

Date: April 26, 2024 File No.: 3122

To: Eraina Ortega, Director
Department of Human Resources
1515 S Street, North Building, Suite 500
Sacramento, CA 95811-7258

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 Human Resources (CalHR). 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).

CalHR'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 and will require a six-month status report on the implementation of each recommendation. Therefore, please submit on your department's official letterhead the status report to us by October 28, 2024.

To the extent that it is practicable, any proof-of-practice and supporting documentation should explain/outline specific actions taken and include excerpts, samples, screenshots, and/or copies of documents and communications which demonstrate corrective measures employed to address each of our recommendations, consistent with CalHR's individual formal responses to our draft report.

The necessity of any further actions or additional support will be determined at that time. Please transmit your proof-of-practice documentation and/or status report to: DGS – Office of Audit Services, 707 3rd Street, 8th Floor, West Sacramento, CA 95605.

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

If you have any questions, please call me at (916) 376-5054, or Monica De La Rosa, Management Auditor, at (279) 799-3759.

Olivia Haug

OLIVIA HAUG
Manager, Office of Audit Services

Attachment

cc: Monica Erickson, Chief Deputy Director, CalHR
Frolan Aguilin, Chief Counsel, CalHR
Helen Fairchild, Chief Operating Officer, CalHR
Joleen Martin, Fiscal Officer, CalHR
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF HUMAN RESOURCES**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 3122**

OFFICE OF AUDIT SERVICES

NOVEMBER 2023

**DEPARTMENT OF HUMAN RESOURCES
COMPLIANCE AUDIT
REPORT NO. 3122**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: April 26, 2024

TO: Eraina Ortega, Director
Department of Human Resources

This report presents the results of our compliance audit of the business management functions and services of the Department of Human Resources (CalHR). These audits are routinely performed under the authority granted to the Department of General Services (DGS) by Government Code Sections 14615 and 14619 and Public Contract Code Section 10333. 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 the delegated purchasing program, contracting, fleet administration, small business and disabled veteran business enterprises usage, driver safety and insurance, surplus property, and real estate.

While in most areas we concluded that CalHR 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 CalHR in addressing these issues:

- CalHR's delegated purchasing authority practices are not in full compliance with several applicable state requirements governing these types of procurements. To avoid duplication, and because there were several deficiencies noted, they are not individually listed here and are instead each outlined later within the body of this report.
- Invoice processing policies and procedures are not ensuring vendor invoices are date stamped, promptly paid and the annual Late Payment Penalty Report is completed and submitted to DGS' Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS).
- Contracting program policies and procedures are not ensuring full compliance with state contracting requirements. The types of exceptions noted during our audit included: (1) no verification prior to contract award that a corporation is in good standing to do business in California;

(2) no notification to unions about the proposed contract; (3) no fair and reasonable cost justification documented, or two price quotes obtained, when entering into small dollar contracts for non-IT services under \$10,000.

- CalHR'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 authorization form.
- Fleet Card and Travel policies and procedures are not ensuring employees who travel to conduct state business make all travel arrangements through DGS' Statewide Travel Program; compliance with the State Fleet Card Program; and completion of a justification form when renting a vehicle at a rate higher than the contracted rate.
- Sufficient documentation is not being maintained on the process used to dispose of surplus personal property.

During our review we also identified other matters requiring attention, but did not pose a significant risk to the business management functions, that we discussed with CalHR'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, CalHR'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. CalHR'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 CalHR's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5054, or Monica De La Rosa, Management Auditor, at (279) 799-3759.

Olivia Haug

OLIVIA HAUG
Manager, Office of Audit Services

Eraina Ortega, Director

April 26, 2024

Staff: Monica De La Rosa, Management Auditor

cc: Monica Erickson, Chief Deputy Director, CalHR
Frolan Aguilin, Chief Counsel, CalHR
Helen Fairchild, Chief Operating Officer, CalHR
Joleen Martin, Fiscal Officer, CalHR
Purchasing Authority Management Section (PAMS), Procurement Division,
DGS

DEPARTMENT OF HUMAN RESOURCES

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 Human Resources (CalHR) 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: delegated purchasing program; prompt payment of invoices; contracting for services; driver safety and insurance program; fleet and travel management practices; and disposition of surplus personal property.

