



MEMORANDUM

Date: April 18, 2017

File No.: 6121

To: Shelley Rouillard, Director
Department of Managed Health Care
980 9th Street, Suite 500
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 Department of Managed Health Care (DMHC). 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).

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

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

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Melissa Hambridge, Management Auditor, at (916) 376-5062.

Dennis M Miras

DENNIS M MIRAS, CIA
Supervisor, Office of Audit Services

Attachment

cc: Marta Green, Chief Deputy Director
Cassie McTaggart, Deputy Director, Office of Administrative Services
Teresa Gonzales, SSM III, Office of Administrative Services
Kristy Tuttle, SSM II, Office of Administrative Services

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF MANAGED
HEALTH CARE**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 6121**

OFFICE OF AUDIT SERVICES

MARCH 2017

**DEPARTMENT OF MANAGED HEALTH CARE
COMPLIANCE AUDIT
REPORT NO. 6121**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: April 18, 2017

TO: **SHELLEY ROUILLARD**, Director
Department of Managed Health Care

This report presents the results of our compliance audit of the business management functions and services of the Department of Managed Health Care (DMHC). 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.

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 2015/16 and 2016/17 fiscal years.

Based on the audit results of our fieldwork conducted over the period March 9, 2016 through March 10, 2017 we concluded that DMHC is conducting its business management functions and services in compliance with state requirements. However, we did identify a few areas for improvement with those functions and services. These matters included our concern that business management policies and procedures were not ensuring the: (1) submittal of the State Agency Defensive Driver Training Report due annually by September 1; (2) completion and annual update of a vehicle certification form by employees who use their own vehicle to conduct state business; and, (3) maintenance of complete documentation on the process used to dispose of surplus personal property.

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 DMHC 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. The DMHC'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.

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

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Melissa Hambridge, at (916) 376-5062.n

Dennis M Miras

DENNIS MIRAS, CIA
Supervisor, Office of Audit Services

Staff: Melissa Hambridge, Management Auditor

cc: Marta Green, Chief Deputy Director
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