


## Memorandum

*Making Conservation  
a California Way of Life.*

To: WILLIAM E. LEWIS  
ASSISTANT DIRECTOR  
AUDITS AND INVESTIGATIONS

Date: January 25, 2018

File: P3030-0661

From: CLARK PAULSEN   
Acting Chief  
Division of Procurement and Contracts

Subject: **60-DAY STATUS REPORT – WAREHOUSE MAINTENANCE AUDIT**

The Division of Procurement and Contracts (DPAC) has attached the 60-Day Status Report to the Warehouse Maintenance Audit dated November 21, 2017.

If you have any questions regarding this status response, please contact Char Krantz by phone at (916) 227-6071 or by email at [Char.Krantz@dot.ca.gov](mailto:Char.Krantz@dot.ca.gov).

Attachment: P3030-0661 60-Day Status Report

c: Zilan Chen, Chief, Internal Audits, Audits and Investigations  
Douglas Gibson, Manager, Internal Audits, Audits and Investigations  
Edgar Diaz, Auditor, Internal Audits, Audits and Investigations  
Tracy Gentry, Assistant Division Chief, Policy, Protests, Communications and Materiel  
Management, DPAC  
Lincoln Horst, Acting Office Chief, Material Management and Property Control, DPAC  
Char Krantz, Branch Chief, Policy, DPAC

**Independent Office of Audits and Investigations (A&I) - 60-Day Status Report**  
**Audit Name: Warehouse - Maintenance Audit**      **Audit No. P3030-0661**  
**Auditee: Division of Procurement and Contracts**

A&I Audit Recommendation	Auditee Response to Draft Report	Estimated Completion Date	Staff Responsible	60-Day Status	A&I Analysis	
<b>Audit Report Finding # 2</b> <b>Antiquated Inventory System</b>						
2.1	DPAC to work with the Division of Accounting to find a solution for the valid transactions being rejected due to crosswalk coding differences.	DPAC assigned an employee to correct rejected transaction documents until a more permanent solution is established pending the completion of the recommendation of Finding 2.2.	Completed 1/24/2018	Theresa Garon-Ford	DPAC assigned a permanent employee to correct rejected transaction documents on a regular basis.	
2.2	DPAC to pursue efforts to replace the SVS System to improve the level of service to users and ensure accurate and timely inventory records.	DPAC is currently working with IT through the Request for Information and vendor identification stage to replace the SVS system.	7/1/2020	Theresa Garon-Ford Gary Lovelace Lincoln Horst	DPAC continues to work with IT through the Request for Information and vendor identification stage to replace the SVS system.	
<b>Audit Report Finding # 3</b> <b>Other Internal Control Deficiencies</b>						
3.1	DPAC to work with Headquarters Division of Maintenance to develop procedures governing the enforcement of recommendations to ensure full compliance with the Manual, as well as to provide clear guidance and adherence to the State Administrative Manual and other regulations pertaining to warehouse management	DPAC will establish a committee with the Division of Maintenance to develop policies and procedures governing the enforcement of material management as contained in the State Administrative Manual Section 3535 and the Caltrans Materials Management Manual.	12/31/2018	Theresa Garon-Ford Lincoln Horst	DPAC will work to establish a committee with the Division of Maintenance by 3/31/2018. Once established, the committee will work to develop and implement policies and procedures governing the enforcement of material management as contained in the State Administrative Manual Section 3535 and the Caltrans Materials Management Manual by the estimated date of 12/31/2018.	
<b>Audit Report Finding # 4</b> <b>Material Management Manual Needs Revision</b>						
4.1	DPAC to review and update the Caltrans Material Management Manual.	DPAC to update all nine sections of the Caltrans Material Management Manual.	6/30/2018	Theresa Garon-Ford	DPAC is in the process of updating all nine sections of the Caltrans Material Management Manual.	


