

Date: November 7, 2019

File No.: 9128

To: **Meredith Williams, Ph.D.**, Acting Director
California Environmental Protection Agency
Department of Toxic Substances Control
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 Department of Toxic Substances Control (DTSC). 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).

DTSC'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 taken or proposed and commitments made to address our recommendations.

As part of its operating responsibilities, the Office of Audit Services is responsible for following up on audit recommendations and will require a six-month status report on the implementation of each. Therefore, please submit the status report to us by May 7, 2020.

To the extent that it is practicable, supporting documentation should include copies of the following documents: department-wide travel notice issued related to booking travel; department-wide memo issued related to the collection and maintenance of the STD. 261; annual notice related to the completion and update of the STD. 261; revised property disposal policies and procedures; and, department-wide memo sent out to communicate proper disposal methods for surplus property.

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 sincerely appreciated the cooperation and assistance provided by DTSC's personnel.

Meredith Williams, Ph.D., Acting Director

November 7, 2019

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 Rhonda Parker, Management Auditor, at (916) 375-4590 / rhonda.parker@dgs.ca.gov.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Attachment

cc: Francesca Negri, Chief Deputy Director
Nicole Carr, Deputy Director, Administrative Services
Farrah Scheidel, Regional Administrative Manager
Kyle Sheffield, Manager, Business Services

**GOVERNMENT OPERATIONS AGENCY
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE
DEPARTMENT OF
TOXIC SUBSTANCES CONTROL**

**FOR COMPLIANCE WITH STATE
BUSINESS MANAGEMENT POLICIES
REPORT NO. 9128**

OFFICE OF AUDIT SERVICES

SEPTEMBER 2019

**DEPARTMENT OF TOXIC SUBSTANCES CONTROL
COMPLIANCE AUDIT
REPORT NO. 9128**

TABLE OF CONTENTS

	<u>PAGE</u>
AUDITOR'S REPORT.....	1
FINDINGS AND RECOMMENDATIONS.....	3
STATEWIDE TRAVEL MANAGEMENT SERVICES	3
VEHICLE AUTHORIZATIONS	4
DISPOSAL OF SURPLUS PERSONAL PROPERTY	5
CONCLUSION	5
DTSC'S RESPONSE	6
EVALUATION OF DTSC'S RESPONSE	8

STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
AUDITOR'S REPORT

DATE: November 7, 2019

TO: **Meredith Williams, Ph.D.**, Acting Director
California Environmental Protection Agency
Department of Toxic Substances Control

This report presents the results of our compliance audit of the business management functions and services of the Department of Toxic Substances Control (DTSC). 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 DTSC 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 DTSC in addressing these issues:

- DTSC is not ensuring the use of DGS' Statewide Travel Program for all components of travel, including lodging.
- DTSC'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.
- Sufficient documentation is not being maintained on the process used to dispose of surplus personal property.

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 DTSC's 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, DTSC'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. DTSC'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 sincerely appreciated the cooperation and assistance provided by DTSC's personnel.

If you need further information or assistance on this report, please contact me at (916) 376-5064, or Rhonda Parker at (916) 375-4590.

Dennis M Miras

DENNIS M MIRAS, CIA
Manager, Office of Audit Services

Staff: Rhonda Parker, Management Auditor

cc: Francesca Negri, Chief Deputy Director
Nicole Carr, Deputy Director, Administrative Services
Farrah Scheidel, Regional Administrative Manager
Kyle Sheffield, Manager, Business Services

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

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 Toxic Substances Control (DTSC) 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 reserve lodging for state business travel; the annual certification and authorization to use privately owned vehicles on state business; and, the documentation used to dispose of surplus personal property.

This information was developed based on our fieldwork conducted over the period April 5, 2019 through September 24, 2019. In addition to this written report, as findings were observed and developed during our audit fieldwork, DTSC's management was promptly advised of any areas of concern so that they could begin taking corrective action. Further, at our September 24, 2019 audit exit conference, DTSC 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 2018-19 fiscal year.

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. While the department appears to always utilize DGS' Statewide Travel Program (STP) for airfare and car rentals, our audit analyses revealed 31 (62%) of 50 employees that sought reimbursement for 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 31 employees to justify booking outside of the mandatory reservation process.

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

This condition exists primarily due to travelers being unaware of the above requirements and/or booking under the premise that they are saving the state money by reserving directly with the hotel establishment. While meaning well, these employees may actually be causing DTSC to miss out on the various travel oversight tools available (ie: electronic pre-trip approval processes) and from obtaining the most cost-effective, pre-negotiated, and leveraged travel rates offered by not utilizing STP's centralized travel management services.

Recommendation

1. Reinforce and broadcast existing travel policies and procedures to ensure that all employees required to travel on state business secure all of their travel needs through either Concur Travel or the CalTravelStore, including booking of their hotel stays. DTSC is further encouraged to work with STP whenever issues arise so that STP staff can facilitate the addition of more hotel vendors that offer state government rates.

