

**Date:** January 18, 2024

File No.: 3125

**To:** **The Honorable Malia M. Cohen**, State Controller  
Office of the State Controller  
300 Capitol Mall, Suite 1850  
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 State Controller's Office (SCO). 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).

SCO'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 recommendation. Therefore, please submit on your department's official letterhead the status report to us by July 18, 2024.

To the extent that it is practicable, any proof-of-practice and supporting documentation should explain/outline specific actions taken and include excerpts, samples, screenshots, and/or copies of documents and communications which demonstrate corrective measures employed to address each of our recommendations, consistent with SCO's individual formal written responses to our draft report.

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](mailto:Dennis.Miras@dgs.ca.gov).

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

If you need further information on or assistance with this report, please contact me at (916) 376-5064 / [Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov), or Larisa Samoylovich, Management Auditor, at (279) 799-3730 / [Larisa.Samoylovich@dgs.ca.gov](mailto:Larisa.Samoylovich@dgs.ca.gov).

*Dennis M Miras*

DENNIS M. MIRAS, CIA  
Manager, Office of Audit Services

Attachment

cc: Regina V. Evans, Chief of Staff to the State Controller  
Cathy Leal, Acting Chief Operating Officer  
Michael Carter, Acting Chief Administrative Officer  
Richard J. Chivaro, Chief Legal Advisor to the State Controller  
Harpreet Nakhwal, Acting Chief Counsel  
Julie Whitten, Chief, Management Audit and Review Services  
Jennifer Chavez, Division Chief, Administration and Disbursements  
Sierra Losh, Assistant Division Chief, Administration and Disbursements

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
STATE CONTROLLER'S OFFICE**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 3125**

**OFFICE OF AUDIT SERVICES**

**NOVEMBER 2023**



**STATE CONTROLLER'S OFFICE  
(SCO)**

**COMPLIANCE AUDIT  
REPORT NO. 3125**

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**STATE OF CALIFORNIA**  
**DEPARTMENT OF GENERAL SERVICES**  
**AUDITOR'S REPORT**

DATE: January 18, 2024

TO: **The Honorable Malia M. Cohen**, California State Controller  
State Controller's Office

This report presents the results of our compliance audit of the business management functions and services of the State Controller's Office (SCO). 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 this audit included, but was not limited to, compliance with policies and procedures governing contracting, fleet and travel services administration, small business and disabled veteran business enterprise usage, driver safety and insurance, surplus property, and real estate.

While in most areas we concluded that SCO 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 SCO in addressing these issues:

- SCO'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.
- Surplus personal property policies and procedures are not ensuring the: formal appointment of a Property Survey Board; approval from two property survey board members when processing Property Survey Reports (STD.152); and retaining of sufficient documentation and certification on the manner used to dispose of surplus personal property.

During our review we also identified other matters requiring attention, but that did not pose a significant risk to the business management functions, which were discussed with SCO'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, SCO's management agreed with all issues discussed and provided assurances that prompt actions had been or would be taken to address our concerns. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. SCO'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 our recommendations as well as our evaluation of the response are included in this report.

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

If you need further information on or assistance with this report, please contact me at (916) 376-5064/[Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov), or Larisa Samoylovich, Management Auditor, at (279) 799-3730/[Larisa.Samoylovich@dgs.ca.gov](mailto:Larisa.Samoylovich@dgs.ca.gov).

*Dennis M Miras*

DENNIS M. MIRAS, CIA  
Manager, Office of Audit Services

Staff: Larisa Samoylovich, Management Auditor

cc: Regina V. Evans, Chief of Staff to the State Controller  
Cathy Leal, Acting Chief Operating Officer  
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Jennifer Chavez, Division Chief, Administration and Disbursements  
Sierra Losh, Assistant Division Chief, Administration and Disbursements



# STATE CONTROLLER'S OFFICE

## 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 State Controller's Office (SCO) 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; and disposition of surplus personal property.

This information was developed based on our fieldwork conducted over the period of June 6, 2023 through November 2, 2023. In addition to this written report, as findings were observed and developed during our audit fieldwork, SCO's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our November 2, 2023 audit exit conference, SCO 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 2022-23 and 2023-24 fiscal years.

#### **DRIVER SAFETY AND INSURANCE PROGRAM**

SCO 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 area needs 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 and valid STD. 261 was not available for six (55%) of 11 employees included in our sample tests prior to using their own vehicle on state business.

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

Apparently, not all new employees and supervisors were aware of these requirements. Clearly, existing policies and procedures are not being consistently enforced nor are fully operating as intended.

### **Recommendation**

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.

### **DISPOSAL OF SURPLUS PERSONAL PROPERTY**

Policies and procedures have not been implemented which ensure that sufficient documentation is maintained on the process used to dispose of surplus personal property.

