



MEMORANDUM

Date: February 26, 2019 File No.: 8128

To: **Ralph Diaz**, Secretary
California Department of Corrections and Rehabilitation
1515 S Street, Suite 502-N
Sacramento, CA 95811

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 Corrections and Rehabilitation (CDCR). 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).

The CDCR'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. Therefore, please submit a status report on the implementation of each to us by August 26, 2019.

To the extent that it is practicable, CDCR's corrective action plan should be specific and supporting documentation should include: in general, copies of implemented policies and applicable training syllabi & agendas; and more specifically, copies / excerpts of newly developed and implemented policies and procedures over the: use of STD. 261s (Vehicle Authorizations), enrollment in the DMV Employer Pull Notice Program, timely reporting of vehicle accidents, better control of State Fleet Cards, and, maintenance of STD. 810 (Contracting Activity Report) and disposal of all surplus personal property documentation; samples of email notifications, alerts and/or other communications sent out to periodically remind managers and supervisors of their responsibilities of ensuring their employees attend a defensive driver training course at least once every four years; and, a copy of the most recently submitted Annual State Agency Defensive Driver Training Report.

The necessity of any further status reports will be determined at that time. Please transmit your 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 greatly appreciated the cooperation and assistance provided by CDCR's personnel.

If you need further information or assistance on this report, please call / e-mail me at (916) 376-5064 / Dennis.Miras@dgs.ca.gov; or, Christopher Harris, Management Auditor, at (916) 376-5059 / Chris.Harris@dgs.ca.gov; or, Maricela Bautista, Management Auditor, at (916) 376-5066 / Maricela.bautista@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Kenneth Pogue, Undersecretary, Administration and Offender Services
Deborah Hysen, Director, Facility Planning, Construction and Management
Dean Borg, Deputy Director, Facility Planning, Construction and Management
Devin Fong, Deputy Director, Office of Business Services
Sharon Dunham, Associate Director, Office of Business Services
Matt Espenshade, Deputy Director, Office of Audits and Court Compliance
Marc Wilson, Chief, Office of Audits and Court Compliance
Micheale Sabbagh, External Audits Manager, Office of Audits and Court Compliance

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE CALIFORNIA
DEPARTMENT OF CORRECTIONS
AND REHABILITATION
(CDCR)**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 8128**

OFFICE OF AUDIT SERVICES

SEPTEMBER 2018

**CALIFORNIA DEPARTMENT OF CORRECTIONS
AND REHABILITATION**

**COMPLIANCE AUDIT
REPORT NO. 8128**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: February 26, 2019

TO: **Ralph Diaz**, Secretary
California Department of Corrections and Rehabilitation

This report presents the results of our compliance audit of the business management functions and services of the California Department of Corrections and Rehabilitation (CDCR). 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 fleet administration, small business (SB) and disabled veteran business enterprises (DVBE) usage, driver safety and insurance, surplus property and real estate. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Our review disclosed the following areas of noncompliance with state requirements that should be addressed by CDCR's management. The implementation of the recommendations presented in this report will assist CDCR in addressing these issues.

- CDCR'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. 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. Further, current systems are not ensuring that all employees who operate vehicles on official business as a condition of employment are enrolled in the DMV Pull-Notice Program.
- Motor vehicle accidents are not being reported to DGS' Office of Risk and Insurance Management in a timely manner. Additionally, supervisors are not always completing a report containing an evaluation of the cause of the accident.
- CDCR's fleet administration program is not ensuring compliance with state policies and procedures for establishing controls that would help prevent abuse of fleet card practices.
- Participation policies and procedures governing SB and DVBE usage are not ensuring that backup support documentation is maintained to ensure contracting dollars are accurately being reported on the Contracting Activity Report Form, STD. 810.
- Policies and procedures have not been implemented which ensure that the process used to dispose of surplus personal property is sufficiently documented.

During our review we also identified other matters requiring attention that we discussed with CDCR's management but are not included 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, CDCR's management agreed to take action to address our concerns. Further, CDCR's management does have 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 is included in this report.

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

If you need further information or assistance on this report, please contact me at (916) 376-5064; Christopher Harris, at (916) 376-5059; or, Maricela Bautista, at (916) 376-5066 .

