



MEMORANDUM

Date: March 5, 2018

File No.: 7123

To: Eileen Sobeck, Executive Director
State Water Resources Control Board
1001 I Street, 25th 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 State Water Resources Control Board (SWRCB). 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 SWRCB's written response to our draft report is included in the 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 the recommendations to us by September 5, 2018. This should include sample copies of updated and newly developed policies and procedures implemented; samples of checklists and worksheets now in use; copies of applicable documents now being obtained; peer review results; samples of email notifications, annual notifications and written communications sent; pertinent training class syllabi, agendas and topics covered; excerpts of updated sections in the Water Board's Procurement Policy Manual; etc. 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 SWRCB'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: John Russell, Deputy Director, Division of Administrative Services
Bill Damian, Assistant Deputy Director, Division of Administrative Services
Shannon Similai, Chief, Business Management Services Branch
Heather Bell, Manager, Accounting Branch
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
STATE WATER RESOURCES
CONTROL BOARD
(SWRCB)**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 7123**

OFFICE OF AUDIT SERVICES

SEPTEMBER 2017

**STATE WATER RESOURCES CONTROL BOARD
COMPLIANCE AUDIT
REPORT NO. 7123**

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STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: March 5, 2018

TO: Eileen Sobeck, Executive Director
State Water Resources Control Board
1001 I Street, 25th Floor
Sacramento, CA 95814

This report presents the results of our compliance audit of the business management functions and services of the State Water Resources Control Board (SWRCB). 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 SWRCB's management. The implementation of the recommendations presented in this report will assist SWRCB in addressing these areas.

- e The SWRCB's contracting program policies and procedures are not ensuring full compliance with state contracting requirements. The types of exceptions noted during our audit included delegated contracts over \$5,000 not being reported to the Department of Fair Employment and Housing and consulting services contracts not being checked for performance evaluations with the DGS Office of Legal Services.e
- e The process for reporting SWRCB's fleet assets are not ensuring that the department's assets are being reported accurately through DGS' Fleet Asset Management System (FAMS)e on a monthly basis.e
- e The SWRCB's fleet administration program is not ensuring compliance with state policies and procedures for establishing controls that would help prevent abusive fleet card practices.e
- e The SWRCB is not consistently submitting required approval forms when rental car transactions exceed the contracted rate or when vehicles incur refueling charges at the rental branch.e
- e The SWRCB'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 certification form. Further, policies and procedures are not ensuring that frequent drivers attend a defensive driver training course every four years.e
- e The SWRCB's procurement policies and procedures are not ensuring leveraged procurement agreement (LPA) transaction files: always contain copies of the contract cover and pricing pages; document that the transaction was made in accordance with the terms and conditions of the LPA Contract; and, document Best Value Determination.e

- Invoice processing policies and procedures are not ensuring the prompt payment to vendors.

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

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 M MIRAS, CIA
Manager, Office of Audit Services

Staff: Melissa Hambridge, Management Auditor
Michael Rossow, Management Auditor

cc: John Russell, Deputy Director, Division of Administrative Services
Bill Damian, Assistant Deputy Director, Division of Administrative Services
Shannon Similai, Chief, Business Management Services Branch
Heather Bell, Manager, Accounting Branch
Purchasing Authority Management Section (PAMS), Procurement Division, DGS

STATE WATER RESOURCES CONTROL BOARD (SWRCB)

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 State Water Resources Control Board (SWRCB) 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: contracting for services; reporting of fleet asset management activities; control of state fleet cards; completion of justification forms and obtaining of prior supervisory approval of car rental overcharges; annual certification and authorization to use privately owned vehicles on state business; attendance of a defensive driver training course by frequent drivers; use of leveraged procurement agreements; and, prompt payment of invoices.

This information was developed based on our fieldwork conducted over the period November 22, 2016 through August 25, 2017. Although the finalization of our report was delayed due to other high priority assignments, as findings were observed and developed during our audit fieldwork, SWRCB's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our September 14, 2017 formal audit exit conference, SWRCB 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 2016/17 fiscal year.

