

# **CALIFORNIA DEPARTMENT OF TRANSPORTATION**

Audit Report

## **CAL-CARD PROGRAM**

*July 1, 2019, through June 30, 2020*



**BETTY T. YEE**  
California State Controller

September 2022



**BETTY T. YEE**  
**California State Controller**

September 13, 2022

David Prizmich, Chief  
Division of Procurement and Contracts  
California Department of Transportation  
1727 30<sup>th</sup> Street  
Sacramento, CA 95816

Dear Mr. Prizmich:

The State Controller's Office (SCO) audited the CAL-Card Program of the California Department of Transportation (Caltrans) for the period of July 1, 2019, through June 30, 2020. The purpose of the audit was to determine whether the California Department of Transportation complied with CAL-Card Program policies and maintained adequate internal controls over the CAL-Card Program.

Our audit determined that:

- Caltrans complied with the terms and conditions specified in the Memorandum of Understanding between Caltrans and the SCO, effective March 1, 2013;
- Caltrans did not maintain effective internal controls to ensure that purchases were legal, proper, and in accordance with CAL-Card Program guidelines;
- CAL-Card Program transactions did not comply with all rules and regulations pertinent to state procurement and disbursement activities; however, the transactions were appropriate, reasonable, legal, and proper use of state funds; and
- Caltrans maintained adequate documentation to support CAL-Card Program purchases and claims submitted to the SCO.

If you have any questions, please contact Roochel Espilla, Chief, State Agency Audits Bureau, by telephone at (916) 323-5744, or by email at [respilla@sco.ca.gov](mailto:respilla@sco.ca.gov).

Sincerely,

*Original signed by*

KIMBERLY TARVIN, CPA  
Chief, Division of Audits

KT/lis

cc: Tony Tavares, Director

California Department of Transportation

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California Department of Transportation

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California Department of Transportation

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the CAL-Card Program of the California Department of Transportation (Caltrans) for the period of July 1, 2019, through June 30, 2020. The purpose of the audit was to determine whether Caltrans complied with CAL-Card Program policies and maintained adequate internal controls over the CAL-Card Program.

Our audit determined that:

- Caltrans complied with the terms and conditions specified in the Memorandum of Understanding (MOU) between Caltrans and the SCO, effective March 1, 2013;
- Caltrans did not maintain effective internal controls to ensure that purchases were legal, proper, and in accordance with CAL-Card Program guidelines;
- CAL-Card Program transactions did not comply with all rules and regulations pertinent to state procurement and disbursement activities; however, the transactions were appropriate, reasonable, legal, and proper use of state funds; and
- Caltrans maintained adequate documentation to support CAL-Card Program purchases and claims submitted to the SCO.

## Background

The CAL-Card is a purchase card issued by U.S. Bank to participating state and local government agencies. Cards are issued in a cardholder's name and billed to the agency. Participating state agencies must comply with all procurement laws, regulations, policies, procedures, and best practices as indicated in their CAL-Card Participating Addendum and the *State Contracting Manual*. On March 1, 2013, Caltrans revised its MOU with SCO regarding the CAL-Card Program. The MOU defines the terms that Caltrans accepts as a condition of receiving delegated responsibility from SCO for the review and retention of CAL-Card Program purchasing documentation.

### Overview of the Caltrans CAL-Card Program

Caltrans' Division of Procurement and Contracts (DPAC) provides administrative oversight of the CAL-Card Program to ensure departmental compliance. DPAC's responsibilities include:

- Developing and distributing written policies, procedures, and control measures to ensure that Caltrans complies with program requirements;
- Administering Caltrans' bank database by processing applications and account adjustments from CAL-Card holders and managers;
- Serving as the liaison between CAL-Card holders and U.S. Bank;
- Providing CAL-Card training for CAL-Card holders, managers, and liaisons;
- Monitoring CAL-Card activity to ensure compliance; and
- Managing account and level number assignments.

