

## **M e m o r a n d u m**

**Making Conservation  
a California Way of Life**

**To:**  
RYAN CHAMBERLAIN Chief Deputy Director  
GILBERT PETRISSANS, Chief Division of Accounting

**Date:**  
December 10, 2018

**File:**  
P3030-0663

**From:**  
WILLIAM E. LEWIS, CPA  
Assistant Director  
Independent Office of Audits' and Investigations

**Subject: FINAL REPORT ON TRAVEL EXPENDITURE AUDIT**

Attached is the Independent Office of Audits and Investigations' final report on the Travel Expenditure audit. Your response has been included as part of our final report. This report is intended for your information and for Caltrans 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. This report and the status reports will be posted on the Independent Office of Audits and Investigations 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 Kevin Yee, Chief, Finance and Operations Office, at (916) 323-7929, or me at (916) 323-7122.

Attachment

c: Susan Bransen, Executive Director, California Transportation Commission  
Rodney Whitfield, Director of Financial Services, Federal Highway Administration  
Michael R. Tritz, Deputy Secretary, California State Transportation Agency  
Laurie Berman, Director, Caltrans  
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Investigations

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



# FACT SHEET

## INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS

Laurie Berman, Director

William E. Lewis, Assistant Director

### TRAVEL EXPENDITURES AUDIT

#### BACKGROUND

Caltrans' Division of Accounting (Accounting) established Caltrans Travel Guide and Caltrans Travel Tips to communicate travel and reimbursement rules established by the California Department of Human Resources to Caltrans employees. Different reimbursement rates are applicable based on the employees' travel status and Bargaining Unit. The type of travel status and related expenditures are affected by the physical location and the length of the assignment. Eligibility for some categories of travel costs is based on traveling a minimum of 50 miles away from primary residence and the employee's headquarters. Employees are on LTA when they travel to a single location a minimum of 50 miles away from their headquarters and primary residence for more than 30 consecutive days. Employees on LTA are required to submit a completed and approved "Long-term Assignment (LTA) Information and Certification of Subsistence Rates (FA-1350)" to Accounting. When it is determined that a LTA duration is expected to last more than 365 days (which is called an indefinite assignment), all future travel reimbursements are considered taxable income to the employee.

#### KEY FINDINGS

Our audit disclosed deficiencies and instances of non-compliance:

- Some policies, procedures, forms, and guidelines related to the type of travel status and related expenditures need improvements.
- Reimbursement of travel claims that were not in compliance with Policies and Procedures.
- Indefinite assignment transportation costs incurred through the Business Travel Account (Concur) are not tracked for possible tax withholding purposes.

#### KEY RECOMMENDATIONS

We recommend the following:

- Policies, Procedures, Forms, and Guidelines Need Improvements to Address a) headquarters designation as it relates to field offices, b) requirements for cost benefit analysis for long-term assignments, c) improve instructions for completing the long-term assignment form FA-1350, d) require jobsite locations to be listed on travel expenditure claims, and e) require airline itinerary documents to be included with travel claims.
- Continue to provide training, reminders, and guidance to the travel unit staff, and to Caltrans all staff, supervisors, and managers to properly prepare, approve, and process travel claims in accordance with the policies, procedures and requirements.
- Obtain clarification from State Controller's Office on the taxability of airfare and rental car costs for indefinite assignments, and to develop procedures to report and withhold taxes on airfare and rental car costs if determined that tax withholding is required.

**REPORT DATE: DECEMBER 7, 2018**

**REPORT: P3030-0663**

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# California Department of Transportation Travel Expenditures Audit



AUDIT REPORT  
DECEMBER 2019

**PREPARED BY:**

California Department of Transportation  
Independent Office of Audits and Investigations – MS 2  
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P3030-0663

***“Provide a safe, sustainable, integrated and efficient transportation system  
to enhance California’s economy and livability”***

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# Summary, Objective, Scope, Methodology, Background, and Conclusion

## SUMMARY

The California Department of Transportation (Caltrans) Independent Office of Audits and Investigations (IOAI) completed a statewide audit of employees' travel expenses with the focus on the designation of travel status and headquarters designation. The purpose of the audit was to evaluate the adequacy of internal controls over the designation of travel status and related expenditures.

Our audit disclosed deficiencies and instances of non-compliance. Specifically, we found the following:

### **Policies, Procedures, Forms, and Guidelines Need Improvements to Address the Following Areas:**

- Definition of headquarters designation needs to be updated to address when to use a field office location as headquarters.
- Cost Benefits Analysis and Evaluation of Operational Benefit for Employees on Long-Term Assignment are not performed.
- Instructions for completing the Long-Term Assignment (LTA) Information and Certification of Subsistence Rates form FA-1350 need to be improved.
- Jobsite location is not required on Travel Expense Claims (TECs).
- Travel Guide receipt requirements related to "Transportation Paid by State" needs to be updated.

### **Non-Compliance with Policies and Procedures:**

- Unallowable LTA lodging and meals claimed.
- Short-term travel rates incorrectly paid to employees on LTA beyond the 30-day limit without documented exception.
- TECs were submitted and processed in bundles covering up to 16 months at the same time.
- LTA travel costs that exceeded one year were not always tracked for tax withholding purposes.

### **Business Travel Account (Concur) Costs Are Not Tracked for Possible Tax Withholding Purposes**

- Indefinite assignment transportation costs incurred through the Business Travel Account (Concur) are not tracked for possible tax withholding purposes.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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

- There are adequate policies, procedures, and guidelines in place over the designation of travel status and related expenditures.
- Policies, procedures, and guidelines are clearly communicated to those who have responsibility in the process.
- Travel expenditures are in compliance with the criteria specified in the bargaining agreements and Caltrans Travel Guide.
- Travel expenditures are warranted, justified, and monitored on an on-going basis.

