

CALIFORNIA PUBLIC UTILITIES COMMISSION

It Cannot Ensure That It Spends Railroad Safety Program Fees in Accordance With State Law

REPORT NUMBER 2003-121, MAY 2004

California Public Utilities Commission response as of
June 2005

Audit Highlights . . .

Our review of the California Public Utilities Commission (commission) revealed that:

- The commission does not have an effective method to track the time its employees spend on railroad safety activities.*
 - The commission cannot ensure that it charges only allowable travel-related expenses to the Railroad Safety Program.*
 - Inaccuracies in its cost allocation plan and table have caused the commission to incorrectly charge indirect costs to the Railroad Safety Program.*
 - Without a system to track direct and indirect costs, the commission cannot establish reliable budgets and set appropriate fees.*
-

The Joint Legislative Audit Committee requested the Bureau of State Audits to determine whether the California Public Utilities Commission (commission) uses Railroad Safety Program fees according to requirements specified in the California Public Utilities Code. Specifically, we found:

Finding #1: The commission does not have an effective method to track the time its employees spend on railroad safety activities.

The commission uses a timekeeping system that does not track the actual time its employees spend working on railroad safety activities. As a result, some inspectors inconsistently report their hours, and the commission uses estimates to determine the direct labor expenditures of clerical, supervisory, and legal staff who work on activities related to the Railroad Safety Program. In fiscal years 2002–03 and 2003–04, errors in those estimates resulted in overcharges to the Railroad Safety Program. However, the commission did not take sufficient steps to ensure that similar errors would not reoccur. In fact, we found that between July 2003 and February 2004 the commission incorrectly charged the Railroad Safety Program \$281,000 for staff in its legal divisions.

The commission has been trying to upgrade its timekeeping system since as early as spring 2002 to allow its employees to record the actual time they spend on projects or activities and to integrate its timekeeping system with its accounting system. However, the commission has experienced delays and does not expect to complete the system upgrades until September 2004. Thus, it cannot ensure that the fees it collects are spent only on the direct labor charges of Railroad Safety Program employees.

We recommended that the commission should move quickly to fully implement upgrades to its timekeeping system to allow employees to record the actual time they spend on railroad safety activities and to enable the commission to reconcile expenditures to funding sources. We also recommended that the commission should ensure that it determines the effect that incorrectly charging hours for staff in its legal divisions has on the allocation of indirect costs to the Railroad Safety Program and adjust its accounting records for fiscal year 2003–04.

Commission's Action: Corrective action taken.

The commission indicated that, effective April 2005, upgrades to its timekeeping system have been fully implemented and its divisions have begun data entry into the system. Furthermore, the commission stated it made the appropriate adjustments to its accounting records prior to closing its records for fiscal year 2003–04.

Finding #2: The commission cannot ensure that it charges only allowable travel-related expenses to the Railroad Safety Program.

Because of weaknesses in its method of processing travel expense claims submitted by railroad safety inspectors, the commission cannot ensure that all travel-related expenses charged to the Railroad Safety Program are allowable.

Specifically, the commission does not always require inspectors to report the proper program cost account codes or the percentage of time they spend traveling for Railroad Safety Program inspections on their travel expense claims. Further, although inspectors' time sheets may indicate time spent on other programs, the commission does not direct its accounting staff to charge costs among programs according to the indicated percentages. Consequently, the commission cannot ensure that only allowable travel-related expenses are charged to the Railroad Safety Program.

We recommended that the commission should establish procedures requiring inspectors to identify the program cost account codes to be charged for their travel expenses on their travel expense claims. Additionally, the commission should require its accounting staff to enter all valid codes shown on the travel expense claim into the accounting system.

Commission's Action: Corrective action taken.

The commission indicated that it implemented a process under the guidance of the Consumer Protection and Safety Division's budget control and fiscal officers.

Finding #3: Inaccuracies in its cost allocation plan (plan) and table have caused the commission to incorrectly charge indirect costs to the Railroad Safety Program.

The commission has not established a formal process for periodically reviewing and updating its plan in accordance with state accounting procedures. The plan contains the method of distributing operating expenses or equipment costs that cannot practically be charged directly to the programs that benefit from the accumulated costs. Additionally, the commission does not maintain its accounting system's cost allocation table (table), which contains data that are the basis of the allocation of expenditures and encumbrances in the commission's accounting system, the California State Accounting and Reporting System. Consequently, both the plan and table contained inaccuracies that resulted in the commission improperly charging the Railroad Safety Program for indirect costs. For example, the commission did not change its table to reflect all the unit codes established during its reorganization. Without a formal process for evaluating the accuracy of its plan and table, the commission cannot ensure that it appropriately charges indirect costs to various programs, including the Railroad Safety Program.

We recommended that the commission develop policies and procedures to ensure that it maintains its plan and table for indirect charges in accordance with the State Administrative Manual. Specifically, the commission should periodically review and update its plan and table to ensure that the allocation bases are appropriate. Further, it should ensure that management reviews and approves any changes to the plan.

Commission's Action: Partial corrective action taken.

The commission plans to update its existing plan and tables by July 1, 2005. Thereafter, the commission plans to review the cost allocations annually and/or when changes in the organizational structure require adjustments to the cost allocation factors.

