



MEMORANDUM

Date: October 29, 2020 File No.: 0123

To: **Amy Tong**, Director and State Chief Information Officer
California Department of Technology
1325 J Street, Suite 1600
Sacramento, CA 95814

From: **Department of General Services**
Office of Audit Services

Subject: **AUDIT REPORT: COMPLIANCE WITH STATE BUSINESS MANAGEMENT POLICIES**

Attached is the final report on our compliance audit of the business management functions and services of the California Department of Technology (CDT). The objective of our audit was to determine compliance with policies set forth in the State Administrative Manual, and the terms and conditions of any specific delegations of authority or exemptions from approval granted by the Department of General Services (DGS).

CDT's written response to our draft report is included in this final report. The report also includes our evaluation of the response. We are pleased with the actions taken or proposed and commitments made to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations and will require a six-month status report on the implementation of each. Therefore, please submit the status report to us by April 29, 2021.

To the extent that it is practicable, any proof-of-practice and supporting documentation should be specific and include excerpts and/or copies of the following: sample emails/reminders sent out to all staff in January 2021 regarding renewal of their STD. 261 certifications and completion of DDT (Defensive Driver Training), as needed; sample e-mails sent out to employees 30 days prior to their DDT expiration; updates added to the Vehicle Authorization Procedures, CDT internal iCentral site, and LRS (Learning Request System) Employee Manual pertaining to the periodic checking of DDT expiration dates; screenshots, etc. of the LRS in use to track the status of employees' DDT; and, assignment to the fleet coordinator of their responsibility to submit the Annual State Agency DDT Report contained within the Authorization to Use State and Privately-Owned Vehicles procedures.

The necessity of any further actions or additional support will be determined at that time. Please transmit your proof-of-practice documentation and/or status report to: DGS – Office of Audit Services, 707 3rd Street, 8th Floor, West Sacramento, CA 95605 or preferably via e-mail to Dennis.Miras@dgs.ca.gov.

We sincerely appreciated all the cooperation and assistance provided by CDT's personnel.

If you need further information on or assistance with this report, please call / e-mail me at (916) 376-5064 / Dennis.Miras@dgs.ca.gov, or Rhonda Parker, Management Auditor, at (916) 375-4590 / Rhonda.Parker@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Miles Burnett, Deputy Director, Administrative Services Division
Mark Standley, Branch Chief, Facility & Administrative Services
Jennifer Herrera, Branch Chief, Acquisitions & IT Program Management
Marisa Duarte-Lott, Supervisor, Personal Services Acquisitions
Robert Raffaelli, Manager, Program Services Unit & Asset Management Unit
Tracy Player, Manager, Facility & Administrative Services

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA DEPARTMENT OF
TECHNOLOGY**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 0123**

OFFICE OF AUDIT SERVICES

SEPTEMBER 2020

**CALIFORNIA DEPARTMENT OF TECHNOLOGY
COMPLIANCE AUDIT
REPORT NO. 0123**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: October 29, 2020

TO: **Amy Tong**, Director and State Chief Information Officer
California Department of Technology

This report presents the results of our compliance audit of the business management functions and services of the California Department of Technology (CDT). These audits are routinely performed under the authority granted to the Department of General Services (DGS) by Government Code Sections 14615 and 14619. The objective of our audit was to determine compliance with policies set forth in the State Administrative Manual, and the terms and conditions of any specific delegations of authority or exemptions from approval granted by DGS.

As applicable, the scope of our audits of state agencies includes, but is not limited to, compliance with policies governing the contracting, fleet administration, small business and disabled veteran business enterprises usage, driver safety and insurance, surplus property, and real estate. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

While in most areas we concluded that CDT is conducting its business management functions and services in accordance with state requirements, we identified the following areas for improvement. The implementation of the recommendations presented in this report will assist CDT in addressing these issues:

- CDT's driver safety and insurance program is not ensuring that employees who use their own vehicle to conduct state business complete and annually update a vehicle certification form. Additionally, policies and procedures are also not ensuring that frequent drivers attend a defensive driver training course at least once every four years and that the State Agency Defensive Driver Training Report is submitted to DGS annually.

During our review we also identified other matters requiring attention, but which did not pose a significant risk to the business management functions, that we discussed with CDT's management and are not further detailed in this report.

We are pleased with the commitment shown to improve compliance with state requirements. It should be noted that when advised of areas for improvement during our audit fieldwork, CDT's management took prompt actions to address our concerns. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. CDT's management has the ongoing responsibility for ensuring that its business management policies and procedures are functioning as prescribed and are modified, as appropriate, for changes in conditions.

Your response to each of our recommendations as well as our evaluation of the response are included in this report.

