



MEMORANDUM

Date: August 31, 2015

File No.: 4126

To: The Honorable Alex Padilla
Secretary of State
1500 11th Street
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 Secretary of State's office (SOS). 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 SOS is conducting its business management functions and services in compliance with state requirements.

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

If you have any questions, please call me at (916) 376-5058, or Andy Won, Audit Supervisor, at (916) 376-5052.

A handwritten signature in black ink that reads "Rick Gillam". The signature is written in a cursive style.

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

Attachment

cc: Bill Mabie, Chief Deputy Secretary of State
Kim Gauthier, Deputy Secretary of State, Operations
Cindy Hanneman, Chief, Management Services Division
Shannon Kauffman, Manager, Business Operations
Daniel Abbott, Internal Auditor

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
SECRETARY OF
STATE**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 4126**

OFFICE OF AUDIT SERVICES

FEBRUARY 2015

**SECRETARY OF STATE
COMPLIANCE AUDIT
REPORT NO. 4126**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: August 31, 2015

TO: **THE HONORABLE ALEX PADILLA**
Secretary of State

This report presents the results of our compliance audit of the business management functions and services of the Secretary of State's office (SOS). 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 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.

Based on the results of our fieldwork conducted over the period June 19, 2014 through February 17, 2015, we concluded that SOS is conducting its business management functions and services in compliance with state requirements. However, we did identify a number of areas for improvement with those functions and services. These matters included our concern that business management policies and procedures were not ensuring the attendance of a defensive driver training course by frequent drivers and the processing of a justification form when an employee rents a vehicle in specified circumstances, such as when renting a vehicle larger than an intermediate size.

In addition, we noted that contracting policies and procedures were not always ensuring that: (1) contractor performance evaluations are completed for consulting services contracts of \$5,000 or more; (2) a verification is made prior to contract award that a corporation is in good standing to do business in California; and, (3) documentation is maintained of a firm's agreement with various mandated contractor certification clauses.

Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. Therefore, they are not further discussed in this report.

We are pleased with the prompt actions taken by SOS to address findings identified during our audit fieldwork. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. SOS'

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.

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 2013/14 and 2014/15 fiscal years.

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

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Andy Won, Audit Supervisor, at (916) 376-5052.



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

Staff: Andy Won, Audit Supervisor
Monica De La Rosa
Melissa Hambridge

cc: Bill Mabie, Chief Deputy Secretary of State
Kim Gauthier, Deputy Secretary of State, Operations
Cindy Hanneman, Chief, Management Services Division
Shannon Kauffman, Manager, Business Operations
Daniel Abbott, Internal Auditor