The audit universe is based on data compiled from two systems: AMS InfoAdvantage for travel costs reimbursements to employees and Concur for travel costs directly paid by Caltrans through the Business Travel Account (Concur). The audit universe included all travel transactions related to per diem, mileage reimbursements, and airfare for the period from July 1, 2015, through June 30, 2017. We conducted our audit from September 8, 2017, through August 9, 2018. Changes after these dates were not tested, and accordingly, our conclusions do not relate to changes arising after August 9, 2018. The audit methodology and procedures included, but were not limited to, the following:

- Reviewed Travel Guide policies and procedures for LTA.
- Reviewed criteria from the California Department of Human Resources and California Code of Regulations applicable to LTA.
- Selected a sample of employees based on three different travel cost categories: per diem, air travel, and mileage.
- Reviewed the selected employees' travel costs for compliance with state and Caltrans policies and procedures.
- Interviewed a sample of supervisors for their understanding of the travel policies and procedures.

## BACKGROUND

Caltrans' travel costs during the two fiscal years (FY) 2015/16 and 2016/17 averaged \$17.4 million a year in reimbursements to employees and \$3.9 million in transportation costs through the Business Travel Account (Concur). Caltrans' Division of Accounting (Accounting) established Caltrans Travel Guide and Caltrans Travel Tips to communicate travel and reimbursement rules established by the California Department of Human Resources to Caltrans employees. Reimbursements are governed by the applicable California Code of Regulations Title 2, Division 1, Chapter 3, Subchapter 1, and the appropriate Bargaining Unit Memorandums of Understanding. Before traveling on state business or incurring travel expenses, employees are required to review the Travel Guide for current information. Accounting relies on the signature of the supervisor on travel related documents as certification that the travel and expenses were authorized and incurred to conduct official state business and the items claimed are appropriate and in keeping with the state rules and regulations.

Different reimbursement rates are applicable based on the employees' travel status and Bargaining Unit. The type of travel status and related expenditures are affected by the physical location and the length of the assignment. Eligibility for some categories of travel costs is based on traveling a minimum of 50 miles away from primary residence and the employee's headquarters. The employees' headquarters is considered the location where they spend the majority of their time or where they report back to after a temporary assignment. Employees are on LT A when they travel to a single location a minimum of 50 miles away from their headquarters and primary residence for more than 30 consecutive days. For employees on LTA to be reimbursed for their LTA travel costs, they are required to submit a completed and approved "Long-term Assignment (LTA) Information and Certification of Subsistence Rates (F A-1350)" to Accounting. When it is determined that a LTA duration is expected to last more than 365 days (which is called an indefinite assignment), all future travel reimbursements are considered taxable income to the employee.

## CONCLUSION

Our audit disclosed the following:

- Caltrans' established policies, procedures, and guidelines over headquarters designation, travel status, and related expenditures need improvement.
- Employees claimed and supervisors approved travel documents and costs that were not in compliance with the established travel policies and procedures.
- Caltrans management and Accounting need to take steps to ensure that all staff know and understand Travel Policies and Procedures and take the appropriate actions when they are not followed.
- Accounting needs to provide guidance/tools/training to staff processing TECs to ensure consistency and to recognize travel patterns.

This report is a matter for public record and will be placed on IOAI's website, which can be viewed at <ig.dot.ca.gov>.

## VIEWS OF RESPONSIBLE OFFICIALS

We requested and received responses to our findings from the Chief Deputy Director of Caltrans and the Acting Chief of the Division of Accounting. Please see attachments I and II for their responses.

**William E. Lewis**  
**Assistant Director**  
**Independent Office of Audits and Investigations**

**October 17, 2018**



# Findings and Recommendations

## **FINDING 1 – Travel Policies, Procedures, Forms, and Guidelines Need Improvement**

We reviewed established policies, procedures, forms, and guidelines in place over the designation of long-term assignment (LTA) travel status and related expenditures and determined that improvements are needed to address the following areas:

### **Definition of Headquarters (HQ) Designation Needs to Be Updated to Address When to Use a Field Office Location as HQ**

During our audit we identified an employee who has been reporting to the same field office for the last 10 years covering multiple assignments, according to the employee's supervisor. The HQ designation listed on the employee's travel expenditure claims (TECs) was the District HQ address, not the field office they have reported to for 10 years. By using the District HQ as the main office location, the employee was able to claim commute mileage from the District HQ to the field office. The employee was reimbursed \$28,631 for commute mileage during the two years of our audit period.

Caltrans' Travel Guide defines HQ "as the place where the officer or employee spends the largest portion of his or her regular workdays or working time, or the place to which he or she returns upon completion of special assignments."

According to the supervisor, the employee reported back to the same field office after each assignment and used the District HQ address as their designated HQ because they could have been assigned to different field offices. Based on our interpretation of the HQ definition in the Travel Guide, the supervisor's statements, and the employee's travel history, the HQ designation for this employee should have been the field office address, not the District HQ.

### **Cost Benefits Analysis and Evaluation of Operational Benefit for Employees on Long-Term Assignment are Not Performed**

Our review of TECs identified an employee working on a LTA from October 2016 through June 2018 incurred approximately \$80,655 in LTA related travel costs. This included 106 round trips (at a cost of \$46,560 in airfare) flying from their primary residence to Sacramento where they spent the majority of their time.

California Department of Human Resources (Ca1HR) Policy Management Liaison Memo (PML) 88-10 requires cost analysis (STD. FORM 654) filed with the Accounting Office for LTAs. The PML provided the following list of factors that should be taken into consideration when the appointing authority is considering long-term assignments:

- Length of the LTA.
- Cost of the subsistence allowances.
- Cost of the transportation expenses.
- Cost benefit between LTA and relocating employees.
- Feasibility of relocation.

In addition, Caltrans Travel Guide, Chapter 1, State Travel Policy, Introduction states in part "The state agency is responsible for determining the necessity for travel and that such travel represents the best interest of the State."

Caltrans' Travel Guide does not include instructions requiring any form of a cost analysis, the completion of Std. Form 654, or to document why the LTA was necessary and in the best interest of the state. Without the cost benefit analysis, Caltrans is not compliant with Ca1HR requirements and is not able to support that the assignment is cost effective. Without documentation to show that the LTA was necessary, Caltrans is not able to provide assurances that there was an operational benefit and that it represented the best interest of the state.

California Government Code, Section 13403, defines internal accounting and administrative controls and sets forth the elements of a satisfactory system of internal control. It states the internal accounting and administrative controls are the methods through which state entity heads can give reasonable assurance that measures to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and ensure adherence to prescribed managerial policies are being followed.