CONTRACTING PROGRAM

Our sample tests of various types¹ of contracts processed by SWRCB 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 State Contracting Manual (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:

- e documentation not being maintained when notification was sent to the Department of Fair Employment and Housing (DFEH) for contracts over \$5,000. (SCM 1, 4.08, A, 2, (h); (SCMe 1, 7.15, B, 2)e

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 the SWRCB to directly execute (generally contracts of an amount under \$50,000).

- e documentation not being maintained for consulting services contracts ensuring that performance evaluations are checked for negative evaluations with DGS - Office of Legale Services (OLS) prior to awarding the contract. (SCM 1, 3.02.3, A); (SCM 1, 4.09, A)e

Recommendation

- 1.e Implement additional quality assurance policies and procedures to assist in ensuring full compliance with the state's contracting requirements. This process should address the issues noted above.e

FAMS REPORTING

The SWRCB has not implemented adequate and effective policies and procedures that ensure compliance with the state's fleet administration program requirements. Specifically, SWRCB, which at the time of our review had a fleet totaling approximately 131 owned and leased vehicles, was not correctly updating information into the DGS Office of Fleet and Asset Management's (OFAM) Fleet Asset Management System (FAMS) on a monthly basis. The information provided through this web-based portal is used to support information requests from the legislature and to prepare mandated reports for the state and federal government. The SWRCB's Business Services Branch had not implemented policies and procedures to comply with this requirement.

Management Memo 13-01 requires state agencies to update their fleet asset information into FAMS on a monthly basis, including fuel and utilization data. This policy applies to all fleet assets that are in the agency's control for more than 30 consecutive calendar days or more than four (4) consecutive work weeks.

Recommendations

- 2.e Update information into the Fleet Asset Management System on a monthly basis.e
- 3.e Implement policies and procedures that ensure accurate updating of fleet assets into the Fleet Asset Management System.e

STATE FLEET CARD PROGRAM

The SWRCB has not implemented 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, Management Memo 12-08, dated December 26, 2012, was issued by DGS to establish 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 requiring card users to sign an agreement addressing compliance with usage policies and procedures. Specifically, our review of 25 employees with access to use a state fleet card indicated that five (20%) did not have an agreement on file acknowledging they understand the policies and procedures regarding usage.

Recommendation

- 4.e Implement policies and procedures that ensure the adequate control of State Fleet Cards.e
This process should ensure compliance with State Fleet Card Program requirements,e including requiring card users to sign an agreement addressing compliance with usagee policies and procedures.e

RENTAL CAR USAGE

Our tests over a sample of 16 charges on the Enterprise Rent-A-Car billing statements for the months of August through October 2016 revealed three (19%) that exceeded the daily/monthly contracted rate or contained refueling charges incurred at the rental branch. This included a long-term rental that was established incorrectly by staff and was billed as a short-term rental. Another three months of statements from November 2016 through January 2017 were tested for this particular transaction and it was estimated that this cost the department an additional \$10,255. DGS Travel Bulletin 16-02 requires 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 nine (56%) of the 16 billings.

Recommendation

- 5.e Reinforce policies and procedures to assist in ensuring full compliance with the requirements contained in DGS' Travel Bulletins to address the issues noted above.e

DRIVER SAFETY AND INSURANCE PROGRAM²

The SWRCB 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 for damages, repairs to state vehicles, workers' 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:

- e **Vehicle Authorizations** – current policies and procedures are not ensuring that a forme authorizing an employee to use their own vehicle to conduct State business is completed and annually updated. Specifically, at the time of our audit tests, due to a lack of centralized files and/or documentation, we were unable to identify which employees had used their owne vehicle on state business, thus required to have a current STD. 261 on file. The SWRCBe has not implemented policies and procedures which provide that managers/supervisors aree to monitor their employees for the proper and timely completion of STD. 261s.e

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

² These two conditions previously existed and were included in our audit report to SWRCB dated January 2007

form accomplishes the objective of having the employee certify in writing that the vehicle used will always be:

- e Covered by liability insurance for the minimum amount prescribed by law;e
 - e Adequate for work performed;e
 - e Equipped with safety belts; and,e
 - e In safe mechanical condition.e
- e **Defensive Driver Training** – our review found that SWRCB did not have policies and procedures in place that defined a frequent driver and that ensured these drivers attend a defensive driver training course within a four-year period. SAM Section 0751 provides that frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years.e

