



# MEMORANDUM

**Date:** June 21, 2012

File No.: 1120

**To:** Jim Lombard, Chief Administrative Officer  
State Controller's Office  
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.

As noted in the report, we concluded that the SCO is conducting its business management functions and services in compliance with State requirements.

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

If you have any questions, please call me at (916) 376-5058, or Dennis Miras, Audit Supervisor, at (916) 376-5064.

A handwritten signature in cursive script, appearing to read 'Rick Gillam', is written in black ink.

RICK GILLAM, CPA, CIA  
Chief, Office of Audit Services

Attachment

cc: Tom Yowell, Chief, Administration and Disbursements Division  
Ernie Hidalgo, Chief, Budget and Contract Bureau  
Jeff Rowe, Business Services Operations Manager  
Marybeth Weeks (A), Departmental Accounting Officer

**STATE AND CONSUMER SERVICES AGENCY  
DEPARTMENT OF GENERAL SERVICES**

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

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 1120**

**OFFICE OF AUDIT SERVICES**

**MAY 2011**

**STATE CONTROLLER'S OFFICE  
COMPLIANCE AUDIT  
REPORT NO. 1120**

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

DATE: June 21, 2012

TO: **JIM LOMBARD**, Chief Administrative Officer  
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 the DGS.

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

Based on the results of our fieldwork conducted over the period February 3, 2011 through May 5, 2011, we concluded that the SCO is conducting its business management functions and services in compliance with State requirements.

During our review we identified a number of areas for improvement with the SCO's policies and procedures. These matters included our concerns that business management policies and procedures were not ensuring the attendance of a defensive driver training course by frequent drivers and the completion and annual update of a vehicle certification form by employees who use their own vehicle to conduct State business. Since these areas were not significant to the overall business management functions and services of the SCO, they are not discussed in this report. However, they were discussed with appropriate SCO management personnel who indicated that our concerns would be addressed.

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 2009/10 and 2010/11 fiscal years.

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

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Dennis Miras, Audit Supervisor, at (916) 376-5064.



RICK GILLAM, CPA, CIA  
Chief, Office of Audit Services

Staff: Dennis Miras, Audit Supervisor  
Christopher Harris  
Amalia Sanchez

cc: Tom Yowell, Chief, Administration and Disbursements Division  
Ernie Hidalgo, Chief, Budget and Contract Bureau  
Jeff Rowe, Business Services Operations Manager  
Marybeth Weeks (A), Departmental Accounting Officer