

**Date:** November 14, 2014 File No.: 3124

**To:** Selvi Stanislaus, Executive Officer  
Franchise Tax Board  
P.O. Box 115  
Sacramento, CA 95741-0115

**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 Franchise Tax Board (FTB). 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.

As noted in the report, we concluded that FTB is conducting its business management functions and services in compliance with state requirements.

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

If you have any questions, please call me at (916) 376-5058, or Andy Won, Audit Supervisor, at (916) 376-5052.



RICK GILLAM, CPA, CIA  
Chief, Office of Audit Services

Attachment

cc: Chris Beach, Chief, Administrative Services Division  
Jeanne Harriman, Director, Financial Management Bureau  
Paul Ogden, Director, Business & Human Resources Bureau  
Michael Banuelos, Director, Procurement & Asset Management Bureau  
Daniel Gonzalez, Director, Investigations Bureau  
Andrea Van Wallegghem, Director, Internal Audit Bureau

**GOVERNMENT OPERATIONS AGENCY  
DEPARTMENT OF GENERAL SERVICES**

**AUDIT OF THE  
FRANCHISE TAX BOARD**

**FOR COMPLIANCE WITH STATE  
BUSINESS MANAGEMENT POLICIES  
REPORT NO. 3124**

**OFFICE OF AUDIT SERVICES**

**MARCH 2014**

**FRANCHISE TAX BOARD  
COMPLIANCE AUDIT  
REPORT NO. 3124**

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

DATE: November 14, 2014

TO: **SELVI STANISLAUS**, Executive Officer  
Franchise Tax Board

This report presents the results of our compliance audit of the business management functions and services of the Franchise Tax Board (FTB). 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 and disabled veteran business enterprises usage, driver safety and insurance, records and forms management, surplus property and real estate. Our audit was conducted in accordance with U.S. generally accepted auditing standards.

Based on the results of our fieldwork conducted over the period June 19, 2013 through March 19, 2014, we concluded that FTB is conducting its business management functions and services in compliance with state requirements. However, we did identify a number of areas for improvement with those functions and services. These matters included our concern that business management policies and procedures were not ensuring the: (1) attendance of a defensive driver training course by frequent drivers; (2) completion and annual update of a vehicle certification form by employees who use their own vehicle to conduct state business; (3) timely reporting and supervisory review of motor vehicle accidents; (4) maintenance of complete documentation on the process used to dispose of surplus personal property; and, (5) maintenance of up-to-date records retention schedules.

Prior to the completion of our audit, we verified that appropriate actions had been or were being taken to address the above issues. Therefore, they are not further discussed in this report.

We are pleased with the prompt actions taken by FTB to address findings identified during our audit fieldwork. However, we did not perform effectiveness tests to determine whether the corrective actions were functioning as intended. FTB'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.

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 2012/13 and 2013/14 fiscal years.

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

If you need further information or assistance on this report, please contact me at (916) 376-5058, or Andy Won, Audit Supervisor, at (916) 376-5052.



RICK GILLAM, CPA, CIA  
Chief, Office of Audit Services

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cc: Chris Beach, Chief, Administrative Services Division  
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