Recommendations

- 6.e Implement policies and procedures that ensure the completion and annual update of a STDe 261 certification form by employees who use their own vehicle to conduct state business.e This process should include an annual notification to managers/supervisors of their responsibility for ensuring the completion and updating of the form.e
- 7.e 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.e

DELEGATED PURCHASING PROGRAM

Our tests of a sample of 10 leveraged procurement agreement (LPA) transactions disclosed a number of areas for improvement that need to be addressed to fully comply with delegated purchasing requirements. The state's delegated purchasing requirements are primarily contained in SCM Volumes 2 (non-IT) and 3 (IT). As applicable, the scope of our audits of state agencies includes, but is not limited to, compliance with policies governing the conduct of competitive solicitations, use of leveraged procurement agreements, solicitation of certified small businesses (SB) and disabled veteran business enterprises (DVBE), establishment of fair and reasonable pricing for acquisitions of less than \$5,000, use of CAL-Cards to pay for goods and services, and prompt payment of suppliers.

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 involved purchasing practices that were not always ensuring full compliance with SCM provisions governing the:

- e retention of the contract cover and pricing pages for all LPA transactions in the procurement files (SCM 3, 6.A 4.1);e
- e documented justification providing support that the purchases were in accordance with the terms and conditions of the LPA (SCM 3, 6.A 2.2);e
- e documentation of Best Value Determination (SCM 3, 6.A 4.0);e
- e prompt payment of invoices to vendors (Gov. code 927, SCM 2 & 3, 9.A 1.1)e

Recommendation

8. Implement additional quality assurance policies and procedures to assist in ensuring full compliance with the requirements of the delegated purchasing program. This process should address the issues noted above.

CONCLUSION

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

STATE WATER RESOURCES CONTROL BOARD
DIVISION OF ADMINISTRATIVE SERVICES
BUSINESS MANAGEMENT SERVICES BRANCH

CORRECTIVE ACTION PLAN

FOR AUDIT REPORT No. 7123, DATED JANUARY 12, 2018,

CONDUCTED BY

GOVERNMENT OPERATIONS AGENCY

DEPARTMENT OF GENERAL SERVICES

FOR COMPLIANCE WITH STATE BUSINESS MANAGEMENT

POLICIES

FEBRUARY 23, 2018

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INTRODUCTION AND OVERVIEW

This document describes the corrective actions that the State Water Resources Control Board (Water Board) has implemented, or will be implementing to correct the findings noted in the report titled, "Audit Report No. 7123, Compliance with State Business Management Policies (Audit)", conducted by the Department of General Services (DGS).

To determine the Water Boards' compliance with current State Business Management policies, DGS reviewed the Water Boards' policies and procedures, interviewed the parties involved in ensuring compliance, tested records and transactions, and performed other tests as deemed necessary. The period covered by DGS's testing varied depending upon the area of review, and the type of transactions involved. However, the emphasis of the review and testing was on current procedures and transactions, primarily those completed during the 2016/17 fiscal year.

The Water Board found the "Compliance Findings and Recommendations" section of the Audit to be a thorough analysis, and an accurate characterization of the processes that existed during the time period reviewed by DGS. It is the Water Board's intention to implement the following corrective actions to remedy all findings noted in the compliance report.

The narratives included in the following pages describe the findings noted by the compliance report, the cause of the deficiency, and the steps the Water Board has implemented—or will implement—to remedy the deficiencies noted in DGS's findings.

- In general, management staff within the Business Management Services Branch (BMSB) in the Division of Administrative Services (DAS) will be responsible for implementing these corrective actions, and monitoring their effectiveness. The Assistant Deputy Director and the Deputy Director of DAS will also monitor their implementation to ensure full compliance is achieved.
- In cases where peer reviews are indicated as a Corrective Action, the Unit Manager in charge of the staff, and their peer reviewers, will periodically audit random files once they have been completed. This will ensure that the procedures being reviewed by the managers, and checked by the peer reviewers, are in fact being followed, and are effective solutions that will address the issues noted in the audit findings.