Also, because we noted the frequency of trips, we expanded our testing to include travel outside of our stated audit period. Our expanded testing determined the same travel pattern of flying from primary residence to Sacramento and back started in August 2014 and continued through at least July 2018. Based on our discussion with Accounting staff, they confirmed that there is no LTA form on file prior to October 2016. During the period of August 2014 through September 2016 (prior to the start of the LTA), the employee incurred at least \$59,451 in travel costs. This includes an additional 90 round trips from primary residence to Sacramento. Based on the travel pattern, it appears that the employee should have been on LTA since August 2014.

### **Instructions for Completing the Long-term Assignment Information and Certification of Subsistence Rates Form FA-1350 Need to Be Improved**

Employees on LTA are required to submit a completed and approved form FA-1350, Long-term Assignment (LTA) Information and Certification of Subsistence Rates, to Accounting to be reimbursed for their LTA travel costs. In comparing the Caltrans' Travel Guide and the instructions on the FA-1350, we noticed that the two documents use different terminology. We also identified that the two documents include inadequate and inconsistent instructions. For example, the Travel Guide uses the term "single location" which is defined as "a major metropolitan area, cities in vicinity to one another, and locations that straddle county or state lines." These physical situations do not represent "different" locations," yet form FA-1350 uses the term "geographical location" which is defined as "an area within a 50-mile radius."

The FA-1350 instructions state that a new FA-1350 is required when an assignment changes to another geographical location beyond the 50-miles radius, yet the form does not define the center of the 50-mile radius. The Travel Guide also states that a new FA-1350 is required with a change in geographical location of the assignment but does not define what a geographical location is or identify the 50-mile radius requirement. Also, the FA-1350 requires a reporting date, however, it does not define what the reporting date represents or its association with the geographical location. Furthermore, the FA-1350 requires source coding input without

including instructions to prevent submitting a new FA-1350 with a new reporting date when the only change is to source coding.

Based on our review of the Caltrans Travel Guide, FA-1350s and interviews there appears to be an understanding that a new FA-1350 is required for changes in assignments or changes in the source coding. For example, one employee submitted a new FA-1350 with a new reporting date because of a change in the purpose of the assignment, and another employee submitted a new FA-1350 because of a change in the source coding. In both cases, the LTA location did not change. Incorrectly changing reporting dates by employees established a new start date for the LTA assignments and made it appear that LTA periods were less than one year making the travel reimbursements not taxable.

In addition, the FA-1350 is missing information needed to determine if the assignment qualifies for a long-term designation. The Travel Guide states that a long-term assignment is for any assignment that is a minimum of 50 miles away from an employee's headquarters and primary residence, yet the FA-1350 does not ask for the employee's HQ address, mileage from the employee's HQ to the jobsite, or mileage from the employee's primary residence and the jobsite. Without this information, Caltrans' management and Accounting staff are not able to properly review the FA-1350 for LTA eligibility.

Also, it appears that there is not a clear understanding of what the purpose of form FA-1350 is and when one is required. During our audit, we identified employees that traveled to the same location for years without the required FA-1350. Based on interviews with the employees' supervisors, we were given different reasons why the required FA-1350 was not completed: a) the supervisor did not know what an FA-1350 is, b) the supervisor's understanding is that the FA-1350 was only required when employees are assigned to remote locations, c) the supervisor stated that the employee was on loan and the FA-1350 was not required.

Finally, we identified four out of eleven employees who submitted their FA-1350s between one month to six months after the start of their LTA. Based on our review of the Travel Guide and the FA-1350, there are no clear instructions regarding the timing for submitting the FA-1350. A lack of clear instructions requiring an FA-1350 to be submitted in advance of an LTA can increase the risk of reimbursing travel rates other than the allowable LTA rates.

Not understanding what the purpose of an FA-1350 is and when one is required will result in improper processing and reimbursement of travel expenditure claims. Additionally, Accounting is not able to properly report taxable travel reimbursements without accurate information on this form.

### **Jobsite Location is Not Required on TECs**

Currently, employees are not required to identify the location of their jobsite(s) on their TECs. The instructions on the back of the TEC and in the Travel Guide only require the employee to identify the city, town, or location where expenses were incurred. Our review of TECs identified that 34 of 47 employees did not identify their jobsite location on TECs to enable eligibility verification of travel costs claimed.

Caltrans' Travel Guide defines eligibility for per diem reimbursement, as it states in Chapter 1, the General Travel Policy section: "No per diem expenses will be allowed at any location within 50 miles of home or headquarters as determined by the normal commute distance (the most direct route)."

Not requiring jobsite location on TECs prevents management and Accounting from determining per diem eligibility and accuracy of mileage claimed.

### **Travel Guide Receipt Requirements Related to "Transportation Paid by State" Needs to Be Updated**

Based on our review of TECs, 12 of 17 employees that incurred airfare costs did not include itinerary documents and 9 of 15 employees that rented cars did not include rental car receipts. Without requiring airline itinerary documents that show trip information and rental car receipts that include departure and return dates, management and Accounting are not able to properly review per diem costs for eligibility.

For example, as noted in the first item of Finding 2 below, the identification of unallowable costs was through the use of the airline flight information obtained from Concur because the TEC did not include itinerary documents.

The instructions on the back of the TEC form FA-0302 requires documentation to be included with the TEC. (7) (A) states in part: "If transportation was paid directly by the State, enter zero (0). Attach all passenger coupons and ticket order stubs...." Currently, Caltrans Travel Guide does not require employee to include receipts for in-state transportation when paid by Caltrans.

Improving policies, procedures, and guidelines reduces the risk of mismanagement, waste and abuse, and assists Caltrans in achieving its vision of being a transparent and accountable organization that values its people and resources.

### **RECOMMENDATION**

We recommend Accounting:

- Update the Travel Guide to comply with the CalHR requirement that all new LTAs be supported by cost benefit analysis and written justification that identifies how the LTA benefits the operations of Caltrans and is in the best interest of the state.
- Provide continuous guidance to staff and management approving TECs and FA-1350s to ensure compliance with travel policies and procedures.
- Update Travel Guide and all required documents (including FA-1350 and TEC form FA-0302) to ensure terminology and instructions are clear and consistent.
- Revise the FA-1350 to include the employee's HQ address, mileage information between HQ and LTA jobsite and primary residence and LTA jobsite.
- Work with the Division of Human Resources to revise Box #3 of the TEC form (FA-0302) to include the identification of jobsite location. The title should read, "Location - jobsite and where other expenses were incurred.
- Update the Travel Guide receipt requirements for TECs to include airline itinerary documents and rental car receipts for in state transportation.

