
Date: March 26, 2014 File No.: 3120

To: Denise Brown, Director
Department of Consumer Affairs
1625 N. Market Blvd., Suite S-308
Sacramento, CA 95834

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 Consumer Affairs (DCA). 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).

DCA's written response to a draft copy of this report is included in the report. The report also includes our evaluation of the response. We are pleased with the actions being taken 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 the recommendations to us by September 29, 2014. 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.

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

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



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

Attachment

cc: Awet P. Kidane, Chief Deputy Director
Sandra Mayorga, Deputy Director, Office of Administrative Services
Laura Sober, Procurement and Contracting Officer, Business Services Office
Lisa Hernandez, Manager, Administration Support, Business Services Office

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

**AUDIT OF THE
DEPARTMENT OF
CONSUMER AFFAIRS**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 3120**

OFFICE OF AUDIT SERVICES

MARCH 2013

**DEPARTMENT OF CONSUMER AFFAIRS
COMPLIANCE AUDIT
REPORT NO. 3120**

TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT.....	1
FINDINGS AND RECOMMENDATIONS.....	3
DRIVER SAFETY AND INSURANCE PROGRAM.....	3
RECORDS MANAGEMENT.....	4
REPORTING AND REVIEW OF VEHICLE ACCIDENTS	5
CONCLUSION.....	5
DCA'S RESPONSE.....	6
EVALUATION OF DCA'S RESPONSE.....	9

STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: March 26, 2014

TO: **DENISE BROWN**, Director
Department of Consumer Affairs

This report presents the results of our compliance audit of the business management functions and services of the Department of Consumer Affairs (DCA). 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, records and forms management, surplus property and real estate. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

While in most areas we concluded that DCA 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 DCA in addressing these areas.

- The DCA'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. Further, policies and procedures are not ensuring that frequent drivers attend a defensive driver training course every four years.
- Records retention schedules are not being completed and updated in a timely manner.
- Motor vehicle accidents are not always being reported to the DGS' Office of Risk and Insurance Management. Further, supervisors are not always completing a report containing an evaluation of the cause of an accident.

During our review we also identified other matters requiring attention that we discussed with DCA's management but are not included in this report.

It should be noted that when advised of areas for improvement during our audit fieldwork DCA's management indicated that appropriate action would be taken to address our concerns. We are pleased with the commitment shown to improve compliance with state requirements.

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 DCA'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.

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

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

Staff: Dennis Miras, Audit Supervisor
Christopher Harris

cc: Awet P. Kidane, Chief Deputy Director
Sandra Mayorga, Deputy Director, Office of Administrative Services
Laura Sober, Procurement and Contracting Officer, Business Services Office
Lisa Hernandez, Manager, Administration Support, Business Services Office

DEPARTMENT OF CONSUMER AFFAIRS 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 Department of Consumer Affairs (DCA) 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: completion of vehicle certification forms by employees; attendance of a defensive driver training course by frequent drivers; maintenance of up-to-date records retention schedules; and, reporting and supervisory review of motor vehicle accidents.

This information was developed based on our fieldwork conducted over the period August 17, 2012 through March 5, 2013. Although the finalization of our report was delayed due to other high priority assignments, as findings were observed and developed during our audit fieldwork, DCA's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our March 2013 audit exit conference, DCA 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 2011/12 and 2012/13 fiscal years.

DRIVER SAFETY AND INSURANCE PROGRAM

DCA 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 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 19 of 26 employees included in our sample tests who used their own vehicle on state business. DCA's travel policies provide that managers/supervisors are to monitor their employees for the proper and timely completion of STD. 261s. As shown by the results of our review, these policies have not been effective.

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

DEPARTMENT OF CONSUMER AFFAIRS
Findings and Recommendations, Cont'd

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 review found that all of the 29 frequent drivers included in our sample tests had not attended a defensive driver training course within the last four years. SAM Section 0751 provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years. At DCA, the responsibility for ensuring that employees attend a driver training course rests with managerial/supervisory personnel. As shown by the results of our tests, these employees are not enforcing this requirement.

DCA's lack of compliance with the state's defensive driver training requirements was also shown in its 2011/12 fiscal year defensive driver training report that was submitted to DGS. The report disclosed that only 228 of 784 employees who were required to attend a defensive driver training course during that fiscal year had complied with that requirement.

Recommendations

1. Implement policies and procedures that ensure the completion and annual update of a STD 261 certification form by employees who use 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.

