong agency code entered, resulting in 9 assets being billed to the wrong local agency.

Maintenance did not have updated copies for:

- Two out of the four Exhibit "A"s tested. The Exhibit "A" is an attachment to the agreement which lists all shared electrical assets to be billed.
- One out of the four agreements tested.

**Finding 1 -
(continued)**

We sent out surveys to sixteen maintenance agreement coordinators and received responses from seven. All seven indicated that they did not have a physical survey process in place to ensure agreements are in place for all electrical assets that should be shared.

The California Government Code, Sections 13400-13407, known as the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA), declares that state agency heads are responsible for establishing and maintaining a system or systems of internal control. Internal operational and administrative controls are methods through which state agency heads can give reasonable assurance that measures to safeguard assets, check the accuracy and reliability of data, promote operational efficiency, and encourage adherence to prescribed managerial policies. This responsibility includes documenting the system (i.e., policies, procedures, processes, practices), communicating system requirements to employees, ensuring that the system is functioning as prescribed, and modifying the system, as appropriate, for changes in conditions.

Deficiencies in policies, procedures, monitoring and oversight have resulted in agencies being over/under billed or billed for electrical asset costs in error.

Recommendation

We recommend Maintenance:

1. Modify and implement written policies and procedures to ensure program consistency by:
 - Developing clearly defined roles and responsibilities for maintenance agreement coordinators and strengthening the existing roles and responsibilities for signals and lighting coordinators.
 - Establishing a process for districts to annually verify the accuracy of information entered into IMMS by comparing the information to the agreements and exhibits with the local agencies.
 - Establishing a process for districts to annually perform a survey of electrical assets to ensure that all shared assets are under agreement so that Caltrans may collect the agencies' share of maintenance and energy costs.
 - Establishing record retention requirements for agreements and corresponding exhibits.
 - Ensuring that maintenance agreement coordinators and signals and lighting coordinators are aware of the updated policies and procedures and their roles and responsibilities with respect to the Program.

**Recommendation
(continued)**

2. Develop a system control in IMMS to prevent an agency code outside the district boundaries from being entered incorrectly into the billing information tab.
3. Provide sufficient and continuous monitoring and oversight to ensure compliance with established policies and procedures by:
 - Requiring the districts to certify compliance and completion of the survey and reconciliation process described in Recommendation 1 on an annual basis.
 - On a sample basis, verify the accuracy of the information entered into IMMS by comparing the information to the agreements and exhibits forwarded to Headquarters by districts.

**Division of
Maintenance's
Response**

Maintenance is in agreement with recommendations and is adding procedures to the maintenance manual, will resume Signal and Lighting Coordinators meetings, and will annually review the accuracy of information entered into IMMS. Please see attached matrix for their complete response.

**Finding 2 -
Improvement
Opportunity for
the Signals and
Lighting Program**

California Streets and Highways Code Section 130 provides in part, the department and any county, city, or joint highway district, or any of them, **may** enter into a contract for their portion of the improvement or maintenance expense of any state highway to be borne by the respective parties to such contract. However, there is **no specific requirement** for the local agency to actually enter into such an agreement. The absence of this requirement impacts the successful administration of the signals and lighting recovery process.

Under the existing process, the frequent addition of electrical assets in larger urban districts, updating agreements and getting local agency approval is generally a cumbersome process requiring significant staff time; and is not consistently done as noted in Finding 1. Considerable time is spent by the Division of Accounting (DofA) staff paying utility invoices for electrical assets, preparing invoices to cities and counties, and collecting and depositing the payments. In addition, Maintenance, DofA, and district staff spend significant time answering billing questions and handling disputes.

As the division in charge of administering the Program, Maintenance is responsible for periodically evaluating the efficiency and effectiveness of the Program to identify and promote improvements and determine if the Program is working properly.

**Finding 2 -
(continued)**

In the past, Maintenance sought alternative methods of administering the Program by creating a type of agreement by which the state would bear 100 percent of the maintenance costs and the local agency would bear 100 percent of the energy costs. Caltrans was still responsible for the ownership and operation of the electrical assets. However, utility companies would be requested to bill the local agencies directly for 100 percent of the energy costs associated with the state highway signal and lighting system within the agency's area. Caltrans would neither receive nor handle the energy bills. Conversely, the local agency would not be billed by Caltrans for any costs associated with the maintenance of these assets.