We recommend Caltrans management:

- Provide clear definition and instructions (to be included in the Travel Guide) to address assignments to field offices and proper designation of HQ.
- Provide guidelines on when, how often, and who will pay for an employee to return home during their LTA, and how this agreement should be documented.
- Require all current LTAs to be updated to include cost benefit analysis and written justification that identifies how the LTA benefits the operations of Caltrans and is in the best interest of the state.

## **DIVISION OF ACCOUNTING RESPONSE**

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

## **CALTRANS MANAGEMENT RESPONSE**

Caltrans management concurs with the finding and recommendations. Please see Attachment II for details of the response and action plan.

## **FINDING 2 — Non-Compliance with Travel Policies and Procedures**

We tested TECs for 47 employees for compliance with LTA policies and procedures and identified incidents of non-compliance, improper payments, and lack of proper documentation. Employees and supervisors understanding of LTA travel status and requirements needs improvement. Our audit identified the following:

### **Unallowable LTA Lodging and Meals Claimed**

Our review identified two TECs, covering two months, for one employee which showed that the employee incorrectly claimed LTA costs seven times. Based on our review of the supporting documents and other sources (Concur air travel transactions), we determined that the employee was not at the LTA location five times, therefore the employee did not qualify for any LTA cost. Also, in two instances the employee claimed a full day LTA rate of \$48, even though the employee was at the LTA location for less than 12 hours and only qualified for \$24.

Caltrans' Travel Guide defined reimbursement requirements for lodging and meals when assigned on LTA as \$24. Reimbursement Rates and Requirements in Chapter 3 states in part: "an employee may claim: Actual up to \$24 for lodging and actual up to \$24 for actual meals for each 12 to 24- hour period... Either \$24 for actual meals or \$24 for daily receipted lodging for travels less than 12 hours at the long-term location."

### **Short-Term Travel Rates Incorrectly Paid to Employees on LTA Beyond the 30-Day Limit Without Documented Exception**

Our review identified two TECs, covering two months, for one employee which showed that the employee incorrectly claimed LTA costs seven times. Based on our review of the supporting documents and other sources (Concur air travel transactions), we determined that the employee was not at the LTA location five times, therefore the employee did not qualify for any LTA cost. Also, in two instances the employee claimed a full day LTA rate of \$48, even though the employee was at the LTA location for less than 12 hours and only qualified for \$24.

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### **TECs were Submitted and Processed in Bundles Covering Up to 16 Months at the Same Time**

Our review of TECs identified an employee that submitted late TECs for mileage in bundles covering several months at the same time. Specifically, the employee submitted together eight TECs for eight months, then submitted five TECs for five months, and then submitted 16 TECs for 16 months. Combined, the 29 TECs cover 29 consecutive months. The bundle of 16 TECs included expenditures in three fiscal years. Also, all 29 TECs showed the employee claimed the exact same mileage every day and stated that travel was to jobsite from field office. Submitting bundles of TECs covering multiple months makes it difficult for supervisors and Accounting to conduct proper review of costs claimed and could cause budget overrun.

Caltrans' Travel Guide, Chapter 5, TEC section states "TECs shall be submitted at least once a month and not more than twice a month."

### **LTA Travel Costs that Exceeded One Year Were Not Always Tracked for Tax Withholding Purposes**

Our review of TECs and discussion with Accounting identified instances where staff claimed travel costs to the same location for periods exceeded one year, yet travel reimbursements were not tracked for tax withholding purposes. For example, the employee identified above who submitted claims for 29 consecutive months was loaned from another District for an initial period of six months. However, the loan period eventually exceeded two years. The employee did not submit nor were they instructed to complete the required FA-1350.

Another example is the employee who traveled 21 consecutive months to the same LTA/ jobsite location without travel costs being reported for tax purposes. The employee had two separate



FA-1350s during his period, and the only change to the FA-1350 form was the LTA purpose and reporting date.

When we discussed taxation of travel costs with Accounting, it appears that they rely on the reporting (start) and end dates provided in the FA-1350 to determine when travel reimbursements become taxable.

Caltrans' Travel Guide defined indefinite assignments as the employment away from home in a single location and expected to last for more than one year. As stated in the taxation section in Chapter 7: "Travel reimbursements for meals, lodging, transportation, etc., while on indefinite assignments are taxable income to the employee."

Placing full reliance on FA-1350 without considering the employees' travel history, including prior FA-1350s, resulted in travel reimbursements not being reported for tax withholding purposes.

## **RECOMMENDATIONS**

We recommend Accounting:

- Continue to provide training to the travel unit staff responsible for auditing TECs to emphasize the following:
  - Recognize travel patterns and enforce the Travel Guide policies related to discontinuing short term subsistence after the 30th day and reimburse costs in accordance with applicable long-term rates.
  - Recognize indefinite assignments and track for tax purposes.

We recommend Caltrans Management:

- Remind staff of their responsibility to properly prepare TECs in accordance with the Travel Guide and TEC instructions. Specifically:
  - Only claim allowable LTA lodging and meals.
  - Submit extension requests for all travel that will exceed the 30 days requirement and include copy of the approved extensions with their claims.
  - Submit claims at least once a month (where appropriate) and no more than twice a month.
  - List actual start and end time and dates of their trips on the TEC.
- Remind managers and supervisors of their responsibility to properly review TECs for compliance with Travel Guide requirements.

## **DIVISION OF ACCOUNTING RESPONSE**

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

## CALTRANS MANAGEMENT RESPONSE

Caltrans management concurs with the finding and recommendations. Please see Attachment II for details of the response and action plan.

### **FINDING 3 — Business Travel Account (Concur) Costs for Indefinite Assignments Are Not Tracked for Possible Tax Withholding Purposes**

Caltrans Travel Guide, Chapter 7, states that “Travel reimbursements for meals, lodging, transportation, etc., while on indefinite assignments are taxable income to the employee.” Indefinite assignment is defined as: “employment away from home in a single location wherein the employment assignment is realistically expected to last more than one year.”

