



MEMORANDUM

Date: May 14, 2018

File No.: 8124

To: Ben Metcalf, Director
Department of Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA 95833

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 Housing and Community Development (HCD). 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).

HCD'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 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 each to us by November 14, 2018. To the extent that it is practicable, supporting documentation should include: the newly developed and published "Defensive Driver" policies and procedures; samples of periodic email notifications sent reminding managers and employees about defensive driver training requirements; excerpts from the New Employee Orientation syllabi being used to inform employees about defensive driver training requirements; newly developed and incorporated policies and procedures over the disposal of surplus personal property; and, a copy of the memo, etc listing the newly formed Property Disposition Board.

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 3rd Street, 8th Floor, West Sacramento, CA 95605 or preferably via e-mail to Dennis.Miras@dgs.ca.gov.

We greatly appreciated the cooperation and assistance provided by HCD'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, 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: Doug McCauley, Chief Deputy Director
Susan Goodison, Deputy Director, Administration and Management
Edward Nielsen, Acting Deputy Director, Audits and Evaluation
Cathy Parr, Chief, Business and Contracts Services
Tracy Bueghly, Chief, Human Resources Branch

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
(HCD)**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 8124**

OFFICE OF AUDIT SERVICES

FEBRUARY 2018

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
COMPLIANCE AUDIT
REPORT NO. 8124**

TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT.....	1
FINDINGS AND RECOMMENDATIONS.....	3
DRIVER SAFETY AND INSURANCE PROGRAM.....	3
DISPOSAL OF SURPLUS PERSONAL PROPERTY.....	4
CONCLUSION.....	4
HCD'S RESPONSE.....	5
EVALUATION OF HCD'S RESPONSE.....	7

STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: May 14, 2018

TO: **Ben Metcalf**, Director
Department of Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA 95833

This report presents the results of our compliance audit of the business management functions and services of the Department of Housing and Community Development (HCD). 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, purchasing, fleet administration, small business (SB) and disabled veteran business enterprises (DVBE) usage, driver safety and insurance, surplus property, real estate and prompt payment of suppliers. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Our review disclosed the following areas of noncompliance with state requirements that should be addressed by HCD's management. The implementation of the recommendations presented in this report will assist HCD in addressing these areas.

- e HCD's driver safety and insurance program is not ensuring the attendance of a defensive driver training course by frequent drivers.e
- e Sufficient documentation is not being maintained on the process used to dispose of surplus personal property.e

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

Ben Metcalf, Director

May 14, 2018

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Melissa Hambridge, at (916) 376-5062.

Dennis M Miras

DENNIS MIRAS, CIA
Manager, Office of Audit Services

Staff: Melissa Hambridge, Management Auditor

cc: Doug McCauley, Chief Deputy Director
Susan Goodison, Deputy Director, Administration and Management
Edward Nielsen, Acting Deputy Director, Audits and Evaluation
Cathy Parr, Chief, Business and Contracts Services
Tracy Bueghly, Chief, Human Resources Branch

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD)

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 Housing and Community Development (HCD) 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: attendance of a defensive driver training course by frequent drivers; and, certification of surplus personal property disposal forms.

This information was developed based on our fieldwork conducted over the period October 3, 2017 through January 17, 2018. In addition to this written report, as findings were observed and developed during our audit fieldwork, HCD's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our February 8, 2018 audit exit conference, HCD 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 2017/18 fiscal year.

DRIVER SAFETY AND INSURANCE PROGRAM¹

HCD 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 area needs strengthening:

- e ***Defensive Driver Training*** – our review of a sample of 20 frequent drivers found that three had not attended a defensive driver training course within the last four years. We also founde that HCD did not have policies and procedures in place that defined a frequent driver ande also ensured that these drivers attend a defensive driver training course within a four-year period. SAM Section 0751 provides that frequent drivers should attend and successfullye complete an approved defensive driver training course at least once every four years.e

¹ This condition previously existed and was included in our audit report to HCD dated September 2008

Recommendation

1. Periodically reemphasize to 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.

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 recent Property Survey Reports, STD. 152s, disclosed that both the date and method of disposal as well as the Certificate of Disposition had not been completed. Further, an official Property Survey Board had not been appointed to approve of all disposals.

