



# MEMORANDUM

**Date:** November 6, 2019

File No.: 9129

**To:** **Richard Figueroa**, Acting Director  
Department of Health Care Services  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

**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 Health Care Services (DHCS). 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).

DHCS' 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 swift actions taken by DHCS to address our concerns and recommendations and we commend the responsible parties for their efforts.

As part of its operating duties, we are responsible for following up on audit recommendations and usually require a six-month status report on the implementation of each. However, as a result of the corrective actions taken to date and supporting documentation recently submitted, no corrective action plan, status report, nor additional support will be required and no further actions are necessary.

We sincerely appreciated the cooperation and assistance provided by DHCS' 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](mailto:Dennis.Miras@dgs.ca.gov), or Maricela Bautista, Management Auditor, at (916) 376-5066 / [maricela.bautista@dgs.ca.gov](mailto:maricela.bautista@dgs.ca.gov).

*Dennis M Miras*

DENNIS M MIRAS, CIA  
Manager, Office of Audit Services

Attachment

cc: Erika Sperbeck, Chief Deputy Director  
Lisa Keeler, Deputy Director  
Leanne Smith, Chief, Program Support Branch  
Wendy Griffe, Branch Chief, Internal Audits  
Nicole Harris, External Audit Coordination Manager, Internal Audits

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
DEPARTMENT OF HEALTH  
CARE SERVICES**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 9129**

**OFFICE OF AUDIT SERVICES**

**SEPTEMBER 2019**



**DEPARTMENT OF HEALTH CARE SERVICES  
COMPLIANCE AUDIT  
REPORT NO. 9129**

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**STATE OF CALIFORNIA**  
**DEPARTMENT OF GENERAL SERVICES**  
**AUDITOR'S REPORT**

DATE: November 6, 2019

TO: **Richard Figueroa**, Acting Director  
Department of Health Care Services

This report presents the results of our compliance audit of the business management functions and services of the Department of Health Care Services (DHCS). 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 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 DHCS 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 DHCS in addressing these issues:

- DHCS is not ensuring that employees who travel to conduct state business make all travel arrangements through DGS' Statewide Travel Program (STP).
- DHCS' 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.

During our review we also identified other matters requiring attention, but did not pose a significant risk to the business management functions, which were discussed with DHCS' 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, DHCS' 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. DHCS' 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 sincerely appreciated the cooperation and assistance provided by DHCS' personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Maricela Bautista, at (916) 376-5066.

*Dennis M Miras*

DENNIS M MIRAS, CIA  
Manager, Office of Audit Services

Staff: Maricela Bautista, Management Auditor

cc: Erika Sperbeck, Chief Deputy Director  
Lisa Keeler, Deputy Director  
Leanne Smith, Chief, Program Support Branch  
Wendy Griffe, Branch Chief, Internal Audits  
Nicole Harris, External Audit Coordination Manager, Internal Audits



# **DEPARTMENT OF HEALTH CARE SERVICES**

## **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 Health Care Services (DHCS) 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 use of DGS' Statewide Travel Program (STP) to make all travel arrangements and the annual certification and authorization to use privately owned vehicles on state business.

This information was developed based on our fieldwork conducted over the period April 26, 2019 through September 27, 2019. In addition to this written report, as findings were observed and developed during our audit fieldwork, DHCS' management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our September 27, 2019 audit exit conference, DHCS 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 and 2018-19 fiscal years.

#### **STATEWIDE TRAVEL MANAGEMENT SERVICES**

Current travel policies and procedures are not ensuring that employees who travel overnight to conduct state business secure their hotel needs through the state's travel program. Our audit analyses revealed 10 (32%) of 31 employees that travelled and required lodging had not booked their hotel stays through either the CalTravelStore or Concur Travel. Further, we found no valid exemptions on file for any of these 10 employees to justify booking outside of the mandatory reservation process.