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, at the time of our audit tests, a current STD. 261 was not available for 33 (65%) of 51 employees included in our sample tests prior to using their own vehicle on state business.

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

Additionally, DTSC's own travel policies provide that employees must have a STD. 261 form on file with their supervisor prior to using a private vehicle for travel. The STD. 261 must remain on file with the supervisor and each year the form must be verified and re-signed. Supervisors must verify that there is a current STD. 261 on file for an employee before signing a TEC in which the employee is claiming mileage. As shown by the results of our review, these policies have not been very effective.

Recommendation

2. Enforce existing policies and procedures that ensure the completion and annual update of a STD. 261 certification form by employees who use 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.

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 12 Property Survey Reports (STD. 152s) disclosed numerous instances where complete documentation was not maintained on the process used to dispose of surplus property items identified on the reports. In general, documentation was not available on which DTSC employee supervised a property items' disposal and the manner and date the disposal occurred.

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.

Recommendation

3. Implement policies and procedures which ensure that complete documentation is maintained on the status of and process used to dispose of surplus personal property.

CONCLUSION

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



Department of Toxic Substances Control



Jared Blumenfeld
Secretary for
Environmental Protection

Meredith Williams
Acting Director
1001 "I" Street
P.O. Box 806
Sacramento, California 95812-0806

Gavin Newsom
Governor

October 31, 2019

Dennis M. Miras, CIA
Manager, Office of Audit Services
Department of General Services
707 3rd Street, 8th Floor
West Sacramento, CA 95605

Dear Mr. Miras:

The Department of General Services (DGS) recently concluded a compliance audit, Report No. 9128, of the Department of Toxic Substances Control (DTSC) business management functions and services performed under the authority granted by Government Code Sections 14615 and 14619.

The report identified the following areas of non-compliance with DGS guidelines:

Audit Finding #1: DTSC is not ensuring the use of DGS' Statewide Travel Program for all components of travel, including lodging.

Audit Finding #2: DTSC'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.

Audit Finding #3: Sufficient documentation is not being maintained on the process used to dispose of surplus personal property.

DTSC agrees with the recommendations for improvement identified by DGS and has taken the following measures to improve the identified deficiencies:

Response to Audit Finding #1:

DTSC issued a department-wide travel notice to employees on August 15, 2019, to remind employees of the requirement communicated in DTSC Management Memo MM 14-03 to schedule travel and lodging reservations under DGS' Statewide Travel Program provisions. The travel memorandum states, in part, that employees are required to make all travel arrangements, including lodging, by booking travel using the CalTravelStore or the Concur travel portal.

October 31, 2019

Response to Audit Finding #2:

DTSC will issue a department-wide memorandum in November 2019 to advise and remind DTSC managers and supervisors of their annual responsibility to collect and maintain STD form 261, Authorization to Use Privately-owned Vehicles on State Business, to ensure that: 1) DTSC employees maintain liability insurance as prescribed by law; and 2) employees' personal vehicles when used for State business are adequate for the work performed, equipped with safety belts, and are in safe mechanical condition.

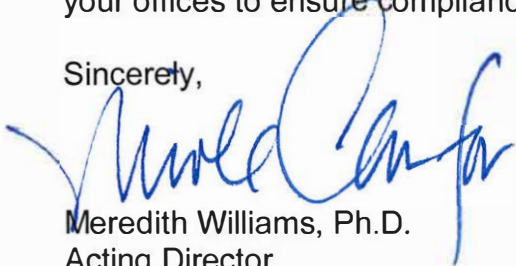
The DTSC will issue an annual notification to ensure that all employees who use their personal vehicles to conduct state business complete and annually update vehicle certification form, STD 261. DTSC's Accounting Unit will perform random monthly audits to ensure compliance and enforcement of this requirement.

Response to Audit Finding #3:

DTSC has initiated a review and revision of property disposal policies and procedures to ensure compliance with the State Administrative Manual (SAM) section 3520.9, 3520.10, and all other applicable sections. We endeavor to complete a revised procedure by January 1, 2020, for submission to CalHR for review. The DTSC also plans to issue a department-wide memorandum in December 2019 to communicate proper disposal methods for surplus state property.

The DTSC would like to thank Associate Management Auditor, Rhonda Parker for her diligent review of our business processes. We look forward to future collaboration with your offices to ensure compliance and foster ongoing process improvement.

Sincerely,



Meredith Williams, Ph.D.
Acting Director

Attachments

**DEPARTMENT OF TOXIC SUBSTANCES CONTROL
(DTSC)**

COMPLIANCE AUDIT

EVALUATION OF DTSC'S RESPONSE

We have reviewed the response by the Department of Toxic Substances Control (DTSC) to our draft report. The response to the recommendations is satisfactory and we appreciate the efforts taken or being taken by DTSC 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 the following documents: department-wide travel notice issued related to booking travel; department-wide memo issued related to the collection and maintenance of the STD. 261; annual notice related to the completion and update of the STD. 261; revised property disposal policies and procedures; and, department-wide memo sent out to communicate proper disposal methods for surplus property.