## Memorandum

*Serious drought.  
Help save water!*

**To:** WILLIAM E. LEWIS,  
Assistant Director  
Independent Office of Audits and Investigations

**Date:** April 11, 2018

**File:** P3010-0661

**From:** DAVE MOORE,   
Director, District 2

**Subject:** **60-DAY STATUS REPORT – WAREHOUSE MAINTENANCE AUDIT**

District 2 has attached the 60-Day Status Report to the Warehouse Maintenance Audit dated November 21, 2017.

If you have any questions regarding this status response, please contact Melissa Rose by phone at (530) 225-3430 or by email at [Melissa.Rose@dot.ca.gov](mailto:Melissa.Rose@dot.ca.gov).

Attachment: P3030-0661 60-Day Status Report

c: Edgar Diaz, Auditor, Internal Audits, Audits and Investigations

**Independent Office of Audits and Investigations (A&I) - Response to Draft Report**

**Audit Name: Warehouse - Maintenance Audit**

**Audit No. P3030-0661**

**Auditee: District 2**

A&I Audit Recommendation	Auditee Response to Draft Report	60-Day Status	Estimated Completion Date	Staff Responsible
<b>Audit Report Finding #1</b> <b>Poor Inventory Controls at District Warehouses Resulting in Overstated Inventory Balances</b>				
<p>Work with DPAC and Headquarters Division of Maintenance to develop a solution for the disposition of obsolete items.</p>	<p>We are in the process of currently reducing our excess inventory levels to less than 17%. We currently have scheduled time in December with the Sacramento DPAC Warehouse to provide onsite training regarding excess inventory process. We work closely with Sacramento DPAC Warehouse, other Districts Warehouses and property control to eliminate obsolete material.</p>	<p>We were able to clean up our inventory and warehouse catalog. 43 items valued at \$36,520 were removed, transferred or returned to the DPAC warehouse from our inventory. The excess inventory report currently shows we are now at 39% We will be sure to continue to work on getting the excess down to 17%. We are working with other District Warehouses, DPAC and property controll regarding the excess inventory.</p>	<p align="center">10/31/2018</p>	<p align="center">Transitioning from Admin Staff to Maintenance Staff.</p>

# Memorandum

*Making Conservation  
a California Way of Life.*

To: WILLIAM E. LEWIS  
Assistant Director  
Audits and Investigation

Date: April 30, 2018

File: P03030-0061

From:   
JAMES E. DAVIS  
Acting District Director

Subject: **D4 Response to Draft Audit #P3030-0661 Regarding Warehouse Maintenance**

District 4 has attached the 60-Day Status Report to the Warehouse Maintenance Audit dated October 2017.

If you have any questions or need additional information, please contact Jeff J. Butte D4 Maintenance Manager II at (707)-747-9852.

#### Attachment

Auditee (D4) response to draft audit report January 25, 2018.

- c: Premjit Rai, Deputy District Director, Administration, District 4,  
Jeffery Butte, Region Manager II, Structure Steel Paint, District 4  
Zilan Chen, Supervising Management Auditor, Audits & Investigations.