The CAL-Card Payments Section and the Shops Payment Section of Caltrans' Division of Accounting are responsible for auditing and preparing purchasing documents into claim schedules and sending them to the SCO for payment. Their responsibilities also include:

- Receiving Statement of Account packages sent by CAL-Card Program managers, reviewing submitted documents for accuracy and completeness, and following up on missing documentation;
- Assisting DPAC with training CAL-Card holders, managers, and liaisons;
- Partnering with the DPAC CAL-Card Branch to provide customer service to Caltrans CAL-Card users; and
- Providing copies of documentation for questionable purchases and Late Submittal Reports of potential CAL-Card holder violations to DPAC.

### **Audit Authority**

We conducted this audit pursuant to Government Code section 12410, which states, in part:

The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.

In addition, the SCO and Caltrans entered into Interagency Agreement Number 22A1080, wherein the SCO agreed to audit Caltrans' CAL-Card Program for the period of July 1, 2019, through June 30, 2020.

### **Objectives, Scope, and Methodology**

Our audit objectives were to determine whether:

- Caltrans complied with the terms and conditions specified in the MOU between Caltrans and the SCO, effective March 1, 2013;
- Caltrans maintained effective internal controls to ensure that purchases were legal, proper, and in accordance with CAL-Card Program guidelines;
- CAL-Card Program transactions complied with all applicable rules and regulations pertinent to the State of California procurement and disbursement activities, and were appropriate, reasonable, legal, and proper use of state funds; and
- Caltrans maintained adequate documentation to support CAL-Card Program purchases and claims submitted to the SCO.

The audit period was July 1, 2019, through June 30, 2020. The audit population consisted of CAL-Card Program transactions, totaling \$38,732,418, that were processed during the audit period, as follows:

<b>CAL-Card Transactions</b>		
<b>by Group</b>	<b>Unit</b>	<b>Amount</b>
Expenditures of at least \$10,000 (items examined 100%)	74	\$ 1,120,171
Expenditures of less than \$10,000 (statistically sampled plus judgmental selection)	28,791	37,612,247
Total population	28,865	\$ 38,732,418

\* Monetary amounts are rounded to the nearest dollar.

To achieve our objectives, we:

- Reviewed Caltrans' policies and procedures for the CAL-Card Program, including DPAC's August 2019 *Acquisitions Manual*;
- Reviewed the MOU between Caltrans and the SCO;
- Reviewed prior audit reports by the SCO and Caltrans' Division of Audits and Investigations;
- Interviewed Caltrans management and staff to gain an understanding of the operations and activities related to the administration and monitoring of the CAL-Card Program;
- Selected CAL-Card Program transactions using statistical sampling, as outlined in Appendixes A and B, judgmental selection, and targeted selection based on risk factors and other relevant criteria; and
- Analyzed and examined selected transactions, and reviewed relevant files and records to determine compliance with requirements and adequacy of internal control over the CAL-Card Program.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Conclusion

Our audit determined that:

- Caltrans complied with the terms and conditions specified in the March 1, 2013 MOU between Caltrans and the SCO;
- Caltrans did not maintain effective internal controls to ensure that purchases were legal, proper, and in accordance with CAL-Card program guidelines. We found the following deficiencies in internal control over CAL-Card Program processes:
  - Inadequate controls to ensure that purchases were made after preparation and approval of purchase orders (see Finding 1); and

- Inadequate monitoring to ensure that laws, processes, policies, and procedures regarding the acquisition of and payment for services were being followed (see Findings 1, 2, 3, and 4).
- CAL-Card Program transactions did not comply with all rules and regulations pertinent to state procurement and disbursement activities; however, the transactions were appropriate, reasonable, legal, and proper use of state funds. We found the following instances of noncompliance with the requirements of state laws and policies:
  - Purchases were made before preparation and approval of purchase orders (see Finding 1);
  - Service contracts were not executed in a timely manner (see Finding 2);
  - Late payments were made to contractors for services (see Finding 2); and
  - Payments were made for incomplete contractor work and for work outside of service agreement dates (see Findings 3 and 4).
- Caltrans maintained adequate documentation to support CAL-Card purchases and claims submitted to the SCO.