RECORDS MANAGEMENT

DCA's records management policies and procedures are not ensuring the completion and maintenance of up-to-date records retention schedules. Specifically, at the time of our review, 16 of the 66 (24%) records retention schedules on-file at DCA had not been updated within five years. As provided in SAM Sections 1665 through 1672, records retention schedules must be updated at least once every five years after the conducting of a records inventory and appraisal process. Up-to-date records retention schedules provide evidence of a cost effective and efficient records management program. Business services management and staff advised us that other operating responsibilities and priorities have impacted DCA's ability to maintain updated records retention schedules.

At the time of our review, we were advised that the department's Records Management Coordinator was actively attempting to update the schedules. However, we were unable to verify the success of these efforts prior to the completion of our audit fieldwork.

DEPARTMENT OF CONSUMER AFFAIRS
Findings and Recommendations, Cont'd

Recommendation

3. Develop an action plan that provides for the completion and updating of records retention schedules to ensure compliance with SAM Sections 1665 through 1672.

REPORTING AND REVIEW OF VEHICLE ACCIDENTS

DCA has not implemented policies and procedures which ensure that motor vehicle accidents are reported to the DGS' Office of Risk and Insurance Management (ORIM). Specifically, during our review of DCA's accident reporting process for the first eight months of the 2012 calendar year, we located 14 accident reports on file at DCA that had not been submitted to ORIM. 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 6 of the 7 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.

It should be noted that, although having the responsibility for tracking accident reports, at the time of our review, DCA's fleet management coordinator's responsibilities did not include monitoring to ensure compliance with the state's motor vehicle accident reporting requirements. DCA's operating units are responsible for compliance with the state's accident reporting requirements.

Recommendation

4. 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. Further, if deemed feasible, policies should provide that the fleet management coordinator monitor to ensure compliance with the state's motor vehicle accident reporting requirements.

CONCLUSION

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



MEMORANDUM

DATE	March 20, 2014
TO	Rick Gillam, Chief Office of Audit Services Department of General Services (DGS)
FROM	Denise Brown, Director <i>Denise Brown</i> Department of Consumer Affairs (DCA)
SUBJECT	DGS Compliance Audit – DCA Response to Draft Report

Thank you for the opportunity to review the draft of the upcoming compliance audit report being prepared by your office.

Attached is DCA's response to the draft audit report. In summary, we concur with the recommendations. As a result of the findings, we are in the process of developing policies and procedures for the areas cited in the audit.

If you need further clarification, please call me at (916) 874-8200.

Responses to DGS Audit of the DCA
For compliance of the Business Management Functions and Services
Report No. 3120

The DCA has reviewed the DGS draft report No. 3120 addressing compliance with the business management functions and services of DCA, and is initiating actions necessary to resolve the issues raised in the report. The following is a summary of the issues and actions taken by DCA.

DRIVER SAFETY AND INSURANCE PROGRAM

Recommendations

1. Implement policies and procedures that ensure the completion and annual update of a STD 261 certification form by employees who use 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 drive on state business attend an approved defensive driver training course at least once every four years.

Responses

1. DCA concurs with the recommendation. DCA is in the process of developing procedures to ensure 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.
2. DCA concurs with the recommendation. DCA is in the process of developing procedures to ensure DCA employees who are required to attend a defensive driver training course are in compliance.

RECORDS MANAGMENT

Recommendation

Develop an action plan that provides for the completion and updating of records retention schedules to ensure compliance with SAM Sections 1665 through 1672.

Response

DCA concurs with the recommendation. Efforts to comply with the recommendation have already begun. DCA is continuing with an action plan to update the remaining seven retention schedules to ensure compliance.

REPORTING AND REVIEW OF VEHICLE ACCIDENTS

Recommendation

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. Further, if deemed feasible, policies should provide that the fleet management coordinator monitor to ensure compliance with the state's motor vehicle accident reporting requirements.

Response

DCA concurs with the recommendation. DCA is in the processing of drafting a Departmental Policy Memorandum to ensure employees are aware of the requirements when reporting an accident. Our fleet management coordinator will begin requesting accident information from our programs to assist in monitoring compliance. Recently, DCA managers and supervisors received information reminding them of their accident reporting responsibilities.

**DEPARTMENT OF CONSUMER AFFAIRS
COMPLIANCE AUDIT**

EVALUATION OF DCA'S RESPONSE

We have reviewed the response by the Department of Consumer Affairs (DCA) to our draft report. The response to the recommendations is satisfactory. We appreciate the efforts taken or being taken by DCA to improve its business management functions and services.