



CPUC Public Agenda 3437
Thursday, May 16, 2019 9:30 a.m.
Oxnard, CA



Commissioners:
Michael Picker, President
Liane M. Randolph
Martha Guzman Aceves
Clifford Rechtschaffen
Genevieve Shiroma

www.cpuc.ca.gov





The Pledge of Allegiance



“I pledge allegiance to the Flag of the
United States of America,
and to the Republic for which it stands,
one nation under God,
indivisible,
with liberty and justice for all.”





Emergency Evacuation

Safety is our number one priority:

Please listen to the emergency evacuation instructions for this location.





CPUC Mission

The CPUC regulates services and utilities, protects consumers, safeguards the environment, and assures Californians' access to safe and reliable utility infrastructure and services.





CPUC Core Values

Accountability
Excellence
Integrity
Open Communication
Stewardship





Commissioner Code of Conduct

- **I. Commissioners should conduct themselves in a manner that demonstrates respect for the public, for fellow Commissioners, and for Commission staff.**
- **II. Commission meetings should be opportunities for a full and respectful exchange of ideas and the responsible execution of Commission duties.**
- **III. Serving on the Commission is an honor and Commissioners should treat their colleagues at the Commission with respect for the varied backgrounds, skills and interests that each one brings.**
- **IV. Commissioners are public officials who should uphold the integrity of their office at all times.**





Public Comment

- Per Resolution ALJ-252, any member of the public (excluding parties and their representatives) who wishes to address the CPUC about matters before the Commission must sign up with the Public Advisor's Office table before the meeting begins. If an individual has signed up using the electronic system on the Commission's website, they must check in with the Public Advisor's Office on the day of the meeting, by the sign-up deadline.
- Once called, each speaker has up to 3 minutes at the discretion of the Commission President. Depending on the number of speakers, the time limit may be reduced to 1 minute.
- A sign will be posted when 1 minute remains.
- A bell will ring when time has expired.
- At the end of the Public Comment Section, the Commission President will ask if there are any additional individuals who wish to speak. Individuals who wish to speak but did not sign up by the deadline, will be granted a maximum of one minute to make their comments.

Public Comment is not permitted on the following items:

- 28
- All items on the Closed Session Agenda





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- Once called, each speaker has up to 2 minutes at the discretion of the Commission President. Depending on the number of speakers, the time limit may be reduced to 1 minute.
- A sign will be posted when 1 minute remains.
- A bell will ring when time has expired.
- At the end of the Public Comment Section, the Commission President will ask if there are any additional individuals who wish to speak. Individuals who wish to speak but did not sign up by the deadline, will be granted a maximum of one minute to make their comments.

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Public Agenda Changes

Items shown on the Consent Agenda will be taken up and voted on as a group in one of the first items of business of each CPUC meeting.

- Items on Today's Consent Agenda are: **1, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and 21.**
- Any Commissioner, with consent of the other Commissioners, may request an item from the Regular Agenda be moved to the Consent Agenda prior to the meeting.
- **No Item** from the Regular Agenda has been added to the Consent Agenda.
- Any Commissioner may request an item be removed from the Consent Agenda for discussion on the Regular Agenda prior to the meeting.
- **No Item** has been moved to the Regular Agenda.
- **No Item** has been withdrawn.
- The following items have been held to future Commission Meetings:
 - Held to 5/30/19: **2, 3, and 26.**
 - Held to 6/13/19: **5.**





Regular Agenda

- Each item on the Regular Agenda (and its alternate if any) will be introduced by the assigned Commissioner or CPUC staff and discussed before it is moved for a vote.
- For each agenda item, a summary of the proposed action is included on the agenda; the CPUC's final decision may, however, differ from that proposed.
- The complete text of every Proposed Decision or Draft Resolution is available for download on the CPUC's website: www.cpuc.ca.gov.
- Late changes to agenda items are available on the Escutia Table.





Regular Agenda – Energy Orders

Item # 22 [17170] – Central Coast Alliance United for a Sustainable Economy's Claim for Intervenor Compensation

A.14-11-016

Application of Southern California Edison Company for Approval of the Results of Its 2013 Local Capacity Requirements Request for Offers for the Moorpark Sub-Area.

Ratesetting

Comr Picker - Judge DeAngelis

PROPOSED OUTCOME :

- Denies, for failure to demonstrate substantial contribution, an intervenor compensation award to Central Coast Alliance United for a Sustainable Economy, claimed for its substantial contribution to the dismissal of Court of Appeal case No. A150192. The California Court of Appeal granted review of Decision 16-05-050, and granted voluntary dismissal. Intervenor requested \$47,447.75.

SAFETY CONSIDERATIONS :

- There are no safety considerations associated with this decision.

ESTIMATED COST :

- There are no costs associated with this decision.





Regular Agenda – Energy Orders (continued)

Item # 22A [17322] – COMMISSIONER GUZMAN ACEVES' ALTERNATE TO ITEM 1710

A.14-11-016

Application of Southern California Edison Company for Approval of the Results of Its 2013 Local Capacity Requirements Request for Offers for the Moorpark Sub-Area.

Ratesetting

Comr Guzman Aceves

PROPOSED OUTCOME :

- Grants an intervenor compensation award of \$25,684.25 to Central Coast Alliance United for a Sustainable Economy, claimed for its substantial contribution for judicial review of D.16-05-050. The California Court of Appeal granted review of Decision 16-05-050 and granted voluntary dismissal after all parties reached a settlement that incorporated environmental justice standards for procurement plans. Intervenor requested \$47,447.75.

SAFETY CONSIDERATIONS :

- There are no safety considerations associated with this decision.

ESTIMATED COST :

- \$25,684.25 to be paid by ratepayers of Southern California Edison Company.





Regular Agenda - Energy Orders (Continued)

Item # 23 [17175] – Biomethane Tasks in Senate Bill 840

R.13-02-008

Order Instituting Rulemaking to Adopt Biomethane Standards and Requirements, Pipeline Open Access Rules, and Related Enforcement Provisions.

Quasi-Legislative

Comr Rechtschaffen - Judge Rizzo

PROPOSED OUTCOME :

- San Diego Gas & Electric Company and Southern California Gas Company shall reduce the minimum heating value to 970 British Thermal Units/standard cubic feet (BTU/scf) while maintaining current minimum Wobbe Number requirements and all other requirements. We may consider applying this standard to Pacific Gas & Electric Company and Southwest Gas Corporation in the future.
- Gas utilities shall submit a proposal to modify their pipeline interconnection tariffs to implement Section 3.3 of this Decision.
- Gas utilities shall submit a proposal to modify their pipeline interconnection tariffs to implement the procedures for reduced siloxane testing requirements.

SAFETY CONSIDERATIONS :

- A 970 BTU/scf heating value is unlikely to create safety risks for end-user utility customers or compromise the gas pipeline system.
- Safety risks from reduced siloxane testing are mitigated by this Decision's certification requirements.

ESTIMATED COST :

- Unknown.





Regular Agenda - Energy Orders (Continued)

Item # 23A [17373] – PRESIDENT PICKER'S ALTERNATE TO ITEM 17175

R.13-02-008

Order Instituting Rulemaking to Adopt Biomethane Standards and Requirements, Pipeline Open Access Rules, and Related Enforcement Provisions.