Our review determined that indefinite assignment transportation costs that are incurred and paid directly by Caltrans through the Business Travel Account (Concur) are not being reported for tax withholding purposes. Based on discussions with Accounting, it was indicated that they only report taxable travel costs reimbursed to employees through TECs, and they don't have procedures in place to report transportation costs that are paid directly by the Business Travel Account (Concur). An example of transportation costs that should have been reported for tax withholding purposes is the employee who flew 106 round trips while on LTA identified in Finding 1.

Based on our review of the Internal Revenue Service Publication 15-B, Employer's Tax Guide to Fringe Benefits, we did not find any rule that specifically fully or partially excluded airfares or rental cars. Therefore, the value of airfare and rental cars associated with indefinite assignments may be taxable, however currently Accounting doesn't track these costs. Transportation costs, including airfare and rental cars, are paid directly through the Business Travel Account (Concur), and are not based on TEC reimbursements to employees. According to the Internal Revenue Service (IRS), this is considered a “Working Condition Fringe Benefit.” Publication 463 (2017), Travel, Entertainment, Gift, and Car Expenses states “A working condition fringe benefit is any property or service provided to you by your employer for which you could deduct the cost as an employee business expense if you had paid for it.” The Publication also defined the indefinite assignments and discussed the tax reporting requirement. It states in part: “you must include in your income any amounts you receive from your employer for living expenses, even if they are called travel allowances and your account to your employer for them.”

By not reporting and withholding tax on all travel costs associated with indefinite assignments, including airfare and rental cars, Caltrans may not be in compliance with the requirements of Caltrans' Travel Guide, and the IRS rules.

## RECOMMENDATIONS

We recommend Accounting and Caltrans' management:

- Request clarification from Ca1HR, State Controller's Office, California Franchise Tax Board and/or IRS on the taxability of airfare and rental car costs paid directly by the state for employees on indefinite assignments.



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**DIVISION OF ACCOUNTING RESPONSE**

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

**CALTRANS MANAGEMENT RESPONSE**

Caltrans management concurs with the finding and recommendations. Please see Attachment II for details of the response and action plan.

**ATTACHMENT 1**

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

## Memorandum

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

**Date:** November 19, 2018

**From:**  
NANCY KATAOKA, Acting Chief  
Division of Accounting

**Subject: Division of Accounting Response — Initial Response — Travel Expenditures Audit (P3030-0663)**

Attached is our initial response to the Audit Report Findings and the actions the Division of Accounting has taken or will take to address the recommendations in the Travel Expenditures Audit report.

If you have any questions or need additional information, please contact Paul Hinnant at (916) 227-8876.

c: Eraina Ortega, Inspector General, Independent Office of Audits and Investigation  
Steven Keck, Chief Financial Officer  
Kevin Yee, Acting Chief, Internal Audits, Independent Office of Audits and Investigation  
Cliff Vose, Audit Manager, Independent Office of Audits and Investigation  
Paul Hinnant, Chief, Travel Payments and Policy Branch, Division of Accounting

# Independent Office of Audits and Investigations - Response to Draft Report

## Audit Response from Division of Accounting

**Audit Name: Travel Expenditure Audit**  
**Auditee: Division of Accounting**  
**Audit Number: P3030-0663**

### **Audit Report Finding #1**

**Travel Policies, Procedures, Forms, and Guidelines Need Improvement**

#### **1.1 IOAI Audit Recommendation**

Update the Travel Guide to comply with the CalHR requirement that all new LTAs be supported by cost benefit analysis and written justification that identifies how the LTA benefits the operations of Caltrans and is in the best interest of the state.

#### **Auditee Response to Draft Report**

Work with IT Web Design to update Travel Guide language including a link to the STD 654 Long-Term Assignment Cost Analysis form.

#### **Estimated Completion Date**

6/30/2019

#### **Staff Responsible**

Paul Hinnant/ Travel Supervisors

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### **1.2 IOAI Audit Recommendation**

Provide continuous guidance to staff and management approving TECs and FA-1350s, to ensure compliance with travel policies and procedures.

#### **Auditee Response to Draft Report**

- a. Hold monthly informational meetings with TEC staff.
- b. Issue Travel Information Policy (TIP) bulletins addressing LTA requirements.

#### **Estimated Completion Date**

- a. Continuous/As needed
- b. 6/30/2019

#### **Staff Responsible**

Paul Hinnant/ Travel Supervisors

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### **1.3 IOAI Audit Recommendation**

Update Travel Guide and all required documents (including FA-1350 and TEC form FA-0302) to ensure terminology and instructions are clear and consistent.

#### **Auditee Response to Draft Report**

Work with IT Web Design to update Travel Guide. Work with Forms Management to implement changes to FA-1350 and FA-0302.

#### **Estimated Completion Date**

6/30/2019

#### **Staff Responsible**

Paul Hinnant/ Travel Supervisors

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**1.4 IOAI Audit Recommendation**

Revise the FA-1350 to include the employee's HQ address, mileage information between HQ and LTA jobsite, and primary residence and LTA jobsite.

**Auditee Response to Draft Report**

Work with Forms Management to implement changes to FA-1350.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

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**1.5 IOAI Audit Recommendation**

Work with the Division of Human Resources to revise Box #3 of the TEC form (FA-0302) to include the identification of jobsite location. The title should read, "Location- jobsite and where other expenses were incurred.

**Auditee Response to Draft Report**

Update instructions on back of FA-0302 to provide instructions on how to complete Box #3.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

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**1.6 IOAI Audit Recommendation**

Update the Travel Guide receipt requirements for TECs to include airline itinerary documents, and rental car receipts for in state transportation.

**Auditee Response to Draft Report**

Contact DGS/CalHR to see if this is still reasonable considering Concur has supervisor approval authority for airfare/rental car reservations.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

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**Audit Report Finding #2  
Non-Compliance with Travel Policies and Procedures****2.1 IOAI Audit Recommendation**

Continue to provide training to the travel unit staff responsible for auditing TECs to emphasize the following:

- Recognize travel patterns and enforce the Travel Guide policies related to discontinuing short term subsistence after the 30th day and reimburse costs in accordance with applicable long-term rates.
- Recognize indefinite assignments and track for tax purposes.

