



MEMORANDUM

Date: July 28, 2021 File No.: 0129

To: **David Shabazian, Director**
Department of Conservation
801 K Street
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 Conservation (DOC). 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).

DOC'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 duties, our office is responsible for following up on audit recommendations and normally requires a six-month status report on the implementation of each. However, due to the corrective actions taken and supporting documentation provided since the completion of audit fieldwork, which are deemed adequate enough to sufficiently address current findings and recommendations, no status report will be necessary. We applaud DOC for its efforts in swiftly addressing our concerns.

We sincerely appreciated all the cooperation and assistance provided by DOC's personnel.

If you need further information on or assistance with this report, please call/email me at (916) 376-5064/Dennis.Miras@dgs.ca.gov or, Melissa Hambridge, Management Auditor, at (916) 376-5062/Melissa.Hambridge@dgs.ca.gov.

Dennis M Miras

DENNIS M. MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Clayton Haas, Assistant Director
Melody Williamson, Deputy Assistant Director, Division of Administration
Melissa Glau, SSM I, Performance Review Unit
Judy Morita-Joe, Chief Accounting Officer, Accounting

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF CONSERVATION**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 0129**

OFFICE OF AUDIT SERVICES

JUNE 2021

**DEPARTMENT OF CONSERVATION
(DOC)**

**COMPLIANCE AUDIT
REPORT NO. 0129**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: July 28, 2021

TO: **David Shabazian, Director**
Department of Conservation

This report presents the results of our compliance audit of the business management functions and services of the Department of Conservation (DOC). 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 this audit included, but was not limited to, compliance with policies and procedures governing contracting, fleet and travel services 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.

While in most areas we concluded that DOC 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 DOC in addressing the following issues:

- DOC's fleet administration program is not ensuring the reporting and updating of its fleet assets' inventory and usage information into DGS' Fleet Asset Management System (FAMS) in an accurate and timely manner.
- Travel services policies and procedures are not ensuring the completion of a justification form when rental car transactions exceed the daily or weekly contracted rates.

During our review we also identified other matters requiring attention, but that did not pose a significant risk to the business management functions, which were discussed with DOC's management and are not further detailed 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, DOC'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. DOC'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 our recommendations as well as our evaluation of the response are included in this report.

We sincerely appreciated the cooperation and assistance provided by DOC's personnel.

If you need further information on or assistance with this report, please call/e-mail me at (916) 376-5064/Dennis.Miras@dgs.ca.gov, or Melissa Hambridge, Management Auditor, at (916) 376-5062/Melissa.Hambridge@dgs.ca.gov.

Dennis M Miras

DENNIS M. MIRAS, CIA
Manager, Office of Audit Services

Staff: Melissa Hambridge, Management Auditor

cc: Clayton Haas, Assistant Director
Melody Williamson, Deputy Assistant Director, Division of Administration
Melissa Glau, SSM I, Performance Review Unit
Judy Morita-Joe, Chief Accounting Officer, Accounting

DEPARTMENT OF CONSERVATION

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 Conservation (DOC) 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: reporting of fleet asset management activities and completion of supervisory approved justification forms for car rental overcharges.

This information was developed based on our fieldwork conducted over the period of May 20, 2020 through June 4, 2021. In addition to this written report, as findings were observed and developed during our audit fieldwork, DOC's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our June 10, 2021 audit exit conference, DOC 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 2019-20 fiscal year.

FLEET MANAGEMENT AND TRAVEL SERVICES PROGRAMS

DOC needs to strengthen its oversight of the department's fleet and travel services programs. Specifically, the following areas need further attention:

- ***Fleet Asset Management System (FAMS) Reporting*** – DOC's current practices are not ensuring that vehicle information is reported into FAMS in a timely and accurate manner, in accordance with OFAM's (Office of Fleet and Asset Management) policies and procedures.

SAM Sections 4120.1 and 4125 require state agencies to update their fleet asset information into FAMS on a monthly basis, including fuel and utilization data. This is necessary in order for OFAM to meet its mandatory reporting responsibilities to the legislature and the federal government. Further, the State of California Fleet Handbook requires agencies to “update FAMS by the 15th of each month with the following data from the previous month: (1) updated inventory; (2) usage data, including ending odometer readings and/or hour meter readings; and (3) fuel data.” These requirements apply to all fleet assets, owned or rented, that are in the agency’s control for more than 30 consecutive calendar days or more than four consecutive work weeks.

Specifically, at the time of our review DOC had accounted for a fleet size of 112 owned vehicles; DGS’ OFAM on the other hand, had 134 owned vehicle assets in its FAMS records. This 22-vehicle asset inventory difference represents a 20% shortage in the number of vehicles DOC stated it owned vs. what it had reported to DGS. Subsequent corrective efforts undertaken by DOC reduced this difference to 13 (11% shortage); 121 owned vs. 134 reported.