Quasi-Legislative

Comr Picker

PROPOSED OUTCOME:

- San Diego Gas and Electric Company and Southern California Gas Company may reduce the minimum heating value to 970 BTU/scf while maintaining current minimum Wobbe Number requirements and all other requirements provided that it does not create safety risks for end-user utility customers or compromise the gas pipeline system.
- Maintains California's maximum siloxane concentration standard.
- Declines to adopt a reduced siloxane verification regime because: (1) siloxanes have been found in gas streams from sources that are assumed not to have siloxanes; and (2) siloxanes can adversely damage the operation of utility natural gas pipeline equipment.
- Declines to adopt a heating value exemption process because: (1) such an exemption can cause 'slugs' of out-of-specification gas to arrive at end-user customers; (2) blending will not guarantee the safe transit of gas through the utility system; (3) passive mixing of heating values may significantly restrict gas flow from the biomethane producer during times when there is insufficient customer demand to allow for adequate mixing; and (4) passive mixing of heating values is not reliable due to transient or discontinuous injection.
- Closes the proceeding.

SAFETY CONSIDERATIONS :

- A 970 BTU/scf heating value can only be adopted if the utility determines it will not create safety risks for end-user utility customers or compromise the gas pipeline system.

ESTIMATED COST :

- Unknown.





Regular Agenda - Energy Orders (Continued)

Item # 24 [17323] – Distributed Energy Resources Cost-Effectiveness Framework Policies

R.14-10-003

Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning and Evaluation of Integrated Distributed Energy Resources.

Ratesetting

Comr Picker - Judge Hymes

PROPOSED OUTCOME:

- Adopts three policies for Distributed Energy Resources Cost-Effectiveness Analysis Framework including:
- Total Resource Cost (TRC) test is the primary test for determining the cost-effectiveness of distributed energy resources;
- TRC, Program Administrator Cost and Ratepayer Impact Measure tests are modified by replacing the Interim greenhouse gas adder values adopted in Decision (D.) 17-08-022 with the greenhouse gas adder values adopted in D.18-02-018 and replace the current version of the tests; and
- Societal Cost Test and its three elements are adopted for testing for planning purposes, through December 31, 2020, in the Integrated Resource Planning proceeding. The three elements are a societal discount rate, an avoided social cost of carbon, and an air quality adder value.
- Reaffirms that only minor changes can be made to the Avoided Cost Calculator through the resolution process but refines the definition of minor changes and adopts a biennial formal process for making major changes to the calculator.

SAFETY CONSIDERATIONS:

- No safety considerations are involved in the cost-effectiveness track of this proceeding.

ESTIMATED COST:

- There are no costs associated with this decision.





Regular Agenda - Energy Orders (Continued)

Item # 25 [17375] – Southern California Edison Company General Rate Case

A.16-09-001

Application of Southern California Edison Company for Authority to Increase its Authorized Revenues for Electric Service in 2018, among other things, and to Reflect that increase in Rates.

Ratesetting

Comr Picker - Judge Roscow - Judge Wildgrube

PROPOSED OUTCOME :

- Authorizes a 2018 Test Year General Rate Case revenue requirement of \$5,117 million for Southern California Edison Company.
- Adopts a post-test year ratemaking mechanism for 2019 and 2020.
- Closes the proceeding.

SAFETY CONSIDERATIONS :

- Adopts significant funding increases for several safety and reliability related programs and investments.

ESTIMATED COST :

- Overall, decreases base revenue requirement for 2018 by 7.53%, with increases in 2019 and 2020 of 6.6% and 7.5% respectively.





Regular Agenda - Orders Extending Statutory Deadline

Item # 27 [17408] – Order Extending Statutory Deadline

A.17-11-014

Application of Liberty Utilities (CalPeco Electric) LLC for Approval to Construct a Battery Energy Storage System in Alpine County, California.

Ratesetting

Comr Guzman Aceves - Judge Stevens

PROPOSED OUTCOME:

- Extends the Statutory Deadline for completion of this proceeding until November 23, 2019.

SAFETY CONSIDERATIONS:

- There are no safety considerations implicated with this Order Extending Statutory Deadline.

ESTIMATED COST:

- There is no cost associated with this Order Extending Statutory Deadline.





Regular Agenda - Orders Extending Statutory Deadline (continued)

Item # 28 [17420] – Order Extending Statutory Deadline

I.17-09-021

Order Instituting Investigation on the Commission's Own Motion into the Long Term Debt Financing practices of Lake Alpine Water Company; and Order to Show Cause Why the Commission Should not Impose Penalties and/or Other Remedies for Violations of Public Utilities Code Sections 818, 823(b) and 823(d).

Adjudicatory

Comr Shiroma - Judge DeAngelis - Judge Goldberg

PROPOSED OUTCOME:

- Extends the statutory deadline for completion of this proceeding until October 1, 2019.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Order Extending Statutory Deadline.

ESTIMATED COST:

- There are no costs associated with this Order Extending Statutory Deadline.



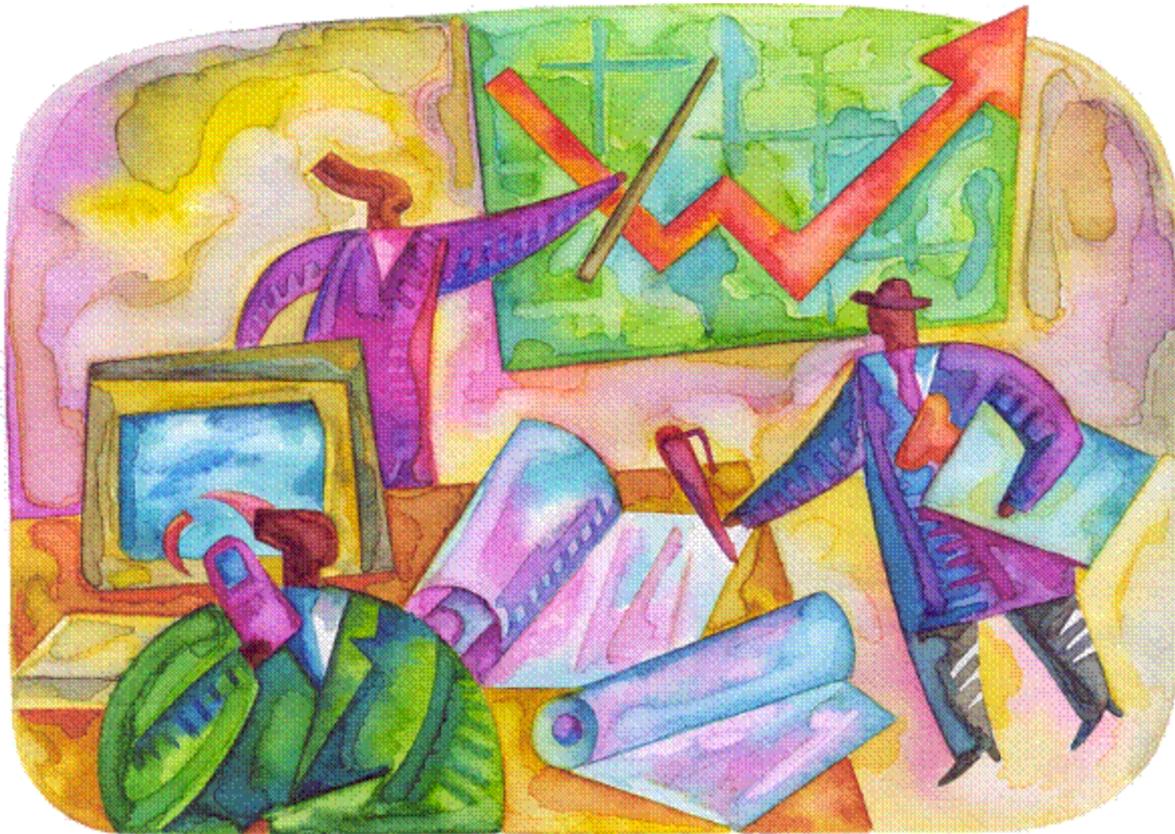


Commissioners' Reports





Management Reports





Regular Agenda – Management Reports and Resolutions

Item # 29 [17412]