If the local agency was agreeable, the districts established this new type of agreement. This type of agreement was attractive to Maintenance because the negotiation, execution, and administration of this agreement required very few resources. Although there are currently 100 percent agreements in place with local agencies, Maintenance no longer enters into new 100 percent agreements. According to Maintenance staff, Caltrans Legal Office advised them that this type of agreement may constitute a gift of public funds. However, since Caltrans is currently responsible for the maintenance and operation of signals and lighting on the state highway system, it is difficult to see how having local agencies share in the cost would constitute a gift of public funds.

Recommendation

We recommend:

1. Maintenance consider pursuing a legislative change to California Streets and Highways Code Section 130 to require all local agencies to pay for their fair share of maintenance and energy costs.
2. Maintenance review the current cost of negotiating, executing, and administering the Signals and Lighting Program taking into consideration the resources expended by Maintenance, the districts and DofA to determine if 100 percent agreements would be more efficient and cost effective.
3. If 100 percent agreements are more efficient and cost effective, Maintenance request and work with Caltrans Legal Office to re-evaluate whether the use of 100 percent agreements is appropriate. If determined to be appropriate, transition to 100 percent agreements for both new and existing electrical agreements with local agencies.

**Division of
Maintenance's
Response**

Maintenance has agreed to pursue legislative change as outlined above and to also evaluate and consider the use of 100 percent agreements.

**Finding 3 –
Opportunity for
Additional
Spending Capacity**

The cost of operating the Program is paid for through Maintenance’s annual budget. One component of their annual budget is reimbursement authority which is used when they do work for entities external to Caltrans. Since the Program has costs that are attributable to both Caltrans and local agencies, Caltrans typically pays the full cost of operating the signals and lights; and then recovers the local agency share through a billing process.

However, our audit determined that the amounts billed and collected from local agencies for their share of costs are currently being accounted for as revenue instead of reimbursements. As a result, the funds recovered are not appropriately recorded as a reimbursement to the Maintenance budget, which could possibly reduce the available funds to administer their program annually.

State Administrative Manual (SAM) Section 6463 defines a reimbursement as cash or other assets received as repayment for the cost of work or for other expenditures made on behalf and for the convenience of another governmental unit. It also provides that reimbursements represent the recovery of expenditures and are shown in the budget as a reduction of the expenditures of an item of appropriation.

In FY 2013/2014 Signals and Lighting Billing and Collections accounted for \$4,865,619; and if properly accounted as a reimbursement, may have provided that amount of additional program spending capacity.

Recommendation

We recommend that Maintenance consider accounting for recovery of local signals and lighting costs as reimbursements instead of revenues to increase Program spending capacity.

**Division of
Maintenance’s
Response**

Maintenance agreed to consider and evaluate this option.

**Finding 4 –
Improvements
Needed in the
Signals and
Lighting Billing
Process**

A review of the signals and lighting billing process and interviews of DofA staff responsible for this function revealed the following deficiencies:

- The calculated invoice amounts are not verified for accuracy.
- Credit invoices cannot be generated in the new accounting system, Advantage, and must be manually calculated and tracked.
- Adjustments and cancellations of invoices do not require management approval.

**Finding 4 –
(continued)**

Prior to migration to Advantage, the Signals and Lighting Billing (SLB) subsystem automatically calculated bills and generated monthly invoices to participating local agencies for their share of costs. Advantage was meant to replace many financial subsystems, including the SLB subsystem. However, after the transition to Advantage, attempts to process signals and lighting billings were unsuccessful. The signals and lighting costs went unbilled for ten months as DofA worked with the vendor responsible for implementing Advantage. When it became apparent that Advantage would not be able to create the signals and lighting billings, DofA transitioned to a manual billing process and billed for the ten months in one billing cycle. Although the agreements with local agencies state that billing will be done monthly, DofA modified the billing cycle to quarterly due to the workload required to create the billings manually.

To generate manual bills, DofA requests IMMS reports to capture all shared electrical asset information and runs reports from Advantage to capture the corresponding labor and energy costs for these assets. The information gathered from both systems is combined in Excel spreadsheets where equations are manually entered and invoice amounts are calculated. Due to the number of electrical assets to be billed, calculating and generating invoices for signals and lighting takes one to two weeks to complete; and invoice amounts are not verified for accuracy.