### **Follow-up on Prior Audit Findings**

The prior CAL-Card Program audit report for the period of July 1, 2018, through June 30, 2019, included audit findings. The prior audit report was issued on June 1, 2021, or 11 months after the period covered by this current audit. Accordingly, we recognize that Caltrans may not have had enough time to implement the appropriate corrective actions in response to the prior audit findings. Based on the work performed in the current audit, as described in this report, we noted similar findings (see Findings 1 and 4).

### **Views of Responsible Officials**

We issued a draft audit report on May 9, 2022. Caltrans representatives responded by memorandum dated May 23, 2022, acknowledging the audit results, and indicating that Caltrans will take steps to correct the noted deficiencies. This final audit report includes Caltrans' complete response as an attachment.

### **Restricted Use**

This report is solely for the information and use of Caltrans and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

KIMBERLY TARVIN, CPA  
Chief, Division of Audits

September 13, 2022



# Findings and Recommendations

## **FINDING 1— Caltrans made CAL-Card purchases before preparation and approval of purchase orders**

Based on a statistical sample, Caltrans made \$6,568,090 (known and projected) CAL-Card transactions prior to preparing and approving Caltrans purchase orders (CPOs) authorizing the purchase. We conducted both statistical and non-statistical audit procedures to assess compliance with the purchase order preparation and approval requirements published in the Caltrans' *Acquisition Manual* as described below.

We examined all 74 CAL-Card Program transactions of at least \$10,000, totaling \$1,120,171, Caltrans incurred these expenditures for services related to emergency cleanup and disposal of hazardous and non-hazardous materials; and for rental of equipment required to preserve state assets, protect the traveling public, reduce fire danger, and trim vegetation for visibility.

Of the 74 transactions, 58 had CPOs that were approved after vendors had performed services or after equipment was rented, in violation of Caltrans' *Acquisitions Manual*. The 58 transactions had a total cost of \$893,704. Of the 58 transactions, five had CPOs that were completed between 180 and 365 days after services were rendered, and 16 had CPOs that were completed over 366 days or more after services were rendered. One CPO was prepared 776 days after the work was completed.

Of the 28,791 CAL-Card Program transactions of less than \$10,000, totaling \$37,612,247, we determined a statistical sample (as described in Appendix A) of 105 transactions, totaling \$192,631. We allocated the sample between two population strata: no split transactions and potential split transactions (as described in Appendix B).

We randomly selected 49 transactions totaling \$52,705 from stratum 1, which contained no split transactions. Of the 49 transactions, seven—with a total cost of \$5,413—had CPOs that were approved after Caltrans made the purchases.

We randomly selected 56 samples totaling \$139,926 from stratum 2, which contained potential split transactions. Of the 56 transactions, nine—with a total cost of \$33,516—had CPOs that were approved after Caltrans made the purchases. Therefore, between the two strata, a combined total of 16 transactions, with a value of \$38,929, had CPOs that were approved after Caltrans made the purchases.

As we used a statistical sampling method to select the transactions of less than \$10,000 that were examined, we projected the amount of likely transactions with CPOs that were approved after Caltrans made the purchases to be \$6,529,161. Therefore, the known and likely transactions with CPOs that were approved after Caltrans made the purchases totaled \$6,568,090.

The following table summarizes the results of our statistical sampling:

	<b>Stratum 1 – No Split Transactions</b>	<b>Stratum 2 – Potential Split Transactions</b>	<b>Total</b>
Known transactions with CPOs that were approved after the purchases	\$ 5,413	\$ 33,516	\$ 38,929
Divide by: Sample	52,705	139,926	192,631
Error rate for projection (differences due to rounding)	10.27%	23.95%	N/A
Population that was statistically sampled	17,547,351	19,897,928	37,445,279
Multiply by: Error rate for projection	10.27%	23.95%	N/A
Known and likely transactions with CPOs that were approved after the purchases (differences due to rounding)	1,802,028	4,766,062	6,568,090
Less: Known transactions with CPOs that were approved after the purchases	5,413	33,516	38,929
Likely transactions with CPOs that were approved after the purchases	\$ 1,796,615	\$ 4,732,546	\$ 6,529,161

\* Amounts in this table are rounded to the nearest dollar.

