



MEMORANDUM

Date: May 29, 2018

File No.: 8126

To: Julie Nauman, Executive Officer
California Victim Compensation Board
400 R Street, 5th Floor
Sacramento, CA 95811

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 Victim Compensation Board (VCB). 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).

VCB'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 29, 2018. To the extent that it is practicable, supporting documentation should include: copies of and/or excerpts from your updated policies and procedures outlining the best practices to be followed over small dollar service orders and contracts.

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 VCB'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 Eric Kim, Management Auditor, at (916) 376-5071 / Eric.Kim@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Valinda Roberts, Deputy Executive Officer, Administration and Finance Division
Kendra Nicholas, Business Services Manager, Business Services Section

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
CALIFORNIA VICTIM
COMPENSATION BOARD**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 8126**

OFFICE OF AUDIT SERVICES

MARCH 2018

CALIFORNIA VICTIM COMPENSATION BOARD

**COMPLIANCE AUDIT
REPORT NO. 8126**

TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT.....	1
FINDINGS AND RECOMMENDATIONS.....	3
FAIR AND REASONABLE COST JUSTIFICATION.....	3
CONCLUSION.....	3
VCB'S RESPONSE.....	4
EVALUATION OF VCB'S RESPONSE.....	5

STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: May 29, 2018

TO: **Julie Nauman**, Executive Officer
California Victim Compensation Board

This report presents the results of our compliance audit of the business management functions and services of the California Victim Compensation Board (VCB). 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.

Our review disclosed the following area of noncompliance with state requirements that should be addressed by VCB's management. The implementation of the one recommendation presented in this report will assist VCB in addressing this area.

- e The VCB is not obtaining at least two quotes or otherwise establishing fair and reasonable pricing for small dollar service orders and contracts.e

During our review we also identified other matters requiring attention that we discussed with VCB'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, VCB'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 VCB'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 recommendation as well as our evaluation of the response is included in this report.

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

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Eric Kim, at (916) 376-5071.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Staff: Eric Kim, Management Auditor

cc: Valinda Roberts, Deputy Executive Officer, Administration and Finance Division
Kendra Nicholas, Business Services Manager, Business Services Section

CALIFORNIA VICTIM COMPENSATION BOARD

COMPLIANCE AUDIT

FINDINGS AND RECOMMENDATIONS

The following presents our detailed finding and recommendation developed based on our review of the business management functions and services of the California Victim Compensation Board (VCB) 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 noncompliance with policies governing the obtaining of competitive quotes or fair and reasonable cost justification for small dollar service orders and contracts.

This information was developed based on our fieldwork conducted over the period October 25, 2017 through March 19, 2018. 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.

FAIR AND REASONABLE COST JUSTIFICATION

The VCB has not implemented policies and procedures which ensure that at least two quotes are obtained or that fair and reasonable cost justification is documented when entering into small dollar service orders and contracts. State Contracting Manual (SCM), Volume 1, Section 5.90 states "Contracts under \$5,000 are not required to be competitively bid (PCC § 10335). However, agencies should obtain price quotes if there is reason to believe a response from a single source is not a fair and reasonable price. Cost justification should be documented." Business services and contracting staff were unaware of this recommended business practice.

Recommendation

Implement policies and procedures to outline best practices of small dollar service orders and contracts and verify that either quotes are obtained or fair and reasonable cost justification is documented.

CONCLUSION

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



Memorandum

Date: May 18, 2018

To: Dennis Miras, Manager
Office of Audit Services

From: Kendra Nicholas 
Business Services Branch Manager

Subject: Implementation of Audit Recommendations

MARYBEL BATJER
Secretary
Government Operations Agency
Chairperson
BETTY T. YEE
State Controller
Board Member
CURTIS HILL
Former Sheriff
San Benito County
Board Member
JULIE NAUMAN
Executive Officer

As noted in the draft Audit Report dated March, 2018, the California Victim Compensation Board (CalVCB) was required to submit comments on the implementation of the Department of General Services (DGS) recommendations. We updated our policies and procedures to ensure we outline the best practices of small dollar service orders and contracts and verify the appropriate number of quotes is obtained or fair and reasonable cost justification is documented.

The CalVCB continues to comply with the policies set forth in the State Administrative Manual and the terms and conditions of our delegations of authority and exemptions from approval granted by DGS.

Should you need further clarification or have any questions, please do not hesitate to contact me at (916) 491-3688.

Cc: Eric Kim, Auditor

**CALIFORNIA VICTIM COMPENSATION BOARD
(VCB)**

COMPLIANCE AUDIT

EVALUATION OF VCB'S RESPONSE

We have reviewed the response by the California Victim Compensation Board (VCB) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by VCB 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: copies of and/or excerpts from your updated policies and procedures outlining the best practices to be followed over small dollar service orders and contracts.