At the initiation of the audit, the billing was done by one individual. However, recognizing the risk of single person dependency, DofA is training another staff member to serve as back-up for billing. We also found that credit invoices cannot be generated in Advantage and adjustments and cancellations of invoices do not require approval.

SAM Section 8776, Accounts Receivable, states that departments must ensure accounts receivables are recorded accurately into the accounting system. Additionally, this section requires documentation of payments and any adjustments be retained.

SAM Section 20050, Internal Control, states that internal accounting and administrative controls check the accuracy and reliability of accounting data. Additionally, this section outlines elements of a satisfactory system of internal accounting and administrative controls including a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

**Finding 4 –
(continued)**

The vendor responsible for implementing Advantage did not deliver the signals and lighting billing, credit invoice adjustments, and invoice cancellation approval functionalities within the new system as required; and they are no longer under contract with Caltrans. As a result, DofA developed a manual billing process that is labor intensive and performed quarterly instead of monthly as required by the electrical agreements.

Recommendation

We recommend DofA:

1. Verify calculated invoice amounts on a sample basis.
2. Consider working with the vendor or Caltrans IT to develop an accurate, stable, and reliable monthly signals and lighting billing component and resolve the issue regarding credit invoices and approval of adjustments and cancellations.
3. If implementation of monthly billing component is not feasible, request Maintenance to update agreements with local agencies to require quarterly billings.
4. Maintain approval documentation for invoice adjustments and cancellations.

**Division of
Accounting's
Response**

DofA agreed to sample invoice amounts for accuracy and will also request that Maintenance modify future agreements with local agencies to indicate quarterly instead of monthly billings. DofA has determined that it is not cost effective to develop a signals and lighting billing component within the current accounting system but implemented a review and approval process in 2013 for adjustments and cancellations of invoices.

**Finding 5 –
Incomplete
Recovery of
Signals and
Lighting Costs**

Prior to the implementation of Advantage, the automated SLB subsystem captured equipment costs as overhead and included this cost in the billings to local agencies. However, equipment costs are not currently captured in Advantage because there is no interface for that component with IMMS. As a result, the billings to local agencies do not include equipment costs, meaning that Caltrans is not fully recovering its costs. DofA was aware of the issue prior to the audit and has been working towards a resolution with Maintenance.

SAM section 8752 requires departments to recover full costs whenever goods or services are provided to others. The full cost of goods or services includes all costs attributable directly to the activity plus a fair share of indirect costs that can be ascribed reasonably to the good or service provided. In addition, SAM Section 8752.1 classifies equipment cost as an indirect overhead cost when not included as part of direct costs.

Recommendation	We recommend DofA request an interface to transfer equipment costs from IMMS to Advantage; and incorporate equipment costs into future billings.
Division of Accounting's Response	DofA and Maintenance have met and are currently reviewing various alternative methods of incorporating equipment costs into future billings.
Audit Team	Kevin Yee, Audit Manager Veronica Kaldani, Auditor Derek Pixley, Auditor

ATTACHMENT

**DIVISION OF MAINTENANCE'S RESPONSE
TO THE DRAFT REPORT**

Memorandum

*Serious drought.
Help save water!*

To: WILLIAM E. LEWIS
Assistant Director
Division of Audits and Investigation

Date: December 29, 2014

From: *PT* TONY TAVARES *Parab Deshkar*
Chief
Division of Maintenance

Subject: **DIVISION OF MAINTENANCE RESPONSE TO SIGNALS AND LIGHTING PROGRAM
(3000-0422)**

The Division of Maintenance has reviewed the most recent draft report for the Signals and Lighting Program Audit. We concur with the recommendations identified relative to the Division of Maintenance. Attached are the detailed responses to the findings.

If you have any questions, please contact Agustin Rosales at (916) 654-5319 or Gonzalo Gomez at (916) 654-2461.