Both Management Memo 14-03 and SAM Section 4117 require agencies to make all travel arrangements (airfare, hotel, commercial car rental, and rail) through DGS' Statewide Travel Program (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.

Most of the 10 travelers identified appeared to be unaware of the above requirements.

**Recommendation**

1. Update and communicate travel policies and procedures to ensure that all employees understand the requirements of travelling on state business and how they must secure all of their travel needs through either Concur Travel or the CalTravelStore, including booking of their hotel stays.

**DRIVER SAFETY**<sup>1</sup>

DHCS 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 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 additional attention:

**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 employees who use their own vehicle to conduct state business. Specifically, we found that a current STD. 261 was not on file at the time of travel for 19 (49%) of 39 employees tested who used their own vehicle on state business. DHCS' travel policies obligate its managers/supervisors to monitor their employees for the proper and timely completion of STD. 261s. As shown by these results, these policies have not been entirely effective.

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:

- o Covered by liability insurance for the minimum amount prescribed by law
- o Adequate for work performed
- o Equipped with safety belts
- o In safe mechanical condition

**Recommendation**

2. Strengthen policies and procedures to 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 an annual notification to managers/supervisors of their responsibility for ensuring the completion and updating of the form.

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<sup>1</sup> This condition previously existed and was included in our audit report to DHCS dated March 2016

**CONCLUSION**

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





RICHARD FIGUEROA  
ACTING DIRECTOR

State of California—Health and Human Services Agency  
Department of Health Care Services



GAVIN NEWSOM  
GOVERNOR

Dennis M. Miras, CIA  
Office of Audit Services  
Department of General Services  
707 Third Street  
West Sacramento, CA 95605

Dear Mr. Miras:

The California Department of Health Care Services (DHCS) hereby provides response to the draft findings of the Department of General Services' (DGS) report entitled, *Audit of the Department of Health Care Services: For Compliance with State Business Management Policies*. DHCS appreciates that DGS' audit concluded that DHCS is conducting its business management functions and services in accordance with state requirements in most areas.

DHCS agrees with DGS' two findings and the recommendations and has prepared corrective action plans to implement them. DHCS appreciates the work performed by DGS and the opportunity to respond to the findings. If you have any questions, please contact Nicole Harris, External Audit Coordination Manager, at (916) 713-8812.

Sincerely,

A handwritten signature in blue ink that reads "Richard Figueroa".

Richard Figueroa  
Acting Director

Enclosure

cc: See Next Page

Mr. Dennis M. Miras  
Page 2

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**Department of Health Care Services' Response to the Department of General Services' Draft Report, *Audit of Department of Health Care Services: For Compliance With State Business Management Policies***  
**Report Number: 9129 (19-25)**

**Finding 1:** The Department of Health Care Services (DHCS) is not ensuring that employees who travel to conduct state business make all travel arrangements through the Department of General Services' Statewide Travel Program.

**Recommendation 1**

Update and communicate travel policies and procedures to ensure that all employees understand the requirements of travelling on state business and how they must secure all of their travel needs through either Concur Travel or the CalTravelStore, including booking of their hotel stays.

**Current Status:** Fully Implemented

**Estimated Implementation Date:** October 18, 2019

**Implementation Plan:**

- DHCS issued Accounting Support Bulletin 19-02 to remind employees that all travel arrangements (airfare, hotel, commercial car rental, and rail) must be booked through CalTravelStore or Concur. An annual reminder will be sent to all staff.
- DHCS will require a copy of the CalTravelStore or Concur itinerary before travel reimbursements are processed.

**Finding 2:** DHCS' 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.

**Recommendation 2**

Strengthen policies and procedures to ensure the completion and annual update of a Standard (STD.) 261 certification form by employees prior to using their own vehicle to conduct state business. This process should include an annual notification to managers/supervisors of their responsibility for ensuring the completion and updating of the form.