This information was developed based on our fieldwork conducted over the period of November 10, 2022 through November 29, 2023. In addition to this written report, as findings were observed and developed during our audit fieldwork, CalHR's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, during our November 29, 2023 audit exit conference, CalHR 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 2021-22 and 2022-23 fiscal years.

DELEGATED PURCHASING PROGRAM

While we concluded that CalHR has implemented a delegated purchasing program that ensures compliance with the state's primary procurement requirements, our tests of a sample of 43 transactions, including 13 leveraged procurement agreement (LPA) transactions, disclosed a number of areas for improvement that need to be addressed to fully comply with delegated purchasing requirements. When a department is transacting in FI\$Cal (Financial Information System for California), as CalHR currently does, the state's delegated purchasing requirements are primarily contained in the Consolidated State Contracting Manual Volume 2 (SCM Vol. 2).

Since the instances of noncompliance were discussed with responsible management and staff during our audit fieldwork, they are not detailed in this report. However, the types of exceptions noted included weaknesses involving the following purchasing practices (applicable criteria provided):

- Maintenance of procurement logs (SCM Vol. 2, 100.3)
- Purchasing authority number noted on the purchase order (SCM Vol. 2, 100.1 and 1803)
- Correct procurement method and classification (SCM Vol. 2, 303)
- General provisions referenced on the purchasing document (SCM Vol. 2, 1403.3)
- Solicitations, with reference bidder instructions and general provisions located in the procurement file (SCM Vol. 2, 1403.3)
- Disabled Veteran Business Enterprise (DVBE) program requirements are included within the solicitation (SCM Vol. 2, 1201)
- Seller's permits maintained in the procurement file (SCM Vol. 2, 1403.3)
- Signed Bidder Declarations in the procurement file (SCM Vol. 2, 1202)
- Signed DVBE Declaration in the procurement file for DVBE certified vendors (DGS PD 843) (SCM Vol. 2, 1201)
- Supporting documentation is contained within the transaction file that Franchise Tax Board (FTB) and the California Department of Tax and Fee Administration (CDTFA) websites are checked to verify that contractors are not on any prohibited lists (SCM Vol. 2, 605)
- Small business (SB) and DVBE vendor certification verified (SCM Vol. 2, 1200)
- Commercially Useful Function (CUF) evaluations performed to determine SB/DVBE status (SCM Vol. 2, 1200.1)
- Purchases over \$5,000 are reported to the Department of Fair Employment and Housing (DFEH) (SCM Vol. 2, 2200.4)
- Correct fair and reasonable method in the procurement file (SCM Vol. 2, 1510)
- Fair and reasonable support maintained in the procurement file (SCM Vol. 2, 1510)
- Certification of Compliance with IT Policies for procurements over \$5,000 are maintained (SCM Vol. 2, 1013)
- LPA documentation:
 - References to LPA terms and conditions are included in the purchase document (SCM Vol. 2, 1602)
 - A complete LPA (or its location by reference) is encompassed within the procurement file (SCM Vol. 2, 1602 and 1604)
 - LPA user instructions are maintained in the procurement file (SCM Vol. 2, 1602)

- LPA contract cover pages are maintained in the procurement file (SCM Vol. 2, 1602)
- LPA contract pricing pages are maintained in the procurement file (SCM Vol. 2, 1602)
- Purchases are made in accordance with applicable LPA terms and conditions (SCM Vol. 2, 1602)

While it was difficult to determine the primary causes of all the aforementioned exceptions, responsible staff not being fully aware of all applicable requirements and simple oversight while processing these types of transactions were found to be contributing factors.