**Report and Discussion on Recent
Consumer Protection and Safety Activities**





Communications Services and Performance



Cynthia Walker

Director, Communications Division

California Public Utilities Commission

Oxnard

May 16, 2019



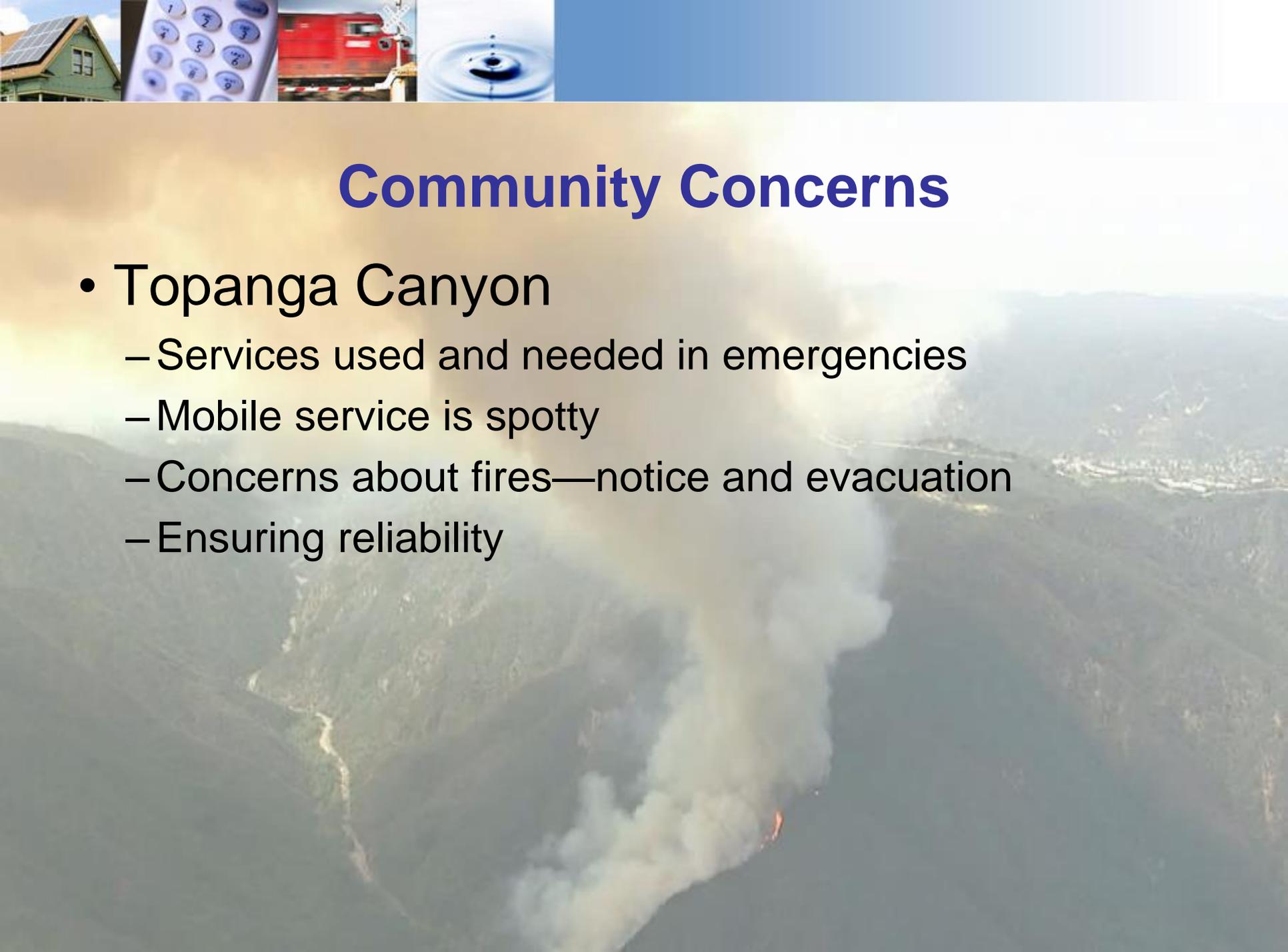
Overview

- **Update and information on local issues regarding communications services**
- **Refresher on impact of Woolsey Fire**
- **Service quality statistics for Ventura County**
- **Service Coverage Maps**
- **Concerns about industry performance and response**



Community Concerns

- Topanga Canyon
 - Services used and needed in emergencies
 - Mobile service is spotty
 - Concerns about fires—notice and evacuation
 - Ensuring reliability