We sincerely appreciated the cooperation and assistance provided by CDT's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Rhonda Parker, Management Auditor, at (916) 375-4590.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Staff: Rhonda Parker, Management Auditor

cc: Miles Burnett, Deputy Director, Administrative Services Division
Mark Standley, Branch Chief, Facility & Administrative Services
Jennifer Herrera, Branch Chief, Acquisitions & IT Program Management
Marisa Duarte-Lott, Supervisor, Personal Services Acquisitions
Robert Raffaelli, Manager, Program Services Unit & Asset Management Unit
Tracy Player, Manager, Facility & Administrative Services

CALIFORNIA DEPARTMENT OF TECHNOLOGY

COMPLIANCE AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed findings and recommendations developed based on our review of the business management functions and services of the California Department of Technology (CDT) for compliance with policies set forth in the State Administrative Manual (SAM), and the terms and conditions of any specific delegations of authority or exemptions from approval granted by the Department of General Services (DGS). This report presents information on areas of noncompliance with policies governing the: annual certification and authorization to use privately owned vehicles on state business; attendance of a defensive driver training course by frequent drivers; and submission of an annual defensive driver training report.

This information was developed based on our fieldwork conducted over the period of October 21, 2019 through September 16, 2020. In addition to this written report, as findings were observed and developed during our audit fieldwork, CDT's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our September 16, 2020 audit exit conference, CDT was provided a detailed written summary of issues noted during our review.

To determine compliance, we reviewed policies and procedures, interviewed parties involved, tested records and transactions and performed other tests as deemed necessary. The period covered by our testing varied depending upon the area of review and the type of transactions involved; however, the emphasis of our review and testing was with current procedures and transactions completed during the 2019-2020 fiscal year.

DRIVER SAFETY AND INSURANCE PROGRAM

CDT needs to strengthen its driver safety and insurance program to assist in preventing and controlling the costs of vehicle accidents. Collectively, such accidents cost the state millions of dollars each year including liability to other parties, repairs to state vehicles, workers' compensation and lost work time of employees. For maximum containment of these costs, each state agency is expected to actively participate in the state's driver safety program. The following areas need strengthening:

- **Vehicle Authorizations** – current policies and procedures are not ensuring that an Authorization to Use Privately Owned Vehicle (STD. 261) certification form is completed and annually updated by all employees who use their own vehicle to conduct state business. Specifically, at the time of our audit tests, a current STD. 261 was not available for 18 (75%) of 24 employees included in our sample tests prior to using their own vehicle on state business. An additional 15 (79%) of 19 employees listed by CDT as frequent drivers had not renewed their STD 261 on an annual basis.

SAM Section 0753 requires that a privately-owned vehicle authorization form be completed and annually updated by each employee who uses his or her own vehicle to conduct state business. In addition, this section provides that an employee's travel expense claim for private vehicle mileage should not be approved by a supervisor prior to verification that a current authorization form is on-file for the employee. The completion of the authorization form accomplishes the objective of having the employee certify in writing that the vehicle used will always be:

- Covered by liability insurance for the minimum amount prescribed by law
- Adequate for work performed
- Equipped with safety belts
- In safe mechanical condition

The decentralized nature of having to rely on program managers and unit supervisors to ensure compliance is a contributing factor to the above condition. It should be noted that upon notice, Accounting immediately made changes to its policies and procedures manual and implemented returning travel expense claims to employees if the valid forms were not on file.

- **Defensive Driver Training** – our review of a sample of 24 frequent drivers found that 20 (83%) had not attended a defensive driver training (DDT) course within the last four years. SAM Section 0751 provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years.
- **Annual State Agency DDT Report** – CDT has not been submitting a timely and accurate Annual State Agency Defensive Driver Training Report that is due to DGS by September 1 of each year as required by Management Memo 11-04. This report contains defensive driver training information for the preceding fiscal year, including data on the number of employees required to take the training for the reporting fiscal year and the number of employees completing the training. At the time of our audit, CDT's policies and procedures did not have an individual specified to track course enrollment nor indicate who was responsible for preparing and submitting this report.

It is clear that the current measures of checks and balances that are in place are not being consistently enforced or fully operating as intended.

Recommendations

1. Strengthen current policies and procedures that ensure the completion and annual update of a STD. 261 certification form by employees prior to using their own vehicle to conduct state business. This process should include periodic notification(s) to managers/supervisors regarding their responsibilities for ensuring the completion and updating of the form.

2. Periodically reemphasize to operating unit managers/supervisors their responsibilities for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years.
3. Implement policies and procedures which will ensure the defensive driver training report is accurately prepared and submitted to DGS by September 1 of each year.

CONCLUSION

Our findings and recommendations are presented to aid CDT in administering its business management functions and services. CDT should address the reported issues to assist in ensuring compliance with applicable state laws, policies, and procedures.

**CALIFORNIA DEPARTMENT OF TECHNOLOGY**

P.O. Box 1810
Rancho Cordova, CA 95741-1810
(916) 319-9223

Amy Tong, Director
Richard Rogers, Chief Deputy Director

September 29, 2020

Rhonda, Parker, Associate Management Auditor
Office of Audit Services
Department of General Services
707 3rd Street
West Sacramento, CA 95605

SUBJECT: RESPONSE TO DGS BUSINESS MANAGEMENT AUDIT FINDINGS

Dear Ms. Parker:

The California Department of Technology (CDT) is in receipt of the Department of General Services (DGS) Audit of the Business Management Functions of CDT summary of Audit Scope and Test Results (email dated 9/16/20).

