



MEMORANDUM

Date: March 10, 2017 File No.: 5120

To: Bruce Saito, Director
California Conservation Corps
1719 24th Street
Sacramento, CA 95816

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 Conservation Corps (CCC). 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 CCC's written response to our draft report is included in the attached final report. This report also includes our evaluation of the response. We are pleased with the actions being taken to address our recommendations.

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

If you need further information or assistance on this report, please call me at (916) 376-5058, or Dennis Miras, Audit Supervisor, at (916) 376-5064.

Dennis M Miras

On behalf of

ANDY WON,
Acting Chief, Office of Audit Services

Attachment

cc: Amy Cameron, Chief Deputy Director
Dawne Bortolazzo, Deputy Director, Administrative Division
Erika Rodea, Chief, Accounting Branch
Michael Haupt, Manager, Business Services and Contracts Branch

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA
CONSERVATION CORPS**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 5120**

OFFICE OF AUDIT SERVICES

NOVEMBER 2015

**CALIFORNIA CONSERVATION CORPS
COMPLIANCE AUDIT
REPORT NO. 5120**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: March 10, 2017

TO: BRUCE SAITO, Director
California Conservation Corps

This report presents the results of our compliance audit of the business management functions and services of the California Conservation Corps (CCC). 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 CCC 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 CCC in addressing these areas.

- The CCC's travel program is not ensuring the submittal of required approval forms when incurring charges that exceed the contracted rates for renting vehicles larger than the intermediate size.
- The CCC is not reporting all motor vehicle accidents to the DGS' Office of Risk and Insurance Management (ORIM) within 48 hours of the accident.
- The CCC's driver safety and insurance program is not ensuring that frequent drivers attend a defensive driver training course once every four years and has not been submitting to DGS a required annual defensive driver training report.

During our review we also identified other matters requiring attention that we discussed with CCC'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, CCC'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. CCC'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.

We greatly appreciated the cooperation and assistance provided by CCC'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.

Dennis M Miras

On behalf of

ANDY WON
Acting Chief, Office of Audit Services

Staff: Dennis Miras, CIA, Audit Supervisor
Amalia Sanchez

cc: Amy Cameron, Chief Deputy Director
Dawne Bortolazzo, Deputy Director, Administrative Division
Erika Rodea, Chief, Accounting Branch
Michael Haupt, Manager, Business Services and Contracts Branch

CALIFORNIA CONSERVATION CORPS 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 Conservation Corps (CCC) 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 justification forms and obtaining of prior supervisory approval of overcharges; reporting of vehicle accidents timely; and, attendance of a defensive driver training course by frequent drivers.

This information was developed based on our fieldwork conducted over the period April 10, 2014 through November 12, 2015. Although the finalization of our report was delayed due to other high priority assignments, as findings were observed and developed during our audit fieldwork, CCC's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our November 2015 audit exit conference, CCC 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 2014/15 fiscal year.

FLEET AND TRAVEL SERVICES MANAGEMENT

Our tests over a sample of 58 charges on the Enterprise Rent-A-Car billing statements for the months of February and March, 2015 revealed 12 (21%) that exceeded the daily/weekly contract rate for an intermediate size vehicle. DGS Travel Bulletins 14-01 and 15-01 require state departments to submit an approval form, signed by the employee's supervisor, to the State Controller's Office (SCO). This form should be attached to the invoice associated with the justification, which did not occur in 10 of the 12 (83%) billings.

Additionally, CCC's own Travel Handbook recommends that current rates be confirmed at the time of making a reservation.

Recommendations

1. Implement additional quality assurance policies and procedures to assist in ensuring full compliance with the requirements contained in DGS' Travel Bulletins and CCC's Travel Handbook to address the issues noted above.

DRIVER SAFETY AND INSURANCE PROGRAM

The CCC 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 payments to other parties for damages, repairs to state vehicles, worker's compensation claims and lost productivity. 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:

- **Accident Reporting** – The CCC has not implemented policies and procedures which ensure that motor vehicle accidents are reported to the DGS' Office of Risk and Insurance Management (ORIM). Our review of the ORIM accident report summary and CCC's vehicle accident files for the time period 7/1/14 through 4/16/15 revealed 15 out of 25 (60%) vehicle accidents were not reported by submitting the Std. 270 (Vehicle Accident Report) to ORIM within the 48 hours of the accident as required by SAM Section 2430¹.
- **Defensive Driver Training** – Our tests of 44 frequent drivers revealed that 11 (25%) had not attended a defensive driver training course within the last four years¹. 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 CCC, the responsibility for ensuring that employees attend a driver training course rests with managerial/supervisory personnel.

In addition, CCC has not been submitting a defensive driver training report that is due to DGS by September 1 of each year, as required by Management Memo 11-04¹. The report contains defensive driver training information for the preceding fiscal year, including data on the number of employees required to take the training for the reporting fiscal year and the number of employees completing the training.