CONTRACTING PROGRAM

Finding #1: Documentation was not being maintained when the Department of Fair Employment and Housing (DFEH) was notified of Water Board contracts valued at over \$5,000. (SCM 1, 4.08, A, 2, (h); (SCM 1, 7.15, B, 2)

Cause: It is the responsibility of each acquisition specialist to report each contract award over \$5,000 to DFEH, including contracts with the University of California within 10 working days of the Contract award. (This requirement does not apply to contracts with other California State agencies, or to contracts with the Federal government). A completed STD.16 must be sent to CompliancePrograms@dfeh.ca.gov, and the box on the STD. 215 must be checked to indicate compliance with this requirement.

In addition, the acquisition specialist must retain a copy of the email that was used to send the STD.16 form to DFEH, and the completed STD. 16 must be printed and placed in the physical contract file, in order to document compliance with this requirement. The acquisition specialist is also required to place these documents in the electronic file, as a backup in cases where the originals are lost or otherwise discarded. Not all files tested contained a completed STD. 16 form, or the email notification to DFEH.

Corrective Action:

- e As of August 17, 2017, the Water Board's Contract and Procurement Units have implemented a peer review process of completed contract and procurement files, to ensure the required documentation has been included before being filed away.
- e After completing close out activities post-contract execution, the acquisition specialist will organize the contract file, label documents, and submit the complete contract file to another acquisition specialist for peer review.
- e The acquisition specialist conducting peer review will inspect the entire physical contract file and the electronic file to ensure completeness and compliance.

Finding #2: Documentation that the procurement specialist contacted DGS-Office of Legal Services to confirm contractors have no negative evaluations on file prior to awarding a consulting services contract was not being maintained (SCM 1, 3.02.3, A); (SCM 1, 4.09, A)

Cause: It is the responsibility of each Water Board acquisition specialist to enquire and request a copy of any negative evaluations from the DGS/OLS before awarding a consulting service contract valued at \$5,000 or more. This action was not being completed for exempt contractors.

Corrective Action:

- e The Water Board's management team responsible for contracts and procurements provided training on August 17, 2017 to all acquisition specialists. The purpose of this training was to clarify that the requirement to contact DGS-

OLS to confirm that the intended Contractor has no negative evaluations are on file is applicable to all consulting services contracts.

- e As of the August 17th training, the acquisition specialists are contacting the DGS/OLS for copies of negative evaluations on the Contractor for each consulting service contract. e
- e As documentation that this requirement has been met, acquisition specialists have been instructed to print and save DGS's response email in the physical contract file, and additionally, that a copy of the email is included in the electronic contract file.e
- e This compliance requirement has also been included as a checklist item on the Contract Information Worksheet/Route Slip utilized by the Water Board's Contracts Unit, a document which is required to be completed for all contracts.e

FLEET ASSET MANAGEMENT SYSTEM (FAMS) REPORTING

Finding #1: The Water Board has not implemented adequate and effective policies and procedures to ensure compliance with the state's fleet administration program requirements. Specifically, the Water Board was not correctly updating information uploaded into the DGS Office of Fleet and Asset Management's (OFAM) FAMS on a monthly basis.

Cause: On a monthly basis, the Fleet Coordinator uses the Water Board's internal inventory system to report current fleet usage into the FAMS. In this case, the Fleet Coordinator was not ensuring vehicles that had been surveyed, but not surrendered to DGS, were being removed from the internal inventory. Consequently, some vehicles were incorrectly reported into the FAMS.

Corrective Action: The Water Board will develop and implement policies and procedures within the next six (6) months to ensure the Water Board's fleet assets are being reported accurately into FAMS on a monthly basis. The procedures will ensure that the Fleet Coordinator keeps an accurate internal inventory of Water Board vehicles, with a separate inventory of those vehicles that are surveyed and those that are in the process of being surrendered, which will ensure that non-surrendered vehicles are not reported into FAMS erroneously.