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Staff: Christopher Harris, Management Auditor, MPA
Maricela Bautista, Management Auditor

cc: Kenneth Pogue, Undersecretary, Administration and Offender Services
Deborah Hysen, Director, Facility Planning, Construction and Management
Dean Borg, Deputy Director, Facility Planning, Construction and Management
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Micheale Sabbagh, External Audits Manager, Office of Audits and Court Compliance

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

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 Corrections and Rehabilitation (CDCR) 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; submission of an annual defensive driver training report; enrollment in the employer pull notice program; reporting and supervisory evaluation of motor vehicle accidents; control of state fleet cards; documentation and reconciliation of SB & DVBE contracting activity; and, disposition of surplus personal property.

This information was developed based on our fieldwork conducted over the period February 22, 2018 through September 11, 2018. 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 2016/17 and 2017/18 fiscal years.

DRIVER SAFETY AND INSURANCE PROGRAM¹

CDCR needs to strengthen its driver safety and insurance program and establish a centralized point of contact or oversight function in order 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 for damages, repairs to state vehicles, workers' compensation claims and lost productivity. 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 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 92 (84%) of the 110 employees included in our sample tests who used their own vehicle on state business; 18 of these were later completed upon request during testing. CDCR has not implemented sufficient controls which will result in managers/supervisors effectively monitoring their employees for the proper and timely completion of STD. 261s.

¹ These conditions previously existed and were included in our audit report to CDCR dated January 2007

State Administrative Manual (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 reimbursement 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; and,
 - In safe mechanical condition.
- **Defensive Driver Training** – our audit revealed that the department is not requiring frequent drivers to attend a defensive driver training course once every four years; testing of the 110 drivers identified above revealed that 83 (76%) had not obtained the training within the required timeframe as outlined in SAM Section 0751. At CDCR, the responsibility for ensuring that employees attend a driver training course rests with managerial/supervisory personnel. As shown by the results of our review, these policies have not been entirely effective.
 - **Defensive Driver Training Report** – CDCR has not been submitting the Annual State Agency Defensive Driver Training Report that is due to DGS by September 1 of each year (Management Memo 11-04). The 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.
 - **DMV Pull Notice Program** – our audit revealed that the department is not ensuring that employees who drive on state business as a condition of employment are enrolled in the DMV Pull Notice Program. SAM Section 0751 requires agencies to participate in the DMV “Employer Pull Notice Program” if they have employees who operate vehicles on official business as a condition of employment for Class A, B, or Class C drivers’ licenses with special certificates.

Recommendations

1. Implement 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 an annual notification to managers/supervisors of their responsibility for ensuring the completion and updating of the form.
2. Periodically reemphasize to operating unit managers and supervisors their responsibility for ensuring that employees who frequently drive on state business attend an approved defensive driver training course at least once every four years.
3. Submit a defensive driver training report to DGS by September 1 of each year.
4. Implement policies and procedures that require employees who drive as a condition of employment for Class A, B, or Class C drivers’ licenses with special certificates be enrolled in the DMV Employer Pull Notice Program.

REPORTING AND REVIEW OF VEHICLE ACCIDENTS

CDCR has not implemented policies and procedures which ensure that motor vehicle accidents are reported timely to DGS' Office of Risk and Insurance Management (ORIM). Specifically, during our review of CDCR's accident reporting process for the period January through March 2018, of the 21 accidents identified, none were reported to ORIM on time, with the oldest being reported 19 days after the accident had occurred.

To allow it to effectively administer the state's motor vehicle self-insurance program, SAM Section 2430 provides that a Report of Vehicle Accident, STD. 270, form be submitted to ORIM within 48 hours of an accident.

We also determined that a report containing a supervisor's evaluation of an accident's cause was not on-file for six (6) of the 21 accidents that were reported to ORIM. SAM Section 2440 requires that the supervisor of an employee involved in an accident prepare a Review of State Driver Accident (Supervisor's), STD. 274, report, take appropriate action, and forward copies of the report to both ORIM and the agency's safety coordinator.

Recommendation

5. Implement policies and procedures which ensure that a motor vehicle accident report is submitted to ORIM within 48 hours of an accident and that supervisors complete a report containing an evaluation of the cause of the accident. This process should include the annual notification of managers and supervisors of their accident reporting and review responsibilities.

STATE FLEET CARD PROGRAM

Existing policies and procedures in place to ensure the sufficient control of State Fleet Cards are not consistently operating as intended. Fleet cards are primarily used by state employees to purchase fuel for vehicles used for official state business. Our review of 413 employees with access to use a State Fleet Card indicated that 286 (69%) did not have an agreement on file acknowledging they understand the policies and procedures regarding usage; 275 of these did later sign the agreement upon request during testing.