Recommendation

1. Strengthen existing policies and procedures to assist in ensuring full compliance with the requirements of the delegated purchasing program. This process should address each of the issues noted above.
2. Strengthen existing procurement file checklist and consistently use the checklist with each transaction.
3. Implement a procurement log tracking system outside of FI\$Cal, so procurement staff can more effectively monitor and review purchasing activities.

PROMPT PAYMENT OF INVOICES

CalHR's current invoice processing policies and procedures are not ensuring the prompt payment of vendor invoices. In reviewing a sample of 13 invoices processed for payment, we found 7 (54%) invoices which were not processed in a manner that ensured payment in accordance with the state's prompt payment requirements.

Specifically, these invoices were not paid within 45 calendar days of receipt by CalHR and were up to 147 days late (averaged 66 days late). Further, late payment penalty fees due to 3 of these vendors were not paid as required. Unpaid penalties totaled nearly \$635, ranged from \$108.16 to \$357.61 per invoice, and averaged \$211.50 each.

Government Code Section 927, et seq., and SAM Sections 8474 through 8474.4 contain the state's policies related to the prompt payment of businesses. These policies include a requirement that vendor invoices be paid within 45 calendar

days of receipt and the automatic payment of penalties when applicable. The 45-day timeline allows state agencies 30 days to perform their payment approval function and the State Controller's Office (SCO) 15 days to perform its audit and warrant generation process. The failure to promptly pay invoices restricts the state's efforts in getting businesses to provide goods and services to the state.

We also determined that 7 (54%) of the 13 invoices tested were not date stamped upon receipt by CalHR. SCM Vol. 2 states:

To accurately measure and track payment timeliness, all invoices must be:

- Date stamped or receipt date designated in ink on the front of the invoice (to accommodate photocopying) when first received at the "billed to" departmental location as identified in the purchase document.
- Promptly forwarded to the department's accounting office if the invoice is received elsewhere in the department and the purchase document states the "bill to" address is the accounting office. It is recommended that the invoice be date stamped upon first arrival in the department, even if received at other than the "bill to" address on the purchase document.

Vendors sending invoices directly to program managers and programs not date stamping invoices when received contributed to the above conditions. It should be noted that an invoice is to be paid within 45 days of receipt by CalHR regardless of whether the accounting office or the program unit receives the invoice first.

Furthermore, SCM Vol. 2, 2200.3 states that The Prompt Payment Act requires departments to submit a Late Payment Penalties Report to DGS by September 30, each year for the prior fiscal year. CalHR did not submit the Late Payment Penalties Report for fiscal year 2021/22.

Recommendation

4. Update policies and procedures that ensure the timely processing of vendor invoices and payment of applicable penalty fees as required by state policy. As part of this process, program management should be reminded of the importance of promptly forwarding invoices and payment approvals to Accounting for payment. Additionally, ensure that all invoices are date stamped upon receipt by the department.

5. Update policies and procedures that address the requirements to submit the Late Payment Penalties Report to DGS' Office of Small Business and DVBE Services annually by September 30 for the preceding fiscal year.

CONTRACTING PROGRAM

Overall, we determined that CalHR was conducting its contracting program in compliance with state requirements. However, our sample tests of the various types¹ of contracts processed disclosed a number of areas for improvement that need to be addressed to fully comply with the state's service contracting requirements. The state's contracting requirements are primarily contained in SCM Volume 1.

Since the instances of noncompliance were discussed with responsible management and staff during our audit fieldwork, they are not detailed in this report. However, the types of exceptions noted included weaknesses involving the following contracting practices (applicable criteria provided):

- Documentation demonstrating the department notified all organizations that represent state employees who perform that type of work, of the proposed contract (SCM Vol. 1, 7.05 D.1.a)
- Documentation is maintained verifying a contractor is in "good standing" with the Secretary of State (SOS) (SCM Vol. 1, 5.30 A.6.c)
- Fair and reasonable cost justification is documented, or two price quotes obtained, when entering into small dollar contracts for non-IT services under \$10,000. (SCM Vol. 1, 5.90)

Workload, staff training, and oversight while processing these kinds of transactions contributed to the above conditions.