We also examined an additional 176 transactions, totaling \$166,968, that were judgmentally selected from stratum 2. Of the 176 transactions, 33 transactions—with a total cost of \$44,341—had CPOs that were approved after Caltrans made the purchases.

CPOs include important information about a purchase, such as supplier details, procurement method, terms and conditions, and purchase description and justification. Cardholders submit the CPOs for managerial review and approval of purchases. Caltrans' *Acquisitions Manual* requires that CPOs be created prior to making purchases; for emergency purchases, CPOs may be created no more than five days after the purchase. However, as we found with the 58 transactions described above, Caltrans completed several CPOs more than five days after it ordered and received services. CPOs should be created and approved prior to ordering services to ensure that purchases are appropriate and comply with requirements.

Section 12.3.2, part C, of Caltrans' *Acquisitions Manual* states, in part:

All purchases must be for official State business and in accordance with this Acquisition[s] Manual. Approval is necessary before making any purchase, and it must be documented in the CAL-Card procurement file. Despite the dollar amount under your authorized limit, the CPO STD.65 [Purchasing Authority Purchase Order Form] must be completed with the justified purchase.

Section 12.3.2, part D, of Caltrans' *Acquisitions Manual* states, in part:

The CPO shall be prepared prior to making the purchase. If an emergency has occurred, the CPO should be done within five working days of the transaction to allow the purchaser to validate that the Payee Data Record, STD.204 is on file in Advantage [Caltrans' integrated financial management solution] for the vendor.

Although Caltrans has processes in place that allow it to prepare and complete purchase orders in a timely manner, our audit found no evidence that Caltrans implemented controls to ensure that these processes are being

followed. If not mitigated, these control deficiencies leave Caltrans at risk of making improper purchases.

#### Recommendation

We recommend that Caltrans:

- Ensure that CAL-Card holders and managers comply with purchase order policies and procedures pursuant to Caltrans' *Acquisitions Manual*;
- Ensure that non-emergency CPOs are completed prior to ordering services; and that emergency CPOs are completed within five working days of the transaction, as set forth in Caltrans' *Acquisitions Manual*; and
- Implement controls, including existing policies and procedures, to ensure that its purchasing processes are being followed.

**FINDING 2—  
Service contracts  
were not executed  
in a timely  
manner; late  
payments for  
provided services**

Caltrans' *Acquisitions Manual* includes a process for obtaining services for hazardous spill cleanup. This process allows Caltrans to hire an appropriately licensed contractor, and quickly obtain documents and approval for emergency hazardous spill cleanup contracts. Emergency services require a Confirmation of Verbal Agreement (CVA) with a contractor. A CVA is a temporary contract that should be superseded by a permanent standard agreement as soon as possible.

Our examination of the 74 transactions found 29 transactions, with a total cost of \$516,360, involving emergency services that were provided under CVAs. The services included emergency cleanup and disposal of hazardous or non-hazardous materials spilled on highways, and were initiated and completed by the contractors long before standard agreements were executed. Our review of contracts and invoices indicates that Caltrans had adequate time to complete the required standard agreements. For example, the service for one CVA was provided in August 2018 and the standard agreement was executed on November 21, 2019.

Item number 18 of Caltrans' Confirmation of Verbal Agreement for Highway Spills (ADM-3024) states, in part:

This Confirmation of Verbal Agreement (CVA) is a temporary contract, which, as soon as time allows, will be superseded by a permanent Standard Agreement (STD 213 Agreement). . . .

Section 4.07, "Approval of Emergency Contracts," of the State Contracting Manual, Vol. 1, states:

"Emergency" is defined in PCC §1102 as "a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services."