**Independent Office of Audits and Investigations (A&I) - Response to Draft Report**

**Audit Name: Warehouse - Maintenance Audit**

**Audit No. P3030-0661**

**Auditee: District 4**

A&I Audit Recommendation	Auditee Response to Draft Report	60-Day Status	Estimated Completion Date	Staff Responsible
<b>Audit Report Finding #1 Poor Inventory Controls at District Warehouses Resulting in Overstated Inventory Balances</b>				
Require warehouses the prompt posting of local requests for materials and supply issued.	For all future posting of local requests we will have a maximum 7 days to posts for materials and supplies issued.	For all future posting of local requests we have a maximum of 7 days to post for materials and supplies issued.	Warehouse has reopened and is currently downsizing.	Tracey McCan & Bill Almeida
Require completion of cycle counts at all its warehouses and ensure that all inventory items are counted at least once annually and adjust inventory balances to reflect actual inventory on hand.	We are currently in the process of doing an annual count and we will continue to do annual counts every end of fiscal year. We will request training on proper implementation of cycle counts to accurately ensure process is correct.	We have finished our annual count and our next count will be at end of fiscal year. We have reduced our excess inventory since October by \$793,341.74 . We just sent back to HQ our out of date lime green stock in February.	With the lime green stock returned to HQ we will have reduced our excess inventory by \$1,159,631.08.	Tracey McCan & Bill Almeida
Require district warehouses implement recommendations made by DPAC on inventory best practices.	Yes and more training required from headquarters to achieve a standardization of running the warehouse	Yes we have requested more training from HQ to acheive standiazation the running of Wharehouse.	Training requests have already been submitted	Tracey McCan & Bill Almeida
Work with DPAC and Headquarters Division of Maintenance to develop a solution for the disposition of obsolete items.	Yes and we have already been in contact with David Dias in DPAC regarding this topic.	We have already requested training with David Dias in DPAC.	As soon as training is available.	Tracey McCan & Bill Almeida
<b>Audit Report Finding # 3 Other Internal Control Deficiencies</b>				
Review the staffing levels at its warehouses to ensure adequate segregation of duties for procurement activities.	Yes reviewed with upper management with a revised staffing proposal to add an additional 2 more entry level employees	We are currently adding at least two or three employees to help with the day to day operations to make the process run more effeciently.	Pending new hire process.	Tracey McCan & Bill Almeida
Ensure that access to materials in warehouses is limited to authorized Caltrans personnel.	Yes we will ensure access	We have maintained only authorized personnel have access.	Plan currently in place.	Tracey McCan & Bill Almeida
Establish monitoring procedures that includes reviews of local request forms and other documentation used to update inventory records.	Every quarter reviews will be conducted by the supervisor and/or lead worker to ensure procedures are followed and that inventory is up to date	We continue to downsize our stock to a more managable level. We will continue to have a quarterly reviews to maintain effeciency.	Effective through end of fiscal year.	Tracey McCan & Bill Almeida
Provide training to crews and warehouse managers regarding the importance of internal controls and completing local requests forms properly.	We will request training every year or as needed for new employees to provide the importance for proper procedures.	We will continue having our employees training up to date to maintain proper procedures.	Training request are pending DPAC availability	Tracey McCan & Bill Almeida

**Independent Office of Audits and Investigations (A&I) - Response to Draft Report**

**Audit Name: Warehouse - Maintenance Audit**

**Audit No. P3030-0661**

**Auditee: Division of Maintenance**

**Audit Report Finding #1**  
**Poor Inventory Controls at District Warehouses Resulting in Overstated Inventory Balances**

A&I Audit Recommendation	Auditee Response to Draft Report	60-Day Status	Estimated Completion Date	Staff Responsible
Work with DPAC and District Warehouse Management to develop a solution for the disposition of obsolete items.	Maintenance supports working with DPAC and District Warehouse Management to discontinue ordering obsolete items.	On February 2, 2018 the Maintenance program began working toward transitioning the DPAC and District wide warehouses to establish best management practices by implementing standard operations practice as written in S.A.M. 3510.2	The official transition will be completed by July 1, 2018. The standard operation practices will be implemented in phases with all 12 districts beginning July 2018 to be completed by January 2019.	DPAC, District and Division of Maintenance Staff

**Audit Report Finding # 3**  
**Other Internal Control Deficiencies**

Work with DPAC to develop procedures governing the enforcement of recommendations to ensure full compliance with the Manual, as well as to provide clear guidance and adherence to the State Administrative Manual and other regulations pertaining to warehouse management	Maintenance is in support of working to develop procedures in-line with enforcing recommendations ensuring compliance with the State Administrative Manual and regulations pertaining to warehouse management	On February 2, 2018 the Maintenance program began working toward transitioning the DPAC and District wide warehouses to establish best management practices by implementing standard operations practice as written in S.A.M. 3510.2	The official transition will be completed by July 1, 2018. The standard operation practices will be implemented in phases with all 12 districts beginning July 2018 to be completed by January 2019.	DPAC, District and Division of Maintenance Staff
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