STATE FLEET CARD PROGRAM

Finding #1: The Water Board has not implemented policies and procedures that ensure the adequate control of state fleet cards. The State Fleet Card Program requires that participating departments comply with a number of requirements, which include requiring card users to sign an agreement addressing compliance with usage policies, and procedures regarding usage.

Cause: The Water Board does have a written policy or procedures in place for the State Fleet Card Program. It is the responsibility of the supervisors in the Water Board's individual Divisions/Regions to ensure ALL employees with access to a Fleet Card submit a signed "user agreement" to the Water Board's Fleet Coordinator. Although new "user agreements" were obtained and kept on file locally in the Water Board's various Divisions and Regions, these agreements were not consistently being submitted to the Water Board's Fleet Coordinator for official record keeping.

Corrective Action: It is the responsibility of supervisors within the Water Board's Divisions/Regions to have all vehicle users fill out these user agreements, and ensure that they are submitted to the Water Board's Fleet Coordinator. To ensure compliance with this requirement, the Fleet Coordinator will send annual notifications to all of the administrative officers in the Water Board's Divisions/Regions. The purpose of this notification will be to remind them of the requirement for all employees with Fleet Card access to sign a user agreement, and to submit the completed form(s) to the Fleet Coordinator to be kept in a centralized file. The executive management of each Water Board Division/Region will be copied on this notification as an added insurance in cases where this reminder may be overlooked. This annual requirement will ensure updated information is obtained, and that employees are aware of policies and procedures regarding the use of the State Fleet Card Program.

RENTAL CAR USAGE

Finding #1: A sample of approximately sixteen (16) charges on the Enterprise Rent-A-Car billing statements for the months of August through October 2016 revealed three (3) charges that exceeded the daily/monthly contracted rate, or contained refueling charges incurred at the rental branch (these 3 charges represent 19% of all charges incurred during that timeframe). This included a long-term rental that was established incorrectly by staff and was billed as a short-term rental. Another three (3) months of statements from November 2016 through January 2017 were tested for this particular transaction, and it was estimated that this cost the department an additional \$10,255.

DGS Travel Bulletin 16-02 requires 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 nine of the 16 billings (56% of the total billings reviewed.)

Cause: Due to high volumes of travel workload, vacancies in the Accounting Office, and Fi\$Cal implementation activities, the time needed to fully train Accounting staff in how to identify, correct and track special circumstances such as these was insufficient. In addition, due to higher volumes of new State employees in general, and the lack of available statewide travel training, the Water Boards anticipates the volume of special circumstances such as these to increase in subsequent fiscal years.

Consequently, the Accounting Office must weigh paying invoices as timely as possible with the occasional late/missing justification form.

Corrective Action:

- e The long-term rental was canceled upon detection (March 2017), and will not be renewed.e
- e In April 2017, additional training of Accounting staff was conducted. The purposes of this training was to teach staff how to identify, correct and track missing justifications for special circumstances (e.g. incorrect car classes, refueling charges and long term rental)e
- e In April 2017, additional training of Accounting staff was conducted, and the purpose of this training to teach staff how to identify incorrect billing rates for each type of car class.e
- e The Water Board will reinforce policies on providing justifications to the Accounting Office through email notifications, and via written communications to all staff.e
- e The Water Board will reinforce policies related to car class and refueling through email, and via written communications to all staff.e
- e The Water Board will inform all supervisors and managers of their roles and responsibilities in approving travel claims for their staff. Supervisors will be provided information explicitly informing them that DGS Travel Bulletin 16-02e requires state departments to submit an approval form, signed by the employee's supervisor, if these exceptions occur, and additionally, that it is their responsibility as a supervisor to ensure that this form is submitted with the travel claim (if necessary).e

DRIVER SAFETY AND INSURANCE PROGRAM

Finding #1: Vehicle Authorizations – current policies and procedures in place at the Water Boards are not effective in ensuring that a form authorizing an employee to use their own vehicle to conduct State business is completed, and is updated annually. Specifically, due to a lack of centralized files and/or documentation, the audit team was unable to identify which employees had used their own vehicle on state business, and were thus required to have a current STD. 261 on file. The Water Board has not implemented policies and procedures, which provide that managers/supervisors are to monitor their employees for the proper and timely completion of STD. 261s

Cause: It is the supervisor's responsibility to ensure the STD. 261 is completed, and is updated annually for each employee that uses a privately owned vehicle to conduct official state business. As a result, records for STD. 261 are decentralized, and a uniform policy does not exist to ensure the task is being completed.