The law recognizes exceptions from competitive bidding in emergencies (PCC §§10340 [b][1] and 10371 [d]), but no exception is provided from contract approval. The basic policy is to respond to the emergency as circumstances demand and then to obtain the formal approval(s) as soon

as practicable. However, before the start of the work, the contract must be verbally authorized by someone with authority at the agency to initiate a contract in such situations. If there is any question about whether the circumstances qualify as an emergency, DGS/OLS should be contacted as soon as possible. The contract will be processed on an expedited basis as discussed in SCM 1, section 4.08 C.

We also found that the 29 transactions were paid more than 45 days after the invoices were received, in violation of state law and Caltrans' *Acquisitions Manual*. Of the 29 transactions, seven were paid between 180 and 364 days after the invoices were received, and 15 (including one invoice paid 781 days after the invoice was received) were paid 365 days or more after the invoices were received. We also noted that although state law requires the payment of late payment penalties to vendors, no such penalties were paid.

Pursuant to Caltrans' *Acquisitions Manual*, DPAC recommends that cardholders pay the properly submitted and undisputed invoices within 30 days of the invoice date. If an invoice is not paid within 45 days of the invoice date, the CAL-Card holder will be issued a "strike." A third "strike" results in automatic card cancellation. We found no evidence that the CAL-Card holders involved with the 29 transactions had been issued "strikes."

In response to our inquiry regarding these issues, Caltrans management and staff stated that the CAL-Card holders had not processed the invoices for these transactions. The invoices had been stored in a box at the Caltrans' district office, and were not found until July 2019. Caltrans confirmed with the vendors that the invoices were unpaid and due for payment, and management instructed the responsible employees to process the service agreements and payments for these invoices.

The California Prompt Payment Act, codified in Government Code sections 927 through 927.13, requires that, in order to avoid late payment penalties, state agencies pay properly submitted, undisputed invoices within 45 days, and specifies procedures and exclusions relating to that requirement. Government Code section 927(b) states:

It is the intent of the Legislature that state agencies pay properly submitted, undisputed invoices, refunds, or other undisputed payments due to individuals within 45 days of receipt or notification thereof, or automatically calculate and pay the appropriate late payment penalties as specified in this chapter.

Although Caltrans has processes in place to pay invoices in a timely manner, our audit found no evidence that Caltrans implemented controls to ensure that these processes are being followed. If not mitigated, these control deficiencies leave Caltrans at risk of failing to take advantage of discounts, incurring late payment penalties, and failing to comply with state laws and policies.

#### Recommendation

We recommend that Caltrans:

- Adhere to its policies, and obtain and execute contracts in a timely manner;

- Adhere to the California Prompt Payment Act and Caltrans' *Acquisitions Manual*, and pay CAL-Card Program transactions in a timely manner; and
- Establish and implement adequate controls to ensure timely payment of CAL-Card Program transactions.

**FINDING 3—  
Caltrans paid for a  
service that was  
partially complete  
at the time of  
payment**

Our examination of the 74 transactions also found one transaction, costing \$12,491, that was paid before the service was complete.

Caltrans received an invoice dated November 3, 2019, for the rental of maintenance equipment from October 3, 2019, to November 2, 2019. The equipment was used for mowing and trimming vegetation at locations that are not reachable with state fleet equipment. Caltrans' records indicate that the transaction was paid on October 31, 2019, two days before the rental service was complete.

Section 12.5.15, part A, of Caltrans' *Acquisitions Manual* states:

The CAL-Card does not allow for payment prior to the receipt of goods or services performed (SCM [State Contracting Manual] Vol. 2, Chapter 9.A2.0). The California Constitution, Article 16, Section 3 and Section 6, prohibits gifts/donations of public funds. An advance payment or pre-payment is considered a gift of public funds since the State has received no benefit and the subsequent receipt of goods/services cannot be guaranteed.

Although Caltrans has processes in place to pay invoices in compliance with state law, our audit found no evidence that Caltrans implemented controls to ensure that these processes are being followed. If not mitigated, these control deficiencies leave Caltrans at risk of making improper payments and failing to comply with state laws and policies.