Recommendations

2. The department needs to implement policies and procedures to ensure that motor vehicle accidents are reported to ORIM within 48 hours of an accident and that supervisors complete a report containing an explanation of the cause of the accident. Further, if deemed feasible, policies and procedures should provide that the Business Services Unit monitor to ensure compliance with the state's motor vehicle accident reporting and review requirements.
3. 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.
4. Begin submitting the required Annual State Agency Defensive Driver Training Report to DGS by September 1 of each year.

¹ This condition previously existed and was included in our audit report to CCC dated March 2003.

CONCLUSION

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

CALIFORNIA CONSERVATION CORPS**Executive Office**

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**MEMORANDUM**

TO: Andy Won
 Acting Chief, Office of Audit Services, DGS

FROM: Amy Cameron
 Chief Deputy Director, CCC *Amy Cameron*

DATE: 3/6/2017

SUBJECT: CCC Response to DGS Audit of CCC Business Management Policies.
 DGS Report No. 5120

The CCC has accepted and implemented the four Recommendations of DGS to the four findings as listed below. Our responses are italicized below.

1) FLEET AND TRAVEL SERVICES MANAGEMENT

Our tests over a sample of 58 charges on the Enterprise Rent-A-Car billing statements for the months of February and March, 2015 revealed 12 (21%) that exceeded the daily/weekly contract rate for an intermediate size vehicle. DGS Travel Bulletins 14-01 and 15-01 require state departments to submit an approval form, signed by the employee's supervisor, to the State Controller's Office (SCO). This form should be attached to the invoice associated with the justification, which did not occur in 10 of the 12 (83%) billings. Additionally, CCC's own Travel Handbook recommends that current rates be confirmed at the time of making a reservation.

Recommendations

1. Implement additional quality assurance policies and procedures to assist in ensuring full compliance with the requirements contained in DGS' Travel Bulletins and CCC's Travel Handbook to address the issues noted above.

The CCC has implemented additional quality assurance steps in both of its Business Services and Accounting Branches. Utilizing the form described above whenever a large vehicle is now rented through Travel Store/ Concur.

2,3, and 4) DRIVER SAFETY AND INSURANCE PROGRAM

The CCC 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 payments to other parties for damages, repairs to state vehicles, worker's compensation claims and lost productivity. For maximum containment of these costs,

The young women and men of the Corps work hard protecting and restoring California's environment and responding to disasters, becoming stronger workers, citizens and individuals through their service.

each state agency is expected to actively participate in the state's driver safety program. The following areas need strengthening:

□ **Accident Reporting** – The CCC has not implemented policies and procedures which ensure that motor vehicle accidents are reported to the DGS' Office of Risk and Insurance Management (ORIM). Our review of the ORIM accident report summary and CCC's vehicle accident files for the time period 7/1/14 through 4/16/15 revealed 15 out of 25 (60%) vehicle accidents were not reported by submitting the Std. 270 (Vehicle Accident Report) to ORIM within the 48 hours of the accident as required by SAM Section 2430¹.

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□ **Defensive Driver Training** – Our tests of 44 frequent drivers revealed that 11 (25%) had not attended a defensive driver training course within the last four years¹. 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 CCC, the responsibility for ensuring that employees attend a driver training course rests with managerial/supervisory personnel.

In addition, CCC has not been submitting a defensive driver training report that is due to DGS by September 1 of each year, as required by Management Memo 11-04¹. The report contains defensive driver training information for the preceding fiscal year, including data on the number of employees required to take the training for the reporting fiscal year and the number of employees completing the training.

Recommendations

2. The department needs to implement policies and procedures to ensure that motor vehicle accidents are reported to ORIM within 48 hours of an accident and that supervisors complete a report containing an explanation of the cause of the accident. Further, if deemed feasible, policies and procedures should provide that the Business Services Unit monitor to ensure compliance with the state's motor vehicle accident reporting and review requirements.

3. 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.

4. Begin submitting the required Annual State Agency Defensive Driver Training Report to DGS by September 1 of each year.

The CCC has implemented a Procedure of Notifications for all accidents regardless of Fault or Severity which now Includes Transmittal Directly to DGS ORIM, CCC Business Services Branch, and the CCC Health and Safety Officer. All within the 48 hours as required. This includes the Supervisor's Report of the incident. Furthermore, The CCC is proud to report that it has submitted two Annual State Agency Defensive Driver Training Reports to DGS on time since the Audit. The CCC Training Unit is now tracking and notifying drivers of the Status of their Defensive Driver requirements. Assuring that all drivers take the Defensive Driver Training every 4 years.

Andy Won
3/06/2017
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Cc Bruce Saito, Director
 Dawne Bortolazzo, Deputy Director, Administrative Division
 Erka Rodea, Chief, Accounting Branch
 Michael Haupt, Manager, Business Services and Contracts Branch

DGS Staff: Dennis Miras, Audit Supervisor
 Amalia Sanchez

**CALIFORNIA CONSERVATION CORPS
COMPLIANCE AUDIT**

EVALUATION OF CCC'S RESPONSE

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