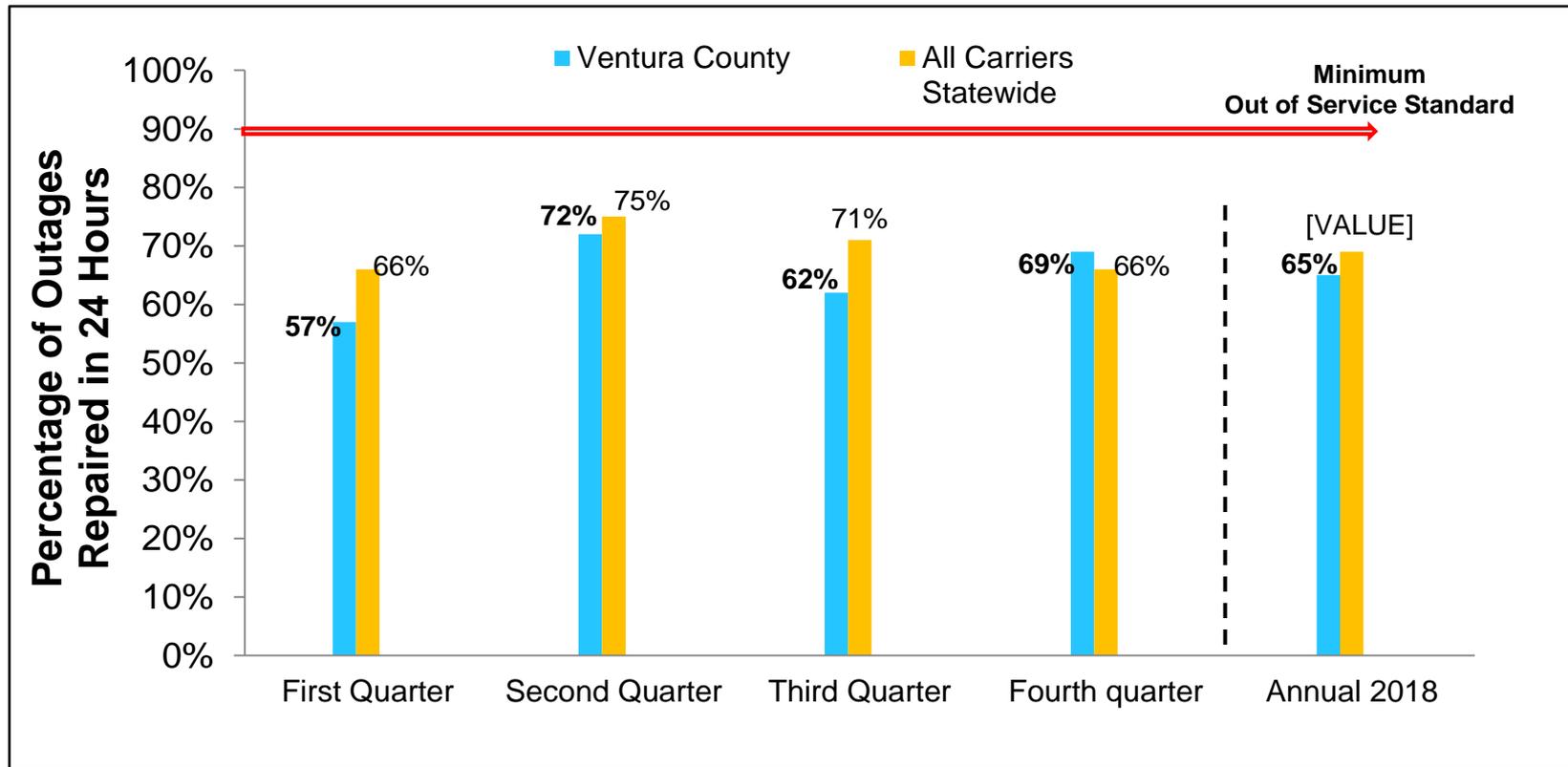


Woolsey and Hill Fires

Woolsey and Hill Fires	Approximate Number of Affected Users
Wireline Users (TDM and VoIP)	27,938
Wireless Users	512,231
Cell Sites	492
Blocked Calls	4,228,585
Optical Carriers (High Capacity Circuits)	1,941



Percentage of Outages Repaired in 24 Hours Ventura County vs. Statewide 1Q-4Q 2018



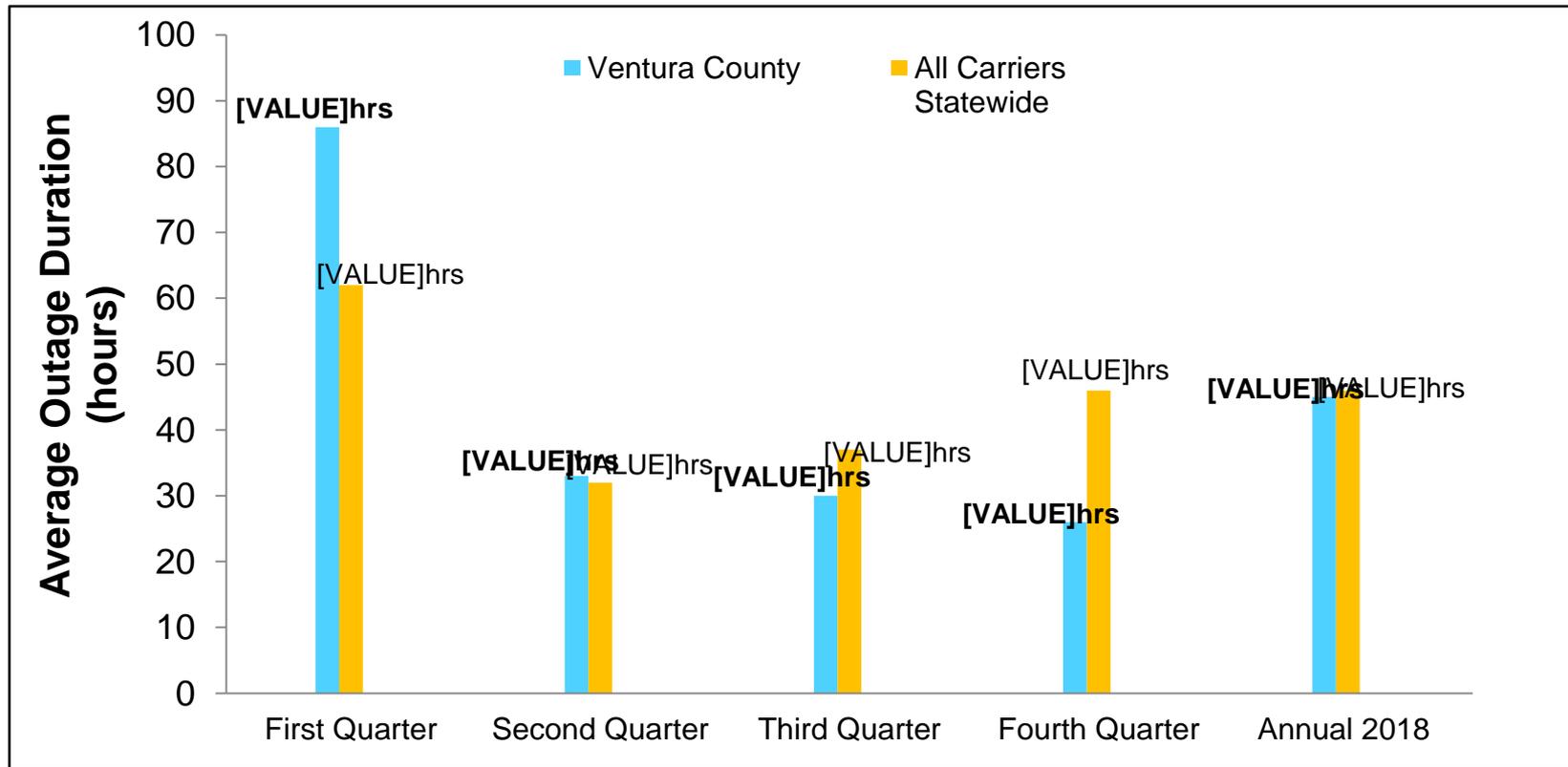
Data Sources:

- 2018 Service Quality Reports from all Companies Reporting Under General Order 133-D





Reported Average Out of Service Duration Ventura County vs. Statewide 1Q-4Q 2018



Data Sources:

