



# MEMORANDUM

---

**Date:** June 20, 2018

File No.: 8125

**To:** The Honorable Dave Jones, Insurance Commissioner  
California Department of Insurance  
300 Capitol Mall, 17<sup>th</sup> Floor  
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 Insurance (CDI). 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 CDI is conducting its business management functions and services in compliance with state requirements.

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

If you need further information or assistance on this report, please call or e-mail me at (916) 376-5064 / [dennis.miras@dgs.ca.gov](mailto:dennis.miras@dgs.ca.gov), or Christopher Harris, Management Auditor, at (916) 376-5059 / [chris.harris@dgs.ca.gov](mailto:chris.harris@dgs.ca.gov).

*Dennis M Miras*

DENNIS M MIRAS, CIA  
Manager, Office of Audit Services

Attachment

cc: Laurie Menchaca, Chief, Human Resources Management Division  
Justin Smith, Chief, Financial Management Division  
Matthew S. Ayson, Bureau Chief, Business Management Bureau  
Merita Chung, Bureau Chief, Accounting Services Bureau  
George Mendoza, Chief, Internal Audits

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE CALIFORNIA  
DEPARTMENT OF INSURANCE**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 8125**

**OFFICE OF AUDIT SERVICES**

**FEBRUARY 2018**

**CALIFORNIA DEPARTMENT OF  
INSURANCE  
COMPLIANCE AUDIT  
REPORT NO. 8125**

**TABLE OF CONTENTS**

	<u>PAGE</u>
AUDITOR'S REPORT.....	1

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

DATE: June 20, 2018

TO: **THE HONORABLE DAVE JONES**  
Insurance Commissioner

This report presents the results of our compliance audit of the business management functions and services of the California Department of Insurance (CDI). 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 procedures and transactions completed during the 2014/15 through 2017/18 fiscal years.

Based on the audit results of our fieldwork conducted over the period September 13, 2017 through February 6, 2018, we concluded that in most areas CDI is conducting its business management functions and services in accordance with state requirements. We did however, identify the following areas for improvement:

- e The CDI's driver safety and insurance processes are not ensuring that: 1) all accidents are reported to DGS' Office of Risk and Insurance Management (ORIM) within the required 48-hour time frame on a Std. 270 as required by State Administrative Manual (SAM) Section 2430; and, 2) the Std. 274 Supervisory Review form is completed and forwarded to ORIM and the agency's Safety Coordinator as required by SAM Section 2440.e

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. In addition, during our review we also identified other matters requiring attention that we discussed with CDI's management but are also not included in this report.

We are pleased with how receptive and responsive CDI staff and management were to our suggestions for improvement and with the prompt actions taken to address issues identified and discussed during our audit fieldwork. However, we did not perform subsequent effectiveness tests to determine whether the corrective actions were functioning as intended. CDI'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 CDI's personnel.

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

*Dennis M Miras*

DENNIS MIRAS,  
Manager, Office of Audit Services

Staff: Christopher Harris, Management Auditor, MPA

cc: Laurie Menchaca, Chief, Human Resources Management Division  
Justin Smith, Chief, Financial Management Division  
Matthew S. Ayson, Bureau Chief, Business Management Bureau  
Merita Chung, Bureau Chief, Accounting Services Bureau  
George Mendoza, Chief, Internal Audits