Additionally, when we attempted to reconcile fleet asset data reported to OFAM against supporting documentation provided by DOC, we noted large discrepancies consisting of 258 data gaps and 936 usage gaps. OFAM considers these number of gaps significant, particularly considering a fleet size of just 134 total active assets. Corrective measures taken by DOC after the end of our fieldwork appear to have reduced these discrepancies to 14 data gaps and 468 usage gaps.

Finally, it was determined that DOC was not updating its fleet asset information into FAMS on a monthly basis, including fuel and utilization data for its owned vehicles.

While it was difficult to determine the primary cause(s) for each of the aforementioned exceptions, apparent difficulties DOC personnel have had accessing FAMS to input data each month was a contributing factor.

It should be noted that DOC has been working directly with OFAM and other DGS personnel to address these discrepancies and has made great progress through these efforts. However, as a result of the above noted conditions which currently remain outstanding, DOC is not in compliance with OFAM accounting and reporting practices.

- **Rental Car Usage Compliance** – DOC's policies and procedures are not ensuring that an SCO Justification Form is being completed for those rental car transactions that exceed the daily or weekly contracted rates.

Our review of 49 transactions revealed 14 (29%) car rentals that exceeded the state contracted rate; however, a signed justification form was not on file for eight of these 14 at the time of travel as required by current travel notices. DGS Travel Bulletin 20-01 requires employees to obtain supervisory approval prior to renting a vehicle larger than the intermediate size by using the SCO Justification Form, which then needs to accompany the invoice to SCO for payment.

Recommendations

1. Reconcile (and adjust, accordingly) internal fleet asset inventory information with OFAM's records.
2. Accurately update information into FAMS on a monthly basis, including fuel and utilization data for owned vehicles.
3. Update current policies and procedures to ensure the SCO Justification Form is completed and submitted with the invoice when rental car transactions exceed the daily or weekly contracted rates. Management personnel and their staff should be reminded of the need to complete the form and obtain prior supervisory approval as warranted.

CONCLUSION

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



California
**Department of
Conservation**

Gavin Newsom, Governor
David Shabazian, Director

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MEMORANDUM

DATE: July 22, 2021

To: Department of General Service

Office of Audit

FROM: Clayton Haas

DocuSigned by:

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Assistant Director, Division of Administration

SUBJECT: Department of Conservation Response to Official Draft Report

Please see below responses related to the corrective actions outlined in the Official Draft Report from the Office of Audit Services.

Recommendations #1 & #2 related to FAMS Reporting

Reconcile (and adjust, accordingly) internal fleet asset inventory information with OFAM's records. Accurately update information into FAMS on a monthly basis, including fuel and utilization data for owned vehicles.

DOC Response

We concur and have taken the following actions. DOC has worked very closely with DGS FAMS to reconcile and adjust its fleet asset inventory information with that of FAMS. These efforts have resulted in the correction and reduction of the number of data gaps from 1,194 in July 2019 to 482 in May 2021. DOC continues to work with FAMS to reduce this further and to report and maintain updated information on a monthly basis

Recommendation #3 related to Rental Car Usage Compliance

Update current policies and procedures to ensure the SCO Justification Form is completed and submitted with the invoice when rental car transactions exceed the



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daily or weekly contracted rates. Management personnel and their staff should be reminded of the need to complete the form and obtain prior supervisory approval as warranted

DOC Response

We concur and have taken the following actions ... DOC has updated its Travel Guide, sections TG 3420 and TG 3430 and has provided DGS' OAS with supporting documentation of this. Rental Car rates have been added to our page on DocInsider to better assist travelers with current contract rates.

Further, to better fix our system for vehicles being selected higher than contract state rate, DOC has updated DocInsider with the rental car rates provided from DGS for employees to view and updated the Travel Guide under section TG 3420 to list the actual rate of \$37.75 daily or \$158.55 weekly for compact or intermediate sized vehicles so employees are able to quickly identify the contracted state rate. Also, a hyperlink is found in the text of the Travel Guide for employees to view the rental car rate provided by DGS. When we receive our monthly rental car reports, we will check to see if there are costs that are above the contracted state rate and contact employee of costs that are above the contracted state rate. When claims are submitted, we will make sure to check that rental car justification forms are submitted with claim as well. With these procedures we should be more effective in receiving Short-Term Vehicle Justification forms and better inform employees of the contracted rate.

**DEPARTMENT OF CONSERVATION
(DOC)**

COMPLIANCE AUDIT

EVALUATION OF DOC'S RESPONSE

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

As part of its operating duties, our office is responsible for following up on audit recommendations and normally requires a six-month status report on the implementation of each. However, due to the corrective actions taken and supporting documentation provided since the completion of audit fieldwork, which are deemed adequate enough to sufficiently address current findings and recommendations, no status report will be necessary. We applaud DOC for its efforts in swiftly addressing our concerns.