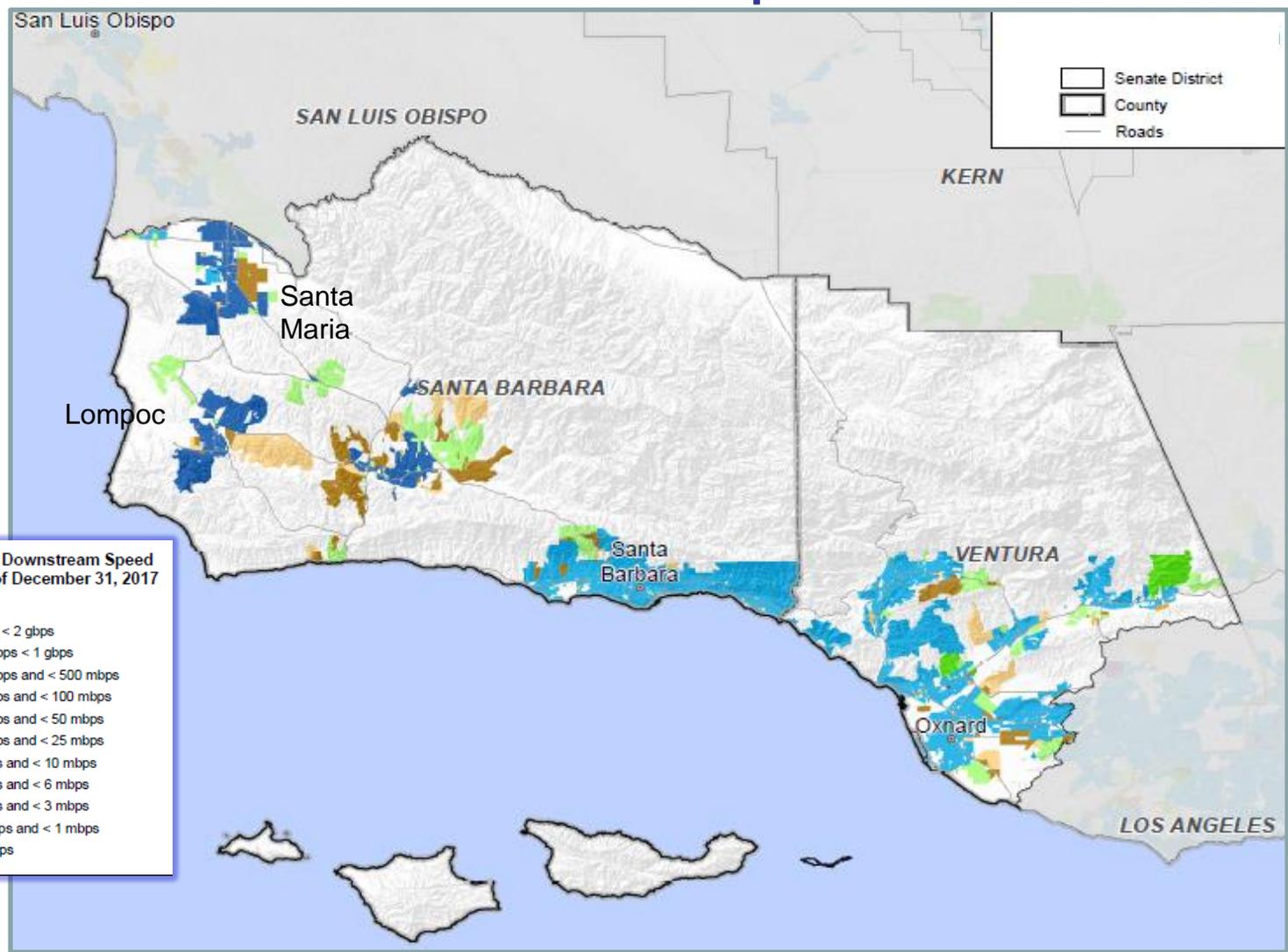
- 2018 Service Quality Reports from all Companies Reporting Under General Order 133-D