Recommendation

We recommend that Caltrans:

- Adhere to state law and Caltrans' *Acquisitions Manual*, and pay CAL-Card Program transactions when services are delivered; and
- Establish and implement adequate controls to ensure that Caltrans pays only those CAL-Card Program transactions that meet the requirements for payment.

**FINDING 4—  
Caltrans paid for  
contractor work  
outside of service  
agreement dates**

Our examination of the 74 transactions also found 11 transactions, costing \$53,965, wherein contractors were paid for work on days that were not specified within their service agreements.

We reviewed the invoices and service agreements for these transactions, and noted that the invoices included work that was billed by vendors and paid for by Caltrans outside of service agreement dates. Pursuant to the service agreements between Caltrans and various vendors, the vendors agreed to carry out cleanup and waste disposal for road spills and other road hazards. The service agreement terms were typically for one day or two consecutive days.

According to Caltrans representatives, the agency does not include disposal dates in the service agreements because it believes that disposal is a separate activity from the cleanup service. According to that logic, including disposal dates in the service agreements presents an inaccurate picture of the length of time that it takes to perform road cleanups. Although we did not identify any vendors that were paid amounts that exceeded their contracts, all work listed on invoices should be consistent with dates documented in the service agreements.

Section 1.11, "Statement of Work (SOW)," of Caltrans' *Acquisitions Manual* states, in part:

. . . A SOW must include, at minimum, the following information:

- What work is to be done? (Details of the specific services to be performed or provided, problems to be solved or the goals and objectives to be met should be included. It will also identify any special requirements, restrictions and/or limitations.)
- When, where and how is the work to be done (Date(s), time(s), frequency of service).
- Which resources will be provided by the Department and by the contractor?
- Any specialized equipment required.
- A description of items, products or results to be delivered . . .

Although Caltrans has processes in place to ensure that payments are made for work periods covered by service agreements, our audit found no evidence that Caltrans implemented controls to ensure that these processes are being followed. If not mitigated, these control deficiencies leave Caltrans at risk of making improper payments and failing to comply with state laws and policies.

#### Recommendation

We recommend that Caltrans ensure that its service agreement terms include the entire length of time for vendors to complete services. For road cleanup contracts, this includes the amount of time it takes to clean up and dispose of the collected waste.

## Appendix A— Audit Sampling Methodology

We used attributes sampling for tests of compliance. The sample design was chosen because:

- It follows American Institute of Certified Public Accountants (AICPA) guidelines.
- It allows us to achieve our objectives for tests of compliance in an efficient and effective manner.
- The audit area included a high volume of transactions.
- We projected the results to the intended (total) population.
- The audit team has the collective knowledge and skills to plan and perform the sampling plan and design.

The following table outlines our audit sampling application for the audit area where statistical sampling was used:

<b>Audit Area</b>	<b>Type of Test</b>	<b>Population (Unit)</b>	<b>Population (Dollar)</b>	<b>Sampling Unit</b>	<b>Sample Selection Method</b>	<b>Confidence Level</b>	<b>Tolerable Error Rate</b>	<b>Expected Error (Rate) <sup>a</sup></b>	<b>Sample Size <sup>b</sup></b>	<b>Results Projected to Intended Population</b>	<b>Finding Number</b>
Transactions under \$10,000	Compliance	28,791	\$ 37,612,247	Transaction	Computer-generated simple random	90%	5%	2 (1.75%)	105	Yes	1

<sup>a</sup> Pursuant to the AICPA's *Audit Guide: Audit Sampling* (May 1, 2017 edition), pages 131-133, the expected error is the expected number of errors planned for in the sample. It is derived by multiplying the expected error rate by the sample size. The expected number of errors in the sampling tables on pages 135-136 was rounded upward, e.g., 0.2 errors becomes 1.0 error.

<sup>b</sup> We determined the sample size using a calculator that uses a binomial distribution. As stated in *Technical Notes on the AICPA Audit Guide: Audit Sampling* (March 1, 2012), page 5, although the hypergeometric distribution is the exactly correct distribution to use for attributes sample sizes, the distribution becomes unwieldy for large populations unless suitable software is available. Therefore, more convenient approximations are frequently used instead.

