



# MEMORANDUM

**Date:** April 21, 2017

File No.: 6122

**To:** Joe Xavier, Director  
Department of Rehabilitation  
721 Capitol Mall  
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 California Department of Rehabilitation (DOR). 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 DOR's written response to our draft report is included in the final 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 October 23, 2017. 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 3<sup>rd</sup> Street, 8<sup>th</sup> Floor, West Sacramento, CA 95605 or via e-mail to [Dennis.Miras@dgs.ca.gov](mailto:Dennis.Miras@dgs.ca.gov).

We greatly appreciated the cooperation and assistance provided by DOR'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](mailto:Dennis.Miras@dgs.ca.gov), or Monica De La Rosa, Management Auditor-in-Charge, at (916) 376-5050 / [Monica.DeLaRosa@dgs.ca.gov](mailto:Monica.DeLaRosa@dgs.ca.gov).

*Dennis M Miras*

DENNIS M MIRAS, CIA  
Supervisor, Office of Audit Services

Attachment

cc: Kelly Hargreaves, Chief Deputy Director  
Fariba Shahmirzadi, Deputy Director, Administrative Services Division  
Kathi Mowers-Moore, Deputy Director, Vocational Rehabilitation Policy and Resources Division  
Tina Watson, Chief, Financial Management Branch  
Kerry Gantt, Chief, Audit Services

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
CALIFORNIA DEPARTMENT OF  
REHABILITATION**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 6122**

**OFFICE OF AUDIT SERVICES**

**AUGUST 2016**

**CALIFORNIA DEPARTMENT OF REHABILITATION  
COMPLIANCE AUDIT  
REPORT NO. 6122**

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

DATE: April 21, 2017

TO: **JOE XAVIER**, Director  
California Department of Rehabilitation

This report presents the results of our compliance audit of the business management functions and services of the California Department of Rehabilitation (DOR). 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 (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.

While in most areas we concluded that DOR is conducting its business management functions and services in accordance with state requirements, our review disclosed the following areas of noncompliance with state requirements that should be addressed by DOR's management. The implementation of the recommendations presented in this report will assist DOR in addressing these issues.

- The DOR'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 once every four years.
- The DOR's fleet administration program is not ensuring compliance with state policies and procedures for establishing controls that would help prevent abusive fleet card practices.

During our review we also identified other matters requiring attention that we discussed with DOR'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, DOR's management took prompt actions to address our concerns. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. The DOR'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.

Your response to each of our recommendations as well as our evaluation of the response is included in this report.

# CALIFORNIA DEPARTMENT OF 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 Rehabilitation (DOR) 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 defensive driver training by frequent drivers; and, adequate control of state fleet cards.

This information was developed based on our fieldwork conducted over the period March 11, 2016 through August 8, 2016. Although the finalization of our report was somewhat delayed due to other high priority assignments, as findings were observed and developed during our audit fieldwork, DOR's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our August 2016 audit exit conference, DOR 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 2015/16 fiscal year.

### DRIVER SAFETY AND INSURANCE PROGRAM

The DOR 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 updated and signed for 16 (73%) of the 22 employees included in our sample tests for those who used their own vehicle on state business; the audit team was eventually provided with updated and signed STD 261 forms for all 16 employees after DOR was requested to do so. The DOR'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 entirely effective.

**CALIFORNIA DEPARTMENT OF REHABILITATION**  
**Findings and Recommendations, Cont'd**

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**Recommendation**


3. Implement policies and procedures that ensure the adequate control of State Fleet Cards. This process should ensure compliance with the State Fleet Card Program requirement that fleet card users sign an agreement addressing compliance with usage policies and procedures.

**CONCLUSION**

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

**DOR DEPARTMENT of  
REHABILITATION**  
Employment, Independence & Equality

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April 18, 2017

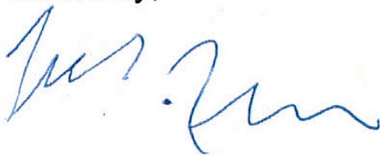
Dear Mr. Miras:

Thank you for the opportunity to respond to the findings identified in the report. The Department of Rehabilitation (DOR) has carefully reviewed the draft report "Audit of the Department of Rehabilitation for Compliance with State Business Management Policies Report No. 6122" dated August 2016.

DOR acknowledges the audit findings and has included responses to the individual findings in the attached document. DOR management has taken action to address the compliance issues identified in the draft report to ensure 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).

We appreciated the ongoing communication, professionalism and collaboration of the DGS audit team. If you have any questions or concerns, please contact Fariba Shahmirzadi, Administrative Services Division Deputy Director, at (916) 558-5808 or [fariba.shahmirzadi@dor.ca.gov](mailto:fariba.shahmirzadi@dor.ca.gov).

Sincerely,



Joe Xavier  
Director

requirements, and understands their responsibilities when driving on state business.

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- An e-mail reminder from the DOR State Fleet Vehicle Coordinator was sent April 3, 2017 to supervisors and managers, and will be sent on a quarterly basis to ensure employees that drive on state business are in compliance with DGS and DOR state driver requirements. This communication will reinforce the need for completion of the Authorization to Use Privately Owned Vehicles on State Business (STD 261) form, Defensive Driver Training, Fleet Card User Agreement form, and monthly mileage log tracking and reporting.
- DOR is in the process of updating its policy manual on the requirement for defensive driver training every 4 years.
- Since the STD. 261 requires annual renewal, a standalone e-mail reminder will be sent to DOR managers and supervisors requiring their reply confirming that all staff authorized to use privately-owned vehicles on state business have completed this form. DOR managers and supervisor responses will be logged and follow-up communication will be sent to non-responders.
- In February of each year, a standalone e-mail reminder is sent for defensive driver training. Copies of training completion certificates are required to verify participation and frequent drivers eligible to take defensive driver training (every four years) are provided monthly reminders to complete the training until certification is received.
- The DOR State Fleet Vehicle Coordinator will conduct quarterly audits of submitted Monthly Travel Logs (STD. 273) to ensure that drivers reporting mileage on the travel logs complete and submit the State Fleet Card User Agreement (DR 93) form.



**CALIFORNIA DEPARTMENT OF REHABILITATION  
COMPLIANCE AUDIT**

**EVALUATION OF DOR'S RESPONSE**

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