Corrective Action: The DAS will develop and implement policies and procedures within the next six (6) months for STD. 261 compliance, to ensure employees driving

privately owned vehicles on official state business are authorized to do so. This procedure will include the following actions:

- e A notification of the requirements for using privately owned vehicles to conduct state business, as well as STD. 261, will be added to the Human Resources (HR) on-boarding process.e
- e A notification to management of each Water Board organization of this requirement will be added to HR's annual forms, thus ensuring management are aware of the need for staff to update their STD 261 form annually.e
- e The Fleet Coordinator will follow-up on the submission of STD 261 forms to ensure that they are all completed, submitted, and tracked appropriately. Data collection on this follow up process will be centralized in Business Services Unit (BSU) for tracking, monitoring, and reporting purposes.e

Finding #2: Defensive Driver Training (DDT) –The Water Board did not have policies and procedures in place that defined a frequent driver, and that ensured these drivers had completed the defensive driver training course within a four-year period. Per SAM Section 0751, frequent drivers should attend and successfully complete an approved DDT course at least once every four (4) years to ensure compliance.

Cause: The Water Board does not define who is required to take defensive driver training, does not define what a “frequent driver” is, and does not maintain internal controls of the defensive driver training program compliance, which results in an inaccurate Annual State Agency DDT Report.

Corrective Action: The Water Board will develop and implement policies and procedures within the next six (6) months to do the following:

- e Define who is required to take the defensive driver training, including when it needs to be taken, and a definition of who constitutes a “frequent driver” for these purposes of this requirement.e
- e Ensure all new Water Board staff are informed of the requirement to complete the defensive drivers training program during their onboarding and new employee orientation process.e
- e Ensure that the Water Board's internal Training Office to track staff's driver training completion and ensure certifications are kept valid.e
- e Implement internal controls, such as auditing of various internal data sources, to identify, notify, and monitor “Frequent Users.” This will help to ensure accurate annual reporting and compliance with SAM Section 0751.e

DELEGATED PURCHASING PROGRAM

Finding #1: Not always ensuring full compliance with SCM provisions governing the retention of the contract cover, and pricing pages, for all LPA transactions in the procurement files (SCM 3, 6.A 4.1);

Cause: The Procurement, Policy and Support Unit (PPSU) Buyer is responsible for limiting acquisitions to only goods and services authorized by the LPA, and to confirm the price does not exceed the maximum price established by the LPA.

Corrective Action:

- e On August 17, 2017, the Water Board's management team provided training to all of the PPSU staff, which covered topics such as the importance of printing full LPA contracts and price sheet(s) for all executed acquisitions. Printing out these price sheet(s) will help ensure the Water Board does not exceed the maximum price established by the LPA.e
- e PPSU Buyers are required to conduct a peer review on procurement files before they are executed. Conducting peer reviews of closed out procurement files will ensure the procurement file is complete, and in compliance with the LPAe transaction.e
- e PPSU Buyers have been trained to utilize a Purchase Order Checklist (also referred to as a "Blue Sheet") when they compile and create their procurement file. The Blue Sheet is used for all acquisitions. A checkbox for *Complete LPA Contract and Pricing* requirement has been included on the checklist. This checklist is an essential tool for PPSU Buyers and peer reviewers to confirm the procurement file is complete.e
- e Each corrective action item above has been updated in the Water Board's Procurement Policy Manual.e

Finding #2: Not always ensuring full compliance with SCM provisions governing the documented justification providing support that the purchases were in accordance with terms and conditions of the LPA (SCM 3, 6.A 2.2);

Cause: It is the responsibility of the PPSU Buyer to ensure transactions comply with the terms and conditions of the LPA.