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. Finally, SAM Section 3520.2 states: "Each agency will have a duly appointed Property Survey Board that is responsible for determining that, when disposing of surplus property, the decision to do so serves the best interest of the state. To the extent possible, there will be a sufficient number of members on the Board to insure representation by both business management and program responsibilities. At least two Board members must approve all Property Survey Reports (STD. 152) and all Transfers of Location of Equipment (STD. 158)".

Recommendation

2. Implement policies and procedures which ensure the approval, certification and completion of all required documentation when disposing of surplus personal property.

CONCLUSION

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

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

OFFICE OF THE DIRECTOR
2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833
www.hcd.ca.gov
(916) 263-7400 / Fax (916) 263-7417



May 7, 2018

MEMORANDUM FOR: Dennis Miras, Manager
Office of Audit Services
Department of General Services
707 3rd Street, 8th Floor
West Sacramento, CA 95605

FROM: Ben Metcalf, Director *BM/bm*
Office of the Director
Department of Housing and Community Development

SUBJECT: **Audit Report: Compliance with State Business Management Policies**

Thank you for the opportunity to review and respond to the draft of the audit report prior to the issuance of the final report on May 10th, 2018. The responses from the Department of Housing and Community Development (HCD) to the recommendations made by the Department of General Services (DGS) are included below:

Driver Safety and Insurance Program

DGS Recommendation:

1. Periodically reemphasize to 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.

HCD Response #1

HCD agrees with the DGS recommendation. To ensure compliance with SAM Section 0751, HCD has implemented the following policies and procedures:

- An HCD "Defensive Driver" policy and procedures has been developed and will be published on HCD's intranet.

- e Periodic emails reminding HCD managers and employees about the defensive driver training requirement will continue to be sent; training requirements are also currently listed on HCD's intranet.
- e Information about the defensive driver training requirement will continue to be shared during the quarterly HCD New Employee Orientation.
- e The Training Unit will collaborate with the Accounting Branch to track defensive driver training in conjunction with completed STD. 261 forms, 'Authorization to use Privately Owned Vehicles on State Business'.

Disposal of Surplus Personal Property

DGS Recommendation:

2. Implement policies and procedures which ensure the approval, certification and completion of all required documentation when disposing of surplus personal property.

HCD Response #2

HCD agrees with the DGS recommendation. To ensure compliance with SAM Section 3520.9 and 3520.2. HCD has implemented the following policies and procedures:

- e Procedures on disposal of surplus personal property have been developed and incorporated in the Business Services Office desk manual.
- e HCD developed a Property Disposition Board and includes members from the Administration and Management Division and program areas within the department. HCD developed signature authorizations for approving the STD. 152 – Property Survey Report.

If you have any questions, or would like to discuss any of this information, please call me or Doug McCauley, Chief Deputy Director, at (916) 263-7400.

Attachment

cc: Doug McCauley, Chief Deputy Director
Susan Goodison, Deputy Director, Administration and Management
Edward Nielsen, Acting Deputy Director, Audits and Evaluation
Cathy Parr, Chief, Business and Contracts Services
Tracy Bueghly, Chief, Human Resources Branch

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
(HCD)**

COMPLIANCE AUDIT

EVALUATION OF HCD'S RESPONSE

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

As part of its operating duties, we are 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, supporting documentation should include: the newly developed and published "Defensive Driver" policies and procedures; samples of periodic email notifications sent reminding managers and employees about defensive driver training requirements; excerpts from the New Employee Orientation syllabi being used to inform employees about defensive driver training requirements; newly developed and incorporated policies and procedures over the disposal of surplus personal property; and, a copy of the memo, etc listing the newly formed Property Disposition Board.