Recommendation

6. Improve existing policies and procedures and ensure staff are trained and knowledgeable of the contracting process to ensure compliance with state service contracting requirements.

¹ The types of contracts tested for compliance included both contracts subject to DGS review and approval (generally contracts of an amount of \$50,000 or more) and those delegated to CalHR to directly execute (generally contracts of an amount under \$50,000).

DRIVER SAFETY AND INSURANCE PROGRAM

CalHR 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 all 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 12 (100%) of 12 employees included in our sample tests prior to using their own vehicle on state business.

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 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
- In safe mechanical condition

Limited policy for completing the STD. 261 and management not ensuring a current STD. 261 is on file prior to authorizing an employee to use their personal vehicle on state business are contributing factors.

Recommendation

7. Strengthen current 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 periodic notification(s) to managers/supervisors regarding their responsibilities for ensuring the completion and updating of the form.

FLEET CARD AND TRAVEL SERVICES PROGRAMS

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

- **Statewide Travel Program** – Current travel policies and procedures are not ensuring that all employees who travel overnight to conduct state business secure their hotel needs through the state's travel program. While CalHR appears to always utilize DGS' Statewide Travel Program (STP) for airfare and car rentals, our audit analyses revealed 7 (50%) of 14 employees that sought reimbursement for lodging had not booked their hotel stays through either the CalTravelStore or Concur Travel.

DGS Management Memo 14-03 and SAM Section 4117 require agencies to make all travel arrangements (airfare, hotel, commercial car rental, and rail) through DGS' STP. This program provides for government travelers' needs by obtaining the most economical rates and fares available through the use of contracted travel-related services. It offers comprehensive travel services through Concur Travel, an online booking tool that is the primary means for booking all reservations. The STP also offers traditional call-in service through the CalTravelStore, the state's onsite contracted travel agency.

This condition exists primarily because the department did not maintain written policies and procedures for statewide travel. Employees were not aware of the requirements to book through the state's program. In addition, an extended position vacancy for the travel coordinator position contributed to the noncompliance issue.

- **State Fleet Card Program** – CalHR has not implemented adequate and effective policies and procedures that ensure the adequate control of state fleet cards. Fleet cards are primarily used by state employees to purchase fuel for vehicles used for official state business. In brief, SAM Section 4108 establishes 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: (1) implementing written oversight procedures; (2) designating a coordinator to closely manage the use of the program; (3) submitting to OFAM (Office of Fleet and Asset Management) an annual certification that the department has executed required procedures; and, (4) requiring card users to sign an agreement addressing compliance with usage policies and procedures.

There are four employees that at times can have access to the state fleet card for mailroom duties. None of the four employees had a signed fleet card user agreement on file at the time of testing. The cause of this is contributed to staff turnover and position changes within the department.

- **Rental Car Usage Compliance** – CalHR'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 rate. Our review of 38 transactions revealed 24 (63%) car rental transactions that exceeded the state contracted rate. A sample of 18 of the 24 transactions revealed 17 (94%) did not have a justification form on file as required by current travel notices. DGS Travel Bulletin 21-01 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.

Recommendation

8. Distribute recently developed travel policies and procedures to ensure that all employees required to travel on state business secure all their travel needs through either Concur Travel or the CalTravelStore, including booking of their hotel stays.
9. Reinforce policies and procedures that will ensure the adequate control of State Fleet Cards in accordance with SAM Section 4108. This process should ensure compliance with State Fleet Card Program requirements, which includes requiring all card users to sign an agreement addressing compliance with usage policies and procedures.
10. 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 rate. Management personnel and their staff should be reminded of the need to complete the form and obtain prior supervisory approval as warranted.

DISPOSAL OF SURPLUS PERSONAL PROPERTY

Policies and procedures have not been implemented which ensure that sufficient documentation is maintained on the process used to dispose of surplus personal property. Specifically, our review of four Property Survey Reports (STD. 152) disclosed that none had documentation certifying the disposal of the state-owned personal property. In general, documentation was not available on

which CalHR employee supervised a property item's disposal and the manner and date the disposal occurred.