In brief, Management Memo 12-08, dated December 26, 2012, was issued by DGS to establish controls that would help prevent abusive fleet card practices, including but not limited to fraud and abuse. The State Fleet Card Program requires that participating departments comply with a number of requirements including requiring card users to sign an agreement addressing compliance with usage policies and procedures.

Recommendation

6. Strengthen current policies and procedures that will ensure the effective and efficient control of State Fleet Cards. This process should ensure compliance with State Fleet Card Program requirements, including requiring card users to sign an agreement addressing compliance with usage policies and procedures.

SB and DVBE PARTICIPATION PROGRAMS

Our analysis of CDCR's 2016/17 FY STD. 810, Contracting Activity Report, revealed that the current processes in place to ensure the completeness and accuracy of the data being reported are not working as intended. Specifically, we found that not all of the STD. 810's back-up documentation used to complete the report were being fully maintained nor did the available supporting documentation reconcile to the captured and reported data.

Recommendation

7. Strengthen existing policies and procedures to ensure all back-up documentation used to generate the STD. 810, Contracting Activity Report, is maintained. Additionally, institute quality control measures that will ensure all data reported reconciles to supporting records.

DISPOSAL OF SURPLUS PERSONAL PROPERTY

Current policies and procedures provide little assurance that the method and status of disposition for all surplus property is sufficiently documented. During our review of CDCR's Property Survey Reports (STD. 152's) processed during the 2017/18 FY, six (6) of the twelve Divisions and Facilities contacted would or could not respond to our requests for supporting documentation.

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. SAM Section 3520.9 also 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 noted above, we were unable to determine if CDCR was fully complying with these requirements as half of the entities tested did not respond to our requests for information.

Recommendation

8. Implement policies and procedures which ensure that complete documentation is maintained on the status and process used to dispose of all surplus personal property.

CONCLUSION

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

OFFICE OF THE SECRETARY

P.O. Box 942883
Sacramento, CA 94283-0001



February 6, 2019

Dennis Miras
Department of General Services
Office of Audit Services
707 3rd Street, 8th Floor
West Sacramento, CA 95605

Dear Mr. Miras:

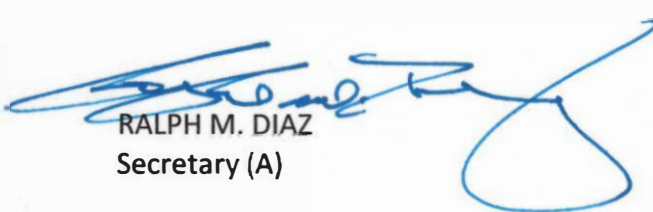
The California Department of Corrections and Rehabilitation (CDCR) submits this letter in response to the Department of General Services (DGS) audit titled "California Department of Corrections and Rehabilitation: For Compliance with State Business Management Policies Report No. 8128."

CDCR understands the importance of complying with State business management requirements. The business management functions in CDCR have improved overall, and CDCR continues to create a culture of continuous improvement, oversight, and accountability. CDCR is committed to continuously evaluating and improving the performance and quality of all of its business management functions.

CDCR has made a great deal of progress implementing policies, training, and support for its business management functions so that they meet both operational needs and State requirements. The findings and recommendations made by the auditors from this report will be considered by CDCR.

CDCR would like to thank DGS for its work on this report and will address the specific recommendations in a corrective action plan within the timelines outlined in the report. If you have further questions, please contact me at (916) 323-6001.

Sincerely,


RALPH M. DIAZ
Secretary (A)

**CALIFORNIA
DEPARTMENT OF CORRECTIONS
AND REHABILITATION
(CDCR)**

COMPLIANCE AUDIT

EVALUATION OF CDCR'S RESPONSE

We have reviewed the response by the California Department of Corrections and Rehabilitation (CDCR) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken and the commitments made by CDCR 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, CDCR's corrective action plan should be specific and supporting documentation should include: in general, copies of implemented policies and applicable training syllabi & agendas; and more specifically, copies / excerpts of newly developed and implemented policies and procedures over the: use of STD. 261s (Vehicle Authorizations), enrollment in the DMV Employer Pull Notice Program, timely reporting of vehicle accidents, better control of State Fleet Cards, and, maintenance of STD. 810 (Contracting Activity Report) and disposal of all surplus personal property documentation; samples of email notifications, alerts and/ or other communications sent out to periodically remind managers and supervisors of their responsibilities of ensuring their employees attend a defensive driver training course at least once every four years; and, a copy of the most recently submitted Annual State Agency Defensive Driver Training Report.