## Appendix B— Population Stratification and Sample Size Allocation

<b>Expenditures Under \$10,000 (by Stratum)</b>	<b>Population Unit</b>	<b>Population Amount</b>	<b>Percentage of Total Population</b>	<b>Allocation of Statistical Samples Between Strata</b>	<b>Additional Judgmental Selections for Test of Split Transactions</b>	<b>Amount of Additional Judgmental Selections</b>	<b>Total Number of Transactions Tested</b>	<b>Population Amount for Projection of Statistical Sampling Results</b>
Stratum 1 – no split transactions (statistically sampled)	18,713	\$ 17,547,351	47%	49	N/A	N/A	49	\$ 17,547,351
Stratum 2 – potential split transactions (statistically sampled plus judgmental selection)	10,078	20,064,896	53%	56	176	\$ 166,968	232	19,897,928
Total	<u>28,791</u>	<u>\$ 37,612,247</u>	<u>100%</u>	<u>105</u>	<u>176</u>	<u>\$ 166,968</u>	<u>281</u>	<u>\$ 37,445,279</u>

Note: Monetary amounts are rounded to the nearest dollar.



**Attachment—  
California Department of Transportation's  
Response to Draft Audit Report**

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# Memorandum

To: ROOCHEL ESPILLA  
Chief  
State Controller's Office

Date: May 23, 2022

File: S22CCP0001

From: DAVID L. PRIZMICH  
Chief  
Division of Procurement and Contracts

Subject: **RESPONSE TO DRAFT REPORT – CAL-CARD PROGRAM AUDIT**

The Division of Procurement and Contracts (DPAC) has attached a response to the findings outlined in the CAL-Card Program Audit. DPAC will continue to make process improvements to satisfy the recommendations.

If you have any questions regarding this response, please contact Lien Huynh at (279) 234-2671 or Kimberly Fox at (916) 639-6322.

## APPROVED

*David Prizmich*

\_\_\_\_\_  
DAVID L. PRIZMICH  
Chief  
Division of Procurement and Contracts

05/23/2022

\_\_\_\_\_  
Date

c: Tracy Gentry, Deputy Division Chief, DPAC  
Rajit Sharma, Deputy Division Chief, DPAC  
Mari Jo Snider, Office Chief, DPAC  
Char Krantz, Office Chief, DPAC  
Heather Breault, Branch Chief, DPAC  
Kimberly Fox, Branch Chief, DPAC

<b>State Controller's Office (SCO) - Response to Final Report</b> <b>Audit Name: CAL-Card Program Audit</b> <b>Auditee: California Department of Transportation (Caltrans), Division of Procurement and Contracts (DPAC)</b> <b>Audit No. S22-CCP-0001</b>			
SCO Recommendation	Auditee Response to Final Report	Estimated Completion Date	Staff Responsible
<b>Audit Report Finding #1</b>			
<b>Caltrans made CAL-Card purchases before preparation and approval of purchase orders</b>			
Ensure that CAL-Card holders and managers comply with purchase order policies and procedures pursuant to Caltrans' Acquisitions Manual	The Division of Procurement and Contracts (DPAC) will issue a policy E-Blast to program participants, reinforce the existing policy in the monthly CAL-Card educational meeting, and post the meeting notes on the CAL-Card website.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch
Ensure that non-emergency CPOs are completed prior to ordering services; and that emergency CPOs are completed within five (5) working days of the transaction, as set forth in Caltrans' Acquisitions Manual	The Division of Procurement and Contracts (DPAC) will issue a policy E-Blast to program participants, reinforce the existing policy in the monthly CAL-Card educational meeting, and post the meeting notes on the CAL-Card website. The policy E-Blast will ensure the first version of CPO created and approved in Advantage is printed and retained in the procurement file.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch
Implement controls, including existing policies and procedures, to ensure that its purchasing processes are being followed	The Division of Procurement and Contracts (DPAC) will issue a policy E-Blast to program participants, reinforce the existing policy in the monthly CAL-Card educational meeting, and post the meeting notes on the CAL-Card website.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch
<b>Audit Report Finding #2</b>			
<b>Service contracts were not executed in a timely manner; late payments for provided services</b>			
Adhere to policies and obtain and execute contracts in a timely manner	DPAC will collaborate with the Caltrans Maintenance Hazmat Program to ensure service contract requests are submitted in a timely manner to obtain and execute the service contracts. Policy correspondence will be sent to all Hazmat Coordinators.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch

<b>State Controller's Office (SCO) - Response to Final Report</b> <b>Audit Name: CAL-Card Program Audit</b> <b>Auditee: California Department of Transportation (Caltrans), Division of Procurement and Contracts (DPAC)</b> <b>Audit No. S22-CCP-0001</b>			
<b>SCO Recommendation</b>	<b>Auditee Response to Final Report</b>	<b>Estimated Completion Date</b>	<b>Staff Responsible</b>
Adhere to the California Prompt Payment Act and Caltrans' Acquisitions Manual and pay CAL-Card Program transactions in a timely manner	DPAC will collaborate with the Caltrans Maintenance Hazmat Program to ensure service contract requests are submitted in a timely manner to obtain and execute the service contracts. Update the Acquisitions Manual to explain that the validity of an invoice and the applicable prompt payment period for emergency contracts. Policy correspondence will be sent to all Hazmat Coordinators.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch
Establish and implement adequate controls to ensure timely payment of CAL-Card Program transactions	DPAC will collaborate with the Caltrans Maintenance Hazmat Program to ensure service contract requests are submitted in a timely manner to obtain and execute the service contracts. DPAC will work with the Hazmat Program to ensure that for hazmat emergency contracts where it has been established that Caltrans will pay for the services, submit contract requests to DPAC Non-IT Contracts office within 15-30 days of the receipt of the invoice. Additionally, Hazmat Program shall provide the justification and supporting documents for delays in submitting emergency contract requests to DPAC. Policy correspondence will be sent to all Hazmat Coordinators.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch
<b>Audit Report Finding #3</b> <b>Caltrans paid for a service that was partially complete at the time of payment</b>			
Adhere to state law and Caltrans' Acquisitions Manual, and pay CAL-Card Program transactions when services are delivered	DPAC will collaborate with the Caltrans Equipment Rental Program to ensure rental service dates are within the contract term. Policy correspondence will be sent to all Equipment Coordinators.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch

<b>State Controller's Office (SCO) - Response to Final Report</b> <b>Audit Name: CAL-Card Program Audit</b> <b>Auditee: California Department of Transportation (Caltrans), Division of Procurement and Contracts (DPAC)</b> <b>Audit No. S22-CCP-0001</b>			
<b>SCO Recommendation</b>	<b>Auditee Response to Final Report</b>	<b>Estimated Completion Date</b>	<b>Staff Responsible</b>
Establish and implement adequate controls to ensure that Caltrans pays only those CAL-Card Program transactions that meet the requirements for payment	DPAC will collaborate with the Caltrans Equipment Rental Program to ensure rental service dates are within the contract term. Policy correspondence will be sent to all Equipment Coordinators.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch
<b>Audit Report Finding #4</b> <b>Caltrans paid for contractor work outside of service agreement dates</b>			
Ensure that its service agreement terms include the entire length of time for vendors to complete services (for road cleanup contracts, this includes the amount of time it takes to clean up and dispose of the collected waste)	DPAC will collaborate with the Caltrans Maintenance Hazmat Program to ensure both cleaning and disposal service dates are within the contract term. Policy correspondence will be sent to all Hazmat Coordinators. DPAC implemented this policy/procedure on July 8, 2021.	30 to 60 Days of Final Audit Report	Department of Transportation, Division of Procurement and Contracts CAL-Card Administration and Compliance Branch

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