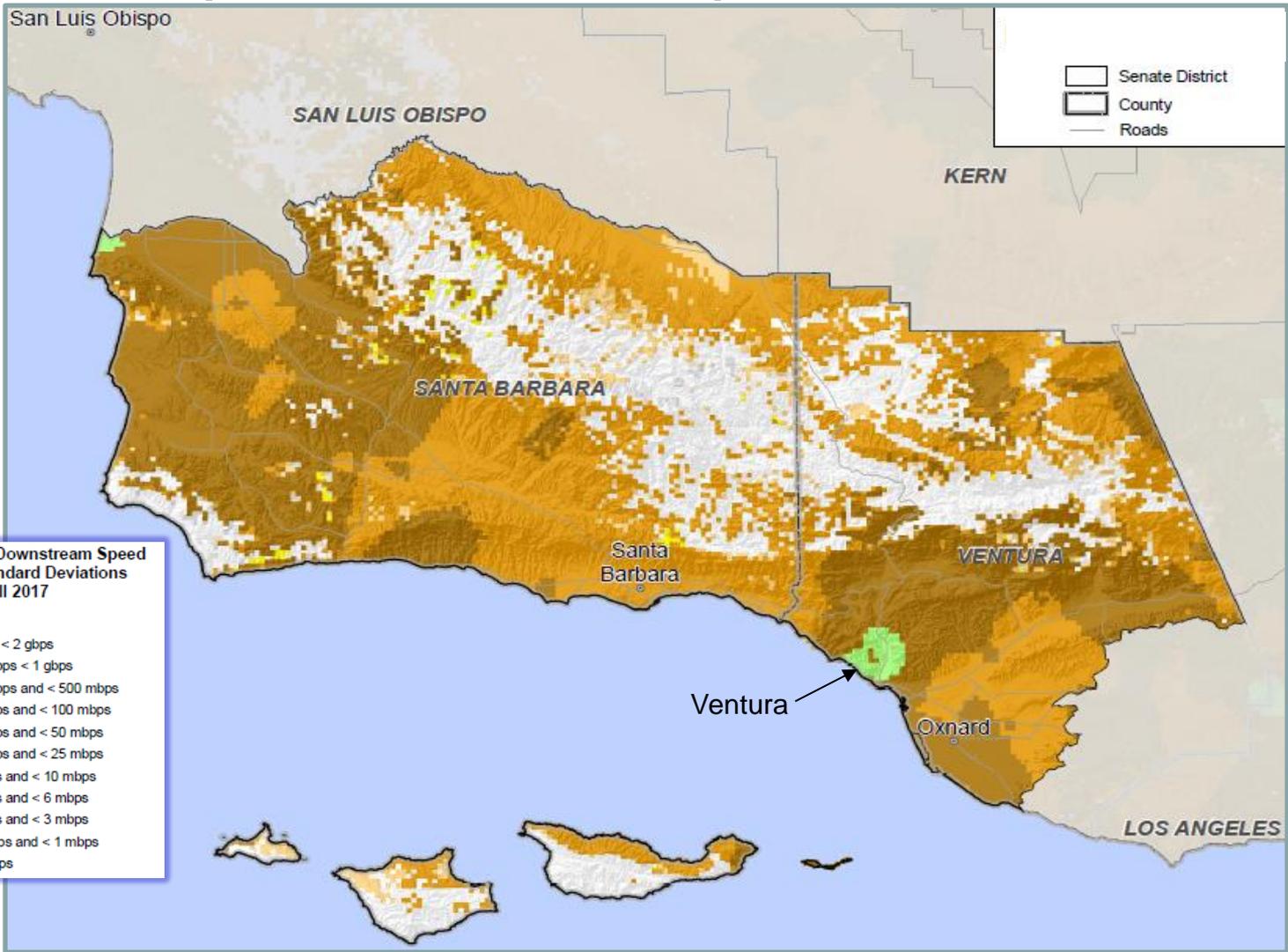
Wireline Broadband Deployment

Max. Advertised Downstream Speeds - Dec. 2017





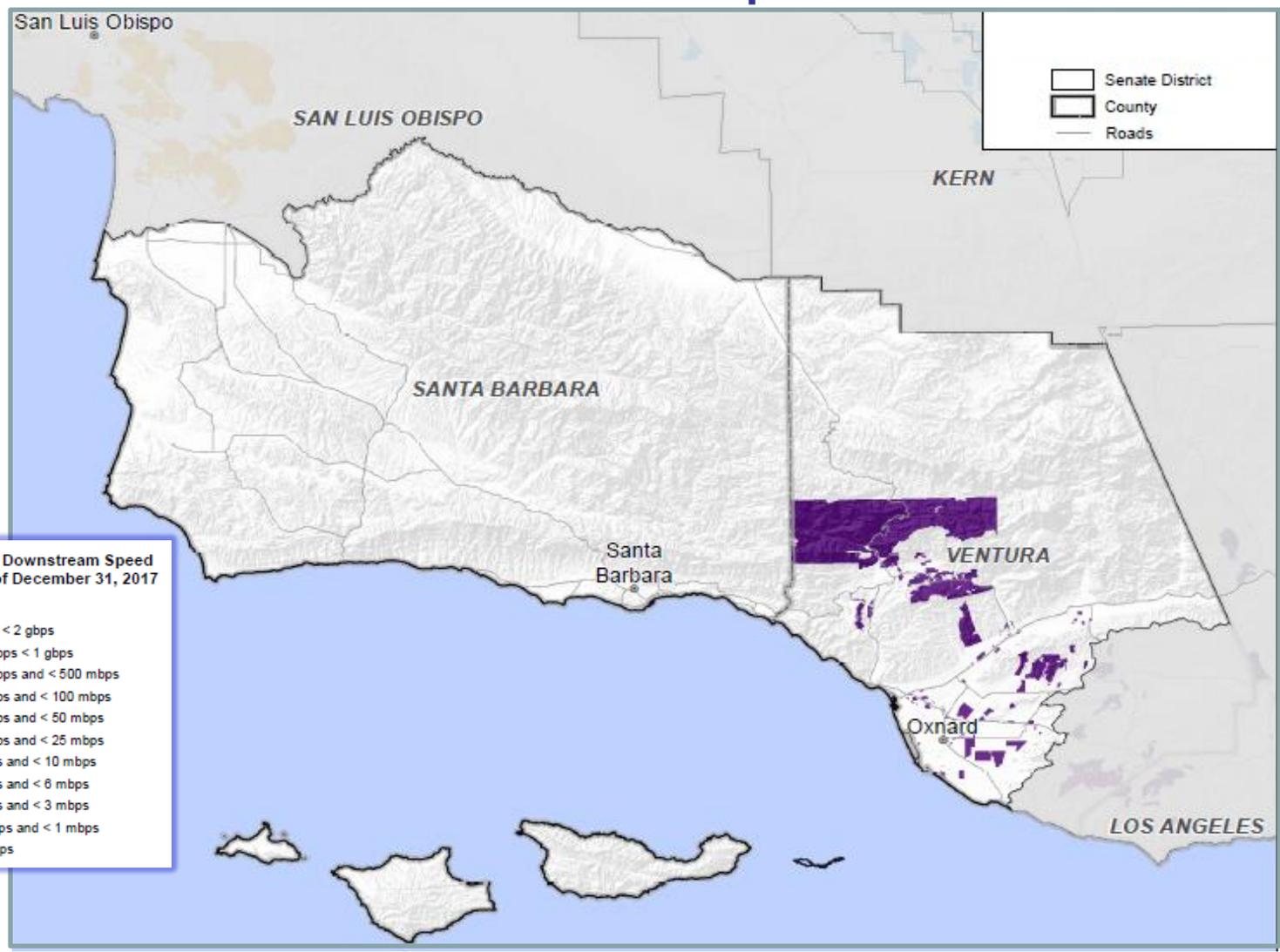
Mobile Broadband Deployment Interpolated Downstream Speeds - Fall 2017





Fixed Wireless Broadband Deployment

Max. Advertised Downstream Speeds - Dec. 2017





Provider Performance/Government Response

- Senate Bill 46—Senator Hannah Beth Jackson
 - Improve emergency alert reach
 - CPUC to report annually on provider performance delivering alerts
- FCC Report---Mobile Provider Performance -Hurricane Michael
 - Insufficient backhaul connectivity
 - Inadequate roaming arrangements
 - Lack of coordination w/carriers, electric utilities and municipalities





Regular Agenda – Management Reports and Resolutions

Item # 29 [17412]

**Report and Discussion on Recent
Consumer Protection and Safety Activities**





Regular Agenda- Management Reports and Resolutions (continued)

Item # 30 [17413]

Management Report on Administrative Activities





Briefing on SCE Streetlight Sales Program



Edward Randolph
Deputy Executive Director for Energy and Climate Policy

Director, Energy Division

California Public Utilities Commission

May 16, 2019





Sales to Local Governments

- Approximately seven years ago Southern California Edison Company (SCE) developed a program to provide an opportunity for local governments to purchase existing streetlight systems from SCE.
- The streetlight sales program was initiated by SCE.
- A number of local governments expressed interest in the program and SCE held discussions with them.
- SCE completed purchase agreements with 22 local governments; 18 further transactions are currently pending.
- SCE closed the streetlight sales program on August 15, 2015.





SCE Streetlight Transactions

- 40 Transactions were initiated by SCE:
 - 39 Transactions have been completed by SCE and approved by CPUC.
 - 1 Transaction is expected to be filed with the CPUC in Q2 2019.
- 45 local governments declined to participate.





Another Option: Different Tariff

- To implement Assembly Bill 719 (focused on energy efficiency and streetlights) SCE filed Advice Letter 3241-E in June 2015 to:
 - Establish a new optional tariff provision in Schedule LS-1, Option E -- Energy Efficiency LED Fixture Replacement, and
 - Recover the costs of streetlight energy efficiency improvements.
- Energy Division worked with the California Street Light Association and SCE to develop an option that shows bill savings, in line with the legislation.





Another Option: Different Tariff

Example of Possible Savings - Customer Does Not Own Street lights, Tariff Allows High Pressure Sodium to be Replaced with LEDs

	Original SCE Proposal		Energy Division Adopted Solution	
	High Pressure Sodium Vapor	LED	High Pressure Sodium Vapor	LED
Total Monthly Charge	\$12.05	\$13.25	\$11.49	\$10.62
Difference between Old and New Technology		\$ 1.20		(\$0.87)
<i>Annual Savings for City (assumes 9,000 lights changed)</i>				<i>(\$93,960.00)</i>





Another Option: Different Tariff

- All customers served under Schedule LS-1 may ask SCE to replace LS-1 street lights in their community per Option E.
- A recovery mechanism within the tariff offsets the initial cost of installation over time.
- Approximately 33% of SCE's local government customers that have street light accounts have signed up for Option E.
- To date, SCE has changed out about 120,000 street lights to LED and is on pace to finish-up an additional 70,000 lights this year.





Moving Forward

- A Rulemaking pursuant to Rule 6.3 of the Rules of Practice and Procedure (PU Code 1708.5) is the best procedural option to initiate a streetlight system sale with SCE.





Regular Agenda- Management Reports and Resolutions (continued)

Item # 30 [17413]

Management Report on Administrative Activities





Regular Agenda- Management Reports and Resolutions (continued)

Item # 31 [17422]

**Report by the Internal Auditor and Discussion on
Internal Control Audit of Inventory**



INTERNAL CONTROL AUDIT OVER INVENTORY

*California Public Utilities Commission
Ginny Veneracion-Alunan, CPA
Chief Internal Auditor
May 16, 2019*





Audit Objective

To provide reasonable assurance of the existence and strength of the California Public Utilities Commission's (CPUC) internal controls over inventories

Audit Period

July 2017 through December 2018

Total Purchases

\$9.9 million - excludes purchases for public purpose programs

Source: Fiscal Office

Audit Scope

Assets administered by CPUC's internal divisions (ITSD, Administration, and SED)

Inventory Processes - Receiving, tagging and recording, tracking and monitoring, and disposal of assets within CPUC.