**Auditee Response to Draft Report**

Hold monthly informational meetings with TEC staff. Revise desk procedures where necessary to comply with rules/guidelines.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

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**Audit Report Finding #3  
Business Travel Account (Concur) Costs for Indefinite Assignments Are Not Tracked for Possible Tax Withholding Purposes**

**3.1 IOAI Audit Recommendation**

Request clarification from CalHR, State Controller's Office, California Franchise Tax Board and/or IRS on the taxability of airfare and rental car costs paid directly by the state for employees on indefinite assignments.

**Auditee Response to Draft Report**

Hold monthly informational meetings with TEC staff. Revise desk procedures where necessary to comply with rules/guidelines.

**Estimated Completion Date**

Complete

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

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**3.2 IOAI Audit Recommendation**

If it is determined that tax withholding and reporting is required, we recommend that Accounting develop procedures to report and withhold taxes on indefinite assignments transportation costs incurred through the Business Travel Account (Concur).

**Auditee Response to Draft Report**

Procedures will be developed based on direction from the State Controllers Office update of the Payroll Procedures Manual.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

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## Memorandum

**To:**  
ERAINA ORTEGA  
Inspector General

**Date:** December 5, 2018

**From:**  
RYAN CHAMBERLAIN  
Chief Deputy Director

**Subject: Department Management Response —Travel Expenditure Audit (P3030-0663)**

We have reviewed the most recent draft report for the Travel Expenditure Audit. We concur with the findings identified relative to Caltrans Management. Please find attached detailed responses to the findings.

If you have any questions or need additional information, please contact Steven Keck at (916) 654-3986 or Cris Rojas at (916) 654-3190.

Attachment

c: Cris Rojas, Deputy Director, Administration  
Steven Keck, Chief Financial Officer

# Independent Office of Audits and Investigations - Response to Draft Report

## Audit Response from Caltrans Management

**Audit Name: Travel Expenditure Audit**  
**Auditee: Caltrans Management**  
**Audit Number: P3030-0663**

### **Audit Report Finding #1**

**Travel Policies, Procedures, Forms, and Guidelines Need Improvement**

#### **1.7 IOAI Audit Recommendation**

Provide clear definition and instructions (to be included in the Travel Guide) to address assignments to field offices and proper designation of HQ.

#### **Auditee Response to Draft Report**

The Division of Accounting will work with DHR and Labor Relations to update the Travel Guide to include clear definitions and instructions regarding HQ designation and field office assignments.

#### **Estimated Completion Date**

3/31/2019

#### **Staff Responsible**

Nancy Kataoka, Michelle Tucker, Kevin Perez

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**1.8 IOAI Audit Recommendation**

Provide guidelines on when, how often, and who will pay for an employee to return home during their LTA, and how this agreement should be documented.

**Auditee Response to Draft Report**

The Department will prepare and distribute guidance for LTA's, including when, how often, and who will pay for an employee to return home during their LTA. Guidance will also include procedures for appropriately documenting this agreement.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Cris Rojas

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**1.9 IOAI Audit Recommendation**

Require all current LTAs to be updated to include cost benefit analysis and written justification that identifies how the LTA benefits the operations of Caltrans and is in the best interest of the state.

**Auditee Response to Draft Report**

The Department will issue guidance to all employees and managers regarding the use of LTAs, the required cost/benefit analysis, and the required written justification. Guidance will include the direction that all current LTAs shall be updated to include these requirements, if not already completed.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Cris Rojas

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**Audit Report Finding #2**  
**Non-Compliance with Travel Policies and Procedures****2.2 IOAI Audit Recommendation**

Remind staff of their responsibility to properly prepare TECs in accordance with the Travel Guide and TEC instructions. Specifically:

- Only claim allowable LTA lodging and meals.
- Submit extension requests for all travel that will exceed the 30 days requirement and include copy of the approved extensions with their claims.
- Submit claims at least once a month (where appropriate) and no more than twice a month.
- List actual start and end time and dates of their trips on the TEC.

**Auditee Response to Draft Report**

The Department will issue guidance to all employees and managers, highlighting the need to follow all written guidelines when preparing TECs.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Cris Rojas and Steven Keck

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**2.3 IOAI Audit Recommendation**

Remind managers and supervisors of their responsibility to properly review TECs for compliance with Travel Guide requirements.

**Auditee Response to Draft Report**

The Department will issue formal communication to remind managers and supervisors of their responsibility to properly review TECs for compliance with Travel Guide requirements.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Cris Rojas and Steven Keck

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**Audit Report Finding #3****Business Travel Account (Concur) Costs for Indefinite Assignments Are Not Tracked for Possible Tax Withholding Purposes****3.1 IOAI Audit Recommendation**

Request clarification from CalHR, State Controller's Office, California Franchise Tax Board and/or IRS on the taxability of airfare and rental car costs paid directly by the state for employees on indefinite assignments.

**Auditee Response to Draft Report**

The Department has already brought this issue to the attention of the State Controller's Office. The SCO has indicated that they will issue written guidance on this subject after completing their analysis.

**Estimated Completion Date**

Complete

**Staff Responsible**

Gilbert Petrisans

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**3.2 IOAI Audit Recommendation**

If it is determined that tax withholding and reporting is required, we recommend that Accounting develop procedures to report and withhold taxes on indefinite assignments transportation costs incurred through the Business Travel Account (Concur).

**Auditee Response to Draft Report**

The Department will prepare procedures, processes, and reports to implement guidance from SCO when and if such guidance is issued.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Gilbert Petrisans

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**ATTACHMENT  
CORRECTIVE ACTION PLAN**

## Memorandum

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

**Date:** February 7, 2019

**From:**  
GILBERT PETRISSANS, Chief,  
Division of Accounting

**Subject: Division of Accounting Response — Initial Response — Travel Expenditures Audit  
(P3030-0663)**

Attached is our 60-days response to the Audit Report Findings and the actions the Division of Accounting has taken or will take to address the recommendations in the Travel Expenditures Audit report.