Specifically, at the time of our audit a formal Property Survey Board had not been appointed. SAM Section 3520.2 states "Each agency will have a duly appointed Property Survey Board that is responsible for determining that (when disposing of surplus property) the decision to do so serves the best interest of the state. To the extent possible, there will be a sufficient number of members on the Board to insure representation by both business management and program responsibilities. At least two Board members must approve all Property Survey Reports (STD. 152)." None of the 12 STD. 152s chosen for testing contained such approvals.

Additionally, of these 12 STD. 152s tested, none had evidence certifying the disposal of the state-owned personal property. In general, certified documentation was not available on which SCO employee supervised the property item's removal and the manner and date of the disposal. To assist in ensuring the proper disposal of surplus property, the STD. 152's Instructions require that information be provided on the manner and date of disposal. Further, the officer supervising the disposal is to sign the STD. 152. And, SAM Section 3520.9 requires that a supervisor certify in writing that the disposition has been accomplished. The certification may be made on the STD. 152 or attached to that report. As a result, we were unable to determine if disposals were performed in a timely manner.

It appears that the above noted conditions exist due to a general lack of: established policies and procedures to follow; experience, knowledge, and awareness of all applicable requirements; and resources (ie: staff).

### **Recommendation**

2. Implement surplus personal property program policies and procedures which will ensure that complete documentation is maintained on the approval, status, and method used to dispose of surplus personal property. These measures should include the: formal appointment of a Property Survey Board, memorialized in writing; timely and authorized disposal of all property being surplus; and manner and date of disposals be certified in writing.

## **CONCLUSION**

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





MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

December 21, 2023

Dennis M. Miras  
Department of General Services, Office of Audit Services  
707 3<sup>rd</sup> Street , 8<sup>th</sup> floor  
West Sacramento, CA 95605

**SUBJECT: State Controller's Office, Administration Bureau, Audit Response 2023**

Dear Mr. Miras:

The State Controller's Office (SCO) has reviewed the draft report from the Department of General Services (DGS), Office of Audit Services (OAS) regarding SCO's compliance with state business management functions and services. We agree with the findings and recommendations. We appreciate the recommendations made by the OAS Auditor and the opportunity provided to improve upon SCO's business management functions and services.

The SCO plans to implement the following solutions, within the next three months, to address the recommendations made by DGS OAS.

### **Driver Safety and Insurance Program**

**Recommendation 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.

**Response:** The SCO has updated our Administration and Disbursements Division Information Memo for the Annual Standard 261 (Std. 261) Recertification policy; the SCO Defensive Driver Training memo; and the SCO Travel and Reimbursement Guide. These updates standardize the annual recertification process throughout the department; allow for increased oversight of the process; and clarify what constitutes a completed Std. 261 form (i.e. employee and supervisor signatures). Finally, we are developing a communication plan to ensure employees receive frequent reminders about the Std. 261 certification requirement and updated resources.

### **Disposal of Surplus Personal Property**

**Recommendation 2:** Implement surplus personal property program policies and procedures which will ensure that complete documentation is maintained on the approval, status, and method used to dispose of surplus personal property. These measures should include the: formal appointment of a Property Survey Board, memorialized in writing; timely and authorized disposal of all property being surplus; and manner and date of disposals be certified in writing.

Mr. Miras  
December 21, 2023  
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**Response:** The SCO has developed proposed process changes related to surplus property, which include the implementation of a formal Property Survey Board, adjusting roles for completing the Std. 152, and updates to the internal documentation used for documenting/certifying disposal of properties. Once management approves the proposal, the SCO will update and create the necessary policies and procedures to document the new requirements.

We appreciate the time taken by the OAS Auditor to provide thoughtful recommendations regarding this compliance. The SCO is committed to carrying out our business management functions and services in compliance with DGS's policies.

If you have any further questions, please contact Sierra Losh, at 916-445-2279.

Sincerely,



Jennifer Chavez  
Chief, Administration and Disbursements

Enclosures

cc: Richard J. Chivaro, Chief Legal Advisor to the State Controller, State Controller's Office  
Harpreet Nakhwal, Acting Chief Counsel, State Controller's Office  
Julie Whitten, Chief, Management and Review Services, State Controller's Office  
Sierra Losh, Assistant Division Chief, Administration and Disbursements Division, State Controller's Office

## **STATE CONTROLLER'S OFFICE (SCO)**

### **EVALUATION OF SCO'S RESPONSE**

We have reviewed the response by the State Controller's Office (SCO) to our draft audit report. The response to the recommendations is satisfactory and we appreciate the efforts taken and/or planned by SCO 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 explain/outline specific actions taken and include excerpts, samples, screenshots, and/or copies of documents and communications which demonstrate corrective measures employed to address each of our recommendations, consistent with SCO's individual formal responses to our draft audit.