Excluded Areas: Procurement, Employee Separation Process, Vehicles, Assets purchased by Public Purpose Programs, Fiscal Office's Accounting inventory transactions and records

Audit Methodology

- Understanding policies and procedures in place related to in-scope processes;
- Evaluating inventory control environment and effectiveness of procedures and controls
 - Root cause analysis
- Identifying control and process improvements

What are Internal Controls?

Systems, policies, procedures, and processes, designed to provide reasonable assurance regarding the achievement of agency objectives in the following categories:

- **Reporting** - Reliability of reporting for internal and external use
- **Operations** - Effectiveness and efficiency of operations
- **Compliance** – Compliance with applicable laws and objectives

Source: The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations (COSO) is the recognized standard for establishing internal controls

Internal Controls help management achieve the agency's mission, safeguard assets, and prevent and detect improper activities

KEY AUDIT RESULTS

- **Significant lack of inventory internal controls**
 - *Lack of controls severely limited our testing
- **Non-compliance with the State Administrative Manual (SAM)**
 - *Noted unfamiliarity with SAM, a reference resource for statewide requirements, policies, procedures, and information

Planned Follow-up by Internal Audit (IA):

- Monitor progress of corrective action plans (CAP), including targeted completion dates and milestones, as substantiated
- Periodic CAP updates required from management
 - 60 days after report release date and every 6 months thereafter
 - First report due from management in July 2019
- IA will report quarterly CAPs status to Audit Committee
- After CAPs are implemented, IA will perform follow-up audit

Effect of Inventory Control Deficiencies on CPUC

Rating	Effect	Number of Findings with this rating
Priority	<p>Immediate and on-going threat to the achievement of division or CPUC strategic goals and objectives. In particular:</p> <ul style="list-style-type: none"> - Significant adverse impact on reputation - Non-compliance with statutory requirements - Potential or known financial losses - Substantially raising the likelihood that risks will occur <p>Management must implement corrective actions as soon as possible and monitor the effectiveness.</p>	5
High	<p>High probability of adverse effects to the division or CPUC as a whole. Management must put in place corrective actions within a reasonable timeframe and monitor the effectiveness of the corrective actions.</p> <ul style="list-style-type: none"> - High potential for adverse impact on reputation - Increase in the possibility of financial losses - Increase in the likelihood that risks may occur 	2
Medium	<p>Medium probability of adverse effects to the division or CPUC as a whole. Management must put in place corrective actions within a reasonable timeframe and monitor the effectiveness of the corrective actions.</p>	0
Low	<p>Low probability of adverse effects to the division or CPUC as a whole, but that represent an opportunity for improving the efficiency of existing processes.</p>	0
Implemented	<p>Management action has been taken to address the risk(s) noted in the audit finding.</p>	0

Reportable Findings	Probability of adverse effects to the division or CPUC				
	Priority	High	Medium	Low	Implemented
Finding 1: Significant Lack of Internal Controls Over CPUC's Entire Inventory Control Process *No policies and procedures <SAM 20060> *Division Silos					
Finding 2: CPUC Does Not Have a Property Inventory Plan – physical counts not conducted, reconciliations not performed, records not accurate <SAM 8652>					
Finding 3: Lack of Segregation of Duties <SAM 20060>					
Finding 4: Inadequate Internal Controls over Asset Tagging <SAM 8651>					
Finding 5: CPUC's Record of State Property Does Not Contain all Necessary Information <SAM 8650>					
Finding 6: CPUC Does Not Have a Property Survey Board <SAM 3520.2>					
Finding 7: Inadequate Internal Controls Over Sensitive and High-Risk Property <SAM 8603>					

AUDIT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSE

Finding #1: No CPUC-wide policies & procedures and lack of internal controls (SAM 2006o)

Recommendation	Management Response	Targeted Completion
1A: Identify & correct weaknesses to internal control system	1A(1): Started to assemble CPUC-wide team to identify issues; develop controls, processes, & procedures	7/1/19
	1A(2): Develop CPUC-wide Property Control Manual (manual) with annual updates	6/30/20
1B: Develop & maintain policies & procedures; provide training	Develop manual; Training sessions related to inventory control	6/30/20; 7/30/20
1C: Educate staff through admin memos	Define Inventory control & develop policies; Issue admin memos detailing controls and policies	12/31/19; 1/31/20
1D: Provide training on internal controls	Develop manual; Provide training sessions related to inventory control	6/30/20; 7/30/20

AUDIT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSE

Finding #2: CPUC does not have a property inventory plan with physical counts and reconciliations (SAM 8652)

Recommendation	Management Response	Target Completion
2A: Develop & document a comprehensive property inventory plan	2A(1): Started to assemble CPUC-wide team to identify issues; develop controls, processes, & procedures	7/1/19
	2A(2): Develop plan for CPUC-wide physical count; Complete physical count	6/30/19; 6/30/20
2B: Conduct & reconcile physical inventory	2B(1): Develop plan for CPUC-wide physical count; Complete physical count	6/30/19; 6/30/20
	2B(2): Reconcile capital asset balances with CPUC's financial system quarterly	10/1/19; quarterly
2C: Include relevant technology, such as inventory or asset management software and bar code scanning	2C(1): Started to assemble CPUC-wide team to identify inventory system or database	5/15/19
	2C(2): Identify & develop goals for an CPUC-wide asset management software and scanning technology	6/30/20

AUDIT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSE

Finding #3: Lack of adequate segregation of duties related to inventory control (SAM 20060)

Recommendation	Management Response	Target Completion
3A: Strengthen internal controls over key person dependency by assigning separate staff to key duties	Started to assemble CPUC-wide team to identify issues; Identify staff responsibilities, develop & implement inventory control desktop procedures	7/1/19

AUDIT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSE

Finding #4: Inadequate internal controls over asset tagging (SAM 8651)

Recommendation	Management Response	Targeted Completion
4A: Develop policies & procedures on asset tagging, storage, and related responsibilities	4A(1): Started to assemble CPUC-wide team to identify issues; develop controls, processes, & procedures	7/1/19
	4A(2): Identify staff responsibilities and desktop procedures	7/1/19
4B: Establish controls for asset tag management, distribution, and accountability	4B(1): Started to assemble CPUC-wide team to identify issues; develop processes & procedures	7/1/19
	4B(2): Identify staff responsibilities and desktop procedures	7/1/19
4C: Include bar code technology on asset tags	4C(1): Started to assemble CPUC-wide team to identify a system or database and associated tracking; implementation of identified system with procedures	5/15/19; 5/16/19
	4C(2): Determine any revisions necessary to current CPUC asset tags	7/1/19
	4C(3): Identify & develop goals for the development of enterprise-wide asset management software and scanning technology	6/30/20

AUDIT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSE

Finding #5: Property records do not contain all necessary information (SAM 8650)

Recommendation	Management Response	Targeted Completion
5A: Develop policies & procedures to ensure records include complete information	5A(1): Started to assemble CPUC-wide team to identify issues; develop controls, processes, & procedures	7/1/19
	5A(2): Identify staff responsibilities and desktop procedures; maintenance of a system to record accurate information	7/1/19
5B: Appropriate and complete information should be integrated into any asset management software developed	Started to assemble a team to Identify & develop goals for the development of enterprise-wide asset management software and scanning technology	6/30/20