If you have any questions or need additional information, please contact Paul Hinnant at (916) 227-8876.

c: Eraina Ortega, Inspector General, Independent Office of Audits and Investigation  
Steven Keck, Chief Financial Officer  
Kevin Yee, Acting Chief, Internal Audits, Independent Office of Audits and Investigation  
Cliff Vose, Audit Manager, Independent Office of Audits and Investigation  
Paul Hinnant, Chief, Travel Payments and Policy Branch, Division of Accounting

## Memorandum

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

**Date:** March 26, 2019

**From:**  
GILBERT PETRISSANS, Chief,  
Division of Accounting

**Subject: TRAVEL EXPENDITURE AUDIT (P3030-0663) - Extension Request**

The Division of Accounting requests an extension to complete the audit findings identified in Travel Expenditure Audit P3030-0663 from March 31, 2019 to June 30, 2019.

The extension is based on the Department's priority to comply with AB 434. Currently, the Division of Information Technology (IT) has prioritized its effort to ensure the Department's internet website complies with AB 434 by July 1, 2019. Consequently, updates to the Department's intranet websites such as the Travel Guide website has taken a secondary priority.

Attached are the pending audit findings with the revised due date of June 30, 2019. If you have any questions or need additional information, please contact Paul Hinnant at (916) 227-8876.

Attachment

c: Eraina Ortega, Inspector General, Independent Office of Audits and Investigation  
Steven Keck, Chief Financial Officer  
Kevin Yee, Acting Chief, Internal Audits, Independent Office of Audits and Investigation  
Cliff Vose, Audit Manager, Independent Office of Audits and Investigation  
Paul Hinnant, Chief, Travel Payments and Policy Branch, Division of Accounting



# Independent Office of Audits and Investigations - Corrective Action Plan

**Corrective Action Plan from Division of Accounting**  
**Audit Name: Travel Expenditure Audit**  
**Auditee: Division of Accounting**  
**Audit Number: P3030-0663**

## **Audit Report Finding #1**

**Travel Policies, Procedures, Forms, and Guidelines Need Improvement**

### **1.1 IOAI Audit Recommendation**

Update the Travel Guide to comply with the CalHR requirement that all new LTAs be supported by cost benefit analysis and written justification that identifies how the LTA benefits the operations of Caltrans and is in the best interest of the state.

### **Auditee Response to Draft Report**

Work with IT Web Design to update Travel Guide language including a link to the STD 654 Long-Term Assignment Cost Analysis form.

### **Estimated Completion Date**

6/30/2019

### **Staff Responsible**

Angel Pyle

### **60 - Day Status**

In progress

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**1.2 IOAI Audit Recommendation**

Provide continuous guidance to staff and management approving TECs and FA-1350s, to ensure compliance with travel policies and procedures.

**Auditee Response to Draft Report**

- a. Hold monthly informational meetings with TEC staff.
- b. Issue Travel Information Policy (TIP) bulletins addressing LTA requirements.

**Estimated Completion Date**

- a. Continuous/As needed
- b. 6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

**60 - Day Status**

- a. Travel Payments Sections meet a minimum of twice per month to update and share information with staff.
  - b. Issue Travel Information Policy bulletins to address LTA requirements as needed. Most recent TIP issued 1/28/19.
- 

**1.3 IOAI Audit Recommendation**

Update Travel Guide and all required documents (including FA-1350 and TEC form FA-0302) to ensure terminology and instructions are clear and consistent.

**Auditee Response to Draft Report**

Work with IT Web Design to update Travel Guide. Work with Forms Management to implement changes to FA-1350 and FA-0302.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

**60 - Day Status**

In Progress

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**1.4 IOAI Audit Recommendation**

Revise the FA-1350 to include the employee's HQ address, mileage information between HQ and LTA jobsite, and primary residence and LTA jobsite.

**Auditee Response to Draft Report**

Work with Forms Management to implement changes to FA-1350.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

**60 - Day Status**

Revised FA-1350 form in draft.

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**1.5 IOAI Audit Recommendation**

Work with the Division of Human Resources to revise Box #3 of the TEC form (FA-0302) to include the identification of jobsite location. The title should read, "Location- jobsite and where other expenses were incurred.

**Auditee Response to Draft Report**

Update instructions on back of FA-0302 to provide instructions on how to complete Box #3.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

**60 - Day Status**

Box # 3 of the FA-0302 Forms update in CEFS is complete.

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## 1.6 IOAI Audit Recommendation

Update the Travel Guide receipt requirements for TECs to include airline itinerary documents, and rental car receipts for in state transportation.

### Auditee Response to Draft Report

Contact DGS/CalHR to see if this is still reasonable considering Concur has supervisor approval authority for airfare/rental car reservations.

### Estimated Completion Date

6/30/2019

### Staff Responsible

Paul Hinnant/ Travel Supervisors

### 60 - Day Status

CalHR issued Travel and Relocation Policy Bulletin in January reminding Departments to submit airline and rental car documents. Working with CalHR for an exception based on our use of Concur.

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## Audit Report Finding #2

### Non-Compliance with Travel Policies and Procedures

#### 2.1 IOAI Audit Recommendation

Continue to provide training to the travel unit staff responsible for auditing TECs to emphasize the following:

- Recognize travel patterns and enforce the Travel Guide policies related to discontinuing short term subsistence after the 30th day and reimburse costs in accordance with applicable long-term rates.
- Recognize indefinite assignments and track for tax purposes.

### Auditee Response to Draft Report

Hold monthly informational meetings with TEC staff. Revise desk procedures where necessary to comply with rules/guidelines.

### Estimated Completion Date

6/30/2019

### Staff Responsible

Paul Hinnant/ Travel Supervisors

### 60 - Day Status

All sections within the branch meet a minimum of twice a month to update staff, share information and review current policy. Supervisor review desk procedures and update desk procedures were necessary.

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**Audit Report Finding #3****Business Travel Account (Concur) Costs for Indefinite Assignments Are Not Tracked for Possible Tax Withholding Purposes****3.1 IOAI Audit Recommendation**

Request clarification from CalHR, State Controller's Office, California Franchise Tax Board and/or IRS on the taxability of airfare and rental car costs paid directly by the state for employees on indefinite assignments.