Corrective Action:

- e On August 17, 2017, the Water Board's BMSB management provided training to PPSU staff, which covered the requirement that the terms and conditions box for an LPA must be checked off on the procurement document when the acquisition was done. By checking this box, it ensures that: 1) the terms and conditions have been incorporated; 2) emphasis has been placed on a full reading of the contract by the Buyer; and 3) full compliance with SCM provisions.e
- e PPSU Buyers are now required to conduct a peer review on procurement files before they are executed, specifically the terms and conditions regarding the use

of the LPA. Peer review will ensure the procurement file complies with the LPA transaction, and all terms of conditions therein.

- e A checkbox for *Reviewed Terms & Conditions* requirement has been included on the Blue Sheet checklist. Having this checklist will prompt PPSU Buyers and Peer Reviewers to confirm the procurement file is complete and in compliance with the LPA user instructions.e
- e Each corrective action item above has been updated in the Water Board's Procurement Policy Manual.e

Finding #3: Not always ensuring full compliance with SCM provisions governing the documentation of Best Value Determination (SCM 3, 6.A 4.0);

Cause: It is the responsibility of the acquisition specialist to document that all LPA suppliers that were contacted, to provide a summary of their offers, and to record how the selection was made, which includes criteria for determining "best value". This information must be captured and retained in the procurement file. Not all files tested during the audit contained information that indicated how best value was determined, which was required per the user instructions of the LPA.

Corrective Action:

- e On August 17, 2017, the Water Board's BMSB management provided training to PPSU staff, which covered the requirement that Buyers must seek multiple offers, as directed by LPA user instructions, when it is applicable. PPSU Buyers are also required to seek Small Businesses (SBs) or Disabled Veteran's Business Enterprise (DVBES) vendors first (if available). Seeking multiple offers will ensure full compliance with SCM provisions of determining best value, and will ensure fair and reasonable pricing.e
- e PPSU Buyers are required to document multiple offers on the Best Value Worksheet, and to enclose it within their procurement file. Buyers have been trained on how to properly complete the form, and where it is located for use in our electronic files.e
- e PPSU Buyers are required to conduct a peer review on procurement files before they are executed, specifically the Best Value Worksheet. Peer review will ensure the Buyer has obtained multiple offers, the acquisition is in compliance of the LPA, and that the evaluation of Best Value has been properly completed.e Buyers have also been instructed to discuss possible misunderstandings regarding Best Value during the Peer Review, as well as share any discovered misunderstandings so that they can be used as teaching moments to inform the rest of the PPSU.e
- e Checkboxes for "*Best Value Worksheet*" and "*Multiple Offers*" have been included on the Blue Sheet checklist. Having this checklist will prompt PPSU Buyers and Peer Reviewers to confirm the procurement file is complete, and is in compliance with the LPA transaction.e
- e Each corrective action item above has been updated in the Water Board's Procurement Policy Manual.e

Finding #4: Not always ensuring full compliance with SCM provisions governing the prompt payment of invoices to vendors (Gov. Code 927, SCM 2 & 3, 9.A 1.1)

Cause: Due to extremely high volumes of payments, vacancies, Fi\$Cal implementation activities, and the approval process, the time needed to ensure all payments are processed within the Prompt Payment guidelines is not always feasible. However, late payments are tracked and paid accordingly.

Corrective Action:

- The Water Board will reinforce the Prompt Payment policies for providing timely approval and/or disputes of invoices, through written communication with all staff.
- The Water Board will inform all supervisors and managers, through written communications, of their roles and responsibilities in the Prompt Payment process.
- The Water Board will continue to emphasize the importance of reviewing and paying invoices in a timely manner during the contract manager trainings.
- The Water Board will continue to track and pay late penalties accordingly.

**STATE WATER RESOURCES CONTROL BOARD
(SWRCB)**

COMPLIANCE AUDIT

EVALUATION OF SWRCB'S RESPONSE

We have reviewed the response by the State Water Resources Control Board (SWRCB) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by SWRCB 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: sample copies of updated and newly developed policies and procedures implemented; samples of checklists and worksheets now in use; copies of applicable documents now obtained (ie: consulting services contracts negative evaluations, etc); peer review results; samples of email notifications, annual notifications and written communications sent; pertinent training class syllabi, agendas and topics covered; excerpts of updated sections in the Water Board's Procurement Policy Manual; etc.