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.

In addition to the issue noted above, all four STD. 152s were IT related; however, they showed no evidence that California Prison Industry Authority (CALPIA) was contacted for the electronic waste (E-Waste) disposal.

SAM Section 3520.10 provides that state E-Waste is required, to the maximum extent feasible, to be recycled through the E-Waste services at CALPIA. If the E-Waste is located outside of the CALPIA pickup zone or quantity threshold, an E-Waste Exemption Request Form (EWR-F400) with CALPIA approval is required to use an alternative Department of Toxic Substances Control (DTSC) authorized E-Waste recycler.

Current policies and procedures are not sufficient to ensure compliance with the certification of disposal. Furthermore, employees and management were unaware that CALPIA must be contacted first for E-Waste disposal.

Recommendation

11. Update surplus personal property program policies and procedures which ensure that complete documentation is maintained on the status of, and process used to dispose of surplus personal property, and the requirements to contact CALPIA for all E-Waste disposal needs. Be sure to communicate all related revisions to all pertinent staff involved in the process.

CONCLUSION

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

Administrative Services Division
1515 S Street, North Building, Suite 500
Sacramento, CA 95811
(916) 909-3758 Fax (916) 327-0568

Governor Gavin Newsom
Secretary, Government Operations Agency Amy Tong
Director Eraina Ortega

April 9, 2024

Olivia Haug
Manager, Office of Audit Services
Department of General Services
707 3rd Street
West Sacramento, CA 95605

Re: Department of Human Resources Audit Response for Compliance with State Business Management Policies Report No. 3122

Dear Ms. Haug,

The Department of Human Resources (CalHR) has reviewed the draft report from Department of General Services (DGS), Office of Audit Services and agrees with the findings and recommendations. CalHR has developed a Corrective Action Plan and is working to implement solutions to address the recommendations made by DGS, Office of Audit Services.

Delegated Purchasing Program

Recommendation 1: Strengthen existing policies and procedures to assist in ensuring full compliance with the requirements of the delegated purchasing program. This process should address each of the issues noted above.

Response: CalHR has updated its policies and procedures and trained buyers in proper documentation of the purchasing process. Staff have also been trained in utilizing the correct procurement method and classifications.

Recommendation 2: Strengthen existing procurement file checklist and consistently use the checklist with each transaction.

Response: The procurement file checklist has been revised and versions have been created for each procurement method. Buyers have been trained in the use the checklist and are consistently using it with each transaction.

Recommendation 3: Implement a procurement log tracking system outside of FI\$Cal so procurement staff can more effectively monitor and review purchasing activities.

Response: CalHR has implemented a procurement tracking log which includes all contracts and Fi\$Cal purchase orders. The procurement tracking log is a useful resource to track all purchases at a glance without requiring users to log into the Fi\$Cal website and generate reports.

Prompt Payment of Invoices

Recommendation 4: Update policies and procedures that ensure the timely processing of vendor invoices and payment of applicable penalty fees as required by state policy. As part of this process, program management should be reminded of the importance of promptly forwarding invoices and payment approvals to Accounting for payment. Additionally, ensure that all invoices are date stamped upon receipt by the department.

Response: CalHR is in the process of updating the Prompt Payment of Invoices policy. We have implemented a new date stamp process for the electronic incoming invoices with date stamping the date received on the invoice. CalHR has updated program to date stamp the incoming invoices when received. We have also fixed the electronic date stamp machine in accounting to include date and time incoming invoices are received.

Recommendation 5: Update policies and procedures that address the requirements to submit the Late Payment Penalties Report to DGS' Office of Small Business and DVBE Services annually by September 30 for the preceding fiscal year.

Response: CalHR updated the policies and procedures as of September 30, 2023, and submitted the report to DGS. This process has been included in the accounting unit's year-end work plan to ensure the annual report is submitted to meet compliance.