**Current Status:** Fully Implemented

**Estimated Implementation Date:** October 18, 2019

**Implementation Plan:**

- DHCS issued Accounting Support Bulletin 19-02 to remind employees a STD.261 is required to be on file to claim personal mileage. An annual reminder will be sent to all staff.
- This information is also located in the Vehicle Services Handbook and has been added to the Health Administrative Manual.

- DHCS will require a copy of the STD. 261 when personal mileage reimbursements are submitted.





**Financial Management Branch  
Accounting Support Bulletin #19-02  
Requirements for Travel Arrangements**

**Date:** October 18, 2019

**To:** All DHCS Employees

**From:** Financial Management Branch, Accounting

**Subject:** DHCS Policy for Travel Arrangements and Vehicle Authorizations

**Travel Arrangements**

Consistent with the Department of General Services ([DGS Management Memo 14-03](#)), and the [State Administrative Manual \(SAM\) Section 4117](#), the Department of Health Care Services (DHCS) requires all employees to book travel arrangements (airfare, hotel, commercial car rental, and rail) for official State business through the DGS Statewide Travel Program (STP), Concur Travel, or through the traditional call-in service with the CalTravelStore.

To establish a Concur Travel account, please complete and submit form Travel System Access Authorization Request ([DHCS 2365](#)) to [FMBTravelCoordinator@dhcs.ca.gov](mailto:FMBTravelCoordinator@dhcs.ca.gov). Concur Travel system users will be provided with an individual and unique user ID and password. Please allow Accounting 10 working days for processing of this request.

To use the traditional call-in service for travel reservations, or to change an existing reservation with the CalTravelStore, call 916-376-3989 or 1-877-454-8785. CalTravelStore hours are available Monday to Friday, 8:00 am to 5:00 pm. After-hour calls with the CalTravelStore can only be used during an emergency.

Effective immediately, Accounting will no longer process travel expense claims for travel booked outside of the STP, Concur Travel, or the CalTravelStore. As such, travel expense claims must be submitted with a copy of the travel itinerary provided by any of the authorized agents.

**Vehicle Authorizations**

Employees that wish to use their privately-owned vehicles to conduct State business must have an Authorization to Use Privately Owned Vehicles on State Business ([STD 261](#)) form approved and on file with his or her supervisor at the time of travel. This form certifies that the employee has met safety, insurance and driver's license requirements. Employees must renew this form annually or when a change affecting certification occurs. In addition, [SAM Section 0753](#) requires supervisors to verify that a current authorization is on-file for an employee submitting a travel expense claim for private vehicle mileage prior to approving the claim.

Effective immediately, Accounting will no longer process travel expense claims for mileage reimbursement without substantiation of compliance with this requirement. As such, employees must submit travel expense claims with a copy of their current, approved STD 261 form.

Please direct questions related to the DHCS travel policy to [FMBTravelCoordinator@dhcs.ca.gov](mailto:FMBTravelCoordinator@dhcs.ca.gov)

(New 08/19)

Employees who are required to operate vehicles on official State business are subject to the Department of Motor Vehicles, "Employer Pull Notice Program" (if duties require employee to drive as a condition of their employment) and are required to:

- Maintain a valid driver's license, current insurance, and a good driving record
- Successfully complete an approved defensive driver training course at least once every four years.
- When using a privately-owned vehicle, complete an Authorization to Use Privately-Owned Vehicle form, STD 261 certifying all liability insurance and vehicle performance requirements are met per SAM 0753.

**DEPARTMENT OF HEALTH CARE SERVICES  
(DHCS)**

**COMPLIANCE AUDIT**

**EVALUATION OF DHCS' RESPONSE**

We have reviewed the response by the Department of Health Care Services (DHCS) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken by DHCS to improve its business management functions and services.

As part of its operating duties, we are responsible for following up on audit recommendations and usually require a six-month status report on the implementation of each. However, as a result of the corrective actions taken to date and supporting documentation recently submitted, no corrective action plan, status report, nor additional support will be required and no further actions are necessary.