**Auditee Response to Draft Report**

Hold monthly informational meetings with TEC staff. Revise desk procedures where necessary to comply with rules/guidelines.

**Estimated Completion Date**

Complete

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

**60 - Day Status**

Complete 10/18/2018

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**3.2 IOAI Audit Recommendation**

If it is determined that tax withholding and reporting is required, we recommend that Accounting develop procedures to report and withhold taxes on indefinite assignments transportation costs incurred through the Business Travel Account (Concur).

**Auditee Response to Draft Report**

Procedures will be developed based on direction from the State Controllers Office update of the Payroll Procedures Manual.

**Estimated Completion Date**

6/30/2019

**Staff Responsible**

Paul Hinnant/ Travel Supervisors

**60 - Day Status**

Completed - State Controller's Office issued Payroll Letter #19-002 in January instructing departments to report taxable airfare/rental cars for employees on indefinite assignments. Accounting will follow SCO's reporting instructions. A Travel Information Policy (19-02) bulletin was issued informing employees.

## Memorandum

**To:**  
ERAINA ORTEGA  
Inspector General

**Date:** December 5, 2018

**From:**  
Deputy Director, Finance

**Subject: MANAGEMENT RESPONSE 60-DAYS RESPONSE - TRAVEL EXPENDITURE AUDIT (P3030-0663)**

Attached is our 60-days response to the Audit Report Findings and the actions the Department Management has taken or will take to address the recommendations in the Travel Expenditures Audit report.

If you have any questions or need additional information, please contact me at (916) 654-3986.

c: Eraina Ortega, Inspector General, Independent Office of Audits and Investigation  
Cristiana Rojas, Deputy Director, Administration  
Kevin Yee, Chief, Finance and Operations Office, Independent Office of Audits and Investigations  
Cliff Vose, Audit Manager, Independent Office of Audits and Investigations  
Gilbert Petrissans, Chief, Division of Accounting

# Independent Office of Audits and Investigations - Corrective Action Plan

**Corrective Action Plan from Caltrans Management**  
**Audit Name: Travel Expenditure Audit**  
**Auditee: Caltrans Management**  
**Audit Number: P3030-0663**

## **Audit Report Finding #1**

**Travel Policies, Procedures, Forms, and Guidelines Need Improvement**

### **1.7 IOAI Audit Recommendation**

Provide clear definition and instructions (to be included in the Travel Guide) to address assignments to field offices and proper designation of HQ.

### **Auditee Response to Draft Report**

The Division of Accounting will work with DHR and Labor Relations to update the Travel Guide to include clear definitions and instructions regarding HQ designation and field office assignments.

### **Estimated Completion Date**

3/31/2019

### **Staff Responsible**

Nancy Kataoka, Michelle Tucker, Kevin Perez

### **60 - Day Status**

In progress

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**1.8 IOAI Audit Recommendation**

Provide guidelines on when, how often, and who will pay for an employee to return home during their LTA, and how this agreement should be documented.

**Auditee Response to Draft Report**

The Department will prepare and distribute guidance for LTA's, including when, how often, and who will pay for an employee to return home during their LTA. Guidance will also include procedures for appropriately documenting this agreement.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Cris Rojas

**60 - Day Status**

In progress

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**1.9 IOAI Audit Recommendation**

Require all current LTAs to be updated to include cost benefit analysis and written justification that identifies how the LTA benefits the operations of Caltrans and is in the best interest of the state.

**Auditee Response to Draft Report**

The Department will issue guidance to all employees and managers regarding the use of LTAs, the required cost/benefit analysis, and the required written justification. Guidance will include the direction that all current LTAs shall be updated to include these requirements, if not already completed.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Cris Rojas

**60 - Day Status**

In progress

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**Audit Report Finding #2****Non-Compliance with Travel Policies and Procedures****2.2 IOAI Audit Recommendation**

Remind staff of their responsibility to properly prepare TECs in accordance with the Travel Guide and TEC instructions. Specifically:

- Only claim allowable LTA lodging and meals.
- Submit extension requests for all travel that will exceed the 30 days requirement and include copy of the approved extensions with their claims.
- Submit claims at least once a month (where appropriate) and no more than twice a month.
- List actual start and end time and dates of their trips on the TEC.

**Auditee Response to Draft Report**

The Department will issue guidance to all employees and managers, highlighting the need to follow all written guidelines when preparing TECs.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Cris Rojas and Steven Keck

**60 - Day Status**

In progress

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**2.3 IOAI Audit Recommendation**

Remind managers and supervisors of their responsibility to properly review TECs for compliance with Travel Guide requirements.

**Auditee Response to Draft Report**

The Department will issue formal communication to remind managers and supervisors of their responsibility to properly review TECs for compliance with Travel Guide requirements.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Cris Rojas and Steven Keck

**60 - Day Status**

In progress

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**Audit Report Finding #3****Business Travel Account (Concur) Costs for Indefinite Assignments Are Not Tracked for Possible Tax Withholding Purposes****3.1 IOAI Audit Recommendation**

Request clarification from CalHR, State Controller's Office, California Franchise Tax Board and/or IRS on the taxability of airfare and rental car costs paid directly by the state for employees on indefinite assignments.

**Auditee Response to Draft Report**

The Department has already brought this issue to the attention of the State Controller's Office. The SCO has indicated that they will issue written guidance on this subject after completing their analysis.

**Estimated Completion Date**

Complete

**Staff Responsible**

Gilbert Petrissans

**60 - Day Status**

Complete 10/18/2018

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**3.2 IOAI Audit Recommendation**

If it is determined that tax withholding and reporting is required, we recommend that Accounting develop procedures to report and withhold taxes on indefinite assignments transportation costs incurred through the Business Travel Account (Concur).

**Auditee Response to Draft Report**

The Department will prepare procedures, processes, and reports to implement guidance from SCO when and if such guidance is issued.

**Estimated Completion Date**

3/31/2019

**Staff Responsible**

Gilbert Petrissans

**60 - Day Status**

Completed - State Controller's Office issued Payroll Letter #19-002 in January instructing departments to report taxable airfare/rental cars for employees on indefinite assignments. Accounting will follow SCO's reporting instructions. A Travel Information Policy (19-02) bulletin was issued informing employees.