Contracting Program

Recommendation 6: Improve existing policies and procedures and ensure staff are trained and knowledgeable of the contracting process to ensure compliance with state service contracting requirements.

Response: CalHR has improved existing policies and procedures. CalHR has implemented a procurement checklist which includes documentation for fair and reasonable purchase, verifying a contractor is in good standing with the Secretary of State, and notifying employee unions per GOV § 19130. CalHR has provided refresher training for all procurement methods and their applicable procurement checklist.

Diver Safety and Insurance Program

Recommendation 7: Strengthen current 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 periodic notification(s) to managers/supervisors regarding their responsibilities for ensuring the completion an updating of the form.

Response: CalHR has updated its policies and procedures. The onboarding process has been updated to include the STD. 261 to be completed upon hire. The form has also been added to CalHR's annual policy renewal acknowledgment process. As part of this process, managers and supervisors will collect and submit the forms to the accounting office annually.

Fleet Management and Travel Services Programs

Recommendation 8: Distribute recently developed travel policies and procedures to ensure that all employees required to travel on state business secure all their travel needs through either Concur Travel or the CalTravelStore, including booking of their hotel stays.

Response: CalHR has updated travel policies and procedures to ensure the employees are aware of the departments travel booking requirements. The internal website has been updated to reflect all rules of booking travel including airfare, rental car and hotel stays.

Recommendation 9: Reinforce policies and procedures that will ensure the adequate control of State Fleet Cards in accordance with SAM Section 4108. This process should ensure compliance with State Fleet Card Program requirements, which includes requiring all card users to sign an agreement addressing compliance with usage policies and procedures.

Response: CalHR has updated the State Fleet Card policies and procedures and obtained signed State Fleet card user agreements from all Fleet Card users.

Recommendation 10: 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 rate. Management personnel and their staff should be reminded of the need to complete the form and obtain prior supervisory approval as warranted.

Response: CalHR has updated the Rental Car Usage policy and procedures. The update has ensured that rental car transactions exceeding the daily or weekly contracted rate at the time of travel is properly documented, justified and approved in advance. This update will enhance financial control and prevent unjustified or unnecessary expenditures.

Disposal of Surplus Personal Property

Recommendation 11: Update surplus personal property program policies and procedures which ensure that complete documentation is maintained on the status of, and process used to dispose of surplus personal property, and the requirements to

contact CALPIA for all E-Waste disposal needs. Be sure to communicate all related revisions to all pertinent staff involved in the process.

Response: CalHR has updated its policies and procedures to address the requirements for completion of the Certificate of Disposition on the Property Survey Reports and the need to contact CalPIA prior to e-waste disposal. All staff involved with hardware property survey have been trained on the new procedure and are aware of where the procedures are stored.

If you have further questions, please contact Joleen Martin at 916-909-2817.

Sincerely,



Helen Fairchild
Chief Operating Officer

Cc: Eraina Ortega, Director, CalHR
Monica Erickson, Chief Deputy Director, CalHR
Frolan Aguilung, Chief Counsel, CalHR
Joleen Martin, Fiscal Officer, CalHR

DEPARTMENT OF HUMAN RESOURCES (CALHR)

EVALUATION OF CALHR'S RESPONSE

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

As part of its operating duties, DGS is 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, proof-of-practice and supporting documentation should be specific and include excerpts and/or copies of the following:

- All updated procurement and contracting policies and procedures
- Enhanced and expanded checklists implemented as additional tools to assist with meeting contracting and delegated purchasing program requirements
- Sample of procurement tracking logs
- Updated invoice processing policies and procedures; instructions and training material relative to date stamping and timely processing of invoices
- Examples of emails/reminders sent out to all staff regarding STD. 261 certifications
- Updated travel manual and procedures addressing STD. 261 requirements
- Updated travel policies and procedures requiring the use of the Statewide Travel Program as well as the proper completion of the SCO Justification Form
- Sample email or other means used to distribute recently developed State Fleet Card policies and procedures
- Updated and disseminated surplus personal property program policies and procedures