Attachments

- (1) Audit Response to Signals and Lighting
- (2) Signals and Lighting Program Draft

c: Clark Paulsen, Chief, Division of Accounting
Frank Garcia, Chief, Division of Accounting
Agustin Rosales, Supervision Transportation Engineer, Division of Maintenance
Gonzalo Gomez, Senior Electrical Engineer, Division of Maintenance
Rita Gerlach, Agreements Coordinator, Division of Maintenance

Audits and Investigations (A&I) - Response to Draft Report
Audit Name: AUDIT REPORT OF THE SIGNALS AND LIGHTING PROGRAM
Audit No. P3000-0422

Auditee: _____

Audit Report Finding # 1
List Finding Here- Signals and Lighting Program Weaknesses

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
2) Develop a system control in IMMS to prevent an agency code outside the district boundaries from being entered incorrectly into the billing information tab.	Agree with finding, but this effort may not be feasible within IMMS and any investigation in feasibility will not happen until after the IMMS upgrade.	7/1/2018	Eric Uyeno	For A&I Use
3) Provide sufficient and continuous monitoring and oversight to ensure compliance with established policies and procedures	-	-	-	For A&I Use
a) Requiring the districts to certify compliance and completion of the survey and reconciliation process described in Recommendation 1 on an annual basis.	Agree. Will add procedures into Maintenance Manual and the Signal and Lighting Coordinator's Desk Manual (where appropriate).	6/30/2015	Gonzalo Gomez/Rick Carfrae	
b) On a sample basis, verify the accuracy of the information entered into IMMS by comparing the information to the agreements and exhibit A forwarded to Headquarters by districts.	Agree - proposed solution: verify 10% annually, 3 ea. agreements 3 ea. districts monthly.	1/1/2016	Rita Gerlach	For A&I Use

Audit Report Finding # 2
List Finding - Improvement Opportunity for the Signals and Lighting Program

1) Maintenance consider pursuing a legislative change to California Streets and Highways Code Section 130 to require all local agencies to pay for their fair share of maintenance and energy costs.	Agree. Development of proposal will begin January 2015.	6/30/2015	Rita Gerlach/Agustin Rosales	For A&I Use
2) Maintenance review, the current cost of negotiating, executing, and administering the Signals and Lighting Program taking into consideration the resources expended by Maintenance, the districts and DofA to determine if 100 percent agreements would be more efficient and cost effective.	Agree.	9/30/2015	Gonzalo Gomez	For A&I Use

Audits and Investigations (A&I) - Response to Draft Report
Audit Name: AUDIT REPORT OF THE SIGNALS AND LIGHTING PROGRAM
Audit No. P3000-0422

Auditee: _____

Audit Report Finding # 1
List Finding Here- Signals and Lighting Program Weaknesses

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
3) If 100 percent agreements are more efficient and cost effective, Maintenance request and work with Caltrans Legal Office to re-evaluate whether the use of 100 percent agreements is appropriate. If determined to be appropriate, transition to 100 percent agreements for both new and existing electrical agreements with local agencies.	Agree.	9/30/2015	Rita Gerlach//Gonzalo Gomez	For A&I Use

Audit Report Finding # 3
List Finding Here - Opportunity for Additional Spending Capacity

We recommend that Maintenance consider accounting for recovery of local signals and lighting costs as reimbursements instead of revenues to increase Program spending capacity.	We will consider and evaluate.	9/30/2015	Melodie Hass/Agustin Rosales	For A&I Use
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Audits and Investigations (A&I) - Response to Draft Report
Audit Name: AUDIT REPORT OF THE SIGNALS AND LIGHTING PROGRAM
Audit No. P3000-0422