CDT appreciates the opportunity the audit provides to improve compliance when conducting business management functions. CDT's responses to specific areas tested have been added to the Audit Scope and Test Results (attached). CDT's plan of correction included, but was not limited to, updating CDT's Non-IT purchasing instructions in the Policies and Procedures Manual and Non-IT Purchasing Manager's Checklists where deficiencies were identified. The corrections also included streamlining the Learning Request System (LRS) verification of STD. 261 for the accounting team. A group inbox has also been established (cioadminvehicleauthprogram@state.ca.gov) to help resolve matters pertaining to enrolling and completing LRS courses for Vehicle Authorization.

If you have questions or concerns regarding CDT's position on the Audit Scope and Test Results or plan of correction, please contact me at your earliest convenience. I can be reached at Miles.Burnett@State.ca.gov or telephone number 916-431-5436.

Sincerely,

MILES BURNETT, Deputy Director
Office of Administration
Department of Technology

cc: Jennifer Herrera, Procurement and Contracting Officer (PCO), CDT
cc: Danielle Kanelos, Purchasing Authority Contact (PAC), CDT
cc: Mark Standley, Facilities Manager, CDT

DGS Audit of the Business Management Functions of California Department of
Technology (CDT)

Summary of Audit Scope and Test Results

Area Tested and DGS Finding	CDT Response
<p>F.4 - Test of Compliance with Authorization to Use Privately Owned Vehicle on State Business <i>This is a reportable audit finding.</i> Only 6 of 24 employees had a valid STD. 261 prior to use of a privately owned vehicle while on state business. Of 24 employees tested for having a valid STD. 261 prior to travel, 7 were not on file, 8 were signed after travel, most of them AFTER the auditor requested a copy of the STD. 261, and 3 had been signed at one point in time, but have not been updated annually as required. Additionally, of a listing of drivers with STD. 261s, <w/p F.4, 4 of 10,> audit page 160, 15 of 19 had not been renewed on an annual basis. Exception Taken.</p>	<p>Every employee utilizing a vehicle on official state business receives and email in January of each year notifying them of the need to renew their the Std. 261 and to complete their DDT if needed. Employees receive an email 30 days prior to their DDT expiration and a final email upon the date of expiration notifying them of their inability to use a vehicle on official state business.</p> <p>Information regarding the periodic checking of the expiration date has been added to our Vehicle Authorization Procedure, the CDT internal iCentral site, and the LRS Employee Manual.</p>
<p>F.5 - Test of Compliance with Defensive Driver Training Requirements <i>This is a reportable audit finding.</i> California Department of Technology's (CDT's) current defensive driver training program procedures are not ensuring full compliance with State requirements governing state driver requirements. Defensive Driver Training – Of 24 drivers who had requested reimbursement for using a personal vehicle while on State business, only 4 of them had a current Defensive Driver Training certificate at the time of testing. Of the remaining 20, 8 drivers completed their training after our request for a copy of their DDT certificate; 8 did not respond at all to our request for documentation; 3 had taken DDT but did not have a copy of their certificate, and were unsure of the date taken, and 1 was unclear as to whether or not they had taken the course.</p> <p>To determine whether the State agency is submitting the annual State Agency Defensive Driver Training Report by September 1 to ORIM for the preceding fiscal year - The department was unaware of the report, and did not submit for the previous Fiscal Years.</p> <p>At the time of testing, CDT was maintaining some DDT records, but not all, and not in a centralized location/system.</p> <p>To verify that there is a person responsible for tracking course enrollment, completion, and compiling of the Annual State Agency DDT Report. At the time of testing, this was not clear.</p>	<p>Employees are required to retain a copy of their certificate after completion however; the CDT also uses the Learning Request System (LRS) to track the status of the DDT and notifies staff of any training requirements as well as their inability to use a vehicle for official state business if the requirements are not met.</p> <p>Submitting the Annual State Agency DDT Report is the responsibility assigned to the fleet coordinator. This responsibility has been added to the Authorization to Use State and Privately-Owned Vehicles procedure to ensure the report is submitted timely.</p>

CALIFORNIA DEPARTMENT OF TECHNOLOGY (CDT)

EVALUATION OF CDT'S RESPONSE

We have reviewed the response by the California Department of Technology (CDT) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by CDT to improve its business management functions and services.

As part of its operating duties, we are responsible for following up on audit recommendations and will require a six-month status report on the implementation of each. To the extent that it is practicable, proof-of-practice and supporting documentation should be specific and include excerpts and/or copies of the following: sample e-mails/reminders sent out to all staff in January 2021 regarding renewal of their STD. 261 certifications and completion of DDT (Defensive Driver Training), as needed; sample e-mails sent out to employees 30 days prior to their DDT expiration; updates added to the Vehicle Authorization Procedures, CDT internal iCentral site, and LRS (Learning Request System) Employee Manual pertaining to the periodic checking of DDT expiration dates; screen-shots, etc. of the LRS in use to track the status of employees' DDT; and, assignment to the fleet coordinator of their responsibility to submit the Annual State Agency DDT Report contained within the Authorization to Use State and Privately-Owned Vehicles procedures.