AUDIT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSE

Finding #6: CPUC does not have a Property Survey Board (SAM 3520.2)

Recommendation	Management Response	Targeted Completion
6A: CPUC should establish a Property Survey Board	6A(1): Started to assemble CPUC-wide team to identify issues; develop controls, processes, & procedures	7/1/19
	6A(2): Define procedures for disposing of state property; Establishment of a property survey board	12/31/19
6B: Development policies & procedures delegate survey board authority, criteria, and processes	6B(1): Started to assemble CPUC-wide team to identify issues; develop processes & procedures	7/1/19
	6B(2): Define process & procedures for disposing of state property that has reached the end of its life	12/31/19

AUDIT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSE

Finding #7: CPUC does not identify and establish adequate controls over sensitive and high-risk property (SAM 8603)

Recommendation	Management Response	Targeted Completion
7A: Develop policies & procedures to identify sensitive and high-risk property; establish controls to safeguard assets	Started to assemble CPUC-wide team to identify issues; develop controls, processes, & procedures	7/1/19
7B: Develop inventory training and make available to appropriate staff	7B(1): Started to assemble CPUC-wide team to identify issues; develop processes & procedures	7/1/19
	7B(2): Identify staff responsibilities & desktop procedures	7/1/19
	7B(3): Provide training on processes & procedures	Within 30 days of hire date; Annually
7C: Incorporate SAM requirements into supervisor, on-boarding, and on-going trainings	Provide training for all division directors, supervisors, managers and responsible staff with duties related to inventory control.	Within 30 days of hire date; Annually



QUESTIONS?

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APPENDIX: FINDINGS & RECOMMENDATIONS

FINDINGS & RECOMMENDATIONS

Finding #1

No CPUC-wide Inventory Policies and Procedures Established and Documented, Resulting in a Significant Lack of Internal Controls Over CPUC's Entire Inventory Control Process

Recommendation 1A

- Clearly define ownership and accountability for inventory agency-wide

Recommendation 1B

Prioritize and establish comprehensive inventory control policies and procedures, in line with SAM requirements for asset safeguards

Recommendation 1C

Distribute to employees administrative memos which includes SAM requirements and CPUC policies

Recommendation 1D

Provide relevant and practical staff training and mentoring <per SD-11>; Incorporate internal controls guidance into supervisors and managers training, and staff training

Finding #2:

CPUC Does Not Have a Property Inventory Plan <SAM 8652>

Recommendation 2A:

Immediately develop and document a comprehensive property inventory plan and internal controls in accordance with SAM Section 8652. The property inventory plan should articulate the agency-wide policy; separate inventories by division, as appropriate; and assign responsibility accordingly.

Recommendation 2B:

CPUC should conduct and reconcile physical inventories according to the inventory plan developed.

Recommendation 2C:

The physical inventory plan should include relevant technology, such as **asset management software** and **bar code scanning technology**, to facilitate the efficient use of CPUC resources.

Finding #3: Lack of Adequate Segregation of Duties

IA verified there was a lack of segregation of duties within the different divisions of CPUC who were performing incompatible duties relating to receiving product, recording and tagging inventory, and distributing the inventory. The purpose of segregating responsibilities is to prevent fraud in the form of asset misappropriation by separating certain key duties.

Recommendation 3A: CPUC should strengthen internal controls over key person dependency with incompatible responsibilities over the receipt, asset tagging, and inventory processes by assigning separate staff. Training should be provided and policies and procedures should be established and documented that clearly define roles and responsibilities.

Finding #4: Inadequate Internal Control Over Asset Tags

All state property will be tagged after acquisition as required by SAM 8651. The purpose of asset tagging is to designate the assets as belonging to the State. Asset tags for IT equipment are not always affixed when CPUC receives the asset but are frequently affixed when the asset is being prepared for deployment.

Additionally, internal controls over asset tags need to be strengthened. Observed operating inefficiencies and internal control weaknesses, as follows:

- Currently, the asset tags placed on IT property do not incorporate a bar code on them, which increases the likelihood of manual data entry errors, such as transposed numbers, and requires additional time and resources to take inventory.
- No CPUC-wide guidance on the tagging of equipment, including the use of tags by appropriate equipment criteria. Also, there are no controls over blank asset tags.

Recommendation 4A: The CPUC should improve internal controls by developing clear policies and procedures on when and how to apply asset tags and add assets to inventory, how and where assets should be stored, and the responsibilities for inventorying assets.



Recommendation 4B:

Further controls should be established for how asset tags are to be controlled, distributed, and accounted for. The CPUC should develop clear responsibility and policies and procedures for the ownership, issuance, and logging and validation of asset tags.

Recommendation 4C:

Asset tags should include bar code technology to facilitate the efficient use of CPUC resources.



Finding #5: CPUC's Record of State Property Does Not Contain all Necessary Information, and Missing Critical Information Indicates Weak Agency-Level Controls over CPUC Inventory

Recommendation 5A:

CPUC should develop comprehensive policies and procedures for ensuring property records include the appropriate and complete information for the needs of CPUC and in compliance with SAM. These should also clearly define roles and responsibilities for recording and maintaining complete, accurate, and reliable asset data to establish asset accountability and stewardship.

Recommendation 5B:

Appropriate and complete asset information should also be integrated into any asset management software developed for use by the CPUC.

Finding #6: CPUC Does Not Have a Property Survey Board

Each State agency will have a duly appointed Property Survey Board (Survey Board) for disposing of surplus property, **as required by SAM 3520.2**. However, the CPUC has not appointed a survey board for asset disposition

Recommendation 6A:

CPUC should establish a property survey board that includes varied representation by both business management and program areas. Sufficient, multiple program areas should be represented so that expertise may be utilized when deciding the disposition of specialized equipment. Diverse management representation should also be considered to improve internal controls so that adequate segregation of duties is maintained and only property that truly has no remaining useful life is disposed.

Recommendation 6B:

CPUC should also develop written policies and procedures to: a) delegate the survey board authority and clearly define its roles and responsibilities and b) develop the survey board criteria and processes.

Finding #7: Inadequate Internal Controls Over Sensitive and High-Risk Property <SAM 8603>

Recommendation 7A: The CPUC should become familiar with SAM requirements and develop comprehensive policies and procedures to identify what property should be considered sensitive and high-risk and what controls should be utilized to sufficiently safeguard these assets against theft, loss, and misuse. For example, to safeguard laptops against theft, locking cables could be required at workstations and when employees are traveling. The implemented controls should include a robust property inventory plan including physical inventory counts, reconciliations, and internal controls outlined in SAM 8652.

Recommendation 7B: Inventory training should be developed and updated accordingly and should be made available to all staff assigned to inventory control responsibilities.

Recommendation 7C: The CPUC should incorporate SAM requirements into supervisor and management training, on-boarding training of new employees, and on-going training for existing employees.



Regular Agenda- Management Reports and Resolutions (continued)

Item # 31 [17422]

**Report by the Internal Auditor and Discussion on
Internal Control Audit of Inventory**





Management Reports





The CPUC Thanks You For Attending Today's Meeting

**The Public Meeting is adjourned.
The next Public Meeting will be:**

**May 30, 2019 at 9:30 a.m.
in San Francisco, CA**