Auditee: _____

Audit Report Finding # 1

List Finding Here- *Signals and Lighting Program Weaknesses*

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
1) Modify and implement written policies and procedures to ensure program consistency	-	-	-	For A&I Use
a) Developing clearly defined roles and responsibilities for maintenance agreement coordinators and strengthening the existing rolls and responsibilities for signals and lighting coordinators.	Agree. Will add appropriate sections into Maintenance Manual and the Signal and Lighting Coordinator's Desk Manual.	6/30/2015	Rita Gerlach/Rick Carfrae	For A&I Use
b) Establishing a process for districts to annually verify the accuracy of information entered into IMMS by comparing the information to the agreements and exhibits with the local agencies.	Agree. Will add procedures into Maintenance Manual and the Signal and Lighting Coordinator's Desk Manual (where appropriate).	6/30/2015	Gonzalo Gomez/Rick Carfrae	For A&I Use
c) Establishing a process for districts to annually perform a survey of electrical assets to ensure that all shared assets are under agreement so that Caltrans may collect the agencies' share of maintenance and energy costs.	Agree. Will add procedures into Maintenance Manual and the Signal and Lighting Coordinator's Desk Manual (where appropriate).	6/30/2015	Gonzalo Gomez/Rick Carfrae	For A&I Use
d) Establishing record retention requirements for agreements and corresponding exhibits.	Modify internal document retention policy, include in Maintenance Manual Volume 1.	6/30/2015	Rita Gerlach	For A&I Use
e) Ensuring that maintenance agreement coordinators and signals and lighting coordinators are aware of the updated policies and procedures and their roles and responsibilities with respect to the Program.	Agree. Will resume annual Signal and Lighting Coordinators meeting in 2015.	6/30/2015	Rita Gerlach/Rick Carfrae	For A&I Use

ATTACHMENT

**DIVISION OF ACCOUNTING'S RESPONSE
TO THE DRAFT REPORT**

Memorandum

*Serious drought.
Help save water!*

To: WILLIAM E LEWIS
Assistant Director
Division of Audits and Investigation

Date: December 22, 2014

File:

From: *for* CLARK PAULSEN
Chief
Division of Accounting

Subject: **Division of Accounting Response – Signals and Lighting Program (3000-0422)**

The Division of Accounting has reviewed the most recent draft report for the Signals and Lighting Program Audit. We concur with the findings identified relative to the Division of Accounting. Please find attached detailed responses to the findings.

If you have any questions or need additional information. Please contact Frank Garcia at (916) 227-9149.

c: Norma Ortega, Chief Financial Officer
Tony Tavares, Chief, Division of Maintenance
Agustin Rosales, Supervising Transportation Engineer, Division of Maintenance
Frank Garcia, Chief, Office of Receivables, Systems and Administration, Division of Accounting

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

Audit Name: Signals and Lighting

Audit No. P3000-0422

Auditee:

Audit Report Finding # 4

Improvements Needed in the Signals and Lighting Billing Process

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
1. Verify calculated invoice amounts on a sample basis.	An Accounts Receivable staff member will select a sample of generated invoices each quarter and verify invoice amount calculations.	January 2015	Gina Scumacher/Maggie Phung	For A&I Use
2. Consider working with the vendor or Caltrans IT to develop an accurate, stable, and reliable monthly signals and lighting billing component and resolve the issue regarding credit invoices and approval of adjustments and cancellations.	DofA has determined that it is not cost effective to develop a signals and lighting billing component within the current accounting system, and has instead implemented a comprehensive quarterly manual billing process. See audit recommendation 4.4 below regarding approval of invoice adjustments and cancellations.	Completed	Gina Schumacher/Gayle Goin	
3. If implementation of monthly billing component is not feasible, request Maintenance to update agreements with local agencies to require quarterly billings	DofA will request that Maintenance modify its contract language to state that billing for signals and lighting will be quarterly in all future agreements (new contracts and any amended contracts).	January 2015	Gina Schumacher/Gayle Goin	
4. Maintain approval documentation for adjustments and cancellations of invoices.	Supervisor approval of all adjustments and cancellations was implemented in 12/2013. In 4/2014 a form was implemented to document all invoice adjustments and cancellations.	Completed	Gina Schumacher/Gayle Goin	For A&I Use

Audit Report Finding # 5

Incomplete Recovery of Signals and Lighting Costs

Recommend DofA request an interface to transfer equipment costs from IMMS to Advantage; and incorporate equipment costs into future billings.	Accounting and Maintenance have met and are currently reviewing various alternative methods of incorporating equipment costs in Signals and Lighting billings.	June 2015	Gina Schumacher/Gayle Goin	For A&I Use
				For A&I Use

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

Audit Name: Signals and Lighting

Audit No. P3000-0422

Auditee:

Audit Report Finding # 4

Improvements Needed in the Signals and Lighting Billing Process

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	A&I Analysis
				For A&I Use
Audit Report Finding # ____ List Finding Here				
				For A&I Use
				For A&I Use
				For A&I Use